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# SOPAF S.p.A.

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Registered office: Foro Buonaparte, 24, 20121 Milan  
Share capital: € 80,000,000 fully paid  
Milan Register of Businesses and Fiscal Code n. 05916630154  
Registered with the Italian Foreign-Exchange Office. n. 20641

## CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2007

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## BOARD OF DIRECTORS

Chairman	Giorgio Ciria
Vice Chairman and Managing Director	Giorgio Magnoni
Directors	Giancarlo Boschetti Renato Cassaro Adriano Galliani Guidalberto Guidi Luca Magnoni Francesco Micheli Giovanni Jody Vender

## BOARD OF STATUTORY AUDITORS

Chairman	Giovanni Sala
Acting Auditors	Paolo Gualtieri David Reali
Substitute Auditors	Francesco Dori Riccardo Ronchi Marco Salvatore

# Consolidated Financial Statements as of 31 March 2007

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## **DIRECTORS' REPORT**

### **GROUP'S PERFORMANCE**

The Sopaf Group earned a net profit of €43.8 million during the first quarter of 2007, which compares with a net profit of €4.1 million posted for the quarterly period ending 31 March 2006 (net profit of €19.4 million for the fiscal year ending 30 June 2006). Consolidated shareholders' equity and minority interests as of 31 March 2007 amounted to €168.3 million versus €189.3 million as of 31 March 2006 (€179.6 million as of 31 December 2006); the consolidated shareholders' equity was €148.8 million as of 31 March 2007 versus €117.9 million as of 31 March 2006 (€156.3 million as of 31 December 2006).

The key data for the Group for the first quarter of the current year are reported in the tables set out in the pages which follow, along with comparable data for the 2005-2006 fiscal year.

During the quarter, Sopaf continued to consolidate its operations, in order to develop further the activity of tapping third-party funds and to expand the range of investment vehicles to be offered.

In March, China Opportunity Sicar made its first investment in the manufacturing / shipbuilding sector.

Consistent with its status as an investment company and its mission of achieving a certain level of absolute returns, Sopaf proceeded to divest its interest in Omnipartecipazioni S.p.A., a company in which Sopaf had invested in November 2002. The transaction generated a sizeable capital gain for the Sopaf Group, and thus provided significant resources to support future investment.

### **PRINCIPAL TRANSACTIONS CARRIED OUT DURING THE QUARTER**

#### ***Product companies***

On 6 March 2007, Sopaf Real Estate Management Alternative SGR S.p.A. was incorporated. The new company will soon apply for regulatory authorization to carry out the activity of investment in speculative real estate transactions via the establishment of closed-end real estate funds for qualified investors.

#### ***Industrial companies***

On 14 February 2007, a new company, Nearco Invest S.à.r.l., was incorporated in Luxembourg, with 100% of its share capital subscribed by Sopaf S.p.A.

On 5 March 2007 Sopaf S.p.A. sold the 21.72% interest in AFT S.r.l. to Nearco Invest S.à.r.l. for a price of €2.7 million.

As a result of a share capital increase subscribed by RCG International Opportunities S.a.r.l., on 30 March 2007, Sopaf S.p.A. reduced its interest in Nearco Invest S.a.r.l. from 100% to 49%.

During the month of February 2007, a packet of Gabetti shares equal to 1.3% of

the share capital was sold through a block transaction, which had no significant impact on earnings.

On 12 March 2007, in accordance with Article 4 of a shareholder agreement dated 9 May 2006, the Board of Directors of Omnipartecipazioni S.p.A. approved a non-proportional, partial divestiture in favour of Mercato 24 S.r.l., a newly incorporated company wholly owned by LM Real Estate S.p.A.

The divestiture provided for:

- i. the assignment to LM Real Estate S.p.A. of 100% of the share capital of Mercato 24 S.r.l. (€20,000) against the retirement of the Omnipartecipazioni S.p.A. shares held by LM Real Estate S.p.A., with one share of Mercato 24 S.r.l. being assigned for each 9,278,887 shares of Omnipartecipazioni S.p.A.;
- ii. the assignment to Mercato 24 S.r.l. of 38,360,288 shares of IMMSI S.p.A., as well as liabilities represented by bank debt in the amount of €14,295,114 due to a leading bank;
- iii. shareholders' equity of Mercato 24 S.r.l. represented by €20,000 of share capital, €1,855,777.40 of legal reserve, €10,159,228.43 of share premium, €9,074,707.25 of a divestiture reserve.

On 13 March 2007, the extraordinary meeting of the shareholders of Omnipartecipazioni S.p.A. approved the non-proportional, partial divestiture in favour of Mercato 24 S.r.l.

As of the same date, LM Real Estate signed an agreement to sell 1.47 million shares (3.48804% of the share capital) of Omnipartecipazioni S.p.A. to Omniainvest S.p.A. at a price of €10.95 million.

The following events are reported in relation to the divestiture transaction:

- The divestiture agreement was executed and filed on 15 March 2007.
- The divestiture agreement was registered on 19 March 2007, with Mercato 24 S.r.l. incorporated as of the same date.
- On 20 March 2007, the following transactions were perfected:
  - transfer to Omnia Holding S.p.A. of 3 million shares of IMMSI S.p.A. owned by Mercato 24 S.r.l. (derived from the divestiture) at a total price of €6.56 million;
  - transfer to institutional investors (via private placement) of 30 million shares of IMMSI S.p.A. owned by Mercato 24 S.r.l. at a total price of €65.85 million;
  - transfer of 1.47 million shares of Omnipartecipazioni S.p.A. from LM Real Estate S.p.A. to Omniainvest S.p.A., as described above.

As a result of these transactions, LM Real Estate S.p.A. ceased being a shareholder of Omnipartecipazioni S.p.A. and Mercato 24 S.r.l. is holding 5,360,288 shares of IMMSI S.p.A.

The transaction described above generated a total capital gain of around €62 million for the Sopaf Group (including the distribution of a dividend and reserves authorized by the ordinary meeting of the shareholders of Omnipartecipazioni held on 13 March 2006). After netting the Sopaf Group's pro-rata share of the debt resulting from the divestiture, the total capital gain amounted to €52 million.

### ***Financial Services and Insurance***

On 6 February, De Agostini Invest S.A. sold 15% of Petunia S.p.A. at nominal value to Aviva Italia Holding S.p.A. and Sopaf S.p.A., which increased their holdings in Petunia S.p.A. to 40.62% and 59.38%, respectively.

As of the same date, an extraordinary meeting of the shareholders of Petunia S.p.A. approved new by-laws providing for two classes of shares: Class A shares with voting rights, and Class B shares which have the same rights as the Class A shares, except for the voting rights.

As a result of the changes to the by-laws, the Petunia share capital is distributed as follows:

Shareholder	% of Share Capital With Voting Rights	% of Share Capital Without Voting Rights	Number of Shares With Voting Rights	Number of Shares Without Voting Rights	Total % of Share Capital
AVIVA	51.0%	0%	243.720	0	40.62%
SOPAF	49.0%	100%	234.162	122.118	59.38%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>477.882</b>	<b>122.118</b>	<b>100%</b>

### ***Real Estate***

On 6 February, Demofonte S.r.l., a company 15% owned by LM Real Estate, perfected the purchase of the real estate portfolio sold through a public tender conducted by ENEL S.p.A. in which Demofonte participated during the month of December 2006. In order to ensure the capitalization needed by Demofonte, as of the date of the perfection of the purchase, LM Real Estate disbursed shareholder financing of €3 million.

## **GROUP'S SHAREHOLDINGS AS OF 31 MARCH 2007**

### **CONTROLLING INVESTMENTS HELD DIRECTLY BY THE HOLDING COMPANY, SOPAF S.P.A. AS OF 31 MARCH 2007**

#### **ACAL S.P.A.**

As of 31 March 2007, Sopaf S.p.A. was holding 100% of the share capital of Acal S.p.A., a special-purpose company that owns 24% of Delta S.p.A., a consumer credit company, offering a wide range of products and services for the retail segment (individuals, families and small businesses): personal loans, special-purpose loans, loans against payroll, leasing, credit cards, long-term rentals, factoring, banking products and services, and credit recovery.

#### **CUTTER S.ÀR.L.**

As of 31 March 2007, Sopaf S.p.A. was holding 100% of Cutter S.àr.l., a Luxembourg law company that is currently not operational.

#### **TERGESTE FUND**

As of 31 March 2007, Sopaf S.p.A. was holding 52.7% of the units in the real estate fund, Tergeste, with the remaining 47.3% owned by LM Real Estate. The fund invests in real estate development and trading transactions.

As of 31 March 2007, the fund did not hold any properties, but shareholdings in real estate companies as outlined below:

- 40% of Telma S.r.l., a company developing a real estate project in the southern part of Milan that entails the restructuring of some of the existing buildings and the construction of new buildings;
- 15% of Immobiliare Appia 2005 S.r.l., a company that owns a portfolio of properties in the center of Rome;
- 25.5% of Firanegocios S.L., a Spanish law company that involved in a prestigious real estate development project in area of Barcelona undergoing urban renewal;
- 50% of CO.SE. S.r.l., a company that owns a property in Como.

#### **IDA S.R.L.**

As of 31 March 2007, Sopaf S.p.A. was holding 100% of the share capital of IDA S.r.l., a company through which the Sopaf Group held 2.9% of the share capital of Sadi Servizi Industriali S.p.A. Publicly traded on the Italian Borsa, Sadi Servizi Industriali S.p.A. operates in environmental services (industrial waste treatment, recovery and disposal), the planning, construction and management of ecological plants, and environmental clean-up.

#### **LM LS S.P.A.**

LM LS S.p.A., which is 55.87% owned by Sopaf and 13.89% owned by LM IS

S.à.r.l. (in liquidation), is a special-purpose investment company used for purchasing shareholdings in companies operating in the healthcare, diagnostics, bio-technology, pharmaceutical, and fitness sectors

The investments in company's portfolio currently include:

- an 18.6% interest in **Advanced Accelerator Applications S.A.**, an Italian-French concern active in radiopharmaceuticals (investment of roughly €3.2 million); the company is a producer of radiotracers used in diagnostic exams, and has a production plant in Switzerland and two under construction in Italy.
- a 17.86% stake in iM3D S.p.A. (f/k/a I.MED S.p.A.), an up-and-coming firm in the market for medical imaging and diagnostics; the company is developing new technologies for imaging in order to identify, diagnose and monitor tumours.

#### **LM REAL ESTATE S.P.A.**

LM Real Estate is a sub-holding company, 88.96% owned by Sopaf S.p.A. and 10.81% owned by LM IS S.à.r.l. (in liquidation); the company's main activity is investing in real estate.

Following the divestiture of the interests in the property companies described in the preceding section, LM Real Estate was holding following investments as of 31 March 2007:

- 57% of Vector 102 S.r.l., a special-purpose company that is currently not operational;
- 15% of Demofonte S.r.l., a special-purpose company that owns a portfolio of properties acquired from Enel S.p.A. in February 2007;
- 15% of Forza Quattro S.r.l., a special-purpose company active in the real estate business.

#### **PRIVATE WEALTH MANAGEMENT SGR S.P.A.**

Sopaf S.p.A. holds 66.64% of the share capital of Private Wealth Management SGR S.p.A., a funds management company dedicated to the management and distribution of Italian-law hedge funds. The company currently manages 5 hedge funds, with total assets of roughly €200 million.

