

**REPORT OF THE BOARD OF DIRECTORS OF AUTOSTRAD E S.P.A. ON THE PROPOSAL CONTAINED IN THE SOLE ITEM ON THE AGENDA FOR THE ORDINARY SHAREHOLDERS' MEETING TO BE HELD ON FIRST CALL ON 12 DECEMBER 2006 AND ON SECOND CALL ON 13 DECEMBER 2006: "1) PAYMENT OF A SPECIAL DIVIDEND OF €3.75 PER SHARE VIA PARTIAL USE OF THE EXTRAORDINARY RESERVE, WITHIN THE CONTEXT OF EXECUTION OF THE MERGER OF AUTOSTRAD E S.P.A. WITH AND INTO ABERTIS INFRASTRUCTURAS S.A. APPROVED BY THE EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS ON 30 JUNE 2006; RELATED AND SUBSEQUENT RESOLUTIONS, FOLLOWING A PRIOR REPORT FROM THE DIRECTORS ON THE STATE OF PROGRESS OF THE MERGER AND THE PROCESS OF OBTAINING THE NECESSARY AUTHORISATIONS.", PREPARED PURSUANT TO ART. 3 OF DECREE NO. 437 ISSUED BY THE MINISTER OF JUSTICE ON 5 NOVEMBER 1998**

Dear Shareholders,

This report has been prepared to illustrate the proposal relating to "*1) Payment of a special dividend of €3.75 per share via partial use of the extraordinary reserve, within the context of execution of the merger of Autostrade S.p.A. with and into Abertis Infraestructuras S.A. approved by the extraordinary general meeting of shareholders on 30 June 2006; related and subsequent resolutions, following a prior report from the directors on the state of progress of the merger and the process of obtaining the necessary authorisations*", to be submitted for approval by the ordinary shareholders' Meeting to be held on first call on 12 December 2006 and on second call on 13 December 2006.

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## 1. RATIONALE BEHIND THE PROPOSAL

- A. As you will be aware, on 30 June 2006 the Extraordinary General Meeting ("**EGM**") of the shareholders of Autostrade S.p.A. ("**Autostrade**" or the "**Company**") approved the plan of merger (the "**Plan of Merger**"), which envisages your Company's merger (the "**Merger**") with and into Abertis

Infraestructuras S.A. (“**Abertis**”).

The Plan of Merger, as also approved by the EGM of Abertis’ shareholders on 30 June 2006, envisages, among other things, that:

- the share exchange ratio for the Merger, as set out in the Plan of Merger and approved by the EGMs of the merging companies, is to be calculated also taking into account the payment of a special dividend of €3.75 per share (the “**Special Dividend**”) to be resolved upon by an ordinary shareholders’ meeting of Autostrade (see section IV (iv) of the Plan of Merger);
- payment of the Special Dividend must take place prior to the effective date of the Merger (see section IX (ii) of the Plan of Merger).

In this regard, the report of the Board of Directors of Autostrade on the Plan of Merger states that “*The Special Dividend will be paid, pursuant to the appropriate resolution adopted by the shareholders’ meeting, only if the Merger is consummated*” (see point 1.a.1 B on page 5).

Payment of the Special Dividend is a *necessary* step in implementing the Merger and is a component of the exchange ratio, in accordance with the related resolutions passed by the EGMs of the shareholders of Autostrade and Abertis held on 30 June 2006. As a result, payment of the Special Dividend will only take place should the Merger be implemented, but in any event before the effective date of the Merger.

- B.** With regard to execution of the Merger, section XVII of the Plan of Merger states that the effectiveness of the transaction is subject to ‘*the condition precedent that the competent authorities (including Antitrust authorities) issue all the authorisations and licences necessary to consummate the Merger*’.

The following should be noted in this respect.

Given that the Merger has implications for the European market, pursuant to art. 1 of EC Regulation 139/2004, on 18 August 2006 Autostrade and Abertis formally reported the Merger as a concentration to the European Commission.

On 22 September, the European Commission approved the Merger without placing any conditions on it.

