



SIAS SpA

Annual Report and Financial Statement for the period ended

31 December 2006

SOCIETA' INIZIATIVE

AUTOSTRADALI E SERVIZI

Issued capital €63,750,000 fully paid-in
Tax Registration and Turin
Company Register No.: 08381620015
Registered Office 22, Via Bonzanigo Turin
website: www.grupposias.it
Subject to the direction and coordination of:
Argo Finanziaria SpA

BOARD OF DIRECTORS

Chairman
Bruno Binasco (1)

Managing Director
Enrico Arona

Directors
Gianfranco Boschetti
Alessandro Braja (2)
Ernesto Maria Cattaneo (2)
Paolo Andrea Colombo
Beniamino Gavio (1)
Daniela Gavio
Renaldo Lascialfare
Vincenzo Macchia
Ferruccio Piantini (1)
Paolo Pierantoni
Gianfranco Pittatore
Alberto Sacchi (2)

Secretary
Cristina Volpe

- (1) Member of the Remuneration Committee
(2) Member of the Internal Control Committee

BOARD OF STATUTORY AUDITORS

Chairman
Lionello Jona Celesia

Auditors
Alfredo Cavanenghi
Ernesto Ramojno

Alternate Auditors
Paolo della Valle
Pietro Mandirola

INDEPENDENT AUDITORS

PricewaterhouseCoopers SpA

TERM OF OFFICE

The Board of Directors and Board of Statutory Auditors were appointed by the General Meeting of Shareholders held on 6 May 2005 for three financial years, i.e. until the AGM's approval of the Financial Statement for 2007.

The Independent Auditors were appointed by the General Meeting of Shareholders held on 6 May 2005 for three financial years, i.e. until the AGM's approval of the Financial Statement for 2007.

POWERS OF COMPANY OFFICERS

The Chairman (appointed on 6 May 2005) is authorized under Art. 24 of the Articles of Association to represent the Company in law.

The Board of Directors resolved in May 2006 to appoint a Managing Director with full powers to manage the company, excepting only those which are explicitly reserved by law to the Board itself.

Introduction

The present **Financial Statement of SIAS SpA** (like the Holding Company Accounts included in the Half-year Report for 30 June 2006) has, in accordance with Art. 4(i) of Legislative Order No. 38 of 28/2/2005, been drawn up under **International Accounting Standards (IAS/IFRS)**.

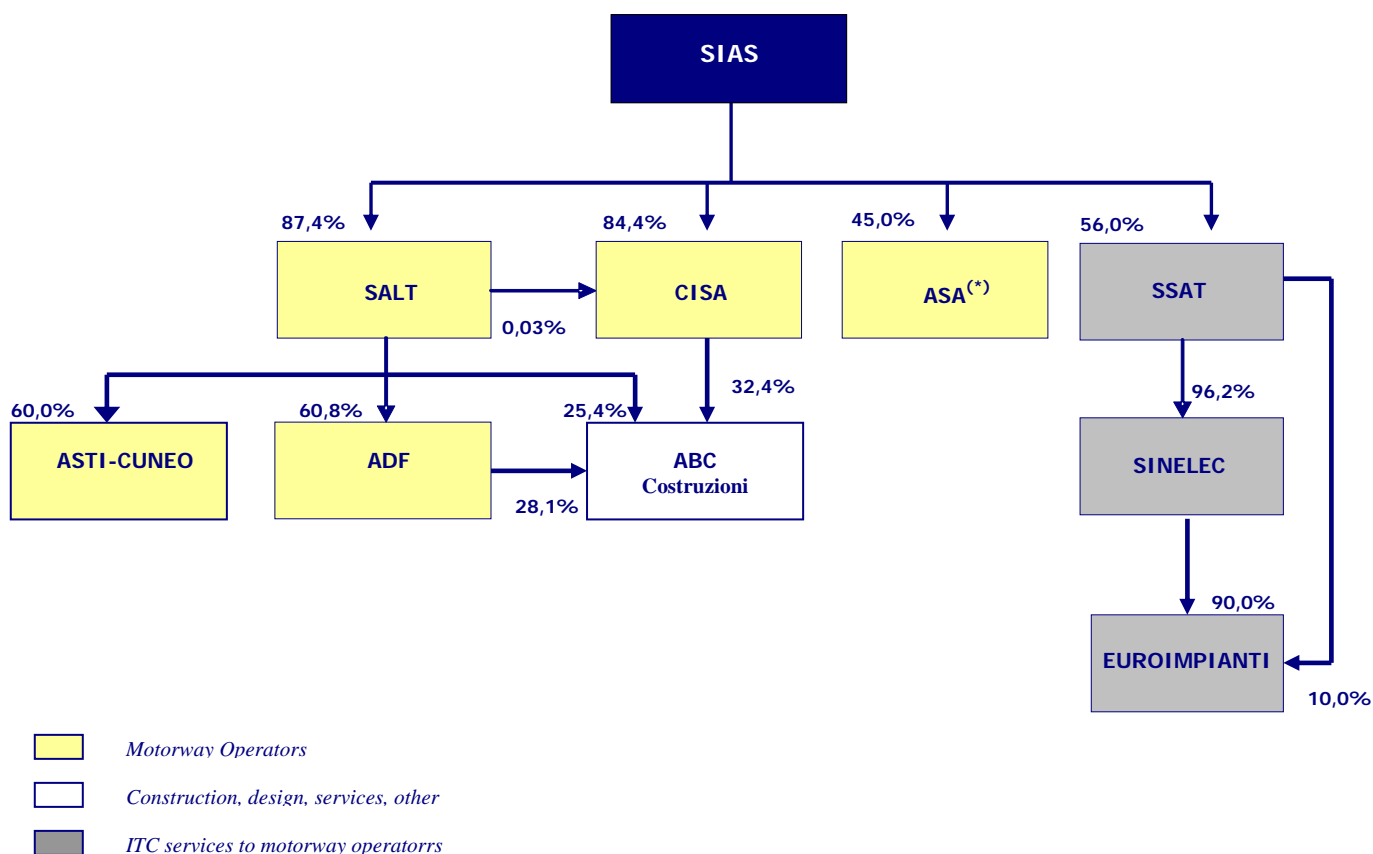
The Financial Statement of the Holding Company presented here includes the following tables accordingly:

- reconciliation between the Shareholders' Equity of SIAS SpA determined according to Italian accounting standards and that resulting from the application of IAS/IFRS, as of 1 January 2005 and 31 December 2005
- reconciliation between the Profit for the Period of SIAS SpA for the financial year 2005 as determined according to Italian accounting standards and that resulting from the application of IAS/IFRS for the same period.

GROUP STRUCTURE AND SECTORS OF ACTIVITY

The SIAS Group is engaged, through its subsidiaries, in the operation of motorway networks under concession and in related technological and construction activities.

The present structure of the Group - showing only the main holdings - is as follows ⁽¹⁾:



(*) Company indirectly controlling the Chilean motorway operator Sociedad Concesionaria Costanera Norte S.A.

(1) The full list of holdings is given in the Notes to the Accounts under “Scope of consolidation” in the Consolidated Financial Statement

Annual Report

ANNUAL REPORT

Dear Shareholders,

The Annual Financial Statement of SIAS SpA for the 2006 financial year, which shows a profit of €174.4m, is here submitted for your approval; as explained below, this profit is mainly attributable to the dividends received from subsidiaries controlled by your company.

So far as the Consolidated Financial Statement of the SIAS Group is concerned, the Group's profit for the relevant period, as shown in the figures on the Income Statement, was €76m, even after setting aside a total of €105.8m for amortization of intangible and tangible fixed assets (including non-compensated reversionary assets).

SIGNIFICANT FEATURES OF THE FINANCIAL YEAR 2006

Group company reorganisation project

On 21 December 2006 the Board of Directors of SIAS SpA and that of Autostrada Turin-Milan SpA each approved a project for the reorganisation of the companies forming their respective groups.

In brief, this project – to be implemented by simplifying the organisational architecture of the groups belonging to these two holding companies, with clear advantages in strengthening their competitive position on the Italian and international markets – consists of the following measures:

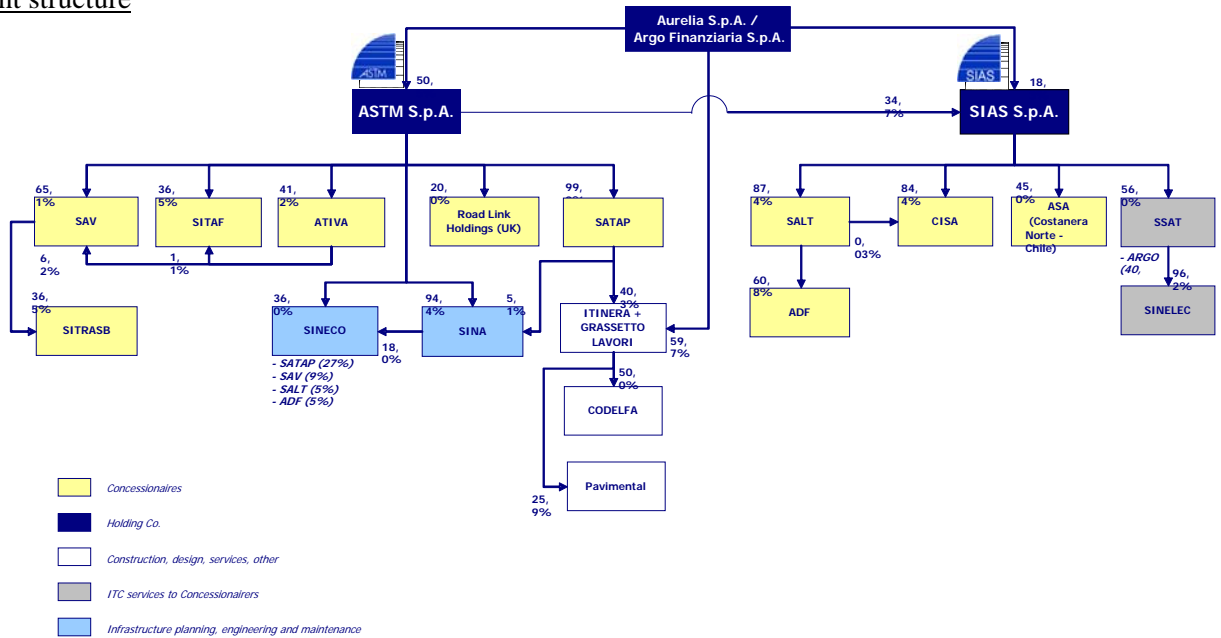
- the **formation** by SIAS of a new company, “Holding Piemonte e Valle d’Aosta SpA” (HPVdA)⁽¹⁾;
- the **transfer to** SIAS of ASTM’s shareholdings in SATAP SpA (99.874% of the share capital) and Road Link Holdings Limited (20% of the share capital)⁽²⁾;
- the **acquisition** by HPVdA of ASTM’s shareholdings in ATIVA SpA (41.17% of the share capital), in SITAF SpA (36.53% of the share capital, including the 228,273 convertible bonds) and in SAV SpA (65.09% of the share capital);
- and, within the ASTM Group, the sale to ASTM (the Holding Company) of (i) SATAP SpA’s shareholdings in SINA SpA and SINECO SpA (5.08% and 27% of the share capital, respectively), together with 9,792,264 SIAS convertible bonds at present held by SATAP SpA; (ii) SAV SpA’s holding in SINECO SpA (a further 9% of SINECO SpA’s share capital); and (iii) SALT SpA’s and ADF SpA’s holdings, again in SINECO SpA (in each case a further 5% of the share capital).

⁽¹⁾ This proposed “sub-holding” company would include all the SIAS Group’s shareholdings in motorway concession operators located in NW Piedmont and the Valle d’Aosta.

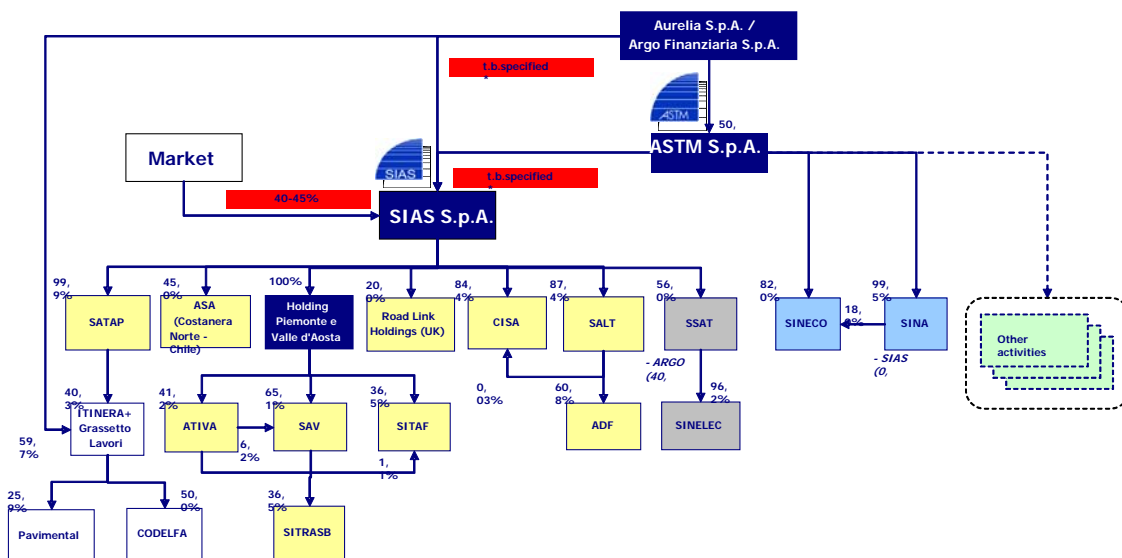
⁽²⁾ 3.3% of the share capital of Road Link Ltd is currently held, indirectly, through the controlled subsidiary SINA SpA

The structure of the Group before and after implementation of the project is shown below in diagram form (on the basis of the present structure, and showing only those shareholdings involved in the reorganisation project):

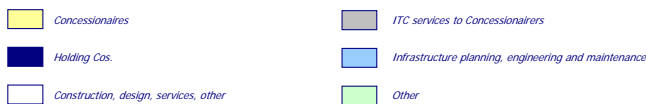
Present structure



Structure after the reorganization



* Stake will ensure the current majority shareholder retains legal control of SIAS, direct or indirect.



As can be seen from these diagrams, implementation of the project will involve bringing all the stakes in motorway concession operators together into the SIAS Group; there will also be an increase in ASTM's stake in SIAS (entailing ASTM's acquisition – at the initial stage – of “legal control” over SIAS following the capital increase which is to correspond to the above-mentioned transfer), and all the shareholdings in firms that provide engineering, design and infrastructure/maintenance services will be concentrated within ASTM.

Consequently, the SIAS Group's structure will, once the project is complete, be as follows: a listed holding company (SIAS) which concentrates on the management of the controlling stakes in motorway concession operators (the rest of whose share capital, some 40% – 45%, is expected to be held by the market); SIAS would be controlled by another listed company, ASTM (itself diversified, with a policy of developing in the sectors described above, as well as – in the future – other closely-related sectors still to be identified depending, in part, on what opportunities present themselves in the market).

Implementation of the project is fully in line with SIAS' present mission, and accordingly requires no alteration of its corporate Objects.

Reasons for and aims of the project

As explained above, the need for greater flexibility and efficiency in the Group's organisational and corporate structure has led ASTM and SIAS, as similar concerns have already led Europe's main concession companies, to put forward the above reorganisation project, which has the following aims:

- i) to raise the profile of the individual businesses managed by the ASTM and SIAS groups with a view, among other things, to promoting ASTM's diversification strategies and also encouraging those who may wish to invest specifically in the “motorway” sector only (SIAS), or on the other hand in ASTM as a whole;
- ii) to bring the whole motorway business together (in the SIAS Group), and as a result to improve the allocation of financial resources among the individual concession companies (on the basis of the requirements corresponding to their individual investment programmes and in view of the growing difficulty of obtaining public funds);
- iii) to raise the Group's “critical mass” in the motorway operating industry, in keeping with the process of rationalisation among motorway concession operators that is already under way at European level, with a consequent growth in scale not least in terms of market capitalisation;
- iv) to bring the book values of certain assets into line with their market values, enabling the Group's fixed capital to be more accurately portrayed;
- v) to optimise the Group's gearing ratios (with a view, among other things, to a possible rating application);
- vi) to increase the amount of the share capital held by the market and, consequently, the stock's “liquidity”.

Contractual and tariff provisions

As already shown in last year's Consolidated Financial Statement, the first five-year period of the Financial Plans of the SIAS Group's concession companies came to an end on 31 December 2004.

The formal process of determining the Plans for SALT SpA, Autostrada dei Fiori SpA and Autocamionale della CISA SpA (the last of these including its contractual extension for the building of the stretch of motorway between Parma and Nogarole Rocca, which already forms part of the concession agreement signed earlier by the Company) has still – even in the early part of 2006 – not been completed, even though the ANAS Board of Directors has given its approval.

Against this background, the system governing motorway concessions has been radically reformed: in July 2006, the relevant ministers of Italy's incoming government explained that they needed to inform themselves fully about the country's current and planned infrastructure initiatives, their relative priorities and the real alternatives for funding them, announced their intention of conducting a general review of existing agreements; when this was announced, the Chairman of AISCAT (the Italian trade association of motorway operating companies) declared on behalf of all the association's members that they were entirely willing to take part in a Round Table with a view to possible negotiated changes to agreements aimed at improving their efficiency.

Without warning, however, the government's aim of revising the agreements then took the form of Legislative Order No. 262 of 3 October 2006, which was then converted into Law 286/06 of 24 November 2006, subsequently amended when Law 296/06 of 27 December 2006 (the 2007 Finance Act) was passed.

From the moment of their publication, AISCAT has been of the view that the new regulations are at variance with the terms of the present concessions, and has also protested at the complete absence of consultation on the drafting of the final Bill, despite its own continued, frequently-expressed and emphatic demonstrations of willingness to engage in constructive discussions.

The new regulations in fact make significant changes in the matter of motorway concessions, which can be summarised as follows:

- all new clauses of concession agreements must be incorporated into a single agreement (of predetermined content); if the Concessionaire does not accept this agreement, or if new texts cannot be agreed (for any reason attributable to the Concessionaire), then the concession will fall in, and be taken over by ANAS SpA;
- the question of how toll rates are regulated has been completely revised, both in terms of the annual adjustment exercise and by introducing the constraint that toll increases for further investment must be dependent on the actual making of the investment;
- in the case of contracted work and, consequently, in implementing their own subcontracting, the operating companies will have to act, to all intents and purposes, as "contract-awarding public authorities" in accordance with Legislative Order No. 163/2006; this applies to all subcontracted services and supplies where the amount involved is over the EC threshold of €11,000.

The new regime further provides that the arrangements for invitations to tender and for awarding contracts must be submitted to ANAS for approval, while the Awarding Committees will be appointed by the Infrastructure Minister.

These regulations have been opposed not only by the motorway companies belonging to the SIAS group but also by AISCAT itself and by other concession companies, many of which have had recourse to the civil and administrative¹ courts, in some cases alone and in others jointly.

For instance, on 27 November 2006 the Group's operating companies contested the above-mentioned Legislative Order No. 262 of 3/10/2006 in the Lazio TAR [Regional Administrative Court]; moreover, l'Autostrada dei Fiori SpA, together with AISCAT and other Concessionaires belonging to the Group, has (together with other parties associating themselves with the action) lodged a complaint under Code of Civil Procedure Art. 700 in the Court of Genoa, against the government of the Italian Republic, the Infrastructure Ministry, the Economics and Finance Ministry and ANAS SpA for breach of their EU rights, at the same time applying for an interlocutory Order suspending application of the new regulations.

The Court of Genoa, in adjourning this case while the papers were submitted to the Court of Justice of the European Communities, advised ANAS and the Italian government *“to refrain, until such time as the Court of Justice has determined the matters now being put to it, from any act, initiative, or order which might constitute an application or implementation of the regulations now before this court”*.

Against this background, Italian Interministerial Economic Planning Committee, CIPE, in its session of 26 January 2007, approved the new *“Directive on the Economic Governance of the Motorways Industry”* which prescribes that the various measures concerning the matter *“are to be applied subject to the restrictions and conditions laid down in subparas. 82 and 83 of Art. 2 of Legislative Order No. 262 of 3 October 2006 as converted, with amendments, by Law No. 286 of 24 November 2006, and subsequently amended by Art. 1 (1030) of the Finance Act, Law No. 296 of 27 December 2006”*.

This Directive also has aroused protests from the Concessionaires, through AISCAT; the industry takes a strongly critical view of the government's proposals, arguing that the directive's contents retain too many constraints of an excessive severity, and fail to observe the principles underlying the agreements currently in force, with serious repercussions for the Concessionaires.

AISCAT, with the Concessionaires' agreement, is continuing even now to work for the reopening of a practical, in-depth discussion with a view to reaching an understanding that would obviate such unilateral alteration of already-signed contracts while they are still in force – alterations imposed by legislation and amplified in the Directive which the government has arrived at with no consultation whatsoever, nor even any consideration of the advice formally addressed to it by the Court of Genoa, that it should suspend the implementation of so controversial a provision which is so clearly at odds with the EU Directive.

With every confidence that the relevant court authorities, national and European, will be sure to arrive at a favourable decision, the SIAS Group nevertheless stands ready to take any further legal steps that may

prove necessary or useful, acting through its subsidiaries before the courts in defence of the rights and interests of the motorway concession companies in which it has a stake, against any governmental or other public body concerned.

