

ITALMOBILIARE

Consolidated quarterly report
as of 31 March 2004



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Consolidated quarterly report
as of 31 March 2004

May 14, 2004

ITALMOBILIARE
Società per Azioni

Head office: via Borgonuovo, 20
20121 Milano, Italy

Share capital € 100.166.937
Milano Company Register



■ BOARD OF DIRECTORS

(term ends on approval of the financial statements at 31 December 2004)

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

■ BOARD OF STATUTORY AUDITORS

(term ends on approval of the financial statements at 31 December 2004)

Acting Auditors

| | |
|---------------|----------|
| Luigi Guatri | Chairman |
| Claudio De Re | |
| Paolo Marchi | |

Substitute Auditors

| | |
|------------------|--|
| Dino Fumagalli | |
| Eugenio Mercurio | |
| Pietro Curcio | |

| | |
|------------------------------|----------------------|
| 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 Non-executive Director

⁵ Secretary to the Executive Committee

Comments on performance and significant events during the period



As noted in previous interim reports, analysis of the figures for the first quarter should consider that they are only partial indicators of full-year performance. This is due to the seasonal nature of the Group's core business (cement) and the accounting policy for dividends of companies not consolidated on a line-by-line basis, which are recognized in the quarter in which distribution is approved.

In the first three months of 2004 the Italmobiliare Group posted net income before minority interest of 47.5 million euro and Group net income of 12.7 million euro, compared with 27.1 million euro and 10.7 million euro respectively in the first quarter of 2003.

The improvement reflected the following factors:

- higher industrial profitability and a significant improvement in net income at the Italcementi group;
- a slight slowdown in the contribution of the Sirap Gema group;
- a smaller aggregate contribution from the wholly owned financial companies, as a result of interest-rate trends and trends on the equity markets.

Performance by the main business lines was as follows:

The **Italcementi group**, Italmobiliare's chief industrial equity investment, posted net sales of 1,004.5 million euro (947.9 million euro in the three months to 31 March 2003), gross operating profit of 194.7 million euro (183.9 million euro) and operating income of 99.7 million euro (88.8 million euro).

Net income before minority interest and group net income made significant improvements, from 22.2 to 46.3 million euro and from 15.8 to 31.3 million euro respectively. This was the outcome not only of higher operating income but also of lower net financial charges, a positive balance on the results of companies valued with the equity method compared with a negative balance in first quarter 2003, and net non-recurring income compared with a net non-recurring charge in first quarter 2003.

The **Sirap Gema group** (food packaging and thermal insulation) posted net sales of 34.1 million euro and net income of 1.7 million euro in the first quarter, compared with 25.9 million euro and 1.8 million euro respectively for the first quarter to 31 March 2003.

The main **financial companies** owned directly by Italmobiliare reported the following results for the first quarter:

- Italmobiliare International Finance Ltd., which operates on the international capital markets, net income of 4.2 million euro (5.3 million euro at 31 March 2003);
- Société de Participation Financière Italmobiliare S.A., a financial holding, a loss of 2.4 million euro, compared with a loss of 1.8 million euro in first quarter 2003;
- Fincomind group, comprising Finter Bank Zürich and Finter Bank France, a loss of 0.4 million Swiss francs (net income of 0.3 million Swiss francs in first quarter 2003) arising entirely from the negative performance of Finter Bank France.



Key equity investments of the Italmobiliare parent company and its financial subsidiaries and related operations

In March of this year, following the intervention of the arbitration panel appointed to resolve the dispute, Italmobiliare agreed a final settlement with the Metso Minerals group (formerly Svedala Industri AB) on all the outstanding matters concerning the sale on 31 December 1997 of the Loro & Parisini S.p.A. equity investment. The transaction involved the company in an outlay of principal and interest totaling 2.2 million euro, but had no effect on the income statement since the entire amount had already been provided in previous years.

As authorized by the shareholders, Italmobiliare bought back 2,046 own ordinary shares during the first quarter, for the equivalent of 71.6 thousand euro.

With regard to the commitment made by the GIM voting syndicate on the proposal for a share capital increase at GIM and merger with SMI, our company has pledged to underwrite a share that will maintain its stake in the ordinary share capital at the current level (approximately 4.3%) once all operations have been completed.

Group highlights

| | (in millions of euro) | | | |
|--|---------------------------------|---------------------------------|---------------|-------------------|
| | 1 st quarter 2004 | 1 st quarter 2003 | % change | Full year 2003 |
| Net sales | 1,037.7 | 973.9 | 6.6 | 4,397.1 |
| Gross operating profit | 197.2 | 187.9 | 4.9 | 1,077.4 |
| <i>% of net sales</i> | 19.0 | 19.3 | - | 24.5 |
| Amortization, depreciation and other devaluations | 97.6 | 97.9 | -0.3 | 416.2 |
| Operating income | 99.6 | 90.0 | 10.7 | 661.2 |
| <i>% of net sales</i> | 9.6 | 9.2 | - | 15.0 |
| Financial income (charges) | (20.6) | (27.8) | 25.9 | (54.8) |
| Adjustment to asset values and non-recurring items | 10.2 | (4.2) | <i>n.s.</i> | 77.8 |
| Income before tax | 89.2 | 58.0 | 53.7 | 684.2 |
| <i>% of net sales</i> | 8.6 | 6.0 | - | 15.6 |
| Income tax | (41.7) | (30.9) | (34.9) | (242.2) |
| Income before minority interest | 47.5 | 27.1 | 75.1 | 442.0 |
| <i>% of net sales</i> | 4.6 | 2.8 | - | 10.1 |
| Minority interest | 34.8 | 16.4 | 112.2 | 273.3 |
| Group net income | 12.7 | 10.7 | 18.7 | 168.7 |
| <i>% of net sales</i> | 1.2 | 1.1 | - | 3.8 |
| Employees at period-end (heads) | 18,354 | 18,250 | 0.6 | 17,722 |
| | 31 March 2004 | 31 December 2003 | 31 March 2003 | |
| Net debt | 1,566.3 | 1,606.2 | 1,883.1 | |

n.s. = not significant



Net sales and operating results

The net sales breakdown by geographical area and business segment was as follows:

(in millions of euro)

| | 1 st quarter 2004 | 1 st quarter 2003 | Change % 2004/2003 | |
|---------------------------------------|---------------------------------|---------------------------------|--------------------|--|
| | | | published | At constant size and exchange rates |
| Geographical area | | | | |
| European Union | 796.7 | 747.7 | 6.5 | 5.7 |
| North America | 84.0 | 85.9 | -2.2 | 13.8 |
| Asia | 56.1 | 46.9 | 15.3 | 23.4 |
| Other countries and trading | 100.9 | 93.4 | 10.2 | 12.0 |
| Total | 1,037.7 | 973.9 | 6.6 | 7.9 |
| Business segment | | | | |
| Construction materials | 1,003.5 | 947.1 | 6.0 | 8.1 |
| Food packaging and thermal insulation | 34.1 | 25.9 | 31.7 | 1.3 |
| Other | 0.1 | 0.9 | -93.4 | -93.4 |
| Total | 1,037.7 | 973.9 | 6.6 | 7.9 |

The 6.6% increase in net sales in respect of first quarter 2003 arose from:

- higher sales volumes, for 7.9%;
- changes in the consolidation area, for 0.9%;
- a negative exchange-rate effect, for 2.2%.