#### **SOPAF ASIA S.À.R.L.**

As of 31 March 2007, Sopaf S.p.A. was holding through LM IS S.à.r.l. (in liquidation) 95% of the share capital of Sopaf Asia S.à.r.l., a company which provides advisory services to China Opportunity S.A. Sicàr. Sopaf Asia S.à.r.l. has representative offices in Shanghai and Hong Kong.

## **OTHER INVESTMENTS HELD DIRECTLY BY THE HOLDING COMPANY, SOPAF S.P.A., AS OF 31 MARCH 2007**

### **AFT S.R.L.**

Sopaf holds 41.38% of AFT S.r.l. directly and another 18.31% indirectly, through LM IS S.a.r.l. (in liquidation) and Nearco Invest S.a.r.l. Even though holding 59.69% of AFT, the Sopaf Group does not control the company's governance which is covered by agreements executed between other shareholders that do not allow Sopaf to appoint and/or to remove the majority of the members of Board of Directors and that consequently do not permit Sopaf to control the financial and operating policies of the company.

AFT S.r.l. is the owner of roughly 1,150 telephone exchanges nationwide that used to belong to Telecom Italia. The company also holds 100% of Linkem S.p.A. (f/k/a Megabeam Italia S.p.A), a company set up in 2001 that has become the national leader in designing, building and managing networks for wireless broad-band connections.

### **CARTESIO ALTERNATIVE INVESTMENT SGR S.P.A.**

As of 31 March 2007, Sopaf S.p.A. was holding 30% of the share capital of Cartesio Alternative Investment SGR S.p.A., a funds management company that currently manages long/short equity-arbitrage fund (Cartesio Global Equity Fund) with €44 million of assets under management.

### **CORONET S.P.A.**

As of 31 March 2007, Sopaf S.p.A. was holding 30% of the share capital of Coronet S.p.A., a company specializing in the production, marketing and sale of synthetic materials used mainly in the footwear business. In April 2007, the company started up its new production facility in China.

### **ESSERE S.P.A.**

As of 31 March 2007, Sopaf was holding 35,77% of Essere S.p.A., a financial broker set up in November 2004 which is active in the distribution of mortgages and insurance products.

### **FIVE STARS S.A.**

Sopaf holds 100% of the Class A shares in the Luxembourg company. The company is controlled by a group of investors through the assignment of warrants entitling the holders to subscribe the Class B shares at any time. After having paid a preferential return of 9% of annual earnings to investors, Five Stars pays out 75% of the residual earnings to the warrant holders and 25% to Sopaf S.p.A.

The company owns 450 units of the closed-end real estate investment fund, "FIP - Fondo Immobili Pubblici", promoted by the Italian Ministry of the Economy and Finance and acquired for a total investment of €57 million.

### **PETUNIA S.P.A.**

As of 31 March 2007, Sopaf was holding 59.38% of Petunia, a special-purpose company set up to purchase 79.73% of the share capital of Banca Bipielle Network S.p.A. ("Bipielle.net", a 98.86% subsidiary of Bipielle Investimenti S.p.A.). Sopaf S.p.A. does not control the company since 122,118 of the total shares held (or 10.38% of the capital) are Class B shares without voting rights; the control of the

company is in the hands of Aviva Italia Holding S.p.A. which owns 51% of the Class A shares with voting rights.

#### **POLIS FONDI SGR.P.A.**

As of 31 March 2007, Sopaf S.p.A. was holding 49% of Polis Fondi Sgr.p.A., a funds management company is active in the management of real estate funds. The company currently manages the Polis Fund, a closed-end real estate fund for the retail market that was set up in June 2000 and has assets under management amounting to €319 million, and the Tergeste Fund, a closed-end real estate fund for qualified investors, set up with transfer of Sopaf Group's assets as described previously.

#### **S.F.E.R.A. S.R.L.**

As of 31 March 2007, Sopaf S.p.A. was holding 50% of the share capital of S.F.E.R.A. S.r.l., a special-purpose company dedicated to seeking out and developing business opportunities in the renewable energy sector.

### **SHAREHOLDINGS IN LIQUIDATION / BANKRUPTCY:**

#### **LM & PARTNERS S.C.A. (in liquidation)**

LM & Partners S.C.A. is a Luxembourg-law company, whose liquidation was approved on 19 December 2006.

As of 31 March 2007, the Sopaf Group was holding 100% of the company.

#### **LM IS S.ÀR.L. (in liquidation)**

LM IS S.àr.l. (in liquidation), a Luxembourg-law company that is wholly owned by Sopaf, is the management company for LM & Partners S.C.A. (in liquidation); following the decision to liquidate the latter company, the shareholders of LM IS passed a resolution on 27 December 2006 approving the company's voluntary liquidation and the appointment of a liquidator.

#### **STAR VENTURE I S.C.P.A. (in liquidation)**

The Luxembourg-law company is 66% held by the Sopaf Group, inclusive of a 22.91% interest owned by the holding company. As indicated in the annual report, on 15 December 2006, Star Venture I S.c.p.A. (in liquidation) sold 21,982 shares of LM & Partners S.C.A. (in liquidation), its only investment, to Sopaf S.p.A. Following the sale, on 27 December 2006, the shareholders of the company passed a resolution approving the company's voluntary liquidation and the appointment of a liquidator.

#### **STAR VENTURE MANAGEMENT S.A. (in liquidation)**

The Luxembourg-law company, which is 100% owned by LM IS S.àr.l. (in liquidation), is the management company for Star Venture I S.c.p.A. (in liquidation); following the decision to liquidate the latter company, the shareholders of Star Venture Management passed a resolution on 27 December 2006 approving the company's voluntary liquidation and the appointment of a liquidator.

#### **VOLARE (GROUP) S.P.A. (in extraordinary administration)**

As of 31 March 2007, Sopaf S.p.A. was holding 24% of Volare S.p.A. with a carrying value of zero.

### **FORMULA SPORT GROUP S.R.L. (in bankruptcy)**

The 19% interest in the company previously booked at €998,000 was written down to nil value in prior years. The shareholders are proceeding with the appeal of a bankruptcy order handed down by the Court of Milan; the appeal is in line with a previous opinion expressed by the temporary administrator in favour of the company's liquidation.

## **INVESTMENTS HELD THROUGH THE SUBSIDIARY, LM & PARTNERS S.C.A. (IN LIQUIDATION), AS OF 31 MARCH 2007**

### **ASTER FUND**

As of 31 March 2007, LM & Partners S.C.A. (in liquidation) was holding 871 units (33.33% of total units) of the Aster Fund, a closed-end real estate fund for qualified investors, managed by Vegagest SGR S.p.A. The fund is affiliated with the development of a 290,000 sq.m. area located in Segrate, outside of Milan.

### **VALORE BY AVERE ASSET MANAGEMENT S.C.A.**

As of 31 March 2007, LM & Partners S.C.A. (in liquidation) was holding 11.9% of the real estate investment company, Valore Fund By Avere Asset Management S.C.A. The company is active in buying and selling residential real estate in the Berlin area.

### **BLUE H GROUP LTD.**

As of 31 March 2007, LM & Partners S.C.A. (in liquidation) was holding 1.6% of the share capital of Blue H Group, a company operating in the eolic energy sector. The company is planning the construction of innovative offshore platforms for energy production.

### **BEVEN FINANCE S.ÀR.L.**

As of 31 March 2007, LM & Partners S.C.A. (in liquidation) was holding 50% of the share capital of Beven Finance S.àr.l., a Luxembourg company that was set up as a 50/50 joint venture with the American fund, Ramius. The company holds 5.44% of the share capital of Management & Capitali S.p.A., a company traded on the Italian Borsa that specializes in turning around small and medium-sized businesses.

### **CHINA OPPORTUNITY S.A. SICÀR**

As of 31 March 2007, LM & Partners S.C.A. (in liquidation) was holding 9.9% of the Class B shares of China Opportunity, a Luxembourg Sicar focusing on investing in Chinese businesses with potential for developing internationally. China Opportunity was set up with initial capital of roughly €33 million and a six-year term. In addition, LM IS (in liquidation) was holding all of the Class A shares (which guarantee higher returns than the Class B shares). As a result, the Group's interest in the Sicar is equal to 46% of the capital.

### **GREEN BIT S.P.A.**

As of 31 March 2007, LM & Partners S.C.A. (in liquidation) was holding 23.72% of the share capital of Green Bit S.p.A., a company that plans and builds fingerprint recognition devices used for identification, recognition and security systems.

### **RES FINCO A.G.**

As of 31 March 2007, LM & Partners S.C.A. (in liquidation) owned 24.72% of Res Finco A.G., the German RES Renergys AG's holding company. The company is active in the renewable energy business. Through its different operating company, Res Finco AG is able to offer integrated solutions (planning, development, construction and management) in the renewable energy business, specializing on the development of wind parks; the company also manages the parks and providing accessory services in relation thereto.

### **SISKIN S.A./SILA HOLDING INDUSTRIALE S.P.A.**

As of 31 March 2007, LM & Partners S.C.A. (in liquidation) was holding 100% of the share capital of Siskin S.A., special-purpose company through which the Group holds 27.5% of the share capital of Sila Holding Industriale S.p.A.

The Sila Group operates in the automobile components business, and specifically, in the production, marketing and sale of gearshifts and flexible cables for autos and industrial vehicles and car interiors.

### **WESTINDUSTRIE S.R.L.**

As of 31 March 2006 LM & Partners S.C.A. (in liquidation) was holding 22% of Westindustrie S.r.l, a company incorporated for future industrial ventures in relation to building products.

### **LEISURE LINK LTD. (in liquidation)**

As of 31 March 2007, the company was in voluntary liquidation; in prior periods, LM & Partners S.C.A. (in liquidation) wrote down the value of the investment to its current carrying value of €0.2 million.

### **MIRROR TRE S.ÀR.L. (in liquidation)**

As of 31 March 2007, LM & Partners S.C.A. (in liquidation) was holding 25% of the share capital of Mirror Tre S.àr.l. (in liquidation).

### **SECOND MIRROR S.A. (in liquidation)**

As of 31 March 2007, LM & Partners S.C.A. (in liquidation) was holding 36% of the share capital of Second Mirror S.A. (in liquidation).

## **EVENTS SUBSEQUENT TO 31 MARCH 2007**

On 2 April 2007, RCG International Opportunities S.a.r.l. invested in AFT S.r.l., through subscribing a capital increase equal to 3.23% of the share capital; the capital increase was approved by the AFT shareholders on 28 February 2007. As a result of the capital increase, the Sopaf Group's investment in AFT S.r.l. was reduced from 59.69% to 57.76%.

After securing approval from the regulatory authorities, Sopaf perfected the acquisition of 70% of Cartesio Alternative Investments SGR S.p.A. for €2.8 million through transactions taking place on 6 and 16 April 2007. As a result of the acquisition, Sopaf S.p.A. holds 100% of the share capital of the funds management company.