In terms of relations with the Italian authorities, Council of State ruling no. 2719/2006 of 21 June 2006, which was requested by the Minister of Infrastructure, stated that the Merger requires authorisation from ANAS S.p.A. (“**ANAS**”) and the approval of the Minister of Infrastructure and the Minister of the Economy and Finance. Autostrade and Autostrade per l’Italia S.p.A. (“**Autostrade per l’Italia**”), in letters dated 5 July 2006, thus formally requested ANAS for authorisation to proceed with the Merger, whilst reserving all rights and/or claims regarding the legitimacy and effectiveness of the procedure referred to in ruling no. 2719/2006.

Subsequently to the request of 5 July 2006, ANAS, in a letter dated 5 August 2006, informed Autostrade and Autostrade per l’Italia that it was not in a position to grant authorisation, following the decisions of the Minister of Infrastructure and the Minister of the Economy and Finance, communicated to ANAS in a joint memo sent on 4 August 2006.

Specifically, ANAS stated that in the view of the two ministers the Merger was not compatible or consistent with the aims of the concession arrangement, or with the terms set out in the context of the procedure aimed at the Group’s privatisation, or with the commitments given in the Agreement of 1997 and subsequent addenda.

In a letter dated 13 October 2006, ANAS then informed Autostrade and Autostrade per l’Italia that, with reference to the contents of the joint letter from the Minister of Infrastructure and the Minister of the Economy and Finance dated 4 August 2006, the obstacle to the Merger with Abertis, represented by the fact that the shareholder structure of the merged company would include a construction company, was no longer applicable following the entry into force of article 12, section 4 of Law Decree 262/2006. However, the letter stated that all the other obstacles to the Merger, put forward by ANAS in its previous communications and referred to in the above letter of 5 August 2006, remained.

On 18 October the European Commission announced that, as resulting from a notice issued by the same Commission, it had reached the preliminary conclusion that Italy may have violated article 21 of the EU Merger Regulation because of unjustified obstacles placed in the way of the Merger.

On 19 October 2006, Autostrade and Autostrade per l'Italia notified an appeal before Lazio Regional Administrative Court, requesting cancellation, with a prior injunction suspending application: (i) of the ruling by which ANAS denied its authorisation to proceed with the Merger, dated 5 August 2006, and (ii) of the related and consequent premises – with consequent recognition of the subjective right of the appellants to proceed with the Merger without the requested authorisation. The appeal also requests the court to examine whether or not the measures contained in article 12 of the law decree approved by the Cabinet of Ministers on 29 September 2006 and published in the Official Gazette of 3 October 2006 (“**Law Decree 262/2006**”) represent a violation of the subjective rights of the appellants, raising, under various aspects, the issue of the constitutional legitimacy of the above article 12. The appeal was brought against ANAS, the Ministry of Infrastructure, the Ministry of the Economy and Finance and the Cabinet of Ministers. Abertis and Schemaventotto S.p.A. filed similar appeals.

Subsequently, in a letter dated 27 October, ANAS informed Autostrade and Autostrade per l'Italia that on 26 October it had received a communication from the Minister of Infrastructure and the Minister of the Economy and Finance stating that, in order to dispel any possible doubts expressed by the European Commission on 18 October, the Ministers clarified that the memo of 4 August 2006 has been rendered devoid of all legal effect. ANAS therefore announced that its communications of 5 August and 13 October are no longer valid or effective, specifying that Autostrade and Autostrade per l'Italia could re-activate the authorisation process triggered by the request of 5 July 2006.

On the same date, 27 October 2006, Autostrade and Autostrade per l'Italia responded to ANAS, clarifying the fact that, under their interpretation, the European Commission's assertion regarding the illegitimacy of the authorisation process also extended to the requirement to submit the Merger to the prior authorisation of ANAS and the Minister of Infrastructure and the Minister of the Economy and Finance, requesting ANAS to issue an explicit statement should it be of a different opinion.

At the hearing of 30 October 2006, the Regional Administrative Court fixed the date for discussion of the merits of the request for an injunction for 6 December

2006.

On 6 November 2006 Autostrade and Autostrade per l'Italia appealed ANAS's letter of 27 October 2006, citing additional grounds for their appeal.

