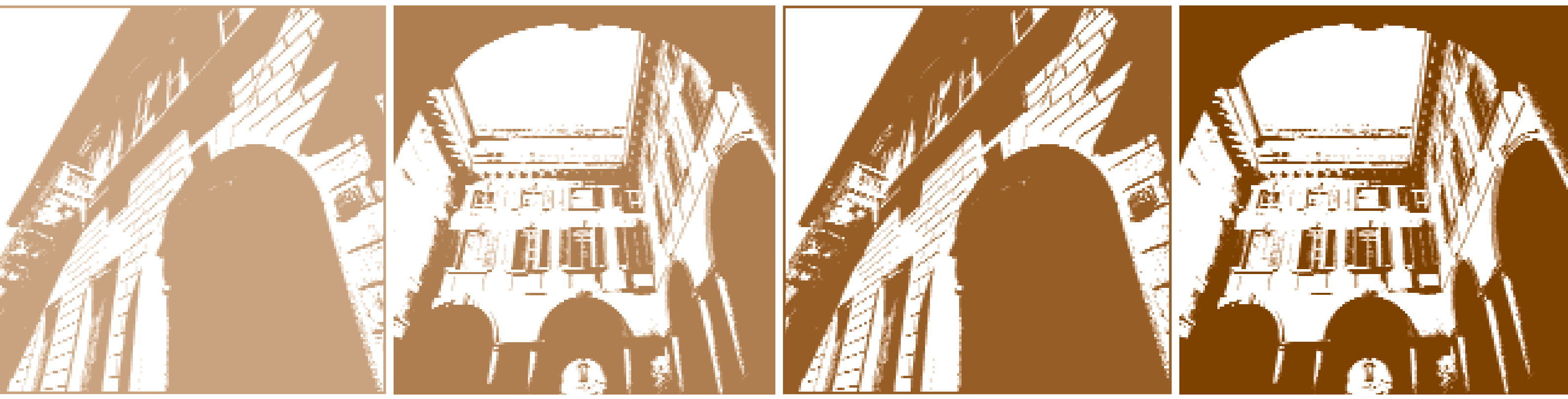
ITALMOBILIARE

2006 Annual Report



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ITALMOBILIARE

2006 Annual Report

ITALMOBILIARE
Società per Azioni
Head Office: Via Borgonuovo, 20
20121 Milan - Italy
Share capital € 100,166,937
Milan Companies Register

Corporate bodies

Board of Directors

(Term ends on approval of financial statements at December 31, 2007)

Giampiero Pesenti	1	Chairman - Chief Executive Officer - CEO
Italo Lucchini	1-2	Deputy Chairman
Pier Giorgio Barlassina		
Mauro Bini	3-4-5	
Giorgio Bonomi	3	
Gabriele Galateri di Genola		
Luca Minoli	2	
Giorgio Perolari	1-2-3-4	
Carlo Pesenti	1	Chief Operating Officer - COO
Livio Strazzera		
Graziano Molinari	6	Secretary to the Board

Board of Statutory Auditors

(Term ends on approval of financial statements at December 31, 2007)

Acting Auditors		
Luigi Guatri		Chairman
Claudio De Re		
Eugenio Mercorio		
Substitute Auditors		
Dino Fumagalli	5	
Pietro Curcio		
Enrico Locatelli		
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 Independent Director
5 Member of the Compliance Committee
6 Secretary to the Executive Committee

Call of shareholders' meeting

The Shareholders are called to a Meeting on first call on April 26, 2007, at 11.00 am at the Intesa Sanpaolo Assembly Hall, Piazza Belgioioso 1, Milan, and on second call on April 27, 2007, at the same time and in the same venue to discuss the following

Order of Business

1) The Reports of the Board of Directors and of the Board of Statutory Auditors on financial year 2006: examination of the financial statements for the year to and as at December 31, 2006, and resolutions arising;
2) Authorization for the purchase and disposal of treasury shares;
3) Extension of the engagement for the audit of the separate financial statements and the consolidated financial statements for financial years 2007-2008-2009 and for the limited review of the half-year reports at June 30, 2007-2008-2009;
4) Resolutions in respect of remuneration of committees and bodies formed in connection with the corporate governance structure.

Pursuant to the law and the by-laws, Shareholders holding ordinary shares for which the notice required under art. 2370, par 2, of the Italian Civil Code, reached the company no later than two business days before the day fixed for the Shareholders' Meeting shall have the right to speak at the Shareholders' Meeting.

* * *

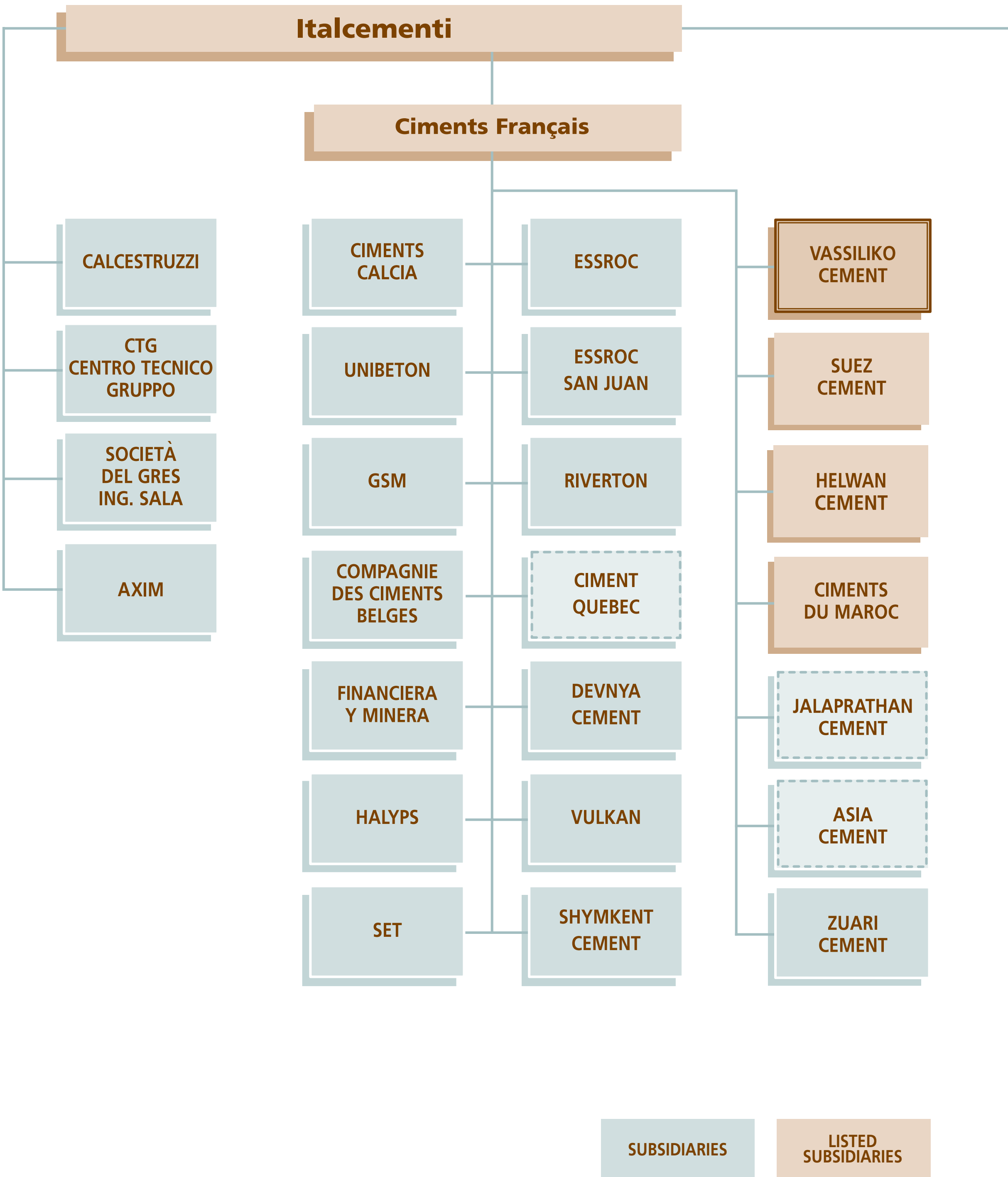
Documentation relating to the items on the agenda will be available for the public at the company's registered office and at Borsa Italiana S.p.A. at least 15 days before the day fixed for the Shareholders' Meeting on first call. Shareholders have the right to obtain a copy of such documentation.

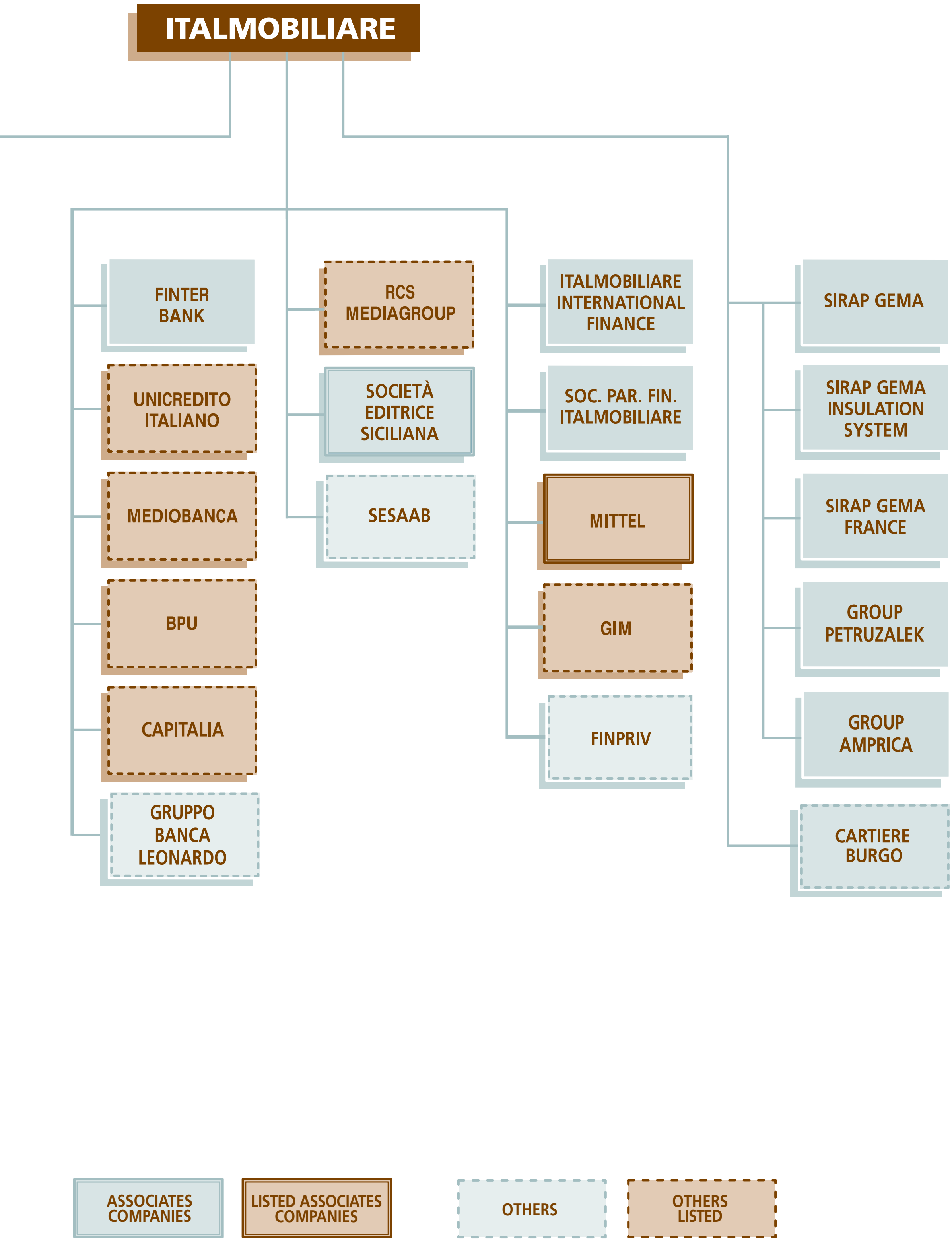
The documentation in question will also be available during the same period at the Internet address *www.italmobiliare.it.*

The Board of Directors

(Notice published on March 24, 2007, in the Official Gazette of the Republic of Italy no. 35, part II - announcements page and in the "Il Sole - 24 Ore" newspaper)

Group structure (as of 31 December 2006)



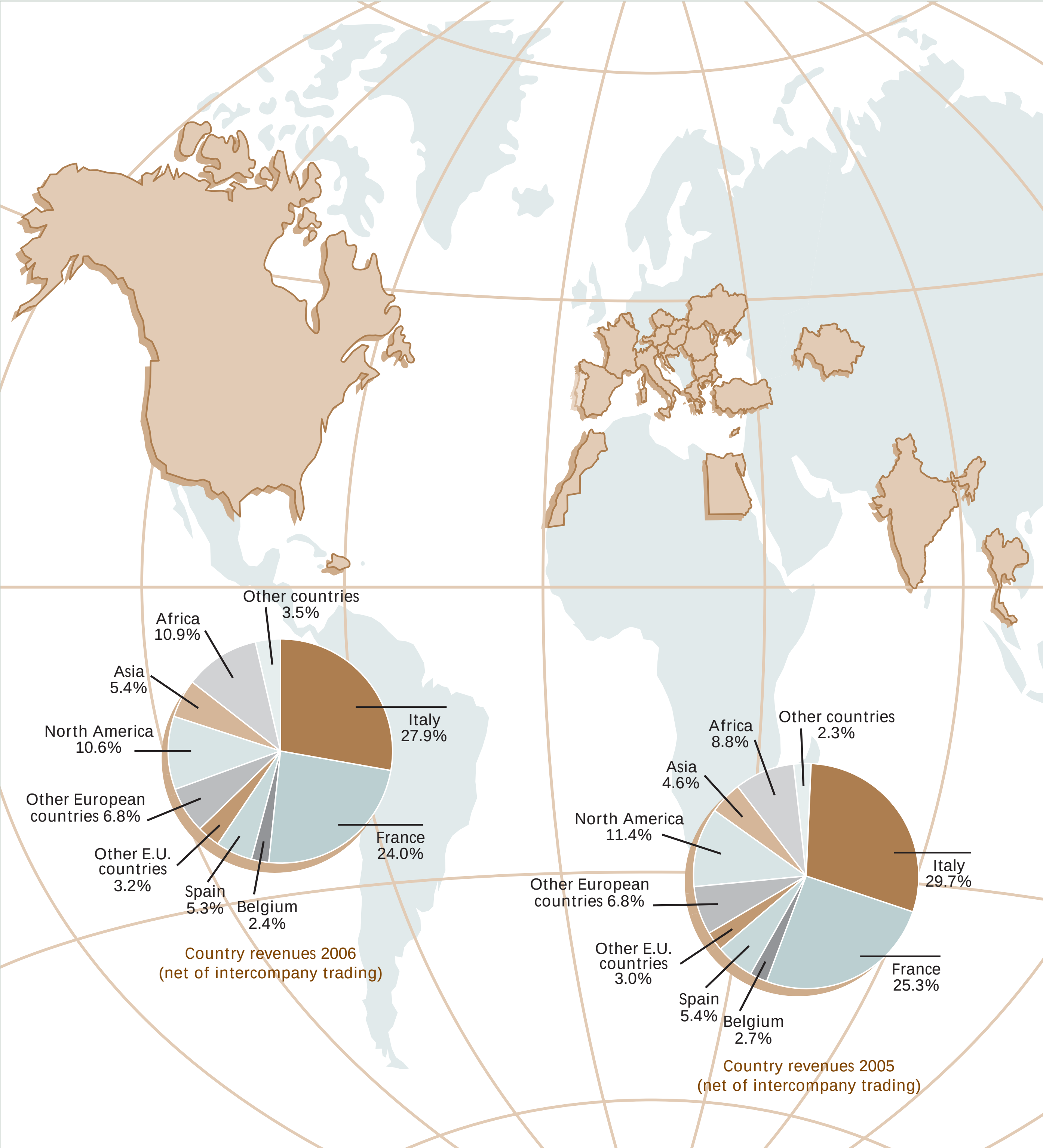


ITALMOBILIARE
FINTER BANK
UNICREDITO ITALIANO
MEDIOBANCA
BPU
CAPITALIA
GRUPPO BANCA LEONARDO
RCS MEDIAGROUP
SOCIETÀ EDITRICE SICILIANA
SESAAB
ITALMOBILIARE INTERNATIONAL FINANCE
SOC. PAR. FIN. ITALMOBILIARE
MITTEL
GIM
FINPRIV
SIRAP GEMA
SIRAP GEMA INSULATION SYSTEM
SIRAP GEMA FRANCE
GROUP PETRUZALEK
GROUP AMPRICA
CARTIERE BURGO
ASSOCIATES COMPANIES
LISTED ASSOCIATES COMPANIES
OTHERS
OTHERS LISTED

Financial highlights

(in millions of euro)	2006 IFRS	2005 IFRS	2004 IFRS	2003	2002
Revenues	6,216.5	5,282.3	4,773.0	4,397.1	4,365.3
Recurring gross operating profit	1,550.0	1,230.7	1,142.1	1,077.4	1,117.0
Gross operating profit [1]	1,541.0	1,216.3	1,154.3	1,077.4	1,117.0
Operating profit	1,105.7	834.5	836.9	661.2	708.3
Net profit for the period	748.5	606.1	526.4	442.0	376.2
Group net profit	264.4	211.3	191.5	168.7	119.8
Investments in fixed assets	865.2	1,253.7	439.3	399.7	872.7
Total shareholders' equity	6,407.9	5,916.7	3,976.1	3,638.7	3,609.7
Group shareholders' equity	2,975.0	2,696.3	1,798.1	1,646.2	1,571.9
Net debt	1,857.3	1,865.1	1,312.5	1,606.2	1,913.1
Net debt/Shareholders' equity	28.98%	31.52%	33.01%		
Net debt/GOP before income and costs	1.20	1.52	1.14		
(unit values)					
(Diluted) earnings per ordinary share	6.985	5.578	5.057		
(Diluted) earnings per savings share	7.063	5.656	5.135		
Shareholders' equity per share [2]	79.150	71.736	47.810	43.212	41.235
Dividend distributed per share					
ordinary	1.450	1.270	1.100	1.000	0.940
savings	1.528	1.348	1.178	1.078	1.018
Number employees (heads)	24,509	22,857	18,345	17,722	18,489

1 compared to recurring gross operating profit, includes non-recurring income and expense
2 net of treasury shares



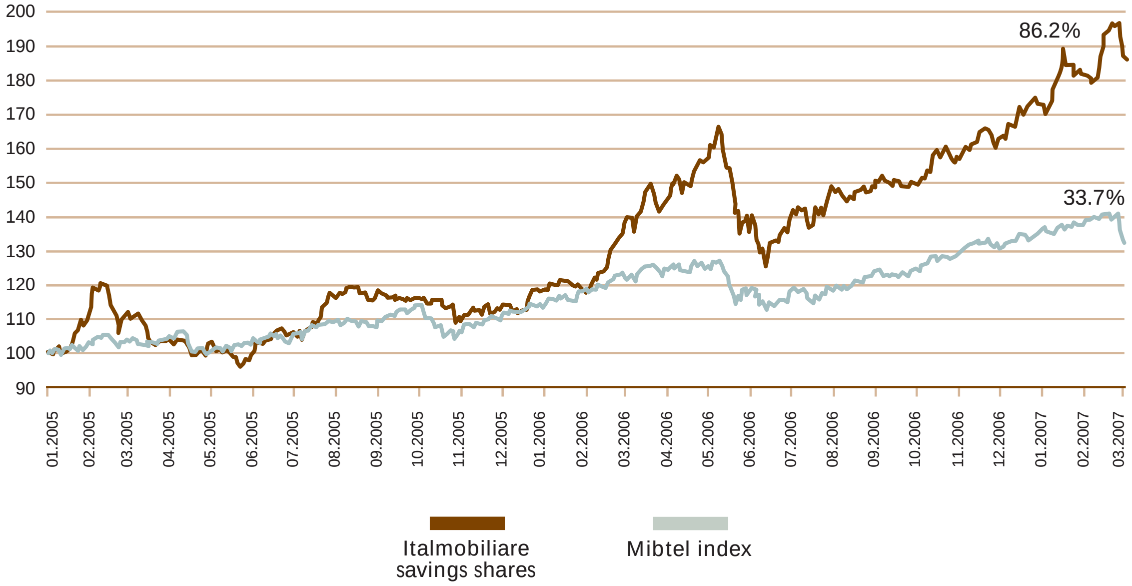
Country revenues 2006
(net of intercompany trading)

Country revenues 2005
(net of intercompany trading)

Italmobiliare S.p.A. on the Stock Exchange

Share prices from 01.03.2005 to 03.20.2007

(in euro)	maximum	minimum	01.03.2005	03.20.2007	Performance
Ordinary shares	89.96 02.26.2007	47.03 05.23.2005	51.7400	85.4300	65.11%
Savings shares	74.00 02.26.2007	36.15 05.23.2005	37.7000	70.1900	86.18%
Mibtel	33,318 02.19.2007	23,489 01.12.2005	23,624	31,580	33.68%



Italmobiliare Group

Directors' report

Foreword

Following the adoption by the European Union of Regulation no. 1606 of 2002, the Italmobiliare S.p.A. consolidated financial statements for 2006 have been drawn up in compliance with the International Accounting and Financial Reporting Standards (IAS/IFRS), as are the comparatives for financial year 2005, which have already been published.

As set out in more detail in the notes, following the redefinition of the content of some items, a number of reclassifications have been made to the consolidated statements at December 31, 2005, for comparative purposes.

The changes that have taken place in the reporting standards and interpretations compared to 2005 are set out in detail in the notes, in the section "Declaration of compliance with the IFRS". According to the aforementioned Regulation, the principles to be adopted do not include the standards and interpretations published by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) at December 31, 2006, but not adopted by the European Union at that date. Furthermore, the European Union adopted additional standards/interpretations, which Italmobiliare S.p.A. will apply as from January 1, 2007, having decided not to elect early application.

A full description of the changes in the consolidation area is provided in the notes. The most important changes compared to 2005 occurred in the Italcementi group and the Sirap Gema group.

The main changes for the Italcementi group relate to the Egyptian companies which made up the Suez Cement Group at the time of acquisition and Helwan Cement Ltd. (previously Asec Cement Company, which merged into the Suez Group). These have been consolidated on a line-by-line basis from April 1 and August 1, 2005 respectively. As from June 1, 2006, the Indian company Zuari Cement Ltd. and its subsidiary Sri Visnu Cement Ltd have been consolidated line-by-line (previously on a 50% proportionate basis). As from October 1, 2006, the ready mixed concrete business in Egypt has been consolidated on a line-by-line basis. This business is conducted by Ready Mix Beton Egypt S.A.E. (RMBE) and Ready Mix Beton S.A.E. (RMB).

At the end of the first half of 2006 Sirap Gema S.p.A. bought the Amprica group, the leading Italian company in the sector of rigid food containers for delicatessens and confectioners, which operates in Italy and some markets in central eastern Europe. The new acquisition has been consolidated on a line-by-line basis since June 30, 2006.

Since January 1, 2006, the international authorities no longer consider Turkey a hyperinflationary economy. Therefore, International Accounting Standard IAS 29 (Financial Reporting in Hyperinflationary Economies) is no longer applied to the Group's Turkish companies.

General overview

2006 saw the consolidation of the expansionary cycle in the world economy, which, for the fourth year running, recorded growth rates well above the long-term averages; the favorable economic phase also spread to areas, like the euro zone, whose growth rates had long been more limited. In these conditions, the rise in energy prices up until the summer of 2006 produced only a marginal slowdown in the international cycle. Although inflation showed signs of accelerating, it remained broadly under control.

The average euro exchange rate with the dollar was substantially stable for the third year running, albeit with widely differing trends during the year. The strengthening in the European economy, especially in Germany, and the more restrictive stance adopted by the European Central Bank caused a gradual appreciation of the euro, while the improvement in internal demand helped to limit the negative impact on euro zone exports.

The system maintained a high level of liquidity, so that the financial markets for the most part continued to record favorable investment conditions and positive trends in risk capital assets.

Against this favorable background the Italmobiliare Group strengthened the construction materials sector which recorded record results in 2006, despite the steady rise in some operating expenses. The financial sector and, to a lesser extent, the banking sector reported significant improvements, while the packaging and insulation sector, which undertook a strategic acquisition during the year, suffered from difficult conditions in some markets, especially France.

In 2006 the Italmobiliare Group recorded **total net profit** of 748.5 million euro and **Group net profit** of 264.4 million euro, compared to 606.1 million euro and 211.3 million euro in 2005 respectively, for year-on-year improvements of +23.5% and +25.1%.

The other main results in the year to December 31, 2006 were:

- **Revenues**: 6,216.5 million euro, compared with 5,282.3 million euro in 2005 (+17.7%);
- **Recurring gross operating profit**: 1,550.0 million euro, compared with 1,230.7 million euro in 2005 (+25.9%);
- **Gross operating profit**: 1,541.0 million euro, compared with 1,216.3 million euro in 2005 (+26.7%);
- **Operating profit**: 1,105.7 million euro, compared with 834.5 million euro in 2005 (+32.5%);
- **Finance income/(costs)**: net costs of 106.8 million euro, compared with net costs of 48.1 million euro in 2005 (+122.1%);
- **Profit before tax**: 1,019.3 million euro, compared with 807.1 million euro in 2005 (+26.3%).

At December 31, 2006, **total shareholders' equity** was 6,407.9 million euro, compared with 5,916.7 million euro at December 31, 2005.

In 2006 **investments in fixed assets** totaled 865.2 million euro, down from 1,253.7 million euro in 2005 which saw important acquisitions.

Net debt at December 31, 2006, stood at 1,857.3 million euro, while at the end of December 2005 it was 1,865.1 million euro.

Following the changes in shareholders' equity and debt, gearing decreased from 31.5% at the end of December 2005 to 29.0% at the end of December 2006.

Group performance

Performance in the individual sectors in the Italmobiliare Group is summarized below:

- the **construction materials sector**, consisting of the Italcementi group (Italmobiliare's main industrial equity investment), reported consolidated turnover of 5,854.1 million euro (+17.1% compared to 2005) reflecting a general rise in revenues as a result of higher sales volumes in all lines of business and favorable price trends. An additional positive factor was the enlargement of the consolidation area. Despite the continuing rise in operating expenses (notably energy, raw materials and transport), the improvement in revenues enabled strong progress in recurring gross operating profit to 1,446.9 million euro (+25.5%), with particularly marked growth in the Med Rim emerging countries and Asia. Operating profit also strengthened, despite higher amortization and depreciation charges as a result of the enlargement of the consolidation area, gaining 32.2% to reach 1,012.3 million euro. Although net finance costs increased, the Italcementi group posted significant growth in net profit for the year which, after tax, reached 651.4 million euro (+20.5% compared with 2005). Group net profit rose to 449.5 million euro (+14.9% compared with 2005);
- the **food packaging and thermal insulation sector**, consisting of the Sirap Gema group, saw an increase in revenues of 25.7%, thanks in part to the positive contribution from the recently acquired Amprica group. On a constant size and exchange rate basis, growth would have been 10.4% as a consequence of higher sales volumes in food packaging in Italy and also in thermal insulation. In food packaging, performance was negative on the French market due to the avian flu health scare and a particularly aggressive competitive scenario. Recurring gross operating profit and gross operating profit were largely in line with the 2005 results; the rise in amortization and depreciation charges due to the acquisition produced a sharp downturn in operating profit (-13.6%). After higher finance costs, net profit for the period was 5.1 million euro, a significant decrease compared with 7.9 million euro in 2005;
- the **financial sector**, which includes the parent company Italmobiliare and the wholly owned finance companies, recorded net profit of 126.9 million euro, well up (+38.1%) from 91.9 million euro in 2005. The significant result was due to both the large increase in income from equity investments, thanks to realized capital gains and higher dividends, and the strong increase in contributions from cash management, while the rise in debt costs was very limited despite higher market rates;
- the **banking sector** consists of Finter Bank Zürich and Crédit Mobilier de Monaco. The sector recorded net profit of 8.1 million euro, well up on 6.4 million euro in 2005. The improvement was essentially due to the excellent performance of Finter Bank Zürich, which boosted revenues and limited cost increases;
- **property sector, services and other**: although this sector did not have a very significant impact within the global context of the Group, in 2006 it reported a relatively high net profit of 5.4 million euro, compared to 0.4 million euro in 2005. This was due to the positive contribution of Terfin S.A. in liquidation, which was able to reverse a number of prior-year provisions, given that the risks involved no longer existed.

The parent company **Italmobiliare S.p.A.**, which has adopted the international accounting standards (IAS/IFRS) since January 1, 2006, recorded net profit of 161.6 million euro. This result includes also the significant positive impact (99.0 million euro) from the sale to the subsidiary Franco Tosi S.r.l. of the equity investments held which were bound to voting trusts. This sale was undertaken as part of the corporate restructuring program which allocates specific missions to companies which are directly owned by the parent company.

Excluding the positive impact of these disposals, Italmobiliare S.p.A. net profit would have been 62.6 million euro, up by 7.1% compared with the result of 58.5 million euro in 2005, re-stated for comparative purposes in compliance with the international accounting standards (IAS/IFRS).

Key consolidated figures

(in millions of euro)	2006	2005	% change
Revenues	6,216.5	5,282.3	*17.7*
Recurring gross operating profit	1,550.0	1,230.7	*25.9*
% of revenues	*24.9*	*23.3*	
Other income/(expense)	(9.0)	(14.4)	*(37.6)*
Gross operating profit	1,541.0	1,216.3	*26.7*
% of revenues	*24.8*	*23.0*	
Amortization and depreciation	(433.3)	(379.2)	*14.3*
Impairment variation	(2.0)	(2.6)	*(23.3)*
Operating profit	1,105.7	834.5	*32.5*
% of revenues	*17.8*	*15.8*	
Finance income/(costs)	(106.8)	(48.1)	*122.1*
Share of results of associates	20.4	20.7	*(1.1)*
Profit before tax	1,019.3	807.1	*26.3*
% of revenues	*16.4*	*15.3*	
Income tax expense	(270.8)	(201.0)	*34.7*
Net profit	748.5	606.1	*23.5*
% of revenues	*12.0*	*11.5*	
Group net profit	264.4	211.3	*25.1*
% of revenues	*4.3*	*4.1*	
Minority interests	484.1	394.8	*22.6*
Cash flow from operating activities	1,013.9	777.6	
Investments in fixed assets	865.2	1,253.7	

(in millions of euro)	December 31, 2006	December 31, 2005
Total shareholders' equity	6,407.9	5,916.7
Group shareholders' equity	2,975.0	2,696.3
Net debt	1,857.3	1,865.1

Quarterly trend

(in millions of euro)	Full year 2006	4th quarter 2006	3rd quarter 2006	2nd quarter 2006	1st quarter 2006
Revenues	6,216.5	1,560.4	1,568.6	1,720.5	1,367.0
% change vs. 2005	*17.7*	*15.7*	*12.8*	*14.6*	*31.3*
Recurring gross operating profit	1,550.0	339.6	419.0	499.3	292.1
% change vs. 2005	*25.9*	*6.6*	*12.6*	*31.8*	*81.1*
% of revenues	*24.9*	*21.8*	*26.8*	*29.1*	*21.4*
Other income/(expense)	(9.0)	(22.2)	2.7	7.0	3.5
Gross operating profit	1,541.0	317.4	421.7	506.3	295.6
% change vs. 2005	*26.7*	*4.9*	*12.7*	*38.0*	*71.4*
% of revenues	*24.8*	*20.4*	*27.0*	*29.5*	*21.7*
Amortization and depreciation	(433.3)	(115.4)	(109.1)	(105.3)	(103.5)
Impairment variation	(2.0)	(0.3)	(1.6)	(0.1)	-
Operating profit	1,105.7	201.7	311.0	400.9	192.1
% change vs. 2005	*32.5*	*3.0*	*14.6*	*46.5*	*105.1*
% of revenues	*17.8*	*13.0*	*19.9*	*23.4*	*14.1*
Finance income/(costs)	(106.8)	(19.3)	(30.2)	(29.1)	(28.2)
Share of results of associates	20.4	8.2	4.3	7.0	0.9
Profit before tax	1,019.3	190.6	285.1	378.8	164.8
% of revenues	*16.4*	*12.3*	*18.3*	*22.1*	*12.1*
Income tax expense	(270.8)	(45.1)	(82.1)	(91.8)	(51.8)
Net profit	748.5	145.5	203.0	287.0	113.0
% of revenues	*12.0*	*9.4*	*13.1*	*16.8*	*8.3*
Group net profit	264.4	54.4	63.6	102.6	43.8
% of revenues	*4.3*	*3.5*	*4.1*	*6.0*	*3.2*
Minority interests	484.1	91.1	139.4	184.4	69.2
Net debt at period end	1,857.3	1,857.3	1,997.2	2,269.5	1,807.5

The final quarter of the year saw a very positive trend in revenues (+15.7% compared with the prior-year period), while operating profit grew at a slower rate (+3.0%) owing to the rise in operating expenses and the increase in non-recurring charges and amortization and depreciation. The decrease in net profit for the fourth quarter of 2006 compared with the same quarter in 2005 was largely due to the rise in finance costs, net of finance income, and the increase in tax expense, caused by significant non-recurring income in the last months of 2005.

Revenues and operating results

Contribution to consolidated revenues
(net of intragroup eliminations)

	2006		2005		Change	
(in millions of euro)		%		%	%	% [1]
Business sector						
Construction materials	5,849.1	*94.1*	4,995.1	*94.6*	*17.1*	*13.4*
Packaging and insulation	208.6	*3.3*	166.0	*3.1*	*25.7*	*10.4*
Finance	109.0	*1.8*	74.2	*1.4*	*46.8*	*46.9*
Banking	48.2	*0.8*	45.5	*0.9*	*5.9*	*7.5*
Property, services, other	1.6	-	1.5	-	*6.5*	*6.5*
Total	**6,216.5**	***100.0***	**5,282.3**	***100.0***	***17.7***	***13.7***
Geographical area						
European Union	3,901.7	*62.8*	3,490.3	*66.1*	*11.8*	*10.9*
Other European countries	425.4	*6.8*	358.2	*6.8*	*18.7*	*26.4*
North America	659.7	*10.6*	603.1	*11.4*	*9.4*	*10.4*
Asia	337.7	*5.4*	242.4	*4.6*	*39.3*	*17.4*
Africa	676.8	*10.9*	462.3	*8.7*	*46.4*	*11.9*
Trading and other	215.2	*3.5*	126.0	*2.4*	*70.8*	*73.3*
Total	**6,216.5**	***100.0***	**5,282.3**	***100.0***	***17.7***	***13.7***

1 at constant exchange rates and size

Revenues and operating results by sector and geographical area

	Revenues		Recurring GOP		GOP		Operating profit	
(in millions of euro)	2006	% change vs. 2005	2006	% change vs. 2005	2006	% change vs. 2005	2006	% change vs. 2005
Business sector								
Construction materials	5,854.1	*17.1*	1,446.9	*25.5*	1,434.5	*26.2*	1,012.3	*32.2*
Packaging and insulation	208.6	*25.7*	24.8	*1.2*	24.6	*0.6*	14.8	*(13.6)*
Finance	162.5	*37.3*	111.9	*31.8*	115.1	*33.3*	115.1	*33.4*
Banking	48.2	*5.9*	13.2	*16.2*	13.2	*16.3*	10.2	*22.7*
Property, services, other	2.7	*8.0*	3.5	*n.s.*	3.9	*n.s.*	3.6	*n.s.*
Inter-sector eliminations	(59.6)	*20.1*	(50.3)	*21.7*	(50.3)	*21.7*	(50.3)	*20.5*
Total	**6,216.5**	***17.7***	**1,550.0**	***25.9***	**1,541.0**	***26.7***	**1,105.7**	***32.5***
Geographical area								
European Union	3,960.6	*12.2*	820.9	*15.4*	841.3	*18.2*	609.0	*24.0*
Other European countries	443.2	*16.8*	116.4	*22.0*	116.3	*20.5*	89.0	*30.4*
North America	659.7	*9.4*	156.6	*19.6*	155.7	*20.4*	110.3	*20.5*
Asia	361.2	*39.1*	101.9	*53.2*	101.6	*52.1*	67.1	*68.1*
Africa	735.8	*51.6*	326.6	*48.3*	297.6	*46.1*	206.8	*48.7*
Trading	328.7	*55.9*	19.6	*72.9*	19.6	*39.5*	17.8	*38.9*
Other and inter-area eliminations	(272.7)	*45.5*	8.0	*n.s.*	8.9	*n.s.*	5.7	*n.s.*
Total	**6,216.5**	***17.7***	**1,550.0**	***25.9***	**1,541.0**	***26.7***	**1,105.7**	***32.5***

n.s.: not significant

The increase of 17.7% in **revenues** compared with 2005 was due to:

- the increase in business volumes for 13.7%;
- changes in the consolidation area for 4.6%;
- the negative exchange rate effect for 0.6%.

The growth reported in the construction materials sector (+13.4%) was helped by improved business performance in all countries, thanks to the combined effect of higher sales volumes and sales prices.

The food packaging and thermal insulation sector saw a business improvement of 10.4%, largely due to insulation sales and packaging revenues in Italy.

In percentage terms the biggest increase in revenues (+46.9% on a constant size and exchange rate basis) was realized by the finance sector. Lower growth rates were recorded in the other sectors.

The growth due to the change in the consolidation area concerned the construction materials sector, specifically operations in Egypt and India, and the packaging and insulation sector following the acquisition of the Amprica group.

The limited negative exchange rate effect reflected conflicting but insignificant trends, dominated by the depreciation of the Turkish lira against the euro.

Recurring gross operating profit and **gross operating profit** showed significant improvements of 319.3 million euro (+25.9%) and 324.7 million euro (+26.7%) compared with 2005; growth in absolute terms was mainly due to the construction materials sector, while the biggest percentage increase was realized by the finance sector.

The recurring gross operating profit margin on revenues rose from 23.3% in 2005 to 24.9% in 2006.

Gross operating profit was affected by net non-recurring expense of 9.0 million euro (net expense of 14.4 million euro in 2005), arising largely on provisions for restructuring plans in Egypt for 25.4 million euro overall, and net capital gains from the sale of fixed assets of 18.4 million euro.

Operating profit, after a rise in amortization and depreciation charges mainly due to the enlargement of the consolidation area (433.3 million euro compared with 379.2 million euro in 2005), stood at 1,105.7 million euro, up by 32.5% compared with 834.5 million euro in 2005.

The results by geographical area highlight important increases in all the areas where the Group operates. The largest improvements in percentage terms were recorded by Asia and Africa, due in part to the enlargement of the consolidation area. In absolute terms the European Union was by far the biggest contributor, both to revenues and to gross operating profit.

Finance costs and other items

Finance costs, net of finance income, totaled 106.8 million euro, up by 58.7 million euro compared with 2005 (48.1 million euro). This was mainly caused by the increase in interest expense on net debt, owing to the rise in interest rates and in average debt. The Group also had a net exchange rate loss, compared with a gain in 2005. In addition, finance items in 2005 benefited from income arising from operations on the share capital of Suez Cement and capital gains on the sale of equity investments in the construction materials sector.

The share of results of associates, at 20.4 million euro, was practically unchanged on 2005, although the 2005 figure included the first-quarter results of the Suez Cement Company group, consolidated with the equity method until March 31, 2005. The performances of Mittel and Cement du Quebec offset the absence of results from the Suez Cement Company for three quarters of the year.

Net profit for the period

Profit before tax was 1,019.3 million euro, up by 26.3% compared with 2005.

Income tax expense was 270.8 million euro, up by 34.7% compared with 2005; 2005 benefited from an extraordinary positive effect of approximately 43 million euro, connected to the settlement of tax treatment on floating rate subordinated securities in France, and non-recurring income on the positive outcome of tax disputes.

Net profit for 2006 was 748.5 million euro, up by 23.5% compared with 2005 (606.1 million euro). **Group net profit** was 264.4 million euro (+25.1%) compared with 211.3 million euro in 2005. The improvement in Group net profit was larger than the improvement in total net profit due to the increase in the contribution of the wholly owned subsidiaries.

Net debt

Net debt at December 31, 2006, was 1,857.3 million euro, a slight fall of 7.8 million euro compared with the end of 2005, owing to positive cash flows from operating activities (1,013.9 million euro), which largely offset net investments (800.9 million euro) and dividends paid (223.8 million euro).

Breakdown of net debt

(in millions of euro)	December 31, 2006	December 31, 2005
Cash, cash equivalents and current financial assets	(1,504.5)	(1,455.2)
Short-term financing	879.2	1,318.7
Medium/long-term financial assets	(68.7)	(389.6)
Medium/long-term financing	2,551.3	2,391.2
Net debt	**1,857.3**	**1,865.1**
Change vs. December 2005	*(7.8)*	

The breakdown of net debt, analyzed in the notes, was affected by the buy-back of "floating rate subordinated securities" by Ciments Français S.A. and Unibéton S.A. in June, for a symbolic amount The transaction had no impact on the consolidated income statement since the tax treatment of the securities in question had already been regularized during 2005; it led to the derecognition of 327.8 million euro of short-term financing and of the corresponding entry under medium/long-term financial assets.

Financial data

(absolute values in millions of euro)	December 31, 2006	December 31, 2005
Net debt	1,857.3	1,865.1
Consolidated shareholders' equity	6,407.9	5,916.7
Gearing	**28.98%**	**31.52%**
Net debt	1,857.3	1,865.1
Recurring GOP	1,550.0	1,230.7
Leverage	**1.20**	**1.52**

Balance sheet summary

(in millions of euro)	December 31, 2006	December 31, 2005
Property, plant and equipment	4,146.2	4,011.7
Intangible assets	1,953.9	1,891.9
Other non-current assets	1,980.6	2,067.4
Non-current assets	8,080.7	7,971.0
Current assets	4,053.5	3,782.5
Total assets	**12,134.2**	**11,753.5**
Group shareholders' equity	2,975.0	2,696.3
Minority interests	3,432.9	3,220.4
Total shareholders' equity	**6,407.9**	**5,916.7**
Non-current liabilities	3,452.9	3,276.9
Current liabilities	2,273.4	2,559.9
Total liabilities	**5,726.3**	**5,836.8**
Total shareholders' equity and liabilities	**12,134.2**	**11,753.5**

Cash flows summary

(in millions of euro)	December 31, 2006	December 31, 2005
Net debt at 1/1/2005*		(1,420.5)
Net debt at 12/31/2005*	(1,865.1)	
Cash flow from operating activities	1,013.9	777.6
Investments:		
Tangible and intangible assets	*(520.1)*	*(476.4)*
Non-current financial assets	*(345.1)*	*(777.3)*
Investments in fixed assets	(865.2)	(1,253.7)
Divestments of fixed assets	64.3	110.8
Dividends paid	(223.8)	(153.5)
Net flow from treasury share purchases/sales	(4.6)	(11.2)
Net debt of acquisitions	(47.8)	(174.3)
Share capital increases subscribed by minorities	0.7	230.5
Other	70.3	29.2
Change in net debt	7.8	(444.6)
Net debt at period end	(1,857.3)	(1,865.1)

* figure reclassified following the redefination of the net financial positions of subsidiaries in the banking sector

Investments in fixed assets

	Investments in financial assets		Investments in property, plant & equipment		Investments in intangible assets	
(in millions of euro)	2006	2005	2006	2005	2006	2005
Business sector						
Construction materials	268.8	746.3	503.6	450.5	16.6	11.8
Packaging and insulation	47.7	-	12.8	12.7	1.4	1.3
Finance	27.8	29.0	0.1	0.1	-	-
Banking	0.5	-	1.4	0.4	0.2	0.6
Property, services, other	-	-	0.2	0.3	-	0.1
Total	344.8	775.3	518.1	464.0	18.2	13.8
Change in payables	0.3	2.0	(16.2)	(1.4)	-	-
Total investments in fixed assets	**345.1**	**777.3**	**501.9**	**462.6**	**18.2**	**13.8**
Geographical area						
European Union	123.9	174.1	344.0	309.3	17.1	11.8
Other European countries	96.5	0.8	22.8	20.5	0.6	0.8
North America	-	-	68.3	71.0	-	-
Asia	113.0	1.3	38.5	16.9	-	-
Africa	10.9	597.4	39.8	32.0	-	-
Trading and other	0.5	1.7	4.7	14.3	0.5	1.2
Total	344.8	775.3	518.1	464.0	18.2	13.8
Change in payables	0.3	2.0	(16.2)	(1.4)	-	-
Total investments in fixed assets	**345.1**	**777.3**	**501.9**	**462.6**	**18.2**	**13.8**

The year saw a high level of investments in fixed assets (865.2 million euro), although lower overall compared with 2005 (1,253.7 million euro), when major acquisitions were made.

Investments in financial assets were mainly undertaken in the construction materials sector (acquisitions in India, Turkey and Egypt) and, to a lesser extent, in the packaging and insulation sector (acquisition of the Amprica group).

Investments in plant, property and equipment, mainly in the construction materials sector, were aimed at enhancing and rationalizing industrial facilities and environmental protection.

Shareholders' equity

Total shareholders' equity at December 31, 2006, was 6,407.9 million euro, up by 491.1 million euro compared with December 31, 2005, of which 278.7 million euro attributable to Group shareholders' equity and 212.4 million euro to minority interests. The overall change, analyzed in the "Statement of movements in consolidated shareholders' equity", reflected the negative impact of currency translation differences (-210.2 million euro) as a result of the depreciation against the euro of the other currencies in which the Group operates at the spot exchange rates at December 31, 2006, and the impact of dividends paid (223.8 million euro). Increases in shareholders' equity arose from the net profit for the year (748.5 million euro) and from the fair value adjustment of held-for-sale financial assets (130.0 million euro).

Reconciliation between Parent Company and Group net profit and shareholders' equity

(in thousands of euro)		December 31, 2005
Net profit for the period of the Parent Company Italmobiliare S.p.A.		161,648
Consolidation adjustments:		
Net profits of consolidated companies (Group share)		249,855
Adjustment of equity investments valued with the equity method		9,068
Adjustment of surplus on equity investments sold		(127,767)
Elimination of dividends recorded in the period		(49,021)
Reversal of impairment in consolidated companies		13,411
Elimination of intercompany gains or losses and other changes		7,233
Group net profit		**264,427**
Shareholders' equity of the Parent Company Italmobiliare S.p.A.		1,645,866
Adjustment to Group accounting standards		(2,507)
Elimination of carrying amount of consolidated equity investments		(1,200,706)
in subsidiaries consolidated on a line-by-line basis	*(1,130,142)*	
in associates and subsidiaries consolidated with the equity method	*(70,564)*	
Recognition of shareholders' equity of consolidated equity investments		2,501,273
in subsidiaries consolidated on a line-by-line basis	*2,430,481*	
in associates and subsidiaries consolidated with the equity method	*70,792*	
Surpluses allocated to shareholders' equity of subsidiaries and associates		31,028
Group consolidated shareholders' equity		**2,974,954**

Construction materials sector

This sector, which constitutes Italmobiliare's industrial core business, includes the cement, ready mixed concrete and aggregates operations of the Italcementi group.

(in millions of euro)	2006	2005	% change
Revenues	5,854.1	4,999.6	*17.1*
Recurring gross operating profit	1,446.9	1,152.7	*25.5*
% of revenues	*24.7*	*23.1*	
Other income/(expense)	(12.4)	(16.1)	*(23.2)*
Gross operating profit	1,434.5	1,136.6	*26.2*
% of revenues	*24.5*	*22.7*	
Amortization and depreciation	(420.3)	(368.5)	*14.1*
Impairment variation	(1.9)	(2.3)	*(15.4)*
Operating profit	1,012.3	765.8	*32.2*
% of revenues	*17.3*	*15.3*	
Finance income/(costs)	(105.4)	(48.9)	*115.4*
Share of results of associates	11.3	18.6	*(39.2)*
Profit before tax	918.3	735.5	*24.8*
Income tax expense	(266.9)	(195.0)	*36.9*
Net profit	651.4	540.6	*20.5*
Group net profit	449.5	391.2	*14.9*
Minority interests	201.9	149.4	*35.2*
Cash flow from operating activities	890.5	723.6	*23.1*
Investments in fixed assets	773.2	1,209.4	*(36.1)*

(in millions of euro)	December 31, 2006	December 31, 2005
Total shareholders' equity	4,660	4,356
Group shareholders' equity	3,298	3,037
Net debt	2,210	2,215
Number of employees at period end	22,868	21,854

In 2006 the construction sector continued to benefit from the solid income trend and low interest rates. However, after a long period of general expansion, conditions began to differ on the individual domestic markets in the mature countries, with fears of market saturation becoming a significant factor in some countries, especially in the residential segments most exposed to speculative bubbles.

In the United States residential construction went into recession in the second half of 2006. The downturn was rapid and affected the aggregate industry result, despite the continuation of healthy business levels in the private and public non-residential sectors. In the euro zone countries where the group operates, a moderate increase in the Italian construction market was in contrast to excellent trends in all the other markets.

In the emerging countries where the group operates, the overall situation was very positive, with a number of markets enjoying double-digit growth and healthy business activity everywhere; the exception was Thailand, where the uncertain political situation has induced a mood of great caution among business operators, which has now also affected the construction sector.

Sector performance

(sale volumes)	2006[1]	% change on 2005 Historic	% change on 2005 On constant size basis
Cement and clinker *(in millions of metric tons)*	64.0	*13.6*	*4.1*
Aggregates [2] *(in millions of metric tons)*	59.3	*10.2*	*8.1*
Ready mixed concrete *(millions of m^3)*	21.6	*3.0*	*2.3*

1 amounts refer to companies consolidated on a line-by-line basis and, pro-quota, to companies consolidated on a proportionate basis
2 excluding outgoes on work-in-progress account

On a constant size basis, **cement** and **clinker** sales volumes progressed in all the macro regions with the exception of North America, which was badly hit by the trend in the residential sector in the second half. There was notable growth in Trading and in all the Asian countries. The limited progress in Med Rim emerging countries reflected significant growth on various domestic markets (+10.9% overall), and a consequent fall in volumes available for export. In the European Union growth was driven by France, Italy and Greece.

In the **aggregates** sector, all the main markets where the group operates saw progress, especially in the fourth quarter, with the most significant contributions from Spain, France, Italy and Morocco.

In **ready mixed concrete**, thanks to an impressive fourth quarter, sales volumes rose. Growth in the European Union was driven by the positive trend in France. In the other markets, the trend was positive in Turkey and Morocco, while Thailand fell back.

Global **revenues** improved by 17.1% compared with 2005. This increase was due for 13.4% to business performance, 4.4% to changes in the consolidation area, while the exchange rates had a slight negative impact of 0.7%.

Recurring gross operating profit (1,446.9 million euro) and **gross operating profit** (1,434.5 million euro) rose by 25.5% and 26.2% compared with 2005. Apart from the consolidation effect, significant on an annual basis, but much less important in the second half than in the first, growth was driven by sales prices and the improvement in volumes which more than offset the negative trend in operating expenses, both fixed (in particular personnel and maintenance) and, above all, variable (raw materials, including purchases of clinker and cement from third parties to meet the high level of consumption in many countries, and energy).

The areas that made the largest contributions were France, Italy and North America, in absolute terms, and Trading, Bulgaria, Kazakhstan and Greece, in percentage terms.

The ratio of recurring gross operating profit on revenues increased from 23.1% in 2005 to 24.7%.

Gross operating profit was affected by net non-recurring expense of 12.4 million euro (net expense of 16.1 million euro in 2005), consisting mainly of provisions for the restructuring plans announced in Egypt totaling 25.4 million euro, and net capital gains of 18.0 million euro.

Operating profit (1,012.3 million euro), after a significant rise in amortization and depreciation charges (from 368.5 million euro in 2005 to 420.3 million euro), principally due to the enlargement of the consolidation area, rose by 32.2%, with a return on revenues of 17.3% compared with 15.3% in 2005.

Even at constant exchange rates and size, the growth described above remained at significant levels, with an improvement of 16.8% in recurring gross operating profit and 23.3% in operating profit.

Finance costs, **net of finance income**, rose by 56.5 million euro, from 48.9 million euro to 105.4 million euro; the ratio to revenues was limited (1.8%). This increase was mainly due to the rise in interest expense on net debt and net exchange-rate losses, compared to net gains in 2005. In addition, finance items in 2005 benefited from income arising on the Suez Cement share capital transactions and capital gains on the sale of equity investments.

The **share of results of associates**, 11.3 million euro, was lower than in 2005 (18.6 million euro). This was due entirely to the partial inclusion in 2005 of the results of the Suez Cement group, consolidated with the equity method up to March 31, 2005. This shortfall was only partially offset by the stronger performance of Cement du Quebec.

Profit before tax in 2006 was 918.3 million euro, up by 24.8% compared with 2005 (735.5 million euro).

Income tax expense, 266.9 million euro, rose by 36.9% (71.9 million euro) compared to 2005, which benefited from significant non-recurring tax income (relating in particular to the settlement of tax treatment on floating rate subordinated securities in France, with a positive effect of approximately 43 million euro on deferred tax). 2006 income tax expense also benefited from the resolution of disputes from previous years and the reduction in tax rates in some countries, for an overall total of around 28 million euro.

Group net profit, 449.5 million euro, grew by 14.9% compared to 2005 (391.2 million euro). The result reflected the greater impact of minority interests, which rose from 149.4 million euro to 201.9 million euro, mainly as a consequence of the increased contribution of the Egyptian cement companies.

The year saw a high level of financial and industrial **investments** (773.2 million euro), although lower than investments in 2005 (1,209.4 million euro), when the acquisitions of Suez Cement and Helwan took place.

Capital expenditure totaled 487.3 million euro (452.7 million euro in 2005) and focused on enhancing and rationalizing industrial facilities, mainly in the European Union and North America.

Investments in financial assets of 269.2 million euro (744.9 million euro in 2005) mainly referred to the acquisitions, described under significant events, in India (Zuari Cement Ltd.), Turkey (Goltas Cimento), and Egypt (RMB / RMBE), as well as the purchase of treasury shares by Ciments Français S.A. for 37.6 million euro.

Net debt at December 31, 2006, of 2,210.3 million euro, was down by 4.7 million euro compared to December 31, 2005. This slight improvement was made possible by significant cash flow from operations (890.5 million euro), which more than offset investments in fixed assets (773.2 million euro).

Total **shareholders' equity** at December 31, 2006, was 4,660.2 million euro, an increase of 304.1 million euro from December 31, 2005, of which 261.4 million euro attributable to group shareholders' equity and 42.7 million euro to minority interests.

Quarterly trend

(in millions of euro)	Full year 2006	4th quarter 2006	3rd quarter 2006	2nd quarter 2006	1st quarter 2006
Revenues	5,854.1	1,462.6	1,481.5	1,619.8	1,290.2
% change vs. 2005	*17.1*	*14.4*	*12.0*	*15.1*	*30.3*
Recurring gross operating profit	1,446.9	315.9	398.3	467.0	265.7
% change vs. 2005	*25.5*	*4.3*	*12.8*	*36.9*	*70.8*
% of revenues	*24.7*	*21.6*	*26.9*	*28.8*	*20.6*
Gross operating profit	1,434.5	296.1	398.9	470.7	268.7
% change vs. 2005	*26.2*	*2.7*	*13.0*	*43.2*	*61.4*
% of revenues	*24.5*	*20.2*	*26.9*	*29.1*	*20.8*
Operating profit	1,012.3	185.0	291.8	368.0	167.6
% change vs. 2005	*32.2*	*0.2*	*15.3*	*54.6*	*86.1*
% of revenues	*17.3*	*12.6*	*19.7*	*22.7*	*13.0*
Net profit	651.4	127.0	184.7	251.7	87.9
% of revenues	*11.1*	*8.7*	*12.5*	*15.5*	*6.8*
Group net profit	449.5	96.9	122.6	179.6	50.3
% of revenues	*7.7*	*6.6*	*8.3*	*11.1*	*3.9*
Net debt	2,210.3	2,210.3	2,305.0	2,572.5	2,162.3

In the fourth quarter of 2006, the group recorded a positive trend in year-on-year sales volumes in all the core businesses: +3.1% in cement and clinker, +18.1% in aggregates and +6.6% in ready mixed concrete, on a constant size basis.

The progress in cement and clinker sales involved all the regions except for North America (-2.0%) and reflected growth in domestic sales volumes (+7.2%), while less profitable exports fell. The trend in cement sales prices was positive, with improvements everywhere, although performance varied significantly from one market to another.

Consequently, the fourth quarter saw further significant growth in revenues compared to the same period in 2005 (+14.4%), but progress in operating results was largely annulled by the increase in both variable and fixed operating expenses.

2006 fourth-quarter net profit was down on the year-earlier fourth-quarter result, largely influenced by finance costs, net of finance income, and tax expense, whereas significant non-recurring income was posted in the fourth quarter of 2005.

Significant events for the year

At the end of May, through the sub-holding Ciments Français S.A., the group purchased the interest held by Zuari Industries Ltd. in the equally owned joint venture **Zuari Cement Ltd.**, thus achieving full control of the Indian subsidiary. The investment, including the non-voting preference shares held by Zuari Industries Ltd., was 112.7 million euro.

During 2006, through the French sub-holding Sadecib, the group acquired for 89.4 million euro an equity investment, consisting of "class B" shares and representing approximately 29.1% of the entire share capital, in the **Turkish company Goltas Cimento**. This class of shares has limited rights compared to the other shares-"class A"-that make up the company's share capital, which entitle holders, inter alia, to appoint the members of the Board of Directors.

In October, Suez Cement Company finalized the agreement, with an investment of around 11 million euro, to buy an equity investment of 52% in the share capital of **Ready Mix Beton Egypt S.A.E.** and **Ready Mix Beton S.A.E.**, leading companies in Egypt's ready mixed concrete sector.

In December, Italcementi S.p.A. signed a partnership agreement with the Mercury Group, one of the leading industrial groups in Kazakhstan, and the Sembol Group, the division of Turkey's Tamince group active in the construction sector, to realize two new cement plants in south-east and west Kazakhstan. The integration of the new plants (equipped with leading-edge technology and each with a production capacity of 1.3 million metric tons) with the Shymkent Cement production facility will create the largest operator in the sector in central Asia with a total capacity of over 3 million metric tons. Italcementi, which will manage the new plants, will have an equity investment of 50%, while the other partners will control the remaining 50%.

In December, the cornerstone was laid for the ITCLab, Innovation and Technology Central Laboratory, the Italcementi group's new research and innovation center located in the "Kilometro Rosso" science park just outside Bergamo, which will house a variety of interdisciplinary public and private research initiatives. The ITCLab project, assigned to Richard Meier, envisages the construction, by early 2009, of a building on a surface area of 11,000 square meters, of which 7,500 will be set aside exclusively for research laboratories.

During 2006, to service its stock option plans, Italcementi S.p.A. availed itself of the authorization granted to the Board of Directors by the Shareholders' Meeting of April 13, 2006, to purchase 1,022,538 ordinary treasury shares, representing approximately 0.6% of the ordinary share capital, for an overall amount of approximately 18.9 million euro. Following the exercise during the year of 1,606,057 options by plan beneficiaries, Italcementi S.p.A. sold a corresponding number of ordinary treasury shares at an average unit price of 9.0026 euro, based on the prices set at the option grant dates. As a consequence, at December 31, 2006, Italcementi S.p.A. held 3,361,583 ordinary treasury shares, representing 1.9% of total ordinary share capital.

At the end of February 2007, following the exercise of 313,625 options (granted in 2002 and 2003) by beneficiaries of the "Stock Option Plan", Italcementi S.p.A. sold an equal number of ordinary treasury shares at an average unit price of 8.9255 euro, based on the prices set at the option grant dates in the various years. Consequently at February 28, 2007, Italcementi S.p.A. held 3,047,958 ordinary treasury shares, representing 1.72% of total ordinary share capital.

Operating performance by geographical area

	Revenues		Recurring GOP		GOP		Operating profit	
(in millions of euro)	2006	% change	2006	% change	2006	% change	2006	% change
Geographical area								
European Union	3,663.2	10.9	732.1	13.6	750.1	16.3	527.0	22.0
North America	659.7	9.4	156.6	19.6	155.7	20.4	110.3	20.5
Med Rim emerging countries [1]	1,105.5	37.2	428.2	40.5	399.0	38.9	284.4	43.9
Asia [2]	361.2	39.1	101.9	53.2	101.6	52.1	67.1	68.1
Trading	328.7	55.9	19.6	72.9	19.6	39.5	17.8	38.9
Other and inter-area eliminations	(264.2)	44.7	8.5	n.s.	8.5	n.s.	5.7	n.s.
Total	**5,854.1**	**17.1**	**1,446.9**	**25.5**	**1,434.5**	**26.2**	**1,012.3**	**32.2**

1 includes the Egyptian operations (Suez, Helwan, RMB/RMBE) consolidated during 2006
2 includes line-by-line consolidation of Zuari Cement Group as from June 2006
n.s.: not significant

European Union

In the European Union revenues made significant progress (+10.9%) thanks to the growth of the sector in all the countries in the area, accompanied by a general increase in volumes and sales prices.

The improvement in operating profit was even greater (+22.0%) since the increase in revenues more than offset the sharp rise in some cost factors.

North America

The American market had contrasting trends, with the construction sector characterized by a sharp fall in demand in residential construction set off only in part by the solidity of public works and non-residential private construction. Group cement sales followed the economic trend, recording a limited fall in full-year volumes compared with 2005. The positive trend in revenues per unit, however, enabled an improvement in the year's operating results, despite higher operating expenses.

Med Rim - emerging countries

Egypt's economic growth rate of more than 6% helped ensure an increase in sales and prices which offset the rise in energy and personnel costs. The improvement in gross operating profit was also assisted by the change in the consolidation period in 2006 compared with 2005.

In the other countries in the area (Turkey, Morocco and Bulgaria) volumes and sales prices rose, contributing to the significant increase in revenues and, in most cases, boosting operating profit.

Asia

Trends varied in the Asian countries where the group is present, even if the area as a whole reported significant growth in revenues and operating results, thanks in part to the consolidation effect.

In Thailand political instability and the increase in operating expenses affected results in local currency; expressed in euro, however, results were in line with 2005 due to the appreciation of the baht.

In India the sharp rise in results was half due to a significant price effect in a very dynamic market and half to the consolidation effect of the acquisition of the remaining 50% of Zuari Cement Ltd., consolidated on a line-by-line basis as from June 1, 2006.

In Kazakhstan the sharp rise in volumes and sales prices favored a significant improvement in gross operating profit, despite a marked increase in operating expenses.

Trading

In 2006, cement and clinker sales volumes rose significantly (+38.4%) compared with 2005, thanks to higher demand from both the group and third-party customers.

Despite a slight increase in fixed costs (in particular personnel costs), the transfer of cost increases for purchased products to sales prices produced a strong improvement in operating results.

E-business initiatives

In 2006, BravoSolution S.p.A. and its subsidiaries reported a sharp rise in business and continued development of the technological offer, together with a significant improvement in profitability. At consolidated level, BravoSolution S.p.A. achieved revenues of 25.4 million euro, up by 37.2% compared to 2005 (18.5 million euro), gross operating profit of 3.3 million euro (0.6 million euro in 2005), and its first net profit, for 0.8 million euro, compared to a loss of 1.7 million euro in 2005.

Energy project

During 2006 Italgen S.p.A. made further progress toward obtaining the authorizations for construction of the new thermoelectric plants.

Among projects still considered active, the main project is **Villa di Serio** (province of Bergamo), for which a Services Conference was held on January 22, 2007, to include the variation in the authorization procedure. Completion of the authorization procedure is expected by the end of the year.

