

ITALMOBILIARE

2006 Half
year report



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ITALMOBILIARE

Half year
report as of
June 30, 2006



September 13, 2006

ITALMOBILIARE

Società per Azioni

Head Office: Via Borgonuovo, 20
20121 Milan - Italy

Share capital € 100,166,937
Milan Companies Register

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Corporate bodies

Board of Directors

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

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

Board of Statutory Auditors

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

Acting statutory auditors		
Luigi Guatri		Chairman
Claudio De Re		
Eugenio Mercorio		
Substitute statutory auditors		
Dino Fumagalli	5	
Pietro Curcio		
Enrico Locatelli		
Reconta Ernst & Young S.p.A.		Independent auditors

- 1 Member of the Executive Committee
- 2 Member of the Remuneration Committee
- 3 Member of the Internal Control Committee
- 4 Independent director
- 5 Member of the Compliance Committee
- 6 Secretary to the Executive Committee

Company officers and delegation of powers

The current Board of Directors was appointed by the shareholders' meeting of May 19, 2005 for the period 2005-2007, i.e., until approval of the financial statements at December 31, 2007. On the same date, the Board appointed the company officers and attributed their powers.

The company by-laws envisage that the Board of Directors be invested with full powers for the management of the company's ordinary and extraordinary operations, thus delegating to the Board all powers except those which by the law and company by-laws are expressly reserved for the shareholders' meeting.

The company by-laws attribute, without distinction, the **legal representation** of the company to the Chairman and also, where appointed, to the Deputy Chairman (or Deputy Chairmen) and to the Chief Executive Officer.

The powers delegated within the sphere of the Board of Directors are as follows:

- to the **Executive Committee**, consisting of four members, all the powers and resolutions of the Board of Directors, with the exception of those powers that, by law and under the company by-laws, may not be delegated. As specified at the time of the appointments, the resolutions adopted by the Executive Committee shall be reported to the Board of Directors at the following Board meeting;
- to the **Chairman - Chief Executive Officer**, in addition to the powers envisaged by the company by-laws and by the Voluntary Code of Conduct, inter alia, powers to undertake acts, including buying and selling equity investments, securities and credit operations, accepting guarantees, providing guarantees on real assets and guarantees to third parties provided that they are directly or indirectly controlled subsidiaries or associates of Italmobiliare, within a financial limit of 150 million euro for each transaction; undertaking real estate transactions, property swaps and divisions involving easement or property rights generally, within a financial limit of 25 million euro for each transaction; to recruit staff including managers, to set their remuneration, and to suspend and dismiss them;
- to the **Chief Operating Officer (COO)**, the power to oversee the performance of subsidiaries and associates generally and the power to make proposals to the Chief Executive Officer regarding the organization of the company. The Chief Operating Officer also has the power, inter alia, to undertake acts regarding the management of the company including securities and credit transactions, assuming obligations of whatever kind on behalf of the company including those backed by guarantees on real assets in favor of third parties provided that they are directly or indirectly controlled subsidiaries of Italmobiliare, buying and selling government securities, debentures, mortgage bonds, shares, company stakes, arranging swaps and advances on securities within a financial limit of 75 million euro for each transaction; negotiate credit lines with banks within a financial limit of 75 million euro, for higher amounts up to a financial limit of 100 million euro with the joint signature of the Administration and Finance Director.

Other powers were delegated to the Administration and Finance Joint General Manager and to the Secretary to the Board as part of their respective competences.

The Chief Operating Officer delegated specific and limited powers to employees of the company for day-to-day operations.

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Remuneration Committee and Internal Control Committee

The corporate governance structure, as set out in the binding articles of the company by-laws and in the non-binding provisions of the Voluntary Code of Conduct (the «Code»), reflects Italmobiliare S.p.A.'s compliance with generally accepted best practice procedures.

The «Code» provides, inter alia, for the Board of Directors to appoint, from among its members, an Internal Control Committee and a Remuneration Committee, whose role is to provide assistance and submit proposals.

During the meeting at which the company officer appointments were made, the Board of Directors also nominated the «Remuneration Committee», consisting of three non-executive directors, one of whom is independent, and the «Internal Control Committee», consisting of three directors, all of whom are non-executive and of whom two are independent.

In the first half the Remuneration Committee met twice, while the Internal Control Committee met 3 times. Both Committees met with practically all their members present.

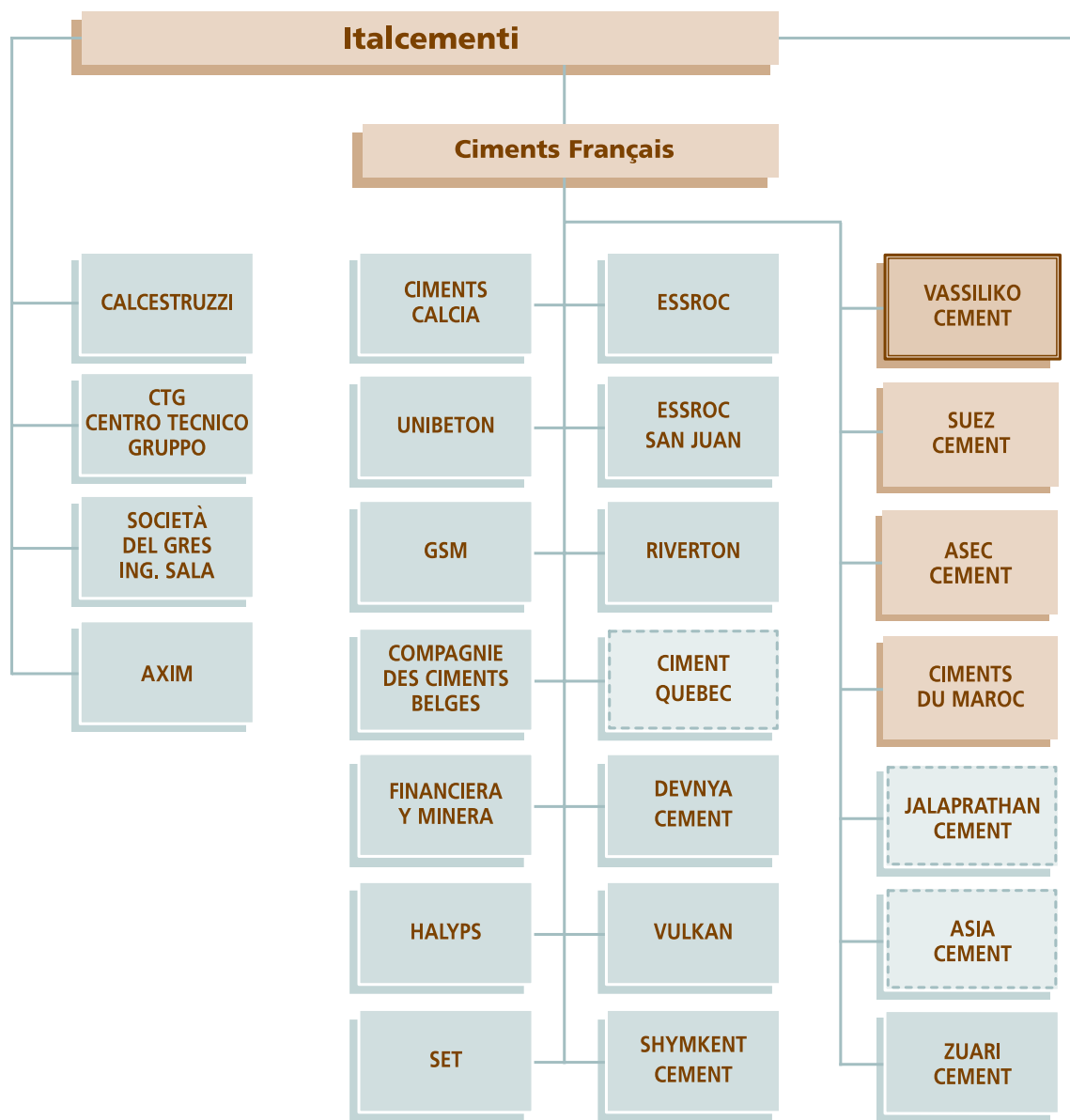
Compliance Committee

The Compliance Committee, established pursuant to the «Organization, management and control model» (the «Model») adopted by the Company in application of Legislative Decree 231/01, is responsible for on-going monitoring of the effectiveness and enforcement of the «Model» and for recommending updates.

The Compliance Committee, which was confirmed in its original form by the Board of Directors on May 19, 2005, consists of an independent director (subsequently appointed Chairman), the Company head of Internal auditing and an external professional (who is currently also a substitute statutory auditor).

In the first half of 2006 the Compliance Committee met 6 times to perform the functions attributed by the «Model».

Structure of the Group (as of 30 June 2006)

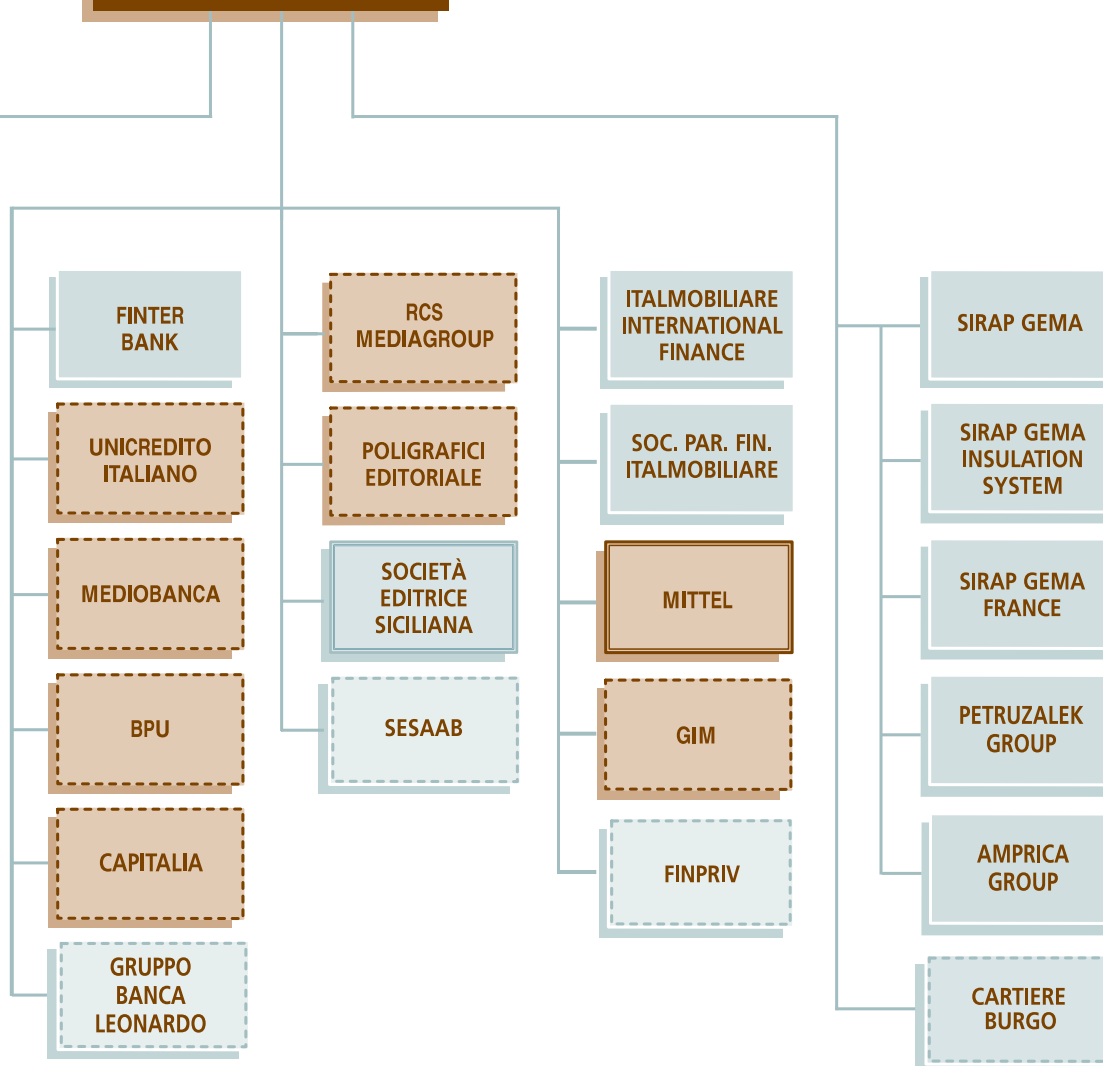


SUBSIDIARIES

LISTED
SUBSIDIARIES

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ITALMOBILIARE



ASSOCIATES COMPANIES

LISTED ASSOCIATES COMPANIES

OTHERS

OTHERS LISTED

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Financial highlights

(in millions of euro)	1st half 2006	1st half 2005	2005
Net sales	3,087.6	2,542.6	5,265.7
Current gross operating profit	791.4	540.1	1,218.3
Gross operating profit	801.9	539.4	1,203.9
Amortization and depreciation, impairment variation	(208.9)	(172.2)	(381.8)
Operating income	593.0	367.2	822.1
Financial income and charges	(57.3)	(29.5)	(35.7)
Income from companies valued on equity basis	7.9	14.3	20.7
Net income	400.0	250.4	606.1
Group net income	146.4	94.6	211.3
Capital expenditure	505.6	406.1	1,253.7

(in millions of euro)	June 30, 2006	December 31, 2005
Total shareholders' equity	5,984.0	5,916.7
Group shareholders' equity	2,782.9	2,696.3
Net debt	2,269.5	1,865.1
Net debt/shareholders' equity	37.93%	31.52%
Net debt/current GOP	1.54	1.66
(Diluted) earnings per ordinary share	3.871	5.578
(Diluted) earnings per savings share	3.910	5.656
Shareholders' equity per share (values per unit) ¹	74.041	71.736
Number of employees (units)	23,933	22,857

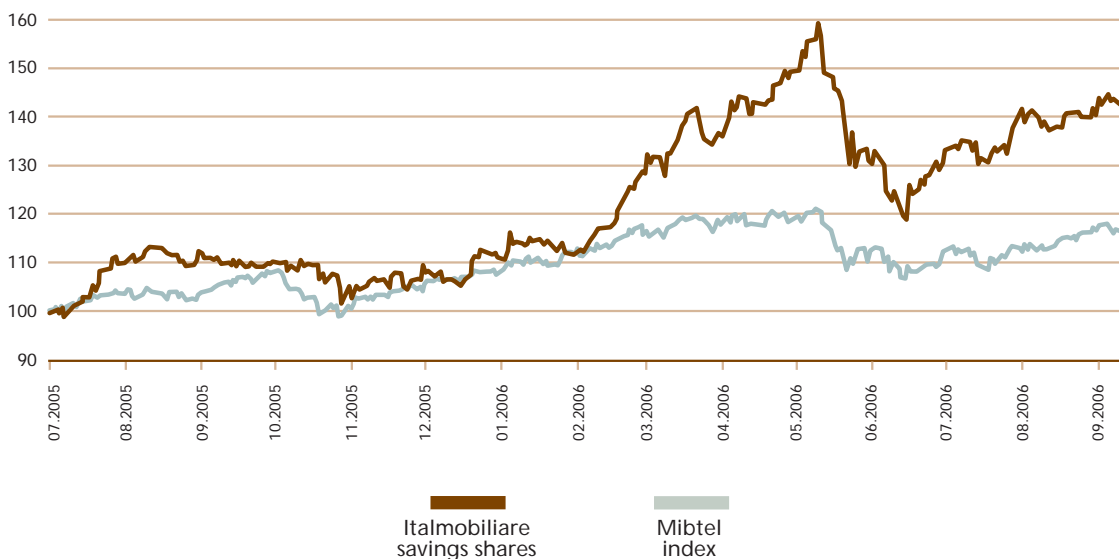
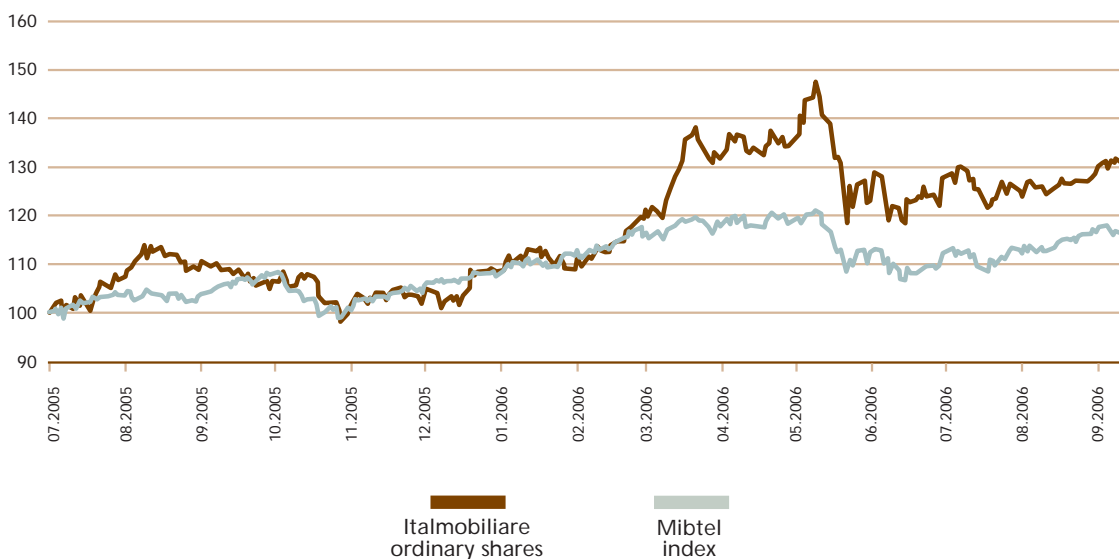
¹ net of treasury shares held

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Italmobiliare S.p.A. on the Stock Exchange

Italmobiliare share price from 07.01.2005 to 09.13.2006

(euro)	Maximum	Minimum	07.01.2005	09.13.2006	performance
Ordinary shares	78.55 05.09.2006	52.48 10.28.2005	53.36	70.03	31.24%
Savings shares	63.24 05.09.2006	39.52 07.07.2005	39.8	56,3	41.46%
Mibtel index	30,073 05.09.2006	24,599 10.27.2005	24,857	29,096	17.05%



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Directors' report

Foreword

In accordance with art. 81 of the Issuers regulation established by CONSOB resolution no. 14990 of April 14, 2005, the report for the half-year to June 30, 2006 has been drawn up "in compliance with the international accounting principle applicable for interim financial reporting". It should be recalled that Italmobiliare S.p.A. elected adoption of the measurement and recognition criteria of the International Financial Reporting Standards (IFRS) as from its consolidated report for the quarter to March 31, 2005.

As illustrated in greater detail in the notes, as a result of the redefinition of the content of some items, a number of reclassifications have been made to the consolidated statements at June 30, 2005 and at December 31, 2005, used as comparatives.

No changes have been made with respect to the accounting standards used in drawing up the financial statements at December 31, 2005.

A full description of the changes in the consolidation area is provided in the notes. The most important changes concerned the Italcementi Group and the Sirap Gema Group.

As for the Italcementi Group, regarding its operations in Egypt, the companies of the Suez Cement Company group have been consolidated on a line-by-line basis as from April 1, 2005, while Asec Cement Ltd (whose company name was changed during 2006 to Helwan Cement Company) has been consolidated since August 1, 2005.

In addition, as from June 1, 2006, following acquisition of full control, the Indian company Zuari Cement Ltd. and its subsidiary Sri Visnu Cement Ltd., both previously consolidated on a proportionate basis, have been consolidated on a line-by-line basis.

At the end of the first half Sirap Gema S.p.A. acquired the Amprica Group, the leading Italian company in the sector of rigid food containers which operates in Italy and some markets in Central Eastern Europe. The Group's balance sheet includes the figures of the Amprica Group at June 30, 2006 (consolidated on a line-by-line basis), while the income statement figures will be consolidated on a line-by-line basis as from July 1, 2006.

This report also includes the financial statements and explanatory notes of the parent company Italmobiliare S.p.A., which, on the basis of the provisions of Legislative Decree no. 38 of February 28, 2005, have been prepared, as from the statements at June 30, 2006, in conformity with the IAS/IFRS international accounting standards. Also the comparative figures for the 2005 and as at June 30, 2005 have been restated on the basis of these standards.

The content and impact of the transition to the IFRS are set out in the specific annex.

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General overview

In the first half of 2006 the world economy continued to enjoy a very vibrant period in terms of the duration, intensity and spread of growth. In fact, besides in the United States and in the emerging countries, growth has also recently been seen in Japan and Europe, in particular in the euro zone.

In relation to this period of expansion, it is necessary to record that tension in the markets for energy and raw materials has had some impact on the level of prices and above all fears of resurgent inflation, which have driven some countries to adopt more restrictive monetary policies. While in the real economy these policies have still not led to a significant slowdown in business, stock markets have, in some cases, seen marked falls. Nevertheless, this does not necessarily indicate a forthcoming downturn in the economic cycle.

Against this background in the first half of 2006 the Italmobiliare Group recorded **total net income** of 400.0 million euro and **Group net income** of 146.4 million euro, while in the prior-year period the respective figures were 250.4 million euro and 94.6 million euro.

The other main results for the half ended at June 30, 2006 were:

- **Net sales:** 3,087.6 million euro compared with 2,542.6 million euro at June 30, 2005 (+ 21.4%);
- **Current gross operating profit:** 791.4 million euro compared with 540.1 million euro at June 30, 2005 (+ 46.5%);
- **Gross operating profit:** 801.9 million euro compared with 539.4 million euro at June 30, 2005 (+ 48.6%);
- **Operating income:** 593.0 million euro compared with 367.2 million euro at June 30, 2005 (+ 61.5%);
- **Financial income and charges:** net charges of 57.3 million euro compared with 29.5 million euro at June 30, 2005 (+ 93.7%);
- **Pre-tax income:** 543.6 million euro compared with 352.0 million euro at June 30, 2005 (+ 54.4%).

At the end of June 2006 **total shareholders' equity** was 5,984.0 million euro, compared with 5,916.7 million euro at December 31, 2005.

Net debt at June 30, 2006 was 2,269.5 million euro, while at the end of December 2005 it was 1,865.1 million euro.

Following changes in shareholders' equity and debt, gearing rose from 31.52% at the end of December 2005 to 37.93% at the end of June 2006.

The performance in the individual sectors which make up the Italmobiliare Group may be summarized as follows:

- the **construction materials sector**, consisting of the Italcementi group (Italmobiliare's main industrial equity investment) benefited in the first six months of 2006 from the good business performance and the full contribution of the Egyptian companies. Business was helped by the growth in sales volumes in all the sectors and by the widespread improvement in sale prices. Against this background net sales (2,909.9 million euro) rose by 21.4% compared with the first half of 2005, current gross operating profit (732.7 million euro) rose by 47.5%, while operating income (535.6 million euro) rose by 63.2%. Despite the increase in finance costs the Italcementi group recorded marked growth in net income for the half which, after tax, reached 339.7 million euro (+ 59.3% compared with the prior-year period). Group net income in its turn increased to 229.9 million euro (+ 49.5% compared with the first half of 2005);
- the **packaging and insulation sector**, consisting of the Sirap Gema group, saw an increase in net sales of 7.9%, thanks to the increase in sales volumes in the thermal insulation segment and, in Eastern Europe, in the food packaging segment, while the market in France was affected by

the health scare caused by avian flu and by a situation of especially aggressive competition. Current gross operating profit and operating income were largely in line with the results in the first half of 2005. Net income for the period of 3.8 million euro was up by 19.4% compared with June 30, 2005 (3.2 million euro), thanks to lower taxes;

- the **financial sector**, which includes the parent company Italmobiliare and the wholly owned financial subsidiaries, recorded net income of 98.9 million euro, sharply up compared with 72.6 million euro in the first half of 2005. This notable result was due to the realization of a significant capital gain on the disposal of Gemina shares, higher dividends recorded in the half and the management of liquidity and debt;
- the **banking sector** brings together the business of Finter Bank Zürich and Crédit Mobilier de Monaco. The sector recorded net income of 4.7 million euro, markedly up compared with 3.2 million euro in the prior-year period. The improvement in income was largely due to the excellent performance of Finter Bank Zürich which increased net interest income and net commission income;
- **property, services and others** is not of particular importance in the global context of the Group and, therefore, the results, albeit markedly better than the first half of 2005 owing to the positive contribution of Terfin S.A., are not significant.

The parent company **Italmobiliare S.p.A.** in the first half recorded a net income of 168.3 million euro. This result includes also the significant positive impact (98.9 million euro) from the sale to the subsidiary Franco Tosi S.r.l. of the equity investments held which were bound to voting trusts. This sale was undertaken as part of the corporate restructuring program which allocates specific missions to companies which are directly owned by the parent company.

Disregarding the positive impact of these disposals, Italmobiliare S.p.A.'s net income would have been 69.4 million euro, up by 26.0% compared with income of 55.1 million euro in the prior-year period, thanks to the capital gain realized on the sale of Gemina shares and a higher level of dividends.

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Consolidated figures at June 30, 2006

(in millions of euro)	1 st half 2006	1 st half 2005	% change	2005
Net sales	3,087.6	2,542.6	21.4	5,265.7
Current gross operating profit	791.4	540.1	46.5	1,218.3
% of net sales	25.6	21.1		23.1
Other income and charges	10.5	(0.7)	n.s.	(14.4)
Gross operating profit	801.9	539.4	48.6	1,203.9
% of net sales	26.0	21.1		22.9
Amortization and depreciation	(208.8)	(171.9)	21.5	(379.2)
Impairment variation	(0.1)	(0.3)	(58.8)	(2.6)
Operating income	593.0	367.2	61.5	822.1
% of net sales	19.2	14.3		15.6
Financial income and charges	(57.3)	(29.5)	93.7	(35.7)
Income from companies valued on equity basis	7.9	14.3	(44.9)	20.7
Pre-tax income	543.6	352.0	54.4	807.1
% of net sales	17.6	13.7		15.3
Tax for the period	(143.6)	(101.6)	41.4	(201.0)
Net income	400.0	250.4	59.7	606.1
% of net sales	13.0	9.7		11.5
Group net income	146.4	94.6	54.8	211.3
% of net sales	4.7	3.8		4.0
Minority interests	253.6	155.8	62.7	394.8
Cash flow from operating activities	288.4	159.8		792.1
Capital expenditure	505.6	406.1		1,253.7

n.s.: not significant

(in millions of euro)	June 30, 2006	December 31, 2005
Total shareholders' equity	5,984.0	5,916.7
Group shareholders' equity	2,782.9	2,696.3
Net debt	2,269.5	1,865.1
Number of employees at period end	23,933	22,857

Quarterly trend

(in millions of euro)	1 st half 2006	2 nd quarter 2006	1 st quarter 2006
Net sales	3,087.6	1,720.5	1,367.1
<i>% change compared to 2005</i>	21.4	14.6	31.3
Current gross operating profit	791.4	499.3	292.1
<i>% change compared to 2005</i>	46.5	31.8	81.1
<i>% of net sales</i>	25.6	29.1	21.4
Gross operating profit	801.9	506.3	295.6
<i>% change compared to 2005</i>	48.6	38.0	71.4
<i>% of net sales</i>	26.0	29.5	21.7
Amortization and depreciation	(208.8)	(105.3)	(103.5)
Impairment variation	(0.1)	(0.1)	-
Operating income	593.0	400.9	192.1
<i>% change compared to 2005</i>	61.5	46.5	105.1
<i>% of net sales</i>	19.2	23.4	14.1
Financial income and charges	(57.3)	(29.1)	(28.2)
Income from companies valued on equity basis	7.9	7.0	0.9
Pre-tax income	543.6	378.8	164.8
<i>% of net sales</i>	17.6	22.1	12.1
Tax for the period	(143.6)	(91.8)	(51.8)
Net income	400.0	287.0	113.0
<i>% of net sales</i>	13.0	16.8	8.3
Group net income	146.4	102.6	43.8
<i>% of net sales</i>	4.7	6.0	3.2
Minority interests	253.6	184.4	69.2

The seasonal trends typical of the Group's core businesses normally produce a better performance in the second quarter than in the first. This trend continued in the period under review, albeit to a lesser degree than in previous years.

The first quarter of 2006, which benefited from more favorable weather and working conditions as well as significant capital gains, saw an increase in percentage terms of both net sales and results that were higher than those in the second quarter, which, however, still performed better in absolute terms.

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Net sales and operating results

Contribution to consolidated net sales

(net of intragroup eliminations)

(in millions of euro)	1 st half 2006		1 st half 2005		Change	
	1 ^o half 2006	%	1 ^o half 2006	%	%	% ¹
Business sector						
Construction materials	2,907.5	94.2	2,395.5	94.2	21.4	14.2
Packaging and insulation	86.6	2.8	80.2	3.2	7.9	7.1
Financial	68.1	2.2	45.2	1.8	50.7	50.7
Banking	24.6	0.8	20.7	0.8	18.9	20.1
Property, services and others	0.8	-	1.0	-	(22.3)	(22.3)
Total	3,087.6	100.0	2,542.6	100.0	21.4	14.6
Geographical area						
European Union	1,979.3	64.0	1,784.0	70.1	10.9	10.7
Other European countries	188.5	6.2	154.1	6.1	22.3	26.4
North America	323.9	10.5	264.9	10.4	22.2	17.0
Asia	152.2	5.0	120.2	4.7	26.7	15.3
Africa	333.9	10.7	161.1	6.4	107.3	15.9
Trading and other	109.8	3.6	58.3	2.3	88.3	88.0
Total	3,087.6	100.0	2,542.6	100.0	21.4	14.6

¹ at constant exchange rates and size

Net sales and operating results by sector and geographical area

(in millions of euro)	Net sales		Current GOP		GOP		Operating income	
	1 st half 2006	% change 1 st half 2005	1 st half 2006	% change 1 st half 2005	1 st half 2006	% change 1 st half 2005	1 st half 2006	% change 1 st half 2005
Business sector								
Construction materials	2,909.9	21.4	732.7	47.5	739.5	49.3	535.6	63.2
Packaging and insulation	86.6	7.9	12.0	(3.6)	12.4	1.6	8.8	1.3
Financial	119.5	36.1	87.4	28.5	90.8	31.5	90.8	31.5
Banking	24.6	18.9	7.2	45.2	7.1	45.2	5.8	51.5
Property, services and others	1.2	(13.5)	1.7	n.s.	1.7	n.s.	1.6	n.s.
Inter-sector eliminations	(54.2)	19.4	(49.6)	20.4	(49.6)	20.4	(49.6)	19.3
Total	3,087.6	21.4	791.4	46.5	801.9	48.6	593.0	61.5
Geographical area								
European Union	2,000.5	10.9	432.3	24.0	443.4	21.7	334.4	29.2
Other European countries	202.1	21.4	56.2	40.7	56.2	35.0	42.8	49.5
North America	323.9	22.2	73.0	88.9	73.0	89.0	49.4	160.6
Asia	164.1	29.3	45.7	36.1	45.5	34.2	30.6	45.1
Africa	367.2	114.5	174.0	123.1	173.8	n.s.	128.0	n.s.
Trading and other	167.6	64.3	10.2	n.s.	10.0	n.s.	7.8	n.s.
Inter-area eliminations	(137.8)	49.1	-	-	-	-	-	-
Total	(3,087.6)	21.4	791.4	46.5	801.9	48.6	593.0	61.5

n.s.: not significant

The increase in **net sales** of 21.4% compared with the first half of 2005 was due to:

- the increase in business volumes for 14.6%;
- changes in the consolidation area for 6.0%;
- the positive exchange-rate effect for 0.8%.

The increase in the construction materials sector (+14.2% at constant exchange rates and size) was largely helped by the rise in volumes and a general increase in sale prices.

The higher level of sales in the insulation segment enabled an improvement in net sales for the sector.

Besides the industrial sectors, there were significant percentage increases in both banking (+18.9%) and financial (+36.1%) sectors.

The increase due to changes in the consolidation area concerned the construction materials sector and was largely due to the businesses in Egypt, which had only a partial impact in the first half of 2005.

The net impact of the change in exchange rates was limited and was the result, in comparing the first half of 2006 and the first half of 2005, of the appreciation of the US dollar, the Thai baht and the Egyptian lira, and the depreciation of the Turkish lira against the euro.

Gross operating profit and **operating income** in the first half of 2006 rose sharply to 262.5 million euro (+48.6%) and 225.8 million euro (+61.5%) respectively. These very positive results were mainly due to the construction materials sector, where, as previously, mentioned there was growth in sales volumes and a general increase in prices; nonetheless, the other sectors made positive contributions too, in particular the banking and financial sectors.

The results by geographical area highlight the significant increases in all the areas where the Group operates. Besides Africa, where performance benefited also from the changes in the consolidation area, note should be taken of the marked improvement in operating results in North America, thanks to the increase in sale prices. In absolute terms, the European Union made the biggest contribution in terms of net sales and operating income.

Finance costs and other items

Finance costs totalled 57.3 million euro, up by 27.8 million euro compared with the first half of 2005 (29.5 million euro). This increase was mainly caused by the increase in interest on net debt (owing to the rise in interest rates and the level of the debt itself), above all due to the complete consolidation of the Egyptian companies in 2006, which had, *inter alia*, quite high finance costs. Currency translation differences also recorded a net loss, while in the prior-year period they recorded a gain.

Income from companies valued on an equity basis, at 7.9 million euro, was down by 6.4 million euro compared to the first half of 2005 (14.3 million euro), which benefitted from the results of the Suez Cement Company group, which was consolidated on an equity basis until March 31, 2005.

Net income for the period

Pre-tax income in the half was 543.6 million euro, up by 54.4% compared with June 30, 2005 (352.0 million euro).

Tax for the period totalled 143.6 million euro, up by 41.4% compared with the first half of 2005. The average tax rate fell from 28.9% to 26.4%, thanks to a generally lower level of tax in all the

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sectors, especially the financial sector and the construction materials sector (following the increased contribution from countries with lower tax rates, the fall in the tax burden in some countries and non-recurring income linked to the positive resolution of tax disputes).

Net income in the period was 400.0 million euro, up by 59.7% compared with the prior-year period (250.4 million). Group net income was 146.4 million euro (+ 54.8%) compared with 94.6 million euro in the first half of 2005. The higher level of minority interests, rising from 62.2% to 63.4%, was mainly due to the consolidation of the Egyptian companies over the whole period.

Net debt

At June 30, 2006 net debt at 2,269.5 million euro, compared with the situation at December 31, 2005, rose by 404.4 million euro. This increase was mainly caused by significant financial and industrial capital expenditures in the period (505.6 million euro) and by dividends paid (221.2 million euro) which included 74.4 million euro paid by the Suez group to third parties, partially offset by cash flow from operations (288.4 million euro).

Net debt breakdown

(in millions of euro)	June 30, 2006	December 31, 2005
Cash, cash equivalents and current financial assets	(1,397.4)	(1,455.2)
Short-term financing	1,242.9	1,318.7
Medium/long-term financial assets	(71.2)	(389.6)
Medium/long-term financing	2,495.2	2,391.2
Net debt	2,269.5	1,865.1
<i>Change on December 2005</i>	<i>404.4</i>	

The breakdown of net debt, which is analyzed in the notes, was affected by the repurchase in June for a symbolic amount of the "floating rate subordinated securities" by Ciments Français S.A. and Unibéton S.A. This led to the cancellation of the corresponding loan (327.8 million euro) and the associated deposit (included under medium/long-term financial assets). The operation had no impact on the consolidated income statement since the tax treatment of the aforementioned securities had already been regularized during 2005.

Financial ratios

(absolute values in millions of euro)	June 30, 2006	December 31, 2005
Net debt	2,269.5	1,865.1
Consolidated shareholders' equity	5,984.0	5,916.7
Gearing	37.93%	31.52%
Net debt	2,269.5	1,865.1
GOP before income and charges ¹	1,473.7	1,124.2
Leverage	1.54	1.66

¹ rolling year average over 12 months

Balance sheet summary

(in millions of euro)	June 30, 2006	December 31, 2005
Property, plant and equipment	4,018.7	4,011.7
Intangible assets	1,932.0	1,891.9
Other non-current assets	1,893.4	2,067.4
Non-current assets	7,844.1	7,971.0
Current assets	4,072.1	3,782.5
Total assets	11,916.2	11,753.5
Group shareholders' equity	2,782.9	2,696.3
Minority interests	3,201.1	3,220.4
Total shareholders' equity	5,984.0	5,916.7
Non-current liabilities	3,377.7	3,276.9
Current liabilities	2,554.5	2,559.9
Total liabilities	5,932.2	5,836.8
Total shareholders' equity and liabilities	11,916.2	11,753.5

Cash flow summary

(in millions of euro)	June 30, 2006	June 30, 2005
Net debt at 1/1/2005 *		(1,420.5)
Net debt at 12/31/2005 *	(1,865.1)	
Cash flow from operating activities	288.4	159.8
<i>Investments in fixed assets:</i>		
<i>Tangible and intangible fixed assets</i>	(217.7)	(204.1)
<i>Financial assets</i>	(287.9)	(202.0)
Capital expenditure	(505.6)	(406.1)
Disposals of fixed assets	47.2	21.6
Dividends paid	(221.2)	(139.1)
Treasury shares buyback	(15.0)	(10.6)
Net debt of companies acquired	(47.0)	(10.6)
Other	48.8	31.3
Change in net debt	(404.4)	(353.7)
Net debt at period end	(2,269.5)	(1,774.2)

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

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Investments

(in millions of euro)	Investments in financial assets		Investments in property, plant & equipment		Investments in intangible assets	
	1st half 2006	1st half 2005	1st half 2006	1st half 2005	1st half 2006	1st half 2005
Business sector						
Construction materials	230.8	204.0	168.0	158.2	11.4	8.3
Packaging and insulation	42.6	-	5.2	6.8	0.4	0.6
Finance	27.4	15.2	0.1	0.1	-	-
Banking	0.5	-	1.0	-	0.2	-
Property, services and others	-	-	0.2	0.2	-	-
Total	301.3	219.2	174.5	165.3	12.0	8.9
Change in payables	(13.4)	(17.2)	31.2	29.9	-	-
Total investments	287.9	202.0	205.7	195.2	12.0	8.9
Geographical area						
European Union	115.9	94.8	119.5	103.8	11.6	8.6
Other European countries	71.8	-	7.3	4.4	0.2	-
North America	-	-	25.5	40.5	-	-
Asia	112.8	-	8.3	5.2	-	-
Africa	-	124.4	12.2	7.4	-	-
Trading and other	0.8	-	1.7	4.0	0.2	0.3
Total	301.3	219.2	174.5	165.3	12.0	8.9
Change in payables	(13.4)	(17.2)	31.2	29.9	-	-
Total investments	287.9	202.0	205.7	195.2	12.0	8.9

In the half the major investments undertaken by the Group stood at 505.6 million euro, up by 99.5 million euro compared with the first half of 2005, and were particularly aimed at enhancing and rationalizing the existing industrial structure and buying equity investments.

Capital expenditure on tangible and intangible fixed assets which mainly concerned the construction materials sector was 217.7 million euro, up by 13.6 million euro compared with the first half of 2005 (204.1 million euro).

Capital expenditure on financial assets was 287.9 million euro (202.0 million euro in the first half of 2005) and concerned the purchases made by the construction materials sector for 231.0 million euro, the packaging and insulation sector for 42.6 million euro, the financial sector for 13.8 million euro and by other sectors for 0.5 million euro.

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Shareholders' equity

Total shareholders' equity at June 30, 2006 was 5,984.0 million euro, up by 67.3 million euro compared with the December 31, 2005, as a result of the 86.6 million euro increase in Group shareholders' equity and the - 19.3 million euro decrease in minority interests. The overall change, analyzed in the "Statement of movements in consolidated shareholders' equity", was affected both by the reduction in the translation reserve (-179.7 million euro) following the depreciation, compared to the values at June 30, 2006, against the euro of the other currencies in which the Group operates (in particular the Egyptian lira, the Turkish lira and the US dollar), and by the higher level of dividends paid in the first half of 2006 compared with the first half of 2005.

