

S O P A F

# 2006

Relazione Trimestrale

Consolidata al 30 Settembre 2006

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# SOPAF S.p.A.

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Registered office: Foro Bonaparte, 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

## QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2006

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## BOARD OF DIRECTORS

Chairman	Giorgio Ciria
Vice Chairman and Managing Director	Giorgio Magnoni
Directors	Giancarlo Boschetti Renato Cassaro Giuseppe Daveri Adriano Galliani Juan Llopert Luca Magnoni Giovanni Jody Vender

## BOARD OF STATUTORY AUDITORS

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

# Quarterly Consolidated Financial Statements as of 30 September 2006

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## SUMMARY

### DIRECTORS' REPORT

□ Group's Performance	page	5
□ Principal Transactions Carried Out During the Quarter	page	5
□ Group's Shareholdings as of 30 September 2006	page	7
□ Events Subsequent to 30 September 2006	page	13
□ Outlook for the Remainder of the Year	page	14

### CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST QUARTER OF 2006/2007

□ Consolidated Profit and Loss Statement	page	15
□ Consolidated Balance Sheet	page	16
□ Consolidated Net Financial Position	page	17

### NOTES TO THE FINANCIAL STATEMENTS

□ Notes to the Consolidated Financial Statements	page	18
□ Information on the Consolidated Balance Sheet	page	28
□ Information on the Consolidated Profit and Loss statement	page	35

### EXHIBITS

□ Statement of Changes in Consolidated Shareholders' Equity	
□ Statement of Shareholdings	
□ Schedule of Financial Assets Available for Sale	

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## DIRECTORS' REPORT

### GROUP'S PERFORMANCE

The So.Pa.F. Group closed the first quarter of the 2006/2007 fiscal year with a net profit of €1.7 million; the result compares with a profit of €4.3 million for the quarter ending 30 September 2005 and net earnings of €19.4 million for the year ending 30 June 2006. Consolidated shareholders' equity inclusive of minority interests amounted to €177.2 million as of 30 September 2006, compared with €198.6 million as of 30 September 2005, and €184.4 million as of 30 June 2006. Consolidated shareholders' equity excluding minority interests amounted to €126 million versus €121.9 million as of 30 September 2005 and €127.4 million as of 30 June 2006.

The Group's key data in relation to the first quarter of the 2006/2007 fiscal year are reported in tables in the pages hereafter, along with comparable data for the 2005/2006 fiscal year.

During the first quarter of the 2006-2007 fiscal year, the So.Pa.F. Group made further progress with the strategic repositioning which is consequent to the LM ETVE S.p.A. merger by incorporation into So.Pa.F. S.p.A. (July 2005) and is aimed at reconfiguring the Group's business areas.

Today, So.Pa.F. is positioned as an investment company that operates according to rigorous rules and regulations, investing its own capital and the capital of third parties with the aim of generating returns that are above the market average.

In pursuing the aforementioned objective, So.Pa.F. operates through an organization that primarily consists of:

- Product companies, which are responsible for developing strategies, products and alternative and innovative investment models;
- Investment vehicles, which are companies aimed at generating and managing investments in select industries within the manufacturing and services sectors, and investments to extract value through high-potential niche opportunities.

### PRINCIPAL TRANSACTIONS CARRIED OUT DURING THE QUARTER

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

On 10 August 2006, LM IS S.a.r.l. subscribed a reserved capital increase in the company, LM & Partners S.C.A., acquiring 1,811 shares with a par value of €100. The shares represent the annual incentive commission earned by LM IS S.a.r.l., equalling 20 percent of the increase in LM & Partners S.C.A.'s NAV during the calendar year of 2005.

On 11 September 2006, LM IS S.a.r.l. set up China Opportunity S.A. SICAR, a company focusing on investing in Chinese businesses with potential for developing internationally. China Opportunity was set up with initial capital of €35 million and a six-year term (that can be extended by 24 months) for the completion of a divestiture program.

The main investors in the venture are leading Italian banks and industrial companies, including Banca Popolare di Milano, Fondazione Cassa di Risparmio di Torino, De Agostini Group, Schneider Group, and Lunelli Group. The So.Pa.F. Group invested €5 million in the venture.

### ***Investments: industrial companies***

On 7 July 2006, a strategic agreement was reached between Green Bit and the Ghirlanda Group, the latter of which is active in the production of magnetic cards. The agreement provided that Green Bit would assume a role as Ghirlanda Group's strategic partner, through the underwriting of a capital increase no later than 29 September 2006, with all of the other shareholders to waive their option rights in relation thereto. For the effect of this capital increase and the conversion of bonds still held by shareholders, the So.Pa.F. Group's interest was slightly diluted and now stands at 23.7 percent.

On 21 July, Angelventures exercised a put option on 14.22 percent of the share capital of Aft for an amount equal to €1.9 million.

On 18 September, Eam exercised a put option for the sale of 7.5 percent of the share capital of Aft; following these transactions, the interest held by LM & Partners S.C.A. was up to 70.8 percent of the share capital.

On 9 August, LM & Partners S.C.A. subscribed 1.6 percent of the share capital of Blue H Group Tech Ltd. for €0.2 million. The latter company is a business initiative in the development of new technologies in the renewable energy sector.

On 28 September 2006, the shareholders' meetings of SADI S.p.A. and Servizi Industriali approved resolutions for the merger of the two companies and the rate at which the shares would be exchanged so that the merger transaction could take place by 31 December 2006.

For the effect of this transaction, the So.Pa.F. Group's investment will be diluted, going from 26 percent of the share capital in SADI S.p.A. to 2.9 percent of the share capital of the new company.

### ***Investments in securities firms***

On 7 July, following Management & Capitali's capital increase, Beven Finance S.a.r.l., a company 50-percent owned by LM & Partner S.C.A., subscribed another 26,357,940 shares of Management & Capitali, retaining an investment equal to around 5 percent of the capital.

On 11 July 2006, LM & Partners S.C.A. invested €2 million in Valore by Avere Asset Management S.C.A., a fund managed by Avere Asset Management S.A. set up for the purchase of residential properties in the Berlin area.

### ***Investments in financial services and insurance***

On 10 July, the special-purpose company, Petunia S.p.A., was set up with an initial investment of €335,000; the company's shareholders include So.Pa.F. S.p.A. (55.86 percent), Aviva Italia Holding S.p.A. (25.33 percent) and De Agostini Invest. S.A. (18.81 percent).

Petunia was incorporated following an agreement signed on 16 June 2006 for the purchase of 79.73 percent of the share capital of Banca Bipielle Network S.p.A. ("Bipielle.Net", a company 98.86 percent owned by Bipielle Investimenti S.p.A.) and 100 percent of the share capital of Area Life Ltd., an Irish-law insurance company ("Area Life", a company 100 percent owned by Rete Bancarie S.p.A., through Bipielle International Holding), with So.Pa.F. Group and Aviva Group each to purchase 50 percent The Bipielle.net interest was purchased for approximately €107 million, while the total cost of the Area Life investment was €23.5 million (which is subject to downward revision according to the terms and conditions of the contract). The Bipielle.Net agreement incorporates put and call options with respect to the 19.90

percent still held by Bipielle Investimenti S.p.A., by virtue of which So.Pa.F. (which, in turn, may sell the options to other buyers) will have the option of purchasing the 19.90 percent interest at a price of €30 million between the thirty-sixth and forty-eighth months from the date of the execution of the contract. The seller will have the option of selling the 19.90 percent interest to all of the buyers as of the forty-eighth month, at the same price. The perfection of the transaction is subject to the procurement of the necessary approval from the regulatory authorities.

The agreements also call for So.Pa.F. and Aviva to commit to purchase 100 percent of Aviva Previdenza S.p.A. ("Aviva Previdenza") (a company that is 50 percent indirectly owned by Bipielle Investimenti S.p.A. and 50 percent owned by Aviva), for a total sum of approximately €34 million. Following this transaction, Aviva Previdenza's shareholder base will be the same as Area Life's (55 percent owned by Aviva and 45 percent by So.Pa.F.).

On 31 August, after having secured approval from the regulatory authorities, So.Pa.F. perfected the purchase of a first tranche (14.75 percent) of the share capital of Private Wealth Management S.G.R.p.A. On 12 May 2006, the Board of Directors of So.Pa.F. had approved the purchase of up to 66.6 percent of the share capital of Private Wealth Management S.G.R.p.A. (PWM SGR) at a price of €3.8 million.

At the end of September, Banco Popolare di Verona e Novara exercised a call option with respect to 10 percent of the share capital of Delta S.p.A. held by So.Pa.F. S.p.A.; the option had been granted by So.Pa.F. during the month of February. So.Pa.F. received €20.76 million for the transfer of the shares, realizing a capital gain of roughly €1 million.

### ***Real estate***

In early July, Axxon S.r.l., an affiliate company set up for the purpose of investing in real estate, repaid a €12,180,000 shareholder loan in full.

In early August, S. Apostoli S.r.l. completed the acquisition of a building in Rome for the price of €57 million.

Furthermore, during the initial months of the 2006/2007 fiscal year, So.Pa.F. acquired another 9,600 shares of Star Venture 1 S.c.p.a. for a total outlay of €2.8 million.

## **GROUP'S SHAREHOLDINGS AS OF 30 SEPTEMBER 2006**

### **CONTROLLING INVESTMENTS HELD DIRECTLY BY THE HOLDING COMPANY, SO.PA. F. S.P.A. AS OF 30 SEPTEMBER 2006**

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

As of 30 June 2006, So.Pa.F. S.p.A. held 100 percent of the share capital of ACAL S.p.A., a special-purpose company that holds 24 percent 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.A.R.L.**

As of 30 September 2006, So.Pa.F. S.p.A. held 100 percent of Cutter S.a.r.l., a Luxembourg company which owns 268 shares of LM & Partners S.C.A.

### **FOROBONAPARTE S.R.L.**

As of 30 September 2006, So.Pa.F. S.p.A. directly held 50 percent of the share capital of Forobonaparte S.r.l., a special-purpose company created for the acquisition and development of a prestigious property situated in the central Milan. It is also noted that, as of the same date, the subsidiary, LM Real Estate S.p.A., held another 13.75 percent of Forobonaparte S.r.l.

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

As of 30 September 2006, So.Pa.F. S.p.A. held 100 percent of the share capital of IDA S.r.l., a special-purpose company through which So.Pa.F. Group owns 26 percent of the share capital of SADI S.p.A., a company traded on the Milan Stock Exchange that operates in environmental clean-up and hazardous waste treatment. SADI S.p.A.'s operations are to be merged with Servizi Industriali S.p.A. by the end of December 2006. As a result of the merger, the Group's interest in SADI S.p.A. will decline to 2.9 percent.

### **LM & PARTNERS S.C.A.**

LM & Partners S.C.A. is a Luxembourg investment company active in various growth sectors.

