

BOARD OF DIRECTORS EXAMINES 2005 HALF-YEAR RESULTS

NET INCOME STEADY AT 250 MILLION EURO, EQUITY AT MORE THAN 5 BILLION EURO

ITALMOBILIARE GROUP

- **NET INCOME BEFORE MINORITY INTEREST: 250.4 MILLION EURO (-0.1%)**
- **GROUP NET INCOME: 94.6 MILLION EURO (+1.8%)**
- **CASH FLOW: 422.3 MILLION EURO (+4.1%)**
- **NET DEBT: 1,817.7 MILLION EURO (1,470.3 AT 1 JANUARY 2005)**
- **SHAREHOLDERS' EQUITY RISES TO 5,194.3 MILLION EURO (4,459.8 MILLION EURO AT THE BEGINNING OF THE YEAR)**

ITALMOBILIARE SPA

- **NET INCOME: 65 MILLION EURO (77.2 MILLION EURO IN THE FIRST HALF OF 2004 AFTER EXTRAORDINARY INCOME OF APPROXIMATELY 16 MILLION EURO FOR DERECOGNITION OF PRIOR-PERIOD FISCALLY DRIVEN POSTINGS)**
- **UNREALIZED GAINS: 1,392.9 MILLION EURO ON PARENT COMPANY LISTED EQUITY INVESTMENTS**

Milan, 29 September 2005 – *The Board of Directors of Italmobiliare S.p.A. today examined and approved the consolidated half-year report at 30 June 2005, drawn up in compliance with the IFRS international financial reporting standards. The first half of the year saw a slight downturn in the Group net result in the construction materials business (with a significant second-quarter recovery on the first quarter), good operating performance in the packaging and insulation business and a positive contribution from the financial and banking businesses.*

The Group half-year financial statements show consolidated net income of 250.4 million euro, unchanged from the first half of 2004, on net sales of 2,532 million euro (+6.2%); shareholders' equity was more than 5 billion euro (5,194.3 million euro).

The half-year financial statements of the Parent Company Italmobiliare S.p.A., drawn up in accordance with Italian GAAP, showed net income of 65 million euro compared with 77.2 million euro in the 2004 first half, although the earlier period included the positive effect of derecognition of prior-period fiscally driven items for approximately 16 million euro. Not considering this posting, net income improved by 6.1% in the first half of 2005. At 30 June 2005 unrealized gains on the listed securities portfolio totaled 1,392.9 million euro.

For the full year, at constant accounting policies and subject to unforeseeable extraordinary events, the Italmobiliare Group expects consolidated net income to be lower than the 2004 figure, while the net income of the Parent Company Italmobiliare S.p.A., taking account of declared dividends and a number of non-recurring items, is expected to be higher than in 2004, net of the positive effect of derecognition of prior-period fiscally driven items.

THE GROUP – In the first six months of 2005, Italmobiliare Group consolidated **net sales** rose 6.2% to 2,532 million euro (4% for higher business volumes, 2.3% for the changes in the consolidation area and –0.1% for the negative exchange rate effect).

Gross operating profit and **operating income** were 533 million euro and 360.8 million euro (respectively –4.5% and –10.3%). This downturn was smaller than the slowdown reported in the first quarter, and arose largely in the construction materials business, where higher operating costs (especially variable costs) were offset only in part by increases in sales prices.

Net financial charges decreased by 11.2 million euro to 23.1 million euro, thanks to lower interest expense on net debt and higher income on equity investments.

After tax of 101.6 million euro (129.8 million euro in the first half of 2004), **consolidated net income** was 250.4 million euro, largely unchanged (250.7 million euro) from the year-earlier first half. **Group net income** was 94.6 million euro (+1.8%).

At 30 June 2005, **net debt** amounted to 1,817.7 million euro (+347.4 million euro from 1 January): the increase arose mainly from significant financial and industrial investments during the first half (406.1 million euro) and dividends paid (139.2 million euro), offset in part by cash flows on operations (162.7 million euro).

At the end of the first half, **total shareholders' equity** had increased to 5,194.3 million euro (+734.5 million euro from 1 January 2005). The increase was chiefly attributable to income for the period, the higher fair value of financial assets available for sale and the change in the consolidation area (essentially inclusion of the Suez group, which has been consolidated line-by-line since April), set against dividends paid and own share purchases.

Performance in the core businesses – In the **construction materials** business, where operations are conducted through the *Italcementi* group, global net sales (as announced by the company on 16 September) increased 6.2%. First-half net income, affected by higher operating costs offset only in part by sales price trends, was slightly down at 213.2 million euro (-2.2 %) from the year-earlier first half, with the upturn in the second quarter enabling Italcementi to counter the effects of a particularly difficult opening quarter.