Disputes

With regard to the **proceeding** by the Competition and Market Authority against eleven companies operating in the **ready mixed concrete** business in Italy, no developments have taken place compared to the situation described in the half-year report. Calcestruzzi S.p.A. and Cemencal S.p.A. appealed against the sentence (deposited on March 23, 2005) of the administrative tribunal of the region of Lazio (TAR) which overturned the ruling "in the section in which the fines imposed [by the Authority] are not proportionate to the limited effects of the agreement". The TAR partly upheld the appeals regarding application of repeat offence penalties, while it rejected all other questions.

The appeal against the sentence was deposited on March 30, 2006, on the grounds that the ruling of first instance was insufficiently and superficially motivated, and basically re-submitted the appeal grounds already presented to the first-degree judge. Similar appeals were presented by all the other parties to the action.

The Competition and Market Authority also challenged the TAR's sentence, with respect to the two points on which the TAR ruled against the authority in relation to the level of gravity of the infraction and the application of repeat offence penalties.

Calcestruzzi S.p.A. and Cemencal S.p.A. proposed a counter-appeal against the appeal of the Authority, contesting its reasoning and seeking its rejection. All the appeals are currently pending before the Consiglio di Stato.

On July 28, 2006, pursuant to Law 231/01, the Public Prosecutor's Office of Caltanissetta notified Calcestruzzi S.p.A. that it was under investigation in connection with the inquiry into crimes allegedly committed by a former employee and a third-party supplier of aggregates to Calcestruzzi S.p.A. together with two company employees.

At the same time the Public Prosecutor's Office of Caltanissetta issued a preventive attachment order on two ready mixed concrete production plants, located in Riesi and Gela, which in 2005 jointly produced approximately 26,000 cubic meters of ready mixed concrete out of a total of 9 million cubic meters produced by the group in Italy. Following an appeal by the company, the attachment order was revoked on August 17, 2006, by the Court of Review of Caltanissetta. The Public Prosecutor's Office of Caltanissetta appealed this decision.

On February 27, 2007, the Supreme Court upheld this appeal and sent the case back to the Court for a new examination. The grounds for its decision are not yet known and so it is not possible at this time to offer an assessment of future developments. Calcestruzzi S.p.A. has publicly stated its full and transparent cooperation with the magistrates' investigation, and its complete extraneousness in relation to the alleged offences.

Disputes are still open on the **Italcementi S.p.A.** tax returns for 1987, 1996, 1997, 1998 and 1999; the adjusted assessments are substantially groundless, an opinion shared by independent experts.

In relation to the sentence of February 2005 with which the Milan Regional Tax Commission confirmed the substantial annulment of the 1987 assessment, ordered by the court of first instance, the financial authorities presented an appeal to the superior appellate court in March 2006, which is still pending.

With regard to the disputes on the 1996, 1997, 1998 and 1999 returns, illustrated in previous reports, the Milan Regional Tax Commission (Brescia branch) issued four sentences partially reversing the first degree judgments for 1996 and 1998, but confirming the judgments for 1997 and 1999.

As a result of these developments, the tax recovery claims against the company have been reduced further.

With respect to the above sentences, a precautionary provision has been made to cover the probable tax charge, including tax, fines and interest.

Significant post balance sheet events

Apart from the information already provided under significant events for the year for matters completed after December 31, 2006, no other events have taken place since the balance sheet date that require amendments to or additional comments on the group's business, financial and equity situation at December 31, 2006.

Italcementi S.p.A. results

(in millions of euro)	2006	2005	% change
Revenues	1,046.6	923.1	*13.4*
Recurring gross operating profit	176.1	138.9	*26.8*
% of revenues	*16.8*	*15.0*	
Other income/(expense)	10.7	7.4	*44.5*
Gross operating profit	186.9	146.3	*27.7*
% of revenues	*17.9*	*15.8*	
Amortization and depreciation	(72.5)	(66.8)	*8.5*
Impairment variation	(0.2)	-	*n.s.*
Operating profit	114.2	79.5	*43.6*
% of revenues	*10.9*	*8.6*	
Finance income/(expense)	48.4	49.8	*(2.7)*
Profit before tax	162.6	129.3	*25.8*
Income tax expense	(50.3)	(33.4)	*50.6*
Net profit	112.3	95.9	*17.1*
Cash flow from operating activties	159.0	132.8	*19.7*
Investments in fixed assets	160.3	411.0	*(61.0)*

(in millions of euro)	December 31, 2006	December 31, 2005
Shareholders' equity	2,195.7	2,162.7
Net debt	624.7	556.9

At the shareholders' meeting to approve the financial statements, the Board of Directors will propose distribution of a dividend of 0.36 euro per share to ordinary shares and 0.39 euro per share to savings shares (0.33 euro and 0.36 euro respectively in 2005).

Outlook

For the current year, a moderate slowdown could occur in international economic growth after years of strong expansion, largely as a consequence of the economic weakening in the USA.

After a period of growth of exceptional duration, intensity and breadth, the outlook for the construction industry remains positive, although stronger differences are expected to emerge from one country to another.

More specifically, North America will be affected by the current recession in residential building, although the impact will be buffered by steady performance in public works and industrial building; in the EU countries in which the group operates, a moderate slowdown in construction industry growth is probable.

Among emerging countries, the expansionary phase of the last few years appears set to continue, although the difficult political climate in Thailand is creating uncertainty in that country.

In this situation, the group expects modest growth in sales volumes accompanied by continued growth in the overall price trend. These effects, together with the actions taken on the industrial front and on the organizational changes to improve operating efficiency, should enable the group to meet the cost increases that are foreseeable for 2007.

The group's objective for 2007, with regard to operating results, is to confirm the strong levels posted for financial year 2006.

Food packaging and thermal insulation sector

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

The table below sets out the income statement summary for the sector and key balance sheet indicators. The Amprica group, acquired at the end of June, has been consolidated on a line-by-line basis since June 30, 2006; the 2005 comparatives are therefore not at constant size.

(in millions of euro)	2006	2005	% change
Revenues	208.6	166.0	*25.7*
Recurring gross operating profit	24.8	24.5	*1.2*
% on revenues	*11.9*	*14.8*	
Other income/(expense)	(0.2)	-	*n.s.*
Gross operating profit	24.6	24.5	*0.6*
% on revenues	*11.8*	*14.8*	
Amortization and depreciation	(9.8)	(7.1)	*38.5*
Impairment variation	-	(0.3)	*n.s.*
Operating profit	14.8	17.1	*(13.6)*
% on revenues	*7.1*	*10.3*	
Finance income/(costs)	(4.2)	(1.7)	*150.8*
Profit before tax	10.6	15.4	*(31.3)*
% on revenues	*5.1*	*9.3*	
Income tax expense	(5.5)	(7.5)	*(26.3)*
Net profit for the period	5.1	7.9	*(35.9)*
% on revenues	*2.4*	*4.8*	
Group net profit	4.9	7.9	(37.8)
Minority interests	0.2	-	*n.s.*
Capital expenditure	12,8	12,7	*0,6*

n.s.: not significant

(in millions of euro)	December 31, 2006	December 31, 2005
Total shareholders' equity	48.7	45.1
Group shareholders' equity	45.4	45.0
Net debt	129.2	49.8
Number of employees (heads)	1,442	799

In 2006 the Sirap Gema group took a major step in its diversification program to take advantage of opportunities on rapidly expanding new markets and consolidate its position on traditional markets through entry into new high-growth segments. Financial investments and capital expenditure were significant, and changes took place in the group's operating structure.

Revenues made a strong improvement, not only as a result of the contribution from the recent acquisition (approximately 15%), but also due to higher sales volumes, especially in thermal insulation.

Revenue growth was not matched by growth in operating profit, which decreased by 13.6% due to the significant rise in the average cost of polymers (13.7%) and the crisis on the French market, which had a strong adverse effect on profitability at the Sirap Gema France. The healthy performance in thermal insulation was not sufficient to avoid the downturn in the Sirap Gema group's profits. The newly acquired operations were able to make only a limited contribution to operating profit.

Finance costs rose sharply as a result of the increase in debt in the second half of the year, as illustrated below.

The Sirap Gema group closed 2006 with a net profit of 5.1 million euro, compared with 7.9 million euro for 2005.

The increase in net debt (up by 79.4 million euro compared with December 31, 2005) arose largely on the acquisition of the Amprica group; the purchase, including the acquisition price, costs attributable to the purchase and the financial position of the acquired companies, generated an increase of 76.6 million euro in exposure.

Significant events for the year

As noted above, the key event in 2006 was the acquisition of the Amprica group, a manufacturer of rigid containers in bi-oriented polystyrene (OPS) for delicatessens and confectioners in Italy, where it is market leader, and in a number of central-east European countries, including Poland and Russia where Sirap was not present, as well as Ukraine, Bulgaria and the Czech Republic.

Following the acquisition, the group began a restructuring process to foster growth and optimize potential synergies and efficiency of operating structures.

After the acquisition of the Amprica group, at a price of 45.7 million euro, a series of requests for compensation were presented to the sellers, pursuant to the guarantee clauses in the sale contract.

Quarterly trend

(in millions of euro)	Full year 2006	4th quarter 2006	3rd quarter 2006	2nd quarter 2006	1st quarter 2006
Revenues	208.6	64.2	57.8	46.6	40.0
% change vs. 2005	*25.7*	*49.3*	*35.3*	*7.7*	*8.1*
Recurring gross operating profit	24.8	5.8	7.0	6.6	5.4
% change vs. 2005	*1.2*	*9.2*	*3.6*	*(6.7)*	*(0.2)*
% of revenues	*11.9*	*9.0*	*12.2*	*14.2*	*13.6*
Gross operating profit	24.6	5.3	6.9	6.7	5.7
% change vs. 2005	*0.6*	*(3.1)*	*1.9*	*(2.2)*	*6.3*
% of revenues	*11.8*	*8.3*	*12.0*	*14.4*	*14.3*
Operating profit	14.8	2.0	4.0	4.8	4.0
% change vs. 2005	*(13.6)*	*(44.0)*	*(16.9)*	*6.4*	*12.4*
% of revenues	*7.1*	*3.2*	*6.9*	*10.3*	*10.0*
Net profit	5.1	(0.2)	1.4	1.9	1.9
% of revenues	*2.4*	*(0.3)*	*2.5*	*4.1*	*4.7*
Group net profit	4.9	(0.3)	1.4	1.9	1.9
% of revenues	*2.3*	*(0.5)*	*2.5*	*4.1*	*4.7*
Net debt	129.2	129.2	130.5	131.0	47.4

The fourth quarter of 2006 was adversely affected by raw material costs, which remained at very high levels after reaching record peaks in the third quarter. The fall in operating profit also reflected restructuring charges for the entire second half at Sirap Gema France, and amortization of the value of the acquired brands.

Fourth-quarter operating profit was therefore significantly lower in respect of the quarterly trend and also in respect of the year-earlier fourth quarter.

Operating performance by line of business and by geographical area

(in millions of euro)	Revenues 2006	Revenues % change	Recurring GOP 2006	Recurring GOP % change	GOP 2006	GOP % change	Operating profit 2006	Operating profit % change
Food packaging								
- Italy	86.3	*33.8*	14.6	*9.2*	14.7	*12.1*	9.5	*(0.2)*
- France	24.5	*(7.5)*	0.6	*(82.8)*	0.1	*(98.6)*	(1.1)	*(146.8)*
- Other EU countries	45.1	*18.9*	2.3	*32.6*	2.5	*41.5*	1.5	*8.2*
- Other non-EU countries	26.4	*77.2*	2.3	*70.9*	2.4	*75.0*	1.8	*62.8*
Eliminations	(19.3)		-		(0.1)		(0.1)	
Total packaging	**163.0**	***26.5***	**19.8**	***(2.1)***	**19.6**	***(3.2)***	**11.6**	***(19.9)***
Thermal insulation	52.7	*22.1*	5.0	*18.4*	5.0	*16.9*	3.1	*17.9*
Eliminations	(7.1)		-		-		0.1	
Total	**208.6**	***25.7***	**24.8**	***1.2***	**24.6**	***0.6***	**14.8**	***(13.6)***

Food packaging

Meat consumption, a major factor in demand for the products of the food packaging business, slackened in 2006 in some markets where the group operates. The crisis in poultry consumption in western Europe at the beginning of the year in response to the avian flu scare was particularly severe in France, and recovery was very slow; consumption did not return to 2005 levels until the end of the year.

In **Italy** sales volumes increased on steady average prices, thanks to a faster recovery in consumption and good market coverage. Revenues at constant size gained 10% and operating profit was stable, despite higher production costs and overheads.

The positive contribution from Amprica, in the second half only, was offset by events relating to strategy reviews and the need to improve efficiency at the two production facilities.

In **France** the drop in consumption was particularly severe, exacerbating an already tense competitive scenario: the relentless pursuit of sales volumes by all manufacturers produced a sharp fall in sales prices, while raw material procurement costs continued to rise. Compared with 2005, revenues dropped by 7.5% and an operating loss was posted.

On the European markets covered by the **Petruzalek group** overall revenues continued to rise, especially in countries with significant growth potential (Ukraine, Romania); at constant size, revenues gained approximately 14%. Disparities in market growth rates, lower profit margins in some product segments (polypropylene) and efforts to boost market share led to a slight reduction in operating profit compared with 2005.

Capital expenditure in food packaging amounted to 11.8 million euro and focused on production and logistic improvements at the group's international facilities, including the Hungarian plant in Hatvan, the trackability project and construction of new dies.

Thermal insulation

Performance in the thermal insulation business in 2006 was broadly favorable.

The healthy market climate, buoyed by the demand generated by restructurings and greater legislative attention to energy saving, fuelled an improvement in sales volumes and market share.

Revenues gained 22.1% from 2005, thanks above all to the rise in sales of single-layer sheets and products for coverings and insulation of roofs and under-flooring. The impact of higher sales volumes on revenues was offset in part by the reduction in sales prices.

Operating profit made significant progress (17.9%) as a result of higher revenues and attainment of full production capacity (the first half of 2005 was influenced by the start-up of a new production line), and this absorbed the increase in raw material costs.

Capital expenditure totaled 1.1 million euro, and focused chiefly on boosting production capacity.

Disputes

With reference to the information in previous reports regarding the general tax audit of Sirap Gema S.p.A. by the Verolanuova Tax Agency (province of Brescia) during 2004, on December 21, 2006, an assessment upholding all the disputed items in the audit report, was notified to the company.

Since the company believes that all the objections are entirely groundless and that the notice of assessment is liable to revocation, and is supported in its view by professional tax consultants, on January 24, 2007, it filed a self-help motion with the Verolanuova Tax Agency and on February 16, 2007, it lodged an appeal with the Brescia Provincial Tax Commission. Consequently, no provision has been set aside in the financial statements.

As noted in the 2006 half-year report, the Public Prosecutor of Brescia has initiated criminal proceedings against the Chief Executive Officer for alleged false representation. The Chief Executive Officer immediately presented a defense brief demonstrating the allegations to be groundless; to date, there have been no further developments.

Outlook

Demand in 2007 is expected to be favorable in both of the group's lines of business, although trends are likely to vary from one country to another.

Although polymer raw material prices may continue to rise, the positive trend in overall sales and the consolidation of the Amprica group over the full year should allow the group to improve operating profit, subject to currently unforeseeable events.

Financial sector

The financial sector includes the parent company Italmobiliare and its wholly owned financial subsidiaries. The main financial subsidiaries are Franco Tosi S.r.l., Italmobiliare International Finance Limited (Dublin), Société de Participation Financière Italmobiliare S.A. (Luxembourg), Fincomind A.G. (Switzerland).

(in millions of euro)	2006	2005	% change
Revenues	162.5	118.3	*37.3*
Operating profit	115.1	86.3	*33.4*
Net profit for the period	**126.9**	**91.9**	***38.1***

(in millions of euro)	December 31, 2006	December 31, 2005
Net financial position	383.9	303.4
Shareholders' equity	1,997.7	1,822.4
Employees	42	41

Quarterly trend

(in millions of euro)	Full year 2006	4th quarter 2006	3rd quarter 2006	2nd quarter 2006	1st quarter 2006
Revenues	162.5	21.5	21.6	90.0	29.5
% change on 2005	*37.3*	*36.9*	*45.1*	*18.4*	*151.0*
Operating profit	115.1	10.1	14.2	70.2	20.6
% change on 2005	*33.4*	*72.1*	*24.7*	*6.5*	*n.s.*
Net profit	126.9	13.3	14.7	74.8	24.1
% change on 2005	*38.1*	*68.1*	*29.7*	*12.0*	*n.s.*
Net financial position	383.9	383.9	357.5	345.7	331.0

n.s.: not significant

Results in accordance with the financial model

Given the specific nature of the financial sector, to permit full understanding of performance, the table below sets out the results of the sector in the format normally used for financial companies.

(in millions of euro)	4th quarter 2006	4th quarter 2005	% change	Full year 2006	Full year 2005	% change
Net income on equity investments	10.0	7.2	*39.8*	113.3	81.2	*39.4*
Net income from cash investments	12.2	5.4	*126.4*	37.0	29.7	*24.7*
Net debt charges	(3.2)	(2.7)	*17.1*	(13.7)	(10.5)	*30.5*
Total financial income and expense	19.0	9.8	*93.8*	136.6	100.4	*36.0*
Operating income and expense	(6.5)	(3.2)	*99.5*	(12.9)	(11.5)	*12.2*
Income tax expense	0.8	1.4	*(40.4)*	3.2	3.0	*8.2*
Net profit for the period	**13.3**	**7.9**	***68.1***	**126.9**	**91.9**	***38.1***

Net income on equity investments increased sharply in 2006 (from 81.2 to 113.3 million euro, a YoY improvement of 39.4%), thanks to the capital gain on the Gemina sale (7.9 million euro), the contribution of associates consolidated with the equity method (notably Mittel) and, above all, the higher level of dividends received, both from subsidiaries that are not part of the financial sector, and from other minority holdings.

Net income from cash investments also made significant progress (+24.7%), largely in the fourth quarter which reported a YoY improvement of 126.4%. Within the various cash investments, alternative investments reported small losses in the second and third quarters after an impressive first quarter, and closed the year with strong growth in the fourth quarter. Conditions on the bond markets were variable and generally not very favorable owing to interest rate trends; given these conditions, the results of our portfolios were positive and well above average yields on bond funds; they were achieved through careful management of duration and credit worthiness and pursuit of market opportunities. The trading equity portfolio also performed well, in line with 2005, with a yield of 18.9% against 19.5% in 2005.

Net debt charges were higher than in 2005, both on a quarterly basis and for the full year; this was due to the increase in average debt and, above all, the rise in payable interest rates, although this was slower than the rise in the market rates.

Operating income and expense increased, especially in the fourth quarter, closing the year with an increase of 1.4 million euro in net expense. The item mainly reflected differences in allocations to and uses of provisions between 2005 and 2006.

After tax, net profit for the period showed strong YoY improvements in both the fourth quarter and the full year, of +68.1% and +38.1% respectively.

The companies in the financial sector hold large equity investments, the majority classified as “Available for sale”. Charges in fair value of these equity investments, excluding consolidated investments, which are carried at cost, are reflected in shareholders' equity under the “Fair value reserve”. At the end of December 2006, the consolidated fair value reserve in the financial sector stood at 713.9 million euro, an increase of 103.6 million euro compared with December 31, 2005.

Significant events for the year

In January, as a result of the MCC share swap, Italmobiliare received 3,484,349 **Capitalia** shares, which together with the shares already owned (2,971,994) represent 0.25% of Capitalia share capital. All the shares are bound to in the voting trust.

In January 2006 Italmobiliare S.p.A. sold its **Gemina** shares (2.324%) to some members of the Gemina voting trust, at a price of 2 euro per share. The total proceeds amounted to 16.9 million euro with realization of a capital gain of 7.9 million euro.

At the end of March, Société de Participation Financière Italmobiliare S.A. sold its equity investment in **Consortium** (2.764%) to Italmobiliare S.p.A., at a price of 28.9 million euro determined on the basis of Consortium shareholders’ equity at the end of February adjusted to reflect the market value of the listed shares in the portfolio. In June, following the decision to bring forward the dissolution of Consortium upon completion of the program to sell Mediobanca shares exceeding the voting trust on the market, Consortium sold all Mediobanca voting trust shares and the Generali shares in its portfolio to the respective shareholders (or their subsidiaries) proportionately to their respective stakes, at a unit price of 15.307 euro and 27.833 euro respectively. Consequently the 884,857 Mediobanca shares arising from the transaction were acquired by Franco Tosi S.r.l., by virtue of an agreement with the parent company Italmobiliare and with the approval of the Mediobanca voting trust, and were added to the trust itself; the 164,083 Generali shares were directly acquired by Italmobiliare.

In December, Consortium executed the shareholders' resolution of July 26, 2006, and offset the borrowing taken out for the purchase of Mediobanca and Generali shares against reimbursement of the share premium reserve, the legal reserve and the reduction of its share capital.

In April 2006, Italmobiliare S.p.A. bought 860,743 **Banca Leonardo** shares and underwrote 3,399,257 shares as part of the Banca Leonardo share capital increase. The overall investment was just under 14 million euro. Following these transactions Italmobiliare S.p.A. has a 2.88% equity investment in the Banca Leonardo group. In February 2007, Italmobiliare undertook to subscribe 3,316,661 Banca Leonardo group shares to be issued on April 30, 2007, in connection with the share capital increase approved by the extraordinary Shareholders' Meeting of April 11, 2006, for a total outlay of 10.9 million euro.

As part of the corporate restructuring allocating specific missions to companies directly owned by the parent company, in June Italmobiliare sold the following voting-trust shares to the subsidiary Franco Tosi:

- 35,049,986 **RCS MediaGroup** shares at a price of 4.119 euro per share,
- 9,086,425 **Mediobanca** shares at a price of 15.307 euro per share,
- 8,838,902 **Gim** shares and 3,132,741 **Gim warrants** at a price of 0.6683 euro per share and 0.2252 euro per warrant respectively,
- 6,456,343 **Capitalia** shares at a price of 6.2648 euro per share.

The transaction prices were determined on the basis of the average official share prices in the 30 days prior to the contract date. Franco Tosi S.r.l. financed the acquisitions through an intragroup interest-free loan of 311 million euro from Italmobiliare S.p.A.

As part of the above restructuring program, Franco Tosi sold to the parent company Italmobiliare and the associate Sance 1,020,000 shares in **Banche Popolari Unite** at a price of 19.946 euro per share, the average official list price over the preceding 30 days.

At consolidated level these transactions had no impact on the income statement.

At the end of September, Italmobiliare S.p.A. subscribed and paid the share capital increase from 5.16 to 90 million euro executed by **Franco Tosi S.r.l.** to support its new mission of holding and managing voting-trust shares. Consequently, the intragroup interest-free loan of 311 million euro granted in June by Italmobiliare S.p.A. to Franco Tosi S.r.l. was closed and replaced by a new interest-free loan of 235 million euro.

During 2006 **Italmobiliare S.p.A.** re-negotiated its medium-term borrowings from BNP Paribas, Mediobanca, Calyon and Société Générale, redefining the contractual form to obtain better conditions in terms of maturity, interest rates and amounts.

To finance the purchase of the Amprica group, **Société de Participation Financière Italmobiliare S.A.** granted Sirap Gema S.p.A. a temporary loan of 46 million euro at market rates. The ultimate capital structure of Sirap Gema S.p.A. and the most appropriate solution to finance the acquisition will be decided in early 2007.

In January 2007, the **Gim** extraordinary Shareholders' Meeting approved a project for the upstream merger of Gim S.p.A. into Intek S.p.A.. The share swap rate is 10 Intek S.p.A. ordinary or savings shares for every 9 Gim S.p.A. ordinary or savings shares, and 10 Intek S.p.A. warrants for every 9 Gim S.p.A. warrants. The merger operation is subject to the admission for trading of "Intek S.p.A. savings shares" and "Intek S.p.A. 2005-2008 ordinary share warrants" on the automated equities trading system organized and run by Borsa Italiana S.p.A.. Through the subsidiary **Franco Tosi**, the Italmobiliare Group holds 4.17% of Gim capital and 2.97% of outstanding warrants. On completion of the merger, its equity investment will consist of 2.82% of Intek ordinary share capital and an unchanged percentage of outstanding warrants.

Italmobiliare S.p.A. did not makes any treasury share purchases during 2006, so the treasury shares held in the portfolio at December 31, 2006, remained unchanged at 911,131 ordinary shares (4.107% of all ordinary shares) and 28,500 savings shares (0.174% of all savings shares).

In early 2007, following the amendment to the stock option plan regulation approved by the Board of Directors on February 8, 2007, 30,313 options were exercised (granted in 2003) by Italmobiliare managers. Italmobiliare sold an equivalent number of ordinary treasury shares at the per-share price of 31.28 euro established at the grant date; the company therefore now holds 880,818 ordinary treasury shares, representing 3.971% of ordinary share capital.

Results of the companies in the financial sector

This section provides a summary of the financial and business results of the main companies in the financial sector, drawn up in accordance with the IAS/IFRS international accounting and financial reporting standards.

Franco Tosi S.r.l.

(in millions of euro)	2006	2005	% change
Revenues	13.7	6.2	*121.0*
Operating profit	13.4	5.8	*131.4*
Net profit for the period	13.1	5.8	*126.0*

(in millions of euro)	December 31, 2006	December 31, 2005
Net financial position	(0.9)	1.9
Shareholders' equity	130.2	19.4

As noted above, Franco Tosi's mission is to act as the holding for the shares in companies in which the Italmobiliare Group is a member of voting trusts. The main transactions involving Franco Tosi in 2006 are described above in "Significant events for the year".

As a result of the year's transactions, at year-end Franco Tosi owned:

- 35,049,986 Rcs MediaGroup shares (4.784% of ordinary capital)
- 8,838,902 Gim shares (4.171% of ordinary capital)
- 3,132,741 Gim warrants (2.97% of outstanding warrants)
- 6,456,343 Capitalia shares (0.249% of capital)
- 9,971,282 Mediobanca shares (1.220% of capital)

The company also executed a share capital increase from 5.16 to 90 million euro, subscribed in full by the parent company Italmobiliare, and obtained from Italmobiliare an interest-free loan standing at 235 million euro at year-end. The interest-free loan is not included in the net financial position.

Franco Tosi reported significant improvements in 2006 performance compared with 2005, in part as a result of its new mission. Dividends received rose from 1.8 to 6.6 million euro and realized capital gains, mainly on the sale of Banche Popolari Unite shares, increased from 4.2 to 7.1 million euro.

Italmobiliare International Finance Ltd. (Dublin)

(in millions of euro)	2006	2005	% change
Revenues	25.6	18.9	*35.4*
Operating profit	10.7	14.6	*(26.7)*
Net profit for the period	9.2	13.2	*(30.3)*

(in millions of euro)	December 31, 2006	December 31, 2005
Net financial position	638.5	612.0
Shareholders' equity	637.8	611.2

This company is the Italmobiliare Group's main financial centre. It operates on the international capital markets and provides financial support for Group companies.

Shareholders' equity and net financial position increased to approximately 638 million euro partly as a result of the share capital increase and the capital contributions (totaling 17.2 million euro) underwritten by Société de Participation Financière Italmobiliare.

Société de Participation Financière Italmobiliare (Luxembourg)

(in millions of euro)	2006	2005	% change
Revenues	40.5	16.9	*139.6*
Operating profit	39.1	14.5	*169.7*
Net profit for the period	39.0	14.9	*160.8*

(in millions of euro)	December 31, 2006	December 31, 2005
Net financial position	136.4	99.1
Patrimonio netto	250.0	211.4

The strong increase in operating profit and net profit was due in part to the capital gain of 13.8 million euro on the sale of Consortium to Italmobiliare. Excluding this intercompany capital gain, the company would nevertheless have reported increased profits.

The net financial position and shareholders' equity increased by an amount substantially equivalent to the net profit for the period.

During 2006, Société de Participation Financière Italmobiliare transacted market purchases and sales and derivatives contracts on its trading equities. At the end of 2006 trading instruments were as follows: 1,343,658 (1,343,658 at the end of 2005) RCS MediaGroup shares (0.183% of ordinary capital), 1,600,000 (1,607,755 at the end of 2005) BPU shares (0.464% of capital) and 1,150,000 (1,400,000 at the end of 2005) Unicredito shares (0.011% of ordinary capital).

At the end of 2006 Société de Participation Financière Italmobiliare sold all Poligrafici Editoriali shares in its portfolio (2,641,500 shares).

Among equity investments in non-listed companies, the company held 11.682% of Cartiere Burgo S.p.A.

Cartiere Burgo S.p.A. is an industrial group specialized in the production of graphic papers; following its merger with the Marchi group, its annual output is in excess of 2,300 K/tons. The

2006 consolidated financial statements have not yet been approved by the corporate governing bodies. Based on the information available, 2006 production continued at strong levels, while earnings, though remaining positive, were adversely affected by competitive pressures on market prices and the very sharp rise in energy costs.

The interest in Cartiere Burgo S.p.A. was re-stated from 61.2 million euro to 77.6 million euro after determining fair value using the discounted future cash flow method.

Fincomind A.G. (Switzerland)

(in millions of euro)	2006	2005	% change
Revenues	3.2	1.9	*8.1*
Operating profit	2.6	2.3	*14.0*
Net profit for the period	2.6	2.2	*21.0*

(in millions of euro)	December 31, 2006	December 31, 2005
Net financial position	*(8.5)*	*11.3*
Shareholders' equity	14.5	12.8

The company's main equity investment is 100% of Finter Bank Zürich.

The improvement in results was due to the higher dividends distributed by Finter Bank Zürich and containment of operating expenses.

The operations and results of the parent company **Italmobiliare S.p.A.** are illustrated in a separate section.

Net financial position of Italmobiliare and the financial sector

The table below provides an itemized description of the net financial positions of the parent company Italmobiliare S.p.A. and the consolidated financial sector.

	December 31, 2006		December 31, 2005	
(in thousands of euro)	Italmobiliare	Financial sector[1]	Italmobiliare	Financial sector[1]
Cash, cash equivalents and current financial assets	83,741	909,834	65,365	761,735
Short-term financing	(84,484)	(149,840)	(154,479)	(159,393)
Short-term net financial position	(743)	759,994	(89,114)	602,342
Medium/long-term financial assets	2,965	13,244	6,565	17,062
Medium/long-term financing	(389,300)	(389,300)	(316,018)	(316,018)
Medium/long-term net financial position	(386,335)	(376,056)	(309,453)	(298,956)
Net financial position	(387,078)	383,938	(398,567)	303,386

1 consisting of: Italmobiliare S.p.A. - Italmobiliare International Finance Ltd. - Italmobiliare International BV - Société de Participation Financière Italmobiliare S.A. - Fincomind A.G. - Franco Tosi S.r.l. - Soparfinter S.A.

At December 31, 2006, Italmobiliare had net debt of 387.1 million euro (398.6 million euro at December 31, 2005); the financial sector had a positive consolidated net financial position of 383.9 million euro (303.4 million euro at December 31, 2005) as a result of the cash flows illustrated below.

(in millions of euro)	Italmobiliare	Financial sector
Sale of equity investments	362.7	41.0
Equity investments acquired	(139.5)	(14.2)
Dividends paid	(49.0)	(49.0)
Dividends received	82.6	88.1
Current operations and interest-free loans	(245.3)	14.7
Total	**11.5**	**80.6**

Significant post balance sheet events

Apart from the information already provided under significant events for the year for matters completed after December 31, 2006, during the first quarter of 2007 settlement procedures initiated in 2006 with regard to disputes on sales of companies in previous years were finalized. The settlements generated a charge of 11 million euro for Italmobiliare, already provided in previous periods. Consequently no expense will be recorded in 2007.

Outlook

Results in the financial sector depend on dividend flows and trends on the financial markets. While dividend flows are fairly predictable and can therefore be determined with an acceptable degree of approximation, future interest rates, trends on stock and bond markets, and opportunities for the purchase and sale of equity investments (none currently underway) involve elements of uncertainty which make it difficult to formulate a reliable full-year forecast for results in this sector. The impressive result reported in 2006 nonetheless constitutes a challenging reference that will not be easy to attain, subject to currently unforeseeable events.

Banking sector

The banking sector is composed of two wholly owned banks, Finter Bank Zürich and Crédit Mobilier de Monaco.

(in millions of euro)	2006	2005	% change
Revenues	48.2	45.5	*5.9*
Operating profit	10.3	8.4	*22.8*
Net profit for the period	**8.1**	**6.4**	***27.1***

(in millions of euro)	December 31, 2006	December 31, 2005
Net financial position	92.7	89.6
Total shareholders' equity	93.2	91.2
Group shareholders' equity	92.7	91.2
Employees	139	143

Quarterly trend

(in millions of euro)	Full year 2006	4th quarter 2006	3rd quarter 2006	2nd quarter 2006	1st quarter 2006
Revenues	48.2	13.4	10.2	12.5	12.1
% change on 2005	*5.9*	*1.5*	*(12.0)*	*19.7*	*18.0*
Operating profit	10.3	2.6	1.9	2.7	3.1
% change on 2005	*22.8*	*(16.1)*	*34.0*	*39.1*	*64.6*
Net profit	8.1	2.0	1.4	2.5	2.2
% change on 2005	*27.1*	*(9.1)*	*53.1*	*55.6*	*38.7*
Net financial position	92.7	92.7	76.6	84.3	86.1

Results in accordance with the banking model

Given the specific nature of the banking sector, to permit full understanding of performance, the table below sets out the results of the sector in the format normally used for banks.

(in millions of euro)	4th quarter 2006	4th quarter 2005	% change	Full year 2006	Full year 2005	% change
Net interest income	1.7	1.4	*19.7*	5.9	5.3	*11.8*
Intermediation margin	12.2	13.0	*(6.0)*	43.7	42.5	*2.8*
Gross operating profit	3.5	4.8	*(27.2)*	13.3	11.5	*15.7*
Profit from operations	2.3	2.6	*(10.9)*	9.3	7.5	*24.8*
Net profit	**1.9**	**2.2**	***(12.7)***	**8.1**	**6.4**	***27.2***

The results in this sector consist almost entirely of the results of Finter Bank Zürich.

Finter Bank Zürich

In 2006 the Finter Bank Zürich group successfully profited from continuing positive conditions on the financial markets, reporting consolidated revenues of 74.0 million Swiss francs, a YoY improvement of 7.9%. The result stemmed from higher interest income, a larger volume of client transactions and higher revenues on the securities portfolio.

Revenue growth together with the contained increase in operating expenses and charges (up by only 1.1%) produced operating profit of 15.9 million Swiss francs, a significant improvement from 12.4 million Swiss francs in 2005 (+27.6%).

After finance costs and tax, consolidated net profit was 12.7 million Swiss francs, from 9.6 million Swiss francs in 2005 (+32.4%) .

Consolidated shareholders' equity rose from 133 million Swiss francs at December 31, 2005, to 140 million Swiss francs at December 31, 2006,

Assets under management at the end of 2006 totaled 5.4 billion Swiss francs.

These results confirm the quality of the programs introduced to re-organize the group's human resources, develop innovative products and acquire new clients. Regular reviews of these programs ensure a basis for future growth, despite the volatile and highly competitive environment.

Crédit Mobilier de Monaco

Crédit Mobilier de Monaco is a bank in Monaco whose main activity is guarantee-backed loans. During 2006 it reported a slight downturn in net interest income and an increase in employee expenses.

Net profit, at 59 thousand euro, was lower than the prior-year result (200 thousand euro).

Outlook

Despite the characteristic uncertainty of the financial markets, performance to date and the programs in place indicate that the sector's full-year result will be up on the 2006 result, subject to currently unforeseeable events.

Property sector, services and others

This sector includes a number of real estate companies and services companies.

Assets held by the property companies include rented property and property and land held for sale.

The services companies essentially provide services within the Group.

2006 revenues for the sector amounted to 2.7 million euro, an increase of 8.0% compared with 2.5 million euro in 2005.

Operating profit and aggregate net profit made strong progress, rising respectively from -1.3 and 0.4 million euro to 3.6 and 5.4 million euro. The improvement was largely due to the release of a number of provisions for risks, deemed excessive, at Terfin S.A. in liquidation. Excluding the results of Terfin S.A., the sector would nevertheless have reported a net profit for the year of 1.3 million euro, from 1.0 million euro in 2005.

Among companies in this sector, S.r.l. Nuove Costruzioni Edilizie S.A.N.C.E. holds important real estate assets and 1,465,166 Banche Popolari Unite shares (0.425% of capital), classified as "Available for sale".

Human resources

The number of employees at December 31, 2006, was 24,509 heads, compared with 22,857 heads at December 31, 2005.

The following tables provide a breakdown of employees by business sector and geographical area:

	December 31, 2006		December 31, 2005	
	heads*	%	heads*	%
Business sector				
Construction materials	22,868	*93.3*	21,854	*95.6*
Packaging and insulation	1,442	*5.9*	799	*3.5*
Financial	42	*0.2*	41	*0.2*
Banking	139	*0.5*	143	*0.6*
Property and services	18	*0.1*	20	*0.1*
Total	**24,509**	***100.0***	**22,857**	***100.0***
Geographical area				
European Union	12,040	*49.1*	11,636	*50.9*
Other European countries	1,901	*7.8*	1,589	*6.9*
North America	1,697	*6.9*	1,727	*7.6*
Asia	2,387	*9.7*	2,013	*8.8*
Africa	6,148	*25.1*	5,568	*24.4*
Other countries	336	*1.4*	324	*1.4*
Total	**24,509**	***100.0***	**22,857**	***100.0***

* including employees of companies consolidated on a line-by-line or proportionate basis. The number of employees for companies consolidated on a proportionate basis is in line with the consolidation proportion

Dealings with related parties

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

- subsidiaries that are not consolidated on a line-by-line basis;
- associates;
- other related parties.

Among companies in the construction materials sector, dealings with related parties reflect the Group's interest in leveraging the synergies in the sector to enhance production and commercial integration, employ competencies efficiently, and rationalize use of central structures and financial resources.

All dealings are of a business and/or financial nature.

Italmobiliare also provides administration services for some associates, regulated on the basis of the costs of providing the service.

Dealings with related parties were as follows:

- administrative, financial, contractual and fiscal consultancy services, as well as support services for the organization of company restructuring operations for the Italcementi group provided by Finsise S.p.A., a company whose majority shareholder is Italo Lucchini, Deputy Chairman of Italmobiliare, for a consideration of 290 thousand euro. The Italmobiliare Group also used the services of Professional Auditing S.p.A., a trust company whose main shareholder is also Mr Lucchini, for a consideration of 5 thousand euro;
- legal consultancy, judicial and extrajudicial assistance provided to Italmobiliare and to Group companies by the associate professional studio Dewey Ballantine LLP, of which the Italmobiliare director Luca Minoli is part, for a consideration of 1,106 thousand euro;
- consultancy services for the senior management of Italmobiliare in relation to the rationalization and development of Group activities, provided by Piergiorgio Barlassina, a director of Italmobiliare, for a gross annual remuneration of 250 thousand euro.

All dealings with related parties, whether for the exchange of goods and services, or financial services, are conducted at normal market conditions. With regard to the consolidated financial statements of Italmobiliare S.p.A., the extent of dealings with related parties is not significant.

In 2006 Italmobiliare and Italcementi made an endowment of 1.2 million euro to the Fondazione Italcementi Cav. Lav. Carlo Pesenti to cover operating expenses and realize initiatives within the scope of the Foundation. The Italcementi group charged the Foundation for an amount of 171 thousand euro, for the supply of corporate administration services and services provided by its personnel; it also provided services for the construction of the professional training center for young students in Sri Lanka for 42 thousand euro.

Dealings with related parties and compensation paid to the Directors and the Chief Operating Officer of Italmobiliare S.p.A. for positions held in the Group are disclosed in the notes. Disclosures on dealings with related parties of the Parent company Italmobiliare S.p.A. are provided in the Italmobiliare S.p.A.report on operations and notes.

No atypical or unusual transactions took place in 2006.

Disputes

Appropriate provision has been made on an accrual basis for legal and tax disputes concerning Group companies, in cases where, in respect of risks that have emerged and their assessment, contingent liabilities are probable and measurable.

Details of the main disputes have been provided above in the sections related to the individual sectors.

Outlook

The world economy is expected to slow slightly after years of high growth, in response to the weakening in some areas, notably the USA. After an impressive year for equities in 2006, the financial markets as a whole present difficulties and elements of uncertainty, partly as a result of the rise in short-term interest rates.

Although the excellent 2006 results place the Group in a stronger position to meet the challenges of the current year, equally they set a demanding reference for the coming months.

These considerations, together with the outlook expressed for the individual sectors, mean that the objective of reporting 2007 operating results in line with the excellent levels of 2006 is an ambitious goal.

As far as the Parent company Italmobiliare S.p.A. is concerned, on the basis of the information available and subject to unforeseeable events, net profit for 2007 is expected to be higher than the 2006 figure, net of the capital gains on the intragroup sales to the subsidiary Franco Tosi.

Milan, March 21, 2007

The Board of Directors

2006 consolidated financial statements

Financial statements

Balance sheet

(in thousands of euro)	Notes	12.31.2006	12.31.2005	Change
Non-current assets				
Property, plant and equipment	1	4,118,219	3,982,450	135,769
Investment property	2	28,014	29,293	(1,279)
Goodwill	3	1,894,932	1,840,198	54,734
Intangible assets	4	59,013	51,678	7,335
Investments in associates	5	194,637	183,804	10,833
Other equity investments	6	1,601,245	1,375,787	225,458
Non-current trade and other receivables	7	140,354	475,593	(335,239)
Deferred tax assets	20	43,793	31,042	12,751
Non-current receivables due from employees		517	1,167	(650)
Total non-current assets		8,080,724	7,971,012	109,712
Current assets				
Inventories	8	723,736	720,280	3,456
Trade receivables	9	1,544,596	1,332,601	211,995
Other assets	10	341,713	311,389	30,324
Income tax assets		38,235	69,391	(31,156)
Equity investments and financial receivables	11	871,948	830,622	41,326
Cash and cash equivalents	12	533,269	518,170	15,099
Total current assets		4,053,497	3,782,453	271,044
Total assets		**12,134,221**	**11,753,465**	**380,756**
Shareholders' equity				
Share capital	13	100,167	100,167	
Reserves	14	1,029,288	896,494	132,794
Treasury shares, at cost	15	(22,176)	(22,176)	
Retained earnings		1,867,675	1,721,804	145,871
Total		2,974,954	2,696,289	278,665
Minority interests	16	3,432,903	3,220,459	212,444
Total shareholders' equity		6,407,857	5,916,748	491,109
Non-current liabilities				
Interest-bearing loans and long-term borrowings	18	2,531,204	2,375,059	156,145
Employee benefit liabilities	17	213,709	216,240	(2,531)
Provisions-non-current	19	343,511	322,708	20,803
Other non-current liabilities		20,337	16,339	3,998
Deferred tax liabilities	20	344,175	346,551	(2,376)
Total non-current liabilities		3,452,936	3,276,897	176,039
Current liabilities				
Bank overdrafts and short-term borrowings	18	469,915	976,157	(506,242)
Interest-bearing loans and short-term borrowings	18	199,980	164,461	35,519
Trade payables	21	815,791	745,365	70,426
Provisions-current	19	1,372	1,342	30
Income tax liabilities	22	91,981	63,288	28,693
Other current liabilities	23	694,389	609,207	85,182
Total current liabilities		2,273,428	2,559,820	(286,392)
Total liabilities		5,726,364	5,836,717	(110,353)
Total shareholders' equity and liabilities		**12,134,221**	**11,753,465**	**380,756**

Income statement

(in thousands of euro)	Notes	2006	%	2005	%	Change %	
Revenues	24	6,216,515	100.0	5,282,315	100.0	934,200	17.7
Other revenues		83,177		58,869		24,308	
Change in inventories		(7,933)		22,427		(30,360)	
Internal work capitalized		37,663		27,021		10,642	
Goods and utilities expenses	25	(2,237,476)		(1,819,620)		(417,856)	
Services expenses	26	(1,382,809)		(1,261,064)		(121,745)	
Employee expenses	27	(980,063)		(910,501)		(69,562)	
Other operating income/(expense)	28	(179,089)		(168,749)		(10,340)	
Gross operating profit - recurring		1,549,985	24.9	1,230,698	23.3	319,287	25.9
Net capital gains on sale of fixed assets	29	18,384		24,899		(6,515)	
Non-recurring employee expenses for reorganizations	29	(25,449)		(37,588)		12,139	
Other non-recurring income/(expense)	29	(1,907)		(1,697)		(210)	
Gross operating profit		1,541,013	24.8	1,216,312	23.0	324,701	26.7
Amortization and depreciation	30	(433,316)		(379,226)		(54,090)	
Impairment variation		(1,977)		(2,579)		602	
Operating profit		1,105,720	17.8	834,507	15.8	271,213	32.5
Finance income	31	48,077		75,008		(26,931)	
Finance costs	31	(149,996)		(136,411)		(13,585)	
Net exchange rate differences and net derivatives	31	(4,925)		13,295		(18,220)	
Share of results of associates	32	20,451		20,678		(227)	
Profit before tax		1,019,327	16.4	807,077	15.3	212,250	26.3
Income tax expense	33	(270,848)		(201,015)		(69,833)	
Income/(expense) from discontinued operations							-
Net profit for the period		**748,479**	**12.0**	**606,062**	**11.5**	**142,417**	**23.5**
Attributable to:							
Group		264,427	4.3	211,290	4.0	53,137	25.1
Minority interests		484,052	7.8	394,772	7.5	89,280	22.6
Earnings per share:	34						
Basic							
ordinary shares		7.001		5.586			
savings shares		7.079		5.664			
Diluted							
ordinary shares		6.985		5.578			
savings shares		7.063		5.656			

Statement of movements in consolidated total shareholders' equity

(in thousands of euro)	Attributable to equity holders of the Parent										Minority interest	Total shareholders' equity
		Reserves										
	Share capital	Share premium reserve	Reserve for general banking risks	Fair value reserve for AFS	Derivatives reserve	Other reserves	Treasury shares, at cost	Translation reserves	Retained earnings	Total capital and reserves		
Balances at January 1, 2005	100,167	177,191	16,851	429,832	(4,481)	26,488	(21,192)	(14,688)	1,494,489	2,204,657	2,255,132	4,459,789
Change in fair value on:												
Held-for-sale financial assets	-	-	-	245,738	-	-	-	-	-	245,738	36,261	281,999
Derivative financial instruments	-	-	-	-	3,537	-	-	-	-	3,537	4,529	8,066
Other	-	-	-	-	-	17,726	-	-	-	17,726	40,864	58,590
Currency translation differences	-	-	(132)	-	-	-	-	61,482	-	61,350	205,015	266,365
Net gains/(losses) recognized directly in equity	-	-	(132)	245,738	3,537	17,726	-	61,482	-	328,351	286,669	615,020
Net profit for the period	-	-	-	-	-	-	-	211,290	211,290	394,772	606,062	
Total recognized income/(expense) for the period	-	-	(132)	245,738	3,537	17,726		61,482	211,290	539,641	681,441	1,221,082
Distribution of profits:												
Dividends	-	-	-	-	-	-	-	-	(42,638)	(42,638)	(110,831)	(153,469)
Treasury shares buyback	-	-	-	-	-	-	(984)	-	-	(984)	-	(984)
Reclassifications	-	-	-	-	-	(16,256)	-	-	16,256	-	-	-
Change in consolidation area	-	-	-	-	-	-	-	-	(4,387)	(4,387)	394,717	390,330
Balances at December 31, 2005	100,167	177,191	16,719	675,570	(944)	27,958	(22,176)	46,794	1,675,010	2,696,289	3,220,459	5,916,748
Change in fair value on:												
Held-for-sale financial assets	-	-	-	115,847	-	-	-	-	-	115,847	14,202	130,049
Derivative financial instruments	-	-	-	-	3,485	-	-	-	-	3,485	7,652	11,137
Other	-	-	428	-	-	13,573	-	-	(14,001)	-	16,367	16,367
Currency translation differences	-	-	(539)	-	-	-	-	(47,081)	-	(47,620)	(162,552)	(210,172)
Net gains/(losses) recognized directly in equity	-	-	(111)	115,847	3,485	13,573	-	(47,081)	(14,001)	71,712	(124,331)	(52,619)
Net profit for the period	-	-	-	-	-	-	-	-	264,427	264,427	484,052	748,479
Total recognized income/(expense) for the period	-	-	(111)	115,847	3,485	13,573	-	(47,081)	250,426	336,139	359,721	695,860
Distribution of profits:												
Dividends	-	-	-	-	-	-	-	-	(49,007)	(49,007)	(174,800)	(223,807)
Change in consolidation area and other changes	-	-	-	-	-	-	-	(1,814)	(6,653)	(8,467)	27,523	19,056
Balances at December 31, 2006	**100,167**	**177,191**	**16,608**	**791,417**	**2,541**	**41,531**	**(22,176)**	**(2,101)**	**1,869,776**	**2,974,954**	**3,432,903**	**6,407,857**

Cash flow statement

(in thousands of euro)	2006	2005
A) Cash flow from operating activities:		
Profit before tax	1,019,327	807,077
Adjustments for:		
Amortization, depreciation and impairment	435,993	380,970
Reversal undistributed results of associates	(7,782)	(17,482)
Capital (gains)/losses on sale of fixed assets	(35,617)	(42,812)
Change in employee benefit liabilities and other provisions	23,805	33,151
Stock options	5,676	3,760
Reversal finance costs	40,313	38,134
Cash flow from operating activities before tax, Finance income/costs and change in working capital:	1,481,715	1,202,798
Change in working capital:		
Inventories	(32,384)	(35,439)
Trade receivables	(214,895)	(59,450)
Trade payables	68,911	1,148
Other receivables/payables accruals and deferrals	(15,181)	24,478
	(193,549)	(69,263)
Cash flow from operating activities before tax, finance income/costs:	1,288,166	1,133,535
Net finance costs paid	(103,150)	(112,158)
Dividends received	60,098	41,015
Taxes paid	(232,032)	(283,967)
Inflows from derivatives	806	(841)
	(274,278)	(355,951)
Total A)	**1,013,888**	**777,584**
B) Cash flow from investing activities:		
Investments in fixed assets:		
Property, plant and equipment and investment property	(501,850)	(466,209)
Intangible assets	(18,237)	(13,756)
Financial assets (equity investments)	(345,099)	(773,761)
Cash and cash equivalents of consolidated acquisitions	7,507	64,495
Total investments	(857,679)	(1,189,231)
Proceeds from divestments of fixed assets and repayment of loans	82,580	86,014
Total divestments	82,580	86,014
Total B)	**(775,099)**	**(1,103,217)**
C) Cash flow from financing activities:		
New interest-bearing loans and long-term borrowings	135,009	475,403
Change in financial receivables	(79,989)	(77,465)
Change in other financial receivables	173	(35,194)
Change in current equity investments	(3,349)	(22,010)
Net change in treasury shares	(4,581)	(11,211)
Share capital increases by minorities	696	231,429
Dividends paid	(223,807)	(153,469)
Other movements	7,253	17,169
Total C)	**(168,595)**	**424,652**
D) Currency translation differences and other changes	(55,095)	45,858
E) Change in cash and cash equivalents (A+B+C+D)	**15,099**	**144,877**
F) Opening cash and cash equivalents	**518,170**	**373,293**
Closing cash and cash equivalents (note 12) (E+F)	**533,269**	**518,170**

Notes

The Italmobiliare S.p.A. consolidated financial statements as at and for the year to December 31, 2006, were examined and approved for publication by the Board of Directors on March 21, 2007.
In accordance with IAS 10, these consolidated financial statements may undergo amendments at the Shareholders' Meeting.

Accounting policies

Italmobiliare S.p.A. and its subsidiaries constitute the "Italmobiliare Group", which has international operations in the sectors of construction materials, food packaging and thermal insulation, finance, banking, and in other minor businesses.

Declaration of compliance with the IFRS

These consolidated financial statements have been drawn up in compliance with the international financial reporting standards (IFRS) applicable at December 31, 2006, adopted by the EC Commission.
In compliance with European Regulation no. 1606 of July 19, 2002, the principles adopted do not include the standards and interpretations published by the IASB and the IFRIC through December 31, 2006, that had not been adopted by the European Union at that date.
Since December 31, 2005, a number of principles and interpretations adopted by the European Union have come into force and have been applied in the 2006 financial statements, specifically:

IFRIC 4 Determining whether an arrangement contains a lease
IFRIC 5 Rights to interests arising from decommissioning, restoration and environment funds
IFRIC 6 Waste electrical and electronic equipment
IAS 19 Employee benefits
IAS 21 Effects of changes in foreign exchange rates
IAS 39 Financial instruments
IFRS 6 Exploration for and evaluation of mineral assets

Application of these principles and interpretations has not had a material impact for the Group.
During 2006 the European Union adopted additional principles and interpretations whose application will affect the Italmobiliare Group as from January 1, 2007, given that early application of the principles in question has not been elected.

Specifically:

IFRS 7 Financial instruments: disclosures
IFRIC 7 Applying the restatement approach under IAS 29 - Financial reporting in hyperinflationary economies
IFRIC 8 Scope of IFRS2
IFRIC 9 Reassessment of embedded derivatives
To the extent to which these principles and interpretations are applicable, they are not expected to have a material impact.

Accounting policies and basis of presentation

The consolidated accounts adopt the cost principle, with the exception of derivative financial instruments and financial assets available for sale or held for trading, which are stated at fair value. The carrying amounts of hedged assets and liabilities are adjusted to account for changes in fair value on the basis of the hedged risks. The consolidated financial statements are presented in euro and all amounts in the accounting schedules and in the notes are rounded to thousands of euro, unless otherwise specified.

The basis of presentation of the Group financial statements is as follows:
- current and non-current assets and current and non-current liabilities are presented as separate classifications on the face of the balance sheet. Current assets, which include cash and cash equivalents, are assets that the Group intends to realize, sell or consume during its normal business cycle; current liabilities are liabilities that the Group expects to settle during the normal business cycle or in the twelve months after the balance sheet date;

- on the income statement, costs are analyzed by the nature of the expense. As in the 2005 income statement, a line item is included to reflect the intermediate result represented by "Gross operating profit", that is, Operating profit plus amortization and depreciation charges and impairment variations on non-current assets;
- the indirect method is used on the cash flow statement.

Use of estimates

The preparation of the consolidated financial statements and related notes in conformity with the IFRS requires management to make estimates that affect the values of assets, liabilities, income and expense, such as amortization, depreciation, impairment and provisions, and the disclosures on contingent assets and liabilities in the notes. Since these estimates assume operating continuity and are determined using the information available at the time, they could diverge from the actual future results. Assumptions and estimates are particularly sensitive with regard to measurement of fixed assets, which depend on forecasts of future results and cash flows, provisions for disputes and restructurings and commitments in respect of pension plans and other long-term benefits. Management conducts regular reviews of assumptions and estimates, and immediately recognizes any adjustments in the financial statements.

Principles of consolidation

The consolidated accounting schedules are based on the accounts at December 31, 2006, of the parent company Italmobiliare S.p.A. and the consolidated companies, in accordance with the Group's accounting principles.

Subsidiaries

Subsidiaries are companies in which the Group has the power to determine, directly or indirectly, administrative and management decisions and to obtain the benefits thereof. Generally speaking, control is assumed to exist when the Group holds, directly or indirectly, more than one half of voting rights, including potential voting rights deriving from convertible securities.
Subsidiaries are consolidated on a line-by-line basis as from the date at which control is obtained and until control is transferred out of the Group.

Associates

Associates are companies in which the Group has significant influence over administrative and management decisions even though it does not hold control. Generally speaking, significant influence is assumed to exist when the Group holds, directly or indirectly, at least 20% of voting rights. Equity investments in associates are valued with the equity method, under which they are recognized initially at cost, and subsequently adjusted to reflect changes in the value of the Group's interest in the associate's equity. The Group's interest in the associate's net profit or loss is recognized in a specific income statement line item from the date at which the Group exerts significant influence until it relinquishes such influence.

Joint ventures

Joint ventures are companies whose business operations are controlled by the Group jointly with one or more other parties, under contractual arrangements. Joint control presupposes that strategic, financial and management decisions are taken with the unanimous consent of the parties that control the venture.
Equity investments in joint ventures are consolidated on a proportionate basis, whereby assets, liabilities, income and expense are recognized line-by-line proportionately to the Group's interest.
The balance sheets and income statements of joint ventures are consolidated from the date on which joint control is assumed and until such control is relinquished.

Transactions eliminated during consolidation

All intragroup balances and transactions, including any unrealized gains in respect of third parties, are eliminated in full. Unrealized losses in respect of third parties deriving from intragroup transactions are eliminated, except in cases where it will not subsequently be possible to recover such losses.

Unrealized gains in respect of third parties deriving from transactions with associates are eliminated against the equity investment carrying amount, while losses are eliminated proportionately to the Group's interest, unless it will not subsequently be possible to recover such losses.

Consolidation area

A list of the companies consolidated on a line-by-line basis, on a proportionate basis and with the equity method is provided in annex 1 to these notes.

Business combinations

On first-time adoption of the IFRS, as allowed by IFRS 1, the Group elected not to apply IFRS 3 retrospectively to business combinations that took place before January 1, 2004.

Cost of business combinations

Business combinations are recognized at purchase cost as provided by IFRS 3. Purchase cost is the sum of the fair values of the assets and liabilities acquired, contingent liabilities assumed and equity instruments issued at the transaction date, plus costs directly attributable to the purchase.

Apportionment of the cost of business combinations

The cost of business combinations is apportioned by recognizing the fair value of identifiable assets, liabilities and contingent liabilities at the acquisition date. Positive differences between the purchase cost and the interest in the fair value of the identifiable assets, liabilities and contingent liabilities at purchase are recognized as goodwill, under assets. Negative differences are taken immediately to the income statement. If on initial recognition the purchase cost of a business combination can only be determined provisionally, the apportioned amounts are adjusted within twelve months of the acquisition date.

Minority interests

Minority interests are recognized at the fair value of the net acquired assets.

Business combinations achieved in stages

When a business combination is achieved in stages, through a series of share purchases, each transaction is accounted for separately, using the cost and fair value information available at the date of each transaction to determine any goodwill.
When control of an entity is obtained through a subsequent purchase, the previously held interest is revalued to reflect the fair value of the identifiable assets, liabilities and contingent liabilities at the date of the subsequent purchase; the revaluation offset is recognized in equity attributable to the Group.

Purchase of interests held by minorities

In the absence of a specific IFRS treatment, the Group applies the following criterion:

- purchases of interests held by minorities after control has been obtained do not require revaluation of identifiable assets and liabilities. The difference between the purchase cost and the equity interest acquired is recognized as goodwill;
- similarly, in the absence of specific IFRS indications, transactions that reduce the interest held, without loss of control, are treated as sales to minorities and the difference between the interest sold and the price paid is recognized in the income statement.

Transactions in currencies other than the reporting currency

The reporting currency of the subsidiaries located outside the euro zone is usually the local currency.

Translation of foreign currency postings

Foreign currency transactions are initially translated into the reporting currency with the exchange at the transaction date. At closure of the reporting period, foreign currency monetary assets and liabilities are translated into the reporting currency at the closing exchange rate. Exchange rate gains and losses are taken to the income statement.
Non-monetary foreign currency assets and liabilities valued at cost are translated at the exchange rate ruling at the transaction date; those valued at fair value are translated with the exchange rate at the date fair value was determined.

Translation of the financial statements of foreign entities

At closure of the reporting period, the assets, including goodwill, and liabilities of consolidated companies that report in currencies other than the euro are translated into the presentation currency of the Group's consolidated accounts at the exchange ruling at close. Income statement items, with the exception of companies operating in hyperinflationary economies (see below), are translated at the average rate for the period. Gains and losses arising from the translation of opening shareholders' equity at the closing exchange rates and those arising from the different method used to translate profit and loss for the period are recognized in a specific equity item. In the event of subsequent disposal of a foreign entity, the cumulative translation differences are taken to the income statement.
As allowed under IFRS 1, cumulative translation differences at the date of first-time adoption of the IFRS have been reclassified in "Retained earnings" under shareholders' equity and therefore will not be taken to the income statement in the event of subsequent disposal.

Accounting treatment of companies operating in hyperinflationary economies (Turkey)

As from January 1, 2006, Turkey is no longer considered a hyperinflationary economy; consequently IAS 29 "Financial reporting in hyperinflationary economies" is no longer applied to the Group's Turkish companies.
With regard to the 2005 comparatives, the financial statements of the Turkish companies are denominated in new Turkish lira (local currency and accounting currency) using the historical cost method, in the unit of measurement applicable at the close of the reporting period.
The carrying amounts of non-monetary assets and liabilities are adjusted to reflect the change in the general price index between the purchase date and the closure of the reporting period.
The adjusted accounts are subsequently translated into the consolidated presentation currency (euro) by applying the criterion described above in "Translation of the financial statements of foreign entities" for companies that adopt an accounting currency other than the euro, with the exception of income statement items which are translated at the closing exchange rate.
The gain or loss on the net monetary position is taken to the income statement, under "Finance income/(costs)".

Property, plant and equipment

Measurement

Property, plant and equipment is recognized at cost, less accumulated depreciation and impairment losses. Cost includes the purchase or production cost and directly attributable costs of bringing the asset to the location and the conditions required for its operation. Production cost considers the cost of materials and direct labor costs. Finance costs relating to the purchase, construction and production of an asset are recognized as expense as incurred. The carrying amount of some assets existing at the IFRS first-time adoption date of January 1, 2004, reflects revaluations applied in prior periods in connection with specific local laws, based on the real economic value of the assets in question. Assets acquired through business combinations are stated at fair value, determined on a provisional basis at the purchase date and subsequently adjusted within the following twelve months.
Subsequent to initial recognition, property, plant and equipment is carried at cost depreciated over the asset's useful life, less any impairment losses.
Assets under construction are recognized at cost and are depreciated when they enter useful life.
When an asset consists of components with a significant cost and different useful lives, initial recognition and subsequent measurement are effected separately for each component.

Subsequent expense

Repair and maintenance expense is normally recognized as incurred. Component replacement costs are treated as separate assets and the net carrying amount of the replaced component is expensed.

Depreciation

Depreciation is generally calculated on a straight-line basis over the estimated useful life of each component of an asset. Land is not depreciated, with the exception of land used for quarrying operations.
Asset useful life determines the depreciation rate until a subsequent review of residual useful life. The range of useful lives used for the various categories of assets is disclosed in the notes.

Quarries

Costs for the preparation and excavation of land to be quarried are amortized as the economic benefits of such costs are obtained.
Quarry land is depreciated at rates reflecting the quantities extracted in the period in relation to the estimated total to be extracted over the period in which the quarry is to be worked.
The Group makes specific provision for quarry environmental restoration obligations. Since the financial resources required to settle such obligations are directly related to the degree of use, the charge cannot be defined at inception with an offset to the asset cost, but is provided to reflect the degree of use of the quarry.

Leases

Finance leases, which transfer to the Group all risks and rewards incident to ownership of the leased asset, are recognized from the lease inception date at the lower of the leased asset fair value or the present value of the lease payments. Lease payments are apportioned between finance costs and reductions against the residual liability so as to obtain a constant rate of interest on the outstanding liability.
The policies used for depreciation and subsequent measurement of leased assets are consistent with those used for the Group’s own property, plant and equipment.
Lease contracts where all risks and rewards incident to ownership are retained by the lessor are classified as operating leases. Operating lease payments are recognized as expense on a straight-line basis over the lease term.

Investment property

Investment property is land and/or buildings held to earn rentals and/or for capital appreciation, rather than for use in the production or supply of goods and services. Investment property is initially recognized at purchase cost, including costs directly attributable to the purchase. Subsequent to initial recognition, investment property is measured at amortized cost.

Goodwill

Goodwill arising from business combinations is measured initially at cost and since January 1, 2004, is no longer subject to amortization. As from the purchase date, goodwill is apportioned to the cash-generating units that are expected to benefit from the synergies created by the acquisition. It is tested for impairment on an annual basis or more frequently if indications of impairment emerge.
When goodwill is attributed to a cash-generating unit part of whose assets are disposed of, the goodwill associated with the sold assets is taken into account when determining the capital gain or loss arising from the transaction.