As of 30 September 2006, the share capital of LM & Partners S.C.A. consisted of 1,000 Class A shares (management shares owned exclusively by LM IS S.a.r.l., by virtue of which LM IS S.a.r.l. is empowered to manage the investment activity of LM & Partners S.C.A.) and 81,284 Class B shares. The So.Pa.F. Group holds 79.2 percent of the share capital of LM & Partners S.C.A., inclusive of interests held indirectly.

### **LM IS S.A.R.L.**

LM IS S.a.r.l., a Luxembourg company that is 100 percent held by So.Pa.F., is LM & Partners S.C.A.'s management company; LM & Partners S.C.A. pays LM IS S.a.r.l. an annual management fee equal to 2 percent of the Net Asset Value (NAV) and an annual incentive fee, paid in shares of LM & Partners S.C.A., equalling 20 percent of the increase of LM & Partners S.C.A.'s NAV for the period of reference.

LM IS S.a.r.l. also owns 100 percent of the share capital of Star Venture Management S.a.r.l., 10 percent of LM LS S.p.A. and 100 percent of So.Pa.F. Asia S.a.r.l.

### **TELMA S.R.L.**

As of 30 September 2006, So.Pa.F. S.p.A. held 51 percent of the share capital of Telma S.r.l., a company incorporated for the purpose of developing a real estate project in the southern part of Milan. Telma S.r.l., in turn, owns 99 percent of the special-purpose companies, Agorà S.r.l., Buena Suerte S.r.l., Facere S.r.l., Intarch S.r.l., Tau Ceti S.r.l. and Valim S.r.l., which have been set up for managing the various property lots. The remaining 1 percent of the six special-purpose companies is held directly by So.Pa.F. S.p.A.

### **THE ADVISORY GROUP S. r. l. (in liquidation)**

The company, which is 90 percent held by So.Pa.F., was set up in 2000, primarily for the purpose of providing financial and corporate advisory services in relation to investments made in securities and real property. The voluntary liquidation of the company began on 12 October 2005. The company's book value of €94,000 has been written down to zero.

**OTHER INVESTMENTS HELD DIRECTLY BY THE HOLDING COMPANY, So.Pa.F. S.P.A., AS OF 30 SEPTEMBER 2006**

**AXXON S.R.L.**

As of 30 September 2006, So.Pa.F. S.p.A. held 50% of Axxon S.r.l., with a carrying value of €6,000. Axxon S.r.l. is a company available for future initiatives in the real estate business.

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

As of 30 September 2006, So.Pa.F. S.p.A. held 30 percent of the share capital of Cartesio Alternative Investment S.G.R.p.A., with a carrying value of €1 million.

**CORONET S.P.A.**

As of 30 September 2006, So.Pa.F. S.p.A. held 30 percent of the share capital of Coronet S.p.A. As a result of a writedown of €4.3 million in the preceding fiscal year, the carrying value of the investment is equal to €10.4 million.

**ESSERE S.P.A.**

As of 30 September 2006, So.Pa.F. held 38.9 percent of Essere S.p.A., a financial broker set up November 2004 that is active in the distribution of mortgages and insurance products. The investment has a carrying value of approximately €0.8 million.

**FIVE STARS SA**

Five Stars S.A. is a special-purpose company incorporated in Luxembourg. So.Pa.F. S.p.A. owns 100 percent of the company's Class A shares, while other investors hold warrants entitling them to subscribe to the company's Class B shares. After paying a preferential return of 9 percent to the investors, the company's earnings are allocated to the holders of the warrants (75 percent) and to So.Pa.F. S.p.A. (25 percent).

Five Stars S.A. purchased 450 units of the real estate investment fund, "FIP - Fondo Immobili Pubblici", which was promoted by the Italian Ministry of the Economy and Finance. The cost of the investment was €57 million.

**GABETTI PROPERTY SOLUTIONS S.p.A.**

As of 30 September, So.Pa.F. held 429,000 shares of Gabetti, a company traded on the Milan Stock Exchange which is active in the real estate business. The investment, which represents 1.3 percent of the capital, is equal to €1.7 million.

**PETUNIA S.P.A.**

As of 30 September So.Pa.F. held 55.86 percent of Petunia, a special-purpose company set for the purchase of 79.73 percent of the share capital of Banca Bipielle Network S.p.A. ("Bipielle.Net", a company 98.86 percent owned by Bipielle Investimenti S.p.A.) and 100 percent of the share capital of Area Life Ltd., an Irish-law insurance company ("Area Life", a company 100 percent owned by Rete Bancarie S.p.A., through Bipielle International Holding), with So.Pa.F. Group and Aviva Group each to purchase 50 percent.

**PRIVATE WEALTH MANAGEMENT S.G.R.P.A.**

As of 30 September, So.Pa.F. held 14.744 percent of PWM S.G.R.p.A., a company managing six speculative investment funds; the investment is carried at a value of €0.7 million.

### **POLIS FONDI S.G.R.P.A.**

As of 30 September 2006, So.Pa.F. S.p.A. held 49 percent of PolisFondi S.G.R.p.A., a funds management company active in the management of real estate funds; the investment is carried at a value of €7.9 million.

### **S. APOSTOLI S.R.L.**

As of 30 September 2006, So.Pa.F. S.p.A. held 30 percent of the share capital of S. Apostoli S.r.l., a company which owns a prestigious, 10,800-square meter property situated in Piazza S. Apostoli in Rome.

### **S.F.E.R.A. S.r.l.**

As of 30 September 2006, So.Pa.F. S.p.A. held 50 percent of the share capital of S.F.E.R.A. S.r.l., a special-purpose company set up for the purpose of seeking out and developing business opportunities in the renewable energy sector.

### **STAR VENTURE 1 S.C.P.A.**

The company is 22.91 percent directly owned by the holding company, and 66 percent controlled by the Group (considering both the holding company's interest and the stakes held by the other Group companies). The company's only asset is represented by a 27 percent interest in the share capital of LM & Partner S.C.A.

### **VECTOR 101 S.R.L.**

As of 30 September 2006, So.Pa.F. S.p.A. held 25 percent of the share capital of Vector 101 S.r.l., a company which owns a property complex in the central Milan.

### ***Investments in companies in liquidation:***

#### **FORMULA SPORT GROUP S.r.l.**

The investment is equal to 19% of the company. The investment's carrying value of €998,000 was written down to zero in previous fiscal 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.

#### **INDUSTRIA DEGLI INVESTIMENTI (FCB SIM) S.p.A.**

The company is under temporary administration, and the investment of €554,000 has been written down to zero.

#### **VOLARE (GROUP) S.P.A.**

As of 30 September 2006, So.Pa.F. S.p.A. held 24 percent of Volare S.p.A. (in liquidation) at a carrying value of €40,000, net of a writedown reserve of €20,000.

### **INVESTMENTS HELD BY THE SUBSIDIARY, LM & PARTNERS S.C.A., AS OF 30 SEPTEMBER 2006**

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

As of 30 September 2006, LM & Partners S.C.A. held 70.8 percent of the share capital of AFT, which, in turn, held 100 percent of Linkem S.p.A. (f/k/a Megabeam Italia S.p.A.). The shareholding has a carrying value of €11.1 million.

Set up in 2001, Linkem has become the national leader in designing, constructing and managing networks for wireless broadband connections.

AFT S.r.l. is the owner of 1,154 telephone exchanges previously owned by Telecom Italia that are located throughout Italy.

### **FONDO ASTER**

As of 30 September 2006, LM & Partners S.C.A. held 871 units of the Fondo Aster, a closed-end real estate investment fund reserved for qualified investors that is managed by Vegagest SGR S.p.A. The fund is following the development of an area of roughly 290,000 square meters located in Segrate, a suburb of Milan.

### **BLUE H GROUP LTD**

As of 30 September 2006, LM & Partners S.C.A. held 1,6 percent of the share capital of Blue H Group, a company involved in the wind power business. The company is planning the construction of innovative off-shore platforms for the production of energy.

### **BEVEN FINANCE S.A.R.L.**

As of 30 September 2006, LM & Partners S.C.A. held 50 percent of the share capital of Beven Finance S.a.r.l., a Luxembourg company that was set up as a 50/50 joint venture with the American fund, Ramius. The company holds around 5 percent of the share capital of Management & Capitali S.p.A., a firm specializing in turning around small and medium-sized businesses.

The shareholding has a carrying value of €14.6 million.

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

As of 30 September 2006, LM & Partners S.C.A. held 23.72 percent of the share capital of Green Bit S.p.A. The shareholding has a carrying value of €2.6 million.

The company is active in the business of biometric identification systems.

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

LM LS S.p.A., which is 62.7 percent owned by LM & Partners S.C.A. and 7.1 percent owned by LM IS, 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 a 18.6 percent interest in Advanced Accelerator Applications S.A., an Italian-French concern active in radiopharmaceuticals (investment of roughly €3.2 million) and a 11.45 percent stake in IMED S.p.A., an up-and-coming firm in the market for medical imaging and diagnostics (investment of €0.75 million).

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

LM Real Estate is an investment sub-holding company, which is 99.77 percent owned by LM & Partners S.C.A. and mainly invests in the real estate sector. The investments held by LM Real Estate S.p.A. are outlined in a section below.

### **SISKIN S.A.**

As of 30 September 2006, LM & Partners S.C.A. held 100 percent of the share capital of Siskin S.A., a special-purpose company through which the Group holds 27.5 percent 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 30 September 2006, LM & Partners S.C.A. held 22 percent of Westindustrie S.r.l, a company incorporated for future industrial ventures in relation to building products.

### **EUROGIOCHI S.A.**

As of 30 September 2006, LM & Partners S.C.A. held 60.81 percent of the share capital of Eurogiochi S.A. With the sale of an interest held in Sisal S.p.A., Eurogiochi S.A. is now being liquidated.

### **LEISURE LINK LTD**

As of 30 September 2006, the company is in voluntary liquidation; during the previous fiscal year, LM & Partners S.C.A. wrote down the value of the investment to its current value of €0.2 million.

### **MIRROR TRE S.A.R.L. (IN LIQUIDATION)**

As of 30 September 2006, LM & Partners S.C.A. held 25 percent of the share capital of Mirror Tre S.a.r.l. (in liquidation).

### **SECOND MIRROR S.A. (IN LIQUIDATION)**

As of 30 September 2006, LM & Partners S.C.A. held 36 percent of the share capital of Second Mirror S.A. (in liquidation).

### **INVESTMENTS HELD BY LM & PARTNERS S.P.A.'S SUBSIDIARY, LM REAL ESTATE S.P.A., AS OF 30 SEPTEMBER 2006**

#### **BAMA S.R.L.**

As of 30 September 2006, LM Real Estate S.p.A. held 15 percent of the share capital of Bama S.r.l., with a carrying value of €852,000.