In the matter of awarding the **toll adjustments deserved**, ANAS SpA published an Order dated 27 December 2006 rejecting the increase in toll rates from 1 January 2007 which the operating companies had requested under the terms of the existing agreements.

On 10 March 2007 ANAS itself announced toll revisions in accordance with a special Interministerial Order (issued by the Infrastructure and Economics Ministries): in view of certain alleged “financial advantages” connected with the postponement in the carrying out of certain investments provided for in the Revenue, Expenditure and Financial Plans, SALT SpA was allowed no rise in rates at all (instead of a requested 1.88%), on the assumption of a 1.93% “advantage” arising from the postponement of the investments provided for, while CISA SpA got 0.88% instead of 1.24%; only ADF SpA was awarded the full rise it had applied for (1.54%).

SALT SpA and the CISA SpA lost no time in challenging the method and the substantive amounts of the ANAS/interministerial awards; they asked ANAS for sight of the documentation and calculations on which the Order had been based, though they reserved their right to advance their own arguments in any hearing with a view to vindicating their rights and interests and indeed winning compensation for all losses already incurred and still to be incurred as a result of the refusal to bring toll rates up to date as required under the concession contracts in force at the time.

Indeed, until those documents are received it is not possible to discern the grounds on which the toll increases applied for by the Group’s concession operators were refused.

The above-mentioned Orders would appear in any case to be quite unfounded and improper. Indeed, we are obliged to emphasize the utterly arbitrary nature of these provisions, which are patently informed by nothing other than a punitive intent – and which are, of course, thoroughly at odds with the laws and principles governing concession contracts.

For in law and normal business practice the very essence of the *quid pro quo* involved in the concession contract is founded on preserving the equilibrium of the Revenue, Expenditure and Financial Plan over time; and its periodic revision is expressly provided for (at least once every five years or, at the request of either party, when necessary), precisely in order to mitigate the effects of any contingent divergences that can arise over time from the forecast figures, in accordance with the parties’ legitimate expectations and interests (i.e. financial charges not capitalized, delayed toll fees increase, evaluation subentry values had – to SALT S.p.A and CISA – at the concession end – based on art. 5 of “Direttiva Ministeriale 20 ottobre 1998 n.283).

But the Financial Plans of these concession operators are – as we have already shown - still awaiting their 31 December 2004 revision, which is causing serious damage to that equilibrium in these cases and, as will readily be recognised, due to the delay in raising rates, occasioning costs for the companies, which

¹ “Administrative courts” being a virtually unknown concept in English-speaking jurisdictions, it may

are accordingly reserving the right to undertake all permissible means of recourse and to seek compensation for damages they have incurred and will be incurring in future on account of the unjustified delay. SALT SpA and CISA SpA have however continued to work at all times to make the investments as scheduled: any delays in the actual making of these investments have been due, for the most part, to the failure to promptly provide the necessary approval for such scheduled investment operations.

In conclusion, the restoration of balance in the effects arising from a postponement of these investments ought to be achieved by means of the procedures for the revision of the Financial Plans: for only when negotiating these will it be possible to take account of all the effects that the postponement of the actual doing of the work may have had – effects caused, moreover, not by these companies but by the long-drawn-out procedures for obtaining approval.

It should be pointed out that the delays in executing work, far from bringing SALT SpA and the CISA SpA any “advantage”, in fact cause significant losses: loss of toll revenues, for instance, because new infrastructure is not yet available; and higher costs connected with the creation of the infrastructure itself, due to bad publicity and damage to public reputation.

Among other things, it may be recalled that the Consolidated Financial Statements of Concessionaries companies include a provision of €8.4m (€6.4m for SALT SpA and the remainder for CISA SpA) set aside in compliance with Art. 5 of the above mentioned Interministerial Directive No. 283 of 20 October 1998 and occasioned by a postponement in the implementation of the planned investment schedule that occurred at the very start of the five-year Financial Plan of our subsidiary CISA SpA; both firms’ provisions are included in the variable amount X (€2.6m); and this provision ought by now to have been accounted for within the framework of the above-mentioned renegotiation of the contractual instruments.

Indeed ANAS itself wrote to the Group’s concession operators demanding that they make an assessment followed by a provision in their balance sheets in respect of any such “advantages” accruing in 2005. That claim has been challenged by our subsidiaries, along with the other Concessionaires concerned, before the appropriate bodies.

This claim is all the more improper in that at that time the procedure relating to the revision of the Financial Plans had not been completed – and is indeed still incomplete, even now.

In a Note dated 16 March 2007, ANAS reiterated this claim – to the motorway concession operators, including those belonging to the SIAS Group – for the 2006 financial year, and indeed noted that the instructions it had given the previous year had not been complied with by the deadlines it had then set, and gave notice that it, ANAS, was now taking steps to challenge that failure to comply. It will accordingly be necessary to contest the new instructions as well.

In view of the above account, it will be appreciated that – in connection with the alleged financial “advantages” referred to above – the company has not changed its mind, nor does it see any need to make

help to think in terms of the nearest equivalent, which is “judicial review” of government decisions.

provision, in the present Consolidated Financial Statement, for a “contingency fund”, for the two following reasons: (i) the only proper contractual instruments for restoring the balance after any occurrences that may throw the economic/financial parameters of the Licensor/Concessionaire relationship out of alignment are the Financial Plans and their periodic revisions (as argued above), and (ii) it is not to be expected that the review procedure for the Financial Plans of the Group’s Concessionaires will end in their being obliged to recognise special costs of this nature – or at all events the total amount of any such costs is not something of which a sufficiently reliable estimate can be made. Only when the process of reviewing the Financial Plans applying to the Group’s concession companies is finished will all the various calculations connected with higher costs as against any “benefits” be properly balanced as part of the comprehensive recalculation of the economic and financial equilibrium of the various individual concessions.

It is also to be noted that from 1 January 2007 onwards the premium payable by law to ANAS SpA will be applied on all licensed motorways, amounting to two euros per thousand kilometres for toll categories A and B and six euros per thousand kilometres for toll categories 3, 4 and 5.

Moreover, as part of the measures instituted in order to fund ANAS itself, the 2007 Finance Act has provided that from 1 January 2007 the annual concession lease payment will rise from 1% to 2.4%.

GROUP REVENUES, EXPENSES AND PROFITS

The main revenue and expenditure items for 2006 (with the corresponding 2005 figures for comparison) can be summarised as follows:

(€000s)	2006	2005	Change
Motorway Sector revenue	379,186	362,029	17,157
Technology Sector revenues	35,823	31,462	4,361
Construction and Engineering Sector revenues	6,150	9,432	(3,282)
Other revenues	26,414	26,203	211
Operating costs	(243,431)	(256,033)	12,602
Capitalised costs on fixed assets	71,866	82,902	(11,036)
Gross operating margin	276,008	255,995	20,013
“Exceptional” items	-	23,455	(23,455)
Gross operating margin, “adjusted”	276,008	279,450	(3,442)
Amortization & other provisions, net of drawings	(105,818)	(101,855)	(3,963)
Operating profit	170,190	177,595	(7,405)
Financial income	29,817	85,612	(55,795)
Financial charges	(42,647)	(32,316)	(10,331)
Net dividend income from subsidiaries valued by the Shareholders’ Equity method	5,729	(38)	5,767
Net financial income	(7,101)	53,258	(60,359)
Profit before taxes	163,184	230,853	(67,669)
Income taxes (current and deferred)	(60,829)	(63,278)	2,449
Profit (loss) for the period	102,260	167,575	(65,315)
▪ Minority interests’ share	26,457	34,417	(7,960)
▪ Group’s share	75,803	133,158	(57,355)

The final figure of some €379m for Motorway Sector revenue in 2006 was an increase of 4.73% on last year, due to growth in traffic volumes and rental income from service areas. Toll receipts came to €361m (+4.46%), swelled by the rising traffic and also by the increase in toll rates under the “price-cap” formula (but only from the factor “X” attributable to productivity gains) for SALT SpA (2.21%), Autostrada dei Fiori SpA (1.41%) and Autocamionale della CISA SpA (1.13%).

The change in Technology Sector revenues results from greater activity in connection with the installation and maintenance of motorway technical systems and in the leasing of sites for transmission apparatus to mobile phone companies.

Construction and Engineering Sector activity fell in the second half-year, leading to lower revenues and operating costs, and also to a significant decrease in sales to Group companies and a consequent

reduction in the figure for Capitalised Costs on Fixed Assets.

For all the above reasons, Gross Operating Margin rose by some €20m (+7.8%).

The figure for “significant exceptional items” in 2005 referred to the amount due to the subsidiary Autostrada dei Parchi SpA following the successful outcome of an arbitration award.⁽¹⁾

The heading “amortization and provisions, net” rose by approximately €4m, and reflects – so far as the concession companies are concerned – the provisions required by the Financial Plans attached to the various concession agreements.

Financial Income includes the capital gains arising from the disposal of shareholdings in Banca Nazionale del Lavoro SpA, Ca.Re.Ge. SpA and Gemina SpA: a total of €7.2m. The 2005 accounts had benefited from significant capital gains realised on the sale of shares in Milano Serravalle-Milano Tangenziali SpA to ASAM SpA (approximately €72.4m).

The rise in Financial Charges reflects the greater financial exposure corresponding to the progress of the large-scale investment schedule relating to the motorway infrastructure managed by Group companies.

The heading “Net dividend income from subsidiaries valued with the Shareholders’ Equity method” includes the Group’s share of profits made by the minority-owned subsidiary Autostrade Sud America - ASA Srl (which controls the Chilean concession operator Sociedad Concesionaria Costanera Norte SA).

As a result the Group’s share of consolidated profit for the period was €76m (€133.2m in 2005), a rise of over €8m compared with the corresponding figure for 2005 (if the approximately €76m for Exceptional Items is stripped out of that figure).

⁽¹⁾ As explained below, ANAS has appealed this arbitration award in the Rome Court of Appeal. Autostrada dei Parchi SpA is confident that its arguments will be accepted, and intends to take all necessary steps towards securing confirmation of the award by that Court and making good the resulting credit.

GROUP FINANCIAL SITUATION

The cashflow position for 31 December 2006 can be summarised as follows (figures for 31 December 2005 are given for comparison):

(€000s)	31/12/2006	31/12/2005	Change
A) Cash and near-cash	240,575	233,164	7,411
B) Securities held for trading	-	49,999	(49,999)
C) Liquid funds (A) + (B)	240,575	283,163	(42,588)
D) Financial receivables (*)	154,193	128,804	25,389
E) Short-term bank debt	(117,721)	(133,401)	15,680
F) Short-term portion of long-term debt	(8,786)	(4,260)	(4,526)
G) Other short-term financial debt	(815)	(591)	(224)
H) Total short-term financial debt	(127,322)	(138,252)	10,930
I) (Indebtedness) Net short-term financial liquidity (C) + (D) + (H)	267,446	273,715	(6,269)
J) Medium/long-term bank debt	(417,013)	(328,379)	(88,634)
K) Bonds issued	(285,667)	(281,894)	(3,773)
L) Other long/medium-term debts	(959)	(161)	(798)
M) Long/medium-term financial indebtedness (J) + (K) + (L)	(703,639)	(610,434)	(93,205)
N) (Indebtedness) Net financial liquidity (I) + (M)	(436,193)	(336,719)	(99,474)

(*)This heading refers to endowment contracts and indexed, guaranteed-capital financial instruments which, though not due for more than one year, can readily be encashed on demand.

The Group's financial position on 31 December 2006 showed net indebtedness of €436m (€337m on 31 December 2005); this figure rises to €742m (€646m on 31 December 2005) if the discounted present value of the sums due to the Central Guarantee Fund and ANAS ⁽¹⁾ is included. Some €32m of the bank debt is guaranteed by the State.

As shown by the Consolidated Cashflow Statement, the cash flows generated by operations (€187m) together with the proceeds from the disposal of shareholdings (approx. €51m) have been applied partly to investments enhancing the Group's motorway infrastructure (amounting to some €118m), and partly to the acquisition of shareholdings (approximately €22m, mainly for subscribing the Group's share of the equity of ASA Srl and for the purchase of shares in Assicurazioni Generali SpA and in Capitalia SpA, for €45m, €61m and €3.2m, respectively). Dividends have also been paid both by the Holding Company (a total of €44.6m: the final dividend for 2005 and the interim dividend for 2006) and by controlled subsidiaries to Minority Interests (€7.1m).

⁽¹⁾ Art. 1(1025) of the 2006 Finance Act (Law No. 296 of 27/12/2006) provided for abolition of the Central Guarantee Fund and its replacement as manager of these assets by ANAS, from 1 January 2007 onwards.

ANALYSIS OF 2006 RESULTS: HOLDING COMPANY AND MAIN SUBSIDIARIES: ⁽¹⁾**Società Iniziative Autostradali e Servizi SpA**

The Company's key income and expenditure figures can be summarised as follows:

(€000s)	2006	2005	Change
Income from shareholdings	183,851	110,803	73,048
Other financial income	3,776	3,085	691
Interest paid and other financial charges	(12,667)	(6,061)	(6,606)
Net financial income	174,960	107,827	67,133
Value adjustments, financial assets	(1,125)	-	(1,125)
Other operating revenue	38	134	(96)
Other operating costs	(1,880)	(1,578)	(302)
Profit before taxes	171,993	106,383	65,610
Income taxes	2,444	1,405	1,039
Profit for the period	174,437	107,788	66,649

The breakdown of the parent company's Income Statement reflects its core business: that of an industrial holding company; in further detail, its income from shareholdings, totalling €83.8m, consisted of dividends (including interim dividends) received during 2006 from SALT SpA (2005 final dividend of €120.6m and 2006 interim dividend of €38.8m), Autocamionale della CISA SpA (2005 final dividend of €7m and 2006 interim dividend of €7m), SSAT SpA (€2m), Milano Serravalle-Milano Tangenziali SpA (€3.6m), and Generali Assicurazioni SpA (€0.8m), as well as capital gains realised on the sale of holdings in Banca Nazionale del Lavoro SpA (€3m) and Gemina SpA (€1m). The significant increase compared with last year is mainly attributable to the dividends received this year from the controlled subsidiary SALT SpA, whose 2005 profits had been swollen by sizeable capital gains arising from the disposal of shareholdings.

Other Financial Income relates to short-term investment of liquid funds.

€12.3m of the item "Interest paid and other financial charges" represents the charge (recalculated on the basis of the market rate of interest) relating to the Liability Component of the loan issued by the Holding Company in July 2005.

Value Adjustments, Financial Assets refers to the write-down of shareholdings in CIE - Compagnia Italiana Energia SpA.

⁽¹⁾ Figures for the Holding Company and main subsidiaries are drawn up under International Accounting Standards (IAS/IFRS).

CASH FLOW STATEMENT

The cashflow position for 31 December 2006 can be summarised as follows (figures for 31 December 2005 are given for comparison):

(€000s)	31/12/2006	31/12/2005	Change
A) Cash and near-cash	141,808	81,306	60,502
B) Securities held for trading	-	-	-
C) Liquid funds (A) + (B)	141,808	81,306	60,502
D) Financial receivables	-	-	-
E) Short-term bank debt	-	-	-
F) Short-term portion of long-term debt	-	-	-
G) Other short-term financial debt	(8,786) ⁽¹⁾	(4,261)	(4,525)
H) Total short-term financial debt	(8,786)	(4,261)	(4,525)
I) (Indebtedness) Net short-term financial liquidity (C) + (D) + (H)	133,022	77,045	55,977
J) Medium/long-term bank debt	-	-	-
K) Bonds issued	(285,667)	(281,894)	(3,773)
L) Other long/medium-term debts	-	-	-
M) Long/medium-term financial indebtedness (J) + (K) + (L)	(285,667)	(281,894)	(3,773)
N) (Indebtedness) Net financial liquidity (I) + (M)	(152,645)	(204,849)	52,204

⁽¹⁾ interest accruing to bondholders on 31 December 2006 (paid on 1 January 2007)

The financial position on 31 December 2006 amounted to a net indebtedness of some €152.6m (€204.8m on 31 December 2005).

The money available from dividends paid by subsidiaries (€179.9m) and from the sale of shareholdings (€47.4m) was used partly to buy shares (approximately €120.1m in total, mainly for subscribing the Group's share of the equity of ASA Srl and CIE SpA and buying shares in Generali Assicurazioni SpA, Capitalia SpA and FNM SpA: €45m, €0.4m, €61m, €13.2m and €0.5m respectively), and partly to pay interest on the convertible bond.

Dividends have also been paid for 2005 (final dividend of €25.5m) and 2006 (interim dividend of €19.1m).

The Schedule of reconciliation between the SIAS SpA Shareholders' Equity and profit for the period and the corresponding figures for the SIAS Group (as required by CONSOB Notice No. DEM/6064293 of 28 July 2006) is included in the Consolidated Accounts.

Motorway Sector

On 31 December 2006, SIAS SpA controlled the following motorway operating companies:

- **SALT:** Società Autostrada Ligure Toscana p.A., with 87.39% of the share capital;
- **CISA:** Autocamionale della CISA SpA (84.42%);
- **ADF:** Autostrada dei Fiori SpA (60.77%);
- **Asti-Cuneo:** Società Autostrada Asti-Cuneo SpA (60%);

In addition to these controlling interests, the Group also held significant shareholdings on 31 December 2006 in Autostrade Sud America Srl (45%), Milano Serravalle – Milano Tangenziali SpA (12.54%) and Autostrada Tirrenica SpA (5.58%).

The present extent of the motorway network managed by the SIAS Group and its minority-owned subsidiaries is as follows:

	km of network managed
• Società Autostrada Ligure Toscana p.A.	154.9
• Autostrada dei Fiori SpA	113.2
• Autocamionale della CISA SpA	182.0 (*)
• Società Autostrada Asti-Cuneo SpA	90.0 (**)
Total managed by the holding company through controlled subsidiaries (a)	<u>540.1</u>
• Autostrade Sud America Srl (***)	43.0
Total managed – indirectly – through minority-owned subsidiaries (b)	<u>43.0</u>
TOTAL (a+b)	<u>583.1</u>

(*) Including the 81 km **Parma – Nogarole Rocca** link (Autostrada del Brennero).

(**) 11 km in operation at present.

(***) This company controls the Chilean concession operator Costanera Norte SA through the sub-holding company Autopista do Pacifico SA

Società Autostrada Ligure Toscana p.A.

The Company manages the Sestri Levante-Livorno, Viareggio-Lucca and Fornola-La Spezia stretches of motorway, a total of 154.9 kilometres. It is controlled by the Group, which owned 87.392% of the share capital on 31 December 2006.

The key income and expenditure figures for the 2006 financial year can be summarised as follows:

(€000s)	2006	2005	Change
Motorway Sector revenue	166,347	159,026	7,321
Other revenues	8,764	8,162	602
Operating costs	(59,564)	(59,891)	327
Gross operating margin	115,547	107,297	8,250
Amortization & other provisions, net of drawings	(46,654)	(45,392)	(1,262)
Operating profit	68,893	61,905	6,988
Financial income	37,439	220,534	(183,095)
Financial charges	(9,150)	(7,834)	(1,316)
Value adjustments, financial assets	(7)	(16)	9
Net financial income	28,282	212,684	(184,402)
Profit before taxes	97,175	274,589	(177,414)
Income taxes	(25,522)	(23,523)	(1,999)
Profit for the period	71,653	251,066	(179,413)

Motorway Sector revenue rose by €7.3m (+4.6%) compared with 2005. Net Toll Receipts for 2006 came to €159m, up 4.41% from last year; this increase was due to the change in toll rates (+2.21%) from 1 January 2006 under the “price cap” formula, and a rise in paying traffic.

Operating Costs were broadly in line with last year’s.

Gross operating margin (EBITDA) was accordingly €115.5m, up by 7.7% compared with last year’s figure.

The heading “Amortization & other provisions, net of drawings” is in line with the provisions of the Financial Plan attached to the current concession agreement.

Net Financial Income was positive: €28.3m; in 2005 this heading included approximately €198m of capital gains from the sale of shareholdings.

The net effect of the above figures is that the financial year resulted in a Profit for the Period of €71.7m (€251.1m in 2005).

* * *

The cashflow position for 31 December 2006 can be summarised as follows (figures for 31 December 2005 are given for comparison):

(€000s)	31/12/2006	31/12/2005	Change
A) Cash and near-cash	23,782	112,848	(89,066)
B) Securities held for trading	-	49,999	(49,999)
C) Liquid funds (A) + (B)	23,782	162,847	(139,065)
D) Financial receivables (*)	73,662	71,168	2,494
E) Short-term bank debt	-	-	-
F) Short-term portion of long-term debt	(27,471)	(15,350)	(12,121)
G) Other short-term financial debt	-	-	-
H) Total short-term financial debt	(27,471)	(15,350)	(12,121)
I) (Indebtedness) Net short-term financial liquidity (C) + (D) + (H)	69,973	218,665	(148,692)
J) Medium/long-term bank debt	(180,009)	(180,781)	772
K) Bonds issued	-	-	-
L) Other long/medium-term debts	-	-	-
M) Long/medium-term financial indebtedness (J) + (K) + (L)	(180,009)	(180,781)	772
N) (Indebtedness) Net financial liquidity (I) + (M)	(110,036)	37,884	(147,920)

(*) This consisted of an endowment contract which, though not due for more than one year, can readily be encashed on demand.

