

BOARD OF DIRECTORS EXAMINES 2004 RESULTS

ITALMOBILIARE GROUP:

- **TOTAL NET INCOME: 451.8 MILLION EURO (+2.2%)**
- **GROUP NET INCOME: 166.1 MILLION EURO (-1.5%)**
- **CASH FLOW: 845.5 MILLION EURO (-1.5%)**
- **NET DEBT: 1,352.6 MILLION EURO (DOWN BY 253.6 MILLION EURO FROM 31 DECEMBER 2003). GEARING AT 35.3%**

ITALMOBILIARE SPA:

- **NET INCOME AT 76.4 MILLION EURO (+37.9%)**
- **DIVIDEND UP TO 1.10 EURO FOR ORDINARY SHARES AND 1.178 EURO FOR SAVINGS SHARES. COUPON TEAR-OFF ON 23 MAY**
- **UNREALIZED GAINS: 1,145.5 MILLION EURO ON PARENT COMPANY'S LISTED EQUITY INVESTMENTS (1,004.5 MILLION EURO AT THE END OF 2003)**

Milan, 30 March 2005 – *At a meeting today chaired by Giampiero Pesenti, the Italmobiliare S.p.A. Board of Directors examined and approved the parent company and consolidated report on operations and the financial statements for 2004. The Board also discussed a proposal to pay a dividend of 1.10 euro to ordinary shares (1 euro for 2003) and 1.178 euro (1.078 euro) to savings shares, with coupon tear-off scheduled for 23 May and payment on 26 May. The Board will also ask the Shareholders' Meeting convened for 18 and 19 May (first and second call respectively) to renew for a further 18 months its authorization to dispose of and purchase own shares up to the equivalent of 50 million euro, in order to exert a stabilizing effect on market prices where appropriate and to service employee and director stock option plans. The company currently holds 892,346 ordinary shares and 28,500 savings shares.*

In financial 2004, the Italmobiliare Group reported earnings growth at Italcementi, good results for its food packaging and thermal insulation production activities headed by Sirap Gema and a positive contribution from the main financial subsidiary companies, all of which reported a profit, although the aggregate amount was lower than in 2003. The Italmobiliare Group's consolidated financial statements closed with net income for the year of 451.8 million euro (+2.2%) and a slight decrease in Group net income to 166.1 million euro (-1.5%).

The parent company Italmobiliare S.p.A. reported an improvement of 37.9% in net income to 76.4 million euro. A significant factor in this growth were positive adjustments of 15.9 million euro arising from the elimination of previous tax postings. Without these adjustments, net income would have been 60.5 million euro, for growth of 9.2% on the 2003 figure.

2004 also saw a further reduction in Group net debt, which decreased by 15.8% to 1,352.6 million euro; total shareholders' equity rose to 3,898.3 million euro (+7.1%).

Italmobiliare S.p.A. – together with the wholly owned financial subsidiaries - had a positive net financial position of 208 million euro at 31 December 2004 (198.8 million euro at the end of 2003).

At the end of 2004, the Italmobiliare S.p.A. portfolio of securities listed on the Milan Stock Exchange reflected an unrealized gain of 1,145.5 million euro (1,004.5 million euro at the end of 2003).

Full-year projections for 2005 are as follows:

- for the construction materials business, a still favorable outlook featuring a positive business trend, countered however by high energy costs and volatile exchange rates. In this scenario, despite a difficult start of the year owing to adverse meteorological conditions in many European countries, Italcementi Group aims to maintain operating income at the 2004 level, thanks in part to industrial programs and investments to improve operating efficiency;
- for the food packaging and thermal insulation business, operating income is expected to be in line with 2004, in part as a result of progress by the operations recently acquired in eastern Europe;
- for the financial sector, uncertainty in interest rates and on the bond market could lead to a downturn in the global result, also because the significant value improvements reported in previous years are not considered probable.

For full-year 2005, therefore, at constant accounting standards and subject to unforeseeable extraordinary events, the consolidated results of the Italmobiliare Group is expected to be lower than in 2004, while income for 2005 at the parent company Italmobiliare S.p.A., considering the dividends already approved by many investee companies, is likely to be in line with the 2004 result, excluding upward adjustments arising from the elimination of previous tax postings.

Italmobiliare will publish consolidated reports prepared in accordance with the IAS/IFRS accounting standards as from the first quarter of 2005 – first-quarter results will be announced on 13 May – together with a reconciliation with the main data from the 2004 financial statements.