Bama S.r.l. is a company developing a real estate project in central Rome, with the involvement of the special-purpose company, Immobiliare Appia, which is also 15 percent held by LM Real Estate.

#### **CO.SE. S.R.L.**

As of 30 September 2006, LM Real Estate S.p.A. held 50 percent of the share capital of Co.Se. S.r.l., with a carrying value of €113,000. The company owns a residential property in the Como area.

#### **CRUISER S.R.L.**

As of 30 September 2006, LM Real Estate S.p.A. held 79 percent of the share capital of Cruiser S.r.l., a special-purpose company that may be used for future initiatives in the real estate business.

#### **FOROBONAPARTE DUE S.R.L.**

As of 30 September 2006, LM Real Estate S.p.A. held 75 percent of the share capital of Forobonaparte Due S.r.l., a special-purpose company through which LM Real Estate S.p.A. purchased commercial units of a prestigious building located in central Milan. The company is developing the property with the involvement of the subsidiary, Tivoli 101 S.r.l.

#### **GIALLO MILANO S.R.L.**

As of 30 September 2006, LM Real Estate S.p.A. held 50 percent of the share capital of Giallo Milano S.r.l., a company that acquired an area zoned for building in Via Muggiano, Milan, that is currently being developed.

#### **OMNIAPARTECIPAZIONI S.P.A.**

As of 30 September 2006, LM Real Estate S.p.A. held 25 percent of the share capital of Omniapartecipazioni S.p.A., with a carrying value of €63.1 million.

Omnipartecipazioni S.p.A. owns 50.7 percent of the share capital of IMMSI S.p.A., a company with diversified investments in the real estate and industrial sectors that is publicly traded on the Milan Stock Exchange.

### **VECTOR 102 S.R.L.**

As of 30 September 2006, LM Real Estate S.p.A. held 57 percent of the share capital of Vector 102 S.r.l., a special-purpose company that may be used for future initiatives in the real estate business.

### **FIRANEGOCIOS S.L.**

As of 30 September 2006, LM Real Estate S.p.A. held 25.5 percent of the share capital of Firanegocios s.l., with a carrying value of €2,833,000. Firanegocios has acquired land in Barcelona in order to build a 28,000 square-meter office park, which will be Barcelona's first office park.

### **EVENTS SUBSEQUENT TO 30 SEPTEMBER 2006**

On 3 October 2006, So.Pa.F. finalized agreements to purchase 70 percent of **Cartesio Alternative Investments SGR S.p.A** from the current shareholders (Banca Popolare Italiana S.c.a.r.l. and private investors) at a price of €2.8 million. Prior to the execution of the agreements, So.Pa.F. held 30 percent of Cartesio Alternative Investments SGR. The purchase of the shares is subject to the procurement of the Bank of Italy's authorization.

On 4 October 2006, LM & Partners S.C.A. perfected the purchase of 24.72 percent of the share capital of **RES Renergys Holding AG** and assumed a similar percentage of shareholder financing, for a total outlay of €6.2 million.

RES Renergys is a Swiss company which operates through subsidiaries to provide complete solutions (planning, development, construction and management) for the renewable energy business. RES Renergys' core business spans the entire chain of value for projects involving the development of wind parks, including the management of the park and all accessory services.

After securing the Bank of Italy's authorization in August, on 20 October 2006, So.Pa.F. perfected the purchase of 66.6 percent of the share capital of Private Wealth Management SGR S.p.A. (PWM SGR) for a total price of roughly €3.8 million. The investment was purchased from several PWM SGR founding shareholders, including Orefici S.p.A., Ersel Finanziaria S.p.A, and Sella Holding Banca S.p.A. Considering PWM SGR holds 9.9 percent of its own share capital, the 66.6-percent investment actually represents 74 percent of the voting capital.

On 10 October, LM RE funded a capital increase in Omnipartecipazioni S.p.A., acquiring 1,791,481 shares for an outlay equivalent to €10.4 million. The capital increase was effected for the purpose of Omnipartecipazioni's investment in a capital increase in IMMSI S.p.A. Both transactions were completed without any changes to the respective ownership structures, with LM Real Estate continuing to hold 25.5 percent of Omnipartecipazioni and Omnipartecipazioni continuing to control 50.77 percent of the share capital of IMMSI S.p.A.

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

At a meeting held on 10 November, the shareholders of So.Pa.F. approved a resolution to change the fiscal year end to 31 December. Accordingly, the 2006/2007 fiscal year will consist of six months only, and will end on 31 December 2006. The company expects to report improved earnings with respect to the corresponding period of the 2005/2006 fiscal year.

Milan, 13 November 2006

Giorgio Cirla  
Chairman  
Board of Directors

## SOPAF GROUP

### CONSOLIDATED PROFIT AND LOSS STATEMENT

(in € 000's)

	Notes	01.07.2006 30.09.2006	01.07.2005 30.09.2005	01.07.2005 30.06.2006
		3 months	3 months	12 months
Revenues	15	2.199	3.763	32.590
Other income	16	4.353	2.444	3.536
Materials purchases and external services	17	(3.135)	(3.335)	(29.541)
Personnel expense	18	(783)	(442)	(2.212)
Other operating expenses	19	(843)	(1.230)	(5.111)
<b>Gross profit</b>		<b>1.791</b>	<b>1.200</b>	<b>(738)</b>
Risk provisions and writedowns		-	(200)	(6.567)
Depreciation and amortization		(18)	(88)	(43)
Gains (losses) from sale of non-current assets		-	-	14.592
<b>Operating profit</b>		<b>1.773</b>	<b>912</b>	<b>7.244</b>
Earnings accrued on shareholdings valued with net equity method	20	1.321	(1.018)	(396)
<b>Profit before interest and taxes</b>		<b>3.094</b>	<b>(106)</b>	<b>6.848</b>
<i>Financial income</i>		705	3.475	11.427
<i>Financial charges</i>		(1.548)	(1.336)	(4.924)
Net financial income (charges)	21	(843)	2.139	6.503
<b>Profit before taxes</b>		<b>2.251</b>	<b>2.033</b>	<b>13.351</b>
<i>Current taxes</i>		(142)	(54)	(811)
<i>Deferred taxes</i>		(98)	-	8.535
Income taxes		(240)	(54)	7.724
<b>Net profit from continuing operations</b>		<b>2.011</b>	<b>1.979</b>	<b>21.075</b>
Net profit from operations sold		-	-	-
<b>Net profit</b>		<b>2.011</b>	<b>1.979</b>	<b>21.075</b>
<b>Allocable to:</b>				
Minority interests	22	267	(2.375)	1.679
<b>Group</b>		<b>1.744</b>	<b>4.354</b>	<b>19.396</b>
<b>Earnings per share (in €)</b>				
- Primary		0,0041	0,0170	0,0460
- Diluted		0,0040	0,0100	0,0441

## CONSOLIDATED BALANCE SHEET

(in € 000's)

	Notes	30.09.2006	30.09.2005	30.06.2006
Intangible fixed assets		48	1.036	29
Tangible fixed assets	4	1.080	28.387	648
Shareholdings in affiliate companies / jointly controlled companies	5	96.861	27.648	102.783
Financial assets	6	123.317	218.043	120.130
Tax credits	7	36.653	24.082	36.310
Deferred tax assets	8	6.493	-	6.998
<b>Total non-current assets</b>		<b>264.452</b>	<b>299.196</b>	<b>266.898</b>
Inventories	9	78.031	24.536	77.636
Customer receivables and other trade receivables		894	4.476	760
Other receivables and other assets	10	15.523	23.675	15.198
Other financial assets	11	328	10.254	12.578
Cash and cash equivalents		23.612	17.807	15.649
<b>Total current assets</b>		<b>118.388</b>	<b>80.748</b>	<b>121.821</b>
<u>Non-current assets held for sale</u>		-	-	-
<b>Total assets</b>		<b>382.840</b>	<b>379.944</b>	<b>388.719</b>
Capital		80.000	80.000	80.000
Undivided profits		46.014	41.901	47.398
<b>Shareholders' equity</b>		<b>126.014</b>	<b>121.901</b>	<b>127.398</b>
Minority interests		51.277	76.690	57.024
<b>Total shareholders' equity</b>		<b>177.291</b>	<b>198.591</b>	<b>184.422</b>
Bonds		-	8.325	-
Due to banks and other lenders	12	130.714	129.107	124.351
Other liabilities		-	7.935	-
Pension and employment-severance liabilities		163	150	132
Provisions		1.730	1.650	1.730
<b>Total non-current liabilities</b>		<b>132.607</b>	<b>147.167</b>	<b>126.213</b>
Due to banks and other lenders	13	55.509	24.033	60.215
Trade accounts payable		5.158	6.590	7.375
Other liabilities	14	12.275	3.563	10.494
<b>Total current liabilities</b>		<b>72.942</b>	<b>34.186</b>	<b>78.084</b>
<u>Liabilities related to assets held for sale</u>		-	-	-
<b>Total liabilities and shareholders' equity</b>		<b>382.840</b>	<b>379.944</b>	<b>388.719</b>

## CONSOLIDATED NET FINANCIAL POSITION

As of 30 September 2006, the So.Pa.F. Group S.p.A. had net financial debt of €162,291,000, which was computed as follows:

### SOPAF GROUP

(in €000's)

NET FINANCIAL POSITION	30.9.2006	30.6.2006	30.9.2005
A) Cash on hand	283	610	12
B) Other cash and cash equivalents	23.329	15.039	17.795
C) Securities held for trading	-	-	-
<b>D) TOTAL LIQUIDITY (A+B+C)</b>	<b>23.612</b>	<b>15.649</b>	<b>17.807</b>
E) Current financial receivables	328	12.578	52.304
F) Current bank debt	53.302	47.152	3.728
G) Current maturities of long-term debt	2.031	10.244	20.143
H) Other current financial debt	176	2.819	161
<b>I) CURRENT FINANCIAL DEBT (F+G+H)</b>	<b>55.509</b>	<b>60.215</b>	<b>24.033</b>
<b>J) NET CURRENT FINANCIAL DEBT (I-E-D)</b>	<b>31.569</b>	<b>31.988</b>	<b>(46.078)</b>
K) Non-current bank debt	115.885	102.736	126.507
L) Bonds issued	-	-	-
M) Other non-current debt	14.837	21.616	2.600
<b>N) NON-CURRENT FINANCIAL DEBT (K+L+M)</b>	<b>130.722</b>	<b>124.352</b>	<b>129.107</b>
<b>O) NET FINANCIAL DEBT (J+N)</b>	<b>162.291</b>	<b>156.340</b>	<b>83.029</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2006

## 1 FORM AND CONTENT OF THE FINANCIAL STATEMENTS

The financial statements as of 30 September 2006 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 So.Pa.F. Group adopted international accounting principles during the year ending 30 June 2006, and has thus prepared the third-quarter 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 So.Pa.F. holds controlling interests in companies, the third-quarter report has been prepared on a consolidated basis. As in previous quarters, all of the information included in this report refers to the So.Pa.F. 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.