Reconciliation between Parent company and Group net income and shareholders' equity

(in thousands of euro)	June 30, 2006
Net income for the period of the Parent Company Italmobiliare S.p.A.	168,317
Consolidation adjustments:	
• Net results of consolidated companies (Group share)	137,207
• Adjustment of value of investments valued on an equity basis	5,129
• Elimination of dividends recorded in the period	(49,044)
• Reversal of impairment and capital gains and losses in consolidated companies	(115,168)
Group net income	146,441
Shareholders' equity of the Parent Company Italmobiliare S.p.A.	1,596,805
• Elimination of carrying value of consolidated companies	(1,114,051)
<i>in companies consolidated on a line-by-line or proportionate basis</i>	<i>(1,046,374)</i>
<i>in associates consolidated on an equity basis</i>	<i>(67,677)</i>
• Recording of shareholders' equity of consolidated companies	2,270,640
<i>in companies consolidated on a line-by-line or proportionate basis</i>	<i>2,202,914</i>
<i>in associates consolidated on an equity basis</i>	<i>67,726</i>
• Surpluses allocated to the shareholders' equity of subsidiaries	29,534
Group consolidated shareholders' equity	2,782,928

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Construction materials sector

This sector, which represents the industrial core business of Italmobiliare, includes the businesses in the cement, ready mixed concrete and aggregates sector under the Italcementi Group.

(in millions of euro)	1 st half 2006	1 st half 2005	% change	2005
Net sales	2,909.9	2,397.9	21.4	4,999.6
Current gross operating profit	732.7	496.7	47.5	1,152.7
<i>% of net sales</i>	<i>25.2</i>	<i>20.7</i>		<i>23.1</i>
Other income and charges	6.8	(1.5)	<i>n.s.</i>	(16.1)
Gross operating profit	739.5	495.2	49.3	1,136.6
<i>% of net sales</i>	<i>25.4</i>	<i>20.7</i>		<i>22.7</i>
Amortization and depreciation	(203.8)	(166.8)	22.1	(368.5)
Impairment variation	(0.1)	(0.3)	(69.2)	(2.3)
Operating income	535.6	328.1	63.2	765.8
<i>% of net sales</i>	<i>18.4</i>	<i>13.7</i>		<i>15.3</i>
Financial income and charges	(56.8)	(29.0)	95.7	(48.9)
Income from companies valued on equity basis	2.8	12.8	(78.5)	18.6
Pre-tax income	481.5	311.8	54.4	735.5
Tax for the period	(141.9)	(98.7)	43.8	(195.0)
Net income	339.7	213.2	59.3	540.6
Group net income	229.9	153.8	49.5	391.2
Minority interests	109.7	59.4	84.7	149.4
Cash flow from operating activities	241.8	127.4		722.9
Capital expenditure	441.6	383.2		1,209.4

n.s.: not significant

(in millions of euro)	June 30, 2006	December 31, 2005
Total shareholders' equity	4,349	4,356
Group shareholders' equity	3,069	3,037
Net debt	2,573	2,215
Number of employees at period end	22,332	21,854

The construction materials sector has maintained its positive trend in Europe, while an initial weakening is emerging in the United States, basically due to the residential construction segment which is the first to feel the effects of monetary tightening. The emerging countries in which the group operates continue to report sustained expansion rates.

A significant element of economic strength, almost everywhere, is the ongoing recovery in non-residential investment, in both industry and services. This is the consequence of the high production-capacity usage levels reached in many sectors and is boosted by the still favorable financing conditions for both debt and equity.

Group performance in the half

(in millions of euro)	1 st half 2006 ¹	% change on 1 st half 2005	
		historic	at constant size
Cement and clinker (in millions of metric tons)	31.9	21.7	5.5
Aggregates ² (in millions of metric tons)	29.5	6.0	5.0
Ready mixed concrete (in millions of m ³)	10.8	2.2	2.2

¹ amounts refer to companies consolidated on a line-by-line basis and, pro-quota, to companies consolidated on a proportionate basis

² excluding outgoes on work-in-progress account

During the first half of 2006 group **sales volumes** rose in all the businesses compared with the first half of 2005, despite slower growth in the second quarter compared to the first, when weather conditions were very favorable. In particular:

- in the cement and clinker sector, at constant size, all the geographical areas contributed to the increase in volumes; the sales performance was very positive in France, Greece, Bulgaria, Turkey, Egypt, in the Asian countries and in trading, while in Italy and even more so in the United States, the strong progress of the first quarter tailed off in the final part of the half-year. The comparison with historic performance includes, for the full half-year in 2006, operations in Egypt by the Suez Cement Company and Helwan Cement, which contributed 5.8 million metric tons (compared to 1.8 million metric tons in the first half of 2005, relating to the sales of the Suez Cement Company group in the second quarter of 2005);
- there was general progress in the aggregates business, with very positive trends in Italy, Spain and Morocco;
- in the ready mixed concrete business, the largest contribution to the increase in volumes came from the European Union (despite slowdowns in Belgium and Spain) and from Turkey, while business in Thailand slackened.

Total **net sales** rose by 21.4% compared with the prior-year period. This increase was due for 14.2% to the positive business trend in all the countries, 6.4% to changes in the consolidation area (the Egyptian businesses had only a partial impact in the first half of 2005), while the positive exchange-rate effect contributed 0.8%, as a result of the appreciation of the US dollar, the Thai baht and the Egyptian lira, and the depreciation of Turkish lira against the euro.

With regard to operating expenses, the largest increases, as in the previous year, concerned purchases of clinker and cement (in the light of growing demand in various markets), logistical costs and energy. The value adjustment on the deficit at the end of 2005 for CO₂ emissions in excess of allowances, the sales and purchases effected in the first half and the deficits relating to the first six months of 2006 had a net negative impact of 1.3 million euro, relating almost entirely to Italy.

Despite the increase in operating expenses, the aforementioned improvement in net sales led to a sharp rise in **current gross operating profit** (+ 47.5%) and **operating income** (+ 63.2%).

Even at the size and exchange rates of the first half of 2005, the above progress was significant, with an improvement of 29.1% in current gross operating profit and 45.4% in operating income.

Finance costs stood at 56.8 million euro, up by 27.8 million euro compared with the first half of 2005 (29.0 million euro). This increase was caused by the rise in interest in respect of debt, net exchange rate losses compared to a net gain in the prior-year period and lower dividends from equity investments.

Pre-tax income in the first half of 2006 was 481.5 million euro, up by 54.4% compared with the same period in 2005 (311.8 million euro). Tax for the period was 141.9 million euro (up by 43.8% from the year-earlier first half) and benefited from the higher contribution of the countries subject

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to lower tax rates, from the reduced tax charge in Turkey and France, and also from non-recurring income arising on settlement of tax disputes in favor of the group.

Net income in the period was 339.7 million euro, an increase of 59.3% compared to the prior-year period (213.2 million euro). Group net income was 229.9 million euro (+ 49.5% compared to 153.8 million euro in the first half of 2005). The greater incidence of minority interests, which rose from 59.4 million euro to 109.7 million euro (+ 84.7%), was mainly due to the consolidation of the Egyptian companies for the whole period.

In the first half of 2006 total **investments** stood at 441.6 million euro, up by 58.4 million euro compared to the first half of 2005 (383.2 million euro).

Capital expenditure in tangible and intangible fixed assets was 210.6 million euro overall (196.3 million euro in the first half of 2005) and mainly concerned the European Union and North America.

Investments in financial assets of 231.0 million euro (186.9 million euro in the first half of 2005) were mainly due to the purchase of the equity investments in Zuari Cement Ltd. (112.7 million euro), Goltas Cimento (64.7 million euro) and the treasury shares buyback by Ciments Français S.A. (37.6 million euro).

Net debt at June 30, 2006 of 2,572.5 million euro grew by 357.5 million euro compared to the figure at December 31, 2005. This increase, despite high and significantly mainly cash flow from operating activities compared with the year-earlier period, was caused largely by the rise in investments (as indicated above) and in dividends (206.6 million euro), including 74.4 million euro paid by the Suez group to third parties.

Total **shareholders' equity** at June 30, 2006 of 4,348.7 million euro recorded a slight fall (-7.4 million euro) compared to December 31, 2005 (4,356.1 million euro), as a result of the 31.7 million euro increase in group shareholders' equity and the 39.1 million euro decrease in minority interests.

Quarterly performance

(in millions of euro)	1 st half 2006	2 nd quarter 2006	1 st quarter 2006
Net sales	2,909.9	1,619.8	1,290.2
% change on 2005	21.4	15.1	30.3
Current gross operating profit	732.7	467.0	265.7
% change on 2005	47.5	36.9	70.8
Gross operating profit	739.5	470.7	268.7
% change on 2005	49.3	43.2	61.4
Operating income	535.6	368.0	167.6
% change on 2005	63.2	54.6	86.1
Net income	339.7	251.7	87.9
% change on 2005	11.7	15.5	6.8
Group net income	229.9	179.6	50.3
% change on 2005	7.9	11.1	3.9
Net debt (at period end)	2,572.5	2,572.5	2,162.3

The seasonal trends typical of the group's core businesses normally produce a better performance in the second quarter than in the first. This trend continued in the period under review, albeit to a lesser degree than in previous years. The first quarter of 2006, which benefited from very favorable weather and a higher number of working days (in particular in the European Union) compared to 2005, saw significant growth in business volumes which slackened in the second quarter as a result of falling sales in North America and largely stable sales in the European Union.

In the **second quarter** of 2006, group sales volumes, at constant size, saw progress in the cement and clinker sector (+ 2.7%), in aggregates (+ 4.6%), and stability in ready mixed concrete.

The solid trend in volumes, accompanied by a general improvement in revenues per unit led to a clear increase in net sales and operating income compared to the second quarter of 2005, even excluding the effects of enlargement of the consolidation area.

These effects arose, in the second quarter, from the consolidation of Helwan Cement Ltd. (Egypt) and the line-by-line rather than proportionate consolidation of Zuari Cement Ltd. (India) as from June 1, producing an overall impact on second-quarter current gross operating profit of approximately 26.1 million euro. Excluding this effect, current gross operating profit in the second quarter of 2006 would, nonetheless, have been 29.2% up on the corresponding figure for 2005.

Significant events in the half-year

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

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

During the half-year, through the French sub-holding Sadecib, the group acquired for 64.7 million euro an equity investment, consisting of "class B" shares and representing approximately 21.5% of the entire share capital, in the **Turkish company Goltas Cimento**. This class of shares has limited rights compared to the other shares - "class A" - that make up the company's share capital, which entitle holders, inter alia, to appoint the members of the Board of Directors. The investment was undertaken with a view to future involvement in the management of the company and to a possible profitable merger with the group's existing industrial facilities in Turkey.

In June Suez Cement Company reached an agreement for the purchase of an equity investment of 52% in the share capital of **Ready Mix Beton S.A.E.**, a leading company in the Egyptian ready mixed concrete business. The operation has an estimated outlay of approximately 11 million euro.

During the first half of 2006, pursuant to the authorization granted to the Board of Directors by the shareholders' meeting of April 13, 2006, to service its **stock option plans**, **Italcementi S.p.A.** bought 1,022,538 **ordinary treasury shares**, approximately 0.6% of the ordinary share capital, for an overall value of approximately 18.9 million euro. Following the **exercise** in the period of 447,767 **options** by plan beneficiaries, Italcementi S.p.A. sold an equal number of ordinary treasury shares at an average unit price of 9.261 euro, based on the prices set at the option grant dates. As a consequence at June 30, 2006 Italcementi S.p.A. held 4,519,873 ordinary treasury shares, representing 2.6% of total ordinary shares.

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Performance by geographical area

(in millions of euro)	Net sales		Current GOP		GOP		Operating income	
	1 st half 2006	% change	1 st half 2006	% change	1 st half 2006	% change	1 st half 2006	% change
Geographical area								
European Union	1,856.1	10.1	384.3	22.7	391.6	19.0	286.3	25.8
North America	323.9	22.2	73.0	88.9	73.0	89.0	49.4	160.6
Mediterranean-emerging countries ⁽¹⁾	533.1	72.8	219.6	99.0	219.3	137.1	161.5	164.3
Asia ⁽²⁾	164.1	29.3	45.7	36.1	45.5	34.2	30.6	45.1
Trading	167.6	64.3	9.7	104.2	9.6	90.8	8.8	97.8
Other and elimination of inter-area transactions	(134.9)	48.9	0.4	-	0.5	n.s.	(1.0)	n.s.
Total	2,909.9	21.4	732.7	47.5	739.5	49.3	535.6	63.2

⁽¹⁾ includes Suez Cement group from April 2005 and Helwan Cement Ltd from August 2005

⁽²⁾ includes line-by-line consolidation of Zuari Cement group from June 2006

n.s.: not significant

European Union

In the European Union net sales in the first half of 2006 increased strongly (+10.1%) as a consequence of the growth in all the countries, which make up the area, thanks to a general increase in volumes and sale prices to solid levels.

Operating income grew even more (+ 25.8%) since the increase in net sales more than offset the sharp increase in some costs, especially for energy.

North America

In the first half of 2006 the American cement market grew thanks to the positive performance in the first quarter, helped by extremely favorable weather, but with a negative second quarter as a result of heavy rainfall and the slowdown in the residential sector.

Group sales volumes reflected the market trend, with the second quarter down by 6.2% compared to the same period of 2005, following the 17.4% increase reported in the first quarter. Volumes to the end of June recorded a 2.3% increase compared to the first half of 2005.

Net sales, helped by the trend in sale prices, rose in local currency by 17.0%.

Consequently gross operating profit also made significant progress compared to 2005 (+ 80.9% in local currency), managing to largely offset the higher costs incurred for greater use of imported clinker and cement.

Mediterranean-emerging countries

This area had the highest growth rate in net sales in the group, thanks in part to the impact of the consolidation of the Egyptian businesses. In Egypt the economic recovery had an impact on the marked progress in domestic sales, while the increase in sale prices offset the increase in some costs.

In the other countries in the area, Bulgaria and Turkey saw significant increases in net sales and operating results, while in Morocco lower growth rates were recorded.

Asia

Among the countries in Asia where the group operates, India and Kazakhstan saw their net sales sharply up in the half owing to a general increase in volumes and domestic sale prices, with a

positive impact on the increase in operating results.

In Thailand, on the other hand, domestic volumes fell, while the overall growth was caused by the increase in exports. Overall, however, the marked growth in net sales was not sufficient to offset the increase in some production expenses, especially for energy, leading to a slight fall in operating results.

Trading

In the first half of 2006, cement and clinker sales volumes grew significantly (+ 51.5% compared to the first half of 2005), thanks above all to third-party demand, with an overall rise in sales prices.

The strong growth in net sales led to an improvement in operating results, which were practically double those of the prior-year period.

E-business initiatives

In the first half of 2006, BravoSolution S.p.A. and its subsidiaries confirmed the favorable ongoing trend and recorded an increase in net sales of 34% compared with the first six months of 2005 and a positive net income both at consolidated level and at the level of the individual companies.

During the first half of 2006, the BravoSolution group transacted more than 10,000 online deals (approximately 9,000 in the first half of 2005) worth a total of approximately 4,740 million euro (approximately 2,590 million euro in the first half of 2005).

The BravoSolution organization today consists of 175 people in the four countries (Italy, France, Spain and the United Kingdom) in which the group is currently present as a legal entity.

Energy project

During the first half of 2006 further progress was made toward obtaining authorization to build the new thermoelectric plants managed by Italgas S.p.A.

With regard to the **Villa di Serio** power plant project (190 MW), a decision is due from the Lombardy regional authority on the variation to the route of the gas pipeline proposed by the local provincial and municipal authorities. The variation formalized in a resolution of the Province of Bergamo in January 2005 exceeds the conditions on which the Region had subordinated its approval. Following this, the authorization procedure will be completed in the due time and manner.

The projects for the plants at Modugno, Matera and Colferro are continuing with their own authorizations and are all at different stages in the process.

In the first half of 2006, approximately 94% of available net energy (427 GW) was sold by Italgas S.p.A. to group companies in Italy, enabling Italcementi S.p.A. to meet approximately 47% of its energy requirement.

In addition, as from January 1, 2006 all the production facilities of Italcementi S.p.A., as well as the group companies and associates that were not previously serviced, are supplied by Italgas S.p.A., which also handles market procurement activities for the group's Italian companies. This contributed to the increase in the company's net sales, which stood at 49.6 million euro (+ 92.5% compared to the first half of 2005).

Disputes

In connection with the **action** brought by the Competition and Market Authority against eleven companies operating in the **ready mixed concrete sector** in Italy, Calcestruzzi S.p.A. and Cemencal S.p.A. appealed against the sentence (made official on March 23, 2005) of the administrative tribunal of the Region of Lazio (TAR). This sentence overturned the ruling "in the section in which the fines imposed by the Authority are not proportionate to the limited effects of the agreement", and partially upheld the appeals regarding application of repeat offence penalties, but rejected the appeal on all the other points.

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

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

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

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

At the same time the Public Prosecutor's Office of Caltanissetta issued a preventive attachment order on two ready mixed concrete production plants, located in Riesi and Gela, which in 2005 jointly produced approximately 26,000 cubic meters of ready mixed concrete out of a total of 9 million cubic meters produced by the group in Italy.

However, following an appeal filed by the company, the attachment order was revoked on August 17 by the Court of Review of Caltanissetta.

The company has publicly stated its full and transparent cooperation with the magistrates' investigation, and its complete extraneousness in relation to the alleged offences.

Significant post balance-sheet events

Early in July the group raised its equity investment in **Goltas Cimento** to 27.4%, again through the purchase of "class B" shares, with an additional outlay of approximately 20 million euro.

In July, following the **exercise** of 1,158,290 **options** by the beneficiaries of stock option plans, Italcementi S.p.A. sold an equal number of ordinary treasury shares at an average unit price of 8.903 euro, based on the prices set at the option grant dates. After this transaction, Italcementi S.p.A. held 3,361,583 **ordinary treasury shares**, equivalent to 1.9% of ordinary share capital.

Outlook

In a scenario of continuing world economic growth, the global situation of the construction industry continues to be positive.

Nevertheless, it is reasonable to assume that, with the continuation of the trend that emerged toward the end of the first half, the industry may feel the effects of a business slowdown in some countries.

In the USA, the construction cycle has already shown signs of weakening, chiefly in the residential building sector; demand has been stable in Italy for more than a year, but is growing in the other EU countries.

Among emerging countries, the uncertain political climate is having a negative impact on the Thai cement industry, while the outlook in the other countries continues to be very favorable.

Once again, the greatest risks concern operating expenses, in particular energy costs: it would be difficult to transfer any further energy increases to sales prices.

Under these conditions, the strong half-year results, supported by the favorable performance and contribution of the newly consolidated operations in Egypt and India, should enable the group, subject to currently unforeseeable events, to report a significant improvement in operating results and, despite higher finance costs and tax, growth in consolidated net income for full-year 2006.

Packaging and insulation sector

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

The following table summarizes the group income statement and the main balance sheet items. Only the latter consolidate the figures relating to the Amprica group, the purchase of which was completed in June; the comparison with the previous period is, therefore, meaningless.

(in millions of euro)	1 st half 2006	1 st half 2005	% change	2005
Net sales	86.6	80.2	7.9	166.0
Current gross operating profit	12.0	12.5	(3.6)	24.5
% of net sales	13.9	15.5		14.8
Other income and charges	0.4	(0.3)	n.s.	-
Gross operating profit	12.4	12.2	1.6	24.5
% of net sales	14.3	15.2		14.8
Amortization and depreciation	(3.6)	(3.6)	-	(7.1)
Impairment variation	-	-	-	(0.3)
Operating income	8.8	8.6	1.3	17.1
% of net sales	10.1	10.7		10.3
Financial income and charges	(1.5)	(1.0)	(44.3)	(1.7)
Pre-tax income	7.3	7.6	(4.4)	15.4
% of net sales	8.4	9.5		9.3
Tax for the period	(3.5)	(4.4)	21.7	(7.5)
Net income	3.8	3.2	19.4	7.9
% of net sales	4.4	4.0		4.8
Capital expenditure	5.6	7.5		14.0

(in millions of euro)	June 30, 2006	December 31, 2005
Total shareholders' equity	46.1	45.1
Net debt	131.0	49.8
Number of employees at period end	1,395	799

The half-year saw a largely stable trend in operations.

There was further confirmation of the volatility of polymer prices which is now a feature of the sector, although the price movements, albeit falling in different periods, largely kept the cost aligned to the average values over the period in the first half of 2005.

The sharp growth in volumes sold by the thermal insulation segment and the geographical diversification compared to that of food packaging allowed the group to cope with the marked fall in income at the French subsidiary, which was badly affected by the fall in white meat consumption following the avian flu epidemic at the start of the year, and by particularly fierce competition.

Operating income was 8.8 million euro, slightly up compared with the prior-year period.

Finance costs rose sharply owing to the increase in average debt and the rise in interest rates.

Net income of 3.8 million euro was up by (+19.4%) compared with the first half of 2005 thanks to the reduction in tax, which in 2005 had been influenced by non-recurring items.

Debt rose by 81.2 million euro also owing to the acquisition made, which had an overall impact of approximately 76.6 million euro including the purchase price, the financial position of the group acquired and the accessory charges.

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Significant events in the half

As noted above, in June Sirap Gema S.p.A. completed the acquisition of the Amprica group which operates in the market of rigid containers for the food and cake industry in Italy, where it is the market leader, and in some Central Eastern European countries. Consolidated annual turnover was approximately 45 million euro.

The price was 45.7 million euro, of which 40.7 million euro was paid in June on signing the contract and 5 million euro paid into an escrow account which was released in July. In addition, there were accessory charges of 1.9 million euro.

With this transaction Sirap Gema entered a new segment of the food packaging market with a new technology (rigid sheets) and, in addition, continued the strategy to enhance its presence in the markets of East Europe by expanding into Poland and Russia.

Quarterly performance

(in millions of euro)	1 st half 2006	2 nd quarter 2006	1 st quarter 2006
Net sales	86.6	46.6	40.0
% change on 2005	7.9	7.7	8.1
Current gross operating profit	12.0	6.6	5.4
% change on 2005	(3.6)	(6.7)	(0.2)
Gross operating profit	12.4	6.7	5.7
% change on 2005	1.6	(2.2)	6.3
Operating income	8.8	4.8	4.0
% change on 2005	1.3	6.4	12.4
Net income	3.8	1.9	1.9
Net debt (period end)	131.0	131.0	47.4

The performance in the second quarter of 2006 followed a slightly seasonal trend and saw movements in raw material prices which led to a higher average cost than in the previous quarter and the prior-year period.

Performance by business sector and geographical area

(in millions of euro)	Net sales		Current GOP		GOP		Operating income	
	1 st half 2006	% change	1 st half 2006	% change	1 st half 2006	% change	1 st half 2006	% change
Food packaging								
- Italy	30.5	2.5	6.8	1.3	7.0	7.0	5.2	8.4
- France	12.3	(8.7)	1.1	(52.1)	1.1	(47.6)	0.5	(64.0)
- Other EU countries	18.0	0.5	0.8	(31.7)	1.0	(14.9)	0.6	(13.5)
- Other European countries	8.9	45.0	0.7	58.6	0.7	79.3	0.6	95.0
Eliminations	(4.9)	-	-	-	(0.1)	-	-	-
Total	64.8	3.9	9.4	(11.0)	9.7	(6.0)	6.9	(6.5)
Thermal insulation								
	25.2	21.2	2.6	36.3	2.7	37.3	1.8	51.9
Eliminations	(3.4)		-		-		0.1	
Total	86.6	7.9	12.0	(3.6)	12.4	1.6	8.8	1.3

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Food packaging

In the half the sector was affected on West European markets by the fall in poultry meat consumption following some cases of avian flu. While the impact on the Italian market was limited and in any case saw a rapid recovery, in France there was a sharp fall in volumes, the recovery of which is still underway. The already complex French market was thus affected by a further heightening of competition.

On the East European markets, where the Petruzalek group is present, there was significant growth in newly developing countries (for example Ukraine and Romania), overall stability in mature countries (for example the Czech Republic and Slovakia), growth in the Austrian market and a negative impact from the restructuring of the Hungarian subsidiary.

Net sales in the period grew slightly (+3.9%), while operating income fell by 6.5%, mainly owing to the fall in volumes on the French market.

Investments in plant, property and equipment totaled 4.6 million euro and were largely aimed at improving production capacity and modernizing equipments as well as building a new head quarter for Petruzalek in Austria.

Thermal insulation

The significant increase in net sales compared with the first half of 2005 (+21.2%) was achieved thanks to the higher volumes caused by foreign sales (in the Balkans) and by the initial impact of the EU law which, for energy saving purposes, has imposed higher insulation levels and, therefore, the use of thicker sheets. On the other hand, the abundant supply in the sector (production capacity installed in Italy and imports from Southern Europe) led to average price levels below those in the prior-year period.

Despite the unfavorable trend in prices, operating income rose sharply (+51.9%) helped, as mentioned previously, by higher volumes and by the improvement in efficiency achieved thanks to recent investments in a new production line which was started in the second quarter of 2005.

Disputes

Regarding the general tax audit of income and sales taxes relating to the 2002 tax year, subsequently extended to 2000 and 2001, which was arranged by the Tax Agency of Verolanuova during 2004, Sirap Gema S.p.A. (whose main dispute regards the non-deductible nature of the waiver of the receivable claimed from a foreign subsidiary for just over 7 million euro), has so far not received any assessment notice.

Nevertheless, it should be noted that during the first half of 2006 the competent Public Prosecutor's Office issued a notice of preliminary enquiry termination, which is valid as the notice to be under investigation, relating to the alleged crime of false statement, against the Chief Executive Officer of the company as its legal representative.

Within the legal deadline the company presented a memorial which shows the legitimacy of the choices made.

Outlook

Subject to any unforeseen events and depending on the expected increase in the cost of raw materials, group net income from operations, without taking into account the results of the recently acquired Amprica group, should be at levels largely in line with those of 2005.

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Financial sector

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

(in millions of euro)	1 st half 2006	1 st half 2005	% change	2005
Net sales	119.5	87.8	36.1	101.7
Operating income	90.8	69.0	31.5	73.8
Net income	98.9	72.6	36.1	91.9

(in millions of euro)	June 30, 2006	December 31, 2005
Net financial position	345.7	303.4
Shareholders' equity	1,894.4	1,822.4
Number of employees at period end	43	41

Quarterly performance

(in millions of euro)	1 st half 2006	2 nd quarter 2006	1 st quarter 2006
Net sales	119.5	90.0	29.5
% change on 2005	36.1	18.4	151.0
Operating income	90.8	70.2	20.6
% change on 2005	31.5	6.5	n.s.
Net income	98.9	74.8	24.1
% change on 2005	36.1	12.0	n.s.
Net financial position at period end	345.7	345.7	331.0

n.s.: not significant

Results in accordance with the financial model

For a better appreciation of the results of the financial sector, in light of its particular nature, it is considered worthwhile recording in the table below the results in the format normally used for financial companies.

(in millions of euro)	1 st half 2006	1 st half 2005	% change	2005
Net income from equity investments	95.3	67.2	41.8	82.3
Net income from cash investments	13.0	14.3	(9.6)	28.6
Net debt charges	(6.5)	(5.1)	25.5	(10.5)
Total financial income and charges	101.8	76.4	33.3	100.4
Miscellaneous income and costs	(5.5)	(5.9)	(5.3)	(11.5)
Tax for the period	2.6	2.1	24.9	3.0
Net income	98.9	72.6	36.1	91.9

Net income from equity investments improved markedly in the half (+ 18.1 million euro), compared with the prior-year period, thanks to the capital gain realized on the sale of Gemina shares (7.9 million euro), the higher level of dividends received in the period and the higher contribution from companies consolidated on an equity basis.

Net income from cash investments, albeit recording a significant result, fell slightly (- 1.3 million euro) compared with the first half of 2005, which had benefited from a sizeable capital gain on trading initiatives. Among the various elements of cash investments, note should be made of the performance of alternative investments which, following an excellent first quarter, lost ground in the second; their overall yield in the half, however, remained broadly positive. The conditions of the bond markets were not favorable owing to the trend in interest rates; under these conditions our portfolios provided a contribution which was lower than yields on the money market, but markedly above average yields for bond funds on the market. Income on trading initiatives was, however, positive but, as mentioned previously, below that in the first half of 2005.

Net debt charges were higher (+1.4 million euro) than those in 2005 owing to higher interest rates and the higher level of medium-term debt.

In total financial income and charges recorded net income of 101.8 million euro, up by 25.4 million euro compared with the first half of 2005.

Other net charges, slightly down (- 0.4 million euro) in the half, were the result of a higher increase in income than the increase in charges, mainly owing to the differing use and application of provisions for risks in the two periods.

Tax made a positive contribution, up compared with the first half of 2005, thanks to the positive contribution in Italy of the national tax consolidation and the reduction in the real tax rate.

Net income in the period, therefore, stood at a markedly higher level (+ 26.3 million euro) than that in the same period of 2005. However, it is worth considering that, given the unpredictability of financial markets, the concentration in the first half of most of the dividends received and the presence of some one-off events, the significant level of net profit in this sector in the first half cannot be used to extrapolate the result for the whole year.

The companies which make up the financial sector hold major equity investments, most of which are classified as " Available for sale" . The changes in the fair value of these equity investments, with the exclusion of those companies consolidated at cost, are recorded in shareholders' equity under " Fair value reserve" . At the end of June 2006 the consolidated total of this reserve in the financial sector was 643.8 million euro, with an increase compared with the December 31, 2005 of 33.6 million euro.

Significant events in the half

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

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

At the end of March Société de Participation Financière Italmobiliare S.A. sold Italmobiliare S.p.A. its own equity investment in **Consortium** (2.764%) at the price of 28.9 million euro. The price was determined on the basis of the Consortium shareholders' equity at the end of February adjusted on the basis of evaluations at market prices on the listed shares held in the portfolio. In June Consortium, following the decision to bring forward its dissolution after concluding the disposal program of Mediobanca shares exceeding the voting trust share, sold the Mediobanca voting trust

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shares and the Generali shares in its portfolio to the respective shareholders (or their subsidiaries) in proportion to the respective stake held at a unit price of 15.307 and 27.833 euro respectively. Consequently 884,857 Mediobanca shares arising from the operation were acquired by Franco Tosi S.r.l., in application of an agreement with the parent company Italmobiliare and with the approval of the Mediobanca voting trust, and were added to the trust itself, while 164,083 Generali shares were directly acquired by Italmobiliare.

In April Italmobiliare S.p.A. brought 860,743 **Banca Leonardo** shares and underwrote 3,399,257 shares as part of the share capital increase of the same bank. The overall investment was just under 14 million euro. Following these transactions Italmobiliare S.p.A. has a 3% equity investment in the Banca Leonardo Group.

As part of the corporate restructuring program, which allocates specific missions to companies which are directly owned by the parent company, in June Italmobiliare sold to the subsidiary Franco Tosi the following equity investments, all bound to voting trusts:

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

The price of the transactions was determined on the basis of the average official stock market prices in the 30 days prior to the signing of the contract. Franco Tosi S.p.A. financed these acquisitions through an intragroup interest free loan of 311 million euro from Italmobiliare S.p.A.

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

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

In June **Italmobiliare S.p.A.** renegotiated the outstanding loan with BNP Paribas and redefined the contractual form, and the conditions relating to maturity, interest rate and total (180 million euro).

In the first half of 2006 Italmobiliare S.p.A. did not purchase any **treasury shares**, and so the treasury shares held in the portfolio remained unchanged at 911,131 ordinary shares (4.107% of all ordinary shares) and 28,500 savings shares (0.174% of all savings shares).

Net financial position of Italmobiliare and of the financial sector

The following table sets out the levels and elements of the net financial positions of the parent company Italmobiliare S.p.A. and of the wholly owned financial subsidiaries.

	June 30, 2006		December 31, 2005	
	Italmobiliare	Financial sector ¹	Italmobiliare	Financial sector ¹
(in thousands of euro)				
Cash, cash equivalents and current financial assets	108,222	852,045	65,365	761,735
Short-term financing	(144,336)	(145,674)	(154,479)	(159,393)
Short-term net financial position	(36,114)	706,371	(89,114)	602,342
Medium/long-term financial assets	6,459	13,177	6,565	17,062
Medium/long-term financial	(373,830)	(373,830)	(316,018)	(316,018)
Medium/long-term financial position	(367,371)	(360,653)	(309,453)	(298,956)
Net financial position	(403,485)	345,718	(398,567)	303,386

¹ Includes: Italmobiliare S.p.A. - Italmobiliare International Finance Ltd - Italmobiliare International B.V. - Société de Participation Financière S.A. Fincomind A.G. - Soparfinter S.A. - Franco Tosi S.r.l.

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The net debt of Italmobiliare was 403.5 million euro (398.6 million euro at December 31, 2005), up by 4.9 million euro, owing to the purchase of equity investments, partly offset by the sale of the Gemina shares and the difference between dividends received and paid.

The consolidated financial position of the financial sector was, on the other hand, positive at 345.7 million euro (303.4 million euro at December 31, 2005), an increase of 42.3 million euro, arising from the aforementioned operations and results.

(in millions of euro)	Italmobiliare	Financial sector
Sale of equity investments	347.4	25.7
Equity investments	(54.3)	(13.9)
Dividends paid	(49.0)	(49.0)
Dividends received	73.3	78.8
Current operations and non-recurring items	(322.3)	0.7
Total	(4.9)	42.3

As for the above items note should be taken in Italmobiliare of the high level of income under "Sale of equity investments" due to the aforementioned sale to Franco Tosi of the shares bound to voting trusts, and the marked outflow of "Current operations and non-recurring items" connected to the interest-free loan provided to Franco Tosi. In the cash flow of the consolidated financial sector these items have of course been removed.

Significant post balance sheet events

During June and July, but with effect as from July, Italmobiliare S.p.A. renegotiated the outstanding loans with Mediobanca, Calyon and Société Générale and redefined the contractual form, and the conditions relating to maturity, interest rate and amount (167.5 million euro in total).

Following the exercise of a call option sold in the previous year, in July Société de Participation Financière S.A. sold 611,005 **Banche Popolari Unite** shares for total income of 12.5 million euro, recording a capital gain compared with the values at December 31, 2005 of 1.2 million euro.

Outlook

As already noted in previous reports, the results for the financial sector depend on the flow of dividends and the trend in the financial markets. The flow of dividends is mainly concentrated in the first half and so the increase compared with 2005 is already a fact. On the other hand, however, the development of the share market and of the other financial markets and opportunities to buy and sell equity investments introduce elements of uncertainty, which can have a significant impact on results. Despite this, the net income achieved in the first half of 2006 supports the forecast that, unless there are serious and negative movements market the overall income in the financial sector in 2006 should be above that recorded in full year 2005.

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Banking sector

The banking sector includes two wholly owned banks, i.e. Finter Bank Zürich and Crédit Mobilier de Monaco.

(in millions of euro)	1 st half 2006	1 st half 2005	% change	2005
Net sales	24.6	20.7	18.9	45.5
Operating income	5.8	3.9	51.5	8.4
Net income	4.7	3.2	47.3	6.4

(in millions of euro)	June 30, 2006	December 31, 2005
Net financial position	84.3	89.6
Shareholders' equity	91.1	91.2
Number of employees at period end	143	143

Quarterly performance

(in millions of euro)	1 st half 2006	2 ^o trimestre 2006	1 ^o trimestre 2006
Net sales	24.6	12.5	12.1
% change on 2005	18.9	19.7	18.0
Operating income	5.8	2.7	3.1
% change on 2005	51.5	39.1	64.6
Net income	4.7	2.5	2.2
% change on 2005	47.3	55.6	38.7
Net financial position	84.3	84.3	86.1

Results according to the banking scheme

For a better appreciation of the results of the banking sector, in light of its particular nature, it is considered worthwhile recording in the table below the results in the format normally used for banks.

(in millions of euro)	1 st half 2006	1 st half 2005	% change	2005
Net interest income	2.9	2.5	15.4	5.2
Intermediation margin	22.3	19.1	16.8	42.5
Gross operating income	7.4	4.5	62.4	11.5
Income from operations	5.4	3.7	45.9	7.5
Net income	4.7	3.2	47.3	6.4

The results in the sector, which grew steadily, are almost all from the results of Finter Bank Zürich.

Finter Bank Zürich

In the first half of 2006 the Finter Bank Zürich group managed to profit from the continuation of some positive circumstances on the financial markets and recorded consolidated net sales of 37.6 million Swiss francs (+ 20.7% compared with the first half of 2005). This result was achieved thanks to the increased volumes of customer transactions and the rise in net sales resulting from the management of the share portfolio.

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The increase in net sales together with careful containment of the rise in operating expenses enabled the recording of operating income of 9.1 million Swiss francs, sharply up compared with 5.8 million Swiss francs in the first half of 2005 (+ 57%).

The consolidated net income, after finance costs and tax, was 7.4 million Swiss francs compared to 4.8 million Swiss francs in the first half of 2005 (+ 53%).

Consolidated shareholders' equity moved from 133 million Swiss francs at December 31, 2005 to 134 million Swiss francs at June 30, 2006, after distribution of dividends for 5 million Swiss francs.

Assets under administration at the end of the first half of 2006 totaled 5.1 billion Swiss francs.

Crédit Mobilier de Monaco

Crédit Mobilier de Monaco is a bank in Monaco which mainly operates in guarantee-backed loans. The first half of 2006 saw a slight fall in net interest income and an increase in employee expenses.

Consequently income for the period of 22 thousand euro was down compared with the prior-year period (106 thousand euro).

Outlook

Despite the uncertainty which is a feature of the financial markets and the expectation that the market conditions in the second half will not be as favorable as in the first, the results achieved so far and the plans in place confirm the forecast that the result for 2006 could be better than that achieved in 2005.

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Property sector, services and others

This sector includes some companies that own property and land and some service companies. As for the property companies it includes both rented property and property and land for sale.

Service companies basically carry out their business within the Group.

At June 30, 2006 the net sales in this sector stood at 1.3 million euro, practically unchanged compared with the prior-year period.

Operating income and the overall income, on the other hand, improved sharply rising from - 0.4 and - 0.2 million euro respectively to 1.6 and 2.3 million euro. This improvement is essentially due to the release of some provisions for risks which were considered excessive, at Terfin S.A. in liquidation. Excluding the results of Terfin S.A., the sector would have recorded net income in the period of 0.8 million euro, compared to 0.6 million in the first half of 2005.

The importance of the sector is marginal in relation to the overall results of the Group.

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Human resources

The number of employees at June 30, 2006 was 23,933 heads, compared with 22,857 at December 31, 2005 and 21,484 at June 30, 2005.

The division of employees by business sector and geographical area is shown in the following table:

(number of employees) *	June 30, 2006		December 31, 2005		June 30, 2005	
		%		%		%
Business sector						
Construction materials	22,332	93.3	21,854	95.6	20,482	95.3
Packaging and insulation	1,395	5.8	799	3.5	792	3.7
Finance	43	0.2	41	0.2	40	0.2
Banking	143	0.6	143	0.6	145	0.7
Property, services and other	20	0.1	20	0.1	25	0.1
Total	23,933	100.0	22,857	100.0	21,484	100.0
Geographical area						
European Union	12,103	50.4	11,636	51.1	11,751	54.7
Other European countries	1,844	7.8	1,589	6.8	1,582	7.3
North America	1,700	7.1	1,727	7.6	1,751	8.2
Asia	2,406	10.1	2,013	8.8	2,032	9.5
Africa	5,545	23.2	5,568	24.3	4,061	18.9
Other countries	335	1.4	324	1.4	307	1.4
Total	23,933	100.0	22,857	100.0	21,484	100.0

* includes the employees of companies consolidated on a line-by-line or proportionate basis. In this case the number indicated is in line with the share of consolidation. At June 30, 2006 the Indian companies, which were previously consolidated on a proportionate basis, were consolidated on a line-by-line basis

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Dealings with related parties

For the purposes of the consolidated financial statements, dealings with related parties in the half regarded those with:

- subsidiary companies that are valued with the equity method or stated at cost;
- associated companies;
- other related parties.

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

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

Italmobiliare provides an administration service to some associated companies which is regulated according to the costs attributable to providing the service.

Dealings with other related parties concern:

- administrative, financial, contractual and fiscal consultancy services, as well as support services for the organization of company restructuring operations for the Italcementi group provided by Finsise S.p.A., a company whose majority shareholder is Italo Lucchini, Deputy Chairman of Italmobiliare. Furthermore the Italmobiliare Group uses the services of Professional Auditing S.p.A., a trust company whose main shareholder is also Mr Lucchini;
- legal consultancy, judicial and extrajudicial assistance provided to Italmobiliare and to Group companies by the associate professional studio Dewey Ballantine LLP, of which the Italmobiliare director Luca Minoli is part;
- consultancy services for the senior management of Italmobiliare in relation to the processes to rationalize and develop the Group's activities provided by Piergiorgio Barlassina, a director of Italmobiliare.