On 23 April 2007, acting on powers conferred to it by the extraordinary meeting of the shareholders on 6 May 2003, the SOPAF S.p.A. Board of Directors approved a resolution to initiate the proceedings for issuing bonds that will be convertible into newly issued SOPAF shares with the same characteristics as the shares outstanding, and for requesting the bonds be admitted to trading on the screen-based market ("MTA") organized and managed by Borsa Italiana S.p.A. The convertible bonds are to be issued in an amount of up to EUR 50 million, with a term of five years, and will be offered to the SOPAF shareholders at terms and conditions to be established by the Board of Directors.

The Board of Directors also approved the initiation of the formalities to secure authorization from the regulatory authorities responsible for approving the transaction. Once regulatory approval is secured, the Board will establish the specifications of the bond issue, including the maximum amount thereof, the number and nominal value of the bonds, the offering price, the interest rate, and the ratio for conversion into shares, as well as the capital increase to service the bond issue, including in relation to the trend of the market value of the SOPAF shares, and conditions in the domestic and international financial markets.

On 24 April, the current shareholders of the Tergeste Fund (Sopaf S.p.A. and LM Real Estate S.p.A.) subscribed, in proportion to their ownership of the fund, a new closed-end real estate fund for a total of €1.5 million, so as to provide the resources needed by the fund to subscribe the capital increase approved by the shareholders of Firanegocios SA.

As a result of agreements executed on 25 April 2007 by the current shareholders of RES Finco AG and in light of a resolution of the RES Finco AG board of directors, LM & Partners SCA (in liquidation) committed to providing €4.4 million of shareholder financing to RES Finco AG to support the company's development.

In relation thereto, on 3 May 2007, LM & Partners funded a first tranche of the financing (€3 million).

On 3 May 2007, Sopaf S.p.A. transferred €5 million to the Banca Popolare Italiana as a down payment for Sopaf's purchase of 79.73% of the share capital of Banca Bipielle Network S.p.A.

## **OUTLOOK FOR THE REMAINDER OF THE YEAR**

Considering the results for the first quarter, it is estimated that the Group's net earnings for the entire year of 2007 will be substantially higher than in past years.

Milan, 14 May 2007

Giorgio Ciria  
Chairman  
Board of Directors

SOPAF GROUP

CONSOLIDATED PROFIT AND LOSS STATEMENT

(in € 000's)

	Quarter				
	01/01/07	01/01/06	01/01/2007	01/07/2005	01/01/2006
	31/03/07	31/03/06	31/03/2007	31/03/2006	31/12/2006
			3 months	9 months	6 months
Revenues	1,099	11,460	1,099	19,696	2,952
Other income	98	2,764	98	5,042	2,071
Materials purchases and external services	(2,270)	(9,061)	(2,270)	(16,682)	(4,394)
Personnel expense	(1,215)	(444)	(1,215)	(1,650)	(2,076)
Other operating expenses	(1,503)	(2,528)	(1,503)	(5,599)	(2,978)
<b>Gross operating margin</b>	<b>(3,791)</b>	<b>2,191</b>	<b>(3,791)</b>	<b>807</b>	<b>(4,425)</b>
Risk provisions and writedowns	-	-	-	(867)	(59)
Depreciation and amortization	(171)	(6)	(171)	(24)	(141)
Gains (losses) from sale of non-current assets	48,465	-	48,465	14,592	8,306
<b>Operating profit</b>	<b>44,503</b>	<b>2,185</b>	<b>44,503</b>	<b>14,508</b>	<b>3,681</b>
Earnings accrued on shareholdings valued with net equity method	2,388	1,160	2,388	(3,743)	10,659
<b>Profit before interest and taxes</b>	<b>46,891</b>	<b>3,345</b>	<b>46,891</b>	<b>10,765</b>	<b>14,340</b>
<i>Financial income</i>	4,339	3,120	4,339	14,546	2,563
<i>Financial charges</i>	(2,493)	(1,893)	(2,493)	(5,659)	(6,394)
<b>Net financial income (charges)</b>	<b>1,846</b>	<b>1,227</b>	<b>1,846</b>	<b>8,887</b>	<b>(3,831)</b>
<b>Profit before taxes</b>	<b>48,737</b>	<b>4,572</b>	<b>48,737</b>	<b>19,652</b>	<b>10,509</b>
<i>Current taxes</i>	(4,427)	(123)	(4,427)	(650)	(1,654)
<i>Deferred taxes</i>	(343)	-	(343)	-	1,179
<b>Income taxes</b>	<b>(4,770)</b>	<b>(123)</b>	<b>(4,770)</b>	<b>(650)</b>	<b>(475)</b>
<b>Net profit from continuing operations</b>	<b>43,967</b>	<b>4,449</b>	<b>43,967</b>	<b>19,002</b>	<b>10,034</b>
Net profit from operations sold	-	-	-	-	-
<b>Net profit</b>	<b>43,967</b>	<b>4,449</b>	<b>43,967</b>	<b>19,002</b>	<b>10,034</b>
<b>Allocable to:</b>					
Minority interests	(160)	(329)	(160)	(6,240)	(57)
<b>Group</b>	<b>43,807</b>	<b>4,120</b>	<b>43,807</b>	<b>12,762</b>	<b>10,091</b>
<b>Earnings per share (in euro)</b>					
From continuing operations:					
- Primary			0.104	0.030	0.024
- Diluted			0.100	0.029	0.023

## CONSOLIDATED BALANCE SHEET

(in € 000's)

	<u>31/03/2007</u>	<u>31/12/2006</u>	<u>31/03/2006</u>
Goodwill	1,599	1,599	-
Intangible fixed assets	192	81	26
Tangible fixed assets	7,514	7,365	302
Shareholdings in affiliate companies / jointly controlled companies	100,818	99,517	89,123
Financial assets	102,384	169,633	171,267
Tax credits	17,950	17,840	24,354
Deferred tax assets	8,912	8,964	-
<b>Total non-current assets</b>	<b>239,369</b>	<b>304,999</b>	<b>285,072</b>
Inventories	-	-	31,059
Customer receivables and other trade receivables	3,034	594	243
Other receivables and other assets	29,976	42,613	23,721
Other financial assets	3,172	3,132	590
Cash and cash equivalents	16,616	2,420	20,441
<b>Total current assets</b>	<b>52,798</b>	<b>48,759</b>	<b>76,054</b>
Non-current assets held for sale	-	-	-
<b>Total assets</b>	<b>292,167</b>	<b>353,758</b>	<b>361,126</b>
Capital	80,000	80,000	80,000
Undivided profits	68,822	76,306	37,865
<b>Shareholders' equity</b>	<b>148,822</b>	<b>156,306</b>	<b>117,865</b>
Minority interests	19,478	23,323	71,443
<b>Total shareholders' equity</b>	<b>168,300</b>	<b>179,629</b>	<b>189,308</b>
Bonds	-	-	7,165
Due to banks and other lenders	41,870	41,360	85,310
Leases payable	4,600	4,600	-
Other liabilities	15,742	12,552	-
Pension and employment-severance liabilities	290	249	126
Deferred tax liabilities	3,631	4,403	1,841
Provisions	2,513	2,660	1,600
<b>Total non-current liabilities</b>	<b>68,646</b>	<b>65,824</b>	<b>96,042</b>
Due to banks and other lenders	35,315	81,326	57,124
Trade accounts payable	2,934	3,115	2,588
Other liabilities	16,972	23,864	16,064
<b>Total current liabilities</b>	<b>55,221</b>	<b>108,305</b>	<b>75,776</b>
Liabilities related to non-current assets held for sale	-	-	-
<b>Total liabilities and shareholders' equity</b>	<b>292,167</b>	<b>353,758</b>	<b>361,126</b>

## CONSOLIDATED NET FINANCIAL POSITION

As of 31 March 2007 the Sopaf Group S.p.A. had net financial debt of €61,997,000, which was computed as follows:

### CONSOLIDATED NET FINANCIAL POSITION

(IN € 000's)

NET FINANCIAL POSITION	31/03/2007	31/12/2006	31/03/2006
A) Cash	967	847	4
B) Cash equivalents	15,649	1,573	20,437
C) Securities held for trading	-	-	590
<b>D) TOTAL LIQUIDITY (A+B+C)</b>	<b>16,616</b>	<b>2,420</b>	<b>21,031</b>
E) Current financial receivables	3,172	3,132	-
F) Bank debt payable	13,302	61,624	45,560
G) Current maturities of long-term debt	19,194	19,572	8,840
H) Other current financial debt	2,819	130	2,724
<b>I) CURRENT FINANCIAL DEBT (F+G+H)</b>	<b>35,315</b>	<b>81,326</b>	<b>57,124</b>
<b>J) CURRENT FINANCIAL DEBT, NET (I-E-D)</b>	<b>15,527</b>	<b>75,774</b>	<b>36,093</b>
K) Non-current bank debt	41,707	39,207	85,310
L) Bonds issued	-	-	7,156
M) Other non-current debt	4,763	6,753	-
<b>N) NON-CURRENT FINANCIAL DEBT (K+L+M)</b>	<b>46,470</b>	<b>45,960</b>	<b>92,475</b>
<b>O) NET FINANCIAL DEBT (J+N)</b>	<b>61,997</b>	<b>121,734</b>	<b>128,568</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2007

## 1 FORM AND CONTENT OF THE FINANCIAL STATEMENTS

The financial statements as of 31 March 2007 have been prepared in accordance with the provisions of the CONSOB Resolution no. 14990 of 14 April 2005 (which modifies the Issuer Regulations no. 11971 of 1999), the provisions contained in the Borsa Italiana Notice n. 5043 of 21 April 2005, and the criteria set out in Exhibit 3D of the referenced resolution.

The Sopaf Group has thus prepared this quarterly report in accordance with Article 82 of the aforementioned Issuer Regulations and in conformity with international accounting principles (except for IAS 34 - as permitted by Article 82 of the aforementioned Issuer Regulations).

Since Sopaf holds controlling interests in companies, the quarterly report has been prepared on a consolidated basis. As in previous quarters, all of the information included in this report refers to the Sopaf Group's consolidated data.

It is furthermore noted that the information disclosures in this report are not similar to those for a complete set of financial statements prepared in accordance with IAS 1.

### General principles

As indicated above, the financial statements as of 31 March 2007 have been prepared in conformity with the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS).

The accounting principles and valuation criteria adopted for the preparation of the financial statements as of 31 March 2007 are therefore the same accounting principles and valuation criteria used in the preparation of the previously published consolidated quarterly reports and the consolidated financial statements for the year ending 31 December 2006, which are illustrated in the section of the annual report entitled "Accounting Policies and Basis for Preparation" to which reference is made.

The estimates used in the preparation of this report do not vary to any significant extent with those used for the preparation of the annual accounts. The valuation and consolidation criteria used for the quarterly report are the same as those used in the preparation of the consolidated financial statements as of 31 December 2006.

The quarterly reports for the subsidiary companies used in the preparation of these consolidated financial statements are those supplied by the accounting and finance units of the respective subsidiaries, reclassified, if necessary, in order to bring them into line with the holding company's accounting policies.

### Date of reference

The extraordinary meeting of the Sopaf S.p.A. shareholders held on 10 November 2006 approved a resolution to change the fiscal year end from 30 June to 31 December so as to align Sopaf's fiscal year with that of the subsidiaries.

The change in the holding company's fiscal year end from 30 June to 31 December also entails a change in the date of reference of the consolidated financial statements.