First-quarter gross operating profit and operating income improved by 4.9% and 10.7% respectively from the 2003 first quarter. Operating income to net sales rose from 9.2% to 9.6%. These results were largely due to positive performance in the construction materials business.

The rise in the euro against the other currencies had a negative effect of 3.0 million euro on the translation of the non-Italian companies' gross operating profit figures.

Financial income and charges and other items

The balance on financial income and charges was negative at 20.6 million euro, an improvement of 7.2 million euro against the first quarter of 2003. This was due to lower net debt and smaller translation losses.

Adjustments to financial asset values were positive at 1.2 million euro compared with a negative adjustment of 3.9 million euro in first quarter 2003. The 5.1 million euro improvement was mainly due to the positive results of the companies valued with the equity method, including the Suez Cement group.

The aggregate write-down for adjustments to the book value of some equity investments was virtually unchanged, since the overall impact of market trends in the two first quarters was practically the same.

The balance on non-recurring items was positive at 9.0 million euro, thanks largely to capital gains on fixed asset disposals in the construction materials business.



Investments in fixed assets

First-quarter investments in fixed assets totaled 78.3 million euro (150 million euro in the 2003 first quarter), of which only 8.3 million euro referred to financial fixed assets (59.0 million euro in the year-earlier period).

Net debt and cash flow

Net debt at 31 March 2004 totaled 1,566.3 million euro, a decrease of 39.9 million euro compared with 31 December 2003. Cash flows from operations were satisfactory, despite a heavier net capital requirement as a result of higher business levels and payment of an EU fine by the Italcementi group, which is illustrated later in this report.

The exchange-rate effect had a negative impact of 5.1 million euro.

The net debt/equity ratio (including net floating rate subordinated securities) at 31 March 2004 was 43.3%, compared to 45.5% at 31 December 2003.

The ratio of net debt as defined above to gross operating profit was 1.48 at the end of the first quarter, against 1.53 at the end of December 2003.

The net financial position of Italmobiliare S.p.A. and its wholly owned financial subsidiaries is set out below:

(in thousands of euro)

| | 31 March 2004 | | 31 December 2003 | |
|---|----------------------|--|----------------------|--|
| | Italmobiliare S.p.A. | Consolidation Italmobiliare + financial companies* | Italmobiliare S.p.A. | Consolidation Italmobiliare + financial companies* |
| Cash, cash equivalents and current financial assets | 20,633 | 576,263 | 28,506 | 579,477 |
| Short-term financing | (376,739) | (379,623) | (377,821) | (380,707) |
| Short-term net financial position | (356,106) | 196,640 | (349,315) | 198,770 |
| Net financial position | (356,106) | 196,640 | (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



Construction materials sector

This sector includes the activities of the Italcementi group in the cement, ready mixed concrete and aggregates industry.

Group highlights

| | (in millions of euro) | | | |
|---|---------------------------------|---------------------------------|--------------|-------------------|
| | 1 st quarter 2004 | 1 st quarter 2003 | % change | Full year 2003 |
| Net sales | 1,004.5 | 947.9 | 6.0 | 4,284.7 |
| Gross operating profit | 194.7 | 183.9 | 5.9 | 1,060.9 |
| <i>% of net sales</i> | 19.4 | 19.4 | - | 24.8 |
| Amortization, depreciation and devaluation | (95.0) | (95.0) | - | (404.5) |
| Operating income | 99.7 | 88.8 | 12.2 | 656.4 |
| <i>% of net sales</i> | 9.9 | 9.4 | - | 15.3 |
| Financial income (charges) | (24.6) | (31.5) | (21.9) | (114.5) |
| Adjustments to asset values and non-recurring items | 10.9 | (5.3) | n.s. | 62.8 |
| Income before tax | 86.0 | 52.1 | 65.2 | 604.8 |
| <i>% of net sales</i> | 8.6 | 5.5 | - | 14.1 |
| Tax | (39.7) | (29.9) | 32.8 | (229.1) |
| Income before minority interest | 46.3 | 22.2 | 108.7 | 375.7 |
| <i>% of net sales</i> | 4.6 | 2.3 | - | 8.8 |
| Minority interest | (15.0) | (6.4) | 134.2 | (98.9) |
| Group net income | 31.3 | 15.8 | 98.4 | 276.8 |
| <i>% of net sales</i> | 3.1 | 1.7 | - | 6.5 |
| Employees at period-end (heads) | 17,548 | 17,608 | -0.3 | 17,102 |

| | 31 March 2004 | 31 December 2003 | 31 March 2003 |
|----------|---------------|------------------|---------------|
| Net debt | 1,754.2 | 1,797.8 | 2,057.0 |

n.s. = not significant

Among significant events during the period, in January 2004 the European Court of Justice issued its ruling on the appeal by Italcementi, Ciments Français and four other companies. All the appeals were rejected in full, with the sole exception of Ciments Français, whose fine was reduced from 13.6 million euro to 9.6 million euro. The Court confirmed the fines imposed by the European Commission on Italcementi and the other appellants. Consequently, on 31 January 2004, Italcementi paid a total sum of 43.8 million euro, including 17.0 million euro of interest. The ruling closed the dispute, since no further appeals are possible.

The Italcementi group reported larger sales volumes in all lines of business in the first quarter. This improvement, together with higher sales prices in a number of countries, produced stronger consolidated operating results, despite persistent increases in operating costs. The rise in consolidated net income was also assisted by the containment of financial charges net of financial income, largely as a result of lower net debt and smaller exchange-rate losses.