The financial position on 31 December 2006 showed total net indebtedness of €10m (net credits of €37.8m on 31 December 2005); if the discounted present value of the sums due to the Central Guarantee Fund and ANAS were included, this figure would be €179.9m (€31.1m on 31 December 2005).

The financial position on 31 December 2006 includes approximately €27.6m of State-guaranteed loans. The cash flow generated in the period was in part invested in motorway infrastructure enhancements (€43.5m) and in part used to pay for the company's share (25%) of the capital of the new company Società Autostrada Asti-Cuneo SpA (€30m); some also went to pay the final dividend for 2005 (€138m) and the interim dividend for 2006 (€44.4m).

Autostrada dei Fiori SpA

The Company manages the Savona-Ventimiglia stretch of motorway, a total of 113.2 kilometres. It is controlled by the Group, which owned 60.77% of the share capital on 31 December 2006.

The key income and expenditure figures for the 2006 financial year can be summarised as follows:

(€000s)	2006	2005	Change in
Motorway Sector revenue	136,810	130,576	6,234
Other revenues	12,167	10,912	1,255
Operating costs	(59,805)	(60,884)	1,079
Gross operating margin	89,172	80,604	8,568
Amortization & other provisions, net of drawings	(27,323)	(25,679)	(1,644)
Operating profit	61,849	54,925	6,924
Financial charges net	(11,556)	(11,738)	182
Value adjustments, financial assets	-	-	-
Net financial income	(11,556)	(11,738)	182
Profit before taxes	50,293	43,187	7,106
Income taxes	(19,400)	(17,106)	(2,294)
Profit for the period	30,893	26,081	4,812

Total Motorway Sector revenue rose by €6.2m (+4.77%).

Net Toll Receipts came to €29.3m (€23.5m in 2005); the 4.68% increase was due to rises in toll rates from 1 January 2006 (+1.41%) and in paying traffic (+3.48% for heavy vehicles and +2.73% for light vehicles).

The increase in Other Revenue accompanied by good control of operating costs produced a gross operating margin of €89.2m, up by approximately €8.6m compared with 2005.

Net amortization and other provisions were in line with the provisions of the Financial Plan attached to the current concession agreement.

Net Financial Income was negative (a net charge of 11.6m), but better than in 2005.

The net effect of all the above figures is that the financial year resulted in a Profit for the Period of €30.9m, up by about 5.4% compared with 2005.

* * *

The cashflow position for 31 December 2006 can be summarised as follows (figures for 31 December 2005 are given for comparison):

(€000s)	31/12/2006	31/12/2005	Change
A) Cash and near-cash	3,128	1,390	1,738
B) Securities held for trading	-	-	-
C) Liquid funds (A) + (B)	3,128	1,390	1,738
D) Financial receivables (*)	20,214	-	20,214
E) Short-term bank debt	(76,218)	(72,385)	(3,833)
F) Short-term portion of long-term debt	(6,347)	(30,484)	24,137
G) Other short-term financial debt	-	-	-
H) Total short-term financial debt	(82,565)	(102,869)	20,304
I) (Indebtedness) Net short-term financial liquidity (C) + (D) + (H)	(59,223)	(101,479)	42,256
J) Medium/long-term bank debt	(106,378)	(46,237)	(60,141)
K) Bonds issued	-	-	-
L) Other long/medium-term debts	-	-	-
M) Long/medium-term financial indebtedness (J) + (K) + (L)	(106,378)	(46,237)	(60,141)
N) (Indebtedness) Net financial liquidity (I) + (M)	(165,601)	(147,716)	(17,885)

(*) This heading refers to endowment contracts and indexed, guaranteed-capital financial instruments which, though not due for more than one year, can readily be encashed on demand.

The financial position on 31 December 2006 showed total net indebtedness of €165.6m (€147.7m on 31 December 2005); if the discounted present value of the sums due to the Central Guarantee Fund and ANAS were included, this figure would be €306.4m (€291.6m on 31 December 2005).

The financial position on 31 December 2006 includes approximately €4.9m of State-guaranteed loans. The increase in overall bank debt is related to the ongoing programme of investment in the motorway infrastructure (€16.1m), the payment of the final dividend for 2005 (€25.6m) and of the interim dividend for 2006 (€24m), and the repayment of instalments on the loan from the Central Guarantee Fund (€10.3m).

Autocamionale della CISA SpA

The Company manages the La Spezia – Parma stretch of motorway which, with the inclusion of the unfinished link between Parma and Autostrada del Brennero (81 km), amounts to 182 kilometres; it is controlled by the Group, which owned 84.42% of the share capital on 31 December 2006.

The key income and expenditure figures for the 2006 financial year can be summarised as follows:

(€000s)	2006	2005	Change
Motorway Sector revenue	78,959	75,584	3,375
Other revenues	6,710	7,256	(546)
Operating costs	(32,823)	(34,333)	1,510
Gross operating margin	52,846	48,507	4,339
Amortization & other provisions, net of drawings	(28,970)	(27,859)	(1,111)
Operating profit	23,876	20,648	3,228
Financial income	3,987	3,201	786
Financial charges	(5,086)	(4,837)	(249)
Value adjustments, financial assets	(378)	(1)	(377)
Net financial income	(1,477)	(1,637)	160
Profit before taxes	22,399	19,011	3,388
Income taxes	(8,762)	(7,539)	(1,223)
Profit for the period	13,637	11,472	2,165

Motorway Sector revenue totalled €79m (€75.6m in 2005), higher than last year because of increases in royalties on fuel sales and toll receipts.

Net Toll Receipts, totalling €72.8m (€69.8m in 2005), rose by 4.18% over last year's level; the increase is the joint effect of a rise in toll rates (+1.13% from 1 January 2006 (on the basis of the "price-cap" formula) and the increase in traffic (about 3.11%).

Operating Costs were €1.5m lower at €32.8m, mainly because of the fall in staff costs which is partly due to falling staff numbers.

Gross operating margin (EBITDA) was accordingly €52.8m, up by about 9% over last year's level.

The heading "Amortization & other provisions, net of drawings" is in line with the provisions of the Financial Plan attached to the current concession agreement.

Net Financial Income was negative (a net charge of 1.5m), but better than in 2005.

The net effect of the above figures is that the financial year resulted in a Profit for the Period of €13.6m, higher than in 2005 (€11.5m).

* * *

The cashflow position for 31 December 2006 can be summarised as follows (figures for 31 December 2005 are given for comparison):

(€000s)	31/12/2006	31/12/2005	Change
A) Cash and near-cash	2,982	14,617	(11,635)
B) Securities held for trading	-	-	-
C) Liquid funds (A) + (B)	2,982	14,617	(11,635)
D) Financial receivables (*)	60,317	57,635	2,682
E) Short-term bank debt	(5,000)	-	(5,000)
F) Short-term portion of long-term debt	-	-	-
G) Other short-term financial debt	-	-	-
H) Total short-term financial debt	(5,000)	-	(5,000)
I) (Indebtedness) Net short-term financial liquidity (C) + (D) + (H)	58,299	72,252	(13,953)
J) Medium/long-term bank debt	(130,107)	(99,828)	(30,279)
K) Bonds issued	-	-	-
L) Other long/medium-term debts	-	-	-
M) Long/medium-term financial indebtedness (J) + (K) + (L)	(130,107)	(99,828)	(30,279)
N) (Indebtedness) Net financial liquidity (I) + (M)	(71,808)	(27,576)	(44,232)

(*) This consisted of an endowment contract which, though not due for more than one year, can readily be encashed on demand.

The financial position on 31 December 2006 showed total net indebtedness of €71.8m (€27.6m on 31 December 2005); if the discounted present value of the sums due to the Central Guarantee Fund and ANAS were included, this figure would be €167m.

The change in the net financial position compared with 31 December 2005 is mainly connected with progress in the programme of investment relating to the motorway fabric (€56.8m invested during the period), the payment of the final dividend for 2005 (€8.3m) and of the interim dividend for 2006 (€8.3m), and the repayment of instalments on the loan from the Central Guarantee Fund (€5.2m).

Autostrada Asti-Cuneo SpA

A new company, Autostrada Asti-Cuneo SpA, was formed on 1 March 2006 with an issued share capital of €200m (at present 25% paid-in); 60% of the stock is held by SALT SpA, 5% by Itinera SpA and the remaining 35% by ANAS SpA. On 23 March 2006 this company signed an agreement with the concession awarding authority ANAS SpA for the completion of the design, construction, operation and maintenance of the motorway link between the Asti and Cuneo (about 90 km).

The unilateral amendment of this agreement (one consequence of the legislative orders described above) has meant considerable slippage in the timetable for this project as well.

The company ended its first financial period on 31 December 2006 with a profit of €190,000, mainly attributable to operations with the cash proceeds from Members' subscriptions of part of the share capital.

Autostrade Sud America – ASA Srl

On 10 February 2006, SIAS SpA, Autostrade SpA and Mediobanca - Banca di Credito Finanziario SpA (as financial partner) set up another new company, Autostrade Sud America – ASA Srl; SIAS SpA and Autostrade SpA subscribed 45% each of the €100m share capital, and Mediobanca SpA the remaining 10%.

ASA Srl, the lead company in the process of acquiring **Sociedad Concesionaria Costanera Norte SA**, set up two Chilean companies, Autopista do Pacifico SA on 16 March (share capital the equivalent of approximately €8m) and Sociedad Concesionaria Nueva SA on 21 March 2006 (share capital the equivalent of approximately €79m).

On 14 June 2006 Autopista do Pacifico SA signed a Long Term Facility Agreement for the equivalent of €160m repayable in full on expiry (15 July 2013) with an early-repayment facility. Autopista do Pacifico SA in turn then made a loan of approximately €158m to Sociedad Concesionaria Nueva Costanera SA.

On 21 June 2006, Sociedad Concesionaria Nueva Costanera SA, using the proceeds of this Group loan and other funds, took over – from the Impregilo Group and some minority interests – the whole of Sociedad Concesionaria Costanera Norte SA, for the equivalent of about \$277m.

This acquisition involved the automatic merger of those two companies on the same date.

On the basis of the agreements reached with the seller, the above purchase price is subject to an adjustment mechanism, which among other things provides for a further consideration, of not more than €3m nor less than the guaranteed minimum of \$5m, to be paid to the seller over the next four years in accordance with any increase in toll receipts actually achieved over that period above and beyond the forecast which served as a basis for determining the above purchase price.

As required by International Accounting Standards (IAS/IFRS), this investment will involve including the sub-holding Autostrade Sud America – ASA Srl in the scope of consolidation using the Shareholders' Equity valuation method, starting with the present Financial Statement.

Autostrade Sud America – ASA Srl closed its first financial period with a loss of approximately €1.1m. The consolidated figure, though, shows a profit of €13.7m largely from the “tax asset” arising on the acquisition of the Chilean concession operator Sociedad Concesionaria Costanera Norte SA.

Technology Sector**SSAT SpA**

This company's business is the leasing of fibre optic cables and sites for transmission apparatus to mobile phone companies; it is controlled by the Group, which on 31 December 2006 owned 56% of the share capital.

The key income and expenditure figures for the 2006 financial year can be summarised as follows:

(€000s)	2006	2005	Change
Technology Sector revenues	8,614	7,064	1,550
Other revenues	16	58	(42)
Operating costs	(6,225)	(5,499)	(726)
Gross operating margin	2,405	1,623	782
Amortization & other provisions, net of draw	(644)	(457)	(187)
Operating profit	1,761	1,166	595
Financial income	2,150	2,065	85
Financial charges	-	-	-
Value adjustments, financial assets	-	-	-
Net financial income	2,150	2,065	85
Profit before taxes	3,911	3,231	680
Income taxes	(756)	(502)	(254)
Profit for the period	3,155	2,729	426

Revenue this year was boosted by a rise in the business of leasing mobile phone mast sites and by carrying out more work on behalf of the CAV.TO.MI. consortium. The gross operating margin was accordingly €2.4m, up approximately €0.8m compared with last year.

Net financial income (€2.2m) mainly concerned the dividends received from the controlled subsidiaries Sinelec SpA and Euroimpianti SpA.

The net effect of the above figures is that the 2006 financial year resulted in a profit for the period of €3.2m (€2.7m in 2005).

* * *

The net financial position on 31 December 2006 shows a credit balance of €1.8m (€7.9m on 31 December 2005).

The decrease in liquidity compared with last year was due to the payment of the dividend for 2005 (€4m), and the liquidity requirements for circulating capital.

Sinelec SpA

The company's business is that of a operational subcontractor and supplier of integrated IT systems for motorway concession companies; it is controlled by the Group, which owned 96.17% of the share capital on 31 December 2006.

The key income and expenditure figures for the 2006 financial year can be summarised as follows:

(€000s)	2006	2005	Change
Technology Sector revenues	32,297	31,352	945
Other revenues	158	235	(77)
Operating costs	(26,296)	(26,694)	398
Gross operating margin	6,159	4,893	1,266
Amortization & other provisions, net of drawings	(722)	(674)	(48)
Operating profit	5,437	4,219	1,218
Financial income	517	162	355
Financial charges	(63)	(44)	(19)
Value adjustments, financial assets	-	(38)	38
Net financial income	454	80	374
Profit before taxes	5,891	4,299	1,592
Income taxes	(2,583)	(2,004)	(579)
Profit for the period	3,308	2,295	1,013

The rise in sales this year (approximately €0.9m) was due higher revenues from installation and IT business.

Good control of operating costs enabled the firm to achieve a gross operating margin of €6.2m, up by €1.2m compared with the 2005 figure.

Net Financial Income improved also, due to higher dividends from its controlled subsidiary Euroimpianti Electronic SpA.

The net effect of the above figures is that the 2006 financial year resulted in a profit for the period of €3.3m, up by approximately €1m compared with 2005 figure.

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The net financial position on 31 December 2006 shows a credit balance of €3.4m (€3m on 31 December 2005) and consists entirely of the balance on the company's current account.

The cash generated by operational activities and the dividend received from the controlled subsidiary Euroimpianti Electronic SpA enabled the firm to invest €1m and pay a dividend of some €2.1m.

Euroimpianti Electronic SpA

The company's business is the design, manufacture and installation of electrical , electronic and telephone equipment for companies working in the Motorway Sector; it is controlled by the Group, which on 31 December 2006 owned 100% of the share capital.

The key income and expenditure figures for the 2006 financial year can be summarised as follows:

(€000s)	2006	2005	Change
Technology Sector revenues	13,671	11,490	2,181
Other revenues	27	7	20
Operating costs	(10,968)	(9,227)	(1,741)
Gross operating margin	2,730	2,270	460
Amortization & other provisions, net of drawings	(100)	(81)	(19)
Operating profit	2,630	2,189	441
Financial income	43	14	29
Financial charges	(9)	(13)	4
Value adjustments, financial assets	-	-	-
Net financial income	34	1	33
Profit before taxes	2,664	2,190	474
Income taxes	(1,092)	(882)	(210)
Profit for the period	1,572	1,308	264

In 2006 this company consolidated its business in the area of the design, manufacture and installation of electrical , electronic and telephone equipment, its turnover amounting to €13.7m, up about 19% compared with 2005; the gross operating margin was also some 20% higher, at €2.7m.

The rise in operational activities is reflected in the firm's profit for the period, which was €1.6m (€1.3m in 2005).

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The net financial position on 31 December 2006 shows a credit balance of €1.6m (€1.8m on 31 December 2005) and consists entirely of the balance of the company's current account.

The cash generated by operational activities has for the most part been applied to the payment of a dividend of around €0.5m.

Construction and Engineering Sector

ABC Costruzioni SpA



The company's business is the construction and maintenance of motorway assets; it is controlled by the Group, which on 31 December 2006 owned 85,921% of the share capital.

The key income and expenditure figures for the 2006 financial year can be summarised as follows:

(€000s)	2006	2005	Change
Revenues of the Construction Sector	85,215	94,178	(8,963)
Other revenues	1,090	910	180
Operating costs	(77,691)	(83,850)	6,159
Gross operating margin	8,614	11,238	(2,624)
Amortization & other provisions, net of drawings	(1,259)	(1,678)	419
Operating profit	7,355	9,560	(2,205)
Financial income	264	174	90
Financial charges	(278)	(400)	122
Value adjustments, financial assets	-	-	-
Net financial income	(14)	(226)	212
Profit before taxes	7,341	9,334	(1,993)
Income taxes	(3,243)	(3,932)	689
Profit for the period	4,098	5,402	(1,304)

The income and expenditure items reflect the diminution in the company's activity caused by the completion of certain jobs for the concession companies.

* * *

The cashflow position for 31 December 2006 can be summarised as follows (figures for 31 December 2005 are given for comparison):

(€000s)	31/12/2006	31/12/2005	Change
A) Cash and near-cash	7,299	2,632	4,667
B) Securities held for trading	-	-	-
C) Liquid funds (A) + (B)	7,299	2,632	4,667
D) Financial receivables	-	-	-
E) Short-term bank debt	-	(8,130)	8,130
F) Short-term portion of long-term debt	(1,014)	(985)	(29)
G) Other short-term financial debt	(806)	(580)	(226)
H) Total short-term financial debt	(1,820)	(9,695)	7,875
I) (Indebtedness) Net short-term financial liquidity (C) + (D) + (H)	5,479	(7,063)	12,542
J) Medium/long-term bank debt	(519)	(1,533)	1,014
K) Bonds issued	-	-	-
L) Other long/medium-term debts	(950)	(145)	(805)
M) Long/medium-term financial indebtedness (J) + (K) + (L)	(1,469)	(1,678)	209
N) (Indebtedness) Net financial liquidity (I) + (M)	4,010	(8,741)	12,751

The cash generated by operational activities, enhanced by the payment of trade receivables but diminished by the dividend paid during the year (€1.5m), resulted in a rise in a net cashflow of approximately €12.8m.

CISA Engineering SpA

This company is in the business of motorway research and design, and its 2006 turnover was €2.2m (€2.5m in 2005) with a gross operating margin of €0.6m (€1.2m in 2005) and a net profit of €0.4m (€0.8m in 2005).

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The completion of this co-operative company's main contracts at the end of last year meant that sales fell from €9.6m in 2005 to €1.2m in 2006, while cash flow was down from €4.3m on 31 December 2005 to €0.3m on 31 December 2006.

Services Sector

Autostrade dei Parchi SpA

This company carried out two increases in share capital in the course of 2006 (one from €10.5m to €11m, and the other from €11m to €16.25m) by issuing a total of 31.5m new nominal €0.50 shares at par; SALT SpA subscribed all its own quota and also all untaken shares in the increase, which together with further purchases raised its stake to 94.67% of the share capital.

On 13 October 2006 ANAS appealed to the Rome Court of Appeal against the decision of the Arbitration Panel on 20 July 2005 which awarded the company compensation of €23.5m from ANAS for the company's operation of motorways A24 and A25 for over two decades, on behalf of ANAS as commissioning authority.

The company is confident that its arguments will be accepted, and intends to take all necessary steps towards securing confirmation of the arbitration award by the Court of Appeal.

In 2006 Autostrade dei Parchi SpA achieved a profit of €2.3m (€14.9m in 2005).

Other shareholdings

This year the Group increased its stake in **Generali Assicurazioni SpA** (at present that stake stands at 0.19%) and also bought a 0.075% stake in **Capitalia SpA** and one of 0.182% in **ENM SpA**.

SEGMENT INFORMATION: DETAILS OF GROUP PERFORMANCE BY BUSINESS AND BY GEOGRAPHICAL AREA

In accordance with CONSOB Notice No. 98084143 of 27 October 1998, it should be explained that, as already explained under "Group's Composition and Areas of Business" above, the Group's primary area of business is the operation of motorway networks under concessions, and related activities: the Income Statement and Balance Sheet headings of its Consolidated Financial Statement are accordingly for the most part accounted for by this kind of activity.

As required under IAS 14 a breakdown of the Group figures by area of business is given in the Notes to the Accounts which accompany the Consolidated Financial Statement: see the special section entitled "Details by Sector".

Reporting by "geographical region" does not apply, since the business of the companies included in the SIAS Group's scope of consolidation is essentially carried on within Italy.

SHAREHOLDINGS HELD BY DIRECTORS, AUDITORS AND THE GENERAL MANAGER

As provided for in Art. 79 of CONSOB Decision No. 11971/99 (as amended), details of the shares in the reporting company held by members of its governing and supervisory bodies or by the General Manager are given below⁽¹⁾:

LAST NAME, FIRST NAME	STOCK	NUMBER OF SHARES HELD AT THE END OF LAST YEAR	NUMBER OF SHARES PURCHASED	NUMBER OF SHARES SOLD	NUMBER OF SHARES HELD AT THE END OF THIS YEAR
ARONA ENRICO	SOCIETA' INIZIATIVE AUTOSTRADALI E SERVIZI SpA	3,500	-	3,500	-
CAVANENGI ALFREDO	SOCIETA' INIZIATIVE AUTOSTRADALI E SERVIZI SpA	13,000	3,000	-	16,000
GAVIO DANIELA	SOCIETA' INIZIATIVE AUTOSTRADALI E SERVIZI SpA	20,000	-	-	20,000 (2)
LASCIALFARE RINALDO	SOCIETA' INIZIATIVE AUTOSTRADALI E SERVIZI SpA	2,000	-	-	2,000 (3)
PIERANTONI PAOLO	SOCIETA' INIZIATIVE AUTOSTRADALI E SERVIZI SpA	1,750	-	-	1,750
SACCHI ALBERTO	SOCIETA' INIZIATIVE AUTOSTRADALI E SERVIZI SpA	2,000	-	-	2,000 (4)

- (1) None of these persons held any shares in any of the subsidiaries controlled by SIAS SpA
(2) Dr. Daniela Gavio also owns 5,000 of the bonds referred to as "SIAS 2.625% 2005 – 2017, equity-convertible" bonds.
(3) Shares owned by spouse, who also owns 5,250 of the bonds referred to as "SIAS 2.625% 2005 – 2017, equity-convertible" bonds.
(4) Dr. Alberto Sacchi also owns 500 of the bonds referred to as "SIAS 2.625% 2005 – 2017, equity-convertible" bonds.