All the dealings with related parties, including for the exchange of goods and services, including financial services, are conducted at normal market conditions. In terms of the consolidated financial statements of Italmobiliare S.p.A. the extent of the dealings with related parties is not significant.

In June Italmobiliare and Italcementi provided the Fondazione Italcementi Cav. Lav. Carlo Pesenti with the sum of 1.2 million euro to cover operating expenses and the realization of objectives which fall within the aims of the Foundation.

The figures at June 30, 2006 of dealings with related parties are shown in the explanatory notes. For detail on the dealings with related parties of Italmobiliare S.p.A., refer to the specific section in the notes of the Parent company.

Atypical and/or unusual operations

In the half there were no atypical and/or unusual operations.

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Disputes

As for legal and tax disputes involving various Group companies approximate provisions have been made in the due periods where, in relation to the risks that have emerged and the assessment of the related risks, the potential liabilities are considered probable and can be quantified.

Details of the main disputes have already been given in the sections for the individual sectors.

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Outlook

The global economy is still in a period of expansion, although the growth rates are tending to fall owing to the slowdown in some geographical areas and tension over the markets for energy and raw materials, with a consequent impact on inflation, interest rates and the trend of the financial markets.

Against that background, the Italmobiliare Group in the first half of 2006 managed to record very good results in terms of growth and profitability, thanks to improvements in operating activities, changes in the consolidation area, but whose positive impact is time limited, and some non-recurring events.

The performance in the first half, while seeking to interpret correctly the results achieved so far and a possible slowdown in business levels in some countries, is, however, a valid basis, together with the forecasts already given for the individual sectors and which overall are positive, to believe that the Group's consolidated operating income for all of 2006 may rise compared with the previous year, subject to any unforeseen events or facts that might have a negative impact on the financial markets.

As for the parent company Italmobiliare S.p.A., which as from this year has adopted the international accounting standards (IFRS), considering the dividends already received, the contribution of some non-recurring items and the performance in cash management, the net income of the year, without taking into consideration the significant impact of the intragroup disposals of some equity investments, is forecast to rise compared with that achieved in 2005, reclassified in accordance with the IFRS standards.

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Italmobiliare S.p.A. consolidated financial statements



Financial statements

Balance sheet

(in thousands of euro)	Note	June 30, 2006	December 31, 2005	Change
Non-current assets				
Property, plant and equipment	1	3,990,419	3,982,450	7,969
Real estate investments	2	28,308	29,293	(985)
Goodwill	3	1,880,694	1,840,198	40,496
Intangible assets	4	51,284	51,678	(394)
Investments valued at equity	5	187,914	183,804	4,110
Other investments	6	1,508,400	1,375,787	132,613
Non-current trade and other receivables	7	159,487	475,593	(316,106)
Deferred tax assets	20	37,060	31,042	6,018
Non-current receivables due from employees		585	1,167	(582)
Total non-current assets		7,844,151	7,971,012	(126,861)
Current assets				
Inventories	8	703,188	720,280	(17,092)
Trade receivables	9	1,663,736	1,332,601	331,135
Other current assets	10	366,182	311,389	54,793
Income tax assets		46,595	69,391	(22,796)
Investments and financial receivables	11	827,918	830,622	(2,704)
Cash and cash equivalents	12	464,473	518,170	(53,697)
Total current assets		4,072,092	3,782,453	289,639
Total assets		11,916,243	11,753,465	162,778
Shareholders' equity				
Share capital	13	100,167	100,167	
Reserves	14	947,027	896,494	50,533
Treasury shares, at cost	15	(22,176)	(22,176)	
Retained earnings		1,757,910	1,721,804	36,106
Group shareholders' equity		2,782,928	2,696,289	86,639
Minority interests	16	3,201,116	3,220,459	(19,343)
Total shareholders' equity		5,984,044	5,916,748	67,296
Non-current liabilities				
Medium/long-term financing	18	2,479,614	2,375,059	104,555
Non-current amounts due to employees	17	213,004	216,240	(3,236)
Non-current reserves	19	313,712	322,708	(8,996)
Other non-current payables and liabilities	20	15,853	16,339	(486)
Deferred tax liabilities	21	355,564	346,551	9,013
Total non-current liabilities		3,377,747	3,276,897	100,850
Current liabilities				
Bank overdrafts and short-term borrowings	18	880,958	976,157	(95,199)
Short-term financing	18	174,367	164,461	9,906
Trade payables	22	757,252	745,365	11,887
Current reserves	19	1,308	1,342	(34)
Income tax liabilities	23	91,888	63,288	28,600
Other current liabilities	24	648,679	609,207	39,472
Total current liabilities		2,554,452	2,559,820	(5,368)
Total liabilities		5,932,199	5,836,717	95,482
Total shareholders' equity and liabilities		11,916,243	11,753,465	162,778

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Income statement

(in thousands of euro)	Note	1 st half 2006	%	1 st half 2005	%	Change amount	%
Net sales	25	3,087,577	100.0	2,542,626	100.0	544,951	21.4
Other revenues		37,312		26,032		11,280	
Change in inventories		(24,727)		(20,850)		(3,877)	
Internal work capitalized		11,194		6,092		5,102	
Goods and utilities expenses	26	(1,065,998)		(879,714)		(186,284)	
Services expenses	27	(673,278)		(606,558)		(66,720)	
Employee expenses	28	(482,988)		(449,230)		(33,758)	
Other operating income/(expense)	29	(97,730)		(78,328)		(19,402)	
Current gross operating profit		791,362	25.6	540,070	21.2	251,292	46.5
Other income and charges	30	10,510		(632)		11,142	
Gross operating profit		801,872	26.0	539,438	21.2	262,434	48.6
Amortization and depreciation	31	(208,792)		(171,895)		(36,897)	
Impairment variation		(124)		(301)		177	
Operating income		592,956	19.2	367,242	14.4	225,714	61.5
Financial income and charges	32	(57,247)		(29,559)		(27,688)	
Income from companies valued on equity basis	33	7,899		14,346		(6,447)	
Pre-tax income		543,608	17.6	352,029	13.8	191,579	54.4
Tax for the period	34	(143,616)		(101,580)		(42,036)	
Income and charges from discontinuos operations		-		-		-	
Net income for the period		399,992	13.0	250,449	9.9	149,543	59.7
Attributable to:							
Group		146,441	4.7	94,589	3.7	51,852	54.8
Minority interests		253,551	8.2	155,860	6.1	97,691	62.7
Earnings per share:	35						
Basic							
Ordinary shares		€ 3,879		€ 2,499			
Savings shares		€ 3,918		€ 2,538			
Diluted							
Ordinary shares		€ 3,871		€ 2,496			
Savings shares		€ 3,910		€ 2,535			

Statement of movements in consolidated shareholders' equity

(migliaia di euro)	Allocation to parent company shareholders										Minority interests	Total shareholders' equity
	Share capital	Reserves					Treasury shares, at cost	Translation reserve	Retained earnings	Total capital and reserves		
		Share premium reserve	Reserve for general banking risks	Fair value reserve for AFS	Reserve for derivatives	Other reserves						
Balance at January 1, 2004	100,167	177,191	16,689		-214	18,631			1,349,615	1,662,079	1,968,713	3,630,792
Adjustments to fair value of:												
Financial assets available for sale												
Derivative financial instruments												
Others						794				794	1,093	1,887
Currency translation differences			162					-14,688		-14,526	-46,461	-60,987
Net gains (losses) recorded directly in equity			162			794		-14,688		-13,732	-45,368	-59,100
Net income									191,510	191,510	334,925	526,435
Total income (losses) for the period			162			794		-14,688	191,510	177,778	289,557	467,335
Distribution of income: Dividends									-38,877	-38,877	-87,700	-126,577
Others									-533	-533	-3,200	-3,733
Change in consolidation area									-2,374	-2,374	10,693	8,319
Balance at December 31, 2004	100,167	177,191	16,851		-214	19,425		-14,688	1,499,341	1,798,073	2,178,063	3,976,136
Application of IAS 32-39				429,832	-4,267	7,063	-21,192		-4,852	406,584	77,069	483,653
Balance at January 1, 2005	100,167	177,191	16,851	429,832	-4,481	26,488	-21,192	-14,688	1,494,489	2,204,657	2,255,132	4,459,789
Adjustments to fair value of:												
Financial assets available for sale				245,738						245,738	36,261	281,999
Derivative financial instruments					3,537					3,537	4,529	8,066
Others						17,726				17,726	40,864	58,590
Currency translation differences			-132					61,482		61,350	205,015	266,365
Net gains (losses) recorded directly in equity			-132	245,738	3,537	17,726		61,482		328,351	286,669	615,020
Net income									211,290	211,290	394,772	606,062
Total income (losses) for the period			-132	245,738	3,537	17,726		61,482	211,290	539,641	681,441	1,221,082
Distribution of income: Dividends									-42,638	-42,638	-110,831	-153,469
Treasury share buyback							-984			-984		-984
Reclassifications						-16,256			16,256			
Change in consolidation area									-4,387	-4,387	394,717	390,330
Balance at December 31, 2005	100,167	177,191	16,719	675,570	-944	27,958	-22,176	46,794	1,675,010	2,696,289	3,220,459	5,916,748
Adjustments to fair value of:												
Financial assets available for sale				42,317						42,317	12,242	54,559
Derivative financial instruments					3,550					3,550	7,628	11,178
Others						4,795			-19,147	-14,352	16,745	2,393
Currency translation differences			-129					-42,181		-42,310	-137,354	-179,664
Net gains (losses) recorded directly in equity			-129	42,317	3,550	4,795		-42,181	-19,147	-10,795	-100,739	-111,534
Net income									146,441	146,441	253,551	399,992
Total income (losses) for the period			-129	42,317	3,550	4,795		-42,181	127,294	135,646	152,812	288,458
Distribution of income: Dividends									-49,007	-49,007	-172,155	-221,162
Balance at June 30, 2006	100,167	177,191	16,590	717,887	2,606	32,753	-22,176	4,613	1,753,297	2,782,928	3,201,116	5,984,044

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Reconciliation of parent company shareholders' equity and net income for the period reconciliation between parent company and group net income and shareholders' equity

(in thousands of euro)	June 30, 2006
A) Net income for the period of Italmobiliare S.p.A. (parent company)	168,317
Consolidation adjustments:	
- Net results of consolidated companies (Group share)	137,207
- Adjustment of value of investments valued on equity basis	5,129
- Elimination of dividends recorded in the period	(49,044)
- Reversal of impairment and capital gains and losses in consolidated companies	(115,168)
Group consolidated net income	146,441

(in thousands of euro)	June 30, 2006
Shareholders' equity	
B) Shareholders' equity of italmobiliare S.p.A. (parent company)	1,596,805
- Elimination of carrying value of consolidated companies	(1,114,051)
- in companies consolidated on a line-by-line and proportionate basis	(1,046,374)
- in associates consolidated on an equity basis	(67,677)
- Restoration of shareholders' equity of consolidated equity investments	2,270,640
- in companies consolidated on a line-by-line and proportionate basis	2,202,914
- in associates consolidated on an equity basis	67,726
- Surpluses allocated to the shareholders' equity of subsidiaries	29,534
Group consolidated shareholders' equity	2,782,928

Consolidated cash flow statement

(in thousands of euro)	1st half 2006	1st half 2005
A) Cash flow from operating activities:		
Pre-tax income	543,608	352,029
Adjustments for:		
Amortization, depreciation and impairment	208,911	172,634
Reversal of undistributed income of investments at equity	7,899	(12,494)
(Gain)/loss from sales of fixed assets	(18,379)	(15,763)
Net change in reserves	(2,883)	5,643
Stock options	2,554	1,428
Cancellation of net financial income and charges	16,020	6,248
Cash flow before tax, net interest and change in working capital	757,730	509,725
Change in working capital	(334,633)	(194,335)
Cash flow from operating activities before tax and financial income/charges	423,097	315,390
Net interest paid	(53,858)	(53,953)
Dividends received	36,572	29,189
Tax payments and refunds	(117,402)	(127,397)
Income from derivatives	-	(3,385)
	(134,688)	(155,546)
Total A)	288,409	159,844
B) Cash flow from investing activities:		
Investments in:		
Property, plant and equipment	(205,610)	(195,193)
Intangible assets	(11,985)	(8,935)
Financial (equity investments) net of acquired cash (*)	(277,814)	(146,549)
Total investments	(495,409)	(350,677)
Proceeds from disinvestments of:		
Property, plant and equipment and financial assets	47,143	33,626
Total disinvestments	47,143	33,626
Total B)	(448,266)	(317,051)
C) Cash flow from financing activities:		
New medium/long-term financing	400,680	416,210
Change in financial receivables	(48,574)	(7,570)
Change in current equity investments	(3,198)	(20,477)
Treasury shares buyback	(14,963)	(10,575)
Share capital increases	207	0
Dividends paid	(221,162)	(139,165)
Other changes	6,939	5,518
Total C)	119,929	243,941
D) Currency translation differences and other changes	Total D)	32,924
E) Change in cash and cash equivalents	(A+B+C+D)	119,658
F) Cash and cash equivalents at beginning of period	518,170	373,293
Cash and cash equivalents at end of period	(E+F)	492,951
(*) cash of acquired and consolidated companies	10,108	55,396

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Explanatory notes

The Italmobiliare S.p.A. interim consolidated financial statements as at June 30, 2006 were approved by the Board of Directors on September 13, 2006. At the meeting, the Board authorized publication of the financial statements in a press release dated September 13, 2006 containing key information from the interim financial statements.

Declaration of compliance with the IFRS - Accounting policies

The consolidated financial statements have been drawn up in compliance with the International Financial Reporting Standards (IFRS) applicable at June 30, 2006 adopted by the European Commission; specifically, these interim consolidated financial statements have been drawn up in compliance with International Accounting Standard 34 governing interim financial reporting.

The interim consolidated financial statements do not set out all the information and notes published in the annual report, and should therefore be read in conjunction with the Italmobiliare S.p.A. consolidated financial statements as at December 31, 2005.

The amendments to the standards and interpretations adopted by the European Commission as from January 1, 2006 refer to the amendments to IAS 39, IAS 19, IAS 21 and IFRS 6 and to the IFRIC 4 interpretations.

The application of these policies has not had a material impact on the Italmobiliare S.p.A. interim consolidated financial statements, and no changes have been adopted with respect to the options elected in the consolidated financial statements at December 31, 2005.

As from January 1, 2006 Turkey is no longer considered a hyperinflationary economy; consequently, IAS 29 "Financial Reporting in Hyperinflationary Economies" is no longer applied to the Group's Turkish companies.

Use of estimates

The preparation of the consolidated financial statements and the notes, in compliance with the IFRS, requires management to make estimates affecting the values of assets, liabilities, income and expenses, such as amortization, depreciation and provisions, and the disclosures relating to contingent assets and liabilities in the notes.

Such estimates assume operating continuity and are determined using the information available at the time, and could therefore diverge from the actual future results.

Assumptions and estimates are particularly sensitive with regard to measurement of fixed assets, which depend on forecasts of future results and cash flows, provisions for disputes and restructurings, and commitments in respect of pension plans and other long-term benefits.

Management conducts regular reviews of assumptions and estimates, and any adjustments are immediately recognized in the financial statements.

Reconciliation schedules

As a result of the redefinition of the content of some items in the consolidated accounts, a number of reclassifications have been made to the consolidated income statement for the half-year to June 30, 2005 used as a comparative to the income statement for the half-year to June 30, 2006.

A sub-total "Current gross operating profit" has been added to the income statement, before "Other income and charges". "Other income and charges" consists largely of provisions relating to corporate re-organization and restructuring plans, non-recurring capital gains/losses on the sale of property, plant and equipment and intangible assets, sanctions and fines (and any reversals thereof) of an exceptional nature.

The changes are illustrated in the following table and have had an impact on current gross operating profit, gross operating profit and operating income, but have not had any impact on overall net income for the period or Group net income.

(in thousands of euro) Italmobiliare Group	1 st half 2005	%	1 st half 2005 published	%	Change
Net sales	2,542,626	100.0	2,531,965	100.0	10,661
Other revenues	26,032		26,032		
Change in inventories	(20,850)		(20,850)		
Internal work capitalized	6,092		6,092		
Goods and utilities expenses	(879,714)		(879,714)		
Services expenses	(606,558)		(606,558)		
Employee expenses	(449,230)		(449,230)		
Other operating income/(expense)	(78,328)		(73,229)		(5,099)
Current gross operating profit	540,070	21.2	534,508	21.1	5,562
Other income and charges	(632)		(1,543)		911
Gross operating profit	539,438	21.2	532,965	21.0	6,473
Amortization and depreciation	(171,895)		(171,895)		
Impairment variation	(301)		(301)		
Operating income	367,242	14.4	360,769	14.2	6,473
Financial income and charges	(29,559)		(23,086)		(6,473)
Income from companies valued on equity basis	14,346		14,346		
Pre-tax income	352,029	13.8	352,029	13.9	
Tax for the period	(101,580)		(101,580)		
Income and charges from discontinuos operations	-		-		
Net income for the period	250,449	9.9	250,449	9.9	
Attributable to:					
Group net income	94,589		94,589		
Minority interests	155,860		155,860		

The changes made are described in the following notes:

- **Net sales, other operating income, financial income and charges:** the net change was a fall of 6,473 thousand euro in "Financial income and charges", which went from 23,086 to 29,559 thousand euro, and refers to financial income and charges in the financial sector which were reclassified under "Net sales" and "Other operating income/(expense)".
- **Other income and charges, Other operating income:** there was an improvement of 911 thousand euro in "Other income and charges", which went from 1,543 to 632 thousand euro, and refers to non-recurring charges which were reclassified under "Other operating income".

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Exchange rates used to translate the financial statements of foreign entities

Exchange rates for 1 euro:

Currencies	Average rate			Closing rate		
	1 st half 2006	Full year 2005	1 st half 2005	June 30, 2006	December 31, 2005	June 30, 2005
US dollar	1.22980	1.24409	1.24409	1.27130	1.17970	1.17970
Pound sterling	0.68705	0.68380	0.68380	0.69210	0.68530	0.68530
Swiss franc	1.56108	1.54828	1.54828	1.56720	1.55510	1.55510
Thai baht	47.61400	50.06249	50.06249	48.57500	48.43700	48.43700
Moroccan dirham	10.98956	11.01431	11.01431	11.07520	10.86370	10.86370
Canadian dollar	1.39994	1.50873	1.50873	1.41320	1.37250	1.37250
Albanian lek	123.00184	124.02465	124.02465	123.25200	122.36200	122.36200
Egyptian lira	7.07062	7.20893	7.20893	7.33067	6.77443	6.77443
New Turkish lira	1.71043	1.66956	1.66956	2.00950	1.59040	1.59040
Mauritanian ougulyia	330.32431	329.04844	329.04844	341.47100	316.86700	316.86700
Indian rupee	55.26850	54.82885	54.82885	58.55140	53.16790	53.16790
Sri Lankan rupee	126.28000	125.05847	125.05847	132.17100	120.44900	120.44900
Cypriot pound	0.57493	0.57683	0.57683	0.57500	0.57350	0.57350
Bosnian mark	1.95583	1.95583	1.95583	1.95583	1.95583	1.95583
Bulgarian lev	1.95583	1.95583	1.95583	1.95583	1.95583	1.95583
Czech crown	28.49091	29.78201	29.78201	28.49300	29.00000	29.00000
Slovak crown	37.57170	38.59890	38.59890	38.35000	37.88000	37.88000
Serbian dinar	87.27680	83.09320	83.09320	85.89980	85.26160	85.26160
Hungarian florin	260.62200	248.05400	248.05400	283.35000	252.87000	252.87000
Ukranian hrivna	6.20938	6.35588	6.35588	6.37515	5.95749	5.95749
Croatian kuna	7.31103	7.39894	7.39894	7.24450	7.37150	7.37150
New Romanian leu	3.56376	3.62090	3.62090	3.51980	3.68020	3.68020
Slovene tallero	239.56800	239.56800	239.56800	239.63000	239.50000	239.50000
Kazakh tange	155.88377	165.23860	165.23860	150.55200	157.79800	157.79800
Ruble	34.01270			34.24000		
Polish zloty	3.89043			4.05460		

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

Consolidation area

The following changes have taken place in the consolidation area with respect to June 30, 2005:

Entered the consolidation area

On a line-by-line basis:

- Italsinex S.p.A. (Italy)
- Itc-Factor S.p.A (Italy)
- Helwan Cement Company (Egypt) (*)
- Ciments Français Participations S.n.c. (France)
- Granulats Ouest (France)
- Cementi e Calci di S. Marinella S.r.l. (Italy)
- Cementificio di Montalto S.p.A. (Italy)
- Trabel Affretement (France)
- Axim Building Technologies (Spain)
- Cie pour l'Investissement Financier en Inde (France)
- Amprica S.p.A. (Italy)
- Inline Poland SP zo.o. (Poland)
- Inline R (Russia)
- Inline Ukraine (Ukraine)
- Inline Czechia (Czech Republic)
- Inline Balkans (Bulgaria)

On a proportionate basis:

- Medcem S.r. (at 50%) (Italy)
- Sitapuram Power (at 50%) (India)
- Dragages Tranzports & Travaux Maritimes S.A. (at 40%) France (**)
- Sabliers de l'Odet (at 40%) (France)
- Sablmaris (at 40%) (France)

Sale of business

Kayward S.A. (Ireland)

Merged companies

By S.r.l Nuove Costruzioni Edilizie Sance: Duca d'Este S.r.l. (Italy)
By Punta Ala Promozione e Sviluppo Immobiliare S.r.l.: Cantiere Navale di Punta Ala S.p.A. (Italy)
By Intermobiliare S.r.l. (now renamed Franco Tosi S.r.l.: Franco Tosi S.r.l. (Italy)
By Anadolu (now renamed Set Cimento): Set Cimento (Turkey)
By Compagnie des Cimentes Belges S.A.: Ath Beton (Belgium)

(*) on a line-by-line basis as from August 2005

(**) previously valued with the equity method

The consolidation area for the first half of 2006 includes the results of the Egyptian companies in the group as from January 1, 2006, whereas the consolidation area for the first half of 2005 did not include the Asec Cement Company (renamed Helwan), which entered the consolidation as from August 1, 2005, and also, Suez Cement Company, Tourah Cement Co. and Suez Bag which were consolidated on a line-by-line basis as from April 1, 2005.

The Indian subsidiaries Zuari Cement Ltd., Sri Vishnu Cement Ltd. and Sitapuram Power have been consolidated on a line-by-line basis since June 1, 2006; previously, they were consolidated on a proportionate basis.

Amprica S.p.A. Italia and its subsidiaries have been consolidated on a line-by-line basis since June 30, 2006.

The significant equity investments in subsidiaries, joint ventures and associates, and the respective method of consolidation, are listed in annex 1; information on these companies' registered offices and the percentage of capital held is provided in the list of equity investments in annex 2.

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Seasonal nature of intermediate operations

The construction materials sector is subject to seasonal trends and this must be taken into account when examining and assessing performance in interim periods. Specifically, operations are affected by meteorological conditions, which are usually less favorable in the winter months, although obviously they vary from year to year. The main maintenance work on production plants generally takes place during this period of lower activity, and maintenance costs therefore tend to be concentrated in the first six months. Consequently, first-half performance is not a fully reliable indicator of the full-year trend.

Sector reporting

Primary reporting sector

The following table provides the figures by sector for net sales and results at June 30, 2006:

	Net sales	Intragroup sales	Contributive revenues	Gross operating profit	Operating income	Income from companies valued on equity basis
(in thousands of euro)						
Construction materials	2,909,938	(2,417)	2,907,521	739,456	535,588	2,752
Packaging and insulation	86,551	(2)	86,549	12,370	8,771	18
Financial	119,462	(51,328)	68,134	90,813	90,781	3,569
Banking	24,628		24,628	7,137	5,834	
Property, services and others	1,235	(490)	745	1,710	1,598	1,560
Inter-sector eliminations	(54,237)	54,237		(49,614)	(49,616)	
Total	3,087,577		3,087,577	801,872	592,956	7,899

The following table provides the figures by sector for net sales and results at June 30, 2005:

	Net sales	Intragroup sales	Contributive revenues	Gross operating profit	Operating income	Income from companies valued on equity basis
(in thousands of euro)						
Construction materials	2,397,908	(2,410)	2,395,498	495,217	328,090	12,777
Packaging and insulation	80,227	2	80,229	12,177	8,655	11
Financial	87,764	(42,541)	45,223	69,071	69,045	1,595
Banking	20,717		20,717	4,915	3,852	
Property, services and others	1,428	(469)	959	(741)	(795)	(37)
Inter-sector eliminations	(45,418)	45,418		(41,201)	(41,605)	
Total	2,542,626		2,542,626	539,438	367,242	14,346

The following table shows other figures by sector at June 30, 2006:

	June 30, 2006		June 30, 2006			
	Total assets	Total liabilities	Capital expenditure	Investments in financial assets	Amortization and depreciation of fixed assets	Impairment variation
(in thousands of euro)						
Construction materials	9,350,994	5,002,269	179,434	230,823	203,776	92
Packaging and insulation	256,270	210,142	5,625	42,621	3,599	
Financial	2,496,071		601,637	71	27,409	32
Banking	284,989	193,897	1,129	415	1,303	
Property, services and others	54,112	33,294	217		82	32
Inter-sector eliminations	(526,193)	(109,040)				
Total	11,916,243	5,932,199	186,476	301,268	208,792	124

The following table shows other figures by sector at December 31, 2005 and June 30, 2005.

(in thousands of euro)	December 31, 2005		June 30, 2005			
	Total assets	Total liabilities	Capital expenditure	Investments in financial assets	Amortization and depreciation of fixed assets	Impairment variation
Construction materials	9,387,061	5,030,959	166,448	203,976	166,827	300
Packaging and insulation	151,552	106,501	7,465		3,926	
Financial	2,366,427	544,077	114	15,214	25	
Banking	279,300	188,100	10		1,064	
Property and services	45,770	26,406	178		53	1
Inter-sector eliminations	(476,645)	(59,326)				
Total	11,753,465	5,836,717	174,215	219,190	171,895	301

Secondary reporting sector

(in thousands of euro)	Contributive revenues		Capital expenditure		Investments in financial assets		Total assets		Total liabilities	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005	June 30, 2006	Dec. 31, 2005	June 30, 2006	Dec. 31, 2005
European Union	1,979,251	1,783,979	131,092	112,329	115,928	94,779	9,664,158	9,422,389	3,178,643	3,039,780
Other European countries	188,503	154,101	7,451	4,459	71,760		739,508	765,562	297,158	318,615
North America	323,872	264,958	25,546	40,547			815,229	849,028	268,744	296,130
Asia	152,208	120,170	8,249	5,173	112,765	11	691,680	530,131	141,168	106,835
Africa	333,873	161,068	12,187	7,415		124,400	2,000,206	2,246,174	585,343	755,682
Trading and other	109,870	58,350	1,951	4,292	815		3,468,729	3,412,699	1,835,735	1,859,287
Inter-area elimination	-	-	-	-	-	-	(5,463,267)	(5,472,518)	(374,592)	(539,612)
Total	3,087,577	2,542,626	186,476	174,215	301,268	219,190	11,916,243	11,753,465	5,932,199	5,836,717

Dealings with related parties

The table below illustrates dealings with related parties at June 30, 2006:

ITM Group	Net sales (purchases) goods & services	Trade receivables (payables)	Financial receivables (payables)	Interest income (expense)	Other income (expense)
Subsidiaries and associates	11,695 (20,742)	6,901 (3,123)	7,463 (111)	110 (26)	269
Other related parties	90	43			
	(950)	(601)			(1,200)

Net sales and purchases of goods and services in respect of subsidiaries and associates referred largely to dealings with companies consolidated on a proportionate basis, the most important being Société des Carrieres du Tournais, Medcem S.r.l. and Les Calcaires Girondins S.a.s., and companies valued with the equity method, including the Ciments Quebec Inc. group, General Cave S.r.l., Cementi della Lucania S.p.A. and Universal Imballaggi S.r.l.

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Assets

Non-current assets

1) Property, plant and equipment

(in thousands of euro)	Land and buildings	Quarries	Technical plant, materials and equipment	Other property, plant and equipment	Total
Gross value	1,866,607	619,393	5,993,232	719,093	9,198,325
Accumulated depreciation	(972,000)	(193,999)	(3,759,513)	(290,363)	(5,215,875)
Net carrying amount at December 31, 2005	894,607	425,394	2,233,719	428,730	3,982,450
Additions	8,972	6,799	48,876	109,746	174,393
Change on final attribution of acquisitions	66,600		4,200		70,800
Change in consolidation area	40,528	3,057	137,447	(71,760)	109,272
Disposals	(324)	(265)	(1,669)	(1,153)	(3,411)
Depreciation	(26,508)	(9,813)	(153,227)	(12,517)	(202,065)
Currency translation differences	(42,621)	(4,600)	(84,440)	(9,360)	(141,021)
Other	1				1
Net carrying amount at June 30, 2006	941,255	420,572	2,184,906	443,686	3,990,419
Gross value	1,898,595	622,182	6,001,840	723,096	9,245,713
Accumulated depreciation	(957,340)	(201,610)	(3,816,934)	(279,410)	(5,255,294)
Net carrying amount at June 30, 2006	941,255	420,572	2,184,906	443,686	3,990,419

Additions totaled 174,393 thousand euro and focused mainly on Europe for 119,490 thousand euro, of which Italy 65,118, France 30,538 and Spain 16,782 thousand euro, and on North America for 25,546 thousand euro.

The item "Change on final attribution of acquisitions" reflects changes to the values of land held by Suez Cement Company and Tourah Portland Cement and of plant and equipment held by Cemill S.p.A.

"Change in consolidation area and other" arose mainly as a result of line-by-line consolidation of the Indian subsidiaries of the Zuari group.

Currency translation differences largely reflected changes in the Egyptian lira, Turkish lira and dollar against the euro.

The net carrying value of the fixed assets pledged to guarantee bank loans totaled 400.4 million euro at June 30, 2006 (510.9 million euro at December 31, 2005), of which 281 million concerned the assets of Helwan.

2) Real estate investment

Real estate investment of 28,308 thousand euro (29,293 thousand euro at December 31, 2005) is largely valued at amortized cost.

The fair value of real estate investment at June 30, 2006 was 147.4 million euro.

3) Goodwill

The change in goodwill compared to December 31, 2005 was as follows:

(in thousands of euro)	Goodwill
Gross value	1,916,807
Accumulated amortization	(76,609)
Net carrying amount at December 31, 2005	1,840,198
Acquisitions and change in consolidation area	109,190
Disposals	
Writedowns	(221)
Currency translation differences	(61,937)
Change on final attribution of acquisitions	(6,535)
Net carrying amount at June 30, 2006	1,880,695
Gross value	1,956,793
Accumulated amortization	(76,099)
Net carrying amount at June 30, 2006	1,880,694

The goodwill generated in the period arose from the acquisition of the Amprica group and the line-by-line consolidation of the Zuari Cement Ltd. Group which in the latter case generated additional goodwill of 76.7 million euro (see the following note "Business combinations").

The final attribution of values relating to 2005 acquisitions generated an overall reduction in goodwill of 6.5 million euro, of which Suez and Tourah for 3.8 million euro and Cemill S.p.A., now merged with Cementificio Montalto S.p.A., for 2.6 million euro.

Currency translation differences arose mainly as a result of the changes in the Egyptian lira, Turkish lira and dollar against the euro.

Business combinations

Acquisitions during the half

In May 2006 an agreement was reached to acquire from Zuari Industries Limited the outstanding share in the equally owned joint venture Zuari Cement Limited.

Previously, Zuari Cement Ltd. and its subsidiaries Sri Vishnu and Sitapuram Power had been consolidated on a proportionate basis, at 50%.

The asset and liability values at the acquisition date are set out in the table below; the fair value of the acquired assets and liabilities must be assessed by experts and should be considered provisional. The fair value amounts will be finalized at the latest within twelve months of acquisition of control.

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Zuari Cement Limited group consolidated financial statements

(in millions of euro)	Fair value attributed to acquisition	Of which change in fair value
Net property, plant and equipment and other current assets	118.1	2.6
Inventories	7.3	
Trade receivables and other non-current assets	5.6	
Cash and cash equivalents	9.9	
Trade payables and other current liabilities	(19.6)	
Deferred tax liabilities	(11.3)	(6.8)
Reserves for risks and charges	(0.2)	
Loans and borrowings and other financial liabilities	(37.3)	
Minority interests	(0.4)	
Fair value of acquired net assets	72.1	
Interest held previously	(27.8)	
Goodwill	76.7	
Revaluation of interest held previously	(8.3)	
Total cost of acquisition	112.7	

Outlay in 2005

Share purchase price	108.7
Cost relating to acquisition	4
Total cost of acquisition	112.7

The total net outlay for the acquisition was as follows:

Price paid for previous acquisitions	106.4
Cash and cash equivalents acquired on a proportionate basis	(35.4)
Net outlay for previous acquisitions	71.0
Price paid in 2006	112.7
Cash and cash equivalents acquired	(5.0)
Net outlay in 2006	107.7

In June 2006 the acquisition of the Amprica S.p.A. group by Sirap Gema was completed. The asset and liability values of the Amprica S.p.A. group identified at the acquisition date were as follows:

Amprica group	
Net property, plant and equipment and other non-current assets	36.1
Inventories	11.5
Trade receivables and other current assets	15.3
Cash and cash equivalents	4.6
Trade payables and other current liabilities	(11.6)
Financial payables and other financial liabilities	(35.3)
Non-current provisions	(0.4)
Other non-current liabilities and deferred tax liabilities	(5.8)
Minority interests	(2.6)
Total net assets acquired	11.8
Goodwill	30.8
Total cost of acquisition	42.6

The fair value of the acquired assets and liabilities are being assessed by experts. The fair value amounts will be finalized at the latest within twelve months of acquisition of control.

Final attribution of values in respect of acquisitions made last year

During the first half of 2006 attribution of values relating to the acquisition of the Suez group was finalized; the adjustment concerned land values.

The values attributed to the Suez group as at the acquisition date are set out below:

Suez Cement Company group consolidated financial statements (excluding Helwan Cement)			
(in millions of euro)	Provisional fair value attributed at acquisition	Adjustment to fair value (1)	Fair value attributed at acquisition
Net property, plant and equipment and other non-current assets	444.4	60.1	504.5
Inventories	75.6		75.6
Trade receivables and other current assets	19.2		19.1
Cash and cash equivalents	58.3		58.3
Trade payables and other current liabilities	(35.3)		(35.3)
Deferred tax liabilities	(61.1)	(12.0)	(73.0)
Reserves for risks and charges	(29.7)		(29.7)
Loans and borrowings and other financial liabilities	(69.8)		(69.8)
Minority interests	(220.9)	(32.6)	(253.5)
Fair value of net assets acquired	180.7	15.5	196.2
Share of interest previously held	(217.6)		(217.6)
Goodwill	202.3	(3.8)	198.5
Revaluation of share of interest previously held	(59.6)	(11.7)	(71.3)
Total cost of acquisition	105.8		105.8

(1) at exchange rate at March 31, 2005

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The asset and liability values attributed to Helwan (ex Asec) will be finalized during the third quarter of 2006. During the first half of 2006 the accounting assessment of the assets and liabilities obtained upon acquisition of Cemill S.p.A., now merged with Cementificio di Montalto S.p.A., was completed; the adjustment concerned grinding plant and machinery for a net amount of 4.2 million euro and recognition of deferred tax liabilities for 1.6 million euro.

Impact of the 2005 and 2006 acquisitions on the half-year result

The line-by-line consolidation of the Zuari Cement Limited group, consolidated on a proportionate basis until May 31, 2006, had the following impact on the 2006 half-year consolidated income statement:

Net sales (*)	6.4
Current gross operating profit	2.5
Operating income	2.0
Group net income	1.2
Minority interests	-

(*) after intragroup eliminations

If the Zuari Cement Limited group had been consolidated line-by-line as from January 1, 2006, the additional impact on the half-year consolidated income statement would have been as follows:

Net sales (*)	27.8
Current gross operating profit	7.9
Operating income	5.2

(*) after intragroup eliminations

If the Egyptian companies acquired in 2005 (Suez group on April 1 and Helwan on August 1) had been consolidated line-by-line as from January 1, 2005, the additional impact on the 2005 half-year consolidated results would have been as follows:

Net sales (*)	174.8
Current gross operating profit	92.4
Operating income	51.7

(*) after intragroup eliminations

Goodwill testing

No indications of impairment emerged during the first half such as to require additional goodwill testing. Consequently, goodwill will be tested at the annual scheduled time, in preparation for the 2006 financial statements.

4) Intangible assets

	Concessions	Licenses and other rights	Other intangible assets	Total
(in thousands of euro)				
Gross value	15,088	63,768	62,651	141,507
Accumulated amortization	(4,935)	(47,885)	(37,009)	(89,829)
Net carrying amount at December 31, 2005	10,153	15,883	25,642	51,678
Additions	2,144	8,998	843	11,985
Change in consolidation area				
Disposals	(1)	(10,313)	(295)	(10,609)
Amortization	(849)	(2,849)	(2,608)	(6,306)
Currency translation differences		(91)	(307)	(398)
Other	73	2,580	2,281	4,934
Net carrying amount at June 30, 2006	11,520	14,208	25,556	51,284
Gross value	17,224	64,203	62,197	143,624
Accumulated amortization	(5,704)	(49,995)	(36,641)	(92,340)
Net carrying amount at June 30, 2006	11,520	14,208	25,556	51,284

Additions and disposals of "Licenses and other rights" mainly referred to CO₂ rights acquired from third parties by Italcementi S.p.A. to cover the deficit identified at December 31, 2005, and the subsequent delivery of these rights to the Ministry of the Environment.

5) Equity investments valued at equity

This caption reflects equity interests, including goodwill, in investments consolidated on an equity basis. The following table lists the main investments:

(in thousands of euro)	Value of investments		Share of income	
	June 30, 2006	December 31, 2005	June 30, 2006	June 30, 2005
Ciments Quebec	55,000	62,200	2,282	865
Vassiliko Cement Works	53,000	51,265	2,460	1,757
Suez Cement Group				11,323
Mittel	48,989	35,070	3,569	1,595
S.E.S.	16,941	16,488	1,575	
Immobiliare Golf	1,298	1,304	(15)	(37)
Universal Imballaggi	467	444	18	11
Other	12,219	17,033	(1,990)	(1,168)
Total	187,914	183,804	7,899	14,346

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6) Other investments

This non-current asset item reflects investments in the "available for sale" category, as required by IAS 39.

(in thousands of euro)	
At December 31, 2005	1,375,787
Acquisitions	104,437
Disposals	(16,662)
Change in fair value recorded directly in equity	45,957
Change in consolidation area and other	(535)
Currency translation differences	(584)
At June 30, 2006	1,508,400

Acquisitions in the period of 104.4 million euro mainly refer to investments made by the construction materials sector for 77 million euro, including the investment in Goltas, a company listed on the Istanbul stock exchange, for 64.7 million euro; the remainder relates to the purchase by finance companies of Banca Leonardo shares for 13.8 million euro and Mediobanca shares for 13.5 million euro.

Equity investments at June 30, 2006 were as follows:

(in thousands of euro)		Number of shares	June 30, 2006
Equity investments in listed companies			
Mediobanca		21,494,278	329,400
RCS MediaGroup		51,779,730	206,525
Unicredito		85,626,509	523,606
BPU		3,183,666	64,119
Capitalia		6,456,343	41,385
GIM		8,838,902	6,263
GIM warrant		3,132,741	686
Other			75,514
	Total		1,247,498
Equity investments in non-listed companies			
Fin Priv			30,123
Cartiere Burgo			68,200
Consortium			23,594
Gruppo Banca Leonardo			13,796
Sesaab			9,325
Other			115,864
	Total		260,902
At December 31, 2005			1,508,400

The fair value of the listed companies was determined on the basis of the official share price on the last trading day.

Among non-listed companies under the item "Other", the largest investment is Asment, the fair value of which was determined with reference to the official share price of comparable companies.

7) Non-current trade and other receivables

"Non-current trade and other receivables" at June 30, 2006 totaled 160,072 thousand euro (476,760 thousand euro at December 31, 2005).