Sales volumes and internal transfers

| | Cement and clinker (millions of metric tons) | | | Aggregates* (millions of metric tons) | | | Ready mixed concrete (millions of m ³) | | |
|---------------------|---|--|---------------------|--|--|---------------------|---|--|---------------------|
| | 1 st Q 2004 | % change vs. 1 st quarter 2003 | | 1 st Q 2004 | % change vs. 1 st quarter 2003 | | 1 st Q 2004 | % change vs. 1 st quarter 2003 | |
| | | Published | At constant size | | Published | At constant size | | Published | At constant size |
| European Union | 6.1 | 4.0 | 4.0 | 12.9 | 5.6 | 6.5 | 4.2 | 5.5 | 7.6 |
| North America | 1.1 | 11.1 | 11.1 | - | - | - | - | - | - |
| Asia (1) | 2.0 | 35.5 | 32.0 | - | - | - | 0.2 | 10.6 | 10.6 |
| Other countries (2) | 1.4 | (0.8) | (0.8) | 0.5 | 36.2 | 36.2 | 0.4 | 2.6 | 2.6 |
| Trading (3) | 1.0 | 45.2 | 27.0 | - | - | - | - | - | - |
| Eliminations | (0.9) | n.s. | n.s. | - | - | - | - | - | - |
| Total | 10.8 | 9.5 | 9.0 | 13.4 | 6.2 | 7.1 | 4.8 | 5.3 | 7.1 |

* excluding outgoes on work-in-progress account

n.s. = not significant

(1) Thailand, India 50%, Kazakhstan

(2) Turkey, Bulgaria, Morocco

(3) Interbulk, Intertcom, Terminals

The first quarter of 2004 saw an appreciable rise in group sales volumes in all lines of business compared to first quarter 2003. A general improvement was also seen at geographical level, with increases on developed markets, on emerging markets, where performance was particularly strong in the Asian countries, and in trading.

In the European Union, the most significant progress was reported in France and, to a lesser extent, Italy; North America made a strong recovery.

Among the emerging countries, Thailand reported the highest increase in sales volumes.

Performance by geographical region

(area sub-consolidations)

(in millions of euro)

| | Net sales | | Gross operating profit | | Capital expenditure | |
|-----------------------------------|---------------------------|---------------------------------------|---------------------------|---------------------------------------|---------------------------|---------------------------|
| | 1 st Q 2004 | % change on 1 st Q 2003 | 1 st Q 2004 | % change on 1 st Q 2003 | 1 st Q 2004 | 1 st Q 2003 |
| | European Union | 779.3 | 5.9 | 142.5 | 2.2 | 37.4 |
| North America | 84.0 | (2.2) | 4.4 | 34.7 | 5.5 | 11.5 |
| Asia | 61.7 | 23.1 | 21.4 | 38.4 | 1.3 | 2.4 |
| Other emerging countries | 83.4 | 5.1 | 28.3 | 11.9 | 1.5 | 2.5 |
| Trading | 32.1 | 11.0 | 2.0 | 4.2 | 0.5 | 0.2 |
| Other and inter-area eliminations | (36.0) | n.s. | (3.9) | n.s. | 0.7 | 0.1 |
| Total | 1,004.5 | 6.0 | 194.7 | 5.9 | 46.9 | 53.2 |

n.s. = not significant



European Union

In **Italy**, cement consumption continued to rise in the first quarter of 2004, with trends varying from region to region. Group net sales were substantially unchanged.

Since demand is expected to continue growing in the next few months, the group concentrated most of its planned plant maintenance work in the first quarter and consequently reported lower operating results.

Consumption of ready mixed concrete was also positive in the first quarter of 2004, with a strong improvement in operating results compared to the first three months of 2003.

In **France**, group cement sales made strong progress, thanks to the upturn in demand.

The significant increase in sales volumes, accompanied by a positive price effect, led to a notable improvement in operating results at Ciments Calcia, despite higher operating costs. The first quarter's favorable meteorological conditions also assisted sales of aggregates and ready mixed concrete, which made lively progress from first quarter 2003. Operating results were well up on the year-earlier first quarter.

In **Belgium**, market demand was largely stable but imports from Germany increased; as a result, sales volumes and sales prices slackened for the cement business of Compagnie des Ciments Belges (CCB).

An even stronger slowdown occurred in sales of aggregates and ready mixed concrete.

Operating results were in line with the first quarter of 2003, thanks to good control of operating costs.

In **Spain**, cement consumption continued to grow and was higher than in the first quarter of 2003. In this context, Finanziaria y Minera again boosted sales volumes of hydraulic binders.

The upbeat market also helped sales of aggregates, while ready mixed concrete sales were slightly down, even at constant size.

Operating results were stable, despite higher costs.

Domestic cement sales at Halyps, in **Greece**, slackened after an exceptionally strong first quarter in 2003 and also as a result of poor weather. Aggregates sales also slowed, while ready mixed concrete sales rose, thanks to the strong recovery in March.

Despite higher average cement prices compared to the first quarter of 2003, the increases in operating costs caused operating results to narrow.

North America

In an upbeat economic climate, group sales volumes made a significant improvement compared with the year-earlier first quarter.

Average sales prices were supported by a favorable mix and rose in respect of the first quarter of 2003. At constant exchange rates, net sales rose by 13.8%; the depreciation of the US dollar caused a 2.2% decline in net sales translated into euro.

The improvement in operating results was offset in part by higher production costs and a negative exchange-rate effect.



Asia

The dynamic trend in cement consumption in **Thailand** continued. The group's cement business made a powerful advance from the first quarter of 2003, an improvement amplified by a strong increase in exports.

Operating results were well up, and also benefited from the strong rise in sales prices and the overall containment of operating costs. Performance in ready mixed concrete was again supported by significant investments, for example Bangkok airport, and reported an important improvement.

In **India**, the group reported significant year-on-year growth in cement and clinker sales volumes in the first quarter.

As a consequence, net sales rose, despite the slight drop in sales prices caused by surplus production capacity.

Operating results were down, largely as a result of higher costs for raw materials and maintenance.

In **Kazakhstan** demand is very much slower in the winter season. Nonetheless, Shymkent Cement reported larger sales volumes and operating results compared to the year-earlier first quarter, thanks in part to higher sales prices and more efficient fuel consumption.

Other emerging countries

In **Bulgaria**, the upbeat mood on the cement market at the end of 2003 continued in the first quarter of 2004.

The group's domestic cement sales volumes made strong progress from first quarter 2003, although exports declined significantly.

Operating results made good progress, thanks to the larger proportion of domestic sales, which are more remunerative.

In **Turkey**, despite adverse weather, group cement sales volumes made a strong improvement, with exports playing an important role.

The group's albeit modest aggregates business reported significant growth, while sales volumes of ready mixed concrete declined slightly. The strong rise in cement sales prices was a significant factor in the overall improvement in net sales and operating results.

In **Morocco**, where demand remained very lively, Ciments du Maroc increased domestic cement sales, but reported a significant reduction in exports.

The group made strong progress in the ready mixed concrete and aggregates sectors, and opened a new quarry.

Overall net sales decreased, due to the introduction of a "solidarity tax" per metric ton of cement sold; in terms of operating results, this was offset in part by a reduction in electricity prices and fuel import tax.

