STRICTLY PRIVATE AND CONFIDENTIAL
THIS IS NOT A PROSPECTUS OR AN OFFERING CIRCULAR

This document contains, *inter alia*, an unofficial English language translation (the "**Translation**") of substantially all of the official prospectus prepared in the Italian language for the purposes of the Global Public Offering (as defined below) of shares in Screen Service Broadcasting Technologies S.p.A. ("**SSBT**", the "**Company**" or the "**Issuer**") which was registered with the *Commissione Nazionale per le Società e la Borsa*, the Italian Securities Exchange Commission ("**Consob**"), on May 22, 2007 under registration number 7046590 (the "**Italian Prospectus**"). The Italian Prospectus (a copy of which accompanies this document) contains information about the Company and the Global Public Offering. This document also contains information relating to the Global Public Offering and it will be used within the context of the Institutional Placement for the purposes of enabling foreign Institutional Investors (but with the exclusion of Institutional Investors based in the United States of America, Australia, Canada and Japan) to comprehend the contents of the Italian Prospectus. This document is strictly private and confidential and should not be copied or passed to any third party.

Screen Service

Institutional Placement of ordinary shares of Screen Service Broadcasting Technologies S.p.A. as part of the Global Public Offering of an overall no. 69,250,000 ordinary shares, without nominal value

The global public offering of an overall no. 69,250,000 ordinary shares, without nominal value (the "**Shares**") of Screen Service Broadcasting Technologies S.p.A., being offered for sale and subscription (the "**Global Public Offering**"), comprises:

(I) a public offering for a minimum number of 6,925,000 Shares, corresponding to 10% of the Global Public Offering, addressed to the general public in Italy (the "**Public Offering**"). The Public Offer cannot be joined by Institutional Investors, who shall be exclusively allowed to join the Institutional Placement as detailed below; and
(II) an institutional placement for a maximum number of 62,325,000 Shares addressed to Institutional Investors in Italy and abroad, except for the United States of America, Australia, Canada and Japan, in compliance with the limits set by the law and with Regulation S of the United States Securities Act of 1933, as later amended, without prejudice to any possible exemptions granted by the applicable law provisions (the "**Institutional Placement**").

The Public Offering includes:

(I) an offer addressed to the general public. A portion not higher than 30% of the Shares being actually assigned to the general public will be reserved for the purpose of satisfying the subscriptions received from the general public for amounts equal to the Increased Minimum Lot or multiples thereof;
(II) an offer reserved for the Employees composed of no. 3 Minimum Lots each.

Mediobanca – Banca di Credito Finanziario S.p.A. ("**Mediobanca**") is acting as Coordinator of the Global Public Offering, Listing Partner, Lead Manager and Sole Bookrunner of the Institutional Placement.

The overall no. 69,250,000 Shares offered in the Global Public Offering represent about 50% (55% in case of full Greenshoe Option exercise) of the Company's total share capital, partly (no. 11,450,000 Shares) resulting from a share capital increase with exclusion of the option right pursuant to article 2441, fifth paragraph, of the Civil Code, resolved by the Issuer's extraordinary general meeting on 19th February 2007 and partly (no. 57,800,000 Shares) offered on sale by Screen Group S.p.A. (the "**Selling Shareholder**"). The Selling Shareholder has granted the Coordinator of the Global Public Offering: (i) an Over Allotment (as defined in the Italian Prospectus) to lend a maximum of no. 6,925,000 Company shares for the purposes of covering possible over-allotments in the Institutional Placement; and (ii) a Greenshoe Option (as defined in the Italian Prospectus) to buy, at the Offering Price (as defined in the Italian Prospectus), a maximum of further no. 6,925,000 Company shares. The above options will be exercisable, whether in full or in part, until the 30th day following the initial date of trading for the Issuer's shares on the Expandi Market, also for the purpose of stabilization.

Prior to the Global Public Offering, there has been no public market for the ordinary shares of the Company.

SSBT ordinary shares have been approved by Borsa Italiana S.p.A. (the Italian Stock Exchange) for listing on the Expandi exchange (Mercato Expandi), organized and managed by Borsa Italiana S.p.A. (the "**Expandi Market**"). The Italian Prospectus has been registered with registration number 7046590 with Consob on May 22, 2007.
Trading on the Expandi Market is expected to commence on June 11, 2007 (the "**Listing Date**"). Payment for and delivery of the Shares is expected to be made on June 11, 2007 (the "**Payment Date**"). The Shares will be eligible for dividends, if any, in respect of the financial year ending September 30, 2007 and subsequent years.

INVESTORS SHOULD BASE THEIR DECISION ON WHETHER TO INVEST IN SHARES ON THE CONTENTS OF THE PROSPECTUS IN THE ITALIAN LANGUAGE ONLY, A COPY OF WHICH ACCOMPANIES THIS DOCUMENT. IN ADDITION, THE "RISK FACTORS" MENTION CERTAIN FACTORS THAT MUST BE TAKEN INTO CONSIDERATION BEFORE MAKING ANY DECISION TO INVEST

The English language translation of parts of the Italian Prospectus contained in this document is provided to potential Institutional Investors for information purposes only and for ease of reference. In the event of any discrepancy between the Italian Prospectus and the English language translation of those parts of the Italian Prospectus contained herein, the Italian Prospectus shall prevail.

The Lead Manager makes no representation or warranty, express or implied, as to the fairness, accuracy, completeness or correctness of this English language translation, and neither the Lead Manager nor any of its directors, members, officers, employees or affiliates accepts any liability whatsoever (in negligence or otherwise) for any loss however arising from any use of this translation or its contents other than for willful default.

MEDIOBANCA
Banca di Credito Finanziario S.p.A.

Coordinator of the Global Public Offering,
Listing Partner, Lead Manager and Sole Bookrunner of the Institutional Placement

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This document consists of information supplied by the Company which may be of particular interest to investors outside Italy. The Global Public Offering is being undertaken on the basis of the Italian Prospectus prepared in accordance with applicable Italian law, an unofficial English translation of which is set out in this document and the original of which accompanies this document.

The distribution of this document, of the Italian Prospectus or of any other such material and the offering or sale of Shares in certain jurisdictions is restricted by law. Persons into whose possession this document, the Italian Prospectus or any other such material may come are required by the Lead Manager and the Company to inform themselves of and to observe any such restrictions. This document, the Italian Prospectus and any other such material may not be used for, or in connection with, any offer to, or solicitation by, anyone in any jurisdiction or in any circumstances where such offer or solicitation is not authorised or is unlawful nor shall any of the foregoing or any part of the foregoing form the basis of or be relied upon in connection with any contract of commitment whatsoever.

No person has been authorised to give any information or make any representations not contained in this document in connection with the Institutional Placement. lf given or made, such information or representations must not be relied upon as having been authorised by the Lead Manager or the Company. Neither the delivery of this document nor any sale made in the Institutional Placement, shall, under any circumstance, create an implication that there has not been any change in the facts set forth in this document or in the affairs of the Company since the date of this document.

The Shares offered in the Institutional Placement may not be offered or sold, directly or indirectly, in Italy or to a resident of Italy, other than to certain qualified investors (the "Qualified Investors"), as defined in articles 25 and 31, paragraph 2 of CONSOB Regulation no. 11522 of July 1, 1998, as amended, but with the exception of natural persons as per article 31, paragraph 2 of CONSOB Regulation 11522/98, asset management companies (società di gestione del risparmio) authorized to manage investment portfolios in accordance with investment instructions given on a discretionary client-by-client basis and fiduciary companies (società fiduciarie) managing portfolio investments (regulated by article 60, paragraph 4 of Legislative Decree no. 415 of July 23, 1996).

Any such offer or sale or any distribution of this English translation of the Italian Prospectus or any rendering of advice in respect of an investment in the Shares within Italy in connection with the Institutional Placement must be conducted by registered securities dealing firms (società d'intermediazione mobiliare or "SIMs"), authorised banks or investment firms (as described by Legislative Decree No. 58 of February 24, 1998) or financial companies enrolled in the special register described in Section 107 of Legislative Decree No. 385 of September 1, 1993 to the extent duly authorised to engage in placement and/or underwriting financial instruments in accordance with the relevant provisions of Legislative Decree No. 58 of February 24, 1998.

*No document issued in connection with the offering of the Shares may be passed on in the United Kingdom, other than to an authorised person or an exempted person (within the meaning of the U.K. Financial Services and Markets Act 2000, the "**FSMA**") or in accordance with all applicable regulations and rules made thereunder.*

*The Company and the relevant shareholder have not authorised any offer to the public of the Shares in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 as amended (the "**Regulations**") or the FSMA. The Shares may not be lawfully offered to persons in the United Kingdom except in circumstances which do not result in an offer to the public in the United Kingdom within the meaning of the Regulations or otherwise in compliance with all the applicable provisions of the Regulations or the FSMA.*

*The Shares offered in the Global Public Offering have not been and will not be: (i) registered under the United States Securities Act of 1933 as amended (the "**Securities Act**") or the securities laws of any State of the United States of America, and may not be offered in the United States of America; or (ii) qualified for distribution under the legislation of the provinces of Canada and may not be offered or sold in Canada; or (iii) registered under the Securities and Exchange law of Japan and may not be offered or sold in Japan; (iv) may not be offered or sold in Australia.*

In connection with the Global Public Offering, Mediobanca, also on behalf of the Underwriting Syndicate for the Institutional Placement, may, in accordance with applicable laws, over allot or effect transactions that stabilize or maintain the market price for SSBT shares at levels that might not otherwise prevail in the open market. Such transactions may be effected on the Expandi Market or otherwise.

Such stabilization, if begun, may be discontinued at any time and will in any event be discontinued 30 calendar days after the Listing Date.

Presentation of Financial Information

The Italian Prospectus has been translated from the one issued in Italy from Italian into English language solely for the convenience of international readers. In particular Section One, Chapter 20 includes the translation of:

- *the Issuer's consolidated interim financial statements as of and for the three months ended December 31, 2006 prepared in accordance with IAS 34;*
- *the Issuer's consolidated financial statements as of and for the year ended September 30, 2006 and the Issuer's statutory financial statements as of and for the year ended September 30, 2005, restated in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS");*
- *the Issuer's statutory financial statements as of and for the year ended September 30, 2005, prepared in accordance with the Italian laws governing the criteria for its preparation including Generally Accepted Accounting Principles In Italy (together "Italian GAAP").*

In addition, for information purposes only, Section One, Chapter 20 provides the translation of Screen Service Italia S.p.A. balance sheet and income statement as of and for the year ended September 30, 2004, as extracted from the Screen Service Italia S.p.A. statutory financial statements as of and for the year ended September 30, 2004, prepared in accordance with Italian GAAP.

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GLOSSARY

Some expressions used in the Prospectus are defined and explained in the following "Glossary".

It being understood that words in their singular form shall include the plural form and words in their plural form shall include the singular, in the Prospectus the following terms shall have the following meanings:

Advisor	means *Cimino e Associati Private Equity S.p.A.*, with its registered office in Milan, Corso Matteotti, n. 9.
Shares	means SSBT's ordinary shares, with no par value, available for the Global Public Offering.
Selling Shareholder	means Screen Group.
Italian Stock Exchange or Borsa Italiana	means Borsa Italiana S.p.A., with its registered office in Milan, Piazza degli Affari n. 6.
CNPEF	means the closed-end investment fund regulated by the Italian law and named "Cape Natexis Private Equity Fund" organized and managed by Cape-Natixis SGR S.p.A., with its registered office in Milan, Corso Matteotti n. 9, registered as savings management company under number 162.
Self-Discipline Code	means the Self-Discipline Code applicable to listed companies and drawn up by the Corporate Governance Committee and promoted by Borsa Italiana.
Institutional Placement	means the placement intended for Institutional Investors in Italy and abroad, except for the United States of America, Australia, Canada and Japan, in compliance with the limits set by the law and with the Regulation S of the United States Securities Act of 1933, as later amended, except for any exemptions allowed by the applicable law provisions.
Dealers	means the banks and securities brokerage companies participating in the Underwriting Syndicate for the Public Offering.
On-line dealers	means the Dealers who will be collecting the on-line subscriptions from the general public through the telematic collection system.
Consob	means the National Commission for Listed Companies and Stock Exchange (*Commissione Nazionale per le Società e la Borsa*) with its registered office in Rome, via Martini n. 3.
Underwriting syndicate for the Institutional Placement	means the underwriting syndicate for the Institutional Placement.
Underwriting syndicate for the Public Offering	means the underwriting syndicate for the Public Offering.
Coordinator of the Global Public Offering and Sole Bookrunner of the Institutional Placement	means Mediobanca.

Payment Date	means on 11th June, 2007.
Prospectus Date	means the filing date of the Prospectus with Consob.
Employees	means the employees of SSBT and of its direct or indirect subsidiaries (pursuant to article 93 of the Consolidated Act), residing in Italy at 31st March 2007 and holding office at that time by virtue of a open-end or fixed-term subordinate labour contract or by virtue of a work/training contract and being registered, at that time, on the relevant registration books prescribed by the applicable Italian law provisions.
Issuer	means SSBT.
Fondamenta	means the closed-end investment fund regulated by the Italian law and named "Fondamenta SSGI", organized and managed by State Street Global Investments SGR S.p.A., with its registered office in Milan, Via Mazzini n. 2, registered as savings management company under number 100.
IFRS	means all 'International Financial Reporting Standards', all 'International Accounting Standards' (IAS), all interpretations of the 'International Reporting Interpretations Committee' (IFRIC), formerly named 'Standing Interpretations Committee' (SIC).
Lock-Up Agreements	means the commitments - as better detailed in Section Two, Chapter 7, Paragraph 7.3 of the Prospectus - to be undertaken by the Issuer and by Screen Group's shareholders, within the framework of the agreements scheduled to be entered into by the Selling Shareholder for the Global Public Offering, towards Mediobanca, also relating to the prohibition from selling or disposing of the Issuer's shares for 24 months (liable to be reduced to 12 months with regard to CNPEF and Fondamenta) starting from the initial date of trading for the Issuer's shares on the Expandi Market.
Price Range	means the price range of the Shares of Company from a minimum value, which is not binding for the purpose of determining the Offer Price, equal to 1.35 euros per Share and a maximum value, which is binding for the purpose of determining the Offer Price, equal to 1.80 euros per Share.
Qualified Investors	means the qualified investors, as defined by articles 25 and 31, paragraph 2 of the regulations adopted by Consob's resolution no. 11522 dated 1st July 1998 as later amended (except for the individuals mentioned in the same art. 31, paragraph 2, except for investment portfolio management companies allowed to supply their services on an individual basis on third parties' behalf and except for trust companies which provide investment portfolio management services, even under fiduciary ownership, in accordance with article 60, paragraph 4 of Legislative Decree 23rd July 1996, no. 415).
Institutional investors	are both Qualified Investors in Italy and institutional investors, except for the United States of America, Canada, Australia and Japan.

Lead Manager of the Institutional Placement	means Mediobanca.
Listing Partner	means Mediobanca.
Minimum Lot	means the minimum number of 3,000 Shares that can be booked within the framework of the Public Offering.
Increased Minimum Lot	means the increased minimum lot of no. 30,000 Shares available to be booked within the framework of the Public Offering.
MBITL	means M.B. International Telecom Labs S.r.l., with its registered office in Brescia, via Giuseppe di Vittorio n. 17.
Mediobanca	means Mediobanca – Banca di Credito Finanziario S.p.A., with its registered office in Milan, Piazzetta Enrico Cuccia n. 1.
Monte Titoli	means Monte Titoli S.p.A., with its registered office in Milan, via Mantegna 6.
Expandi Market	means the Expandi Market organized and managed by Borsa Italiana.
Offering to Employees	means the offer of 3 Minimum Lots, included in the Public Offering and reserved for the Employees.
Global Public Offering	means the public offering for the sale and subscription of 69,250,000 Shares, aimed at having the Company's shares admitted to trading on the Expandi Market, including both Public Offering and Institutional Placement.
Public Offering	means the public offering for the sale and subscription of a minimum number of 6,925,000 Shares, addressed to the general Italian public, of which a maximum number of 675,000 Shares are reserved for the Offering to Employees.
Greenshoe Option	means the option for the purchase, at the Offer Price, of a maximum number of 6.925.000 Shares - corresponding to a 10% portion of the number of Shares proposed by the Global Public Offering - reserved for the recipients of the Institutional Placement.
Over Allotment	means the allotment of a number of Shares higher than the number of Shares under Offer, within the framework of the Institutional Placement.
Related Parties	means the related parties as defined by principle no. 24 of the 'International Accounting Standards' (IAS).
Offer Period	means the time period fixed between h. 9:00 of 28th May 2007 and h. 16:30 of 6th June 2007 when the Public Offering will take place, except for the Offering to Employees.
Offer Period for the Employees	means the time period between h 9:00 of 28th May 2007 and h 16:30 of 5th June 2007 when the Offering to Employees will take place.
Offer price	means the price fixed at the end of the Global Public Offering, at which the Shares will be sold within the framework of the Global Public Offering.