For the effect of the aforementioned resolution, the financial statements as of 31 March 2007 refer to an interim three-month period (from 1 January to 31 March 2007), and report, for the purpose of comparison, the data and information related to the corresponding interim period for the prior nine-period (from 1 July 2005 to 31 March 2006).

Accordingly, in the quarterly report, the data in the profit and loss statement are compared with the data for the third quarter of the preceding year, while the data in the balance sheet are compared with the data in the consolidated balance sheet as of 31 December of the preceding fiscal year, which have been prepared on the basis of standard criteria.

Unless otherwise specified, the figures in the quarterly report are denominated in thousands of euros.

### **Consolidation criteria**

The consolidation area includes the holding company, Sopaf S.p.A., and the companies controlled by the holding company, namely, those companies over which the holding company has the power, directly or indirectly, to determine the financial and operating policies for the purpose of obtaining the benefits therefrom. The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which the control is effectively transferred to the Group until the date on which the control is transferred outside of the Group.

### **Shareholdings - accounting principles**

The shareholdings in affiliate companies are valued on the basis of the net equity method in accordance with international accounting principles. In accordance with IAS 28, an affiliate company is one over which the Group is able to exercise significant influence inasmuch as the Group, in working with management / other shareholders, participates in decisions about the company's financial and operating policies.

The shareholdings in companies other than affiliate companies are recorded as non-current assets in the account, "Other financial assets", and, as provided by IAS 39 with reference to financial assets available for sale, are valued at fair value, or at cost whenever fair value cannot be reliably determined

The gains and losses from changes in fair value are booked directly to shareholders' equity until the assets are sold or until a loss is recognized due to impairment of value. Upon the sale of the assets or the recognition of an impairment loss, the total gains and losses previously booked to shareholders' equity are transferred to the profit and loss statement for the then current period. The original value may be reinstated in subsequent years should the premises for the writedown effected no longer apply.

The risk arising from any losses exceeding shareholders' equity is quantified in a special reserve to the extent to which the investing company is required to meet legal or implicit obligations with respect to the company in which the investment is held or to cover such company's losses.

### **Financial assets - accounting principles**

Receivables and financial assets held to maturity are booked at cost, which is equal to the fair value of the initial price paid, increased by any transaction costs (e.g. commissions, costs for advisory services, etc.). The initial carrying value is later adjusted to take into account: the repayments of principal; writedowns, if any; and the amortization of the difference between the repayment value and the initial carrying value. The amortization is based on the actual internal rate of return represented by the rate that equalizes, upon the initial recognition of the assets, the present value of the expected cash flows from the assets and the initial carrying value of the assets ("amortized cost method").

Receivables and financial assets held to maturity are classified as non-current assets unless the directors intend to dispose of the investments within 12 months from the balance-sheet date.

The unrealized gains and losses arising from change in fair value on non-monetary securities classified as assets available for sale are booked to shareholders' equity.

Whenever the securities classified as available for sale are sold or experience a reduction in value, the cumulative changes in fair value are booked to the profit and loss statement as gains or losses from investment securities.

The fair value of listed investments is based on current bid prices. Whenever there is no

active market for a financial asset (unlisted securities), the Group establishes the fair value by using valuation techniques. Such techniques may include references to recent transactions between knowledgeable and willing parties, references to other, substantially similar instruments, and the analysis of discounted cash flows adapted in order to reflect the issuer's specific situation.

Receivables and loans are non-derivative financial assets entailing fixed or determinable payments; such assets are not traded in an active market, are not intended to be traded and mature 12 months or more following the balance-sheet date.

At each balance-sheet date, the Group conducts a review to determine the existence of any objective evidence that a financial asset or a group of financial assets has experienced impairment of value. In the case of equity securities classified as assets available for sale, the determination of impairment of value also includes any significant and continuing decrease of fair value that would put the fair value below the cost of the securities.

Derivative instruments are initially booked and later valued at their fair value. The rules established by IAS 39 (Hedge accounting) are applied for the accounting treatment of hedging instruments.

## **SPECIFIC CRITERIA FOR REPORTING INTERIM RESULTS**

### **Seasonality**

The profit and loss statement for the first quarter is not influenced to any significant extent by seasonal factors.

### **Taxes**

Taxes are computed on interim earnings on the basis of the tax rate that is expected to be applied for the full year.

### **Costs**

Costs that are incurred unevenly during a financial year are anticipated or deferred for interim reporting purposes if the anticipation or deferral complies with the accounting principles used for the preparation of the annual financial statements.

### 3 CONSOLIDATION AREA

The consolidated financial statements have been prepared with reference to the financial statements as of 31 March 2007 that have been submitted by the respective consolidated companies, and adjusted, where necessary, to bring them into line with the Group's classification criteria and accounting principles (IFRS).

The table below shows the companies included in the consolidation area as of 31 March 2007:

#### SOPAF S.p.A.

##### CONSOLIDATION AREA

Company	Directly	Indirectly	Total % Held	Registered Office	Country	Currency	Consolidation Method
<b>Holding company:</b>							
Sopaf S.p.A.				Milan	Italy	Euro	Full
<b>Direct subsidiary companies:</b>							
ACAL S.p.A.	100.0%	-	100.0%	Milan	Italy	Euro	Full
Cutter S.a.r.l.	100.0%	-	100.0%	Luxembourg	Luxembourg	Euro	Full
IDA S.r.l.	100.0%	-	100.0%	Milan	Italy	Euro	Full
LM IS S.a.r.l. (in liquid.)	100.0%	-	100.0%	Luxembourg	Luxembourg	Euro	Full
LM & Partners S.C.A. (in liquid.) (*****)	89.2%	10.8%	100.0%	Luxembourg	Luxembourg	Euro	Full
PWM Sgr.p.A.	66.7%	-	66.7%	Milan	Italy	Euro	Full
Tergeste (***)	52.7%	47.3%	100.0%	Milan	Italy	Euro	Full
LM Real Estate S.p.A. (****)	89.0%	10.8%	99.8%	Milan	Italy	Euro	Full
Star Venture I S.c.p.A. (in liquid.)	22.9%	43.4%	66.3%	Luxembourg	Luxembourg	Euro	Full
Mercato 24 Srl	100.0%	-	100.0%	Mantua	Italy	Euro	Full
LM LS S.p.A. (*)	55.9%	13.9%	69.8%	Milan	Italy	Euro	Full
Sopaf Real Estate Management Alternative SGR S.p.a.	100.0%	-	100.0%	Milan	Italy	Euro	Full
<b>Direct affiliate companies:</b>							
Polis Fondi S.gr.p.A.	49.0%	-	49.0%	Milan	Italy	Euro	Net equity method
Petunia S.p.A.	59.4%	-	59.4%	Milan	Italy	Euro	Net equity method
S.f.e.r.a. S.r.l.	50.0%	-	50.0%	Milan	Italy	Euro	Net equity method
Essere S.p.A.	35.8%	-	35.8%	Milan	Italy	Euro	Net equity method
Cartesio Alternative Investment SGR S.p.A.	30.0%	-	30.0%	Milan	Italy	Euro	Net equity method
Five Stars S.A.	99.9%	-	99.9%	Luxembourg	Luxembourg	Euro	Net equity method
Aft S.r.l. (**)	41.4%	18.3%	59.7%	Milan	Italy	Euro	Net equity method
Nearco Invest Sarl	49.0%	-	49.0%	Luxembourg	Luxembourg	Euro	Net equity method
<b>Direct investments:</b>							
Coronet S.p.A.	30.0%	-	30.0%	Milan	Italy	Euro	Fair value
Volare S.p.A. (in liquidation)	24.6%	-	24.6%	Vicenza	Italy	Euro	Cost
<b>Indirect subsidiary companies:</b>							
<i>- through LM &amp; Partners S.C.A.</i>							
Siskin S.A.		100.0%	100.0%	Turin	Italy	Euro	Full
MGO S.A.		100.0%	100.0%	Luxembourg	Luxembourg	Euro	Full
Vegastar S.A.		100.0%	100.0%	Luxembourg	Luxembourg	Euro	Full
<i>- through LM &amp; Partners, Vegastar, Mgo, Star.v.Manag.</i>							
Star venture 1 scpa (in liquid.)		43.4%	66.3%	Luxembourg	Luxembourg	Euro	Full
<i>- through LM Real Estate S.p.A.</i>							
Vector 102 S.r.l.		57.0%	56.9%	Milan	Italy	Euro	Full
<i>- through LM IS S.a.r.l.</i>							
Star Venture Management S.A. (in liquid.)		100.0%	100.0%	Luxembourg	Luxembourg	Euro	Full
Sopaf Asia		95.0%	95.0%	Luxembourg	Luxembourg	Euro	Full
<b>Indirect affiliate companies:</b>							
<i>- through LM &amp; Partners S.C.A.</i>							
Beven Finance S.a.r.l.		50.0%	50.0%	Luxembourg	Luxembourg	Euro	Net equity method
Second Mirror S.A. (in liquidation)		36.0%	36.0%	Luxembourg	Luxembourg	Euro	Net equity method
Mirror tre S.a.r.l. (in liquidation)		25.0%	25.0%	Luxembourg	Luxembourg	Euro	Net equity method
Westindustrie S.r.l.		22.0%	22.0%	Milan	Italy	Euro	Net equity method
<i>- through ACAL S.p.A.</i>							
Delta S.p.A.		24.0%	24.0%	Bologna	Italy	Euro	Net equity method
<i>- through Siskin S.A.</i>							
Sila S.p.A.		27.5%	27.5%	Turin	Italy	Euro	Net equity method
<i>- through Aft S.r.l.</i>							
Linkem S.p.A.		100.0%	59.7%	Milan	Italy	Euro	Net equity method
Linkem Service S.r.l.		100.0%	59.7%	Palermo	Italy	Euro	Net equity method
<i>- through LMIS S.a.r.l. e LM&amp;Partners SCA</i>							
China opportunity SA		46.0%	46.0%	Luxembourg	Luxembourg	Euro	Net equity method
<i>- through Fondo Tergeste</i>							
Teima Srl		40.0%	40.0%	Milan	Italy	Euro	Net equity method
Intarch S.r.l.		39.6%	40.0%	Milan	Italy	Euro	Net equity method
Facere S.r.l.		39.6%	40.0%	Milan	Italy	Euro	Net equity method
Agorà S.r.l.		39.6%	40.0%	Milan	Italy	Euro	Net equity method
Buena Suerte S.r.l.		39.6%	40.0%	Milan	Italy	Euro	Net equity method
Valim S.r.l.		39.6%	40.0%	Milan	Italy	Euro	Net equity method
TauCeti S.r.l.		39.6%	40.0%	Milan	Italy	Euro	Net equity method
Firanecogios SA		25.5%	25.5%	Barcelona	Spain	Euro	Net equity method
Immobiliare Appia		15.0%	15.0%	Milan	Italy	Euro	Fair value
Cose S.r.l.		50.0%	50.0%	Milan	Italy	Euro	Net equity method
<i>- through Nearco S.a.r.l.</i>							
Aft S.r.l.		21.7%	59.7%	Milan	Italy	Euro	Net equity method
<b>Indirect investments:</b>							
<i>- through LM&amp;Partners SCA</i>							
Leisure Link Ltd.		1.4%	1.4%		UK	Euro	Fair value
Green BIT S.r.l.		23.7%	23.7%	Turin	Italy	Euro	Fair value
Aster		33.3%	33.3%	Milan	Italy	Euro	Fair value
Res Finco AG		24.7%	24.7%	Sankt Gallen	Switzerland	Euro	Fair value
Blue H Goup		1.6%	1.6%	Oosterhout	Netherlands	Euro	Cost
Valore by Avere AM SCA		11.9%	11.9%	Luxembourg	Luxembourg	Euro	Cost
<i>- through Mercato 24 srl</i>							
Immsi S.p.a.		1.6%	1.6%	Mantua	Italy	Euro	Fair value
<i>- through LM LS S.p.A.</i>							
Advanced Accelerator Applications S.A.		18.6%	13.0%		Luxembourg	Euro	Cost
IM3d		17.9%	12.5%	Turin	Italy	Euro	Cost
<i>- through Five Stars S.A.</i>							
Fondo Immobili Pubblici		3.4%	3.4%	Rome	Italy	Euro	Fair value
<i>- through LM Real Estate S.p.A.</i>							
Demofonte Srl		15.0%	15.0%	Milan	Italy	Euro	Cost
Forza quattro srl		15.0%	15.0%	Milan	Italy	Euro	Cost
<i>- through IDA S.r.l.</i>							
Sadi S.p.A.		2.9%	2.9%	Milan	Italy	Euro	Fair value
<i>- through Beven finance sarl</i>							
Management & Capitali		5.5%	2.8%	Milan	Italy	Euro	Fair value
<i>- through PWM SGR SpA</i>							
Fondo PWM Global Income Low Volatility			0.6%			Euro	Fair value
Fondo HSBC AM Monetaire			-			Euro	Fair value