## 2 ACCOUNTING POLICIES AND BASIS FOR PREPARATION

### General principles

As indicated above, the financial statements as of 30 September 2006 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 30 September 2006 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 30 June 2006, which are illustrated in the section of the annual report entitled "Accounting Policies and Basis for Preparation" to which reference is made.

In the quarterly report, the data in the profit and loss statement are compared with the data for the preceding year, while the data in the balance sheet are compared with the data in the consolidated balance sheet as of 30 June 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.

### 2.1 Consolidation criteria

The consolidation area includes the holding company, So.Pa.F. 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.

## **2.2 Shareholdings in subsidiary and affiliate companies**

The shareholdings in non-consolidated subsidiary companies are valued at cost whenever it is determined that the full consolidation of such companies would not have significant effects on the consolidated capital, financial position and earnings.

The shareholdings in affiliate companies are valued on the basis of the net equity method in accordance with international accounting principles.

## **2.3 Shareholdings in other companies**

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.

## **2.4 Financial assets**

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.

## **2.5 Other financial assets**

Financial assets such as restricted guarantee deposits and security deposits, which the Group intends to hold, and is able to hold, until maturity, and which do not meet the requisites for classification as cash and cash equivalents are recorded in the financial statements and eliminated from the financial statements on the basis of the settlement date. Such assets are initially booked at an amount corresponding to their fair value, and thereafter, on the basis of amortized cost, net of any writedowns for impairment in value

## **2.6 Financial derivatives**

Derivatives instruments are booked and carried at their fair value. The rules established by IAS 39 for hedge accounting are applied with regard to hedging instruments.

## **2.7 Other intangible fixed assets**

### *Computer software - Development costs*

Software licenses purchased are capitalized and recorded as intangible fixed assets at their acquisition cost, and are amortized on a straight-line basis over their estimated useful life.

The costs associated with the development and the ordinary maintenance of the software that do not meet the aforementioned requisites and research costs are charged to the profit and loss statement as incurred.

## **2.8 Tangible fixed assets**

Tangible fixed assets are booked at purchase or production cost, inclusive of an ancillary charges, and are stated net of accumulated depreciation and any writedowns for impairment of value.

Costs sustained for improvements made to third-party assets held under operating leases are capitalized and reported as part of the tangible fixed assets to which they refer, and are depreciated over the lesser of their useful life and the residual period of the lease contract.

Gains and losses arising from the sale or disposal of tangible fixed assets are determined by the difference between the proceeds from the sale or disposal and the net book value of the assets, and are booked to profit and loss statement during the period in which the sale or disposal occurred.

## **2.9 Inventories**

Inventories consist of properties in the process of being restructured, properties for sale, and properties held for trading purposes.

Buildings under construction and/or being restructured are valued at the lower of cost, which is increased by any expenditures that increase the value of the assets and any financial charges that can be capitalized in relation to the assets, and the corresponding estimated realizable value.

Properties held for trading purposes are valued at the lower of cost and market value. Market value is based on transactions involving properties that are similar in terms of their construction and location. Acquisition cost is increased by any expenditures that increase the value of the assets up to the time of the sale.

## **2.10 Customer receivables and other receivables**

Receivables are initially booked at their nominal value (representative of the fair value of the transaction) and are valued thereafter at amortized cost, net of any impairment losses recorded in the profit and loss statement when there is objective evidence that the receivables have experienced a loss in value.

### **2.11 Cash and cash equivalents**

Cash and cash equivalents include cash, amounts in current accounts with banks, demand deposits, and other, highly liquid short-term financial investments that may be quickly converted into cash and are not subject to any significant risk of change in value.

### **2.12 Due to banks**

Interest-bearing bank loans and bank overdrafts are initially booked on the basis of the amounts received, net of any transaction costs, and are valued thereafter at amortized cost, using the effective interest-rate method.

### **2.13 Trade accounts payable and other payables**

Trade accounts payable and other payables are stated on the basis of amortized cost which, considering the characteristics and the due dates of the payables, is generally equal to nominal value.

### **2.14 Pension and employment-severance liabilities**

On the basis of IAS 19, the reserve for employment-severance liabilities in relation to the employees of the holding company and the subsidiaries having their registered office in Italy is classifiable as a defined benefit plan. Accordingly, the amounts already earned must be projected out to the future in order to estimate the amount to be disbursed upon the termination of the employment relationship, and then discounted using the projected unit credit method in order to come up with a reasonable estimate of the amount of the benefits which the employees have earned in return for their service in current and prior periods.

### **2.15 Provisions**

The provisions to the reserves for risks and charges are made against current obligations resulting from past events whenever the request for the fulfilment of the obligation is deemed probable. The provisions are booked on the basis of the best estimate available, at the end of the accounting period, of the costs required for fulfilling the obligations, and are discounted if the effect thereof is significant.

### **2.16 Financial income and charges**

Interest income and expense, inclusive of interest on bond obligations, is reported in accordance with the effective interest-rate method.

### **2.17 Taxes**

The tax provisions for the period include current and deferred taxes.

Current taxes are computed on taxable income for the period. Taxable income differs from the income reported in the profit and loss statement since it excludes revenues (expenses) that are taxable (deductible) in other periods, and it also excludes amounts that may never be taxable or deductible. The liability for current taxes is calculated by using tax rates in effect as of the date of the financial statements.

Deferred taxes are taxes that the Group expects to pay or to recover on timing differences between the carrying values of assets and liabilities used for financial reporting purposes and the corresponding values used for taxation purposes. Deferred taxes are booked in accordance with the balance-sheet liability method.

Deferred tax liabilities are generally booked for all taxable timing differences related to the Group companies and to investments in affiliate companies, except in cases where the Group is able to control the cancellation of such timing differences and it is probable that the timing differences will not be cancelled out in the foreseeable future.

Deferred tax assets arising from timing differences and/or from tax loss carryforwards are booked only to the extent that it is probable that future taxable income will be available against which such deductible timing differences and/or tax loss carryforwards can be used.

Deferred taxes are computed on the basis of tax rates that the Group expects to be in effect as of the date on which the benefits are to be realized or the liabilities are to be extinguished

Deferred tax provisions are booked to the profit and loss statement, with the exception of deferred taxes on amounts booked directly to shareholders' equity, in which case the related deferred taxes are also booked to shareholders' equity.

Deferred tax assets and deferred tax liabilities are offset whenever there is a legal right to offset current tax assets and current tax liabilities, and when the assets and liabilities refer to tax positions with the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis .

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

### **Seasonality**

The profit and loss statement for the first quarter is not significantly influenced by seasonal business trends.

### **Taxes**

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

### **Costs**

Costs incurred in an uneven manner during the year are booked in advance or deferred to the end of the quarter only to the extent that the advance or deferred booking thereof 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 30 September 2006 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 30 September 2006:

#### SO.PA.F. S.p.A.

##### CONSOLIDATION AREA

Company	% Held Directly	% Held Indirectly	Total % Held	Registered Office	Nation	Currency	Consolidation Method
<b>Holding company:</b>							
So.Pa.F. S.p.A.				Milan	Italy	Euro	Full
<b>Direct subsidiary companies:</b>							
ACAL S.p.A.	100%	-	100,0%	Milan	Italy	Euro	Full
Cutter S.a.r.l.	100%	-	100,0%	Luxembourg	Luxembourg	Euro	Full
Telma S.r.l.	51,0%	-	51,0%	Milan	Italy	Euro	Full
IDA S.r.l.	100%	-	100,0%	Milan	Italy	Euro	Full
LM IS S.a.r.l.	100%	-	100,0%	Luxembourg	Luxembourg	Euro	Full
LM & Partners S.C.A.	42,5%	(*) 36,66%	79,2%	Luxembourg	Luxembourg	Euro	Full
Forobonaparte S.r.l.	50%	-	50,0%	Milan	Italy	Euro	Full
<b>Direct affiliate companies:</b>							
Polis Fondi S.G.R.P.A.	49%	-	49,0%	Milan	Italy	Euro	Net equity
Petunia S.p.A.	55,9%	-	55,9%	Milan	Italy	Euro	Net equity
S.f.e.r.a. S.r.l.	50%	-	50,0%	Milan	Italy	Euro	Net equity
Essere S.p.A.	38,9%	-	38,9%	Milan	Italy	Euro	Net equity
Cartesio Alternative Investment SGR S.p.A.	30%	-	30,0%	Milan	Italy	Euro	Net equity
S.Apostoli S.r.l.	30%	-	30,0%	Milan	Italy	Euro	Net equity
Five Stars S.A.	99,9%	-	99,9%	Luxembourg	Luxembourg	Euro	Net equity
Vector 101 S.r.l.	25%	-	25,0%	Milan	Italy	Euro	Net equity
Star venture 1 scpa	22,9%	-	54,8%	Luxembourg	Luxembourg	Euro	Full
Axoon	50%	-	50,0%	Milan	Italy	Euro	Net equity
<b>Direct investments:</b>							
Coronet S.p.A.	30%	-	30,0%	Milan	Italy	Euro	Fair value
PWM Sgr P.A.	14,7%	-	14,7%	Milan	Italy	Euro	Cost
Gabetti S.p.A.	1,3%	-	1,3%	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 SCA</i>							
LM Real Estate S.p.A.		99,7%	79,0%	Milan	Italy	Euro	Full
LM LS S.p.A. (**)		69,8%	56,8%	Milan	Italy	Euro	Full
Siskin S.A.		100%	79,2%	Turin	Italy	Euro	Full
MGO S.A.		100%	79,2%	Luxembourg	Luxembourg	Euro	Full
Aft S.r.l.		70,8%	56,1%	Milan	Italy	Euro	Net equity
Vegastar S.A.		100%	79,2%	Luxembourg	Luxembourg	Euro	Full
<i>- through LM &amp; Partners, Vegaastar, Mao, Star, v. Manaa.</i>							
Star venture 1 scpa		43,4%	54,8%	Luxembourg	Luxembourg	Euro	Full
<i>- through LM Real Estate S.p.A.</i>							
Forobonaparte S.r.l.		13,8%	10,9%	Milan	Italy	Euro	Full
Forobonaparte Due S.r.l.		75%	59,2%	Milan	Italy	Euro	Full
Cruiser S.r.l.		79%	62,4%	Milan	Italy	Euro	Full
Vector 102 S.r.l.		57%	45,0%	Milan	Italy	Euro	Full
<i>- through LMIS S.a.r.l.</i>							
Star Venture Management S.A.		100%	100,0%	Luxembourg	Luxembourg	Euro	Full
Sopaf Asia		100%	100,0%	Luxembourg	Luxembourg	Euro	Full
<i>- through Forobonaparte Due S.r.l.</i>							
Tivoli 101 S.r.l.		100%	59,2%	Milan	Italy	Euro	Full
<i>- through Telma S.r.l.</i>							
Intarch S.r.l.		99%	50,5%	Milan	Italy	Euro	Full
Tauceti S.r.l.		99%	50,5%	Milan	Italy	Euro	Full
Facere S.r.l.		99%	50,5%	Milan	Italy	Euro	Full
Buena suerte S.r.l.		99%	50,5%	Milan	Italy	Euro	Full
Valim S.r.l.		99%	50,5%	Milan	Italy	Euro	Full
Agorà S.r.l.		99%	50,5%	Milan	Italy	Euro	Full
<b>Indirect affiliate companies:</b>							
<i>- through LM &amp; Partners SCA</i>							
Euroioiochi S.A. (in liquidation)		60,4%	47,9%	Milan	Italy	Euro	Net equity
Beven Finance S.a.r.l.		50%	39,6%	Luxembourg	Luxembourg	Euro	Net equity
Second Mirror S.A. (in liquidation)		36%	28,5%	Luxembourg	Luxembourg	Euro	Net equity
Mirror tre S.a.r.l. (in liquidation)		25%	19,8%	Luxembourg	Luxembourg	Euro	Net equity
Westindustrie S.r.l.		22%	17,4%	Milan	Italy	Euro	Net equity
Aster		33,3%	26,4%	Milan	Italy	Euro	fair value
<i>- through LM Real Estate S.p.A.</i>							
Co.Se. S.r.l.		50%	39,5%	Milan	Italy	Euro	Net equity
Giallo Milano S.r.l.		50%	39,5%	Milan	Italy	Euro	Net equity
<i>- through IDA S.r.l.</i>							
Sadi S.p.A.		26,2%	26,2%	Milan	Italy	Euro	Net equity
<i>- through ACAL S.p.A.</i>							
Delta S.p.A.		24%	24,0%	Bologna	Italy	Euro	Net equity
<i>- through Siskin S.A.</i>							
Sila S.p.A.		27,5%	21,8%	Turin	Italy	Euro	Net equity
<i>- through Aft S.r.l.</i>							
Megabeam S.p.A.		100%	56,1%	Milan	Italy	Euro	Net equity
<i>- through Co.Se. Srl</i>							
Iside srl		50%	19,7%	Milan	Italy	Euro	Cost
<b>Indirect investments:</b>							