Maximum Price	means the maximum value of the Price Range.
Italian Accounting Standards	means the law provisions in force at the reference date of each balance sheet of the Issuer, which regulate the criteria for drawing up the balance sheets, as interpreted and supplemented by the accounting principles set forth by the National Council of Chartered Accountants.
Promoters	means the Issuer and the Selling Shareholder.
Prospectus	means the explanatory prospectus, relating to the Global Public Offering, for the listing of the shares on the Expandi Market.
PWC	means PricewaterhouseCoopers S.p.A., with its registered office in Milan, via Monte Rosa n. 91.
Stock Exchange Regulations	means the Regulations in force on the Markets organized and managed by Borsa Italiana, applicable at the Prospectus Date.
Issuers' Regulations	means the Regulations approved by Consob's resolution no. 11971 dated 14th May 1999, as later amended and supplemented.
Brokers' Regulations	means the regulations approved by Consob's resolution dated 1st July 1998, n. 11522 as later amended and supplemented.
Lead Manager	means Mediobanca.
Screen Group	means Screen Group S.p.A., with its registered office in Brescia, via Aldo Moro n. 5.
Company	means SSBT.
Auditing Company	means PWC.
SSA	means Screen Service America LLC, with its registered office in 6095 NW 167th Street, Suite D-10, Miami, Florida 33015, U.S.A.
SSBT	means Screen Service Broadcasting Technologies S.p.A., with its registered office in Brescia, via Giuseppe di Vittorio n. 17.
SSI	means Screen Service Italia S.p.A., merged through incorporation into SSBT on 30th May 2005.
SSS	means Screen Service Systems S.r.l., with its registered office in Viterbo, via Vico Quinzano n. 2.
Articles of Association	means the Issuer's articles of association adopted by resolution of the Issuer's extraordinary general meeting on 19th February 2007.
Consolidated Act / Legislative Decree 58/1998	means the Legislative Decree no. 58 of 24th February 1998 as later amended and supplemented (so-called "Consolidated Financial Act").

TECHNICAL GLOSSARY

In the Prospectus, the following expressions will have the following meanings:

Amplifier	means the device enabling to increase the power of a modulated TV signal.
ATSC	means the standard for broadcasting the digital TV signal, through the terrestrial network, as adopted in the United States and proposed by the Advanced Television Systems Committee.
RF Band	means the radio frequency band used by the devices.
COFDM (Coded Orthogonal Frequency Division Multiplexing)	means the modulation of digital information by a multi-carrier, which characterizes the DVB-T standard.
DVB (digital video broadcasting)	means the association which has developed and proposed the technical reference rules (standards) for the broadcasting of digital TV signals in Europe.
DVB-C (digital video broadcasting cable)	means the standard, as defined by DVB, for broadcasting the digital TV signal by cable.
DVB-H (digital video broadcasting handheld)	means the standard for broadcasting the TV digital signal, as defined by DVB, by air towards the mobile terminal.
DVB-S (digital video broadcasting satellite)	means the standard, defined by the DVB, for the digital video broadcasting by satellite.
DVB-T (digital video broadcasting terrestrial)	means the standard, defined by the DVB and adopted in Europe, Australia and Asia, for broadcasting the digital TV signal through the terrestrial network.
Encoder	means the device enabling to compress the TV signal.
Exciter	means the device enabling to modulate the TV signal and to convert it to the output frequency.
Encoding Phase	means the phase of the TV Broadcasting process when the data are compressed.
Broadcasting Phase	means the phase when the TV signal is aired by the broadcasting stations locations to the end users.
Modulation Phase	means the phase when the TV signal is converted and modulated on an intermediate frequency.
Multiplexing Phase	means the phase when the Transport Streams are aggregated into one data flow.
Playout Phase	means the phase when the TV contents are organized in an archive, featured as a programme schedule and converted into audio-visual signals.
Reception Phase	means the phase when the TV signal is received by the end user’s receiving system.

Transport Phase	means the phase when the TV signal is carried by the broadcasting studio to the various broadcasting locations.
Modulator	means the device which generates a radio frequency containing the basic information (analogue audio and video or digital transport streams) and which encodes it according to the selected modulation scheme.
MPEG-2 (Motion Picture Expert Group)	means the signal-compression standard used by most video systems currently in use.
MPEG-4 /H.264	means the signal-compression standard developed for the DVB-H systems and for those of the next generation.
Multiplexer	means the device enabling to aggregate more signals into just one flow (Transport Stream).
Radio Links	means the devices which make up the Distribution Network, ensure one-way or two-way links between two points of transmission, thus allowing the TV signal to be carried, in both analogue and digital mode, among the broadcasting studios and from the studios to the transmitters.
TV Broadcasting	means the set of facilities and devices enabling to carry the TV signal from the broadcasting studio to the end users.
Analogue TV Broadcasting	means the set of facilities and devices enabling to carry the analogue TV signal from the broadcasting studio to the end users.
Digital TV Broadcasting	means the set of facilities and devices enabling to carry the digital TV signal from the broadcasting studio towards the end users.
Digital Mobile TV Broadcasting	means the set of facilities and devices enabling to carry the digital TV signal from the broadcasting studio towards the end users' mobile terminals.
Broadcasting Network	means the set of devices delivering the TV signal to the users.
Distribution Network	means the set of devices distributing the TV signal, released from the Playout Phase, to the Transmitters.
Repeater	means the device which transmits a signal by receiving it from another Transmitter without changing the modulation scheme of the signal received or used in blind areas, thus guaranteeing full-area coverage within the area to be covered, or in marginal areas where a transmitter would be too expensive.
Transport Stream	means the data flow composed of audio, video and ancillary information, multiplexed in such a way as to be broadcast on a digital network.
Transmitter	means the device and/or equipment enabling to broadcast the TV signal, duly modulated, to the user-base.
UHF (Ultra High Frequency)	means the frequency band between 300 and 3000 MHz (for TV transmissions, use is made of frequencies ranging between 470 and 860 MHz).

VHF (Very High Frequency) means the frequency band between 30 and 300 MHz (for TV transmissions, use is made of frequencies ranging between 41 and 88 MHz and between 154 and 254 MHz).

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SUMMARY

This summary (the "**Summary**") contains the main information helpful to the investors when properly assessing the Issuer's financial situation, assets and liabilities, economic results and prospects, as well as the rights connected to the Shares covered by the Global Public Offering.

It must be however expressly pointed out that:

- this Summary must be read as a mere introduction to the Prospectus;
- any decision to invest in the Issuer's Shares must be based on the investor's evaluation of the whole Prospectus;
- should any complaint be filed before any competent judicial authority with regard to the information contained in the Prospectus, then the complaining investor may be asked, under the relevant member State's national law, to sustain the expenses for the translation of the Prospectus before the beginning of the proceedings;
- legal liability is borne by those who have drawn up the Summary and its translation, only in case it is misleading, incorrect or inconsistent when read in conjunction with the other parts of the Prospectus.

The words with initial capital letters are defined in the section entitled "Glossary" and "Technical Glossary" of the Prospectus. The references to Sections, Chapters and Paragraphs are meant to refer to Sections, Chapters and Paragraphs of the Prospectus.

Below please find the titles of the Risk Factors relating to the Issuer, to the business sector where it operates and to the financial instruments being offered. For a detailed analysis of the Risk Factors, please refer to Section One, Chapter 4 of the Prospectus.

RISK FACTORS RELATING TO THE ISSUER'S BUSINESS

RISKS RELATING TO CUSTOMER CONCENTRATION

RISKS RELATING TO THE DEPENDENCY ON KEY MANAGERS

RISKS ARISING FROM THE DIFFICULTY IN PROTECTING THE INTELLECTUAL PROPERTY

RISKS RELATING TO THE ISSUER'S MANUFACTURING PLANT'S ACTIVITY

RISKS ARISING FROM THE OUTWARD GROWTH

RISKS RELATING TO CNPEF AS A CLOSED-END INVESTMENT FUND

RISKS RELATING TO THE CUSTOMERS' PAYMENT TIMES

RISKS RELATING TO THE FAILURE TO ADJUST THE CORPORATE GOVERNANCE SYSTEM TO THE APPLICABLE REGULATIONS

RISKS ARISING FROM THE FAILURE TO IMPLEMENT THE ORGANIZATIONAL MODEL PURSUANT TO LEGISLATIVE DECREE 231/2001

RISKS RELATING TO THE ISSUER'S DIVIDEND POLICY

RISKS RELATING TO THE ISSUER'S INDEBTEDNESS

PRIORITY AND FORWARD-LOOKING STATEMENTS, ESTIMATES AND INTERNAL EVALUATIONS

RISKS RELATING TO THE SECTOR WHERE THE ISSUER OPERATES

RISKS RELATING TO DELAYS IN THE TRANSITION TO DIGITAL TECHNOLOGY

RISKS RELATING TO TECHNOLOGICAL DEVELOPMENT

Risks relating to the development of alternative ways of transmitting the TV broadcasting signal and the mobile phone signal

Risks arising from the reference regulatory framework

Risks relating to harsher competition

Risks relating to the Global Public Offering and to the financial instruments being offered

Previous transactions on the Issuer's shares - Price Range

Risks arising from general problems relating to market liquidity

Lock-up agreements

Risks relating to any conflict of interest arising between subjects involved in the Global Public Offering

A. IDENTITY OF DIRECTORS, KEY MANAGERS, ADVISORS AND AUDITORS

Directors and key managers

At the Prospectus Date, the Issuer's board of directors, composed of 10 members holding office, has been appointed by the general meeting of 19th February 2007 and shall remain in office until the date of the general meeting convened for the adoption of the Issuer's financial statements relating to the financial year scheduled to be closed at 30th September 2009.

The members of the board of directors are listed in the following chart:

Position	Name and surname	Place and date of birth
Chairman	Carlo Bombelli	Vaiano Cremasco (CR), 24 January 1960
Vice chairman and managing director	Giovanni Saleri	Crema (CR), 27 December 1965
Managing director	Giuseppe Gatti	Palazzolo sull'Oglio (BS), 8 December 1965
Managing director	Alessandro Sponchioni	Crema (CR), 9 November 1971
Managing director	Michele Bargauan	Milan (MI), 7 February 1952
Director	Simone Cimino	Porto Empedocle (AG), 25 July 1961
Director	Guido De Vecchi	Milan (MI), 4 August 1966
Director	Marco Vismara	Milan (MI), 23 marzo 1965
Independent director	Francesco Marena	Genoa (GE), 19 July 1936
Independent director	Dante Daniele Buizza	Travagliato (BS), 5 November 1950

The members of the board of directors are all domiciled for business purposes at the Issuer's registered office.

The following chart sets out the information relating to the Issuer's key *managers* at the Prospectus Date:

Position	Name and surname	Place and date of birth	Seniority
Sales manager	Gianluca Baccalini	Milan (MI), 2 March 1968	2 years
Operation manager	Alberto Pavesi	Milan (MI), 22 November 1972	2 years
Chief marketing officer in charge of the customer care	Fabio Ranza	Brescia (BS), 10 August 1972	3 years

For further information on the Company's directors and key managers, please refer to Section One, Chapter 14, Paragraph 14.1.

Advisors and auditors

Mediobanca acts as Coordinator of the Global Public Offering and Sole Bookrunner and Lead Manager for the Institutional Placement, as well as Listing Partner and Placement Manager.

PricewaterhouseCoopers S.p.A is the auditing company appointed to audit the financial statements closed at 30th September 2006 and 2005, as well as the consolidated financial statements for the financial year closed at 30th September 2006, and, for the sole purpose of inserting it into the Prospectus, also the financial statements closed at 30th September 2004.

B. CALENDAR FOR THE DEAL

Time schedule for the Global Public Offering

The Public Offering, except for the Offering to Employees, shall commence at h. 9:00 on 28th May 2007 and shall end at h. 16:30 on 6th June 2007 (the "**Offer Period**"), unless postponed, extended or closed before time, to be duly announced in writing. Any subscription coupons received by the Dealers before h. 9:00 on 28th May 2007 and after h. 16:30 on 6th June 2007 shall be unacceptable and considered void.

The Offering to Employees shall commence at h. 9:00 on 28th May 2007 and end at h. 16:30 on 5th June 2007 (the "**Period of the Offering to Employees**"), unless postponed, extended or closed in advance, to be duly announced in writing. Any subscription coupons received by the Dealers before h. 9:00 on 28th May 2007 and after h. 16:30 on 5th June 2007 shall be unacceptable and considered void.

The following chart specifies the time schedule for the deal:

Activities	
Publication of a notice containing the list of Dealers	By 27th May 2007
Commencement of the Public Offering, except for the Offering to Employees	28th May 2007
Commencement of the Offering to Employees	28th May 2007
Termination of the Offering to Employees	5th June 2007
Termination of the Public Offering, except for the Offering to Employees	6th June 2007
Disclosure of the Offer Price	By 8th June 2007
Payment Date and scheduled commencement of trading	11th June 2007

For further information, please refer to Section Two, Chapter 5.

C. INFORMATION ON THE ISSUER; ISSUER'S HISTORY AND DEVELOPMENT; BUSINESS OVERVIEW

Information on the Issuer

The Issuer is a joint-stock company established under the Italian law in Italy in the form of a limited liability company, as notarized by Mr. Francesco D'Ercole from Vicenza, *rep. n.* 55452 *racc. n.* 9946 on 20th November 1991, with its registered office in Brescia, Via Giuseppe Di Vittorio n. 17, registered into the Trade Register of Brescia under no. 02235770241, *REA* number 458947.

At the Prospectus Date, the Issuer's share capital, fully subscribed and paid up, is equal to 12,100,000 euros and subdivided into no. 127,050,000 ordinary shares without indication of the par value.

Issuer's history and development

The Issuer, incorporated on 20th November 1991 under the original corporate name of Villa Cedri S.r.l., has been converted during 2004 into a joint-stock company, thus changing its name into the new one.

On 29th September 2004, the Issuer, having been basically inactive until then, has purchased 100% of the share capital of SSI, a company engaged in engineering, manufacturing and marketing TV broadcasting devices, thus becoming a holding company. Subsequently, during 2005, the Issuer has absorbed SSI and therefore become an operating company.

The Issuer began its activity at the end of the '80s, when Carlo Bombelli, with his year-long experience in the TV broadcasting sector, founded SSI in Brescia, a company engaged in managing, maintaining and selling TV and radio equipment, two-way transmitters and electronic devices in general until 1994, when the business line based on the maintenance of TV broadcasting networks was dismembered and sold, and SSI began its activity as a commercial company for the distribution of analogue transmitters manufactured by third parties.

In 1998, thanks to its expertise developed by servicing, installing and marketing devices manufactured by third parties, SSI started the internal production of analogue TV transmitters in order to meet mostly foreign customers' technological demand. Still in 1998, SSI purchased a business line committed to designing, manufacturing and testing TV electronic devices and, particularly, radio and TV microwave links. Starting from 1999, in cooperation with an engineering company based in Milan, M.B. International S.r.l., SSI has widened its own range of products by creating digital TV transmitters. Moreover, starting from 2006, it has added the Digital Mobile TV transmitters.

During 2004, within the framework of a leveraged buy-out transaction relating to the company SSI, CNPEF and Fondamenta made their first appearance in the Issuer's share capital. The transaction is accomplished by using Villa Cedri S.r.l. as a vehicle company, *i.e.* the current Issuer, which had been basically sleeping until then and whose stake is purchased from the previous shareholders by CNPEF for the specific purpose of completing the acquisition of SSI. Within the framework of said transaction, Villa Cedri S.r.l. has been turned into a joint-stock company, has changed its corporate purpose, increased its own share capital – in order to allow the founders to reinvest – and has taken its current corporate name.

Following the purchase and sale, the founders of SSI, have reinvested in SSBT by purchasing an overall 40% stake in the Issuer, whereas CNPEF and Fondamenta turn out to respectively hold a stake of 54.55% and 5.45% in the Issuer's share capital.