(\*) 13.89% through LMIS

(\*\*) 7.67% through LMIS

(\*\*\*) 47.3% through LMRE

(\*\*\*\*) 10.81% through LM IS

(\*\*\*\*\*) 10.84% through LM IS

Changes in the consolidation area with respect to 31 December 2006 are summarized in the table below:

<b>Newly Consolidated Subsidiary Companies</b>	<b>Country</b>	<b>Activity</b>
<b>Full consolidation</b>		
<input type="checkbox"/> Sopaf R.E. Management Alternative SGR S.p.A.	Italy	Real estate funds management
<input type="checkbox"/> Mercato 24 S.r.l.	Italy	Equity investments
<b>Net equity method</b>		
<input type="checkbox"/> Nearco Invest S.a.r.l.	Luxembourg	Equity investments

Changes in the consolidation area with respect to 31 March 2006 are summarized in the table below:

<b>Newly Consolidated Subsidiary Companies</b>	<b>Country</b>	<b>Activity</b>
<b>Full consolidation</b>		
<input type="checkbox"/> Private Wealth Management SGR S.p.A.	Italy	Asset management
<input type="checkbox"/> Tergeste Fund	Italy	Real estate fund
<input type="checkbox"/> Cutter S.a.r.l.	Italy	Equity investments
<input type="checkbox"/> MGO Lux S.A.	Luxembourg	Equity investments
<input type="checkbox"/> Vegastar S.A.	Luxembourg	Equity investments
<input type="checkbox"/> Mercato 24 S.r.l.	Italy	Equity investments
<input type="checkbox"/> Sopaf Asia S.a.r.l.	Luxembourg	Financial advisory services
<b>Subsidiary companies eliminated from the consolidation area</b>		
<b>Full consolidation</b>		
<input type="checkbox"/> Forobonaparte S.r.l.	Italy	Real estate
<input type="checkbox"/> Forobonaparte Due S.r.l.	Italy	Real estate
<input type="checkbox"/> Tivoli 101 S.r.l.	Italy	Real estate
<input type="checkbox"/> Cruiser S.r.l.	Italy	Real estate
<input type="checkbox"/> Giallo Milano S.r.l.	Italy	Real estate
<input type="checkbox"/> Tivoli S.r.l.	Italy	Real estate
<input type="checkbox"/> Five Star S.r.l.	Luxembourg	Asset management

<b>Newly consolidated affiliate companies</b>	<b>Country</b>	<b>Activity</b>
<b>Net equity method</b>		
☐ Petunia S.p.A.	Italy	Equity investments
☐ Five Star S.r.l.	Luxembourg	Asset management
☐ Sfera S.r.l.	Italy	Equity investments
☐ AFT S.r.l.	Italy	Industrial
☐ Firanegocios L.S.	Spain	Real estate
☐ China Opportunity S.A. Sicar	Luxembourg	Investment fund
☐ Westindustrie S.r.l.	Italy	Industrial
☐ Telma S.r.l.	Italy	Real estate
☐ Agorà S.r.l.	Italy	Real estate
☐ Valim S.r.l.	Italy	Real estate
☐ Buena Suerte S.r.l.	Italy	Real estate
☐ Facere S.r.l.	Italy	Real estate
☐ Intarch S.r.l.	Italy	Real estate
☐ Tauceti S.r.l.	Italy	Real estate
<b>Affiliate companies eliminated from the consolidation area</b>		
<b>Net equity method</b>		
☐ Sadi S.p.A.	Italy	Industrial

## **Consolidation criteria and valuation of shareholdings**

The consolidation area includes shareholdings in affiliate companies whenever the investing company owns more than 20 percent, a percentage deemed sufficient for presuming the investing company's significant influence, but not control, over the financial and operating policies of the affiliate. The shareholdings in such affiliate companies are valued with the net equity method.

The Group's shareholdings in excess of 20 percent include the following companies for which neither the holding company nor any of its subsidiaries or affiliates exercises significant influence:

- Coronet S.p.A.: As a result of its sale of a 30-percent interest in the company on 4 August 2005, Sopaf S.p.A. neither controls nor significantly influences the company, and thus, the investment has been classified as an investment available for sale.
- Green Bit (Group's investment is equal to 23.72 percent): The investment is stated at fair value, since LM & Partners S.C.A. (in liquidation) does not actively participate in the determination of the company's business and financial policies.
- Res Finco A.G. (Group's investment is equal to 24.72%): The investment is stated at fair value since (i) it is considered a financial investment and (ii) in view of an existing shareholders' agreement, LM & Partners S.C.A. (in liquidation) does not exercise any influence over the company's business and financial policies.

Although the Group holds the majority in Five Stars S.A. (99.9 percent), the Group does not exercise control over the company inasmuch as the company's board of directors approved resolutions on 10 May 2006 to modify the by-laws, thereby eliminating the conditions precedent for the holders of warrants to exercise and convert their warrants into Class B shares. In light of this circumstance (the immediate conversion into Class B shares would give an absolute majority of the voting rights to the warrant holders), and the fact that the current shareholder does not assume the majority of the business risks tied to the company and enjoys only a limited portion of the benefits of the investment, the Group has elected not to consolidate the investment on a line-by-line basis, as provided by IAS

27. In this regard, it is noted that the free exercise of the warrants and the mechanism that governs the substitution of the directors are elements that automatically vest the control of the Board of Directors with the warrant holders (in other words, if the current directors were to take business/financial decisions against the warrant holders' will, the formal control of the company, via the conversion of the warrants into shares, would be effected immediately).

Even though holding 59.69% of AFT S.r.l., the Group does not control the company's governance which is covered by agreements executed between other shareholders that do not allow the Group to appoint and/or to remove the majority of the members of Board of Directors and that consequently do not permit the Group to control the financial and operating policies of the company. The investment is thus valued on the basis of the net equity method.

Furthermore, though holding 59.4% of Petunia S.r.l., Sopaf S.p.A. does not control the company since 122,118 of the total shares held (or 10.38% of the capital) are Class B shares without voting rights; the control of the company is in the hands of Aviva Italia Holding S.p.A. which owns 51% of the Class A shares with voting rights. The investment is thus valued on the basis of the net equity method.

The shareholding in SILA S.p.A. (Group's investment is equal to 27.5%) has been maintained at cost which approximates the valuation based on the net equity method. It is noted that SILA S.p.A. has not yet changed over to the international accounting principles (IAS/IFRS). An independent expert's analysis of the interim financial statements as of 30 June 2006 indicates that the adoption of the international accounting principles would not have any significant effect on the company's financial data.

The investments in the companies, Advanced Accelerator Applications S.A. and iM3D, are also stated at cost inasmuch as both companies are operating in a start-up phase and the valuation at fair value would not be reliably determinable given the elements of uncertainty linked to the development of the companies' business.

### **Sale of investment in Omnipartecipazioni S.p.A**

Through LM Real Estate S.p.A., the Sopaf Group made an investment in Omnipartecipazioni S.p.A. in November 2002, originally purchasing 39% of the investment company and working alongside the businessman, Roberto Colaninno, in launching a public tender offer for IMMSI S.p.A., a transaction perfected on 13 January 2003 with the purchase of 50.35% of IMMSI's share capital.

On 12 March 2007, in accordance with Article 4 of a shareholder agreement dated 9 May 2006, the Board of Directors of Omnipartecipazioni S.p.A. approved a non-proportional, partial divestiture in favour of Mercato 24 S.r.l., a newly incorporated company wholly owned by LM Real Estate S.p.A.

The divestiture also provided for the assignment to LM Real Estate S.p.A. (the holder of 25.5% of Omnipartecipazioni S.p.A.) of 100% of the share capital of Mercato 24 S.r.l. against the retirement of the Omnipartecipazioni S.p.A. shares held by LM Real Estate S.p.A., with one share of Mercato 24 S.r.l. being assigned for each 9,278,887 shares of Omnipartecipazioni S.p.A.

The divestiture also provided for the assignment of the following to the beneficiary company:

- assets represented by 38,360,288 shares of IMMSI S.p.A.,
- liabilities represented by bank debt in the amount of €14,295,114 due to the Banca Popolare di Milano under a revocable credit line, along with interest accrued as from 1 January 2007 and not paid prior to the date of the divestiture.

Along with the divestiture, on 13 March 2007, LM Real Estate S.p.A. signed an agreement to sell its remaining interest in Omniapartecipazioni S.p.A. (1.47 million shares) to Omniainvest S.p.A. which was not part of the divestiture, for a total price of €10,953,117. The effectiveness of the agreement was subject to the actual execution of the divestiture approved by the Omniapartecipazioni S.p.A. shareholders on 13 March 2007.

On 15 March 2007, the agreement covering the divestiture of Omniapartecipazioni S.p.A. was signed and filed, and on 19 March 2007, such agreement was registered with the Mantua Chamber of Commerce, with the simultaneous incorporation of the beneficiary company, Mercato 24 S.r.l.

On 20 March 2007, the following transactions were perfected:

- transfer to Omnia Holding S.p.A. of 3 million shares of IMMSI S.p.A. owned by Mercato 24 S.r.l. (derived from the divestiture) at a total price of €6.56 million;
- transfer to institutional investors (via a private placement) of 30 million shares of IMMSI S.p.A. owned by Mercato 24 S.r.l. at a total price of €65.85 million;
- transfer of 1.47 million shares of Omniapartecipazioni S.p.A. from LM Real Estate S.p.A. to Omniainvest S.p.A., as described above.

As of the same date, Mercato 24 S.r.l. paid down €14.3 million of principal due to Banca Popolare under a revocable credit line.