The significant reduction was due essentially to the following transaction on floating rate subordinated securities (FRSS): the French companies Ciments Français and Unibeton exercised their FRSS buy-back option on June 23 and 29, 2006 respectively, for a symbolic amount. Consequently, the two companies are no longer required to pay interest to the subscribers of the FRSS, nor are they entitled any longer to receive interest accruing on the deposits lodged with banks in connection with the FRSS.

As a result of the transaction, the loan in question and the deposits of 327.8 million euro relating to the FRSS carried under non-current assets have been cancelled, with no impact on half-year consolidated net profit.

This item includes the fair value of long-term derivatives of 22,178 thousand euro (11,385 at December 31, 2005).

Current assets

8) Inventories

(in thousands of euro)	June 30, 2006	December 31, 2005	Change
Raw and ancillary materials and consumables	443,417	432,301	11,116
Work in progress and semi-finished goods	107,463	127,156	(19,693)
Contract work in progress	25,912	22,300	3,612
Finished products	126,396	138,523	(12,127)
Total	703,188	720,280	(17,092)

Inventories are carried net of writedown provisions totaling 86,377 thousand euro (84,985 thousand euro at December 31, 2005), mainly against the risk of slow-moving ancillary and consumable materials.

9) Trade receivables

(in thousands of euro)	June 30, 2006	December 31, 2005	Change
Gross amount	1,732,130	1,398,261	333,869
Writedowns	(68,394)	(65,660)	(2,734)
Net amount	1,663,736	1,332,601	331,135

The increase of 331.1 million euro in trade receivables with respect to December 31, 2005 is largely due to the combined effect of sales and the seasonal nature of sales.

The French subsidiaries Ciments Calcia and Arena extended their trade receivables factoring programs for five years, in 2000 and 2001 respectively.

At the end of 2005 Ciments Calcia extended its trade receivables factoring program for one year.

Under IAS 39, factoring transactions do not qualify for recognition, since the risks associated with the receivables are not transferred; consequently the factored receivables continue to be recognized on the face of the balance sheet. The transactions are treated as guaranteed loans.

At June 30, 2006 trade receivables included factored receivables for 178.6 million euro, and an amount of 145 million euro was recorded under short-term financing.

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10) Other assets and income tax assets

"Other assets" was as follows:

(in thousands of euro)	June 30, 2006	December 31, 2005	Change
Receivables for staff	8,504	5,246	3,258
Receivables for indirect tax	77,089	80,669	(3,580)
Prepayments	52,727	29,419	23,308
Accrued income	3,608	2,903	705
Hedging derivatives	788	1,435	(647)
Trading derivatives	1,453	1,490	(37)
Other banking receivables	103,013	103,526	(513)
Other receivables	119,000	86,701	32,299
Net amount	366,182	311,389	54,793

"Income tax assets" was as follows:

(in thousands of euro)	June 30, 2006	December 31, 2005	Change
Receivables due from tax authorities	29,116	46,107	(16,991)
Tax payments on account	16,344	22,286	(5,942)
Tax credits for withholding tax	1,135	998	137
Total income tax assets	46,595	69,391	(22,796)

11) Equity investments, bonds and current financial receivables

"Investments and financial receivables" were as follows:

(in thousands of euro)	June 30, 2006	December 31, 2005	Change
Securities and debentures	620,217	614,723	5,494
Trading investments	56,691	53,493	3,198
Banking receivables	105,334	89,747	15,587
Other financial receivables	45,676	72,659	(26,983)
Net amount	827,918	830,622	(2,704)

12) Cash and cash equivalents

(in thousands of euro)	June 30, 2006	December 31, 2005	Change
Cash on hand and checks	14,714	13,087	1,627
Bank and post office accounts	350,042	427,488	(77,446)
Short-term deposits	99,717	77,595	22,122
Net amount	464,473	518,170	(53,697)

Short-term deposits have varying maturities within three months, in relation to the Group's cash requirements; interest matures at the respective short-term rates.

Cash and cash equivalents are also shown under the item "Cash and cash equivalents at the end of the period" on the cash flow statement.

Shareholders' equity and liabilities

Share capital and reserves

13) Share capital

At June 30, 2006 parent company fully paid-up share capital amounted to 100,166,937 euro represented by 38,525,745 shares with a par value of 2.6 euro each, as follows:

(number of shares)	June 30, 2006	December 31, 2005	Changes
Ordinary shares	22,182,583	22,182,583	-
Savings shares	16,343,162	16,343,162	-
Net amount	38,525,745	38,525,745	-

14) Reserves

Share premium reserve

The share premium reserve stood at 177,191 thousand euro, unchanged compared to December 31, 2005.

Reserve for available for sale financial assets

This item includes changes to adjust financial assets available for sale to the fair value.

(in thousands of euro)	
At December 31, 2005	675,570
Gains taken directly to reserve	47,929
Deferred tax taken directly to reserve	(5,500)
Gains taken to income and expense	(112)
At June 30, 2006	717,887

Reserve for derivatives

This item includes changes to adjust hedging contracts to fair value.

(in thousands of euro)	
At December 31, 2005	(944)
Gains taken directly to reserve	6,095
Deferred tax taken directly to reserve	(1,984)
Losses taken to income and expense	(561)
Tax taken directly to income and expense	187
At June 30, 2006	2,606

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Other IFRS reserves

(in thousands of euro)	
At December 31, 2005	27,958
Retained earning taken directly to equity	4,795
At June 30, 2006	32,753

15) Treasury shares, at cost

At June 30, 2006 the value of treasury shares purchased totaled 22,176 thousand euro and was recorded as a reduction in shareholders' equity reserves.

Ordinary treasury shares held at June 30, 2006 are used to service stock option plans which have been approved for directors and managers.

Dividends paid

Dividends of the parent company Italmobiliare S.p.A declared and paid during 2006 and 2005 were as follows:

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

Translation reserve

This reserve, used to record currency translation differences arising from the accounts of the foreign subsidiaries, at June 30, 2006 totaled 4,613 thousand euro, as shown in the following currencies:

(in millions of euro)	June 30, 2006	December 31, 2005	Change
Egypt (Lira)	(1.3)	11.4	(12.7)
United States and Canada (Dollar)	4.9	15.0	(10.1)
Thailand (Baht)	2.0	2.2	(0.2)
Morocco (Dirham)	0.1	1.7	(1.6)
India (Rupee)	0.4	1.1	(0.7)
Turkey (Lira)	(0.9)	12.9	(13.8)
Switzerland (Franc)	(1.2)	(0.4)	(0.8)
Other countries	0.6	2.9	(2.3)
Net amount	4.6	46.8	(42.2)

16) Minority interests

Minority interests at June 30, 2006 fell by 19,343 thousand euro compared to December 31, 2005.

The 2006 half-year net income was 253,551 thousand euro compared to 155,860 thousand euro for the 2005 half-year, while the translation reserve decreased by 137,354 million euro compared to December 31, 2005.

Non-current liabilities

17) Employee benefit liabilities

Net employee benefit liabilities are set out below:

	June 30, 2006	December 31, 2005
Pension plans and other long-term benefits	143,736	143,715
Post-employment health care benefits	63,068	65,025
Other	6,200	7,500
Net liability:	213,004	216,240
of which		
Liability	213,204	217,040
Asset	200	800
Net (assets)/liabilities	213,004	216,240

"Other" refers to the early retirement plan provided at the end of 2005, of which 1.3 million euro was used in the first half of 2006 in respect of costs totaling 1.5 million euro.

With regard to defined benefit plans, the net liabilities at June 30, 2006 for pension plans, post-employment benefits and leaving entitlement provisions are projections at 30 June, 2006 based on the actuarial calculations effected at December 31, 2005 for each individual plan. They take account of contributions and entitlements actually paid during the first six months.

Stock options

The terms and conditions of the Italmobiliare S.p.A. stock option plans at June 30, 2006 are as follows:

Data di assegnazione	No. options granted	Exercise period	Options exercised	Options cancelled	Unexercised options	Underwriting price
March 24, 2003	49,283	1.1.2006-12.31.2012			49,283	€ 31.2800
March 30, 2004	96,080	1.1.2007-12.31.2013			96,080	€ 35.1990
March 30, 2005	108,437	1.1.2008-12.31.2014			108,437	€ 54.5355
March 21, 2006	109,880	12.1.2009-12.31.2015			109,880	€ 65.7010
Total	363,680				363,680	

The grant date corresponds to the Board of Directors meeting which approved the stock option plan.

The table below shows the number and average exercise price of options in the periods in question:

	June 30, 2006		June 30, 2005	
	number of options	average underwriting price	number of options	average underwriting price
Unexercised options at the start of the year	253,800	42.7000	253,800	42.7000
Granted during the year	109,880	65.701		
Cancelled during the year				
Exercised during the period				
Expired during the period				
Unexercised options at the end of the period	363,680	49.6500	253,800	42.7000
Options that may be exercised at the end of the period	49,283			

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The average ordinary share price in the first half of 2006 was 66.26 euro (52.95 euro in the first half of 2005 and 54.72 euro in full-year 2005).

The option exercise price at June 30, 2006 was between 31.28 euro and 65.701 euro.

Only options granted after November 7, 2002 that had not vested at December 31, 2003 were measured and recognized at the date of transition to the IFRS.

The following table sets out the characteristics of all Group stock options plans and their cost, carried under "Employee benefits expense".

(in thousands of euro)	Company	No. options granted	Vesting period	Employee costs	
Grant date				June 30, 2006	June 30, 2005
February 12, 2003	Ciments Français	171,400	3 years	60	216
March 24, 2003	Italmobiliare	49,283	3 years		58
March 7, 2003	Italcementi	965,945	3 years		337
March 30, 2004	Italmobiliare	96,080	3 years	125	125
March 17, 2005	Italcementi	1,053,600	3 years	493	392
March 30, 2005	Italmobiliare	108,437	3 years	225	113
April 14, 2005	Ciments Français	169,400	3 years	524	187
March 7, 2006	Italcementi	631,403	3 years	391	-
March 21, 2006	Italmobiliare	109,880	3 years	220	-
March 23, 2006	Ciments Français	155,000	3 years	511	-
Total		3,510,428		2,549	1,428

The fair value of stock option plans at the attribution date is estimated using a binomial model which takes account of dividends. The total life of the options is ten years. The forecasts on volatility reflect the assumption that volatility in the past, recorded as an annual average over a three year period net of non-recurring events, provides an indication of volatility in the future.

The following table sets out the working hypotheses and the results achieved in terms of creating value from the Italmobiliare S.p.A. options:

	2005 plan	2004 plan	2003 plan	2002 plan
Value of the option at the vesting date	22.05	11.41	7.15	6.49
Value of the share	73.57	52.84	35.05	31.80
Exercise price	65.701	54.536	35.199	31.280
Volatility as a %	17.5%	17.5%	17.5%	17.5%
Duration of the option (in years)	9.75	10	10	10
Dividends as a %	1.50%	1.89%	2.68%	2.96%

Net financial position

It should be noted that, following the redefinition of the content of the net financial position of the subsidiaries operating in the banking sector some changes have been made to the consolidated net financial position at June 30, 2006 and consequently the financial position at December 31, 2005 has been restated for comparative purposes as shown in the following table:

(in thousands of euro)	December 31, 2005	December 31, 2005 published	Change
Cash, cash equivalents, and current financial assets	1,455,178	1,261,905	193,273
Cash and cash equivalents	518,170	518,170	
Derivative financial instruments	6,259	2,925	3,334
Other current financial assets	930,749	740,810	189,939
Short-term financing	(1,318,738)	(1,142,124)	(176,614)
Short-term borrowings	(976,157)	(976,157)	
Current loans and borrowings	(337,711)	(164,338)	(173,373)
Derivative financial instruments	(4,870)	(1,629)	(3,241)
Medium/long-term financial assets	389,640	375,355	14,285
Long-term financial assets	377,805	363,520	14,285
Long-term derivatives	11,835	11,835	
Medium/long-term financing	(2,391,202)	(2,391,202)	
Long-term financing	(2,375,059)	(2,375,059)	
Long-term derivatives	(16,143)	(16,143)	
Net financial position	(1,865,122)	(1,896,066)	30,944

Net financial position at June 30, 2006 is itemized as follows in the balance sheet:

(in thousands of euro)	Balance sheet item	Not net fin. pos.	Net fin. pos.	Short-term assets	Short-term financing	Long-term assets	Long-term financing	Total
Non-current trade and other receivables	159,487	88,219	71,268	63		71,205		71,268
Other current assets	366,182	260,928	105,254	105,254				105,254
Investments and financial receivables	827,918	296	827,622	827,622				827,622
Cash and cash equivalents	464,473		464,473	464,473				464,473
Medium/long-term financing	(2,479,614)	(3)	(2,479,611)				(2,479,611)	(2,479,611)
Other non-current	(15,853)	(189)	(15,628)				(15,628)	(15,628)
Bank overdrafts and short-term borrowings	(880,958)		(880,958)		(880,958)			(880,958)
Short-term financing	(174,367)	(1)	(174,366)		(174,366)			(174,366)
Other current liabilities	(648,679)	(461,094)	(187,585)		(187,585)			(187,585)
Total			(2,269,531)	1,397,412	(1,242,909)	71,205	(2,495,239)	(2,269,531)

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Net financial position at June 30, 2006 of 2,269,531 thousand euro (1,865,122 thousand euro at December 31, 2005) was as follows:

(in thousands of euro)	December 31, 2006	December 31, 2005	Change
Cash, cash equivalents and current financial assets	1,397,412	1,455,178	(57,766)
Cash and cash equivalents	464,473	518,170	(53,697)
Derivative financial instruments	7,140	6,259	881
Other current financial assets	925,799	930,749	(4,950)
Short-term financing	(1,242,909)	(1,318,738)	75,829
Short-term borrowings	(880,958)	(976,157)	95,199
Current loans and borrowings	(354,539)	(337,711)	(16,828)
Derivative financial instruments	(7,412)	(4,870)	(2,542)
Medium/long-term financial assets	71,205	389,640	(318,435)
Long-term financial assets	49,027	377,805	(328,778)
Long-term derivatives	22,178	11,835	10,343
Medium/long-term financing	(2,495,239)	(2,391,202)	(104,037)
Long-term financing	(2,479,611)	(2,375,059)	(104,552)
Long-term derivatives	(15,628)	(16,143)	515
Net financial position	(2,269,531)	(1,865,122)	(404,409)

18) Loans and borrowings

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

(in thousands of euro)	June 30, 2006	December 31, 2005	Change
Floating rate subordinated securities		327,752	(327,752)
Amounts due to banks	1,413,495	1,278,293	135,202
Debentures	575,533	591,772	(16,239)
Amounts due to other providers of finance	480,814	171,556	309,258
Finance lease payables	9,769	5,686	4,083
Medium/long-term financing	2,479,611	2,375,059	104,552
Amounts due to banks	880,958	976,157	(95,199)
Current portion of loans	132,489	125,838	6,651
Convertible bonded loans - current share	19,905	449	19,456
Debentures	17,167	17,159	8
Amounts due to other providers of finance		18,663	(18,663)
Finance lease payables	3,195	1,281	1,914
Accruals and deferred income	1,610	1,071	539
Short-term financing	174,366	164,461	9,905
Amounts due in the banking sector	180,173	173,250	6,923
Fair value of non-current hedging derivatives	15,628	16,143	(515)
Fair value of current hedging derivatives	2,773	1,629	1,144
Fair value of hedging derivatives	18,401	17,772	629
Derivatives in the banking sector	4,639	3,241	1,398
Total loans and borrowings	3,738,148	3,709,940	28,208

Short-term loans and borrowings included an amount of 145 million euro for loans on factored trade receivables (see note 9).

The main changes in loans and borrowings in the first half were as follows:

- cancellation of FRSS as a result of exercise of the related option (see note 7);
- the increase in non-current amounts due to other providers of finance referred mainly to the increase in billets de tresorerie at Ciments Français S.A. for 315 million euro under the 600 million euro emission program. At June 30, 2006, billets de tresorerie stood at 455 million euro (140 million euro at December 31, 2005).

Loans secured by mortgages and liens on property, plant and equipment at June 30, 2006 amounted to 123.6 million euro. Bank loans and current uses of credit lines includes loans on the disposal of trade receivables for 145 million euro.

Medium/long-term financing was as follows by currency:

(in thousands of euro)	June 30, 2006	December 31, 2005	Change
Euro	2,202,290	2,052,567	149,723
US and CAN dollar	200,400	221,400	(21,000)
Egyptian lira	53,300	84,700	(31,400)
Indian rupee	15,000	9,000	6,000
Thai baht	3,389	6,800	(3,411)
Czech crown	378	378	
Slovak crown	3,888	116	3,772
Bulgarian lev		6	(6)
Hungarian florin		1	(1)
Polish zloty	966		
Other		91	(91)
Total	2,479,611	2,375,059	103,586

The majority of short-term loans and borrowings were denominated in euro. Among those not denominated in euro, the main item was a syndicated line of credit in Egyptian lira, for an amount equivalent to 165.6 million euro, granted in July 2005 to Suez Cement Company to finance the acquisition of Helwan (ex Asec).

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Financial instruments

Fair value of derivative financial instruments

The fair value of the financial instruments in the financial statements, subdivided by type of hedge, is shown below:

(in thousands of euro)	June 30, 2006		December 31, 2005	
	Assets	Liabilities	Assets	Liabilities
Interest rate hedges to cover cash flows	673	24	167	32
Interest rate hedges to cover fair value				
Interest rate hedges for trading	1,174	651	1,323	874
Interest rate hedges	1,847	675	1,490	906
Exchange rate hedges to cover cash flows	115	1,273	1,105	284
Exchange rate hedges to cover fair value		119	163	107
Exchange rate hedges for trading	279	706	167	332
Exchange rate hedges	394	2,098	1,435	723
Total short-term cover	2,241	2,773	2,925	1,629
Interest rate hedges to cover cash flows	d) 17,764	a) 5,830	2,133	a) 8,527
Interest rate hedges to cover fair value	b) 4,414		b) 9,702	
Interest rate hedges	22,178	5,830	11,835	8,527
Exchange rate hedges to cover cash flows				
Exchange rate hedges to cover fair value		c) 9,798		c) 7,616
Exchange rate hedges		9,798		7,616
Total medium/long-term cover	22,178	15,628	11,835	16,143
Forward contracts	4,605	4,345	2,833	2,738
Options	294	294	501	503
Banking derivatives	4,899	4,639	3,334	3,241
Total	29,318	23,040	18,094	21,013

- a) of which cross currency swaps hedging a fixed rate loan in dollars (private placement), rate impact: 5.2 million euro (6.0 million euro at December 31, 2005);
- b) of which Euribor-indexed fixed-to-variable rate swaps, hedging a portion of the fixed-rate debenture issued under the EMTN program, impact: 4.4 million euro (9.6 million euro at December 31, 2005);
- c) of which cross-currency swaps hedging a fixed-rate dollar loan (private placement), with an exchange-rate impact of 10.6 million euro (7.6 million euro at December 31, 2005);
- d) of which Euribor-indexed variable-to-fixed rate swaps hedging in full a twenty-year 60 million euro loan arranged in the first half, with a rate impact of 4.0 million euro.

Interest and exchange rate hedges for trading refer to assets that do not qualify for recognition with hedge accounting criteria.

Derivative financial instruments are mainly used by the Italcementi Group.

Exposure to interest-rate risks

The majority of debt is held by the Italcementi Group.

At June 30, 2006, 55% of the Italcementi Group's net financial liabilities (not including the fair value of derivatives) was at fixed rates or hedged against the risk of rate increases, compared with 64% at December 31, 2005. The reduction of this percentage arose from the increase in floating-rate debt.

Additionally, the above percentage does not include hedges transacted in the first half that take effect after the June 30, 2006 closure, for a nominal amount of 130 million euro.

65% of fixed-rate commitments (63% at December 31, 2005) arose from the conversion, through use of derivatives, of contracts arranged at variable rates at inception.

The debt of the Sirap Gema Group is almost all at a variable rate. The financial sector has a positive financial position, all at floating rate.

Exposure to exchange-rate risks

Exposure to exchange-rate risk occurs mainly in the construction materials sector. At June 30, 2006 the most significant changes in derivatives hedging exchange-rate risks with respect to December 31, 2005 are related to the decrease in forward dollar purchases, which were worth 5.9 million euro, compared with 37.9 million euro at December 31, 2005. The decrease arose from the reduction in intragroup transactions in dollars.

The effect of line-by-line consolidation of the Indian companies of the Zuari group increased the portion in cross currency swaps in Indian rupees from 50% to 100%.

Liquidity risk

In the first half of 2006, Italcementi S.p.A. arranged a twenty-year loan for 60 million euro. The loan was used in July 2006. Italcementi S.p.A. opened a new line of credit for 275 million euro, consisting of the sum of a facility for 125 million euro that was due to expire and an existing facility of 150 million euro arranged in 2005, at improved conditions. An additional line of credit for 50 million euro arranged in 2004 was extended to 2011, at better conditions.

In the first half of 2006, Ciments Français renewed lines of credit for 250 million euro to 364 days and medium-term lines of credit for 80 million euro to 5 years. It also arranged new confirmed facilities for 150 million euro (100 million euro at 5 years and 50 million euro at 10 years). It had no drawings on these lines at the end of June 2006.

At June 30, 2006, in addition to drawings on facilities reflected under liabilities, the Italcementi Group had unused confirmed lines of credit for an additional 1,871 million euro and the 60 million euro loan mentioned above.

The increase in debt at the Sirap Gema Group, except for the debt of the Amprica group which was acquired in June, was mainly financed through intragroup loans.

During the first quarter of 2006 Italmobiliare S.p.A. arranged a 40 million euro, 5-year irrevocable line of credit with Banca Intesa. At June 30, 2006 the lines of credit available for Italmobiliare totaled 372.9 million euro, of which 80 million euro was irrevocable.

In June Italmobiliare S.p.A. renegotiated the outstanding loan with BNP Paribas and redefined its contractual form and the conditions relating to its maturity, interest rate and total (180 million euro).

The amount of 180 million euro derives from the sale of 46,998,957 Unicredito S.p.A. shares for a total of 285 million euro, accompanied by the signing of a Total Return Equity Swap ("TRES"). The amount of the loan is shown net of the cash collateral envisaged in the TRES of 105 million euro which enjoys a return equal to that of the cost of the loan in terms of the interest rates and liquidation period. In accordance with the international accounting standards, giving precedence to the substance of the two transactions (the sale of the shares and the simultaneous TRES), which are inter-related, rather than their form, the aforementioned 46,998,957 Unicredito S.p.A. shares have been kept under non-current assets as financial assets available for sale. This is because Italmobiliare has in reality kept the same equity risk exposure as existed before the transaction, with the simultaneous recognition of the payable due to the counterpart of the TRES. The TRES, which Italmobiliare may also extinguish in advance, gives Italmobiliare the possibility at the end of the operation to opt for the liquidation in cash of the differences arising from the fluctuation in the stock market value of the underlying shares, or to buy back the shares at the initial price.

Covenants

In addition to the customary clauses, some of the financing contracts granted to companies in the construction materials sector include covenants requiring compliance with financial ratios.

At June 30, 2006, loans and lines of credit subject to covenants accounted for 64.9% of drawings represented by gross debt for the sector (2,943 million euro at June 30, 2006 excluding the fair value effects of derivatives).

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At June 30, 2006, the ratios in question were well within the limits set by the covenants.

Lines of credit and financing contracts do not contain clauses that would require early repayment or rating triggers that would cause interest rates to rise in the event of a rating downgrade. Nor do they contain negative pledges or similar commitments that might affect the Group's ability to finance or re-finance its operations.

19) Non current reserves

Non-current and current reserves amounted to 315,020 thousand euro at June 30, 2006, a decrease of 9,015 thousand euro compared to December 31, 2005.

(in thousands of euro)	Opening value	Closing value
Tax risks	69,676	67,271
Environmental restoration of quarries	80,929	79,014
Legal disputes	34,170	34,401
Other reserves	139,275	134,334
Total	324,050	315,020
Non-current part	322,708	313,712
Current part	1,342	1,308
Total	324,050	315,020

The reserve for tax risks reflect amounts for tax-related liabilities that are considered probable as a result of tax audits and adjustments to tax returns in countries where the Group operates, in particular, France, Spain, Morocco, Egypt and Bulgaria.

Other reserves

The item reflects various types of reserves, including restoration of urban and industrial areas, disputes with employees and the CO₂ emissions deficit (see below "Emission rights").

Emission rights

The reserve for the CO₂ emissions deficit totaled 7.1 million euro at June 30, 2006 (14.0 million euro at December 31, 2005). It reflects surplus emissions in respect of the allocated allowances, calculated pro-quota at June 30, 2006, and refers to Italcementi S.p.A. for 4.4 million euro, Calcia (France) for 2.3 million euro and CCB (Belgium) for 0.4 million euro.

The market value of emission rights at June 30, 2006 was 15.69 euro per right (21.19 euro at December 31, 2005). Market value at September 12, 2006 was 16.22 euro per right.

20) Other non-current payables and liabilities

"Other non-current payables and liabilities" totaled 15,853 thousand euro, as follows:

(in thousands of euro)	June 30, 2006	December 31, 2005
Exchange rate hedging	9,798	7,616
Interest-rate hedging	5,830	8,527
Other medium/long-term financing	225	196
Total	15,853	16,339

21) Deferred tax liabilities

The net total of deferred tax liabilities was 318,504 thousand euro at June 30, 2006, as follows:

(in thousands of euro)	June 30, 2006	December 31, 2005
Temporary differences	(451,548)	(453,762)
Tax losses	34,500	27,559
Provisions	99,419	105,250
Other	(875)	5,444
Total	(318,504)	(315,509)
of which:		
Deferred tax assets	37,060	31,042
Reserve for deferred tax	(355,564)	(346,551)
Total	(318,504)	(315,509)

At June 30, 2006 net deferred tax liabilities taken to equity stood at 14,290 thousand euro. They referred to the fair value reserves for available-for-sale financial assets and for derivative financial instruments.

22) Trade payables

"Trade payables" were as follows:

(in thousands of euro)	June 30, 2006	December 31, 2005	Change
Payables due to suppliers	707,865	686,046	21,819
Bills payable	37,813	45,123	(7,310)
Other trade payables	11,574	14,196	(2,622)
Net value	757,252	745,365	11,887

23) Income tax liabilities

These totaled 91,888 thousand euro (63,288 thousand euro at December 31, 2005) and reflected amounts due to tax authorities accrued in the period.

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24) Other current liabilities

(in thousands of euro)	June 30, 2006	December 31, 2005	Change
Amounts due to employees	93,152	100,316	(7,164)
Amounts due to social security authorities	54,268	59,073	(4,805)
Amounts due to tax authorities	99,790	68,010	31,780
Accruals and deferred income	29,863	17,700	12,163
Derivatives	2,773	1,629	1,144
Other payables	368,833	362,479	6,354
Total	648,679	609,207	39,472

Other payables includes payments on account from customers and suppliers for assets and payables for the purchase of equity investments and securities.

Investments in joint ventures

The Group's most significant joint ventures are the Indian companies of the Zuari Cement Co. group. Following acquisition of the outstanding interest, these companies have been consolidated line-by-line since June 1, 2006.

Commitments

Contracts and orders issued for purchases of property, plant and equipment stood at 178.6 million euro at June 30, 2006. This included 32.9 million euro relating to the agreement for the purchase of the grinding plant in Novi Ligure (province of Alessandria), including the 8.6 million euro purchase option.

(in millions of euro)	June 30, 2006	December 31, 2005
Long-term financing (as per the balance sheet)	2,495.2	2,391.2
Guarantees on real assets for loans	156.0	180.0
Cautions, guarantees, bank guarantees, commitments and others	134.9	217.9
Total	290.9	397.9

Guarantees on real assets at June 30, 2006 consisted mainly of mortgages guaranteeing loans and borrowings at the Egyptian subsidiary, Helwan, and the Thai and Indian subsidiaries.

The net value of mortgaged assets at June 30, 2006 was 400.6 million euro, of which 281 million euro referred to Helwan property, plant and equipment.

Other commitments undertaken in the first half

In June Suez Cement Company reached an agreement to purchase a 52% interest in Ready Mix Beton S.A.E. (RMB), a leading ready mixed concrete company in Egypt, for an estimated investment of approximately 11 million euro. On completion of the purchase, the minority shareholders will have an option to sell their interests to Suez Cement Company.

Income statement

25) Net sales

Net sales totaled 3,087,577 thousand euro, as follows:

(in thousands of euro)	1 st half 2006	1 st half 2005	Change	Change %
Industrial sales				
Product sales	2,900,612	2,396,596	504,016	21.0
Services	85,891	74,070	11,821	16.0
Other revenues	7,819	5,460	2,359	43.2
Total	2,994,322	2,476,126	518,196	20.9
Financial income				
Interest	8,435	7,593	842	11.1
Dividends	32,088	23,857	8,231	34.5
Capital gains	19,919	1,109	18,810	1696.1
Other income	7,556	12,510	(4,954)	-39.6
Total	67,998	45,069	22,929	50.9
Banking income				
Interest	3,410	3,055	355	11.6
Commissions	17,322	15,483	1,839	11.9
Other income	3,791	2,320	1,471	63.4
Total	24,523	20,858	3,665	17.6
Property and services	734	573	161	28.1
Total	3,087,577	2,542,626	544,951	21.4

26) Goods and utilities expenses

Goods and utilities expenses were 1,065,998 thousand euro, as follows:

(in thousands of euro)	1 st half 2006	1 st half 2005	Change	Change %
Raw materials and semi-finished goods	337,181	308,609	28,572	9.3
Fuel	183,879	172,286	11,593	6.7
Packaging, materials and machinery	169,592	144,539	25,053	17.3
Finished goods	169,065	112,519	56,546	50.3
Electricity, water, gas	223,772	169,267	54,505	32.2
Change in inventories of raw materials, consumables and other	(17,491)	(27,506)	10,015	-36.4
Total	1,065,998	879,714	186,284	21.2

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27) Services expenses

Services expenses stood at 673,278 thousand euro, as follows:

(in thousands of euro)	1 st half 2006	1 st half 2005	Change	Change %
External services and maintenance	241,267	213,610	27,657	12.9
Transport	267,208	241,274	25,934	10.7
Legal fees and consultancy	25,584	27,400	(1,816)	-6.6
Rents	46,030	40,257	5,773	14.3
Insurance	22,735	20,508	2,227	10.9
Subscriptions	5,324	5,244	80	1.5
Other	65,130	58,265	6,865	11.8
Total	673,278	606,558	66,720	11.0

28) Employee expenses

Overall employee expenses were 482,988 thousand euro, as follows:

(in thousands of euro)	1 st half 2006	1 st half 2005	Change	Change %
Wages and salaries	308,823	290,179	18,644	6.4
Social security contributions	105,131	99,842	5,289	5.3
Provisions and pension funds	15,278	15,086	192	1.3
Cost of stock option plans	2,459	1,428	1,031	72.2
Other expenses	51,297	42,695	8,602	20.1
Total	482,988	449,230	33,758	7.5

"Other expenses" relates mainly to use of supply personnel, canteen costs, employee insurance costs and personnel training and recruitment.

The number of employees is shown below:

	1 st half 2006	1 st half 2005	Change
Number of employees at period end (*)	23,933	21,484	2,449
Average number of employees (*)	22,955	20,012	2,943

(*) includes employees of the companies in the Zuari group which were consolidated on a line-by-line basis as from June 1, 2006

29) Other operating income/(expense)

Other operating expense totaled 97,730 thousand euro, as follows:

(in thousands of euro)	1 st half 2006	1 st half 2005	Change	Change %
Other taxes	35,501	33,005	2,496	7.6
Provision for bad debts	4,867	7,073	(2,206)	-31.2
Provision for environmental restoration - quarries	11,054	9,289	1,765	19.0
Other expense	48,972	30,022	18,950	63.1
Other income	(2,664)	(1,061)	(1,603)	151.1
Total	97,730	78,328	19,402	24.8

30) Other income and charges

Other charges totaled 10,510 thousand euro, as follows:

(in thousands of euro)	1 st half 2006	1 st half 2005	Change	Change %
Net capital gains (losses) on disposals	(7,590)	15,130	(22,720)	-150.2
Restructuring costs Tourah - Egypt		(18,000)	18,000	
Other	(2,920)	3,502	(6,422)	-183.4
Total	(10,510)	632	(11,142)	-1763.0

31) Amortization and depreciation

The total amount of 208,792 thousand euro (171,895 thousand euro for the half-year to June 30, 2005) consisted mainly of depreciation of property, plant and equipment for 196,617 thousand euro (159,555 thousand euro for the half-year to June 30, 2005).

32) Financial income and charges

Net financial charges stood at 57,247 thousand euro, as follows:

(in thousands of euro)	1 st half 2006	1 st half 2005	Change	Change %
Interest income	14,362	19,765	(5,403)	-27.3
Interest expense	(67,883)	(54,363)	(13,520)	24.9
Net interest expense in relation to net fin. pos.	(53,521)	(34,598)	(18,923)	54.7
Gains/(losses) on exchange and interest rate hedging	(829)	(1,142)	313	
Currency translation differences	(3,965)	2,577	(6,542)	-253.9
Gains/(losses) on net monetary position in Turkey		854	(854)	-100.0
Dividends and income from equity investments	5,005	7,960	(2,955)	-37.1
Other financial income/(charges)	(3,937)	(5,210)	1,273	-24.4
Total	(57,247)	(29,559)	(27,688)	93.7

The increase in net interest in respect of net debt was due in part to the enlargement of the consolidation area with the inclusion of the Egyptian companies, for 8.7 million euro, and in part to the increase in average debt and higher debt-servicing charges.

33) Income from companies valued on equity basis

(in thousands of euro)	1 st half 2006	1 st half 2005	Change	Change %
Gruppo Suez (Egypt)		11,323	(11,323)	-100.0
Vassiliko (Cyprus)	2,460	1,757	703	40.0
Ciment Quebec (Canada)	2,282	865	1,417	163.8
Mittel (Italy)	3,569	1,595	1,974	123.8
Immobiliare Golf (Italy)	(15)	(37)	22	-59.5
Other	(397)	(1,157)	760	-65.7
Total	7,899	14,346	(6,447)	-44.9

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34) Tax for the period

Tax for the period was 143,616 thousand euro, as follows:

(in thousands of euro)	1 st half 2006	1 st half 2005	Change	Change %
Current tax	175,462	109,089	66,373	60.8
Deferred tax	(17,880)	1,654	(19,534)	-1181.0
Prior-year tax and other non-recurring tax income/(expense), net	(13,966)	(9,163)	(4,803)	52.4
Total	143,616	101,580	42,036	41.4

Tax

Deferred tax includes non-recurring income of 9.2 million euro, arising as a result of the decrease in the tax rate applied in Turkey from 30% to 20%. In addition, it includes the release of 7 million euro from the provision for deferred tax liabilities which had been recorded on the evaluation of shares held for sale. A tax capital gain was made on these shares, following the operation to sell the shares and at the same time start a TRES as carried out by the parent company Italmobiliare and described in the note on liquidity risk, with the simultaneous recognition of the related current tax burden.

Prior-year tax and other non-recurring tax amounts included the positive effect of 3.4 million euro arising from the change in some Group subsidiaries in prospective use of tax loss carry-forwards, as well as adjustments, relating to previous years, arising from the settlement of disputes with the tax authorities over the deductibility of the competition fine in France.

35) Earnings per share

Earnings per share at 30 June, 2006 and 2005 is computed separately for ordinary shares and for savings shares, on the basis of the parent company's net income for the period.

Basic earnings per share

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

(in thousands of shares)	June 30, 2006		June 30, 2005	
	ordinary shares	savings shares	ordinary shares	savings shares
No. of shares at January 1	22,183	16,343	22,183	16,343
Treasury shares at January 1	(911)	(29)	(892)	(29)
Weighted average number of treasury shares purchased during period			(2)	
Total	21,272	16,314	21,289	16,314
Attributable net income in thousands of euro	82,517	63,924	53,189	41,399

The attributable net income by type of share was as follows:

(in thousands of euro)	June 30, 2006		June 30, 2005	
	ordinary shares	savings shares	ordinary shares	savings shares
Income reserved for savings shareholders (0.078 euro per share)		636		636
Residual income divided among all shares	82,517	63,288	53,189	40,763
Total	82,517	63,924	53,189	41,399

Diluted earnings per share

Diluted earnings per share is computed with the method used for basic earnings per share, taking account of the dilution effect of stock options.

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

	June 30, 2006		June 30, 2005	
	ordinary shares	savings shares	ordinary shares	savings shares
(in thousands of shares)				
Weighted average number of shares at December 31	21,271	16,315	21,288	16,315
Dilution effect of stock options	78		44	
Total	21,349	16,315	21,332	16,315
Attributable net income for diluted earnings per share in thousands of euro	82,648	63,793	53,237	41,352

The net income attributable by type of share was determined as follows:

	June 30, 2006		June 30, 2005	
	ordinary shares	savings shares	ordinary shares	savings shares
(in thousands of euro)				
Income reserved for savings shareholders (0.078 euro per share)		636		636
Residual income divided among all shares	82,648	63,157	53,237	40,716
Total	82,648	63,793	53,237	41,352

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Cash flow statement

B) Cash flow from investing activities

Equity investments net of acquired cash and cash equivalents

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

(in millions of euro)	June 30, 2006			June 30, 2005		
	Financial (equity investments)	Cash and cash equivalents from acquisitions	Net	Financial (equity investments)	Cash and cash equivalents from acquisitions	Net
Suez Cement Company				124.4	51.6	72.8
Zuari Cement Ltd	112.7	4.9	107.8			
Ciments Français S.A.	40.7		40.7	5.8		5.8
Cementificio di Montalto S.p.A.				38.8		38.8
Goltas	64.7		64.7			
Banca Leonardo	13.8		13.8			
Mediobanca	13.5		13.5			
Amprica	42.6	4.6	38.0			
Mittel				8.7		8.7
GIM				6.3		
Altre	13.2	0.6	12.6	35.2	3.8	31.4
Total	301.2	10.1	291.1	219.2	55.4	157.5
Change in debt from acquisitions	-13.3			-17.2		
Total	287.9	10.1	291.1	202.0	55.4	157.5

The equity investment in Ciments Français consisted of Ciments Français treasury shares for 37.6 million euro and Ciments Français shares purchased on the market by Société Internationale Italcementi France S.a.s. (SIIF) for 3.1 million euro. The SIIF investment in Ciments Français at June 30, 2006 (75.7%) was in line with the investment at December 31, 2005.

Post balance-sheet events

No significant events have taken place since closure of the half-year that require amendments to or additional comments on the Group's business, financial and equity situation at June 30, 2006.