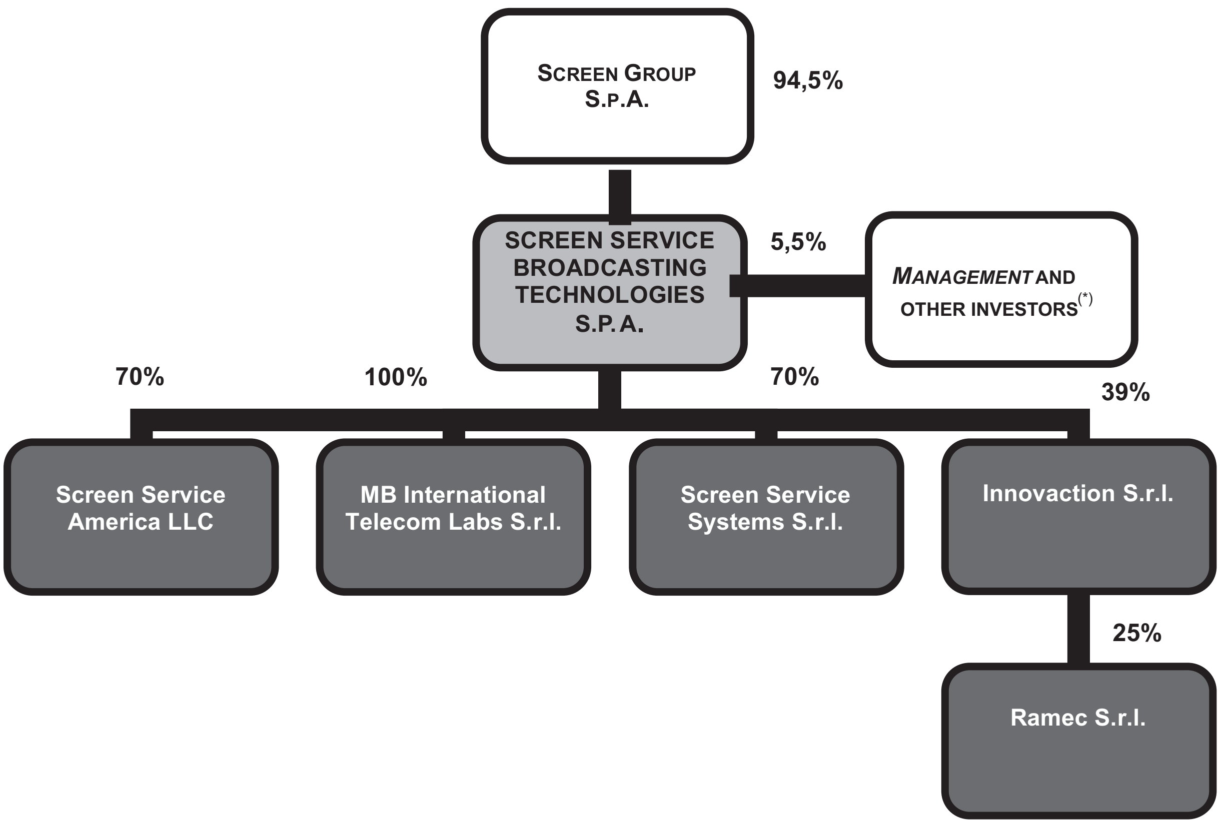
Between 2004 and 2005, the Issuer has acquired a stake in Innovaction S.r.l. – a company engaged in studying, engineering and implementing designs and prototypes for electronic devices, transmitters and receivers for TV Broadcasting – and has incorporated SSA for the purpose of establishing an operating office in the United States in order to monitor the North and South American markets. In addition, the Issuer has acquired the whole stake in MBITL, a company active in research, development, production and sale of hardware and software solutions for Digital TV Broadcasting and Digital Mobile TV Broadcasting.

During 2006, SSBT's shareholders have carried out an equity restructuring transaction for SSBT itself, by transferring 100% of SSBT's share capital to Screen Group, inactive until then, and by leading nearly all shareholders to immediately reinvest in Screen Group's share capital, through subscription of a capital increase and through *pro-quota* subscription of a convertible bonded loan scheduled to last seven years starting from 30th September 2006.

Finally, still during 2006, the Issuer has entered the share capital of SSS, a newly incorporated company committed to installing, maintaining and repairing radio and TV transmitters, in addition to the supply of supplemental services, such as technical and marketing consulting services for the installation of telecommunications systems, and the fulfillment of the formalities required for turn-key delivery of the products.

For further information on the Issuer's history and development, please refer to Section One, Chapter 5, Paragraph 5.1.

The Issuer does not belong to any group. The following graph shows SSBT's subsidiaries and affiliates, specifying the percentage of share capital held by SSBT in each of them. The Issuer supervises and coordinates the subsidiaries, pursuant to articles 2497 and ff. of the Civil Code.



(*) Through the trust companies Aletti Fiduciaria S.p.A., UBS Fiduciaria S.p.A. and Istifid Fiduciaria S.p.A.

Business overview

The Issuer's activity consists in:

- engineering, manufacturing and marketing technological devices and solutions both in Italy and abroad; and
- the implementation and integration of complete systems mostly used for the transmission of the terrestrial TV signal and, marginally, for the transmission of the satellite TV signal, in analogue and digital mode, as well as the TV signal for mobile phones.

The broadcasting process enabling to carry the audio-visual, whether analogue or digital, from the broadcasting studio to the end users can take place in terrestrial mode, by satellite and by cable. As mentioned above, the Issuer's products are mostly designed for the transmission of the signal in terrestrial mode and particularly:

- for the Digital TV Broadcasting, consisting in broadcasting the terrestrial TV signal through digital technology;
- for the Analogue TV Broadcasting, consisting in broadcasting the terrestrial TV signal through analogue technology;
- for the Mobile Digital TV Broadcasting, consisting in broadcasting the terrestrial TV signal for mobile phones, through digital technology.

SSBT offers a wide range of products and single or integrated services, covering the different phases of the Digital TV Broadcasting process, Analogue TV Broadcasting process and Digital Mobile TV Broadcasting process, except for the Playout phase.

The following chart summarizes the key strengths of the Issuer's products:

Compact size	Due to the compact size of the Issuer's products, customers can maximize the space they hire in transmission towers. As a result they can reduce hiring fees for tower spaces, which are usually calculated on the basis of space actually occupied. Furthermore, maintenance and substitution of devices in smaller equipment is easier.
Power saving equipment	All equipment produced by the Issuer allows significant power saving in the overall network costs.
Reliable equipment	Every single SSBT device is tested in-house before being shipped, simulating every weather condition with dedicated equipment, thus reducing the risk of damaged equipment.
Standardized components	The high level of standardization enables SSBT to use the same sub-systems in a wide set of products, thus reducing the stocks needed for assistance purposes and costs of operation, as a consequence.
Multistandard devices	All Issuer's latest transmitters are designed to permit their use in different digital standards and, with no modification or calibration, also in analog standards. This gives customers a greatest flexibility in the period of transition from analog to digital broadcasting, as well as longevity for their investments.
Easy remote control	All devices produced by the Issuer can be controlled and managed remotely even without dedicated software (devices can easily be reached from an internet browser). This drastically reduces the expenditure needed in terms of monitoring and tele-monitoring infrastructure.
Modular devices	Modular devices destined to Analogue TV Broadcasting and Digital TV Broadcasting allows, in case of malfunctioning, to replace only the broken components. This means faster maintenance and fixing, quickly restoring the signal transmission.

For further information on the Issuer's business and products, please refer to Section One, Chapter 6, Paragraph 6.1 of the Prospectus.

D. RESEARCH AND DEVELOPMENT; PATENTS AND LICENSES

Research and development

The Issuer carries out research and development with a focus on the engineering of TV Broadcasting devices, on the realization of innovative products, with special reference to digital technology, and on the development of manufacturing processes aimed at enhancing the efficiency of those devices and minimizing the costs.

During financial years closed at 30th September 2006 and 30th September 2005, the Issuer has incurred expenses relating to R&D respectively amounting to 301,927 euros and 548,180 euros and respectively accounting for about 0.9% and 3.2% of the Issuer's consolidated revenues.

Said expenses are particularly low because the Issuer is capable of carrying out R&D at its own laboratories, thus minimizing the outsourcing and keeping the costs low.

Moreover, it must be noted that the amount relating to financial year 2006 is significantly lower than that of financial year 2005 due to the acquisition of MBITL, a R&D company operating worldwide in the TV Broadcasting sector, acquired by the Issuer by investing 2,590,000 euros during financial year 2005. Said company has been appointed to carry out R&D activities on behalf of the Issuer, with a consequent reduction in costs.

For further information on the Issuer's R&D, please refer to Section One, Chapter 6, Paragraph 6.1.1.3 and Chapter 11, Paragraph 11.1 of the Prospectus.

Patents and licenses

As a rule, the Issuer has so far decided not to patent most results of its research because of the high risk of imitation; in fact, in the Issuer's opinion, whenever the technical construction specifications are disclosed, it would be sufficient to replace a component or to even slightly change the functioning *software* in order to dodge the patent restrictions. Moreover, innovation in the field of *software* and particularly in digital technology is so fast that there is no point in incurring any costs for patent protection.

However, at the Prospectus Date, the Issuer and MBITL – its subsidiary company committed to devising, engineering, developing and implementing TV Broadcasting devices – are the patentees of a few patents, as better detailed in Section One, Chapter 11, Paragraph 11.2.

E. EMPLOYEES

At 30th September 2006, the Issuer is employing 35 employees throughout Italy. For further information on the employees of the Issuer and of its subsidiaries, please refer to Section One, Chapter 17, Paragraph 17.1.

F. MAJOR SHAREHOLDERS AND TRANSACTIONS WITH RELATED PARTIES

Major shareholders

At the Prospectus Date, Cape-Natixis SGR S.p.A., through CNPEF, being the management company of the same fund, holds 53% of the share capital of Screen Group, which in turn holds about 94.5% of the Issuer's share capital.

Development in the body of shareholders following the Global Public Offering

The following chart depicts the Issuer's corporate structure at the Prospectus Date and its development in case of full placement of the Shares under the Global Public Offering and in case of full exercise of the Greenshoe Option.

	Situation at the Prospectus Date		Number of Share for the Global Public Offering		Post-sale situation		Greenshoe Option	Post-sale and post-Greenshoe Option	
Shareholder	**No. Shares**	**%(*)**	**Sale**	**Subscription**	**No. Shares**	**%(*)**	**No. Shares**	**No. Shares**	**%(*)**
Screen Group S.p.A.	120,120,000	94.55	57,800,000	–	62,320,000	45.00	–	55,395,000	40.00
Istifid Fiduciaria S.p.A.	2,310,000	1.82	–	–	2,310,000	1.67	–	2,310,000	1.67
UBS Fiduciaria S.p.A.	2,310,000	1.82	–	–	2,310,000	1.67	–	2,310,000	1.67
Aletti Fiduciaria S.p.A.	2,310,000	1.82	–	–	2,310,000	1.67	–	2,310,000	1.67
Market	–	–	-	11,450,000	69,250,000	50.00	6,925,000	76,175,000	55.00
Total amount	**127,050,000**	**100**	**57,800,000**	**11,450,000**	**138,500,000**	**100**	**6,925,000**	**138,500,000**	**100**

(*) The above percentages are rounded up.

Following the Global Public Offering, in case of full placement of the Shares, the stake held (through Screen Group) in the Company by Cape-Natixis SGR S.p.A., through CNPEF, being the management company of the same fund, will be such as to suggest that Cape-Natixis SGR S.p.A. itself can actually keep its control over the Issuer, under article 93 of the Consolidated Act; however, the influence that Cape-Natixis SGR S.p.A., through CNPEF, being the management company of the same fund, will be able to exercise on the shareholders' meeting can be duly assessed only based on the behaviours actually held by its shareholders during the first ordinary shareholders' meeting held after the Prospectus' Date.

For further information, please refer to Section One, Chapter 18, Paragraph 18.1 of the Prospectus.

Transactions with related parties

The relations kept by the Issuer with its subsidiaries (so-called intragroup relations) and with other Related Parties, as identified by IAS 24, are mostly commercial, with a focus on the purchase and sale of products or supply of services.

In the Issuer's opinion, all relations kept with Related Parties are regulated at arm's length.

Apart from what is described below and apart from the typical or usual intragroup transactions, no significant transactions have been carried out by the Issuer with Related Parties during financial years 2006 and 2005.

Lease agreements

SSBT hires the premises where offices and industrial activities are located, in Brescia (BS), Via Giuseppe di Vittorio n. 17, by virtue of a lease agreement entered into on 17th November 2004 between SSI and Fincinque S.r.l., whereby SSBT replaces SSI, as a result of the latter's merger through incorporation, occurred on 30th March 2005. Fincinque S.r.l. becomes the owner of said real properties after having absorbed SSI's real estate business line dismembered through partial splitting on 22nd September 2004. Fincinque is directly participated by the Issuer's shareholders and directors Carlo Bombelli, Giuseppe Gatti, Giovanni Saleri and Alessandro Sponchioni. The agreement is scheduled to expire on 1st October 2010 and expected to be tacitly renewed for further six-year periods, unless either party terminates it earlier. The yearly fee amounts to 150,000 euros.

MBITL hires the premises located at Baranzate (MI), Via Milano n. 255, where its offices and laboratories are established, by virtue of two lease agreements entered into on 13th January 2006 and 25th February 2006 with M.B. International S.r.l., directly participated by the shareholder of Screen Group and Issuer's director Michele Bargauan. The agreements are scheduled to expire, respectively, on 31st December 2011 and on 28th February 2011 and expected to be tacitly renewed for further six-year periods. The yearly rental fees respectively amount to 60,000 euros and 25,000 euros.

R&D agreements and use licence agreements

On 14th January 2005, Innovaction S.r.l. and MBITL, formerly M.B. International S.r.l., have entered into an agreement, amended on 18th January 2005 and without any time limit, whereby MBITL undertakes to design and to license an FM modulator card – allowing a direct channel modulation - in favour of Innovaction S.r.l. Under said agreement, Innovaction S.r.l. undertakes to pay to MBITL an initial fixed amount of 30,000 euros in addition to half-yearly royalties in variable amounts dropping from 150 euros to 50 euros according to the number of cards sold, while Innovaction S.r.l. shall retain full ownership of the products manufactured by using that license.

Guarantees

On 7th June 2005, SSBT has issued a first-demand bank guarantee in favour of *Banca Popolare Commercio e Industria S.p.A.*, in the interest of Innovaction S.r.l., as collateral for the loan of 300,000 euros granted to the latter by Banca Popolare Commercio e Industria S.p.A.

Intragroup loans

As shareholders' loans, the Issuer has granted a series of loans to SSS during 2006 and the first months of 2007, for an overall amount of 160,000 euros, and to SSA between the end of 2005 and June 2006, for an overall amount of about 554,430 euros, in order to support the performance of their respective activities.

Particularly, on 8th December 2006, SSA's legal representative, Raul Garcia, has subscribed a *promissory note,* whereby SSA acknowledges having received the amount of USD 678,335, equal to about 554,430 euros, as a loan, and thus undertakes to return it, upon request by SSBT, starting from 8th December 2036, along with the interest accrued at a rate of 5% per annum. As collateral for said loan, a mortgage has been raised in favour of SSBT on the real estate owned by SSA.

Commercial intragroup relations

The following chart sets out the credits and debts, as well as revenues and costs, between the Issuer and its subsidiaries and/or affiliates with reference to financial years closed at 30th September 2006 and 30th September 2005[1]:

[1] These data have been excerpted from the consolidated balance sheet at 30th September 2006 and from the financial statements at 30th September 2005, re-stated according to the IFRSs adopted by the European Union.

Company and type of commercial relationship	**30th September**	
(thousand euros)	**2006**	**2005**
Accounts receivable:		
SSA	11	–
Innovaction S.r.l.	586	246
Accounts payable:		
Innovaction S.r.l.	421	549
Operating costs:		
Innovaction S.r.l.	1,592	2,162
Revenues:		
SSA	11	–
Innovaction S.r.l.	950	906

For further information on the transactions with Related Parties, please refer to Section One, Chapter 19 of the Prospectus.

G. KEY INFORMATION RELATING TO SELECTED FINANCIAL DATA; EXPECTED TRENDS

A summary of the key selected financial information of the Issuer relating to the quarter ended December 31, 2006 and to the years ended September 30, 2006, 2005 and 2004 is provided below. This information was taken from the following documents:

- the interim consolidated financial statements at December 31, 2006 of the Issuer, prepared in accordance with IAS 34 and exclusively for inclusion in the present Prospectus, subject to a limited audit, for which reference should be made to the Auditing Company's report issued on March 22, 2007 (See Section One, Chapter 20, Paragraph 20.1.1);
- the consolidated financial statements at September 30, 2006 and financial statements at September 30, 2005 of the Issuer, restated in accordance with IFRS adopted by the European Union, prepared exclusively for inclusion in the present Prospectus, and subject to a full audit, for which reference should be made to the Auditing company's report issued on February 16, 2007 (See Section One, Chapter 20, Paragraph 20.1.2); it should be noted that the Issuer prepared the consolidated financial statements for the first-time from the year ended September 30, 2006, following the acquisition of control in MBITL;
- the financial statements at September 30, 2005 of the Issuer, prepared in accordance with Italian GAAP, and subject to an audit, for which reference should be made to the Auditing Company's report of February 7, 2006 (See Section One, Chapter 20, Paragraph 20.1.3).

The financial statements as at September 30, 2004 of the Issuer, prepared in accordance with Italian GAAP, and subject to an audit, for which reference should be made to the Auditing Company's report of March 5, 2007, are attached as an Appendix to the present Prospectus and are not reproduced in Section One, Chapter 20 of the Prospectus.

The following financial information must be read in conjunction with Chapters 3, 9, 10 and 20 of the Section One of the present Prospectus.

It should be noted that at September 30, 2004, the Issuer, originating from the transformation into a limited company of a substantially inactive company (Villa Cedri S.r.l.), was a non-operating holding company, whose assets were comprised almost exclusively of the 100% holding in the share capital of SSI. Only from March 30, 2005, with the completion of the merger by incorporation of SSI and the Issuer, did the company become operative.

For such reason, as well as to give a more complete information, SSI's balance sheet and income statement referring to the same year have also been reproduced in Section One, Chapter 20, Paragraph 20.1.4.

Principal selected financial information relating to the quarter ended December 31, 2006, prepared in accordance with IAS 34.