Intangible assets

Intangible assets purchased separately are capitalized at cost, while those acquired through business combinations are recognized at provisionally estimated fair value at the purchase date and adjusted where necessary within the following twelve months.

Subsequent to initial recognition, intangible assets are carried at cost amortized over asset useful life.
Other than goodwill, the Group has not identified intangible assets with an indefinite useful life.

Impairment of assets

Goodwill is tested for impairment on an annual basis or more frequently if indications of impairment emerge.
Tangible assets and amortizable intangible assets are tested for impairment if indications of impairment emerge.
Impairment is the difference between the asset net carrying amount and its recoverable amount. Recoverable amount is the greater of fair value, less costs to sell, of an asset or cash-generating unit, and its value in use, determined as the present value of future cash flows. Fair value less costs to sell is determined through application of appropriate valuation models adopting suitable income multipliers, quoted share prices on an active market for similar enterprises or other available fair value indicators applicable to the assets being measured.
Impairment testing considers assets at the level of cash-generating units on a continuing operations basis. Estimated future cash flows are discounted at a rate determined for each cash-generating unit using the weighted average cost of capital method (WACC).
If an impairment loss on an asset other than goodwill subsequently reverses in full or in part, the asset net carrying amount is increased to reflect the new estimated recoverable amount, which may not exceed the amount that would have been reflected in the absence of the impairment loss. Impairment losses and impairment reversals are taken to the income statement.

Financial assets

All financial assets are recognized initially at cost at the purchase date, which corresponds to fair value plus additional costs attributable to the purchase.
Subsequent to initial recognition, assets held for trading are classified as current financial assets and carried at fair value; any gains or losses are taken to income.
Assets held to maturity are classified as current financial assets, if they mature within one year; otherwise they are classified as non-current assets and subsequently carried at amortized cost. Amortized cost is determined using the effective interest rate method, taking account of any acquisition discounts or premiums, which are apportioned over the entire period until maturity, less any impairment losses.
Other financial assets are classified as available-for-sale current or non-current assets and recognized at fair value. Any fair value gains or losses are recognized in a separate equity item until the assets are sold, recovered or discontinued, or until they are found to be impaired, in which case the cumulative gains or losses in equity are taken to the income statement. Equity instruments that are not listed on an active market or whose fair value cannot be measured reliably are carried at cost.

Inventories

Inventories are measured at the lower of purchase/production cost (using the weighted average cost method) and net realizable value.
Purchase cost includes costs incurred to bring assets to their present location, less allowances for obsolete and slow-moving items.
Production cost of finished products and semi-finished goods includes the cost of raw materials, direct labor and a portion of general production costs, determined on the basis of normal plant operations. Financial costs are not included.
The net realizable value of raw and ancillary materials and consumables is their replacement cost.
The net realizable value of finished products and semi-finished goods is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated costs to sell.

Trade receivables and other receivables

Trade receivables and other receivables are stated at nominal value, less allowances for uncollectible amounts, which are provided as doubtful debts are identified.

Cash and cash equivalents

Cash and cash equivalents consists of cash on hand, bank demand deposits and other cash investments with original maturity of not more than three months.
The definition of cash and cash equivalents in the cash flow statement is identical to that in the balance sheet.

Employee benefits

The Group operates pension plans, post-employment medical benefit plans and leaving entitlement provisions. It also has other commitments, in the form of bonuses payable to employees on the basis of length of service in some Group companies (“Other long-term benefits”).

Defined contribution plans

Defined contribution plans are structured post-employment benefit programs where the Group pays fixed contributions to an insurance company or pension fund and will have no legal or constructive obligation to pay further contributions if the fund does not dispose of sufficient assets to pay all the employee benefits accruing in respect of services rendered during the current year and in previous years.
These contributions are paid in exchange for the services rendered by employees and recognized as expense as incurred.

Defined benefit plans

Defined benefit plans are structured post-employment benefit programs that constitute a future obligation for the Group. In substance, the company assumes the actuarial and investment risks of the plan. In accordance with IAS 19, the Group uses the unitary credit projection method to determine the present value of obligations and the related benefit cost of current services rendered.
These actuarial calculations require use of consistent and objective actuarial assumptions about demographic variables (mortality rate, personnel turnover rate) and financial variables (discount rate, future increments on salaries and medical benefits).
When a defined benefit plan is funded in full or in part by contributions paid to a fund that is a separate legal entity or to an insurance company, the assets servicing the plan are estimated at fair value.
Benefit obligations are therefore recognized net of the fair value of the plan assets that will be used to settle the obligations.
Leaving entitlements provided by the Italian companies (TFR, trattamento di fine rapporto) are treated in the same way as benefit obligations arising from defined benefit plans.

Treatment of actuarial gains and losses

Actuarial gains and losses on post-employment defined benefit plans may arise as a result of changes in the actuarial assumptions used in two consecutive periods or as a result of changes in the obligation value or in the fair value of any plan asset in respect of the actuarial assumptions used at the beginning of the period.
The Group uses the corridor method, where actuarial gains and losses are recognized as income or expense when their unrecognized cumulative net value, for each plan, at the end of the previous period exceeds 10% of the larger of present value of the defined benefit obligation or the fair value of plan assets at that date. These gains or losses are taken to income over the estimated average residual working life of the employees participating in the plans.
Actuarial gains and losses relating to “Other long-term benefits” (service medals, length of service bonuses) and to early retirement benefits are recognized as income or expense immediately.

Past service cost

Changes in liabilities resulting from a change to an existing defined benefit plan are recognized as expense on a straight-line basis over an average period until the benefits are vested. Costs for benefits that vest immediately upon changes to a plan are recognized as expense as incurred.

Curtailment and settlement

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized as income or expense when the curtailment or settlement occurs. The gain or loss includes changes in the present value of the obligation, changes in the fair value of plan assets, actuarial gains or losses and past service costs not previously accounted for.
At the curtailment or settlement date, the obligation and the fair value of the plan assets are re-measured using current actuarial assumptions.

Share-based payments

The Group has decided to apply IFRS 2 as from January 1, 2004.
Options for the subscription and purchase of shares granted by Group companies to employees and directors give rise to recognition of a cost classified under employee expenses, with a corresponding increase in equity.
In accordance with IFRS 2, only options granted after November 7, 2002, whose rights had not vested at December 31, 2003, have been measured and recognized at the transition date. Options for the subscription and purchase of shares are measured at fair value at the grant date and amortized over the vesting period. Fair value is determined using the binomial method, and taking account of dividends. Future volatility is determined on the basis of historic market prices, after correction for extraordinary events or factors.
The cost of options is reviewed on the basis of the actual number of options that have vested at the beginning of the exercise period.

Provisions for risks and charges

The Group recognizes provisions for risks and charges when a present legal or constructive obligation arises as a result of a past event, the amount of which can be reliably estimated, and use of resources is probable to settle the obligation. Provisions reflect the best estimate of the amount required to settle the obligation or transfer it to third parties at the balance sheet date. If the present value of the financial resources that will be used is material, provisions are determined by discounting expected future cash flows at a rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability. When discounting is performed, movements in provisions due to the effect of time or changes in interest rates are recognized in financial items.
Changes in estimates are recognized as income or expense for the period.
The Group recognizes a separate provision for environmental restoration obligations on land used for quarry work, determined in relation to the use of the quarry in question.
Pending publication of a standard/interpretation on accounting treatment of greenhouse gas emission quotas, after the withdrawal of IFRIC 3 by the International Accounting Standards Board, the Group recognizes a separate provision when emissions are greater than the allowed quota.
Restructuring costs are provided when the Group company concerned has approved a detailed formal plan that has already been implemented or notified to the relevant third parties.

Loans and borrowings

Loans and borrowings are initially recognized at the fair value of the consideration paid/received less charges directly attributable to the financial asset/liability.
After initial recognition, loans and borrowings are measured at amortized cost using the effective interest rate method.
In view of their contractual characteristics, "Floating rate subordinated securities" are classified under "Interest-bearing loans and long-term borrowings".

Trade payables and other payables

Trade payables and other payables are stated at the fair value of the original consideration received, and subsequently measured at amortized cost.

Revenues, other revenues, interest income and dividends

Sale of goods and services

Revenues are recognized to the extent that the economic benefits associated with the sale of goods or rendering of services are collected by the Group and the amount in question can be reliably determined.
Revenues are recognized at the fair value of the consideration received or due, taking account of any trade discounts given and volume discounts.
Revenues from the sale of goods are recognized when the company transfers the material risks and rewards incident to ownership of the goods to the purchaser.
Revenues include dividends received and interest and commission income earned by the financial and banking companies.

Rental income

Rental income is recognized as other revenues, as received.

Costs

Costs are recognized on an accrual basis, in accordance with the matching principle whereby they are matched with revenues.

Interest income

Interest income earned by companies that are not finance or banking companies is classified as finance income after recognition on an accrual basis using the effective interest rate method.

Dividends

Dividends are recognized when shareholders' right to receive payment arises, in accordance with local laws, and are classified under "Finance income and costs", with the exception of dividends earned by banking and finance companies, which are classified under "Revenues".

Government grants

Government grants are recognized when there is a reasonable certainty that they will be received and all the requirements on which receipt depends have been fulfilled.
Grants related to the purchase or production of fixed assets (grants related to assets) are recognized as deferred income and taken to the income statement over the useful life of the underlying assets.

Derivative financial instruments

The Group uses derivative financial instruments such as foreign currency forward contracts and interest-rate swaps and options to hedge market risks.
Derivative financial instruments are measured and recognized at fair value.
Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.
The fair value of foreign currency forward contracts is determined on the basis of the current forward exchange rates for contracts with similar maturity profiles.
The fair value of interest-rate swap contracts and options is determined by reference to market values for similar instruments.
Derivatives, with the exception of those that qualify for hedge accounting, are classified under current assets and fair value gains and losses are taken directly to the income statement.

Hedge accounting

In compliance with IAS 39, financial derivatives qualify for hedge accounting only when:
- the hedging relationship is formally designated and documented at the start of the hedge;
- the hedging relationship is expected to be highly effective;

- effectiveness can be reliably measured;
- the hedging relationship can pass effectiveness tests in all the accounting periods in which it is in operation.

For accounting purposes, hedges are classified as "fair value hedges", as "cash flow hedges" or as "hedges of net investments in foreign operations".

Fair value hedges are hedges of Group exposure to fair value changes on a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit and loss.
The carrying amount of the hedged item is adjusted for the gains or losses attributable to the hedged risk, the hedging instrument is remeasured at fair value, and any gains and losses on the instrument and on the underlying are taken to the income statement.
For hedged items valued at amortized cost, the carrying adjustment is amortized through profit and loss over the residual term to maturity. Any adjustment to the carrying amount of a hedged financial instruments, for which the effective interest method is used, is amortized through profit and loss. Amortization may begin as soon as an adjustment arises but no later than when the hedged item ceases to be adjusted for fair value changes attributable to the hedged risk.
When an unrecognized commitment is designated as a hedged item, the subsequent cumulative fair value change attributable to the hedged risk is recognized as an asset or liability, with a corresponding gain or loss in the income statement. Fair value changes of a hedged instrument are also taken to profit and loss.
The Group discontinues fair value hedge accounting if the derivative expires, is sold, is settled or exercised, if the hedge no longer qualifies for hedge accounting or if the Group revokes designation.

Cash flow hedges are hedges of exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or with a highly probable forecast transaction, and could affect profit and loss. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in equity, while the non-effective component is recognized in profit and loss.
Amounts deferred in equity are transferred to the income statement when the hedged transaction affects profit and loss. When the hedged item is the cost of a non-financial asset or liability, the amounts recognized in equity are transferred to initial carrying amount of the non-financial asset or liability.
If the highly probable forecast transaction is no longer expected to occur, the amounts previously recognized in equity are transferred to the income statement. If the hedging instrument expires, is sold, settled or exercised without replacement, or if the hedge designation is revoked, the amounts previously recognized in equity are retained in equity until the forecast transaction takes place. If the highly probable forecast transaction is no longer expected to occur, the amounts in question are taken to the income statement.

Hedges of net investments in foreign operations, including hedges of a monetary item accounted for as a part of a net investment, are treated in the same way as cash flow hedges. The effective component of the gain or loss on the hedging instrument is recognized in equity, while the non-effective component is recognized in profit and loss. On disposal of the foreign operation, the cumulative gain or loss recognized in equity is taken to the income statement.

Income taxes

Current income taxes are provided in accordance with local tax laws in the countries in which the Group operates.
Deferred tax is recognized on the basis of temporary differences between the tax base of assets and liabilities and their carrying amount in the balance sheet.
Deferred tax liabilities are recognized on all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable income will be available against which such differences, losses or credits may be reversed.
Taxable or deductible temporary differences do not generate recognition of deferred tax liabilities or assets only in the following cases:

- taxable temporary differences arising from the initial recognition of goodwill, unless goodwill is tax-deductible;
- taxable or deductible temporary differences arising from initial recognition of an asset or a liability in transactions that are not business combinations and affect neither accounting profit nor taxable profit at the transaction date;

- equity investments in subsidiaries, associates and joint ventures when:
  - the Group is able to control the timing of the reversal of the taxable temporary differences and it is probable that such differences will not reverse in the foreseeable future;
  - it is not probable that the deductible temporary differences will reverse in the foreseeable future and that taxable income will be available against which the temporary difference can be used.

Deferred tax assets are reviewed at the end of every reporting period and reduced to the extent that sufficient taxable income is no longer likely to be available in the future against which the assets can be used in full or in part.
Deferred tax assets and liabilities are determined at tax rates expected to apply when the deferred tax asset (liability) is realized (settled), based on rates that have been enacted or substantially enacted at the balance sheet date.
Taxes relating to items recognized directly in equity are recognized in equity, not income.

Changes to the accounts

In accordance with Consob resolution no.15519 of 07.27.2006, the consolidated income statement presents line items reflecting non-recurring transactions in 2006; for comparative purposes, line items reflecting non-recurring transactions, previously classified under a single line item captioned "Other income/(expense)", have been opened on the face of the 2005 income statement.
The "Finance income/(costs)" caption has been opened into three line items: "Finance income", "Finance costs" and "Net exchange rate differences and net derivatives"; for comparative purposes, corresponding line items have been opened on the face of the 2005 income statement.
These changes have not generated any change in Gross operating profit, Operating profit, Profit before tax and consolidated Net profit for the period.

Non-recurring transactions

The tables below itemize the most significant non-recurring transactions and their impact on Group equity, financial position and net profit:

	2006					
	Shareholders' equity		Net profit for the year		Net debt	
(in thousands of euro)	amount	%	amount	%	amount	%
Book values	6,407,857		748,479		(1,857,256)	
Net capital gains on sale of fixed assets	18,384	0.29	18,384	2.46	36,624	-1.97
Non-recurring employee expenses for reorganizations	(25,449)	-0.40	(25,449)	-3.40		
Other non-recurring income/(expense)	(1,907)	-0.03	(1,907)	-0.25	4,842	-0.26
Tax on non-recurring transactions	(1,269)	-0.02	(1,269)	-0.17		
Non-recurring taxes	14,002	0.22	14,002	1.87		
Total	**3,761**	**0.06**	**3,761**	**0.50**	**41,466**	**-2.23**
Figurative value without non-recurring transactions	6,404,096		744,718		(1,898,722)	

	2005					
	Shareholders' equity		Net profit for the year		Net debt	
(in thousands of euro)	amount	%	amount	%	amount	%
Book values	5,916,748		606,062		(1,865,123)	
Net capital gains on sale of fixed assets	24,899	0.42	24,899	4.11	30,762	-1.65
Non-recurring employee expenses for reorganizations	(37,588)	-0.64	(37,588)	-6.20	(17,243)	0.92
Other non-recurring income/(expense)	(1,697)	-0.03	(1,697)	-0.28	(132)	0.01
Tax on non-recurring transactions	3,319	0.06	3,319	0.55		
Non-recurring taxes	42,819	0.72	42,819	7.07		
Total	**31,752**	**0.54**	**31,752**	**5.24**	**13,387**	**-0.72**
Figurative value without non-recurring transactions	5,884,996		574,310		(1,878,510)	

Dealings with related parties

Dealings with related parties were not significant in 2006; they are illustrated in the table below:

(in thousands of euro) ITM Group	Revenues (purchases) goods and services	Trade receivables (payables)	Financial receivables (payables)	Interest income (expense)	Other income (expense)
Subsidiaries and associates	26,234	9,684	6,175	203	904
	(47,225)	(2,101)	(2,595)	(33)	
Other related parties	213	93			
	(1,673)	(502)			(1,211)
Total	**26,447**	**9,777**	**6,175**	**203**	**904**
	(48,898)	**(2,603)**	**(2,595)**	**(33)**	**(1,211)**
% impact on book items	0.4%	0.6%	0,4%	0.4%	0.5%
	1.0%	0.3%	0.1%	0.0%	0.7%

Revenues from and purchases of goods and services with respect to subsidiaries and associates mainly concerned transactions with companies consolidated on a proportionate basis, notably Société des Carrieres du Tournaisis, Medcem S.r.l. and Les Calcaires Girondins S.a.s., and with companies valued at equity, including the Ciments Quebec Inc. group, General Cave S.r.l. and Cementi della Lucania S.p.A. and Universal Imballaggi S.p.A.

Compensation paid to directors and the chief operating officer

The table below sets out compensation paid during the period to the directors and chief operating officer of Italmobiliare S.p.A. for positions held in the Group:

(in thousands of euro)	2006	2005
Short-term benefits: compensation and remuneration	6,858	7,652
Post-employment benefits: provision for leaving and end-of-term entitlements	1,670	1,845
Other long-term benefits: length-of-service bonuses and incentives	54	45
Share-based payments (stock options)	1,818	1,123
Total	**10,400**	**10,665**

Equity investments in joint ventures

The Group's most important joint ventures in 2006 were the French construction materials companies and the Medcem S.r.l. shipping company.
In 2005 the Group's most important joint ventures were the Indian companies in the Zuari Cement Co. group. As from June 1, 2006, following acquisition of the outstanding interest, these companies have been consolidated on a line-by-line basis.

The following table sets out the portion of assets and liabilities and revenues and expenses reflected in the Group consolidated financial statements:

(in millions of euro)	December 31, 2006	December 31, 2005
Current assets	24.5	9.2
Non-current assets	36.3	74.3
Total assets	60.8	83.5
Current liabilities	23.4	22.9
Non-current liabilities	26.4	11.5
Total liabilities	49.8	34.4
	2006	2005
Revenues	43.2	49.0
Costs	(34.0)	(49.1)
Profit before tax	**9.2**	**(0.1)**

Reconciliation statements

As a result of the redefinition of the content of some consolidated balance sheet and income statement items, a number of reclassifications were made to the consolidated income statement for the year to December 31, 2005, used as a comparative with the income statement for the year to December 31, 2006,
The changes are set out in the following table. They generated effects on recurring gross operating profit, on gross operating profit and on operating profit, but had no impact on total net profit for the year and Group net profit for the year.

(in thousands of euro)	12.31.2005		12.31.2005 published		Change
Income statement					
Revenues	5,282,315	100.0%	5,265,696	100.0%	16,619
Other revenues	58,869		58,869		
Change in inventories	22,427		22,427		
Internal work capitalized	27,021		27,021		
Goods and utilities expenses	(1,819,620)		(1,819,620)		
Services expenses	(1,261,064)		(1,261,064)		
Employee expenses	(910,501)		(910,501)		
Other operating income/(expense)	(168,749)		(164,572)		(4,177)
Gross operating profit recurring	1,230,698	23.3%	1,218,256	23.1%	12,442
Other income/(expense)	(14,386)		(14,386)		
Gross operating profit	1,216,312	23.0%	1,203,870	22.9%	12,442
Amortization and depreciation	(379,226)		(379,226)		
Impairment variation	(2,579)		(2,579)		
Operating profit	834,507	15.8%	822,065	15.6%	12,442
Finance income and costs	(48,108)		(35,666)		(12,442)
Share of results of associates	20,678		20,678		
Profit before tax	807,077	15.3%	807,077	15.3%	
Income tax expense	(201,015)		(201,015)		
Income/(expense) from discontinued operations					
Net profit for the period	**606,062**	**11.5%**	**606,062**	**11.5%**	
Attributable to:					
Group	211,290	4.0%	211,290	4.0%	
Minority interests	394,772	7.5%	394,772	7.5%	

The changes are described below:

- *Revenues, Other operating income/(expense), Finance income and costs*: the net negative change of 12,442 thousand euro in "Finance income and costs", which increased from 35,666 to 48,108 thousand euro, refers to income and costs of a financial nature pertaining specifically to the finance companies, reclassified under "Revenues" and under "Other operating income/(expense)".

Exchange rates used to translate the financial statements of foreign entities

Exchange rates for one euro:

(Currency)	Average 2006	Average 2005	Period end 31 December, 2006	Period end 31 December, 2005
Thai baht	47.59148	50.06249	46.77000	48.43700
Czech crown	28.34196	29.78201	27.48500	29.00000
Slovak crown	37.23610	38.59890	34.43500	37.88000
Serbian dinar	84.45830	83.09320	79.28600	85.26160
Moroccan dirham	11.03714	11.01431	11.14700	10.86370
Canadian dollar	1.42363	1.50873	1.52810	1.37250
US dollar	1.25559	1.24409	1.31700	1.17970
Hungarian florin	264.28600	248.05400	251.77000	252.87000
Swiss franc	1.57287	1.54828	1.60690	1.55510
Ukrainian hrivna	6.32867	6.35588	6.64623	5.95749
Croatian kuna	7.32445	7.39894	7.35040	7.37150
Albanian lek	123.09208	124.02465	124.13400	122.36200
Bulgarian lev	1.95583	1.95583	1.95583	1.95583
Egyptian lira	7.21051	7.20893	7.52399	6.77443
Bosnian mark	1.95583	1.95583	1.95583	1.95583
New Turkish lira (*)	1.79888	1.66956	1.85860	1.59040
New Romanian leu (**)	3.52591	3.62090	3.38350	3.68020
Mauritanian ougulyia	337.25189	329.04844	353.74600	316.86700
Russian ruble	34.25140		34.68000	
Indian rupee	56.90788	54.82885	58.29750	53.16790
Sri Lanka rupee	130.55918	125.05847	141.51700	120.44900
Cypriot pound	0.57578	0.57683	0.57820	0.57350
Pound sterling	0.68178	0.68380	0.67150	0.68530
Slovenian tallero	239.59600	239.56800	239.64000	239.50000
Kazakh tange	158.10469	165.23860	167.23300	157.79800
Polish zloty	3.92111		3.83100	

(*) as from January 2005 the New Turkish Lira was introduced as the new currency, at the following rate: 1YTL (New Turkish Lira) = 1,000,000 TL (Turkish Lira)
(**) as from July 2005 the New Romanian Leu was introduced as the new currency, at the following rate: 1 RON (New Romanian Leu) = 10,000 ROL (Romanian Leu)

The exchange rates used to translate the financial statements of the foreign entities are those published by the Ufficio Italiano Cambi (UIC), with the exception of the rates for the "New Turkish Lira", published by the Turkish Central Bank.

Consolidation area

The following changes took place in the consolidation area with respect to December 31, 2005:

Entered the consolidation area	
On a line-by-line basis:	Ready Mix Beton SAE (Egypt)
	Ready Mix Beton (Egypte) SAE (Egypt)
	Lyulyaka E.A.D. (Bulgaria)
	Arteskos 98 JSC (Bulgaria)
	Arteskos AD (Bulgaria)
	Trabel Affretement (France)
	Axim Building Technologies S.A. (Spain)
	Cie pour l'Investissement Financier en Inde (France)
	C.T.G. USA LLC (United States of America)
	Shqiperia Cement Company SHPK (Albania)
	Italgen Maroc SA (Morocco)
	Amprica S.p.A. (Italy)
	Inline Poland SP zo.o. (Poland)
	Inline R (Russia)
	Inline Ucraine (Ukraine)
	Inline Czechia (Czech Republic)
	Inline Balkans (Bulgaria)
On a proportionate basis:	Dragages Transports & Travaux Maritimes S.A. (at 50%) (France) (*)
	Sabliers de l'Odet (at 49.5%) (France)
	Sablimaris (at 49.8%) (France)
Discontinued operations:	Kayward S.A. (Ireland)
Merged companies	
	With Anadolu (now renamed Set Cimento): Set Cimento (Turkey)
	With Compagnie des Cimentes Belges S.A.: Ath Beton (Belgium)

(*) previously consolidated with the equity method

Main changes:

- the 2006 consolidation area includes the results of the Egyptian companies in the Suez group (Suez Cement Co., Tourah Cement Co., Suez Bag and Helwan) as from January 1, 2006; whereas in 2005, the Asec Cement Company (renamed Helwan) was consolidated on a line-by-line basis as from August 1, 2005, and Suez Cement Company, Tourah Cement Co. and Suez Bag were consolidated on a line-by-line basis as from April 1, 2005;
- the Indian subsidiaries Zuari Cement Ltd., Sri Vishnu Cement Ltd. and Sitapuram Power have been consolidated on a line-by-line basis since June 1, 2006; previously they were consolidated on a proportionate basis;
- the Egyptian companies Ready Mixed Beton (RMB) S.A.E. and RMBE S.A.E., purchased in 2006, have been consolidated on a line-by-line basis as from October 1, 2006;
- the Italian company Amprica S.p.A. and its subsidiaries have been consolidated on a line-by-line basis since June 30, 2006.

Annex 1 lists the significant equity investments in subsidiaries, joint ventures and associates, and indicates the respective method of consolidation, registered office, and percentage of capital held.

Sector reporting

The Group's primary reporting format is by business sectors; the secondary format is by geographical sectors.
The business sectors in which the Group operates that provide the basis for the primary reporting format are: the construction materials sector, other industrial sectors (packaging and insulation), the financial sector, the banking sector, the property, services and others sector.
The Group management and organizational structure essentially reflects the primary business sector format.
The geographical areas in which the Group operates that provide the basis for the secondary reporting format are: European Union, Other European countries, North America, Asia, Africa, Trading and other.
Trading includes cement and clinker marketing activities in countries where Group terminals are located: Gambia, Mauritania, Sri Lanka and Albania, as well as direct exports to markets not covered by Group subsidiaries.
Business operations are organized and managed by type of activity and by country.
The transfer prices applied to goods and services trading are regulated on the basis of arm's length transactions.

Primary sector

The table below sets out primary sector revenues and results at December 31, 2006:

(in thousands of euro)	Revenues	Intragroup sales	Contributive revenues	Recurring gross operating profit	Gross operating profit	Operating profit	Share of results of associates
Construction materials	5,854,100	(4,996)	5,849,104	1,446,897	1,434,493	1,012,305	11,324
Packaging and insulation	208,589		208,589	24,823	24,628	14,774	47
Finance	162,547	(53,549)	108,998	111,844	115,136	115,070	9,093
Banking	48,203		48,203	13,205	13,206	10,250	
Property, services, others	2,716	(1,095)	1,621	3,527	3,859	3,631	(13)
Inter-sector eliminations	(59,640)	59,640		(50,311)	(50,309)	(50,310)	
Total	**6,216,515**		**6,216,515**	**1,549,985**	**1,541,013**	**1,105,720**	**20,451**

The table below sets out primary sector revenues and results at December 31, 2005:

(in thousands of euro)	Revenues	Intragroup sales	Contributive revenues	Recurring gross operating profit	Gross operating profit	Operating profit	Share of results of associates
Construction materials	4,999,632	(4,561)	4,995,071	1,152,738	1,136,593	765,843	18,613
Packaging and insulation	165,970	(2)	165,968	24,537	24,479	17,107	2
Finance	118,347	(44,106)	74,241	84,831	86,349	86,287	2,122
Banking	45,513		45,513	11,367	11,360	8,351	
Property, services, others	2,515	(993)	1,522	(1,443)	(1,131)	(1,336)	(59)
Inter-sector eliminations	(49,662)	49,662		(41,332)	(41,338)	(41,745)	
Total	**5,282,315**		**5,282,315**	**1,230,698**	**1,216,312**	**834,507**	**20,678**

The table below sets out other sector data at December 31, 2006:

(in thousands of euro)	December 31, 2006 Total assets	December 31, 2006 Total liabilities	December 31, 2006 Capital expenditure	Financial investments	Deprec./amort. fixed assets	Impairment variation
Construction materials	9,414,097	4,753,928	520,266	268,852	(420,253)	(1,936)
Packaging and insulation	263,430	214,697	14,159	47,664	(9,813)	(41)
Finance	2,617,054	619,311	74	27,774	(66)	
Banking	311,178	217,967	1,618	504	(2,956)	
Property, services, others	56,054	31,390	242		(228)	
Inter-sector eliminations	(527,592)	(110,929)				
Total	**12,134,221**	**5,726,364**	**536,359**	**344,794**	**(433,316)**	**(1,977)**

The table below sets out other sector data at December 31, 2005:

(in thousands of euro)	December 31, 2005 Total assets	December 31, 2005 Total liabilities	December 31, 2005 Capital expenditure	Financial investments	Deprec./amort. fixed assets	Impairment variation
Construction materials	9,387,061	5,030,959	462,306	746,264	(368,461)	(2,289)
Packaging and insulation	151,552	106,501	14,020		(7,498)	(284)
Finance	2,366,427	544,077	136	29,059	(55)	
Banking	279,300	188,100	1,066		(3,009)	
Property, services, others	45,770	26,406	278		(203)	(6)
Inter-sector eliminations	(476,645)	(59,326)				
Total	**11,753,465**	**5,836,717**	**477,806**	**775,323**	**(379,226)**	**(2,579)**

Secondary sector

	Contributive revenues		Capital expenditure		Financial investments		Total assets		Total liabilities	
(in thousands of euro)	2006	2005	2006	2005	2006	2005	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2005
European Union	3,901,719	3,490,294	361,151	321,114	123,878	174,138	9,988,217	9,422,389	3,208,619	3,039,780
Other European countries	425,403	358,259	23,345	21,278	96,502	768	833,143	765,562	324,790	318,615
North America	659,745	603,068	68,342	71,010			825,952	849,028	276,752	296,130
Asia	337,654	242,443	38,488	16,891	112,975	1,279	731,404	530,131	146,624	106,835
Africa	676,835	462,272	39,788	32,051	10,959	597,429	2,030,743	2,246,174	581,132	755,682
Trading and other	215,159	125,979	5,297	15,462	480	1,709	3,382,101	3,412,699	1,667,888	1,859,287
Inter-area eliminations			(52)				(5,657,339)	(5,472,518)	(479,441)	(539,612)
Total	**6,216,515**	**5,282,315**	**536,359**	**477,806**	**344,794**	**775,323**	**12,134,221**	**11,753,465**	**5,726,364**	**5,836,717**

Assets

Non-current assets

1) property, plant and equipment

(in thousands of euro)	Land and buildings	Quarries	Technical plant, materials and equipment	Other	Total
Gross amount	1,866,607	619,393	5,993,232	719,093	9,198,325
Accumulated depreciation	(972,000)	(193,999)	(3,759,513)	(290,363)	(5,215,875)
Net carrying amount at December 31, 2005	894,607	425,394	2,233,719	428,730	3,982,450
Additions	34,729	19,043	200,445	263,773	517,990
Change consolidation area	153,499	3,427	247,787	(214,098)	190,615
Disposals	(3,272)	(908)	(7,360)	(3,170)	(14,710)
Depreciation	(54,121)	(19,593)	(319,196)	(27,124)	(420,034)
Currency translation differences	(43,890)	(6,171)	(97,339)	(13,358)	(160,758)
Other	(1)		1	(155)	(155)
Net carrying amount at December 31, 2006	981,551	421,192	2,258,057	434,598	4,095,398
Gross amount	1,935,354	631,981	6,313,437	729,687	9,610,459
Accumulated depreciation	(953,435)	(210,790)	(4,034,379)	(293,636)	(5,492,240)
Net carrying amount at December 31, 2006	**981,919**	**421,191**	**2,279,058**	**436,051**	**4,118,219**

The significant addition of 517,990 thousand euro in property, plant and equipment mainly referred to capital expenditure in Europe for 344,017 thousand euro, including Italy for 171,484, France for 89,969 thousand euro, Spain for 58,363, and in North America for 68,342 thousand euro.
Currency translation differences arose mainly from the changes in the dollar, the Turkish lira and the Egyptian lira against the euro.

Fixed assets pledged as security for banks loans were carried at a net amount of 388.7 million euro at December 31, 2006 and 510.9 million euro at December 31, 2005, of which 267.3 million euro referred to fixed assets of Helwan Cement Company.
Fixed assets held under finance leases and rental contracts were carried at a net amount of 38,326 thousand euro at December 31, 2006 and 12,561 thousand euro at December 31, 2005. They consisted largely of "plant and machinery" and "automobiles and aircraft". The increase was largely due to the rental contract signed by Italcementi S.p.A. in 2006 for a grinding plant in Novi Ligure, for an overall amount of 29.5 million euro. The carrying amount of this asset at December 31, 2006, net of depreciation for the period, was 28.5 million euro.
Expense included in the value of "Property, plant and equipment" at December 31, 2006, was 37.5 million euro.

The useful lives adopted by the Group for the main asset categories are as follows:

- Civil and industrial buildings 10 - 33 years
- Plant and machinery 5 - 30 years
- Other property, plant and equipment 3 - 10 years

The range between the above minimum and maximum limits indicates the presence of components with different useful lives within each asset category.

2) Investment property

(in thousands of euro)	
Gross amount	48,595
Accumulated depreciation	(19,302)
Net carrying amount at December 31, 2005	29,293
Additions	184
Disposals	(1,047)
Depreciation	(578)
Currency translation differences	83
Other	79
Net carrying amount at December 31, 2006	28,014
Gross amount	47,226
Accumulated depreciation	(19,212)
Net carrying amount at December 31, 2006	**28,014**

Investment property is carried at amortized cost.
The fair value of these assets at December 31, 2006, was 150.9 million euro.

3) Goodwill

(in thousands of euro)	Goodwill
Net carrying amount at December 31, 2005	1,840,198
Acquisitions and changes in consolidation area	131,237
Disposals	
Impairment	(942)
Currency translation differences	(75,561)
Net carrying amount at December 31, 2006	**1,894,932**

The main acquisitions and changes in the consolidation area in 2006 were as follows:
- line-by-line consolidation of the Zuari Cement Ltd. group generated additional goodwill of 78.2 million euro;
- the acquisition of the Amprica group by Sirap Gema S.p.A. generated goodwill of 29.9 million euro;
- the acquisition of the Egyptian companies RMB and RMBE generated goodwill of 11.9 million euro;
- the asset and liability values relating to the acquisition of the Suez group were finalized in 2006, generating an increase of 10.0 million euro in goodwill (at the acquisition exchange rate);
- the final attribution in 2006 of asset and liability values relating to the acquisition of Cemill S.p.A., now merged with Cementificio di Montalto S.p.A., generated a decrease of 2.6 million euro in goodwill; the adjustment arose from recognition of the grinding center's plant and machinery at 4.2 million euro and recognition of deferred tax liabilities for 1.6 million euro.

The largest goodwill impairment losses referred to the Greek subsidiary Domiki Beton, for 0.6 million euro, and a number of Spanish subsidiaries, for 0.3 million euro.
Currency translation differences arose mainly from the changes in the Egyptian lira, the Turkish lira and the dollar against the euro.

Business combinations

India

In May 2006 an agreement was reached to acquire from Zuari Industries Limited the outstanding share in the equally owned joint venture Zuari Cement Limited.
Previously Zuari Cement Ltd. and its subsidiaries Sri Vishnu and Sitapuram Power had been consolidated on a proportionate basis at 50%; consolidation on a line-by-line basis began as from June 1, 2006.
The acquisition, including non-voting preference shares, is carried at 112.7 million euro.
The notes below reflect the impact on the Group of line-by-line consolidation of the Indian companies.

Egypt

During 2006 Suez Cement Co. acquired 52% of Ready Mixed Beton S.A.E. (RMB) and Ready Mixed Beton Egypt S.A.E. (RMBE) for approximately 10.9 million euro; the companies are the leading Egyptian producers of ready mixed concrete. The acquisition will offer important synergies with the manufacturing operations of the Suez Cement Co. group.
The Group's 2006 results include the results of the Egyptian companies as from January 1, 2006. In financial year 2005, Suez Cement Co., Tourah Portland Cement Co. and Suez Bag were consolidated on a line-by-line basis as from April 1, Helwan Cement as from August 1.

Acquisition of Zuari Cement Ltd.

Consolidated financial statements Zuari Cement Ltd. group (in millions of euro)	Book value of acquisitions	Change in fair value	Fair value attributed to acquisition
Net PPE and other non-current assets	96.2	24.3	120.5
Inventories	7.3	0.1	7.4
Trade receivables and other current assets	6.8		6.8
Cash and cash equivalents	9.9		9.9
Trade payables and other current liabilities	(17.9)		(17.9)
Deferred tax liabilities	(5.9)	(2.9)	(8.8)
Provisions for risks and charges	(2.2)	(8.0)	(10.2)
Loans and borrowings and other financial liabilities	(38.3)		(38.3)
Minority interests			(0.4)
Fair value of acquired net assets			69.0
Interest held previously			(27.8)
Goodwill			78.2
Revaluation of interest held previously			(6.7)
Cost of acquisition			**112.7**
Share purchase price			108.7
Cost relating to acquisition			4,0
Total cost of acquisition			**112.7**

The total net outlay for the acquisition was as follows:

(in millions of euro)	
Price paid for previous acquisitions	106.4
Cash and cash equivalents acquired with the proportionate method	(35.4)
Fair value of net assets acquired	71.0
Price paid in 2006	112.7
Cash and cash equivalents acquired	(5.0)
Net outlay for acquisition	107.7

The line-by-line consolidation of the Zuari Cement Limited group (consolidated on a proportionate basis until May 31, 2006) had the following effects on the 2006 consolidated financial statements:

(in millions of euro)	Zuari Cement group
Revenues (*)	44.6
Gross operating profit	15.3
Operating profit	11.4
Finance income/(costs)	(0.7)
Income tax expense	(3.4)
Net profit for the period	7.3
Group net profit	7.3
Minority interests	

(*) after intragroup eliminations

Had the financial statements of the Zuari Cement Limited group been consolidated line-by-line as from January 1, 2006, the additional contribution to 2006 consolidated results would have been as follows:

(in millions of euro)	Zuari Cement group
Revenues (*)	27.0
Gross operating profit	7.6
Operating profit	4.8

(*) after intragroup eliminations

Acquisition of Suez Cement Company

Consolidated financial statements Suez Cement Company group (Helwan Cement included) (in millions of euro)	Book value of acquisitions	Temporary fair value attributed to acquisition	Change in fair value (1)	Fair value attributed to acquisition
Net PPE and other non-current assets	458.5	778.8	55.4	834.1
Inventories	121.0	106.7	(2.1)	104.6
Trade receivables and other current assets	26.3	26.3		26.3
Cash and cash equivalents	64.4	64.4		64.4
Trade payables and other current liabilities	(87.2)	(87.2)		(87.2)
Deferred tax liabilities	(4.4)	(65.6)	(11.5)	(77.1)
Provisions for risks and charges	(44.5)	(47.0)		(47.0)
Loans and borrowings and other financial liabilities	(246.3)	(240.9)		(240.9)
Minority interests		(222.7)	(37.4)	(260.1)
Fair value of acquired net assets		312.7	4.4	317.1
Interest held previously		(217.6)		(217.6)
Goodwill		561.6	10.0	571.6
Revaluation of interest held previously		(59.6)	(14.4)	(74.0)
Cost of acquisition		597.1		597.1

(1) at exchange rate on March 31, 2005, for Suez and on July 31, 2005, for Helwan

The line-by-line consolidation of the Suez Cement Co. group as from April 1, 2005 (valued with the equity method until March 31, 2005) and of Helwan as from August 1, 2005, had the following effects on the 2005 consolidated financial statements:

(in millions of euro)	Suez Cement Company	Helwan Cement Company	Total
Revenues (*)	173.2	72.0	245.2
Gross operating profit	70.5	36.8	107.3
Operating profit	34.8	25.1	59.9
Finance income/(costs)	(11.9)	(5.6)	(17.5)
Income tax expense	(9.4)	(3.9)	(13.3)
Share of results of associates	11.7		11.7
Group net profit	19.7	7.3	27.0
Minority interests	5.5	8.3	13.8

(*) after intragroup eliminations

Had the financial statements of the Egyptian companies acquired during 2005 (the Suez group on April 1 and Helwan on August 1) been consolidated line-by-line from January 1, 2005, the additional contribution to the 2005 consolidated results would have been as follows:

(in millions of euro)	Suez Cement Company group
Revenues (*)	418.1
Gross operating profit	178.2
Operating profit	102.4

(*) after intragroup eliminations

Acquisition of the RMB group

Consolidated financial statements RMB group (in millions of euro)	Book value of acquisitions	Change in fair value	Fair value attributed to acquisition
Net PPE and other non-current assets	3.0	8.0	11.0
Inventories	1.9		1.9
Trade receivables and other current assets	1.5		1.5
Cash and cash equivalents	1.7		1.7
Trade payables and other current liabilities	(4.9)		(4.9)
Deferred tax liabilities		(1.6)	(1.6)
Provisions for risks and charges			
Loans and borrowings	(0.9)		(0.9)
Minority interests (*)			(4.2)
Fair value of acquired net assets			4.5
Goodwill			6.4
Cost of acquisition			10.9
Share purchase price			10.8
Cost relating to acquisition			0.1
Total cost of acquisition			10.9

(*) before put option at exchange rate of March 31, 2005 for Suez and July 31, 2005 for Helwan

Suez Cement Co. granted RMB minority shareholders a put option on their shares, exercisable at any time. In compliance with IFRS-compliant reporting for business combinations, the commitment in question at December 31, 2006 (9.6 million euro) is classified under “Other current liabilities” (note 23), minority interests have been reversed and the difference of 5.5 million euro taken to goodwill.

The total outlay for the acquisition was as follows:

(in millions of euro)	
Price paid in 2006	10.9
Cash and cash equivalents acquired	(1.8)
Cost of acquisition	9.1

Acquisition of the Amprica group

In June 2006 Sirap Gema closed the acquisition of the Amprica S.p.A. group.
The asset and liability values of the Amprica S.p.A. group were as follows:

(in millions of euro)	Amprica group
Net PPE and other non-current assets (including trademarks)	43.7
Inventories	11.2
Trade receivables and other current assets	12.3
Cash and cash equivalents	4.6
Trade payables and other current liabilities	(11.0)
Loans and borrowings and other financial liabilities	(33.8)
Non-current provisions	(1.8)
Other non-current liabilities and deferred tax liabilities	(4.4)
Minority interests	(3.0)
Fair value of acquired net assets	17.7
Goodwill	29.9
Cost of acquisition	47.6

The fair values attributed to the acquired assets and liabilities are being verified by expert assessors; the amounts in question will be finalized within twelve months of the date on which control was acquired.

Goodwill testing

Goodwill acquired in a business combination is apportioned to the cash-generating units (CGUs). The Group tests goodwill recoverability at least once a year or more frequently if indications of impairment emerge. The tests are based on the present value of estimated future cash flows of each CGU or, where available, the market value of recent transactions on comparable assets. The tests conducted for 2006 led to recognition of an impairment loss of 552 thousand euro attributable entirely to the Greek subsidiary Domiki Beton, which is active in ready mixed concrete in Crete (662 thousand euro in 2005).

The most significant goodwill values for the main Group CGUs are set out below:

(in thousands of euro)	Net carrying amount of goodwill	
Cash-generating units	December 31, 2006	December 31, 2005
France/Belgium (construction materials)	552,571	551,123
Spain (construction materials)	222,883	223,220
Morocco (construction materials)	104,734	107,465
Egypt (construction materials)	532,840	570,146
India (construction materials)	100,049	21,920
Other	381,855	366,324
Total	**1,894,932**	**1,840,198**

The method adopted to determine CGU recoverable value is described under "Impairment of assets", in the section on principles of consolidation. The main assumptions used for the computation are set out below:

(in %)	Discount factor before tax		Growth rate	
Cash-generating units	2006	2005	2006	2005
France/Belgium (construction materials)	9.3	8.5	0.8	0.8
Spain (construction materials)	8.9	8.1	1.3	1.3
Morocco (construction materials)	11.4	10.5	1.8	1.8
Egypt (construction materials)	11.0	11.2	4.0	4.0
India (construction materials)	12.6	11.7	4.0	

The discount factors for each country are determined by applying a country-risk premium based on estimated long-term inflation to euro-zone deflated WACC.

4) Intangible assets

(in thousands of euro)	Concessions	Licenses and patents	Other intangible assets	Total
Gross amount	15,088	73,230	53,189	141,507
Accumulated amortization	(4,935)	(51,881)	(33,013)	(89,829)
Net carrying amount at December 31, 2005	10,153	21,349	20,176	51,678
Additions	3,005	12,639	10,296	25,940
Change in consolidation area	1,481	542	30	2,053
Disposals	(1)	(10,013)	(111)	(10,125)
Amortization	(1,779)	(5,396)	(5,529)	(12,704)
Currency translation differences		(1,878)	25	(1,853)
Other	(2,395)	5,818	601	4,024
Net carrying amount at December 31, 2006	10,464	23,061	25,488	59,013
Gross amount	13,952	82,572	61,289	157,813
Accumulated amortization	(3,488)	(59,511)	(35,801)	(98,800)
Net carrying amount at December 31, 2006	**10,464**	**23,061**	**25,488**	**59,013**

"Concessions" are amortized over the life of the conventions in question; amortization of quarrying right concessions is determined at rates reflecting the ratio of extracted material to the total to be extracted.
Licenses and patents refer mainly to use of software licenses for indefinite periods of time and are amortized over five years.

Additions and disposals of "licenses and patents" refer in the main to CO_2 rights acquired from third parties by Italcementi S.p.A. to cover emission deficits at the end of 2005 and 2006; the 2005 rights were subsequently delivered to the Italian Ministry of the Environment, during the first half of 2006.

5) Investments in associates

This caption reflects equity interests, including goodwill, in associates. The main associates are listed below:

	Value of investments		Share of result	
(in thousands of euro)	Dec. 31, 2006	Dec. 31, 2005	2006	2005
Ciments Quebec	55,300	62,200	9,125	5,130
Vassiliko Cement Works	54,800	51,265		3,918
Suez Cement Group				11,748
Mittel (*)	51,862	35,070	7,518	2.122
S.E.S.	16,941	16,488	1,575	
Immobiliare Golf	1,293	1,304	(13)	(59)
Universal Imballaggi	495	444	47	2
Other	13,946	17,033	2,199	(2,183)
Total	**194,637**	**183,804**	**20,451**	**20,678**

(*) consolidated figures at September 30, 2006 (most recent approved financial statements)

The data for the main associates, adjusted for compliance with Group principles, is set out below:

	Total assets		Total liabilities		Revenues		Net profit	
(in millions of euro)	2006	2005	2006	2005	2006	2005	2006	2005
Ciment Quebec	134.6	146.9	32.1	31.7	110.7	95.8	18.1	11.0
Vassiliko Cement Works	175.5	149.3	20.6	16.8	91.1	78.2	19.8	12.0
Mittel	598.2	476.5	195.0	204.2	24.8	16.0	58.7	16.4
SES	63.0		7.7		30.4		5.0	

6) Other equity investments

This non-current asset caption reflects equity investments in the “available-for-sale” category as required by IAS 39.

(in thousands of euro)	
At December 31, 2005	1,375,787
Acquisitions	130,040
Sales	(17,739)
Fair value taken to equity	139,616
Change in consolidation area and other	(25,622)
Currency translation differences	(837)
At December 31, 2006	**1,601,245**

Acquisitions during the year amounted to 130 million euro and consisted mainly of the investments purchased in the Turkish company Goltas, for 89.4 million euro, in the Banca Leonardo group for 13.9 million euro and in Mediobanca for 13.5 million euro.

"Available-for-sale" equity investments at December 31, 2006, were as follows:

(in thousands of euro)		Number of shares	December 31, 2006
Investments in listed companies			
Mediobanca		21,494,278	382,512
RCS MediaGroup		51,799,730	196,477
Unicredito		85,626,509	569,759
BPU		3,183,666	66,156
Capitalia		6,456,343	46,182
GIM		8,838,902	7,885
GIM warrant		3,132,741	946
Others			74,339
	Total		1,344,256
Investments in non-listed companies			
Cartiere Burgo			77,560
Fin Priv			34,293
Sesaab			15,700
Banca Leonardo group			13,924
Others			115,512
	Total		256,989
At December 31, 2006			**1,601,245**

Other listed investments included the Goltas company for 66.4 million euro and the Bursa company for 7.9 million euro.
The fair value of listed investments is determined on the basis of the official share price on the last accounting day. The method used to compute the fair value of non-listed investments depends on the characteristics of the companies and the data available.
Fin Priv was valued on a transparency basis, Cartiere Burgo with the discounted estimated future cash flow method, Sesaab on the basis of an expert assessment and Asment, the largest investment, with reference to the official share prices of comparable companies.
Non-listed equity investments stated at cost are carried at 34.5 million euro.

7) Non-current trade and other receivables

"Non-current trade and other receivables" were as follows:

(in thousands of euro)	December 31, 2006	December 31, 2005	Change
Bank deposits relating to FRSS		327,752	(327,752)
Derivative instruments	19,864	11,835	8,029
Concessions and licenses paid in advance	14,052	16,586	(2,534)
Non-current receivables	41,416	47,094	(5,678)
Guarantee deposits	15,388	22,170	(6,782)
Debentures	48,625	49,762	(1,137)
Other	1,009	394	615
Total	**140,354**	**475,593**	**(335,239)**

"Other non-current assets" amounted to 140,354 thousand euro at December 31, 2006, (475,593 thousand euro at December 31, 2005).
This significant reduction was essentially due to the transaction on "floating rate subordinated securities" (FRSS) by Ciments Français and Unibeton, who exercised their FRSS buyback options on June 23 and June 29, 2006, respectively, for a symbolic amount as contractually agreed. Consequently, the two companies are no longer required to pay interest to FRSS holders, nor are they any longer entitled to collect interest accruing on the related bank deposits.
As a result of the transaction, the loan in question (see note 18) and the related bank deposits of 327.8 million euro classified under other non-current assets were cancelled, with no impact on consolidated net profit for the year.

Current assets

8) Inventories

(in thousands of euro)	December 31, 2006	December 31, 2005	Change
Raw and ancillary materials and consumables	449,069	432,301	16,768
Work in progress and semi-finished goods	116,550	139,542	(22,992)
Finished goods	145,689	138,523	7,166
Payments on account	12,428	9,914	2,514
Total	**723,736**	**720,280**	**3,456**

Inventories are carried net of write-down provisions totaling 89,981 thousand euro (84,985 thousand euro at December 31, 2005), mainly against the risk of slow-moving ancillary and consumable materials.

9) Trade receivables

(in thousands of euro)	December 31, 2006	December 31, 2005	Change
Gross amount	1,614,849	1,398,261	216,588
Provision for bad debts	(70,253)	(65,660)	(4,593)
Net amount	**1,544,596**	**1,332,601**	**211,995**

The five-year factoring programs stipulated by Ciments Calcia and Arena came to an end in November 2006 and December 2006 respectively.
At the end of December 2006, Ciments Calcia and Unibeton stipulated new five-year factoring programs. Factored receivables amounted to 32 million euro at December 31, 2006.
The new factored receivables comply with IAS 39 since the associated risks are transferred with the receivables, for approximately 90% of the factored amount.

The balance sheet therefore continues to recognize:
- the increase in factored receivables of 1.8 million euro, under other current liabilities;
- the portion of non-transferred receivables for 2.7 million euro stated under trade receivables, with an offset of 2.5 million euro in loans and borrowings and of 0.2 million euro in miscellaneous receivables.

10) Other assets

"Other assets" were as follows:

(in thousands of euro)	December 31, 2006	December 31, 2005	Change
Receivables for employees	6,010	5,246	764
Indirect tax assets	98,393	80,669	17,724
Prepaid expenses	32,106	29,419	2,687
Accrued income	5,406	2,903	2,503
Hedging derivatives	676	1,435	(759)
Trading derivatives	3,552	1,490	2,062
Other bank receivables	95,173	103,526	(8,353)
Other receivables	100,397	86,701	13,696
Net amount	**341,713**	**311,389**	**30,324**

"Other receivables" mainly refers to operations in the "Construction materials" business.

11) Equity investments and financial receivables

"Equity investments and financial receivables" were as follows:

(in thousands of euro)	December 31, 2006	December 31, 2005	Change
Securities and debentures	638,699	614,723	23,976
Trading equity investments	56,907	53,493	3,414
Bank receivables	99,335	89,747	9,588
Other financial assets	77,007	72,659	4,348
Net amount	**871,948**	**830,622**	**41,326**

12) Cash and cash equivalents

(in thousands of euro)	December 31, 2006	December 31, 2005	Change
Cash and checks on hand	11,812	13,087	(1,275)
Bank and postal accounts	405,969	427,488	(21,519)
Short-term deposits	115,488	77,595	37,893
Net amount	**533,269**	**518,170**	**15,099**

Short-term deposits have varying maturities within three months, in relation to the Group's financial requirements; interest matures at the respective short-term rates. The fair value of cash and cash equivalents corresponds to the carrying amount.

Cash and cash equivalents are also shown under "Closing cash and cash equivalents" on the cash flow statement.

Share capital and liabilities

Share capital, reserves and retained earnings

13) Share capital

At December 31, 2006, parent company fully paid-up share capital amounted to 100,166,937 euro represented by 38,525,745 shares with a par value of 2.6 euro each, as follows:

(number of shares)	December 31, 2006	December 31, 2005	Change
Ordinary shares	22,182,583	22,182,583	
Savings shares	16,343,162	16,343,162	
Net amount	**38,525,745**	**38,525,745**	

14) Reserves

Share premium reserve

The reserve stood at 177,191 thousand euro and was unchanged from December 31, 2005.

Reserve for available-for-sale financial assets at fair value

This reserve reflects fair value adjustments to available-for-sale financial assets (see note 6).

(in thousands of euro)	
At December 31, 2005	675,570
Gains recognized directly in reserve	121,579
Deferred taxes taken directly to reserve	(13,429)
Gains taken to income and expense	7,932
Deferred taxes taken to income and expense	(235)
At December 31, 2006	**791,417**

Reserve for derivative instruments

This reserve reflects fair value adjustments to hedging derivatives.

(in thousands of euro)	
At December 31, 2005	(944)
Gains recognized directly in reserve	5,647
Deferred taxes recognized directly in reserve	(1,789)
Losses taken to income and expense	(559)
Deferred taxes taken to income and expense	186
At December 31, 2006	**2,541**

Other IFRS reserves

These reserves reflect capitalization of stock option plans amounting to 5.4 million euro at December 31, 2006, and the revaluations of 22.4 million euro on the Group interests in Suez and in Zuari before acquisition of control.

(in thousands of euro)	
At December 31, 2005	27,958
Gains recognized directly in reserves	13,573
At December 31, 2006	**41,531**

15) Treasury shares

Treasury share buybacks at December 31, 2006, stood at 22,176 thousand euro and are deducted against equity. Treasury shares were as follows:

	No. ordinary shares	Carrying amount in thousands of euro	No. savings shares	Carrying amount in thousands of euro	Overall carrying amount
December 31, 2005	911,131	21,780	28,500	396	22,176
Additions					
Disposals					
December 31, 2006	**911,131**	**21,780**	**28,500**	**396**	**22,176**

Ordinary treasury shares held at December 31, 2006, will service stock option plans for directors and managers.

Dividends paid

Dividends declared and paid by the parent company Italmobiliare S.p.A in 2006 and 2005 are detailed below:

	2006 (euro per share)	2005 (euro per share)	2006 (in thousands of euro)	2005 (in thousands of euro)
Ordinary shares	1.270	1.100	27,015	23,419
Savings shares	1.348	1.178	21,992	19,219
Total dividends			**49,007**	**42,638**

Translation reserve

This reserve reflects exchange rate differences on the translation of the financial statements of consolidated foreign entities. At December 31, 2006, it stood at -2,101 thousand euro and referred to the following currencies:

(in millions of euro)	December 31, 2006	December 31, 2005	Change
Egypt (Lira)	(5.3)	11.4	(16.7)
USA and Canada (Dollar)	(3.0)	15.0	(18.0)
Thailand (Baht)	4.7	2.2	2.5
Morocco (Dirham)	(0.5)	1.7	(2.2)
India (Rupee)	1.0	1.1	(0.1)
Turkey (Lira)	3.7	12.9	(9.2)
Switzerland (Franc)	(3.4)	(0.4)	(3.0)
Other countries	0.7	2.9	(2.2)
Net amount	**(2.1)**	**46.8**	**(48.9)**

16) Minority interests

Minority interests at December 31, 2006, stood at 3,432,903 thousand euro, up by 212,444 thousand euro from December 31, 2005.
The increase was largely due to the increase in consolidated assets and liabilities in the construction materials sector as a result of the increase in Suez group assets and liabilities after final valuation of the assets and liabilities acquired in 2005.
Net profit for 2006 was 484,052 thousand euro, over 394,772 thousand euro for 2005; the translation reserve decreased by 162,552 thousand euro, reflecting changes in the main currencies against the euro.

Liabilities

17) Employee benefit liabilities

Employee benefit liabilities at December 31, 2006, amounted to 213,709 thousand euro (216,240 thousand euro at December 31, 2005).
The Group's main employee benefit plans are described below.

Defined benefit plans

The Group operates pension plans, post-employment medical benefit plans and leaving entitlement provisions.
The most important pension plans are in the USA and France, and are financed by contributions paid by the company and by employees to external entities responsible for the administration and management of the pension funds. Early retirement schemes also operate, pursuant to local laws, in France and Belgium.
Defined benefit plans also include the leaving entitlement provision for staff of the Group's Italian companies, determined on an actuarial basis.
In some companies in France and Italy, the Group also recognizes liabilities in respect of future commitments, in the form of bonuses payable to employees on the basis of length of service; these liabilities are measured with actuarial assumptions.
Net liabilities for pension plans, post-employment benefit plans and leaving entitlement provisions are determined with actuarial calculations performed by independent external actuaries.

Liabilities determined on the basis of actuarial calculations at December 31, 2006, were as follows:

	Pension plans and other long-term benefits		Post-employment medical benefits		Total	
(in millions of euro)	Dec. 31, 06	Dec. 31, 05	Dec. 31, 06	Dec. 31, 05	Dec. 31, 06	Dec. 31, 05
Discounted value of funded plans	130.6	145.6			130.6	145.6
Fair value of plan assets	(102.9)	(105.8)			(102.9)	(105.8)
Discounted net value of funded plans	27.7	39.8			27.7	39.8
Discounted value of non-funded plans	114.4	115.5	62.0	66.3	176.4	181.8
Net value of obligation	142.1	155.3	62.0	66.3	204.1	221.6
Unrecognized experience adjustments	(0.6)	(14.8)	(1.6)	(4.2)	(2.2)	(19.0)
Unrecognized costs on prior-period services	(0.3)	(0.3)	2.0	2.9	1.7	2.6
Net (assets)/liabilities	141.2	140.2	62.4	65.0	203.6	205.2
of which:						
Liabilities	141.3	140.8	62.4	65.0	203.7	205.8
Assets	(0.1)	(0.6)			(0.1)	(0.6)
Net (assets)/liabilities	**141.2**	**140.2**	**62.4**	**65.0**	**203.6**	**205.2**

The movements in the net liability are analyzed below:

	Pension plans and other long-term benefits		Post-employment medical benefits		Total	
(in millions of euro)	2006	2005	2006	2005	2006	2005
Opening net liability	140.2	138.7	65.0	58.0	205.2	196.7
Net costs charged to employee expenses	19.3	14.3	4.2	5.4	23.5	19.7
Contributions or services paid	(16.3)	(15.9)	(3.0)	(3.3)	(19.3)	(19.2)
Exchange rate differences	(1.9)	3.0	(3.8)	4.9	(5.7)	7.9
Plans acquired on change in consolidation area	(0.1)	0.1			(0.1)	0.1
Closing net liability	**141.2**	**140.2**	**62.4**	**65.0**	**203.6**	**205.2**

Costs for the year are detailed below:

	Pension plans and other long-term benefits		Post-employment medical benefits		Total	
(in millions of euro)	2006	2005	2006	2005	2006	2005
Current cost of services	(12.5)	(12.2)	(1.7)	(1.4)	(14.2)	(13.6)
Finance costs on obligations	(11.4)	(12.1)	(3.1)	(3.1)	(14.5)	(15.2)
Revenues expected from plan assets	7.1	7.3			7.1	7.3
Net actuarial losses recognized in year						
Cost of prior-period services	(2.4)	(1.9)	0.6	(0.9)	(1.8)	(2.8)
Plan settlement or curtailment losses/(gains)		4.7				4.7
Total charged to employee expenses	(19.2)	(14.2)	(4.2)	(5.4)	(23.4)	(19.6)
of which:						
Employee expenses	(23.0)	(18.0)	(4.2)	(5.4)	(27.2)	(23.4)
Other income/(expense)	3.8	3.8			3.8	3.8
Real return on assets	**8.2**	**5.3**			**8.2**	**5.3**

The movements in plan asset fair values were as follows:

	Pension plans and other long-term benefits		Post-employment medical benefits		Total	
(in millions of euro)	Dec. 31, 06	Dec. 31, 05	Dec. 31, 06	Dec. 31, 05	Dec. 31, 06	Dec. 31, 05
Opening fair value of plan assets	105.8	95.1			105.8	95.1
Expected yield	7.1	7.3			7.1	7.3
Experience adjustments	1.1	(2.0)			1.1	(2.0)
Employer contributions	16.2	14.2	3.0	3.3	19.2	17.5
Employee contributions			0.2		0.2	
Benefits paid	(18.7)	(19.6)	(3.2)	(3.3)	(21.9)	(22.9)
Change in consolidation area	0.2				0.2	
Exchange rate differences and other	(8.8)	10.8			(8.8)	10.8
	102.9	105.8			102.9	105.8

Group contributions to defined benefit plans in 2007 will amount to an estimated 16.4 million euro.

The table below sets out the main plan asset categories as percentages of total fair value:

	2006	2005
Equities	33.8%	33.9%
Debentures	60.7%	60.7%
Investment properties	0.3%	0.3%
Other	5.2%	5.1%

The table below sets out key data for the last two financial years:

(in millions of euro)	Dec. 31, 06	Dec. 31, 05
Discounted value of funded plans	130.6	145.6
Fair value of plan assets	(102.9)	(105.8)
Net value of funded plans	27.7	39.8
Change in value of funded plans other than experience adjustments	3.6	5.8
as % of discounted value	2%	2%
Experience adjustments	(1.1)	2.0
as % of asset value	-1%	2%

The early retirement provision of 7.2 million euro formed in 2005 in connection with the re-organization of administrative and commercial operations in France and Belgium stood at 6.9 million euro at December 31, 2006.

Actuarial assumptions

The actuarial assumptions used to determine liabilities arising from the Group's pension plans and other long-term benefits are illustrated below:

(in %)	Europe		North America		Other countries	
	2006	2005	2006	2005	2006	2005
Discount factor	4.0 - 4.75	3.8 - 4.0	5.2 - 5.75	5.5	5.25 - 7.75	5.75 - 6.5
Expected yield on assets	4.00	4.25	7.8 - 8.6	7.8 - 8.6		
Future wage and salary increases	2.2 - 4.0	2.5 - 3.5	n.a.	n.a.	3.5 - 5.5	3.5 - 6.0

The assumptions used at December 31, 2006, to determine commitments for post-employment medical benefits were as follows:

- in France, an increase in contributions to plans covering medical expenses of 5% for 10 years and 2% for subsequent years. The discount factor for 2006 was 4.75% (4.25% in 2005).
- in the USA, the estimated increase in future medical expenses is determined by applying a growth rate of 10% for the following year (10% in 2005), gradually decreasing to 5% over the long term. The discount factor for 2006 was 5.75% (5.5% in 2005).