GROUP: FOURTH QUARTER 2004 – Net sales in the fourth quarter of 2004 (1,139.9 million euro) improved by 6.2% on the year-earlier fourth quarter, while consolidated margins decreased, largely due to rising costs at the Italcementi group caused specifically by higher energy prices, which led to a decrease in gross operating profit (250.3 million euro, -3.6%). Improvements were posted in operating income (149.5 million euro, +6.8%) in respect of fourth quarter 2003 (adversely affected by write-downs on goodwill for a number of equity investments at the end of the year) and in group net income (50.4 million euro, +43.6%) thanks to the improvement in adjustments to financial asset values and a lower tax charge.

FULL YEAR 2004 – At consolidated level, for full year 2004 the Italmobiliare Group recorded **net sales** of 4,682.1 million euro, an improvement of 6.5% on 2003 (+7% for business performance, +1.2% for changes in the consolidation area, -1.7% for the negative exchange-rate effect).

Gross operating profit (1,111 million euro) increased by 33.6 million euro (+3.1%) from 2003 despite the impact of the rising euro against the other currencies, which had a negative effect of approximately 18 million euro. Operating results were affected by higher operating costs, notably for energy and raw materials. Nevertheless, the construction materials business was supported by higher sales volumes and a positive sales price trend to achieve an overall 3.5% improvement in gross operating profit compared with 2003. Conversely there was a downturn in the food packaging and thermal insulation business (-10.9%), where the general decrease in sales prices was a negative factor in addition to higher raw materials costs.

Operating income amounted to 717.3 million euro, representing 15.3% of net sales, an increase of 8.5% from the previous year (+10.2% at constant exchange rates) after depreciation, amortization and other write-downs on fixed assets totaling 393.7 million euro (416.3 million euro in 2003).

Financial income/charges generated a net charge of 43.1 million euro, compared with a net charge of 54.8 million euro in 2003. The reduction was largely due to lower interest expense on net debt, which decreased significantly.

Adjustments to asset values generated a net surplus of 27.3 million euro, compared with a surplus of 16.0 million euro in 2003.

Non-recurring items produced net non-recurring income of 3.1 million euro in 2004 compared with 61.8 million euro in 2003. The earlier year benefited from significant non-recurring income, particularly in the construction business, relating to the favorable outcome of a number of important tax disputes and to capital gains on disposals of fixed assets.

Income before tax totaled 704.6 million euro, an increase of 3.0% on the year-earlier result (684.2 million euro).

After income tax of 252.8 million euro, **total net income** amounted to 451.8 million euro (+2.2%), compared with 442.0 million euro in 2003. Italmobiliare S.p.A. and twenty direct and indirect subsidiaries, including Italcementi S.p.A. and eleven of its subsidiaries, elected the domestic tax consolidation regime, forming a consolidation group under Italmobiliare S.p.A. as the consolidating parent. **Group net income**, after minority interest of 285.7 million euro (273.3 million in 2003), was 166.1 million euro (168.7 million euro in 2003).

2004 **investments** in tangible, intangible and financial assets totaled 434.1 million euro, compared with 399.7 million euro in 2003. Financial investments totaled 105.8 million euro and related mainly to Suez Cement Company (following the public tender offer) and the additional shareholding acquired by Italmobiliare in RCS MediaGroup. Investments in tangible assets amounting to 329.8 million euro largely arose in the construction materials sector, with expenditure focusing on Italy, France, Spain and North America.

Strong cash flow from operations enabled the Group to reduce **net debt** by 253.6 million euro (1,352.6 million euro) compared with the figure at the end of 2003. The change in exchange rates compared with 31 December 2003 had a positive effect of 2.8 million euro. There was a strong improvement in the ratio of net debt, including floating rate subordinated securities, to shareholders' equity, to 35.3%, from 45.5% at 31 December 2003.

Total shareholders' equity (3,898.3 million euro) increased by 259.6 million euro on 31 December 2003, after a positive income for the year and despite a negative exchange rate effect.

Core business performance – In **construction materials**, the *Italcementi* group (Italmobiliare's main industrial investment) benefited from the upbeat economic climate in the construction industry, which reported growth in almost all areas in which the group operates. Group consolidated net income amounted to 292.5 million euro (276.8 million euro in 2003), on an 8.9% improvement in operating income (714.5 million euro, compared with 656.4 million euro) and a significant reduction in net financial charges, from 114.5 million euro in 2003 to 82.0 million in 2004; this was despite a downturn in non-recurring items, which produced a net non-recurring charge of 4.3 million euro, compared with net non-recurring income of 54.0 million in 2003.