Changes in the consolidation area with respect to 30 June 2006 are summarized in the table below:

<b>NEW AFFILIATE COMPANIES</b>	<b>Country</b>	<b>Activity</b>
<b>Net equity method:</b>		
<input type="checkbox"/> Petunia S.p.A.	Italy	Real Estate Fund Management
<input type="checkbox"/> Fondo China Opportunity S.A. S.i.c.a.r.	Luxembourg	Private Equity Fund
<input type="checkbox"/> West Industrie S.r.l.	Italy	Industrial
<b>SUBSIDIARY AND AFFILIATE COMPANIES ELIMINATED</b>		

**Net equity method:**

<input type="checkbox"/> SADI S.p.A.	Italy	Industrial
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Changes in the consolidation area with respect to 30 September 2005 are summarized in the table below:

<b>NEW SUBSIDIARY COMPANIES</b>	<b>Country</b>	<b>Activity</b>
<b>Full consolidation method:</b>		
<input type="checkbox"/> Vector 102 S.r.l.	Italy	Real Estate
<input type="checkbox"/> Tivoli 101 S.r.l.	Italy	Real Estate
<input type="checkbox"/> Siskin S.A.	Luxembourg	Investments in Shareholdings
<input type="checkbox"/> ACAL S.p.A.	Italy	Investments in Shareholdings
<input type="checkbox"/> IDA S.r.l.	Italy	Investments in Shareholdings
<input type="checkbox"/> Telma S.r.l.	Italy	Real Estate
<input type="checkbox"/> Agorà S.r.l.	Italy	Real Estate
<input type="checkbox"/> Valim S.r.l.	Italy	Real Estate
<input type="checkbox"/> Buena Suerte S.r.l.	Italia	Real Estate
<input type="checkbox"/> Facere S.r.l.	Italy	Real Estate
<input type="checkbox"/> Intarch S.r.l.	Italy	Real Estate
<input type="checkbox"/> Tau Ceti S.r.l.	Italy	Real Estate
<input type="checkbox"/> Cutter S.r.l.	Italy	Investments in Shareholdings
<input type="checkbox"/> MGO Lux S.A.	Luxembourg	Investments in Shareholdings
<input type="checkbox"/> Star Venture I S.c.p.a.	Luxembourg	Investments in Shareholdings
<input type="checkbox"/> Vegastar S.A.	Luxembourg	Investments in Shareholdings
<input type="checkbox"/> So.Pa.F. Asia S.r.l.	Italy	Investments in Shareholdings

<b>NEW AFFILIATE COMPANIES</b>	<b>Country</b>	<b>Activity</b>
<b>Net equity method:</b>		
<input type="checkbox"/> Polis Fondi S.G.R.P.A.	Italy	Real Estate Fund Management
<input type="checkbox"/> Delta S.p.A.	Italy	Consumer credit
<input type="checkbox"/> SILA Holding Industriale S.p.A.	Italy	Industrial
<input type="checkbox"/> Essere S.p.A.	Italy	Financial Intermediation
<input type="checkbox"/> CO.SE. S.r.l.	Italy	Real Estate
<input type="checkbox"/> Sfera S.r.l.	Italy	Services
<input type="checkbox"/> AFT S.r.l.	Luxembourg	Industrial
<input type="checkbox"/> Beven Finance S.a.r.l.	Luxembourg	Investments in Shareholdings
<input type="checkbox"/> Firanegocios L.S.	Spain	Real Estate
<input type="checkbox"/> Giallo Milano S.r.l.	Italy	Real Estate
<input type="checkbox"/> Santi Apostoli S.r.l.	Italy	Real Estate
<input type="checkbox"/> Vector 101 S.r.l.	Italy	Real Estate
<input type="checkbox"/> Five Stars S.a.r.l.	Luxembourg	Investments in Shareholdings
<input type="checkbox"/> Petunia S.r.l.	Italy	Financial Intermediation
<input type="checkbox"/> Fondo China Opportunity S.A. S.i.c.a.r.	Luxembourg	Private Equity Fund
<input type="checkbox"/> Axxon S.r.l.	Italy	Real Estate
<input type="checkbox"/> WestIndustrie S.r.l.	Italy	Industrial

<b>SUBSIDIARY AND AFFILIATE COMPANIES ELIMINATED</b>	<b>Country</b>	<b>Activity</b>
<b>Full consolidation method</b>		
<input type="checkbox"/> Essere S.p.A.	Italy	Financial Intermediation
<input type="checkbox"/> Five Stars S.A.	Luxembourg	Investments in Shareholdings
<input type="checkbox"/> Development Vittoria S.r.l.	Italy	Real Estate
<b>Net equity method</b>		
<input type="checkbox"/> Blue Skye S.a.r.l.	Italy	Financial Services

## 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:

- Omnipartecipazioni S.p.A. (Group's investment is equal to 25%): Given the existence of specific shareholder agreements with respect to the company's governance and administration, the Group does not exercise any significant influence over the company. Accordingly, as indicated hereunder in the disclosures in other parts of this report, the investment in Omnia S.p.A. has been booked among the financial assets available for sale, with its value adjusted to the current fair value as determined on the basis of analytical valuation methods.
- Coronet S.p.A.: As a result of its sale of a 30-percent interest in the company on 4 August 2005, So.Pa.F. 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. does not actively participate in the determination of the company's business and financial policies.

Although the Group holds the majority in Five Stars S.A. (99.9 percent), the investment is not fully consolidated 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 no longer fully consolidates the investment, 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).

On 28 September 2006, the shareholders' meetings of SADI S.p.A. and Servizi Industriali S.p.A. approved resolutions for the merger of the two companies and the rate at which the shares would be exchanged so that the merger transaction could take place by 31 December 2006.

Based on the planned issue of new shares of SADI S.p.A. to be assigned to the shareholders of Servizi Industriali S.p.A., the So.Pa.F. Group's investment will be diluted, going from 26 percent of the share capital in SADI S.p.A. to 2.9 percent of the share capital of the new company.

As a result, the investment in SADI S.p.A., even though amounting to 26.2 percent of the capital and valued using the net equity method in the prior year, has been reported in the quarterly financial statements as a non-current asset in the account

"Other financial assets", and has been valued at fair value, which is consistent with the provisions of IAS 39 for financial assets available for sale.

It is noted that the fiscal year of the consolidated subsidiary companies ends on 31 December 2006, and therefore, the consolidation of such companies was done on the basis of interim financial statements covering the period from 1 July 2006 to 30 September 2006.

## INFORMATION ON THE CONSOLIDATED BALANCE SHEET

### ASSETS

#### NON-CURRENT ASSETS

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#### 4 Tangible fixed assets

The account balance of €1,080,000 reflects an increase of €432,000 compared with the balance as of 30 June 2006. The increase refers to investments in leasehold improvements.

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

The account balance of €96,861,000 reflects a decrease €5,922,000 compared with the balance as of 30 June 2006.

The account includes the following:

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	30/09/2006	30/09/2005	30/06/2006
Delta S.p.A.	48,739	-	67,872
Beven Finance S.a.r.l.	14,556	-	1,913
AFT S.r.l.	11,096	-	7,404
Polis Fondi S.G.R.P.A.	7,875	-	7,811
SADI S.p.A.	-	-	4,141
SILA S.p.A.	3,920	-	3,537
Firanegocios L.S.	2,834	-	2,834
Vector 101 S.r.l.	2,531	5	2,562
Five Stars S.a.r.l.	1,899	-	2,087
Cartesio SGR S.p.A.	1,004	882	997
Essere S.p.A.	823	-	713
Petunia S.p.A.	457	-	-
S. Apostoli S.r.l.	395	-	489
Fondo China Opportunity	309	-	-
Mirror tre S.a.r.l. (in liquidation)	267	267	267
Co.se S.r.l.	112	12	113
Sfera S.r.l.	36	-	37
Axxon S.r.l.	6	-	6
Westindustrie S.r.l.	2	-	-
Giallo Milano S.r.l.	-	50	-
Tivoli 101 S.r.l.	-	15	-
Vector 102 S.r.l.	-	10	-
Fincolor S.p.A.	-	3,443	-
Eurogiochi S.A. (in liquidation)	-	21,420	-
Cruiser S.r.l.	-	10	-
Arika ACAL S.p.A.	-	122	-
Megabeam S.p.A.	-	1,402	-
Blue Skye S.a.r.l.	-	10	-
Second Mirror S.A. (in liquidation)	-	-	-
	<b>96,861</b>	<b>27,648</b>	<b>102,783</b>

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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:

- €275,000 for the subscription of the capital increase for SILA S.p.A.;
- €13,179,000 for the capitalization program for Beven Finance S.a.r.l.;
- €152,000 for the capitalization program for Vector 101 S.r.l.;
- €3,687,000 for the increase in the investment in AFT S.r.l. as a result of the exercise of put options related to an overall holding of 21.8 percent.
- €466,000 for the purchase of 55.86 percent of Petunia S.p.A.;
- €2,000 for the purchase of 22 percent of WestIndustrie S.r.l.;
- €309,000 for the subscription of units in the "China Opportunity" investment fund;
- pro-rata earnings adjustments for the quarter with respect to the investments held in: Delta S.p.A. (€340,000), Five Stars S.A. (€504,000), AFT S.p.A. (€5,000), Polis Fondi S.G.R.P.A. (€64,000) and Cartesio SGR S.p.A. (€7,000), Sila S.p.A. (€108,000) and Essere S.p.A. (€110,000).