- C. As you will be aware, art. 12 of Law Decree 262/2006 - even in the version approved with amendments by the Lower House of Parliament, which is currently awaiting conversion into law by the Senate - significantly changes the key principles on which existing concession arrangements between ANAS and motorway concessionaires are based.

At this time it is not possible to quantify the impact on the results of operations and financial position of Autostrade Group concessionaires and companies resulting from approval of the above Law Decree 262/2006 and introduction of the envisaged changes to existing concession arrangements due to the uncertainty surrounding the applicability of such rules.

Based on the above considerations regarding art. 12 of Law Decree 262/2006, it should also be noted that, as stated in point 1.a.1G on page 11 of the Board of Directors' Report on the Plan of Merger (and referred to in the Merger Document prepared pursuant to art. 70, section 4 of the CONSOB Regulations adopted with Resolution 11971 of 14 May 1999 (the "**Merger Document**"), the agreements entered into by Autostrade and Abertis contained in the Term Sheet (attached to the Merger Document sub 16) provide that should a competent European, Spanish or Italian competent authority set conditions or adopt resolutions or initiatives such as to have a significant impact on the Merger or on the situation existing at the date on which the Term Sheet was signed (23 April 2006), the merging companies would, in good faith, jointly negotiate on the feasibility of the Merger.

The Directors will report to shareholders on fulfilment of all the conditions necessary to go ahead with the Merger, in particular with reference to receipt of the necessary authorisations, and on the above art. 12 of Law Decree 262/2006 and its implications.

- D.** Finally, it should also be remembered that – as stated in paragraphs IV and VI of the Plan of Merger and in the Board of Directors’ Report thereon – it will be necessary to timely obtain the required documentation from the competent authorities, for the purposes of listing the class A and class B shares of Abertis on the Italian Stock Exchange, prior to their admission to trading on the *Mercato Telematico Azionario* organised and managed by Borsa Italiana S.p.A.
- E.** In view of the above, and the fact that payment of the Special Dividend is a *necessary* step in implementing the merger and is a component of the exchange ratio, and that payment of the Special Dividend will only take place should the Merger be implemented and before the effective date of the Merger – in accordance with the information contained in paragraph 1.a.1 B of the Board of Directors’ Report on the Plan of Merger -, we propose that the shareholders’ meeting approve payment of the Special Dividend against presentation of coupon no. 7, subject to the proviso that payment of the Special Dividend will take place as from (i) the first payment date established in Borsa Italiana S.p.A.’s Trading Calendar following signature of the merger deed, and in any event subject to signature of the deed, in compliance with the applicable provisions of the “*Regulations for markets organised and managed by Borsa Italiana S.p.A.*” and the “*Instructions accompanying the Regulations for markets organised and managed by Borsa Italiana S.p.A.*” in force at such time, or, should the timing of execution of the Merger not coincide with this date, (ii) a different date, which must in any event fall after the date on which the merger deed is signed, and must in any event be subject to signature of the deed, which must be agreed with the competent authorities.

Autostrade will immediately announce the signature of the ,merger deed and the payment date for the Special Dividend to shareholders.

## **2. DISTRIBUTABLE RESERVES**

- A.** With reference to the reserves to be used to fund payment of the Special Dividend, we wish to stress that the financial statements for the year ended 31 December 2005 report, among other things, the presence of an extraordinary reserve

amounting to €4,789,566,201, which is available also for distribution to shareholders.

In view of the fact that the amount to be released from this reserve in order to pay the Special Dividend totals €2,143,918,338.75, the amount in the extraordinary reserve will allow us to pay the Special Dividend as proposed (€3.75 per share).

It should also be noted that the Company's financial statements for the year ended 31 December 2005 report that the legal reserve amounts to €261,410,358. This amount therefore complies with the provisions of art. 2430, section 1 of the Italian Civil Code, as it is well above the required minimum of one-fifth of the issued capital (amounting to €571,711,557).

The interim financial statements of Autostrade for the six months ended 30 June 2006 and the related notes – in respect of which the auditors KPMG S.p.A. issued their independent review report pursuant to and for the purposes of art. 2433-*bis* of the Italian Civil Code on 6 October 2006 – report the same amounts for these reserves as in the financial statements for the year ended 31 December 2005.

