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PRESS RELEASE

BOARD APPROVES REPORT FOR 2005 FIRST QUARTER: NET INCOME OF 18.2 MILLION

ON ADOPTION OF IAS, SHAREHOLDERS' EQUITY AT THE END OF MARCH RISES 712 MILLION EURO TO MORE THAN 4.6 BILLION EURO

Giampiero Pesenti confirmed as company chairman and chief executive officer

Milan, 19 May 2005 – The Board of Directors of Italmobiliare S.p.A. elected by today's Shareholders Meeting reconfirmed Giampiero Pesenti as company chairman and chief executive officer and named Italo Lucchini as deputy chairman. Carlo Pesenti was confirmed as chief operating officer.
The Board then analyzed the impact of first-time adoption of the IFRS international financial reporting standards, which were used to prepare the reconciliation with the 2004 full-year figures and the 2005 first-quarter report.

FIRST-TIME ADOPTION OF IFRS

Pursuant to CONSOB resolution no. 14990 of 14 April 2005, the Group has elected to adopt the IFRS standards for its consolidated interim financial statements as from 1 January 2005. Accordingly, the Board of Directors approved the specific section on the transition to the IFRS, with the reconciliation of 2004 IFRS opening and closing shareholders' equity and 2004 IFRS net income in respect of the figures determined with the previous accounting policies. (The full document on the transition to the IFRS will be posted on the www.italmobiliare.it website in the next few days).
The main effects of the transition to the IFRS on the 2004 financial statements are as follows:

Total shareholders' equity at 1 January 2004 (first-time adoption of IFRS) decreased by 7.9 million euro (from 3,638.7 million euro to 3,630.8 million euro) largely due to accounting of employee benefits in accordance with IAS 19 (-29.8 million euro) and recognition of deferred tax liabilities for the companies operating in highly inflationary economies, notably in Turkey (-16.5 million euro). The greatest positive effect arose from use of the weighted average cost method to measure certain categories of inventories, mainly at Italcementi S.p.A. (+28.7 million euro).

2004 **net income** increased by 74.6 million euro (from 451.8 million euro to 526.4 million euro), chiefly due to elimination of amortization on goodwill (64 million euro).

Total shareholders' equity at 31 December 2004 reflected the effects described above, and increased by 77.8 million euro (from 3,898.3 million euro to 3,976.1 million euro).

Net debt at the end of 2004 decreased by 40.1 million euro in the IFRS schedules (from 1,352.6 million euro to 1,312.5 million euro), largely due to the positive effect of recognition of the net financial position of the banking companies, previously valued with the equity method and now consolidated on a line-by-line basis, and to the negative effect of inclusion of floating rate subordinated securities in the financial position. The independent auditors are currently auditing the transition to the IFRS, as required by the CONSOB resolution.
The Board of Directors also approved the impact on assets and liabilities of the application of IAS 32 and 39, as from 1 January 2005.
Application of these standards entailed:
- an increase in **total shareholders' equity** of 483.7 million euro (to 4,459.8 million euro) arising from:

- an increase of 520.3 million euro from the recognition at fair value of bonds and equity investments in companies that are not consolidated on a line-by-line basis;

- a decrease of 21.2 million euro as a result of deduction of own shares against shareholders' equity;
- a decrease of 15.4 million euro from the recognition at fair value of derivatives used to hedge exchange-rate and interest-rate risks, net of related deferred tax;

- an upward adjustment of 157.9 million euro in **net debt** (to 1,470.3 million euro) as follows:
  - for 145 million euro, after recognition of trade receivables and financial payables in respect of securitization transactions with recourse;
  - for 23.7 million euro, after recognition at fair value of derivatives used to hedge exchange-rate and interest rate risks;
  - a reduction of 10.8 million euro in respect of equities and bonds held for trading.

PERFORMANCE IN THE FIRST QUARTER OF 2005

At 31 March 2005, Italmobiliare Group **total shareholders' equity** was 4,688 million euro, an increase of 228.2 million euro against the figure at 1 January 2005 (recognized in accordance with the IFRS standards and applying IAS 32 and 39). The increase was due to the recognition of first-quarter income, to an additional upward revaluation of equity investments and to translation differences. At the end of the first quarter, **net debt** amounted to 1,500.1 million euro, a moderate increase of 29.8 million euro despite large financial investments (144.6 million euro) relating in the main to acquisition of control of Suez Cement Company, the share capital increase at Mittel and Gim and investments in tangible and intangible assets (70.6 million euro). Consequently, at the end of March, the Group was able to report a further improvement in its net debt/equity ratio to32%, from 33% at 1 January 2005.

The income statement for the first three months of the year – a period that tends not to represent full-year trends due to the seasonal nature of the Group's core business (construction) and to recognition of investee company dividends in the quarter in which distribution is approved – reflected **net income before minority interest** of 56.9 million euro and **Group net income** of 18.2 million euro, compared with 75.8 million euro and 23.3 million euro respectively in the first quarter of 2004. At 31 March 2005, the Group had **net sales** of 1,041,2 million euro (-1.4% on the year-earlier period) and **operating income** of 93.7 million euro (-23%).