OTHER DETAILS REQUIRED BY CURRENT LAW AND REGULATIONS

The Company holds no treasury shares or shares in parent companies, either directly or through trust companies or intermediaries.

No such shares have been purchased or disposed of during the year, either directly or through trust companies or intermediaries.

Your company has no secondary headquarters.

For details of relations with controlled subsidiaries, minority-owned subsidiaries, parent companies and other companies subject to the control of these last, please refer the Notes to the Accounts.

* * *

Italian Privacy Code: the company has taken steps during the 2006 financial year to revise its Corporate Data Security Plan (Documento programmatico sulla sicurezza aziendale dei dati – DPS), adopted in

accordance with the provisions of Annex B, (Technical provisions concerning safety and security measures) to Legislative Order No. 196 of 30 June 2003 (as amended).

* * *

The **Internal Control Committee** has continued to perform its duties during this financial year, among other things making use of the documentary support provided by special Reporting Packages regularly drawn up by the Holding Company and its main subsidiaries; these documents give the members of this Committee details of the main occurrences during the period to which they refer, and of the activities of the Independent Auditors and the Board of Statutory Auditors, as well as the tasks undertaken by the individual companies with a view to monitoring and handling any corporate risks.

FINANCIAL COMMUNICATION AND INVESTOR RELATIONS

The company makes every effort to establish and maintain a continuous dialogue with its shareholders and with institutional investors.

This takes the following particular forms:

- prompt updating of the financial information on the website (www.grupposias.it) in order to provide full and proper disclosure to shareholders and the market. This includes, among other things, the Company's annual financial statements, half-year reports, and quarterly reports; press releases and explanatory reports on Agenda items for General Meetings of Shareholders;
- organising institutional encounters with investors and analysts both in Italy and abroad;
- keeping closely in touch with financial analysts and institutional investors, not least by means of one-to-one meetings. (This applies especially to foreign analysts and investors, in view of the significant percentage of foreigners – mainly English-speaking – among the company's stockholders);
- ensuring that full and timely information on the company appears in the daily press, in periodicals and in financial publications.

On 15 March 2007 Borsa Italiana SpA confirmed the inclusion of SIAS SpA stock in its **MIDEX** index of mid-cap firms.

CORPORATE GOVERNANCE

Introduction

Ever since the formation of SIAS SpA in February 2002, the company has had a model of corporate governance which has been essentially in line with the Listed Companies' Self-Regulation Code issued in 1999 and subsequently updated in July 2002.

On 14 March 2006 the Borsa Italiana Corporate Governance Committee published a revised version of the Code, updated to take account of developments in best practice in Italy and elsewhere as well as changes in the framework of European and Italian provisions on company law and investor protection. It invited listed companies to sign up to the revised principles of governance in this Code (the “**new**” Code) by the end of the 2006 financial year.

In December 2006 the Board of Directors of SIAS decided to bring its own corporate model into line with the recommendations of the new Self-Regulation Code through a programme of actions which will make it possible to gradually apply it during 2007, given the impact its full incorporation in the company's rulebook will have on its operational structure and that of its Group

The Board of Directors further set a deadline of 30 June 2007 for presenting new Articles of Association to an Extraordinary General Meeting for approval, bringing them into line with the amendments made by Law No. 262/2005 and Legislative Order No. 303/2006 to the Consolidated Financial Code and its implementing regulations which are to be issued by CONSOB. These concern, in particular, the appointment of a “senior manager responsible for drawing up the company's accounting documents”, and the arrangements for electing the company's governing and supervisory bodies.

That said, it should now be pointed out that on the basis of the provisions of the “Instructions for the Regulation of Markets Organised and Managed by Borsa Italiana SpA” the present report on the system of corporate governance refers to the Self-Regulation Code published in 2002. However, this report sets out, for the purposes of the New Code, the recommendations which have already been or are currently being incorporated, as well as those which the company regards as not applicable since they do not correspond to its particular model of organisation and management.

This Report has been drawn up in accordance with the “Guidelines for Drafting Annual Reports on Corporate Governance” issued by Borsa Italiana in February 2003 and the “Guide to Compiling Reports on Corporate Governance” prepared by ASSONIME (the Italian Joint-Stock Companies' Association) and Emittenti Titoli SpA in February 2004, and approved by Borsa Italiana SpA.

SECTION I - THE COMPANY'S CORPORATE GOVERNANCE STRUCTURE

SIAS acts as an industrial holding company. It is managed by a Board of Directors, and superintended by a Board of Statutory Auditors, each of which have the powers and duties provided for in the Civil Code,

company law and the Articles of Association.

The accounts are audited as required by law, for the financial periods 2006, 2007 and 2008 by PricewaterhouseCoopers SpA, an audit company registered for the purpose with the stock market regulator CONSOB.

As part of the SIAS Group's general audit plan, SIAS itself has also been commissioned by those of its subsidiaries in which it has a large stake and by those controlled subsidiaries where the degree of control is not such as to make this compulsory under CONSOB's rules – to perform audit duties on their behalf.

The General Meeting of Members is the organ which represents the shareholders as a body; in its ordinary and extraordinary forms (AGM and EGM) it decides those matters reserved to it by law.

For further details of the duties, functioning and composition of these governing and supervisory bodies of the company, please refer to the specific discussions later in this report.

SIAS SpA's share capital, totalling €63,750,000.00, is divided into 127,500,000 ordinary shares of nominal value €0.50 each, which are listed on Italy's electronic share market, the MTA, in the "Blue Chip" segment.

The SIAS Board of Directors decided on 20 May 2005 to issue, under the powers delegated to it by the Extraordinary General Meeting held the preceding 16 May, a bond to be known as the "SIAS 2.625% 2005 – 2017 equity-convertible loan stock", consisting of 31,875,000 bonds of nominal value €10.50 each, which has been subscribed in full for a total amount of €34,687,500.

These bonds have been listed since 8 August 2005 on the MTA, again in the "Blue Chip" segment.

The conversion option, at the rate of 1 SIAS SpA ordinary share per bond, can be exercised at any time between 1 July 2010 and 31 May 2017.

The General Meeting of Bondholders held on 22 November 2005 appointed Roberto Pettrignani, a Turin business consultant, as their common representative for the financial periods 2005, 2006, and 2007.

According to the entries in the register of members and other available information, Aurelia SpA indirectly owns a controlling stake (53.04%) in the share capital of SIAS SpA, through its controlled subsidiaries Autostrada Turin-Milan SpA and Sina SpA.

Your Board is unaware of the existence of any membership pacts.

SIAS is subject to direction and coordination by Argo Finanziaria SpA.

It should also be noted that in December 2006 the Boards of Directors of ASTM and of SIAS approved a company reorganisation project for the companies of their respective groups (on this point, see the section above entitled "SIGNIFICANT FEATURES OF THE FINANCIAL YEAR 2006").

SECTION II - IMPLEMENTATION OF THE PROVISIONS OF THE SELF-REGULATION CODE

Implementation by degrees

The model of governance of SIAS SpA is – as explained above – in line with the 2002 Self-Regulation Code; it takes account of company size, ownership structure and industrial sector.

As explained under the various headings later in this Report, SIAS has already begun the process of incorporating the recommendations of the new Code, which the Board of Directors has decided to adopt, by degrees and in a flexible manner which will take into account of the intended arrangement of the SIAS Group after completion of the above-mentioned company reorganisation project decided on in December 2006, as well as the individual companies' models of management and organisation.

Board of Directors

- Distribution of duties; delegated powers

Under Article 21 of the Articles of Association, the Board of Directors has full powers for the ordinary and extraordinary administration of the company, and is authorized to take any action, including the execution of any deed of transfer, that it considers advisable for the achieving of the company's Objects, with the sole exception of those acts which the law expressly reserves to the General Meeting of Members.

In fact the governing body has reserved to itself the examination and approval of the Company's strategic, industrial and financial plans and those of its Group, and also of any transaction with related parties which is of significance for the company's or Group's revenues, expenses, assets, liabilities and finances. The criteria for "significance" and "related parties" here are those prescribed in the stock market disclosure legislation and regulations in force at the time.

Where the nature, amount or other features of a transaction so require, the Board of Directors calls on the support of independent experts to help in its assessment.

To ensure greater flexibility in the management of the company's business, the Board of Directors resolved in May 2006 to delegate to the Managing Director authority to execute transactions of up to €200,000 with related parties, where the transaction is part of the normal running of the business and is conducted on market terms; this limit is raised to €1,000,000 in the case of transactions conducted with companies whose annual financial statements are included, line by line, in the Consolidated Financial Statement of the SIAS Group.

The Managing Director reports on any transactions completed under those powers, at every Board meeting and at least once a quarter.

Directors who have an interest (including a potential or indirect interest) in transactions with related parties must promptly and fully declare such interests to the Board of Directors and be willing to absent themselves from the meeting or to abstain from any discussion or resulting decision should the remaining Directors take the view that such interests are significant. The Board of Directors retains, however, the power to take

whatever decision it thinks best whenever the transaction is conducted under normal market terms (as determined by independent assessments), or when the withdrawal of any interested Director in this way could be regarded as likely to render the meeting inquorate at the moment of decision.

Because of these considerations, all transactions with related parties are made on the basis of rules ensuring that they are transparent as well as proper in both procedure and substance.

For details of all such transactions completed in the course of the period, please refer to the information contained in the appropriate paragraph of the Notes to the Accounts, under the section “Other information – Information on dealings with related parties”.

The Chairman, though not permanently invested with any executive duties, is nevertheless legally empowered under the Articles of Association (Art. 24) to represent the company in dealings with other parties and before the courts.

The Managing Director, in addition to a similar power of representation and the specific authorisation mentioned above, has been granted executive powers subject to the restrictions enshrined in the law, the Articles of Association and the Self-Regulation Code, and with the exception of the following matters, for which authorisation must be obtained from the Board of Directors or the Executive Committee beforehand:

- to sell, exchange or transfer any real estate to existing or prospective companies;
- to transfer, sell, grant or in general dispose of by means of any deed the shares in Autostrada Ligure Toscana SpA so as to bring the company’s stake in the same below 50.1% of the share capital;
- the granting, cancelling or endorsement of any mortgage;
- the waiving of any legal mortgage;
- the signing of any loan agreement backed by a real guarantee;
- the hiring of senior managers.

The Managing Director reports to the Board of Directors and the Board of Statutory Auditors (at Board meetings or by personal communication), promptly and in any case not less often than once a quarter, on the actions taken by them under their delegated powers, and on the general running and foreseeable development of the business.

Furthermore the Board of Directors is kept informed in detail on all purchases and disposals of company shareholdings.

The present organisational structure of the Board of Directors in terms of the distribution and allocation of executive mandates is in line with the principles of the new Code; the appointment of one of the independent directors as a “chief independent director” is therefore unnecessary.

- Composition of the Board of Directors

According to the provisions of Article 16 of the Articles of Association the company is governed by a Board of Directors whose size is decided by the General Meeting but must not be below 7 nor above 15.

The present Board of Directors was appointed for the financial periods 2005, 2006 and 2007 by the Annual General Meeting of 6 May 2005. It has fourteen members: Bruno Binasco (Chairman), Enrico Arona

(Managing Director), Gianfranco Boschetti, Alessandro Braja, Ernesto Maria Cattaneo, Paolo Andrea Colombo, Beniamino Gavio, Daniela Gavio, Rinaldo Lascialfare, Vincenzo Macchia, Ferruccio Piantini, Paolo Pierantoni, Gianfranco Pittatore and Alberto Sacchi.

One of these Directors, Paolo Andrea Colombo, was co-opted on 28 September 2005 to replace Giuseppe Giordana who died in August 2005; he has since been confirmed in the position by the Annual General Meeting of 5 May 2006, on a proposal moved by the minority shareholder Fondazione Cassa di Risparmio di Alessandria.

Your Board of Directors has held six meetings during 2006; average attendance by all Directors has been 80.95%; that of the Independent Directors has been 77%.

As shown in the annual calendar of corporate events submitted to Borsa Italiana SpA, four Board meetings have been scheduled for 2007 specifically for approving the Financial Statement, the first and third quarterly reports, and the half-year report. The company intends to make use of the exemption authorizing it to dispense with publication of quarterly reports for the second and fourth quarters, since it will be providing the public with a half-year report within 75 days of the half-year's end, and with a draft Annual Financial Statement and Consolidated Financial Statement – as examined by the Board of Directors – within 90 days of the end of the financial year.

The Directors conduct their work and take their decisions with the requisite awareness and independence, in the interests of the company and with a view to maximising shareholder value.

The Articles of Association prescribe no particular requirements of good repute, professional qualification or independence for the office of Director; it does however require that for a fortnight before the date of any General Meeting which is to elect the governing body a note of each candidate's personal and professional details shall be available at the company's registered office, together with the lists of those nominated for election.

The Directors all satisfy the requirements of good repute provided for in Article 4 of Order No. 516 of 30 December 1998 of the Ministry for the National Treasury, National Accounts and Economic Planning, since SIAS has – as mentioned above – been registered in the special Holding Companies section of the general companies register in accordance with Art. 113 of Legislative Order No. 385/93 (the Consolidated Banking Code).

The Directors have sufficient professional experience – in legal, technical, business, economic, and financial matters – for their duties, and each actively contributes his or her specific skills to the Board's work and decisions, thus ensuring that the Board as a whole has the necessary professional competence to pursue the Company's strategies and objects, and those of the Group.

As provided for in the New Code, corporate offices in other companies held by SIAS Directors are listed below:

Director	Company	Office
Arona E.	Argo Finanziaria SpA Autostrada Asti-Cuneo SpA Autostrada dei Fiori SpA Autostrada Torino-Milano SpA Autostrade dei Parchi SpA SATAP SpA Società Autostrada Ligure Toscana SpA	Director Director Director Director Managing Director Director Vice Chairman – Managing Director and EC member
Binasco B.	Argo Finanziaria SpA Autostrada Torino-Ivrea-Valle d'Aosta SpA Autocamionale della Cisa SpA Autostrade dei Parchi SpA Autostrade Sud America Srl Codelfa SpA FNM SpA G&A SpA Igli SpA Milano Logistica SpA Società Italiana Traforo Autostradale del Frejus SpA Società Autostrada Ligure Toscana SpA Società Iniziative Nazionali Autostradali SpA	Managing Director Director and EC member Director and EC member Director Director Director Director Director Chairman of the Board Director Director Director and EC member Director
Boschetti G.	Cemat SpA	Director
Braja A.	Santander Consumer Banca SpA Banca KBL Fumagalli Soldan SpA Eurizontutela SpA Fondaco SGR SpA Ferrero SpA	Chairman of the Board of Statutory Auditors Auditor Chairman of the Board of Statutory Auditors Auditor Auditor
Cattaneo E.M.	Autostrada Torino-Milano SpA	Director
Colombo P.A.	Mediaset SpA Ansaldo STS SpA Saipem SpA Eni SpA Sirti SpA Lottomatica SpA	Director Chairman of the Board of Statutory Auditors Chairman of the Board of Statutory Auditors Chairman of the Board of Statutory Auditors Auditor Auditor
Gavio B.	Argo Finanziaria SpA Aurelia SpA Autostrade Sud America Srl Igli SpA Impregilo SpA Interstrade SpA Sea - Segnaletica Stradale SpA	Chairman of the Board Managing Director Director Director Director and EC member Chairman and CEO Chairman of the Board
Gavio D.	Appia Srl Autostrada dei Fiori SpA Autostrada Torino-Milano SpA SATAP SpA Sea - Segnaletica Stradale SpA Società Autostrada Ligure Toscana SpA	Sole Director Director Vice Chairman Vice Chairman Director Director and EC member
Lascialfare R.	Efibanca SpA	Vice Chairman

	Bipielle Bank (Suisse)	Chairman of the Board
Pierantoni P.	Società Autostrada Ligure Toscana SpA Autocamionale della Cisa SpA Argo Finanziaria SpA Autostrada Estense SpA Cassa di Risparmio della Spezia SpA	Managing Director and EC member CEO and EC member Director Director Director
Pittatore G.	Banca Popolare di Milano Scrl Banca Akros SpA Bipiemme Vita SpA Wise Venture SGR SpA Norman 95 SpA	Director Director Director Director Director
Sacchi A.	Argo Finanziaria SpA Autocamionale della Cisa SpA Autostrada dei Fiori SpA Autostrada Torino-Milano SpA Autostrade Sud America Srl Impregilo SpA Milano Serravalle-Milano Tangenziali SpA Sitrash SpA Società Autostrada Ligure Toscana SpA	CEO Director Director Managing Director Director Director Auditor Director Director and EC member

As will be explained below in greater detail, subject by subject, provisions are in place to ensure that minority shareholders have their own representation on the governing body: Directors are appointed through a List Voting mechanism. Four-fifths of the vacancies (rounded down to the nearest whole number) are filled by appointing candidates from the top of the list which received the majority of votes cast by shareholders; the remaining Directors are drawn from the other lists.

- Independent nonexecutive directors

In addition to the Managing Director Enrico Arona, the following Directors are “executive directors” as defined in the new Code: Bruno Binasco, Beniamino Gavio, Paolo Pierantoni and Alberto Sacchi.

The other, nonexecutive directors are sufficient in number and authority, and contribute their specific skills to the making of balanced decisions, each paying particular attention to any areas in which conflicts of interest might arise.

A sufficient proportion of the Board consists of independent nonexecutive Directors: these are Gianfranco Boschetti, Alessandro Braja, Ernesto Maria Cattaneo, Paolo Andrea Colombo, Rinaldo Lascialfare, Vincenzo Macchia, Ferruccio Piantini, and Gianfranco Pittatore; all were elected at the nomination of minority interests. Declarations certifying that a Director meets the independence conditions (made at the time of lodging candidacies under the 2002 Self-Regulation Code) have subsequently been confirmed in respect of all the Directors currently in office, and now include the independence conditions provided for in Implementation Principle 3.C.1. of the New Code.

- Nominations Committee

In accordance with its past assessments, now confirmed in the light of the New Code, the Board of Directors does not consider it necessary to set up a subcommittee for nominations since (under Article 16 of the Articles of Association) Directors are elected with the List Voting mechanism in accordance with the

arrangements and timetable explained later in this report under “Procedures for the appointment of Directors”.

- Remuneration Committee

The Remuneration Committee, appointed by the Board of Directors on 16 May 2005 for the period until 29 March 2007, has been composed of the following Directors, all nonexecutive under the definition of the 2002 Self-Regulation Code: Bruno Binasco, Ferruccio Piantini (independent) and Beniamino Gavio (who was appointed on 28 September 2005 to replace Giuseppe Giordana).

The Committee has met once during 2006, when it considered the gross remuneration to be paid to the General Manager, and formulated a proposal for adjusting it; this has now been approved by the full Board (the person concerned absented himself) after consulting the Board of Statutory Auditors.

On 29 March 2007 the Board of Directors, noting that Bruno Binasco and Beniamino Gavio now count as “executive directors” under the new criterion in Art. 2.C.1. of the updated Code, appointed the independent and nonexecutive directors Gianfranco Boschetti and Rinaldo Lascialfare to replace them on this Committee, with the result that it has continued to be composed of independent nonexecutive directors ever since.

So far as concerns the systems envisaged in the New Code for variable payments to executive directors and senior managers with strategic responsibilities, the Board of Directors has reserved its right to assess the advisability of adopting such systems and will, if it thinks fit, have recourse to expert advice.

The AGM decides on the annual amount of fees payable to the Board of Directors, and such amounts once decided remain in effect for subsequent financial periods as well, until a further AGM resolution.

The emoluments of company office-holders are determined by the Board of Directors on the recommendations of the appropriate Committee, and with the advice of the Board of Statutory Auditors, as required by Article 2389 of the Civil Code.

Directors are entitled to the reimbursement of all expenses incurred through the performance of their duties.

Information on fees paid to Directors by controlled subsidiaries (required under Article 78 of CONSOB Resolution No. 11971/99, as amended) will be found in the appropriate paragraph of the Notes to the Accounts: see “Other Information - Fees paid to the Company’s Directors and Auditors”.

- Internal Control Committee

The Internal Control Committee, appointed by the Board of Directors on 16 May 2005 for the period until 29 March 2007, has been composed of the following directors, all nonexecutive under the definition of the 2002 Self-Regulation Code: Alessandro Braja, Ernesto Maria Cattaneo and Alberto Sacchi, the first two being independent directors as described above.

The Committee held four meetings in 2006 (all attended by every member and also by the Chairman of the Board of Statutory Auditors), at each of which the designated Internal Control Officer, or “person responsible for Internal Control”, reported on his activities.

The Committee has assisted the Board of Directors in carrying out the activities designed to provide regular checks on the adequacy and effective functioning of the Internal Control system within SIAS and its subsidiaries, by properly identifying, assessing and handling the main corporate risks.

In particular, the Committee has performed its duties on the basis of a Plan of Work prepared and approved by the Board of Directors, making use, among other things, of the documentary support available from the reports regularly drawn up on these matters by the company and its main subsidiaries.