The decreases during the quarter mainly refer to:

- €19,973,000 for So.Pa.F. S.p.A.'s sale of 10 percent of Delta S.p.A., at a price of €20,763,000, inclusive of a realized capital gain of €791,000;
- pro-rata loss adjustments for the quarter with respect to the investments held in Petunia S.p.A. (€9,000), Beven Finance S.a.r.l. (€3,000), Sfera S.r.l. (€1,000), Vector 101 S.r.l. (€183,000), Co.Se. S.r.l. (€1,000) and S. Apostoli (€94,000);
- adjustments for losses in the fair value of the financial assets: Five Stars S.A. (€692,000) and Beven Finance S.a.r.l. (€534,000).

It is noted that the investment in SADI S.p.A., even though amounting to 26.2 percent of the capital and valued using the net equity method in the prior year, has been reported in the quarterly financial statements as a non-current asset in the account "Other financial assets", and has been valued at fair value, which is consistent with the provisions of IAS 39 for financial assets available for sale.

## 6 Financial assets

The account balance of €123,317,000 reflects an increase of €3,187,000 compared with the balance as of 30 June 2006.

The account includes the following categories of financial assets:

	30/09/2006	30/09/2005	30/06/2006
Financial assets available for sale	117,062	171,706	113,344
Financial derivatives instruments	-	-	990
Bond securities	663	-	677
Receivables and loans	5,592	46,337	5,119
	<b>123,317</b>	<b>218,043</b>	<b>120,130</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:

	30/09/2006	30/09/2005	30/06/2006
Omiapartecipazioni S.p.A.	63,144	80,298	68,409
Fondo Immobiliare 'Aster'	24,875	-	24,875
Coronet S.p.A.	10,400	14,100	10,400
SADI S.p.A.	5,900	-	-
Advanced Accelerator Applications S.A.	3,201	1,920	3,096
Green BIT S.r.l.	2,555	1,050	2,555
Fondo immobiliare 'Valore'	2,000	-	-
Gabetti S.p.A.	1,649	-	1,637
Bama S.r.l.	852	8	754
I.Med S.r.l.	750	-	750
PWM SGR S.p.A.	693	-	-
Option Newman Lowther & Associates	377	-	377
Immobiliare Appia 2005 S.r.l.	251	1	251
Leisure Link Ltd.	200	2,467	200
Blue H Group	160	-	-
Volare S.p.A. (in liquidation)	40	40	40
Forza Quattro S.r.l.	14	-	-
Demofonte S.r.l.	1	-	-
So.Pa.F. Corporate Finance S.p.A.	-	456	-
Primeg S.p.A.	-	35	-
Meliorbanca S.p.A.	-	13,114	-
Iside S.r.l.	-	14	-
Delta Fin S.A.	-	31	-
GF&Partners S.r.l.	-	1,022	-
Fondo Immobili Pubblici	-	57,150	-
	<b>117,062</b>	<b>171,706</b>	<b>113,344</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 increases occurring during the quarter in the financial assets available for sale mainly refer to:

- €105,000 for subscription of the capital increase for Advanced Accelerator Applications S.A.;
- €694,000 for the purchase of 14.74 percent of PWM SGR S.p.A.;
- €160,000 for the purchase of 1.6 percent of Blue H Group Ltd.;
- €14,000 for the purchase of 15 percent of Forza Quattro S.r.l.;
- €1,000 for the purchase of 15 percent of Demofonte S.r.l. ;
- €2,000,000 for the subscription of units in the "Valore" real estate investment fund.

A decrease in the balance of financial assets available for sale was also recorded during the quarter as a result of the adjustment of the fair value of the holding in Omnia Partecipazioni S.p.A. which reduced the value of the investment by €5,265,000.

Although the So.Pa.F. Group still owns a 26.2 percent interest in SADI S.p.A, the investment will be diluted as a result of a merger approved on 28 September 2006, and it has thus been classified as a non-current asset in the account "Other financial assets". Consistent with the provisions of IAS 39 for financial assets available for

sale, the investment was valued at fair value, which entailed a positive adjustment of €1,759,000, with the offsetting entry made to the valuation reserve included as part of consolidated shareholders' equity.

#### *Bond securities*

So.Pa.F. 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, So.Pa.F. 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, €663,000, represents the financing component of the financial instrument. The call option held by So.Pa.F. and embedded in the instrument has a value of €377,000, which has been separated from the financing component and classified among the financial assets available for sale.

#### *Other financial assets*

The account balance of €5,592,000 reflects an increase of €473,000 compared with the balance as of 30 June 2006.

	30/09/2006	30/09/2005	30/06/2006
<b>Financial receivables due from companies in which investments are held</b>			
Acal S.p.A.	-	36,990	-
Siskin S.A.	-	3,262	-
Leisure Link Ltd.	-	2,468	-
Vector 101 S.r.l.	-	20	-
Cruiser S.r.l.	-	14	-
Polis Fondi S.G.R.P.A.	-	-	2
Immobiliare Appia 2005 S.r.l.	120	-	120
Giallo Milano S.r.l.	674	700	700
Green Bit S.r.l.	-	290	-
Tivoli 101 S.r.l.	-	60	-
Bama S.r.l.	712	712	712
Co.Se S.r.l.	188	363	188
S. Apostoli S.r.l.	2,430	-	855
Sfera S.r.l.	4	-	-
Essere S.p.A.	75	-	40
	<b>4,203</b>	<b>44,879</b>	<b>2,617</b>
Other financial receivables	1,378	1,425	2,488
Security deposits	11	33	14
	<b>5,592</b>	<b>46,337</b>	<b>5,119</b>

## **7 Tax credits**

The account balance of €36,653,000 includes tax credits claimed by the holding company, So.Pa.F. S.p.A. The balance includes €20,246,000 of credits regarding the years of 1996 and 1997 which have been transferred to third parties as a guarantee for credit lines.

## **8 Deferred tax assets**

The account includes deferred tax assets of €6,493,000, stated net of deferred tax liabilities in the amount of €3,369,000.

The deferred tax assets have mainly originated from €7.8 million of tax loss carryforwards booked by So.Pa.F. 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. The forecasts are based on the taxable income that can be generated with reasonable certainty during the 2007-2009 period, considering the present trend of So.Pa.F. S.p.A.'s business and the prospects of the future divestiture of assets.

## **CURRENT ASSETS**

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### **9 Inventories**

The account balance of €78,031,000 covers buildings under construction, properties in the process of being restructured, and properties earmarked for brokerage activity.

### **10 Other receivables and other current assets**

The account balance of €15,523,000 reflects an increase of €325,000 compared with the balance as of 30 June 2006.

	<b>30/09/2006</b>	<b>30/09/2005</b>	<b>30/06/2006</b>
VAT tax credits	2,262	8,319	4,208
Tax credits	4,518	3,118	2,988
Other receivables	2,753	9,432	2,595
Accrued income and prepayments	5,990	2,806	5,407
	<b>15,523</b>	<b>23,675</b>	<b>15,198</b>

### **11 Other financial assets**

The account balance of €328,000 represents an investment in bond securities issued by the affiliate company, Green Bit S.p.A., and maturing on 28 February 2007,

The balance decreased with respect to 30 June 2006, as a result of the receipt of the repayment of a loan in the amount of €12,250,000 by the affiliate company, Axxon S.r.l.

## LIABILITIES

### NON-CURRENT LIABILITIES

#### 12 Due to banks and other lenders

The account balance of €130,714,000 reflects an increase of €6,363,000 compared with the balance as of 30 June 2006.

	30/09/2006	30/09/2005	30/06/2006
Bank financing	115,885	126,507	102,736
Financial debt due to affiliate companies	6,104	-	6,019
Due to other lenders	8,725	2,600	15,596
	<b>130,714</b>	<b>129,107</b>	<b>124,351</b>

The bank financing includes:

- €12,000,000, the medium-/long-term portion of the financing for the holding company's acquisition of Delta S.p.A. The acquisition financing totals €13,500,000, with current maturities of €1,500,000 classified among current liabilities. The financing is to be repaid in annual instalments, with the final payment due in 2015. The loan is backed by the pledge of Delta S.p.A. shares.
- €15,750,000, three loans mainly related to the funding of certain investments (including IDA/SADI) and various operational needs. A total of €6,000,000 is due to be paid out by the end of the next fiscal year. The loans are backed by the pledge of LM & Partners S.C.A. shares held by So.Pa.F. S.p.A.
- €6,952,000, a syndicated medium-term loan secured by receivables from the tax authorities whose reimbursement has already been claimed.
- €4,662,000, mortgages due by real estate subsidiaries.
- €17,000,000, a secured term loan disbursed to the subsidiary company, LM & Partners S.C.A., to fund an investment in the closed-end real estate fund "Aster". The financing is secured by the pledge of Fondo Aster units with a value of €11,700,000, and is to be paid out through a bullet payment on 8 May 2011.
- €59,000,000, a syndicated term loan secured by a mortgage, with a final maturity of 29 December 2008; the loan was disbursed to the subsidiary company, Telma S.r.l., with the proceeds used for financing a real estate project in process.

The financial debt due to affiliate companies of €6,104,000 refers to interest-bearing obligations of the holding company to the affiliates Giallo Milano S.r.l. (€5,997,000) and Cruiser S.r.l. (€100,000), and financial debt of the holding company to Axxon S.r.l. (€7,000). The loan proceeds have been used in real estate projects being coordinated within the Group.

The amounts due to other lenders mainly consist of:

- €2,688,000 of a fiduciary financing totalling €2,818,000, reclassified with respect to 30 June 2006 given a maturity date of more than one year;
- €5,883,000 of financial debt for contributions of minority shareholders to real estate projects currently being planned by subsidiary companies. The decrease with respect to 30 June 2006 reflects the reimbursement of a minority-interest financing of the subsidiary, Vector 102 S.r.l.