	Quarter to December 31	
in Euro thousands	**2006**	**2005**
Revenues from production	16,191	4,971
Operating result	10,342	1,720
Net profit for period	6,308	923
EBITDA[1]	10,458	1,758

in Euro thousands	**At December 31 2006**	**At September 30 2006**
Assets	63,940	50,285
Shareholders' equity	35,945	26,560
Net debt [2]	(1,541)	(10,856)

[1] The EBITDA is defined as the net profit for the period plus income taxes, financial income and charges and amortisation/depreciation. As the EBITDA is not identified as an accounting measure, either within Italian GAAP or by IFRS adopted by the European Union, the quantitative calculation may not be uniform. EBITDA is a measure utilised by management to monitor and assess operating performance. Management consider that the EBITDA is an important parameter in measuring operating performance, as it is not impacted by the effects of differing criteria in determining taxable income, the amount and characteristics of the capital utilised as well as the relative amortisation policies. The criteria in determining the EBITDA applied by the management of SSBT may not be uniform with the criteria adopted by other groups and, therefore, its value may not be compatible with that determined by such groups. The table below shows the reconciliation between the net profit and the EBITDA for the quarters:

	Quarter to December 31	
in Euro thousands	**2006**	**2005**
Net profit for the period	**6,308**	**923**
Income taxes	3,913	647
Financial income	(44)	(3)
Financial charges	149	152
Amortisation & depreciation	132	39
EBITDA	**10,458**	**1,758**

[2] The format applied by the Issuer for the calculation of the net financial debt is in accordance with the one provided for by paragraph 127 of the recommendation No. 05-504b of CESR (Committee of European Security Regulators) implementing EU Regulation 809/2004.

Principal selected financial information relating to the years ended September 30, 2006 and 2005, prepared in accordance with IFRS standards adopted by the European Union

	Year-end September 30	
in Euro thousands	**2006**	**2005**
Revenues from production	35,342	17,080
Operating result	19,713	6,255
Net profit for year	11,394	3,431
EBITDA(1)	**20,017**	**6,385**

	At September 30	
in Euro thousands	**2006**	**2005**
Assets	50,285	32,099
Shareholders' equity	26,560	14,474
Net debt (2)	(10,856)	(12,503)

(1) The EBITDA is defined as the net profit for the year plus income taxes, financial income and charges and amortisation/depreciation. As the EBITDA is not identified as an accounting measure, either within Italian GAAP or by IFRS adopted by the European Union, the quantitative calculation may not be uniform. EBITDA is a measure utilised by management to monitor and assess operating performance. Management consider that the EBITDA is an important parameter in measuring operating performance, as it is not impacted by the effects of differing criteria in determining taxable income, the amount and characteristics of the capital utilised as well as the relative amortisation policies. The criteria in determining the EBITDA applied by the management of SSBT may not be uniform with the criteria adopted by other groups and, therefore, its value may not be compatible with that determined by such groups. The table below shows the reconciliation between the net profit and the EBITDA for the two years:

	Year-end September 30	
in Euro thousands	**2006**	**2005**
Net profit for year	**11,394**	**3,431**
Income taxes	7,326	2,252
Financial income	(39)	(54)
Financial charges	1,012	596
Amortisation & depreciation	324	160
EBITDA	20,017	6,385

(2) The format applied by the Issuer for the calculation of the net financial debt is in accordance with the one provided for by paragraph 127 of the recommendation No. 05-504b of CESR (Committee of European Security Regulators) implementing EU Regulation 809/2004.

Principal selected financial information relating to the years ended September 30, 2005 and 2004, prepared in accordance with Italian GAAP

	Year-end September 30	
in Euro thousands	**2005**	**2004**
Revenues from sales of goods and services	17,080	298
Difference between value and cost of production	4,546	(6)
Profit/(loss) for the year	1,917	(6)
EBITDA(1)	6,376	(6)

	At September 30	
in Euro thousands	**2005**	**2004**
Assets	30,656	24,944
Shareholders' equity	12,911	10,993
Net debt (2)	(12,603)	(12,889)

(1) The EBITDA is defined as the net profit for the year plus income taxes, financial income and charges and amortisation/depreciation. As the EBITDA is not identified as an accounting measure, either within Italian GAAP or by IFRS adopted by the European Union, the quantitative calculation may not be uniform. EBITDA is a measure utilised by management to monitor and assess operating performance. Management consider that the EBITDA is an important parameter in measuring operating performance, as it is not impacted by the effects of differing criteria in determining taxable income, the amount and characteristics of the capital utilised as well as the relative amortisation policies. The criteria in determining the EBITDA applied by the management of SSBT may not be uniform with the criteria adopted by other groups and, therefore, its value may not be compatible with that determined by such groups. The table below shows the reconciliation between the net profit and the EBITDA for the two years:

	Year-end September 30	
in Euro thousands	**2005**	**2004**
Net profit/(loss) for the year	**1,917**	**(6)**
Income taxes	2,283	–
Net financial income and charges	408	–
Amortisation & depreciation	1,768	–
EBITDA	**6,376**	**(6)**

(2) The format applied by the Issuer for the calculation of the net financial debt is in accordance with the one provided for by paragraph 127 of the recommendation No. 05-504b of CESR (Committee of European Security Regulators) implementing EU Regulation 809/2004.

Expected trends

The Issuer considers that in the current year there were no particular significant trends in relation to changes in costs and sales prices, which would impact upon - either positively or negatively – the activities of the Issuer and of its subsidiaries.

The Issuer also considers that in the current year, based on the order backlog and the revenues as at the Date of the Prospectus, the positive performance in the previous year can be confirmed.

In particular, in relation to the digitalization process of the terrestrial system connected to the approaching of the "switch-off" date (for further information reference should be made to the Section

One, Chapter 6, Paragraph 6.2.1 of the Prospectus) the participation of the Issuer in numerous tenders in Italy and in other countries throughout the world is noted as a positive factor, including England, Ireland, Albania, Germany, the United States and Russia.

At the Date of the Prospectus, the Issuer is not aware of any information in relation to particular trends, uncertainties, requests, commitments, or known facts which could reasonably have significant repercussions on the prospects of the Issuer and its subsidiaries, in relation to the current year.

For further information, reference should be made to the Section One, Chapter 12, Paragraphs 12.1 and 12.2 of the Prospectus.

H. DETAILS RELATING TO THE OFFER AND TO THE ADMITTANCE TO TRADING

The Company has filed an application with Borsa Italiana for the purpose of having its shares admitted to listing on the Expandi Market.

Borsa Italiana has issued a resolution no. 5281 dated May 21, 2007 allowing the Issuer's shares to be admitted to trading on the Expandi Market.

The initial date of trading will be fixed by Borsa Italiana, pursuant to art. 2.4.3, paragraph 6, of the Stock Exchange Regulations, after making sure that the Company's ordinary shares are sufficiently widespread among the public as a result of the Global Public Offering.

Global Public Offering

The Global Public Offering relates to an overall number of 69,250,000 Shares, partly (no. 11,450,000 Shares) resulting from a share capital increase with exclusion of the option right - in accordance with article 2441, paragraph 5, of the Civil Code, as resolved by the Issuer's extraordinary general meeting on 19th February 2007 - and partly (no. 57,800,000 Shares) offered on sale by the Selling Shareholder.

The transaction consists in a public offering for sale and subscription aimed at having the Company's Shares admitted to trading on the Expandi Market (the "**Global Public Offering**").

The Global Public Offering is subdivided as follows:

- a Public Offering for a minimum number of 6,925,000 Shares, corresponding to 10% of the Global Public Offering, addressed to the general public in Italy. The Public Offering cannot be joined by Institutional Investors, who shall be exclusively allowed to join the Institutional Placement as detailed below; and
- an Institutional Placement for a maximum number of 62,325,000 Shares addressed to Institutional Investors in Italy and abroad, except for the United States of America, Australia, Canada and Japan, in compliance with the limits set by the law and with *Regulation S of the United States Securities Act* of 1933, as later amended, without prejudice to any possible exemptions granted by the applicable law provisions.

The Public Offering includes:

- an offer addressed to the general public. A portion not higher than 30% of the Shares being actually assigned to the general public will be reserved for the purpose of satisfying the subscriptions received from the general public for amounts equal to the Increased Minimum Lot or multiples thereof;
- an offer reserved for the Employees (the '"**Offering to Employees**") composed of no. 3 Minimum Lots each.

In agreement with the Coordinator of the Global Public Offering, the Promoters reserve the right not to place all of the Shares, notifying the public thereof in the supplemental notice relating to the Offer Price; This circumstance may cause a reduction in the number of Shares placed within the framework of the Global Public Offering, by initially reducing the number of Shares offered on sale by Selling Shareholder, as it will be announced in the above-mentioned supplemental notice.

The Selling Shareholder is expected to entitle the Coordinator of the Global Public Offering to apply for the loan of a further maximum amount of no. 6,925,000 Shares, corresponding to 10% of the number of Shares under the Global Public Offering, for the purposes of an over allotment of the Shares within the framework of the Institutional Placement (the "**Over Allotment**"). In case of Over Allotment, the Coordinator of the Global Public Offering shall be entitled to exercise said option, whether in full or in part, and to propose the borrowed Shares to the Institutional Investors.

Furthermore, the Selling Shareholder is expected to grant to the Coordinator of the Global Public Offering an option (the "**Greenshoe Option**") for the purchase of a maximum number of 6,925,000 Shares at the Offer Price, corresponding to 10% of the number of Shares under the Global Public Offering, to be assigned to the intended recipients of the Institutional Placement, in case of Over Allotment, in such a manner as stated above.

The above options will be exercisable, whether in full or in part, until the 30th day following the initial date of trading for the Issuer's shares on the Expandi Market.

Price Range and Offer Price

The Promoters - also referring to the analyses carried out by the Coordinator of the Global Public Offering and pursuing the sole purpose of allowing to collect any expressions of interest from Institutional Investors within the framework of the Institutional Placement, have agreed with the Coordinator of the Global Public Offering upon a price range of the Shares of the Company (the "**Price Range**") from a minimum value, which is not binding for the purpose of determining the Offer Price, equal to 1.35 euros per Share and a maximum value, which is binding for the purpose of determining the Offer Price, equal to 1.80 euros per Share, corresponding to a valuation of the Company's economic capital ranging from a minimum of approximately 171.52 million euros and a maximum of approximately 228.69 million euros.

This Price Range has been determined by considering the Company's and its group's results and prospects for development during the current and next financial years, also taking into account the market conditions and applying the evaluation methods mostly supported by the authors and by the international professional common practice, as well as the outcome of the premarketing addressed to high-ranking international qualified investors.

The Offer Price will be determined based on the mechanisms of the *open price*.

The Maximum Price will be the maximum value of the Price Range.

The Offer Price will be fixed by the Promoters, in agreement with the Coordinator of the Global Public Offering, at the end of the Offer Period, also considering the conditions of the domestic and international securities market, the quantity and quality of the expressions of interest from Institutional Investors and the quantity of demand within the framework of the Public Offering.

The Offer Price shall be the same for both the Public Offering and the Institutional Placement.

For further information, please refer to Section Two, Chapter 5.

Significant data relating to the Global Public Offering

The following chart sets out some information relating to the Global Public Offering:

Minimum Lot (number of Shares)	3,000
Increased Minimum Lot (number of Shares)	30,000
Number of Shares under the Global Public Offering	69,250,000
Percentage of the Company's share capital represented by the Shares under the Global Public Offering	50%
Number of Shares covered by the Greenshoe Option	6,925,000
Percentage of the Shares covered by the Greenshoe Option if compared to the Global Public Offering	10%
Percentage of the Company's share capital represented by the Shares offered under the Global Public Offering and covered by the Greenshoe Option after the Global Public Offering and after the exercise of the Greenshoe Option	55%

Reasons for the Global Public Offering and use of the proceeds

The Global Public Offering, being instrumental to the consolidation and expansion of the Company and of its subsidiaries, is particularly designed to:

- make sure that the Company fulfills the requirements necessary for its admission to listing and consequent achievement of its new status as a listed company, with the consequent advantages in terms of reputation and visibility, also useful for the Issuer's participation in tenders and for the achievement of further purchase orders;
- find new financial resources in order to support the Issuer's industrial development plan and to implement its strategy for both inward growth – based on the development and innovation of products already offered – and outward growth, through strategic alliances and targeted acquisitions;
- attract new managers, even on an international level, while offering incentives to the current *management* team.

The Issuer deems it will be able to cope with the financial needs relating to the implementation of its strategic plans by using the proceeds from the Global Public Offering, the cash generation and the available loans.

Lock-up agreements

Selling Shareholder and Company

The Selling Shareholder and the Company shall undertake – towards the Coordinator of the Global Public Offering, since the signing date of the Lock-Up Agreement until 24 months have elapsed since the initial date of trading for the Issuer's ordinary shares on the Expandi Market – not to directly or indirectly sell or dispose of or deal in the Issuer's shares held by themselves (or other financial instruments, whether equity-related or not, which entitle to buy, subscribe, exchange or convert into Issuer's shares or which grant rights relating or similar to such shares) and not to grant options, rights or *warrants* to purchase, subscribe, convert or exchange the Issuer's shares, and not to execute or enter into *swap* agreements or other derivative instruments, having the same – even just economic - effects as the above transactions, without the prior written consent of the Coordinator of the Global Public Offering, which shall not be unreasonably denied. Said commitment shall cover all the Issuer's shares held by the Selling Shareholder, the shares existing on the initial date of the Global Public Offering and the shares bought or otherwise received by himself during the 24 months elapsing from the initial date of trading for the Issuer's ordinary shares on the Expandi Market, except for the Shares sold within the framework of the Global Public Offering and those, if any, covered by the Over Allotment and by the Greenshoe Option or reserved for the Issuer's incentive plans and/or stock option plans.

The Selling Shareholder and the Company shall also undertake, for the same period, not (i) to promote and/or approve any share capital increase (unless for the purpose of re-establishing the share capital or whenever a share capital increase is necessarily required by the applicable law provisions) or to issue convertible bonds or other financial instruments, whether equity-related or not, which entitle to buy, subscribe, exchange or convert into Issuer's shares, or (ii) to authorize the execution of acts of disposition relating to shares, if any, held by the Company, without the prior written consent of the Coordinator of the Global Public Offering, which shall not be unreasonably denied.

There will be, however, no prejudice to the acts of disposition executed in compliance with the obligations imposed by law provisions or regulations or in compliance with judicial orders or requests coming from competent authorities.

Screen Group's shareholders

Screen Group's shareholders Carlo Bombelli, Giovanni Saleri, Giuseppe Gatti, Alessandro Sponchioni, Michele Bargauan, Gianluca Baccalini, Alberto Pavesi, Fabio Ranza, CNPEF and Fondamenta shall undertake - towards the Coordinator of the Global Public Offering since the signing date of the Lock-Up Agreement until 24 months have elapsed since the initial date of trading for the Issuer's ordinary shares on the Expandi Market – not to directly or indirectly sell or dispose of or deal in the Screen-Group shares held by themselves. Screen Group's shareholders Carlo Bombelli, Giovanni Saleri, Giuseppe Gatti, Alessandro Sponchioni, Michele Bargauan, Gianluca Baccalini, Alberto Pavesi, Fabio Ranza, CNPEF and Fondamenta shall also undertake, for the same period, not (i) to promote and/or approve any share capital increase transactions (unless for the purpose of re-establishing the share capital or whenever a share capital increase is necessarily required by the applicable law provisions) or to issue any convertible bonds or other financial instruments, whether equity-related or not, which entitle to buy, subscribe, exchange or convert into the Screen-Group shares held by themselves, or (ii) to authorize or let anybody authorize the execution of acts of disposition relating to any Issuer's shares held by Screen Group and/or by the Company, without the prior written consent of the Coordinator of the Global Public Offering, which shall not be unreasonably denied. The same commitment – effective as of the signing date of the respective agreement until 24 months have elapsed from the initial date of trading for the Shares on the Expandi Market – shall be undertaken by Screen Group's shareholders Carlo Bombelli, Giovanni Saleri, Giuseppe Gatti, Alessandro Sponchioni, Michele Bargauan, Gianluca Baccalini, Alberto Pavesi and Fabio Ranza with regard to the Issuer's shares ever held by them, whether directly or indirectly, starting from the initial date of trading for the Issuer's ordinary shares on the Expandi Market.

There will be, however, no prejudice to the acts of disposition executed in compliance with the obligations imposed by law provisions or regulations or in compliance with judicial orders or requests coming from competent authorities.

It is agreed that subsequently to the initial date of trading for the Issuer's ordinary shares on the Expandi Market - and to the purpose of allowing the financial shareholders of Screen Group to manage on an independent basis their investment in the Issuer – a corporate restructuring may be performed (e.g. by a demerger or different technical modalities to be defined) as a result of which CNPEF and Fondamenta, as of one side, and the other shareholders of Screen Group, as of the other side, may hold 100% of two different vehicle companies – one of which might be Screen Group – directly holding the Issuer's shares proportionally to their respective shareholding in Screen Group. The proportional allotment of the Issuer's shares to the two different vehicles should take place based on a mere mathematic calculation, without carrying out any valuation of the Issuer's shares; therefore, should such restructuring be realized, the vehicle owned by CNPEF and Fondamenta would hold a participation equal to 23.32% – whilst the vehicle owned by the other shareholders of Screen Group would hold a participation equal to 16.68% of the Issuer's share capital resulting from the Global Public Offering and in case of full exercise of the Greenshoe Option.