Defined contribution plans

The Group's defined contribution plans are pension plans and medical plans; expense relating to these plans in 2006 was 39.6 million euro (38.7 million euro in 2005).

Stock options

The Group has arranged stock option plans for directors and managers who hold special posts in Italmobiliare S.p.A., Italcementi S.p.A., some of its Italian subsidiaries and Ciments Français S.A.
The stock options granted by the parent company Italmobiliare S.p.A. refer to ordinary shares, and may be exercised between the beginning of the fourth year and the end of the tenth year after the grant date; directors whose term of office is not renewed may exercise their options immediately, and in any case within 10 years of the grant date; as a general rule, unexercised stock options assigned to managers are not recognized in the event of termination of employment, except in the case of retirement.

Stock options are exercised at a rate of 1 share per option.

The terms and conditions of Italmobiliare S.p.A. stock option plans at December 31, 2006, are set out below:

Grant date	No. options granted	Exercised period	Exercise options	Cancelled options	Unexercised options	Unit subscription price
March 24, 2003	49,283	1.1.2006-12.31.2012			49,283	€ 31.2800
March 30, 2004	96,080	1.1.2007-12.31.2013			96,080	€ 35.1990
March 30, 2005	108,437	1.1.2008-12.31.2014			108,437	€ 54.5355
March 21, 2006	109,880	1.1.2009-12.31.2015			109,880	€ 65.7010
Total	**363,680**				**363,680**	

The grant date is the date of the Board of Directors meeting that approved the stock option plan.

The number and average exercise price of stock options in the periods in question are set out below:

	2006		2005	
	number of options	average subscription price	number of options	average subscription price
Unexercised options at beginning of year	253,800	€ 42.6994	145,363	€ 33.8700
Granted during year	109,880	€ 65.7010	108,437	€ 54.5355
Cancelled during year				
Exercised during year				
Expired during year				
Unexercised options at end of year	363,680	€ 49.6490	253,800	€ 42.6994
Vested options at end of year	**49,283**			

The average ordinary share price for financial year 2006 was 69.048 euro (54.72 euro for financial year 2005).
The average residual life of unexercised options is 6 years and 10 months.
The option exercise price at December 31, 2006 was between 31.28 euro and 65.70 euro.
Only options granted after November 7, 2002, that had not vested at December 31, 2003, were measured and recognized at the date of transition to the IFRS.

The following table sets out the characteristics of all Group stock option plans and their cost, carried under "Employee expenses":

(in thousands of euro) Grant date	Company	Number options granted	Vesting period	Employee expenses 2006	2005
February 12, 2003	Ciments Français	171,400	3 years	60	433
March 24, 2003	Italmobiliare	49,283	3 years	117	116
March 7, 2003	Italcementi	965,945	3 years		675
March 30, 2004	Italmobiliare	96,080	3 years	517	250
March 17, 2005	Italcementi	1,053,600	3 years	986	783
March 30, 2005	Italmobiliare	108,437	3 years	397	337
April 14, 2005	Ciments Français	169,400	3 years	1,048	763
March 7, 2006	Italcementi	631,403	3 years	783	
March 21, 2006	Italmobiliare	109,880	3 years	330	
March 23, 2006	Ciments Français	155,000	3 years	1,440	
Total		**3,510,428**		**5,678**	**3,357**

Stock option plan fair value at the grant date is estimated using a binomial model that takes dividends into account. The total option term is ten years. Volatility projections assume that past volatility, determined as the annual average on a past period of three years net of extraordinary events, is indicative of future trends.

No other stock option plan characteristic is taken into consideration when measuring fair value.

The following table sets out the assumptions used and results obtained in measuring stock options:

	2005 Plan	2004 Plan	2003 Plan	2002 Plan
Option value at grant date	2.05	11.41	7.15	6.49
Share value	73.57	52.84	35.05	31.80
Exercise price	65.701	54.536	35.199	31.280
Volatility as %	17.5%	17.5%	17.5%	17.5%
Option term (in years)	9.75	9.75	10	10
Dividends as %	1.50%	1.89%	2.68%	2.96%
10-year BTP risk-free rate	3.462%	3.275%	3.640%	3.790%

Net financial position

As a result of the redefinition of the content of the net financial position of the subsidiaries in the banking sector, a number of changes were made to the consolidated net financial position at December 31, 2006; the consolidated net financial position at December 31, 2005 has been restated accordingly, as illustrated in the table below:

(in thousands of euro)	December 31, 2005	December 31, 2005 published	Change
Cash, cash equivalents and current financial assets	1,455,178	1,261,905	193,273
Cash and cash equivalents	518,170	518,170	
Derivative assets	6,259	2,925	3,334
Other current financial assets	930,749	740,810	189,939
Short-term financing	(1,318,739)	(1,142,124)	(176,615)
Bank overdrafts	(976,157)	(976,157)	
Interest-bearing loans and short-term borrowings	(337,712)	(164,338)	(173,374)
Derivative liabilities	(4,870)	(1,629)	(3,241)
Medium/long-term financial assets	389,640	375,355	14,285
Long-term financial assets	377,805	363,520	14,285
Long-term derivative assets	11,835	11,835	
Medium/long-term financing	(2,391,202)	(2,391,202)	
Interest-bearing loans and long-term borrowings	(2,375,059)	(2,375,059)	
Long-term derivative liabilities	(16,143)	(16,143)	
Net financial position	**(1,865,123)**	**(1,896,066)**	**30,943**

The net financial position at December 31, 2006 was reflected in the following financial statement items:

(in thousands of euro)	Balance sheet item	Non nfp	Nfp	Short-term assets	Short-term financing	Long-term assets	Long-term financing	Total
Non-current trade and other receivables	140,354	71,435	68,919	164		68,755		68,919
Other current financial assets	341,713	242,312	99,401	99,401				99,401
Equity investments and financial receivables	871,948	296	871,652	871,652				871,652
Cash and cash equivalents	533,269		533,269	533,269				533,269
Interest-bearing loans and long-term borrowings	(2,531,204)		(2,531,204)				(2,531,204)	(2,531,204)
Other non-current liabilities	(20,337)	(272)	(20,065)				(20,065)	(20,065)
Bank overdrafts and shor-term borrowings	(469,915)		(469,915)		(469,915)			(469,915)
Interest-bearing loans and short-term borrowings	(199,980)		(199,980)		(199,980)			(199,980)
Other current liabilities	(694,389)	(485,056)	(209,333)		(209,333)			(209,333)
Total			**(1,857,256)**	**1,504,486**	**(879,228)**	**68,755**	**(2,551,269)**	**(1,857,256)**

The net financial position at December 31, 2006, reflected net debt of 1,857,256 thousand euro (net debt of 1,865,123 thousand euro at December 31, 2005), as follows:

(in thousands of euro)	December 31, 2006		December 31, 2005		Change	
Cash, cash equivalents and current financial assets	1,504,486		1,455,178		49,308	
Cash and cash equivalents		533,269		518,170		15,099
Derivative assets		5,835		6,259		(424)
Other current financial assets		965,382		930,749		34,633
Short-term financing	(879,228)		(1,318,739)		439,511	
Bank overdrafts		(469,915)		(976,157)		506,242
Interest-bearing loans and short-term borrowings		(405,656)		(337,712)		(67,944)
Derivative liabilities		(3,657)		(4,870)		1,213
Medium/long-term financial assets	68,755		389,640		(320,885)	
Long-term financial assets		48,891		377,805		(328,914)
Long-term derivative assets		19,864		11,835		8,029
Medium/long-term financing	(2,551,269)		(2,391,202)		(160,067)	
Interest-bearing loans and long-term borrowings		(2,531,204)		(2,375,059)		(156,145)
Long-term derivative liabilities		(20,065)		(16,143)		(3,922)
Net financial position	**(1,857,256)**		**(1,865,123)**		**7,867**	

18) Loans and borrowings

Loans and borrowings are shown below by category, subdivided by non-current and current liabilities:

(in thousands of euro)	December 31, 2006	December 31, 2005	Change
Floating rate subordinated securities		327,752	(327,752)
Amounts due to banks	1,494,398	1,278,293	216,105
Debentures	791,785	591,772	200,013
Financing entities	229,546	171,556	57,990
Finance lease payables	15,475	5,686	9,789
Interest-bearing loans and long-term borrowings	**2,531,204**	**2,375,059**	**156,145**
Amounts due to banks	469,915	976,157	(506,242)
Current portion loans and borrowings	168,934	125,838	43,096
Convertible debentures --current portion		449	(449)
Debentures	9	17,159	(17,150)
Financing entities	229,178	191,914	37,264
Finance lease payables	3,090	1,281	1,809
Financial accruals and deferred income	4,445	1,071	3,374
Short-term loans and borrowings	**405,656**	**337,712**	**67,944**
Fair value non-current hedging derivatives	20,065	16,143	3,922
Fair value current hedging derivatives	3,657	4,870	(1,213)
Fair value hedging derivatives	23,722	21,013	2,709
Total loans and borrowings	**3,430,497**	**3,709,941**	**(279,444)**

At December 31, 2006, bank overdrafts and drawings on lines of credit secured by mortgages, pledges and liens on property, plant and equipment amounted to 115.1 million euro.

Long-term loans and borrowings by currency were as follows:

(in thousands of euro)	December 31, 2006	December 31, 2005	Change
Euro	1,961,561	2,052,567	(91,006)
US and Canadian Dollar	411,619	221,400	190,219
Egyptian Lira	135,200	84,700	50,500
Indian Rupee	21,671	9,000	12,671
Thai Baht		6,800	(6,800)
Czech Crown		378	(378)
Slovak Crown	97	116	(19)
Bulgarian Lev	17	6	11
Hungarian Florin	634	1	633
Polish Zloty	219		219
Swiss Franc	136		136
Ukrainian Grivna	50		50
Other		91	(91)
Total	**2,531,204**	**2,375,059**	**156,145**

Main bank loans and lines of credit

The main borrowings were as follows:

a) in 2004 Italmobiliare arranged loans totaling 292 million euro at floating rates and falling due between July 9, 2007, and June 16, 2009, with five leading Italian and foreign banks (BNP Paribas, Mediobanca, Calyon, Société Générale, San Paolo IMI). In June and July 2006, Italmobiliare S.p.A. renegotiated the borrowings with BNP Paribas, Mediobanca, Calyon and Société Générale on the basis of total return equity swap contracts (TRES) and re-stipulated expiry, interest and amount, for a total amount of 347.5 million euro. In November 2006 it arranged early termination of the TRES with BNP Paribas and negotiated a new loan, also for 180 million euro, based on prepaid forward and equity swap contracts, at better terms and conditions. In December 2006, Italmobiliare S.p.A. arranged early termination of the TRES with Mediobanca and renegotiated its borrowing. The new Mediobanca borrowing is a loan on listed shares for 134.0 million euro, at better terms and conditions than the previous loan;

b) in March 2006, Italmobiliare S.p.A. arranged a five-year 40 million euro stand-by line of credit with Banca Intesa;

c) in 2006 Italcementi S.p.A. arranged a series of medium/long-term financing agreements with leading Italian banks to ensure adequate funding for its industrial and financial investment programs. Specifically, it arranged three confirmed standby lines of credit expiring between March 23, 2011, and November 10, 2012, for an aggregate amount of 400 million euro. One of the facilities, originally arranged in 2005, was increased from 150 to 275 million euro, with extended expiry and improved conditions. The third line of credit, for 75 million euro, is a new facility. Drawings on these lines of credit at December 31, 2006, amounted to 130 million euro;

d) in 2006, Italcementi S.p.A. obtained a loan for 60 million euro, due in February 2026, with full hedging against interest-rate risks;

e) in 2005, Italcementi S.p.A. arranged four confirmed standby lines of credit with final expiry date on February 28, 2013, for an aggregate amount of 550 million euro; one of the facilities, for 150 million euro, was renegotiated in 2006, as indicated in point a) above. Drawings on these lines at December 31, 2006 amounted to 190 million euro;

f) in 2004, Italcementi S.p.A. obtained two loans for 200 and 50 million euro respectively, due in December 2009. The 50 million euro loan was discharged early in 2006, to take advantage of better credit conditions;

g) also in 2004, Italcementi S.p.A. arranged three confirmed standby lines with final expiry date on November 30, 2011, for an aggregate amount of 305 million euro. One of these facilities, for 50 million euro, was renegotiated in 2006, as indicated in point a) above;

h) in 2006, Ciments Français S.A. renewed a 400 million euro credit line for 364 days and an 80 million euro medium-term line of credit for five years, with two one-year extension options, to replace two medium-term facilities for 20 and 60 million euro expiring in July 2007 and November 2006 respectively. Ciments Français also negotiated new medium/long-term lines of credit for 320 million euro, of which 50 million euro for 10 years, 100 million euro for 5 years with a one-year extension option, and 170 million euro for 5 years with two one-year extension options. Drawings on medium-term facilities at December 31, 2006 totaled 50 million euro;

i) on September 13, 2006 Suez Cement Company refinanced its 13-month 1,500 million Egyptian lira syndicated line of credit arranged to finance the acquisition of ASEC Cement Company (Helwan Cement Ltd.), obtaining a 4-year 300 million Egyptian lira syndicated line of credit and a 900 million Egyptian lira syndicated loan, amortizable in 4 years. The operation was arranged with a pool of local and international banks. No drawings had been made on the 300 million Egyptian lira syndicated facility at December 31, 2006;

j) in 2005 Ciments Français S.A. arranged a medium-term 5-year 150 million euro line of credit; the facility was undrawn at December 31, 2006;

k) on May 27, 2005, Ciments Français S.A. was granted a 700 million euro floating rate syndicated line of credit for 5 years, undrawn, with two one-year extensions. It has exercised the first one-year extension. The bank pool comprised Calyon, HSBC-CCF, Natexis Banques Populaires and The Royal Bank of Scotland. The facility replaces the 550 million euro facility arranged on December 5, 2003, which was due to expire in 2008;

l) on December 27, 2006 Ciments Français obtained a 6-year 158 million euro syndicated loan, consisting of a 114 million euro floating-rate tranche and a 44 million euro fixed-rate tranche, repayable on expiry;

m) on April 29, 2002, Ciments Français S.A. obtained a 6-year 109.5 million euro floating-rate syndicated loan, repayable on expiry;

n) in 2001 Ciments Français obtained a 5.5 year 125 million euro amortizable loan. The loan is due to be repaid in full on October 22, 2007;

o) in 2002, the loans obtained by the Thai subsidiary Jalaprathan Public Cement Company Ltd. at the end of 1998 were refinanced with a bank pool and through Group internal borrowings. The 7-year 30 million euro bank loan is at a fixed rate for the first two years. The repayment plan envisages 16 quarterly installments, from February 2005 to November 2007.

Main debentures

a) Ciments Français covers its long-term financial requirements largely through debenture issues; specifically, a Euro Medium Term Notes program (EMTN) on the European market. The offering circular is renewed annually; the latest circular is dated July 19, 2006. The maximum amount authorized under the program is 1,000 million euro. At December 31, 2006, debentures issued under the program amounted to approximately 365 million euro, including a 7-year 350 million euro debenture at a fixed rate of 5.875% issued on July 10, 2002, assisted by BNP Paribas and Lehman Brothers;

b) on December 19, 2006, Ciments Français issued a 300 million US dollar private placement in the USA, repayable on maturity. The loan comprises two tranches: a 12-year 150 million US dollar tranche at a fixed rate of 5.80% and a 15-year 150 million US dollar tranche at a fixed rate of 5.90%; exchange-rate and interest-rate hedges have been set up on the entire loan, for the duration of the two tranches;

c) on March 3, 2006, Ciments Français S.A. issued a five-year 50 million euro debenture at a fixed rate of 3.496%;

d) on November 15, 2002, Ciments Français issued a 200 million US dollar private placement in the USA. The loan comprises two tranches: a 10-year 180 million US dollar tranche at a fixed rate of 5.63% and a 12-year 20 million US dollar tranche at a fixed rate of 5.73%. Of the 200 million dollars, 150 have been lent to the US subsidiary Essroc; cross-currency swaps have been set up on the residual 50 million dollars to hedge exchange-rate and interest-rate risks.

Floating rate subordinated securities (FRSS)

The 15-year term of the FRSS issue matured in June 2005 for Unibeton and in December 2005 for Ciments Français. The companies exercised their repurchase option on June 23 and June 29, 2006, respectively, for a symbolic amount (see note 7).

Financial instruments

Objectives and financial risk management policy

The Italmobiliare Group operates in a number of different sectors of national and international industry and finance and consequently is subject to various types of financial risk.
Financial risk management is an integral part of Group asset management. It is conducted by each individual sector on the basis of guidelines defined in relation to the type of business. The Group uses financial derivatives to optimize its risk/yield profile.

Derivatives by sector

	Nominal Values				
(in millions of euro)	Finance	Banking	Construction Materials	Packaging and insulation	Total
Interest-rate derivatives	137.0		1,833.3	13.2	1,983.5
Exchange-rate derivatives	6.6	1.137.4	188.2		1,332.2
Equities derivatives	2.7				2.7
Commodities derivatives		0.1			0.1
Total	**146.3**	**1.137.5**	**2.021.5**	**13.2**	**3,318.5**

Derivatives by expiry

	Nominal Values				
(in millions of euro)	< 1 year	1 - 2 years	2 - 5 years	> 5 years	Total
Interest-rate derivatives	222.2	471.7	938.4	351.2	1,983.5
Exchange-rate derivatives	1,332.2				1,332.2
Equities derivatives	2.7				2.7
Commodities derivatives	0.1				0.1
Total	**1,557.2**	**471.7**	**938.4**	**351.2**	**3,318.5**

Market risks

The Group is exposed to market risks in relation to each of its core businesses.

a) Interest-rate risk

The interest-rate risk depends on changes in market interest rates and comprises:
1. the risk of variations in the market value of fixed-rate borrowing and lending transactions. A change in interest rates affects the market value of fixed-rate assets and liabilities;
2. the risk linked to future cash flows on floating-rate borrowing and lending transactions. A change in interest rates has a limited impact on the market value of floating-rate financial assets and liabilities, but may affect future profits.

Interest-rate risk management in the industrial companies has a dual purpose, to minimize net borrowing costs and reduce exposure to fluctuation risks.
Interest-rate risk management in the banking and finance companies is an integral part of the core business, and is based on investment and debt policies established by the governing bodies of the companies in question.

The Group hedges interest-rate risks with derivative instruments such as interest-rate swaps, forward-rate agreements, futures and interest-rate options. Hedges with options are often asymmetric collars. Since these transactions are generally at zero cost, the net result of option sales never exceeds the value of the underlying (book exposure, future transaction or fixed commitment).

Net debt at inception and after interest-rate hedging

At December 31, 2006, 80% of the Group's net financial liabilities (excluding assets and liabilities that are not sensitive to interest rates) was at fixed rates or limited to a rise in rates.

(in millions of euro)	
Situation at December 31, 2006	
Fixed-rate financial liabilities	(898.8)
Fixed-rate financial assets	145.2
Fixed-rate NFP at inception	(753.6)
FR/FlgR hedges	266.9
FlgR/FR hedges	(1,083.0)
Fixed-rate NFP after hedging	(1,569.7)
Floating-rate financial liabilities	(2,510.7)
Floating-rate financial assets	1,293.4
Floating-rate NFP at inception	(1,217.3)
FR/FlgR hedges	(266.9)
FlgR/FR hedges	1,083.0
Floating-rate NFP after hedging	(401.2)
Other instruments not subject to interest-rate risk	113.6
Total NFP	**(1,857.3)**

b) Foreign exchange-rate risk

The Group companies are structurally exposed to exchange-rate risks on cash flows from operating activities and financing denominated in currencies other than their respective reporting currencies. Exposure mainly affects US dollar solid fuel purchases, US dollar exports of cement and clinker by some subsidiaries (Bulgaria, Thailand, Egypt), and financing operations in US dollars by Ciments Français S.A.

The Group hedges these risks with forward currency purchase and sale contracts, as well as foreign exchange put and call options.

The majority of hedges with options use asymmetric corridor structures. Since these transactions are generally at zero cost, the net result of option sales never exceeds the value of the underlying (book exposure, future transaction or fixed commitment).

The impact of foreign currency translation on subsidiaries' equity is recorded in a separate equity reserve. For Group companies in hyperinflationary economies, translation effects on the net monetary position and results are taken to the income statement.

Exposure to exchange-rate risks in respect of shareholders' equity mainly relates to the US dollar, the Swiss franc, the Thai baht, the Moroccan dirham, the Egyptian lira and the Indian rupee. Net investments in these Group companies are not subject to any form of hedging.

Exchange-rate hedging

The table below sets out exchange-rate hedging operations, valued at the closing exchange rates:

(in millions of euro) Situation at December 31, 2006	Cash flow hedge	Fair value hedge	Trading	Total
Forward purchases				
US dollars	29.5	1.9	531.0	562.4
Swiss francs			13.7	13.7
Other			75.2	75.2
Total	29.5	1.9	619.9	651.3
Forward sales				
US dollars		34.0	316.5	350.5
Swiss francs			11.2	11.2
Other			227.7	227.7
Total		34.0	555.4	589.4
Cross currency swaps				
Other				
Total				
Options				
US dollars	24.6	0.2	53.5	78.3
Other			13.2	13.2
Total	24.6	0.2	66.7	91.5
Total	**54.1**	**36.1**	**1,242.0**	**1,332.2**

c) Risk on raw materials

The Group is exposed to price risks on the raw materials and energy products used in the industrial sectors. The risks are managed by the individual sector, through diversification of procurement sources.

d) Price risk on listed equities

The Group is exposed to the risk of market fluctuations on unconsolidated listed equities in portfolio.

(in thousands of euro)	December 31, 2006	December 31, 2005	Change
AFS equity investments	1,344,256	1,137,044	207,212
Trading securities	56,547	53,172	3,375
Overall exposure	**1,400,803**	**1,190,216**	**210,587**

The Group's financial companies use derivatives (put/call options, equity swaps) for a total of 2.7 million euro to optimize returns.

Credit risks

a) Credit risk

In compliance with Group procedures, customers electing extended terms of payment are vetted for credit worthiness before and during the life of the contract. Credit checks take the form of customer-balance monitoring by the administrative department. Consequently, the Group is not exposed to a material credit risk.

b) Counterpart risk

Exchange- and interest-rate instruments are transacted only with counterparts with high ratings, selected on the basis of a number of criteria: ratings attributed by specialist agencies, assets and equity as well as the nature and maturity of transactions. The majority of counterparts are leading national and international banks.
No financial instruments are negotiated with counterparts in geographical regions exposed to political or financial risks (all counterparts are in western European countries or in the USA).

Liquidity risk

The Group aims to keep indebtedness at a level that ensures a balance between average maturity, flexibility and diversification of sources of funds. Consequently, it negotiates confirmed lines of credit and diversified sources of finance (bank credit lines, borrowings, debentures, drawings on lines of credit, commercial papers, finance leases and factoring).
Group policy is designed to ensure that short-term debt at any time is less than or equal to undrawn confirmed lines of credit at more than one year.

The table below shows debt by maturity compared with undrawn lines of credit and cash and cash equivalents.

At December 31, 2006:

	Expiry				
(in millions of euro)	< 1 year	1-2 years	2-5 years	Beyond	Total
Total loans and borrowings	**366.8**	**178.7**	**1,595.9**	**730.6**	**2,872.0**
Confirmed undrawn lines of credit	1,531.6	83.6	905.1	937.7	3,458.0
Cash and cash equivalents	(533.3)				(533.3)

Covenants

In addition to the customary clauses, some of the Group's financing contracts include covenants requiring compliance with financial ratios. Financing contracts do not contain clauses that would require early repayment or rating triggers that would cause interest rates to rise in the event of a rating downgrade. The sole exception is a 25 million euro borrowing contract, which contains an equity/debt covenant for which there is no risk of non-compliance at the present time.

Fair value of derivative financial instruments

The fair value of the financial instruments in the balance sheet, subdivided by type of hedge, is set out below:

	December 31, 2006		December 31, 2005	
(in thousands of euro)	Assets	Liabilities	Assets	Liabilities
Interest-rate derivatives hedging cash flows	396		167	32
Interest-rate derivatives hedging fair value				
Trading interest-rate derivatives	3,175	564	1,323	874
Interest-rate derivatives	3,571	564	1,490	906
Exchange-rate derivatives hedging cash flows	278	1,065	1,105	284
Exchange-rate derivatives hedging fair value	2	73	163	107
Trading exchange-rate derivatives	377	414	167	332
Exchange-rate derivatives	657	1,552	1,435	723
Total current instruments	4,228	2,116	2,925	1,629
Interest-rate derivatives hedging cash flows	17,153	4,868	2,133	8,527
Interest-rate derivatives hedging fair value	2,711		9,702	
Interest-rate derivatives	19,864	4,868	11,835	8,527
Exchange-rate derivatives hedging cash flows				
Exchange-rate derivatives hedging fair value		15,197		7,616
Exchange-rate derivatives	15,197		7,616	
Total non-current instruments	19,864	20,065	11,835	16,143
Banking derivatives - forwards	1,162	1,095	2,833	2,738
Banking derivatives - options	445	446	501	503
Banking derivatives	1,607	1,541	3,334	3,241
Total	**25,699**	**23,722**	**18,094**	**21,013**

Value of financial assets and liabilities

The table below sets out the fair value and the carrying amount of financial assets and liabilities at December 31, 2006:

	December 31, 2006		December 31, 2005	
(in millions of euro)	Fair Value	Carrying amount	Fair Value	Carrying amount
Financial assets				
Cash and cash equivalents	533.3	533.3	518.2	518.2
Derivative instruments	25.7	25.7	14.8	14.8
Trade receivables	1,544.6	1,544.6	1,333.4	1,333.4
Bank deposits related to FRSS			327.7	327.7
Other equity investments	1,601.2	1,601.2	1,375.8	1,375.8
Other financial assets	1,069.0	1,069.0	803.7	803.7
Total	**4,773.8**	**4,773.8**	**4,373.6**	**4,373.6**
Financial liabilities				
Trade payables	815.8	815.8	745.4	745.4
Derivative instruments	23.7	23.7	17.8	17.8
FRSS			327.7	327.7
Finance lease payables	18.6	18.6	7.0	7.0
Fixed/floating-rate loans and borrowings	3,380.4	3,388.2	3,181.0	3,180.8
Total	**4,238.5**	**4,246.3**	**4,278.9**	**4,278.7**

Trade receivables and payables are current assets and liabilities and are carried at amounts that are reasonable approximations of their fair value.
Derivative instruments are measured and recognized at fair value. The fair value of interest-rate contracts is based on the present value of cash flows using the zero coupon curve.
The fair value of forward currency purchase contracts is based on the current exchange rates of contracts with similar maturity profiles.
The fair value of foreign currency payables and receivables is determined using year-end exchange rates. The fair value of fixed-rate payables and receivables is based on a fixed rate with no credit margin, net of transaction costs directly related to the financial asset or liability.

19) Provisions

Non-current and current provisions amounted to 344,883 thousand euro at December 31, 2006, an increase of 20,833 thousand euro from December 31, 2005

(in thousands of euro)	Opening amount	Additions	Decreases	Currency translation differences	Other changes	Total changes	Closing amount
Tax risks	69,676	5,180	(5,244)	(4,601)	5,711	1,046	70,722
Envt restoration quarries	80,929	14,834	(12,740)	(1,162)	3,442	4,374	85,303
Legal disputes	34,170	17,150	(5,610)	(1,313)	8,285	18,512	52,682
Other provisions	139,275	53,459	(45,106)	(3,667)	(7,785)	(3,099)	136,176
Total	**324,050**	**90,623**	**(68,700)**	**(10,743)**	**9,653**	**20,833**	**344,883**
Non-current portion	322,708						343,511
Current portion	1,342						1,372
Total	**324,050**						**344,883**

Provisions for tax risks

These provisions of 70,722 thousand euro cover tax-related liabilities that are considered probable as a result of tax audits and assessments of tax returns; adequate provision has been made with respect to tax assessments notified to Group companies during the year that are considered probable and well founded.

Other provisions

“Other provisions” includes provisions for restoration of urban and industrial areas, provisions for disputes with employees and the provision for the CO2 emissions deficit (see note below “Emission rights”).
“Other provisions” also includes provisions for the industrial, administrative and commercial reorganization plans in France, USA and Egypt, amounting to 42.0 million euro at December 31, 2006 (27.3 million euro at December 31, 2005); the provision for the year includes non-recurring employee expenses of 25.4 million euro for the Egyptian companies Suez Cement and Tourah (see note 29).

Emission rights

In June 2005, the IASB withdrew IFRIC 3 on the accounting treatment of emission rights. Pending publication of a new text, the Group has adopted the net method of accounting, whereby a provision is recognized when emissions produced are higher than the allocated allowances.
Within the Group, the European Directive on greenhouse gas emission rights trading affects cement production in Italy, France, Belgium, Spain, Greece, electricity generation (Italy-Italgen S.p.A.) and lime production (France-Socli S.A.); to date all the national allocation plans have been approved, over a three-year period.

The table below illustrates the net surplus/deficit by country for the year. The aggregate deficit at December 31, 2006, was 3.2 million euro (14.0 million euro at December 31, 2005) and is provided under non-current provisions.

CO_2 emissions	2005	2006					2006	
(in kt)	Final surplus/ (deficit)	Estimated emissions	Allowance	2006 Surplus/ (deficit)	Quotas purchased/ (sold) Intragroup	2006 Net surplus/ (deficit)	Cumulative surplus/ (deficit)	Book deficit in M€
Italy - cement plants	(572)	8,185	7,682	(503)	101	(403)	(403)	(2.6)
Italy - Italgen	97	91	207	116	(101)	16	16	
France - cement plants	(80)	4,124	4,060	(64)	52	(12)	(92)	(0.6)
France - Socli lime	32	51	75	24	(52)	(28)	4	
Belgium	(21)	1,461	1,490	29		29	8	
Spain	192	1,395	1,688	293		293	485	
Greece	1	544	545	1		1	2	
Total	**(351)**	**15,851**	**15,747**	**(104)**		**(104)**	**20**	**(3.2)**

The net cumulative surplus of 21,000 quotas at December 31, 2006, does not include the Italcementi S.p.A. 2005 deficit, since this was returned to the Italian Ministry of the Environment in the first half of 2006; the 2005 deficit was covered in full with 476,000 quotas purchased on the market and 96,000 quotas purchased from Italgen S.p.A.
The market value at December 29, 2006, was 6.48 euro per quota (21.19 euro per quota at December 30, 2005). The spot price on the international rights market at February 28, 2007, was 0.9 euro per quota.

20) Deferred tax

Total deferred tax liabilities net of deferred tax assets amounted to 300,382 thousand euro at December 31, 2006, as follows:

(in thousands of euro)	December 31, 2005	Result	Other changes	December 31, 2006
Tax loss carryforward	27,559	(11,060)	5,599	22,098
Property, plant and equipment	(410,639)	30,795	(17,803)	(397,647)
Other equity investments	(22,585)	11,437	(7,118)	(18,266)
Inventories	(19,530)	(2,824)	20	(22,334)
Loans and borrowings		(3)	78	75
Non-current provisions and Employee benefit liabilities	104,242	13,290	(684)	116,848
Other	5,444	(2,173)	(4,427)	(1,156)
Total	**(315,509)**	**39,462**	**(24,335)**	**(300,382)**
of which:				
Deferred tax assets	(346,551)			(344,175)
Deferred tax liabilities	31,042			43,793
Total	**(315,509)**			**(300,382)**

Net deferred tax assets of 1.0 million euro were reflected in equity reserves at December 31, 2006.
Off-balance-sheet deferred tax assets relating to losses for the year and previous years amounted to approximately 62.7 million euro (87.6 million euro at December 31, 2005). They relate to Group company losses reversal of which is not, to date, considered probable.

21) Trade payables

"Trade payables" was as follows:

(in thousands of euro)	December 31, 2006	December 31, 2005	Change
Amounts due to suppliers	757,052	686,046	71,006
Bills payable	46,770	45,123	1,647
Other trade payables	11,969	14,196	(2,227)
Net amount	**815,791**	**745,365**	**70,426**

22) Income tax liabilities

Income tax liabilities amounted to 91,981 thousand euro (63,288 thousand euro at December 31, 2005) and reflected amounts due to tax authorities for income taxes accrued in the year.

23) Other current liabilities

(in thousands of euro)	December 31, 2006	December 31, 2005	Change
Amounts due to employees	107,415	100,316	7,099
Amounts due to social security authorities	59,753	59,073	680
Amounts due to tax authorities	78,291	68,009	10,282
Accruals and deferred income	21,411	17,701	3,710
Derivative instruments	2,116	1,629	487
Other amounts due	425,403	362,479	62,924
Total	**694,389**	**609,207**	**85,182**

Other amounts due included advances from customers, suppliers for fixed assets and amounts due for purchases of equity investments and securities.

Companies operating in hyperinflationary economies

Since January 1, 2006, the international authorities no longer consider Turkey a hyperinflationary economy. Consequently, IAS 29 (Financial reporting in hyperinflationary economies) is no longer applied to the Group's Turkish companies.

Commitments

(in millions of euro)	December 31, 2006	December 31, 2005
Guarantees on company assets	146.9	180.0
Deposits, guarantees, commitments, other	129.1	217.9
Total	**276.0**	**397.9**

Guarantees on company assets at December 31, 2006, consisted mainly of mortgages securing loans and borrowings at the Thai, Indian and Egyptian subsidiaries; at the same date, mortgages and liens on property, plant and equipment for 13.6 million euro were being cancelled as the relevant loan repayment plans were completed.

In 2005 as a result of the acquisition of control of Suez Cement Company, the Group undertook to make investments for not less than 1 billion Egyptian lira (approximately 130 million euro) over the following 10 years, for modernization work, extensions and environmental protection measures at the Suez and Tourah facilities.

Contracts and orders issued for investments at December 31, 2006, amounted to 176.2 million euro.

Finter Bank Zürich provided guarantees in favor of third parties but on behalf of its own clients, for 13,458 thousand Swiss francs, against which the clients made deposits to cover any waiver of the guarantees issued by Finter Bank Zürich.

Income Statement

24) Revenues

Revenues from sales and services totaled 6,216,515 thousand euro, as follows:

(in thousands of euro)	2006	2005	Change	Change %
Industrial revenues				
Product sales	5,855,843	4,995,064	860,779	17.2
Revenues from services	184,118	155,590	28,528	18.3
Other revenues	18,564	11,410	7,154	62.7
Total	6,058,525	5,162,064	896,461	17.4
Financial revenues				
Interest	21,362	14,428	6,934	48.1
Dividends	46,437	31,092	15,345	49.4
Capital gains	24,427	5,119	19,308	377.2
Other revenues	16,256	23,068	(6,812)	-29.5
Total	108,482	73,707	34,775	47.2
Banking revenues				
Interest	7,141	6,052	1,089	18.0
Commissions	34,128	33,527	601	1.8
Other revenues	6,642	5,691	951	16.7
Total	47,911	45,270	2,641	5.8
Property and services revenues	1,597	1,274	323	25.4
Total	**6,216,515**	**5,282,315**	**934,200**	**17.7**

25) Goods and utilities expenses

Goods and utilities expenses amounted to 2,237,476 thousand euro, as follows:

(in thousands of euro)	2006	2005	Change	Change %
Raw materials and semi-finished goods	763,810	590,200	173,610	29.4
Fuel	423,332	343,320	80,012	23.3
Packaging, materials and machinery	338,484	306,931	31,553	10.3
Finished goods	294,274	225,274	69,000	30.6
Electricity, water, gas	462,137	369,904	92,233	24.9
Change in inventories of raw materials, consumables, other	(44,561)	(16,009)	(28,552)	178.3
Total	**2,237,476**	**1,819,620**	**417,856**	**23.0**

26) Services expenses

Services expenses amounted to 1,382,809 thousand euro, as follows:

(in thousands of euro)	2006	2005	Change	Change %
External services and maintenance	489,642	425,949	63,693	15.0
Transport	539,200	525,164	14,036	2.7
Legal fees and consultancy	64,314	54,235	10,079	18.6
Rents	99,101	85,517	13,584	15.9
Insurance	43,262	40,988	2,274	5.5
Subscriptions	10,687	9,945	742	7.5
Other	136,603	119,266	17,337	14.5
Total	**1,382,809**	**1,261,064**	**121,745**	**9.7**

"Other" related mainly to services expenses of subsidiaries in the Construction materials sector.

27) Employee expenses

Employee expenses totaled 980,063 thousand euro, as follows:

(in thousands of euro)	2006	2005	Change	Change %
Wages and salaries	618,352	578,909	39,443	6.8
Social security contributions	207,728	199,677	8,051	4.0
Provisions and pension funds	35,528	28,946	6,582	22.7
Cost of stock option plans	5,676	3,358	2,318	69.0
Other expenses	112,779	99,611	13,168	13.2
Total	**980,063**	**910,501**	**69,562**	**7.6**

"Other expenses" related mainly to costs of temporary personnel, canteen costs, employee insurance costs and personnel training and recruitment costs.

The number of employees is shown below:

(heads)	2006	2005	Change
Number of employees at period end	22,509 (**)	22,857 (*)	(348)
Average number of employees	23,622 (**)	21,304 (*)	2,318

(*) includes personnel of Suez group companies as from April 1, 2005, and ASEC personnel as from August 1, 2005.

(**) includes 100% of employees of the Indian companies of the Zuari Cement group as from June 1, 2006, and of the Egyptian companies RMB and RMBE as from October 1, 2006

28) Other operating income/(expense)

Other operating expense net of other operating income amounted to 179,089 thousand euro, as follows:

(in thousands of euro)	2006	2005	Change	Change %
Other taxes	70,799	65,440	5,359	8.2
Provision for bad debts	12,933	11,988	945	7.9
Provision for environmental restoration - quarries	28,380	24,761	3,619	14.6
Interest expense and other expense for finance and banking companies	34,952	20,658	14,294	69.2
Miscellaneous expense	33,599	49,055	(15,456)	-31.5
Miscellaneous income	(1,574)	(3,153)	1,579	-50.1
Total	**179,089**	**168,749**	**10,340**	**6.1**

29) Other income/(expense)

Other expense net of other income totaled 8,972 thousand euro (net expense of 14,386 thousand euro in 2005), as follows:

(in thousands of euro)	2006		2005	
Net capital gains on sale of fixed assets		18,384		24,899
Non-recurring employee expenses for reorganizations in France/Belgium			(20,345)	
Non-recurring employee expenses for reorganizations in Tourah - Egypt	(7,600)		(17,243)	
Non-recurring employee expenses for reorganizations in Suez - Egypt	(17,849)			
Total employee expenses for reorganizations		(25,449)		(37,588)
Fine at Calcestruzzo Italia			1,000	
Other expenses	(1,907)		(2,697)	
Other non-recurring income/(expense)		(1,907)		(1,697)
Total		**(8,972)**		**(14,386)**

30) Amortization and depreciation

The total amount of 433,316 thousand euro (379,226 thousand euro at December 31, 2005) refers to depreciation of property, plant and equipment for 420,034 thousand euro (365,479 thousand euro at December 31, 2005) and of investment property for 578 thousand euro (603 thousand euro at December 31, 2005), and amortization of intangible assets for 12,704 thousand euro (13,144 thousand euro at December 31, 2005).

31) Finance income and (costs), net exchange rate differences and net derivatives

Finance costs, net of finance income, net exchange rate differences and net derivatives, amounted to 106,844 thousand euro, as follows:

(in thousands of euro)	2006		2005	
	Income	Costs	Income	Costs
Net interest in respect of NFP:		(106,250)		(80,360)
Interest income	26,028		37,968	
Interest expense		(132,278)		(118,328)
Subtotal	26,028	(132,278)	37,968	(118,328)
Dilution of capital Suez Cement Company			7,992	
Net dividends	13,532		15,073	
Capital gains from sale of equity investments	293		7,628	
Other finance income	8,224		6,347	
Other finance costs		(17,718)		(18,083)
Subtotal	22,049	(17,718)	37,040	(18,083)
Total finance income and costs	48,077	(149,996)	75,008	(136,411)
Gains/(losses) from interest-rate derivative contracts	105		897	
Gains/(losses) from exchange-rate derivative contracts		(68)	939	
Net exchange rate differences		(4,962)	10,431	
Gain/(loss) on net monetary position in Turkey			1,028	
Net exchange rate differences and net derivatives		(4,925)	13,295	
Total finance income and (costs), net exchange rate differences and net derivatives		**(106,844)**		**(61,403)**

Net finance costs rose from 48.1 million euro in 2005 to 106.8 million euro in 2006.
Net interest expense in respect of net debt amounted to 106.2 million euro in 2006 compared with 80.4 million euro in 2005; the 25.8 million euro increase was largely due to the consolidation effect arising from the acquisition of the Egyptian companies in 2005 for 10.7 million euro and the impact of the FRSS for 2.7 million euro (net interest income in 2005).

32) Share of results of associates

(in thousands of euro)	2006	2005	Change	Change %
Suez Group (Egypt)		11,748	(11,748)	-100.0
Vassiliko (Cyprus)	4,958	3,918	1,040	26.5
Ciment Quebec (Canada)	9,125	5,130	3,995	77.9
Mittel (Italy)	7,518	2,122	5,396	254.3
SES (Italy)	1,575		1,575	n.s.
Universal Imballaggi (Italy)	47	2	45	2,250.0
Immobiliare Golf (Italy)	(13)	(59)	46	-78.0
Other	(2,759)	(2,183)	(576)	26.4
Total	**20,451**	**20,678**	**(227)**	**-1.1**

n.s.: not significant

33) Income tax expense

Income tax expense for the year was 270,848 thousand euro, as follows:

(in thousands of euro)	2006	2005	Change	Change %
Current tax	294,791	255,178	39,613	15.5
Prior-year tax and other prior-year fiscally driven items, net	(11,210)	(8,025)	(3,185)	39.7
Non-recurring tax	(12,733)	(46,138)	33,405	-72.4
Total	**270,848**	**201,015**	**69,833**	**34.7**

Non-recurring tax includes the tax effects of non-recurring transactions reported in the specific income statement items (see note "Non-recurring transactions").
Non-recurring tax income in 2005 amounted to 46.1 million euro, of which 42.8 million euro from tax treatment on FRSS; non-recurring tax income in 2006 amounted to 12.7 million euro, including 14.0 million euro of prior-year tax refunds.

In Italy, the IRES income tax rate applied by the parent company on estimated taxable income for the year is 33% (as in 2005); taxes for companies in the other countries in which the Group operates are calculated local tax rates.

The reconciliation between the theoretical tax charge and the tax charge recognized in the income statement is set out below:

(in thousands of euro)		2006
Consolidated profit before tax		1,019,327
Current IRES tax rate		33.0%
Theoretical tax charge		336,378
Effect of tax rate reduction for tax relief/allowances		(3,019)
Tax effect on permanent differences:		
- foreign dividends and other exempt income		(90,094)
- non-deductible costs		63,804
Net effect for the year of unrecognized deferred tax on temporary differences		(900)
Effect of change in tax rates (1)		(16,136)
Withholding tax on foreign dividends		3,635
Effect of estimate adjustments and/or recognition of previously unrecognized deferred tax (2)		(4,546)
Effect of difference betwen Italian and foreign tax rate		(26,966)
Other tax from prior years		(11,770)
Actual income tax charge	24.6%	250,386
Actual regional production tax charge (IRAP) in Italy		20,462
Actual income tax charge in the income statement		270,848

(1) the positive effect of 16.1 million euro from tax rate reductions arose on the recalculation of net deferred tax liabilities to account for the reduction of tax rates in Turkey (from 30% to 20%), Spain (from 35% to 30%) and Bulgaria (from 15% to 10%)
(2) the difference between the Italian tax rate and the rates in the foreign countries in which the Group operates refers principally to Egypt, Bulgaria and Turkey
(3) the adjustment gain on previously unrecognized estimated deferred tax arose mainly from recognition of prior-year tax losses in some Turkish and Indian companies

34) Earnings per share

Earnings per share at December 31, 2006 and 2005 is determined on the net profit attributable to equity holders of the parent company and is stated separately for ordinary shares and savings shares.

Basic earnings per share

Basic earnings per share is computed by dividing net profit for the year attributable to ordinary and savings shareholders by the weighted average number of outstanding ordinary and savings shares for the year. Earnings per savings share is increased with respect to ordinary shares by an amount equivalent to 3% of share nominal value.

The weighted average number of shares and attributable net profit are shown below:

	2006		2005	
(in thousands of shares)	ordinary shares	savings shares	ordinary shares	savings shares
No. shares at January 1	22,183	16,343	22,183	16,343
Treasury shares at January 1	(911)	(28)	(893)	(28)
Weighted average number of treasury shares purchased during the year			(7)	
Total	**21,272**	**16,315**	**21,283**	**16,315**
Attributable net profit in thousands of euro	148,929	115,498	118,886	92,404
Basic earnings per share in euro	7.001	7.079	5.586	5.664

Net profit attributable to share categories was determined as shown below:

	2006		2005	
(in thousands of euro)	ordinary shares	savings shares	ordinary shares	savings shares
Net profit reserved for savings shareholders (0.078 euro per share)		1,273		1,273
Residual net profit apportioned to all shares	148,929	114,225	118,886	91,131
Total	**148,929**	**115,498**	**118,886**	**92,404**

Diluted earnings per share

Diluted earnings per share is computed in the same way as basic earnings per share, taking account of the dilution effect of stock options.

The weighted average number of shares and attributable net profit are shown below:

	2006		2005	
(in thousands of shares)	ordinary shares	savings shares	ordinary shares	savings shares
Weighted average number of shares at December 31	21,272	16,315	21,283	16,315
Dilution effect of stock options	90		51	
Total	**21,362**	**16,315**	**21,334**	**16,315**
Attributable net profit for diluted earnings per share in thousands of euro	149,203	115,224	119,009	92,281
Diluted earnings per share in euro	6.985	7.063	5.578	5.656

Net profit attributable to share categories was determined as shown below:

	2006		2005	
(in thousands of euro)	ordinary shares	savings shares	ordinary shares	savings shares
Net profit reserved for savings shareholders (0.078 euro per share)		1,273		1,273
Residual net profit apportioned to all shares	149,203	113,951	109,009	91,008
Total	**149,203**	**115,224**	**109,009**	**92,281**

Cash Flow Statement

B) Cash flow from investing activities

Equity investments net of acquired cash and cash equivalents

The main equity investments made by the Group in 2006 are set out below:

(in millions of euro)	2006	2005
Suez Cement Company		47.5
ASEC Cement Company		485.2
Zuari Cement Ltd.	107.8	
RMB S.A.E.	9.1	
Goltas Cimento	89.4	
Amprica	47.7	
Banca Leonardo	13.9	
Mediobanca	13.5	
Ciments Français S.A. (*)	40.7	70.8
Cementificio di Montalto S.p.A.		38.8
Cemill S.p.A.		20.5
Calcestruzzi Lamon Beton S.p.A.		10.5
Capitalia S.p.A.		13.7
Mittel S.p.A.		8.7
GIM Generale Industrie Metallurgiche S.p.A.		6.1
Other	14.6	11.0
Total	**336.7**	**712.8**

(*) including treasury shares

The net investments in Zuari Cement and RMB are stated net of acquired cash, totaling 5.0 million euro for Zuari and 1.8 million euro for RMB.

Post balance sheet events

No significant events have taken place since closure of the financial year that require amendments to or additional comments on the Group's business, financial and equity situation at December 31, 2006.

Milan, March 21, 2007

The Board of Directors

Annexes

The following table has been prepared in accordance with CONSOB Resolution no. 11971, art. 126, of May 14, 1999, which requires listed companies to disclose their investments in unlisted companies when such investments exceed 10% of the companies' voting capital.
For the purpose of a full description of the consolidated companies, the table also sets out equity investments held in listed companies when such investments exceed 10% of the companies' voting capital.
The table also shows the consolidation method and indicates investments valued with the equity method.

List of companies

Company	Registered office			Share capital	% direct	% indirect	%	Interest held by group companies	Method
Parent company									
Italmobiliare S.p.A.	Milan	IT	EUR	100,166,937					
Amprica S.p.A.	Castelbelforte	IT	EUR	1,330,470.44	-	100.00	100.00	Sirap Gema S.p.A.	Line-by-line
Azienda Vendite Acquisti A.V.A. S.r.l.	Milan	IT	EUR	2,550,000	100.00	-	100.00	Italmobiliare S.p.A.	Line-by-line
Bulgariapack S.r.l.	Sofia	BG	BGN	5,000	-	100.00	100.00	Petruzalek Gesellschaft mbH (Austria)	Line-by-line
Cartiere Burgo S.p.A.	Verzuolo (CN)	IT	EUR	205,443,391.40	-	11.68	11.68	Société de Participation Financière Italmobiliare S.A.	At cost
CJSC INLINE-R	Mosca	RU	RUB	30,230,640	-	72.22	72.22	Inline Poland Sp. z.o.o.	Line-by-line
Compagnia Fiduciaria Nazionale S.p.A.	Milan	IT	EUR	312,000	16.67	-	16.67	Italmobiliare S.p.A.	At cost
Credit Mobilier de Monaco S.A.	Monte Carlo	PM	EUR	5,355,000	-	99.91	99.91	Société de Participation Financière Italmobiliare S.A.	Line-by-line
Enhanced Frontier Limited	Nassau	BS	EUR	100	-	100.00	100.00	Finter Bank Zürich S.A.	At cost
Fin.Priv. S.r.l.	Milan	IT	EUR	20,000	14.28	-	14.28	Italmobiliare S.p.A.	At cost
Fincomind AG	Zürich	CH	CHF	10,010,000	69.93	30.07	69.93 30.07	Italmobiliare S.p.A. Société de Participation Financière Italmobiliare S.A.	Line-by-line
Finconsult AG	Zürich	CH	CHF	500,000	-	100.00	100.00	Finter Bank Zürich S.A.	Line-by-line
Finter Bank & Trust (Bahamas) Ltd.	Nassau	BS	USD	5,000,000	-	100.00	100.00	Finter Bank Zürich S.A.	Line-by-line
Finter Bank Zürich S.A.	Zürich	CH	CHF	45,000,000	-	100.00	100.00	Fincomind S.A.	Line-by-line
Finter Fund Management Company S.A.	Luxembourg	LU	CHF	250,000	-	100.00	100.00	Finter Bank Zürich S.A.	Line-by-line
FinterLife Lebensversicherung-Aktiengesellschaft	Vaduz	LI	CHF	7,000,000	-	90.00	90.00	Finter Bank Zürich S.A.	Line-by-line
Franco Tosi S.r.l.	Milan	IT	EUR	90,000,000	100.00	-	100.00	Italmobiliare S.p.A.	Line-by-line
GESVIM S.r.l.	Milan	IT	EUR	Resolved 1,500,000 Subscribed and paid up: 10,000	-	50.00	50.00	Azienda Vendite Acquisti A.V.A. S.r.l.	Proportionate
GIST S.r.l. Gamma Iniziative Sportive Turistiche	Milan	IT	EUR	389,200	-	50.00	50.00	Franco Tosi S.r.l.	Proportionate
Hungaropack Kft	Budapest	HU	HUF	4,800,000	-	100.00	69.80 30.20	Petruzalek Kft (Ungheria) Sirap Gema Finance S.A.	Line-by-line
Immobiliare Golf Punta Ala S.p.A.	Punta Ala (GR)	IT	EUR	5,164,000	-	36.50	11.75 24.75	Punta Ala Promozione e Sviluppo Immobiliare S.r.l. Azienda Vendite Acquisti A.V.A. S.r.l.	Equity
Immobiliare Lido di Classe S.p.A. - in liq.	Rome	IT	EUR	255,000	18.04	-	18.04	Italmobiliare S.p.A.	At cost
Inline Balkans o.o.d.	Sofia	BG	BGN	50,000	-	60.00	60.00	Inline Poland Sp. z.o.o.	Line-by-line
Inline Czechia s.r.o.	Grygov o/Olomuniec	CZ	CZK	500,000	-	100.00	100.00	Inline Poland S.p. z.o.o.	Line-by-line
Inline Poland Sp. z.o.o.	Poznan	PL	PLN	3,846,000	-	91.00	91.00	Amprica S.p.A.	Line-by-line
Inline Ucraine Ltd	Dniepropitrovsk	UA	UAH	17,959,028.15	-	60.00	60.00	Inline Poland S.p. z.o.o.	Line-by-line

Company	Registered office			Share capital	% direct	% indirect	Interest held by group companies %		Method
Italmobiliare International BV	Amsterdam	NL	EUR	Delib. 75,000 Sott. 19,500	100.00	-	100.00	Italmobiliare S.p.A.	Line-by-line
Italmobiliare International Finance Ltd.	Dublin	IE	EUR	1,336,400	97.27	2.73	97.27 2.73	Italmobiliare S.p.A. Société de Participation Financière Italmobiliare S.A.	Line-by-line
Italmobiliare Servizi S.r.l.	Milan	IT	EUR	260,000	100.00	-	100.00	Italmobiliare S.p.A.	Line-by-line
Meltemi S.r.l.	Milan	IT	EUR	119,000	10.91	-	10.91	Italmobiliare S.p.A.	At cost
Mittel S.p.A.	Milan	IT	EUR	66,000,000	12.91	-	12.91	Italmobiliare S.p.A.	Equity
Neyrtec Industrie S.A.	Le Pont de Claix	FR	FF	10,000,000	100.00	-	100.00	Italmobiliare S.p.A.	At cost
Petruzalek Com S.r.l. (Romania)	Bucarest	RO	ROL	26,000,000	-	100.00	100.00	Petruzalek Gesellschaft mbH (Austria)	Line-by-line
Petruzalek d.o.o. (Croazia)	Samobor	HR	HRK	129,500	-	100.00	100.00	Petruzalek Gesellschaft mbH (Austria)	Line-by-line
Petruzalek d.o.o. (Serbia)	Zemun (Batajnica)	YU	CSD	1,027,618	-	100.00	100.00	Petruzalek Gesellschaft mbH (Austria)	Line-by-line
Petruzalek d.o.o. (Slovenia)	Maribor	SI	SIT	2,386,595	-	100.00	100.00	Petruzalek Gesellschaft mbH (Austria)	Line-by-line
Petruzalek Gesellschaft mbH (Austria)	Tattendorf	AT	EUR	1,000,000	-	100.00	100.00	Sirap Gema Finance S.A.	Line-by-line
Petruzalek Kft (Ungheria)	Budapest	HU	HUF	600,000,000	-	100.00	100.00	Sirap Gema Finance S.A.	Line-by-line
Petruzalek o.o.o. (Ucraina)	Odessa	UA	UAH	214,831	-	90.00	90.00	Petruzalek Gesellschaft mbH (Austria)	Line-by-line
Petruzalek S.r.l. (Bosnia)	Sarajevo	BA	BAM	10,000	-	100.00	100.00	Petruzalek Gesellschaft mbH (Austria)	Line-by-line
Petruzalek S.r.o. (Rep. Slovacca)	Bratislava	SK	SKK	460,000	-	100.00	100.00	Sirap Gema Finance S.A.	Line-by-line
Petruzalek spol. S.r.o. (Rep. Ceca)	Breclav	CZ	CZK	2,300,000	-	100.00	100.00	Sirap Gema Finance S.A.	Line-by-line
Populonia Italica S.r.l.	Milan	IT	EUR	1,040,000	100.00	-	100.00	Italmobiliare S.p.A.	Line-by-line
Punta Ala Promozione e Sviluppo Immobiliare S.r.l.	Milan	IT	EUR	1,300,000	99.48	0.52	99.48 0.52	Italmobiliare S.p.A. SICIL.FIN. S.r.l.	Line-by-line
S.r.l. Nuove Costruzioni Edilizie Sance	Milan	IT	EUR	139,725	100.00	-	100.00	Italmobiliare S.p.A.	Line-by-line
Sirap Gema Finance S.A.	Luxembourg	LU	EUR	7,797,220	-	100.00	0.03 99.97	Franco Tosi S.r.l. Sirap Gema S.p.A.	Line-by-line
Sirap Gema France SAS	Noves	FR	EUR	3,520,000	-	100.00	100.00	Sirap Gema S.p.A.	Line-by-line
Sirap Gema Insulation Systems S.r.l.	Verolanuova (BS)	IT	EUR	2,715,000	-	100.00	100.00	Sirap Gema S.p.A.	Line-by-line
Sirap Gema S.p.A.	Verolanuova (BS)	IT	EUR	17,020,905	100.00	-	100.00	Italmobiliare S.p.A.	Line-by-line
Soc. Civile Immobilière d'Investissement et de Placements	Nice	FR	EUR	15,244.90	-	100.00	99.00 1.00	Soc. d'Etudes de Participations et de Courtages Soc. Civile Particulière Immobail	Line-by-line
Soc. Civile Particulière Immobail	Cagnes sur Mer	FR	EUR	94,518.39	-	100.00	99.84 0.16	Soc. d'Etudes de Participations et de Courtages Soc. Civile Immobilière d'Investissement et de Placements	Line-by-line
Soc. Editrice Siciliana S.E.S. S.p.A.	Messina	IT	EUR	5,112,900	33.00	-	33.00	Italmobiliare S.p.A.	Equity
Société d'Etudes de Participations et de Courtages	Monte Carlo	PM	EUR	1,290,000	-	99.84	99.84	Société de Participation Financière Italmobiliare S.A.	Line-by-line
Société de Participation Financière Italmobiliare S.A.	Luxembourg	LU	EUR	103,118,928	99.94	0.06	99.94 0.06	Italmobiliare S.p.A. Franco Tosi S.r.l.	Line-by-line
Soparfinter S.A.	Luxembourg	LU	CHF	5,000,000	-	100.00	97.85 2.15	Fincomind S.A. Société de Participation Financière Italmobiliare S.A.	Line-by-line
Terfin S.A. - in liquidation	Paris	FR	EUR	440,400	-	100.00	98.40 1.60	Soparfinter S.A. Fincomind S.A.	Line-by-line
Universal Imballaggi S.r.l.	Palermo	IT	EUR	1,731,588	-	24.90	24.90	Sirap Gema S.p.A.	Equity

Company	Registered office			Share capital	% direct	Interest held by group companies % indirect	%		Method
Italcementi S.p.A.	Bergamo	IT	EUR	282,548,942	36.82	1.19	36.82 1.19 58.74	Italmobiliare S.p.A. Italcementi S.p.A. (diritti di voto: Italmobiliare S.p.A.)	Line-by-line
Aliserio S.r.l.	Bergamo	IT	EUR	2,270,000	10.00	90.00	10.00 90.00	Italmobiliare S.p.A. Italcementi S.p.A.	Line-by-line
Axim Italia S.r.l.	Sorisole (BG)	IT	EUR	2,000,000	-	100.00	99.90 0.10	Italcementi S.p.A. SICIL.FIN. S.r.l.	Line-by-line
Azienda Agricola Lodoletta S.r.l.	Bergamo	IT	EUR	10,400	-	75.00	75.00	Italcementi S.p.A.	
Betodomi S.A.	Iraklion	GR	EUR	117,200	-	30.00	30.00	Domiki Béton S.A.	
Betongenova S.r.l. - in liquidation	Genoa	IT	EUR	10,400	-	36.12	22.68 13.44	Calcestruzzi S.p.A. Cemencal S.p.A.	
BravoBus S.r.l.	Bergamo	IT	EUR	600,000	-	51.00	51.00	BravoSolution S.p.A.	Line-by-line
BravoSolution Espana S.A.	Madrid	ES	EUR	120,400	-	99.99	99.99	BravoSolution S.p.A.	Line-by-line
BravoSolution France S.a.s.	Boulogne Billancourt	FR	EUR	2,000,000	-	100.00	100.00	BravoSolution S.p.A.	Line-by-line
BravoSolution S.p.A.	Bergamo	IT	EUR	21,802,379	8.15	80.57	8.15 80.57	Italmobiliare S.p.A. Italcementi S.p.A.	Line-by-line
BravoSolution UK Ltd	Londra	GB	GBP	50,000	-	100.00	100.00	BravoSolution S.p.A.	Line-by-line
C.T.G. S.p.A.	Bergamo	IT	EUR	500,000	-	100.00	50.00 50.00	Italcementi S.p.A. Ciments Français S.A.	Line-by-line
CTG USA LLC	Nazareth	US	-	-	-	100.00	90.00 10.00	C.T.G. S.p.A. Essroc Cement Corp.	Line-by-line
Calcementi Jonici S.r.l.	Siderno (RC)	IT	EUR	9,000,000	-	100.00	99.90 0.10	Italcementi S.p.A. SICIL.FIN. S.r.l.	Line-by-line
Calcestruzzi S.p.A.	Bergamo	IT	EUR	138,000,000	-	100.00	99.90 0.10	Italcementi S.p.A. SICIL.FIN. S.r.l.	Line-by-line
Cava delle Capannelle S.r.l.	Bergamo	IT	EUR	31,200	-	49.00	49.00	Calcestruzzi S.p.A.	
Cemencal S.p.A.	Bergamo	IT	EUR	12,660,000	-	85.00	85.00	Calcestruzzi S.p.A.	Line-by-line
Cementi della Lucania S.p.A.	Potenza	IT	EUR	619,746	-	30.00	30.00	Italcementi S.p.A.	Equity
Cementi e Calci di S. Marinella S.r.l.	Bergamo	IT	EUR	10,000	-	66.67	66.67	Italcementi S.p.A.	Line-by-line
Cementificio di Montalto S.p.A.	Bergamo	IT	EUR	10,000,000	-	100.00	100.00	Italcementi S.p.A.	Line-by-line
DO CLAS S.r.l.	Milan	IT	EUR	30,000	-	100.00	100.00	Calcestruzzi S.p.A.	
Domiki Beton S.A.	Iraklion	GR	EUR	2,309,423	-	100.00	98.59 1.41	Calcestruzzi S.p.A. Halyps Building Materials S.A.	Line-by-line
E.C.I.T. S.r.l.	Ravenna	IT	EUR	104,208	-	50.00	50.00	Calcestruzzi S.p.A.	Equity
E.I.C.A. S.r.l.	Norcia (PG)	IT	EUR	49,500	-	66.67	66.67	Calcestruzzi S.p.A.	Line-by-line
E.S.A. Monviso S.p.A.	Bergamo	IT	EUR	1,340,000	-	100.00	59.00 41.00	Calcestruzzi S.p.A. Cemencal S.p.A.	Line-by-line
Ecoinerti S.r.l.	Recanati (MC)	IT	EUR	91,800	-	50.00	50.00	Calcestruzzi S.p.A.	Proportionate
Ecoserio S.r.l.	Bergamo	IT	EUR	48,960	-	12.50	12.50	Calcestruzzi S.p.A.	
Generalcave S.r.l.	Fiumicino (RM)	IT	EUR	31,200	-	50.00	50.00	Speedybeton S.p.A.	Equity
Gres Dalmine Resine Wavin S.c.a.r.l.	Sorisole (BG)	IT	EUR	91,800	-	35.00	35.00	Società del Gres ing. Sala S.p.A.	
Gruppo Italsfusi S.r.l.	Savignano s/P. (MO)	IT	EUR	156,000	-	100.00	99.50 0.50	Italcementi S.p.A. SICIL.FIN. S.r.l.	Line-by-line
I.GE.PO. - Impresa Gestione Porti S.r.l. in liquidation	Vibo Valentia	IT	EUR	25,500	-	18.00	18.00	Italcementi S.p.A.	
IMES S.r.l.	S. Cipriano Pic. (SA)	IT	EUR	206,000	-	100.00	99.00 1.00	Italcementi S.p.A. SICIL.FIN. S.r.l.	Equity