These reports, which contain facts and figures concerning company affairs and the various areas of business identified as particularly significant and/or important, record all the relevant period's "significant events", the activities of the Independent Auditors and the Board of Statutory Auditors, and also the identification, monitoring and management of corporate risks, especially financial risks.

This manner of working, together with the activities of the designated Internal Control Officer, enables the Committee to monitor, by means of its own checks and data searches, the efficiency of the company's operations, the reliability of its financial information, its compliance with laws and regulations, and also its proper stewardship of company assets.

The Committee's activities have also extended to examining and approving the appointment of PricewaterhouseCoopers SpA to make a full audit of the amounts stated in the reconciliation schedules for the changeover to IFRS in drafting SIAS SpA's 2006 Financial Statement, as provided for in IFRS 1 "First adoption of the International Financial Reporting Standards".

Such a full audit was recommended by CONSOB in its Communication No. DEM/6064313 of 28 July 2006.

On 29 March 2007 the Board of Directors, noting that Alberto Sacchi now counts as an "executive director" under the new criterion in Art. 2.C.1. of the updated Code, appointed the independent and nonexecutive director Vincenzo Macchia to replace him on the Internal Control Committee, with the result that it has continued to be composed of independent nonexecutive directors ever since .

In the expectation that the Board would be taking such a decision, Alberto Sacchi did not take part in the work of the latest meeting of the Committee, in March 2007.

Company officers and procedures

- Internal procedures of the Board of Directors and its Committees

Under the authority vested in him by law and by the Articles of Association, the Chairman convenes Board meetings in accordance with the arrangements and timetable provided for in Article 19 of those Articles (www.grupposias.it); he ensures that Directors and Auditors are provided, suitably in advance of the meeting except in cases of particular (declared) confidentiality, urgency, or other compelling need, with the necessary documents and information to enable the individual participants to express their views on the agenda items in an informed manner.

The Chairman is in charge of the Board's functioning, coordinates its activities and conducts its meetings.

Directors and Auditors are kept constantly and promptly informed about all significant changes to laws or

regulations of concern to the company and its governing and supervisory bodies.

The Remuneration Committee and the Internal Control Committee meet at the request of their respective members or in any case at least as often as the governing body; their meetings are co-ordinated by the secretariat of the Board of Directors, which also sees to the keeping of their respective Minutes.

- Procedures for handling confidential information

The handling of information about the company, and especially “price sensitive” information, is seen to personally by the Chairman and the Managing Director.

Documents or details concerning the company or its subsidiaries may only be shown or divulged outside the company by the Board secretariat or the Company Secretary’s office (in the case of reporting to the competent authorities or to shareholders), or by the Investor Relations officer (in the case of communications addressed to the media or to institutional investors), and then only with the approval of the Chairman and the Managing Director.

Legislative Order 231/01 prescribes certain “models of organisation, management and control”; and one aspect of the implementation of these is the Board’s decision to adopt a procedure for the handling of confidential information.

So far as the issue of “abuse of privileged information” is concerned, SIAS and its major subsidiaries have since 1 April 2006 kept a register of people with access to privileged (or “insider”) information, in accordance with the arrangements and timetables provided for in the CONSOB regulations.

This register is managed on the basis of its own special IT procedure.

To govern “Insider Dealing” the head of the Internal Control department has from 1 April 2006 been responsible for ascertaining, managing and informing the market about all transactions over €5,000 in shares or related securities issued by the company on the part of “significant persons” as defined on the basis of the legal and regulatory provisions in force at the time.

To ensure prompt compliance with the reporting obligations, these have been explained to all “significant persons” through the preparation and distribution to them of a document entitled “Transactions carried out by significant persons or their close relations”, which brings together the laws and regulations that make up the regulatory framework for this matter, and explaining the rules and deadlines for disclosure to CONSOB, to SIAS and to the market.

Since 1 April 2006 SIAS has made a total of six such Insider Dealing disclosures, through NIS: one relating to the Managing Director and five to a director of the controlled subsidiary SALT SpA which, on the basis of the SIAS SpA Financial Statement for 31 December 2005 (approved by the AGM on 5 May 2006), no longer involves an amount exceeding the disclosure threshold set by CONSOB Resolution 11971 of 14 May 1999.

- Procedures for the appointment of Directors

The Board of Directors is appointed, in accordance with the arrangements and timetable laid down by Article 16 of the Articles of Association, on the basis of lists presented by Members owning (alone or in conjunction with others) shares representing at least 2% of the voting stock. Each Member may present or join in presenting only one list; each voter may vote for only one list.

These lists – annotated with the candidates' personal and professional details, and accompanied by their written declaration that they are willing to stand and do not appear on any other list – must be lodged at the Company's registered office a fortnight before the date set for the General Meeting (first convening): shareholders are informed, by means of an advertisement published in a national newspaper, that such lists have been lodged and may be inspected there.

If one or more directorships should fall vacant during the period of office, the steps taken are those prescribed in the appropriate provisions of the Civil Code.

Six Directors (Bruno Binasco, Enrico Arona, Beniamino Gavio, Daniela Gavio, Paolo Pierantoni and Alberto Sacchi) were appointed as representatives of the "majority" list (List No. 1, presented by the Aurelia SpA, Argo Financial SpA and SATAP SpA; four other Directors (Alessandro Braja, Ernesto Maria Cattaneo, Vincenzo Macchia and Rinaldo Lascialfare) were appointed as representatives of minority interests from List No. 2 (presented by La Fédération Continentale) while four more (Gianfranco Boschetti, Giuseppe Giordana, Ferruccio Piantini and Gianfranco Pittatore) were appointed, again as representatives of minority interests, from List No. 3 (presented by Fondazione Cassa di Risparmio di Alessandria).

As already mentioned, Paolo Andrea Colombo, who had been co-opted by the Board of Directors on 28 September 2005 to fill the vacancy left by the death of Giuseppe Giordana, was subsequently appointed by the AGM of 5 May 2006 on a motion proposed by Fondazione Cassa di Risparmio di Alessandria.

- The Internal Control system

The Board of Directors is responsible for the Internal Control system, establishing its approach and supervising its activities with the support of the special Internal Control Committee, regularly monitoring its adequacy and effective functioning so as to ensure that the main corporate risks are appropriately identified and properly handled.

For this purpose, and to keep the company in line with the latest principles of proper and efficient management, the position of Head of Internal Control was established in December 2002. This officer is not subordinate to any of the operational managers, but reports directly to the Board of Directors, the Internal Control Committee and the Auditors.

The Internal Control system of the company and its Group is structured and organised in such a way as to ensure that the company's operations are carried on effectively and efficiently, that its financial information is reliable, that all applicable laws and regulations are obeyed and that the company's assets are properly safeguarded.

At present, in view of the nature of SIAS SpA's core business as an industrial holding company, its organisational structure is adequate since it conducts its operations through controlled subsidiaries, each of which has full operational autonomy. SIAS SpA's own structure, consisting of a small staff whose operational functions are in the area of administration and secretariat services, comes under its Managing Director.

Furthermore, in order to ensure that the Group's strategies and lines of approach are applied, SIAS SpA's Chairman, Vice Chairman, Managing Director or other Directors, and/or managers with relevant departmental knowledge and responsibilities sit on the Boards of the major subsidiaries.

As part of coming into line with the New Code, the Board of Directors has decided to set up an Internal Audit department; in preparation for this an analytic exercise will be conducted investigating the present operational and organisational structures of SIAS and its main subsidiaries (controlled and minority-owned), with a view to rationalizing and standardizing the Group's procedures and adapting them to the new rules for company documents and accounting provided for in Article 154-bis of the Consolidated Financial Code (Legislative Order 24/02/1998, No. 58).

SIAS will be commissioning the support of a leading consultancy for this purpose, a specialist in Risk Consulting and Internal Auditing.

So far as responsibility for company administration is concerned, "Project 231" was carried out during 2004 with the aim of analysing and adapting the organisational, managerial and supervisory instruments of the company and its major subsidiaries to the requirements of Legislative Order No. 231/2001.

The Project was designed, taking each company's organisational structures into account, to identify any activities in the course of which it might be possible for the offences enacted by this measure to be committed.

The Boards of SIAS and each of its main subsidiaries have adopted specific resolutions establishing a "Model of organisation, management and control as required by Legislative Order 231/01" and a corresponding Code of Ethics and Behaviour; a system of governance has moreover been defined which punishes any failure to comply with the rules and principles set out in those documents.

The texts adopted, being in line with the principles expressed in the Guidelines produced by the Italian business association Confindustria, which have been held by the Ministry of Justice to be "fully adequate for achieving the purposes set by Article 6(iii) of Legislative Order 231/01" are, in the opinion of the companies' respective governing bodies, entirely compatible with the objectives prescribed by the relevant laws and regulations.

Each of these companies has also appointed an Invigilating Panel with the task of overseeing the functioning and effectiveness of these texts, and also making sure that they are both complied with and kept up to date.

The Invigilating Panel of SIAS itself has met twice in 2006, and on the basis of its own programme of work has monitored and audited the company's procedures with particular reference to those it considered of

particular importance for the company's business; its audits of these revealed no inadequacies or errors in their application.

The Invigilating Panel has reported on its activities to the Board of Directors.

As part of the constant monitoring of the adequacy of the above procedures, these organisational and management models will be revised as necessary when Confindustria produces new Guidelines, revised following the amendments to Legislative Order No. 231/2001 which are currently awaiting formal approval from the Ministry of Justice.

- Investor Relations Department

In accordance with the procedure concerning publication of documents and disclosure of information on the company, the Chairman and the Managing Director make every effort to establish and maintain a dialogue with the company's shareholders and with institutional investors, on the basis of an understanding of their respective rights and duties to each other.

In order to ensure that these relationships are cultivated and managed with the necessary professionalism, an Investor Relations Office has been set up, which engages in a steady and sustained effort, taking into account the principles contained in the "Guide to Market Reporting" among other things, to keep investors informed about the company's and the Group's results and future prospects of growth and development, through one-to-one meetings as well as by organising institutional meetings with investors and analysts in Italy and abroad.

Particular attention is paid to keeping the company website (www.grupposias.it) up to date, especially its financial information and corporate governance sections. Among other things, the site contains a profile of the Group and its subsidiaries, as well as the company's Financial Statements, half-year reports, quarterly reports, Articles of Association, standing orders for General Meetings, press releases (in English as well as Italian) and explanatory reports on General Meeting agenda items. Full and timely market information on the company is also made to appear in the daily press, in periodicals and in financial publications.

The Head of Investor Relations can be contacted on the following numbers: tel +39 011 4392 102; fax: +39 011 4731 691

General Meetings

The General Meetings also provide an opportunity for providing shareholders with company news, in accordance with the rules on market-sensitive information.

To promote the orderly and efficient dispatch of business at General Meetings and to ensure that all members who wish shall have their say on the subjects for discussion, in June 2002 the company adopted Standing Orders for General Meetings in line with the model prepared by the banking and corporate trade associations ABI and ASSONIME (see www.grupposias.it). These standing orders governing the conduct of General Meetings are approved and amended by the AGM itself.

Under Article 10 of the Company's Articles of Association, any Member presenting the special certificate issued by brokers or nominees not later than two working days before the date set for a General Meeting is

entitled to take part in that meeting. Shareholders may arrange to be represented at General Meetings by written proxy in the forms required by the law in force at the time. The company has not so far made any provision for participation in General Meetings by means of audiovisual links, or for electronic or postal voting.

The Directors reserve the right, in the event of any significant change in the company's overall market value, its ownership or the number of members, to consider the advisability of proposing to a General Meeting an amendment to the company's Articles of Association concerning the percentages laid down there for the exercise of prerogatives intended for the protection of minority interests.

Board of Statutory Auditors

In accordance with Art. 26 of the Articles of Association, the Board of Statutory Auditors consists of three Auditors (two of them appointed by the AGM majority, and one by the minority), and two Alternate Auditors (appointed by the AGM).

In order to ensure minority representation among the Full and Alternate Auditors the appointments are made, in accordance with the arrangements and timetable provided for in Article 27 of the Articles of Association, on the basis of lists presented by Members owning (alone or in conjunction with others) shares representing at least 2% of the voting stock.

No candidate may appear on any list who is already an Auditor of five or more other listed companies (not counting parent companies or controlled subsidiaries of SIAS SpA), or who does not satisfy the requirements of good repute and professionalism laid down in the relevant laws and regulations.

In this respect the company's Articles of Association are in line with the regulations introduced by Ministry of Justice Order No. 162 of 30 March 2000 (Rules for setting the requirements of professionalism and good repute of members of Boards of Statutory Auditors of listed companies).

These lists (accompanied by the individual candidates' statements of willingness to stand and their declarations, on their own responsibility, that there is no legal impediment to or incompatibility in their holding the office in question, and also that they satisfy the requirements of such office as prescribed in law, regulations and the Articles of Association) must be lodged at the Company's registered office at least a fortnight before the date set for the General Meeting (first convening): shareholders are informed, by means of an advertisement published in a national newspaper, that such lists have been lodged and may be inspected there.

If for any reason it is not possible to conduct the appointment according to the above system, the General Meeting decides by a majority of shares voted how it should be conducted.

Should a vacancy on the Board of Statutory Auditors appear for any reason whatsoever, the General Meeting makes a decision (by a majority of shares voted) concerning the making up of that Board's numbers, always ensuring that minority interests are represented. Sitting Auditors may be re-appointed.

As already mentioned, on or before 30 June 2007 the Board of Directors will be putting a new text of the company's Articles of Association to the General Meeting for approval. The new Articles will, among other things, accommodate the new legal and regulatory provisions concerning the appointment of Auditors.

The present Board of Statutory Auditors, appointed by the AGM on 6 May 2005 for the three financial periods 2005 – 2007, consists of Lionello Jona Celesia (Chairman), Alfredo Cavanenghi, Ernesto Ramojno (Auditors) and Pietro Mandirola and Paolo della Valle (alternate Auditors).

Three Auditors (Lionello Jona Celesia, Alfredo Cavanenghi and Pietro Mandirola) were appointed as representatives of the “majority” List No. 1 (presented by Aurelia SpA, Argo Financial SpA and SATAP SpA), while Ernesto Ramojno and Paolo Della Valle were appointed as representatives of the “minority” List No. 2 presented by Fondazione Cassa di Risparmio di Alessandria.

All the Auditors have declared that they satisfy the requirements of independence provided for in Implementation Principle 3.C.1. of the new Self-Regulation Code.

The Auditors hold the following positions in other listed companies:

- Lionello Jona Celesia: Chairman of the Board of Statutory Auditors of Retelit SpA and Auditor of IFI SpA and Autostrada Turin-Milan SpA;
- Alfredo Cavanenghi: Chairman of the Board of Statutory Auditors of Autostrada Turin-Milan SpA and Director of Impregilo SpA;
- Ernesto Ramojno: Auditor of Borgosesia SpA;
- Pietro Mandirola: Auditor of Alerion Industries SpA.

In the course of the 2006 financial year the Board of Statutory Auditors has met nine times; average attendance was 88.89%, and the average attendance of Auditors at Board of Directors meetings was 94.44%.

The tables refer to the 2002 Self-Regulation Code: the notes refer to innovations introduced by the New Code

TABLE 1: MEMBERSHIP OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

Board of Directors appointed by the Annual General Meeting of 06/05/2005 for the three financial periods 2005 -2007						Internal Control Committee □		Remuneration Committee	
Position	Member	Executive ◆	Nonexecutive	Independent ∞	**** %	***	**** %	***	**** %
01) Chairman	BINASCO Bruno		BINASCO Bruno		83.33			x	100
02) Mg. Dir.	ARONA Enrico	ARONA Enrico			100				
03) Director	BOSCHETTI Gianfranco *		BOSCHETTI Gianfranco	BOSCHETTI Gianfranco	83.33				
04) Director	BRAJA Alessandro *		BRAJA Alessandro	BRAJA Alessandro	83.33	x	100		
05) Director	CATTANEO E. Maria *		CATTANEO E. Maria	CATTANEO E. Maria	100	x	100		
06) Director	COLOMBO Paolo Andrea •		COLOMBO Paolo Andrea	COLOMBO Paolo Andrea	50				
07) Director	GAVIO Beniamino		GAVIO Beniamino		66.67			x	100
08) Director	GAVIO Daniela		GAVIO Daniela		83.33				
09) Director	LASCIALFARE Rinaldo *		LASCIALFARE Rinaldo	LASCIALFARE Rinaldo	83.33				
10) Director	MACCHIA Vincenzo *		MACCHIA Vincenzo	MACCHIA Vincenzo	100				
11) Director	PIANTINI Ferruccio *		PIANTINI Ferruccio	PIANTINI Ferruccio	66.67			x	100
12) Director	PIERANTONI Paolo		PIERANTONI Paolo		83.33				
13) Director	PITTATORE Gianfranco *		PITTATORE Gianfranco	PITTATORE Gianfranco	50				
14) Director	SACCHI Alberto		SACCHI Alberto		100	x	100		
Number of meetings during the financial year 2006			Board of Directors: 6	Internal Control Committee: 4	Remuneration Committee: 1				

NOTE

- Co-opted on 28/09/05 - to replace Giuseppe Giordana and confirmed by the AGM on 05/05/2006 at the motion of the Minority shareholder Fondazione Cassa di Risparmio di Alessandria.
- ◆ According to the new Code, Bruno Binasco, Beniamino Gavio, Paolo Pierantoni and Alberto Sacchi are also “executive directors”
- § These Directors have declared that they also meet the independence requirements of Implementing Principle 3.C.1 of the new Code.
- On 29 March 2007 the Board of Directors appointed the independent and nonexecutive director Vincenzo Macchia to replace Alberto Sacchi in order to bring the Committee’s composition into line with the new Code.
- ∞ On 29 March 2007 the Board of Directors appointed the independent and nonexecutive directors Gianfranco Boschetti and Rinaldo Lascialfare to replace Bruno Binasco and Beniamino Gavio in order to bring the Committee’s composition into line with the new Code.
- * Directors appointed from lists presented by minority interests are marked with an asterisk.
- *** Directors sitting on the Committee are marked with a “X” in this column.
- **** Percentage attendance at meetings of the Board of Directors (or Committee, as the case may be) is given in this column.

TABLE 2: BOARD OF STATUTORY AUDITORS

Appointed by the Annual General Meeting on 29 April 2005 for the three financial periods 2005 – 2007			
Position	Member ♦	Percentage attendance at meetings of the Board of Statutory Auditors	Number of other such posts or directorships held **
Chairman of the Board of Statutory Auditors	JONA CELESIA Lionello	100	3
Auditor	CAVANENGGHI Alfredo	100	2
Auditor	RAMOJNO Ernesto *	66.67	1
Alternate Auditor	MANDIROLA Pietro		1
Alternate Auditor	DELLA VALLE Paolo *		=
Number of meetings during 2006: 9			
Indicate the minimum shareholding required for minority interests to present lists for the election of one or more Auditors (Consolidated Financial Code Art. 148 TUF): In order to ensure the representation of minority interests on the Board of Statutory Auditors, Article 27 of the Articles of Association provides for that Board to be appointed on the basis of lists presented by company members, on which the candidates are listed by name in order. Only those members who, alone or in conjunction with others, own a total of at least 2% of the voting stock are entitled to present lists.			

NOTE

♦ All Auditors have declared that they satisfy the independence requirements provided for in Implementation Principle 3.C.1. of the new Code.

* Auditors appointed from lists presented by minority interests are marked with an asterisk.

** This column gives the person's total number of memberships of Boards of Statutory Auditors or Directorships in other companies listed in regulated markets in Italy. Details of such positions are given in the text of this Report.

TABLE 3: OTHER PROVISIONS OF THE SELF-REGULATION CODE

	YES	NO	Brief explanations for any divergence from the Code's recommendations
System of delegated powers and transactions with related parties			
Has the Board of Directors in granting delegated powers specified the following?			
a) limits?	yes		
b) manner of exercise?	yes		
c) frequency of reporting?	yes		In each case, the frequency of reporting is provided for, if not elsewhere, in Art. 21 of the Articles of Association.
Has the Board of Directors reserved the right to examine and approve transactions of particular importance to the company's revenues, expenses, assets, liabilities and finances (including transactions with related parties)?	yes		
Has the Board of Directors specified guidelines and criteria for identifying "significant" transactions?	yes		
Are such guidelines and criteria described in the report?	yes		
Has the Board of Directors specified appropriate procedures for examining and approving transactions with related parties?	yes		
Are the procedures for approving transactions with related parties described in the report?	yes		
Procedures followed in the latest appointment of Directors and Auditors			
Were directorship candidacies lodged at least ten days in advance?	yes		
Were directorship candidacies accompanied by full details of the candidates?	yes		
Were directorship candidacies accompanied by a statement of suitability for classification as independent?	yes		
Were candidacies for the position of Auditor lodged at least ten days in advance?	yes		
Were candidacies for the position of Auditor accompanied by full details of the candidates?	yes		
General Meetings of Members			
Has the company approved Standing Orders for General Meetings?	yes		
Are such Standing Orders attached to the report (or does it state where they can be obtained/downloaded)?	yes		
Internal Control *			
Has the company appointed a person or persons to be responsible for Internal Control?	yes		
Are such persons independent of all managers responsible for operational areas?	yes		
What is the organisational unit responsible for internal control (Art. 9.3 of the Code) ?	Depends on the Group company concerned		
Investor relations			
Has the company appointed a Head of Investor Relations?	yes		
What is this person's organisational unit and contact details (address/telephone/fax/e-mail)?	Tel: 011- 4392102 fax 011-4731691		

NOTE

- * As part of coming into line with the New Code, the Board of Directors has decided to set up an Internal Audit department; in preparation for this an analytic exercise will be conducted investigating the present operational and organisational structures of SIAS and its main subsidiaries (controlled and minority-owned), with a view to rationalizing and standardizing the Group's procedures and adapting them to the new rules for company documents and accounting provided for by Article 154-bis of the Consolidated Financial Code (Legislative Order 24/02/1998, No. 58). SIAS will be commissioning the support of a leading consultancy for this purpose, a specialist in Risk Consulting and Internal Auditing.