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Annexes



Annex 1

Consolidated on a line-by-line basis

Name	Country
Italmobiliare S.p.A. - Parent company	Italy
Aliserio S.r.l.	Italy
Amprica S.p.A.	Italy
Azienda vendite Acquisti A.V.A. S.r.l.	Italy
Axim Italy S.r.l.	Italy
BravoBus S.r.l.	Italy
BravoSolution S.p.A.	Italy
C.T.G. S.p.A.	Italy
Calcementi Jonici S.r.l.	Italy
Calcestruzzi S.p.A.	Italy
Cemencal S.p.A.	Italy
Cementi e calci di S. Marinella S.r.l.	Italy
Cementificio di Montalto S.p.A.	Italy
E.I.C.A. S.r.l.	Italy
E.S.A. Monviso S.p.A.	Italy
Franco Tosi S.r.l. (Ex Intermobiliare S.r.l.)	Italy
Gruppo Italsfusi S.r.l.	Italy
Intercom S.r.l.	Italy
Intertrading S.r.l.	Italy
Italcementi S.p.A.	Italy
Italmobiliare Servizi S.r.l.	Italy
Italgen S.p.A.	Italy
Italsintex S.p.A.	Italy
ITC - Factor S.p.A.	Italy
Nuova Sacelit S.r.l.	Italy
Populonia Italica S.r.l.	Italy
Punta Ala Promozione e Sviluppo Immobiliare S.r.l.	Italy
SAMA S.r.l.	Italy
SICIL.FIN. S.r.l.	Italy
Silos Granari della Sicilia S.r.l.	Italy
Sirap Gema Insulation Systems S.r.l.	Italy
Sirap Gema S.p.A.	Italy
S.r.l. Nuove Costruzioni Edilizie Sance	Italy
Società del Gres ing. Sala S.p.A.	Italy
Speedybeton S.p.A.	Italy
Terminal Riuniti S.r.l.	Italy
Arena S.A.	France
Axim S.A.	France
BCE S.A.	France
BCEAP S.n.c.	France
Béton Controle de l'Adour S.A.	France
Béton Controle du Pays Basque S.A.	France
Bonafini S.A.	France
BravoSolution France S.a.s.	France

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Name	Country
Chatelet S.A.	France
Cie pour l'investissement Financier en Inde	France
Ciments Calcia S.A.	France
Ciments du Littoral S.A.	France
Ciments Français S.A.	France
Ciments Français Participations S.n.c.	France
Compagnie Financière et de Participations S.A.	France
Decoux S.A.	France
Essroc International	France
Eurarco France S.A.	France
Finter Bank France S.A.	France
Granulats de la Drôme S.a.s.	France
Granulats et Sables Marins S.a.s.	France
Granulats ouest - GO	France
GSM S.A.	France
Immobilière des Technodes S.A.	France
Investcim S.A.	France
Johar S.A.	France
Larricq S.A.	France
Menaf	France
Raingeard Carrières Bétons et Compagnie S.n.c.	France
Sables d'Armor S.a.s.	France
Sables et Gravier de la Garonne GIE	France
Sadecib S.A.	France
Sax S.a.s.	France
Sirap Gema France S.a.s.	France
Soc. Civile Française de Participations Financières et Immobilières in liquidation	France
Société Civile Immobilière Berault	France
Soc. Civile Immobilière d'Investissement et de Placement	France
Soc. Civile Immobilière Le Manet in liquidation	France
Soc. Civile Particulière Immobil	France
Société Internationale Italcementi France S.a.s.	France
Socli S.A.	France
Sodecim S.a.s.	France
Ste d'Investissement & de Participations du Littoral	France
Technodes S.a.s.	France
Tercim S.A.	France
Tragor S.A.	France
Tratel S.A.	France
Unibéton S.A.	France
Unibéton Var S.a.s.	France
Uniwerbétón S.a.s.	France
V.B.H. S.n.c.	France
Ath Béton	Belgium

Annex 1 (continued)

Name	Country
Compagnie des Ciments Belges S.A.	Belgium
Compagnie Financière des Ciments S.A.	Belgium
De Paepe Béton N.V.	Belgium
Sirap Gema International S.A. in liquidation	Belgium
Trabel Transports S.A.	Belgium
Petruzalek gesellschaft mbH	Austria
Domiki Beton S.A.	Greece
ET Béton	Greece
Halyps Building Materials S.A.	Greece
BravoSolution UK Ltd	Great Britain
Italmobiliare International Finance Ltd	Ireland
Ciments Français International S.A.	Luxembourg
Sirap Gema Finance S.A.	Luxembourg
Société de Participation Financières Italmobiliare S.A.	Luxembourg
Société Internationale Italcementi (Luxembourg) S.A.	Luxembourg
Soparfinter S.A.	Luxembourg
Crédit Mobilier de Monaco	Monaco
Société d'Etudes de Participations et de Courtages	Monaco
Italmobiliare International BV	Holland
Ciments Français Europe N.V.	Holland
Inline Czechia	Czech Republic
Petruzalek spol S.r.o.	Czech Republic
Petruzalek spol S.r.o.	Slovak Republic
Petruzalek d.o.o.	Slovenia
Axim Building Technologies S.A.	Spain
BravoSolution Espana S.A.	Spain
Cementos Capa S.L.	Spain
Centro Administrativo y de Servicios de Malaga S.A.	Spain
Compania General de Canteras S.A.	Spain
Hormigones y Minas S.A.	Spain
Inversiones e Iniciativas en Aridos S.L.	Spain
Sociedad Financiera y Minera S.A.	Spain
Ventore S.L.	Spain
Hungaropack Kft	Hungary
Petruzalek Kft	Hungary

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Eurotech Cement S.h.p.k.	Albania
Petruzalek d.o.o.	Bosnia
Bulgariapack GmbH	Bulgaria
Devnya Cement A.D.	Bulgaria
Inline Balkans	Bulgaria
Marvex	Bulgaria
Vulkan A.D.	Bulgaria
Petruzalek d.o.o.	Croatia
Petruzalek Com S.r.l.	Romania
Petruzalek d.o.o.	Serbia
Fincomind AG	Switzerland
Finconsult AG	Switzerland
Finter Bank Zurich S.A.	Switzerland
Interbulk Trading S.A.	Switzerland
Inline Ukraine	Ukraine
Petruzalek o.o.o.	Ukraine
Arrowhead Investment Company	USA
Axim Concrete Technologies Inc.	USA
Berkeley Resource Recovery Ltd	USA
Capitol Cement Corporation	USA
Consumer Materials Inc.	USA
ES Cement Co.	USA
Essroc Cement Corp.	USA
Essroc Corporation	USA
Essroc Puerto Rico Holdings Inc.	USA
Greyrock Inc.	USA
Greyrock WV Inc.	USA
IPTP Corporation	USA
Nadco Inc.	USA
Riverton Corporation	USA
Riverton Investment Corporation	USA
Riverton Lime&Stone Co. Inc.	USA
Tomahawk Inc.	USA
Essroc San Juan Inc.	Puerto Rico (USA)
155290 Canada Inc.	Canada
168232 Canada Inc.	Canada

Annex 1 (continued)

Name	Country
168233 Canada Inc.	Canada
168257 Canada Inc.	Canada
Axim Concrete Technologies (Canada) Inc.	Canada
Essroc Canada Inc.	Canada
Asia Cement Products Co., Ltd	Thailand
Asia Cement Public Co., Ltd	Thailand
Jalaprathan Cement Public Co, Ltd	Thailand
Jalaprathan Concrete Products Co, Ltd	Thailand
Naga Property Co.	Thailand
Vaniyuth Co. Ltd	Thailand
Vesprapat Holding Co, Ltd	Thailand
Welwan Cement	Egypt
Suez Bag Company	Egypt
Suez Cement Company	Egypt
Tourah Portland Cement Co.	Egypt
Axim Maroc	Morocco
Betomar S.A.	Morocco
Ciments du Maroc	Morocco
Industrie Sakia el Hamra "Indusaha" S.A.	Morocco
Procimar S.A.	Morocco
Finter Bank & Trust Ltd	Bahamas
Gacem Company Limited	Gambia
International Cement Traders Ltd	Sri Lanka
Mauritano-Française des Ciments	Mauritania
Italmed Cement Company Ltd	Cyprus
Shymkent Cement	Kazakhstan
Afyon Cimento Sanayi Tas	Turkey
Anadolu Cimentolari Tas	Turkey
Set Beton Madencilik Sanayi ve Tas	Turkey
Set Cimento Sanayi ve Tas	Turkey
Set Group Holding	Turkey
Sitapuram power Ltd	India
Sri Vishnu Cement Ltd	India
Zuari Cement Ltd	India
Inline R	Russia
Inline Poland SP zo.o.	Poland

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Consolidated on a proportionate basis

Name	Country
Ecoinerti S.r.l.	Italy
GESVIM S.r.l.	Italy
GIST S.r. Gamma Iniziative Sportive Turistiche	Italy
Italsigma S.r.l.	Italy
Mantovana Inerti S.r.l.	Italy
Medcem S.r.l.	Italy
Béton Contrôle de Montceau le Creusot S.A.	France
Carrières Bresse Bourgogne	France
Dragages et Carrières S.A.	France
Dragages & Travaux Maritimes S.A.	France
Graves de l'Estuaire de la Gironde L.G.E.G.	France
Les Calcaires Girondins S.a.s.	France
Les Graves de l'Estuaire S.a.s.	France
Sabliers de l'Odet	France
Sablimarís	France
Santes Béton S.a.r.l.	France
Société Calcaires Lorrains	France
Société Parisienne des Sablières S.A.	France
STE des Calcaires de Souppes sur Loing	France
STE des Calcaires de Souppes sur Loing	France
Valoise s.a.s.	France
Société des Carrières du Tournais S.C.T. S.A.	Belgium
Atlantica de Graneles y Moliendas S.A.	Spain

Consolidated on an equity basis

Name	Country
Cementi della Lucania S.p.A.	Italy
E.C.I.T. S.r.l.	Italy
General Cave S.r.l.	Italy
IMES S.r.l.	Italy
Immobiliare Golf di Punta Ala S.p.A.	Italy
Mittel S.p.A.	Italy
S.A.F.R.A. S.r.l.	Italy
Silicalcite S.r.l.	Italy
Soc. Editrice Siciliana S.E.S. S.p.A.	Italy
Universal Imballaggi S.r.l.	Italy
Béton Contrôle des Abers S.A.	France
Béton Saône S.A.	France
S.A. Dijon Béton	France
Stinkal S.a.s.	France
2003897 Ontario Inc.	Canada
Groupe Ciment Quebec Inc.	Canada
Innocon Partnership Agreement Inc.	Canada
Vassiliko Cement Works Ltd	Cyprus

Annex 2

The following table has been prepared in accordance with CONSOB Resolution no. 11971, art. 126, of May 14, 1999, which requires listed companies to disclose their investments in unlisted companies when such investments exceed 10% of the companies' voting capital.

To allow comparison with the list of consolidated equity investments shown in the explanatory notes, investments held in listed companies which exceed 10% of voting capital are also included.

List of companies

Company	Registered office			Share capital	% direct	% indirect	Interest held by group companies %	
Parent company								
Italmobiliare S.p.A.	Milan	IT	EUR	100,166,937				
Amprica S.p.A.	Castelbelforte	IT	EUR	1,330,470		100.00	100.00	Sirap Gema S.p.A.
Azienda Vendite Acquisti A.V.A. S.r.l.	Milan	IT	EUR	2,550,000	100.00	-	100.00	Italmobiliare S.p.A.
Bulgariapack S.r.l.	Sofia	BG	BGN	5,000	-	100.00	100.00	Petruzalek Gesellschaft mbH (Austria)
Cartiere Burgo S.p.A.	Cuneo	IT	EUR	205,443,391.40	-	11.68	11.68	Société de Participation Financière Italmobiliare S.A.
CJSC INLINE-R	Moscow	RU	RUB	30,230,640		72.00	72.00	Inline Poland Sp. z o.o.
Compagnia Fiduciaria Nazionale S.p.A.	Milan	IT	EUR	312,000	16.67	-	16.67	Italmobiliare S.p.A.
Credit Mobilier de Monaco S.A.	Monte Carlo	PM	EUR	5,355,000	-	99.91	99.91	Société de Participation Financière Italmobiliare S.A.
Fin.Priv. S.r.l.	Milan	IT	EUR	20,000	14.28	-	14.28	Italmobiliare S.p.A.
Fincomind AG	Zürich	CH	CHF	10,010,000	69.93	30.07	69.93 30.07	Italmobiliare S.p.A. Société de Participation Financière Italmobiliare S.A.
Finconsult AG	Zürich	CH	CHF	500,000	-	100.00	100.00	Finter Bank Zürich S.A.
Finter Bank & Trust (Bahamas) Ltd.	Nassau	BS	USD	5,000,000	-	100.00	100.00	Finter Bank Zürich S.A.
Finter Bank Zürich S.A.	Zürich	CH	CHF	45,000,000	-	100.00	100.00	Fincomind S.A.
Finter Fund Management Company S.A.	Luxembourg	LU	CHF	250,000	-	100.00	100.00	Finter Bank Zürich S.A.
Franco Tosi S.r.l.	Milan	IT	EUR	5,160,000	100.00	-	100.00	Italmobiliare S.p.A.
GESVIM S.r.l.	Milan	IT	EUR	Resolved 1,500,000 Sub. & paid-up: 10,000	-	50.00	50.00	Azienda Vendite Acquisti A.V.A. S.r.l.
GIST S.r.l. Gamma Iniziative Sportive Turistiche	Milan	IT	EUR	389,200	-	50.00	50.00	Franco Tosi S.r.l.
Hungaropack Kft	Budapest	HU	HUF	4,800,000	-	100.00	69.80 30.20	Petruzalek Kft (Hungary) Sirap Gema Finance S.A.
Immobiliare Golf Punta Ala S.p.A.	Punta Ala (GR)	IT	EUR	5,164,000	-	36.50	11.75 24.75	Punta Ala Promozione e Sviluppo Immobiliare S.r.l. Azienda Vendite Acquisti A.V.A. S.r.l.
Immobiliare Lido di Classe S.p.A. in liquidation	Rome	IT	EUR	255,000	18.04	-	18.04	Italmobiliare S.p.A.
Inline Balkans o.o.d.	Sofia	BG	BGN	50,000		60.00	60.00	Inline Poland Sp. z o.o.
Inline Czechia s.r.o.	Grygov o/Olomuniec	CZ	CZK	500,000		100.00	100.00	Inline Poland Sp. z o.o.
Inline Poland Sp. z o.o.	Poznan	PL	PLN	3,846,000		91.00	91.00	Amprica S.p.A.
Inline Ukraine Ltd	Dniepropitrovsk	UA	UAH	17,959,028.15		60.00	60.00	Inline Poland Sp. z o.o.
Italmobiliare International BV	Amsterdam	NL	EUR	Approved 75,000 Subscr. 19,500	100.00	-	100.00	Italmobiliare S.p.A.
Italmobiliare International Finance Ltd.	Dublin	IE	EUR	1,336,400	97.27	2.73	97.27 2.73	Italmobiliare S.p.A. Société de Participation Financière Italmobiliare S.A.
Italmobiliare Servizi S.r.l.	Milan	IT	EUR	260,000	100.00	-	100.00	Italmobiliare S.p.A.
Mittel S.p.A.	Milan	IT	EUR	66,000,000	12.91	-	12.91	Italmobiliare S.p.A.

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Company	Registered office			Share capital	% Interest held by group companies		Interest held by group companies %	
					direct	indirect		
Neyrtec Industrie S.A.	Le Pont de Claix	FR	FF	10,000,000	100.00	-	100.00	Italmobiliare S.p.A.
Petruzalek Com S.r.l. (Romania)	Bucharest	RO	ROL	26,000,000	-	100.00	100.00	Petruzalek Gesellschaft mbH (Austria)
Petruzalek d.o.o. (Croatia)	Samobor	HR	HRK	129,500	-	100.00	100.00	Petruzalek Gesellschaft mbH (Austria)
Petruzalek d.o.o. (Serbia)	Belgrade	YU	CSD	1,027,618	-	100.00	100.00	Petruzalek Gesellschaft mbH (Austria)
Petruzalek d.o.o. (Slovenia)	Maribor	SI	SIT	2,386,595	-	100.00	100.00	Petruzalek Gesellschaft mbH (Austria)
Petruzalek Gesellschaft mbH (Austria)	Tattendorf	AT	EUR	1,000,000	-	100.00	100.00	Sirap Gema Finance S.A.
Petruzalek Kft (Hungary)	Budapest	HU	HUF	600,000,000	-	100.00	100.00	Sirap Gema Finance S.A.
Petruzalek o.o.o. (Ukraine)	Odessa	UA	UAH	214,831	-	90.00	90.00	Petruzalek Gesellschaft mbH (Austria)
Petruzalek S.r.l. (Bosnia)	Sarajevo	BA	BAM	10,000	-	100.00	100.00	Petruzalek Gesellschaft mbH (Austria)
Petruzalek S.r.o. (Slovak Rep.)	Bratislava	SK	SKK	460,000	-	100.00	100.00	Sirap Gema Finance S.A.
Petruzalek spol. S.r.o. (Czech Rep.)	Breclav	CZ	CZK	2,300,000	-	100.00	100.00	Sirap Gema Finance S.A.
Popolonia Italica S.r.l.	Milan	IT	EUR	1,040,000	100.00	-	100.00	Italmobiliare S.p.A.
Punta Ala Promozione e Sviluppo Immobiliare S.r.l.	Milan	IT	EUR	1,300,000	99.48	0.52	99.48 0.52	Italmobiliare S.p.A. SICIL.FIN. S.r.l.
S.r.l. Nuove Costruzioni Edilizie Sance	Milan	IT	EUR	139,725	100.00	-	100.00	Italmobiliare S.p.A.
Sirap Gema Finance S.A.	Luxembourg	LU	EUR	7,797,220	-	100.00	0.03 99.97	Franco Tosi S.r.l. Sirap Gema S.p.A.
Sirap Gema France S.a.s.	Noves	FR	EUR	3,520,000	-	100.00	100.00	Sirap Gema S.p.A.
Sirap Gema Insulation Systems S.r.l.	Verolanuova (BS)	IT	EUR	2,715,000	-	100.00	100.00	Sirap Gema Finance S.A.
Sirap Gema International S.A. in liquidation	Brussels	BE	EUR	12,000,000	-	100.00	99.83 0.17	Sirap Gema Finance S.A. Société de Participation Financière Italmobiliare S.A.
Sirap Gema S.p.A.	Verolanuova (BS)	IT	EUR	17,020,905	100.00	-	100.00	Italmobiliare S.p.A.
Soc. Civile Immobilière d'Investissement et de Placements	Nice	FR	EUR	15,244.90	-	100.00	99.00 1.00	Soc.d'Etudes de Participations et de Courtages Soc. Civile Particulière Immobil
Soc. Civile Particulière Immobil	Cagnes sur Mer	FR	EUR	94,518.39	-	100.00	99.84 0.16	Soc.d'Etudes de Participations et de Courtages Soc. Civile Immobilière d'Investissement et de Placements
Soc. Editrice Siciliana S.E.S. S.p.A	Messina	IT	EUR	5,112,900	33.00	-	33.00	Italmobiliare S.p.A.
Société d'Etudes de Participations et de Courtages	Monte Carlo	PM	EUR	1,290,000	-	99.84	99.84	Société de Participation Financière Italmobiliare S.A.
Société de Participation Financière Italmobiliare S.A.	Luxembourg	LU	EUR	103,118,928	99.94	0.06	99.94 0.06	Italmobiliare S.p.A. Franco Tosi S.r.l.
Soparfinter S.A.	Luxembourg	LU	CHF	5,000,000	-	100.00	97.85 2.15	Fincomind S.A. Société de Participation Financière Italmobiliare S.A.
Terfin S.A. in liquidation	Paris	FR	EUR	440,400	-	100.00	98.40 1.60	Soparfinter S.A. Fincomind S.A.
Universal Imballaggi S.r.l.	Palermo	IT	EUR	1,731,588	-	24.90	24.90	Sirap Gema S.p.A.
Italcementi S.p.A.	Bergamo	IT	EUR	282,548,942	36.82	1.60	36.82 1.60 58.74	Italmobiliare S.p.A. Italcementi S.p.A. (voting right: Italmobiliare S.p.A.)
Aliserio S.r.l.	Bergamo	IT	EUR	2,270,000	10.00	90.00	10.00 90.00	Italmobiliare S.p.A. Italcementi S.p.A.
Axim Italia S.r.l.	Sorisole (BG)	IT	EUR	2,000,000	-	100.00	99.90 0.10	Italcementi S.p.A. SICIL.FIN. S.r.l.
Azienda Agricola Lodoletta S.r.l.	Bergamo	IT	EUR	10,400	-	75.00	75.00	Italcementi S.p.A.
Betodomi S.A.	Iraklion	GR	EUR	117,200	-	30.00	30.00	Domiki Béton S.A.

Annex 2 (continued)

Company	Registered office			Share capital	% Interest held by group companies		Interest held by group companies %	
					direct	indirect		
Betongenova S.r.l. in liquidation	Genova	IT	EUR	10,400	-	36.12	22.68 13.44	Calcestruzzi S.p.A. Cemencal S.p.A.
BravoBus S.r.l.	Bergamo	IT	EUR	600,000	-	51.00	51.00	BravoSolution S.p.A.
BravoSolution Espana S.A.	Madrid	ES	EUR	120,400	-	99.99	99.99	BravoSolution S.p.A.
BravoSolution France S.a.s.	Boulogne Billancourt	FR	EUR	2,000,000	-	100.00	100.00	BravoSolution S.p.A.
BravoSolution S.p.A.	Bergamo	IT	EUR	21,437,379	8.29	80.24	8.29 80.24	Italmobiliare S.p.A. Italcementi S.p.A.
BravoSolution UK Ltd	London	GB	GBP	50,000	-	100.00	100.00	BravoSolution S.p.A.
C.T.G. S.p.A.	Bergamo	IT	EUR	500,000	-	100.00	50.00 50.00	Italcementi S.p.A. Ciments Français S.A.
Calcementi Jonici S.r.l.	Siderno (RC)	IT	EUR	9,000,000	-	100.00	99.90 0.10	Italcementi S.p.A. SICIL.FIN. S.r.l.
Calcestruzzi S.p.A.	Bergamo	IT	EUR	138,000,000	-	100.00	99.90 0.10	Italcementi S.p.A. SICIL.FIN. S.r.l.
Cava delle Capannelle S.r.l.	Bergamo	IT	EUR	31,200	-	49.00	49.00	Calcestruzzi S.p.A.
Cemencal S.p.A.	Bergamo	IT	EUR	12,660,000	-	85.00	85.00	Calcestruzzi S.p.A.
Cementi della Lucania S.p.A.	Potenza	IT	EUR	619,746	-	30.00	30.00	Italcementi S.p.A.
Cementi e Calci di S. Marinella S.r.l.	Bergamo	IT	EUR	10,000	-	66.67	66.67	Italcementi S.p.A.
Cementificio di Montalto S.p.A.	Bergamo	IT	EUR	10,000,000	-	100.00	100.00	Italcementi S.p.A.
DO CLAS S.r.l.	Milan	IT	EUR	30,000	-	100.00	100.00	Calcestruzzi S.p.A.
Domiki Beton S.A.	Iraklion	GR	EUR	2,309,423	-	98.59	98.59	Calcestruzzi S.p.A.
E.C.I.T. S.r.l.	Ravenna	IT	EUR	104,208	-	50.00	50.00	Calcestruzzi S.p.A.
E.I.C.A. S.r.l.	Norcia (PG)	IT	EUR	49,500	-	66.67	66.67	Calcestruzzi S.p.A.
E.S.A. Monviso S.p.A.	Bergamo	IT	EUR	1,340,000	-	100.00	59.00 41.00	Calcestruzzi S.p.A. Cemencal S.p.A.
Ecoinerti S.r.l.	Recanati (MC)	IT	EUR	91,800	-	50.00	50.00	Calcestruzzi S.p.A.
Ecoserio S.r.l.	Bergamo	IT	EUR	48,960	-	12.50	12.50	Calcestruzzi S.p.A.
General Cave S.r.l.	Fiumicino (RM)	IT	EUR	31,200	-	50.00	50.00	Speedybeton S.p.A.
Gres Dalmine Resine Wavin S.c.a r.l.	Sorisole (BG)	IT	EUR	91,800	-	35.00	35.00	Società del Gres ing. Sala S.p.A.
Gruppo Italsfusi S.r.l.	Savignano s/P. (MO)	IT	EUR	156,000	-	100.00	99.50 0.50	Italcementi S.p.A. SICIL.FIN. S.r.l.
I.GE.PO. - Impresa Gestione Porti S.r.l. in liquidation	Vibo Valentia	IT	EUR	25,500	-	18.00	18.00	Italcementi S.p.A.
IMES S.r.l.	S. Cipriano Pic. (SA)	IT	EUR	206,000	-	100.00	99.00 1.00	Italcementi S.p.A. SICIL.FIN S.r.l.
Immobiliare Salesiane S.r.l.	Bergamo	IT	EUR	350,000	-	100.00	99.00 1.00	Italcementi S.p.A. SICIL.FIN S.r.l.
Intercom S.r.l.	Bergamo	IT	EUR	2,750,000	-	100.00	99.50 0.50	Italcementi S.p.A. SICIL.FIN S.r.l.
Intertrading S.r.l.	Bergamo	IT	EUR	4,160,000	-	100.00	99.50 0.50	Italcementi S.p.A. SICIL.FIN. S.r.l.
Italcementi Ingegneria S.r.l.	Bergamo	IT	EUR	266,220	-	100.00	100.00	Italcementi S.p.A.
Italgen Maroc S.A.	Casablanca	MA	MAD	300,000	-	99.87	99.87	Italgen S.p.A.
Italgen S.p.A.	Bergamo	IT	EUR	20,000,000	-	100.00	99.90 0.10	Italcementi S.p.A. SICIL.FIN S.r.l.
Italsigma S.r.l.	Bergamo	IT	EUR	1,500,000	-	50.00	50.00	Axim Italia S.r.l.
Italsintex S.p.A.	Bergamo	IT	EUR	7,686,734	-	100.00	99.99 0.01	Società del Gres ing. Sala S.p.A. SICIL.FIN. S.r.l.
ITC-Factor S.p.A.	Bergamo	IT	EUR	1,500,000	-	100.00	99.50 0.50	Italcementi S.p.A. SICIL.FIN. S.r.l.
Mantovana Inerti S.r.l.	Cavriana (MN)	IT	EUR	702,000	-	50.00	50.00	Calcestruzzi S.p.A.
Medcem S.r.l.	Naples	IT	EUR	5,500,000	-	50.00	50.00	Intercom S.r.l.

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Company	Registered office			Share capital	% interest held by group companies		Interest held by group companies
					direct	indirect	
Nuova Sacelit S.r.l.	Sorsole (BG)	IT	EUR	7,500,000	-	100.00	99.00 Italcementi S.p.A. 1.00 Franco Tosi S.r.l.
Procalmi S.r.l. in liquidation	Milan	IT	EUR	51,000	-	11.52	11.52 Cemencal S.p.A.
S.A.F.R.A. S.r.l.	Bologna	IT	EUR	51,480	-	33.33	33.33 Calcestruzzi S.p.A.
SAMA S.r.l.	Bergamo	IT	EUR	1,000,000	-	100.00	99.00 Italcementi S.p.A. 1.00 SICIL.FIN S.r.l.
SICIL.FIN. S.r.l.	Bergamo	IT	EUR	650,000	-	100.00	99.50 Italcementi S.p.A. 0.50 Franco Tosi S.r.l.
Silicalcite S.r.l.	Bergamo	IT	EUR	4,000,000	-	100.00	100.00 Italcementi S.p.A.
Silos Granari della Sicilia S.r.l.	Bergamo	IT	EUR	5,980,000	-	100.00	99.90 Intertrading S.r.l. 0.10 SICIL.FIN S.r.l.
Società del Gres ing. Sala S.p.A.	Sorsole (BG)	IT	EUR	5,858,722	-	100.00	99.90 Nuova Sacelit S.r.l. 0.10 SICIL.FIN S.r.l.
Société Internationale Italcementi (Luxembourg) S.A.	Luxembourg	LU	EUR	17,715,000	-	100.00	99.87 Italcementi S.p.A. 0.13 SICIL.FIN S.r.l.
Société Internationale Italcementi France S.a.s.	Paris	FR	EUR	1,621,075,000	-	99.99	99.99 Italcementi S.p.A.
SO.RI.TE. S.r.l.	Turin	IT	EUR	100,000	-	25.00	25.00 Calcestruzzi S.p.A.
Speedybeton S.p.A.	Pomezia (RM)	IR	EUR	300,000	-	70.00	70.00 Calcestruzzi S.p.A.
Terminal Riuniti S.r.l.	Bergamo	IT	EUR	1,000,000	-	100.00	99.90 Italcementi S.p.A. 0.10 SICIL.FIN S.r.l.
Ciments Français S.A.	Puteaux	FR	EUR	154,119,944	-	77.38	75.69 Société Int. Italcementi France S.a.s. 1.69 Ciments Français S.A. (voting rights: 86.80 Société Int. Italcementi France S.a.s.)
155290 Canada Inc.	Mississauga	CA	-	-	-	100.00	100.00 Essroc Canada Inc.
168232 Canada Inc.	Picton	CA	CAD	1	-	100.00	100.00 Essroc Canada Inc.
168233 Canada Inc.	Picton	CA	CAD	1	-	100.00	100.00 Essroc Canada Inc.
168257 Canada Inc.	Picton	CA	CAD	1	-	100.00	100.00 Essroc Canada Inc.
2003897 Ontario Inc.	Concord	CA	CAD	18,300,000.20	-	50.00	50.00 Essroc Canada Inc.
Afyon Cimento Sanayi Tas	Istanbul	TR	YTL	120,000	-	78.49	76.51 Ciments Français S.A. 1.02 Set Group Holding 0.96 Set Cimento
Altas Ambarlı Liman Tesisleri Tas	Istanbul	TR	YTL	500,000	-	12.25	12.25 Set Cimento
Ammos Development Quarries Ltd	Mandra	GR	EUR	18,000	-	100.00	100.00 Halyps Building Materials S.A.
Arena S.A.	Guerville	FR	EUR	126,000,000	-	99.99	99.99 Ciments Français S.A.
Arrowhead Investment Company	Carson City	US	USD	1,000	-	100.00	100.00 Essroc Corporation
Asia Cement Products Co., Ltd	Bangkok	TH	THB	10,000,000	-	39.03	39.03 Asia Cement Public Co., Ltd
Asia Cement Public Co., Ltd	Bangkok	TH	THB	4,680,000,000	-	39.03	24.96 Ciments Français S.A. 14.07 Vaniyuth Co. Ltd ¹
Asment (Ciments de Temara)	Temara	MA	MAD	171,875,000	-	37.01	19.99 Ciments Français S.A. 17.02 Procimar S.A.
Asociacion de Empresas de Transporte a Granel	S. Sebastian	ES	EUR	23,138.41	-	92.86	92.86 Sociedad Financiera y Minera S.A.
Atlantica de Graneles y Moliendas S.A.	Vizcaya	ES	EUR	5,000,000	-	50.00	50.00 Sociedad Financiera y Minera S.A.
Axim Building Technologies S.A.	Malaga	ES	EUR	60,500	-	100.00	99.00 Sociedad Financiera y Minera S.A. 1.00 Compania General de Canteras S.A.
Axim Concrete Technologies (Canada) Inc.	Cambridge	CA	CAD	1,275,600	-	100.00	100.00 Axim Concrete Technologies Inc.
Axim Concrete Technologies Inc.	Middlebranch	US	USD	1,000	-	100.00	100.00 Essroc Corporation
Axim Maroc	Casablanca	MA	MAD	1,000,000	-	99.96	99.96 Ciments du Maroc
Axim S.A.	Guerville	FR	EUR	495,625	-	99.93	99.93 Ciments Calcia S.A.
Bayarne S.a.s.	Guerville	FR	EUR	112,000	-	100.00	100.00 Ciments Calcia S.A.

¹ Percentage interest of the Ciments Français Group

Annex 2 (continued)

Company	Registered office			Share capital	% Interest held by group companies		Interest held by group companies %	
					direct	indirect		
BCE S.A.	Tourcoing	FR	EUR	38,250	-	99.80	99.80	Unibéton S.A.
Berkeley Resource Recovery Ltd	Winchester	US	USD	1,000	-	100.00	100.00	Riverton Investment Corporation
Betomar S.A.	Casablanca	MA	MAD	84,397,800	-	99.99	99.99	Ciments du Maroc S.A.
Beton.Ata LLP	Almaty	KZ	KZT	224,000,000	-	35.00	35.00	Shymkent Cement
Béton Contrôle de Gascogne S.A.	Soorts Hossegor	FR	EUR	40,000	-	37.00	37.00	Béton Contrôle du Pays Basque S.A.
Béton Contrôle de l'Adour S.A.	Bayonne	FR	EUR	150,000	-	59.96	59.96	Béton Contrôle du Pays Basque S.A.
Béton Contrôle de Montceau le Creusot S.A.	Montceau Les M.	FR	EUR	588,000	-	49.99	49.99	Unibéton S.A.
Béton Contrôlé des Abers S.A.	Lannilis	FR	EUR	104,000	-	34.00	34.00	Unibéton S.A.
Béton Contrôlé du Pays Basque S.A.	Bayonne	FR	EUR	120,000	-	59.95	59.95	Unibéton S.A.
Béton Saône S.A.	Macon	FR	EUR	40,000	-	35.00	35.00	Unibéton S.A.
Bonafini S.A.	Argences	FR	EUR	45,392	-	100.00	96.79 3.21	Tratel S.A. Larricq S.A.
Bureau Engineering Travaux Publics (SA BETP)	Guerande	FR	EUR	523,205.03	-	99.94	79.94 20.00	Comp. Financière et de Participations S.A. Arena S.A.
Canteras Aldoyar S.L.	Olazagutia	ES	EUR	1,508,510	-	20.00	20.00	Hormigones y Minas S.A.
Capitol Cement Corporation	Winchester	US	USD	1,000,000	-	100.00	100.00	Riverton Investment Corporation
Cementos Capa S.L.	Archidona	ES	EUR	1,260,000	-	63.00	63.00	Sociedad Financiera y Minera S.A.
Centro Administrativo y de Servicios de Malaga S.A.	Malaga	ES	EUR	60,200	-	99.99	99.99	Sociedad Financiera y Minera S.A.
Chatelet S.A.	Cayeux s/M.	FR	EUR	118,680	-	99.95	99.95	GSM S.A.
Cie pour l'Investissement Financier en Inde	Paris	FR	EUR	37,000	-	100.00	100.00	Ciments Français S.A.
Ciments Calcia S.A.	Guerville	FR	EUR	593,836,525	-	99.99	99.99	Ciments Français S.A.
Ciments du Littoral S.A.	Bassens	FR	EUR	37,000	-	99.99	99.99	Ste d'Investissement & de Participations du Littoral
Ciments du Maroc	Casablanca	MA	MAD	721,800,200	-	61.82	58.30 3.52	Ciments Français S.A. Procimar S.A.
Ciments du Nord	Nouadhibou	MR	MRO	1,340,000,000	-	15.00	15.00	Ciments du Maroc
Ciments Français Europe N.V.	Amsterdam	NL	EUR	378,503,130	-	100.00	66.80 33.20	Sodecim S.a.s. Ciments Français S.A.
Ciments Français International S.A.	Luxembourg	LU	EUR	8,928,500	-	99.99	50.99 49.00	Ciments Français S.A. Ciments Français Europe N.V.
Ciments Français Participations S.n.c.	Puteaux	FR	EUR	1,500	-	100.00	50.00 50.00	Ciments Français S.A. Comp. Financière et de Participations S.A.
Cisnel Descargas S.L.	Madrid	ES	EUR	3,010	-	100.00	100.00	Sodecim S.a.s.
Compagnie des Ciments Belges S.A.	Tournai	BE	EUR	271,923,435	-	99.99	42.08 26.74 23.22 7.87 0.08	Ciments Français Europe N.V. Ciments Français S.A. Ciments Calcia S.A. Compagnie Financière des Ciments S.A. Compagnie Financière et de Participations S.A.
Compagnie Financière des Ciments S.A.	Tournai	BE	EUR	5,580,000	-	99.99	99.99	Ciments Français S.A.
Compagnie Financière et de Participations S.A.	Puteaux	FR	EUR	180,000	-	99.99	99.99	Ciments Français S.A.
Compania General de Canteras S.A.	Malaga	ES	EUR	479,283.69	-	99.41	96.12 3.29	Sociedad Financiera y Minera S.A. Sax S.a.s.
Conglomerantes Hidraulicos Especiales S.A.	Madrid	ES	EUR	2,511,960	-	85.00	85.00	Sociedad Financiera y Minera S.A.
Consumer Materials Inc.	Winchester	US	USD	1,000	-	100.00	100.00	Riverton Investment Corporation
CTG USA LLC	Nazareth	US	-	-	-	100.00	90.00 10.00	C.T.G. S.p.A. Esroc Cement Corp.
De Paepe Béton N.V.	Ghent	BE	EUR	500,000	-	99.98	99.98	Compagnie des Ciments Belges S.A.
Decoux S.A.	Beaucaire	FR	EUR	120,000	-	100.00	100.00	Tratel S.A.
Devnya Cement A.D.	Devnya	BG	BGN	1,028,557,000	-	99.97	99.97	Marvex
Devnya Cement St	Devnya	BG	BGN	1,500,000	-	74.00	74.00	Devnya Cement A.D.

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					direct	indirect		
Devnya Finance	Devnya	BG	BGN	50,000,000	-	50.00	50.00	Devnya Cement A.D.
Dobrotitsa BSK A.D.	Dobritch	BUL	-	-	-	26.40	26.40	Devnya Cement A.D.
Dragages et Carrières S.A.	Saint Marcel	FR	EUR	1,000,000	-	49.99	49.99	GSM S.A.
Dragages Transports & Travaux Maritimes S.A.	La Rochelle	FR	EUR	1,702,272	-	39.99	39.99	GSM S.A.
Ecocem Valorizacion de Residuos S.A.	Barcelona	ES	EUR	109,290	-	16.33	16.33	Sociedad Financiera y Minera S.A.
Entreprise Lorraine d'Agriculture - ELDA S.A.R.L.	Heillecourt	FR	EUR	10,000	-	100.00	100.00	GSM S.A.
ES Cement Co.	Nazareth	US	-	-	-	100.00	100.00	Essroc Cement Corp.
Essroc Canada Inc.	Mississauga	CA	CAD	307,936,000	-	100.00	100.00	Essroc Corporation
Essroc Cement Corp.	Nazareth	US	USD	8,330,000	-	100.00	100.00	Essroc Corporation
Essroc Corporation	Nazareth	US	USD	1,000	-	100.00	100.00	Essroc International
Essroc International	Puteaux	FR	EUR	244,398,096	-	100.00	100.00	Ciments Français S.A.
Essroc Puerto Rico Holdings Inc.	Nazareth	US	USD	1,000	-	100.00	100.00	Essroc San Juan Inc.
Essroc San Juan Inc.	Espinosa	P.R.	USD	10,000	-	100.00	100.00	Essroc Cement Corp.
ET Béton	Aspropyrgos	GR	EUR	2,616,757.95	-	99.99	99.99	Halyps Building Materials S.A.
Eurarco France S.A.	Les Crottoy	FR	EUR	1,520,000	-	64.99	64.99	GSM S.A.
Eurocalizas S.L.	Cantabria	ES	EUR	783,000	-	26.00	26.00	Hormigones y Minas S.A.
Eurotech Cement S.h.p.k.	Durres	AL	ALL	270,000,000	-	84.99	84.99	Halyps Building Materials S.A.
Exportaciones de Cemento del Norte de Espana S.A.	Bilbao	ES	EUR	60,099.77	-	45.00	45.00	Sociedad Financiera y Minera S.A.
Fraimbois Granulats S.A.R.L.	Moncel les Luneville	FR	EUR	75,000	-	50.00	50.00	GSM S.A.
Gacem Company Limited	Serrekunda	GM	GMD	4,500,000	-	80.00	80.00	Tercim S.A.
Goltas Goller Bolgesi Cimento Sanayi ve Ticaret	Isparta	TR	YTL	20,000,000	-	27.43	27.43	Sadecib S.A. (voting rights: Sadecib S.A.)
Granulats de la Drôme S.a.s.	Saint Jean de Vedas	FR	EUR	1,686,000	-	51.01	51.01	GSM S.A.
Granulats et Sables Marins S.a.s.	Pessac	FR	EUR	40,000	-	99.99	99.99	GSM S.A.
Granulats Ouest - GO	Saint Herblain	FR	EUR	784,657.44	-	100.00	100.00	GSM S.A.
Greyrock Inc.	Nazareth	US	USD	1,000	-	100.00	100.00	Essroc Cement Corp.
Greyrock WV Inc.	Nazareth	US	USD	10,000	-	100.00	100.00	Riverton Investment Corporation
Groupe Ciment Quebec Inc.	St. Basile	CA	CAD	57,000,000	-	50.00	50.00	Essroc Canada Inc.
GSM S.A.	Guerville	FR	EUR	18,675,840	-	99.99	99.99	Arena S.A.
Halyps Building Materials S.A.	Aspropyrgos	GR	EUR	34,951,441.14	-	99.84	59.82 40.02	Ciments Français S.A. Sociedad Financiera y Minera S.A. (voting rights: Ciments Français S.A. Sociedad Financiera y Minera S.A.)
Helleniki Lithotomi S.A.	Athens	GR	EUR	60,000	-	100.00	100.00	Compagnie Financière et de Participations S.A.
Helwan Cement Co.	Cairo	EG	EGP	1,176,967,750	-	98.69	98.69	Suez Cement Company
Hormigones Olatzi S.A.	Olazagutia	EG	EGP	283,803.11	-	25.00	25.00	Hormigones y Minas S.A.
Hormigones Txingudi S.A.	San Sebastian	ES	EUR	60,099.77	-	50.00	50.00	Hormigones y Minas S.A.
Hormigones y Minas S.A.	S. Sebastian	ES	EUR	8,689,378.20	-	99.99	99.99	Sociedad Financiera y Minera S.A.
Immobilier des Technodes S.A.	Guerville	FR	EUR	8,024,400	-	99.99	59.97 40.02	Ciments Français S.A. Ciments Calcia S.A.
Industrie Sakia el Hamra "Indusaha" S.A.	Laayoune	MA	MAD	55,550,000	-	91.00	91.00	Ciments du Maroc
Innocon Partnership Agreement Inc.	Richmond Hill	CA	CAD	2,003	-	48.50	48.50	Essroc Canada Inc
Interbulk Trading S.A.	Lugano	CH	CHF	7,470,600	-	99.99	66.75 15.00 18.24	Ciments Français International S.A. Intertrading S.r.l. Ciments Français Europe N.V.
International Cement Traders Ltd	Colombo	LK	LKR	401,416,620	-	80.00	80.00	Ciments Français S.A.
Inversiones e Iniciativas en Aridos S.L.	Madrid	ES	EUR	3,010	-	100.00	100.00	Ciments Français S.A.