In the **food packaging and thermal insulation** sector, the *Sirap Gema* group reported a decrease in operating income and posted consolidated net income of 7.9 million euro (8.9 million in 2003) on net sales of 153.9 million euro, an improvement of 38.0% from 2003 as a result of the line-by-line consolidation of the Petruzalek group, which was acquired at the end of the previous year. The reduction in consolidated net income was caused by significant rises in raw materials costs and a general reduction in sales prices.

Among **financial companies** controlled directly by Italmobiliare, *Italmobiliare International Finance Ltd.*, which operates on the international securities markets, reported net income of 14.6 million euro, down from 18.9 million euro in 2003 as a result of the unfavorable interest rate trend; the *Fincomind* group, which includes Finter Bank Zurich and Finter Bank France, closed 2004 with

consolidated net income of 5.1 million Swiss francs, compared with a net loss of 1.8 million Swiss francs in 2003. The earlier-year result reflected provisions for charges relating to the restructuring of Finter Bank France, which began winding down in 2004. *Société de Participation Financière Italmobiliare S.A.*, a financial holding with a number of major equity investments, had net income of 18.1 million euro, compared with 35.4 million euro in 2003. The downturn was due to the absence of the significant capital gains posted in 2003 on the sale of a number of equity investments.

THE PARENT COMPANY – The parent company Italmobiliare S.p.A. reported a positive **balance on financial income and charges** of 67.3 million euro (88.6 million in 2003, which still benefited however from tax credits on dividends) and **net income** of 76.4 million euro, an improvement on 55.4 million euro posted in 2003. The increase was due to a significant extent to upward adjustments totaling 15.9 million euro as a result of the elimination of previous tax postings. Excluding these adjustments, net income would have amounted to 60.5 million, for growth of 9.2% on 2003.

The Board of Directors will ask the Shareholders' Meeting convened for 18 and 19 May (first and second call respectively) to approve payment of a **dividend** of 1.10 euro to ordinary shares (1 euro for 2003) and 1.178 euro to savings shares (1.078 euro). Coupon tear-off will be on 23 May, with payment on 26 May.

Italmobiliare and its wholly owned financial subsidiaries had a positive **net financial position** of 208 million euro at the end of 2004, compared with 198.8 million euro at the end of 2003.

At the end of 2004, **unrealized capital gains on listed securities** held by Italmobiliare S.p.A., determined on the basis of average share prices on the Milan Stock Exchange over the previous six months, amounted to 1,145.5 million euro, from 1,004.5 million euro at the end of 2003.

OUTLOOK – Full-year projections for 2005 are as follows:

- for the construction materials business, a still favorable outlook featuring a positive business trend, countered however by high energy costs and volatile exchange rates. In this scenario, despite a difficult start of the year owing to adverse meteorological conditions in many European countries, Italcementi Group aims to maintain operating income at the 2004 level, thanks in part to industrial programs and investments to improve operating efficiency;
- for the food packaging and thermal insulation business, operating income is expected to be in line with 2004, in part as a result of progress by the operations recently acquired in eastern Europe;
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INTERNATIONAL ACCOUNTING STANDARDS (IAS/IFRS) – Italmobiliare has begun procedures to make the transition to the IAS/IFRS accounting standards. However, information and analyses regarding application of the new standards are not at a sufficiently complete and precise point to permit publication of the reconciliations envisaged under IFRS 1 (first-time adoption).

In accordance with the consultation document issued by Consob on 17 February 2005, Italmobiliare intends to elect the option whereby it will publish consolidated interim IAS/IFRS financial statements as from 1 January 2005. Consequently, the financial statements for the first quarter of

2005 due to be published on 13 May will also include a reconciliation pursuant to IFRS 1 of 2004 opening and closing shareholders' equity, as well as the net result for 2004 and significant adjustments to the cash flow statement.

The balances on the reconciliation will be audited by the external auditors, who are already auditing figures arising from the transition process.