First-quarter operating results were comparable to those of the year-earlier first quarter.



In **Egypt**, the difficult economic climate blunted demand on the cement market. This downturn was reflected in a similar slowdown in domestic sales at Suez Cement Co. The company's net sales, in Egyptian lira and also in euro, made a strong improvement thanks to significant increases in domestic sales prices and to higher exports. Operating results made significant progress, benefiting in part from the containment of operating costs.

Full-year outlook

The strong performance reported in the first quarter of the year, with generally favorable meteorological conditions, confirms the projections in the Annual Report for a positive evolution in group activities in 2004, although operating costs will rise.

While the upward trend in the first quarter cannot be extrapolated to the full year, it strengthens expectations that 2004 earnings will be at least in line with 2003, before non-recurring items and further significant exchange-rate effects.

Food packaging and thermal insulation sector

The Group is present in the food packaging and thermal insulation sectors through Sirap Gema S.p.A. and its subsidiary companies.

Key consolidated figures for the Sirap Gema group are set out below.

The first quarter of 2004 was the first period to include the companies in the Petruzalek group acquired in December 2003, which were consolidated on a line-by-line basis. Therefore, there is no uniform basis for comparison with the figures for the year-earlier first quarter.

| | (in millions of euro) | | | |
|---------------------------------|---------------------------------|---------------------------------|-------------|-------------------|
| | 1 st quarter 2004 | 1 st quarter 2003 | % change | Full year 2003 |
| Net sales | 34.1 | 25.9 | 8.2 | 111.6 |
| Gross operating profit | 5.2 | 5.9 | -0.7 | 23.9 |
| <i>% of net sales</i> | 15.2 | 22.8 | - | 21.4 |
| Operating income | 3.2 | 4.0 | -0.8 | 15.8 |
| <i>% of net sales</i> | 9.4 | 15.4 | - | 14.2 |
| Financial income (charges) | (0.3) | (0.4) | 0.1 | (1.3) |
| Non-recurring income (charges) | 0.2 | (0.1) | 0.3 | (0.4) |
| Income tax | (1.4) | (1.7) | 0.3 | (5.2) |
| Net income | 1.7 | 1.8 | -0.1 | 8.9 |
| Employees at period-end (heads) | 746 | 583 | 28.0 | 560 |

| | 31 March 2004 | 31 December 2003 | % change | 31 March 2003 |
|----------|---------------|------------------|----------|---------------|
| Net debt | 34.9 | 32.9 | -2.0 | 33.6 |



The reduction in operating results in the first quarter despite higher sales volumes arose from significant increases in polymer prices and an appreciable decrease in sales prices as competitive pressures intensified.

The downturn in the income ratios was due in part to the change in the composition of the group with the entry of trading companies (Petruzalek group), whose net sales/cost ratio is structurally significantly lower than that on industrial operations.

Net income in the first quarter was substantially stable, thanks to lower tax and financial charges and the increase in net non-recurring income.

During the first quarter, Belgium's Sirap Gema International S.A., which no longer operates, was put into liquidation.

Performance by business and geographical area

| | Net sales | | Gross Operating Profit | | Investments | | Personnel | |
|-----------------------|-----------------|------------------|------------------------|-------------------|-----------------|-----------------|-----------------|-----------------|
| | YTD 03.31.04 | %change 03/04 | YTD 03.31.04 | % change 03/04 | YTD 03.31.04 | YTD 03.31.03 | YTD 03.31.04 | YTD 03.31.03 |
| Food packaging | 24.8 | 47.6 | 4.0 | -11.1 | 2.3 | 0.3 | 609 | 441 |
| - Italy | 10.8 | -0.9 | 2.6 | -23.5 | 1.5 | 0.2 | 305 | 326 |
| - France | 6.1 | 3.4 | 1.0 | -9.1 | 0.7 | 0.1 | 115 | 115 |
| - Austria/East Europe | 7.9 | - | 0.4 | - | 0.1 | - | 189 | - |
| Thermal insulation | 9.3 | 2.2 | 1.2 | -14.3 | 0.2 | 0.2 | 137 | 142 |
| Total | 34.1 | 31.7 | 5.2 | -11.9 | 2.5 | 0.5 | 746 | 583 |

Food Packaging

Meat consumption in Italy and France in the first quarter of 2004 was weak, a trend that strengthened competition.

This heightened pressure on sales prices in both markets, especially in France.

Despite these difficulties, Sirap Gema's net sales were substantially unchanged in both areas thanks to higher sales to key customers and a shift in the sales mix toward technically advanced products.

Margins, already squeezed by higher raw material prices, especially in Italy, decreased, although this was offset in part by the positive contribution of the Petruzalek group (as noted above, the change in the group structure was a factor in the variances in percentage results).

Thermal Insulation

Demand in the first quarter was largely unchanged in all segments, with a slight upturn in non-residential public building. However, a general decrease occurred in sales prices due to surplus supply.

Sirap Gema reported a moderate improvement in net sales by strengthening sales volumes to existing customers and acquiring a number of important orders; these factors more than made up for the reduction in prices.

Conversely, gross operating profit declined slightly, in part due to increased raw material prices.



Significant events after the first quarter

With regard to the contractual term for the acquisition of the Petruzalek group, the auditors recently drew up the requisite documentation, for 2003, for the price adjustment, which should be in favor of Sirap Gema.

Full-year outlook

Subject to currently unforeseeable events, the group expects to report very positive results, although strong pressures on the raw materials market and the generally negative trend in sales prices will undercut margins compared with 2003.

Financial sector

Italmobiliare International Finance Limited (Dublin)

The company's main financial figures for the first quarters of 2004 and 2003 are set out below.

(in millions of euro)

| | 1 st quarter 2004 | 1 st quarter 2003 | Change on 1 st quarter 2003 | Full year 2003 |
|--|---------------------------------|---------------------------------|---|-------------------|
| Net financial income | 4.5 | 6.0 | (1.5) | 23.5 |
| Value adjustments | 0.5 | 0.1 | 0.4 | (1.6) |
| Operating costs, amortization and depreciation | (0.3) | (0.2) | (0.1) | (0.9) |
| Net income | 4.2 | 5.3 | (1.1) | 18.9 |

| | 31 March 2004 | 31 December 2003 | Change on 31 December 2003 | 31 March 2003 |
|------------------------|---------------|------------------|-------------------------------|---------------|
| Shareholders' equity | 584.0 | 579.8 | 4.2 | 566.2 |
| Net financial position | 555.9 | 571.8 | (15.9) | 557.9 |

Net income for the three months to 31 March 2004 was 4.2 million euro, against 5.3 million euro in the year-earlier first quarter.