SIGNIFICANT POST-BALANCE SHEET EVENTS

Apart from developments mentioned already in this report, there have been no significant events since 31 December 2006.

SHORT-TERM PROSPECTS

So far as motorway operation is concerned, the changes recently introduced in the way the industry is regulated and the failure to complete the process of updating the Financial Plans for motorway sections operated under concession are at present causing a situation of uncertainty which affects the investment schedule and the running of ordinary operations. Nevertheless, rising traffic levels together with the toll adjustments that have been awarded, though less than our companies are entitled to, should mean that the positive growth recorded in 2006 will continue.

So far as the Technology Sector is concerned, 2007 should bring further consolidation of the encouraging profitability achieved so far.

Given that the performance of the SIAS Group during this financial year will of course be affected by developments in all the factors mentioned above, we expect a profitable year.

* * *

PROPOSED ALLOCATION OF THE PROFIT FOR THE PERIOD

The Financial Statement now submitted for your approval closes with a net profit of €174,436,576.

Our proposal for its application is as follows:

	€
• Net profit for the financial year 2006	174,436,576
• Interim dividend decided on by the Board of Directors on 13 November 2006, and paid at the rate of €0.15 for each of the 127,500,000 shares into which the share capital is divided, totalling	19,125,000
• Final dividend of 127,500,000 €0.15 for each of the 127,500,000 shares into which the share capital is divided, totalling	19,125,000
• remainder,	<hr/> <hr/> <u>136,186,576</u>

to be applied to the account “Profits carried forward”.

In accordance with the instructions of Borsa Italiana SpA, the dividend could be paid from 10 May 2007 (in which case the shares would be listed as ex-dividend from 7 May 2007, and payable against coupon No. 11) if the AGM approves the Financial Statement on 30 April 2007 (i.e. at its first convening), or from 24 May 2007 (in which case the shares would be listed as ex-dividend from 21 May 2007, payable against the same coupon) if the AGM approves it on 10 May 2007 (2nd convening).

Turin, 29 March 2007

On behalf of the Board of Director
The Chairman
Bruno Binasco

Financial Statements of the Holding Company
as at 31 December 2006

Holding Company's Accounts

Balance Sheet ⁽¹⁾

(€000s)	31 December 2006	31 December 2005
Assets		
Fixed assets		
1. Intangible assets	-	-
2. Tangible fixed assets	-	-
3. Financial fixed assets (note 1)		
a. shareholdings in controlled subsidiaries	469,702	469,702
b. shareholdings in part-owned subsidiaries	45,016	14
c. other shareholdings	215,438	176,950
d. long-term credits	-	-
e. other	-	-
Total financial fixed assets	730,156	646,666
4. Deferred tax assets (note 2)	131	266
Total fixed assets	730,287	646,932
Current assets		
5. Stocks		
6. Due from customers		
7. Current tax assets (note 3)	4,640	
8. Other receivables (note 4)	3,076	11,654
9. Assets held for trading		
10. Assets available for sale		
11. Financial receivables		
Total current assets	7,715	11,654
12. Cash at bank and in hand and cash equivalent (note 5)	141,808	81,306
Total current assets	149,523	92,960
Total assets	879,811	739,892
Shareholders' Equity and Liabilities		
Shareholders' Equity		
1. Shareholders' Equity (Capital and Reserves) (Note 6)		
a. share capital	63,750	63,750
b. reserves and Profits brought forward	496,174	361,043
Total Shareholders' Equity	559,924	424,793
Liabilities		
Fixed liabilities		
2. Provision for risks and charges and Severance Indemnity (note 7)	105	92
3. Trade payables		
4. Other debts		
5. Bank debt		
6. Other financial debts (note 8)	285,667	282,122
7. Deferred tax liabilities (note 9)	19,320	17,817
Total Fixed liabilities	305,092	300,031
Current liabilities		
8. Trade payables (note 10)	144	193
9. Other debts (note 11)	5,771	8,789
10. Bank debt		
11. Other financial debts (note 12)	8,786	4,261
12. Current tax liabilities (note 13)	94	1,824
Total Current liabilities	14,795	15,068
Total liabilities	319,887	315,099
Total Shareholders' Equity and Liabilities	879,811	739,892

(1) As explained in the Introduction to this Financial Statement, the accounts have been drawn up under International Accounting Standards (IAS/IFRS)

Income Statement ⁽¹⁾

(€000s)	2006	2005
Financial income and charges (note 14)		
1. Income from shareholdings:		
a. from controlled subsidiaries	175,415	110,637
b. from minority holdings	-	-
c. from other firms	8,436	166
Total income from investments	183,851	110,803
2. Other financial income	3,776	3,085
3. Interest paid and other financial charges	(12,667)	(6,061)
Total financial revenues and charges (A)	174,960	107,827
Value adjustments, financial assets (note 15)		
1. Revaluations	-	-
2. Impairments	(1,125)	-
Total value adjustments of financial assets (B)	(1,125)	-
Other operating revenues (note 16) (C)	38	134
Other operating costs (note 17)		
a. staff costs	(342)	(312)
b. costs of services bought in	(1,352)	(1,080)
c. raw material costs		
d. other costs	(186)	(186)
e. amortization and impairments		
f. other provisions for risks and charges		
Total other operating costs (D)	(1,880)	(1,578)
Profit (loss) before taxes (A+B+C+D)	171,993	106,383
Taxes (note 18)		
a. Current taxes	(1,568)	(897)
b. Deferred taxes	1,118	477
c. Proceeds from fiscal consolidation	2,894	1,825
Profit (loss) for the period	174,437	107,788

Note: in view of the fact that SIAS SpA's core business is that of an industrial holding company, the accounting layout used is that provided for in CONSOB Notice No. 94001437 of 23 February 1994 for this type of company, and is accordingly different from that used for the SIAS Group.

⁽¹⁾ As explained in the Introduction to this Financial Statement, the accounts have been drawn up under International Accounting Standards (IAS/IFRS)

Cashflow Statement ⁽¹⁾

(€000s)	2006	2005
Opening cash at bank and in hand and cash equivalent (a)	81,306	1,324
Operational activities:		
Profit (loss)	174,437	107,788
Adjustments		
Adjustment of provision to TFR fund	13	7
Impairments (revaluations) of financial assets	1,124	-
Net change in deferred tax assets and liabilities	(955)	(472)
Change in net circulating capital (Note 19.1)	(859)	4,995
Other changes generated by operational activities (Note 19.2)	-	(23)
Liquidity generated (absorbed) by operational activities (b)	173,760	112,295
Investment activities:		
Investments in buildings, plant, machinery and other goods		-
Investments in intangible assets		-
Investments in financial fixed assets	(120,125)	(323,492)
Divestment of current financial assets	43,422	-
Liquidity generated (absorbed) by investment activities (c)	(76,703)	(323,492)
Financial activities:		
Cash proceeds of Convertible Bonds (net of costs)		333,254
Changes in other financial debts	8,070	-
Changes in Shareholders' Equity	-	-
Dividends (including interim dividends) distributed	(44,625)	(42,075)
Liquidity generated (absorbed) by financial activities (d)	(36,555)	291,179
Closing cash at bank and in hand and cash equivalent (a+b+c+d)	141,808	81,306
Supplementary information:		
Taxes paid during this financial period	-	-
Financial charges paid during this financial period	4,260	-

⁽¹⁾ As explained in the Introduction to this Financial Statement, the accounts have been drawn up under International Accounting Standards (IAS/IFRS)

Schedule of Changes in Shareholders' Equity ⁽¹⁾

€000s	Share capital	Reserves and Profits brought forward	Shareholders' Equity
31 December 2004	63,750	258,509	322,259
2004 Final dividend distribution (€0.13 per share)		(16,575)	(16,575)
2005 Interim dividend distribution (€0.20 per share)		(25,500)	(25,500)
Adjustment of financial assets to fair value, less the resulting fiscal effect		1,284	1,284
Bond issue		35,537	35,537
Profit for the period		107,788	107,788
31 December 2005	63,750	361,043	424,793
2005 Final dividend distribution (€0.20 per share)		(25,500)	(25,500)
2006 Interim dividend distribution (€0.15 per share)		(19,125)	(19,125)
Adjustment of financial assets to fair value, less the resulting fiscal effect		5,319	5,319
Profit for the period		174,437	174,437
31 December 2006	63,750	496,174	559,924

The composition of the heading "Reserves and Profits brought forward" is as follows:

€000s	Issue premium reserve	Revaluation on reserves	Statutory reserves	Fair Valuation reserves	Capital reserves	Profits (losses) brought forward	Profit (loss) for the period	Total
31 December 2004	178,619	5,434	3,615	368	34,590	35,883	-	258,509
Allocation of profit for 2004			2,035			(2,035)		-
2005 Final dividend distribution (€0.13 per share)						(16,575)		(16,575)
2005 Interim dividend distribution (€0.20 per share)							(25,500)	(25,500)
Adjustment of financial assets to fair value, less the resulting fiscal effect				1,284				1,284
Equity Component relating to the bond loan						35,537		35,537
Profit for the period							107,788	107,788
31 December 2005	178,619	5,434	5,650	1,652	34,590	52,810	82,288	361,043
Allocation of profit for 2005			7,100			49,688	(56,788)	-
2005 Final dividend distribution (€0.20 per share)							(25,500)	(25,500)
2006 Interim dividend distribution (€0.15 per share)							(19,125)	(19,125)
Adjustment of financial assets to fair value, less the resulting fiscal effect				5,319				5,319
Profit for the period							174,437	174,437
31 December 2006	178,619	5,434	12,750	6,971	34,590	102,498	155,312	496,174

(1) As explained in the Introduction to this Financial Statement, the accounts have been drawn up under International Accounting Standards (IAS/IFRS)

General information

Società Iniziative Autostradali e Servizi SpA (SIAS SpA) is a company incorporated under Italian law.

SIAS SpA operates in Italy as an industrial holding company. Directly and through its controlled subsidiaries it is mainly engaged in the construction and operation of motorway networks under concession.

The holding company's registered office is at 22, via Bonzanigo, Turin, Italy.

Its ordinary shares and convertible bonds are listed on the MTA exchange operated by Borsa Italiana SpA, and the shares are included in the basket of mid-cap stocks that make up the MIDEX index.

The Financial Statement of the Holding Company SIAS SpA was examined and approved by its Board of Directors on 29 March 2007.

Drafting principles

As stated above, the present Financial Statement has been drawn up – as required by Art. 4(i) of Legislative Order No. 38 of 28/2/2005 – according to the **International Accounting Standards (IAS/IFRS)** issued by the International Accounting Standards Board (IASB) and adopted by the European Commission. Last year's figures given for comparison are accordingly also drawn up under those accounting standards.

First adoption of International Accounting Standards (IAS/IFRS)

In order to evaluate the effects arising from the adoption of International Accounting Standards the following details are provided in the Annexe to this Financial Statement (“Changeover to International Accounting Standards IAS/IFRS”):

- reconciliation between the Shareholders' Equity determined according to Italian accounting standards and that resulting from the application of IAS/IFRS, as of 1 January 2005 (“Opening Shareholders' Equity”) and 31 December 2005.
- reconciliation between the “profit for the period” for the financial year 2005 as determined according to Italian accounting standards and that resulting from the application of IAS/IFRS for the same financial period;
- a summary of the main changes in the Balance Sheets for 1 January and 31 December 2005, and in the Income Statement for the 2005 financial period, following the application of IAS/IFRS;
- an analysis of the main changes to the Cashflow Statement following the adoption of IAS/IFRS.

Valuation criteria and Notes to the Accounts

Valuation criteria

Shareholdings in controlled subsidiaries and minority-owned companies

Shareholdings in controlled and part-owned subsidiaries are valued at cost, less any impairment.

Financial assets available for sale

These are entered at fair value on the transaction date; gains or losses arising from any subsequent changes in the fair value are entered with a corresponding counter-entry in Shareholders' Equity until the asset is disposed of and the real gain booked accordingly to the Income Statement. Where the fair value cannot be reliably determined, financial assets are valued at cost, adjusted where there are grounds for an impairment.

The original value is restored in later financial periods if and when the reason for the impairment ceases to apply.

Receivables

These are initially entered at their fair value on the transaction date, any subsequent impairment being charged to the Income Statement.

The original value is restored in later financial periods if and when the reason for the impairment ceases to apply.

Cash at bank and in hand and cash equivalent

Cash at bank and in hand comprises ready money including cheques, and bank account credit balances payable on demand. "Cash equivalent" consists of short term financial assets (three months or less remaining to maturity on the date of purchase) that are readily convertible into cash and carry a negligible risk of any change in their value.

These items are entered at their fair value; gains or losses arising from any changes in the fair value are entered in the Income Statement.

Loans and other debts

These are stated, at the time the obligation is incurred, net of any attributable expenses. They are subsequently valued at amortized cost using the "real interest" criterion.

So far as the convertible bond is concerned, being a composite financial instrument it was split into "components" when first entered in the accounts, in accordance with IAS 32, as follows:

- a "Liability Component" equal to the present value of the financial outflows (interest and redemption) on the bond, discounted at the market rate of interest (or cost of 12-year loan capital to the company issuing the bond; this rate was regarded as representative of the return on fixed-yield securities in the absence of any conversion option).

- an “Equity Component”, equal to the difference between the present value of the financial outflows determined as above and the cash proceeds from issuing the bond, net of the corresponding deferred tax effect.

The financial costs – calculated on the “Liability Component” – are charged to the Income Statement on the basis of the market rate of interest as described above, again taking the corresponding deferred tax effect into consideration.

Provision for risks and charges

The Notes to the Accounts give further details of any potential liabilities represented by: (i) possible but unlikely obligations arising from past events, which would only become real liabilities on the occurrence or non-occurrence of one or more future events which are at present uncertain and not entirely under the control of Group companies; (ii) present obligations arising from past events, whose cost to the firm cannot be reliably estimated or which are unlikely to involve a cost.

Staff benefits (Severance Indemnity)

The liability relating to the Severance Indemnity Fund (a “defined-benefits” scheme) is determined on the basis of actuarial assumptions and entered under the accruals principle in accordance with the period of employment needed to obtain the benefits; the liabilities are valued with the help of an independent actuary.

Actuarial gains and losses on these schemes, arising from changes in the actuarial assumptions used or in the scheme rules, are shown in the Income Statement.

Revenues

Revenues are recognized – on the basis of the accruals principle – as soon as it is probable that the Group will actually gain the future economic benefits and their value can be reliably determined.

Dividends

The dividends paid by subsidiaries are booked as soon as entitlement to the payment is established on the basis of the dividend distribution resolution taken by the subsidiary’s AGM.

Any interim dividend is booked as soon as the company’s Board of Directors has decided on its distribution.

Financial charges

Financial charges are entered as costs in the period during which they are incurred.

Income taxes

Current and deferred taxes are entered in the Income Statement if not related to transactions directly recognized in Shareholders’ Equity.

Corporate income taxes are entered on the basis of an estimate of the taxable income for the period, in

accordance with the regulations in force at the time.

“Deferred tax liabilities” and “Credits for taxes paid in advance” are calculated – in accordance with IAS 12 – on the temporary differences between the fiscal value of an asset or liability and its Balance Sheet value, where it is probable that the temporary difference will reverse in the foreseeable future. The amount of the “deferred tax liability”, or of the “Credit for taxes paid in advance” is determined on the basis of the tax rates which – according to the tax regulations in force on the accounting entry reference date – will apply at the time when the tax asset will be realised or the tax liability will be due.

Deferred tax assets are only recognized if likely to be recovered.

Credits for taxes paid in advance are offset against liabilities for deferred taxes where this is allowed by law.

ESTIMATES AND VALUATIONS

The drafting of the present Financial Statement and the Notes to the Accounts has required the making of estimates and assumptions affecting the stated values of assets and liabilities and the details of potential assets and liabilities as of the date of the Financial Statement. The definitive figures may be different from these estimates. Items for which estimates are used include the Fair Valuation of the assets available for sale, and also the figures for asset impairments, and provisions for risks. These estimates and assumptions are periodically revised and the effects of any changes entered in the Income Statement.

The valuation criteria described above have been applied in a consistent and coherent manner in the drafting of the present Financial Statement.

As provided for in Art. 5(ii) of Legislative Order No. 38 of 28 February 2005 and in accordance with para. 46 of IAS 1, it should be explained that the present Financial Statement has been drawn up in euros, and the figures in tables are expressed in thousands of euros. For SIAS SpA the euro is the “operating currency” and also the reporting currency.

Notes to the Accounts - Details of the Balance Sheet

Note 1 – Financial fixed assets

1.a – Shareholdings in controlled subsidiaries

Changes in shareholdings in controlled subsidiaries during the period are given below:

Holding	% stake	31 December 2005	Changes during the period			31 December 2006
			Purchases	Disposals	Other	
Autocamionale della Cisa SpA	84.357%	127,045				127,045
Società Autostrada Ligure-Toscana pA	87.392%	339,129				339,129
SSAT SpA	49.000%	3,528				3,528
Total		469,702				469,702

The main details of majority holdings are given below:

Holding	Registered Office	Share Capital	Number of Shares	Net Worth, current financial statement	Latest period's Profit (Loss)	Figures refer to
Autocamionale della Cisa SpA	Ponte Taro (PR) – Via Camboara, 26/A	41,600	83,200,000	13,457	3,627	31/12/06
Società Autostrada Ligure-Toscana pA	Lido di Camaiore (LU) – Via Don Tazzoli, 9	120,000	120,000,000	454,100	58,313	31/12/06
SSAT SpA	Turin – Via Piffetti, 15	7,200	1,440,000	13,457	3,627	31/12/06

1.b – Shareholdings in part-owned subsidiaries

Changes during the period in minority shareholdings are given below:

Holding	% stake	31 December 2005	Changes during the period			31 December 2006
			Purchases	Disposals	Other	
Autostrade Sud America Srl	45.000%		45,000			45,000
Autopista di Pacifico SA	0.002%		2			2
Sistemi e Servizi Scarl	14.000%	14				14
Total		14	45,002			45,016

The main details relating to minority holdings are given below:

Holding	Registered Office	Share Capital	Number of Shares	Net Worth, current financial statement	Latest period's Profit (Loss)	Figures refer to	
Autostrade Sud America Srl	Milan – Piazzetta Bossi, 1	100,000		100,000	98,911	(1,089)	31/12/06
Autopista do Pacifico SA	Santiago (Chile) – Av. El Golf, 40	65,000,000 (1)		65,000	65,281,325 (1)	586,268 (1)	31/12/06
Sistemi e Servizi Scarl	Tortona (AL) – S.S. 211 Loc. San Guglielmo 3/13	100		100,000	100	-	31/12/06

(1) Chilean pesos, 000s

- The changes during the period are due to SIAS' subscription of 45% of the capital of Autostrade Sud America Srl and 0.002% of that of Autopista do Pacifico SA (through which firm it has managed to acquire the Chilean concession operator Sociedad Concesionaria Costanera Norte SA).

1.c – Other Shareholdings - available for sale

Changes in Other Shareholdings during the period are given below:

	% stake	31 December 2005			Changes during the period				31 December 2006		
		Original value	Fair Value adjustments	Total	Purchases	Disposals	Fair Value adjustments	Other / Impairments	Original value	Fair Value adjustments	Total
Holding:											
Alerion Industries SpA	0.622%	972	142	1,114			77		972	219	1,191
Generali Assicurazioni SpA	0.192%	10,935	1,607	12,542	61,891	(915)	8,060		71,911	9,667	81,578
Autostrade SpA	-	-	-	-	8,422	(8,422)			-	-	-
Banca Nazionale del Lavoro SpA	-	40,889	1,238	42,127		(40,889)	(1,238)		-	-	-
Capitalia SpA	0.075%	-	-	-	13,188		758		13,188	758	13,946
CIE Compagnia Italiana Energia SpA	3.842%	723	-	723	420			(1,124)	19	-	19
FNM SpA	0.182%	-	-	-	538		(35)		538	(35)	503
Gemina SpA	-	2,533	(290)	2,243	10,674	(13,207)	290		-	-	-
Milano Serravalle - Milano Tangenziali SpA	9.655%	118,293	(294)	117,999					118,293	(294)	117,999
SINA SpA	0.500%	202	-	202					202	-	202
Total		174,547	2,403	176,950	95,133	(63,433)	7,912	(1,124)	205,123	10,315	215,438

The main details of Other Shareholdings are as follows:

Holding	Registered Office	Share Capital	Number of Shares	Net Worth, current financial statement	Latest period's Profit (Loss)	Figures refer to
Alerion Industries SpA	Milan – Via Durini 16/18	148,042	400,112,675	155,325	(3,676)	31/12/05
Generali Assicurazioni SpA	Trieste – Piazza Duca degli Abruzzi, 2	1,276,017	1,276,017,308	10,435,400	1,213,600	31/12/06
Banca Nazionale del Lavoro SpA	Rome – Via Vittorio Veneto, 120	2,229,026	3,095,869,321	4,459,000	439,000	31/12/05
CIE Compagnia Italiana Energia SpA	Turin – Corso Matteotti, 57	2,700	270,000	(11,138)	(13,851)	31/12/05
Gemina SpA	Milan – Via della Posta, 8/10	362,240	364,477,312	542,734	2,883	31/12/05
Milano Serravalle - Milano Tangenziali SpA	Assago Milanofiori (MI) – Via 3 Palazzo B4	93,600	180,000,000	332,486	34,246	31/12/05
SINA SpA	Milan – Via F. Casati, 1/A	2,028	4,056,250	50,768	5,250	31/12/06
Total						

The main changes during the period are given below:

- net purchase of 2,027,000 shares in Generali Assicurazioni SpA (0.159% of the share capital);
- disposal of 15,132,000 shares in Banca Nazionale del Lavoro SpA (0.503%);
- purchase of 1,945,000 shares in Capitalia SpA (0.075%);
- write-down of, but also subscription of an increase in, share capital of Compagnia Italiana Energia SpA;
- purchase of 376,000 shares in FNM SpA (0.182% of the share capital);
- disposal of the stake in Gemina SpA;
- Fair Value adjustments relating to 2006.