Company	Registered office			Share capital	% direct	% indirect	Interest held by group companies %		Method
Immobiliare Salesiane S.r.l.	Bergamo	IT	EUR	350,000	-	100.00	99.00 1.00	Italcementi S.p.A. SICIL.FIN. S.r.l.	
Intercom S.r.l.	Bergamo	IT	EUR	2,750,000	-	100.00	99.50 0.50	Italcementi S.p.A. SICIL.FIN. S.r.l.	Line-by-line
Intertrading S.r.l.	Bergamo	IT	EUR	4,160,000	-	100.00	99.50 0.50	Italcementi S.p.A. SICIL.FIN. S.r.l.	Line-by-line
Italcementi Ingegneria S.r.l.	Bergamo	IT	EUR	266,220	-	100.00	100.00	Italcementi S.p.A.	
Italgen Maroc S.A.	Casablanca	MAR	MAD	300,000	-	99.87	99.87	Italgen S.p.A.	Line-by-line
Italgen S.p.A.	Bergamo	IT	EUR	20,000,000	-	100.00	99.90 0.10	Italcementi S.p.A. SICIL.FIN. S.r.l.	Line-by-line
Italsigma S.r.l.	Bergamo	IT	EUR	1,500,000	-	50.00	50.00	Axim Italia S.r.l.	Proportionate
Italsintex S.p.A.	Bergamo	IT	EUR	7,686,734	-	100.00	99.99 0.01	Società del Gres ing. Sala S.p.A. SICIL.FIN. S.r.l.	Line-by-line
ITC-Factor S.p.A.	Bergamo	IT	EUR	1,500,000	-	100.00	99.50 0.50	Italcementi S.p.A. SICIL.FIN. S.r.l.	Line-by-line
M.P.M. Ambiente S.r.l.	Trezzo sull'Adda (MI)	IT	EUR	130,000	-	19.00	19.00	Società del Gres ing. Sala S.p.A.	
Mantovana Inerti S.r.l.	Cavriana (MN)	IT	EUR	702,000	-	50.00	50.00	Calcestruzzi S.p.A.	Proportionate
Medcem S.r.l.	Napoli	IT	EUR	5,500,000	-	50.00	50.00	Intercom S.r.l.	Proportionate
Nuova Sacelit S.r.l.	Sorisole (BG)	IT	EUR	7,500,000	-	100.00	99.00 1.00	Italcementi S.p.A. Franco Tosi S.p.A.	Line-by-line
Procalmi S.r.l. - in liquidation	Milan	IT	EUR	51,000	-	11.52	11.52	Cemencal S.p.A.	
S.A.F.R.A. S.r.l.	Bologna	IT	EUR	51,480	-	33.33	33.33	Calcestruzzi S.p.A.	Equity
SAMA S.r.l.	Bergamo	IT	EUR	1,000,000	-	100.00	99.00 1.00	Italcementi S.p.A. SICIL.FIN. S.r.l.	Line-by-line
Shqiperia Cement Company Shpk	Tirana	AL	ALL	74,250,000	-	100.00	100.00	Italcementi S.p.A.	Line-by-line
SICIL.FIN. S.r.l.	Bergamo	IT	EUR	650,000	-	100.00	99.50 0.50	Italcementi S.p.A. Franco Tosi S.p.A.	Line-by-line
Silicalcite S.r.l.	Bergamo	IT	EUR	4,000,000	-	100.00	100.00	Italcementi S.p.A.	Equity
Silos Granari della Sicilia S.r.l.	Bergamo	IT	EUR	5,980,000	-	100.00	99.90 0.10	Intertrading S.r.l. SICIL.FIN. S.r.l.	Line-by-line
Società del Gres ing. Sala S.p.A.	Sorisole (BG)	IT	EUR	5,858,722	-	100.00	99.90 0.10	Nuova Sacelit S.r.l. SICIL.FIN. S.r.l.	Line-by-line
Société Internationale Italcementi (Luxembourg) S.A.	Luxembourg	LU	EUR	17,715,000	-	100.00	99.87 0.13	Italcementi S.p.A. SICIL.FIN. S.r.l.	Line-by-line
Société Internationale Italcementi France S.a.s.	Paris	FR	EUR	1,621,075,000	-	99.99	99.99	Italcementi S.p.A.	Line-by-line
SO.RI.TE. S.r.l.	Torino	IT	EUR	100,000	-	25.00	25.00	Calcestruzzi S.p.A.	
Speedybeton S.p.A.	Pomezia (RM)	IT	EUR	300,000	-	70.00	70.00	Calcestruzzi S.p.A.	Line-by-line
Terminal Riuniti S.r.l.	Bergamo	IT	EUR	1,000,000	-	100.00	99.90 0.10	Italcementi S.p.A. SICIL.FIN S.r.l.	Line-by-line
Ciments Français S.A.	Puteaux	FR	EUR	153,319,944	-	77.21	76.04 1.17 86.76	Société Int. Italcementi France S.a.s. Ciments Français S.A. (diritti di voto: Société Int. Italcementi France S.a.s.)	Line-by-line
1475544 Ontario Inc.	Markham	CA	CAD	100	-	100.00	100.00	IM Scott Holdings Limited	Equity
155290 Canada Inc.	Mississauga	CA	-	-	-	100.00	100.00	Essroc Canada Inc.	Line-by-line
168232 Canada Inc.	Picton	CA	CAD	1	-	100.00	100.00	Essroc Canada Inc.	Line-by-line
168233 Canada Inc.	Picton	CA	CAD	1	-	100.00	100.00	Essroc Canada Inc.	Line-by-line
168257 Canada Inc.	Picton	CA	CAD	1	-	100.00	100.00	Essroc Canada Inc.	Line-by-line

Company	Registered office			Share capital	% direct	% indirect	Interest held by group companies %		Method
2003897 Ontario Inc.	Concord	CA	CAD	18,300,000.20	-	50.00	50.00	Essroc Canada Inc.	Equity
3092-0631 Quebec Inc.	St. Basile	CA	CAD	6,250	-	100.00	100.00	Ciment Quebec Inc.	Equity
Afyon Cimento Sanayi Tas	Istanbul	TR	TRL	120,000	-	78.49	76.51 1.02 0.96	Ciments Français S.A. Set Group Holding Set Cimento	Line-by-line
Altas Ambarlj Liman Tesisleri Tas	Istanbul	TR	TRL	500,000	-	12.25	12.25	Set Cimento	
Ammos Development Quarries Ltd	Mandra	GR	EUR	18,000	-	100.00	100.00	Halyps Building Materials S.A.	
Arena S.A.	Guerville	FR	EUR	126,000,000	-	99.99	99.99	Ciments Français S.A.	Line-by-line
Arrowhead Investment Company	Carson City	US	USD	1,000	-	100.00	100.00	Essroc Corporation	Line-by-line
Arteskos 98 JSC	Dimitrovgrad	BG	BGN	70,000	-	53.08	53.08	Devnya Cement A.D.	Line-by-line
Arteskos AD	Dimitrovgrad	BG	BGN	67,852	-	75.00	75.00	Arteskos 98 JSC	Line-by-line
Asia Cement Products Co., Ltd	Bangkok	TH	THB	10,000,000	-	39.03	39.03	Asia Cement Public Co., Ltd [1]	Line-by-line
Asia Cement Public Co., Ltd	Bangkok	TH	THB	4,680,000,000	-	39.03	24.96 14.07	Ciments Français S.A. Vaniyuth Co. Ltd [1]	Line-by-line
Asment (Ciments de Temara)	Temara	MA	MAD	171,875,000	-	37.01	19.99 17.02	Ciments Français S.A. Procimar S.A.	
Asociacion de Empresas de Transporte a Granel	S. Sebastian	ES	EUR	23,138.41	-	92.86	92.86	Sociedad Financiera y Minera S.A.	
Atlantica de Graneles y Moliendas S.A.	Vizcaya	ES	EUR	5,000,000	-	50.00	50.00	Sociedad Financiera y Minera S.A.	Proportionate
Axim Building Technologies S.A.	Malaga	ES	EUR	60,500	-	100.00	99.00 1.00	Sociedad Financiera y Minera S.A. Compania General de Canteras S.A.	Line-by-line
Axim Concrete Technologies (Canada) Inc.	Cambridge	CA	CAD	1,275,600	-	100.00	100.00	Axim Concrete Technologies Inc.	Line-by-line
Axim Concrete Technologies Inc.	Middlebranch	US	USD	1,000	-	100.00	100.00	Essroc Corporation	Line-by-line
Axim Maroc	Casablanca	MA	MAD	1,000,000	-	99.96	99.96	Ciments du Maroc	Line-by-line
Axim S.A.	Guerville	FR	EUR	495,625	-	99.93	99.93	Ciments Calcia S.A.	Line-by-line
Bayarne S.a.s.	Guerville	FR	EUR	112,000	-	100.00	100.00	Ciments Calcia S.A	
BCE S.A.	Tourcoing	FR	EUR	38,250	-	99.80	99.80	Unibéton S.A	Line-by-line
BCEAP S.n.c.	Guerville	FR	EUR	16,000	-	100.00	65.00 35.00	V.B.H. S.n.c. Unibéton S.A.	Line-by-line
Berkeley Resource Recovery Ltd	Winchester	US	USD	1,000	-	100.00	100.00	Riverton Investment Corporation	Line-by-line
Betomar S.A.	Casablanca	MA	MAD	84,397,800	-	99.99	99.99	Ciments du Maroc S.A.	Line-by-line
Beton.Ata LLP	Almaty	KZ	KZT	224,000,000	-	35.00	35.00	Shymkent Cement	Equity
Béton Contrôle de Gascogne S.A.	Soorts Hossegor	FR	EUR	40,000	-	37.00	37.00	Béton Contrôle du Pays Basque S.A.	
Béton Contrôle de l'Adour S.A.	Bayonne	FR	EUR	150,000	-	59.96	59.96	Béton Contrôle du Pays Basque S.A.	Line-by-line
Béton Contrôle des Abers S.A.	Lannilis	FR	EUR	104,000	-	34.00	34.00	Unibéton S.A.	Equity
Béton Contrôle du Pays Basque S.A.	Bayonne	FR	EUR	120,000	-	59.95	59.95	Unibéton S.A.	Line-by-line
Béton du Cap Inc.	Cap de la Madeleine	CA	CAD	7,348	-	75.00	75.00	Ciment Quebec Inc.	Equity
Béton Saône S.A.	Macon	FR	EUR	40,000	-	35.00	35.00	Unibéton S.A.	Equity
Bonafini S.A.	Argences	FR	EUR	45,392	-	100.00	96.79 3.21	Tratel S.A. Larricq S.A.	Line-by-line
Bureau Engineering Travaux Publics (SA BETP)	Guerande	FR	EUR	523,205.03	-	99.94	79.94 20.00	Comp. Financière et de Participations S.A. Arena S.A.	
Canteras Aldoyar S.L.	Olazagutia	ES	EUR	1,508,510	-	20.00	20.00	Hormigones y Minas S.A.	
Capitol Cement Corporation	Winchester	US	USD	1,000,000	-	100.00	100.00	Riverton Investment Corporation	Line-by-line
Carrières Bresse Bourgogne	Saint Marcel	FR	EUR	387,189	-	66.48	66.48	Dragages et Carrières S.A.	Proportionate
Cementos Capa S.L.	Archidona	ES	EUR	1,260,000	-	63.00	63.00	Sociedad Financiera y Minera S.A.	Line-by-line
Centro Administrativo y de Servicios de Malaga S.A.	Malaga	ES	EUR	60,200	-	99.99	99.99	Sociedad Financiera y Minera S.A.	Line-by-line

1 Percentage interest held by the Ciments Français Group

Company	Registered office			Share capital	% direct	% indirect	Interest held by group companies %		Method
Chatelet S.A.	Cayeux s/M.	FR	EUR	118,680	-	99.95	99.95	GSM S.A.	Line-by-line
Cie pour l'Investissement Financier en Inde	Paris	FR	EUR	7,350,000	-	100.00	100.00	Ciments Français S.A.	Line-by-line
Cifrinter S.A.	Luxembourg	LU	EUR	8,928,500	-	99.99	50.99 49.00	Ciments Français S.A. Ciments Français Europe N.V.	Line-by-line
Ciment du Littoral S.A.	Bassens	FR	EUR	37,000	-	99.99	99.99	Ste d'Investissement & de Partecipations du Littoral	Line-by-line
Ciment Quebec Inc.	St. Basile	CA	CAD	19,461,000	-	100.00	100.00	Groupe Ciment Quebec Inc.	Equity
Cimento de Bissau Limitada	Bissau	GW	XOF	2,000,000	-	99.00	99.00	Tercim S.A.	
Ciments Calcia S.A.	Guerville	FR	EUR	593,836,525	-	99.99	99.99	Ciments Français S.A.	Line-by-line
Ciments du Maroc	Casablanca	MA	MAD	721,800,200	-	61.82	58.30 3.52	Ciments Français S.A. Procimar S.A.	Line-by-line
Ciments du Nord	Nouadhibou	MR	MRO	1,340,000,000	-	15.00	15.00	Ciments du Maroc	
Ciments Français Europe N.V.	Amsterdam	NL	EUR	395,811,894	-	100.00	67.99 32.01	Sodecim S.a.s. Ciments Français S.A.	Line-by-line
Ciments Français Participations S.n.c.	Puteaux	FR	EUR	1,500	-	100.00	50.00 50.00	Ciments Français S.A. Comp. Financière et de Participations S.A.	Line-by-line
Cisnel Descargas S.L.	Madrid	ES	EUR	3,010	-	100.00	100.00	Sodecim S.a.s.	
Compagnie des Ciments Belges S.A.	Tournai	BE	EUR	271,923,435	-	99.99	42.08 26.74 23.22 7.87 0.08	Ciments Français Europe N.V. Ciments Français S.A. Ciments Calcia S.A. Compagnie Financière des Ciments S.A. Compagnie Financière et de Participations S.A.	Line-by-line
Compagnie Financière des Ciments S.A.	Tournai	BE	EUR	5,580,000	-	99.99	99.99	Ciments Français S.A.	Line-by-line
Compagnie Financière et de Participations S.A.	Puteaux	FR	EUR	180,000	-	99.99	99.99	Ciments Français S.A.	Line-by-line
Compania General de Canteras S.A.	Malaga	ES	EUR	479,283.69	-	99.41	96.12 3.29	Sociedad Financiera y Minera S.A. Sax S.a.s.	Line-by-line
Conglomerantes Hidraulicos Especiales S.A.	Madrid	ES	EUR	2,511,960	-	85.00	85.00	Sociedad Financiera y Minera S.A.	
Consumer Materials Inc.	Winchester	US	USD	1,000	-	100.00	100.00	Riverton Investment Corporation	Line-by-line
De Paepe Béton N.V.	Gent	BE	EUR	500,000	-	99.98	99.98	Compagnie des Ciments Belges S.A.	Line-by-line
Decoux S.A.	Beaucaire	FR	EUR	120,000	-	100.00	100.00	Tratel S.A.	Line-by-line
Devnya Bulk Services	Devnya	BG	BGN	50,000	-	100.00	100.00	Devnya Cement AD	
Devnya Cement AD	Devnya	BG	BGN	1,028,557,000	-	99.97	99.97	Marvex	Line-by-line
Devnya Cement St	Devnya	BG	BGN	1,500,000	-	74.00	74.00	Devnya Cement AD	
Devnya Finance	Devnya	BG	BGN	50,000,000	-	50.00	50.00	Devnya Cement AD	Equity
Dobrotitsa BSK A.D.	Dobritch	BG	-	-	-	26.40	26.40	Devnya Cement AD	
Dragages et Carrières S.A.	Saint Marcel	FR	EUR	1,000,000	-	49.99	49.99	GSM S.A.	Proportionate
Dragages Transports & Travaux Maritimes S.A.	La Rochelle	FR	EUR	1,702,272	-	39.99	39.99	GSM S.A.	Proportionate
Ecocem Valorizacion de Residuos S.A.	Barcellona	ES	EUR	109,290	-	16.33	16.33	Sociedad Financiera y Minera S.A.	
Entreprise Lorraine d'Agriculture - ELDA S.A.R.L.	Heillecourt	FR	EUR	10,000	-	100.00	100.00	GSM S.A.	
ES Cement Co.	Nazareth	US	-	-	-	100.00	100.00	Essroc Cement Corp.	Line-by-line
Essroc Canada Inc.	Mississauga	CA	CAD	307,936,000	-	100.00	100.00	Essroc Corporation	Line-by-line
Essroc Cement Corp.	Nazareth	US	USD	8,330,000	-	100.00	100.00	Essroc Corporation	Line-by-line
Essroc Corporation	Nazareth	US	USD	1,000	-	100.00	100.00	Essroc International	Line-by-line
Essroc International	Puteaux	FR	EUR	244,398,096	-	100.00	100.00	Ciments Français S.A.	Line-by-line
Essroc Puerto Rico Holdings Inc.	Nazareth	US	USD	1,000	-	100.00	100.00	Essroc San Juan Inc.	Line-by-line

Company	Registered office			Share capital	% direct	% indirect	%	Interest held by group companies	Method
Essroc San Juan Inc.	Espinosa	PR	USD	10,000	-	100.00	100.00	Essroc Cement Corp.	Line-by-line
ET Béton	Aspropyrgos	GR	EUR	2,616,757.95	-	99.99	99.99	Halyps Building Materials S.A.	Line-by-line
Eurarco France S.A.	Les Crotoy	FR	EUR	1,520,000	-	64.99	64.99	GSM S.A.	Line-by-line
Eurocalizas S.L.	Cantabria	ES	EUR	783,000	-	26.00	26.00	Hormigones y Minas S.A.	
Eurotech Cement S.h.p.k.	Durres	AL	ALL	270,000,000	-	84.99	84.99	Halyps Building Materials S.A.	Line-by-line
Exportaciones de Cemento del Norte de Espana S.A.	Bilbao	ES	EUR	60,099.77	-	45.00	45.00	Sociedad Financiera y Minera S.A.	
Fraimbois Granulats S.A.R.L.	Moncel les Luneville	FR	EUR	75,000	-	50.00	50.00	GSM S.A.	
Gacem Company Limited	Serrekunda	GM	GMD	4,500,000	-	80.00	80.00	Tercim S.A.	Line-by-line
Goltas Goller Bolgesi Cimento Sanayi ve Ticaret	Isparta	TR	TRL	20,000,000	-	29.06	29.06 26.08	Sadecib S.A. (diritti di voto: Sadecib S.A.)	
Granulats de la Drôme S.a.s.	Saint Jean de Vedas	FR	EUR	1,011,600	-	51.01	51.01	GSM S.A.	Line-by-line
Granulats Ouest - GO	Saint Herblain	FR	EUR	784,657.44	-	100.00	100.00	GSM S.A.	Line-by-line
Graves de l'Estuaire de la Gironde L.G.E.G.	St. Jean de Blaignac	FR	-	-	-	50.00	50.00	GSM S.A.	Proportionate
Greyrock Inc.	Nazareth	US	USD	1,000	-	100.00	100.00	Essroc Cement Corp.	Line-by-line
Greyrock WV Inc	Nazareth	US	USD	10,000	-	100.00	100.00	Riverton Investment Corporation	Line-by-line
Groupe Ciment Quebec Inc.	St. Basile	CA	CAD	57,000,000	-	50.00	50.00	Essroc Canada Inc.	Equity
GSM S.A.	Guerville	FR	EUR	18,675,840	-	99.99	99.99	Arena S.A.	Line-by-line
Halyps Building Materials S.A.	Aspropyrgos	GR	EUR	34,951,441.14	-	99.84	59.82 40.02 59.85 39.99	Ciments Français S.A. Sociedad Financiera y Minera S.A. (diritti di voto: Ciments Français S.A. Sociedad Financiera y Minera S.A.)	Line-by-line
Helleniki Lithotomi S.A.	Athens	GR	EUR	60,000	-	100.00	100.00	Compagnie Financière et de Participations S.A.	
Helwan Cement Co.	Cairo	EG	EGP	1,176,967,750	-	98.69	98.69	Suez Cement Company	Line-by-line
Hormigones Olatzi S.A.	Olazagutia	ES	EUR	283,803.11	-	25.00	25.00	Hormigones y Minas S.A.	
Hormigones Txingudi S.A.	San Sebastian	ES	EUR	60,099.77	-	50.00	50.00	Hormigones y Minas S.A.	
Hormigones y Minas S.A.	S. Sebastian	ES	EUR	8,689,378.20	-	99.99	99.99	Sociedad Financiera y Minera S.A.	Line-by-line
IM Scott Holdings Limited	Markham	CA	CAD	100	-	100.00	100.00	2003897 Ontario Inc.	Equity
Immobilière des Technodes S.A.	Guerville	FR	EUR	8,024,400	-	99.99	59.97 40.02	Ciments Français S.A. Ciments Calcia S.A.	Line-by-line
Industrie Sakia el Hamra "Indusaha" S.A.	Laayoune	MA	MAD	55,550,000	-	91.00	91.00	Ciments du Maroc	Line-by-line
Innocon Inc.	Richmond Hill	CA	CAD	18,300,000.20	-	100.00	100.00	2003897 Ontario Inc.	Equity
Innocon Partnership Agreement Inc.	Richmond Hill	CA	CAD	2,003	-	48.50	48.50	Essroc Canada Inc	Equity
Interbulk Trading S.A.	Lugano	CH	CHF	7,470,600	-	99.99	66.75 15.00 18.24	Cifrinter S.A. Intertrading S.r.l. Ciments Français Europe N.V.	Line-by-line
International Cement Traders Ltd	Colombo	LK	LKR	401,416,620	-	80.00	80.00	Ciments Français S.A.	Line-by-line
Inversiones e Iniciativas en Aridos S.L.	Madrid	ES	EUR	3,010	-	100.00	100.00	Ciments Français S.A.	Line-by-line
Investcim S.A.	Puteaux	FR	EUR	124,874,000	-	99.99	99.99	Ciments Français S.A.	Line-by-line
IPTP Corporation	Las Vegas	US	USD	1,000	-	100.00	80.00 20.00	Riverton Corporation Capitol Cement Corporation	Line-by-line
Italmed Cement Company Ltd	Limassol	CY	CYP	12,318,000	-	99.99	99.99	Halyps Building Materials S.A.	Line-by-line

Company	Registered office			Share capital	% direct	% indirect	%	Interest held by group companies	Method
Jalaprathan Cement Public Co, Ltd	Bangkok	TH	BT	1,200,000,000	-	58.80	12.26 37.00 9.54	Asia Cement Public Co., Ltd [2] Ciments Français S.A. Vesprapat Holding Co, Ltd [2]	Line-by-line
Jalaprathan Concrete Products Co, Ltd	Bangkok	TH	THB	280,000,000	-	57.39	57.39	Jalaprathan Cement Public Co, Ltd [2]	Line-by-line
Johar S.A.	Luxemont et Villotte	FR	EUR	1,221,632	-	100.00	100.00	Tratel S.A.	Line-by-line
JTC	Bangkok	TH	THB	13,000,000	-	57.39	57.39	Jalaprathan Concrete Products Co, Ltd [2]	
Larricq S.A.	Airvault	FR	EUR	508,000	-	99.98	99.98	Tratel S.A.	Line-by-line
Les Calcaires Girondins S.a.s.	Cenon	FR	EUR	100,000	-	50.00	50.00	GSM S.A.	Proportionate
Les Calcaires Sud Charentes	Cherves Richemont	FR	EUR	1,524.49	-	34.00	34.00	GSM S.A.	
Les Graves de l'Estuaire S.a.s.	Le Havre	FR	EUR	297,600	-	33.33	33.33	GSM S.A.	Proportionate
Les Sabliers de l'Odet	Quimper	FR	EUR	134,400	-	96.93	94.92 2.01	Dragages Transports & Travaux Maritimes S.A. GSM S.A.	Proportionate
Lyulyaka E.A.D.	Devnya	BG	BGN	759,372	-	100.00	100.00	Devnya Cement AD	Line-by-line
Marvex	Devnya	BG	BGN	89,424,100	-	100.00	100.00	Sociedad Financiera y Minera S.A.	Line-by-line
Matériaux Routiers du Bearn S.A.R.L.	Rebenacq	FR	EUR	15,000	-	33.30	33.30	GSM S.A.	
Mauritano-Française des Ciments	Nouakchott	MR	MRO	1,111,310,000	-	51.11	51.11	Ciments Français S.A.	Line-by-line
Menaf	Puteaux	FR	EUR	352,500,000	-	100.00	95.74 4.26	Ciments Français S.A. Ciments Français Participations S.n.c.	Line-by-line
Met Teknik Servis ve Maden Sanayi Ticaret A.S.	Istanbul	TR	TRL	50,000	-	99.99	99.99	Set Group Holding	
MTB - Maritime Trading & Brokerage S.r.l.	Genoa	IT	EUR	70,000	-	33.33	33.33	Interbulk Trading S.A.	Equity
Nadco Inc.	Nazareth	US	USD	1,000	-	100.00	100.00	Essroc Cement Corp.	Line-by-line
Naga Property Co	Bangkok	TH	THB	100,000,000	-	57.43	57.43	Jalaprathan Cement Public Co. Ltd [3]	Line-by-line
Neuciclaje S.A.	Bilbao	ES	EUR	364,000	-	32.69	32.69	Sociedad Financiera y Minera S.A.	
Novhorvi S.A.	Vitoria	ES	EUR	180,300	-	25.00	25.00	Hormigones y Minas S.A.	
Nugra S.A.	Madrid	ES	EUR	60,100	-	100.00	100.00	Sociedad Financiera y Minera S.A.	
Port St. Louis Aménagement S.n.c.	Guerville	FR	EUR	8,000	-	51.00	51.00	GSM S.A.	
Port St. Louis Remblaiement S.A.R.L.	Guerville	FR	EUR	7,622.45	-	51.00	51.00	GSM S.A.	
Procimar S.A.	Casablanca	MA	MAD	27,000,000	-	99.99	99.99	Ciments Français S.A.	Line-by-line
Provence Aménagement S.A.	Port Frejus	FR	EUR	480,000	-	35.00	35.00	Arena S.A.	
R.G. Aggregates B.V.	Vlaardingen	NL	EUR	18,151.21	-	100.00	100.00	Compagnie des Ciments Belges S.A.	
Raingeard Carrières Bétons et Compagnie S.n.c.	Saint Herblain	FR	EUR	705,000	-	100.00	99.98 0.02	GSM S.A. Arena S.A.	Line-by-line
Ready Mix Beton (Egypt) SAE	Cairo	EG	EGP	10,000,000	-	52.00	52.00	Suez Cement Company	Line-by-line
Ready Mix Beton SAE	Cairo	EG	EGP	5,000,000	-	52.00	52.00	Suez Cement Company	Line-by-line
Riverton Corporation	Winchester	US	USD	859.310	-	100.00	100.00	Riverton Investment Corporation	Line-by-line
Riverton Investment Corporation	Winchester	US	USD	8.340	-	100.00	100.00	Essroc Cement Corp.	Line-by-line
Riverton Lime&Stone Co. Inc.	Winchester	US	USD	3.000	-	100.00	100.00	Riverton Corporation	Line-by-line
Rular Trading B.V.	Vlaardingen	NL	EUR	18,151.21	-	100.00	100.00	R.G. Aggregates B.V.	
S.A. Dijon Béton	Dijon	FR	EUR	184,000	-	15.00	15.00	GSM S.A.	Equity
Saarlandische Zementgesellschaft MBH	Saarbrucken	DE	EUR	52,000	-	80.00	80.00	Cifrinter S.A.	
Sables et Graviers de la Garonne (GIE)	Pessac	FR	EUR	-	-	100.00	100.00	GSM S.A.	Line-by-line

2 Percentage interest held by the Ciments Français Group
3 Percentage interest held by the Ciments Français Group

Company	Registered office			Share capital	% direct	Interest held by group companies % indirect	%		Method
Sablimaris	Lanester	FR	EUR	1,769,904	-	100.00	55.42	Dragages Transports & Travaux Maritimes S.A.	Proportionate
							44.58	Les Sabliers de l'Odet	
Sadecib S.A.	Puteaux	FR	EUR	67,136,000	-	99.99	99.99	Ciments Français S.A.	Line-by-line
Santes Béton Sarl	Santes	FR	EUR	10,000	-	50.00	50.00	V.B.H. S.n.c.	Proportionate
Sas des Gresillons	Guerville	FR	EUR	40,000	-	35.00	35.00	GSM S.A.	
Sax S.a.s.	Guerville	FR	EUR	482,800	-	99.99	99.99	Ciments Français S.A.	Line-by-line
SCI Batlongue	Arudy	FR	EUR	53,504	-	100.00	100.00	GSM S.A.	
SCI Coralie	Allonnes	FR	EUR	3,048.98	-	100.00	80.00	Bonafini S.A.	
							20.00	Larricq S.A.	
SCI de Balloy	Avon	FR	EUR	20,310	-	100.00	99.95	GSM S.A.	
							0.05	Arena S.A.	
SCI Delrieu Frères	Fumel	FR	EUR	17,379.19	-	100.00	99.91	Socli S.A.	
							0.09	Ciments Calcia S.A.	
SCI des Granets	Cayeux sur M.	FR	EUR	4,695	-	47.33	47.33	GSM S.A.	
SCI du Colombier	Rungis	FR	EUR	2,000	-	63.00	63.00	GSM S.A.	
SCI du Domaine de Saint Louis	Guerville	FR	EUR	6,720	-	99.76	99.76	GSM S.A.	
SCI Lepeltier	S. Doulchard	FR	EUR	6,150	-	99.76	99.76	GSM S.A.	
SCI Taponnat	Cherves Richemont	FR	EUR	1,500	-	50.00	50.00	GSM S.A.	
SCI Triel Carrières	Guerville	FR	EUR	13,500	-	99.89	99.89	GSM S.A.	
Scori S.A.	Plaisir	FR	EUR	1,092,800	-	13.95	13.95	Ciments Calcia S.A.	
Set Beton Madencilik Sanayi ve Tas	Istanbul	TR	TRL	21,494,800	-	99.99	99.99	Ciments Français S.A.	Line-by-line
Set Cimento	Istanbul	TR	TRL	31,693,324	-	99.81	96.81	Set Group Holding	Line-by-line
							3.00	Devnya Cement AD	
Set Group Holding	Istanbul	TR	TRL	18,508,410	-	99.99	99.99	Ciments Français S.A.	Line-by-line
Shymkent Cement	Shymkent	KZ	KZT	350,000,000	-	99.75	99.75	Ciments Français S.A.	Line-by-line
Sitapuram Power Limited	Hyderabad	IN	INR	140,000,000	-	51.00	30.60	Zuari Cement Ltd	Line-by-line
							20.40	Sri Vishnu Cement Ltd	
Snc Rouennaise de Transformation	Grand Couronne	FR	EUR	7,500	-	60.00	60.00	Ciments Calcia S.A.	
Sociedad Financiera y Minera S.A.	Madrid	ES	EUR	39,160,000	-	99.73	56.58	Sodecim S.a.s.	Line-by-line
							39.87	Ciments Français Europe N.V.	
							3.02	Hormigones y Minas S.A.	
							0.26	Sociedad Financiera y Minera S.A.	
								(diritti di voto:	
							56.73	Sodecim S.a.s.	
							39.98	Ciments Français Europe N.V.	
							3.03	Hormigones y Minas S.A.)	
Société Calcaires Lorrains	Heillecourt	FR	EUR	40.000	-	49.92	49.92	GSM S.A.	Proportionate
Société Civile Bachant le Grand Bonval	Guerville	FR	EUR	1,500	-	80.00	80.00	GSM S.A.	
Société Civile Carrière de Maraval	Frejus	FR	EUR	1,524.49	-	100.00	100.00	GSM S.A.	
Société Civile d'Exploitation Agricôle de l'Avesnois	Reims	FR	EUR	3,000	-	90.00	50.00	Société Civile Bachant le Grand Bonval	
							40.00	GSM S.A.	
Société Civile Immobilière Berault	Guerville	FR	EUR	3,840	-	99.95	99.95	GSM S.A.	Line-by-line
Société de la Grange d'Etaule	Gray	FR	EUR	3,750	-	99.60	99.60	Ciments Calcia S.A.	
Société des Carrières du Tournaisis S.C.T. S.A.	Tournai	BE	EUR	12,297,053.42	-	65.00	23.90	Ciments Français Europe N.V.	Proportionate
							18.79	Ciments Français S.A.	
							16.31	Ciments Calcia S.A.	
							5.54	Compagnie Financière des Ciments S.A.	
							0.46	Compagnie des Ciments Belges S.A.	

Company	Registered office			Share capital	% direct	% indirect	Interest held by group companies %		Method
Société Foncière de la petite Seine S.a.s.	Saint Sauveur les Bray	FR	EUR	50,000	-	40.00	40.00	GSM S.A.	
Société Immobilière Marguerite VIII	Casablanca	MA	MAD	100,000	-	98.00	98.00	Ciments du Maroc	
Société Immobilière Marguerite X	Casablanca	MA	MAD	100,000	-	98.00	98.00	Ciments du Maroc	
Société Parisienne des Sablières S.A.	Pont de L'Arche	FR	EUR	320,000	-	50.00	50.00	GSM S.A.	Proportionate
Socli S.A.	Izaourt	FR	EUR	144,960	-	99.94	99.94	Ciments Calcia S.A.	Line-by-line
Sodecim S.a.s.	Puteaux	FR	EUR	458,219,678	-	99.99	99.99	Ciments Français S.A.	Line-by-line
Sri Vishnu Cement Ltd	Bangalore	IN	INR	248,549,020	-	97.62	97.62	Zuari Cement Ltd	Line-by-line
Ste d'Investissement & de Partecipations du Littoral	Guerville	FR	EUR	37,000	-	99.90	99.90	Ciments Calcia S.A.	Line-by-line
STE des Calcaires de Souppes sur Loing	Souppes sur Loing	FR	EUR	2,145,000	-	50.00	50.00	GSM S.A.	Proportionate
Ste Extraction & Amenagement de la Plaine de Marolles	Avon	FR	EUR	40,000	-	56.40	56.40	GSM S.A.	
Stinkal S.a.s.	Ferques	FR	EUR	1,120,000	-	35.00	35.00	GSM S.A.	Equity
St. Basile Transport Inc.	St. Basile	CA	CAD	9,910	-	100.00	100.00	Ciment Quebec Inc.	Equity
Suez Bag Company	Cairo	EG	EGP	9,000,000	-	57.84	53.32 4.52	Suez Cement Company Tourah Portland Cement Company	Line-by-line
Suez Bosphorus Cimento Sanayi Ticaret	Istanbul	TR	TRL	50,000	-	99.99	99.99	Suez Cement Company	
Suez Cement Company	Cairo	EG	EGP	909,282,535	-	53.15	24.10 14.59 9.46 5.00	Menaf Ciments Français S.A. Ciments du Maroc Tercim S.A.	Line-by-line
Technodes S.a.s.	Guerville	FR	EUR	3,200,000	-	99.99	99.99	Ciments Français S.A.	Line-by-line
Tercim S.A.	Puteaux	FR	EUR	50,814,000	-	100.00	99.99 0.01	Ciments Français S.A. Sax S.a.s.	Line-by-line
To Ready Mix Ltd	Markham	CA	CAD	100	-	100.00	100.00	IM Scott Holdings Limited	Equity
Tomahawk Inc.	Wilmington	US	USD	1,000	-	100.00	100.00	Essroc Cement Corp.	Line-by-line
Tourah Portland Cement Company	Cairo	EG	EGP	238,414,000	-	66.12	66.12	Suez Cement Company	Line-by-line
Trabel Affretement	Gaurain Ramecroix	BE	EUR	61,500	-	100.00	99.84 0.16	Tratel S.A. Ciments Calcia S.A.	Line-by-line
Trabel Transports S.A.	Gaurain	BE	EUR	750,000	-	100.00	89.97 10.03	Tratel S.A. Compagnie des Ciments Belges S.A.	Line-by-line
Tragor S.A.	Pessac	FR	EUR	892,048	-	100.00	100.00	Tratel S.A.	Line-by-line
Tratel S.A.	L'Ile S. Denis	FR	EUR	6,025,580	-	100.00	100.00	Ciments Calcia S.A.	Line-by-line
Unibéton Est S.a.s.	Heillcourt	FR	EUR	40,000	-	100.00	100.00	Unibéton Holding S.A.	
Unibéton Holding S.A.	Guerville	FR	EUR	45,000	-	99.88	99.88	Arena S.A.	
Unibéton Ile de France S.a.s.	L'Ile Saint Denis	FR	EUR	40,000	-	100.00	100.00	Unibéton Holding S.A.	
Unibéton Luxembourg S.A.	Luxembourg	LU	EUR	35,000	-	99.71	99.71	Unibéton S.A.	
Unibéton Med S.a.s.	Lambesc	FR	EUR	40,000	-	100.00	100.00	Unibéton Holding S.A.	
Unibéton Normandie S.a.s.	Rouen	FR	EUR	40,000	-	100.00	100.00	Unibéton Holding S.A.	
Unibéton S.A.	Guerville	FR	EUR	27,159,732	-	99.99	99.99	Arena S.A.	Line-by-line
Unibéton S.O. S.a.s.	Pessac	FR	EUR	40,000	-	100.00	100.00	Unibéton Holding S.A.	
Unibéton Var S.a.s.	Lambesc	FR	EUR	40,000	-	99.96	99.96	Unibéton S.A.	Line-by-line
Uniwerbéton S.a.s.	Heillecourt	FR	EUR	160,000	-	70.00	70.00	Unibéton S.A.	Line-by-line
Valoise S.a.s.	Pierrelaye	FR	EUR	39,000	-	60.00	60.00	GSM S.A.	Proportionate
Vaniyuth Co. Ltd	Bangkok	TH	THB	100,000	-	48.80	48.80	Investcim S.A.	Line-by-line
Vassiliko Cement Works Ltd	Nicosia	CY	CYP	13,434,018.75	-	33.00	20.00 13.00	Italmed Cement Company Ltd Comp. Financière et de Participations S.A.	Equity

Company	Registered office			Share capital	% direct	% indirect	Interest held by group companies %		Method
Ventore S.L.	Malaga	ES	EUR	14,400	-	100.00	99.56 0.44	Sociedad Financiera y Minera S.A. Hormigones y Minas S.A.	Line-by-line
Vesprapat Holding Co, Ltd	Bangkok	TH	THB	20,000,000	-	49.00	49.00	Sax S.a.s.	Line-by-line
Vulkan A.D.	Dimitrovgrad	BG	BGN	452,967,000	-	97.38	70.00 27.38	Ciments Français S.A. Devnya Cement A.D.	Line-by-line
V.B.H. S.n.c.	Tourcoing	FR	EUR	5,000	-	99.80	99.80	Unibéton S.A.	Line-by-line
Zuari Cement Ltd	Hyderabad	IN	INR	4,279,614,000	-	99.99	80.13 19.86 99.99	Ciments Français S.A. Cie pour l'Investissement Financier en Inde (diritti di voto: Ciments Français S.A.)	Line-by-line

Report of the Board of Statutory Auditors

The consolidated financial statements for financial year 2006 have been drawn up in compliance with current laws and in conformity with the International Financial Reporting Standards. They have been audited by Reconta, Ernst & Young S.p.A. in whose opinion they are consistent with the principles and criteria set out in art. 82 of the Issuers Regulation.

The balance sheet may be summarized as follows:

(in millions of euro)	
Total assets	**12,134.2**
Group shareholders' equity	2,975.0
Share capital and reserves of minorities	3,432.9
Liabilities	5,726.3
Total liabilities	**12,134.2**

The income statement reflects group net profit for the year of 264.4 million euro compared with a net profit of 211.3 million euro for the previous year.

The Directors' report sets out a full description of the performance of the group and its core businesses, providing a disclosure that we consider adequate. We wish to specify that:

- the consolidation area has been determined correctly and the most important variations with respect to the previous financial year have been adequately disclosed in the notes;
- the consolidation principles adopted comply with the law and with generally accepted criteria;
- the accounting policies and the measurement criteria applied to the postings in the consolidated financial statements, described in the notes, meet with our approval;
- the consolidated financial statements have been drawn up on the basis of the financial statements as at and for the year to December 31, 2006, drawn up by the boards of directors and approved by the shareholders' meetings, if already held, of the companies concerned.

Milan, April 4, 2007

Statutory Auditors

Luigi Guatri
Claudio De Re
Eugenio Mercorio

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INDEPENDENT AUDITORS' REPORT
pursuant to article 156 of Legislative Decree n. 58 of February 24, 1998
(Translation from the original Italian text)

To the Shareholders of Italmobiliare S.p.A.

1. We have audited the consolidated financial statements of Italmobiliare S.p.A. and its subsidiaries (the Italmobiliare Group) as of and for the year ended December 31, 2006, comprising the balance sheet, the statement of operations, changes in shareholder's equity and cash flows and the related explanatory notes. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   For our opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated April 10, 2006.

3. In our opinion, the consolidated financial statements of Italmobiliare S.p.A. present clearly and give a true and fair view of the financial position, the result of operations, the changes in shareholder's equity and the cash flows of Italmobiliare Group as of December 31, 2006, and for the year then ended in accordance with IFRS as adopted by the European Union and the standards issued in accordance with art. 9 of Italian Legislative Decree n. 38/2005.

Reconta Ernst & Young S.p.A.
Signed by: Alberto Coglia, Partner

Milano, Italy
April 6, 2007

This report has been translated into the English language solely for the convenience of international readers.

Reconta Ernst & Young S.p.A.
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Italmobiliare S.p.A.

Directors' report

General overview

With Legislative Decree no. 38 of February 28, 2005, the Italian Government made it obligatory for companies whose shares are traded on regulated markets to prepare their financial statements in conformity with the international accounting standards as from financial year 2006. Consequently these financial statements, and the 2005 comparatives, have been prepared in compliance with the IAS/IFRS.

As required by IFRS 1, a separate annex sets out a reconciliation of shareholders' equity at the beginning and end of 2005, of the income statement result for 2005 and the significant adjustments to the cash flow statement compared to the figures reported under Italian GAAP.

At December 31, 2006, the parent company Italmobiliare had net profit of 161.6 million euro compared to net profit of 58.5 million euro in 2005.

During 2006 as part of the corporate restructuring plan assigning specific missions to the companies directly held by the parent company, Italmobiliare sold the shares aggregated in voting trusts to the wholly owned subsidiary Franco Tosi.

These transactions generated an overall capital gain, net of attributable costs and income tax expense, of 99.0 million euro.

Excluding this effect, net profit for 2006 would nonetheless have increased by 7.1%.

Summarized income statement

(migliaia di euro)	2006	2005	Change
Revenues	210,903	80,209	130,694
of which:			
Dividends	*82,634*	*67,883*	*14,751*
Capital gains on equity investments and securities	*120,813*	*6,941*	*113,872*
Interest and other finance income	*3,400*	*1,641*	*1,759*
Services	*4,056*	*3,744*	*312*
Recurring gross operating profit	161,168	54,664	106,504
Other income/(expense)	3,159	(492)	3,651
Gross operating profit	164,327	54,172	110,155
Amortization and depreciation	(67)	(55)	(12)
Operating profit	164,260	54,117	110,143
Finance income/(costs)	(120)	(107)	(13)
Profit before tax	164,140	54,010	110,130
Income tax expense	(2,492)	4,507	(6,999)
Net profit for the period	161,648	58,517	103,131
Effect of restructuring of equity investments	*(99,001)*	*-*	*(99,001)*
Net profit without the above effect	*62,647*	*58,517*	*4,130*

In 2006 Italmobiliare recorded **revenues** of 210.9 million euro, an increase of 130.7 million euro compared to 2005. Dividends received increased by 14.8 million euro, and related both to subsidiaries and associates, notably Italcementi S.p.A. and Sirap Gema S.p.A., and to other companies, notably Unicredito, Capitalia and Consortium.

The increase in capital gains arose on the disposal of Gemina shares in January 2006, which generated a capital gain of 7.9 million euro and, above all, the sale to Franco Tosi S.r.l. at the end of the first half of the equity investments in RCS MediaGroup, Mediobanca, Capitalia and the Gim warrants, which generated a gross capital gain of 109.8 million euro.

Gross operating profit and **operating profit** totaled 164.3 million euro and rose by 110.1 million euro compared to 2005 owing to the aforementioned transactions.

After income tax expense of 2.5 million euro, compared to tax income of 4.5 million euro in 2005, **net profit** was 161.6 million euro, up by 103.1 million euro compared to 2005.

The balance sheet at December 31, 2006, and December 31, 2005, is summarized below.

(migliaia di euro)	December 31, 2006	December 31, 2005
Fixed assets	4.061	4.225
Equity investments in subsidiaries	1.073.376	988.536
Equity investments in associates	68.803	51.558
Other equity investments	671.326	905.462
Receivables and other non-current assets	263.866	24.574
Non-current assets	2.081.432	1.974.355
Current assets	114.783	109.051
Total assets	**2.196.215**	**2.083.406**
Shareholders' equity	1.645.866	1.546.465
Non-current liabilities	427.764	360.440
Current liabilities	122.585	176.501
Total liabilities	**550.349**	**536.941**
Total shareholders' equity and liabilities	**2.196.215**	**2.083.406**

Transactions on equity investments

In January, as a result of the MCC share swap, Italmobiliare received 3,484,349 **Capitalia** shares, which together with the shares already owned (2,971,994) represent 0.25% of Capitalia share capital. All the shares are aggregated in the voting trust.

In January this year Italmobiliare S.p.A. sold its **Gemina** shares (2.324%) to some members of the Gemina voting trust, at a price of 2 euro per share. The total proceeds amounted to 16.9 million euro with realization of a capital gain of 7.9 million euro.

At the end of March, Société de Participation Financière Italmobiliare S.A. sold its equity investment in **Consortium** (2.764%) to Italmobiliare S.p.A., at a price of 28.9 million euro determined on the basis of Consortium shareholders' equity at the end of February adjusted to reflect the market value of the listed shares in the portfolio. In June, following the decision to bring forward the dissolution of Consortium upon completion of the program to sell non-voting-trust Mediobanca shares on the market, Consortium sold all Mediobanca voting trust shares and the Generali shares in its portfolio to the respective shareholders (or their subsidiaries) proportionately to their respective stakes, at a unit price of 15.307 euro and 27.833 euro respectively. Consequently the 884,857 Mediobanca shares arising from the transaction were acquired by Franco Tosi S.r.l., by virtue of an agreement with the parent company Italmobiliare and with the approval of the Mediobanca voting trust, and were aggregated in the voting trust; the 164,083 Generali shares were directly acquired by Italmobiliare.

In December, Consortium executed the shareholders' resolution of July 26, 2006, and offset the borrowing taken out for the purchase of Mediobanca and Generali shares against reimbursement of the share premium reserve, the legal reserve and the reduction of its share capital.

In April 2006, Italmobiliare S.p.A. bought 860,743 **Banca Leonardo** shares and underwrote 3,399,257 shares as part of the Banca Leonardo share capital increase. The overall investment was just under 14 million euro. Following these transactions Italmobiliare S.p.A. has a 2.88% equity investment in the Banca Leonardo group. In February 2007, Italmobiliare undertook to subscribe 3,316,661 Banca Leonardo group shares to be issued on April 30, 2007, in connection with the share capital increase approved by the extraordinary Shareholders' Meeting of April 11, 2006, for a total outlay of 10.9 million euro.

As part of the corporate restructuring allocating specific missions to companies directly owned by the parent company, in June Italmobiliare sold the following voting-trust shares to the subsidiary Franco Tosi:

- 35,049,986 **RCS MediaGroup** shares at a unit price of 4.119 euro,
- 9,086,425 **Mediobanca** shares at a unit price of 15.307 euro,
- 8,838,902 **Gim** shares and 3,132,741 **Gim warrants** at a unit price of respectively 0.6683 and 0.2252 euro,
- 6,456,343 Capitalia shares at a unit price of 6.2648 euro.

The transaction prices were determined on the basis of the average official share prices in the 30 days prior to the contract date. Franco Tosi S.r.l. financed the acquisitions through an intragroup interest-free loan of 311 million euro from Italmobiliare S.p.A. The transaction is reflected in the Italmobiliare balance sheet through the reduction in "Other equity investments" and the increase in "Receivables and other non-current assets" for the increase in interest-free loans.

As part of the above restructuring program, Italmobiliare bought from the subsidiary Franco Tosi 580,000 **Banche Popolari Unite** shares at a unit price of 19.946 euro, the average official stock market price over the previous 30 days.

At the end of September Italmobiliare S.p.A. underwrote and paid the share capital increase from 5.16 to 90 million euro executed by **Franco Tosi S.r.l.** to support its new mission of holding and managing voting-trust shares. Therefore, the intragroup interest-free loan of 311 million euro granted in June by Italmobiliare S.p.A. to Franco Tosi S.r.l. was closed and replaced by a new interest-free loan of 235 million euro.

During 2006 Italmobiliare S.p.A. did not buy any **treasury shares**, so the treasury held in the portfolio at December 31, 2006, remained unchanged at 911,131 ordinary shares (4.107% of all ordinary shares) and 28,500 savings shares (0.174% of all savings shares). In early 2007, following the amendment to the stock option plan regulation approved by the Board of Directors on February 8, 2007, 30,313 options (granted in 2003) were exercised by Italmobiliare managers. Italmobiliare sold an equal number of ordinary treasury shares at the per-share price of 31.28 euro set at the grant date; consequently the company currently holds 880,818 ordinary treasury shares, representing 3.971% of ordinary share capital.

Dealings with related parties

Dealings with subsidiaries and associates

Italmobiliare provides administrative, fiscal and legal services for subsidiaries and their investee companies with no specific internal competences.

In addition, it has dealings with some subsidiaries and associates involving the exchange of services, in particular:

- the Italmobiliare legal service provides Group companies with specific assistance;
- Italcementi S.p.A. provides Italmobiliare with personnel administration services, a share register management service, administration services for shareholders' meeting, public relations services and assistance in corporate affairs;
- Italmobiliare leases some of its real estate properties to its subsidiaries;
- Italmobiliare Servizi S.r.l. provides Italmobiliare and some of its subsidiaries with an IT support service and some general services.

Within the Group, exchanges of personnel take place to optimize overall use of resources.

On the financial front, Italmobiliare provides guidance and assistance for subsidiaries with regard to financing and issue of guarantees.

Intragroup dealings of a financial nature are conducted at normal market conditions; services are generally regulated on the basis of the costs of providing the services.

With regard to the domestic tax consolidation elected by Italmobiliare S.p.A., as the parent-consolidating company, and 19 directly and indirectly controlled subsidiaries, following the entry into force of Legislative Decree no. 247 of November 18, 2005, the "Implementation Regulation" governing inter-company dealings signed by all the companies in the tax consolidation was updated to take account of the new legislation.

The main amendment concerns tax responsibility, for which the ""parent-consolidating" company" is directly responsible, not only as a separate tax payer, but also for fulfillment of the obligations relating to determination of total consolidated income and for consequent tax payments; whereas each "consolidated-subsidiary" is responsible, jointly and severally with the consolidating company, for additional tax assessed in relation to total consolidated income arising directly from the adjustment applied to its taxable income. The "consolidated-subsidiaries" agree, however, to hold harmless the "parent-consolidating" company. In any case, the "Regulation" states that the "parent-consolidating" company does not exercise any management control or influence with regard to the fiscal obligations of the "consolidated-subsidiaries"; consequently the "subsidiaries" have sole responsibility for correct determination of their taxable income.

As from the 2006 tax year, Cementificio di Montalto S.p.A., an Italcementi S.p.A. subsidiary, has elected tax consolidation under Italmobiliare S.p.A. The following companies have elected national tax consolidation with Italmobiliare S.p.A. as the parent consolidating company:

- Italcementi S.p.A.
- Axim Italia S.r.l.
- Bravosolution S.p.A.
- Cementificio di Montalto S.p.A.
- Imes S.r.l.
- Immobiliare Salesiane S.r.l.
- Itercom S.r.l.
- Intertrading S.r.l.
- Italgen S.p.A.
- Italsfusi S.r.l.

- Nuova Sacelit S.r.l.
- Sama S.r.l.
- Silos Granari della Sicilia S.r.l.
- Sirap Gema S.p.A.
- Sirap Gema Insulation System S.r.l.
- Franco Tosi S.r.l.
- Italmobiliare Servizi S.r.l.
- Populonia Italica S.r.l.
- Sance S.r.l.

Dealings with other related parties

These relate to:

- legal consultancy, judicial and extrajudicial assistance provided to Italmobiliare S.p.A. by Luca Minoli, a director of Italmobiliare S.p.A. as a partner in the associate professional studio Dewey Ballantine LLP, for a fee of 45 thousand euro;
- consultancy services for the senior management of Italmobiliare S.p.A. in relation to the rationalization and development of the Group's activities provided by Piergiorgio Barlassina, a director of Italmobiliare, under a two-year cooperation relationship, for a gross annual fee of 250 thousand euro.

The fees paid are in line with market conditions for the respective type of professional service.

In June Italmobiliare provided the "Fondazione Italcementi Cav. Lav. Carlo Pesenti" with the sum of 300 thousand euro to cover operating expenses and the realization of objectives which fall within the aims of the Foundation.

The figures at December 31, 2006, on dealings with related parties are provided in the notes.

Other information

In compliance with point 19 of the "Technical Regulations" (Annex B) of Legislative Decree 196/2003 "Consolidated Privacy Act", Italmobiliare S.p.A. continued monitoring of the Security Plan Document.

The Security Plan Document, as envisaged by legislation, defines the company policy on the security of personal data:

- by listing the way data is treated;
- by identifying the duties and responsibilities of each subject involved;
- by defining the risks connected to treatment and the measures adopted with the aim of removing such risks;
- by arranging training to make those responsible for data treatment aware of the risks to data and the measures available to prevent damaging events.

During 2006, the company updated the Security Plan Document, especially with regard to the minimum security measures adopted and staff training and awareness initiatives.

In compliance with the Privacy Code, during the last quarter of 2006 all employees and collaborators completed the online training and information course on "Privacy and minimum security measures", which is a specific appendix to the Security Plan Document.

Significant post-balance sheet events

Significant post-balance sheet events have already been reported in the description of operations that commenced in 2006 and continued or concluded in the first few months of 2007.

Corporate governance

As is now tradition at both Italmobiliare S.p.A. and its main subsidiary Italcementi S.p.A., which is also listed, with regard to Corporate Governance a series of decisions have been consolidated aimed at ensuring increasingly high levels of transparency and efficiency in the corporate governance system.

The Corporate Governance system of companies whose shares trade on regulated markets has undergone many extensive changes as a result of the "Law for the protection of savings" (Law no. 262 of December 28, 2005 - hereinafter «Law on Savings») which has introduced significant amendments to Legislative Decree no. 58 of February 24, 1998 (Consolidated Finance Act), including important changes such as list voting for the appointment of the Board of Directors, the attribution of the post of Chairman of the Board of Statutory Auditors to the Auditor elected by the minority, secret voting for resolutions concerning appointment of company officers, compliance with the independence requirements established for the members of the Board of Statutory Auditors for at least one director, creation of a director responsible for drawing up the company accounting documents, fixing of the term of auditing appointments for six financial years, etc.

Further amendments were introduced on December 1, 2006, with the «Corrective Decree» (Legislative Decree no. 303 of December 29, 2006), to guarantee the coordination and consistency of the dispositions introduced by the Law with existing regulations. In addition to simple technical adjustments, this latest decree introduces wide-ranging amendments in the regulations introduced by the Law on Savings "in order to restore consistency to the system"; these include abolition of secret voting for appointment of company officers and establishment of a term of nine financial years for the engagement of independent auditors. Under the Corrective Decree, Consob is to issue by March 31, 2007, a series of regulations for the enactment of the new dispositions, in order to complete the new legislation and enable listed companies to update their By-laws in compliance with the new deadline set for June 30, 2007.

Finally, in March 2006, the Corporate Governance Committee formed by Borsa Italiana S.p.A. approved the new Voluntary Code of Conduct supplementing legislative regulations with the principles considered international best practice. The Committee has provided further details regarding the composition, election, responsibilities and independence requirements of the members of the Board of Directors and indications regarding coordination of all the bodies and offices involved in corporate governance.

In this new legislative and regulatory context, which is still incomplete pending the publication of the Consob enactment regulations, Italmobiliare S.p.A. has updated its Voluntary Code of Conduct and its Procedural Code for Transactions with Related Parties in line with the new text approved by the Corporate Governance Committee; whereas, pending the publication of the Consob regulations, not issued at the date of this report, it has no choice but to postpone adoption of the statutory amendments required by law, or otherwise deemed appropriate, to an extraordinary Shareholders' Meeting to be held before the end of the first half of the year.

The Corporate Governance system adopted by the company over the last few years comprises the company By-laws and the following codes and/or regulations (the full texts are available on the corporate web site at www.italmobiliare.it):

- Voluntary Code of Conduct
- Code of Ethics
- Treatment of Confidential Information
- Internal Dealing Code of Conduct *(internal dealing)*
- Procedural Code for Transactions with Related Parties
- Insider Register Procedure
- Organization, Management & Control Model.

An analysis of the corporate governance structure envisaged in the binding rules set out in the company By-laws and in the company's aforementioned codes and/or regulations, shows that Italmobiliare S.p.A. complies with generally accepted best practice, whose application is reflected in the resolutions carried by the Board of Directors and the organization notices issued by the company.

The Voluntary Code of Conduct and corporate governance rules

The Voluntary Code of Conduct (the «Code») is a self-governance system incorporating legal, regulatory and Civil Code requirements, to which the company and its bodies voluntarily adhere. Its purpose is to communicate the organizational model implemented by Italmobiliare S.p.A. in order to maximize value for shareholders.

The company Board of Directors has updated the «Code» to take account of the new text approved by the Corporate Governance Committee in March 2006.

At the same time, since this is a period of transition, the amendments to the system of corporate governance will actually take place gradually over the coming months.

Therefore, as indicated specifically below, the company has implemented the *new best practice* principles that can be applied immediately, for example, assessment of the independence of directors on the bass of the new requirements, appointment of an independent director as *Lead independent director* and identification of the executive director responsible for supervising the internal control system.

Among the new dispositions in the «Code», it will not be possible to apply those relating to the appointment of the Board of Directors from lists of candidates, the voluntary regulation of which will have to be integrated with the innovations introduced by the Law on savings and by the Consob regulations for its enactment and appropriately included in the company By-laws.

The «Code» also provides for the formation of bodies and offices and for adoption of specific procedures and conduct, with the sole exceptions mentioned below and with the modifications necessary to take account of the specific nature of Italmobiliare S.p.A.

The Board of Directors is always willing to consider other changes to the "Voluntary Code of Conduct" and assess their application to the company's Corporate Governance system, provided that, compatibly with its current situation, such recommendations enhance the reliability of the company in the eyes of investors.

* . * . *

The report below illustrates and comments on the new amended version of the «Code» adopted by the company rather than the version in force in the previous financial year.

a) Shareholding and organizational structure

Share capital and majority shareholder

The share capital amounts to 100,166,937 euro, consisting of 38,525,745 shares with a nominal value of 2.60 euro each, of which 22,182,583 are ordinary shares and 16,343,162 are savings shares.

During the year the company did not undertake any transaction involving its ordinary and savings treasury shares.

Therefore, at December 31, 2006, the Company held:

- 911,131 ordinary treasury shares, equal to 4.107% of the share capital represented by ordinary shares, part of which to be used to service the "Stock option plan for Directors" and the "Stock option plan for Managers";
- 28,500 savings treasury shares, equal to 0.17% of the share capital represented by savings shares.

During the current year a number of stock options were exercised on the basis of the stock option plan for managers. As required by the shareholders' resolution of April 28, 2006, and the related stock option plan, the company sold to the parties concerned 30,313 ordinary treasury shares at the per-share price established a the time the options were granted. As a result of these transactions, at March 21, 2007, the Company held 880,818 ordinary treasury shares.

Efiparind B.V. holds a relative majority of shares: according to the last disclosure received, it holds directly and indirectly 47.265% of Italmobiliare S.p.A. ordinary shares, net of treasury shares held by the Company.

In accordance with the combined provisions of art. 2497-sexies and art. 2359 of the Italian Civil Code, no company or organization exercises management and coordination over Italmobiliare S.p.A.

The company is not aware of the existence of any voting trusts.

Board of Directors

The amended version of the «Code» provides for directors to be appointed under a transparent procedure that guarantees, among other things, timely and adequate information regarding the personal and professional characteristics of candidates and requires the lists of candidates to be deposited at the company head office within the terms set out in the By-laws and the timely publication of the lists on the company web site. As already noted, the lists will also be required to indicate whether candidates qualify as independent pursuant to the «Code».

The company By-laws will regulate "list voting" pursuant to the requirements of the new laws and regulations to be issued. Currently they do not contain specific indications regarding the composition of the Board of Directors. Moreover, under the new laws, at least one member of the Board of Directors, or two members if the board has more than seven members, must meet the independence requirements established by law for the members of the Board of Statutory Auditors, while the law requires that all directors meet the honorability requirements established by a regulation of the Italian Ministry of Justice for statutory auditors.

The text of the «Code» approved by the Corporate Governance Committee requires that a suitable number of non-executive directors be independent, in other words that they do not have, nor have recently had, directly or indirectly, dealings with the company or with parties associated with the company such as to currently influence their independence of judgment.

No limits are set on the re-election of directors, even if holding the same post for more than nine years of the last twelve years could constitute a motive for failure to meet the independence requirement of the «Code».

As established by the By-laws, the Board of Directors has full powers of ordinary and extraordinary management. It may thus perform all acts (including sales) that it deems necessary to achieve the company's business object, with the exception of those acts that by law may only be performed by the Shareholders' Meeting.

In addition to the powers conferred on the Board of Directors by law and under the By-laws with regard to issue of shares and debentures, in compliance with art. 2436 of the Italian Civil Code, resolutions in respect of the matters listed below are attributed not only to the extraordinary Shareholders' Meeting but also to the Board of Directors:

- mergers of companies that are wholly owned or ninety per cent owned;
- transfer of the registered office, provided that it remains in Italy;
- formation or suppression of secondary offices, in Italy and abroad;
- reduction of share capital in the event of withdrawal by the partner;
- amendment of the By-laws to comply with legal requirements.

The Board of Directors meets at least once every calendar quarter as set out in the By-laws. During the meetings, the directors and the Board of Statutory Auditors receive reports on significant transactions performed by the authorized persons in line with their powers.

Like the former version, the amended «Code» emphasizes the key role of the Board of Directors and establishes and integrates its specific duties, which, under the new text, include but are not limited to: assignment and revocation of proxies to senior managers; examination and approval of strategic, industrial and financial plans and assessment of business forecasts and the organizational, administrative and general accounting structure of the company and the subsidiaries; examination and approval of interim accounts; prior examination and approval of transactions of strategic importance and transactions with related parties; assessment of the company operating structure; determination of remuneration of directors with special duties; reports at Shareholders' Meetings; examination and approval of the Corporate Governance system.

The text approved by the Corporate Governance Committee attributes an important new duty to the Board of Directors, namely, prior examination and approval of any transactions with a material impact on the strategy, business, assets or finance of Italmobiliare S.p.A., undertaken with a related party, either by the company itself or by subsidiaries; prior examination and approval of other dealings with related parties that the officers deem to require approval by the Board of Directors, taking account of the nature, value and other characteristics of the transactions in question; a review of the size, composition and workings of the Board of Directors and of its committees, at least on an annual basis.

The Board of Directors consists mainly of non-executive members, of whom a sufficient number are independent. The «Code» requires that when lists of candidates are presented, they indicate which candidates would qualify as independent.

When the Chairman of the Board of Directors is the person with primary responsibility for management of the company, and when the post of Chairman is held by the person who controls the company, the «Code» provides that the Board of Directors designate a "lead independent director" to act as a reference for and coordinate the requests and contributions of the non-executive directors, and of the independent directors in particular.

As provided by the «Code», the Chairman coordinates the Board's activities and chairs its meetings. He ensures that the directors are provided suitably in advance with all useful information about significant issues so as to be able to discuss them at meetings, except in cases of necessity or in urgent or confidential cases. Through the relevant internal functions, the Chairman also ensures that the directors take part in initiatives designed to increase their knowledge of the company situation and dynamics, and are informed about the main legislative and regulatory developments concerning the company and its corporate bodies.