The downturn was due to lower interest rates, which had a negative impact on yields on the company's floating-rate securities portfolio; the positive effect of lower interest rates had only a minimal impact on fixed-rate securities, and otherwise increased unrealized gains on these securities.

The net financial position at 31 March 2004 decreased to 555.9 million euro, from 571.8 million euro at 31 December 2003. This downturn arose as a result of first-quarter investments in funds of hedge funds, which, for 20 million euro, did not qualify for inclusion in the net financial position.

Interest-rate trends and the absence of positive events similar to those of last year indicate that the full-year result will be down on 2003.



Fincomind Group (Zürich)

The consolidated figures are set out below:

(in millions of Swiss francs)

| | 1 st quarter 2004 | 1 st quarter 2003 | Change on 1 st quarter 2003 | Full year 2003 |
|------------------------|---------------------------------|---------------------------------|---|-------------------|
| Net interest income | 2.0 | 2.3 | -0.3 | 8.6 |
| Net commissions | 10.9 | 9.2 | 1.7 | 40.4 |
| Trading income | 2.2 | 2.3 | -0.1 | 9.2 |
| Gross operating profit | 2.4 | 1.3 | 1.1 | 1.1 |
| Income before tax | 0.1 | 0.6 | -0.5 | (0.7) |
| Net income | (0.4) | 0.3 | -0.7 | (1.8) |

The financial market recovery of 2003 continued in the first quarter of 2004, benefiting operations and profitability in asset management and assets under administration at Finter Bank Zürich.

The first-quarter income statement shows improvements in the main income items for the asset management business, which was a key factor in the group's first-quarter consolidated net income of 2.3 million Swiss francs, an increase of 1.7 million Swiss francs compared with the year-earlier first quarter.

Assets under management totaled 4.9 billion Swiss francs at 31 March 2004, compared with 4.7 billion Swiss francs at 31 March 2003.

The operating difficulties and losses at Finter Bank France continued. The plans for the sale of the bank were unable to proceed because the buyer did not obtain approval from the French authorities; therefore, newly appointed chairman of the governing body is assessing the possible developments that can realistically be expected in the immediate future.

In view of its evident and objective difficulties, the bank has decided to make provision for a series of charges that can already be reliably estimated to deal with the situation.

For these reasons, the Fincomind group posted a consolidated net loss of 0.4 million Swiss francs in the first quarter, compared with net income of 0.3 million Swiss francs for the first three months to 31 March 2003.



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

The company's main reclassified financial figures for the first quarters of 2004 and 2003 are set out below.

(in millions of euro)

| | 1 st quarter 2004 | 1 st quarter 2003 | Change on 1 st quarter 2003 | Full year 2003 |
|--|---------------------------------|---------------------------------|---|-------------------|
| Net financial income | 1,4 | 0,1 | 1,3 | 22,7 |
| Value adjustments | (3,8) | (1,8) | (2,0) | 12,8 |
| Operating costs, amortization and depreciation | (0,1) | (0,1) | - | (0,2) |
| Net income | (2,4) | (1,8) | (0,6) | 35,4 |

| | 31 March 2004 | 31 December 2003 | Change on 31 December 2003 | 31 March 2003 |
|------------------------|---------------|------------------|-------------------------------|---------------|
| Shareholders' equity | 133,0 | 135,4 | (2,4) | 139,4 |
| Net financial position | 15,0 | (5,9) | 20,9 | 8,2 |

The company posted a net loss of 2.4 million euro in the first quarter of 2004, compared with a net loss of 1.8 million euro in the year-earlier first quarter.

The result reflected write-downs on a number of listed investments in the equity portfolio to reflect market values. These adjustments were larger than those applied in first quarter 2003 and were set off only in part by the increase in net financial income as a result of capital gains on the sale of shares.

The net financial position was positive at 15 million euro, compared with net debt of 5.9 million euro at the end of 2003.

The full-year result will depend on stock market trends, which are difficult to forecast in view of the current uncertain climate.

Dealings with related parties

No atypical or unusual transactions took place during the period under review with regard to the Italmobiliare Group's dealings with related parties.

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

- subsidiary companies valued with the equity method or stated at cost;
- associated companies.

Among the companies in the construction business, dealings with related parties reflect the 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 "administrative service" for some associated companies, which is regulated on the basis of the costs arising from performance of the service.



Dealings with other related parties involved:

- administrative, financial, contract and tax consultancy services, and assistance in the organization of corporate restructurings, provided to the Italcementi group by Finsise S.p.A., a company of which Italo Lucchini, an Italmobiliare Director, is chief executive and majority shareholder;
- legal and paralegal assistance provided to Italmobiliare and Group companies by the professional associate studio Casella –Minoli, of which Italmobiliare Director Luca Minoli is an associate, and paralegal assistance provided by Giorgio Bonomi, an Italmobiliare Director.

All dealings with related parties, whether relating to the exchange of goods/services or to financial transactions, are governed by normal market conditions.

Significant events after the first quarter of 2004

On 23 April 2004 the shareholders of Cartiere Burgo S.p.A. approved a share capital increase for 49.2 million euro, as well as a share premium of 92.7 million euro, reserved for Holding Gruppo Marchi S.p.A. As a result, Holding Gruppo Marchi will own 48.3% of Cartiere Burgo, while the Italmobiliare Group's stake, held through Société de Participation Financière S.A., will decrease from 15.4% to 11.7%.

As part of support for its investee companies, Italmobiliare had provided a series of sureties to banks on behalf of Gesvim S.r.l. (in which the Group has a 50% interest). Following the business difficulties of Gesvim and the impossibility of the other partner, which is in bankruptcy proceedings, to meet Gesvim's financial commitments, the lender banks asked the guarantors to cover the amounts for which they were liable. The amount paid by Italmobiliare was 6.2 million euro (equivalent to 50% of Gesvim's total debt). The payment will have no impact on Italmobiliare income since sufficient provision had already been made to cover possible liabilities arising on the sureties.



Full-year outlook

The continuing uncertainty of the world political and economic scenario has not caused any substantial changes in the 2004 full-year projections formulated at the end of March, which are set out below.

The healthy recovery in North America and the sustained growth of the Asian countries is offset by stagnation in Europe.

Operating performance projections may be summarized as follows:

industrial sector

- in the construction sector, a possible upturn is expected in operations, accompanied, nonetheless, by sharp rises in operating costs, notably for energy, raw materials and transport. On-going programs to improve industrial efficiency may enable the sector to post results comparable to those of 2003, save for non-recurring items and new exchange-rate effects that are difficult to predict at present;
- in the food packaging and thermal insulation sector, operating results are expected to be in line with those of 2003;

financial sector

the financial sector is subject to the political and economic uncertainties mentioned above, which could have negative repercussions on the value of trading shares, which, in 2003, made significant gains and upward revaluations.