Annex 2 (continued)

Company	Registered office			Share capital	% Interest held by group companies		Interest held by group companies %	
					direct	indirect		
Investcim S.A.	Puteaux	FR	EUR	124,874,000	-	99.99	99.99	Ciments Français S.A.
IPTP Corporation	Las Vegas	US	USD	1,000	-	100.00	80.00	Riverton Corporation
							20.00	Capitol Cement Corporation
Italmed Cement Company Ltd	Limassol	CY	CYP	12,318,000	-	99.99	99.99	Halyps Building Materials S.A.
Jalaprathan Cement Public Co., Ltd	Bangkok	TH	THB	1,200,000,000	-	58.80	12.26	Asia Cement Public Co., Ltd
							37.00	Ciments Français S.A.
							9.54	Vesprapat Holding Co, Ltd ²
Jalaprathan Concrete Products Co, Ltd	Bangkok	TH	THB	280,000,000	-	57.39	57.39	Jalaprathan Cement Public Co, Ltd ²
Johar S.A.	Luxemont et Villotte	FR	EUR	1,221,632	-	100.00	100.00	Tratel S.A.
JTC	Bangkok	TH	THB	11,000,000	-	57.39	57.39	Jalaprathan Concrete Products Co, Ltd ²
Larricq S.A.	Airvault	FR	EUR	508,000	-	99.98	99.98	Tratel S.A.
Les Calcaires Girondins S.a.s.	Cenon	FR	EUR	100,000	-	50.00	50.00	GSM S.A.
Les Calcaires Sud Charentes	Cherves Richemont	FR	EUR	1,524.49	-	34.00	34.00	GSM S.A.
Les Graves de l'Estuaire S.a.s.	Le Havre	FR	EUR	297,600	-	33.33	33.33	GSM S.A.
Les Sabliers de l'Odét	Quimper	FR	EUR	134,400	-	96.93	94.92	Dragages Transports & Travaux Maritimes S.A.
							2.01	GSM S.A.
Lyulyaka E.A.D.	Devnya	BG	BGN	759,372	-	100.00	100.00	Devnya Cement A.D.
Marvex	Devnya	BG	BGN	89,424,100	-	100.00	100.00	Sociedad Financiera y Minera S.A.
Matériaux Routiers du Bearn S.A.R.L.	Rebenacq	FR	EUR	15,000	-	33.30	33.30	GSM S.A.
Mauritano-Française des Ciments	Nouakchott	MR	MRO	1,111,310,000	-	51.11	51.11	Ciments Français S.A.
Menaf	Puteaux	FR	EUR	352,500,000	-	100.00	95.74	Ciments Français S.A.
							4.26	Ciments Français Participations S.n.c.
Met Teknik Servis ve Maden Sanayi Ticaret A.S.	Istanbul	TR	YTL	50,000	-	99.99	99.99	Set Group Holding
MTB - Maritime Trading & Brokerage S.r.l.	Genova	IT	EUR	70,000	-	33.33	33.33	Interbulk Trading S.A.
Nadco Inc.	Nazareth	US	USD	1,000	-	100.00	100.00	Esroc Cement Corp.
Naga Property Co	Bangkok	TH	THB	100,000,000	-	57.43	57.43	Jalaprathan Cement Public Co. Ltd ²
Neuciclaje S.A.	Bilbao	ES	EUR	364,000	-	32.69	32.69	Sociedad Financiera y Minera S.A.
Novhorvi S.A.	Vitoria	ES	EUR	180,300	-	25.00	25.00	Hormigones y Minas S.A.
Nugra S.A.	Madrid	ES	EUR	60,100	-	100.00	100.00	Sociedad Financiera y Minera S.A.
Port St. Louis Aménagement S.n.c.	Guerville	FR	EUR	8,000	-	51.00	51.00	GSM S.A.
Port St. Louis Remblaiement S.A.R.L.	Guerville	FR	EUR	7,622.45	-	51.00	51.00	GSM S.A.
Procimar S.A.	Casablanca	MA	MAD	27,000,000	-	99.99	99.99	Ciments Français S.A.
Provence Aménagement S.A.	Port Frejus	FR	EUR	480,000	-	35.00	35.00	Arena S.A.
R.G. Aggregates B.V.	Vlaardingen	NL	EUR	18,151.21	-	100.00	100.00	Compagnie des Ciments Belges S.A.
Raingeard Carrières Bétons et Compagnie S.n.c.	Saint Herblain	FR	EUR	705,000	-	100.00	99.98	GSM S.A.
							0.02	Arena S.A.
Riverton Corporation	Winchester	US	USD	859,310	-	100.00	100.00	Riverton Investment Corporation
Riverton Investment Corporation	Winchester	US	USD	8,340	-	100.00	100.00	Esroc Cement Corp.
Riverton Lime&Stone Co. Inc.	Winchester	US	USD	3,000	-	100.00	100.00	Riverton Corporation
Rular Trading B.V.	Vlaardingen	NL	EUR	18,151.21	-	100.00	100.00	R.G. Aggregates B.V.
S.A. Dijon Béton	Dijon	FR	EUR	184,000	-	15.00	15.00	GSM S.A.
Saarlandische Zementgesellschaft MBH	Saarbrücken	DE	EUR	52,000	-	80.00	80.00	Ciments Français International S.A.
Sablmaris	Lanester	FR	EUR	1,769,904	-	100.00	55.42	Dragages Transports & Travaux Maritimes S.A.
							44.58	Les Sabliers de l'Odét
Sadecib S.A.	Puteaux	FR	EUR	67,136,000	-	99.99	99.99	Ciments Français S.A.
Sas des Gresillons	Guerville	FR	EUR	40,000	-	35.00	35.00	GSM S.A.
Sax S.a.s.	Guerville	FR	EUR	482,800	-	99.99	99.99	Ciments Français S.A.

² Percentage interest of the Ciments Français Group

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Company	Registered office		Share capital		% interest		Interest held by group companies	
					direct	indirect	%	
SCI Batlongue	Arudy	FR	EUR	53,504	-	100.00	100.00	GSM S.A.
SCI Coralie	Allonnes	FR	EUR	3,048.98	-	100.00	80.00 20.00	Bonafini S.A. Larricq S.A.
SCI de Balloy	Avon	FR	EUR	20,310	-	100.00	99.95 0.05	GSM S.A. Arena S.A.
SCI Delrieu Freres	Fumel	FR	EUR	17,379.19	-	100.00	50.00 50.00	Ciments Français S.A. Socli S.A.
SCI des Granets	Cayeux sur M.	FR	EUR	4,695	-	47.33	47.33	GSM S.A.
SCI du Colombier	Rungis	FR	EUR	2,000	-	63.00	63.00	GSM S.A.
SCI du Domaine de Saint Louis	Guerville	FR	EUR	6,720	-	99.76	99.76	GSM S.A.
SCI Lepeltier	S. Douillard	FR	EUR	6,150	-	99.76	99.76	GSM S.A.
SCI Taponnat	Cherves Richemont	FR	EUR	1,500	-	50.00	50.00	GSM S.A.
SCI Triel Carrières	Guerville	FR	EUR	13,500	-	99.89	99.89	GSM S.A.
Scori S.A.	Plaisir	FR	EUR	1,092,800	-	13.95	13.95	Ciments Calcia S.A.
Set Beton Madencilik Sanayi ve Tas	Istanbul	TR	YTL	21,494,800	-	99.99	99.99	Ciments Français S.A.
Set Cimento	Istanbul	TR	YTL	31,693,324	-	99.81	96.81 3.00	Set Group Holding Devnya Cement A.D.
Set Group Holding	Istanbul	TR	YTL	18,508,410	-	99.99	99.99	Ciments Français S.A.
Shymkent Cement	Shymkent	KZ	KZT	350,000,000	-	99.75	99.75	Ciments Français S.A.
Sitapuram Power Limited	Hyderabad	IN	INR	140,000,000	-	51.00	30.60 20.40	Zuari Cement Ltd Sri Vishnu Cement Ltd
SnC Rouennaise de Transformation	Grand Couronne	FR	EUR	7,500	-	60.00	60.00	Ciments Calcia S.A.
Sociedad Financiera y Minera S.A.	Madrid	ES	EUR	39,160,000	-	99.73	56.58 39.87 3.02 0.26 56.73 39.98 3.03	Sodecim S.a.s. Ciments Français Europe N.V. Hormigones y Minas S.A. Sociedad Financiera y Minera S.A. (voting rights: Sodecim S.a.s. Ciments Français Europe N.V. Hormigones y Minas S.A.)
Société Calcaires Lorrains	Heillecourt	FR	EUR	40,000	-	49.92	49.92	GSM S.A.
Société Civile Bachant le Grand Bonval	Guerville	FR	EUR	1,500	-	80.00	80.00	GSM S.A.
Société Civile Carrière de Maraval	Frejus	FR	EUR	1,524.49	-	100.00	100.00	GSM S.A.
Société Civile d'Exploitation Agricole de l'Avesnois	Reims	FR	EUR	3,000	-	90.00	50.00 40.00	Société Civile Bachant le Grand Bonval GSM S.A.
Société Civile Immobilière Berault	Guerville	FR	EUR	3,840	-	99.95	99.95	GSM S.A.
Société de la Grange d'Etaule	Gray	FR	EUR	3,750	-	99.60	99.60	Ciments Calcia S.A.
Société des Carrières du Tournais S.C.T. S.A.	Tournai	BE	EUR	12,297,053.42	-	65.00	23.90 18.79 16.31 5.54 0.46	Ciments Français Europe N.V. Ciments Français S.A. Ciments Calcia S.A. Compagnie Financière des Ciments S.A. Compagnie des Ciments Belges S.A.
Société Foncière de la petite Seine S.a.s.	Saint Sauveur les Bray	FR	EUR	50,000	-	40.00	40.00	GSM S.A.
Société Immobilière Marguerite VIII	Casablanca	MA	MAD	100,000	-	98.00	98.00	Ciments du Maroc
Société Immobilière Marguerite X	Casablanca	MA	MAD	100,000	-	98.00	98.00	Ciments du Maroc
Société Parisienne des Sablières S.A.	Pont de L'Arche	FR	EUR	320,000	-	50.00	50.00	GSM S.A.
Socli S.A.	Izaourt	FR	EUR	144,960	-	99.94	99.94	Ciments Calcia S.A.
Sodecim S.a.s.	Puteaux	FR	EUR	458,219,678	-	99.99	99.99	Ciments Français S.A.
Sri Vishnu Cement Ltd	Bangalore	IN	INR	248,549,020	-	97.52	97.52	Zuari Cement Ltd
Ste d'Investissement & de Participations du Littoral	Guerville	FR	EUR	37,000	-	99.90	99.90	Ciments Calcia S.A.

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Annex 2 (continued)

Company	Registered office		Share capital		% Interest held by group companies		Interest held by group companies	%
					direct	indirect		
STE des Calcaires de Souppes sur Loing	Souppes sur Loing	FR	EUR	2,145,000	-	50.00	50.00	GSM S.A.
Ste Extraction & Amenagement de la Plaine de Marolles	Avon	FR	EUR	40,000	-	56.40	56.40	GSM S.A.
Stinkal S.a.s.	Ferques	FR	EUR	1,120,000	-	35.00	35.00	GSM S.A.
Suez Bag Company	Cairo	EG	EGP	9,000,000	-	57.84	53.32 4.52	Suez Cement Company Tourah Portland Cement Company
Suez Bosphorus Cimento Sanayi Ticaret	Istanbul	TR	YTL	50,000	-	99.99	99.99	Suez Cement Company
Suez Cement Company	Cairo	EG	EGP	909,282,535	-	53.15	24.10 14.59 9.46 5.00	Menaf Ciments Français S.A. Ciments du Maroc Tercim S.A.
Sukanit	Bangkok	TH	THB	500,000	-	56.91	56.91	Jalapathan Concrete Products Co, Ltd
Syrinvest Holding B.V.	Amsterdam	NL	EUR	18,000	-	100.00	100.00	Ciments Français Europe N.V.
Technodes S.a.s.	Guerville	FR	EUR	3,200,000	-	99.99	99.99	Ciments Français S.A.
Tercim S.A.	Puteaux	FR	EUR	50,814,000	-	100.00	99.99 0.01	Ciments Français S.A. Sax S.a.s.
Tomahawk Inc.	Wilmington	US	USD	1,000	-	100.00	100.00	Esroc Cement Corp.
Tourah Portland Cement Company	Cairo	EG	EGP	238,414,000	-	66.12	66.12	Suez Cement Company
Trabel Affretement	Gaurain Ramecroix	BE	EUR	61,500	-	100.00	99.84 0.16	Tratel S.A. Ciments Calcia S.A.
Trabel Transports S.A.	Gaurain	BE	EUR	750,000	-	100.00	89.97 10.03	Tratel S.A. Compagnie des Ciments Belges S.A.
Tragor S.A.	Pessac	FR	EUR	892,048	-	100.00	100.00	Tratel S.A.
Tratel S.A.	L'île S. Denis	FR	EUR	6,025,580	-	100.00	100.00	Ciments Calcia S.A.
Unibéton Est S.a.s.	Heilcourt	FR	EUR	40,000	-	100.00	100.00	Unibéton Holding S.A.
Unibéton Holding S.A.	Guerville	FR	EUR	45,000	-	99.88	99.88	Arena S.A.
Unibéton Ile de France S.a.s.		FR	EUR	40,000	-	100.00	100.00	Unibéton Holding S.A.
Unibéton Luxembourg S.A.	Luxembourg	LU	EUR	35,000	-	99.71	99.71	Unibéton S.A.
Unibéton Med S.a.s.	Lambesc	FR	EUR	40,000	-	100.00	100.00	Unibéton Holding S.A.
Unibéton Normandie S.a.s.	Rouen	FR	EUR	40,000	-	100.00	100.00	Unibéton Holding S.A.
Unibéton S.A.	Guerville	FR	EUR	27,159,732	-	99.99	99.99	Arena S.A.
Unibéton S.O. S.a.s.	Pessac	FR	EUR	40,000	-	100.00	100.00	Unibéton Holding S.A.
Unibéton Var S.a.s.	Lambesc	FR	EUR	40,000	-	99.96	99.96	Unibéton S.A.
Uniwerbétón S.a.s.	Heillecourt	FR	EUR	160,000	-	70.00	70.00	Unibéton S.A.
Valoise S.a.s.	Pierrelaye	FR	EUR	39,000	-	60.00	60.00	GSM S.A.
Vaniyuth Co. Ltd	Bangkok	TH	THB	100,000	-	48.80	48.80	Investcim S.A.
Vassiliko Cement Works Ltd	Nicosia	CY	CYP	13,434,018.75	-	33.00	20.00 13.00	Italmed Cement Company Ltd Comp. Financière et de Participations S.A.
Ventore S.L.	Malaga	ES	EUR	14,400	-	100.00	99.56 0.44	Sociedad Financiera y Minera S.A. Hormigones y Minas S.A.
Vesprapat Holding Co, Ltd	Bangkok	TH	THB	20,000,000	-	49.00	49.00	Sax S.a.s.
Vulkan A.D.	Dimitrovgrad	BG	BGN	452,967,000	-	97.31	70.00 27.31	Ciments Français S.A. Devnya Cement A.D.
Zuari Cement Ltd	Hyderabad	IN	INR	4,279,614,000	-	99.99	80.13 19.86 99.99	Ciments Français S.A. Cie pour l'Investissement Financier en Inde (voting rights: Ciments Français S.A.)

Italmobiliare S.p.A.



General overview

With Legislative Decree no. 38 of February 28, 2005, the Italian Government made it obligatory for companies whose shares are traded in regulated markets to prepare their financial statements in conformity with international accounting standards as from 2006. As a consequence these financial statements have been prepared on the basis of the IAS/IFRS, as also the comparative figures for full-year 2005 and for the half year to June 30, 2005.

As required by IFRS 1 there is a separate appendix giving the reconciliation of shareholders' equity at the beginning and end of 2005, the income statement result for 2005 and the indication of the significant adjustments made to the cash flow statement in comparison to the figures under the previous accounting standards.

The parent company Italmobiliare at June 30, 2006 had net income of 168.3 million euro compared with net income of 55.1 million euro in the prior-year period.

During the first half of 2006 as part of the corporate restructuring program to assign specific missions to the companies which are directly owned by the parent company, Italmobiliare sold the shares bound to voting trusts to the 100% owned subsidiary Franco Tosi.

These transactions generated an overall capital gain, net of accessory charges and tax for the period, of 98.9 million euro.

Even if the result for the first half of 2006 is stated without this impact, net income for the period still shows an increase of 26.0%.

Summarized income statement

(in thousands of euro)	1 st half 2006	1 st half 2005	Change
Net sales	194,428	66,003	128,425
<i>of which:</i>			
<i>dividends</i>	73,397	62,584	10,813
<i>capital gains on equity inv. and securities</i>	118,119	722	117,397
<i>Interest and other financial income</i>	982	854	128
<i>services</i>	1,930	1,843	87
Current gross operating profit	169,778	52,821	116,957
Other income and charges	3,293	(408)	3,701
Gross operating profit	173,071	52,413	120,658
Amortization and depreciation	(32)	(25)	(7)
Operating income	173,039	52,388	120,651
Financial income and charges	(10)	(13)	3
Pre-tax income	173,029	52,375	120,654
Tax for the period	(4,712)	2,700	(7,412)
Net income	168,317	55,075	113,242
<i>Impact of restructuring of equity investments</i>	(98,920)	-	(98,920)
<i>Net income of the above impact</i>	69,397	55,075	14,322

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Italmobiliare at June 30, 2006 recorded **net sales** of 194.4 million euro, up by 128.4 million euro compared with the first half of 2005. There was a positive change in the flow of dividends, +10.8 million euro, which concerned both subsidiaries and associates, especially Italcementi S.p.A. and Sirap Gema S.p.A., and other companies, including a positive contribution from Unicredito, Capitalia and Consortium.

The increase in capital gains is related to the disposal of Gemina shares in January 2006, which created a capital gain of 7.9 million euro and, above all, the disposals at the end of the half of the aforementioned equity investments in RCS MediaGroup, Mediobanca, Capitalia and Gim warrants which generated a gross capital gain of 109.8 million euro.

Gross operating profit and **operating income** totaled 173.0 million euro and rose by 120.7 million euro compared with the first half of 2005 as a consequence of the aforementioned transactions.

After recording tax for the period of 4.7 million euro, compared with a tax gain of 2.7 million euro in the first half 2005, **net income** stood at 168.3 million euro, up by 113.2 million euro compared with June 30, 2005.

Equity investment transactions

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

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

At the end of March Société de Participation Financière Italmobiliare S.A. sold Italmobiliare S.p.A. its own equity investment in **Consortium** (2.764%) at the price of 28.9 million euro. The price was determined on the basis of the Consortium shareholders' equity at the end of February adjusted on the basis of evaluations at market prices of the listed shares held in the portfolio. In June Consortium, following the decision regarding its early dissolution after concluding the disposal program of Mediobanca shares exceeding the voting trust share, sold the syndicated Mediobanca shares and the Generali shares in its portfolio to the respective shareholders (or their subsidiaries) in proportion to the corresponding stake held at a unit price of 15.307 and 27.833 euro respectively. Consequently 884,857 Mediobanca shares arising from the operation were acquired by Franco Tosi S.r.l., in application of an agreement with the parent company Italmobiliare and with the approval of the Mediobanca voting trust, and were added to the trust itself, while 164,083 Generali shares were directly acquired by Italmobiliare.

In April Italmobiliare S.p.A. brought 860,743 **Banca Leonardo** shares and underwrote 3,399,257 shares as part of the share capital increase of the same bank. The overall investment was just under 14 million euro. Following these transactions Italmobiliare S.p.A. has a 3% equity investment in the Banca Leonardo Group.

As part of the corporate restructuring program, which allocates specific missions to companies which are directly owned by the parent company, in June Italmobiliare sold to the subsidiary Franco Tosi the following equity investments, all bound to voting trusts:

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

The price of the transactions was determined on the basis of the average official stock market prices in the 30 days prior to the signing of the contract. Franco Tosi S.p.A. financed these acquisitions through an intragroup interest free loan of 311 million euro from Italmobiliare S.p.A.

Italmobiliare again as part of the above restructuring plan, brought from the subsidiary Franco Tosi 580,000 **Banche Popolari Unite** shares overall at a unit price of 19.946 euro, i.e. the average of the official stock market prices over the previous 30 days.

During the first half of 2006 Italmobiliare S.p.A. did not buy any treasury shares, so that the **treasury shares** held in the portfolio remained unchanged at 911,131 ordinary shares (4.107% of all ordinary shares) and 28,500 savings shares (0.174% of all savings shares).

Dealings with subsidiaries and associates

Italmobiliare provides administrative, fiscal and legal services to subsidiaries and their investee companies which do not have their own specific capability.

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

- Italmobiliare S.p.A., through its own legal service, provides Group companies with specific assistance;
- Italcementi S.p.A. guarantees Italmobiliare the management of staff administration services, shareholders' register, shareholders' meetings, external relations and assistance in corporate affairs;
- Italmobiliare S.p.A. leases some of its real estate properties to its own subsidiaries;
- Italmobiliare Servizi S.r.l. provides Italmobiliare and some of its subsidiaries with an IT support service and some general services.

Italmobiliare's Chief Operating Officer, as part of the exchange with Italcementi S.p.A., fulfils the role of Chief Executive Officer at Italcementi.

Within the Group there are also exchanges of personnel as part of the overall optimization of the use of resources.

On the financial front Italmobiliare provides guidance and assistance and ensures its own subsidiaries with the necessary support both in terms of financing and in the issue of guarantees and bank guarantees.

Intragroup dealings of a financial nature are conducted at normal market conditions, while services are mainly regulated by taking as a reference the costs attributable to the specific services.

With regard to the domestic tax consolidation, which Italmobiliare S.p.A., as the parent-consolidating company, and 19 directly and indirectly controlled subsidiaries elected, following the coming into force of Legislative Decree no. 247 of November 18, 2005, it was necessary to update the "Implementation Regulation" governing inter-company dealings signed by all the companies in the tax consolidation in order to make it conform to the new law.

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

As from the 2006 tax year, Cementificio di Montalto S.p.A., an Italcementi S.p.A. subsidiary, has elected tax consolidation under Italmobiliare S.p.A.

Dealings with other related parties

These relate to:

- legal consultancy, judicial and extrajudicial assistance provided to Italmobiliare S.p.A. by Luca Minoli, a director of Italmobiliare S.p.A. as a partner in the associate professional studio Dewey Ballantine LLP;
- consultancy services for the senior management of Italmobiliare S.p.A. in relation to the processes to rationalize and develop the Group's activities provided by Piergiorgio Barlassina, a director of Italmobiliare, with whom there is a one-year cooperation relationship.

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

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

The figures at June 30, 2006 of dealings with related parties are shown in the explanatory notes.

Financial statement

Balance sheet

(in thousands of euro)	Note	June 30, 2006	December 31, 2005	Change
Non-current assets				
Property, plant and equipment	1	3,791	3,767	24
Real estate investment	2	295	448	(153)
Intangible assets	3	7	11	(4)
Investments in subsidiaries and associates	4	1,054,466	1,040,094	14,372
Other investments	5	636,477	905,462	(268,985)
Non-current receivables and other assets	6	32,421	24,574	7,847
Total non-current assets		1,727,457	1,974,356	(246,899)
Current assets				
Trade receivables	7	1,171	1,341	(170)
Other assets	8	320,895	1,338	319,557
Income tax assets	9	24,337	41,007	(16,670)
Investments and financial receivables	10	40,831	35,124	5,707
Cash and cash equivalents	11	67,391	30,241	37,150
Total current assets		454,625	109,051	345,574
Total assets		2,182,082	2,083,407	98,675
Shareholders' equity				
Share capital	12	100,167	100,167	
Reserves	13	654,522	723,496	(68,974)
Treasury shares, at cost	14	(22,176)	(22,176)	
Retained earnings		864,292	744,978	119,314
Total shareholders' equity		1,596,805	1,546,465	50,340
Non-current liabilities				
Medium/long-term financing	16	373,830	316,018	57,812
Non-current amounts due to employees	15	998	1,367	(369)
Non-current reserves	17	25,107	25,714	(607)
Other non-current payables and liabilities		31	24	7
Deferred tax liabilities	18	8,599	17,317	(8,718)
Total non-current liabilities		408,565	360,440	48,125
Current liabilities				
Bank overdrafts and short-term borrowings	16	140,524	148,780	(8,256)
Short-term financing	16	3,813	5,699	(1,886)
Trade payables	19	1,839	1,760	79
Income tax liabilities	20	18,692	1,164	17,528
Other current liabilities	21	11,844	19,099	(7,255)
Total current liabilities		176,712	176,502	210
Total liabilities		585,277	536,942	48,335
Total shareholders' equity and liabilities		2,182,082	2,083,407	98,675

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Income statement

(In thousands of euro)	Note	1st half 2006	%	1st half 2005	%	Change amount	%
Net sales	22	194,428	100.0	66,003	100.0	128,425	194.6
Other revenues	23	643		635		8	
Goods and utilities expenses	24	(68)		(86)		18	
Services expenses	25	(2,617)		(2,777)		160	
Employee expenses	26	(7,182)		(5,013)		(2,169)	
Other operating income/(expense)	27	(15,426)		(5,941)		(9,485)	
Current gross operating profit		169,778	87.3	52,821	80.0	116,957	221.4
Other income and charges	28	3,293		(408)		3,701	
Gross operating profit		173,071	89.0	52,413	79.4	120,658	230.2
Amortization and depreciation	29	(32)		(25)		(7)	
Operating income		173,039	89.0	52,388	79.4	120,651	230.3
Financial income and charges	30	(10)		(13)		3	
Pre-tax income		173,029	89.0	52,375	79.4	120,654	230.4
Tax for the period	31	(4,712)		2,700		(7,412)	
Income and charges from discontinuous operations							
Net income for the period		168,317	86.6	55,075	83.4	113,242	205.6

Statement of movements in shareholders' equity

	Share capital	Reserves			Treasury shares, at cost	Retained earnings	Total shareholders' equity	
		Share premium reserve	Fair value reserve for available for sale financial assets	Other reserves				Total reserves
(in thousands of euro)								
Balance at January 1, 2005	100,167	177,191	373,472	391	551,054	-21,192	729,087	1,359,116
Change in fair value on:								
Available for sale financial assets			111,795		111,795			111,795
Stock options				296	296			296
Total gains (losses) taken directly to shareholders' equity			111,795	296	112,091			112,091
Net income for the period							55,075	55,075
Total gains (losses) for the period			111,795	296	112,091		55,075	167,166
Distribution of income:								
Dividends							-42,630	-42,630
Treasury share buyback						-349		-349
Prescribed dividends							3	3
Balance at 30 June, 2005	100,167	177,191	485,267	687	663,145	-21,541	741,535	1,483,306
Change in fair value on:								
Available for sale financial assets			59,943		59,943			59,943
Stock options				408	408			408
Total gains (losses) taken directly to shareholders' equity			59,943	408	60,351			60,351
Net income for the period							3,443	3,443
Total gains (losses) for the period			59,943	408	60,351		3,443	63,794
Treasury share buyback						-635		-635
Prescribed dividends								
Balance at December 31, 2005	100,167	177,191	545,210	1,095	723,496	-22,176	744,978	1,546,465
Change in fair value on:								
Available for sale financial assets			-69,544		-69,544			-69,544
Stock options				570	570			570
Total gains (losses) taken directly to shareholders' equity			-69,544	570	-68,974			-68,974
Net income for the period							168,317	168,317
Total gains (losses) for the period			-69,544	570	-68,974		168,317	99,343
Distribution of income:								
Dividends							-49,007	-49,007
Share capital increases								
Exercise of options								
Treasury share buyback								
Prescribed dividends							4	4
Balance at June 30, 2006	100,167	177,191	475,666	1,665	654,522	-22,176	864,292	1,596,805

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Cash flow statement

(in thousands of euro)	1 st half 2006	1 st half 2005
A) Cash flow from operating activities:		
Pre-tax income	173,029	52,375
Amortization, depreciation and impairment	32	25
Capital (gains)/losses on sale of assets	(110,156)	(655)
Change in reserves for employee benefits and other reserves	(976)	486
Stock option	570	295
Cancellation of net financial income and charges	(67,930)	(56,404)
Cash flow from operations before tax, financial income and charges and changes in working capital:	(5,431)	(3,878)
Trade receivables	170	(263)
Trade payables	79	(214)
Other prepayments and accruals	(313,482)	886
Total change in working capital	(313,233)	409
Net financial charges paid	(5,850)	(4,145)
Dividends received	73,366	60,712
Net tax payments/refunds	1,969	1,137
Total A)	(249,179)	54,235
B) Cash flow from investing activities:		
Investments		
Property, plant and equipment	(71)	(109)
Intangible		(5)
Financial (equity investments)	(54,342)	(42,814)
Change in payables for acquisition of equity investments		150
Total investments	(54,413)	(42,778)
Proceeds from disinvestments	347,786	1,738
Total disinvestments	347,786	1,738
Total B)	293,373	(41,040)
C) Cash flow from financing activities:		
Change in financial payables	47,670	22,890
Change in financial receivables	(772)	9,669
Change in current equity investments	(4,935)	
Treasury shares buyback		(348)
Share capital increases		
Dividends paid	(49,007)	(42,630)
Other changes		(743)
Total C)	(7,044)	(11,162)
D) Change in cash and cash equivalents (A+B+C)	37,150	2,033
E) Cash and cash equivalents at beginning of period	30,241	242
(D+E) Cash and cash equivalents at end of period	67,391	2,275

Explanatory notes

The Italmobiliare S.p.A. half year report to June 30, 2006 was approved by the Board of Directors on September 13, 2006. At the meeting, the Board authorized publication of the financial statements in a press release dated September 13, 2006 containing key information from the interim financial statements.

Accounting policies

As set out previously regarding consolidation accounting policies, Italmobiliare S.p.A. elected to apply the recognition and measurement criteria envisaged by the international accounting standards (IFRS) as from the consolidated quarterly report at March 31, 2005 and on that occasion no intermediate figures were produced for the company.

By means of the Legislative Decree no. 38 of February 28, 2005, the Italian Government made it obligatory for companies whose securities are traded on regulated markets to prepare their financial statements in conformity with the international accounting standards as from 2006.

In this half year report, therefore, for the first time the company provides the figures for its own intermediate financial statements prepared in conformity with the new standards.

The half year report to June 30, 2006 has been prepared in conformity with the international accounting standards (IFRS) in force at June 30, 2006 as adopted by the European Commission; the report has been prepared in accordance with the provisions of art. 81 of the regulation for issuers as established by CONSOB communication no. 14990 of April 14, 2005, "in conformity with the international accounting standard applicable for interim reporting" and in accordance with the recent CONSOB communication DME/6064313 of July 28, 2006. In a separate appendix, as required by IFRS 1 (first-time adoption of IFRS, paragraphs 39 and 40), a reconciliation is provided of shareholders' equity at the beginning and end of 2005 as well as of the income for the year and of the significant adjustments made to the cash flow statement.

Declaration of compliance with the IFRS

This half year report has been drawn up in compliance with the International Financial Reporting Standards (IFRS) applicable at June 30, 2006 adopted by EU Regulations 1725/2003 of September 29, 2003, 707/2004 of April 6, 2004, 2236/2004, 2237/2004 and 2238/2004 of December 29, 2004. In particular since it is an interim report, this half year report has been drawn up in compliance with IAS 34. The values given for comparative purposes have been restated using the same standards.

The IFRS standards have been applied to the assets and liabilities which qualified for recognition at the transition date of January 1, 2005.

The options elected in application of IFRS 1 for the purposes of the consolidated balance statement at January 1, 2004 (date of transition to the IAS/IFRS used for the purposes of the consolidated financial statements) have been kept unaltered for the purposes of the transition to the IAS/IFRS of the individual financial statements of Italmobiliare S.p.A.

In compliance with IFRS 1, the effects arising from the transition process have been recorded with a counter entry in opening shareholders' equity.

In relation to the exemptions envisaged by IFRS 1, on the application of the standards to the opening balance sheet at January 1, 2005, the company has elected the following options.

Employee benefits: actuarial gains and losses accumulated from the start of the plans until the transition date to the IAS/IFRS are fully recognized to shareholders' equity.

Business combinations: IFRS 3 was not applied retrospectively for business combinations which occurred before January 1, 2005.

Property, plant and equipment: option of measuring assets at fair value was not used.

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As also made clear in the appendix on the transition to the IFRS, it is necessary to remember that since the financial statements as at December 31, 2006 with the comparative figures for 2005 must be prepared on the basis of IFRS standards and interpretations in force at that date, it is possible that the financial information and the impact in that document are different from those reported in this half year report prepared in accordance with the standards and interpretations in force as of today.

General principles for preparing the financial statements

Italmobiliare S.p.A. is a company organized in accordance with Italian law, whose main activity is taking on and managing equity investments in subsidiaries, associates and other companies.

In this context the company can undertake the financial, commercial, industrial and service operations necessary to achieve its corporate aims.

In addition, the company provides technical and administrative services to subsidiaries and associates.

The financial statements for 2006 will be drawn up in compliance with the IFRS issued by the International Accounting Standards Board and approved by the European Union including the revised international standards (IAS), approved interpretations (IFRIC) and previous interpretations (SIC), which are in force at the year end date.

In any case the company will be bound to apply the provisions of Italian law which implement EU Directive IV, which are applied, provided that they are compatible, also to companies which draw up their financial statements in conformity with the IFRS. Therefore, the financial statements include the provisions of the articles of the Italian Civil Code and the corresponding provisions of the Financial Services Act (TUF) for listed companies regarding the report on operations (art. 2428 Civil Code), accounting control (art. 2409-bis Civil Code) and publication of the financial statements (art. 2435 Civil Code).

In compliance with the provisions of the aforementioned standards, and without conflicting with them, the financial statements and the explanatory notes may also include some extra details and information, which was previously provided in compliance with art. 2424, 2425 and 2427 of the Civil Code, in order to provide a fuller explanation of the contents and to provide continuity in the information provided.

The statements have been prepared on the basis of the accounting situation at June 30, 2006.

Use of estimates

The preparation of the half year report and the notes, in compliance with the IFRS, requires management to make estimates affecting the values of assets, liabilities, income and expense, such as amortization, depreciation and provisions, and the disclosures relating to contingent assets and liabilities in the notes.

These estimates assume operating continuity and are determined using the information available at the time, and could therefore diverge from the actual future results.

Assumptions and estimates are particularly sensitive with regard to measurement of fixed assets, which depend on forecasts of future results and cash flows, provisions for disputes and restructurings and commitments in respect of pension plans and other long-term benefits.

Management conducts regular reviews of assumptions and estimates, and any adjustments are immediately recognized in the financial statements.

Accounting policies and basis of presentation

The company accounts are prepared on a cost basis, except for financial assets held for trading or destined for sale, the assessment of which is made on the basis of the fair value.

The tables are presented in thousands of euro.

In relation to the presentation of the financial statements the company has made the following choices:

- for the balance sheet, current and non-current assets and current and non-current liabilities are stated separately. Current assets, which include cash and cash equivalents, are assets that the Group intends to realize, sell or consume during its normal business cycle; current liabilities are liabilities that the Group expects to settle during the normal business cycle or in the twelve months after the balance sheet date;
- for the income statement, the expenses analysis is made based on the nature of the expenses;
- for the cash flow statement the indirect method is used.

Subsidiaries and associates

Subsidiaries are companies in which the company has the power to determine, directly or indirectly, administrative and management decisions and to obtain the benefits thereof. Generally speaking, control is assumed to exist when the company holds, directly or indirectly, more than one half of voting rights which may be exercised at the ordinary shareholders' meeting, including potential voting rights deriving from convertible securities. Investments in subsidiaries are recorded at cost and subsequently adjusted for changes in value when, following impairment testing, the necessary conditions are found to adjust the carrying amount to the real economic value of the equity investment.

Associates are companies in which the company has significant influence over administrative and management decisions even though it does not hold control. Generally speaking, significant influence is assumed to exist when the company holds, directly or indirectly, at least 20% of voting rights which may be exercised at the ordinary shareholders' meeting. Investments in associates are recognized at fair value.

Change in accounting standards

In the half year report at June 30, 2006 the same standards and accounting criteria have been used as used in preparing the IFRS reconciliation.

Business combinations

On first-time adoption of the IFRS, as allowed by IFRS 1, the company has not elected retrospective application of IFRS 3 to business combinations that took place before the transition date.

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

Apportionment of the cost of business combinations

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

Translation of foreign currency postings

Transactions in foreign currencies

Foreign currency transactions are initially translated into the reporting currency with the exchange rate at the transaction date. At closure of the reporting period, foreign currency monetary assets and liabilities are translated into the reporting

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currency at the closing exchange rate. Gains and losses are taken to the income statement.

Non-monetary foreign currency assets and liabilities valued at cost are translated at the exchange rate ruling at the transaction date; those valued at fair value are translated with the exchange rate at the date fair value was determined.

Property, plant and equipment

Measurement

Property, plant and equipment is recognized at cost, less accumulated depreciation and impairment losses. Cost includes the purchase or production cost and directly attributable costs of bringing the asset to the location and the conditions required for its operation.

Finance costs relating to the purchase, construction and production of an asset are recognized as an expense as incurred. The carrying amount of some assets existing at the IFRS first-time adoption date of January 1, 2005 reflects revaluations applied in prior periods in connection with specific local laws and based on the real economic value of the assets in question. Assets acquired through business combinations are stated at fair value determined on a provisional basis at the purchase date and subsequently adjusted within the following twelve months.

Subsequent to initial recognition, property, plant and equipment is carried at cost depreciated over the asset's useful life, less any impairment losses.

When an asset consists of components with a significant cost and different useful lives, initial recognition and subsequent measurement are effected separately for each component.

Subsequent expenses

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

Depreciation

Depreciation is generally calculated on a straight-line basis over the estimated useful life of each component of an asset. Land is not depreciated and its value is separated from that of the properties built on it.

Asset useful life determines the depreciation rate until a subsequent review of residual useful life. The range of useful lives used for the various categories of assets is disclosed in the notes.

Leasing

There are no finance lease contracts.

Lease contracts refer to the type of operating lease, i.e. those contracts where the lessor largely retains all the risks and rewards incident to ownership.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Real estate investment

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

Intangible assets

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

Subsequent to initial recognition, intangible assets are carried at cost, amortized over the asset's useful life.

The company has not identified intangible assets with an indefinite useful life.

Impairment of assets

Tangible assets and amortizable intangible assets are tested for impairment if indications of impairment emerge.

Equity investments in subsidiaries or associates are subject to systematic impairment testing to be carried out on an annual basis or more frequently should indications of impairment emerge.

Impairment is the difference between the asset carrying amount and its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell off an asset, and its value in use, determined as the present value of future cash flows. The discount rate is determined using the weighted average cost of capital method (WACC).

Financial assets

All financial assets are recognized initially at cost, on the trading date, which corresponds to fair value plus additional costs attributable to the purchase.

Subsequent to initial recognition, assets held for trading are classified as current financial assets and carried at fair value; any gains or losses are taken to income.

Assets intended to be held to maturity are classified as current financial assets if they mature within one year; otherwise they are classified as non-current assets and subsequently carried at amortized cost.

Amortized cost is determined with the effective interest rate method, taking account of any acquisition discounts or premiums, which are apportioned over the entire period until maturity, less any impairment losses.