The directors act and take resolutions with due diligence and independently, with a view to achieving the primary goal of creating shareholder value. They accept their positions in the knowledge that they are able to dedicate the time necessary to perform their duties diligently. Under the «Code», effective performance of the duties of a director signifies not holding more than:

- 5 executive directorships,
- 10 non-executive or independent directorships or statutory auditorships

in companies listed on regulated markets in Italy and abroad, in financial companies, banks, insurance and other large companies, excluding the subsidiaries of Italmobiliare S.p.A., the parent companies and companies subject to joint control.

A list of the director, statutory auditor and chief operating officer positions held by each director in other companies listed on regulated markets in Italy or abroad, in financial companies, banks, insurance and other large companies is set out below:

Giampiero Pesenti	Italcementi S.p.A.	Chairman
	Franco Tosi S.r.l.	Chairman
	Ciments Français S.A. *(representing Italcementi S.p.A)*	Deputy Chairman
	Fincomind A.G.	Deputy Chairman
	Fondazione Italcementi Cav. Lav. Carlo Pesenti	Deputy Chairman
	Ciments du Maroc	Director
	Compagnie Monegasque de Banque	Director
	Credit Mobilier de Monaco	Director
	Finter Bank Zürich	Director
	Mittel S.p.A.	Director
	Pirelli & C. S.p.A.	Director
	RAS S.p.A.	Director
	Soparfinter S.A.	Director
Pier Giorgio Barlassina	Cemital S.p.A.	Director
	Finanziaria Aureliana S.p.A.	Director
	Fincomind A.G.	Director
	Finter Bank Zürich S.A.	Director
	FinterLife S.A.	Director
	Franco Tosi S.r.l.	Director
	Privital S.p.A.	Director
	Soparfinter S.A.	Director
	Fondazione Italcementi Cav. Lav. Carlo Pesenti	Acting Auditor
Mauro Bini	IGD Immobiliare Grande Distribuzione	Director
Giorgio Bonomi	IGP - Decaux S.p.A.	Director
Gabriele Galateri di Genola	Mediobanca S.p.A.	Chairman
	Istituto Europeo di Oncologia S.r.l.	Chairman
	Assicurazioni Generali S.p.A.	Deputy Chairman
	RCS Mediagroup	Deputy Chairman
	Accor	Director
	Banca Esperia S.p.A.	Director
	Cassa di Risparmio di Savigliano	Director
	Pirelli & C. S.p.A.	Director
	San Faustin N.V.	Director
	Commerzbank A.G.	Member of the Central Advisory Board

Italo Lucchini	Italcementi S.p.A.	Director
	Banche Popolari Unite S.c.p.A.	Director
	Fondazione Italcementi Cav. Lav. Carlo Pesenti	Director
	BMW Financial Services Italia S.p.A.	Chairman Board Statutory Auditors
	BMW Italia S.p.A.	Chairman Board Statutory Auditors
	Sabaf S.p.A.	Chairman Board Statutory Auditors
Luca Minoli	Cemital S.p.A.	Chairman
	Finanziaria Aureliana S.p.A.	Chairman
	Privital S.p.A.	Chairman
Giorgio Perolari	Banche Popolari Unite S.c.p.A.	Director
Carlo Pesenti	Italcementi S.p.A.	Chief Executive Officer
	Banche Popolari Unite S.c.p.A.	Director
	Ciments Français S.A.	Director
	Mediobanca S.p.A.	Director
	RCS MediaGroup S.p.A.	Director
	Unicredito Italiano	Director
Livio Strazzera	Serfis S.p.A.	Sole Director
	Banca Regionale Europea	Director
	Vittoria Assicurazioni S.p.A.	Acting Auditor

A list of the director or statutory auditor positions held by each member of the Board of Statutory Auditors in other companies listed on Italian regulated markets is set out below:

Luigi Guatri	Vittoria Assicurazioni S.p.A.	Chairman
	Banco di Desio e della Brianza S.p.A.	Director
	Granitifiandre S.p.A.	Director
	Maffei S.p.A.	Director
	Negri Bossi S.p.A.	Director
	Banche Popolari Unite S.c.p.A.	Chairman Board Statutory Auditors
	Permasteelisa S.p.A.	Chairman Board Statutory Auditors
	Pirelli & C. S.p.A.	Chairman Board Statutory Auditors
Claudio De Re	Italcementi S.p.A.	Acting Auditor
	Milano Assicurazioni S.p.A.	Substitute Auditor
Eugenio Mercorio	Credito Bergamasco S.p.A.	Acting Auditor
	Italcementi S.p.A.	Substitute Auditor
	Fondazione Italcementi Cav. Lav. Carlo Pesenti	Substitute Auditor
Pietro Curcio	Italcementi S.p.A.	Substitute Auditor
Dino Fumagalli	Italcementi S.p.A.	Substitute Auditor

Legal representation - Appointed bodies

The By-laws establish that the Chairman and, if appointed, the Deputy Chairman (or Deputy Chairmen) and the Chief Executive Officer are, separately, the company's legal representatives in respect of third parties or in lawsuits.

The Board of Directors has vested an Executive Committee with all of its powers except those that the Italian Civil Code and the By-laws do not allow to be delegated.

The Board is informed of the resolutions taken by the Executive Committee during the first meeting it holds after such resolutions are passed.

The Board of Directors has also appointed the Chairman as Chief Executive Officer and has appointed a Deputy Chairman and a Chief Operating Officer. On appointment each officer was attributed the powers set out later in this report.

The «Code» establishes that the Board of Directors is to be informed in its subsequent meeting, or at least on a quarterly basis, of the activities of the Chief Executive Officer and other executive directors, and especially of any significant transactions, the main transactions performed with related parties and those giving rise to potential conflicts of interest that were not presented for its prior approval.

The Board of Directors decides the remuneration and possible allocation of stock options to directors with special offices (in their absence) in line with the company's articles of association, having heard the opinion of the Board of Statutory Auditors and on the basis of the proposals drawn up by the Remuneration Committee. A significant portion of the compensation of the Chairman-Chief Executive Officer is linked to business results and the achievement of specific objectives.

A consistent approach and coordination of activities are ensured by the presence of Italmobiliare S.p.A.'s Chairman-Chief Executive, Deputy Chairman, Chief Operating Officer, directors and heads of division in the Boards of Directors of the main subsidiaries.

Transactions with related parties

The «Code» states that transactions with related parties are to be performed in a transparent manner and in line with criteria of substantial and procedural correctness. Therefore, those directors who have an interest, even if only potential or indirect, in a transaction, are required to:

a) inform the Board of the existence of their interest and its circumstances on a timely basis and in detail;

b) leave the Board meeting when the related resolution is to be taken.

Nevertheless, depending on the specific circumstances, the Board of Directors may allow the participation of the director concerned in the discussion and/or the vote.

Under the specific corporate procedure, material transactions with related parties (that is, transactions whose object, consideration, manner or timing may have effects on the safekeeping of the company assets or on the completeness and correctness of information), including those conducted through subsidiaries, must have the prior approval of the Board of Directors.

Furthermore, depending on the nature, amount or other characteristics of transactions, the Board of Directors ensures that transactions are organized with the assistance of independent asset assessors and financial, legal or technical consultants, so that they are not agreed at conditions different from those that would have been established by non-related parties. It also presents the transaction for prior examination by the Internal Control Committee.

The Internal Control Committee is responsible for conducting regular reviews of the procedural code for transactions with related parties adopted by the Board of Directors and recommending any updates deemed necessary.

Creation of committees

The Italmobiliare S.p.A. «Code» provides that the Board of Directors set up a Remuneration Committee and an Internal Control Committee from among its members. These committees' resolutions are not binding and are made only to assist the Board.

The Committees must have not fewer than three members and may have access to the corporate information and functions necessary for the performance of their duties. They may also use the services of external consultants.

Each Committee elects a chairman and a secretary (who is not required to be a committee member) and meets when convened by its chairman or his substitute. Meetings may be called in an informal manner (also verbally).

The meetings are deemed to be correctly called when the majority of committee members are present, including those present via audio- or video-conferencing links. Each Committee carries decisions by majority vote of the members present.

The *Remuneration Committee*, formed of non-executive directors, the majority independent, drafts and presents to the Board proposals for the remuneration of the company's directors (in their absence) with special duties, and of the Chief Operating Officer, and conducts regular reviews of the criteria adopted for remuneration of senior managers with strategic responsibilities, enforcing application on the basis of information provided by the chief executives. The Remuneration Committee also performs the consultative functions requested from time to time by the Board of Directors on remuneration and related matters.

The Internal Control Committee is composed of non-executive directors, the majority of whom are independent. In addition to the duties indicated above, other duties include verification, together with the senior manager responsible for drafting the company accounts and the independent auditors, of correct application of accounting principles and their consistency for the purposes of the consolidated financial statements; at the request of the Chief Executive Officer, issue of opinions on specific matters regarding identification of the main company risks and planning, implementation and management of the internal control system; assessment of the work program and the reports drawn up by the Controller; reporting to the Board of Directors. The Internal Control Committee also reports at least every six months, at the time of approval of the half-year financial statements and the annual report, on internal control activities and the suitability of the internal control system, and performs additional tasks assigned by the Board of Directors.

The Internal Control Committee also assists the Board of Directors with its periodic review of the internal control system.

The «Code» provides that the Internal Control Committee not only be composed of non-executive directors, the majority of whom are independent but also include at least one director with suitable accounting and financial experience, assessed by the Board of Directors at the time of appointment.

The Chairman of the Board of Statutory Auditors or another statutory auditor designated by him attends the Committee meetings, as may the Chairman of the Board of Directors and the Chief Executive Officer. If invited to do so, the Chief Operating Officer, the internal control staff and heads of certain functions also attend.

Among the committees indicated by the Corporate Governance Committee, the Italmobiliare S.p.A. «Code» does not provide for an "Appointments Committee" given that the company's shareholding structure has a permanent shareholder able to exert a dominant influence at the Shareholders' Meeting. In any case, it is already normal procedure for the Chairman to provide the Shareholders' Meeting called to approve appointments with data and information about the professional qualifications of the candidates and their eligibility as independent directors.

Moreover, in inviting issuers to consider the possibility of forming an Appointments Committee within the Board of Directors, the Corporate Governance Committee states that, "... this solution has its origin in systems characterized by a highly dispersed shareholding base, to ensure adequate level of independence of the directors with respect to management ...".

Controls system

The Board of Directors designates an executive director (normally, the Chief Executive Officer) to supervise the workings of the internal control system, whose function is to:

a) identify key corporate risks, taking account of characteristics of the business operations of the company and the subsidiaries and present regular reports on such risks to the Board of Directors;

b) execute the guidelines indicated by the Board of Directors, with regard to the planning, implementation and management of the internal control system, continuously monitoring its overall adequacy, effectiveness and efficiency; and also update the system in line with developments in business scenarios, legislation and regulations.

On the recommendation of the executive director designated to supervise the workings of the internal control system and after consultation with the Internal Control Committee, the Board of Directors appoints and revokes the Controller, establishes his remuneration consistently with company policy and also equips him with appropriate resources and organizational structures.

The Controller is responsible for checking that the internal control system is always adequate, fully operational and effective. He is not responsible for any other operating area and does not report to any head of an operating area, including administration and finance.

The Controller reports on management of risks, on compliance with the plans drawn up to limit risks and the ability of the internal control system to provide an adequate overall risk profile to the Internal Control Committee, the executive director designated to supervise the workings of the internal control system and the Board of Statutory Auditors, as required by law.

Shareholders' meetings

The «Code» provides for the Board of Directors to urge assiduous attendance of all directors at Shareholders' Meetings and to encourage and facilitate the participation of as many shareholders as possible and to ensure that voting rights may be easily exercised.

To this end, the Board of Directors reports to the Shareholders' Meeting on activities performed and planned and ensures that the shareholders receive adequate information on the necessary matters to enable them to take the decisions for which the Shareholders' Meeting is responsible with due diligence.

Regulations for the proceedings of the Shareholders' Meeting do not exist. The wide-ranging powers of the Chairman assigned by the law and general practice, as well as article 13 of the By-laws, which expressly authorizes the Chairman to direct the discussions and establish the order and method of voting, provided that they are open, are considered sufficient for the orderly running of such meetings.

Board of Statutory Auditors

The «Code» reviews and supplements regulations for the appointment of the Board of Statutory Auditors, which today is based on a transparent procedure guaranteeing, among other things, timely and adequate information about candidates' personal and professional qualifications.

The By-laws already provide for the presentation of lists to ensure appointment of one Acting Auditor and one Substitute Auditor by minority shareholders. In addition, the «Code» provides that each list set out the professional and honorability standards required by current laws for each candidate auditor, and similarly to the procedure envisaged for election of the Board of Directors, that the information be published in a timely manner on the company web site.

Under the new legislation, the Chairman of the Board of Statutory Auditors is appointed by the Shareholders' Meeting from the auditors elected by minority shareholders.

The «Code» provides that the statutory auditors qualify as independent in compliance with the criteria that apply to the directors. The Board of Statutory Auditors verifies correct application of and compliance with these criteria after appointment and subsequently on an annual basis; the outcome of this check and of the check on the procedure adopted by the Board of Directors to assess the independence qualifications of directors will be included in the corporate governance report, or in the auditors' report to the Shareholders' Meeting.

The statutory auditors accept the position when they believe they are able to devote the necessary time to diligent performance of their duties.

The company By-laws not only set out specific requirements for the professional qualifications of the members of the Board of Statutory Auditors, they also provide that persons who do not meet the requirements as set by law and persons who are acting auditors in more than five companies listed on Italian regulated markets, excluding the parent companies, the subsidiaries of Italmobiliare S.p.A. and the subsidiaries of its parent companies, may not be elected as auditors or if elected must relinquish the position. In this connection, the law attributes to Consob responsibility for setting the limits on the number of directorships and auditorships that statutory auditors may hold in listed companies. Once Consob has supplemented the regulations, the company By-laws will be amended accordingly.

The «Code» reiterates the autonomy and independence of the Board of Statutory Auditors and indicates that auditors are bound to keep information confidential and are prohibited by law from using confidential information for immediate or future personal or financial gain, directly or indirectly.

In addition to the duties attributed by law and under the By-laws, the «Code» requires the Board of Statutory Auditors to :

a) monitor the independence of the independent auditors, checking both compliance with relevant laws and the nature and entity of services other than account auditing rendered to the company and to the subsidiaries by the independent auditors and by entities belonging to the group to which the independent auditors belong;

b) assess the results set out in the report and any letter of recommendations presented by the independent auditors;

c) monitor the effectiveness of the auditing process.

Under the Voluntary Code of Conduct approved by the Corporate Governance Committee, these last two duties could be assigned to the Internal Control Committee rather than to the Board of Statutory Auditors. The company believes it is more consistent to assign these duties to the Board of Statutory Auditors, which already assesses the proposals of the independent auditors and their work plan.

b) Enactment of corporate governance rules

The company By-laws provide for the company to be governed by a Board of Directors composed of a minimum of 5 and a maximum of 15 directors, whose term of office is established upon their appointment, and may not exceed three financial years. Directors may be re-elected.

The Shareholders' Meeting of May 19, 2005, appointed a Board of Directors for the three-year period 2005 - 2007, and set the number of members at 10.

Assignment of duties and conferral of proxies

The company By-laws assign a role of key importance to the Board of Directors, as described above.

Legal representation of the company is attributed by the By-laws separately to the Chairman and, also, to the Deputy Chairman (or Deputy Chairmen) and to the Chief Executive Officer if appointed.

The distribution of powers within the Board of Directors is as follows:

- to the **Executive Committee**, composed of four members, all the powers and resolutions of the Board of Directors, with the exception of those that may not be delegated pursuant to the Italian Civil Code and the By-laws. As specified in the act of appointment, the resolutions of the Executive Committee shall be reported to the Board of Directors at the following meeting of the Board of Directors;
- to the **Chairman-Chief Executive Officer**, Giampiero Pesenti, among other duties and in addition to the powers assigned by the company By-laws and the Voluntary Code of Conduct, the powers to undertake any administration or disposition, including buying and selling equity

investments, carrying out security and loan transactions, accepting guarantees, providing collateral security and bank guarantees in favor of third parties that are direct or indirect subsidiaries or associates of Italmobiliare, up to a maximum limit of 150 million euro for each transaction; undertaking real estate transactions, exchanges and divisions of real estate, regulation of easements and property rights in general, up to a maximum limit of 25 million euro for each transaction; recruiting staff including managerial staff, establishing their remuneration, suspending and dismissing staff;

- to the **Deputy Chairman**, Italo Lucchini, solely the powers of corporate representation, in accordance with art. 19 of the company By-laws, to be exercised separately from the Chairman-Chief Executive Officer;
- to the **Chief Operating Officer**, Carlo Pesenti, the responsibility to follow the performance of subsidiaries and investee companies generally and the powers to formulate proposals on company organization to the Chief Executive Officer. The Chef Operating Officer is also empowered, inter alia, to undertake any act concerning the management of the company, including undertaking security and loan transactions, accepting on behalf of the company obligations of any kind, including those backed by collateral security in favor of third parties that are direct or indirect subsidiaries of Italmobiliare, buying and selling government securities, debentures, mortgage bonds, shares, interests in companies, undertaking lending and borrowing transactions and repurchase transactions on securities up to a maximum limit of 75 million euro for each transaction; negotiating lines of credit with banks up to a maximum of 75 million euro, for higher amounts and up to a maximum limit of 100 million euro with a joint signature with the Chief Administrative and Financial Officer.

Other proxies have been given to the Chief Administrative and Financial Officer and to the Secretary to the Board within their respective competences.

The Chief Operating Officer has conferred specific and limited proxies to company employees for day to day operations.

Given the quantitative limits established for all powers conferred by the Board of Directors and the explicit and special obligation, established by the «Code» adopted by the company, to provide the Board of Directors with appropriate disclosures about "significant transactions that have an impact on the balance sheet, income statement and financial situation performed by the company or the subsidiaries, key transactions with related parties and transactions leading to potential conflicts of interest", no limits have been established for the prior approval by the Board of Directors of significant transactions or transactions with related parties (see, inter alia, the limits imposed by the "Procedural Code for Transactions with Related Parties" attached hereto).

The Chairman-Chief Executive Officer and the Chief Operating Officer have informed the Board of Directors and the Board of Statutory Auditors about their activities in the exercise of their respective proxies, on a regular basis as required by the «Code» and the By-laws. In addition, they have presented to the Board of Directors all significant transactions that have an impact on the balance sheet, income statement, and financial situation performed by the company, key transactions with related parties and transactions leading to potential conflicts of interest, even if within the limits of their powers.

Composition and meetings of the Board of Directors

The Italmobiliare S.p.A. Board of Directors includes 8 non-executive directors out of the total of 10. Of the non-executive directors, 4 possess the requirements for independence established for auditors by the Legislative Decree 58/98 and 2 of these are also independent in accordance with the company's Voluntary Code of Conduct.

At its meeting of March 21, 2007, the Board of Directors assessed the independence and honorability of the directors on the basis of the information provided by each party in line with the requirements of the «Code» in force at the time: its findings are set out on the page showing the company officers at the beginning of this Annual Report and in the table attached to this report.

During the same meeting, following the assessment of possession of the new independence requirements, the Board of Directors arranged to appoint an independent director as *Lead independent director* and to identify in the Chief Executive Officer the director charged with overseeing the internal control system.

The Board of Directors met four times during 2006; 9 directors, including both independent directors, attended all the meetings, and one non-independent director attended 3 meetings.

The entire Board of Statutory Auditors attended all the meetings, except on two occasions.

The Executive Committee met once during 2006 and all the members took part.

In 2007 to date the Board of Directors has met twice, first to examine projections for 2007 and the second time to approve, among other things, the 2006 draft financial statements. At the present time, no fewer than three further meetings are planned to approve the interim accounts.

To date, the Executive Committee has met once during 2007.

Remuneration and stock options for directors and the Chief Operating Officer

Pursuant to the By-laws, the amount set aside for the Board of Directors on allocation of net profit for the year is apportioned equally among all the directors, giving two portions to the Chairman, one and a half portions to the Deputy Chairman and an extra half share to the members of the Executive Committee.

Based on the proposals of the Remuneration Committee and the opinion of the Board of Statutory Auditors, the Board of Directors has also decided the compensation for the Chief Executive Officer and the Chief Operating Officer; this is determined year by year and comprises a fixed amount and a variable amount tied to achievement of objectives.

A fixed annual amount was attributed to the Deputy Chairman at the start of his term of office.

An “end of term entitlement” was attributed to the Chief Executive Officer at the beginning of his term of office, which vests when he leaves office.

The Chief Executive Officer and the Chief Operating Officer also receive stock options each year, in line with the proposals made by the Remuneration Committee. The number of options varies, depending on attainment of objectives established by the Board of Directors, in line with the regulations of the stock option plans for directors and managers.

Composition and activities of the Committees

The *Remuneration Committee* has three non-executive members, of whom one is an independent director. It met twice in 2006 (attended by all members) to draft proposals for the remuneration of and allocation of stock options to directors and managers.

The *Internal Control Committee* has three members who are all non-executive, and two of whom are independent.

The Internal Control Committee met seven times during 2006 (5 times with all its members present); in particular it examined the reports prepared by the Controller and the independent auditors to check the adequacy of the internal control system, and it reported on its activities and the adequacy of the internal control system to the Board of Directors, during the meetings held to approve the annual and half-year reports.

Internal Control System

The internal control system is a set of rules, procedures and organizational structures designed to ensure, through processes to identify, measure, manage and monitor key risks, correct management of the company consistently with objectives, ensuring the safekeeping of the company's assets, the efficiency and effectiveness of its operations, the reliability of financial information, compliance with the law and regulations.

The Board of Directors exercises its functions with respect to the internal control system based on national and international reference models and best practice and pays particular attention to the Organization & Management Model adopted pursuant to Legislative Decree no. 231 of June 8, 2001.

With the assistance of the Internal Control Committee, the Board of Directors sets guidelines for the internal control system so that the main risks relating to the company and the subsidiaries are correctly identified and appropriately measured, managed and monitored, and also sets criteria for the compatibility of such risks with correct and proper management of the company. At least once a year, it assesses the adequacy, effectiveness and operation of the internal control system with respect to the characteristics of the company.

In addition the Controller has regular meetings with the Board of Statutory Auditors and the independent auditors.

Italmobiliare S.p.A. has implemented a project for systematic management control of the parent company and the companies for which it provides an administrative service. The administrative and financial centralization of some "minor" subsidiaries, introduced some years ago, permits uniform operating and managerial policy.

The Group has a series of planning and control systems within which the internal control function operates, which provide regular reports to assist monitoring of the various aspects of corporate activities.

Italmobiliare S.p.A. has drawn up a body of principles, criteria and methodologies regulating the accounting treatment and aggregation of administrative and financial events for the whole Group. This provides the basis for the preparation of the Group consolidated financial statements setting out information at global, sector and geographical level. These principles are periodically updated to take account of new regulations and the specific operating needs of each business sector.

The Board of Directors, to which the Internal Control Committee reports on a six-monthly basis, deems the internal control system to be adequate for the Group structure and its core businesses.

Board of Statutory Auditors

On the occasion of the renewal of the Board of Statutory Auditors by the Shareholders' Meeting of May 19, 2005, the majority shareholder presented a list of candidates. The other shareholders did not present any lists.

Consequently, none of the current Statutory Auditors represent the minority shareholders.

Structure of the Board of Directors and the committees

Board of Directors							Executive Committee		Internal Control Committee		Remuneration Committee	
Position	Member	Executive	Non executive	Indipend.	Attendance	No. of other positions	Member	Attendance	Member	Attendance	Member	Attendance
Chairman Chief Executive Officer	Giampiero Pesenti	●			4/4	13	●	1/1				
Deputy Chairman	Italo Lucchini		●		4/4	4	●	1/1			●	2/2
Director	Pier Giorgio Barlassina		●		4/4	8						
Director	Mauro Bini		●	●	4/4	1			●	7/7		
Director	Giorgio Bonomi		●		4/4	1			●	5/7		
Director	Gabriele Galateri di Genola		●		3/4	11						
Director	Luca Minoli		●		4/4	3					●	2/2
Director	Giorgio Perolari		●	●	4/4	1	●	1/1	●	7/7	●	2/2
Director	Carlo Pesenti	●			4/4	6	●	1/1				
Director	Livio Strazzera		●		4/4	2						

Board of Statutory Auditors

Position	Member	Attendance	No. of other positions (*)
Chairman	Luigi Guatri	3/8	8 (3)
Acting Auditor	Claudio De Re	7/8	2 (1)
Acting Auditor	Eugenio Mercorio	6/8	3 (1)
Substitute Auditor	Dino Fumagalli	-	1
Substitute Auditor	Pietro Curcio	-	1
Substitute Auditor	Enrico Locatelli	-	-

(*) the number in brackets shows other acting auditor positions held in companies listed on regulated markets

The Italmobiliare S.p.A. By-laws establish that persons who are already acting statutory auditors for more than five companies listed on Italian regulated markets, excluding subsidiaries of Italmobiliare S.p.A., its parent companies and subsidiaries of parent companies, may not be appointed as statutory auditors of Italmobiliare or that if they are appointed they must decline the office.

Statutory auditors are appointed using lists aimed at ensuring that the minority shareholders appoint one acting statutory auditor and one substitute statutory auditor. Only shareholders who, alone or together with other shareholders, can prove title to shares with voting rights at ordinary shareholders' meetings equal to at least 3% of the share capital with voting rights, may present lists.

Other requirements of the voluntary code of conduct

The table illustrates the extent to which the «Code» complies with other provisions of the Voluntary Code of Conduct in the text approved by the Corporate Governance Committee.

	YES	NO	Summary of reasons for any non-compliance with «Code» recommendations
Proxy system and transactions with related parties			
Has the Board of Directors conferred powers defining their:			
a) limits	●		
b) manner of execution	●		
c) reporting frequency?	●		
Has the Board of Directors reserved the right to review and approve transactions that have a significant impact on the balance sheet, income statement and financial situation (including those with related parties)?	●		
Has the Board of Directors defined guidelines and criteria for the identification of "significant" transactions?	●		
Are these guidelines and criteria described in the report?	●		
Has the Board of Directors established special procedures for the review and approval of transactions with related parties?	●		
Are these procedures for the approval of relations with related parties described in the report?	●		
Procedures for the latest appointment of directors and statutory auditors			
Were the names of the director candidates presented at least ten days in advance?		●	This was consistent with the decision not to create an appointments committee.
Was adequate information given in the presentation of the candidates?	●		
Did the presentations include representation about the candidates' eligibility to qualify as independent?	●		
Were the names of the statutory auditor candidates presented at least ten days in advance?	●		
Was adequate information given in the presentation of the statutory auditor candidates?	●		
Shareholders' meetings			
Has the company approved a Procedure for the running of the Shareholders' Meeting?		●	The extensive powers of the Chairman assigned by law and general practice as well as the By-law that specifically authorizes him to direct the discussion and establish the order and method of voting, provided that it is open, are considered sufficient for the orderly running of the Shareholders' Meeting.
Is the Procedure attached to the report (or is information provided indicating where the Procedure may be obtained/downloaded)?		-	
Internal control			
Has the company appointed internal control staff?	●		
Are the internal control staff hierarchically not subordinate to the heads of operating divisions?	●		
Internal Control unit (ex art. 9.3 of the «Code»)			Internal Control Division
Investor relations			
Has the company appointed an Investor Relations manager?	●		
Investor Relations unit			Italmobiliare S.p.A. via Borgonuovo 20, 20121 Milan tel. 02-29.02.42.12 - fax 02-29.02.43.07 info@italmobiliare.it

Code of Ethics

The Code of Ethics, approved for the first time in 1993 and last amended in February 2001, establishes that all employees and those parties that have a relationship with the Group or act to carry out its objectives shall base their relations and conduct on principles of honesty, fairness, integrity, transparency, confidentiality and mutual respect.

The Code of Ethics sets out the rules for loyalty and fidelity, impartiality, protection of privacy and confidentiality of information, protection of the individual, the environment and company assets. It also establishes the guidelines for control processes and accounting/management reporting and introduces rules for relations with customers, suppliers, government agencies, political party and trade union organizations and the mass media.

Confidential information

With respect to the management of confidential information, and in line with the obligation of confidentiality and prohibition on use of such information for personal gain, the «Code» provides for the adoption of procedures for the external communication of documents and information, especially as regards price-sensitive information, which may be communicated to the public only by the employees generally or specifically authorized to do so.

The Board of Directors' meeting of February 9, 2001, approved a specific procedure that requires strict compliance with the terms and conditions of communication established by current legislation, to ensure contextuality and equality.

The organization notices issued by the Chief Executive Officer define the general guidelines for relations with institutional investors and other shareholders and identify the company personnel authorized to manage such relations. These guidelines are in line with the requirement for constant monitoring established by the «Code».

Internal Dealing Code of Conduct

The company Board of Directors has amended its 'Internal Dealing Code of Conduct', originally adopted to implement the dispositions in the Borsa Italiana S.p.A. regulation, to take account of the new dispositions adopted by Consob to implement the regulations (Market abuse) introduced in 2005 with the Law on Savings.

The 'Internal Dealing Code' regulates the information to be disclosed to the company, and by the company to the market, when '*Relevant persons*' carry out transactions of any type on their own behalf on Italmobiliare shares, Italmobiliare shares and on other financial instruments linked to such shares.

For the purposes of the 'Internal Dealing Code', '*Relevant persons*' are the members of the Board of Directors, the Board of Statutory Auditors and the Chief Operating Officer of Italmobiliare S.p.A. and anyone who holds an interest of at least 10% in the voting capital of Italmobiliare S.p.A., and any other party who controls Italmobiliare S.p.A.

'*Relevant persons*' are required to inform Italmobiliare S.p.A., which in turn informs the market, about completed transactions for an aggregate amount of 5,000 euro by the end of the year. Given the Group's particular structure, the 'Internal Dealing Code' is associated with the "Code" adopted by Italcementi S.p.A., in that disclosures to the market regarding transactions on Italcementi S.p.A. securities by parties classified as 'Relevant persons" in both companies are considered to be made also pursuant to the Code of Conduct of Italmobiliare S.p.A., should the disclosure requirements be fulfilled by the subsidiary, which will arrange to inform the market also on behalf of the parent company.

The 'Internal Dealing Code' also establishes that the '*Relevant persons*' may not perform transactions on securities that are subject to disclosure to the company:

- on listed financial instruments issued by Italmobiliare S.p.A.:
  - during the 30 calendar days before the Italmobiliare S.p.A. Board of Directors meets to approve the separate full-year and half-year reports, including the day on which the meeting is held;
  - during the 15 calendar days before the Italmobiliare S.p.A. Board of Directors meets to approve the quarterly reports, including the day on which the meeting is held;
- on financial instruments issued by the listed subsidiary Italcementi S.p.A.:
  - during the 30 calendar days before the Italcementi S.p.A. Board of Directors meets to approve the separate full-year and half-year reports, including the day on which the meeting is held;
  - during the 15 calendar days before the Italcementi S.p.A. Board of Directors meets to approve the quarterly reports, including the day on which the meeting is held.

Procedural Code for transactions with related parties

The "Procedural Code for transactions with related parties", adopted initially with the Board of Directors' resolution of March 24, 2003, and subsequently amended on a number of occasions, supplements the provisions already contained in the company's Code of Conduct, and aims to provide disclosure guidelines for all interested parties in their position as related parties when undertaking transactions with Italmobiliare S.p.A.

The "Procedural Code for transactions with related parties" requires the Board of Directors to review and give prior approval to transactions:

- of significant strategic, business, equity or financial interest to the company, arranged with a related party by the company or by company subsidiaries;
- other transactions with/among related parties.

The 'Procedural Code' classifies these transactions into three separate categories depending on their size and the parties involved.

The first category is "Significant transactions", i.e., larger transactions with the greatest impact on the company's balance sheet and income statement, which Consob requires must be disclosed to the market. Such transactions require prior approval by the Board of Directors, after consultation with the Internal Control Committee and/or with the assistance of independent experts to value assets and provide financial or technical assistance.

The second category relates to "Intragroup transactions", i.e., transactions with/among Italmobiliare S.p.A. subsidiaries. The third category is "Transactions with other related parties" (e.g., directors, statutory auditors, members of their families, etc.).

In the second and third categories, a distinction is made between ordinary transactions and atypical, unusual or non-standard transactions.

The prior authorization of the Board of Directors after consultation with the Internal Control Committee is required for transactions that exceed the established ceilings. It is not needed for the other transactions, but the Board must be informed. No special procedures are established for the smallest transactions and those performed as part of the core business of Italmobiliare S.p.A.

Under the latest amendments introduced by the Board of Directors, the "Procedural Code for transactions with related parties" requires the Internal Control Committee to conduct regular checks on the adequacy of the procedure for transactions with related parties adopted by the Board of Directors and to recommend any updates deemed necessary.

Furthermore, the Board of Directors may propose updates to the "Procedural Code for transactions with related parties" if changes in laws or in the company's organization or business operations make such amendments necessary; such updates may be adopted only after consultation with the Internal Control Committee.

The “Procedural Code for transactions with related parties” also establishes that the company must be put in a position, through disclosures by the parties concerned, to identify transactions with related parties in order to comply with obligations.

In compliance with the Consob Issuers Regulation for correct identification of the notion of «related parties», reference must be made to IAS 24.

The Consob resolution of April 6, 2001, recommends that the Boards of Statutory Auditors of listed companies prepare summaries of the inspections performed during the year. This information should include details of any transactions with related parties. Accordingly, at their meeting of March 27, 2002, the directors undertook to inform the statutory auditors of their positions as related parties in transactions with the company.

Organization, management & control model

In order to raise the effectiveness of the control system and corporate governance with a view to prevention of offenses against the company and against government agencies, during 2004 the Board of Directors adopted an “Organization, management and control model” (the «Model»), pursuant to Legislative Decree 231/01.

In adopting the «Model», the company intends to foster and establish a corporate culture geared to legality, with express censure of all conduct that violates the law and the regulations of the «Model» itself.

In 2006, the provisions of the «Model» were extended to cover the offenses envisaged under the new law regulating market abuse and failure by directors to disclose conflicts of interest.

Responsibility for enforcing the «Model», ensuring that it functions correctly and proposing amendments is assigned to an independent professional body known as the Compliance Committee.

The current members of the Compliance Committee are an independent director, an external professional consultant and the head of Internal Auditing.

Equity investments of Directors, Statutory Auditors and Chief operating Officers

Full name	Company in which shares held	Number of shares held at the end of the previous financial year	Number of shares purchased	Number of shares sold	Number of shares held at the end of the current year
Giampiero Pesenti	Italmobiliare S.p.A.	ordinary shares: 24,700 [1]	ordinary shares: -	ordinary shares: -	ordinary shares: 24,700 [1]
		savings shares: 119	savings shares: -	savings shares: -	savings shares: 119
	Italcementi S.p.A.	ordinary shares: 10,972 [2]	ordinary shares: 100,000	ordinary shares: 100,000	ordinary shares: 10,972 [2]
		savings shares: 10,608 [2]	savings shares: -	savings shares: -	savings shares: 10,608 [2]
Carlo Pesenti	Italcementi S.p.A.	ordinary shares: 1,500 [2]	ordinary shares: 43,100	ordinary shares: 43,100	ordinary shares: 1,500 [2]
		savings shares: 3,000 [2]	savings shares: -	savings shares: -	savings shares: 3,000 [2]
	Ciments Français S.A.	ordinary shares: 50	ordinary shares: -	ordinary shares: -	ordinary shares: 50
Pier Giorgio Barlassina	Italmobiliare S.p.A.	ordinary shares: 1,500	ordinary shares: -	ordinary shares: -	ordinary shares: 1,500
	Italcementi S.p.A.	ordinary shares: 11,000	ordinary shares: -	ordinary shares: 11,000	ordinary shares: -
Giorgio Perolari	Italmobiliare S.p.A.	ordinary shares: 16,735	ordinary shares: -	ordinary shares: -	ordinary shares: 16,735
		savings shares: 8,800 [1]	savings shares: -	savings shares: -	savings shares: 8,800 [1]
	Italcementi S.p.A.	ordinary shares: 20,280	ordinary shares: -	ordinary shares: -	ordinary shares: 20,280
		savings shares: 130,000 [2]	savings shares: -	savings shares: -	savings shares: 130,000 [2]
Livio Strazzera	Italmobiliare S.p.A.	ordinary shares: 100	ordinary shares: -	ordinary shares: -	ordinary shares: 100
Luigi Guatri	Italmobiliare S.p.A.	ordinary shares: 1,000	ordinary shares: -	ordinary shares: 1,000	ordinary shares: -
		savings shares: 1,000	savings shares: -	savings shares: 1,000	savings shares: -
	Italcementi S.p.A.	savings shares: 10,000	savings shares: -	savings shares: -	savings shares: 10,000
Claudio De Re	Italmobiliare S.p.A.	ordinary shares: 316	ordinary shares: -	ordinary shares: -	ordinary shares: 316
		savings shares: 1,000	savings shares: -	savings shares: -	savings shares: 1,000
	Italcementi S.p.A.	ordinary shares: 2,600	ordinary shares: -	ordinary shares: -	ordinary shares: 2,600
		savings shares: 6,000	savings shares: -	savings shares: -	savings shares: 6,000

[1] shares held in part directly and in part by spouse
[2] shares held by spouse

Stock option plans

Stock option plan for directors

Executing the Shareholders' resolution of May 3, 2002, at a meeting of May 14, 2002, the Board of Directors approved a stock option plan for directors who hold special positions in compliance with the articles of association or perform specific operating functions. The related regulations have subsequently undergone minor amendments.

In relation to this Stock option plan, based on the results of financial year 2005, in 2006 55,000 options were granted to the Chief Executive Officer. These options may be exercised as from January 1, 2009.

Overall at December 31, 2006, 155,000 options had been granted.

The main characteristics of the plan are set out below:

a) Reasons for the introduction of the plan

The plan reflects the desire to tie overall remuneration of the plan recipients to the medium/long-term success of the company and to creation of shareholder value, and also to reward achievement, by creating conditions that maximize the involvement of all senior management in reaching the company's goals.

b) Plan recipients

The recipients are a number of members of the Board of Directors of Italmobiliare S.p.A. and its subsidiaries who hold special positions in compliance with the articles of association or perform specific operating functions.

c) Quantity of options to be assigned

The quantity of options to be assigned to each recipient will be determined by the Board of Directors of Italmobiliare S.p.A. on a proposal of the Remuneration Committee, in compliance with regulations governing conflicts of interest.

If exercised, the options entitle the holder to subscribe or purchase shares at a rate of 1:1.

d) Term and objectives

The plan envisages annual assignment cycles; the options may be exercised in the period between the fourth and tenth year after assignment.

If a director's position lapses because his term of office has not been renewed, options may be exercised immediately, provided that this is within the maximum term of 10 years from assignment.

Assignment of options shall be tied to the results achieved in respect of the targets set by the Board of Directors. These targets shall be notified to the recipients.

e) Procedures and conditions of the plan

Option rights may be exercised provided that the director has duly completed the term of office during which the options were assigned without resigning early and without his position being revoked by the Shareholders' Meeting.

Options are nominative, personal and non-transferable, except as provided in the case of death.

The total number of Italmobiliare shares servicing the plan has been set at 350,000.

f) Share capital increase; sale of shares

In the case of options for the subscription of shares, by virtue of the powers conferred by the Shareholders' Meeting, the Board of Directors shall increase paid-in share capital by issuing shares to be reserved, pursuant to art. 2441, par 5, of the Italian Civil Code, for members of the Board of Directors of Italmobiliare S.p.A. and/or its subsidiary companies and to be issued at a price equivalent to the mean share price in the period between the date of the rights offer and the same day in the previous calendar month. For this purpose the Independent Auditors have expressed a favorable opinion on the congruity of the new-share issue price, as required by art. 158 of Legislative Decree no. 58/98.

Similarly, in the case of options for the purchase of shares, by virtue of its authorization by the Shareholders' Meeting to purchase and dispose of treasury shares, the Board of Directors shall sell Italmobiliare shares at a price equivalent to the mean share price in the period between the date of the rights offer and the same day in the previous calendar month.

g) Characteristics of shares

The shares held by plan participants following exercise of options shall have regular dividend entitlement rights and may be sold on the market as from the beginning of the fifth year after assignment of the options.

Italmobiliare S.p.A. shall have right of first refusal on shares put up for sale.

In the event of a merger/demerger, granted options shall give the holder the right to subscribe or purchase Italmobiliare shares proportionately to the swap rate; in the event that Italmobiliare S.p.A. is cancelled from the stock exchange list, the term for option exercise shall be brought forward as appropriate and shares may be put up for sale immediately.

h) Other powers attributed to the Board of Directors

The Board of Directors may temporarily suspend exercise of option rights in specific cases envisaged by the Regulation and in the event of specific requirements; it may also modify certain conditions of the plan to ensure that treatment of recipients is equivalent to the treatment offered in the first instance.

Stock option plan for managers

By a resolution of the Board of Directors of March 27, 2001, the company approved a stock option plan for managers (the regulations for which have since undergone minor amendments), in respect of which, based on the results reported in 2005 a total of 54,880 options were granted in 2006, of which 37,500 options were for the Chief Operating Officer. These options may be exercised as from January 1, 2009.

The total number of options granted to Group managers as at December 31, 2006, was 208,680, of which 126,000 to the Chief Operating Officer.

The main characteristics of the plan are set out below:

a) Reasons for the introduction of the plan

The plan reflects the desire to tie overall remuneration of the plan recipients to the medium/long-term success of the company and to creation of shareholder value, and also to enhance managers' sense of belonging and give them an incentive to remain with the company.

b) Plan recipients

The plan recipients are some members of the management of Italmobiliare S.p.A. and some of its subsidiaries, on the payroll at the scheduled grant dates, who shall be designated by the Italmobiliare S.p.A. Chief Executive Officer, in accordance with the criteria established by the Remuneration Committee, in connection with the essential nature of their positions and their organizational level.

c) Quantity of options to be assigned

The quantity of options to be assigned to each recipient will be determined by virtue of the organizational level of the individual and the performance of the company and of the individual.

If exercised, the options give the recipient the right to subscribe or purchase shares at a rate of 1:1.

As a general rule, options that have not been exercised if the contract of employment with the Group is terminated shall not be recognized, except in the case of retirement.

In the event of the death of the option holder, the options may be exercised by entitled parties within six months of the date of the death, provided that the term falls within the period in which the options may be exercised.

d) Term and objectives

The plan envisages annual assignment cycles; the options may be exercised in the period between the fourth and tenth year after assignment.

Assignment of the options is subject to the results achieved in respect of individually notified objectives.

e) Procedures and conditions of the plan

Options are nominative, personal and non-transferable, except as provided in the case of death.

The total number of Italmobiliare shares servicing the plan has been set at 350,000 shares.

f) Loans or contributions for subscription or purchase of shares

The management company may indicate to interested parties the names of banks that may be willing to grant loans guaranteed by the shares, to facilitate their subscription or purchase.

g) Share capital increase; sale of shares

In the case of options for the subscription of shares, by virtue of the powers conferred by the Shareholders' Meeting, the Board of Directors shall increase share capital for an amount equivalent to the options to be granted, by issuing shares to be reserved, pursuant to art. 2441, par 8, of the Italian Civil Code, for members of the managerial staff of Italmobiliare S.p.A. and its subsidiaries and to be issued at a price equivalent to the mean share price in the period between the date of the rights offer and the same day in the previous calendar month.

Similarly, in the case of options for the purchase of shares, by virtue of its authorization by the Shareholders' Meeting to purchase and dispose of treasury shares, the Board of Directors shall sell Italmobiliare shares at a price established by the Board of Directors at the time of the offer, on a proposal by the Chief Executive Officer and based on the opinion of the Remuneration Committee.

h) Characteristics of shares

The shares held by plan participants following exercise of options shall have regular dividend entitlement rights and shall be sellable on the market as from the beginning of the fifth year after assignment of the options. Italmobiliare S.p.A. shall have right of first refusal on shares put up for sale. In the event of a merger/demerger, granted options shall give the holder the right to subscribe or purchase Italmobiliare shares proportionately to the swap rate; in the event that Italmobiliare S.p.A. is cancelled from the stock exchange list, the term for option exercise shall be brought forward as appropriate and shares may be put up for sale immediately.

i) Other powers attributed to the Board of Directors

The Board of Directors may temporarily suspend exercise of option rights in specific cases envisaged by the Regulation and in respect of specific requirements; it may also modify certain conditions of the plan to ensure that treatment of recipients is equivalent to the treatment offered in the first instance.

Resolutions

Distribution of net profit

The net profit for the year of 161,648,417.00 euro allows us to propose, taking into account the 880,818 ordinary treasury shares and 28,500 savings treasury shares whose right to profit sharing is attributed proportionately to the other shares pursuant to art. 2357 ter of the Italian Civil Code, the payment of a dividend, before withholdings, of 1.450 euro to each ordinary share and 1.528 euro to each savings share.

* * *

To the Shareholders,

if you agree with our proposals, we invite you to adopt the following resolution:

"The Shareholders' Meeting of Italmobiliare S.p.A. held on April 27, 2007,

- having noted the Board of Directors' report on operations and the report of the Board of Statutory Auditors upon examination of the financial statements as at and for the year to December 31, 2006,
- considering that the legal reserve, pursuant to articles 2430 of the Italian Civil Code and 26 of the company by-laws, stands at one fifth of the share capital and therefore requires no further additions,
- considering that the profit for financial year 2006, in compliance with the international accounting standards (IAS 19), already includes the share of the profit attributable to the members of the Board of Directors, pursuant to art. 26 of the company By-laws,
- taking into account the amount of 16,009,146.55 euro corresponding to the movements in shareholders' equity reflected in the Balance Sheet included in the 2006 financial statements as a result of first-time adoption of the new international financial reporting and accounting standards (IFRS - IAS) and recognized under shareholders' equity at December 31, 2006, under "Retained earnings",
- also considering the 880,818 ordinary treasury shares and 28,500 savings treasury shares whose right to profit sharing is attributed proportionately to the other shares pursuant to art. 2357 ter of the Italian Civil Code

resolves

- to approve:
  - the Board of Directors' report on operations;
  - the financial statements for financial year 2006, consisting of the balance sheet, the income statement and the notes, which reflect a net profit of 161,648,417.00 euro as presented by the Board of Directors in its entirety, in the individual accounting entries and with the proposed allocations;
- to allocate to a specific "Reserve ex art. 7 Legislative Decree 38/2005" an amount of 16,009,146.55 euro corresponding to the movements in Shareholders' Equity reflected in the Balance Sheet included in the 2006 financial statements as a result of first-time adoption of the new international financial reporting and accounting standards (IFRS - IAS) and recognized under Shareholders' Equity at December 31, 2006, under "Retained earnings";

- to distribute the net profit for the year as follows:

Net profit		161,648,417.00
- 5% of the nominal value of 2.6 euro to the 16,314,662 savings shares (2) 0.13 euro per share	2,120,906.06	2,120,906.06
Remainder		159,527,510.94
- compensation of the Board of Directors already provided in the financial statements (IAS 19)		1,595,275.11
- 1% to the Board of Directors (pursuant to art. 26 of the company By-laws)		(1,595,275.11)
Remainder		159,527,510.94
To the Translation reserve		(295.86)
Retained earnings		99,518,017.64
Available earnings		**259,045,232.72**
- to the 21,301,765 ordinary shares (1) 1.450 euro per share	30,894,809.25	
- to the 16,314,662 savings shares (2) an additional 1.398 euro per share	22,807,897.48	53,702,706.73
Total dividend	**55,823,612.79**	
Remainder		**205,342,525.99**
To the extraordinary reserve		99,000,745.89
Retained earnings		**106,341,780.10**

(1) net of the 880,818 ordinary treasury shares held at April 27, 2007
(2) net of the 28,500 savings treasury shares held at April 27, 2007

- to grant the Chairman-Chief Executive Officer, the Deputy Chairman and the Chief Operating Officer, should the number of treasury shares change before the coupon detachment date, separate powers:
  - to allocate the amount corresponding to the dividend entitlement of any purchased shares to “Retained earnings”,
  - to subtract an amount corresponding to the dividend entitlement of any treasury shares that are sold, from “Retained earnings”.

* * *

Other matters to submit to the the Shareholders' Meeting approval

Renewal of authorization to purchase and dispose of treasury shares

To the Shareholders,

The Shareholders' Meeting held on April 28, 2006, renewed the company’s authorization to purchase and dispose of treasury shares, for a period of 18 months effective from the date of the resolution.

By virtue of this resolution, following the exercise of stock options by managers during the first few weeks of the current year, the company sold to the managers in question 30,313 ordinary treasury shares at the price determined as set out in the regulation at the grant date.

As a result of these sales, at March 21, 2007, the company held 880,818 ordinary treasury shares and 28,500 savings treasury shares. The aggregate amount paid by the company to purchase the treasury shares in portfolio at that date was 21,451,054.22 euro, accounted for as required by current laws.

Since the authorization expires on October 28 next, in order to allow the company to maintain its power to purchase and dispose of treasury shares, we invite you to renew the authorization in question for the next 18 months.

1) Reasons for the request for authorization to purchase and dispose of treasury shares.

The authorization is requested in order to dispose of treasury shares for sale to employees and/or directors in connection with stock option incentives and also to make efficient use of company liquidity.

2) Maximum number, category and nominal value of shares for which authorization is requested, compliance with par 3 art. 2357 Italian Civil Code.

The purchase refers to ordinary and/or savings shares of the company, whose maximum number, including treasury shares already held as of today by the company and, if any, by the subsidiaries (who will receive specific instructions regarding timely disclosure of shares held), may not have an aggregate nominal value exceeding one tenth of the entire share capital.

The consideration paid or received in connection with treasury share purchase or sale transactions will be recorded directly in shareholders' equity in accordance with International Accounting Standard "IAS 32", and such transactions will in any case be accounted for in accordance with the laws in force from time to time.

3) Term of the authorization.

The purchase authorization is requested for a period of 18 months beginning from the date on which the Shareholders' Meeting adopts the resolution in question, while the disposal authorization is requested for an unlimited period of time.

4) Minimum and maximum consideration and market values on which such considerations have been determined.

The price of each share shall not be more than 15% greater or lower than the average share price on the Italian Stock Exchange in the three sessions preceding each individual transaction.

The aggregate amount paid by the company for purchases shall in no case exceed 75 million euro.

The shares may be sold, irrespective of whether other purchases may be made, in one or more occasions (and also offered to the public or the shareholders or through placement of warrants and deposit receipts representing shares and/or similar instruments) at a price that shall not be lower than the lowest purchase price.

The price limit in question shall not be applicable in cases where shares are sold to employees of Italmobiliare S.p.A. and of its subsidiaries, parent companies and of other subsidiaries of the parent companies or to members of the Board of Directors of Italmobiliare S.p.A. and its subsidiaries who hold specific posts in compliance with the articles of association or who have specific operating duties, in connection with stock option incentives for employees and directors.

5) Method of purchase.

Purchases of treasury shares shall be effected in compliance with art. 132 of Legislative Decree 58/98 and art. 144 bis of CONSOB resolution no. 11971 of May 14, 1999, and subsequent amendments on the regulated markets in a manner that ensures equality of treatment of shareholders and does not permit the purchase offers to be directly linked with predetermined sale offers.

6) Purchase with a view to reducing share capital.

An hypothesis of this type is not envisaged at the present time.

* * *

if you agree with our proposal, we invite you to carry the following resolution:

«The Italmobiliare S.p.A. Shareholders' Meeting held on April 27, 2007,

- having noted the proposal of the Directors
- being cognizant of the dispositions of arts. 2357 and 2357 ter of the Italian Civil Code

resolves

1) to revoke, for the unexecuted part, the resolution authorizing the purchase and disposal of treasury shares adopted by the ordinary Shareholders' Meeting held on April 28, 2006;
2) to authorize, pursuant to art. 2357 of the Italian Civil Code, the purchase of ordinary and/or savings treasury shares, for the quantity, at the price, on the terms and in the manner indicated herein below:
   - the purchase may be made in one or more occasions within 18 months from the date of this resolution;
   - the purchase price of each share shall not be more than 15% greater or lower than the average share price on the Italian Stock Exchange in the three sessions preceding each individual transaction;
   - the aggregate payment shall in no case exceed 75 million euro;
   - the maximum number of purchased ordinary and/or savings shares shall not have an aggregate nominal value, including treasury shares already held as of today by the company and by the subsidiaries, exceeding one tenth of the share capital;
3) to establish that the purchases are made, pursuant to CONSOB resolution no. 11971 of May 14, 1999, and subsequent amendments, art. 144 bis, lett. b), on regulated markets in the manner established in the regulations for the organization and management of the markets which do not allow the direct combination of purchase offers with predetermined sale offers;
4) to authorize, pursuant to art. 2357 ter, par 1 of the Italian Civil Code, the Chairman, the Deputy Chairman, the Chief Executive Officer, the Chief Operating Officer pro tempore, separately, to dispose of purchased treasury shares, irrespective of whether other purchases may be made, with no time limits; the sale may take place in one or more occasions also through offers to the public or to the shareholders or through placement of warrants and of deposit receipts representing shares and/or similar instruments. The sale price shall not be lower than the lowest purchase price.

   The price limit in question shall not, however, be applicable in cases where shares are sold to employees of Italmobiliare S.p.A. and of its subsidiaries, parent companies and of other subsidiaries of the parent companies or to members of the Board of Directors of Italmobiliare S.p.A. and its subsidiaries who hold specific posts in compliance with the articles of association or who have specific operating duties, in connection with stock option incentives for employees and directors;
5) to establish that the consideration paid or received in connection with treasury share purchase or sale transactions be recorded directly in shareholders' equity in accordance with International Accounting Standard "IAS 32" and that such transactions will in any case be accounted for in accordance with the laws in force from time to time;

6) to grant to the Chairman, the Deputy Chairman, the Chief Executive Officer and the Chief Operating Officer pro tempore, separately, all powers needed to make purchases and sales and in any case to execute the above resolutions, also through proxies, in compliance with any requirements that may be made by the authorities.»

Extension of the engagement for the audit of the separate financial statements and the consolidated financial statements for financial years 2007-2008-2009 and for the limited review of the half-year reports at June 30, 2007-2008-2009

To the Shareholders,

the issue of the report on the 2006 separate financial statements concludes the second term of the engagement conferred, pursuant to art. 159, par 4 of Legislative Decree 58/98, on Reconta Ernst & Young on May 18, 2004, for the audit of the separate financial statements and the consolidated financial statements and for the limited review of the half-year reports.

With the entry into force of the «Corrective Decree» (Legislative Decree no. 303 of December 29, 2006: "Coordination with law no. 262 of December 28, 2005, of the consolidated banking and credit act"), the term of the engagement of independent auditors has been set at nine years (art. 159 of Legislative Decree no. 58 of February 24, 1998, as amended by the above-mentioned «Corrective Decree»).

The transitional dispositions establish that "Engagements underway at the date on which this legislative decree comes into force, whose total duration, including renewals or extensions, is less than nine financial years may, by the date of the first Shareholders' Meeting called to approve the financial statements, be extended so as to adjust the duration consistently with the limit set by art. 159, par 4 of Legislative Decree no. 58 of February 24, 1998, as amended by this legislative decree".

The above-mentioned legislative decree also amends art. 159 of the Consolidated Finance Act, establishing that in response to a motivated proposal presented by the governing body the Shareholders' Meeting confer the engagement for the audit of the financial statements, assigning the Board of Statutory Auditors to draw up a proposal for the appointment of the independent auditors.

We therefore invite you to adopt the appropriate resolutions on the basis of the proposals submitted in its report by the Board of Statutory Auditors.

Resolutions regarding remuneration of committees and bodies formed with reference to the Corporate governance structure.

To the Shareholders,

the Shareholders' Meeting held on May 18, 2004, established, with effect from January 1, 2004, and until adoption of a new resolution, the gross annual remuneration of € 12,000 for the Remuneration Committee, € 45,000 for the Internal Control Committee and € 25,000 for each member of the Compliance Committee who is also a member of the Board of Directors and that all decisions regarding the amount of compensation of the members of the Compliance Committee who are not members of the Board of Directors should be taken by the relevant corporate bodies.

The Shareholders' Meeting is asked to review the considerations indicated above, taking account of the new competences attributed to the two Committees formed within the Board of Directors as a result of the amendments introduced in the company Voluntary Code of Conduct and the new duties assigned to the Compliance Committee as a result of the extension of the "Organization, Management & Control Model" to the offences contemplated by Market Abuse laws.