For the current year, non-recurring income is not expected to reach a level similar to 2003; consolidated net income is therefore likely to be lower than 2003 net income.

■ Consolidated financial
statements

Consolidated financial statements

(In thousands of euro)

| | 1 st quarter 2004 | % | 1 st quarter 2003 | % | Changes | % | Full Year 2003 | % |
|--|---------------------------------|--------------|---------------------------------|--------------|-----------------|--------------|-------------------|--------------|
| Net sales | 1,037,669 | 100.0 | 973,873 | 100.0 | 63,796 | 6.6 | 4,397,103 | 100 |
| Change in inventories | 7,716 | 0.7 | 8,386 | 0.9 | (670) | -8.0 | 12,472 | 0.3 |
| Increase in internal work | 4,016 | 0.4 | 4,284 | 0.4 | (268) | -6.3 | 15,009 | 0.3 |
| Other operating income | 10,726 | 1.0 | 9,163 | 0.9 | 1,563 | 17.1 | 41,007 | 1.0 |
| Net Sales and Other Operating Income | 1,060,127 | 102.1 | 995,706 | 102.2 | 64,421 | 6.5 | 4,465,591 | 101.6 |
| Raw, ancillary and consumable materials and supplies | (282,691) | -27.2 | (260,701) | -26.8 | (21,990) | 8.4 | (1,138,081) | -25.9 |
| Services | (360,787) | -34.8 | (330,096) | -33.9 | (30,691) | 9.3 | (1,382,172) | -31.4 |
| Other operating costs | (28,314) | -2.7 | (26,349) | -2.6 | (1,965) | 7.5 | (108,220) | -2.5 |
| Added Value | 388,335 | 37.4 | 378,560 | 38.9 | 9,775 | 2.6 | 1,837,118 | 41.8 |
| Personnel expenses | (185,100) | -17.8 | (185,754) | -19.1 | 654 | -0.4 | (731,052) | -16.6 |
| Provisions and write-downs | (6,078) | -0.6 | (4,947) | -0.5 | (1,131) | 22.9 | (28,630) | -0.7 |
| Gross Operating Profit | 197,157 | 19.0 | 187,859 | 19.3 | 9,298 | 4.9 | 1,077,436 | 24.5 |
| Amortization, depreciation and devaluation | (97,597) | -9.4 | (97,822) | -10.1 | 225 | -0.2 | (416,268) | -9.5 |
| Operating Income | 99,560 | 9.6 | 90,037 | 9.2 | 9,523 | 10.6 | 661,168 | 15.0 |
| Financial income and charges | (20,641) | -2.0 | (27,778) | -2.9 | 7,137 | -25.7 | (54,757) | -1.2 |
| Adjustments to asset values | 1,168 | 0.1 | (3,930) | -0.3 | 5,098 | -129.7 | 15,962 | 0.4 |
| Non-recurring income and charges | 9,072 | 0.9 | (315) | 0.0 | 9,387 | n.s. | 61,772 | 1.4 |
| Income before tax | 89,159 | 8.6 | 58,014 | 6.0 | 31,145 | 53.7 | 684,145 | 15.6 |
| Income tax | (41,657) | -4.0 | (30,881) | -3.2 | (10,776) | 34.9 | (242,173) | -5.5 |
| Income before minority interest | 47,502 | 4.6 | 27,133 | 2.8 | 20,369 | 75.1 | 441,972 | 10.1 |
| Minority interest | 34,775 | 3.4 | 16,414 | 1.7 | 18,361 | 111.9 | 273,300 | 6.3 |
| Group net income | 12,727 | 1.2 | 10,719 | 1.1 | 2,008 | 18.7 | 168,672 | 3.8 |
| Cash flow (income + amortization and depreciation) | 145,099 | 14.0 | 124,955 | 12.9 | 20,144 | 16.1 | 858,240 | 19.6 |
| Investments in fixed assets | 78,296 | | 150,028 | | (71,732) | -47.8 | 399,682 | |

n.s. = not significant

| Net debt (liquidity) | 31 March 2004 | 31 December 2003 | Changes | % |
|---|------------------|---------------------|-----------------|-------------|
| Cash, cash equivalents and current financial assets | (853,795) | (823,732) | (30,063) | 3.6 |
| Short-term financing | 976,588 | 1,029,217 | (52,629) | -5.1 |
| Medium/long-term financial assets | (482) | (8,121) | 7,639 | -94.1 |
| Medium/long-term financing | 1,443,992 | 1,408,830 | 35,162 | 2.5 |
| Net debt | 1,566,303 | 1,606,194 | (39,891) | -2.5 |
| Net floating rate subordinated securities | 44,177 | 51,194 | (7,017) | -13.7 |
| Net debt + net Frss | 1,610,480 | 1,657,388 | (46,908) | -2.8 |
| Total shareholders' equity | 3,721,831 | 3,638,708 | 83,123 | 2.3 |



Foreword

The consolidated accounting schedules at 31 March 2004 have been drawn up pursuant to art. 82 of the CONSOB regulation adopted with resolution no. 11971 of 14 May 1999. The amounts in the accounting schedules, tables and explanatory and supplementary notes in this Quarterly Report are presented in thousands of euro, unless otherwise indicated.

Basis of presentation

The consolidated accounting schedules have been drawn up on the basis of the accounts at 31 March 2004 provided by the consolidated companies, adjusted where necessary to ensure alignment with the Group's classification criteria and accounting policies. They adopt the valuation criteria and consolidation principles used to draw up the 2003 consolidated financial statements.

Consolidation area

The main changes in the consolidation area compared with the perimeter of the income statement for the year-earlier first quarter were the inclusion of the following companies:

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

- on a line-by-line basis:

Bravobus S.r.l. (Italy), IPTP Corporation (Usa), Naga Property Co. (Thailand), Shymkent Cement (Kazakhstan)*, Bétons de Torcy (France), Béton Contrôle de l'Entreprise (France)*, Vermeulen Béton Holding (France)*, Béton Contrôle de l'Entreprise Amiens Picardie (France)*, Synergy Sa.r.l. (France)*, Axim Maroc (Morocco)*;

- on a proportionate basis:

Santes Béton S.a.r.l. at 50%*;

- on an equity basis:

2003897 Ontario Inc. (Canada), IM Scott Holdings Limited (Canada), 3092 - 0631 Quebec Inc. (Canada), ST-Basile Transport Inc. (Canada), Beton du Cap Inc. (Canada), To Ready Mix Ltd (Canada), 1475544 Ontario Inc. (Canada), Innocon Partnership Inc. (Canada);

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

- on an equity basis:

Prati Fioriti S.r.l. (Italy);

* Change in respect of 31 December 2003



- **Merged companies:**

- with Halyps Building Materials S.A. (Greece)
Ammors East S.A. (Greece);

- with Speedybeton S.p.A. (Italy)
Progecal S.p.A. (Italy);

- with Cemencal S.p.A. (Italy)
Cavacem S.r.l. (Italy).