Analysis of the Group's businesses shows that performance in the <u>construction materials sector</u> (Italcementi group) was adversely affected – as announced on 4 May – by extremely unfavorable meteorological conditions in almost all European countries, compared with a very strong first quarter in 2004. Net sales, at 990.2 million euro, were down 1.6% on the year-earlier figure, when sales volumes were particularly high. Operating income was 90.1 million euro (117.7 million euro). Net income before minority interest fell to 51.2 million euro (71.3 million euro) and group net income was 33.8 million euro (50.8 million euro).

In the <u>packaging and insulation sector</u> (Sirap Gema group), net sales climbed 8.7% to 37.1 million euro, thanks to higher sales prices and strong performance at Petruzalek (a recent acquisition in eastern Europe). Operating income improved slightly, from 3.5 to 3.6 million euro, as did net income before minority interest, which rose to 2.2 million euro from 1.9 million euro in the first quarter of 2004.

The <u>financial sector</u>, which includes the parent company Italmobiliare and the wholly owned financial companies, reported lower operating income compared with the year-earlier period (2.0 million euro, against 3.5 million euro), due to lower bond yields and a decrease in dividends. Net income before minority interest was substantially unchanged (5.9 million euro), thanks to a smaller tax charge.

In the banking sector, which mainly consists of operations at Finter Bank and Crédit Mobilier de Monaco, operating income and net income recorded a slight improvement (to 1.7 million euro and 1.4 million euro respectively), largely as a result of the elimination of provisions relating to the restructuring of Finter Bank France.

OUTLOOK

The forecasts in the 2004 annual report are substantially unchanged, although the gap between the US and Asian economies on one hand and the European countries on the other is expected to be larger. Against this background, projections for the Group's core businesses are as follows:
– in the construction materials sector, the Group confirms its target of keeping operating income in line with the 2004 result, at constant size, although the sharp rise in production costs will make this more difficult to achieve. A positive contribution will come from the line-by-line consolidation of operations in Egypt, following the recent acquisition of control;
– in packaging and insulation, the continuation of a series of unfavorable market factors set against the development of potential at the Petruzalek group in eastern Europe indicates that operating income will be in line with last year's result;
– in the financial sector, dividends are expected to be unchanged from 2004, while financial operations may be affected by unfavorable market conditions. The significant upward revaluations and capital gains reported on the equities portfolio in 2004 are not expected to be repeated, although market trends are unpredictable. Income for the sector as a whole is therefore likely to slacken;
– in the banking sector, the positive impact of termination of operations at Finter Bank France supports a projection for an improvement in results compared with 2004.
Subject to extraordinary unforeseeable events, as already announced in the annual report, the global consolidated result of the Italmobiliare Group in 2005, at constant size and accounting standards, is expected to be down on the result posted in 2004.

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Attachments: impact of the IFRS standards and consolidated highlights

IMPACT OF THE IFRS STANDARDS AND CONSOLIDATED HIGHLIGHTS

The independent auditors are currently auditing the transition to the IFRS, as required by CONSOB resolution no. 14990 of 14 April 2005

IFRS impact on key 2004 data (in millions of euro)	2004 previous policies	Total IFRS impact	2004 IFRS
Net sales	4,682.1	90.9	4,773.0
Gross operating profit	1,111.0	43.3	1,154.3
Operating income	717.3	119.6	836.9
Net income before minority interest	451.8	74.6	526.4
Group net income	166.1	25.4	191.5
At 31 December 2004			
Total shareholders' equity	3,898.3	77.8	3,976.1
Group shareholders' equity	1,754.1	44.0	1,798.1
Net debt	1,352.6	(40.1)	1,312.5

Consolidated results (in millions of euro)	1Q 2005 IFRS	1Q 2004 IFRS	% change	FY 2004 IFRS
Net sales	**1,041.2**	**1,055.9**	**(1.4)**	**4,773.0**
Gross operating profit	**172.4**	**200.5**	**(14.0)**	**1,154.3**
% of net sales	*16.6*	*19.0*		*24.2*
Depreciation, amortization and adjustments to fixed asset values	(78.7)	(78.8)	(0.1)	(317.4)
Gross operating income	**93.7**	**121.7**	**(23.0)**	**836.9**
% of net sales	*9.0*	*11.5*		*17.5*
Financial income/charges	(16.6)	(14.5)	14.2	(65.9)
Result of companies valued with equity method	5.3	5.0	5.7	22.3
Income before tax	**82.4**	**112.2**	**(26.5)**	**793.3**
% of net sales	*7.9*	*10.6*		*16.6*
Tax for the period	(25.5)	(36.4)	(29.9)	(266.9)
Net income before minority interest	**56.9**	**75.8**	**(24.9)**	**526.4**
% of net sales	5.5	7.2		11.0
Minority interest	38.7	52.5	(26.3)	334.9
Group net income	**18.2**	**23.3**	**(21.9)**	**191.5**
% of net sales	1.8	2.2		4.0

	31 March 2005 IFRS (*)	1 January 2005 IFRS (*)	31 December 2004 IFRS
Total shareholders' equity	**4,688.0**	**4,459.8**	**3,976.1**
Net debt	**1,500.1**	**1,470.3**	**1,312.5**

(*) including application of IAS 32 and 39

	1Q 2005	1Q 2004	Full year 2004
Employees at period-end	**18,394**	**18,532**	**18,345**