As the above table shows, the value on 31 December 2006 of the shareholdings available for sale included approximately €10.3m (€6.9m net of the corresponding tax effect) by way of fair value adjustments.

Note 2 – Deferred tax assets

This heading came to €131,000 (€266,000 on 31 December 2005); for the breakdown of this heading please refer to the details in Note 18 – Income taxes.

Note 3 – Current tax assets

This item, amounting to €1,640,000 (zero on 31 December 2005), relates to credits of IRES resulting from advance payments of tax in excess of the amount due once consolidation had been taken into account.

Note 4 – Other receivables

Details of this item are as follows:

	31 December 2006	31 December 2005
due from controlled subsidiaries	3,051	11,654
other receivables	25	-
Total	3,076	11,654

The amounts due from subsidiaries almost entire consist of credit balances with Autostrade dei Parchi SpA, Autostrada dei Fiori SpA, SSAT SpA and Sinelec SpA as a result of their membership of the Consolidated Tax Accounting scheme.

Note 5 – Cash at bank and in hand and cash equivalent

This item is made up as follows:

	31 December 2006	31 December 2005
Bank and PO a/c credit balances	141,808	81,306
Cheques	-	-
Money and encashable assets on hand	-	-
Total	141,808	81,306

As explained in the Cashflow Statement, this item is higher, mainly following the receipt of subsidiaries' final dividends for 2005 and interim dividends for 2006.

Note 6 – Shareholders' Equity (Capital and Reserves)

6.1 – Share capital

The share capital consisted on 31 December 2006 of 127,500,000 ordinary shares of nominal value €0.50 each, fully subscribed and paid: a nominal total of €63,750,000 (unchanged from last year).

6.2 – Reserves

6.2.1 – Share issue premium reserve

This amounted to €178,619,000 (€178,619,000 on 31 December 2005), and concerns the reserve consisting of the premium of €4.522 each on the 39,500,000 shares valued at the time (2002) of the capital increase reserved for SATAP SpA.

6.2.2 – Revaluation reserve

These totalled €5,434,000 (€5,434,000 on 31 December 2005).

The revaluation reserves would, if distributed, count as part of the income of the company and its shareholders.

In accordance with IAS 12, no deferred tax liability has been provided for in the accounts in respect of these reserves, which there is every reason to believe will not be used in any way that would compromise the presumption that they will not attract tax.

6.2.3 – Statutory reserve

This amounted to €12,750,000 (€6,650,000 on 31 December 2005). This reserve is higher because of the allocation of a portion of the 2005 profits in accordance with the AGM resolution of 5 May 2006.

6.2.4 – Fair Valuation reserve

This reserve has been set up as the direct accounting counterpart of the valuation at fair value of the financial assets classified as “available for sale”. On 31 December 2006 it came to €6,971,000 net of the corresponding deferred tax effect.

6.2.5 – Capital reserve

This item was €34,590,000 unchanged from 31 December 2005.

6.2.6 – Profits carried forward

This item was €102,498,000 (€52,810,000 on 31 December 2005). because of the allocation of a portion of the 2005 profits.

This heading also includes amounts relating to the changes in accounting practice on the date of transition to IFRS (1 January 2005), due to the adjustments that had to be made to the Financial Statement figures drawn up on that date under Italian accounting standards. “Profits carried forward” also includes the amount relating to the Equity Component of the convertible bond, which at the time of issue amounted to €35.5m (and was then classified under “reserves not available for distribution”).

This element gradually becomes “available” as the interest differential recalculated on the basis of the market rates is entered in the accounts. On 31 December 2005 the “unavailable” portion was €32m.

6.3 – Profit for the period

Under this heading comes the profit for the period €174,437,000 (€107,788,000 in 2005).

The 2006 interim dividend decided on by the Board of Directors on 13 November 2006 (€19,125,000) appears here as a deduction.

The table below gives details of the nature, availability for use and availability for distribution of the various components of Shareholders' Equity on 31 December 2006, and drawings in the last three years (€000s).

Nature and description of Shareholders' Equity Component	Amount on 31 December 2006	Availability for use	Available portion	Summary of drawings in the last three years
Share capital	63,750			
Capital reserves				
- Share issue premium reserve	178,619	A, B, C	178,619	
- Revaluation reserves	5,434	A, B, C (1)	5,434	
- Capital reserves	34,590	A, B, C	34,590	
Profits carried forward				
- Statutory reserves	12,750	B	-	
- Profits (Losses) brought forward	102,498	A, B, C	70,458 (2)	
- Fair Valuation reserves	6,971	B	-	
Total			289,101	
Portion available for distribution			-	
Remainder: portion available for distribution			289,101	

Key:

A: for increasing share capital

B: to cover losses

C: for distribution to members

(1) If distributed to members, these reserves will attract tax in accordance with the tax rules applying to the individual member; any such distribution will moreover have to comply with the provisions of Art. 2445 of the Civil Code.

(2) €2,040,000, due to the Equity Component of the convertible bond, is "unavailable".

Note 7 – Provision for risks and charges and Staff benefits (Severance Indemnity)

7.1 – Staff benefits (Severance Indemnity - TFR)

This heading came to €105,000 on 31 December 2006 (€2,000 on 31 December 2005). Changes during the period were as follows:

1 January 2006	92
Provisions during the period	13
Payments/advances made during the period	-
31 December 2006	105

The tables below set out the economic, financial and demographic assumptions used in the actuarial valuation of the liability in question.

Economic and financial assumptions

Annual discount rate	4.25%
Annual rate of inflation	2.00%
Annual rate of increase in TFR	3.00%
Annual rate of pay increases	Between 3% and 4.5%

Demographic assumptions

Mortality	ISTAT
Disability	INPS Tables, by age and sex
Retirement age	On meeting requirements
Advances, weighted%	2.50%
Staff turnover	2.00%

Note 8 – Other financial debts (long-term)

This item, amounting to €285,667,000 (€282,122,000 on 31 December 2005), relates to the “Liability Component” of the convertible bond known as “SIAS 2.625% 2005 – 2017, equity-convertible”; in accordance with IAS 32 the item has been entered net of the charges incurred for its issue and MTA listing.

The bond loan consists of 31,875,000 bonds of nominal value €10.50 each. The bonds have the following main characteristics:

- duration: 12 years (expiry 2017);
- rate of interest: 2.625% p.a. gross;
- conversion option: from the fifth anniversary, at the rate of one SIAS SpA ordinary share per bond;
- redemption: bonds not converted by maturity will be redeemed by a single payment at par.

As indicated above, when the convertible bond was first entered in the accounts an “Equity Component” was identified by separating out the present value of the financial outflows on the bond, discounted at the market rate of interest.

Note 9 – Deferred tax liabilities

This heading came to €19,320,000 (€17,817,000 on 31 December 2005); for its breakdown, please refer to the details in Note 18 – Income taxes.

Note 10 – Trade payables (current)

Trade payables totalled €144,000 (€194,000 on 31 December 2005).

Note 11 – Other short-term debts

These are as follows:

	31 December 2006	31 December 2005
Owed to controlled subsidiaries	5,447	8,530
Owed to part-owned subsidiaries	2	2
Owed to social security institutions	20	18
Owed to employees	38	23
Other debts	266	216
Total	5,771	8,789

The controlled subsidiaries involved are SALT SpA and Autocamionale della Cisa SpA, which are owed money having joined the Consolidated Tax Accounting scheme.

Note 12 – Other financial short-term debt

This heading came to €8,786,000 (€4,261,000 on 31 December 2005); it relates to interest accruing to bondholders on 31 December 2006 (paid on 1 January 2007).

Note 13 – Current tax liabilities

Current tax liabilities totalled €94,000 (€1,824,000 on 31 December 2005) and refer to debts for IRPEF by way of substitute tax.

Notes to the Accounts - Details of the Income Statement**Note 14 – Financial income and charges**14.1 – Financial income

Financial income is made up as follows:

	2006	2005
Income from shareholdings:		
• from controlled subsidiaries	175,416	110,637
• from minority holdings	-	-
• from other firms	8,435	166
Total	183,851	110,803

“Income from controlled subsidiaries” refers to the final and interim dividends received during the period.

“Income from other holdings” relates to dividends received from Milano Serravalle-Milano Tangenziali SpA (€3,562,000), Generali Assicurazioni SpA (€843,000) and SINA SpA (€30,000), as well as capital gains realised on the disposal of shares in Banca Nazionale del Lavoro SpA (€2,995,000), Gemina SpA (€87,000) and Generali Assicurazioni SpA (€18,000).

	2006	2005
Interest received and other financial income		
• from banks	2,783	1,291
• from financial assets	993	1,794
• from loans	-	-
• other	-	-
Total	3,776	3,085

“Income from banks” refers to interest accrued during the period on bank current accounts.

The heading “Income from financial assets” relates to swap operations in the course of the year.

14.2 – Interest paid and other financial charges

Details of this heading are as follows:

	2006	2005
Other interest paid:		
• on financial discounting of financial fixed assets	4	-
• on convertible bond	12,325	5,937
Other financial charges:		
• Other financial charges	338	124
Total	12,667	6,061

“Interest paid on financial discounting” refers to the finance element of the provision to the Employees’ Severance Indemnity Fund.

Interest paid on the convertible bond (issued in July 2005) represents the charge (recalculated on the basis of the market rate of interest) relating to the Liability Component of this bond loan. The 2005 figure referred to only one half year.

“Other Financial Charges” refer to the capital loss on disposal of the shares in Autostrade SpA.

Note 15 – Value adjustments, financial assets

Value Adjustments on financial assets amounted to €1,125,000, and consisted of the impairment of the stake in Compagnia Italiana Energia - CIE SpA.

Note 16 – Other operating revenues

This item, amounting to €38,000 (€134,000 in 2005), essentially refers to charges invoiced to controlled subsidiaries.

Note 17 – Other operating costs

Staff costs

Details of this item are as follows:

	2006	2005
Wages and salaries	249	223
Social sec. & pension costs	83	76
Actuarial adjustment to TFR	9	8
Other costs	1	5
Total	342	312

Mean employee numbers by category for this year and last are given below:

	2006	2005
Senior managers	1	1
Middle managers	-	-
Employees	3	3
Total	4	4

Costs of services bought in

This expenditure item breaks down as follows:

	2006	2005
Legal advice and costs	371	406
Fees and expenses of governing and supervisory bodies	501	398
Other staff costs	6	2
Other costs for services	474	274
Total	1,352	1,080

Other costs

This expenditure item breaks down as follows:

	2006	2005
Rental and hire costs	70	68
Other operating expenses	116	118
Total	186	186

“Rental and hire costs” mainly refers to operating leases on motor vehicles, computers, printers, and premises used by the Company.

These leases contain redemption clauses (option to buy at a price in line with the market value of the leased goods) and also renewal option clauses; the rental amounts increase annually according to the ISTAT index.

Note 18 – Income taxes

Details of this item are as follows:

	2006	2005
Current taxes:		
• IRES	1,568	897
• IRAP	-	-
	1,568	897
Taxes (paid in advance) / deferred:		
• IRES	(1,124)	(484)
• IRAP	6	7
	(1,118)	(477)
Income from Consolidated Tax Accounting scheme	(2,894)	(1,825)
Total	(2,444)	(1,405)

Deferred taxes of €2.6m have also this year been charged directly to Shareholders' Equity relating to the Fair Valuation of financial assets available for sale.

In accordance with para. 81(c) of IAS 12, the following table shows the reconciliation of corporate income taxes recognized in the Financial Statements for 31 December 2006 and 2005 (“actual tax”) with the “theoretical tax” as of the same dates.

Reconciliation between Theoretical Rate and Actual Rate (IRES):

	2006		2005	
Profit for the period before tax		171,993		106,383
Actual tax (in Financial Statement)	(2,450)	-1.42%	(1,412)	-1.33%
Actual tax paid at less than the theoretical rate:				
• lower tax paid on dividends and tax-exempt capital gains	59,277	34.46%	36,518	34.33%
Actual tax paid at more than the theoretical rate:				
• Non-deductible impairments and other increases	(69)	-0.04%	-	-
Tax at the theoretical rate (33.00% of pre-tax profit)	56,758	33.00%	35,106	33.00%

In the case of IRAP (the “Regional Tax on Productive Activities”), the company has since 2006 been calculating this tax on the basis of the rules for financial companies, according to which its IRAP tax base is in fact negative. So far as 2005 is concerned, the Actual Rate was broadly in line with the Theoretical Rate.

The tables below illustrate the amounts of deferred tax revenues and charges (shown in the Income Statement) and deferred tax assets and liabilities (shown in the Balance Sheet).

	2006	2005
Deferred tax revenues relating to: (*)		
• Deferred tax credit on the Equity Component of the Convertible Bonds	1,169	555
• Other	21	20
Total (A)	1,190	575
Deferred tax charges relating to: (*)		
• actuarial recalculation of the TFR fund	-	1
• return of taxes paid in advance	72	97
Total (B)	72	98
Taxes (paid in advance)/deferred (B) – (A)	(1,118)	(477)

(*) These deferred tax revenues and charges have been calculated on the basis of the tax rates in force at the time when they are expected to be paid or re-credited

	31 December 2006	31 December 2005
Deferred tax assets relating to: (*)		
• costs deductible in more than one financial period	-	56
• costs deductible in full immediately	22	17
• other	109	193
Total Deferred tax assets	131	266
Deferred tax liabilities relating to: (*)		
• Equity Component of the convertible bond	(15,705)	(16,874)
• valuation of financial assets at fair value	(3,452)	(943)
• other	(1)	-
Total Deferred tax liabilities	(19,158)	(17,817)

(*) These deferred tax revenues and charges have been calculated on the basis of the tax rates in force at the time when they are expected to be paid or re-credited

Note 19 – Details of the Cashflow Statement

19.1 – Changes in net circulating capital

	2006	2005
Due from controlled subsidiaries	8,603	(11,065)
Current tax assets	(4,473)	6,611
Other receivables	(24)	1
Owed to controlled subsidiaries	(3,083)	1,794
Current trade payables	(50)	38
Other short-term debts	60	(102)
Current tax liabilities	(1,730)	1,785
Total	(697)	(938)

Changes in the items “Due from controlled subsidiaries”, “Current tax assets”, “Owed to controlled subsidiaries” and “Current tax liabilities” are due to deposits paid and the recognition of taxes related to the newly-started Consolidated Tax Accounting scheme.

19.2 – Other changes generated by operational activities

	2006	2005
Drawings from the TFR fund	-	(24)
Total	-	(24)

Other information

Information is given below about the calculation of fair value and the undertakings entered into by the company; for information about the company, Post-Balance Sheet events and Future Prospects, please refer to the Annual Report.

Details of the determination of fair value

The “fair value” criterion is used in valuing financial assets and liabilities where such values can be reliably determined.

In the case of financial assets and liabilities listed in active markets, Fair Value is determined by reference to the market price on the date of recognition, and/or later valuation of the asset/liability. Where no official market price is available, fair value is determined by reference to the prices obtained in the latest similar transaction (purchase, sale or redemption of the financial asset or liability).

The fair value of trade receivables and payables is the same as their book value, mainly because they are generally short-term term and so do not require technical discounting, &c.

Memorandum accounts: Undertakings entered into by the company

Commitments in relation to the acquisition of Sociedad Concesionaria Costanera Norte SA (CNN): **€387m.**

The acquisition of CNN (through ASA Srl) involved SIAS SpA and Autostrade SpA in providing a joint guarantee through AMBAC Assurance Corporation and the Inter-American Development Bank for the repayment of the bond (and associated interest) issued by this Chilean concession operator in the amount of **€248m** (or 9.5m Chilean UF – Unidad de Fomento).

SIAS has provided a surety in the form of a “Contingency reserve letter of credit” issued by San Paolo IMI SpA for 4,900m Chilean Pesos (**€7m**) to guarantee the Group’s 50% share of another CNN debt, to Banco Santander - Chile.

SIAS SpA and Autostrade SpA have also provided proportional guarantees for the repayment of the loan from Mediobanca SpA to the Chilean sub-holding company Autostrade do Pacifico SA (a maximum **€64m** in total, of which the Group’s share is **€132m**).

Fees paid to the company's Directors and Auditors

The overall amounts were as follows:

	2006	2005
Fees paid to Directors	414	337
Fees paid to Auditors	82	61
Total	496	398

As required under Art. 78 of CONSOB Resolution No. 11971/99 (as amended), details of the fees paid to the individual Directors, to Auditors and to the General Manager of the company and its controlled subsidiaries are given below (amounts are given in euros):

OFFICER	POSITION		REMUNERATIONS			
	OFFICE	TERM OF OFFICE	FEE	BENEFITS IN KIND	BONUSES AND OTHER INCENTIVES	OTHER REMUNERATIONS
<u>DIRECTORS</u>						
BINASCO BRUNO	Chairman	2005-2007	111,750			25,397 (1)
ARONA ENRICO	Managing Director	2005-2007	161,750			209,231 (2)
BOSCHETTI GIANFRANCO	Director	2005-2007	11,500			
BRAJA ALESSANDRO	Director	2005-2007	13,000			
CATTANEO ERNESTO MARIA	Director	2005-2007	12,750			
COLOMBO PAOLO ANDREA	Director	2005-2007	11,000			
GAVIO BENIAMINO	Director	2005-2007	11,250			
GAVIO DANIELA	Director	2005-2007	11,500			54,278 (3)
LASCIALFARE RINALDO	Director	2005-2007	11,500			
MACCHIA VINCENZO	Director	2005-2007	11,750			
PIERANTONI PAOLO	Director	2005-2007	11,500			172,420 (4)
PITTATORE GIANFRANCO	Director	2005-2007	10,750			
PIANTINI FERRUCCIO	Director.	2005-2007	11,250			
SACCHI ALBERTO	Director	2005-2007	12,750			25,935 (5)
<u>AUDITORS</u>						
JONA CELESIA LIONELLO	Chairman of the Board of Statutory Auditors	2005-2007	35,000			6,768 (6)
CAVANENGGHI ALFREDO	Full Member	2005-2007	24,500			44,378 (7)
RAMOINO ERNESTO	Full Member	2005-2007	23,000			
DELLA VALLE PAOLO	Alternate Member	2005-2007				
MANDIROLA PIETRO	Alternate Member	2005-2007				
TOTALS			496,500			538,407

- (1) Remuneration as Director and member of the Executive Committee of Società Autostrada Ligure Toscana pA, Director and member of the Executive Committee of Autocamionale della Cisa SpA and Director of Infosystem SpA: €12,000, €12,000 and €1,000 respectively.
- (2) As Vice Chairman, Managing Director and member of the Executive Committee of Società Autostrada Ligure Toscana pA and Director of Autostrada dei Fiori SpA: €203,000 and €6,000 respectively.
- (3) As Director and member of the Executive Committee of Società Autostrada Ligure Toscana pA, Chairman of SSAT SpA, Director of Autostrada dei Fiori SpA, Director of Sinelec SpA and Vice Chairman of Infosystem SpA: €12,000, €28,000, €6,000, €3,000 and €5,000 respectively.
- (4) As Managing Director and member of the Executive Committee of Società Autostrada Ligure Toscana pA and Managing Director and member of the Executive Committee of Autocamionale della Cisa SpA: €85,000 and €87,000 respectively.
- (5) As Director and member of the Executive Committee of Società Autostrada Ligure Toscana pA, Director of Autostrada dei Fiori SpA, Director of Autocamionale della Cisa SpA: €12,000, €6,000 and €8,000 respectively.
- (6) As Chairman of the Board of Statutory Auditors of SSAT SpA.
- (7) As Auditor of Società Autostrada Ligure Toscana pA, Autostrade dei Parchi SpA, Infosystem SpA and Autostrada Asti-Cuneo SpA: €29,000, €10,000, €4,000 and €1,000 respectively.

There are no stock option plans at present.

Details of dealings with Related Parties

As provided for in CONSOB Circulars No. 98015375 of 27 February 1998 and DEM/6064293 of 28 July 2006, and also in IAS 24, details of transactions with related parties during this financial period are summarised below (€m):

	Transactions with Related Parties (A)	Financial Statement (B)	Proportion (A) / (B)%
Financial income	175.4	187.6	93.5%
Revenues	-	-	-
Operating costs	0.1	1.9	6.6%
Other receivables (current)	3.1	3.1	100%
Other short-term debts	5.4	5.8	94.5%

Since the company's business is that of an industrial holding company, transactions with related parties account for a significant proportion of Financial Income (dividends received from controlled subsidiaries); for the purposes of CONSOB Resolution No. 15519 of 27 July 2006, it should be explained that these financial revenues are shown separately in the accounts, under "Income from controlled subsidiaries" and "Income from minority holdings".