Should the above mentioned restructuring transaction be realized, the Lock-Up Agreement undertaken by CNPEF and Fondamenta as outlined above, taking into consideration, *inter alia,* the nature of the financial shareholders thereof, shall be intended to have been undertaken by them and by the vehicle controlled by them for 12 - instead of 24 - months, without prejudice to the 24 months Lock Up Commitment undertaken by the other shareholders of Screen Group and by the vehicle controlled by them.

Should the above mentioned transaction be realized, it is not possible to foresee whether Cape-Natixis SGR S.p.A., taking into account the decrease of the percentage of the Issuer's share capital held by it - through CNPEF and through the vehicle owned by the same fund - will be in a position to exercise the control over the Issuer under article 93 of the Consolidated Act, since the influence that Cape-Natixis SGR S.p.A., through CNPEF and the vehicle owned by the same fund, will be able to exercise on the shareholders' meeting can be duly assessed only based on the behaviours actually held by its shareholders during the first ordinary shareholders' meeting held after the Prospectus' Date.

Expenses connected to the Global Public Offering

The expenses relating to the Company's listing and to the Global Public Offering – including the advertising costs and excluding the fees payable to the Underwriting Syndicate for the Public Offering and to the Underwriting Syndicate for the Institutional Placement (in this respect, cf. Section Two, Chapter 5, Paragraph 5.4.3) – are expected to amount to about 2.1 million euros and shall be paid by the Issuer.

For mere explanatory purposes, the following chart sets out the net proceeds arising from the share capital increase, calculated on the basis of the Price Range (cf. Section Two, Chapter 5, Paragraph 5.3.1), net of the expenses relating to the listing of the Company and to the Global Offering, including the advertising costs and excluding the fees payable to the Underwriting Syndicate for the Public Offering and to the Underwriting Syndicate for the Institutional Placement.

	Mln euros based on the minimum value within the Price Range	**Mln euros based on the maximum value within the Price Range**
Net proceeds from share capital increase, net of the listing-related costs (except for the fees payable to the Underwriting Syndicate for the Public Offering and to the Underwriting Syndicate for the Institutional Placement)	13.36	18.51

I. DOCUMENTS ACCESSIBLE TO THE PUBLIC

Copies of the following documents can be consulted during the validity period of the Prospectus, pursuant to article 9-*bis* of the Issuers' Regulations, at the Issuer's registered office in Brescia (BS), Via Giuseppe di Vittorio n. 17, on working days during working hours, and at Borsa Italiana:

- memorandum of incorporation and Articles of Association;
- interim consolidated financial statements at 31st December 2006, drawn up in compliance with IAS 34 and complete with the Auditing Company's relevant report;
- consolidated financial statements at 30th September 2006 and financial statements at 30th September 2005, re-stated according to the IFRSs adopted by the European Union and complete with the Auditing Company's respective reports;

- financial statements at 30th September 2006, drawn up according to the detection and evaluation criteria set forth by the Italian Accounting Standards and complete with the Auditing Company's relevant report;
- financial statements at 30th September 2005, drawn up according to the detection and evaluation criteria set forth by the Italian Accounting Standards and complete with the Auditing Company's relevant report;
- financial statements at 30th September 2004, drawn up according to the detection and evaluation criteria set forth by the Italian Accounting Standards and complete with the Auditing Company's relevant report; and
- Prospectus.

Articles of Association and Prospectus are also available at the Issuer's website: www.screen.it.

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SECTION ONE

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1. PERSONS RESPONSIBLE

1.1 Persons responsible of the Prospectus

The below-stated subjects hereby undertake responsibility – insofar as they are concerned and limited to their tasks – for the exhaustiveness and truth of the information and news contained in this Prospectus.

Person	Responsible for
Screen Service Broadcasting Technologies S.p.A., with its registered office in Brescia, Via Giuseppe Di Vittorio, 17, as Issuer	The whole Prospectus
Screen Group S.p.A., with its registered office in Brescia, via Aldo Moro n. 5, as Selling Shareholder.	The whole Prospectus
Mediobanca – Banca di credito finanziario S.p.A., as Lead Manager.	Section Two, Chapter 5 (except for Paragraphs 5.1.10, 5.2.2, 5.3.3, 5.3.4 and 5.4.2), Chapter 6 (Paragraph 6.5) and Chapter 7 (Paragraph 7.3).

1.2 Declaration of responsibility

The persons mentioned in Paragraph 1.1. of this Chapter – each limited to their respective sections - hereby declare that they have acted with all due care and that, as far as they know, the information contained in the Prospectus do correspond to the facts and do not contain any misleading omissions.

2. AUDITING COMPANY

2.1 Issuer's statutory auditors

The financial statements closed at 30th September 2006 and 2005 and the consolidated financial statements closed at 30th September 2006 have been audited by PricewaterhouseCoopers S.p.A. with its registered office in Milan, via Monte Rosa n. 91, duly registered in the register of auditing companies pursuant to article 161 of the Consolidated Financial Act. Later on, for the sole purpose of including the data relating to financial year closed at 30th September 2004 into this Prospectus, the financial statements closed at 30th September 2004 have been also audited by the Auditing Company.

2.2 Information on the relations with the auditing company

During financial years closed at 30th September 2006 and 2005, the task assigned to the Auditing Company has not been revoked, nor has the company given up its task.

For each of the financial years closed at 30th September 2006, 2005 and 2004, the Auditing Company has expressed positive opinions without any remarks. The report relating to the consolidated financial statements closed at 30th September 2006 and the reports relating to the financial statements closed at 30th September 2005 and 2004 are submitted in Section One, Chapter 20 of this Prospectus and as an Annex hereto.

Subject to the condition that Borsa Italiana will issue a ruling allowing the commencement of trading for the Issuer's ordinary shares on the Expandi Market, the Issuer's shareholders' general meeting, on 19th February 2007, has appointed the Auditing Company, under article 159 of the Consolidated Act, to *(i)* audit the Issuer's financial statements and consolidated financial statements for financial years to be closed at 30th September 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014 e 2015 *(ii)* audit the consolidated half-year reports at 31st March 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014 and 2015; and *(iii)* check the accounting records and make sure that the management performance is properly recorded on the accounts.

3. SELECTED FINANCIAL INFORMATION

The present Chapter reports selected financial information of the Issuer relating to the quarter ended December 31, 2006 and to the years ended September 30, 2006, 2005 and 2004. This information was obtained from the following documents:

- the interim consolidated financial statements at December 31, 2006 of the Issuer, in accordance with IAS 34, prepared exclusively for inclusion in the present Prospectus, and subject to a limited audit, for which reference should be made to the Auditing Company's report issued on March 22, 2007 (See Section One, Chapter 20, Paragraph 20.1.1);
- the consolidated financial statements at September 30, 2006 and financial statements at September 30, 2005 of the Issuer, restated in accordance with IFRS adopted by the European Union, prepared exclusively for inclusion in the present Prospectus, and subject to a full audit, for which reference should be made to the Auditing Company's report issued on February 16, 2007 (See Section One, Chapter 20, Paragraph 20.1.2); it should be noted that the Issuer prepared the consolidated financial statements for the first-time from the year ended September 30, 2006, following the acquisition of control in MBITL;
- the financial statements at September 30, 2005 of the Issuer, prepared in accordance with Italian GAAP, and subject to an audit, for which reference should be made to the Auditing Company's report of February 7, 2006 (See Section One, Chapter 20, Paragraph 20.1.3).

With reference to the financial statements as at September 30, 2004 of the Issuer, prepared in accordance with Italian GAAP, and subject to an audit, for which reference should be made to the Auditing Company's report of March 5, 2007, this document is attached as an Appendix to the present Prospectus.

The following financial information must be read in conjunction with Chapters 9, 10 and 20 of this Section One of the present Prospectus.

3.1 Selected financial information relating to the quarter ended December 31, 2006, prepared in accordance with IAS 34.

Income Statement

in Euro thousands	Quarter to December 31	
excluding the number of shares and the earnings per share	**2006**	**2005**
Revenues from production	16,191	4,971
Other income	31	29
Total revenues & income	**16,222**	**5,000**
Cost of raw materials and consumables utilised	4,185	2,145
Services	417	351
Rent, lease and similar costs	10	64
Amortisation & depreciation	132	39
Provisions & write-downs	20	39
Personnel costs	1,002	554
Other costs	114	88
Total costs	**5,880**	**3,280**
Operating result	**10,342**	**1,720**
Result of companies valued at equity	(16)	(1)
Financial income	44	3
Financial charges	(149)	(152)
Profit before taxes	**10,221**	**1,570**
Income taxes	3,913	647
Net profit for the period	**6,308**	**923**
Number of shares at the end of the period	12,100,000	11,000,000
EBITDA(1)	10,458	1,758
Earnings per share – basic and diluted (in Euro)	0.21	0.03

(1) The EBITDA is defined as the net profit for the period plus income taxes, financial income and charges and amortisation/depreciation. As the EBITDA is not identified as an accounting measure, either within Italian GAAP or by IFRS adopted by the European Union, the quantitative calculation may not be uniform. EBITDA is a measure utilised by management to monitor and assess operating performance. Management consider that the EBITDA is an important parameter in measuring operating performance, as it is not impacted by the effects of differing criteria in determining taxable income, the amount and characteristics of the capital utilised as well as the relative amortisation policies. The criteria in determining the EBITDA applied by the management of SSBT may not be uniform with the criteria adopted by other groups and, therefore, its value may not be compatible with that determined by such groups. The table below shows the reconciliation between the net profit and the EBITDA for the quarters:

	Quarter to December 31	
in Euro thousands	**2006**	**2005**
Net profit for the period	**6,308**	**923**
Income taxes	3,913	647
Financial income	(44)	(3)
Financial charges	149	152
Amortisation & depreciation	132	39
EBITDA	**10,458**	**1,758**

Selected balance sheet data

in Euro thousands	**At December 31 2006**	**At September 30 2006**
Plant, machinery and other assets	821	896
Goodwill	17,804	17,804
Intangible assets	1,055	1,020
Other assets	1,351	1,203
Total non-current assets	**21,031**	**20,923**
Inventories	11,138	12,623
Trade receivables	21,117	15,509
Cash and cash equivalents	10,141	817
Other assets	513	413
Total current assets	**42,909**	**29,362**
Total assets	**63,940**	**50,285**
Shareholders' Equity	**35,945**	**26,560**
Long-term financial liabilities	10,685	10,603
Provisions for risks and employee benefits	694	661
Other liabilities	214	195
Total non-current liabilities	**11,593**	**11,459**
Current financial liabilities	1,371	1,363
Trade payables	4,310	4,014
Other liabilities	10,721	6,889
Total current liabilities	**16,402**	**12,266**
Total liabilities and shareholders' equity	**63,940**	**50,285**

Net financial debt

in Euro thousands	**At Dec. 31, 2006**	**At Sept. 30, 2006**
Cash and cash equivalents	10,141	817
Current financial assets	374	293
Current financial liiabilities	(1,371)	(1,363)
Net current financial debt	***9,144***	***(253)***
Long-term debt	(10,685)	(10,603)
Net financial debt - non-current	***(10,685)***	***(10,603)***
Net financial debt (1)	**(1,541)**	**(10,856)**

(1) The format applied by the Issuer for the calculation of the net financial debt is in accordance with the one provided for by paragraph 127 of the recommendation No. 05-504b of CESR (Committee of European Security Regulators) implementing EU Regulation 809/2004.

Selected data from the cash flow statement

	Quarter to September 30	
in Euro thousands	**2006**	**2005**
Cash flow from operating activities	6,520	853
Cash flow from investing activities	(286)	(2,862)
Cash flow from financing activities	3,098	2,414
Cash flow for the period	**9,332**	**405**

3.2 Selected financial information relating to the years ended September 30, 2006 and 2005, prepared in accordance with IFRS adopted by the European Union

Income Statement Data

in Euro thousands	Year-end September 30	
excluding the number of shares and the profit per share	**2006**	**2005**
Revenues from production	35,342	17,080
Other income	211	241
Total revenues & income	**35,553**	**17,321**
Cost of raw materials and consumables utilised	9,843	5,533
Services	1,557	3,231
Rent, lease and similar costs	287	212
Amortisation & depreciation	324	160
Provisions & write-downs	211	39
Personnel costs	3,158	1,669
Other costs	460	252
Total costs	**15,840**	**11,096**
Operating result	**19,713**	**6,225**
Result of companies valued at equity	(20)	–
Financial income	39	54
Financial charges	(1,012)	(596)
Profit before taxes	**18,720**	**5,683**
Income taxes	7,326	2,252
Net profit for the year	**11,394**	**3,431**
Number of shares at the end of the year	11,440,000	11,000,000
EBITDA[(1)]	20,017	6,385
Earnings per share – basic and diluted (in Euro)	1.00	0.31

(1) The EBITDA is defined as the net profit for the year plus income taxes, financial income and charges and amortisation/depreciation. As the EBITDA is not identified as an accounting measure, either within Italian GAAP or by IFRS adopted by the European Union, the quantitative calculation may not be uniform. EBITDA is a measure utilised by management to monitor and assess operating performance. Management consider that the EBITDA is an important parameter in measuring operating performance, as it is not impacted by the effects of differing criteria in determining taxable income, the amount and characteristics of the capital utilised as well as the relative amortisation policies. The criteria in determining the EBITDA applied by the management of SSBT may not be uniform with the criteria adopted by other groups and, therefore, its value may not be compatible with that determined by such groups. The table below shows the reconciliation between the net profit and the EBITDA for the two years:

	September 30	
in Euro thousands	**2006**	**2005**
Net profit for the year	**11,394**	**3,431**
Income taxes	7,326	2,252
Financial income	(39)	(54)
Financial charges	1,012	596
Amortisation & depreciation	324	160
EBITDA	**20,017**	**6,385**

Selected balance sheet data

	At September 30	
in Euro thousands	**2006**	**2005**
Plant, machinery and other assets	896	329
Goodwill	17,804	15,769
Intangible assets	1,020	82
Other assets	1,203	315
Total non-current assets	**20,923**	**16,495**
Inventories	12,623	7,232
Trade receivables	15,509	7,597
Cash and cash equivalents	817	328
Other assets	413	447
Total current assets	**29,362**	**15,604**
Total assets	**50,285**	**32,099**
Shareholders' Equity	**26,560**	**14,474**
Long-term financial liabilities	10,603	8,513
Provisions for risks and employee benefits	661	412
Other liabilities	195	21
Total non-current liabilities	**11,459**	**8,946**
Current financial liabilities	1,363	4,668
Trade payables	4,014	2,897
Other liabilities	6,889	1,114
Total current liabilities	**12,266**	**8,679**
Total liabilities and shareholders' equity	**50,285**	**32,099**

Net financial debt

	At September 30	
in Euro thousands	**2006**	**2005**
Cash and cash equivalents	817	328
Current financial assets	293	350
Current financial liabilities	(1,363)	(4,668)
Net current financial debt	***(253)***	***(3,990)***
Long-term debt	(10,603)	(8,513)
Net financial debt – non-current	***(10,603)***	***(8,513)***
Net financial debt (1)	**(10,856)**	**(12,503)**

(1) The format applied by the Issuer for the calculation of the net financial debt is in accordance with the one provided for by paragraph 127 of the recommendation No. 05-504b of CESR (Committee of European Security Regulators) implementing EU Regulation 809/2004.

Selected data from the cash flow statement

	Year-end September 30	
in Euro thousands	**2006**	**2005**
Cash flow from operating activities	5,461	(1,438)
Cash flow from investing activities	(3,790)	242
Cash flow from financing activities	57	(1,591)
Cash flow for the year	**1,728**	**(2,787)**

3.3 Selected financial information relating to the years ended September 30, 2005 and 2004, prepared in accordance with Italian GAAP

Income Statement data

	Year-end September 30	
in Euro thousands	**2005**	**2004**
Revenues from sales of goods and services	17,080	298
Changes in inventory of work in progress, semi-finished and finished	3,580	(298)
Other income and revenues	238	–
Total value of production	**20,898**	**–**
Costs for raw materials, ancillary, consumables and goods	(9,038)	–
Services	(4,111)	(6)
Rent, lease and similar costs	(241)	–
Personnel costs	(1,025)	–
Amortisation, depreciation and write-downs	(1,807)	–
Other operating charges	(130)	–
Total costs of production	**(16,352)**	**(6)**
Difference between value and cost of production	**4,546**	**(6)**
Financial income	24	–
Interest and other financial charges	(449)	–
Exchange gains/(losses)	17	–
Total net financial income and charges	**(408)**	**–**
Extraordinary income	62	–
Total extraordinary income and charges	**62**	**–**
Profit/(loss) before taxes	**4,200**	**(6)**
Income taxes	(2,283)	–
Net profit/(loss) for the year	**1,917**	**(6)**
Number of shares at the end of the year	11,000,000	11,000,000
EBITDA[1]	6,376	(6)

[1] The EBITDA is defined as the net profit for the year plus income taxes, financial income and charges and amortisation/depreciation. As the EBITDA is not identified as an accounting measure, either within Italian GAAP or by IFRS adopted by the European Union, the quantitative calculation may not be uniform. EBITDA is a measure utilised by management to monitor and assess operating performance. Management consider that the EBITDA is an important parameter in measuring operating performance, as it is not impacted by the effects of differing criteria in determining taxable income, the amount and characteristics of the capital utilised as well as the relative amortisation policies. The criteria in determining the EBITDA applied by the management of SSBT may not be uniform with the criteria adopted by other groups and, therefore, its value may not be compatible with that determined by such groups. The table below shows the reconciliation between the net profit and the EBITDA for the two years:

	Year-end September 30	
in Euro thousands	**2005**	**2004**
Net profit/(loss) for the year	**1,917**	**(6)**
Income taxes	2,283	–
Net financial income and charges	408	–
Amortisation & depreciation	1,768	–
EBITDA	**6,376**	**(6)**

Selected balance sheet data

	At September 30	
in Euro thousands	**2005**	**2004**
Intangible assets	14,458	–
Property, plant and equipment	278	–
Financial fixed assets	193	23,983
Total fixed assets	**14,929**	**23,983**
Inventories	7,231	–
Receivables	7,813	–
Financial assets	351	–
Cash and cash equivalents	328	761
Total current assets	**15,723**	**761**
Prepayments and accrued income	4	200
Total assets	**30,656**	**24,944**
Shareholders' Equity	12,911	10,993
Provisions for risks and charges	296	–
Employee leaving indemnity	133	–
Payables	17,294	13,951
Accrued liabilities and deferred income	22	–
Total liabilities and shareholdersí equity	**30,656**	**24,944**

Net financial debt

	At September 30	
in Euro thousands	**2005**	**2004**
Cash and cash equivalents	328	761
Current financial assets	351	–
Current financial liabilities	(4,782)	(1,650)
Net current financial debt	***(4,103)***	***(889)***
Non-current financial liabilities	(8,500)	(12,000)
Net financial debt – non-current	***(8,500)***	***(12,000)***
Net financial debt (1)	**(12,603)**	**(12,889)**

(1) The format applied by the Issuer for the calculation of the net financial debt is in accordance with the one provided for by paragraph 127 of the recommendation No. 05-504b of CESR (Committee of European Security Regulators) implementing EU Regulation 809/2004.