As a result of these transactions, LM Real Estate S.p.A. ceased being a shareholder of Omniapartecipazioni S.p.A. and as of 31 March 2007, Mercato 24 S.r.l. was holding 5,360,288 shares of IMMSI S.p.A.

On 20 March 2007, Omniapartecipazioni S.p.A. paid a dividend of €3,697,617.13 to LM Real Estate S.p.A., which was the latter's company share of the dividends approved by resolution of the ordinary shareholders' meeting held on 13 March 2007.

The transactions described above (sale of the interests in IMMSI S.p.A. and Omniapartecipazioni S.p.A.) were perfected by taking into consideration the trend of the IMMSI S.p.A. share price on the stock exchange. The private placement of the 30 million shares handled by Euromobiliare SIM S.p.A. was perfected at a price per share of €2.195, which is the same price applied for the block sale of the 3 million shares to Omnia Holding S.p.A.

The sale of 3.48% of the share capital of Omniapartecipazioni S.p.A. for a total price of €10,953,117 was effected by taking into consideration the valuation of the assets (IMMSI S.p.A. shares, at a price of €2.175 per share) and the liabilities (pro-rata debt, net of liquidity) as of 31 December 2006.

At a Group level, the investment in Omniapartecipazioni S.p.A. was classified among the financial assets available for sale, with the fair value thereof based on analyses and adjusted through charges/credits to shareholders' equity through 31 December 2006. Given the existence of shareholder agreements which addressed the company's governance and administration, the Group did not exercise any significant influence over the company.

The sale of the Omniapartecipazioni S.p.A./IMMSI S.p.A. investment resulted in a gross capital gain of €58.5 million. Netting out the pro-rata share of Omniapartecipazioni S.p.A.'s that was transferred as part of the divestiture to the subsidiary, Mercato 24 S.r.l. and related to the divestiture transactions during the quarter (€10.1 million), the capital gain came to €48.5 million.

The capital gain is figured by comparing the overall price received on the divestiture of the investment in Ominapartecipazioni S.p.A. and the fair value of the investment reported in the consolidated financial statements as of 31 December 2006 and simultaneous recognition in the profit and loss statement of the total net gains and losses previously booked to shareholders' equity.

The transaction had a significant impact on the Sopaf Group's earnings, capital and financial position, in terms of both the net capital gain realized (€48.5 million before taxes) and the resources to strengthen capital and net financial position (increased liquidity of €26.5 million) net of the repayment of bank debt of roughly €60 million.

## INFORMATION ON THE CONSOLIDATED BALANCE SHEET

Key data from the balance sheet and the profit and loss statement are presented in the tables which follow. The profit-and-loss data for the first quarter refer to the first three months of 2007, and are compared with the data for the corresponding period of 2006, which represented the third quarter of the preceding fiscal year.

The data from the balance sheet instead refer to 31 March 2007, and are compared with data as of the end of the fiscal year (31 December 2006) and the data as of the quarter ended 31 March 2006.

### ASSETS

#### NON-CURRENT ASSETS

##### 4 Tangible fixed assets

The account balance of €7,514,000 reflects an increase of €149,000 as a result of new investment in leasehold improvements compared the balance as of 31 December 2006.

##### 5 Shareholdings in affiliate companies / jointly controlled companies

The account balance of €100,818,000 reflects an increase of €1,301,000 compared the balance as of 31 December 2006,

The account consists of the following:

	31/03/2007	31/12/2006	31/03/2006
Delta S.p.A.	50,794	49,738	68,269
Beven Finance S.a.r.l.	13,819	13,718	1,840
AFT S.r.l.	9,044	10,740	-
Polis Fondi S.G.R.P.A.	8,062	7,983	8,007
SADI S.p.A.	-	-	4,258
SILA S.p.A.	4,087	4,087	3,263
Firanegocios L.S.	2,827	2,827	-
Vector 101 S.r.l.	-	-	4
Five Stars S.a.r.l.	3,058	2,554	-
Cartesio SGR S.p.A.	1,050	1,032	998
Essere S.p.A.	1,091	838	498
Fondo China Opportunity	5,303	5,365	-
Mirror tre S.a.r.l. (in liquidation)	-	-	266
Co.se S.r.l.	136	113	106
Sfera S.r.l.	38	38	-
Westindustrie S.r.l.	2	2	-
Tivoli 101 S.r.l.	-	-	1
Petunia S.r.l.	546	476	-
Telma S.r.l. and special-purpose subsidiaries	38	6	-
Nearco Invest S.a.r.l.	923	-	-
Megabeam S.p.A.	-	-	1,613
	<b>100,818</b>	<b>99,517</b>	<b>89,123</b>

The changes in the shareholdings during the quarter are summarized in the statement provided as an exhibit to the financial statements.

The increases during the quarter mainly refer to:

- €923,000 for transfers made in setting up the 49% investment in Nearco Invest S.a.r.l.;
- pro-rata earnings adjustments for the quarter with respect to the investments held in Delta S.p.A. (€1,056,000), Polis Fondi S.G.R.P.A. (€79,000), Cartesio SGR S.p.A. (€18,000), Co.Se S.r.l. (€23,000), Five Star S.A. (€504,000), Valim S.r.l. (€30,000), Agorà S.r.l. (€18,000) and Essere S.p.A. (€254,000);
- adjustments to the fair value of the investment in Beven Finance S.a.r.l. (€101,000).

The decreases during the quarter mainly refer to:

- €1,646,000 for the sale of a portion of the investment (21.72%) in AFT S.p.A. to the affiliate company, Nearco Invest S.a.r.l.;
- pro-rata loss adjustments for the quarter with respect to the investments held in AFT S.p.A. (€50,000), Telma S.r.l (€12,000), Petunia S.r.l. (€18,000), Buena Suerte S.r.l. (€8,000), Facere S.r.l. (€3,000), Intarch S.r.l. (€5,000), Tauceti S.r.l. (€4,000) and China Opportunity SA (€62,000).

## 6 Financial assets

The account balance of €102,384,000 reflects a decrease of €67,249,000 compared the balance as of 31 December 2006.

The account includes the following categories of financial assets:

	31/03/2007	31/12/2006	31/03/2006
Financial assets available for sale	90,772	160,235	163,051
Bond securities	747	732	-
Financial derivatives	-	-	1,305
Receivables and loans	10,855	8,656	6,897
Security deposits	10	10	14
	<b>102,384</b>	<b>169,633</b>	<b>171,267</b>

### *Financial assets available for sale*

The account includes instruments representative of the shareholders' equity in various companies; such instruments are carried as financial assets available for sale, and include:

	31/03/2007	31/12/2006	31/03/2006
Omniapartecipazioni S.p.A.	-	81,790	78,428
IMMSI S.p.A.	12,972	-	-
Fondo Immobiliare 'Aster'	35,468	35,468	-
Coronet S.p.A.	13,400	13,400	14,100
Advanced Accelerator Applications S.A.	3,202	3,202	1,920
Green BIT S.r.l.	3,514	3,514	1,200
Fondo immobiliare 'Valore' by Avere AM	2,000	2,000	-
Gabetti S.p.A.	-	1,622	-
Bama S.r.l.	-	-	8
The.M3D S.r.l.	1,500	1,500	-
Blue H Group Ltd.	160	160	-
Option Newman Lowther&Associates	322	322	-
Immobiliare Appia 2005 S.r.l.	1,920	1,920	1
Leisure Link Ltd.	200	200	2,201
Forza Quattro S.r.l.	14	14	-
Volare S.p.A. (in liquidation)	-	-	40
Demofonte S.r.l.	1	1	-
HSBC Monétaire	1,671	1,655	-
Meliorbanca S.p.A.	-	-	4,690
PWM GILV	1,108	1,092	-
Sadi S.p.A.	7,155	6,210	-
Res Finco AG	6,165	6,165	-
Fondo Immobili Pubblici	-	-	60,463
	<b>90,772</b>	<b>160,235</b>	<b>163,051</b>

The changes during the period in the balance of financial assets available for sale are detailed in a special schedule attached to these notes.

The decrease during the quarter in financial assets available for sale refers to:

- €81,790,000 from the divestiture of the investment in Omniapartecipazioni S.p.A.; the amount is equal to the fair value of the investment as of 31 December 2006; as described above, the proceeds from the divestiture came from the following transactions:
  - the sale of 1.47 million Omniapartecipazioni S.p.A. shares on 20 March 2007 by LM Real Estate S.p.A. to Omniainvest S.p.A.;
  - the retirement of 9,278,887 ordinary shares of Omniapartecipazioni S.p.A. for the effect of the non-proportional divestiture of Omniapartecipazioni in favour of Mercato 24 S.r.l., a newly incorporate company held entirely by LM Real Estate S.p.A., and the simultaneous non-proportional allocation of the share capital of Mercato 24 S.r.l. on the basis of one share for every 9,278,887 shares of Omniapartecipazioni S.p.A.;
- €1,622,000 from the sale of the investment in Gabetti S.p.A.

The increases during the quarter in the account balance mainly refer to:

- €12,792,000 in relation to the investment in IMMSI S.p.A. arising from the consolidation of Mercato 24 S.r.l. and the Omniapartecipazioni S.p.A. divestiture. The valuation of the investment in IMMSI S.p.A. includes an upward adjustment of the fair value of €5,299,000 as of 31 March 2007;

- €945,000 in relation to the upward adjustment of the fair value of the investment in Sadi S.p.A. as of 31 March 2007.

### *Bond securities*

Sopaf S.p.A. has underwritten a convertible bond in the amount of €1 million issued by Newman Lowther & Associates Ltd., a South African company specializing in financial consulting. The bond matures in 2011.

In the event of a conversion into shares, Sopaf S.p.A. will have the right to 30 percent of the current share capital. The remuneration on the bond is equal to 43 percent of the dividend paid.

The balance of the bond securities account, €747,000, represents the financing component of the financial instrument. The call option held by Sopaf and embedded in the instrument has a value of €322,000, which has been separated from the financing component and classified among the financial assets available for sale.

### *Other financial assets*

The account balance of €11,612,000 reflects an increase of €2,214,000 compared the balance as of 31 December 2006.

	31/03/2007	31/12/2006	31/03/2006
<b>Financial receivables due from companies in which investments are held</b>			
Vector 101 S.r.l.	-	-	2,521
Polis Fondi S.G.R.P.A.	-	-	840
Immobiliare Appia 2005 S.r.l.	270	420	120
GreenBit S.r.l.	-	-	290
Res Rennergys AG	1,236	1,236	-
Bama S.r.l.	-	-	712
Co.Se S.r.l.	188	188	188
Telma S.r.l.	5,883	5,283	-
Nearco S.r.l.	21	-	-
Demofonte S.r.l.	3,008	-	-
Sfera S.r.l.	-	10	-
Essere S.p.A.	-	-	21
	<b>10,606</b>	<b>7,137</b>	<b>4,692</b>
Other financial receivables	249	1,519	2,205
Bond securities	747	732	-
Security deposits	10	10	14
	<b>11,612</b>	<b>9,398</b>	<b>6,911</b>

## **7 Tax credits**

The account balance of €17,950,000 includes tax credits claimed by the holding company, Sopaf S.p.A. The balance includes €13,471,000 of credits regarding the year of 1997 which have been transferred to third parties as a guarantee for credit lines, and €4,373,000 of credits transferred to factoring companies.