The Petruzalek group (Austria), which was consolidated with the equity method in 2003, has been consolidated on a line-by-line basis since 1 January 2004.

The above changes in the consolidation area did not have a significant impact on the consolidated financial statements as a whole.



Currency translations

The results of operations of non-Italian subsidiaries consolidated with the line-by-line or proportionate methods 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 31 March 2004 for balance-sheet items and the average rate for the first three months of 2004 for income-statement items.

Specifically:

| Currency | (local currency to euro) | | | | | |
|---------------------|--------------------------|---------------------|--------------|-----------------|-----------------|------------------|
| | Average rate | | | Period-end rate | | |
| | 1Q 2004 | Full year 1 2003 | Q 31 2003 | March 2004 | 31 Dec. 2003 | 31 March 2003 |
| US dollar | 1.24973 | 1.13116 | 1.07314 | 1.22240 | 1.26300 | 1.08950 |
| Pound sterling | 0.67987 | 0.69199 | 0.66961 | 0.66590 | 0.70480 | 0.68960 |
| Swiss franc | 1.56859 | 1.52120 | 1.46623 | 1.55940 | 1.55790 | 1.47650 |
| Thai baht | 48.99432 | 46.89827 | 45.91053 | 48.14290 | 50.01400 | 46.68130 |
| Moroccan dirham | 11.02705 | 10.81191 | 10.69883 | 10.96220 | 11.10890 | 108.14900 |
| Canadian dollar | 1.64809 | 1.58168 | 1.62032 | 1.59790 | 1.62340 | 1.60370 |
| Albanian lek | 132.05277 | 136.71495 | 139.49979 | 129.70800 | 133.94100 | 140.10700 |
| Egyptian lira | 5.64563 | 6.61568 | 5.64563 | 6.22112 | 7.70439 | 6.22112 |
| Turkish lira | 1,660,285.23 | 1,686,291.87 | 1,765,000.40 | 1,599,769.00 | 1,745,072.00 | 1,833,254.00 |
| Mauritanian ouguiya | 319.98252 | 299.12391 | 283.27673 | 314.42400 | 324.59100 | 289.11400 |
| Indian rupee | 56.51373 | 53.05255 | 52.12202 | 53.45180 | 57.58200 | 53.34380 |
| Sri Lankan rupee | 122.58713 | 111.87306 | 105.90208 | 118.75700 | 124.55300 | 108.14900 |
| Cypriot pound | 0.58615 | 0.58409 | 0.58001 | 0.58620 | 0.58637 | 0.58404 |
| Bosnian mark | 1.95583 | 1.95583 | 1.95583 | 1.95583 | 1.95583 | 1.95583 |
| Bulgarian leva | 1.95583 | 1.95583 | 1.95583 | 1.95583 | 1.95583 | 1.95583 |
| Czech crown | 32.85973 | 31.84587 | | 32.83300 | 32.41000 | |
| Slovak crown | 40.55580 | 41.48890 | | 40.11500 | 41.17000 | |
| Serbian dinar | 70.22770 | 68.21700 | | 69.96050 | 68.35630 | |
| Hungarian forint | 260.00500 | 253.61800 | | 249.25000 | 262.50000 | |
| Ukrainian hryvnia | 6.66428 | 6.02710 | | 6.51905 | 6.73431 | |
| Croat kuna | 7.59592 | 7.55721 | | 7.47291 | 7.64964 | |
| Romanian lei | 40,549.60 | 37,550.60 | | 40,963.00 | 41,158.00 | |
| Slovenian tolar | 237.64800 | 233.84800 | | 238.38000 | 236.70000 | |
| Kazakhstan tange | | 174.58502 | | 169.67200 | | |



Net sales

Net sales totaled 1,037,669 thousand euro (973,873 thousand euro in the first quarter of 2003), as follows:

| | 1 st quarter 2004 | 1 st quarter 2003 | (in thousands of euro) | |
|-------------------------------|---------------------------------|---------------------------------|------------------------|------------|
| | | | Change | |
| | | | Amount | % |
| Product sales in Italy | 337,961 | 329,741 | 8,220 | 2.5 |
| Product sales outside Italy | 667,392 | 618,719 | 48,673 | 7.9 |
| Services in Italy | 15,042 | 13,433 | 1,609 | 12.0 |
| Services outside Italy | 11,066 | 10,074 | 992 | 9.8 |
| Other net sales in Italy | 1,337 | 1,009 | 328 | 32.5 |
| Other net sales outside Italy | 4,871 | 897 | 3,974 | 443.0 |
| Total | 1,037,669 | 973,873 | 63,796 | 6.6 |

The net sales breakdown by business sector and geographical area is provided in the section "Comments on performance".

Raw, ancillary and consumable materials and supplies

Costs for these items totaled 282,691 thousand euro (260,701 thousand euro in the first quarter of 2003), as follows:

| | 1 st quarter 2004 | 1 st quarter 2003 | Change | |
|---|---------------------------------|---------------------------------|---------------|------------|
| | | | Amount | % |
| | | | | |
| Raw materials and semi-finished goods | 131,977 | 121,530 | 10,447 | 8.6 |
| Fuel | 54,712 | 54,573 | 139 | 0.3 |
| Packaging, materials and machinery | 64,796 | 64,057 | 739 | 1.2 |
| Finished goods | 35,188 | 23,652 | 11,536 | 48.8 |
| Change in inventories of raw materials, consumables and other | (3,982) | (3,111) | (871) | 28.0 |
| Total | 282,691 | 260,701 | 21,990 | 8.4 |



Services

The cost of services amounted to 360,787 thousand euro (330,096 thousand euro in the first quarter of 2003), as follows:

| | 1 st quarter 2004 | 1 st quarter 2003 | Change | |
|--|---------------------------------|---------------------------------|---------------|------------|
| | | | Amount | % |
| Electricity, water, gas | 70,854 | 65,448 | 5,406 | 8.3 |
| Maintenance | 104,294 | 94,330 | 9,964 | 10.6 |
| Transport | 105,159 | 93,617 | 11,542 | 12.3 |
| Consultancy fees | 13,720 | 13,735 | (15) | -0.1 |
| Insurance | 9,961 | 9,087 | 874 | 9.6 |
| Use of third-party assets | 20,055 | 19,888 | 167 | 0.8 |
| Other commercial, industrial and administrative expenses | 36,744 | 33,991 | 2,753 | 8.1 |
| Total | 360,787 | 330,096 | 30,691 | 9.3 |