Selected data from the cash flow statement

The financial statements as September 30, 2005 and 2004 of the Issuer, prepared in accordance with Italian GAAP, does not contain cash flow statements.

4. RISK FACTORS

The transaction described in the Prospectus presents the risk factors typical of any equity investment.

In order to properly assess the investment, the investors are invited to consider the specific risk factors relating to the Issuer, to the business sector where it operates and to the financial instruments being offered.

The risk factors described below must be read along with the information contained in the Prospectus.

Any references to Sections, Chapters and Paragraphs are meant to refer to the sections, chapters and paragraphs of the Prospectus.

4.1 Risk factors relating to the Issuer's business

4.1.1 Risks arising from customer concentration

THE ISSUER'S REVENUES ARE CHARACTERIZED BY A HIGH LEVEL OF CUSTOMER CONCENTRATION. PARTICULARLY, DURING FINANCIAL YEAR 2006, SSBT'S REVENUES REGARDING THE RELATIONS WITH THE FIRST THREE CUSTOMERS HAVE TOTALLED 20.9 MILLION EUROS, EQUAL TO ABOUT 59.1% OF SSBT'S REVENUES ON A CONSOLIDATED BASIS.

THE HIGH LEVEL OF CUSTOMER CONCENTRATION IS BASICALLY DUE TO THE REFERENCE MARKET'S FEATURES, WHERE THE REVENUES ARE MOSTLY ORIGINATED BY SINGLE PURCHASE ORDERS USUALLY CORRESPONDING TO HIGH AMOUNTS.

ANY FUTURE DIFFICULTY IN ACHIEVING CONSIDERABLE PURCHASE ORDERS OR ANY CHANGE OR DISCONTINUATION OF THE CURRENT RELATIONS WITH MAJOR CUSTOMERS OR THE FAILED OR DELAYED PAYMENT BY THEM OF THE DUE AMOUNTS MAY NEGATIVELY IMPACT THE ISSUER'S ECONOMIC AND FINANCIAL SITUATION AND ASSETS.

FOR FURTHER INFORMATION PLEASE REFER TO SECTION ONE, CHAPTER 6, PARAGRAPH 6.1.1.7 OF THE PROSPECTUS.

4.1.2 Risks arising from the dependence on key managers

THE SUCCESS OF SSBT MOSTLY DEPENDS ON CERTAIN KEY MANAGERS WHO HAVE SIGNIFICANTLY CONTRIBUTED, ARE CONTRIBUTING AND ARE EXPECTED BY THE COMPANY TO KEEP CONTRIBUTING TO THE ISSUER'S DEVELOPMENT. SUCH KEY MANAGERS HAVE BEEN IDENTIFIED IN THE PERSONS OF CARLO BOMBELLI, GIOVANNI SALERI, MICHELE BARGAUAN, ALESSANDRO SPONCHIONI, GIUSEPPE GATTI, GIANLUCA BACCALINI, ALBERTO PAVESI AND FABIO RANZA.

THE LOSS OF THOSE MANAGERS HIGHLY EXPERIENCED IN THE SECTOR AND/OR PLAYING A KEY ROLE IN THE ISSUER'S BUSINESS MANAGEMENT OR THE INCAPABILITY OF RECRUITING, TRAINING AND RETAINING ANY FURTHER QUALIFIED PERSONNEL COULD DECREASE SSBT'S COMPETITIVENESS AND AFFECT THE EXPECTED TARGET GROWTH AND NEGATIVELY IMPACT THE ISSUER'S ACTIVITY AND RESULTS.

FOR FURTHER INFORMATION RELATING TO THE ISSUER'S KEY MANAGERS, PLEASE REFER TO SECTION ONE, CHAPTER 14, PARAGRAPH 14.1 OF THE PROSPECTUS.

4.1.3 Risks arising from the difficulty in protecting the intellectual property

ONLY A FEW PRODUCTS MARKETED BY THE ISSUER ARE PATENTED: ACTUALLY, DUE TO THE HIGH RISK OF IMITATION, THE ISSUER HAS SO FAR DECIDED NOT TO PATENT MOST RESULTS OF THE RESEARCH. SHOULD THE MANUFACTURING SPECIFICATIONS BE DISCLOSED, IN THE ISSUER'S OPINION, IT WOULD BE SUFFICIENT TO REPLACE A COMPONENT OR EVEN JUST SLIGHTLY MODIFY THE FUNCTIONING SOFTWARE IN ORDER TO DODGE THE PATENT'S RESTRICTIONS. MOREOVER, INNOVATION IN THE SOFTWARE SECTOR AND PARTICULARLY IN digital technology is so fast that there is often no point in incurring costs for its protection. The risk cannot however be ruled out that SSBT's competitors ever develop equivalent products and manufacturing processes designed to compete with those implemented and/or marketed by SSBT or somehow suitable for the same purposes. Such circumstances might negatively affect the Issuer's activity and results.

For further information on SSBT's patents and patent applications, please refer to Section One, Chapter 11, Paragraph 11.2 of the Prospectus.

4.1.4 Risks relating to the Issuer's manufacturing plant's activity

The Issuer's manufacturing unit is centred at the Issuer's office in Brescia. Such a plant is subject to operating risks, *e.g.* including any breakdown in the machinery, failure to comply with the applicable regulations, cancellation of permits and licences, shortage of manpower or work interruption, natural catastrophes, fires or other force majeure events falling beyond the Issuer's control. Upon occurrence of any of the above events or further events, the production might be seriously endangered, thus negatively affecting the Issuer's business, economic and financial situation and assets. For the avoidance of some of those risks, SSBT has insured the whole manufacturing unit, including all of its contents, against the risks arising from accidental events (*e.g.*, natural catastrophes and fires) for an overall yearly maximum insurable sum of up to 9,350,000 euros.

Although the Issuer deems the above insurance policies to be appropriate, there can be however no full certainty that they are actually appropriate.

For further information, please refer to Section One, Chapter 8, Paragraph 8.1 of the Prospectus.

4.1.5 Risks arising from the outward growth

SSBT pursues a growth strategy also aiming at an outward-oriented development.

The implementation of acquisitions of companies operating in the relevant sector is subject to the availability of firms whose features fulfill the Issuer's requirements and enable to carry out those transactions on satisfactory terms and conditions.

Any possible difficulties in implementing such acquisitions, any delays in the accomplishment thereof and any difficulties experienced in those new companies' integration process might affect the development of the Issuer's business.

For further information on the Issuer's strategy, please refer to Section One, Chapter 6, Paragraph 6.1.1.7 of the Prospectus.

4.1.6 Risks relating to CNPEF as a closed-end investment fund

Cape-Natixis SGR S.p.A., through CNPEF, being the management company of the same fund, at the Prospectus Date holds 53% of Screen Group's share capital, which in turn holds about 94.5% of the Issuer's share capital. considering CNPEF being a closed-end investment fund and considering an express provision of its rules, Cape-Natixis SGR S.p.A. shall in any case give up the CNPEF's stake in Screen Group by 2014, except for any extensions, but however no later than 2016.

For further information, please refer to Section One, Chapter 18, Paragraphs 18.1 and 18.3 of the Prospectus.

For a description of the Issuer's shareholders' development following the Global Public Offering and the full exercise of the Greenshoe Option, please refer to Section One, Chapter 18, Paragraph 18.1 of the Prospectus.

4.1.7 Risks relating to the customers' payment times

The payment terms and conditions for the supplies vary according to the types of customers. Particularly, in Italy, the average collection time ranges between a minimum of 60 days and a maximum of about 120 days.

At present, such payment times have no negative effect on the Issuer's business, considering the Issuer's capability of generating positive cash flows, but they might have a future negative impact on the Issuer if *(i)* the Issuer becomes no longer capable of generating cash flows; and/or *(ii)* the Issuer becomes no longer capable of generating as high cash flows as before; and/or *(iii)* the customers' payment times become significantly longer.

For further information on customers and on the Issuer's cash flows, please respectively refer to Section One, Chapter 6, Paragraph 6.1.1.7 and Section One, Chapter 10, Paragraph 10.2 of the Prospectus.

4.1.8 Risks relating to the failure to adjust the corporate governance system to the applicable regulations

At the Prospectus date, the Issuer's corporate goverance system complies with the provisions applicable to listed companies.

Particularly, the Company has adjusted its corporate model to the Consolidated Act's regulations, as amended by the law dated 28th December 2005 no. 262 as later amended ("Law on Savings").

The Company has adopted an Articles of Association which is in compliance with the Consolidated Act's provisions providing for the voting list mechanism for the election of members of the boards of directors and statutory auditors. Furthermore, it must be noted that the Issuer's directors and statutory auditors holding office at the Prospectus date are those appointed by the shareholders' general meeting dated 19th February 2007, prior to the adoption of the current Articles of Association, and their term of office shall expire on the day of the general meeting convened for the adoption of the financial statements relating to the financial year ending on 30th September 2009, so that the above provisions shall be applicable starting from financial year 2010 (cf. Section One, Chapter 14, Paragraphs 14.1).

As to the adjustment to the provisions of the Self-Discipline Code, the Issuer has not deemed it advisable to set up the internal control committee and the committee in charge of the remuneration, nor the committee for the proposals of possible directors to be appointed, because they are not deemed to be in line with the share ownership structure and with the procedures regulating the relationship between said structure and board of directors. Moreover, the Issuer has deemed it not advisable to appoint any Lead Independent Director, as provided for by the Self-Discipline Code, considering both the share ownership structure and the limited number of independent directors.

For further information, please refer to Section One, Chapter 16, Paragraph 16.4 of the Prospectus.

4.1.9 Risks arising from the failure to implement the organizational model pursuant to Legislative Decree 231/2001

At the Prospectus date, the Issuer has not implemented the organizational model prescribed by legislative decree 231/2001. The company may therefore run the risk of any penalties inflicted by the regulations relating to corporate bodies' administrative liability. Nevertheless, the

Issuer has started the internal control procedures designed to define methods of compliance with the provisions of legislative decree 231/2001.

For further information, please refer to Section One, Chapter 16, Paragraph 16.4 of the Prospectus.

4.1.10 Risks relating to the Issuer's dividend policy

With special reference to the last three-year period, the Issuer has distributed no dividends.

There is no certainty about the Issuer's capability – or intention - of working out any dividend distribution policy.

For further information, please refer to Section One, Chapter 20, Paragraph 20.7 of the Prospectus.

4.1.11 Risks relating to the Issuer's indebtedness

At the Prospectus Date, the Issuer is a party to a bank loan agreement, entered into on 31st July 2006 with Centrobanca - Banca di Credito Finanziario e Mobiliare S.p.A., Monte dei Paschi di Siena Banca per l'Impresa S.p.A. and Banca Popolare di Milano S.c.a.r.l., for a total amount of 10,000,000 euros, designed to refinance the existing indebtedness and support the requirements of working capital. Such loan agreement provides for certain financial parameters, among others, to be respected (so called financial covenants) in line with the market practice. Any failure in respective such parameters would originate an event of default liable to cause the anticipated repayment of the loan. At the Prospectus Date said financial covenants result to have been respected.

The repayment of indebtedness depends on whether the Issuer will be able to generate positive cash-flows. Failure of the Issuer to repay the indebtedness would negatively affect the Issuer's activity.

For further information on the bank loan agreement, please refer to Section One, Chapter 10, Paragraph 10.1 and Chapter 22.

4.1.12 Priority and forward-looking statements, estimates and internal evaluations

The Prospectus contains priority statements, assessments of the market size and of the Issuer's competitiveness, forecasts about the market and comparisons with competitors worked out by the Issuer, unless otherwise specified, based on the processing of data found on the market or assessed by the Issuer. Furthermore, certain priority statements are based on qualitative parameters - rather than on quantitative parameters - such as the features most peculiar to the products. Such subjective evaluations have been carried out because of the lack of reliable and standardized sector-based data. It is impossible to assure that such information will be confirmed. Let us remark that those statements are mostly contained in Section One, Chapter 6 of this Listing Prospectus.

4.2 Risks relating to the sector where the Issuer operates

4.2.1 Risks relating to delays in the transition to digital technology

The Issuer's development plans significantly depend on the adoption, in italy and abroad, of the digital technology for terrestrial digital video broadcasting.

With reference to Italy, the applicable regulations in force provide for the accomplishment of the analogue-to-digital conversion by 2008. Other European countries have allowed longer time periods for the digital tv broadcasting.

In any case, both in Italy and abroad, the completion of the transition process to the terrestrial digital TV broadcasting may take longer than expected, with a consequent dilution of the tv broadcasting companies' investments over a longer period. This could shrink the demand for products and services offered by SSBT, with a consequent negative impact on the Issuer's economic and financial situation and assets.

For further information, please refer to Section One, Chapter 6, Paragraphs 6.1 and 6.2.

4.2.2 Risks relating to the technological development

The Issuer's reference market is characterized by a fast techonological development; technologies and their *standards* are actually developing uninterruptedly, thus urging to keep developing the capability of promptly and well understanding the new instruments available to the customers. Moreover, the technology developed by SSBT in the engineering and manufacturing of tv broadcasting equipment cannot be always successfully protected through patents; in fact, due to the high risk of imitation, the Issuer has so far decided not to patent most technological results of its research activity.

In order to keep its own range of products and services always techonologically up to date, the Company must keep investing in research and development. The Company's activity could be compromised should it fail to promptly find out the prospective successful technological solutions and to develop the internal capability to properly take advantage thereof. Furthermore, the incapability of technologically renewing its own range of products might negatively affect the Company's development plans.

For further information please refer to Section One, Chapter 6, Paragraph 6.1 and Chapter 11.

4.2.3 Risks relating to the development of alternative ways of transmitting the TV broadcasting and the mobile phone signal

The terrestrial transmission mode for TV signal and mobile phone signal is the widest-spread transmission mode wolrdwide if compared to the transmission through satellite, cable and broadband TV platforms. Any sudden boost in the circulation of such alternative transmitters might slow down the Issuer's reference market's growth and reduce its prospects for development. Such an event might significantly curtail the demand for the Issuer's products and services, which could be hardly made up for by adjusting the offer to the features of said alternative transmitters.

For further information, please refer to Section One, Chapter 6, Paragraph 6.1.

4.2.4 Risks arising from the reference regulatory framework

The Issuer carries out most of its activities in sectors regulated by community and domestic regulations. Any infringements of those regulations, including environmental ones (with special reference to the provisions setting limits for electromagnetic fields exposure) can involve civil and administrative penalties, in addition ot the obligation to perform compliance-oriented activities whereof the costs and responsibilities could negatively affect the Issuer's business and results.

Furthermore, the introduction of new regulations or amendment to those already existing could give rise to unexpected costs or could limit the Issuer's activity, thus negatively affecting the Issuer's economic results, financial situation and prospects.

It must be noted that the quality certification ISO 9001:2000 is currently being applied for, with regard to corporate manufacturing processes; any stricter minimum standards required on the community level for quality certification could raise the respective adjustment costs with a consequent negative effect on the Issuer's economic and financial situation and assets.

For further information, please refer to Section One, Chapter 6, Paragraph 6.1.

4.2.5 Risks relating to a harsher competition

The Italian market within the Issuer's business sector is characterized by a limited number of competitors both domestically and internationally. In consideration of the sector's recent expansion and prospects for growth, certain major international operators or national operators already operating in neighbouring sectors are likely to approach the sectors where the Issuer operates or to extend their business thus harshening competitiveness and possibly hindering the Issuer's development plans and pricing policy. Please note that new national or international operators are likely to develop products designed to compete with those implemented and marketed by the Issuer or somehow suitable for the same uses and purposes.