## **8 Deferred tax assets**

The account includes deferred tax assets of €8,912,000, stated net of deferred tax liabilities in the amount of €70,000.

The deferred tax assets have mainly originated from €8.3 million of tax loss carryforwards booked by Sopaf S.p.A. in the previous year.

As provided by the Group's accounting principles, the deferred tax assets have been booked considering the probability that the Group will generate sufficient taxable income in coming years against which the amounts booked can be used.

## CURRENT ASSETS

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### 9 Other receivables and other current assets

The account balance of €29,976,000 reflects a decrease of €12,637,000 compared the balance as of 31 December 2006.

	31/03/2007	31/12/2006	31/03/2006
VAT tax credits	3,227	3,280	5,813
Tax credits	9,207	9,648	3,170
Other receivables	12,243	24,769	9,575
Accrued income and prepayments	5,299	4,916	5,163
	<b>29,976</b>	<b>42,613</b>	<b>23,721</b>

The reduction of the balance of other receivables is the result of the collection of receivables, mainly from the sales of equity investments in real estate companies that were previously held by the holding company and the subsidiary, LM Real Estate S.p.A.

### 10 Other financial assets

The account balance of €3,172,000 represents an interest-bearing loan made to Vector 101 that was repaid in April 2007.

## LIABILITIES AND SHAREHOLDERS' EQUITY

### NON-CURRENT LIABILITIES

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### 11 Due to banks and other lenders

The account balance of €41,870,000 reflects an increase of €510,000 compared the balance as of 31 December 2006.

	31/03/2007	31/12/2006	31/03/2006
Bank financing	41,707	39,207	74,124
Due to other lenders	163	2,153	11,186
	<b>41,870</b>	<b>41,360</b>	<b>85,310</b>

The bank financing includes:

- €12,697,000, medium-/long-term loans funded by a single bank, including €6,000,000 to be repaid by 31 December 2008; the financing is secured by the pledge of 23,001 shares of LM & Partners S.C.A. (in liquidation) which are owned by Sopaf S.p.A;
- €8,000,000, two 18-month term loans with leading banks;
- €4,010,000, a loan taken out by LM Real Estate to support investment activity;
- €17,000,000, a loan funded to the subsidiary, LM & Partners S.C.A. (in liquidation), to support the investment in the closed-end fund, Aster. The financing is backed by the pledge of the units in the fund.

All of the aforementioned loans are set to mature in less than five years.

## 12 Financial leases payable – non-current portion

Pursuant to IAS 17, the account includes €4,600,000 of the principal amount due on a property lease contracted by the subsidiary LM Real Estate, for a property located at Foro Buonaparte 24, Milan.

## 13 Other liabilities

The account balance of €15,742,000 includes the non-current portion of debt incurred with respect to other shareholders of LM & Partners S.C.A. (in liquidation) for the purchase of the shares held by the minority shareholders. Some €6,198,000 of such debt consists of borrowings formalized through the issue of promissory notes maturing on 31 December 2009. The amounts of the promissory notes already incorporate the interest due to maturity, adjusted for the portion thereof related to future year (€677,000). The residual amount of the non-current portion of the debt (€9,544,000) consists of amounts due beyond one year, that are to be paid out according to a repayment plan providing for principal payments in June 2008 and December 2009; this amount bears interest at a rate of 4% per annum.

## CURRENT LIABILITIES

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### 14 Due to banks and other lenders

The account balance of €35,315,000 reflects a decrease of €46,011,000 compared the balance as of 31 December 2006.

	31/03/2007	31/12/2006	31/03/2006
Bank financing	32,496	81,196	54,400
Due to other lenders	2,819	130	2,724
	<b>35,315</b>	<b>81,326</b>	<b>57,124</b>

The bank financing mainly consists of:

- €5,205,000: line of credit used by the holding company to cover overdrafts and guaranteed by tax credits whose reimbursement has already been claimed and whose settlement is expected within one year;
- €7,000,000: line of credit granted to the holding company by a leading bank, which is used for covering temporary cash needs;
- €1,481,000: ordinary current-account overdrafts;
- €6,952,000: syndicated financing expiring on 19 March 2007, guaranteed by tax credits whose reimbursement has already been claimed;
- €5,968,000: the current maturities on three loans taken out by the holding company to finance investments and to cover various operating needs;
- €5,406,000: a credit line granted to the Tergeste Fund.

Compared with the balance as of 31 December 2006, bank financing was reduced by:

- €37,100,000: the reimbursement of a loan incurred by the subsidiary, ACAL S.p.A., for the purchase of the investment in Delta S.p.A.; the loan was secured by the pledge of the Delta S.p.A. shares;
- €10,400,000: the reimbursement of a loan incurred by LM Real Estate for the subscription of an Omniapartecipazioni S.p.A. capital increase; the loan was secured by the pledge of the Omniapartecipazioni S.p.A. shares.

The amount due to other lenders refers to the current maturity of a fiduciary financing totalling €2,819,000.

## 15 Other liabilities

The account balance of €16,972,000 covers the following:

	31/03/2007	31/12/2006	31/03/2006
Taxes payable	4,636	237	699
Reserve for taxes	-	-	152
Due to social-welfare institutions	177	217	32
Other payables	11,731	23,202	14,936
Accrued liabilities and deferred income	428	208	245
	<b>16,972</b>	<b>23,864</b>	<b>16,064</b>

Other payables mainly include:

- €9,595,000 of debt (inclusive of interest) contracted with the minority shareholders of LM & Partners S.C.A. (in liquidation) for the purchase of the shares held by such shareholders;
- €396,000 of deferred salaries and wages due to full-time personnel;
- €256,000 of compensation due to the members of the Board of Directors and Board of Statutory Auditors.

The taxes payable account mainly covers provisions for taxes due on capital gains in relation to the sale of the investment in Omnipartecipazioni S.p.A.

## INFORMATION ON THE PROFIT AND LOSS STATEMENT

The tables below summarize the main data from the consolidated profit and loss statement.

The profit-and-loss data refer to the first quarter of the fiscal year which is represented the first three months of 2007; such data are compared with the data for the quarter ending 31 March 2006 and the data for the fiscal year ending 31 December 2006, which consisted of period of six months only.

The cumulative data as of 31 March 2006 corresponding to a period of nine months are not presented inasmuch as the comparison between such data and the data for the first quarter of 2007 would not be significant.

## 16 Revenues

The account balance of €1,099,000 covers the following:

	01/01/2007 31/03/2007	01/01/2006 31/03/2006	01/07/2006 31/12/2006
Service revenues	208	-	1,095
Commission revenues	889	-	512
Revenues from property sales	2	11,460	1,345
	<b>1,099</b>	<b>11,460</b>	<b>2,952</b>

## 17 Other income

The account balance of €98,000 covers the following:

	01/03/2007 31/03/2007	01/03/2006 31/03/2006	01/07/2006 31/12/2006
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Capital gains on the sale of shareholdings	-	1,214	-
Rental income	34	11	119
Miscellaneous income	64	1,539	1,952
	<b>98</b>	<b>2,764</b>	<b>2,071</b>

## 18 Materials purchases and external services

The account balance of €2,270,000 covers the following:

	01/03/2007 31/03/2007	01/03/2006 31/03/2006	01/07/2006 31/12/2006
Change in inventories	-	5,614	(2,698)
Consulting services	420	297	1,671
Commissions on financial assets	302	-	200
Commissions on services	-	-	160
Administrative services	425	218	832
Legal services	104	64	377
Compensation to directors	436	83	834
Compensation to statutory auditors	50	19	42
Expense reimbursements	54	47	79
Leases	237	97	287
Rentals	58	7	78
Utilities	52	27	99
General office expenses	15	4	77
Insurance	51	33	40
Property operating costs	-	1,383	571
Property purchases	66	1,168	1,745
	<b>2,270</b>	<b>9,061</b>	<b>4,394</b>

## 19 Personnel expense

The account balance of €1,215,000 covers the following:

	01/03/2007 31/03/2007	01/03/2006 31/03/2006	01/07/2006 31/12/2006
Salaries and wages	821	374	1,621
Social-welfare charges	209	44	395
Provision to employment severance indemnity reserve	185	26	60
	<b>1,215</b>	<b>444</b>	<b>2,076</b>

## 20 Other operating expenses

The account balance of €1,503,000 covers the following:

	01/03/2007 31/03/2007	01/03/2006 31/03/2006	01/07/2006 31/12/2006
Bank expenses	335	188	538
Taxes and duties	368	609	691
Miscellaneous operating expenses	270	1,703	1,548
Losses on shareholdings	4	-	-
Other charges	526	28	2,001
	<b>1,503</b>	<b>2,528</b>	<b>2,978</b>

## 21 Gains (losses) on the disposal of non-current assets

In order to make it easier to measure the actual trend of normal operations, a separate indication is provided of the revenue and expense components arising from transactions cover the sale of non-current assets.

The gains (losses) on the disposal of non-current assets include:

- the capital gains/losses on the sale of shareholdings in subsidiary companies;
- the capital gains/losses on the sale of those shareholdings classified as assets available for sale and booked as other non-current financial assets.

During quarter ending 31 March 2007, the Group booked a capital gain of €48.5 million, net of expenses, as a result of the sale of the investment in Omnipartecipazioni S.p.A./IMMSI S.p.A.

The computation of the capital gain is set out in the table below:

	Omnia partecipazioni S.p.A.	IMMSI S.p.A.	Capital Gain
<b>Divestiture transaction - LM Real Estate S.p.A.</b>			
Carrying value of Omnipartecipazioni S.p.A. as of 1.1.2007:			
Cost	27.451		
Gains (losses) in fair value	54.339		
Fair value	<b>81.790</b>		
Sale of 1.47 million Omnipartecipazioni S.p.A. shares:			
Cost	(3.754)		
Sale value	10.953		
Consolidated capital gain	<b>7.199</b>		<b>7.199</b>
<i>including:</i>			
Gain over fair value	(232)		
Transfer of valuation reserve	7.431		
<b>Sale transactions - Mercato 24 S.r.l.</b>			
Contribution from non-proportion divestiture by Omnipartecipazioni S.p.A. of pro-rata equivalent of investment in Omnipartecipazioni S.p.A.		23.697	
Accrual to consolidated statements of the pro-rata adjustment of fair value equivalent to the corresponding to the percentage of interest held in Omnipartecipazioni S.p.A.		46.908	
Fair value		<b>70.605</b>	
Sale of 3 million IMMSI S.p.A. shares:			
Cost	(1.853)		
Sale value	6.585		
Consolidated capital gain	<b>4.732</b>		<b>4.732</b>
Sale of 30 million IMMSI S.p.A. shares:			
Cost	(18.532)		
Sale value	65.850		
Consolidated capital gain	<b>47.318</b>		<b>47.318</b>
<i>including:</i>			
Gain over fair value	5.141		
Transfer of valuation reserve	46.908		
<b>Consolidated capital gain</b>			<b>59.248</b>
Fees and expenses related to the transaction			(711)
<b>Consolidated capital gain</b>			<b>58.537</b>
Contribution from non-proportion divestiture by Omnipartecipazioni S.p.A. of pro-rata portion of debt			(10.072)
<b>Consolidated capital gain, net of expenses and debt transfer</b>			<b>48.465</b>