Milan, March 21, 2007

The Board of Directors

2006 financial statements

Financial statements

Balance sheet

(in euro)	Note	12.31.2006	12.31.2005	Change
Non-current assets				
Property, plant and equipment	1	3,763,429	3,766,767	(3,338)
Investment property	2	293,835	447,729	(153,894)
Intangible assets	3	4,510	10,520	(6,010)
Investments in subsidiaries and associates	4	1,142,178,736	1,040,093,864	102,084,872
Other equity investments	5	671,325,718	905,462,289	(234,136,571)
Non-current receivables and other non-current assets	6	263,866,239	24,574,261	239,291,978
Total non-current assets		2,081,432,467	1,974,355,430	107,077,037
Current assets				
Trade receivables	7	1,861,432	1,341,408	520,024
Other current assets	8	11,123,388	1,337,648	9,785,740
Income tax assets	9	19,430,058	41,006,607	(21,576,549)
Equity investments and financial receivables	10	43,580,603	35,123,718	8,456,885
Cash and cash equivalents	11	38,787,522	30,241,377	8,546,145
Total current assets		114,783,003	109,050,758	5,732,245
Total assets		2,196,215,470	2,083,406,188	112,809,282
Shareholders' equity				
Share capital	12	100,166,937	100,166,937	-
Reserves	13	710,251,943	723,495,933	(13,243,990)
Treasury shares, at cost	14	(22,175,652)	(22,175,652)	-
Retained earnings		857,622,977	744,977,567	112,645,410
Total shareholders' equity		1,645,866,205	1,546,464,785	99,401,420
Non-current liabilities				
Interest-bearing loans and long-term borrowings	16	389,300,005	316,018,150	73,281,855
Employee benefit liabilities	15	1,032,286	1,367,003	(334,717)
Provisions-non-current	17	27,466,742	25,713,770	1,752,972
Other non-current liabilities		30,945	23,752	7,193
Deferred tax liabilities	18	9,934,059	17,316,774	(7,382,715)
Total non-current liabilities		427,764,037	360,439,449	67,324,588
Current liabiliteis				
Bank overdrafts and short-term borrowings	16	77,607,737	148,779,514	(71,171,777)
Interest-bearing loans and short-term borrowings	16	6,876,046	5,698,686	1,177,360
Trade payables	19	2,727,593	1,760,245	967,348
Income tax liabilities	20	25,346,931	1,164,426	24,182,505
Other current liabilities	21	10,026,921	19,099,083	(9,072,162)
Total current liabilities		122,585,228	176,501,954	(53,916,726)
Total liabilities		550,349,265	536,941,403	13,407,862
Total shareholders' equity and liabilities		**2,196,215,470**	**2,083,406,188**	**112,809,282**

(*) pursuant to Consob Resolution no. 15519 of July 27, 2006, the effects of dealings with related parties on the Balance Sheet, the Income Statement and the Cash Flow Statement are illustrated in the relevant annexes

Income statement

(in euro)	Note	2006	%	2005	%	Change	%
Revenues	22	210,902,211	100.0	80,209,010	100.0	130,693,201	162.9
Other revenues	23	1,188,734		1,109,825		78,909	
Goods and utilities expenses	24	(130,589)		(141,695)		11,106	
Services expenses	25	(5,713,964)		(5,199,865)		(514,099)	
Employee expenses	26	(12,488,062)		(9,534,715)		(2,953,347)	
Other operating income/(expense)	27	(32,590,429)		(11,778,438)		(20,811,991)	
Gross operating profit - recurring		161,167,901	76.4	54,664,122	68.2	106,503,779	194.8
Net capital gains on sale of fixed assets	28	158,949		53,245		105,704	
Other non-recurring income/(expense)	28	2,999,922		(545,162)		3,545,084	
Gross operating profit		164,326,772	77.9	54,172,205	67.5	110,154,567	203.3
Amortization and depreciation	29	(66,547)		(55,437)		(11,110)	
Operating profit		164,260,225	77.9	54,116,768	67.5	110,143,457	203.5
Finance income/(costs)	30	(120,309)		(106,871)		(13,438)	
Profit before tax		164,139,916	77.8	54,009,897	67.3	110,130,019	203.9
Income tax expense	31	(2,491,499)		4,507,005		(6,998,504)	
Income/(expense) from discontinued operations						-	
Net profit for the period		**161,648,417**	**76.6**	**58,516,902**	**73.0**	**103,131,515**	**176.2**

Statement of movements in shareholders' equity

(in euro)	Share capital	Reserves: Share premium reserve	Reserves: Fair value reserve for available-for-sale financial assets	Reserves: Other reserves	Reserves: Total reserves	Treasury shares	Retained earnings	Total shareholder's equity
Balances at January 1, 2005	100,166,937	177,191,252	373,472,116	390,942	551,054,310	(21,192,005)	729,087,465	1,359,116,707
Change in fair value on:								
Available-for-sale financial assets			171,738,117		171,738,117			171,738,117
Stock options				703,506	703,506			703,506
Total gains/(losses) recognized directly in equity			171,738,117	703,506	172,441,623			172,441,623
Net profit for the period							58,516,902	58,516,902
Total income/(expense) for the period and movements in reserves			171,738,117	703,506	172,441,623		58,516,902	230,958,525
Distribution of profits:								
Dividends							(42,629,908)	(42,629,908)
Treasury share buyback						(983,647)		(983,647)
Prescribed dividends							3,108	3,108
Balances at December 31, 2005	100,166,937	177,191,252	545,210,233	1,094,448	723,495,933	(22,175,652)	744,977,567	1,546,464,785
Change in fair value on:								
Available-for-sale financial assets			(14,604,286)		(14,604,286)			(14,604,286)
Stock options				1,360,296	1,360,296			1,360,296
Total gains/(losses) recognized directly in equity			(14,604,286)	1,360,296	(13,243,990)			(13,243,990)
Net profit for the period							161,648,417	161,648,417
Total income/(expense) for the period and movements in reserves			(14,604,286)	1,360,296	(13,243,990)		161,648,417	148,404,427
Distribution of profits:								
Dividends							(49,006,908)	(49,006,908)
Share capital increases								
Exercise of options								
Treasury share buyback								
Prescribed dividends and other changes							3,901	3,901
Balances at December 31, 2006	**100,166,937**	**177,191,252**	**530,605,947**	**2,454,744**	**710,251,943**	**(22,175,652)**	**857,622,977**	**1,645,866.205**

Cash flow statement

(in thousands of euro)	2006	2005
A) Cash flow from operating activities:		
Profit before tax	164,140	54,010
Amortization, depreciation and impairment	67	55
Capital (gains)/losses on securities and equity investments	(104,770)	(53)
Change in employee benefit liabilities and other provisions	1,418	559
Stock options	1,360	704
Reversal net finance costs/income	(71,492)	(58,987)
Cash flow from operating activities before tax, finance income/costs and change in working capital:	(9,277)	(3,712)
Trade receivables	(520)	(214)
Trade payables	967	(1,068)
Other receivables/payables accruals and deferrals	(215,983)	2,576
Total change in working capital	(215,536)	1,294
Net finance costs paid	(10,453)	(8,906)
Dividends received	82,634	67,882
Taxes paid	(10,844)	
Total A)	**(163,476)**	**56,558**
B) Cash flow from investing activities:		
Investments in fixed assets:		
Property, plant and equipment and investment property	(74)	(131)
Intangible assets	(5)	
Financial assets (equity investments)	(139,546)	(58,400)
Change in payables for equity investment acquisitions		150
Total investments	**(139,620)**	**(58,386)**
Proceeds from divestments of fixed assets	363,008	3,341
Total divestments	**363,008**	**3,341**
Total B)	**223,388**	**(55,045)**
C) Cash flow from financing activities:		
Change in loans and borrowings	1,487	68,492
Change in financial receivables	2,784	3,428
Change in current equity investments	(6,629)	180
Treasury share purchases		(984)
Share capital increases		
Dividends paid	(49,007)	(42,630)
Other movements		
Total C)	**(51,365)**	**28,486**
D) Change in cash and cash equivalents (A+B+C)	**8,547**	**29,999**
E) Opening cash and cash equivalents	**30,241**	**242**
(D+E) Closing cash and cash equivalents	**38,788**	**30,241**

Non-recurring transactions

The tables below itemize non-recurring transactions and their impact on equity, the financial position and net profit:

	2006					
	Shareholders' equity		Net profit for the year		Net financial position	
(In thousands of euro)	amount	%	amount	%	amount	%
Book values	1,645,866		161,648		(387,078)	
Net capital gains on sale of fixed assets	159	0.01	159	0.10	330	-0.09
Non-recurring employee expenses for reorganizations						
Other non-recurring income/(expense)	3,000	0.18	3,000	1.86	4,798	-1.24
Tax on non-recurring transactions	(1,490)	-0.09	(1,490)	-0.92		
Non-recurring taxes						
Total	**1,669**	**0.10**	**1,669**	**1.03**	**5,128**	**-1.32**
Figurative value without non-recurring transactions	1,644,197		159,979		(392,206)	

	2005					
	Shareholders' equity		Net profit for the year		Net financial position	
(In thousands of euro)	amount	%	amount	%	amount	%
Book values	1,546,465		58,517		(398,566)	
Net capital gains on sale of fixed assets	53		53	0.09	137	-0.03
Non-recurring employee expenses for reorganizations						
Other non-recurring income/(expense)	(545)	-0.04	(545)	-0.93	(103)	0.03
Tax on non-recurring transactions	(75)		(75)	-0.13		
Non-recurring taxes						
Total	**(567)**	**-0.04**	**(567)**	**-0.97**	**34**	**-0.01**
Figurative value without non-recurring transactions	1,547,032		59,084		(398,600)	

Dealings with related parties

The tables below itemize dealings with related parties and their impact on the company's equity, financial position and net profit:

Receivables and payables vs related parties

(in euro) Description	Company	Amount	% impact on book values	Book values	Reference
Non-current receivables	Franco Tosi S.r.l.	235,000,000			
subsidiaries	S.r.l. Nuove Costruzioni Edilizie Sance	20,000,000			
Non-current receivables	Gesvim S.r.l.	5,851,663			
associates					
Total non-current receivables and other non-current assets		**260,851,663**	**98.86%**	**263,866,239**	**Note 6**
Trade receivables	Azienda Vendita Acquisti A.V.A. S.r.l.	12,687			
subsidiaries	Franco Tosi S.r.l.	57,403			
	Italcementi S.p.A.	1,384,313			
	Italmobiliare Servizi S.r.l.	31,562			
	Populonia Italica S.r.l.	12,165			
	Punta Ala Promoz. e Sviluppo Imm.re S.r.l.	30,262			
	Sirap-Gema S.p.A.	156,191			
	S.r.l. Nuove Costruzioni Edilizie Sance	32,211			
Trade receivables	Gesvim S.r.l.	26,200			
associates	G.I.S.T. S.r.l.	34,419			
	Immobiliare Golf Punta Ala S.p.A.	70,527			
Total trade receivables		**1,847,940**	**99.28%**	**1,861,432**	**Note 7**
Receivables for tax consolidation	Axim Italia S.p.A.	167,114			
subsidiaries	Bravosolution S.p.A.	621,663			
	Franco Tosi S.r.l.	340,190			
	Imes S.r.l	1,315			
	Immobiliare Salesiane S.r.l.	8,915			
	Italcementi S.p.A.	4,978,657			
	Italgen S.p.A.	3,021,418			
	Italmobiliare Servizi S.r.l.	28,442			
	Populonia Italica S.r.l.	15,721			
	Sama S.p.A.	68,788			
	S.r.l. Nuove Costruzioni Edilizie Sance	144,172			
Accrued income	Italcementi S.p.A.	5,442			
subsidiaries	Italmobiliare Servizi S.r.l.	9,220			
Total other current assets		**9,411,057**	**84.61%**	**11,123,388**	**Note 8**

(Receivables and payables vs related parties - continued)

(in euro) Description	Company	Amount	% impact on book values	Book values	Reference
Current a/c receivables	Sirap-Gema S.p.A.	5,538,500			
subsidiaries	S.r.l. Nuove Costruzioni Edilizie Sance	261,088			
Total financial receivables		**5,799,588**	**13.31%**	**43,580,603**	**Note 10**
Other payables	Italcementi S.p.A.	(23,864)	77.12%	(30,945)	
subsidiaries					
Total other non-current payables and non-current liabilities		**(23,864)**	**77.12%**	**(30,945)**	**-**
Current a/c payables	Azienda Vendita Acquisti A.V.A. S.r.l.	(1,559,617)			
subsidiaries	Franco Tosi S.r.l.	(899,415)			
	Italcementi S.p.A.	(33,712)			
	Italmobiliare Servizi S.r.l.	(215,603)			
	Populonia Italica S.r.l.	(696,370)			
	Punta Ala Promoz. e Sviluppo Imm.re S.r.l.	(851,339)			
Total loans and borrowings		**(4,256,056)**	**61.90%**	**(6,876,046)**	**Note 16**
Trade payables	Italcementi S.p.A.	(175,566)			
subsidiaries	Italmobiliare Servizi S.r.l.	(563,205)			
	Populonia Italica S.r.l.	(67,867)			
	Altre parti correlate	(40,080)			
Total trade payables		**(846,718)**	**31.04%**	**(2,727,593)**	**Note 19**
Payables for tax consolidation	Cementificio Montalto S.p.A.	(1,518,030)			
subsidiaries	Gruppo Italsfusi S.r.l.	(83,500)			
	Intercom S.r.l.	(923,227)			
	Intertrading S.r.l.	(211,878)			
	Nuova Sacelit S.r.l.	(69,498)			
	Silos Granari della Sicilia S.r.l.	(11,897)			
	Sirap-Gema S.p.A.	(449,384)			
	Sirap-Gema Insulation Systems S.r.l.	(154,291)			
Total other current liabilities		**(3,421,705)**	**34.13%**	**(10,026,921)**	**Note 21**

Commitments with related parties

Description	Company	Amount
Guarantees given to	Neyrtec Industrie S.A.	967,104
subsidiaries		
Total commitments		**967,104**

Revenues and expense vs related parties

(in euro) Description	Company	Amount	% impact on book values	Book values	Reference
Dividends	Franco Tosi S.r.l.	1,500,000			
subsidiaries	Italcementi S.p.A.	34,331,220			
	Italmobiliare Servizi S.r.l.	50,000			
	Punta Ala Promoz. e Sviluppo Imm.re S.r.l.	1,492,200			
	Sirap-Gema S.p.A.	5,178,841			
	S.r.l. Nuove Costruzioni Edilizie Sance	1,000,000			
Dividends	Mittel S.p.A.	1,022,731			
associates	Società Editrice Siciliana S.p.A.	1,062,963			
Total dividends		45,637,955	55.23%	82,633,582	Note 22
Financial and current a/c interest income and other income	Franco Tosi S.r.l.	99,117			
subsidiaries	Italcementi S.p.A.	433			
	Italmobiliare Servizi S.r.l.	27			
	Populonia Italica S.r.l.	2,117			
	S.r.l. Nuove Costruzioni Edilizie Sance	8,227			
	Sirap-Gema S.p.A.	179,439			
Total interest income		289,360	8.51%	3,399,630	Note 22
Capital gains on equity investments	Franco Tosi S.r.l.	109,811,516			
subsidiaries					
Total capital gains on equity investments and securities		109,811,516	90,89%	120,812,813	Note 22
Recovery cost of services	Azienda Vendita Acquisti A.V.A. S.r.l.	21,016			
subsidiaries	Ciments Francais S.A.	26,000			
	Fincomind A.G.	3,762			
	Finter Bank Zuerich	23,340			
	Franco Tosi S.r.l.	87,998			
	Italcementi S.p.A.	2,531,820			
	Italmobiliare Servizi S.r.l.	55,035			
	Populonia Italica S.r.l.	23,059			
	Punta Ala Promoz. e Sviluppo Imm.re S.r.l.	49,795			
	Sirap-Gema S.p.A.	327,054			
	Sirap-Gema Insulation Systems S.r.l.	35,000			
	S.r.l. Nuove Costruzioni Edilizie Sance	50,274			
Recovery cost of services	G.I.S.T. S.r.l.	13,165			
associates	Gesvim S.r.l.	14,041			
	Immobiliare Golf Punta Ala S.p.A.	19,896			
	Società Editrice Siciliana S.p.A.	34,130			
Total services		3,315,385	81.74%	4,056,186	Note 22
Total revenues		**159,054,216**	**75.42%**	**210,902,211**	**Note 22**

(Revenues and expense vs related parties - continued)

(in euro) Description	Company	Amount	% impact on book values	Book values	Reference
Other revenues	Franco Tosi S.r.l.	250			
subsidiaries	G.I.S.T. S.r.l.	11,039			
	Italcementi S.p.A.	859,659			
	Italmobiliare Servizi S.r.l.	62,837			
	Punta Ala Promoz. e Sviluppo Imm.re S.r.l.	5,945			
	S.r.l. Nuove Costruzioni Edilizie Sance	250			
Total other revenues		**939,980**	**79.07%**	**1,188.734**	**Note 23**
Services expenses	Italcementi S.p.A.	(457,853)			
subsidiaries	Italmobiliare Servizi S.r.l.	(1,009,602)			
	Populonia Italica S.r.l.	(67,867)			
	Altre parti correlate	(317,723)			
Total services expenses		**(1,853,045)**	**32.43%**	**(5,713,964)**	**Note 25**
Financial and current a/c interest expense	Azienda Vendita Acquisti A.V.A. S.r.l.	(52,702)			
subsidiaries	Franco Tosi S.r.l.	(52,950)			
	Italcementi S.p.A.	(8,652)			
	Italmobiliare Servizi S.r.l.	(8,946)			
	Punta Ala Promoz. e Sviluppo Imm.re S.r.l.	(38,707)			
	Populonia Italica S.r.l.	(23,425)			
	S.r.l. Nuove Costruzioni Edilizie Sance	(2,696)			
Non-recurring expense	Italcementi S.p.A.	(339,769)			
Capital losses on sale of equity investments	Franco Tosi S.r.l.	(2,742)			
Total other operating income/(expense)		**(530,589)**	**1.63%**	**(32,590,429)**	**Note 27**
Other non-recurring expense	Other related parties (endowment to Fondazione Italcementi)	(300,000)			
Total other non-recurring income/(expense)		**(300,000)**	**n.s.**	**3,158,871**	**Note 28**
Interest expense on other payables	Italcementi S.p.A.	(514)			
subsidiaries					
Total finance income/(costs)		**(514)**	**0.43%**	**(120,309)**	**Note 30**

n.s.: not significant

Impact on cash flows of dealings with related parties

	Cash flows	
(in thousands of euro)	Amount	%
Cash flow from operating activities with related parties	(189,891)	116.2%
Total A) - from 2006 cash flow statement	(163,476)	
Cash flow from investing activities with related parties	245,677	110.0%
Total B) - from 2006 cash flow statement	223,388	
Cash flow from financing activities with related parties	2,877	-5.6%
Total C) - from 2006 cash flow statement	(51,365)	
Change in cash and cash equivalents with related parties	58,663	
Change in cash and cash equivalents from cash flow statement (A+B+C)	**8,547**	

Compensation paid to directors and the chief operating officer

The table below sets out compensation paid during the financial year to the directors and the chief operating officer of Italmobiliare S.p.A. (officers with strategic responsibilities) for positions held:

(in euro)	2006	2005
Short-term benefits: compensation and remuneration	2,507,787	3,894,519
Post-employment benefits	869,763	1,089,999
Other long-term benefits	53,840	45,022
Share-based payments (stock options)	1,145,442	578,106
Total	**4,576,832**	**5,607,645**

Notes to the financial statements

The Italmobiliare S.p.A. draft financial statements as at and for the year to December 31, 2006, were approved by the Board of Directors at their meeting on March 21, 2007. The directors authorized the publication of the financial statements in a press release dated March 21, 2007, containing key data from the financial statements.
The separate financial statements are presented for the approval of the Shareholders' Meeting, which has the power to make post-publication amendments thereto.

Accounting policies

Italmobiliare S.p.A. is a corporate entity established in accordance with the laws of the Republic of Italy. Its core business is the acquisition and management of equity investments in subsidiaries, associates or other companies.
Within this context, the company may conduct financial, commercial, industrial and services transactions that it deems necessary and appropriate to achieve its corporate purposes.
The company also provides subsidiaries and associates with administrative and technical services.
As previously noted with regard to the consolidated accounting policies, Italmobiliare S.p.A. elected to apply the international financial reporting standards (IFRS) as from its quarterly consolidated report as at March 31, 2005, and on that occasion did not produce any separate interim financial statements.
With Legislative Decree no. 38 of February 28, 2005, the Italian Government adopted the requirement whereby companies whose shares trade on regulated markets are to draw up their separate financial statements in compliance with the international accounting standards as from financial year 2006.
In this report, therefore, the company sets out for the first time its financial statements drawn up in compliance with the new principles.

As required by IFRS 1 (first-time adoption of the IFRS, paragraphs 39 and 40), a separate annex sets out the reconciliation of 2005 opening and closing shareholders' equity and of net profit for 2005 and the significant adjustments to the cash flow statement.

The Italian laws that implement EEC Directive IV are also applied, where compatible, to the companies that draw up financial statements in accordance with the IFRS. Consequently the financial statements are compliant with the articles of the Italian Civil Code and the corresponding indications of the Consolidated Finance Act (TUF, testo unico finanziario) for listed companies with regard to the Directors' Report on Operations (art. 2428 Italian Civil Code) and the Publication of the Financial Statements (art. 2435 Italian Civil Code). The separate financial statements and related notes also set out the details and additional disclosures required under arts. 2424, 2425 and 2427 of the Italian Civil Code, since such requirements are not in conflict with the IFRS.

Declaration of compliance with the IFRS

These separate financial statements have been drawn up in compliance with the international financial reporting standards (IFRS) applicable at December 31, 2006, adopted by the EC Commission.
In compliance with European Regulation no. 1606 of July 19, 2002, the principles adopted do not include the standards and interpretations published by the IASB and the IFRIC through December 31, 2006, that had not been adopted by the European Union at that date.
Since December 31, 2005, a number of principles and interpretations adopted by the European Union have come into force and have been applied in the 2006 financial statements, specifically:

IFRIC 4	Determining whether an arrangement contains a lease
IFRIC 5	Rights to interests arising from decommissioning, restoration and environmental funds
IFRIC 6	Waste electrical and electronic equipment
IAS 19	Employee benefits
IAS 21	Effects of changes in foreign exchange rates
IAS 39	Financial instruments
IFRS 6	Exploration for and evaluation of mineral assets

Application of these principles and interpretations has not had material effects for the company.
During 2006 the European Union adopted additional principles and interpretations whose application will not concern the company, since early application as from January 1, 2006, has not been elected.

Specifically:

IFRS 7 Financial instruments: disclosures
IFRIC 7 Applying the restatement approach under IAS 29 – financial reporting in hyperinflationary economies
IFRIC 8 Scope of IFRS 2
IFRIC 9 Reassessment of embedded derivatives

To the extent to which they are applicable, these principles and interpretations are not expected to have a material impact.

Use of estimates

The preparation of the separate financial statements and related notes in conformity with the international accounting principles requires management to make estimates that affect the values of assets, liabilities, income and expense, such as amortization, depreciation, impairment and provisions, and the disclosures of contingent assets and liabilities in the notes.
Since these estimates assume operating continuity and are determined using the information available at the time, they could diverge from the actual future results.
Assumptions and estimates are particularly sensitive with regard to measurement of fixed assets, which depend on forecasts of future results and cash flows, provisions for disputes and restructurings and commitments in respect of pension plans and other long-term benefits.
Management conducts regular reviews of assumptions and estimates, and immediately recognizes any adjustments in the financial statements.

Accounting policies and basis of presentation

The company accounts adopt the cost principle, with the exception of financial assets available for sale or held for trading, which are stated at fair value.
All amounts in the accounting schedules and in the notes are rounded to thousands of euro, unless otherwise indicated.

The basis of presentation elected by the company is as follows:
- current and non-current assets and current and non-current liabilities are presented as separate classifications on the face of the balance sheet. Current assets, which include cash and cash equivalents, are assets that the company intends to realize, sell or consume during its normal business cycle; current liabilities are liabilities that the company expects to settle during the normal business cycle or in the twelve months after the balance sheet date;
- on the income statement, costs are analyzed by the nature of the expense. As in the 2005 income statement, a line item is included to reflect the intermediate result represented by "Gross operating profit", that is, Operating profit plus amortization and depreciation charges and impairment variations on non-current assets;
- the indirect method is used on the cash flow statement.

With reference to Consob resolution no. 15519 of 07.27.2006, the income statement presents key line items reflecting non-recurring transaction in 2006; for comparative purposes, line items for non-recurring transactions have been opened on the 2005 income statement.

Subsidiaries and associates

Subsidiaries are companies in which the company has the power to determine, directly or indirectly, administrative and management decisions and to obtain the benefits thereof. Generally speaking, control is assumed to exist when the company holds, directly or indirectly, more than one half of voting rights at ordinary shareholders meetings, including potential voting rights deriving from convertible securities. Equity investments in subsidiaries are initially measured at cost and subsequently adjusted for impairment should appropriate impairment testing indicate that the carrying amount be written down to reflect the investment's actual business value. Such adjustments are charged to income.

Associates are companies in which the company has significant influence over administrative and management decisions even though it does not hold control. Generally speaking, significant influence is assumed to exist when the company holds, directly, or indirectly, at least 20% of voting rights at ordinary shareholders' meetings. Equity investments in associates are carried at fair value.

Business combinations

On first-time adoption of the IFRS, as allowed by IFRS 1, the company elected not to apply IFRS 3 retrospectively to business combinations that took place before the transition date.
Business combinations are recognized at purchase cost as provided by IFRS 3. Purchase cost is the sum of the fair values of the assets and liabilities acquired, contingent liabilities assumed and equity instruments issued at the transaction date, plus costs directly attributable to the purchase.

Apportionment of the cost of business combinations

The cost of business combinations is apportioned by recognizing the fair value of identifiable assets, liabilities and contingent liabilities at the acquisition date. Positive differences between the purchase cost and the interest in the fair value of the identifiable assets, liabilities and contingent liabilities at purchase are recognized as goodwill, under assets. Negative differences are taken immediately to the income statement. If on initial recognition the purchase cost of a business combination can only be determined provisionally, the apportioned amounts are adjusted within twelve months of the acquisition date.

Transactions in currencies other than the reporting currency

Any foreign currency transactions are translated into the reporting currency at the exchange rate at the transaction date. At closure of the reporting period, foreign currency monetary assets and liabilities are translated into the reporting currency at the closing exchange rate. Exchange rate gains and losses are taken to the income statement.
Foreign currency non-monetary assets and liabilities valued at cost are translated at the exchange rate ruling at the transaction date; those valued at fair value are translated with the exchange rate at the date fair value was determined.

Property, plant and equipment

Measurement

Property, plant and equipment is recognized at cost, less accumulated depreciation and impairment losses. Cost includes the purchase or production cost and directly attributable costs of bringing the asset to the location and the conditions required for its operation.
Finance costs relating to the purchase, construction and production of an asset are recognized as expense as incurred. The carrying amount of some assets existing at the IFRS first-time adoption date of January 1, 2005, reflects revaluations applied in prior periods in connection with specific local laws, based on the real economic value of the assets in question. Assets acquired through business combinations are stated at fair value, determined on a provisional basis at the purchase date and subsequently adjusted within the following twelve months.
Subsequent to initial recognition, property, plant and equipment is carried at cost depreciated over the asset's useful life, less any impairment losses.
Assets under construction are recognized at cost and are depreciated when they enter useful life.
When an asset consists of components with a significant cost and different useful lives, initial recognition and subsequent measurement are effected separately for each component.

Subsequent expense

Repair and maintenance expense is normally recognized as incurred. Component replacement costs are treated as separate assets and the net carrying amount of the replaced component is expensed.

Depreciation

Depreciation is generally calculated on a straight-line basis over the estimated useful life of each component of an asset. Land is recognized separately from any buildings constructed thereon, and is not depreciated.
Asset useful life determines the depreciation rate until a subsequent review of residual useful life. The range of useful lives used for the various categories of assets is disclosed in the notes.

Leases

The company has no finance leases.
The company leases are operating leases, where all risks and rewards incident to ownership are retained by the lessor. Operating lease payments are recognized as expense on a straight-line basis over the lease term.

Investment property

Investment property is land and/or buildings held to earn rentals and/or for capital appreciation, rather than for use in the production or supply of goods and services. Investment property is initially recognized at purchase cost, including costs directly attributable to the purchase. Subsequent to initial recognition, investment property is measured at amortized cost.

Intangible assets

Intangible assets purchased separately are capitalized at cost, while those acquired through business combinations are recognized at provisionally estimated fair value at the purchase date and adjusted where necessary within the following twelve months.
Subsequent to initial recognition, intangible assets are carried at cost amortized over asset useful life.
The company has not identified intangible assets with an indefinite useful life.

Impairment of assets

Tangible assets and amortizable intangible assets are tested for impairment if indications of impairment emerge.
Equity investments in subsidiaries are regularly tested for impairment once a year or more frequently if indications of impairment emerge.
Impairment losses reflect the difference between the asset carrying amount and its recoverable amount.
Recoverable amount is the greater of fair value, less costs to sell, of an asset and its value in use, determined as the present value of future cash flows. The discount factor is determined using the weighted average cost of capital method (WACC).

Financial assets

All financial assets are recognized initially at cost at the purchase date, which corresponds to fair value plus additional costs attributable to the purchase.
Subsequent to initial recognition, assets held for trading are classified as current financial assets and carried at fair value; any gains or losses are taken to income.
Assets held to maturity are classified as current financial assets, if they mature within one year; otherwise they are classified as non-current assets and subsequently carried at amortized cost.
Amortized cost is determined using the effective interest rate method, taking account of any acquisition discounts or premiums, which are apportioned over the entire period until maturity, less any impairment losses.
Other financial assets are classified as available for sale, under current or non-current assets, and recognized at fair value. Any gains or losses are shown in a separate equity item until the assets are sold, recovered or discontinued, or until they are found to be impaired, in which case the cumulative gains or losses in equity are taken to the income statement. Only equity instruments that are not listed on an active market or whose fair value cannot be measured reliably are carried at cost.

Treasury shares

Treasury shares are deducted from shareholders' equity. The original cost of treasury shares and income arising from any subsequent sales are treated as movements in shareholders' equity.

Trade receivables and other receivables

Trade receivables and other receivables are stated at nominal value, less allowances for uncollectible amounts, which are provided as doubtful debts are identified.

Cash and cash equivalents

Cash and cash equivalents consists of cash on hand, checks and bank demand deposits and other treasury investments with original maturity of not more than three months.
The definition of cash and cash equivalents in the cash flow statement is identical to that in the balance sheet.

Employee benefits

The company operates pension plans, post-employment medical benefit plans and leaving entitlement provisions.
It also has other commitments, in the form of bonuses payable to employees on the basis of length of service.

Defined contribution plans

Defined contribution plans are structured post-employment benefit programs where the company pays fixed contributions to an insurance company or pension fund and will have no legal or constructive obligation to pay further contributions if the fund does not dispose of sufficient assets to pay all the employee benefits accruing in respect of services rendered during the current year and in previous years.
These contributions are paid in exchange for the services rendered by employees and recognized as expense as incurred.

Defined benefit plans

The company does not have voluntary post-employment benefit plans for employees that constitute a future obligation for the company.
Nonetheless, employee leaving entitlements provided under Italian laws (*TFR, trattamento di fine rapporto*) are treated in the same way as benefit obligations arising from defined benefit plans.
The company uses the unitary credit projection method to determine the present value of obligations and the related benefit cost of current services rendered.
These actuarial calculations require use of consistent and objective actuarial assumptions about demographic variables (mortality rate, personnel turnover rate) and financial variables (discount rate, future increments on salaries).
Consequently, the leaving entitlements provision is valued using the international accounting standards, and the carrying amount is adjusted to reflect the value of the obligation arising from application of the relevant actuarial assumptions.

Other long-term benefits

The existence of legal or constructive obligations to employees pursuant to employment contracts, and consisting largely of length-of-service bonuses, involves application of the criterion used to determine defined benefit plans (unitary credit projection method).
The obligation carrying amount is adjusted to reflect the value arising from application of the relevant actuarial assumptions.

Treatment of actuarial gains and losses

Actuarial gains and losses may arise as a result of changes in the actuarial assumptions used in two consecutive periods or as a result of changes in the obligation value or in the fair value of any plan asset in respect of the actuarial assumptions used at the beginning of the period.

The company uses the "corridor" method, where actuarial gains and losses are recognized as income or expense when their unrecognized cumulative net value at the end of the previous period exceeds 10% the present value of the obligation. These gains or losses are taken to income over the estimated average residual working life of the employees participating in the plans.
Actuarial gains and losses relating to other long-term benefits (length of service bonuses) and to early retirement benefits are recognized as income or expense immediately.

Provisions for risks and charges

The Company recognizes provisions for risks and charges when a present legal or constructive obligation arises as a result of a past event, the amount of which can be reliably estimated, and use of resources is probable to settle the obligation.
Provisions reflect the best estimate of the amount required to settle the obligation or transfer it to third parties at the balance sheet date. If the present value of the financial resources that will be used is measurable and material, provisions are determined by discounting expected future cash flows at a rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability. When discounting is performed, movements in provisions due to the effect of time or changes in interest rates are recognized in financial items.
Changes in estimates are recognized as income or expense for the period.

Loans and borrowings

Loans and borrowings are initially recognized at the fair value of the consideration paid/received less charges directly attributable to the financial asset/liability.
After initial recognition, loans and borrowings are measured at amortized cost using the effective interest rate method.

Trade payables and other payables

Trade payables and other payables are stated at the fair value of the original consideration received, and subsequently measured at amortized cost.

Share-based payments

The company has decided to apply IFRS 2 as from January 1, 2005.
Options for the subscription and purchase of shares granted by the company to employees and directors give rise to recognition of a cost classified under employee expenses, with a corresponding increase in equity.
In accordance with IFRS 2, only options granted after November 7, 2002, that had not vested at December 31, 2003, have been measured and recognized at the transition date. Options for the subscription and purchase of shares are measured at fair value at the grant date and amortized over the vesting period.
Fair value is determined using the binomial method, and taking account of dividends. Future volatility is determined on the basis of historic market prices, after correction for extraordinary events or factors.
The cost of options is reviewed on the basis of the actual number of vested options at the beginning of the exercise period.

Revenues

Revenues are recognized to the extent that the economic benefits associated with the sale of goods or rendering of services are collected by the company and the amount in question can be reliably determined.
Revenues are recognized at the fair value of the consideration received or due, taking account of any discounts given.
Revenues from the sale of goods are recognized when the company transfers the material risks and rewards incident to ownership of the goods to the purchaser.
Revenues include dividends received, interest and commission income.
Dividends are recognized when the shareholders' right to receive payment arises, in compliance with local laws.

Rental income

Rental income is recognized as other revenues, as received.

Costs

Costs are recognized on an accrual basis, in accordance with the matching principle whereby they are matched with revenues.

Derivative financial instruments

The company uses derivative financial instruments such as interest rate options to hedge the risk of fluctuations in interest rates. Derivative financial instruments are measured and recognized at fair value; fair value gains or losses are taken to the income statement.

Income taxes

Current income taxes are provided in accordance with current laws.
Deferred tax is recognized on the basis of temporary differences between the tax base of assets and liabilities and their carrying amount in the balance sheet.
Deferred tax liabilities are recognized on all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable income will be available against which such differences, losses or credits may be reversed.
Deferred tax assets are reviewed at the end of every reporting period and reduced to the extent that sufficient taxable income is no longer likely to be available in the future against which the assets can be used in full or in part.
Deferred tax assets and liabilities are determined at tax rates expected to apply when the deferred tax asset (liability) is realized (settled), based on rates that have been enacted or substantially enacted at the balance sheet date.
Taxes relating to items recognized directly in equity are recognized in equity, not income.

Assets

Non-current assets

1) Property, plant and equipment

These assets totaled 3,763 thousand euro and 3,767 thousand euro respectively at December 31, 2006, and at December 31, 2005. The movements on the heading are set out below:

(in thousands of euro)	Land and buildings	Plant and machinery	Office furniture and machines	Motor vehicles	Total
Gross amount	4,425	506	969	69	5,969
Accumulated depreciation	(967)	(421)	(772)	(42)	(2,202)
Net carrying amount at December 31, 2005	3,458	85	197	27	3,767
Additions	-	2	-	71	73
Disposals	-	-	-	(34)	(34)
Depreciation	-	(15)	(26)	(17)	(58)
Use accum,deprec,	-	-	-	15	15
Net carrying amount at December 31, 2006	3,458	72	171	62	3,763
Gross amount	4,425	508	969	106	6,008
Accumulated depreciation	(967)	(436)	(798)	(44)	(2,245)
Net carrying amount at December 31, 2006	**3,458**	**72**	**171**	**62**	**3,763**

The increase during the year was largely due to the purchase of automobiles.

The useful lives adopted by the Company for the main asset categories are as follows:
- Plant and machinery 5 - 10 years
- Other property, plant and equipment 4 - 8 years

2) Investment property

Investment property totaled 294 thousand euro (448 thousand euro at December 31, 2005) and is carried largely at amortized cost.
Fair value of these assets at December 31, 2006, was 2,091 thousand euro.

(in thousands of euro)	Investment property
Gross amount	473
Accumulated depreciation	(25)
Net carrying amount at December 31, 2005	448
Additions	
Disposals	(152)
Depreciation	(2)
Other	
Net carrying amount at December 31, 2006	294
Gross amount	321
Accumulated depreciation	(27)
Net carrying amount at December 31, 2006	**294**

Disposals referred to a number of property sales during the year.

3) Intangible assets

These assets consist of investments in administrative software applications, made over the years.

(in thousands of euro)	Licenses and various rights	Total
Gross amount	18	18
Accumulated amortization	(7)	(7)
Net carrying amount at December 31, 2005	11	11
Additions		
Disposals		
Amortization	(7)	(7)
Currency translation differences		
Other		
Net carrying amount at December 31, 2006	4	4
Gross amount	18	18
Accumulated amortization	(14)	(14)
Net carrying amount at December 31, 2006	**4**	**4**

4) Investments in subsidiaries and associates

The movements on this heading with respect to December 31, 2005, are illustrated below:

(in thousands of euro)	
At December 31, 2005	1,040,094
Acquisitions	84,840
Sales	-
Fair value taken to reserve	17,245
At December 31, 2006	**1,142,179**

The acquisitions of 84,840 thousand euro refer to the share capital increase at the subsidiary Franco Tosi S.r.l.
Equity investments in subsidiaries and associates at December 31, 2006, are listed below:

Subsidiaries	Registered office	% interest
Aliserio S.r.l.	Bergamo	10.00
Azienda Vendite Acquisti A.V.A. S.r.l.	Milan	100.00
Bravosolution S.p.A.	Bergamo	8.15
Fincomind S.A.	Zurich	69.93
Franco Tosi S.r.l.	Milan	100.00
Italcementi S.p.A.	Bergamo	58.74
Italmobiliare International B.V.	Amsterdam	100.00
Italmobiliare International Finance Ltd.	Dublin	97.272
Italmobiliare Servizi S.r.l.	Milan	100.00
Neyrtec Industrie S.A.	Pont de Claix	100.00
Populonia Italica S.r.l.	Milan	100.00
Punta Ala Promozione e Sviluppo Immobiliare S.r.l.	Milan	99.48
Sirap Gema S.p.A.	Verolanuova	100.00
Société de Partecipation Financière Italmobiliare S.A.	Luxembourg	99.94
S.r.l. Nuove Costruzioni Edilizie S.A.N.C.E.	Milan	100.00
Associates		
Mittel S.p.A.	Milan	12.913
Società Editrice Siciliana S.p.A.	Messina	33.00

Compared with the situation at December 31, 2005, there was a slight reduction in the percentage interest held in Italmobiliare International Finance Ltd.

5) Other equity investments

This non-current asset heading reflects equity investments classified as "available for sale" as required by IAS 39.

(In thousands of euro)	
At December 31, 2005	905,462
Acquisitions	54,706
Sales and reimbursements	(358,987)
Fair value taken to reserve	83,544
Fair value taken to income	(13,399)
At December 31, 2006	**671,326**

The year's acquisitions were as follows:

- the acquisition from Franco Tosi S.r.l. of 580,000 Banche Popolari Unite S.c.r.l. ordinary shares for an amount of 11,569 thousand euro;
- the acquisition from So.par.fi. Italmobiliare S.A. of 12,768,912 Consortium S.r.l. ordinary shares for an amount of 28,908 thousand euro;
- the acquisition of 4,260,000 ordinary shares and the subscription of the share capital increase at the Banca Leonardo S.p.A group for an overall amount of 13,924 thousand euro;
- the acquisition of 12,982 Meltemi S.r.l. ordinary shares for an amount of 236 thousand euro;
- the acquisition of 69,100 ordinary shares and the subscription of the share capital increase at Solar Energy Italia S.p.A. for an overall amount of 69 thousand euro.

The year's sales were as follows:
the sale of Gemina S.p.A. shares to some members of the voting trust and the sale to Franco Tosi S.r.l. of Capitalia S.p.A. shares, G.I.M. Generale Ind.Metallurgiche S.p.A. shares and associated warrants, Mediobanca S.p.A. shares and RCS MediaGroup S.p.A. shares, following the repositioning of the equity investments aggregated in voting trusts, as described in the directors' report on operations.

The carrying amount of the Consortium S.r.l. equity investment was first written down following execution of the shareholders' resolution of 07/26/2006 whereby the investee reimbursed shareholders for a portion of share capital, legal reserve and share premium reserve, and subsequently written down again to the fair value of the investee's residual shareholders' equity after the reimbursement.

The fair value of listed companies is determined on the basis of the official share price on the last accounting day of the reporting period.

Available for sale equity investments at December 31, 2006, were as follows:

(In thousands of euro)	
Investments in listed companies:	
Banche Popolari Unite S.c.r.l.	35,710
Unicredito Italiano S.p.A.	569,759
Total	605,469
Investments in non-listed companies:	
Atmos S.p.A.	196
Compagnia Fiduciaria Nazionale S.p.A.	280
Consortium S.r.l.	286
Emittente Titoli S.p.A.	159
Fin Priv. S.r.l.	34,293
Gazzetta del Sud Calabria S.p.A.	702
Gruppo Banca Leonardo S.p.A.	13,924
Idrovia Ticino-Milano Nord-Mincio S.p.A.	1
Imm.re Lido di Classe S.p.A. - in liquidation	-
Immobiliare Astra S.p.A.	11
Intereuropa Sim S.p.A. - in liquidation	-
Meltemi S.r.l.	236
Sesaab S.p.A.	15,700
Solar Energy Italia S.p.A.	69
Total	65,857
Toal equity investments	**671,326**

The movements in the equity investments are analyzed in “Annex A”.

6) Non-current receivables and other non-current assets

“Non-current receivables and other non-current assets” were as follows:

(In thousands of euro)	December 31, 2006	December 31, 2005	Change
Financial receivables due from subsidiaries	255,000	15,500	239,500
Financial receivables due from associates	5,852	5,897	(45)
Debentures available for sale	2,965	3,065	(100)
Deferred IRPEF tax assets on leaving entitlements	-	72	(72)
Guarantee deposits	11	3	8
Other	38	38	-
Total	**263,866**	**24,575**	**239,291**

Receivables due from subsidiaries referred to loans due on March 31, 2007, and September 30, 2007, respectively:

- a non-interest-bearing loan of 20,000 thousand euro to S.r.l. Nuove Costruzioni Edilizie S.A.N.C.E.. The increase of 8,000 thousand euro related to the acquisition of equity investments by S.r.l. Nuove Costruzioni Edilizie S.A.N.C.E., as part of the strategic repositioning of equity investments;
- a non-interest-bearing loan of 235,000 thousand euro to Franco Tosi S.r.l. for the purchase of equity investments from Italmobiliare.

The loans were granted in consideration of the financial investments made by the subsidiaries.
Receivables due from associates referred to an amount due from Gesvim S.r.l.

Current assets

7) Trade receivables

(In thousands of euro)	December 31, 2006	December 31, 2005	Change
Trade receivables	13	19	(6)
Receivables due from associates	131	72	59
Receivables due from subsidiaries	1.717	1.250	467
Total	**1.861**	**1.341**	**520**

Receivables referred in the main to Italian subjects.

8) Other current assets

"Other current assets" was as follows:

(In thousands of euro)	December 31, 2006	December 31, 2005	Change
Receivables due from subsidiaries for tax consolidation	9,396	1,013	8,383
Receivables due from employees	6	2	4
Receivables due from social security bodies	2	2	
Other miscellaneous current receivables	273	239	34
Interest-rate trading derivatives	1,373	-	1,373
Accrued income due from subsidiaries	15	13	2
Miscellaneous accrued income due from others	22	26	(4)
Prepaid expenses from others	37	43	(6)
Total	**11,124**	**1,338**	**9,786**

Receivables due from subsidiaries included in the national tax consolidation increased by 8,383 thousand euro due to the increase in the tax payable attributed by the subsidiaries to the parent company Italmobiliare S.p.A.
Interest-rate derivatives reflect the increase in the fair value of the derivatives at December 31, 2006 in respect of the initial carrying amount, and refer to interest-rate hedging.

9) Income tax assets

Income tax assets at December 31, 2006, reflect tax assets from prior years, for 19,430 thousand euro.

(In thousands of euro)	December 31, 2006	December 31, 2005	Change
Credits from tax authorities - advance tax payments	-	(1)	1
Tax credits from consolidated companies	-	45,626	(45,626)
Prior-year credits from tax authorities	19,430	24,246	(4,816)
Provision for the year	-	(28,867)	28,867
Tax credits on withholdings	-	3	(3)
Total	**19,430**	**41,007**	**(21,577)**

Income tax assets decreased by 21,577 thousand euro mainly as a result of refunds of 4,816 thousand euro during the year and reversals against 2006 advance taxes.

10) Equity investments and financial receivables

"Equity investments and financial receivables" were as follows:

(In thousands of euro)	December 31, 2006	December 31, 2005	Change
Trading debentures	26,065	26,044	21
Listed shares for trading	10,550	3,942	6,608
Current financial receivables due from subsidiaries	5,800	5,084	716
Accrued financial income	1,165	54	1,111
Net amount	**43,580**	**35,124**	**8,456**

The increase in listed shares arose mainly from the purchase of 164,083 Assicurazioni Generali S.p.A. shares from Consortium S.r.l. for an amount of 4,567 thousand euro.
Financial receivables due from subsidiaries consist of current account relations regulated at normal market rates, for financial support provided for operating requirements.

Breakdowns of "listed shares for trading" and "Trading debentures" are provided in annex "C" and "D" respectively.

11) Cash and cash equivalents

(In thousands of euro)	December 31, 2006	December 31, 2005	Change
Cash and checks on hand	19	22	(3)
Bank and postal accounts	38,769	30,219	8,550
Net amount	**38,788**	**30,241**	**8,547**

Short-term deposits have varying maturities within three months, in relation to the company's financial requirements; interest matures at the respective short-term rates.
The fair value of cash and cash equivalents corresponds to the carrying amount.

Share capital and liabilities

Share capital, reserves and retained earnings

12) Share capital

At December 31, 2006, fully paid-up share capital amounted to 100,167 thousand euro represented by 38,525,745 shares with a par value of 2.6 euro each, as follows:

(number of shares)	December 31, 2006	December 31, 2005	Change
Ordinary shares	22,182,583	22,182,583	-
Savings shares	16,343,162	16,343,162	-
Total	**38,525,745**	**38,525,745**	**-**

13) reserves

"Reserves" stood at 710,252 thousand euro at December 31, 2006 (723,496 thousand euro at December 31, 2005) and reflected movements in the share premium reserve, fair value adjustments of available-for-sale financial assets and stock options.
The stock option fair value reserve, at 2,455 thousand euro, reflects the cumulative value at December 31, 2006, of options granted and amortized over the vesting period of stock option plans.

14) Treasury shares

Treasury share buybacks at December 31, 2006, stood at 22,176 thousand euro, deducted against equity. Treasury shares were as follows:

(in thousands of euro)	No. ordinary shares	Carrying amount in in euro	No. savings shares	Carrying amount in in euro	Overall carrying amount
December 31, 2006	911,131	21,780	28,500	396	22,176

A total of 363,680 ordinary treasury shares was held at December 31, 2006, to service stock option plans for directors and managers.

Dividends paid

Dividends declared and paid in 2006 and 2005 are detailed below:

(In thousands of euro)	2006 (euro per share)	2005 (euro per share)	12.31.2006	12.31.2005
Ordinary shares	1.270	1.100	27,015	23,411
Savings shares	1.348	1.178	21,992	19,219
Total dividends	**2.618**	**2.278**	**49,007**	**42,630**

Movements in shareholders' equity are illustrated in the "Statement of movements in shareholders' equity".

Non-current liabilities

15) Employee benefit liabilities

Employee benefit liabilities at December 31, 2006, amounted to 1,032 thousand euro (1,367 thousand euro at December 31, 2005) and reflected the provision for leaving entitlements (defined benefit plan) adjusted in accordance with IAS 19.

The movements on the heading were as follows:

(in thousands of euro)	
At December 31, 2005	1,367
Uses during the year	(711)
Provision for the year	409
Present value of leaving entitlement liabilities	(33)
At December 31, 2006	**1,032**

Costs for the year are detailed below:

(In thousands of euro)	December 31, 2006	December 31, 2005	Change
Current cost of services	(236)	(165)	(71)
Finance costs	(65)	(46)	(19)
Cost of prior-period services	(9)	-	(9)
Total	**(310)**	**(211)**	**(99)**

The assumptions used to determine liabilities arising from long-term benefits are illustrated below:

	Provision for leaving entitlements
Discount factor	4.5%
Future wage and salary increases	2.2 - 4%

Stock options

The company has arranged stock option plans for directors and managers who hold special posts.
Stock options refer to ordinary shares and may be exercised between the beginning of the fourth year and the end of the tenth year after the grant date; directors whose term of office is not renewed may exercise their options immediately, and in any case within 10 years of the grant date; as a general rule, unexercised stock options assigned to managers are not recognized in the event of termination of employment, except in the case of retirement.
Stock options are exercised at a rate of 1 share per option.
The terms and conditions of Italmobiliare S.p.A. stock option plans at December 31, 2006, are set out below:

Grant date	No. options granted	Exercised period	Exercise options	Cancelled options	Unexercised options	Unit subscription price
March 24, 2003	49,283	1.1.2006-12.31.2012			49,283	€ 31,2800
March 30, 2004	96,080	1.1.2007-12.31.2013			96,080	€ 35,1990
March 30, 2005	108,437	1.1.2008-12.31.2014			108,437	€ 54,5355
March 21, 2006	109,880	1.1.2009-12.31.2015			109,880	€ 65,7010
Total	**363,680**				**363,680**	

The grant date is the date of the Board of Directors meeting that approved the stock option plan.

The number and average exercise price of stock options in the periods in question are set out below:

	12.31.2006		12.31.2005	
(In thousands of euro)	number of options	average subscription price	number of options	average subscription price
Unexercised options at beginning year	253,800	€ 42,700	253,800	€ 42,7000
Granted during year	109,880	€ 65,701		
Cancelled during year				
Exercised during year				
Expired during year				
Unexercised options at year end	363,680	€ 49,649	253,800	€ 42,7000
Vested options at year end	**49,283**			

The following table sets out the characteristics of the company's stock option plans and their cost, carried under "Employee expenses":

(in thousands of euro) Grant date	Number options granted	Vesting period	Employee expenses 2006	2005
March 24, 2004	49,283	3 years	-	116
March 30, 2004	96,080	3 years	250	250
March 30, 2005	108,437	3 years	450	338
March 21, 2006	109,880	3 years	660	-
Total	**363,680**		**1,360**	**704**

Stock option plan fair value at the grant date is estimated using a binomial model that takes dividends into account. The total option term is ten years. Volatility projections assume that past volatility, determined as the annual average on a past period of three years net of extraordinary events, is indicative of future trends.

The following table sets out the assumptions used and results obtained in measuring stock options:

	2005 Plan	2004 Plan	2003 Plan	2002 Plan
Option value at grant date	22.05	11.41	7.15	6.49
Share value	73.57	52.84	35.05	31.80
Exercise price	65.701	54.536	35.199	31.280
Volatility as %	17.5%	17.5%	17.5%	17.5%
Option term (in years)	9.75	9.75	10	10
Dividends in %	1.50%	1.89%	2.68%	2.96%
10-year BTP risk-free rate	3.462%	3.275%	3.640%	3.790%

Net financial position

At December 31, 2006, the company had net debt of 387,078 thousand euro, down by 11,488 thousand euro from 398,566 thousand euro at December 31, 2005.

The breakdown of the net financial position is illustrated below:

(In thousands of euro)	December 31, 2006	December 31, 2005	Change
Cash and cash equivalents	38,788	30,241	8,547
Financial receivables due from Group	5,800	5,084	716
Non-current financial receivables due from subsidiaries - interest-bearing	-	3,500	(3,500)
Government securities and debentures - current	26,065	26,044	21
Government securities and debentures - non-current	2,965	3,065	(100)
Equity investments for trading	10,550	3,942	6,608
Interest-rate derivatives	1,373	-	1,373
Accruals and deferrals	1,165	54	1,111
Total	86,706	71,930	14,776
Amounts due to banks	(466,908)	(464,798)	(2,110)
Financial payables due to subsidiaries	(4,256)	(4,879)	623
Accruals and deferrals	(2,620)	(819)	(1,801)
Total	(473,784)	(470,496)	(3,288)
Net financial position	**(387,078)**	**(398,566)**	**11,488**

16) Loans and borrowings

Loans and borrowings are shown below by category, subdivided by non-current and non-current liabilities:

(In thousands of euro)	December 31, 2006	December 31, 2005	Change
Long-term amounts due to banks	389,300	316,018	73,282
Short-term amounts due to banks	77,608	148,780	(71,172)
Short-term borrowings	6,876	5,699	1,177
Total loans and borrowings	**473,784**	**470,497**	**3,287**

Italmobiliare loans and borrowings are all at floating rates (linked to the Euribor and Eonia indices). To hedge expected rises in interest rates, during 2006 the company arranged two floating to fixed interest-rate swap contracts, for a notional amount of 100 million euro, expiring in September 2011.

The fair value of these derivatives at December 31, 2006, stood at 1.3 million euro, and was classified as trading income under current assets.

Main bank loans and lines of credit

The main borrowings were as follows:

(In thousands of euro)		December 31, 2006	December 31, 2005	Change
With collateral security				
Other loans				
- BNP Paribas	due 05/20/2009	-	126,768	(126,768)
- BNP Paribas	due 11/20/2011	180,000	-	180,000
- Calyon Paris fin. Tres	due 12/20/2007	25,300	-	25,300
- Sogen Paris fin.Tres	due 07/03/2009	25,000	-	25,000
- San Paolo IMI S.p.A.	due 06/16/2009	25,000	25,000	-
Total		255,300	151,768	103,532
Without collateral security:				
Deposit - securities lending account				
Mediobanca - Unicredito shares	due 06/14/2009	-	114,120	(114,120)
Mediobanca - Unicredito shares	due 12/21/2011	134,000	-	134,000
Calyon Corp.& Inv.Bank - Unicredito shares	due 06/07/2007	-	25,300	(25,300)
Société Generale - Unicredito shares	due 06/07/2009	-	24,830	(24,830)
Total		134,000	164,250	(30,250)
Total non-current loans and borrowings		**389,300**	**316,018**	**73,282**

In the first quarter of 2006 Italmobiliare S.p.A. arranged a five-year 40 million euro stand-by line of credit with Banca Intesa. At December 31, 2006, Italmobiliare had undrawn lines of credit for 448.3 million euro, of which 80 million euro were stand-by facilities.

In June and July 2006 Italmobiliare S.p.A. renegotiated loans with BNP Paribas, Mediobanca, Calyon and Société Générale on a new contractual basis and re-stipulated expiry, interest and amount, for a total amount of 347.5 million euro.

The amount of 347.5 million euro arose from the sale of 79,248,957 Unicredito S.p.A. shares for a sum of 473.3 million euro, and the simultaneous subscription of Total Return Equity Swaps ("TRES"). The borrowing is stated net of the cash collateral for 125.8 million euro required under some TRES contracts. In accordance with the IFRS requirement that the accounts should reflect the substance rather than the form of the two interrelated transactions (the share sales and the simultaneous TRES contracts), since the 79,248,957 Unicredito S.p.A. shares do not qualify for derecognition because Italmobiliare's equity risk exposure in substance was the same before and after the transactions, they continue to be reflected as available-for-sale instruments under non-current assets, with simultaneous recognition of the amounts due to the TRES counterparts. The TRES contracts allow Italmobiliare early discharge and the possibility, on completion, to elect cash settlement of the differentials generated by fluctuations in the market prices of the underlying shares, or to buy back the shares at the initial price.

In November, Italmobiliare elected early discharge of the TRES contract with BNP Paribas, buying back the Unicredito shares at the initial price and recovering the 105.0 million euro cash collateral, and stipulated a new borrowing, also for 180 million euro, based on Prepaid Forward and Equity Swap contracts, at better interest and expiry conditions and involving a smaller number of Unicredito shares.

In December Italmobiliare renegotiated its Mediobanca loan, electing early discharge of the TRES contract and simultaneous repurchase of the Unicredito shares at the initial price. The new borrowing is a securities loan on the same number of shares (20,000,000 Unicredito shares) with simultaneous payment of a cash collateral of 134.0 million euro by Mediobanca, at better rates, terms and amount than the previous loan.

17) Provisions - non-current

Provisions amounted to 27,467 thousand euro at December 31, 2006, up by 1,753 thousand euro from December 31, 2005.

(In thousands of euro)	Opening amount	Additions	Decreases	Closing amount
Provision for bad debts and equity investment write-downs	25,714	10,625	(8,872)	27,467

The additions and decreases in provisions arose as a result of reviews of risks relating to disputes over assets sold in the past.

18) Deferred tax liabilities

Deferred tax liabilities amounted to 9,934 thousand euro at December 31, 2006, as follows:

(In thousands of euro)	December 31, 2006	December 31, 2005	Change
Deferred tax and duties - outstanding shares	991	420	571
Deferred tax and duties - available for sale shares	9,041	16,738	(7,697)
Deferred tax and duties - outstanding debentures	43	37	6
Deferred tax and duties - available for sale debentures	62	81	(19)
Deferred tax and duties - other	(203)	41	(244)
Total	**9,934**	**17,317**	**(7,383)**

Temporary differences excluded from determination of deferred tax assets and liabilities:

	2006		2005	
(in thousands of euro)	Amount	Tax effect	Amount	Tax effect
Provision for bad debts and write-downs on equity investments	27,467	-	25,714	-

Current liabilities

19) Trade payables

The balance on “Trade payables” was as follows:

(In thousands of euro)	December 31, 2006	December 31, 2005	Change
Amounts due to suppliers	1,921	1,098	823
Amounts due to Group companies	806	662	144
Total	**2,727**	**1,760**	**967**

20) Income tax liabilities

Income tax liabilities amounted to 25,347 thousand euro compared to 1,164 thousand euro at December 31, 2005.

The balance on the heading was as follows:

(In thousands of euro)	December 31, 2006	December 31, 2005	Change
IRES tax liabilities vs tax authorities - substitute tax	-	(1,164)	1,164
Credits from tax authorities at 12,31.2005	16,760	-	16,760
Adjustment 2005 consolidated tax return	430	-	430
Credits from tax authorities 2006 advance tax	11,070	-	11,070
Income tax for the period on consolidation	(53,729)	-	(53,729)
Tax credits from consolidated companies	60	-	60
Tax credits for withholdings	62	-	62
Total	**(25,347)**	**(1,164)**	**(24,183)**

21) Other current liabilities

(In thousands of euro)	December 31, 2006	December 31, 2005	Change
Amounts due to employees	2,028	1,294	734
Amounts due to social security authorities	277	503	(226)
Amounts due on tax consolidation to subsidiaries	3,422	15,010	(11,588)
Amounts due to tax authorities	450	472	(22)
Accruals and deferred income	148	143	5
Other amounts due	3,702	1,676	2,026
Total	**10,027**	**19,098**	**(9,071)**

Commitments

During the year Italmobiliare transacted medium/long-term financial transactions secured by equities. It also provided direct guarantees in favor of subsidiaries and granted stock options to directors and managers under the 2005 plan. As a result, commitments increased with respect to December 31, 2005.

(In thousands of euro)	December 31, 2006	December 31, 2005
Guarantees on company assets	24,442	21,439
Deposits, guarantees, commitments, other	20,594	14,432,0
Total	**45,036**	**35,871**

Financial instruments

Objectives and financial risk management policy

Financial risk management is an integral part of Italmobiliare operations. The company uses financial derivatives to optimize risk/yield profiles.

Market risks

Italmobiliare is exposed to market risks in relation to the characteristics of its investments and forms of borrowing:
a) Interest-rate risk
The interest-rate risk depends on changes in market interest rates and comprises:

1) the risk of variations in the market value of fixed-rate borrowing and lending transactions. A change in interest rates affects the market value of fixed-rate assets and liabilities. With the exception of the IRS contracts mentioned above, Italmobiliare is not subject to this type of risk since its borrowing and lending positions are at floating rates;
2) the risk linked to future cash flows on floating-rate borrowing and lending transactions. A change in interest rates has a limited impact on the market value of floating-rate financial assets and liabilities, but may affect future profits. Italmobiliare is exposed to this risk on its floating-rate debt, excluding the portion hedged by IRS contracts.

Interest-rate risk management is part of the Italmobiliare core business and is based on investment and debt policies established by the governing bodies.

b) Exchange-rate risk
The company is not exposed to significant exchange-rate risks.

c) Risk on raw materials
The company is not exposed to risks on raw materials.

d) Price risk on listed equities
Since Italmobiliare is an equity holding, exposure to this type of risk is part of its core business.

Credit risks

a) Credit risk
Since the company does not conduct commercial operations, it is not exposed to material credit risks.

b) Counterpart risk
Financial instruments are transacted only with counterparts with high ratings, selected on the basis of a number of criteria: ratings attributed by specialist agencies, assets and equity as well as the nature and maturity of transactions. The majority of counterparts are leading national and international banks.
No financial instruments are negotiated with counterparts in geographical regions exposed to political or financial risks (all counterparts are in western European countries or in the USA).

Liquidity risk

Italmobiliare aims to keep the level and type of indebtedness consistent with the level and types of investment and to ensure a balance between average maturity, flexibility and diversification of sources of funds. To achieve this and to minimize debt-servicing costs, Italmobiliare negotiates medium-term borrowings, stand-by lines of credit and arranges instruments from diversified sources.
On the basis of current borrowings, undrawn stand-by lines of credit and additional debt capacity, Italmobiliare exposure to the liquidity risk is virtually zero.

The table below shows debt by maturity compared with undrawn stand-by lines of credit and cash and cash equivalents at December 31, 2006:

(in millions of euro)	> 1 year	1-2 years	Expiry 2-5 years	Beyond	Total
Total loans and borrowings	109.8	-	364.0	-	473.8
Undrawn stand-by lines of credit	40.0	-	40	-	80.0
Cash and cash equivalents	(38.8)	-	-	-	(38.8)

Covenants

In addition to the customary clauses, none of the company's financing contracts include covenants requiring early repayment or higher interest rates in the event of failure to comply with financial ratios. The sole exception is a 25 million euro contract, which contains a debt/equity covenant for which there is no risk of non-compliance at the present time.

Income Statement

22) Revenues

Revenues from sales and services totaled 210,903 thousand euro, as follows:

(in thousands of euro)	2006	2005	Change	Change %
Dividends	82,634	67,883	14,751	21.7
Interest income	3,400	1,641	1,759	107.2
Capital gains on equity investments and securities	120,813	6,941	113,872	n.s.
Services	4,056	3,744	312	8.3
Total	**210,903**	**80,209**	**130,694**	**162.9**

The breakdown of dividend revenues was as follows:

(in thousands of euro)	2006	2005	Change	change %
Subsidiaries				
Italcementi S.p.A.	34,331	31,207	3,124	10.0
Sirap Gema S.p.A.	5,179	3,793	1,386	36.5
Franco Tosi S.r.l	1,500	1,000	500	50.0
Punta Ala Promozione e Svil. Ind. S.r.l	1,492	1,990	(498)	-25.0
S.r.l. Nuove Costruzioni Edilizie S.A.N.C.E.	1,000	700	300	42.9
Italmobiliare Servizi S.r.l.	50	-	50	100.0
Total	43,552	38,690	4,862	12.6
Associates				
Società Editrice Siciliana S.p.A.	1,063	1,063	-	-
Mittel S.p.A.	1,023	504	519	103.0
Total	2,086	1,567	519	33.1
Other companies				
Unicredito Italiano S.p.A.	18,838	17,553	1,285	7.3
Mediobanca S.p.A.	-	4,362	(4,362)	-100.0
R.C.S. Mediagroup S.p.A.	3,855	3,260	595	18.3
Consortium S.r.l.	10,639	-	10,639	100.0
Capitalia S.p.A.	1,291	-	1,291	100.0
Fin.Priv. S.r.l.	1,132	937	195	100.0
Mediocredito Centrale S.p.A.	-	361	(361)	-100.0
Banche Popolari Unite S.c.r.l.	854	763	91	11.9
Asm Brescia S.p.A.	159	122	37	30.3
Sesaab S.p.A.	100	100	-	-
Compagnia Fiduciaria Nazionale S.p.A.	44	114	(70)	-61.4
Emittente Titoli S.p.A.	30	25	5	20.0
Gazzetta del Sud Calabria S.p.A.	19	17	2	11.8
Assicurazioni Generali S.p.A.	15	12	3	25.0
Eni S.p.A.	12	-	12	100.0
Enel S.p.A.	8	-	8	100.0
Total	36,996	27,626	9,370	33.9
Grand total	**82,634**	**67,883**	**14,751**	**21.7**

The breakdown of interest income revenues was as follows:

(in thousands of euro)	2006	2005	Change	Change %
Interest and finance income from subsidiaries	288	233	55	23.6
Interest on securities and debentures	1,130	767	363	47.3
Bank interest income	244	14	230	n.s.
Interest from tax authorities	344	435	(91)	-20.9
Commissions and other income	65	192	(127)	-66.1
Income from interest-rate hedging	1,329	-	1,329	100.0
Total	**3,400**	**1,641**	**1,759**	**107.2**

n.s.: not significant

The breakdown of capital gains on equity investments and securities was as follows:

(in thousands of euro)	2006	2005	Change
From sale of available-for-sale equity investments			
Capitalia S.p.A.	14,705	-	14,705
Gemina S.p.A.	7,932	-	7,932
Mediobanca S.p.A.	58,942	-	58,942
Premafin S.p.A.	-	477	(477)
RCS MediaGroup S.p.A.	35,560	-	35,560
G.I.M. Warrant	605	-	605
Tri Alpha Energy	-	8	(8)
Total	117,744	485	117,259
From sale of trading equity investments			
Asm Brescia S.p.A.	876	-	876
Warrant premafin	-	76	(76)
Tenaris S.A.	2	-	2
Total	878	76	802
From fair value valuation of trading equity investments			
ASM Brescia S.p.A.	1,016	33	983
Assicurazioni Generali S.p.A.	1,011	126	885
Eni S.p.A.	44	-	44
Enel S.p.A.	24	-	24
Alleanza assicurazioni S.p.A.	26	-	26
Unipol Assicurazioni S.p.A.	17	-	17
Mediolanum S.p.A.	2	-	2
Banca Popolare di Verona	2	-	2
Total	2,142	159	1,983
From fair value valuation of trading securities			
Popolare Verona	-	1	(1)
Popolare Milano	14	19	(5)
Banca Popolare Unite S.c.r.l.	35	1	34
Total	49	21	28
Other income from equity investments			
Price adjustment on SAB sales	-	6,200	(6,200)
Total	-	6,200	(6,200)
Grand total	**120,813**	**6,941**	**113,872**

23) Other revenues

Other revenues amounted to 1,189 thousand euro (1,110 thousand euro in 2005). They included rents and recovery of condominium expenses for 39 thousand euro, recovery of costs from Group companies for 940 thousand euro, other income for 192 thousand euro and non-recurring income for 18 thousand euro.

24) Goods and utilities expenses

Goods and utilities expenses amounted to 131 thousand euro, as follows:

(in thousands of euro)	2006	2005	Change	Change %
Materials and machinery	3	22	(19)	-86.4
Other materials	62	71	(9)	-12.7
Electricity, water, gas	66	49	17	34.7
Total	**131**	**142**	**(11)**	**-7.7**

25) Services expenses

Services expenses amounted to 5,714 thousand euro, as follows:

(in thousands of euro)	2006	2005	Change	Change %
Legal fees consultancy and compensation	4,325	3,943	382	9.7
Rents and fees for use of third-party assets	251	152	99	65.1
Insurance	268	248	20	8.1
Lease payments and expense civil buildings	69	33	36	109.1
Maintenance and repairs	161	330	(169)	-51.2
Subscriptions	77	74	3	4.1
Communication and promotions	130	129	1	0.8
Post and telephone	48	51	(3)	-5.9
Cleaning	102	100	2	2.0
Other expenses and residual services	283	140	143	102.1
Total	**5,714**	**5,200**	**514**	**9.9**

Compensations include compensation paid to the Board of Statutory Auditors of 137 thousand euro (unchanged from 2005).

26) Employee expenses

Employee expenses amounted to 12,488 thousand euro, as follows:

(in thousands of euro)	2006	2005	Change	Change %
Wages and salaries	5,992	4,940	1,052	21.3
Social security contributions	1,567	1,386	181	13.1
Provisions and pension funds	376	267	109	40.8
Compensation directors	4,471	2,898	1,573	54.3
Other miscellaneous expenses	82	44	38	86.4
Total	**12,488**	**9,535**	**2,953**	**31.0**

The number of employees is shown below:

(heads)	2006	2005	Change
Number of employees at period end	42	41	1
Average number of employees	42,50	39,60	3

27) Other operating income/(expense)

Other operating expense net of other operating income amounted to 32,591 thousand euro, as follows:

(in thousands of euro)	2006	2005	Change	Change %
Finance costs				
Interest on short-term borrowings	2,921	2,840	81	2.9
Interest on medium/long-term borrowings	11,350	7,302	4,048	55.4
Current a/c and fin. Interest expense v/subsids	188	166	22	13.3
Commissions underwriting syndicate	-	99	(99)	-100.0
Commissions non-utilization	80	40	40	100.0
Other expense	3	3	-	0.0
Total	14,542	10,450	4,092	39.2
Capital losses and impairment				
Sale Gim S.p.A.	2,742	-	2,742	100.0
Sale trading securities	29	-	29	100.0
Impairment Consortium S.r.l.	13,399	-	13,399	100.0
Impairment trading securities	32	80	(48)	-60.0
Total	16,202	80	16,122	
Other expense and income				
Condominium expenses on own buildings	240	227	13	5.7
Other management expense	101	107	(6)	-5.6
Non-deductible VAT	708	838	(130)	-15.5
ICI tax	36	36		
Other taxes	84	31	53	171.0
Non-recurring expense v/subsidiaries	340	1	339	n.s.
Non-recurring expense	16	8	8	n.s.
Disputes with Treasury on prior years	322	-	322	100.0
Total	1,847	1,248	599	48.0
Total other operating income/(expense)	**32,591**	**11,778**	**20,813**	**176.7**

The heading includes the loss of 2,742 thousand euro on the sale of the G.I.M. Generale Ind. Metallurgiche S.p.A. equity investment and the impairment loss of 13,399 thousand euro on the Consortium S.r.l. equity investment illustrated earlier.