The increase in the number of competitors and consequently the harsher competitive environment might negatively affect the Issuer's activity and results.

For further information, please refer to Section One, Chapter 6, Paragraph 6.2 of the Prospectus.

4.3. Risks relating to the Global Public Offering and to the financial instruments being offered

4.3.1 Previous transactions on the Issuer's shares - Price Range

It must be noted that, during 2006, a few transactions have been carried out on the Issuer's shares and particularly, on 31st July 2006, *(i)* Carlo Bombelli has transferred an overall stake of about 3.8% in SSBT's share capital to CNPEF and Fondamenta for a price equal to 0.4329 euros per share (calculated following the split-up of the shares); *(ii)* as a result of previous agreements, CNPEF and Fondamenta have transferred, at par value, an overall stake of about 5.5% in SSBT to Alberto Pavesi, Carlo Bombelli, Giovanni Luca Saleri, Giuseppe Gatti and Alessandro Sponchioni; and *(iii)* the SSBT shareholders have transferred 100% of SSBT's share capital to Screen Group as holding company, then reinvesting into Screen Group itself by subscribing a capital increase of the latter, except for the shareholder Cristoforo Chiaia. Within the framework of said transaction, Screen Group has also issued a bonded loan convertible in Screen Group shares, equal to 22,540,000 euros, subscribed *pro-quota* by Screen Group's all shareholders in the same proportions as the share capital held by them. The bonds have been issued at par and offered as options to the shareholders according to a ratio of 2 bonds for each share held, thus entitling the shareholder, in case of their conversion, to 1 new share for each bond held. The loan is scheduled to last 7 years starting from 30th September 2006 until 29th September 2013. The price per share paid by Screen Group to Cristoforo Chiaia is equal to 0.6494 euros; the price per share paid by Screen Group to all the selling shareholders of SSBT reinvesting in Screen Group is equal to 0.3896 euros, without prejudice to such selling shareholders right to receive a possible supplement of price for maximum aggregate amount of 53,200,000 euros. Should such supplement of price become due, Screen Group should pay to the selling shareholders reinvesting in Screen Group an aggregate price of 0.8502 euros per share.

Finally, on 28th December 2006, Istifid Fiduciaria S.p.A., UBS Fiduciaria S.p.A. and Aletti Fiduciaria S.p.A. have subscribed an increase of the Issuer's capital, each of them for a stake corresponding to about 1.8% of the share capital for a subscription price equal to 0.4329 euros per share.

The above transactions are at lower values than the Price Range described below.

The Promoters - also referring to the analyses carried out by the Coordinator of the Global Public Offering and pursuing the sole purpose of allowing to collect any expressions of interest from Institutional Investors within the framework of the Institutional Placement, have agreed with the Coordinator of the Global Public Offering upon a Price Range of the Shares of the Company from a minimum value, which is not binding for the purpose of determining the Offer Price, equal to 1.35 euros per Share and a maximum value, which is binding for the purpose of determining the Offer Price, equal to 1.80 euros per Share, corresponding to a valuation of the Company's economic capital ranging from a minimum of approximately 171.52 million euros and a maximum of approximately 228.69 million euros.

For further information about the Price Range, please refer to Section Two, Chapter 5, Paragraph 5.3.1.

At the Prospectus date, it is impossible to foresee whether the Offer Price can significantly differ from the unit price per share paid for the execution of the above transactions. Such a comparison can be made based on the Offer Price (at the time of its publication under such terms as set forth in Section Two, Chapter 5, Paragraph 5.3.2 of the Prospectus), while however taking into account the different nature of the transactions. It is however to be noted that the Maximum Price is equal to the maximum value of the Price Range.

For further information about the execution of the above described transactions, please refer to Section One, Chapter 5, Paragraph 5.1.5 and to Section Two, Chapter 5, Paragraph 5.3.4 of the Prospectus.

4.3.2 Risks arising from general problems relating to market liquidity

At the Prospectus date, there is no market for the Issuer's shares.

Following the Global Public Offer, the shares will be traded on the Expandi Market and the respective shareholders will be allowed to divest their investment by selling them on the listing market. Nevertheless, it cannot be ruled out that there begins to be or keeps being a market active for the Shares, which could therefore give rise to widespread and general liquidity problems, regardless of the Issuer's performance and of the amount of the shares, because the requests for sale may fail to be properly and promptly met or may be also subject to price fluctuations, whether significant or not.

Furthermore, following the completion of the Global Public Offer, the market price for the shares could be significantly fluctuating based on a series of factors, some of which fall beyond the Issuer's control, and could therefore fail to reflect the Company's operating results.

4.3.3 Lock-up agreements

Within the framework of the agreements expected to be executed for the Global Public Offer, the Selling Shareholder, the Issuer and Screen Group's shareholders shall enter with the Global Public Offer's Coordinator into a Lock-Up Agreement scheduled to remain in force for 24 months (liable to be reduced to 12 months with regard to CNPEF and Fondamenta) since the first day the Issuer's shares are traded on the Expandi Market.

Following the expiration of the lock-up period, the locked-up shareholders shall be allowed to dispose of all Shares previously locked up. Therefore, the transfer of such Shares by said shareholders could negatively affect the performance of the shares on the reference market.

For further information, please refer to Section Two, Chapter 7, Paragraph 7.3 of the Prospectus.

4.3.4 *Risks relating to conflict of interest regarding subjects involved into the Global Public Offering*

The Issuer's advisor, Cimino e Associati Private Equity S.p.A., is in a situation of possible conflict of interest in its capacity as controlling shareholder of Cape-Natixis SGR S.p.A., which, through CNPEF, being the management company of the same fund, controls the Issuer through Screen Group, whereof 53% is held by CNPEF at the Prospectus date.

Moreover, it must be noted that Cimino e Associati Private Equity S.p.A. is controlled by Simone Cimino, holding about 0.12% of SSBT through the trust company Istifid Fiduciaria S.p.A. and acting as SSBT's director, as well as shareholder and chairman of Cimino e Associati Private Equity S.p.A. and chairman of Cape-Natixis SGR S.p.A. Even the Issuer's director, Marco Vismara, is shareholder and director of Cimino e Associati Private Equity S.p.A.

The chairman of the board of directors Carlo Bombelli and the managing director Giovanni Saleri hold stakes respectively equal to about 0.12% and 0.1% of the Issuer's share capital through the trust companies Aletti Fiduciaria S.p.A. and UBS Fiduciaria S.p.A.

Finally, it must be pointed out that the Issuer's chairman of the directors' board, Carlo Bombelli holds a stake equal to about 16.14% of the share capital of Screen Group, i.e. the Issuer's majority shareholder, and also the managing directors Giovanni Saleri, Giuseppe Gatti, Alessandro Sponchioni hold a stake equal to 4.52% each of the share capital of Screen Group. Finally, the director Michele Bargauan holds a stake equal to 4% of the share capital of Screen Group. For further information on the structure of Screen Group's share capital, please refer to Section One, Chapter 18, Paragraph 18.1 of the Prospectus.

It must also be noted that, by virtue of the agreements executed on 31st July 2006, as later supplemented, and within the framework of SSBT's equity reorganization between Screen Group and SSBT's then-current shareholders, the latter (except for Cristoforo Chiaia) are responsible for a supplement of price possibly applicable in the event that Screen Group's whole stake in SSBT will be transferred to third parties at a price higher than the price paid by Screen Group for the purchase of those shares, until the new price is equal to 101,200,000 euros. Such a possible supplement of price, in a maximum amount of 53,200,000 euros, shall be equal to the difference between the price paid by the third party for the whole stake in SSBT and the price initially paid by Screen Group for the purchase of that stake. The supplement of price, if any, shall be payable even in the event that the SSBT shares are admitted to trading on the Expandi Market, it being agreed that, in that event, all the SSBT shares held by Screen Group shall be conventionally deemed to be sold at the Offer Price, for the purpose of ascertaining whether the possible supplement of price has accrued and for the purpose of calculating the amount thereof. As a result, the supplement of price possibly belonging to the chairman of the Issuer's board of directors, Carlo Bombelli, and to the managing directors Giovanni Saleri, Giuseppe Gatti, Alessandro Sponchioni and Michele Bargauan by virtue of said agreements, is equal to a maximum overall amount of about 18,542,308 euros which can accrue under the above terms and conditions.

For further information, please refer to Section One, Chapter 14, Paragraph 14.2 and Section Two, Chapter 3, Paragraph 3.3 of the Prospectus.

5. INFORMATION ABOUT THE ISSUER

5.1 Issuer's history and development

5.1.1 Issuer's legal and commercial name.

The Issuer is named Screen Service Broadcasting Technologies S.p.A.

5.1.2 Issuer's place of registration and registration number

The Issuer is registered into the Companies' Register of Brescia under number 02235770241, *REA* number 458947.

5.1.3 Issuer's incorporation date and duration

The Issuer was incorporated on 20th November 1991 and is scheduled to remain in force until 30th September 2050, unless the extraordinary general meeting resolves to grant an extension.

5.1.4 Issuer's essential data

The Issuer is a joint-stock company governed by the Italian law, incorporated in Italy as a limited liability company - notarized by Mr. Francesco D'Ercole notary public in Vicenza, *rep. n.* 55452 *racc. n.* 9946 on 20th November 1991 - with its registered office in Brescia, Via Giuseppe Di Vittorio n. 17, telephone number +39 030 3582225.

5.1.5 Major events in the development of the Issuer's business

The Issuer, initially established under the corporate name of Villa Cedri S.r.l., following certain changes in the corporate structure, was turned on 7th September 2004 into a joint-stock company, thus changing its former name into the current one, as notarized by Mr. Giovanni Picone, notary public at Lissone, *rep.* 50854 *racc.* 15864.

On 29th September 2004, the Issuer – mostly inactive until then – has purchased 100% of the share capital of SSI, a company engineering, manufacturing and marketing TV broadcasting equipment, thus becoming a holding company. Later on, on 30th March 2005, by virtue of a deed certified by Mr. Gianni Tufano, notary public in Brescia *rep. n.* 121859 *racc. n*. 9864, the Issuer took over SSI and became an operating company.

For further information on the Issuer's business, please refer to Section One, Chapter 6, Paragraphs 6.1 and ff.

5.1.5.1 Beginning and development of the Issuer's business

The Issuer's first business dates back to the end of the '80s, when Carlo Bombelli, being well experienced in the TV broadcasting sector, founded SSI in Brescia: a company committed to the management, maintenance and sale of radio and TV equipment, two-way transmitters and electronic devices in general.

In 1993, Alessandro Sponchioni started its cooperation with SSI, then becoming a partner thereof along with Giovanni Saleri in 1996. In 1994, the business line based on the maintenance of TV broadcasting networks was dismembered and sold, and SSI began acting as a commercial company for the distribution of analogue transmitters manufactured by third parties.

In 1997 the *staff* is joined by Giuseppe Gatti, who starts partnering with SSI in 2002.

In 1998, thanks to its expertise developed by servicing, installing and marketing devices manufactured by third parties, SSI started the internal production of analogue TV transmitters in order to meet mostly foreign customers' technological demand.

In 1998, SSI purchased from the one-man business concern named Primetel di Chiaia Cristoforo, with its registered office in Messina, the business line dedicated to engineering, manufacturing and testing TV electronic devices and particularly radio and TV microwave links.

Starting from 1999, in cooperation with an engineering company based in Milan, *i.e*. M.B. International S.r.l., SSI has widened its own range of products by creating digital TV transmitters in addition to analogue TV transmitters, with special reference to the development of a set of devices meeting the new technological standards referred to as DVB-T in Europe and ATSC in the U.S.A. Starting from 2006, the range of products has been further widened by entering the sector of the production of Digital Mobile TV transmitters.

5.1.5.2 Entrance intervention of the CNPEF and Fondamenta funds and their founders' re-investment in the Issuer

Within the framework of a *leveraged buy-out* transaction relating to the company SSI, CNPEF and Fondamenta made their first appearance in the Issuer's share capital. The transaction is accomplished by using Villa Cedri S.r.l. as a vehicle company, *i.e.* the current SSBT, which had been basically inactive until then. Villa Cedri S.r.l.'s stake is purchased by CNPEF in order to complete the acquisition of SSI. Within the framework of said transaction, Villa Cedri S.r.l. has been turned into a joint-stock company, has changed its corporate purpose, increased its own share capital - in order to allow the founders to reinvest - and has taken its current corporate name.

The agreements for the transfer of 100% of SSI's share capital to Villa Cedri S.r.l., i.e. the current SSBT, by Carlo Bombelli, Cristoforo Chiaia, Giuseppe Gatti, Giovanni Saleri and Alessandro Sponchioni, SSI's founder shareholders, for an aggregate price equal to 23,650,000 euros, were reached on 6th July 2004. In the framework of such agreements the reinvestment by SSI's founder shareholders in the share capital of SSBT, through the subscription of a capital increase of same, for a total amount of 4,400,000 euros, is provided for.

The financial resources necessary to carry out the above transaction for a total amount of 24,650,000 euros, which were utilized, as to 23,650,000 euros to pay the price of 100% of the share cpaital of SSI, and as to 1,000,000 euros to pay the expenses related to the transaction, consist, of share capital as to 11,000,000 euros – 6,600,000 euros of same (equal to 60%) being subscribed by CNPEF and Fondamenta, and the residual 4,400,000 euros (equal to 40%) being subscribed, as described above, by the founder shareholders of SSI indicated above – as to 10,000,000 euros of a bank loan granted by Banca Popolare di Milano S.c.a.r.l., and as to the residual 3,650,000 of a delayed payment of the price (so called vendor loan). The bank loan granted by Banca Popolare di Milano S.c.a.r.l. for a 6 year period, to be reimbursed in half-yearly instalments and for a 12 month pre-amortizing period, at a variable rate equal to 6 month Euribor increased by a 2.25% spread. Said loan was guaranteed by pledging the entire share capital of SSI and and 93% of SSBT share capital.

Pursuant to the acquisition agreement, the sellers have provided the contractual guarantees usually required for such transactions, thus jointly undertaking the consequent indemnification obligations for any liabilities whatsoever, if any, not declared on the execution date, including but not limited to any social welfare contributions, labour law liabilities and tax liabilities, according to the best practice. The last *tranche* of payment for the agreed price, equal to 1,500,000 euros, to be paid to the sellers by 12th January 2009, can be used to offset any amount owed by the sellers to the buyer as indemnification.

In order to improve the corporate organization, on 22nd September 2004, SSI's real estate business line based on the building where the industrial activity is carried out, located in Brescia, Via Giuseppe di

Vittorio n. 17, was dismembered, through partial splitting, in favour of a newly incorporated company named Fincinque S.r.l., owned by the same shareholders as SSI, with a proportional criterion. At present, the Issuer is carrying out its own activity in that building, as lessee by virtue of a lease agreement entered into with Fincinque S.r.l. The splitting has also provided Fincinque S.r.l. with a stake in Ramari Holding B.V., a company established under the Dutch law, fully participated by SSI and deemed no longer strategic for SSI's business.

On 29th September 2004, the Issuer accomplished the purchase of SSI.

5.1.5.3 Investment in Innovaction S.r.l.

On 12th July 2004, prior to the completion of the transfer to SSBT, SSI bought from Omicron S.r.l. a 39% stake in the share capital of Innovaction S.r.l., with its registered office in Pianopoli, Catanzaro, operating in the sector of the research, engineering and implementation of designs and prototypes for relating to electronic devices and to two-way transmitters for TV broadcasting, at the price of 192,000 euros.

It is to be noted that Innovaction S.r.l. holds a 25% stake in the share capital of Ramec S.r.l., a company committed to engineering, developing, assembling and manufacturing electric and electronic devices.

5.1.5.4 New managers' entrance in the Issuer's capital

On 24th December 2004, Carlo Bombelli, in order to better involve the managers into the Issuer's shareholding body, has transferred 330,000 Shares to Gianluca Baccalini, corresponding to a 3% stake in the Issuer's share capital, at the price of 330,000 euros and 220,000 Shares to each of Alberto Pavesi and Fabio Ranza, each corresponding to a 2% stake in the Issuer's share capital, at an overall price of 220,000 euros each.

5.1.5.5 SSI's merger through incorporation into SSBT

On 30th March 2005, with effect as of 1st October 2004, SSI was merged through incorporation into SSBT, which therefore takes over all of the merged company's assets and liabilities.

5.1.5.6 Incorporation of SSA

On 21st November 2005, the Issuer, to the purpose of establishing an operating office in the US to monitor the North American and South American markets, incorporates SSA: a limited liability company regulated by the US law with its registered office in Miami, Florida, 70% of which is held by SSBT. The remaining 30% of the share capital is held by Raul Garcia, who is SSBT's reference point for the American market and SSA's managing director.

SSA, being based in Florida, is located in a strategic position for both the North American and South American markets, where it operates by marketing TV broadcasting equipment manufactured by SSBT and by supplying post-sale services and customer assistance services.

5.1.5.7 Acquisition of MBITL

On 30th December 2005 - as a result of a framework agreement entered into on 16th December 2005 by the Issuer, M.B. International S.r.l. and Michele Bargauan - the Issuer has purchased a 100% stake in the share capital of MBITL from the company M.B. International S.r.l. for an amount of 2,590,000 euros. MBITL was originated from a business line contributed by M.B. International S.r.l., relating to the research and development, production and marketing of hardware and software solutions for the digital TV broadcasting and Digital Mobile TV broadcasting.