Other operating costs

Other operating costs totaled 28,314 thousand euro (26,349 thousand euro in the first quarter of 2003), as follows:

| | 1 st quarter 2004 | 1 st quarter 2003 | Change | |
|---------------|---------------------------------|---------------------------------|--------------|------------|
| | | | Amount | % |
| Subscriptions | 2,557 | 2,437 | 120 | 4.9 |
| Other taxes | 16,810 | 14,880 | 1,930 | 13.0 |
| Other costs | 8,947 | 9,032 | (85) | -0.9 |
| Total | 28,314 | 26,349 | 1,965 | 7.5 |



Personnel expenses

Personnel expenses totaled 185,100 thousand euro (185,754 thousand euro in the first quarter of 2003), as follows:

| | 1 st quarter 2004 | 1 st quarter 2003 | (in thousands of euro) | |
|----------------------------------|---------------------------------|---------------------------------|------------------------|-------------|
| | | | Change | |
| | | | Amount | % |
| Wages and salaries | 129,579 | 128,634 | 945 | 0.7 |
| Social security contributions | 47,040 | 49,790 | (2,750) | -5.5 |
| Employees' leaving entitlements | 3,896 | 4,968 | (1,072) | -21.6 |
| Pensions and similar obligations | 4,585 | 2,362 | 2,223 | 94.1 |
| Total | 185,100 | 185,754 | (654) | -0.4 |

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

| | (heads) | | |
|-----------------------------|---------------------------------|---------------------------------|-------------------|
| | 1 st quarter 2004 | 1 st quarter 2003 | Full year 2003 |
| Employees at period-end | 18,354 | 18,250 | 17,722 |
| Average number of employees | 18,304 | 18,332 | 18,159 |

Provisions and write-downs

The total amount of 6,078 thousand euro (4,947 thousand euro in the first quarter of 2003) reflects the provision for bad debts of 3,731 thousand euro (3,113 thousand in the first quarter of 2003) and other provisions for 2,347 thousand euro (1,834 thousand in the first quarter of 2003).

Amortization, depreciation and devaluation

The overall total of 97,597 thousand euro (97,822 thousand euro in the first quarter of 2003) reflects amortization of intangible assets for 21,766 thousand euro (23,543 thousand euro in the first quarter of 2003) and depreciation of tangible assets for 75,831 thousand euro (74,279 thousand euro in the first quarter of 2003).



Financial income and charges

The net amount of –20,641 thousand euro (–27,778 thousand euro in the first quarter of 2003) arose as follows:

| | (in thousands of euro) | | | |
|--|---------------------------------|---------------------------------|--------------|--------------|
| | 1 st quarter 2004 | 1 st quarter 2003 | Change | |
| | | | Amount | % |
| Income and gains from equity investments | 63 | 94 | (31) | -33.0 |
| Interest income and financial income | 15,106 | 16,298 | (1,192) | -7.3 |
| Interest expense and financial charges | (35,585) | (42,391) | 6,806 | -16.1 |
| Net translation differences | (225) | (1,779) | 1,554 | -87.4 |
| Total | (20,641) | (27,778) | 7,137 | -25.7 |

Adjustments to financial asset values

The net adjustment at 31 March 2004 was 1,168 thousand euro (-3,930 thousand euro for the first quarter of 2003). This reflected net income from companies valued with the equity method for 3,733 thousand euro (-1,368 thousand euro for the first quarter of 2003), including 3.6 million euro for the Suez Cement group (Egypt), charges for write-downs on equity investments, other financial fixed assets and securities held for trading totaling 3,248 thousand euro (4,905 thousand euro in the first quarter of 2003) and income of 683 thousand euro (2,343 thousand euro in the first quarter of 2003) for reinstatements and upward revaluation of securities.

Non-recurring income (charges)

At 31 March 2004, the Group had non-recurring income, net of non-recurring charges, of 9.1 million euro (-0.3 million euro). This included net capital gains of 6.3 million euro from the disposal of fixed assets.

Income tax

The income tax charge for the first quarter was 41,657 thousand euro (30,881 thousand euro for the first quarter of 2003), as follows:

| | 1 st quarter 2004 | 1 st quarter 2003 | Change | |
|--------------|---------------------------------|---------------------------------|---------------|-------------|
| | | | Amount | % |
| Current tax | 36,934 | 25,887 | 11,047 | 42.7 |
| Deferred tax | 4,723 | 4,994 | (271) | -5.4 |
| Total | 41,657 | 30,881 | 10,776 | 34.9 |



Investments in fixed assets

Investments in fixed assets for the first quarter to 31 March 2004 totaled 78.3 million euro (150 million euro for the first quarter of 2003), as follows:

| | (in millions of euro) | | | |
|--|---------------------------------|---------------------------------|---------------|--------------|
| | 1 st quarter 2004 | 1 st quarter 2003 | Change | |
| | | | Amount | % |
| Intangible assets | 6.0 | 2.7 | 3.3 | 122.2 |
| Tangible assets | 49.4 | 55.0 | (5.6) | -10.2 |
| Financial assets | 8.3 | 59.0 | (50.7) | -85.9 |
| Change in payables for fixed asset purchases | 14.6 | 33.3 | (18.7) | -56.2 |
| Total | 78.3 | 150.0 | (71.7) | -47.8 |

Investments of 8.3 million euro in financial assets included 7.1 million euro for acquisitions of French companies active in ready mixed concrete.

Net debt

Net debt at 31 March 2004 totaled 1,566,303 thousand euro (1,606,194 thousand euro at 31 December 2003). It consisted of gross financial payables for 2,420,580 thousand euro and medium/long-term financial assets and cash and current financial assets for 854,277 thousand euro.

"Gross financial payables" of 2,240,580 thousand euro (2,438,047 thousand euro at 31 December 2003) consisted of short-term financing of 976,588 thousand euro (1,029,217 thousand euro at 31 December 2003) and medium/long-term financing for 1,443,992 thousand euro (1,408,830 thousand euro at 31 December 2003).

The decrease of 39,891 thousand euro in respect of 31 December 2003 was as follows:

| | (in thousands of euro) | |
|--|--|--|
| | Change in respect of 31 December 2003 | |
| Cash and current financial assets | (30,063) | |
| Short-term financing | (52,629) | |
| Change in short-term net debt | (82,692) | |
| Medium/long-term assets | 7,639 | |
| Medium/long-term financing | 35,162 | |
| Change in medium/long-term net debt | 42,801 | |
| Change in total net debt | (39,891) | |

The decrease was the net result of :

- financial inflows from operations for 91.2 million euro;
- total investments for 78.3 million euro;
- disposals for 7.0 million euro;
- other net movements for 20.0 million euro.