In **food packaging and insulation**, the first half saw general stability in consumer demand with polymers trading at high levels. Despite negative trends on some markets, the consolidated sales of the *Sirap Gema* group gained 8.4% to reach 80.2 million euro. This had a positive effect on operating income (+5.5% to 8.6 million euro), which was also strengthened by sales price trends, efficiency gains and the positive performance of the Petruzalek subsidiary in eastern Europe. Despite the improvement in operating figures, net income dropped due to higher tax charges.

The **financial** sector, which includes the parent company *Italmobiliare S.p.A.* and the wholly owned financial subsidiaries (chiefly *Italmobiliare International Finance Limited* and *Société de Participation Financière Italmobiliare S.A.*), reported a 6.5% increase in financial income (net of debt servicing charges) to 76.4 million euro. Half-year net income showed an identical trend (+6.4%) to 72.6 million euro. The net financial position of the financial sector at 30 June was positive at 292.5 million euro (268.2 million euro at 1 January 2005), an increase of 24.3 million euro.

The **banking** sector (which includes *Finter Bank Zurich* and *Crédit Mobilier de Monaco*) reported a 6.2% improvement on the earning margin, from 18 to 19.1 million euro, assisted by the increase in client assets under management. Income grew at a slower pace, from 3 to 3.2 million euro, due to the rise in personnel costs (including a number of extraordinary costs).

THE PARENT COMPANY – The Parent Company results, determined in accordance with Italian GAAP, showed **net income** of 65 million euro, down from 77.2 million euro in the 2004 first half, which reflected a positive effect of 15.9 million euro from derecognition of prior-year fiscally driven items. Net of this pure accounting posting, net income improved by 6.1% in the first half of 2005. This was largely due to the reversal of write-downs on some equity investments and the positive impact of tax items in connection with the domestic tax consolidation.

Based on average share prices on the Milan Stock Exchange in the first six months of the year for non-current equity investments and in the month of June for current equity investments, **unrealized gains on listed securities** at the end of the first half amounted to 1,392.9 million euro (1,145.5 at 31 December 2004).

After closure of the first half, Italmobiliare S.p.A. collected 6.2 million euro from Arriva International Ltd. as settlement of the outstanding balance on the sale, in 2002, of 100% of Sab Autoservizi. Under the terms of the contract, the amount was based on business results until the end of 2004.

OUTLOOK – The outlook in the Italmobiliare Group's core businesses may be summed up as follows:

- in *construction materials*, a recovery in operating margins to 2004 levels, thanks in part to the consolidation of operations in Egypt;
- in *packaging and insulation*, an improvement in consolidated operating income, although this will depend upon trends in consumption of foodstuffs and possible additional increases in raw material prices;
- in *finance*, which will be dominated by uncertainty over future trends in interest rates and the equity markets, a downturn against 2004 due to the probable absence of the large upward revaluations on equity investments in the second half of 2004;
- in *banking*, income for the year is expected to be higher than in 2004.

For the full year, at constant accounting policies and subject to unforeseeable extraordinary events, the Italmobiliare Group expects consolidated net income to be lower than the 2004 figure, while the net income of the Parent Company Italmobiliare S.p.A., taking account of declared dividends and a number of non-recurring items, is expected to be higher than in 2004, net of the positive effect of derecognition of prior-period fiscally driven items.

BOND ISSUES AND ISSUES DUE TO MATURE – The Italmobiliare Group has no new bond issues or issues due to mature in the first six months of the year and over the 18 months after closure of the half year, with the exception of those disclosed by the subsidiary Italcementi S.p.A. in its press release issued on 16 September.

ITALMOBILIARE ON THE INTERNET: http://www.italmobiliare.it
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Attachment: condensed versions of the income statement and balance sheet, which are currently being reviewed by the independent auditors