Other financial assets are classified as available for sale under current and non-current assets and recognized at fair value. Any valuation gains or losses are shown in a separate equity item until the assets are sold, recovered or discontinued, or until they are found to be impaired, in which case the cumulative gains or losses in equity are taken to the income statement. Should a capital instrument not have a price listed on an active market and if it is not possible to measure its fair value reliably it is valued at cost.

Cash and cash equivalents

Cash and cash equivalents consist of cash at hand, checks, bank demand deposits and other treasury investments with original maturity of not more than three months.

The definition of cash and cash equivalents in the cash flow statement is identical to that in the balance sheet.

Employee benefits

The company operates pension plans, post-employment medical benefit plans and leaving entitlement provisions.

It also has other commitments in the form of bonuses payable to employees on the basis of length of service.

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Defined contribution plans

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

These contributions are paid in exchange for the services rendered by employees and are recognized as expense as they are incurred.

Defined benefit plans

The company has no outstanding voluntary post-employment benefit programs that constitute a future obligation for the company.

Nonetheless, the national legislation relating to employee entitlements is considered similar to the obligation arising from the existence of a defined benefit plan.

The company uses the projected unit credit method to determine the present value of obligations and the related benefit cost of current services rendered.

These actuarial calculations require use of consistent and objective actuarial assumptions about demographic variables (mortality rate, personnel turnover rate) and financial variables (discount rate, future increments in salaries).

As a consequence, the provision set up for employee entitlements is assessed on the basis of the international accounting standards, adjusting the amount recorded to the value of the obligation arising on application of the actuarial hypotheses.

Other long-term benefits

The existence of implicit or contractual obligations towards employees, following application of the employment contracts in force and consisting mainly of long-service bonuses, leads to the application of the projected unit credit method for defined benefit plans.

The obligation is accounted for by adjusting the amount to the value arising from application of the actuarial hypotheses.

Treatment of actuarial gains and losses

Actuarial gains and losses may arise as a result of changes in the actuarial assumptions used in two consecutive periods or as a result of changes in the obligation value or in the fair value of any plan asset in respect of the actuarial assumptions used at the beginning of the period.

The company uses the corridor method, where actuarial gains and losses are recognized as income or expense when their unrecognized cumulative net value, for each plan, at the end of the previous period exceeds 10% of the present value of the obligation. These gains and losses are recognized over the average remaining working lives of the employees participating in the plans.

Actuarial gains and losses relating to other long-term benefits (long-service bonuses) and to early retirement benefits are recognized as income or expense immediately.

Reserves for risks and charges

The company recognizes reserves for risks and charges when a present obligation (legal or implicit) arises as a result of a past event, the amount of which can be reliably estimated and use of resources is probable to settle the obligation.

The reserves are recorded at the value which represents the best estimate to be paid to extinguish the obligation or to transfer it to a third party at the end of the period. If the effect of discounting the value of the financial resources that will be used is calculable and material, the reserves are determined by discounting expected future cash flows at a rate that reflects the current market assessments of the time value of money and, where appropriate, the risks specific to the liability. When discounting is performed, movements on reserves due to the effect of time or changes in interest rates are recognized in financial items.

Changes in the estimate are reflected in the income statement for the period in which the change takes place.

Trade payables and other payables

Trade payables and other payables are carried at the fair value of the initial consideration given in exchange.

Share-based payments

The company has decided to apply IFRS 2 as from January 1, 2005.

Options for the subscription and purchase of shares granted by companies to employees and directors give rise to recognition of a cost classified under employee expenses, with a corresponding increase in equity.

In accordance with IFRS 2, only options granted after November 7, 2002 whose rights had not vested at December 31, 2003 have been measured and recognized at the date of transition to the IFRS. In particular options for the subscription and purchase of shares are measured at fair value at the grant date and amortized over the vesting period. Option fair value is determined using the binomial method and taking account of dividends. Future volatility is determined on the basis of historic market prices, after correction for extraordinary events or factors.

The cost of the options granted is reviewed on the basis of the actual number of options that have vested at the beginning of the exercise period.

Net sales

Net sales are recognized to the extent that it is likely that the economic benefits associated with the sale of goods or rendering of services are collected by the companies and the amount in question can be reliably determined.

Net sales are recognized at the fair value of the consideration received or due, taking account of any trade discounts and volume discounts.

Net sales from the sale of goods are recognized when the company transfers the significant risks and rewards incident to ownership of the goods to the purchaser.

Net sales include dividends received, interest and commission income.

Dividends are recognized as shareholders' right to receive payment arises, in accordance with local laws.

Rental income

Rental income is recognized as other revenues as received.

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Income taxes

Current income tax is provided in accordance with the laws in force.

Deferred tax is recognized using the balance sheet liability criterion, based on temporary differences between the tax base of assets and liabilities and their carrying amount in the balance sheet.

Deferred tax liabilities are recognized on all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable income will be available against which such differences, losses and credits may be reversed.

Deferred tax assets are reviewed at the end of every reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available in the future against which the assets can be used in full or in part.

Deferred tax assets and liabilities are determined at tax rates expected to apply when the deferred tax asset (liability) is realized (settled), based on rates in force or that have been enacted or substantially enacted at the balance-sheet date.

Tax relating to items credited or charged directly to equity is recognized in equity, not in income.

Reconciliation statements

Impact of the transition to the IFRS on the company accounts at June 30, 2005

The table below compares the summarized income statement and balance sheet at June 30, 2005 prepared in accordance with the previous accounting standards and those prepared in accordance with the IFRS:

(in thousands of euro)	1 st half 2005 previous standards	1 st half 2005 IFRS	Change
Net sales	75,150	66,003	(9,147)
GOP	62,422	52,413	(10,009)
Operating income	62,351	52,388	(9,963)
Pre-tax income	62,338	52,375	(9,963)
Tax for the period	2,705	2,700	(5)
Net income for the period	65,043	55,075	(9,968)

(in thousands of euro)	at June 30, 2005 previous standards	at June 30, 2005 IFRS	Change
Shareholders' equity	1,029,176	1,483,306	454,130

The following tables set out the reconciliations between net income and shareholders' equity in the first half of 2005 prepared in accordance with the previous accounting standards and the net income and shareholders' equity in the first half of 2005 prepared in accordance with the IFRS:

(in thousands of euro)	Net income 1 st half 2005
In accordance with the previous accounting standards	65,043
IAS 16 Property, plant and equipment - depreciation	33
IAS 38 Intangible assets - amortization	13
IAS 27/28/39 Equity investments and financial instruments of which:	(9,213)
- cancellation of writedown of equity investments	(9,103)
- other changes	(110)
IAS 19 Employee benefits	(501)
IAS 12 Deferred tax	(5)
IFRS 2 Stock options	(215)
In accordance with the IFRS	55,075
Change	(9,968)

The main changes concern the cancellation of value recoveries made in the first half of 2005 in the financial statements prepared in accordance with the previous accounting standards and refer to the equity investments in Gemina S.p.A. and R.C.S. MediaGroup S.p.A. for approximately 9,100 thousand euro.

(in thousands of euro)	Shareholders' equity at June 30, 2005
In accordance with the previous accounting standards	1,029,176
IAS 16 Property, plant and equipment	658
IAS 38 Intangible assets	(48)
IAS 27/28/39 Equity investments and financial instruments	475,950
IAS 32 Treasury shares	(21,540)
IAS 19 Employee benefits	(433)
IAS 12 Deferred tax liabilities	(457)
In accordance with the IFRS	1,483,306
Change	454,130

The main change was due to the adjustment to fair value of the equity investments in other listed companies and in associates.

Shareholders' equity, expressed in IFRS terms, fell owing to the cancellation of the treasury shares.

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Assets

Non-current assets

1) Property, plant and equipment

At June 30, 2006 these totaled 3,791 thousand euro and, compared with December 31, 2005 (3,767 thousand euro), saw a slight increase due largely to vehicles.

(in thousands of euro)	Land and buildings	Plant and machinery	Furniture and office equipment	Vehicles	Total
Gross value	4,425	506	969	69	5,969
Accum. depreciation	(967)	(421)	(772)	(42)	(2,202)
Net carrying amount at December 31, 2005	3,458	85	197	27	3,767
Additions	-	-	-	71	71
Disposals	-	-	-	(34)	(34)
Depreciation	-	(8)	(13)	(7)	(28)
Use of depreciation provisions	-	-	-	15	15
Net carrying amount at June 30, 2006	3,458	77	184	72	3,791
Gross value	4,425	506	969	106	6,006
Accum. depreciation	(967)	(429)	(785)	(34)	(2,215)
Net carrying amount at June 30, 2006	3,458	77	184	72	3,791

2) Real estate investment

This stood at 295 thousand euro (448 thousand euro at December 31, 2005) and was largely assessed at amortized cost. The fair value of real estate investment at June 30, 2006 was 1,443,000 euro.

	Rea estate investment
Gross value	473
Accum. amortization	(25)
Net carrying amount at December 31, 2005	448
Additions	
Disposals	(152)
Amortization	(1)
Other	
Net carrying amount at June 30, 2006	295
Gross value	322
Accum. amortization	(27)
Net carrying amount at June 30, 2006	295

3) Intangible assets

These consist of investments made over time in administrative software applications.

(in thousands of euro)	Licenses and various rights	Total
Gross value	18	18
Accum. amortization	(7)	(7)
Net carrying amount at December 31, 2005	11	11
Additions		
Disposals		
Amortization	(4)	(4)
Translation differences		
Other		
Net carrying amount at June 30, 2006	7	7
Gross value	18	18
Accum. amortization	(11)	(11)
Net carrying amount at June 30, 2006	7	7

4) Equity investments in subsidiaries and associates

The changes compared with December 31, 2005 were as follows:

(in thousands of euro)	
At December 31, 2005	1,040,094
Acquisitions	-
Disposals	-
Fair value taken to reserve	14,372
At June 30, 2006	1,054,466

The list of equity investments in subsidiaries and associates at June 30 is as follows:

Subsidiaries	Location	% held
Aliserio S.r.l.	Bergamo	10.00
Azienda Vendite Acquisti A.V.A. S.r.l.	Milan	100.00
Bravosolution S.p.A.	Bergamo	8.29
Fincomind S.A.	Zurich	69.93
Franco Tosi S.r.l.	Milan	100.00
Italcementi S.p.A.	Bergamo	58.74
Italmobiliare International B.V.	Amsterdam	100.00
Italmobiliare International Finance Ltd	Dublin	97.272
Italmobiliare Servizi S.r.l.	Milan	100.00
Neyrtec Industrie S.A.	Pont de Claix	100.00
Popolonia Italica S.r.l.	Milan	100.00
Punta Ala Promozione e Sviluppo Immobiliare S.r.l.	Milan	99.48
Sirap Gema S.p.A.	Verolanuova	100.00
Société de Participation Financière Italmobiliare S.A.	Luxembourg	99.94
S.r.l. Nuove Costruzioni Edilizie S.A.N.C.E.	Milan	100.00
Associates		
Mittel S.p.A.	Milan	12.913
Società Editrice Siciliana S.p.A.	Messina	33.00

Compared with December 31, 2005 there was a slightly reduced stake in Italmobiliare International Finance Ltd.

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5) Other investments

This item, classified under non-current assets, includes the equity investments recorded under "available for sale" as envisaged by IAS 39

(in thousands of euro)	
At December 31, 2005	905,462
Additions	54,342
Disposals	(343,764)
Fair value transferred to reserve	25,751
Fair value transferred to income statement	(5,314)
At June 30, 2006	636,477

Acquisitions refer to:

- the purchase by Franco Tosi S.r.l. of 580,000 Banche Popolari Unite S.c.r.l. ordinary shares for a value of 11,569 thousand euro;
- the purchase by So.par.fi. Italmobiliare S.A. of 12,768,912 Consortium ordinary shares for a value of 28,908 thousand euro;
- the purchase of 860,743 ordinary shares and the underwriting of the share capital increase in Banca Leonardo S.p.A group for an overall value of 13,796 thousand euro;
- the purchase of 34,550 ordinary shares and the underwriting of the share capital increase in Solar Energy Italia S.p.A. for an overall value of 69 thousand euro.

Disposals concerned:

the market sale of Gemina S.p.A. shares and the sale to Franco Tosi S.r.l. of shares in Capitalia S.p.A., G.I.M. Generale Ind.Metallurgiche S.p.A. and the related warrants, Mediobanca S.p.A. and R.C.S. MediaGroup S.p.A., following the repositioning of equity investments bound to a voting trust as mentioned in the directors' report.

The fair value of listed companies is calculated using the official stock market price on the last accounting day of the period.

The breakdown of equity investments at June 30, 2006 was as follows:

(in thousands of euro)	
Equity investments in listed companies:	
Banche Popolari Unite S.c.r.l.	34,611
Unicredito Italiano S.p.A.	523,606
Total	558,217
Equity investments in non-listed companies:	
Atmos S.p.A.	200
Compagnia Fiduciaria Nazionale S.p.A.	280
Consortium	23,594
Emittente Titoli S.p.A.	159
Fin Priv. S.r.l.	30,123
Gazzetta del Sud Calabria S.p.A.	702
Gruppo Banca Leonardo S.p.A.	13,796
Idrovia Ticino-Milano Nord-Mincio S.p.A.	1
Imm.re Lido di Classe S.p.A. - in liquidation	-
Immobiliare Astra S.p.A.	11
Intereuropa Sim S.p.A. in liquidation	-
Sesaab S.p.A.	9,325
Solar Energy Italia S.p.A.	69
Total	78,260
Total equity investments	636,477

The analysis of changes in equity investments is shown in the table in "Annex A".

6) Receivables and other non-current assets

"Receivables and other non-current assets" was as follows:

(in thousands of euro)	June 30, 2006	December 31, 2005	Change
Financial receivables due from subsidiaries	23,500	15,500	8,000
Financial receivables due from associates	5,897	5,897	-
Debentures available for sale	2,959	3,065	(106)
Income tax payments on account for leaving entitlements	14	71	(57)
Guarantee deposits	13	3	10
Other	38	38	-
Total	32,421	24,574	7,847

Receivables due from subsidiaries refer to loans provided falling due on March 31, 2007:

- for 3,500 thousand euro for consideration, to Franco Tosi S.r.l., at the 3-month Euribor rate plus a spread;
- for 20,000 thousand euro without interest to S.r.l. Nuove Costruzioni Edilizie S.A.N.C.E. The increase of 8,000 thousand euro is related to the acquisition of equity investments by S.r.l. Nuove Costruzioni Edilizie S.A.N.C.E., in relation to their strategic repositioning.

Loans are provided in consideration of the investments in financial assets made by the subsidiaries.

Receivables due from associates refer to the receivable due from Gesvim S.r.l.

Current assets

7) Trade receivables

(in thousands of euro)	June 30, 2006	December 31, 2005	Change
Due from customers	45	19	26
Due from associates	115	72	43
Due from subsidiaries	1,011	1,250	(239)
Total	1,171	1,341	(170)

8) Other assets

"Other assets" were as follows:

(in thousands of euro)	June 30, 2006	December 31, 2005	Change
Receivables for tax consolidation in subsidiaries	9,241	1,013	8,228
Receivables due from employees	17	2	15
Receivables due from social security institutues	4	2	2
Other current receivables	311,329	239	311,090
Receivables for dividends	30	-	30
Prepayments due from subsidiaries	26	13	13
Other prepayments due from others	25	26	(1)
Accrued income due from subsidiaries	5	-	5
Accrued income due from others	218	43	175
Total	320,895	1,338	319,557

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"Other current receivables" includes 311,000 thousand euro for the interest-free loan provided to Franco Tosi S.r.l. on June 30, 2006 and falling due on September 30, 2006.

Receivables for dividends have been recognized following the distribution resolution of Asm Brescia S.p.A. on April 5, 2006, payment of which will take place on September 7, 2006.

9) Income tax assets

At June 30, 2006 these consisted of receivables for prior years of 24,337 thousand euro.

(in thousands of euro)	June 30, 2006	December 31, 2005	Change
Receivables due from tax authorities - tax payments on account	-	(1)	1
Tax credits from subsidiaries	-	45,626	(45,626)
Receivables due from tax authorities for prior years	24,337	24,246	91
Provision for the period	-	(28,867)	28,867
Tax credits for withholding taxes	-	3	(3)
Total	24,337	41,007	(16,670)

Income tax assets fell by 16,670 thousand euro following the reclassification under income tax liabilities.

10) Investments and financial receivables

"Investments and financial receivables" were as follows:

(in thousands of euro)	June 30, 2006	December 31, 2005	Change
Debentures for trading	26,044	26,044	
Listed shares for trading	8,878	3,942	4,936
Financial receivables due from subsidiaries	5,856	5,084	772
Financial prepayments	53	54	(1)
Net amount	40,831	35,124	5,707

The increase in listed shares is mainly due to the purchase of 164,083 Assicurazioni Generali S.p.A. shares from Consortium S.r.l. for a value of 4,567 thousand euro.

Financial receivables due from subsidiaries consist of current account transactions, regulated at normal market rates, and represent the financial support provided in relation to their operational requirements.

Details of the breakdown of "Debentures for trading" and "Listed shares for trading" are specified in annex "B" and "C" approximately.

11) Cash and cash equivalents

(in thousands of euro)	June 30, 2006	December 31, 2005	Change
Cash and checks	16	22	(6)
Bank and post office accounts	67,375	30,219	37,156
Net amount	67,391	30,241	37,150

Short-term deposits have varying maturities, including three-month maturities, in relation to the Group's financial requirements; interest matures at the respective short-term rates.

The fair value of cash and cash equivalents corresponds to the balance sheet value.

Shareholders' equity and liabilities

Share capital, reserves and retained earnings

12) Share capital

At June 30, 2006 fully paid-up share capital totaled 100,167 thousand euro in 38,525,745 shares with a par value of 2.6 euro each, as follows:

(number of shares)	June 30, 2006	December 31, 2005	Change
Ordinary shares	22,182,583	22,182,583	-
Savings shares	16,343,162	16,343,162	-
Total	38,525,745	38,525,745	-

13) Reserves

"Reserves" at June 30, 2006 totaled 654,522 thousand euro (723,496 thousand euro at June 30, 2005) and include changes in the share premium reserve, adjustment to the fair value of available for sale financial assets and the measurement of stock options.

The stock option fair value reserve of 1,664 thousand euro includes the accumulated value at December 31, 2005 of options allocated and amortized over the vesting period of the stock option plans.

14) Treasury shares

At June 30, 2006 the value of treasury shares acquired totaled 22,176 thousand euro and was recorded as a debit in the reserve for treasury shares, as follows:

(in thousands of euro)	No. ordinary shares	Carrying amount in euro	No. savings shares	Carrying amount in euro	Total carrying amount
June 30, 2006	911,131	21,780	28,500	396	22,176

Ordinary treasury shares held in the portfolio at June 30, 2006 to service stock option plans for directors and managers numbered 363,680.

Dividends paid

Dividends declared and paid in the first half of 2006 and 2005 were as follows:

(in thousands of euro)	2006 (euro per share)	2005 (euro per share)	June 30, 2006	June 30, 2005
Ordinary shares	1.270	1.100	27,015	23,411
Savings shares	1.348	1.178	21,992	19,219
Total dividends	2.618	2.278	49,007	42,630

Changes in shareholders' equity are shown in the "Table of changes in shareholders' equity".

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Non-current liabilities

15 Employee benefits

Employee benefits at June 30, 2006 totaled 998 thousand euro (1,367 thousand euro at December 31, 2005) and refer to employee leaving entitlements.

Stock options

The company has arranged stock option plans for directors and managers who hold specific posts.

The stock options refer to ordinary shares and may be exercised between the beginning of the fourth year and the end of the tenth year after grant; however, directors who are not reappointed when their term of office ends may exercise their options immediately and in any case within 10 years of the grant date; as a general rule, unexercised stock options assigned to managers are not recognized in the event of termination of employment with the company, except in the case of retirement.

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

The terms and conditions of Italmobiliare S.p.A. stock option plans at June 30, 2006 are as follows:

Data di assegnazione	Options granted	Exercise period	Options exercised	Options cancelled	Unexercised options	Underwriting price
March 24, 2003	49,283	1.1.2006-12.31.2012			49,283	€ 31.2800
March 30, 2004	96,080	1.1.2007-12.31.2013			96,080	€ 35.1990
March 30, 2005	108,437	1.1.2008-12.31.2014			108,437	€ 54.5355
March 21, 2006	109,880	1.1.2009-12.31.2015			109,880	€ 65.7010
Total	363,680				363,680	

The grant date corresponds to the date of the Board of Directors meeting which approved the stock option plan.

The following table shows the number of average exercise price for options in the reference period:

	June 30, 2006		June 30, 2005	
	number of options	average subscription price	numero of options	average subscription price
Unexercised options at the start of the period	253,800	€ 42.700	253,800	€ 42.7000
Granted during the period	109,880	€ 65.701		
Cancelled during the period				
Exercised during the period				
Expired during the period				
Unexercised options at the end of the period	363,680	€ 49.649	253,800	€ 42.7000
Options exercisable at the end of the period	49,283			

The following table shows the features of the plans accounted for in the company and their costs included under "Employee expenses":

(in thousands of euro)	No. of options granted	Vesting period	Employee 1 st half 2006	expenses 1 st half 2005
Grant date				
March 24, 2003	49,283	3 years	-	58
March 30, 2004	96,080	3 years	125	125
March 30, 2005	108,437	3 years	225	113
March 21, 2006	109,880	3 years	220	-
Total	363,680		570	296

The fair value of stock option plans at the grant date is estimated with a binomial model that takes dividends into account. The total option term is ten years. The forecasts on volatility reflect the assumption that volatility in the past, recorded as an annual average over a three year period net of non-recurring events, provides an indication of volatility in the future.

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

	Plan 2005	Plan 2004	Plan 2003	Plan 2002
Option value at grant date	22.05	11.41	7.15	6.49
Share value	73.57	52.84	35.05	31.80
Exercise price	65.701	54.536	35.199	31.280
Volatility as %	17.5%	17.5%	17.5%	17.5%
Option term (in years)	9.75	9.75	10	10
Dividends as %	1.50%	1.89%	2.68%	2.96%
BTP 10 year no risk rate	3.462%	3.275%	3.640%	3.790%

Net financial position

Net debt at June 30, 2006 was 403,486 thousand euro, an increase of 4,920 thousand euro compared with 398,566 thousand euro at December 31, 2005.

The breakdown of net debt was as follows:

(in thousands of euro)	June 30, 2006	December 31, 2005	Change
Cash and cash equivalents	67,391	30,241	37,150
Financial receivables due from the Group	5,856	5,084	772
Interest-bearing financial receivables recorded as fixed assets due from subsidiaries	3,500	3,500	-
Government securities and debentures - current	26,044	26,044	-
Government securities and debentures - non-current	2,959	3,065	(106)
Equity investments for trading	8,878	3,942	4,936
Prepayments and accrued income	53	54	(1)
Total	114,681	71,930	42,751
Executing banks	(514,354)	(464,798)	(49,556)
Loans and borrowings subsidiaries	(3,378)	(4,879)	1,501
Accruals and deferred income	(435)	(819)	384
Total	(518,167)	(470,496)	(47,671)
Net financial position	(403,486)	(398,566)	(4,920)

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16) Loans and borrowings

The following table shows loans and borrowings divided between current and non-current:

(in thousands of euro)	June 30, 2006	December 31, 2005	Change
Medium/long-term payables due to banks	373,830	316,018	57,812
Payables due to banks	140,524	148,780	(8,256)
Short-term financing	3,813	5,699	(1,886)
Total loans and borrowings	518,167	470,497	47,670

Main bank loans and credit lines used and available

The main loans were as follows:

(in thousands of euro)	June 30, 2006	December 31, 2005	Change
With guarantees on real assets:			
Other loans			
- BNP Paribas exp. 05.20.2009	-	126,768	(126,768)
- BNP Paribas exp. 06.26.2011	180,000	-	180,000
- San Paolo IMI S.p.A. exp. 06.16.2009	25,000	25,000	-
Total	205,000	151,768	53,232
Without guarantees on real assets:			
Deposit - securities loan account			
Mediobanca - Unicredito shares exp. 06.14.2009	118,700	114,120	4,580
Calyon Corp.& Inv.Bank - Unicredito shares exp. 06.07.2007	25,300	25,300	-
Societe Generale - Unicredito shares exp. 06.07.2009	24,830	24,830	-
Total	168,830	164,250	4,580
Total non-current loans and borrowings	373,830	316,018	57,812

During the first quarter of 2006 Italmobiliare S.p.A. signed an irrevocable 5-year line of credit with Banca Intesa for 40 million euro.

At June 30, 2006 the available lines of credit for Italmobiliare totaled 372.9 million euro, of which 80 million euro are irrevocable.

In June Italmobiliare S.p.A. renegotiated the outstanding loan with BNP Paribas and redefined the contractual form and conditions relating to maturity, interest rate and total (180 million euro).

The amount of 180 million euro derives from the sale of 46,998,957 Unicredito S.p.A. shares for a total of 285,049 million euro, accompanied by the signing of a Total Return Equity Swap ("TRES"). The amount of the loan is shown net of the cash collateral envisaged in the TRES of 105,049 thousand euro which enjoys a return equal to that of the cost of the loan in terms of the interest rates and liquidation period. In accordance with the international accounting standards, giving precedence to the substance of the two transactions (the sale of the shares and the contemporaneous TRES), which are inter-related, rather than their form, the aforementioned 46,998,957 Unicredito S.p.A. shares have been kept under non-current assets as financial assets available for sale. This is because Italmobiliare has in reality kept the same equity risk exposure as existed before the transaction, with the recording of the payable due to the counterpart of the TRES. The TRES, which enables Italmobiliare to extinguish it in advance, gives Italmobiliare the possibility at the end of the operation to opt for the liquidation in cash of the differences arising from the fluctuation in the stock market value of the underlying shares, or to buy back the shares at the initial price.

17) Non-current reserves

These totaled 25,107 thousand euro at June 30, 2006 and fell by 607 thousand euro compared with December 31, 2005

(in thousands of euro)	Opening value	Additions	Disposals	Final value
Reserves for writedown of receivables and equity investments	25,714	6,625	(7,232)	25,107

Changes in the reserves were due to an updated analysis of the risks connected to disputes relating to assets sold in the past.

18) Deferred tax liabilities

The total of deferred tax liabilities totaled 8,599 thousand euro at June 30, 2006, as follows:

(in thousands of euro)	June 30, 2006	December 31, 2005	Change
Deferred tax liabilities - shares in current assets	541	420	121
Deferred tax liabilities - available for sale shares	7,933	16,738	(8,805)
Deferred tax liabilities - debentures in current assets	37	37	
Deferred tax liabilities - available for sale debentures	47	81	(34)
Deferred tax liabilities - other	41	41	-
Total	8,599	17,317	(8,718)

19) Trade payables

"Trade payables" were as follows:

(in thousands of euro)	June 30, 2006	December 31, 2005	Change
Payables due to suppliers	1,220	1,098	122
Payables due to Group companies	619	662	(43)
Total	1,839	1,760	79

20) Income tax liabilities

These totaled 18,692 thousand euro compared to a positive balance at December 31, 2005 of 15,597 thousand euro, consisting of receivables due from the tax authorities for corporation tax of 16,761 thousand euro and payables for substitute tax of 1,164 thousand euro, as follows:

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(in thousands of euro)	June 30, 2006	December 31, 2005	Change
Tax authorities corporation tax account - substitute tax	-	(1,164)	1,164
Receivables due from tax authorities at 12.31.2005	16,761	-	16,761
Adjustment to 2005 tax return	429	-	429
Tax for the period from consolidated accounts	(35,909)	-	(35,909)
Tax credits from subsidiaries	13	-	13
Tax credits for withholding tax	14	-	14
Total	(18,692)	(1,164)	(17,528)

21) Other liabilities

(in thousands of euro)	June 30, 2006	December 31, 2005	Change
Amounts due to employees	1,200	1,294	(94)
Amounts due to social security authorities	440	503	(63)
Payables for tax consolidation due to subsidiaries	1,372	15,010	(13,638)
Amounts due to tax authorities	504	472	32
Accruals and deferred income	318	143	175
Other payables	8,010	1,676	6,334
Total	11,844	19,098	(7,254)

Commitments

In the half, Italmobiliare undertook medium/long-term financial transactions backed by securities provided as a guarantee as well as issuing guarantees for subsidiaries and allocations to directors and managers of stock options arising from the 2005 plan. These are the reason for the increase compared with December 31, 2005.

(in thousands of euro)	June 30, 2006	December 31, 2005
Guarantees on real assets	26,688	21,439
Cautions, guarantees, bank guarantees, commitments and other	35,119	14,432
Total	61,807	35,871

Income statement

22) Net sales

Net sales which totaled 194,428 thousand euro were as follows:

(in thousands of euro)	1 st half 2006	1 st half 2005	Change	Change %
Dividends	73,397	62,584	10,813	17.3
Interest income	982	854	128	15.0
Capital gains on equity and securities	118,119	722	117,397	n.s.
Services	1,930	1,843	87	4.7
Total	194,428	66,003	128,425	194.6

The breakdown of dividends was as follows:

(in thousands of euro)	1 st half 2006	1 st half 2005	Change	Change %
<i>Subsidiaries</i>				
Italcementi S.p.A.	34,331	31,207	3,124	10.0
Sirap Gema S.p.A.	5,179	3,793	1,386	36.5
Franco Tosi S.r.l.	1,500	1,000	500	50.0
Punta Ala Promozione e Svil. Ind. S.r.l.	1,492	1,990	(498)	-25.0
S.r.l. Nuove Costruzioni Edilizie S.A.N.C.E.	1,000	700	300	42.9
Italmobiliare Servizi S.r.l.	50	-	50	100.0
Total	43,552	38,690	4,862	12.6
<i>Associates</i>				
Società Editrice Siciliana S.p.A.	1,063	1,063	-	-
Mittel S.p.A.	1,023	504	519	103.0
Total	2,086	1,567	519	33.1
<i>Other companies</i>				
Unicredito Italiano S.p.A.	18,838	17,553	1,285	7.3
R.C.S. MediaGroup S.p.A.	3,855	3,260	595	18.3
Consortium	2,554	-	2,554	100.0
Capitalia S.p.A.	1,291	-	1,291	100.0
Mediocredito Centrale S.p.A.	-	361	(361)	-100.0
Banche Popolari Unite S.c.r.l.	854	763	91	11.9
Asm Brescia S.p.A.	159	122	37	30.3
Sesaab S.p.A.	100	100	-	-
Compagnia Fiduciaria Nazionale S.p.A.	44	114	(70)	-61.4
Emittente Titoli S.p.A.	30	25	5	20.0
Gazzetta del Sud Calabria S.p.A.	19	17	2	11.8
Assicurazioni Generali S.p.A.	15	12	3	25.0
Total	27,759	22,327	5,432	24.3
General total	73,397	62,584	10,813	17.3

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The breakdown of capital gains on equity investments and securities was as follows:

(in thousands of euro)	1 st half 2006	1 st half 2005	Change
<i>From disposal of available for sale equity investments</i>			
Capitalia S.p.A.	14,705	-	14,705
Gemina S.p.A.	7,932	-	7,932
Mediobanca S.p.A.	58,942	-	58,942
Premafin S.p.A.	-	477	(477)
R.C.S. MediaGroup S.p.A.	35,560	-	35,560
G.I.M. Warrant	605	-	605
Total	117,744	477	117,267
<i>From disposal of equity investments for trading</i>			
Warrant premafin	-	76	(76)
<i>From assessment of fair value of equity investments for trading</i>			
ASM Brescia S.p.A.	312	131	181
Assicurazioni Generali S.p.A.	57	22	35
Total	369	153	216
<i>From assessment of fair value of securities for trading</i>			
Popolare Verona	-	9	(9)
Popolare Milano	-	7	(7)
Banca Popolare Unite S.c.r.l.	6	-	6
Total	6	16	(10)
General total	118,119	722	117,397

23) Other revenues

These totaled 643 thousand euro (635 thousand euro in the first half of 2005) and include rents and recovery of building management expenses for 97 thousand euro, recharges to Group companies for 329 thousand euro, other income for 91 thousand euro and non-recurring income of 126 thousand euro.

24) Goods and utilities expenses

Goods and utilities expenses of 68 thousand euro were as follows:

(in thousands of euro)	1 st half 2006	1 st half 2005	Change	Change %
Raw materials and machinery	2	19	(17)	-89.5
Other materials	35	43	(8)	-18.6
Electricity, water, gas	31	24	7	29.2
Total	68	86	(18)	-20,9

25) Services expenses

Services expenses of 2,617 thousand euro were as follows:

(in thousands of euro)	1 st half 2006	1 st half 2005	Change	Change %
Legal expenses, consultancy and fees	2,008	2,123	(115)	-5.4
Rent and lease expenses for third party assets	82	66	16	24.2
Insurance	129	125	4	3.2
Lease payment and expenses for property	34	23	11	47.8
Maintenance and repair costs	101	142	(41)	-28.9
Subscription expenses	39	37	2	5.4
Communication and official expenses	86	106	(20)	-18.9
Postal expenses	26	26		
Cleaning expenses	49	47	2	4.3
Other expenses and residual services	63	82	(19)	-23.2
Total	2,617	2,777	(160)	-5.8

26) Employee expenses

Overall employee expenses were 7,182 thousand euro, as follows:

(in thousands of euro)	1 st half 2006	1 st half 2005	Change	Change %
Wages and salaries	3,106	2,549	557	21.9
Social security contributions	828	720	108	15.0
Provisions and pension funds	155	143	12	8.4
Directors' fees	3,068	1,579	1,489	94.3
Canteen expenses	25	22	3	13.6
Total	7,182	5,013	2,169	43.3

Employee numbers were as follows:

(in heads)	June 30, 2006	June 30, 2005	Change
Number of employees at period end	43	40	3
Average number of employees	42.93	38.85	4

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27) Other operating income/(expense)

Other operating income/(expense) was 15,426 thousand euro, as follows:

(in thousands of euro)	1 st half 2006	1 st half 2005	Change	Change %
Finance costs				
Interest on short-term loans	1,677	1,414	263	18.6
Interest on medium/long-term loans	4,594	3,560	1,034	29.0
Interest expense re subsidiaries	69	88	(19)	-21.6
Bank commissions	75	68	7	10.3
Commissions re consortium guarantee	-	98	(98)	-100.0
Commissions re non-use	34	20	14	70.0
Financial services	-	101	(101)	-100.0
Other costs	-	3	(3)	-100.0
Total	6,449	5,251	1,198	22.8
Capital losses and writedowns				
Disposal of Gim S.p.A.	2,742	-	2,742	100.0
Disposal of securities for trading	26	-	26	100.0
Writedown of Consortium S.r.l.	5,314	-	5,314	100.0
Writedown of securities for trading	40	66	(26)	-39.4
Total	8,122	66	8,056	
Other income and expenses				
Building expenses on owned properties	103	97	6	6.2
Other operating expenses	39	43	(4)	-9.3
Non-deductible sales tax	340	437	(97)	-22.2
Property tax	18	23	(5)	-21.7
Other tax	15	21	(6)	-28.6
Non-recurring expense	340	3	337	n.s.
Total	855	624	231	37.0
Total other operating income/(expense)	15,426	5,941	9,485	159.7

These include a loss of 2,742 thousand euro arising from the disposal of the equity investment in G.I.M. Generale Ind. Metallurgiche S.p.A. and the writedown of the equity investment in Consortium S.r.l. for 5,314 thousand euro carried out on the basis of the financial statements at June 30, 2006.

28) Other income and expenses

Other expenses, net of income, were 3,293 thousand euro (income for 408 thousand euro at June 30, 2005), as follows:

(in thousands of euro)	1 st half 2006	1 st half 2005	Change	Change %
Provision for non-recurring expenses	(6,625)	(275)	(6,350)	n.s.
Capital gain on sale of properties	157	15	142	946,7
Capital gains/losses on sale of fixed assets	2	-	2	100,0
Non-recurring income	10,059	129	9,930	n.s.
Other expenses	(300)	(277)	(23)	8,3
Total	3,293	(408)	3,701	

n.s.: not significant

Provisions and non-recurring income refer mainly to the aforementioned changes in relation to the movement in provisions for writedown of receivables and equity investments.

Other non-recurring income includes 2,827 thousand euro relating to the receipt of prior tax repayments, while other expenses of 300 thousand euro related to the sum provided in June to the Fondazione Italcementi Cav. Lav. Carlo Pesenti.

29) Amortization and depreciation

The overall amount of 32 thousand euro (25 thousand euro at June 30, 2005) refers to depreciation of plant, property and equipment of 29 thousand euro (23 thousand euro at June 30, 2005) and amortization of intangible assets of 3 thousand euro (2 thousand euro at June 30, 2005).

30) Finance income and costs

Finance costs net of income, were 10 thousand euro. This amount was made up as follows:

(in thousands of euro)	1 st half 2006	1 st half 2005	Change	Change %
Interest expense	1	1		
Currency translation differences		6	(6)	-100,0
Financial services	9	6	3	50,0
Total	10	13	(3)	-23,1

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31) Tax for the period

Tax for the period of 4,712 thousand euro was as follows:

(in thousands of euro)	1 st half 2006	1 st half 2005	Change	Change %
Current tax	11,681	(2,523)	14,204	-563.0
Deferred tax	(6,969)	5	(6,974)	n.s.
Tax for prior years	-	(182)	182	-100.0
Total	4,712	(2,700)	7,412	-274.5

n.s.: not significant

The total of deferred tax liabilities arose mainly from the release of the provisions for deferred tax liabilities which was recorded on the assessment of available for sale shares for which, in relation to the sale transaction and the corresponding TRES described in note 16, a tax gain was realized with the simultaneous recognition of the related current tax liability.

Dealings with related parties

Dealings with related parties are shown in the directors' report.

Here below is a summarized table analyzing the dealings with subsidiaries and associates.