## 22 Earnings accrued on shareholdings valued with net equity method

The account includes: the pro-rata share of the earnings (losses) of the companies valued with the net equity method, and the capital gains/losses realized on the sale of investments in affiliate companies. The account includes the following:

	01/03/2007 31/03/2007	01/03/2006 31/03/2006	01/07/2006 31/12/2006
<b>Pro-rata earnings</b>			
Delta S.p.A.	1,056	1,546	1581
Polis Fondi S.G.R.p.A.	79	150	172
Five Star S.A.	504	-	115
Essere S.p.A.	254	-	150
Cartesio Alternative Inv. SGR	18	45	35
AFT S.r.l.	-	-	22
Agorà S.r.l.	18	-	-
Valim S.r.l.	30	-	-
Megabeam S.p.A.	-	260	-
Co.se S.r.l.	23	-	1
	<b>1,982</b>	<b>2,001</b>	<b>2,076</b>
<b>Pro-rata losses</b>			
Megabeam S.p.A.	-	(472)	-
Telma S.r.l.	(12)	-	(44)
SADI S.p.A.	-	-	(2)
Beven Finance S.a.r.l.	-	-	(18)
Petunia S.r.l.	(8)	-	(19)
Firanegocios S.L.	-	-	(7)
Buena Suerte S.r.l.	(4)	-	-
Facere S.r.l.	(3)	-	-
Intarch S.r.l.	(5)	-	-
Tau Ceti S.r.l.	(4)	-	-
AFT S.r.l.	(50)	-	-
China Opportunity SA	(62)	-	-
Essere S.p.A.	-	(369)	-
	<b>(148)</b>	<b>(841)</b>	<b>(90)</b>
<b>Writedowns of shareholdings</b>			
AFT S.r.l.	-	-	(410)
Telma S.r.l.	-	-	(70)
Essere S.p.A.	-	-	(26)
Vector 102 S.r.l.	-	-	(46)
	-	-	<b>(552)</b>
<b>Capital gains (losses) from the sale of investments</b>			
AFT S.r.l.	554	-	-
Vector 101 S.r.l.	-	-	5,284
Buena Suerte S.r.l.	-	-	18
Facere S.r.l.	-	-	18
Intarch S.r.l.	-	-	27
Tau Ceti S.r.l.	-	-	25
Delta S.p.A.	-	-	790
S.Apostoli S.r.l.	-	-	1,591
Giallo Milano S.r.l.	-	-	1,531
Telma S.r.l.	-	-	111
Agorà S.r.l.	-	-	(91)
Valim S.r.l.	-	-	(79)
	<b>554</b>	<b>-</b>	<b>9,225</b>
	<b>2,388</b>	<b>1,160</b>	<b>10,659</b>

## 23 Net financial income (charges)

The account consists of the following:

	01/03/2007 31/03/2007	01/03/2006 31/03/2006	01/07/2006 31/12/2006
Interest income	574	112	1,585
Dividends	3,726	2,633	977
Capital gains on securities and other financial assets	35	375	-
Foreign-exchange income	4	-	1
<b>Financial income</b>	<b>4,339</b>	<b>3,120</b>	<b>2,563</b>
Foreign-exchange losses	(2)	-	(1)
Capital losses on securities and other financial assets	-	(65)	-
Interest expense	(2,491)	(1,828)	(6,393)
<b>Financial charges</b>	<b>(2,493)</b>	<b>(1,893)</b>	<b>(6,394)</b>
	<b>1,846</b>	<b>1,227</b>	<b>(3,831)</b>

Dividends include the dividends received by the subsidiary LM Real Estate S.p.A. that were distributed by Omniapartecipazioni S.p.A.

# **EXHIBITS**

**STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY FOR QUARTER ENDING 31 MARCH 2007**

*in € 000's*

	Share Capital	Undivided Profits	Group	Minority Interests	Total
<b>Balance as of 1 July 2006</b>	<b>80.000</b>	<b>47.398</b>	<b>127.398</b>	<b>57.024</b>	<b>184.422</b>
Change in fair value of financial assets available for sale	-	16.111	16.111	789	16.900
Deferred taxes on revaluation of fair value of financial assets available for sale	-	(1.845)	(1.845)	-	(1.845)
<b>Profits (losses) booked to shareholders' equity during the period</b>	<b>-</b>	<b>14.266</b>	<b>14.266</b>	<b>789</b>	<b>15.055</b>
Transfer of reserves to profit and loss account upon sale of financial assets available for sale	-	-	-	-	-
Net profit (loss) for the period	-	10.091	10.091	57	10.148
<b>Total profits (losses) booked during the period</b>	<b>-</b>	<b>10.091</b>	<b>10.091</b>	<b>57</b>	<b>10.148</b>
Entries due to infragroup transactions involving shareholdings	-	4.551	4.551	-	4.551
Effects of change in consolidation area	-	-	-	(34.547)	(34.547)
Dividends	-	-	-	-	-
<b>Balance as of 31 December 2006</b>	<b>80.000</b>	<b>76.306</b>	<b>156.306</b>	<b>23.323</b>	<b>179.629</b>
Change in fair value of financial assets available for sale	-	(45.059)	(45.059)	-	(45.059)
Deferred taxes on revaluation of fair value of financial assets available for sale	-	(2.237)	(2.237)	-	(2.237)
<b>Profits (losses) booked to shareholders' equity during the period</b>	<b>-</b>	<b>(47.296)</b>	<b>(47.296)</b>	<b>-</b>	<b>(47.296)</b>
Transfer of reserves to profit and loss account upon sale of financial assets available for sale	-	51.460	51.460	-	51.460
Net profit (loss) for the period	-	(7.653)	(7.653)	160	(7.493)
<b>Total profits (losses) booked during the period</b>	<b>-</b>	<b>43.807</b>	<b>43.807</b>	<b>160</b>	<b>43.967</b>
Capital gain booked on purchase of incremental interest in subsidiary company	-	(3.995)	(3.995)	-	(3.995)
Effects of change in consolidation area	-	-	-	(4.005)	(4.005)
Dividends	-	-	-	-	-
<b>Balance as of 31 March 2007</b>	<b>80.000</b>	<b>68.822</b>	<b>148.822</b>	<b>19.478</b>	<b>168.300</b>

## SOPAF GROUP

### STATEMENT OF SHAREHOLDINGS IN AFFILIATE COMPANIES / JOINTLY CONTROLLED COMPANIES

(in € 000's)

Company	% Held	Opening Balances			Changes During the Period							Balances as of 31.03.2007	
		Balances as of 1.7.2007	Changes in Consolidation Area	Repayment from Liquidation	Purchases	Capital Increases	Sales	Share of Net Profit	Share of Net Loss	Changes in Fair Value	Coverage of Losses		Other
Delta S.p.A.	24,0%	49.738	-	-	-	-	-	1.056	-	-	-	-	50.794
Polis Fondi S.G.R.P.A.	49,0%	7.983	-	-	-	-	-	79	-	-	-	-	8.062
Sila S.p.A.	27,5%	4.087	-	-	-	-	-	-	-	-	-	-	4.087
Cartesio Alternative Investment SGR S.p.A.	30,0%	1.032	-	-	-	-	-	18	-	-	-	-	1.050
Essere S.p.A.	35,8%	838	-	-	-	-	-	254	-	-	-	-	1.091
Co.Se. S.r.l.	50,0%	113	-	-	-	-	-	23	-	-	-	-	136
Five Stars S.a.r.l.	99,99%	2.554	-	-	-	-	-	504	-	-	-	-	3.058
China opportunity sa	46,0%	5.365	-	-	-	-	-	-	(62)	-	-	-	5.303
Sfera S.r.l.	50,0%	38	-	-	-	-	-	-	-	-	-	-	38
Beven Finance S.à.r.l.	50,0%	13.718	-	-	-	-	-	-	-	101	-	-	13.819
AFT S.r.l.	59,7%	10.740	-	-	-	-	(1.646)	-	(50)	-	-	-	9.044
Petunia S.p.a.	59,4%	476	-	-	78	-	-	-	(8)	-	-	-	546
Westindustrie S.r.l.	22,0%	2	-	-	-	-	-	-	-	-	-	-	2
Telma (*)	40,0%	-	-	-	-	-	-	-	(11)	-	11	-	-
Veicoli Telma	39,6%	6	-	-	-	-	-	50	(17)	-	-	-	38
Nearco Invest Sarl	49,0%	-	-	-	12	1.443	-	-	-	-	-	(532)	923
Firanegocios L.S.	25,5%	2.827	-	-	-	-	-	-	-	-	-	-	2.827
		<b>99.517</b>	-	-	<b>90</b>	<b>1.443</b>	<b>(1.646)</b>	<b>1.983</b>	<b>(148)</b>	<b>101</b>	<b>11</b>	<b>(532)</b>	<b>100.818</b>

(\*) Investment's value written down due to recapitalization

## SOPAF GROUP

### STATEMENT OF FINANCIAL ASSETS AVAILABLE FOR SALE

(in € 000's)

Company	% Held	Changes During the Period									Balances as of 31.03.2007
		Balances as of 1.7.2007	Changes in Area of Consolidation	Purchases	Capital Increases	Divestiture	Sales	Divestiture	Writedowns	Adjustments to Fair Value	
Omnia Partecipazioni S.p.A.	25,5%	81.790	-	-	-	-	(10.953)	(70.837)	-	-	-
Immsi S.p.A.	1,5%	-	-	-	-	35.573	(27.900)	-	-	5.299	12.972
Coronet S.p.A.	30,0%	13.400	-	-	-	-	-	-	-	-	13.400
Leisure link Ltd.	1,4%	200	-	-	-	-	-	-	-	-	200
Advanced Accelerator Applications S.A.	18,6%	3.202	-	-	-	-	-	-	-	-	3.202
Green BIT S.r.l.	23,7%	3.514	-	-	-	-	-	-	-	-	3.514
Forza quattro S.r.l.	15,0%	14	-	-	-	-	-	-	-	-	14
Demofonte S.r.l.	15,0%	1	-	-	-	-	-	-	-	-	1
Fondo Aster	33,3%	35.468	-	-	-	-	-	-	-	-	35.468
IM3D S.r.l.	17,86%	1.500	-	-	-	-	-	-	-	-	1.500
Immobiliare Appia S.r.l.	15,0%	1.920	-	-	-	-	-	-	-	-	1.920
Gabetti SpA	1,30%	1.622	-	-	-	-	(1.622)	-	-	-	-
Sadi S.p.A.	2,90%	6.210	-	-	-	-	-	-	-	945	7.155
Fondo Valore sa	11,6%	2.000	-	-	-	-	-	-	-	-	2.000
Blue H Group Ltd.	1,60%	160	-	-	-	-	-	-	-	-	160
Fondo PWM Global income low volatility	0,01%	1.092	-	-	-	-	-	-	-	16	1.108
HSBC AM Monetarie	0,57%	1.655	-	-	-	-	-	-	-	16	1.671
Res Finco AG	24,72%	6.165	-	-	-	-	-	-	-	-	6.165
Opzione Newmann Lowther&Associates Ltd		322	-	-	-	-	-	-	-	-	322
		<b>160.235</b>	-	-	-	<b>35.573</b>	<b>(40.475)</b>	<b>(70.837)</b>	-	<b>6.276</b>	<b>90.772</b>