## CURRENT LIABILITIES

### 13 Due to banks and other lenders

The account balance of €55,509,000 reflects a decrease of €4,706,000 compared with the balance as of 30 June 2006.

	30/09/2006	30/09/2005	30/06/2006
Bank financing	55,333	24,033	57,396
Due to other lenders	176	-	2,819
	<b>55,509</b>	<b>24,033</b>	<b>60,215</b>

The bank financing includes:

- €6,000,000, the current instalment of a medium-term loan to the holding company, So.Pa.F. S.p.A., which is secured by the pledge of LM & Partners S.C.A. shares.
- €1,500,000, the current maturity of the Delta S.p.A. acquisition financing incurred by the holding company, So.Pa.F. S.p.A. The acquisition financing totals €13,500,000, with medium-/long-term portion of €12,000,000 classified among non-current liabilities.
- €8,702,000, short-term financing and current-account credit lines.
- €2,031,000, current instalments due on medium-/long-term mortgages.
- €37,100,000, a borrowing of the subsidiary, ACAL S.p.A., used for purchasing an investment in Delta S.p.A. and backed by the pledge of Delta S.p.A. shares. The loan matures on 31 January 2007.

### 14 Other liabilities

The account balance of €12,275,000 consists of:

	30/09/2006	30/09/2005	30/06/2006
Taxes payable	106	133	1,447
Reserve for taxes	401	714	272
Due to social-welfare institutions	91	61	88
Other payables	11,141	1,606	7,882
Accrued liabilities and deferred income	536	1,049	805
	<b>12,275</b>	<b>3,563</b>	<b>10,494</b>

Other payables mainly include:

- €1,004,000 of amounts payable for advances and down payments made by customers in relation to real estate projects in process;
- €3,604,000 of amounts due to third parties for the acquisition of an interest in Star Venture 1 S.c.p.a.;
- €2,794,000 of debt incurred by LM & Partners S.C.A. for the acquisition of various shares in the affiliate company, AFT S.r.l. (€2,696,000) and the affiliate company, Green Bit S.p.A. (€98,000).

## INFORMATION ON THE PROFIT AND LOSS STATEMENT

### 15 Revenues

The account balance of €2,199,000 consists of the following:

	01/07/2006 30/09/2006	01/07/2005 30/09/2005	01/07/2005 30/06/2006
Service revenues	409	2,770	1,305
Commission revenues	-	-	2,684
Revenues from property sales	1,790	993	28,601
	<b>2,199</b>	<b>3,763</b>	<b>32,590</b>

### 16 Other income

The account balance of €4,353,000 consists of the following:

	01/07/2006 30/09/2006	01/07/2005 30/09/2005	01/07/2005 30/06/2006
Capital gains from sale of shareholdings	967	-	1,085
Other capital gains	2,503	-	-
Rental income	30	32	133
Other income	853	2,412	2,318
	<b>4,353</b>	<b>2,444</b>	<b>3,536</b>

Other capital gains include the incremental value of the portion of consolidated shareholders' equity corresponding to LM & Partners S.C.A. and to the respective equity investments purchased during the quarter, compared with the corresponding cost of the investment. The aggregate increase in the investment in LM & Partners S.C.A. at a Group level comes indirectly from the holding company's purchase of shares in Star Venture I S.c.p.a., whose only asset is a 26.71 percent interest in LM & Partners S.C.A.

## 17 Materials purchases and external services

The account balance of €3,135,000 consists of the following:

	01/07/2006 30/09/2006	01/07/2005 30/09/2005	01/07/2005 30/06/2006
Change in inventories	(396)	(3,054)	(53,521)
Consulting services	465	1,486	5,808
Commissions on financial assets	4	-	62
Commissions on services	54	-	852
Administrative services	389	135	1,034
Legal services	12	43	153
Compensation to directors	297	177	742
Compensation to statutory auditors	25	18	100
Expense reimbursements	68	195	133
Leases	49	128	707
Rentals	17	3	38
Utilities	30	18	118
General office expenses	9	86	24
Insurance	35	18	101
Property operating costs	2,077	3,502	61,770
Property purchases	-	580	11,420
	<b>3,135</b>	<b>3,335</b>	<b>29,541</b>

## 18 Personnel expense

The account balance of €783,000 consists of the following:

	01/07/2006 30/09/2006	01/07/2005 30/09/2005	01/07/2005 30/06/2006
Salaries and wages	602	311	1,692
Social-welfare charges	143	129	421
Provision to employment severance indemnity reserve	38	2	99
	<b>783</b>	<b>442</b>	<b>2,212</b>

## 19 Other operating expenses

The account balance of €843,000 consists of the following:

	01/07/2006 30/09/2006	01/07/2005 30/09/2005	01/07/2005 30/06/2006
Bank expenses	105	995	744
Taxes and duties	87	112	1,396
Miscellaneous operating expenses	155	116	650
Losses on shareholdings	484	-	-
Other charges	12	7	2,321
	<b>843</b>	<b>1,230</b>	<b>5,111</b>

The losses on shareholdings of €484,000 include the loss arising from the dilution of the investment in LM LS S.p.A. as a result of a capital increase subscribed only in part by LM & Partners S.C.A.

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

The account reports the Group's share of the profits (losses) of the companies valued on the basis of the net equity method, and the net proceeds from the sales of shareholdings in affiliate companies. The components of the account are shown in the table below:

	01/07/2006 30/09/2006	01/07/2005 30/09/2005	01/07/2005 30/06/2006
<b>Group's share of earnings:</b>			
Delta S.p.A.	840	-	4,012
Polis Fondi S.G.R.p.A.	64	-	336
Sila S.p.A.	108	-	-
Blu Skye S.c.a.r.l.	-	-	14
Five Star S.A.	504	-	714
Essere S.p.A.	110	-	-
Cartesio Alternative Inv. SGR	7	35	57
AFT S.r.l.	5	-	552
Megabeam S.p.A.	-	-	-
Co.se S.r.l.	-	-	100
	<b>1,638</b>	<b>35</b>	<b>5,785</b>
<b>Group's share of losses:</b>			
Blu Skye S.a.r.l.	-	-	(14)
Megabeam S.p.A.	-	-	(49)
SADI S.p.A.	-	-	(590)
Vector 101 S.r.l.	(183)	-	(300)
S. Apostoli S.r.l.	(94)	-	(2)
Sfera S.r.l.	(1)	-	(2)
Beven Finance S.a.r.l.	(3)	-	(3)
Giallo Milano S.r.l.	(26)	-	(38)
Petunia S.r.l.	(9)	-	-
Coronet S.p.A.	-	(600)	-
Co.se S.r.l.	(1)	(1)	-
Finacolor S.p.A.	-	(451)	-
Firanegocios S.L.	-	-	(1)
Essere S.p.A.	-	-	(1,336)
	<b>(317)</b>	<b>(1,052)</b>	<b>(2,335)</b>
<b>Capital gains (capital losses) on sales of shareholdings:</b>			
Megabeam S.p.A.	-	-	49
Fincolor S.p.A.	-	-	(3,895)
	-	-	<b>(3,846)</b>
	<b>1,321</b>	<b>(1,017)</b>	<b>(396)</b>

The investment in Giallo Milano S.r.l. was written down to zero in the previous fiscal year. The Group's portion of the losses incurred by the company during the first quarter (€26,000) was booked as a reduction of a loan made to the company by the shareholder, LM RE S.p.A.

## 21 Net financial income (charges)

The balance consists of the following:

	01/07/2006 30/09/2006	01/07/2005 30/09/2005	01/07/2005 30/06/2006
Interest income	699	188	1,005
Dividends	-	3,287	761
Income from shareholdings	-	-	5,631
Capital gains on securities and other financial assets	6	-	4,030
<b>Financial income</b>	<b>705</b>	<b>3,475</b>	<b>11,427</b>
Capital losses on securities and other financial assets	-	-	(371)
Interest expense	(1,548)	(1,336)	(4,553)
<b>Financial charges</b>	<b>(1,548)</b>	<b>(274)</b>	<b>(4,924)</b>
	<b>(843)</b>	<b>(137)</b>	<b>6,503</b>

## 22 Minority interests

The earnings accruing to minority shareholders amounted to €267,000, and consisted of the following:

	01/07/2006 30/09/2006	01/07/2005 30/09/2005	01/07/2005 30/06/2006
Minority interests' share of invested companies' earnings	267	5,239	1,195
Performance fees accrued	-	(3,560)	(3,570)
	<b>267</b>	<b>1,679</b>	<b>(2,375)</b>

The earnings accruing to minority interests for the quarter ending 30 September 2006 do not include performance fees which the subsidiary, LMIS S.a.r.l., earns in an amount equal to 20 percent of the increase in the NAV of LM & Partners S.C.A., since the NAV of LM & Partners did not increase during the quarter.