The Balance Sheet items mainly concern dealings relating to the company's inclusion in the Group Consolidated Tax Accounting scheme.

In greater detail, the main dealings with controlled subsidiaries, part-owned subsidiaries, parent companies and other firms also controlled by those parent companies were as follows:

- dividends received from SALT SpA, Autocamionale della Cisa SpA, SSAT SpA and SINA SpA: a total of €175,446,000;
- charges for administrative and corporate services invoiced by Autostrada Torino-Milano SpA: €31,000;
- managerial support and services invoiced by Argo Finanziaria SpA: €51,000;
- rent charged by Appia SpA: €21,000;
- rent charged and services invoiced by SATAP SpA: €44,000;
- HR management services invoiced by the part-owned subsidiary Sistemi e Servizi Scarl: €5,000;
- invoices to the controlled subsidiaries ABC Costruzioni SpA, Autostrada dei Fiori SpA, Autostrade dei Parchi SpA, Autocamionale della Cisa SpA, Euroimpianti SpA, Salt SpA, Sinelec SpA and SSAT SpA: a total of €24,000;
- credit/debit balances with the controlled subsidiaries SALT SpA, Autocamionale della Cisa SpA, Autostrada dei Fiori SpA, Autostrade dei Parchi SpA, SSAT SpA and Sinelec SpA, connected with those companies' inclusion in SIAS SpA's own Consolidated Tax Accounting scheme.

Since Argo Finanziaria SpA exercises "direction and coordination" of SIAS SpA for the purposes of Article 2497 of the Civil Code, the above dealings with that firm, with Autostrada Torino-Milano SpA, and also with SATAP SpA and SINA SpA also need reporting under Article 2497 bis (v) of the Civil Code.

All the transactions listed above were conducted on normal market terms.

For the purposes of Civil Code Art. 2391-bis it should be explained that transactions with related parties are carried out, whether directly or through controlled subsidiaries, in accordance with rules which, being based on the general principles prescribed by CONSOB and the corporate governance provisions of the company's adopted Self-Regulation Code, guarantee that they are transparent and entirely proper in both substance and procedure.

Details of any companies exercising direction and coordination

As mentioned above, Argo Finanziaria SpA exercises direction and coordination of other companies in the terms of Civil Code Article 2497.

The table below gives, as required by Civil Code Article 2497-bis(iv), essential data extracted from the most recently approved Financial Statements of the above-mentioned companies, which were for 31 December 2005; Argo Finanziaria SpA also drew up its Consolidated Financial Statement for the same date.

For a full and proper understanding of Argo Finanziaria SpA's assets, liabilities and finances on 31 December 2005, and also its income, expenditure and profits for the period ending on that date, please refer to its Financial Statement which, together with the independent auditors' report, is available in the form and manner prescribed by law.

So far as the further information required by Civil Code Articles 2497-bis(v) and 2497-ter is concerned, please refer to the details given in the section above entitled "Details of dealings with related parties".

Financial Statement for 31 December 2005 of Argo Finanziaria SpA, the parent company exercising direction and coordination activities

BALANCE SHEET

ASSETS

Amounts in euros		31/12/2005
A	Due from members on share subscription account	-
B	Fixed assets	324,353,715
C	Circulating assets	101,703,956
D	Accruals and prepayments	22,350
TOTAL ASSETS		426,080,021

LIABILITIES

Amounts in euros		31/12/2005
A	Shareholders' Equity	
	Share capital	30,000,000
	Reserves	57,598,308
	Profit (loss) for the period	302,755,956
B	Provision for risks and charges	1,535,894
C	Staff Severance Fund [TFR]	640,011
D	Debts	33,506,334
E	Accruals and Prepayments	43,518
TOTAL LIABILITIES		426,080,021

Memorandum Accounts: Guarantees, commitments and other risks

Amounts in euros		31/12/2005
	Personal guarantees provided	107,762,162
	Real guarantees provided	-
TOTAL		107,762,162

INCOME STATEMENT

Amounts in euros		2005
A	Total Sales	5,196,966
B	Cost of Sales	(5,553,778)
C	Financial income and charges	32,872,783
D	Value adjustments, financial assets	(6,023,186)
E	Extraordinaries	283,780,027
	Income taxes for the period	(7,516,856)
Profit (loss) for the period		302,755,956

**Changeover to
International Accounting Standards (IAS/IFRS)**

Changeover to International Accounting Standards IAS/IFRS

The reconciliation schedules specifically prescribed by IFRS 1 for describing the effects on the Balance Sheet, Income Statement and Cashflow Statement of changing to IAS/IFRS are set out below, as required by CONSOB Regulation 11971/99, amended and supplemented by Resolution No. 14990 of 14 April 2005. These schedules give details of the following:

- the reconciliation between SIAS SpA's Net Worth (Shareholders' Equity) determined according to Italian accounting standards and that resulting from the application of IAS/IFRS, as of 1 January 2005 and of 31 December 2005.
- the reconciliation between SIAS SpA's Profit for 2005 determined according to Italian accounting standards and that resulting from the application of IAS/IFRS for the same financial period;
- a summary of the main differences in the Balance Sheets for 1 January and 31 December 2005, and also the changes in the Income Statement for the 2005 financial period, following the application of IAS/IFRS;
- an analysis of the main changes to the Cashflow Statement following the adoption of IAS/IFRS.

Reconciliation of Shareholders' Equity on 1 January 2005 and 31 December 2005

(€000s)	Shareholders' Equity 1 January 2005	Shareholders' Equity 31 December 2005
Amount according to Italian accounting standards	343,510	518,567
Adjustments to items in the Financial Statement drawn up according to Italian accounting standards		
1. – Valuation of financial assets at fair value	211	2,402
2. – Reclassification of assets	(292)	(146)
3. – Adjustment of Severance Indemnity to PV	(5)	1
4. – Reclassification of dividends entered in accordance with the accruals principle	(21,275)	(129,594)
5. – Effects of the Equity Component of Convertible Bonds		51,133
6. – Deferred tax effect	110	(17,570)
Amount according to International Accounting Standards (IAS/IFRS)	322,259	424,793

Reconciliation of net profit for 2005

(€000s)	Net profit 2005
Amount according to Italian accounting standards	217,132
Adjustments to items in the Financial Statement drawn up according to Italian accounting standards	
1. – Valuation of financial assets at fair value	
2. – Reclassification of assets	146
3. – Adjustment of Severance Indemnity to PV	6
4. – Reclassification of dividends entered in accordance with the accruals principle	(108,319)
5. – Effects of the Equity Component of Convertible Bonds	(1,671)
6. – Deferred tax effect	494
Amount according to International Accounting Standards (IAS/IFRS)	107,788

Description of the adjustments

1. – Valuation of financial assets at fair value

This concerns of the valuation at fair value (with a counter-entry in Shareholders' Equity) of those financial assets classified as available for sale: these had been entered at purchase cost in previous Financial Statements drawn up under Italian accounting standards; the adjustment mainly concerns the re-measurement of shareholdings in Milano Serravalle – Milano Tangenziali SpA, Alerion Industries SpA, Gemina SpA, Banca Nazionale del Lavoro SpA and Generali Assicurazioni SpA.

2. – Reclassification of assets

This concerns of the elimination of intangible assets failing to qualify as capital goods under IAS 38; the adjustment in this case mainly refers to costs which prior to the changeover to IFRS had been capitalised under the heading "Setting-up and expansion costs".

3. – Adjustment of Severance Indemnity to PV

This concerns of the cumulative impact of all actuarial gains and losses arising from the application of IAS 19 to the valuation of liabilities relating to the Severance Indemnity Fund.

4. – Reclassification of dividends entered in accordance with the accruals principle

This concerns of the reclassification of dividends resolved on by subsidiaries and entered in accordance with the accruals principle. Once reclassified, the dividends feature as accruals for the financial period during which their receipt became a possibility (the period in which the dividend distribution resolution was taken by the subsidiary's AGM).

5. – Effects of the Equity Component of Convertible Bonds

This concerns an adjustment relating to the separation of the Liability and Equity Components of the convertible bond when first entered in the accounts.

The Liability Component is equal to the present value of the financial outflows (interest and redemption) on the bond, discounted at the market rate of interest (or cost of 12-year loan capital to the company issuing the bond; this rate was regarded as representative of the return on fixed-yield securities in the absence of any conversion option).

The Equity Component is equal to the difference between the present value of the financial outflows determined as above and the cash proceeds from issuing the bond.

The financial costs – calculated on the Liability Component – are then charged to the Income Statement on the basis of the market rate of interest as described above.

6. – Deferred tax effect

This concerns the effect on deferred taxation of the adjustments described above. **Effect of the changeover to IFRS on the Balance Sheet for 1 January 2005**

(€000s)	Italian Accounting Standards	Reclassifications	Adjustments	International Accounting Standards (IAS/IFRS)
Fixed assets				
Intangible assets	292		(292)	-
Buildings, plant, machinery	-			-
Financial assets	320,772		211	320,983
Deferred tax assets	40		110	150
Total	321,104		29	321,133
Current assets				
Stocks	-			-
Financial assets	28,476		(21,275)	7,201
Cash at bank and in hand and cash equivalent	1,324			1,324
Total	29,800		(21,275)	8,525
Total assets (a)	350,904		(21,246)	329,658
Fixed liabilities				
Provision for risks and charges and Severance Indemnity	103		5	108
Financial liabilities	-			-
Deferred tax liabilities	-			-
Total	103		5	108
Current liabilities				
Financial liabilities	7,252			7,252
Liabilities for current taxes	39			39
Total	7,291			7,291
Total liabilities (b)	7,394		5	7,399
Net Assets (a-b)	343,510		(21,251)	322,259
Share capital	63,750			63,750
Reserves	255,631			255,631
Profits (Losses) carried forward	24,129		(21,251)	2,878
Shareholders' Equity	343,510		(21,251)	322,259

Effect of the changeover to IFRS on the Balance Sheet for 31 December 2005

(€000s)	Italian Accounting Standards	Reclassifications	Adjustments	International Accounting Standards (IAS/IFRS)
Fixed assets				
Intangible assets	146		(146)	-
Buildings, plant, machinery	-			-
Financial assets	644,264		2,402	646,666
Deferred tax assets	17		248	265
Total	644,427		2,504	646,931
Current assets				
Stocks	-			-
Financial assets	142,681	(1,205)	(129,822)	11,654
Cash at bank and in hand and cash equivalent	81,306			81,306
Total	223,987	(1,205)	(129,822)	92,960
Total assets (a)	868,414	(1,205)	(127,318)	739,891
Fixed liabilities				
Provision for risks and charges and Severance Indemnity	93		(1)	92
Financial liabilities	334,687	(1,205)	(51,360)	282,122
Deferred tax liabilities	-		17,817	17,817
Total	334,780	(1,205)	(33,544)	300,031
Current liabilities				
Financial liabilities	13,243			13,243
Liabilities for current taxes	1,824			1,824
Total	15,067			15,067
Total liabilities (b)	349,847	(1,205)	(33,544)	315,098
Net Assets (a-b)	518,567	-	(93,774)	424,793
Share capital	63,750			63,750
Reserves	263,185			263,185
Profits (Losses) carried forward	191,632		(93,774)	97,858
Shareholders' Equity	518,567	-	(93,774)	424,793

Effect of the changeover to IFRS on the Income Statement for the 2005 financial period

(€000s)	Italian Accounting Standards	Reclassifications	Adjustments	International Accounting Standards (IAS/IFRS)
Financial income	222,206		(108,320)	113,886
Financial charges	(4,384)	(3)	(1,671)	(6,058)
Revenues	134			134
Operating costs	(1,584)	3	6	(1,575)
Amortization and impairments	(146)		146	-
Further provisions for risks and charges	-			-
Profit (loss) before taxes	216,226	-	(109,839)	106,387
Income taxes	906		495	1,401
Profit (loss) for the period	217,132		(109,344)	107,788

* * * * *

Effect of the changeover to IFRS on the Cashflow Statement for 2005

The Cashflow Statements prepared by SIAS SpA under Italian accounting standards were designed to show the company's net finance needs or surpluses arising from changes in its net financial position; the Cashflow Statement provided for in IAS 7 aims rather to show the firm's capacity to generate "Cash at bank and in hand and cash equivalents".

According to this principle, "Cash at bank and in hand and cash equivalents" consists of liquid funds and short-term term financial assets readily convertible into cash and liable to only negligible risks of change in their value.

Under IAS 7 the Cashflow Statement is designed to distinguish among cash flows arising from operations, investments and lending.

The Cashflow Statement included in the present Financial Statement has been drawn up according to that standard.

Report of the Board
of Statutory Auditors

**REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE GENERAL MEETING OF SHAREHOLDERS OF
SIAS SpA as required under Civil Code Art. 2429(ii) and TUF Art. 153 (the Consolidated Financial
Code, Legislative Order 58/98)**

Shareholders,

In the course of 2006 we have carried out our supervisory duties as required by law, and this is our report thereon, drafted so as to comply, among other things, with the recommendations of CONSOB Circular No. 1025564 dated 6 April 2001.

The Financial Statement for the period has been prepared under International Accounting Standards (IAS/IFRS); and the comparative data for the corresponding period last year have accordingly been established likewise under those standards.

In particular:

- we have taken part in General Meetings of Members and meetings of the Board of Directors; we have obtained information from the Directors on their activities including those carried out through subsidiaries where your Company has a controlling interest, and on all transactions of particular importance to your Company's revenues, expenses, assets, liabilities and finances; in respect of such activities and transactions we have investigated whether the actions decided on and taken by your Board have been in accordance with the law and the company's Articles of Association and not at variance with any resolution of the General Meeting, nor giving rise to any potential conflict of interests, but in each case informed by the principles of proper governance;
- we encountered no atypical or unusual transactions (as defined in the above-mentioned CONSOB Circular of 6 April 2001) entered into by SIAS SpA with related parties, companies within the same Group, or wholly unrelated persons;
- the ordinary course of business between SIAS SpA and other companies within the same Group includes the following kinds of transaction:
 - i) receipt of dividends from SALT SpA, Autocamionale della CISA SpA, SSAT SpA and SINA SpA;

- ii) expenditures on administrative and corporate services invoiced by Autostrada Torino Milano SpA,
- iii) the provision of managerial support and services by the parent company Argo Financial SpA;
- iv) rental/lease payments invoiced by APPIA SpA, and lease payments and services fees to SATAP SpA;
- v) HR management services invoiced by Sistemi e Servizi Scarl;
- vi) costs invoiced to certain controlled subsidiaries (ABC Costruzioni SpA, etc.), and assets/liabilities in relation to the Fiscal Consolidation scheme.

These transactions have been adequately explained and quantified in the Directors' Annual Report, and we may add that all have been executed on normal market terms. Our view is that these transactions are compatible with and indeed advance the company's interest. Lastly, we can confirm that no other transactions with related parties have been detected apart from those identified as above. For the purposes of Civil Code Art.2391-bis, the rules adopted by the company (and described in the Annual Report and the Report on the Consolidated Financial Statement) in our opinion ensure the transparency of all transactions with related parties, as well as their substantive and procedural correctness;

- the accounts have been independently audited as required by law by the Independent Auditors, PricewaterhouseCoopers SpA, who have issued a report as prescribed by TUF Art.156 on the Financial Statement and the Consolidated Financial Statement for the period; that report raises no issues and contains no reservations, nor any objections concerning unavailability of information.
- we have received no complaints under Civil Code Art. 2408, nor are we aware of any made by parties outside the company.

PricewaterhouseCoopers SpA, the Independent Auditors commissioned to conduct the accounting audit under TUF Art.159 of the Financial Statement of SIAS SpA and the Consolidated Financial Statement of the SIAS Group for the period ended 31 December 2006, have notified us that they received the following instructions:

	Independent Auditors' Fee for 2006 to PwC
a)	Auditing services
	Accounting audit of Financial Statement for the period
	Additional fee for auditing the holding company's IFRS1 schedule
	Accounting audit of Consolidated Financial Statement
	Limited accounting audit, half-year report to 30 June
	Accounting audit, consolidation schedules for 31 December
b1)	Non-audit services for the issue of an attestation
	Agreed audit procedures, quarterly accounts for 31 March and 30
	Opinion on the distribution of interim dividends
	Audit procedures for Corvette and/or Serti MIP contributions 2005
b2)	Other services
	Support to the Invigilating Body set up under Law 231/01
	Total
	ADP: the limited accounting audit only refers to the quarterly accounts for 30 September

SIAS Group											Total	
SIAS	ABC	SSAT	ADF	ADP	SALT	CISA	CISA ENG	SINELEC	EUROIMPIA NTI	STI-CUNE	TIBRE	
9.283	12.395	4.132	18.593	4.083	19.626	13.428	4.132	4.132	6.494	7.146	4.132	107.576
3.000												3.000
9.283					5.165							14.448
5.112	3.578		3.578	1.000	5.112	2.556		1.533				22.469
21.500												21.500
1.533	3.067		3.067	501	3.578	2.556		1.533				15.835
9.000			9.000		9.000	9.000						36.000
			3.500					3.000				6.500
2.000					3.600							5.600
60.711	19.040	4.132	37.738	5.584	46.081	27.540	4.132	10.198	6.494	7.146	4.132	232.928

- In the course of 2006 your Board of Statutory Auditors has met 9 times and has attended 6 meetings of the Board of Directors; the Internal Control Committee has met 4 times, on each occasion attended also by the Chairman of the Board of Statutory Auditors; the Remuneration Committees has met once;
- we have gathered information on and, so far as our remit extends, monitored the adequacy of the company's organisational structure, its compliance with the principles of proper administration, and the adequacy of the instructions given to its controlled subsidiaries as required by TUF Art. 114(ii); we have moreover assessed and monitored the adequacy of the Internal Control system and the administrative/accounting system, and the latter's suitability for giving a true representation of the conduct of the company's business. The outcome of those activities (carried out by examining company documents, gathering information from heads of department, analysing the results of the Independent Auditors' work and discussing these with the Independent Auditors themselves) is that we have no issues to raise; we consider that the company's organisational structure and internal control are adequate for its size and the nature of its business as a Holding Company, that the instructions given to its controlled subsidiaries have been adequate, and that the administrative/accounting system is capable of giving a true representation of the conduct of the company's business;
- no significant aspects requiring mention in this report emerged in the course of the periodic meetings held by the Board of Statutory Auditors with the Independent Auditors' staff as required by TUF Art. 150;
- concerning Corporate Governance, the company has subscribed to the Self-Regulation Code and incorporated virtually in its entirety the document prepared by the relevant Committee co-ordinated by Borsa Italiana SpA (the Italian Stock Market); its Remuneration Committee and Internal Control Committee are fulfilling the functions assigned to them within that framework. In accordance with the instructions issued by Borsa Italiana SpA, the Board of Directors has drawn up an "Annual report on the system of corporate governance and adherence to the Self-Regulation Code", which provides an adequate description of

the arrangements for implementing that Code in practice;

- the company has adopted the "reference principles for the adoption and implementation of models of organisation, management and control as prescribed by Legislative Order 231/2001" and the "Code of Ethics and Behaviour"; it has appointed the Invigilating Panel required under that Order;
- in accordance with the provisions introduced by the Italian Privacy Code (Legislative Order No. 196 of 30 June 2003), the company drew up its Data Security Plan (Documento programmatico sulla sicurezza aziendale dei dati) in December 2004, and has reviewed it annually since then;
- in the course of the Independent Auditors' monitoring activities and on the basis of the information gathered by them, no significant matters have emerged such as might need to be reported to the supervisory body or mentioned in the present report.

The Board of Directors has drawn up a Half-year Report for the first half and Quarterly Reports for the first and third quarters of 2006, and has published these in accordance with the arrangements and by the deadlines prescribed by the relevant laws and regulations.

No reports have been published for the second or fourth quarters, since your Company has made use of the exemption provided for in CONSOB Regulation 11971/99.

The Financial Statement for the period ended 31 December 2006 shows a profit of €174,436m and has been presented to the Board of Statutory Auditors in the manner and by the deadlines required by law, together with the Annual Report.

The Board of Statutory Auditors has, by means of its own controls and the information provided by the Independent Auditors, verified that the Financial Statement (including the Annual Report) has been laid out and drafted in accordance with the legally-required standards.

The Board of Statutory Auditors, noting the satisfactory report of the Independent Auditors

PricewaterhouseCoopers SpA, considers that the Financial Statement for the period ended 31 December 2006 is fit for your approval, as is the proposal by the Board of Directors for the allocation of the profit for the period.

Turin, 12 April 2007

MEMBERS OF THE BOARD OF STATUTORY AUDITORS

(Lionello Jona Celesia)

(Alfredo Cavanenghi)

(Ernesto Ramojno)

Auditors' Report

- 3 In our opinion, the financial statements of S.I.A.S. - Società Iniziative Autostradali e Servizi SpA as of 31 December 2006 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with regulations issued in accomplishment of article 9 of Law Decree n° 38/2005; accordingly, they give a true and fair view of the financial position, the results of operations, the changes in shareholders' equity and cash flows of S.I.A.S. - Società Iniziative Autostradali e Servizi SpA for the year then ended.

Turin, 12 April 2007

PricewaterhouseCoopers SpA

Signed by

Piero De Lorenzi
(Partner)

(This report has been translated from the original which was issued in accordance with Italian legislation).