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Attachment: highlights from the income statement and balance sheet, which are currently being audited by the Independent Auditors

ITALMOBILIARE GROUP

Condensed income statement (in millions of euro)	2004	2003	% change on 2003
Net sales	4,682.1	4,397.1	6.5
Value added	1,886.2	1,837.1	2.7
Gross operating profit <i>% of net sales</i>	1,111.0 23.7	1,077.4 24.5	3.1
Depreciation, amortization and other write-downs	(393.7)	(416.2)	(5.4)
Operating income (Difference value/costs of production) <i>% of net sales</i>	717.3 15.3	661.2 15.0	8.5
Financial income and charges	(43.1)	(54.8)	(21.3)
Adjustments to financial asset values	27.3	16.0	71.0
Non-recurring items	3.1	61.8	(94.9)
Income before tax	704.6	684.2	3.0
Tax	(252.8)	(242.2)	4.4
Total net income	451.8	442.0	2.2
Minority interest	(285.7)	(273.3)	4.6
Group net income	166.1	168.7	(1.5)
Investments	434.1	399.7	8.6
Cash-flow (income + depreciation, amortization and other write-downs)	845.5	858.2	(1.5)

Condensed balance sheet (in millions of euro)	31 December 2004	31 December 2003	change
Fixed assets			
Intangible	1,221.0	1,298.4	(77.4)
Tangible	2,877.6	2,886.6	(9.0)
Financial (Less portion included in the financial position)	1,037.0	967.3	69.7
Total	5,135.6	5,152.3	(16.7)
Working capital			
Inventories	487.7	461.4	26.3
Trade receivables	1,061.5	1,022.9	38.5
Trade payables	(745.3)	(688.5)	(56.7)
Other assets	385.3	424.0	(38.7)
Other liabilities	(322.2)	(372.0)	49.8
Total	867.0	847.8	19.2
Net capital employed	6,002.6	6,000.1	2.5
Shareholders' equity			
Group interest	1,754.0	1,646.2	107.8
Minority interest	2,144.2	1,992.5	151.7
Total	3,898.2	3,638.7	259.5
F.R.S.S. (net)	22.5	51.2	(28.7)
Provisions			
Employees' leaving entitlements	88.0	85.5	2.5
Other provisions	641.3	618.5	22.8
Total	729.3	704.0	25.3
Net debt (availability)			
Liquid funds and current financial assets	(874.1)	(823.7)	(50.4)
Short-term financing	555.8	1,029.2	(473.4)
Medium/long-term financial assets	(16.3)	(8.1)	(8.2)
Medium/long-term financing	1,687.2	1,408.8	278.4
Net financial position	1,352.6	1,606.2	(253.6)
Total coverage	6,002.6	6,000.1	2.5

Highlights from the income statement and balance sheet, which are currently being audited by the Independent Auditors

ITALMOBILIARE S.p.A.

Condensed income statement (in thousands of euro)	2004	2003	% change on 2003
Income from equity investments including :	74,550	92,613	(19.5)
Dividends	74,023	62,860	17.8
Tax credits		29,675	n.s
Profit on equity investment trading	527	78	n.s
Other financial income	2,162	9,505	(77.3)
Interest expense and other financial charges	(9,368)	(13,555)	30.9
Total financial income and charges	67,344	88,563	(24.0)
Adjustments to financial asset values	(119)	(4,249)	97.2
Balance other income / operating costs	(10,035)	(10,633)	5.6
Income from ordinary operations	57,190	73,681	(22.4)
Balance non-recurring income / charges	16,480	10,792	52.7
Income before tax	73,670	84,473	(12.8)
Income tax	2,710	(29,076)	n.s
Net income for the year	76,380	55,397	37.9

Condensed balance sheet (in thousands of euro)	31 December 2004	31 December 2003	Change
Fixed assets			
Tangible and intangible	3,664	3,934	(6.9)
Equity investments	1,327,811	1,266,725	4.8
Receivables	30,025	32,996	(9.0)
Own shares	21,192	21,120	0.3
Total	1,382,692	1,324,775	4.4
Working capital			
Non-financial receivables and equity investments	38,606	31,091	24.2
Other assets	112	443	(74.7)
Other liabilities	(14,302)	(6,295)	127.2
Total	24,416	25,239	(3.3)
Total capital employed covered by:	1,407,108	1,350,014	4.2
Shareholders' equity	1,007,502	970,530	3.8
Provisions and employees' leaving entitlements	27,310	30,169	(9.5)
Net debt	372,296	349,315	6.6
Total financing	1,407,108	1,350,014	4.2
Unrealized capital gains on listed equity investments at 31 December	1,145,519	1,004,544	14.0

Highlights from the income statement and balance sheet, which are currently being audited by the Independent Auditors