# EXHIBITS

## GRUPPO SOPAF

### PROSPETTO DELLE VARIAZIONI DI PATRIMONIO NETTO CONSOLIDATO PER IL TRIMESTRE CHIUSO AL 30 SETTEMBRE 2006

Valori in migliaia di Euro

	Capitale	Utili indivisi	Patrimonio netto di pertinenza del Gruppo	Interessenze di minoranza	Totale
<b>Saldo al 1 luglio 2005</b>	<b>52.725</b>	<b>(22.531)</b>	<b>30.194</b>	<b>-</b>	<b>30.194</b>
Incremento del <i>fair value</i> da attività finanziarie disponibili per la vendita	-	20.368	<b>20.368</b>	5.653	<b>26.021</b>
Imposte differite su rivalutazioni al <i>fair value</i> di attività finanziarie disponibili per la vendita	-	(1.011)	<b>(1.011)</b>	(527)	<b>(1.538)</b>
<b>Utili (Perdite) iscritti a patrimonio netto nell'esercizio</b>	<b>-</b>	<b>19.357</b>	<b>19.357</b>	<b>5.126</b>	<b>24.483</b>
Rilascio a conto economico per la cessione di attività finanziarie disponibili per la vendita	-	-	-	-	-
Utile(Perdita) netto dell'esercizio	-	19.396	<b>19.396</b>	1.679	<b>21.075</b>
<b>Totale Utili (Perdite) rilevati nell'esercizio</b>	<b>-</b>	<b>38.753</b>	<b>38.753</b>	<b>6.805</b>	<b>45.558</b>
Aumento di capitale	27.275	-	<b>27.275</b>	-	<b>27.275</b>
Avanzo di fusione per incorporazione LM ETVE SpA	-	16.712	<b>16.712</b>	-	<b>16.712</b>
Effetti derivanti dall'entrata nell'area di consolidamento del Gruppo LM ETVE	-	(3.323)	<b>(3.323)</b>	49.225	<b>45.902</b>
Riserva da valutazione derivanti dall'entrata nell'area di consolidamento del Gruppo LM ETVE	-	17.787	<b>17.787</b>	13.150	<b>30.937</b>
Effetti derivanti da variazioni nell'area di consolidamento intervenute nell'esercizio	-	-	-	(12.156)	<b>(12.156)</b>
Dividendi	-	-	-	-	-
<b>Saldo al 1 luglio 2006</b>	<b>80.000</b>	<b>47.398</b>	<b>127.398</b>	<b>57.024</b>	<b>184.422</b>
Variazione del <i>fair value</i> da attività finanziarie disponibili per la vendita	-	(2.706)	<b>(2.706)</b>	-	<b>(2.706)</b>
Imposte differite su rivalutazioni al <i>fair value</i> di attività finanziarie disponibili per la vendita	-	(422)	<b>(422)</b>	-	<b>(422)</b>
<b>Utili (Perdite) iscritti a patrimonio netto nel periodo</b>	<b>-</b>	<b>(3.128)</b>	<b>(3.128)</b>	<b>-</b>	<b>(3.128)</b>
Rilascio a conto economico per la cessione di attività finanziarie disponibili per la vendita	-	-	-	-	-
Utile(Perdita) netto dell'esercizio	-	1.744	<b>1.744</b>	267	<b>2.011</b>
<b>Totale Utili (Perdite) rilevati nel periodo</b>	<b>-</b>	<b>(1.384)</b>	<b>(1.384)</b>	<b>267</b>	<b>(1.117)</b>
Effetti derivanti da variazioni nell'area di consolidamento intervenute nel periodo	-	-	-	(6.014)	<b>(6.014)</b>
Dividendi	-	-	-	-	-
<b>Saldo al 30 settembre 2006</b>	<b>80.000</b>	<b>46.014</b>	<b>126.014</b>	<b>51.277</b>	<b>177.291</b>

## SOPAF GROUP

### STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY FOR THE QUARTER ENDING 30 SEPTEMBER 2006

(in € 000's)

	Capital	Undivided Profits	Group	Minority Interests	Total
<b>Balance as of 1 July 2005</b>	<b>52.725</b>	<b>(22.531)</b>	<b>30.194</b>	<b>-</b>	<b>30.194</b>
Increase in fair value of financial assets available for sale	-	20.368	<b>20.368</b>	5.653	<b>26.021</b>
Deferred taxes on revaluing financial assets available for sale at fair value	-	(1.011)	<b>(1.011)</b>	(527)	<b>(1.538)</b>
<b>Profits (losses) booked to shareholders' equity during the period</b>	<b>-</b>	<b>19.357</b>	<b>19.357</b>	<b>5.126</b>	<b>24.483</b>
Amounts booked to profit and loss statement for transfer of financial assets available for sale	-	-	-	-	-
Net profit (loss) for the period	-	19.396	<b>19.396</b>	1.679	<b>21.075</b>
<b>Total profits (losses) reported during the period</b>	<b>-</b>	<b>38.753</b>	<b>38.753</b>	<b>6.805</b>	<b>45.558</b>
Capital increase	27.275	-	<b>27.275</b>	-	<b>27.275</b>
Surplus from the merger by incorporation of LM ETVE S.p.A.	-	16.712	<b>16.712</b>	-	<b>16.712</b>
Effects of the consolidation of the LM ETVE Group	-	(3.323)	<b>(3.323)</b>	49.225	<b>45.902</b>
Valuation reserve booked with the consolidation of the LM ETVE Group	-	17.787	<b>17.787</b>	13.150	<b>30.937</b>
Effects of changes in the consolidation area during the period	-	-	-	(12.156)	<b>(12.156)</b>
Dividends	-	-	-	-	-
<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>
Increase in fair value of financial assets available for sale	-	(2.706)	<b>(2.706)</b>	-	<b>(2.706)</b>
Deferred taxes on revaluing financial assets available for sale at fair value	-	(422)	<b>(422)</b>	-	<b>(422)</b>
<b>Profits (losses) booked to shareholders' equity during the period</b>	<b>-</b>	<b>(3.128)</b>	<b>(3.128)</b>	<b>-</b>	<b>(3.128)</b>
Amounts booked to profit and loss statement for transfer of financial assets available for sale	-	-	-	-	-
Net profit (loss) for the period	-	1.744	<b>1.744</b>	267	<b>2.011</b>
<b>Total profits (losses) reported during the period</b>	<b>-</b>	<b>(1.384)</b>	<b>(1.384)</b>	<b>267</b>	<b>(1.117)</b>
Effects of changes in the consolidation area during the period	-	-	-	(6.014)	<b>(6.014)</b>
Dividends	-	-	-	-	-
<b>Balance as of 30 September 2006</b>	<b>80.000</b>	<b>46.014</b>	<b>126.014</b>	<b>51.277</b>	<b>177.291</b>

## SOPAF GROUP

### STATEMENT OF FINANCIAL ASSETS AVAILABLE FOR SALE

(in € 000's)

Company	% Held	Balances as of 1.7.2006	Changes During the Period						Balances as of 30.09.2006	
			Changes in Area of Consolidation	Reclassification	Purchases	Capital Increases	Sales	Writedowns		Adjustments to Fair Value
Omnia Partecipazioni S.p.A.	25,5%	68.409	-	-	-	-	-	-	(5.265)	63.144
Fondo Immobili Pubblici		-	-	-	-	-	-	-	-	-
Coronet S.p.A.	30,0%	10.400	-	-	-	-	-	-	-	10.400
Meliorbanca S.p.A		-	-	-	-	-	-	-	-	-
Leisure link Ltd.	1,4%	200	-	-	-	-	-	-	-	200
Advanced Accelerator Applications S.A.	18,6%	3.096	-	-	-	105	-	-	-	3.201
Green BIT S.r.l.	23,7%	2.555	-	-	-	-	-	-	-	2.555
Partecipazioni Italyne S.p.A.		-	-	-	-	-	-	-	-	-
Primeg S.p.A.		-	-	-	-	-	-	-	-	-
Volare S.p.A.	24,6%	40	-	-	-	-	-	-	-	40
Bama S.r.l.	15,0%	754	-	98	-	-	-	-	-	852
EL EN S.p.A.		-	-	-	-	-	-	-	-	-
Forza quattro S.r.l.	15,0%	-	-	-	14	-	-	-	-	14
Demofonte S.r.l.	15,0%	-	-	-	1	-	-	-	-	1
Formula Sport Group S.p.A.	19,0%	-	-	-	-	-	-	-	-	-
Fondo Aster	33,3%	24.875	-	-	-	-	-	-	-	24.875
IMED S.r.l.	11,45%	750	-	-	-	-	-	-	-	750
Immobiliare Appia S.r.l.	15,0%	251	-	-	-	-	-	-	-	251
Gabetti SpA	1,30%	1.637	-	-	-	-	-	-	12	1.649
GF&Partners S.r.l.		-	-	-	-	-	-	-	-	-
Sadi S.p.A.	26,21%	-	4.141	-	-	-	-	-	1.759	5.900
PWm Sgr	14,74%	-	-	-	693	-	-	-	-	693
Fondo Valore sa		-	-	-	2.000	-	-	-	-	2.000
Blue H Group Ltd.	1,60%	-	-	-	160	-	-	-	-	160
Newmann Lowther & Associates Ltd Option		377	-	-	-	-	-	-	-	377
		<b>113.344</b>	<b>4.141</b>	<b>98</b>	<b>2.868</b>	<b>105</b>	-	-	<b>(3.494)</b>	<b>117.062</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 30.09.2006
		Balances as of 1.7.2006	Changes in Consolidation Area	Reclassification	Purchases	Capital Increases	Sales	Share of Net Profit	Dividend Distributions	Share of Net Loss	Changes in Fair Value	Coverage of Losses	
Delta S.p.A.	24,0%	67.872	-	-	-	-	(19.973)	840	-	-	-	-	48.739
Fincolor S.p.A.	-	-	-	-	-	-	-	-	-	-	-	-	-
Polis Fondi S.G.R.P.A.	49,0%	7.811	-	-	-	-	-	64	-	-	-	-	7.875
Sadi S.p.A.	26,2%	4.141	(4.141)	-	-	-	-	-	-	-	-	-	-
Sila S.p.A.	27,5%	3.537	-	-	-	275	-	108	-	-	-	-	3.920
Megabeam S.p.A.	-	-	-	-	-	-	-	-	-	-	-	-	-
Cartesio Alternative Investment SGR S.p.A.	30,0%	997	-	-	-	-	-	7	-	-	-	-	1.004
Blue Skye S.c.a.r.l.	-	-	-	-	-	-	-	-	-	-	-	-	-
Essere S.p.A.	38,9%	713	-	-	-	-	-	110	-	-	-	-	823
Mirror tre S.a.r.l. (in liquidation)	25,0%	267	-	-	-	-	-	-	-	-	-	-	267
Co.Se. S.r.l.	50,0%	113	-	-	-	-	-	-	-	(1)	-	-	112
Vector 101 S.r.l.	25,0%	2.562	-	-	152	-	-	-	-	(183)	-	-	2.531
Eurogiochi S.A. (in liquidation)	-	-	-	-	-	-	-	-	-	-	-	-	-
Second Mirror S.A. (in liquidation)	36%	-	-	-	-	-	-	-	-	-	-	-	-
Sopaf Corporate Finance S.p.A.	-	-	-	-	-	-	-	-	-	-	-	-	-
Five Stars S.a.r.l.	-	2.087	-	-	-	-	-	504	-	-	(692)	-	1.899
China opportunity sa	-	-	-	-	309	-	-	-	-	-	-	-	309
Axxon S.r.l.	50,0%	6	-	-	-	-	-	-	-	-	-	-	6
S Apostoli S.r.l.	30,0%	489	-	-	-	-	-	-	-	(94)	-	-	395
Sfera S.r.l.	50,0%	37	-	-	-	-	-	-	-	(1)	-	-	36
Beven Finance S.à.r.l.	50,0%	1.913	-	-	13.179	-	-	-	-	(3)	(533)	-	14.556
AFT S.r.l.	70,8%	7.404	-	-	3.687	-	-	5	-	-	-	-	11.096
Giallo Milano S.r.l.	50,0%	-	-	-	-	-	-	-	-	-	-	-	-
Petunia S.p.a.	55,9%	-	-	-	466	-	-	-	-	(9)	-	-	457
Westindustrie S.r.l.	22,0%	-	-	-	2	-	-	-	-	-	-	-	2
Firanegocios L.S.	25,5%	2.834	-	-	-	-	-	-	-	-	-	-	2.834
		<b>102.783</b>	<b>(4.141)</b>	-	<b>17.795</b>	<b>275</b>	<b>(19.973)</b>	<b>1.638</b>	-	<b>(291)</b>	<b>(1.225)</b>	-	<b>96.861</b>