(in thousands of euro)	Service revenues (costs)	Other income (costs)	Financial income (costs)	Purchase/Sale of shares	Trade receivables (payables)	Financial receivables (payables)	Other receivables (payables)	Commit- ments
Description								
Subsidiaries	535	1,645	143	40,477	1,011	29,356	320,272	15,416
	(664)	(374)	(70)	(326,826)	(601)	(3,378)	(1,413)	-
Associates	26	45	-	-	114	5,897	-	-
	-	-	-	-	-	-	-	-
Other related parties	-	-	-	-	-	-	-	-
	(175)	(300)	-	-	(10)	-	-	-
Total	561	1,690	143	40,477	1,125	35,253	320,272	15,416
Ratio to fin. statement values	99.8%	84.0%	14.6%	74.5%	96.1%	92.1%	99.8%	24.9%
Total	(839)	(674)	(70)	(326,826)	(611)	(3,378)	(1,413)	-
Ratio to fin. statement values	41.8%	38.2%	1.1%	95.1%	33.2%	100.0%	11.9%	

The figures at June 30, 2006 for dealings with subsidiaries and associates are given below:

(in thousands of euro)

Description	Company	Amount
Income for employee services and technical/administrative services	A.V.A. S.r.l.	8
	Franco Tosi S.r.l.	31
	Italcementi S.p.A.	294
	Italmobiliare Servizi S.r.l.	24
	Populonia Italica S.r.l.	11
	Punta Ala Prom.e Svil. Imm.re S.r.l.	25
	Srl Nuove Costr. Edilizie Sance	18
	Sirap Gema S.p.A.	124
	Gesvim S.r.l.	7
	Gist S.r.l.	7
	Imm.re Golf Punta Ala S.p.A.	12
Total income from services		561
Income for recovery of emoluments for company appointments	Ciments Français S.A.	13
	Finter Bank Zürich	11
	Italcementi S.p.A.	1,029
	Sirap Gema Insulation Sys. S.r.l.	35
	Sirap Gema S.p.A.	47
	Società Editrice Siciliana S.p.A.	34
Total recovery of emoluments for company appointments		1,169
Rental income and recovery of expenses	Italcementi S.p.A.	476
	Italmobiliare Servizi S.r.l.	31
	Gist S.r.l.	11
	Punta Ala Prom.e Svil. Imm.re S.r.l.	3
Total rental income and recovery of expenses		521
Costs for employee services and other services	Italcementi S.p.A.	213
	Italmobiliare Servizi S.r.l.	416
	Populonia Italica S.r.l.	35
Total costs for employee services and other services		664
Rents paid and hire fees	Italmobiliare Servizi S.r.l.	34
	Italcementi S.p.A.	340
Total rents paid and hire fees		374
Interest income on current accounts	Franco Tosi S.r.l.	6
	Srl Nuove Costr. Edilizie Sance	2
	Sirap Gema S.p.A.	79
Total interest income on current accounts		87

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Description	Company	Amount
Recovery of commissions	Populonia Italica S.r.l.	2
Total recovery of commissions		2
Interest expense on current accounts	A.v.a. S.r.l.	24
	Franco Tosi S.r.l.	2
	Italcementi S.p.A.	3
	Italmobiliare Servizi S.r.l.	3
	Populonia Italica S.r.l.	11
	Srl Nuove Costr. Edilizie Sance	3
	Punta Ala Prom.e Svil. Imm.re S.r.l.	24
Total interest expense on current accounts		70

Breakdown of receivables and payables with related parties

(in thousands of euro)

Description	Company	Amount
Financial payables held as fixed assets	Franco Tosi S.r.l. (ex Intermobiliare)	3,500
	Srl Nuove Costr. Edilizie Sance	20,000
	Gesvim S.r.l.	5,897
Total financial payables held as fixed assets		29,397
Current account receivables	Franco Tosi S.r.l.	38
	Srl Nuove Costr. Edilizie Sance	528
	Sirap Gema S.p.A.	5,290
Total current account receivables		5,856
Receivables for services	A.V.A. S.r.l.	8
	Franco Tosi S.r.l.	31
	Italcementi S.p.A.	767
	Italmobiliare Servizi S.r.l.	24
	Populonia Italica S.r.l.	11
	Punta Ala Prom.e Svil. Imm.re S.r.l.	28
	Srl Nuove Costr. Edilizie Sance	18
	Sirap Gema S.p.A.	124
	Gesvim S.r.l.	7
	Gist S.r.l.	17
	Imm.re Golf Punta Ala S.p.A.	12
Total receivables for services		1,047

Breakdown of receivables and payables with related parties (continued)

Description	Company	Amount
Payments on account to suppliers for services	Gesvim S.r.l.	11
	Gist S.r.l.	19
	Imm.re Golf Punta Ala S.p.A.	48
Total payments on account made		78
Corporation tax receivables from tax consolidation	Sirap Gema S.p.A.	216
	Axim Italia S.p.A.	166
	Bravosolution S.p.A.	130
	Franco Tosi S.r.l.	184
	Gruppo Italfusi S.r.l.	35
	Imes S.r.l.	3
	Italgen S.p.A.	608
	Srl Nuove Costr. Edilizie Sance	77
	Italcementi S.p.A.	7,585
	Silos Granari della Sicilia S.r.l.	134
Sama S.p.A.	104	
Total corporation tax receivables from tax consolidation		9,242
Other current interest-free receivables	Franco Tosi S.r.l.	311,000
Prepayments and accrued income	Italcementi S.p.A.	12
	Italmobiliare Servizi S.r.l.	19
Total prepayments and accrued income		31
Current account payables	A.V.A. S.r.l.	(1,546)
	Italcementi S.p.A.	(37)
	Italmobiliare Servizi S.r.l.	(255)
	Populonia Italica S.r.l.	(692)
	Punta Ala Prom.e Svil. Imm.re S.r.l.	(848)
Total current account payables		(3,378)
Payments on account of building expenses	Italcementi S.p.A.	(9)
	Italmobiliare Servizi S.r.l.	(8)
Total payments on account received		(17)
Payables for guarantee deposits	Italcementi S.p.A.	(24)
Total payables for guaranteed deposit		(24)
Payables for services	Italcementi S.p.A.	(116)
	Italmobiliare Servizi S.r.l.	(451)
	Populonia Italica S.r.l.	(35)
Total payables for services		(602)

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Description	Company	Amount
Payables for corporation tax from subsidiaries	Cementificio Montalto S.p.A.	(563)
	Italmobiliare Servizi S.r.l.	(5)
	Populonia Italica S.r.l.	(4)
	Immobiliare Salesiane S.r.l.	(2)
	Intertrading S.r.l.	(94)
	Nuova Sacelit S.r.l.	(266)
	Intercom S.r.l.	(389)
	Sirap Gema Insulation Systems S.r.l.	(49)
Total payables for corporation tax from subsidiaries		(1,372)
Purchase of shares	So.Par.Fi. Italmobiliare S.A.	28,908
	Franco Tosi S.r.l.	11,569
Sale of shares	Franco Tosi S.r.l.	(326,826)
Total sale/purchase of shares		(286,349)

Breakdown of commitments with related parties

(in thousands of euro)

Description	Company	Amount
Commitments with related parties		
Bank guarantees	Neyrtec S.A.	967
	Populonia Italica S.r.l.	904
	Franco Tosi S.r.l.	13,545
Total commitments		15,416

Annex A

Schedule of changes in the accounts of the available for sale equity investments at June 30, 2006

(in thousands of euro) Securities and prices	Size at January 1, 2006		Additions		Disposals		Variations in Fair Value	Value recoveries (writedowns)	Percentage held	Size at June 30, 2006		Gains/(losses) on sales
	Quantity	Amounts	Quantity	Amounts	Quantity	Amounts		Amounts	%	Quantity	Amounts	Amounts
Subsidiaries												
Aliserio S.r.l.	227,000	239							10.000 (1)	227,000	239	-
Azienda Vendite Acquisti A.V.A. S.r.l.	2,550,000	2,283							100.000	2,550,000	2,283	-
BravoSolution S.p.A.	1,777,778	2,611							8.290 (1)	1,777,778	2,611	-
Fincomind S.A.	7,000	3,643							69.930	7,000	3,643	-
Franco Tosi S.r.l. (2)	5,160,000	5,165							100.000	5,160,000	5,165	-
Italcementi S.p.A. - ordinary shares	104,034,000	370,235							58.737 (*)	104,034,000	370,235	-
Italmobiliare International B.V.	13,000	14							100.000	13,000	14	-
Italmobiliare International Finance Ltd	249,990	465,129							97.272	249,990	465,129	-
Italmobiliare Servizi S.r.l.	260,000	258							100.000	260,000	258	-
Neyrtec Industrie S.A.	100,000	-							100.000	100,000	-	-
Popolonia Italica S.r.l.	1,040,000	1,147							100.000	1,040,000	1,147	-
Punta Ala Promozione e Sviluppo Immobiliare S.r.l.	1,293,240	1,336							99.480	1,293,240	1,336	-
Sirap Gema S.p.A.	3,298,625	37,489							100.000	3,298,625	37,489	-
Société de Participation Financière Italmobiliare S.A.	4,294,033	95,001							99.940	4,294,033	95,001	-
S.r.l. Nuove Costruzioni Edilizie S.A.N.C.E.	139,725	3,986							100.000	139,725	3,986	-
Total subsidiaries		988,536									998,536	
Associates												
Mittel S.p.A.	8,522,756	35,070					13,919		12.913	8,522,756	48,898	-
Società Editrice Siciliana S.p.A.	29,700	16,488					453		33.000	29,700	16,941	-
Total associates		51,588					14,372				65,930	
Other companies												
Atmos S.p.A.	200,000	200							2.220	200,000	200	-
Banche Popolari Unite S.c.p.a.	1,138,500	21,142	580,000	11,569			1,900		0.499	1,718,500	34,611	-
Capitalia S.p.A.	2,971,994	14,524	3,484,349 (2)	17,028	6,456,343	31,552 (3)			-	-	-	14,705
Compagnia Fiduciaria Nazionale S.p.A.	20,001	362					(82)		16.668	20,001	280	-
Consortium S.r.l.	-	-	12,768,912	28,908 (4)				(5,314)	2.764	12,768,912	23,594	-
Emittenti Titoli S.p.A.	209,000	154					5		2.546	209,000	159	-
Fin.Priv. S.r.l.	2,857	31,563					(1,440)		14.285	2,857	30,123	-
Gazzetta del Sud Calabria S.p.A.	4,788	679					23		4.836	4,788	702	-
Gemina S.p.A. - ordinary shares	8,469,193	16,938			8,469,193	16,938			- (*)	-	-	7,932
G.I.M. Generale Industrie Metallurgiche S.p.A. - ordinary shares	8,838,902	6,829			8,838,902	6,829 (3)			- (*)	-	-	2,742
G.I.M. S.p.A. - warrant	3,132,741	889			3,132,741	889 (3)			-	-	-	605
Gruppo Banca Leonardo S.p.A.	-	-	4,260,000	13,796					3.000	4,260,000	13,796	-
Ildrovia Ticino Milano Nord Mincio S.p.A. - in liquidation	100	1							0.020	100	1	-
Immobiliare Lido di Classe S.p.A. - in liquidation	45,991	-							-	45,991	-	-
Immobiliare Astra S.p.A.	12,012	11							1.784	12,012	11	-
Intereuropa Sim S.p.A. - in liquidation	80,000	-							-	80,000	-	-
Mediobanca S.p.A.	9,086,425	146,164			9,086,425	146,164 (3)			-	-	-	58,942
Mediocredito Centrale S.p.A.	950,277	17,028			950,277 (2)	17,028 (3)			-	-	-	-
RCS MediaGroup S.p.A. - ordinary shares	35,049,986	141,392			35,049,986	141,392 (3)			- (*)	-	-	35,560
Sesaab S.p.A.	1,000,000	9,325							10.000	1,000,000	9,325	-
Solar Energy Italia S.p.A.	-	-	69,100	69					6.909	69,100	69	-
UniCredito Italiano S.p.A. - ordinary shares (5)	85,626,509	498,261					25,345		0.823 (*)	85,626,509	523,605	-
Total other companies		905,462		71,370		360,792	25,751	(5,314)			636,477	120,486
Total equity investments		1,945,556		71,370		360,792	40,123	(5,314)			1,690,943	120,486
Treasury shares												
Italmobiliare Società per Azioni S.p.A. - ordinary shares	911,131	21,780							4.107 (*)	911,131	21,780	-
Italmobiliare Società per Azioni S.p.A. - savings shares	28,500	396							0.174	28,500	396	-
Total treasury shares		22,176									22,176	

(*) of ordinary share capital

(1) controlled through Italcementi S.p.A.

(2) Partial spin-off of Mediocredito Centrale S.p.A. in favor of Capitalia S.p.A. in the ratio of 11 Capitalia ord. shares for every 3 MCC S.p.A. ord. shares

(3) Shares sold to Franco Tosi S.r.l.

(4) Shares bought by SO.PAR.FI. Italmobiliare S.A.

(5) 46,998,957 shares linked to the TRES described at note 16 Loans and borrowings

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Annex B

Schedule of changes in securities during 1st half 2006

(in thousands of euro)	Size at January 1, 2006	Additions	Disposals	Reclassifications	Changes to Fair Value	Size at June 30, 2006
Available for sale portfolio						
Other variable yield securities	153	-	36	-	-	117
Other fixed yield securities	2,947	-	-	-	(105)	2,842
Total	3,100	-	36	-	(105)	2,959

(in thousands of euro)	Size at January 1, 2006	Additions	Disposals	Reclassifications	Value recoveries (writedowns)	Size at June 30, 2006
Trading portfolio						
Other variable yield securities	31,033	-	4,956	-	(34)	26,044
Total	31,033	-	4,956	-	(34)	26,044

The book value was equal to the market value at June 30, 2006.

Annex C

Schedule of changes in the accounts of equity investments for trading at June 30, 2006

(in thousands of euro)	Size at January 1, 2006		Additions		Disposals		Value recoveries (writedowns)	Percentage held	Size at June 30, 2006		Profits (losses) on sales
Shares or prices	Quantity	Amounts	Quantity	Amounts	Quantity	Amounts	Amounts	%	Quantity	Amounts	Amounts
Other companies											
Asm Brescia S.p.A. - ordinary shares	1,220,000	3,119	-	-	-	-	312	0.158	1,220,000	3,431	-
Assicurazioni Generali S.p.A.	27,916	823	164,083	4,567	-	-	57	0.015	191,999	5,447	-
Total other companies		3,942		4,567		-	369			8,878	-

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Annex D

Comparison between the book values and the market values at June 30, 2006 in relation to equity investments in listed companies

(in thousands of euro) Shares	Number of shares	Book value amount	Book value per share	Market value per share at June 30, 2006	Market value amount at June 30, 2006
Subsidiaries					
Italcementi S.p.A. - ordinary shares	104,034,000	370,235	3.559	19.918	2,072,149
		370,235			2,072,149
Associates					
Mittel S.p.A.	8,522,756	48,989	5.748	4.907	41,821
		48,989			41,821
Other companies					
Asm Brescia S.p.A. - ordinary shares	1,220,000	3,431	2.812	2.812	3,431
Assicurazioni Generali S.p.A.	191,999	5,447	28.370	28.370	5,447
Banche Popolari Unite S.c.p.a.	1,718,500	34,611	20.140	20.140	34,611
UniCredito Italiano S.p.A. - ordinary shares	85,626,509	523,606	6.115	6.115	523,606
		567,095			567,095
Treasury shares (allocated to reduce shareholders' equity)					
Italmobiliare Società per Azioni - ordinary shares (*)	911,131	21,780	23.904	67.820	61,793
Italmobiliare Società per Azioni - savings shares	28,500	396	13.898	52.520	1,497
		22,176			63,290

(*) of which 363,680 to service stock option plans

Auditors' report on the review of the Interim Financial Statements as of and for the six-month period ended June 30, 2006 pursuant to Article 81 of the Consob Regulation, adopted by the resolution No. 11971 of May 14, 1999 and subsequent modifications and integrations

(Translation from the original Italian version)

To the Shareholders of
Italmobiliare S.p.A.

1. We have performed a review of the Interim Financial Statements represented by the Balance Sheets, the Statements of Income, the Statements of Changes in Shareholders' Equity and the Statements of Cash flows and related Notes of Italmobiliare S.p.A. (Parent Company Statements) and Italmobiliare Group (Consolidated Statements) as of and for the six-month period ended June 30, 2006, included in the half-year Management Report. The Management Report is the responsibility of the Italmobiliare S.p.A.'s Directors. Our responsibility is to prepare this report based on our review. We have also reviewed the other financial information contained in the Management Report solely for the purpose of evaluating its consistency with remaining part of the Management Report.
2. Our review was conducted in accordance with auditing standards governing the review of Interim Financial Statements recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its resolution No. 10867 of July 31, 1997. A review consists mainly of obtaining information with respect to the Interim Financial Statements and the consistency of the accounting principles applied, through discussions with appropriate members of management and analytical procedures applied to the financial data presented in such Statements. A review does not include performing auditing procedures such as tests of compliance of internal controls and substantive procedures on assets and liabilities. Consequently, the scope of a review engagement provides significantly less assurance than an audit performed in accordance with generally accepted auditing standards. Accordingly, we do not express an opinion on the Interim Financial Statements included in the Management Report of Italmobiliare S.p.A. as of and for the six-month period ended June 30, 2006, as we do in connection with reporting on our audits of the annual Parent Company and Consolidated Financial Statements of Italmobiliare S.p.A..
3. With respect to the Parent Company and the Consolidated comparative data as of and for the year ended December 31, 2005 and the Consolidated comparative data as of and for the six-month period ended June 30, 2005 presented in the Interim

Financial Statements, reference should be made to our reports issued today, on April 10, 2006 and on October 21, 2005, respectively.

The Parent Company comparative data as of and for the six-month period ended June 30, 2005 prepared in accordance with International Financial Reporting Standards (IFRS) and the related statements of reconciliation to IFRS are based on the Management Report prepared in accordance with Italian law and accounting principles which we have previously reviewed and on which we issued our review report dated October 21, 2005.

4. Based on our review, we did not become aware of any significant modifications that should be made to the Interim Financial Statements and related Notes of Italmobiliare S.p.A. and Italmobiliare Group identified in paragraph 1. of this report, in order for them to be in accordance with IAS 34 and in conformity with the criteria for the presentation of the half-year Management Report, pursuant to art. 81 of Consob regulations as adopted with its resolution No. 11971 of May 14, 1999 and subsequent modifications and integrations.
5. As illustrated in the Notes and in the other management information related to the Parent Company, in the first half of 2006 Italmobiliare S.p.A. sold the shares restricted under a shareholders' pact to its wholly owned subsidiary Franco Tosi S.r.l.. Such sales were made within the context of a reorganization program which has assigned a specific mission to each of the directly owned subsidiaries of Italmobiliare S.p.A. and resulted in a capital gain amounting to 98,9 million of euros, net of related expenses and taxes.

Milan, October 5, 2006

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

Transition to the IFRS



Transition to the International Financial Reporting Standards (IFRS)

In 2002, the European Union adopted regulation no. 1606 based on which companies whose securities are traded on the regulated markets of one EU Member State are required as of 2005 to report consolidated financial statements in accordance with the international financial reporting standards (IFRS).

By means of the Legislative Decree no. 38 of February 28, 2005, the Italian Government made it obligatory for these companies to prepare their financial statements in conformity with the international accounting standards as from 2006.

The application of the IFRS envisages, inter alia, the presentation for comparative purposes of the previous year's statements drawn up on the basis of the same standards; consequently also the financial statements for 2005 have been drawn up on the basis of the same standards for comparative purposes.

In accordance with the provision of IFRS 1 para. 25 Italmobiliare S.p.A. has adopted the IFRS for its own financial statements following their adoption for the consolidated financial statements; consequently the half year report includes a reconciliation as envisaged by IFRS 1, of shareholders' equity at the start and end of 2005, of the results for 2005 and an indication of the main adjustments made to the cash flow statement compared to the figures expressed under the previous standards.

The information contained in this note was approved by the Board of Directors meeting on September 13, 2006 and was audited by the external auditors who carried out a complete review of the results arising from the transition process.

It is necessary to make clear that since the financial statements as at December 31, 2006 must be prepared on the basis of IFRS standards and interpretations in force at that date, it is possible that the financial information and the impact on 2005 are different from those reported in this document in accordance with the standards and interpretations in force as of today.

Standards used for the first-time adoption (FTA) of IFRS as of January 1, 2005

The standards applied for FTA are those contained in the EU regulations no. 1725/2003 of September 29, 2003, no. 707/2004 of April 6, 2004, no. 2236/2004, no. 2237/2004 and no. 2238/2004 of December 29, 2004.

In the transition to the new standards, the company has decided to adopt in advance as from January 1, 2005 standard IFRS 2 (Share-based payments), endorsed by the European Commission on February 7, 2005.

The standards IAS 32 and 39, as approved by the European Commission, have been adopted as from January 1, 2005.

Options adopted by the company in application of the IFRS

As regards the optional application contained in certain IFRS, the main decisions made by the company are represented briefly below.

IAS 1 Presentation of financial statements:

- for the balance sheet, current and non-current assets and current and non-current liabilities are stated separately;
- for the income statement, the expenses analysis is made based on the nature of the expenses;
- for the cash flow statement, the company retained the indirect method whereby profit or loss of the period is adjusted by the effects of any non-cash transactions, any deferral or accrual of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

IAS 16 Property, Plant and Equipment and IAS 40 Investment Property: the valuation subsequent to the initial recognition is made based on the cost method.

IAS 19 Employee Benefits: the "corridor" method was used by the Group. This method allows to recognize and amortize only actuarial gains and losses in excess of 10% of the current value of the obligation.

IAS 23 Borrowing Costs: borrowing costs, when related to the purchase, construction or production of an asset, are booked as an expense in the period in which they are incurred.

IAS 27 Equity investments in subsidiaries and associates:

Since the company presents both the individual financial statements and the Group consolidated financial statements in application of IAS 27 and IAS 28, the value of the equity investments in subsidiaries and associates is represented by the acquisition cost net of any impairment of the assets recorded up to December 31, 2004. After that date the net value of

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the equity investments in subsidiaries is subjected annually to an impairment test, carried out in conformity with IAS 36 (impairment), the means of which do not correspond completely with those previously applied by the company.

The above impairment tests did not lead to any reductions in the opening shareholders' equity at January 1, 2005 or on the results for 2005.

Options relating to first time adoption

On the basis of the provisions of IFRS 1 (First time adoption) the company has retained the options described below.

Employee Benefits: actuarial gains and losses accumulated from the start of the plans until the transition date to IFRS are fully recognized to shareholders' equity.

Business Combinations: IFRS 3 was not applied retrospectively for business combinations which occurred before January 1, 2005.

Property, Plant, Equipment and Investment Property: option of measuring assets at fair value was not used.

Reclassification of the balance sheet (January 1, 2005 and December 31, 2005) and of the income statement (financial year 2005)

As for the financial statements, the primary differences between the Italmobiliare S.p.A. balance sheet and income statement drawn up in observance of Legislative Decree no. 127/91, and the scheme adopted for the application of the new IFRS are given in the notes at the end of the reconciliation statements presented in the following pages:

- Balance sheet at January 1, 2005;
- Income Statement of the financial year ended as of December 31, 2005;
- Balance Sheet as of December 31, 2005.

Primary differences between previous accounting standards and IFRS

- **Evaluation of financial assets:** the means of evaluating and recording such items follow the indications contained in IAS 32 and 39 (the application of these standards started as from January 1, 2005). All financial assets are initially recognized, at the trading date, at cost, which corresponds to the fair value plus the expenses which are directly attributable to the purchase itself. After the initial recognition, assets held for trading are classified under current financial assets and measured at fair value; profits or losses arising from the evaluation are recorded on the income statement. Assets held with a view to keeping them until their expiry are classified under current financial assets if the expiry is within less than a year and non-current if it is longer; subsequently they are assessed using the amortized cost method. This latter method is determined by using the real interest rate method, taking account of any discounts or premiums at the moment of purchase in order to share them over the whole period of time up to their expiry, less any impairment. Other assets are classified as available for sale, under current and non-current assets, and are valued at fair value. Profits or losses arising from this evaluation are recorded in a separate entry in shareholders' equity until they are sold, recovered or in any case disposed of, or until it is ascertained that they have suffered impairment, in which case the profits or losses accumulated up to that moment under shareholders' equity are charged to the income statement. Should a capital instrument not have a price listed on an active market and should it not be possible to measure its fair value reliably, it is recorded at cost.
- **Impairment of assets:** the means of measuring and recording impairment losses attributable to equity investments in subsidiaries and associates follow the provisions of IAS 36 and are, therefore, different from those previously applied by the company.
- **Employee Benefits:** the valuation and accounting methods of some of these benefits, based on IAS 19, differ from those previously applied by the company; in particular, the criteria for evaluating the provision for employee entitlements and the implicit or contractual (Jubilee Awards) obligations have been restated.

Evidence of the main impacts in the financial statements related to the transition to IFRS is given in the notes and the tables which are analyzed subsequently.

Impact of the transition to IFRS on the consolidated accounts

(in thousands of euro)	Previous standards	Total impact of IFRS	IFRS
At January 1, 2005			
Shareholders' equity	1,007,502	351,615	1,359,117
Net debt	372,296	(3,590)	368,706
2005			
Net sales	91,670	(11,541)	80,129
Gross operating profit	66,933	(12,847)	54,086
Operating income	66,789	(12,758)	54,031
Net income	71,320	(12,803)	58,517
At December 31, 2005			
Shareholders' equity	1,035,452	511,013	1,546,465
Net debt	402,100	(3,534)	398,566

2005

- a) shareholders' equity at January 1, 2005 rose mainly owing to the impact of the evaluation at fair value of the unconsolidated available for sale equity investments, both listed and non-listed, net of the consequent reduction to cancel the treasury shares (effect of the application of IAS 32 and 39);
- b) net debt fell compared to the corresponding figure in accordance with previous accounting standards owing to the inclusion of the values of the trading equity investments and securities assessed at fair value;
- c) net income for 2005 fell compared to the corresponding figure in accordance with the previous accounting standards mainly due to the impact of the differing evaluation of available for sale equity investments;
- d) shareholders' equity at December 31, 2005 rose further, also in comparison to the situation at January 1, 2005, largely owing to the positive change in the reserve for available for sale equity investments which mirrors, in particular, the positive stock market performance seen in the year; this increase was slightly reduced by the impact of the related deferred taxation;
- e) net debt at December 31, 2005 reflects, compared with the value in accordance with the previous accounting standards, the fair value of trading equity investments and securities.

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Impact of the transition to the IFRS on company accounts

(in thousands of euro)	Note	January 1, 2005	December 31, 2005
Shareholders' equity in accordance with Italian accounting standards		1,007,502	1,035,452
IAS 16 Property, plant and equipment	1		
Recalculation of the accumulated depreciation of land and buildings:			
Reversal of the provision for depreciation of offices		606	674
Reversal of the provision for depreciation of civil buildings		18	16
Reversal of the provision for depreciation of vehicles and furniture		2	
IAS 38 Intangible assets	2		
Reversal of intangible assets		(60)	(35)
IAS 27/28/39 Equity investments and financial instruments	3		
Reversal of monetary revaluations of equity investments		(1,602)	(1,602)
Fair value of available for sale equity investments		373,163	550,351
Fair value of equity investments for trading		1,201	1,273
Fair value of available for sale securities		308	247
Fair value of securities for trading		169	110
Fair value of put options		124	
IAS 32	4		
Treasury shares		(21,192)	(22,176)
IAS 19 Employee benefits	5		
Discounting of employee entitlements		150	244
Long-service bonuses		(79)	(79)
Board of Director fees		(743)	(693)
IAS 12 Deferred tax	6		
On equity investments and securities for trading		(450)	(450)
On available for sale equity investments and securities			(16,738)
On other assets/liabilities			(129)
Shareholders' equity in accordance with the IFRS		1,359,117	1,546,465
	change	351,615	511,013

(in thousands of euro)	Note	December 31, 2005
Net income in accordance with Italian accounting standards		71,320
IAS 16 Property, plant and equipment	1	
Recalculation of the accumulated depreciation of land and buildings:		
Reversal of accumulated depreciation on property, plant and equipment		64
Capital gains on disposal of property		(2)
IAS 38 Intangible assets	2	
Amortization		25
IAS 27/28/39 Equity investments and financial instruments	3	
Fair value of available for sale equity investments		(11,429)
Fair value of equity investments for trading		71
Fair value of securities for trading		(59)
Fair value of put options		(124)
IAS 19 Employee benefits	5	
Discounting of employee entitlements		93
Board of Director fees		(693)
IAS 12 Deferred tax	6	
On equity investments and securities for trading		(87)
On other assets/liabilities		42
IFRS 2	8	
Stock options		(704)
Net income in accordance with the IFRS		58,517
		change
		(12,803)

Main reclassification to financial statement formats "Previous standards according to IFRS format".

Balance sheet entries have not had any significant reclassification following the introduction of the IFRS formats.

The income statement format prepared in accordance with the IFRS includes under "net sales" financial income from dividends, capital gains, interest income and commissions, while the item "other operating income/(expense)" includes interest and charges of a financial nature.

Other reclassifications, which are not strictly connected to the introduction of the IFRS, but arise from a more complete integration with the management systems, concern the transfer of service expenses (electricity, water and gas) which are now under goods and utilities expenses and other costs which were previously under services (supply staff, directors' fees, canteen expenses, etc.) are now charged to employee expenses.

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(a) Reconciliation of the balance sheet at January 1, 2005

(in thousands of euro)	Note	Previous standards in accordance with IFRS formats	Changes	IFRS standards and format
Balance sheet				
Non-current assets				
Property, plant and equipment	1	3,180	626	3,806
Real estate investment		414		414
Goodwill				
Intangible assets	2	71	(60)	11
Investments in subsidiaries	3	989,855	(1,460)	988,395
Investments in associates	3	15,996	25,025	41,021
Investments in other companies	3	321,973	347,996	669,969
Treasury shares	4	21,192	(21,192)	
Receivables and other non-current assets	3	40,910	308	41,218
Total non-current assets		1,393,591	351,243	1,744,834
Current assets				
Trade receivables		1,127		1,127
Other current assets		2,596		2,596
Income tax assets		32,260		32,260
Investments and financial receivables	3	20,489	1,370	21,859
Cash and cash equivalents		242		242
Total current assets		56,714	1,370	58,084
Total assets		1,450,305	352,613	1,802,918
Shareholders' equity				
Share capital		100,167		100,167
Reserves	8	177,191	373,863	551,054
Treasury shares, at cost	4		(21,192)	(21,192)
Retained earnings	8	730,144	(1,056)	729,088
Total shareholders' equity		1,007,502	351,615	1,359,117
Non-current liabilities				
Medium/long-term financing		285,010		285,010
Non-current amounts due to employees	5	1,300	(150)	1,150
Non-current reserves		25,372		25,372
Other non-current payables and liabilities		23		23
Deferred tax liabilities	6		450	450
Total non-current liabilities		311,705	300	312,005
Current liabilities				
Bank overdrafts and short-term borrowings		110,700		110,700
Short-term financing		6,291		6,291
Trade payables		2,828		2,828
Provisions - current				
Income tax liabilities				
Other current liabilities	3-5	11,279	698	11,977
Total current liabilities		131,098	698	131,796
Total liabilities		442,803	998	443,801
Total shareholders' equity and liabilities		1,450,305	352,613	1,802,918

(b) Reconciliation of the 2005 income statement

(in thousands of euro)	Note	Previous standards in accordance with IFRS formats	Changes	IFRS standards and format
Income statement				
Net sales	3	91,670	(11,541)	80,129
Other revenues		1,110		1,110
Change in inventories				
Internal work capitalized				
Goods and utilities expenses		(142)		(142)
Services expenses		(5,200)		(5,200)
Employee expenses	5-7	(8,231)	(1,304)	(9,535)
Other operating income/(expense)		(11,784)		(11,784)
Current gross operating profit		67,423	(12,845)	54,578
Other income and charges		(490)	(2)	(492)
Gross operating profit		66,933	(12,847)	54,086
Amortization and depreciation	1-2	(144)	89	(55)
Impairment variation				
Operating income		66,789	(12,758)	54,031
Financial income and charges		(21)		(21)
Pre-tax income		66,768	(12,758)	54,010
Tax for the period	6	4,552	(45)	4,507
Net income for the period		71,320	(12,803)	58,517

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(c) Reconciliation of the balance sheet at December 31, 2005

(in thousands of euro)	Note	Previous standards in accordance with IFRS formats	Changes	IFRS standards and format
Balance sheet				
Non-current assets				
Property, plant and equipment	1	3,077	690	3,767
Real estate investment		448		448
Goodwill				
Intangible assets	2	45	(35)	10
Investments in subsidiaries	3	990,047	(1,511)	988,536
Investments in associates	3	24,713	26,845	51,558
Investments in other companies	3	382,047	523,415	905,462
Treasury shares	4	22,176	(22,176)	
Receivables and other non-current assets	3	24,327	247	24,574
Total non-current assets		1,446,880	527,475	1,974,355
Current assets				
Trade receivables		1,341		1,341
Other current assets		1,338		1,338
Income tax assets		41,007		41,007
Investments and financial receivables	3	33,741	1,383	35,124
Cash and cash equivalents		30,241		30,241
Total current assets		107,668	1,383	109,051
Total assets		1,554,548	528,858	2,083,406
Shareholders' equity				
Share capital		100,167		100,167
Reserves	8	177,191	546,305	723,496
Treasury shares, at cost	4		(22,176)	(22,176)
Retained earnings	8	758,094	(13,116)	744,978
Total shareholders' equity		1,035,452	511,013	1,546,465
Non-current liabilities				
Medium/long-term financing		316,018		316,018
Non-current amounts due to employees	5	1,611	(244)	1,367
Non-current reserves		25,714		25,714
Other non-current payables and liabilities		24		24
Deferred tax liabilities	6		17,317	17,317
Total non-current liabilities		343,367	17,073	360,440
Current liabilities				
Bank overdrafts and short-term borrowings		148,779		148,779
Short-term financing		5,699		5,699
Trade payables		1,760		1,760
Provisions - current				
Income tax liabilities		1,164		1,164
Other current liabilities	3-5	18,327	772	19,099
Total liabilities		175,729	772	176,501
Total shareholders' equity and liabilities		519,096	17,845	536,941
Total shareholders' equity and liabilities		1,554,548	528,858	2,083,406

Main adjustments to the cash flow statement for 2005

Italmobiliare S.p.A. already used, on the basis of previous accounting standards, the indirect method to represent its consolidated cash flow statement. No significant adjustments or reclassifications have been made.

Notes

(1) IAS 16 property, plant and machinery

The recalculation of the accumulated depreciation, applied to property, following the division between land and buildings, has had a positive impact on the balance sheet at January 1, 2005 of 626 thousand euro; the related reduction in depreciation and the effect of the capital gains on disposal led to a lower charge for the latter of 66 thousand euro on the IFRS result for 2005.

(2) IAS 38 Intangible assets

Some assets (multi-annual charges and goodwill expenses), classified as intangible assets but not meeting the recognition criteria established under IAS 38, have been written-off. The write-offs totaled 60 thousand euro as of January 1, 2005, with a negative impact on shareholders' equity.

The positive impact on the 2005 result, due to lesser amortization charges, totaled 25 thousand euro.

(3) IAS 27 and 28 Equity investments IAS 39 Derivatives

The recording of the IFRS carrying value at January 1, 2005 of equity investments in subsidiaries, associates and other companies led to the cancellation of some revaluations made previously.

This led to a fall of 1,460 thousand euro in the carrying value of subsidiaries and of 142 thousand euro in other companies with a fall in opening shareholders' equity of 1,602 thousand euro.

The application at January 1, 2005 of IAS 39 enabled the recognition of unconsolidated equity investments and securities at fair value with the following effect:

- | | |
|---|-----------------------------------|
| • Equity investments in associates | increase of 25,025 thousand euro |
| • Equity investments in other companies | increase of 348,138 thousand euro |
| • Available for sale debentures
(recorded under other non-current assets) | increase of 308 thousand euro |
| • Trading equity investments and securities
(recorded under current equity investments and debentures) | increase of 1,370 thousand euro |
| • Fair value of other derivatives
(recorded under current liabilities) | increase of 124 thousand euro |

The impact, net of deferred tax, calculated on the implicit capital gain on the financial assets and recorded under deferred tax for 450 thousand euro, led to an increase in shareholders' equity of 374,515 thousand euro.

The evaluation at December 31, 2005 of the equity investments and other financial derivatives at fair value led to a further increase in the carrying value of the equity investments and financial securities of approximately 177 million euro with a corresponding rise in IFRS shareholders' equity, gross of the impact of the deferred tax burden.

Finally, the application of fair value to equity investments and securities for trading and sale led to a reduction in the IFRS income for 2005 compared with that determined under the previous accounting standards. The difference is mainly due to value recoveries made on the balance sheet drawn up in accordance with previous standards for the equity investments in RCS Mediagroup (7,599 thousand euro) and Gemina (3,779 thousand euro); these recoveries generated, compared to the historic cost values recorded in the parent company's accounts, income of approximately 11.4 million euro, while on the balance sheet prepared in accordance with the IFRS criteria this evaluation was reflected directly under shareholders' equity reserves.

(4) IAS 32 Treasury shares

Treasury shares which totaled 21,192 thousand euro at January 1, 2005 and 22,176 thousand euro at January 31, 2005 were charged directly to reduce shareholders' equity.

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(5) IAS 19 Employee benefits

The valuation of defined benefit plans and other employee benefits has been carried out with the support of an international firm specialized in actuarial calculations.

The change in employee benefits arises from the changes in the method of calculating the pension plan in accordance with IAS 19 using the "projected unit credit" method, the redefinition of some actuarial hypotheses and the means used for the time based division of some deferred items, compared to the results on the basis of the calculation method for employee entitlements. In addition, some provisions have been introduced deriving from the estimate of implicit or contractual (Jubilee Awards) obligations which arise from the application of the "projected unit credit" method.

The impact on opening shareholders' equity at January 1, 2005 was positive for 71 thousand euro (which was a positive balance of 150 thousand euro for the discounting of employee entitlements and a negative balance of 79 thousand euro for the recognition of long-service bonuses for employees); after the adjustments for the year, which had a positive impact of 94 thousand euro on net income for 2005, the impact on shareholders' equity at December 31, 2005 was positive for 165 thousand euro.

Again owing to IAS 19, employee expenses include the distribution of profits to directors as resolved by the shareholders' meeting for a sum of 693 thousand euro at December 31, 2005, with a similar negative impact on the results for 2005 (743 thousand euro on shareholders' equity at January 1, 2005).

(6) IAS 12 Tax

The impact of tax on the opening balance sheet at January 1, 2005 was linked to the higher value of trading equity investments and securities following the assessment at fair value carried out on the basis of the application of IAS 39. Shareholders' equity, as already noted, fell by 450 thousand euro.

At December 31, 2005 the recording of capital gains, calculated on the fair value of the available for sale equity investments and securities, led, in the light of the new tax provisions in force at the date of preparing the IFRS balance sheet, to a provision to the deferred tax provision of 16,738 thousand euro with a similar fall in the shareholders' equity reserves. In addition, deferred liabilities were recorded under other assets/liabilities for 129 thousand euro.

The impact of the deferred tax on the 2005 income statement was a charge of - 45 thousand euro.

(7) IFRS 2 Stock options

The Group has decided to apply IFRS 2 starting from January 1, 2005.

The options related to plans granted after November 7, 2002 are valued at fair value on the date of the grant and depreciated over the vesting period.

Options granted are valued using the binomial method adjusted for dividends.

Adoption of IFRS 2 has not generated any impact on opening shareholders' equity as of January 1, 2005 or on ending balance as of December 31, 2005. Costs charged and accounted for in employee expenses were 704 thousand euro in 2005.

(8) Reserves and retained earnings

This item refers to:

- IFRS 2: the application led at January 1, 2005 to an increase of 392 thousand euro in reserves, with a corresponding entry in retained earnings.
- The fair value reserve at January 1, 2005 for equity investments and available for sale securities totaled 373,863 thousand euro. The further credit for the charge for stock options in 2005, totaling 704 thousand euro and the further increase in the fair value reserve, net of the deferred tax, resulted in a balance at December 31, 2005 of 546,305 thousand euro.
- Retained earnings at January 1, 2005 fell by 1,056 thousand euro, owing to the application of the new standards. The difference in the income for 2005, - 12,803 thousand euro, net of the fee for the Board paid during the year, led to an overall change in retained earnings at December 31, 2005 of -13,116 thousand euro.

**INDEPENDENT AUDITOR'S REPORT
ON THE STATEMENTS OF RECONCILIATION
TO INTERNATIONAL FINANCIAL REPORTING STANDARDS
("IFRS")**

(Translation from the original Italian text)

To the Shareholders of
Italmobiliare S.p.A.

1. We have audited the accompanying statements of reconciliation to International Financial Reporting Standards ("IFRS") of Italmobiliare S.p.A., consisting of the balance sheets as of January 1, 2005 and December 31, 2005 and the statement of income for the year ended December 31, 2005, the reconciliations of equity as of January 1, 2005 and December 31, 2005 and of the net income for the year ended December 31, 2005 and the related explanatory notes (hereinafter, the "IFRS Reconciliation Statements"), as presented in the document "Italmobiliare S.p.A. - transition to IFRS" attached to the First Half 2006 Report as of and for the six months ended June 30, 2006, in accordance with the criteria and principles set out in CONSOB Communication No. 6064313 of July 28, 2006. These IFRS Reconciliation Statements are based on the separate financial statements of Italmobiliare S.p.A. as of December 31, 2005, prepared in accordance with the Italian regulations governing the criteria for their preparation, which we have previously audited and on which we issued our auditor's report dated April 10, 2006. The IFRS Reconciliation Statements have been prepared as part of the conversion to International Financial Reporting Standards (IFRS) as adopted by the European Commission. These IFRS Reconciliation Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these IFRS Reconciliation Statements based on our audit.

2. We conducted our audit in accordance with generally accepted auditing standards in Italy. In accordance with such standards we planned and performed the audit to obtain the information necessary in order to determine whether the IFRS reconciliations are materially misstated. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the IFRS Reconciliation Statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

The audit of the financial statements of certain investments in subsidiaries and associated companies included in the IFRS Reconciliation Statements, which respectively represent 34% and 31% of total investments and of total assets for the year ended December 31, 2005, is the responsibility of other auditors.

3. In our opinion, the IFRS Reconciliation Statements identified in paragraph 1. above, taken as a whole, have been prepared in all material respects in accordance with the criteria and principles set out in CONSOB Communication No. 6064313 of July 28, 2006.
4. We draw your attention to the fact that, as described in the introductory paragraph of the explanatory notes, the IFRS Reconciliation Statements include the data that will be reported in the first IFRS separate financial statements as comparative data; these data may require adjustments before their inclusion as comparative information in the first complete set of financial statements, as a result of new standards, changes or interpretations of IFRS.

Milan, October 5, 2006

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

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