Italmobiliare Group					
Income Statement (in thousands of euro)	1st half 2005 IFRS	%	1st half 2004 IFRS	%	% change
Net Sales	2.531.965	100.0	2.383.995	100.0	6.2
Other operating income	26,032		24,133		
Change in inventories	(20,850)		(8,620)		
Internal work	6,092		6,638		
Cost of raw materials and supplies	(879,714)		(760,556)		
Cost of services	(606,558)		(588,496)		
Cost of personnel	(449,230)		(425,037)		
Sundry operating income and charges	(73,229)		(69,884)		
Other income and charges	(1,543)		(4,180)		
Gross Operating Profit	532,965	21.0	557,993	23.4	-4.5
Depreciation and amortization	(171,895)		(154,965)		
Adjustments to fixed asset values	(301)		(756)		
Operating Income	360,769	14.2	402,272	16.9	-10.3
Financial income and charges	(23,086)		(34,287)		
Result of companies valued at equity	14,346		12,573		
Income before tax	352,029	13.9	380,558	16.0	-7.5
Income tax	(101,580)		(129,830)		
Income and charges on discontinued operations					
Income for the period	250,449	9.9	250,728	10.5	-0.1
Attributable to:					
Group	94,589	3.7	92,884	3.9	1.8
Minority interest	155,860	6.2	157,844	6.6	-1.3
Earnings per share					
- Basic					
ordinary shares	€2.499		€2.453		
savings shares	€2.538		€2.492		
- Diluted					
ordinary shares	€2.488		€2.447		
savings shares	€2.527		€2.486		

Italmobiliare Group			
Balance Sheet (in thousands of euro)	30/06/2005 IFRS5	01/01/2005 IFRS(*)	31/12/2004 IFRS
Non-Current Assets			
Tangible assets	3,508,284	2,968,128	2,968,128
Intangible assets	1,519,327	1,223,947	1,223,947
Other non-current assets	1,937,663	1,875,548	1,374,961
Total Non-Current Assets	6,965,274	6,067,623	5,567,036
Current Assets			
Inventories	655,046	545,888	545,888
Trade receivables	1,496,067	1,241,993	1,062,664
Other current assets	1,180,484	1,043,825	1,063,236
Cash and cash equivalents	492,951	373,293	373,280
Total Current Assets	3,824,548	3,204,999	3,045,068
Total Assets	10,789,822	9,272,622	8,612,104
Shareholders' Equity			
Group shareholders' equity	2,466,606	2,204,653	1,798,071
Minority interest	2,727,671	2,255,133	2,178,065
Total Shareholders' Equity	5,194,277	4,459,786	3,976,136
Non-Current Liabilities			
Non-current financial payables	2,429,523	2,094,396	2,020,256
Other non-current liabilities	878,101	792,670	780,432
Total Non-Current Liabilities	3,307,624	2,887,066	2,800,688
Current Liabilities			
Current financial payables	827,064	639,396	569,480
Trade payables	747,387	680,455	680,455
Other current liabilities	713,470	605,919	585,345
Total Current Liabilities	2,287,921	1,925,770	1,835,280
Total Liabilities	5,595,545	4,812,836	4,635,968
Total Equity and Liabilities	10,789,822	9,272,622	8,612,104

(*) including application of IAS 32 and 39

Italmobiliare Spa			
Composition Income Statement (in thousands of euro)	1st half 2005	1st half 2004	Full Year 2004
Income from equity investments:	63,224	69,570	74,550
dividends	62,583	69,570	74,023
gains on equities trading	641	--	527
Other financial income	979	945	2,162
Other financial charges	(5,265)	(4,424)	(9,368)
Total financial income and charges	58,938	66,091	67,344
Adjustments to financial asset values	9,104	314	(119)
Balance other operating income/costs	(5,327)	(5,389)	(10,035)
Income on ordinary operations	62,715	61,016	57,190
Balance extraordinary income/charges	(195)	16,044	16,480
Income before tax	62,520	77,060	73,670
Income tax	2,523	94	2,710
Income for the period	65,043	77,154	76,380
Derecognition fiscally driven items	--	15,861	15,861
Income for the period less fiscally driven items	65,043	61,293	60,519

Italmobiliare Spa			
Reclassified Balance Sheet (in thousands of euro)	30/06/2005	31/12/2004	30/06/2004
Fixed assets			
Tangible and intangible assets	3,680	3,664	3,789
Equity investments	1,380,591	1,327,811	1,282,128
Receivables	18,025	30,025	38,043
Own shares	21,540	21,192	21,192
Total	1,423,836	1,382,692	1,345,152
Working capital			
Equity investments and Non-financial receivables	44,637	38,606	29,310
Other assets	287	112	344
Other liabilities	(20,924)	(14,302)	(6,130)
Total	24,000	24,416	23,524
Total invested capital	1,447,836	1,407,108	1,368,676
Covered by:			
Shareholders' equity	1,029,176	1,007,502	1,008,274
Provisions and employee leaving entitlements	27,862	27,310	27,617
Net debt	390,798	372,296	332,785
Total financial coverage	1,447,836	1,407,108	1,368,676
Unrealized gains on listed securities	1,392,890	1,145,519	981,575