28) Other income/(expense)

Other income net of other expense amounted to 3,159 thousand euro (expense of 492 euro at December 31, 2005) as follows:

(in thousands of euro)	2006	2005	Change	Change %
Capital gains on sale of fixed assets	159	53	106	200.0
Additions/use provision bad debts and equity investment risks	(1,753)	(342)	(1,411)	412.6
Other income/(expense)	4,753	(203)	4,956	n.s.
Total	**3,159**	**(492)**	**3,651**	

Additions to and use of provisions referred to the movements in the provision for bad debts and write-downs on equity investments illustrated earlier.
Other income/(expense) included 5,098 thousand euro of non-recurring income for collection of prior-year tax refunds and 300 thousand euro of expense for the endowment made in June to the "Fondazione Italcementi Cav. Lav. Carlo Pesenti", plus other minor items.

29) Amortization and depreciation

The overall amount of 67 thousand euro (55 thousand euro in 2005) refers to depreciation of property, plant and equipment for 60 thousand euro (50 thousand euro in 2005) and depreciation of intangible assets for 7 thousand euro (5 thousand euro in 2005).

30) Finance income/(costs)

Finance costs net of finance income amounted to 120 thousand euro, as follows:

(in thousands of euro)	2006	2005	Change	Change %
Interest expense	1	2	(1)	-50.0
Exchange rate differences	-	6	(6)	-100.0
Financial services received	119	99	20	20.2
Total	**120**	**107**	**13**	**12.1**

31) Income tax expense

Income tax expense for the year was 2,492 thousand euro, as follows:

(in thousands of euro)	2006	2005	Change	Change %
Current tax	13,899	(4,371)	18,270	-418.0
Deferred tax	(11,407)	45	(11,452)	n.s.
Prior-year tax	-	(181)	181	-100.0
Total	**2,492**	**(4,507)**	**6,999**	**-155.3**

Deferred tax mainly referred to the release of the deferred tax provision in respect of valuation of available-for-sale shares on which, following the sale and simultaneous TRES contract described earlier, a fiscal capital gain was obtained with recognition of the related current tax charge.

Annexes

Annex A

Statement of movements in the accounts of available-for-sale equity investments at December 31, 2006

Equities and interests	Position at 1.1.2006		Additions		Decreases		Changes in Fair Value	Impairment	Interest held	Position at 12.31.2006		Gains/(losses) on sales
Subsidiaries	Quantity	Amounts (euro)	Quantity	Amounts (euro)	Quantity	Amounts (euro)	Amounts (euro)	Amounts (euro)	%	Quantity	Amounts (euro)	Amounts (euro)
Aliserio S.r.l.	227,000	238,788							10.000 (1)	227,000	238,788	-
Azienda Vendite Acquisti A.V.A. S.r.l.	2,550,000	2,283,140							100.000	2,550,000	2,283,140	-
BravoSolution S.p.A.	1,777,778	2,611,112							8.154 (1)	1,777,778	2,611,112	-
Fincomind S.A.	7,000	3,642,830							69.930	7,000	3,642,830	-
Franco Tosi S.r.l.	5,160,000	5,164,569	84,840,000 (2)	84,840,000					100.000	90,000,000	90,004,569	-
Italcementi S.p.A. - ordinary shares	104,034,000	370,234,670							58.737 (*)	104,034,000	370,234,670	-
Italmobiliare International B.V.	13,000	14,204							100.000	13,000	14,204	-
Italmobiliare International Finance Ltd	249,990	465,128,628							97.272	249,990	465,128,628	-
Italmobiliare Servizi S.r.l.	260,000	258,228							100.000	260,000	258,228	-
Neyrtec Industrie S.A.	100,000	1							100.000	100,000	1	-
Populonia Italica S.r.l.	1,040,000	1,146,561							100.000	1,040,000	1,146,561	-
Punta Ala Promozione e Sviluppo Immobiliare S.r.l.	1,293,240	1,336,271							99.480	1,293,240	1,336,271	-
Sirap Gema S.p.A.	3,298,625	37,489,427							100.000	3,298,625	37,489,427	-
Société de Participation Financière Italmobiliare S.A.	4,294,033	95,001,104							99.940	4,294,033	95,001,104	-
S.r.l. Nuove Costruzioni Edilizie S.A.N.C.E.	139,725	3,986,143							100.000	139,725	3,986,143	-
Total subsidiaries		988,535,676		84,840,000		-	-	-			1,073,375,676	-
Associates												
Mittel S.p.A.	8,522,756	35,070,309					16,791,514		12.913	8,522,756	51,861,823	-
Società Editrice Siciliana S.p.A.	29,700	16,487,879	-	-			453,358		33.000	29,700	16,941,237	-
Total associates		51,558,188		-		-	17,244,872	-			68,803,060	-
Other companies												
Atmos S.p.A.	200,000	200,000					(4,474)		2.220	200,000	195,526	-
Banche Popolari Unite S.c.r.l.	1,138,500	21,141,945	580,000	11,568,680			2,999,805		0.499	1,718,500	35,710,430	-
Capitalia S.p.A.	2,971,994	14,524,135	3,484,349 (3)	17,028,014	6,456,343	31,552,149 (4)			-	-	-	14,704,787
Compagnia Fiduciaria Nazionale S.p.A.	20,001	361,752					(81,813)	-	16.668	20,001	279,939	-
Consortium S.r.l.	-	-	12,768,912	28,907,918 (5)		15,223,044 (6)		(13,398,610)	2.764	12,768,912	286,264	-
Emittenti Titoli S.p.A.	209,000	154,476					4,350		2.549	209,000	158,826	-
Fin.Priv. S.r.l.	2,857	31,563,400					2,729,370		14.285	2,857	34,292,770	-
Gazzetta del Sud Calabria S.p.A.	4,788	678,766					23,329		4.836	4,788	702,095	-
Gemina S.p.A. - ordinary shares	8,469,193	16,938,386			8,469,193	16,938,386			-	-	-	7,932,096
G.I.M. Generale Industrie Metallurgiche S.p.A. - ordinary shares	8,838,902	6,828,936			8,838,902	6,828,936 (4)			-	-	-	(2,742,150)
G.I.M. S.p.A. - warrants	3,132,741	889,385			3,132,741	889,385 (4)			-	-	-	604,565
Gruppo Banca Leonardo S.p.A.	-	-	4,260,000	13,923,968					2.880	4,260,000	13,923,968	-
Idrovia Ticino Milano Nord Mincio S.p.A. - in liquidation	100	568							0.020	100	568	-
Immobiliare Lido di Classe S.p.A. - in liquidation	45,991	1							18.036	45,991	1	-
Immobiliare Astra S.p.A.	12,012	11,362							1.784	12,012	11,362	-
Intereuropa Sim S.p.A. - in liquidation	80,000	1							1.418	80,000	1	-
Mediobanca S.p.A.	9,086,425	146,164,233			9,086,425	146,164,233 (4)			-	-	-	58,942,367
Mediocredito Centrale S.p.A.	950,277	17,028,014			950,277 (3)	17,028,014 (4)			-	-	-	-
Meltemi S.r.l.	-	-	12,982	235,927					10.910	12,982	235,927	-
RCS MediaGroup S.p.A. - ordinary shares	35,049,986	141,391,644			35,049,986	141,391,644 (4)			-	-	-	35,559,797
Sesaab S.p.A.	1,000,000	9,324,629					6,375,371		10.000	1,000,000	15,700,000	-
Solar Energy Italia S.p.A.	-	-	69,100	69,250					6.909	69,100	69,250	-
UniCredito Italiano S.p.A. - ordinary shares (7)	85,626,509	498,260,656					71,498,135		0.822 (*)	85,626,509	569,758,791	-
Total other companies		905,462,289		71,733,757		376,015,791	83,544,073	(13,398,610)			671,325,718	115,001,462
Total equity investments		1,945,556,153		156,573,757		376,015,791	100,788,945	(13,398,610)			1,813,504,454	115,001,462

(*) on ordinary share capital
(1) controlled through Italcementi S.p.A.
(2) share capital increase through issue of an interest of € 84,840,000
(3) spartial spin-off Mediocredito Centrale S.p.A. to Capitalia S.p.A. at a swap rate of 11 Capitalia ordinary shares for every 3 MCC S.p.A. ordinary shares
(4) shares sold to Franco Tosi S.r.l.
(5) shares purchased from SO.PAR.FI. Italmobiliare S.A.
(6) reduction share capital and reserves
(7) including 12,250,000 shares linked to the TRES transaction described in the disclosure on Loans and Borrowings

Annex B

List of equity investments in subsidiaries and associates at December 31, 2006

(art. 2427 no. 5 Italian Civil Code)

	Registered office		Share capital (in € or currency)	Total shareholders' equity (in € or currency)	Net profit for the year (in € or currency)	Interest held %	Number shares or quotas	Nominal unit value (in € or currency)	Carrying amount Unit	Carrying amount Total (in euro)	Carrying amount Total (thousands of €) (A)	Value ex art. 2426 no. 4 It.Civ.Code (thousands of €) (B)	Difference (thousands of €) (B) - (A)
Subsidiaries													
Aliserio S.r.l.	Bergamo	€	2,270,000	2,298,631	(35,779)	10.00 (1)	227,000	1.00	1.05	238,788	239	239	-
Azienda Vendite Acquisti A.V.A. S.r.l.	Milan	€	2,550,000	2,309,966	17,577	100.00	2,550,000	1.00	0.90	2,283,140	2,283	2,548	265
BravoSolution S.p.A.	Bergamo	€	21,802,379	24,406,041	(19,443,231)	8.15 (1)	1,777,778	1.00	1.47	2,611,112	2,611	1,377	(1,234)
Fincomind A.G.	Zürich	Sw.F	10,010,000	23,278,850	4,125,007	69.93	7,000	1,000.00	520.40	3,642,830	3,643	54,159	50,516
Franco Tosi S.r.l.	Milan	€	90,000,000	110,479,483	13,114,561	100.00	90,000,000	1.00	1.00	90,004,569	90,005	130,087	40,082
Italcementi S.p.A.	Bergamo	€	282,548,942	2,195,712,009	112,311,617	58.74	104,034,000	1.00	3.56	370,234,670	370,235	1,254,534	884,299
Italmobiliare International B.V.	Amsterdam	€	19,500	772,029	(2,784)	100.00	13,000	1.50	1.09	14,204	14	772	758
Italmobiliare International Finance Ltd.	Dublin	€	1,336,400	637,785,699	9,199,204	97.272	249,990	5.20	1,860.59	465,128,628	465,129	622,523	157,394
Italmobiliare Servizi S.r.l.	Milan	€	260,000	768,563	80,254	100.00	260,000	1.00	0.99	258,228	258	774	516
Neyrtec Industrie S.A.	Pont de Claix	€	1,524,490			100.00	100,000	0.05	0.00	1	-	-	-
Populonia Italica S.r.l.	Milan	€	1,040,000	1,465,071	(15,250)	100.00	1,040,000	1.00	1.10	1,146,561	1,147	1,469	322
Punta Ala Promozione e Sviluppo Immobiliare S.r.l.	Milan	€	1,300,000	1,914,039	(63,070)	99.48	1,293,240	1.00	1.03	1,336,271	1,336	1,398	62
Sirap Gema S.p.A.	Verolanuova	€	17,020,905	36,822,814	9,456,093	100.00	3,298,625	5.16	11.37	37,489,427	37,489	49,600	12,111
Société de Participation Financière Italmobiliare S.A.	Luxembourg	€	103,118,928	184,037,596	27,635,505	99.94	4,294,033	24.00	22.12	95,001,104	95,001	271,745	176,744
S.r.l. Nuove Costruzioni Edilizie S.A.N.C.E.	Milan	€	139,725	4,682,110	1,349,449	100.00	139,725	1.00	28.53	3,986,143	3,986	13.755	9,769
Total subsidiaries										1,073,375,676	1,073,376	2,404,980	1,331,604
Associates													
Mittel S.p.A.	Milan	€	66,000,000	251,003,398	1,007,557 (2)	12.913	8,522,756	1.00	6.09	51,861,823	51,862	51,862	-
Società Editrice Siciliana S.p.A.	Messina	€	5,112,900	47,192,304	4,285,450 (3)	33.00	29,700	56.81	570.41	16,941,237	16,941	16,941	-
Total associates										68,803,060	68,803	68,803	

(1) controlled through Italcementi S.p.A.
(2) figures at 09.30.2006
(3) figures at 12.31.2005
Reasons for negative difference in final column:
- BravoSolution S.p.A.
Carrying amount is maintained because lower than the recoverable amount represented by estimated cash flow

Annex C

Statement of movements in the accounts of trading equity investments at December 31 2006

Equities or interest	Position at 01.01.2006		Additions		Decreases		Changes im Fair Value	Interest held	Position at 12.31.2006		Gains (losses) on sales
	Quantity	Amounts (euro)	Quantity	Amounts (euro)	Quantity	Amounts (euro)	Amounts (euro)	%	Quantity	Amounts (euro)	Amounts (euro)
Other companies											
Asm Brescia S.p.A. - ordinary shares	1,220,000	3,118,320	-	-	570,000	1,456,920	1,015,950	0.084	650,000	2,677,350	875,449
Alleanza Assicurazioni S.p.A. - ordinary shares	-	-	36,000	338,008	-	-	26,060	0.004	36,000	364,068	-
Assicurazioni Generali S.p.A.	27,916	823,243	164,083	4,566,922	-	-	1,011,082	0.015	191,999	6,401,247	-
Banca Popolare Verona e Novara	-	-	4,000	85,225	-	-	1,575	0.001	4,000	86,800	-
Enel S.p.A.	-	-	40,000	289,489	-	-	23,591	0.001	40,000	313,080	-
Eni S.p.A.	-	-	20,000	466,066	-	-	44,334	0.0005	20,000	510,400	-
Mediolanum S.p.A.	-	-	8,000	47,788	-	-	1,668	0.001	8,000	49,456	-
Tenaris S.A.	-	-	2,500	37,287	2,500	37,287	-	-	-	-	2,288
Unipol Assicurazioni S.p.A.	-	-	60,000	129,832	-	-	17,408	0.007	60,000	147,240	-
Total other companies		3,941,563		5,960,617		1,494,207	2,141,668			10,549,641	877,737

Annex D

Statement of movements in debentures during 2006

(euro)	Position at 01.01.2006	Additions	Decreases	Changes in Fair Value	Position at 12.31.2006
Available-for-sale portfolio					
Other variable-income securities	152,949	-	77,082	-	75,867
Other fixed-income securities	2,946,861	-	-	(58,158)	2,888,703
Total	3,099,810	-	77,082	(58,158)	2,964,570

(euro)	Position at 01.01.2006	Additions	Decreases	Changes in al Fair Value	Position at 12.31.2006
Trading portfolio					
Other variable-income securities	26,044,493	6,985,690	6,982,793	17,870	26,065,260
Total	26,044,493	6,985,690	6,982,793	17,870	26,065,260

The closing position reflects market value at December 31, 2006.

Annex E

Comparison of book values and market prices at December 31, 2006 for equity investments in companies with listed shares

Equities (euro)	Number shares	Book value		Unit book value	Unit market value at December 31, 2006	Market value at December 31, 2006
Subsidiaries						
Italcementi S.p.A. - ordinary shares	104,034,000	370,234,670		3.559	21.3900	2,225,287,260
		370,234,670				2,225,287,260
Associates						
Mittel S.p.A.	8,522,756	51,861,823	(1)	6.085	5.7000	48,579,709
		51,861,823				48,579,709
Other companies						
Asm Brescia S.p.A. - ordinary shares	650,000	2,677,350		4.119	4.1190	2,677,350
Alleanza Assicurazioni S.p.A. - ordinary shares	36,000	364,068		10.113	10.1130	364,068
Assicurazioni Generali S.p.A.	191,999	6,401,247		33.340	33.3400	6,401,247
Banca Popolare Verona e Novara	4,000	86,800		21.700	21.7000	86,800
Banche Popolari Unite S.c.r.l.	1,718,500	35,710,430		20.780	20.7800	35,710,430
Enel S.p.A.	40,000	313,080		7.827	7.8270	313,080
Eni S.p.A.	20,000	510,400		25.520	25.5200	510,400
Mediolanum S.p.A.	8,000	49,456		6.182	6.1820	49,456
UniCredito Italiano S.p.A. - ordinary shares	85,626,509	569,758,761		6.654	6.6540	569,758,791
Unipol Assicurazioni S.p.A.	60,000	147,240		2.454	2.4540	147,240
		615,871,592				615,871,621
Treasury shares (deducted from shareholders' equity)						
Italmobiliare Società per Azioni - ordinary shares (*)	911,131	21,779,567		23.904	80.8400	73,655,830
IItalmobiliare Società per Azioni - savings shares	28,500	396,085		13.898	65.2500	1,859,625
		22,175,652				75,515,455

(1) the carrying amount reflects the valuation of the associate with the equity method based on the most recent available consolidated financial statements (09.30.2006)
(*) including 363,680 shares servicing stock option plans

Annex F

Reconciliation of theoretical tax charge and income tax expense reflected in the income statement

(in thousands of euro)			
A) Profit before tax			164,140
B) Current IRES tax rate		33.0%	
C) Theoretical IRES tax charge (AxB)			(54,166)
Fiscal effects on permanent differences:			
- non deductable			(13,013)
- non taxable/exempt			63,993
	tot. D)		50,980
Other changes	tot. E)		694
Income tax expense reflected in the income statement	(C+D+E)		(2,492)

Annex G

Analysis of shareholders' equity line items

Nature/description (in thousands of euro)	Amount	Possible uses	Amount available	Summary of uses in the three previous periods: To replenish losses	Summary of uses in the three previous periods: Other
Share capital	100,167				
Reserves:					
Share premium reserve	177,191	A, B, C	177,191		
Stock options reserve	2,455	A, B, C	2,455		
Fair value reserve for available-for-sale assets	530,606	-	-		
Total reserves	710,252	-	179,646		
Treasury shares at cost	(22,176)	-			
Retained earnings:					
Revaluation reserves	86,760	A, B, C	86,760		
Reserve for grants related to assets	2,164	A, B, C	2,164		
Merger surplus	57,715	A, B, C	57,715		
Fund ex art. 55 Pres. Decrees 597/1973 and 917/1986	1,771	A, B, C	1,771		
Fund ex art. 54 Pres. Decrees 597/1973 and 917/1986	185	A, B, C	185		
Reserve art. 33 law 413/91	2	A, B, C	2		
Reserve art. 34 law 576/75	93,242	A, B, C	93,242		
Legal reserve	20,034	B			
Extraordinary reserve	318,575	A, B, C	318,575		
Retained earnings	99,518	A, B, C	99,518		
Impact of transition to IAS	16,009	-			
Net profit for the year	161,648	A, B, C	161,648		
Total retained earnings	857,623		821,580		
Total			1,001,226		
Non-distributable portion - art. 2426 no. 5 Italian Civil Code					
Residual distributable portion			1,001,226		

Key:
A: for share capital increase
B: to replenish losses
C: for distribution to shareholders

Annex H

Compensation paid to directors, statutory auditors and chief operating offices for the year 2006

The compensation shown in the table is recognized on an accrual basis.
Therefore, in compliance with the Consob Regulation for Issuers, the columm:

- Remuneration for post: if shown, refers to one or more of the following items: (i) for directors, the share of the profit for financial year 2006 (on an annualized basis: 236.33 thousand euro to the Chairman, 177.25 thousand euro to the Deputy Chairman, 118.17 thousand euro to each Director in proportion to their term of office, 59.08 thousand euro to each Director who is a member of the Executive Committee) and for statutory auditors their remuneration for the year; (ii) payment for the specific post held; (iii) compensation for membership of the Remuneration Committee, of the Internal Control Committee and of the Compliance Committee; (iv) lump-sum reimbursement of expenses;
- Non-monetary benefits: includes fringe benefits (based on a taxable income criterion) including insurance policies;
- Bonuses and other incentives: includes remuneration amounts accruing on a non-recurring basis;
- Other compensation: includes (i) remuneration for posts held in listed and non-listed subsidiaries; (ii) any considerations for professional services in favor of the company and/or its subsidiaries; (iii) remuneration for work as an employee (gross of social security and tax charges paid by the employee, excluding collective compulsory social security charges paid by the company and leaving entitlements) and (iv) end-of-term payments.

It should also be noted that:

- a portion of the compensations attributed to the Chairman-Chief Executive Officer and to the Chief Operating Officer is variable, and depends on the company's business results or attainment of specific targets;
- remuneration for the post held by Director Gabriele Galateri di Genola is paid directly to Mediobanca spa, where Mr Galateri holds the post of Chairman;
- the compensation shown in the column "Other compensation" for Director Luca Minoli reflects amounts due to Mr Minoli for services rendered by him to Italmobiliare and its subsidiaries and invoiced by the law firm where Mr Minoli works.

Annex H (continued)

Name and surname (in thousands of euro)	Post held	Period for which the post was held	End of term of office	Remuneration for post	Non-monetary benefits	Bonuses and other incentives	Other compensa-tion
Giampiero Pesenti	Chairman Chief Executive Officer Chairman Exec. Com.	1.1-12.31	2007	1,145.42	0.59	-	2,087.16
Italo Lucchini	Director Deputy Chairman Member Exec. Com.	1.1-12.31 1.1-12.31	2007	290.34	-	-	61.69
Carlo Pesenti	Director Chief Operating Officer Member Exec. Com.	1.1-12.31	2007	2,677.25	8.09	-	-
Pier Giorgio Barlassina	Director	1.1-12.31	2007	118.17	1.95	-	253.31
Mauro Bini	Director	1.1-12.31	2007	158.17	-	-	-
Giorgio Bonomi	Director	1.1-12.31	2007	133.17	-	-	-
Gabriele Galateri di Genola	Director	1.1-12.31	2007	-	-	-	-
Luca Minoli	Director	1.1-12.31	2007	122.17	-	-	5.16
Giorgio Perolari	Director	1.1-12.31	2007	196.25	-	-	-
Livio Strazzera	Director	1.1-12.31	2007	118.17	-	-	-
Luigi Guatri	Chairman Board Statutory Auditors	1.1-12.31	2007	56.10	-	-	18.27
Claudio De Re	Acting Auditor	1.1-12.31	2007	37.40	-	-	88.78
Eugenio Mercorio	Acting Auditor	1.1-12.31	2007	37.40	-	-	39.74

Annex I

Stock options granted to directors and chief operating officers

Instrument: Italmobiliare S.p.A.

		Options held at beginning of the year			Options granted during the year			Options exercised during the year			Options expired during the year	Options held at end of the year		
A	B	1	2	3	4	5	6	7	8	9	10	11= 1+4-7-10	12	13
Name and surname	Post held	Number options	Average exercise price	Average maturity	Number options	Average exercise price	Average maturity	Number options	Average exercise price	Average market price on exercise	Number options	Number options	Average exercise price	Average maturity
Giampiero Pesenti	Chief Executive Officer	100,000	45.834	2011	55,000	65.701	2012	-	-	-	-	155,000	52.883	2011
Carlo Pesenti	Director Chief Operating Officer	88,500	42.219	2010	37,500	65.701	2012	-	-	-	-	126,000	49.208	2011

Notes on principles and purpose of stock option plans

See the sections "Stock option plan for directors" and "Stock option plan for managers" in the report on operations.

Instrument: Italcementi S.p.A.

		Options held at beginning of the year			Options granted during the year			Options exercised during the year			Options expired during the year	Options held at end of the year		
A	B	1	2	3	4	5	6	7	8	9	10	11= 1+4-7-10	12	13
Name and surname	Post held	Number options	Average exercise price	Average maturity	Number options	Average exercise price	Average maturity	Number options	Average exercise price	Average market price on exercise	Number options	Number options	Average exercise price	Average maturity
Giampiero Pesenti	Chairman	390,000	10.588	2010	150,000	16.890	2012	100,000	9.136	18.562	-	440,000	13.067	2011
Carlo Pesenti	Chief Executive Officer	313,100	10.822	2009	85,000	16.890	2012	43,100	9.134	15.760	-	355,000	12.480	2011

Notes on principles and purpose of stock option plans

Stock option plans for directors and managers aim to link overall remuneration of the plan beneficiaries with the medium/long-term success of the company and with creation of shareholder value, and also to strengthen managers' sense of belonging and encourage their continued employment with the company.

Under the regulation:

- options are nominative, personal and non-transferable and are assigned in annual cycles. They may be exercised in a period from the fourth to the tenth year after the grant date;
- the subscription/purchase price is set for each stock option plan and is the arithmetic mean of share prices in the period between the date of the rights offer and the same day of the previous calendar month;
- shares acquired through exercise of options are unavailable for one year.

Report of the Board of Statutory Auditors

To the Shareholders,

The consolidated results for financial year 2006 reflect significant improvements, for the second year running: total net profit rose from 606.1 to 748.5 million euro (+23.5%) and Group net profit from 211.3 to 264.4 million euro (+25.1%).

Strong progress was also reported in Operating profit, which totaled 1,105.7 million euro, from 834.5 million euro in the previous year (+32.5%), with negative extraordinary items of 9 million euro (14.4 million euro in 2005).

Although capital expenditure and financial investments were considerable (865.2 million euro), net debt remained substantially unchanged at 1,857.3 million euro (1,865.1 million euro in 2005).

Group shareholders' equity rose from 2,696.3 to 2,975 million euro and equity per share from 71.7 to 79.15 euro.

We remind you that as from 2006 the parent company draws up its separate financial statements in accordance with the new international accounting standards. These standards wee already adopted in the preparation of the 2005 consolidated financial statements.

At the level of the Italmobiliare parent company, net profit increased by more than 103 million euro as a result of the intragroup restructuring of equity investments, reaching 161.6 million euro. Excluding these transactions, net profit increased from 58.5 million euro to 62.6 million euro.

To the Shareholders,

During the financial year ended December 31, 2006, we conducted the supervisory activities required under law and also in accordance with the indications of the Consob resolutions and communications: specifically, we attended the meetings of the Board of Directors (4), as well as the meetings called by the Executive Committee (1), the Internal Control Committee (7) and the Remuneration Committee (2). In this manner we acquired all the necessary information on the activities performed and the key economic, financial and equity transactions executed by the company and on the transactions executed with related parties. The Board of Statutory Auditors met 8 times.

In the course of our supervisory activities we found no anomalous transactions or censurable facts. Nor did we find any imprudent transactions or transactions prejudicial to the assets or lacking adequate forward-looking assessment or necessary information.

We can therefore state that the transactions approved and executed by the Board of Directors are: compliant with the law and the company by-laws, are not in potential conflict of interest or in contrast with the resolutions adopted by the shareholders' meeting, and are consistent with principles of correct administration.

We monitored compliance with the law and the articles of association through checks on the activity of the corporate bodies, and no action was necessary to impose compliance with the law and the by-laws.

To the extent of our competence, we acquired the requisite information and oversaw the adequacy of the company's organizational structure and compliance with the principles of correct governance, through direct observation, collection of information from the heads of division and regular meetings with the independent auditors in order to exchange relevant data and information.

During the period, we were also able to verify that the company's accounting and administrative system is consistent with the dimensions and complexity of the company operations and that it is reliable in representing operations correctly; we also verified the adequacy of the controls of the internal control system established by the Board of Directors and of the operating audit programs in the company's main sectors of business. Similarly we found nothing of exception in the checks of the parent company on the subsidiaries and the associates or in the dispositions issued for the purpose. During the year we issued our opinion attesting the congruity of the compensation paid to directors with specific posts.

The inspection of the accounts and the audit of the financial statements and of the half-year situation were conducted by the independent auditors Reconta Ernst & Young S.p.A. who, during the year, provided the company with assistance for the first-time adoption of the international accounting standards for the separate financial statements. No new engagements have been conferred on this company or on parties with on-going relations with this company, by Italmobilare S.p.A.

Additionally, we have evaluated the offer for the extension of the engagement for the three-year period 2007/2009: our positive conclusions are set out in the specific proposal to the Shareholders' Meeting.

During the year the process for the updating and application of the organizational and management model pursuant to Legislative Decree no. 231 of June 8, 2001, continued. The model adopted appears to be suitable for the purpose. The Compliance Committee appointed by the Board of Directors continued its verification and updating of the model.

In their report, the Directors illustrate in full the activities of the company, trends on the markets, and the results obtained; the notes detail relations with the various companies in the Group and the valuation criteria adopted, which are compliant with the law and consistent with the criteria applied in the previous period.

We have found no exceptions pursuant to par 4 of art. 2423, intangible assets have been recognized and amortized, where necessary, with our consent.

Finally we declare that our supervisory activities found no unusual or anomalous transactions in respect of normal operations, or censurable facts, nor were any such transactions or facts indicated to us by the independent auditors.

We found no petitions or suits ex art. 2408 of the Italian Civil Code.

In the first few months of 2007, the Board of Directors made a number of amendments to the Voluntary Code of Conduct consistently with the new version. These amendments are illustrated in full in the Directors' Report on Corporate Governance.

The Board of Statutory Auditors supervised the application of the rules established by the Voluntary Code of Conduct adopted by the company. Specifically, it examined and deemed adequate the procedures adopted to check the independence and honorability requirements of the members of the Board of Directors.

Finally, the Board of Statutory Auditors has heard the proposal of the Board of Directors for distribution of a dividend (1.45 euro per ordinary share and 1.528 euro per savings share) and deems the proposal compatible with the results achieved, with the equity/financial situation and with the prospects of the Parent Company and the Group.

Milan, April 4, 2007

Statutory Auditors

Luigi Guatri
Claudio De Re
Eugenio Mercorio

Extension of the engagement for the audit of the separate financial statements and the consolidated financial statements for financial years 2007-2008-2009 and for the limited review of the half-year reports at June 30, 2007-2008-2009

"To the Shareholders,

with the Shareholders' resolution of May 18, 2004, in compliance with Legislative Decree no. 58 of February 24, 1998 (TUF-*Testo Unico Finanziario*, consolidated finance act), your company conferred on the Reconta Ernst & Young S.p.A. company the engagement for the audit of the separate and consolidated financial statements and the inspection of the company accounts for financial years 2004, 2005 and 2006, and also for the limited review of the half-year situation at June 30, 2004, 2005 and 2006.

Legislative Decree no. 303 of December 29, 2006 ("Coordination with Law no. 262 of December 28, 2005, of the consolidated banking and credit act"), which amended the TUF, sets the term of the engagement of independent auditors at nine years.

The transitional dispositions of the decree in question establish that *"engagements underway at the date on which this legislative decree comes into force, whose total duration, including renewals or extensions, is less than nine financial years may, by the date of the first shareholders' meeting called to approve the financial statements, be extended so as to adjust the duration consistently with the limit set by art. 159, par 4 of Legislative Decree no. 58 of February 24, 1998, as amended by this legislative decree".*

The above legislative decree also amends art. 159 of the TUF, establishing that in response to a motivated proposal presented by the governing body the shareholders' meeting "*confer the engagement for the audit of the financial statements ….*", assigning the Board of Statutory Auditors to draw up a proposal for the appointment of the independent auditors.

As a preliminary, the Board of Statutory Auditors recognizes that the engagement conferred on Reconta Ernst&Young S.p.A., pursuant to art. 159 of the TUF is due to expire with the approval of the financial statements for the year to and as at December 31, 2006, and has already been renewed once.

Moreover, the Board of Statutory Auditors, taking into account that:

- it is advisable - also considering that the independent auditors currently engaged are also currently the independent auditors of the subsidiary Italcementi S.p.A. - that the continuity of the engagement be guaranteed for another three years, given that the independent auditors in question are already familiar with the company situation and the accounting and administrative procedures adopted;
- the extension would, additionally, prolong the overall term of the engagement to nine financial years, consistently with the new limit established by the TUF;
- the offer of the independent auditors for the years 2007, 2008 and 2009 is substantially unchanged from an economic point of view with respect to the offer approved by the shareholders' meeting mentioned above and is aligned with the market rates for similar engagements;

proposes for your consideration, by virtue of the powers granted under the current regulations, that the engagement for the audit of the separate and consolidated financial statements for financial years 2007 - 2008 - 2009 and for the limited review of the half-year reports at June 30, 2007 - 2008 and 2009 be re-conferred on Reconta Ernst & Young, whose offer provides, for each financial year of the three-year period, an annual fee payable by the company for a total of 187,000 euro, subdivided as follows:

Accounting audit of the financial statements of Italmobiliare S.p.A. and limited review of the minor investee companies	84,000.00
Audit of the Italmobiliare consolidated financial statements	47,000.00
Periodical reviews, pursuant to art. 155, par 1, letter a) of Legislative Decree no. 58/98	14,000.00
Limited review of the separate and consolidated half-year report of Italmobiliare	34,000.00
Underwriting of tax returns	8,000

The fee indicated does not include out-of-pocket expenses, which will be charged ex post, the compliance contribution and VAT.

The amounts indicated may be adjusted annually on July 1 of each year, as from July 1, 2007, within the limits of the increase in the ISTAT cost-of-living index with respect to the previous year.

Any exceptional or unforeseeable circumstances that may occur will be duly examined, to enable the independent auditors to draw up an offer to supplement the offer currently being examined.

* * *

To the Shareholders,

if you agree with our proposal we invite you to adopt the following resolution:

"the Shareholders' Meeting of Italmobiliare S.p.A. of April 27, 2007, having heard the proposal of the Board of Statutory Auditors

resolves

- to confer the engagement for the audit of the separate financial statements and the consolidated financial statements for financial years 2007 - 2008 - 2009 and for the limited review of the half-year reports at June 30, 2007 - 2008 - 2009 on the independent auditors Reconta Emst & Young S.p.A.;
- to set at 187,000 euro for each financial year of the three-year period the compensation due to the independent auditors Reconta Ernst & Young S.p.A. for fulfillment of the engagement, in addition to reimbursement of out-of-pocket expenses, the compliance contribution and VAT. The amount indicated will be adjusted annually on July 1 of each year as from July 1, 2007, within the limits of the increase in the ISTAT cost-of-living index with respect to the previous year."

Milan, April 4, 2007

Statutory Auditors

Luigi Guatri
Claudio De Re
Eugenio Mercorio

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INDEPENDENT AUDITORS' REPORT
pursuant to article 156 of Legislative Decree n. 58 of February 24, 1998
(Translation from the original Italian text)

To the Shareholders of Italmobiliare S.p.A.

1. We have audited the financial statements of Italmobiliare S.p.A. as of and for the year ended December 31, 2006, comprising the balance sheet, the statement of operations, changes in shareholder's equity and cash flows and the related explanatory notes. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. These financial statements represent the first financial statements prepared by Italmobiliare S.p.A. in accordance with International Financial Reporting Standards as adopted by the European Union and the standards issued in accordance with art. 9 of Italian Legislative Decree n. 38/2005.

2. We conducted our audit in accordance with auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   For comparative purposes, the financial statements include the corresponding information for the prior year prepared in accordance with consistent accounting principles. In addition, the attachment to the financial statements "Transition to the international financial reporting standards (IFRS)" explains the effects of transition to International Financial Reporting Standards as adopted by the European Union and includes the reconciliation statements required by IFRS 1, which were previously approved by the Board of Directors and published as an attachment to the Italmobiliare S.p.A. half-year interim financial statements 2006, and which have been audited by us. Reference should be made to our audit report dated October 5, 2006.

3. In our opinion, the financial statements present clearly and give a true and fair view of the financial position, the result of operations, the changes in shareholder's equity and the cash flows of Italmobiliare S.p.A. as of December 31, 2006, and for the year then ended in accordance with IFRS as adopted by the European Union and the standards issued in accordance with art. 9 of Italian Legislative Decree n. 38/2005.

Reconta Ernst & Young S.p.A.
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Capitale Sociale € 1.259.500,00 i.v.
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4. As illustrated in the explanatory notes and in the other management information, in the year 2006 Italmobiliare S.p.A. sold the shares restricted under a shareholders' pact to its wholly owned subsidiary Franco Tosi S.r.l.. Such sales were made within the context of a reorganization program which has assigned a specific mission to each of the directly owned subsidiaries of Italmobiliare S.p.A. and resulted in a capital gain amounting to 99 million of euros, net of related expenses and taxes.

Reconta Ernst & Young S.p.A.
Signed by: Alberto Coglia, Partner

Milano, Italy
April 6, 2007

This report has been translated into the English language solely for the convenience of international readers.

Transition to the International Financial Reporting Standards (IFRS)

In 2002, the European Union adopted regulation no. 1606 based on which companies whose securities are traded on the regulated markets of one EU Member State are required as of 2005 to report consolidated financial statements in accordance with the international financial reporting standards (IFRS).

By means of the Legislative Decree no. 38 of February 28, 2005, the Italian Government made it obligatory for these companies to prepare their financial statements in conformity with the international accounting standards as from 2006.

The application of the IFRS envisages, inter alia, the presentation for comparative purposes of the previous year's statements drawn up on the basis of the same standards; consequently also the financial statements for 2005 have been drawn up on the basis of the same standards for comparative purposes.

In accordance with the provision of IFRS 1 para. 25 Italmobiliare S.p.A. has adopted the IFRS for its own financial statements following their adoption for the consolidated financial statements; consequently the half year report includes a reconciliation as envisaged by IFRS 1, of shareholders' equity at the start and end of 2005, of the results for 2005 and an indication of the main adjustments made to the cash flow statement compared to the figures expressed under the previous standards.

The information contained in this note was approved by the Board of Directors meeting on September 13, 2006 and was audited by the external auditors who carried out a complete review of the results arising from the transition process.

It is necessary to make clear that since the financial statements as at December 31, 2006 must be prepared on the basis of IFRS standards and interpretations in force at that date, it is possible that the financial information and the impact on 2005 are different from those reported in this document in accordance with the standards and interpretations in force as of today.

Standards used for the first-time adoption (FTA) of IFRS as of January 1, 2005

The standards applied for FTA are those contained in the EU regulations no. 1725/2003 of September 29, 2003, no. 707/2004 of April 6, 2004, no. 2236/2004, no. 2237/2004 and no. 2238/2004 of December 29, 2004.

In the transition to the new standards, the company has decided to adopt in advance as from January 1, 2005 standard IFRS 2 (Share-based payments), endorsed by the European Commission on February 7, 2005.

The standards IAS 32 and 39, as approved by the European Commission, have been adopted as from January 1, 2005.

Options adopted by the company in application of the IFRS

As regards the optional application contained in certain IFRS, the main decisions made by the company are represented briefly below.

IAS 1 Presentation of financial statements:

- for the balance sheet, current and non-current assets and current and non-current liabilities are stated separately;
- for the income statement, the expenses analysis is made based on the nature of the expenses;
- for the cash flow statement, the company retained the indirect method whereby profit or loss of the period is adjusted by the effects of any non-cash transactions, any deferral or accrual of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

IAS 16 Property, Plant and Equipment and IAS 40 Investment Property: the valuation subsequent to the initial recognition is made based on the cost method.

IAS 19 Employee Benefits: the "corridor" method was used by the Group. This method allows to recognize and amortize only actuarial gains and losses in excess of 10% of the current value of the obligation.

IAS 23 Borrowing Costs: borrowing costs, when related to the purchase, construction or production of an asset, are booked as an expense in the period in which they are incurred.

IAS 27 Equity investments in subsidiaries and associates:

Since the company presents both the individual financial statements and the Group consolidated financial statements in application of IAS 27 and IAS 28, the value of the equity investments in subsidiaries and associates is represented by the acquisition cost net of any impairment of the assets recorded up to December 31, 2004. After that date the net value of the equity investments in subsidiaries is subjected annually to an impairment test, carried out in conformity with IAS 36 (impairment), the means of which do not correspond completely with those previously applied by the company.

The above impairment tests did not lead to any reductions in the opening shareholders' equity at January 1, 2005 or on the results for 2005.

Options relating to first time adoption

On the basis of the provisions of IFRS 1 (First time adoption) the company has retained the options described below.
Employee Benefits: actuarial gains and losses accumulated from the start of the plans until the transition date to IFRS are fully recognized to shareholders' equity.
Business Combinations: IFRS 3 was not applied retrospectively for business combinations which occurred before January 1, 2005.
Property, Plant, Equipment and Investment Property: option of measuring assets at fair value was not used.

Reclassification of the balance sheet (January 1, 2005 and December 31, 2005) and of the income statement (financial year 2005)

As for the financial statements, the primary differences between the Italmobiliare S.p.A. balance sheet and income statement drawn up in observance of Legislative Decree no. 127/91, and the scheme adopted for the application of the new IFRS are given in the notes at the end of the reconciliation statements presented in the following pages:
(a) Balance sheet at January 1, 2005;
(b) Income Statement of the financial year ended as of December 31, 2005;
(c) Balance Sheet as of December 31, 2005.

Primary differences between previous accounting standards and IFRS

- *Evaluation of financial assets*: the means of evaluating and recording such items follow the indications contained in IAS 32 and 39 (the application of these standards started as from January 1, 2005). All financial assets are initially recognized, at the trading date, at cost, which corresponds to the fair value plus the expenses which are directly attributable to the purchase itself. After the initial recognition, assets held for trading are classified under current financial assets and measured at fair value; profits or losses arising from the evaluation are recorded on the income statement. Assets held with a view to keeping them until their expiry are classified under current financial assets if the expiry is within less than a year and non-current if it is longer; subsequently they are assessed using the amortized cost method. This latter method is determined by using the real interest rate method, taking account of any discounts or premiums at the moment of purchase in order to share them over the whole period of time up to their expiry, less any impairment. Other assets are classified as available for sale, under current and non-current assets, and are valued at fair value. Profits or losses arising from this evaluation are recorded in a separate entry in shareholders' equity until they are sold, recovered or in any case disposed of, or until it is ascertained that they have suffered impairment, in which case the profits or losses accumulated up to that moment under shareholders' equity are charged to the income statement. Should a capital instrument not have a price listed on an active market and should it not be possible to measure its fair value reliably, it is recorded at cost.
- *Impairment of assets*: the means of measuring and recording impairment losses attributable to equity investments in subsidiaries and associates follow the provisions of IAS 36 and are, therefore, different from those previously applied by the company.
- *Employee Benefits*: the valuation and accounting methods of some of these benefits, based on IAS 19, differ from those previously applied by the company; in particular, the criteria for evaluating the provision for employee entitlements and the implicit or contractual (Jubilee Awards) obligations have been restated.

Evidence of the main impacts in the financial statements related to the transition to IFRS is given in the notes and the tables which are analyzed subsequently.

Impact of the IFRS on the company's main business and financial data

(in thousands of euro)	Note	Italian GAAP	Total impact IFRS	IFRS
At 01/01/2005				
Shareholders' equity	a	1,007,502	351,615	1,359,117
Net debt	b	372,296	(3,590)	368,706
Financial year 2005				
Revenues		91,750	(11,541)	80,209
Gross operating profit		67,019	(12,847)	54,172
Operating profit		66,875	(12,758)	54,117
Net profit for the year	c	71,320	(12,803)	58,517
At 12/31/2005				
Shareholders' equity	d	1,035,452	511,013	1,546,465
Net debt	e	402,100	(3,534)	398,566

Financial year 2005

a) shareholders' equity at January 1, 2005 rose mainly owing to the impact of the evaluation at fair value of the unconsolidated available for sale equity investments, both listed and non-listed, net of the consequent reduction to cancel the treasury shares (effect of the application of IAS 32 and 39);

b) net debt fell compared to the corresponding figure in accordance with previous accounting standards owing to the inclusion of the values of the trading equity investments and securities assessed at fair value;

c) net income for 2005 fell compared to the corresponding figure in accordance with the previous accounting standards mainly due to the impact of the differing evaluation of available for sale equity investments;

d) shareholders' equity at December 31, 2005 rose further, also in comparison to the situation at January 1, 2005, largely owing to the positive change in the reserve for available for sale equity investments which mirrors, in particular, the positive stock market performance seen in the year; this increase was slightly reduced by the impact of the related deferred taxation;

e) net debt at December 31, 2005 reflects, compared with the value in accordance with the previous accounting standards, the fair value of trading equity investments and securities.

Impact of the transition to the IFRS on the company accounts

(in thousands of euro)	Note	01.01.2005	12.31.2005
Shareholders' equity under Italian GAAP		**1.007.502**	**1.035.452**
IAS 16 Property, plant and equipment	1		
Recalculation accumulated depreciation for land and buildings:			
Reversal accumulated depreciation office buildings		606	674
Reversal accumulated depreciation civil buildings		18	16
Reversal accumulated depreciation motor vehicles and furnishings		2	
IAS 38 Intangible assets	2		
Reversal intangible assets		(60)	(35)
IAS 27/28/39 Equity investments and financial instruments	3		
Reversal monetary revaluations on equity investments		(1,602)	(1,602)
Fair value available-for-sale equity investments		373,163	550,351
Fair value trading equity investments		1,201	1,273
Fair value available-for-sale securities		308	247
Fair value trading securities		169	110
Fair value other financial instruments (put options)		124	
IAS 32	4		
Treasury shares		(21,192)	(22,176)
IAS 19 Employee benefits	5		
Present value leaving entitlements		150	244
Length-of-service bonuses		(79)	(79)
Compensation Board of Directors		(743)	(693)
IAS 12 Deferred tax	6		
On trading equity investments and securities		(450)	(450)
On available-for-sale equity investments and securities			(16,738)
On other assets/liabilities			(129)
Shareholders' equity under IFRS		**1,359,117**	**1,546,465**
Change		351,615	511,013

(in thousands of euro)	Note	31.12.2005
Net profit for the year under Italian GAAP		**71.320**
IAS 16 Property, plant and equipment	1	
Recalculation accumulated depreciation for land and buildings:		
Reversal accumulated depreciation on property, plant and equipment		64
Capital gains on sale of buildings		(2)
IAS 38 intangible assets	2	
Amortization		25
IAS 27/28/39 Equity investments and financial instruments	3	
Fair value available-for-sale equity investments		(11,429)
Fair value trading equity investments		71
Fair value trading securities		(59)
Fair value other financial instruments (put options)		(124)
IAS 19 Employee benefits	5	
Present value leaving entitlements		93
Length-of-service bonuses		(693)
Compensation Board of Directors		
IAS 12 Deferred tax	6	
On trading equity investments and securities		(87)
On other assets/liabilities		42
IFRS 2	8	
Stock options		(704)
Net profit under IFRS		**58,517**
Change		(12,803)

Main reclassifications to the financial statements "Previous standards according to IFRS format"

Balance sheet entries have not had any significant reclassification following the introduction of the IFRS formats.

The income statement format prepared in accordance with the IFRS includes under "net sales" financial income from dividends, capital gains, interest income and commissions, while the item "other operating income/(expense)" includes interest and charges of a financial nature.

Other reclassifications, which are not strictly connected to the introduction of the IFRS, but arise from a more complete integration with the management systems, concern the transfer of service expenses (electricity, water and gas) which are now under goods and utilities expenses and other costs which were previously under services (supply staff, directors' fees, canteen expenses, etc.) are now charged to employee expenses.

(a) Reconciliation of the balance sheet at January 1, 2005

(in thousands of euro) Balance sheet	Note	Italian GAAP according to IFRS format	Changes	IFRS principles and format
Non-current assets				
Property, plant and equipment	1	3,180	626	3,806
Investment property		414		414
Goodwill				
Intangible assets	2	71	(60)	11
Investments in subsidiaries	3	989,855	(1,460)	988,395
Investments in associates	3	15,996	25,025	41,021
Other equity investments	3	321,973	347,996	669,969
Treasury shares	4	21,192	(21,192)	
Non-current receivables and other non-current assets	3	40,910	308	41,218
Total non-current assets		1,393,591	351,243	1,744,834
Current assets				
Trade receivables		1,127		1,127
Other current assets		2,596		2,596
Income tax assets		32,260		32,260
Equity investments and financial receivables	3	20,489	1,370	21,859
Cash and cash equivalents		242		242
Total current assets		56,714	1,370	58,084
Total assets		**1,450,305**	**352,613**	**1,802,918**
Shareholders' equity				
Share capital		100,167		100,167
Reserves	8	177,191	373,863	551,054
Treasury shares, at cost	4		(21,192)	(21,192)
Retained earnings	8	730,144	(1,056)	729,088
Total shareholders' equity		1,007,502	351,615	1,359,117
Non-current liabilities				
Interest-bearing loans and long-term borrowings		285,010		285,010
Employee benefit liabilities	5	1,300	(150)	1,150
Provisions - non-current		25,372		25,372
Other non-current liabilities		23		23
Deferred tax liabilities	6		450	450
Total non-current liabilities		311,705	300	312,005
Current liabilities				
Bank overdrafts and short-term borrowings		110,700		110,700
Interest-bearing loans and short-term borrowings		6,291		6,291
Trade payables		2,828		2,828
Provisions - current				
Income tax liabilities				
Other current liabilities	3-5	11,279	698	11,977
Total current liabilities		131,098	698	131,796
Total liabilities		442,803	998	443,801
Total shareholders' equity and liabilities		**1,450,305**	**352,613**	**1,802,918**

(b) Reconciliation of the 2005 income statement

Italmobiliare Società per Azioni 12.31.2005				
(in thousands of euro) Income statement	Note	Italian GAAP according to IFRS format	Changes	IFRS principles and format
Revenues	3	91,670	(11,541)	80,129
Other revenues		1,110		1,110
Change in inventories				
Internal work capitalized				
Goods and utilities expenses		(142)		(142)
Services expenses		(5,200)		(5,200)
Employee expenses	5-7	(8,231)	(1,304)	(9,535)
Other operating income/(expense)		(11,778)		(11,778)
Gross operating profit - recurring		67,509	(12,845)	54,172
Other income/(expense)		(490)	(2)	(492)
Gross operating profit		67,019	(12,847)	54,172
Amortization and depreciation	1-2	(144)	89	(55)
Impairment variation				
Operating profit		66,875	(12,758)	54,117
Finance income/(costs)		(107)		(107)
Profit before tax		66,768	(12,758)	54,010
Income tax expense	6	4,552	(45)	4,507
Net profit for the period		**71,320**	**(12,803)**	**58,517**

(c) Reconciliation of the balance sheet at December 31, 2005

(in thousands of euro) Balance sheet	Note	Italian GAAP according to IFRS format	Changes	IFRS principles and format
Non-current assets				
Property, plant and equipment	1	3,077	690	3,767
Investment property		448		448
Goodwill				
Intangible assets	2	45	(35)	10
Investments in subsidiaries	3	990,047	(1,511)	988,536
Investments in associates	3	24,713	26,845	51,558
Other equity investments	3	382,047	523,415	905,462
Treasury shares	4	22,176	(22,176)	
Non-current receivables and other non-current assets	3	24,327	247	24,574
Total non-current assets		1,446,880	527,475	1,974,355
Current assets				
Trade receivables		1,341		1,341
Other current assets		1,338		1,338
Income tax assets		41,007		41,007
Equity investments and financial receivables	3	33,741	1,383	35,124
Cash and cash equivalents		30,241		30,241
Total current assets		107,668	1,383	109,051
Total assets		**1,554,548**	**528,858**	**2,083,406**
Shareholders' equity				
Share capital		100,167		100,167
Reserves	8	177,191	546,305	723,496
Treasury shares, at cost	4		(22,176)	(22,176)
Retained earnings	8	758,094	(13,116)	744,978
Total shareholders' equity		1,035,452	511,013	1,546,465
Non-current liabilities				
Interest-bearing loans and long-term borrowings		316,018		316,018
Employee benefit liabilities	5	1,611	(244)	1,367
Provisions - non-current		25,714		25,714
Other non-current liabilities		24		24
Deferred tax liabilities	6		17,317	17,317
Total non-current liabilities		343,367	17,073	360,440
Current liabilities				
Bank overdrafts and short-term borrowings		148,779		148,779
Interest-bearing loans and short-term borrowings		5,699		5,699
Trade payables		1,760		1,760
Provisions - current				
Income tax liabilities		1,164		1,164
Other current liabilities	3-5	18,327	772	19,099
Total current liabilities		175,729	772	176,501
Total liabilities		519,096	17,845	536,941
Total shareholders' equity and liabilities		**1,554,548**	**528,858**	**2,083,406**

Main adjustments to the cash flow statement for 2005

Italmobiliare S.p.A. already used, on the basis of previous accounting standards, the indirect method to represent its consolidated cash flow statement. No significant adjustments or reclassifications have been made.

Notes

(1) IAS 16 property, plant and machinery

The recalculation of the accumulated depreciation, applied to property, following the division between land and buildings, has had a positive impact on the balance sheet at January 1, 2005 of 626 thousand euro; the related reduction in depreciation and the effect of the capital gains on disposal led to a lower charge for the latter of 66 thousand euro on the IFRS result for 2005.

(2) IAS 38 Intangible assets

Some assets (multi-annual charges and goodwill expenses), classified as intangible assets but not meeting the recognition criteria established under IAS 38, have been written-off. The write-offs totaled 60 thousand euro as of January 1, 2005, with a negative impact on shareholders' equity.

The positive impact on the 2005 result, due to lesser amortization charges, totaled 25 thousand euro.

(3) IAS 27 and 28 Equity investments IAS 39 Derivatives

The recording of the IFRS carrying value at January 1, 2005 of equity investments in subsidiaries, associates and other companies led to the cancellation of some revaluations made previously.

This led to a fall of 1,460 thousand euro in the carrying value of subsidiaries and of 142 thousand euro in other companies with a fall in opening shareholders' equity of 1,602 thousand euro.

The application at January 1, 2005 of IAS 39 enabled the recognition of unconsolidated equity investments and securities at fair value with the following effect:

• Equity investments in associates	increase of 25,025 thousand euro
• Equity investments in other companies	increase of 348,138 thousand euro
• Available for sale debentures (recorded under other non-current assets)	increase of 308 thousand euro
• Trading equity investments and securities (recorded under current equity investments and debentures)	increase of 1,370 thousand euro
• Fair value of other derivatives (recorded under current liabilities)	increase of 124 thousand euro

The impact, net of deferred tax, calculated on the implicit capital gain on the financial assets and recorded under deferred tax for 450 thousand euro, led to an increase in shareholders' equity of 374,515 thousand euro.

The evaluation at December 31, 2005 of the equity investments and other financial derivatives at fair value led to a further increase in the carrying value of the equity investments and financial securities of approximately 177 million euro with a corresponding rise in IFRS shareholders' equity, gross of the impact of the deferred tax burden.

Finally, the application of fair value to equity investments and securities for trading and sale led to a reduction in the IFRS income for 2005 compared with that determined under the previous accounting standards. The difference is mainly due to value recoveries made on the balance sheet drawn up in accordance with previous standards for the equity investments in RCS Mediagroup (7,599 thousand euro) and Gemina (3,779 thousand euro); these recoveries generated, compared to the historic cost values recorded in the parent company's accounts, income of approximately 11.4 million euro, while on the balance sheet prepared in accordance with the IFRS criteria this evaluation was reflected directly under shareholders' equity reserves.

(4) IAS 32 Treasury shares

Treasury shares which totaled 21,192 thousand euro at January 1, 2005 and 22,176 thousand euro at January 31, 2005 were charged directly to reduce shareholders' equity.

(5) IAS 19 Employee benefits

The valuation of defined benefit plans and other employee benefits has been carried out with the support of an international firm specialized in actuarial calculations.

The change in employee benefits arises from the changes in the method of calculating the pension plan in accordance with IAS 19 using the "projected unit credit" method, the redefinition of some actuarial hypotheses and the means used for the time based division of some deferred items, compared to the results on the basis of the calculation method for employee entitlements. In addition, some provisions have been introduced deriving from the estimate of implicit or contractual (Jubilee Awards) obligations which arise from the application of the "projected unit credit" method.

The impact on opening shareholders' equity at January 1, 2005 was positive for 71 thousand euro (which was a positive balance of 150 thousand euro for the discounting of employee entitlements and a negative balance of 79 thousand euro for the recognition of long-service bonuses for employees); after the adjustments for the year, which had a positive impact of 94 thousand euro on net income for 2005, the impact on shareholders' equity at December 31, 2005 was positive for 165 thousand euro.

Again owing to IAS 19, employee expenses include the distribution of profits to directors as resolved by the shareholders' meeting for a sum of 693 thousand euro at December 31, 2005, with a similar negative impact on the results for 2005 (743 thousand euro on shareholders' equity at January 1, 2005).

(6) IAS 12 Tax

The impact of tax on the opening balance sheet at January 1, 2005 was linked to the higher value of trading equity investments and securities following the assessment at fair value carried out on the basis of the application of IAS 39. Shareholders' equity, as already noted, fell by 450 thousand euro.

At December 31, 2005 the recording of capital gains, calculated on the fair value of the available for sale equity investments and securities, led, in the light of the new tax provisions in force at the date of preparing the IFRS balance sheet, to a provision to the deferred tax provision of 16,738 thousand euro with a similar fall in the shareholders' equity reserves. In addition, deferred liabilities were recorded under other assets/liabilities for 129 thousand euro.

The impact of the deferred tax on the 2005 income statement was a charge of 45 thousand euro.

(7) IFRS 2 Stock options

The Group has decided to apply IFRS 2 starting from January 1, 2005.

The options related to plans granted after November 7, 2002 are valued at fair value on the date of the grant and depreciated over the vesting period.

Options granted are valued using the binomial method adjusted for dividends.

Adoption of IFRS 2 has not generated any impact on opening shareholders' equity as of January 1, 2005 or on ending balance as of December 31, 2005. Costs charged and accounted for in employee expenses were 704 thousand euro in 2005.

(8) Reserves and retained earnings

This item refers to:

(a) IFRS 2: the application led at January 1, 2005 to an increase of 392 thousand euro in reserves, with a corresponding entry in retained earnings.

(b) The fair value reserve at January 1, 2005 for equity investments and available for sale securities totaled 373,863 thousand euro. The further credit for the charge for stock options in 2005, totaling 704 thousand euro and the further increase in the fair value reserve, net of the deferred tax, resulted in a balance at December 31, 2005 of 546,305 thousand euro.

(c) Retained earnings at January 1, 2005 fell by 1,056 thousand euro, owing to the application of the new standards. The difference in the income for 2005, -12,803 thousand euro, net of the fee for the Board paid during the year, led to an overall change in retained earnings at December 31, 2005 of -13,116 thousand euro.

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**INDEPENDENT AUDITOR'S REPORT
ON THE STATEMENTS OF RECONCILIATION
TO INTERNATIONAL FINANCIAL REPORTING STANDARDS
("IFRS")**

(Translation from the original Italian text)

To the Shareholders of
Italmobiliare S.p.A.

1. We have audited the accompanying statements of reconciliation to International Financial Reporting Standards ("IFRS") of Italmobiliare S.p.A., consisting of the balance sheets as of January 1, 2005 and December 31, 2005 and the statement of income for the year ended December 31, 2005, the reconciliations of equity as of January 1, 2005 and December 31, 2005 and of the net income for the year ended December 31, 2005 and the related explanatory notes (hereinafter, the "IFRS Reconciliation Statements"), as presented in the document "Italmobiliare S.p.A. - transition to IFRS" attached to the First Half 2006 Report as of and for the six months ended June 30, 2006, in accordance with the criteria and principles set out in CONSOB Communication No. 6064313 of July 28, 2006. These IFRS Reconciliation Statements are based on the separate financial statements of Italmobiliare S.p.A. as of December 31, 2005, prepared in accordance with the Italian regulations governing the criteria for their preparation, which we have previously audited and on which we issued our auditor's report dated April 10, 2006. The IFRS Reconciliation Statements have been prepared as part of the conversion to International Financial Reporting Standards (IFRS) as adopted by the European Commission. These IFRS Reconciliation Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these IFRS Reconciliation Statements based on our audit.

2. We conducted our audit in accordance with generally accepted auditing standards in Italy. In accordance with such standards we planned and performed the audit to obtain the information necessary in order to determine whether the IFRS reconciliations are materially misstated. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the IFRS Reconciliation Statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   The audit of the financial statements of certain investments in subsidiaries and associated companies included in the IFRS Reconciliation Statements, which respectively represent 34% and 31% of total investments and of total assets for the year ended December 31, 2005, is the responsibility of other auditors.

Reconta Ernst & Young S.p.A.
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3. In our opinion, the IFRS Reconciliation Statements identified in paragraph 1. above, taken as a whole, have been prepared in all material respects in accordance with the criteria and principles set out in CONSOB Communication No. 6064313 of July 28, 2006.

4. We draw your attention to the fact that, as described in the introductive paragraph of the explanatory notes, the IFRS Reconciliation Statements include the data that will be reported in the first IFRS separate financial statements as comparative data; these data may require adjustments before their inclusion as comparative information in the first complete set of financial statements, as a result of new standards, changes or interpretations of IFRS.

Milan, October 5, 2006

Reconta Ernst & Young S.p.A.
Signed by: Alberto Coglia, Partner

Summary of resolutions

The Shareholders' Meeting held on second call on April 27, 2007, in the Intesa Sanpaolo Assembly Hall in Piazza Belgioioso 1, Milan, chaired by Giampiero Pesenti and attended in person or by proxy by 54 shareholders representing a total of 16,679,092 shares out of 22,182,583 ordinary shares outstanding,

carried the following resolutions

1) - to approve the financial statements for the year to and as at December 31, 2006, and also the accompanying Directors' report on operations;
   - to assign the net profit for the year including the full amount of "Retained earnings" for the sum of 99,518,017.64 euro as follows:
   - 1.45 euro to the ordinary shares;
   - 1.528 euro to the savings shares;

   to be paid as from May 24, 2007, with coupon detachment on May 21, 2007,
   - to the Extraordinary Reserve 99,000,745.89 euro;

   and to carry forward an amount of 106,341,780.10 euro;
2) subject to revocation of the unexecuted part of the resolution authorizing the acquisition and disposal of treasury shares carried by the ordinary Shareholders' Meeting of April 28, 2006:
   a) to authorize, pursuant to art. 2357 of the Italian Civil Code, the purchase of ordinary and/or savings treasury shares, at the price, on the terms and in the manner indicated below:
      - the purchase may be executed on one or more occasions within 18 months of the date of the resolution;
      - the purchase price for each share shall not be more than 15% lower or higher than the average share price on the Italian Stock Exchange in the three sessions preceding each transaction;
      - the total counter-value shall in no case be more than 75 million euro;
      - the maximum number of ordinary and/or savings shares purchased shall not have an aggregate nominal value, including the shares already owned as of today by the Company and by the subsidiaries, in excess of one tenth of the share capital;
   b) to establish that the considerations paid or received for purchases or sales of treasury shares be recognized directly in shareholders' equity in compliance with International Accounting Standard 32 and that such considerations always be reflected in the accounts in the form envisaged by the regulations in force from time to time;
   c) to authorize the Chairman, the Deputy Chairman, the Chief Executive Officer and the Chief Operating Officer to dispose at any time of purchased treasury shares, even before all purchases have been made;
3) to extend the engagement for the audit of the separate financial statements and the consolidated financial statements for financial years 2007-2008-2009 and for the limited review of the half-year reports at June 30, 2007-2008-2009 to the independent auditors Reconta Ernst & Young S.p.A establishing an overall fee of 187,000 euro, subdivided as follows:

Audit of the Italmobiliare S.p.A. financial statements and limited review of the minor investee companies	euro	84,000.00
Audit of the Italmobiliare consolidated financial statements	euro	47,000.00
Regular inspections, pursuant to art. 155, par 1, letter a) of Legislative Decree no. 58/98	euro	14,000.00
Limited review of the Italmobiliare separate and consolidated half-year report	euro	34,000.00
Signature of the tax returns	euro	8,000.00

4) to establish with effect from January 1, 2007, and until further resolution, the gross annual remuneration:

- of 12,000 euro for the Remuneration Committee;
- of 75,000 euro for the Internal Control Committee;
- of 25,000 euro for each member of the Compliance Committee who is also a member of the Board of Directors and to refer all decisions regarding the remuneration of the members of the Compliance Committee who are not members of the Board of Directors to the relevant corporate bodies.

April 2007
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