In this regard, the Board of Directors wishes to specify that these reserves, in the same amounts, are also in existence today.

- B.** In view of the origin of the extraordinary reserve, which derives from profits on which income tax was paid in prior years, for tax purposes, only recipients of the Special Dividend will pay ordinary tax, based on their tax bracket, as defined by Presidential Decree 917 of 22 December 1986 and Presidential Decree 600/1973.

### **3. LOAN**

The liquidity necessary to fund payment of the Special Dividend via partial use of the extraordinary reserve, in the amount of €2,143,918,338.75, will be raised through debt.

For this purpose, on 10 November 2006 Autostrade obtained a binding commitment from a syndicate of major banks to provide a line of credit of up to

€2,144 million to fund payment of the Special Dividend (the “**Loan**”). The Loan matures twelve months from the date of signature of the agreement and is renewable for up to a further six months. The terms and conditions of the Loan are in line with market conditions applicable to companies with similar credit ratings, and with the assumptions regarding the related financial expenses used in preparation of the pro-forma income statement and balance sheet included in Section V of the Merger Document.

Finally, on 28 July 2006 the rating agency Standard & Poors assigned a “*senior unsecured debt rating*” of A- to the Loan, bearing in mind that the debt deriving from the Loan will be assumed after the effective date of the Merger by Abertis, a holding company, with no security put up by the operating companies.

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Dear Shareholders,

In the light of the above, we invite you to approve the proposed resolutions as set out below.

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#### **PROPOSED RESOLUTIONS**

This Ordinary General Meeting of shareholders of Autostrade S.p.A.:

- in view of the financial statements of Autostrade S.p.A. for the year ended 31 December 2005, as approved by the ordinary shareholders’ meeting of Autostrade S.p.A. on 7 April 2006;
- in view of the management report accompanying the financial statements;
- considering the Plan of Merger for Autostrade S.p.A.’s merger with and into Abertis Infraestructuras S.A. and the relevant Report prepared by the Board of

Directors of Autostrade S.p.A.;

- having regard to the Board of Directors' Report on the proposed payment of a Special Dividend of €3.75 per share via partial use of the extraordinary reserve, in the amount of €2,143,918,338.75;
- having regard to the Board of Directors' declaration regarding the existing value and availability of the extraordinary reserve, amounting to €4,789,566,201, which will be partially used in order to pay the above Special Dividend, and regarding the existing value of the legal reserve, amounting to €261,410,358, which is therefore well above the required minimum of one-fifth of the issued capital;
- having regard to the fact that the Board of Auditors has confirmed the above declaration by the Board of Directors;

**resolves**

- 1) to pay a Special Dividend of €3.75 per ordinary share of Autostrade S.p.A., via partial use of the extraordinary reserve reported in the Company's financial statements for the year ended 31 December 2005, in the amount of €2,143,918,338.75, subject to the proviso that payment of the special dividend against presentation of coupon no. 7 will take place as from (i) the first payment date established in Borsa Italiana S.p.A.'s Trading Calendar following signature of the merger deed, and in any event subject to signature of the deed, in compliance with the applicable provisions of the "*Regulations for markets organised and managed by Borsa Italiana S.p.A.*" and the "*Instructions accompanying the Regulations for markets organised and managed by Borsa Italiana S.p.A.*" in force at such time, or, should the timing of execution of the Merger not coincide with this date, (ii) a different date, which must in any event be after the date on which the merger deed is signed, and must in any event be subject to signature of the deed, which must be agreed with the competent authorities;
- 2) that, for tax purposes, only recipients of the special dividend will pay ordinary tax, based on their tax bracket, as defined by Presidential Decree 917 of 22 December 1986 and Presidential Decree 600/1973;
- 3) to vest in the Chairman and Chief Executive Officer, acting separately and with the power to delegate, all the necessary powers, including, merely by way of example,

the power to establish, in agreement with the competent authorities, the payment date for the special dividend referred to in point 1 above, to enable them to execute the resolutions referred to in points 1 and 2 above.

Rome, Italy

10 November 2006

Autostrade S.p.A.

on behalf of the Board of Directors

The Chairman