Within the framework of said transaction, on 23rd December 2005 the Issuer's share capital was resolved to be increased from 11,000,000 euros to 11,440,000 euros, fully subscribed by Michele

Bargauan, as reference shareholder of M.B. International S.r.l. and person considered fundamental for the development and enhancement of MBITL.

5.1.5.8 Equity restructuring transactions for SSBT and assignment to Screen Group

On 31st July 2006, Carlo Bombelli has transferred 400,000 shares of the Issuer to CNPEF, corresponding to about 3.5% of SSBT's share capital, at the price of 1,818,181.82 euros, as well as 40,000 shares to Fondamenta, corresponding to about 0.3% of SSBT's share capital, at the price of 181,818.18 euros. Said sale and purchase was performed at a price of euro 0.4329 per share (calculated after the split-up of the shares referred to under Paragraph 5.1.5.10 below), corresponding to an evaluation of 100% of the share capital of SSBT equal to 52,000,000 euros.

On the same day, as a result of previous agreements executed in 2004, CNPEF and Fondamenta has transferred:

- a total number of 110,000 shares in SSBT (representing about 0.96% of its share capital) to Alberto Pavesi at par value and therefore at the price of 110,000 euros; and
- a total number of 517,330 shares in SSBT (representing about 4.52% of its share capital) to Carlo Bombelli (344,887 shares), to Giovanni Luca Saleri (57,481 shares), to Giuseppe Gatti (57,481 shares) and to Alessandro Sponchioni (57,481 azioni) at their par value and therefore at the overall price of 517,330 euros.

As a result of the transactions described above, the share capital of SSBT is held as follows:

Shareholder	***Number of shares***
CNPEF	5,829,700
Fondamenta	582,970
Carlo Bombelli	1,774,887
Giovanni Saleri	497,481
Cristoforo Chiaia	440,000
Giuseppe Gatti	497,481
Alessandro Sponchioni	497,481
Michele Bargauan	440,000
Gianluca Baccalini	330,000
Alberto Pavesi	330,000
Fabio Ranza	220,000
Total	**11,440,000**

On the same 31st July 2006, SSBT's shareholders, except Cristoforo Chiaia, have worked out a releverage transaction on SSBT's share capital, to the purpose of optimizing their investment in SSBT from a financial standpoint, of monetizing in part such investment as well as of allowing the restructuring transactions among shareholders described above to be performed and to favour the exit of Cristoforo Chiaia; such transaction was carried out by transferring 100% of SSBT's share capital to Screen Group, which had been sleeping until then, and by seeing to it that immediately thereafter SSBT's shareholders, except for Cristoforo Chiaia, could reinvest in Screen Group.

The transfer price was agreed between Screen Group and the selling shareholders reinvesting in Screen Group, by virtue of a private deal, in the basic amount of 45,000,000 euros, equal to a price of 0.3896 euros per share (calculated following the split-up of the shares), on the basis of an assessment of 100% of SSBT's share capital equal to 46,800,000 euros, and without prejudice to the possible supplement of price indicated below.

In such a framework, the parties also agreed, in consideration of the sellers' expectations about SSBT's value, on a possible supplement of price (to be considered as part of the aggregate price of the transaction) which could be payable in case of transfer to a third party of the entire shareholding of Screen Group in SSBT for a price higher than the price paid by Screen Group for the purchase of such shares, until the new price is equal to 101,200,000 euros (corresponding to the amount of 45,000,000 euros paid as above to all the SSBT shareholders except Cristoforo Chiaia, to the amount of 3,000,000 euros paid to the shareholder Cristoforo Chiaia, and to the amount of 53,200,000 euros, maximum amount of the possible supplement of price.

Said possible supplement of price, for a maximum amount of 53,200,000 euros, may be equal to the difference between the price paid by the third party for the whole stake in SSBT and price initially paid by Screen Group for the purchase of said participation, including the participation purchased from Cristoforo Chiaia for 3,000,000 euros, as described below. The possible supplement of price shall be payable even in the event that the SSBT shares are admitted to trading on the Expandi Market, it being understood that, in that case, for the purpose of ascertaining whether or not a supplement of price has actually accrued and of calculating the amount thereof, all the SSBT shares held by Screen Group shall be conventionally considered to be sold at the Offer Price.

Should the supplement of price be due in case the SSBT's shares are admitted to trading on the Expandi Market, it will be paid by Screen Group to the selling shareholders after full reimbrusement of Screen Group's indebtedness incurred in carrying out the transaction (as described below): *(i)* no later than 10 (ten) days following the initial date of trading of the ordinary shares of SSBT on the Expandi Market, as to the portion thereof covered by the proceeds deriving to Screen Group from the Global Public Offering, and *(ii)* no later than 6 months from the date of commencement of trading as to the residual portion.

Should the supplement of price become payable, Screen Group shall pay to the selling shareholders, other than Cristoforo Chiaia, an aggregate price of 98,200,000 euros, equal to a price of 0.8502 euros per share (always calculated following the split-up of the shares), on the basis of an assessment of 100% of SSBT equal to 102,128,000 euros.

Within the framework of said transaction, Cristoforo Chiaia's stake in SSBT, equal to about 3.85% of the share capital thereof, has been purchased by Screen Group at the price of 3,000,000 euros, which was entirely paid in cash at the date of transfer, and namely at a price of 0.6494 euros per share (calculated following the split-up of the shares), based on an assessment of 100% of SSBT equal to 78,000,000 euros, agreed on the basis of a negotiation, in order to take into account Cristoforo Chiaia's intention not to carry out the successive reinvestment in Screen Group as well as of his renunciation to receive the possible supplement of price.

As above said, the difference between the evaluation of 100% of the share capital of SSBT agreed in the negotiations with the shareholders reinvesting in Screen Group (in a basic value of 46.800,000 euros and a target value of 102,128,000 euros) and the same evaluation of 100% of the share capital of SSBT agreed with the exiting shareholder Cristoforo Chiaia equal to 78,000,000 euros, has been determined in consideration of the fact that Cristoforo Chiaia did not reinvest in Screen Grooup and, as a consequence, did not take the relevant entrepreneurial risk. As a matter of fact, the other shareholders of SSBT accepted a price for the transfer of their respective shares based on a lower initial evaluation, taking the entrepreneurial risk of the possible supplement of price, to be on the contrary calculated on the basis of a higher evaluation, corresponding to higher expectations about the Company's value.

The expected higher value of the Company has been, *inter alia*, convalidated by an appraisal of a third independent expert, drawn up to updated the book value of the shareholding interests in the Issuer's share capital held by natural persons to the purpose of detemrining the substitute tax on capital gains, and issued on June 28th, 2006, showing an evaluation of SSBT equal to 100,000,000 euros.

The investment of all the selling shareholders, except Cristoforo Chiaia, in Screen Group, was realized by subscribing to a capital increase of same, from 10,200 euros to 11,270,000 euros and to a bonded loan convertible in shares of Screen Group itself, in the overall amount of 22,540,000 euros. The bonds – issued at par and subscribed *pro-quota* by all Screen Group's shareholders – shall entitle the shareholders, in case of conversion thereof, to get 1 new share for each bond held. The loan is scheduled to last 7 years, starting from 30th September 2006 until 29th September 2013. For further information relating to Screen Group's shareholders, please refer to Chapter 18, Paragraph 18.1 of this Section One.

Within the framework of that transaction, on 31st July 2006, the following agreements were executed: *(i)* a long-term financing agreement between the Issuer, on the one side, and Centrobanca - Banca di Credito Finanziario e Mobiliare S.p.A, Monte dei Paschi di Siena Banca per l'Impresa S.p.A. and Banca Popolare di Milano S.c.a.r.l., on the other side, for an overall amount of 10,000,000 euros, designed to re-finance, upon better terms and conditions, the current indebtedness (including the original loan which Banca Popolare di Milano S.c.a.r.l. granted to the Issuer at the time of the leveraged buy out transaction carried out on 29th September 2004 - for further information about which please refer to Pargraph 51.5.2. above) and to meet the needs for working capital; and *(ii)* a long-term financing agreement between Screen Group, Centrobanca – Banca di Credito Finanziario e Mobiliare S.p.A, Monte dei Paschi di Siena Banca per l'Impresa S.p.A. and Banca Popolare di Milano S.c.a.r.l., for an overall amount of 15,000,000 euros, reimbursable in 7 yearly instalments starting from 31st July 2007 and expiring on 31st July 2013, in order to finance the acquisition by Screen Group of 100% of the Issuer's share capital.

For further information on the Issuer's financial resources and on the existing loans, please refer to Chapter 10, Paragraph 10.1 and to Chapter 22 of this Section.

5.1.5.9 The entrance in the share capital of SSS

On 25th September 2006, the Issuer has entered the share capital of SSS – formerly, Power Technology S.r.l. – newly incorporated with its registered office in Viterbo and designed to pursue a business purpose synergetic with SSBT's business, by subscribing a capital increase for SSS from 10,000 to 35,000 euros at par. Said capital increase is subscribed by SSBT for 24,500 euros SSBT and by the former sole shareholder Umberto Kusminsky for 500 euros. As a result, the Issuer now holds 70% of the share capital of SSS whereas the remaining 30% is held by Umberto Kuzminsky, who is currently acting as chairman of the board of directors of SSS.

Starting from SSBT's entrance in the share capital of SSS, the latter has been installing, servicing and repairing radio and TV transmitters and supplying supplemental services, such as technical and commercial assistance for the installation of telecommunication systems and fulfillment of the formalities needed for the turn-key delivery of the products.

5.1.5.10 Further recent transactions

On 28th December 2006, the Issuer's ordinary general meeting has resolved to increase the share capital by 660.000 euros, therefore from 11,440,000 euros to 12,100,000 euros, corresponding to about 5.4% of the share capital, with a share-premium of 2,340,000 euros and with exclusion of option rights. Said capital increase is subscribed and paid by Istifid Fiduciaria S.p.A., UBS Fiduciaria S.p.A. and Aletti Fiduciaria S.p.A., each for a 1.8% stake, approximately, of the share capital. The subscription price per share (calculated following the split-up of the shares) is equal to 0.4329 euros, corresponding to an assessment of 100% of SSBT equal to 52,000,000 euros.

Finally, it must be remarked that the Issuer's extraordinary general meeting of 19th February 2007 - notarized by Camilla Barzellotti notary public in Brescia *rep.* 5608 *racc.* 947 - has resolved to increase the share capital for the purposes of the Global Public Offer, as detailed in Chapter 21, Paragraph 21.1 of this Section, as well as a split-up of the Issuer's ordinary shares, by assigning 21 shares for every 2 shares held, and a concomitant removal of the respective par value, without prejudice to the share capital, so that the Issuer's number of shares rises from 12,100,000 to 127,050,000, without par value.

For further information on the Issuer's shareholding structure at the Prospectus Date, resulting from the above transactions, please refer to Chapter 18, Paragraph 18.1 of this Section One.

5.2 Investments

This section focuses on the investments carried out by the Issuer with regard to 30th September 2006 and 30th September 2005.

5.2.1 Major investments carried out

The following chart shows the amounts of long-term investments and of investments in fixed assets and in intangible assets carried out during the financial year closed at 30th September 2006 and the financial year closed at 30th September 2005[2].

(figures in thousand euros)	**30 September 2006**	**30 September 2005**
Intangible assets (excepting the goodwill)	53	26
Fixed assets	659	105
Financial assets	25(*)	–
Total investments	**737**	**131**

(*) This detail does not take into account the investment in MBITL, since that company falls within the consolidation area and, as a result, the value of its participation in the consolidated financial statements at 30th September 2006 is cancelled (cf. Paragraph 5.1.5.7 of this Chapter).

It must be noted that, on 30th December 2005, the Issuer bought a 100% stake in MBITL from the company M.B. International S.r.l. at the price of 2,590,000 euros. For further information on said transaction, please refer to Paragraph 5.1.5.7 of this Chapter 5.

5.2.2 Major investments in progress

At the Prospectus Date, no significant investments are being carried out by the Issuer.

5.2.3 Commitments for future investments

At the Prospectus Date, the Issuer has not undertaken any definitive or binding commitments for future investments.

(2) These data are taken from the consolidated financial statements at 30th September 2006 and from the financial statements at 30th September 2005, worked out according to the IFRSs adopted by the European Union.

6. BUSINESS OVERVIEW

6.1 Major activities

6.1.1 Description of the Issuer's transactions and major activities

SSBT is a company successfully operating in the sector of telecommunication facilities and supplying a wide range of integrated products and services for radio and TV broadcasters and mobile telecoms operators.

SSBT' business consists in *(i)* engineering, manufacturing and marketing technological equipment and solutions in Italy and abroad, as well as *(ii)* the implementation and integration of complete systems primarily for terrestrial TV broadcasting and, marginally, for satellite TV broadcasting, in both analogue and digital modes, in addition to mobile TV broadcasting.

The process whereby the audio-visual signal, whether analogue or digital, is broadcast by the TV studio to the end users can take place in a terrestrial, satellite or cable broadcasting mode. The Issue's products are mostly designed for the transmission of the signal in the terrestrial mode and particularly:

- for the Digital TV Broadcasting, meant as the broadcast of the terrestrial TV signal through digital technology;
- for the Analogue TV Broadcasting, meant as the broadcast of the terrestrial TV signal through analogue technology;
- for the Digital Mobile TV Broadcasting, meant as the broadcast of the terrestrial TV signal for mobile phones, through digital technology.

For more information on the Issuer's products, please refer to Paragraph 6.1.1.1 of this Chapter 6.

The TV Broadcasting exploits the capability of high frequency electromagnetic waves of being propagated through the air in order to convey and broadcast the TV contents through a Broadcasting Network composed of devices such as Radio Links, Transmitters and Repeater. The conveyed signal finally gets into the end users' homes through the aerials connected to their TV sets, either directly or through a decoder.

In the TV Broadcasting process, the TV signal, composed of sounds and images, can be transmitted in both analogue and digital modes. In the analogue format, the TV signal consists in an uninterrupted flow of data, whereas in the digital format the TV signal is featured in the form of packets of binary numbers zero and one.

The Digital TV Broadcasting offers certain advantages for the end users if compared to the Analogue TV Broadcasting, particularly including:

- Its being cheaper than satellite or cable broadcasting modes, thus enabling the end users to limit their investments;
- A higher number of TV programmes to be broadcast and a wider range of services to be offered;
- a better quality of the signal;
- a reduction in the electromagnetic pollution.

Analogue and Digital TV Broadcasting Processes

The scheme below outlines the stages of the process and the basic components of a TV broadcasting network, by specifying the phases typical of the Digital TV broadcasting, those typical of the Analogue TV Broadcasting and those shared by both modes:

- Playout Phase. In this phase, shared by both the Analogue and the Digital TV Broadcasting processed and entirely managed by the TV broadcaster at its studios, the TV contents (*e.g.*, news bulletins, films and commercial advertisements) are organized in an archive, usually in a digital format. They are later picked out of the archive, assembled as a programme schedule and then technically converted (through playout devices) into audio-visual signals issued in a digital or analogue mode, to be broadcast through the Broadcasting Network.
- Encoding Phase. In this phase - necessary for the Digital TV Broadcasting process only, considering that the digital TV signal, if uncompressed on its way out the Playout Phase, constitutes a huge data flow - the data start being compressed, in order not to occupy a RF Band higher than the band of an analogue signal, so as to make up a data flow suitable for the transport (so-called Transport Stream), to be circulated through the Radio Links and distributed among the end users. The data are compressed at the TV broadcaster's studios by using the equipment referred to as Encoder.

  For further information on the Encoder manufactured by SSBT, please refer to Chapter 6, Paragraph 6.1.1.1, of this Section One.
- Multiplexing Phase. In this phase, necessary for the Digital TV Broadcasting process only, the Transport Streams, are aggregated by the equipment referred to as Multiplexer, at the TV broadcaster's studios, so as to make up a single Transport Stream which enables to broadcast a variable number of programmes at one frequency only, depending on the signal quality selected. This means taking a step ahead of the analogue technique, which enables to transmit just one programme at a frequency.

  For further information on the Multiplexer manufactured by SSBT, please refer to Chapter 6, Paragraph 6.1.1.1, of this Section One.
- Transport Phase. In this phase, shared by both Analogue and Digital TV Broadcasting processes, the TV signal is conveyed from the TV studio into the various broadcasting sites, where the transmission towers are located for the purpose of distributing the signal among the end users. Said sites are located in places high enough to enable the transmission of the TV signal on optical line. Particularly, the transport is carried out through a Distribution Network. The Distribution Networks currently used in Italy mostly exploit the terrestrial Radio Links. The advantage offered by a Distribution Network utilizing the Radio Links is the possibility of differentiating the TV offer, by distributing contents on the national and local level.

  For further information on the Radio Links manufactured by SSBT, please refer to Chapter 6, Paragraph 6.1.1.1, of this Section One.
- Modulation Phase. In this phase, shared by both Analogue and Digital TV Broadcasting processes, the TV signal, arrived at the broadcasting sites, is converted and modulated at an intermediate frequency for the purpose of being adapted to the terrestrial transmission through a device referred to as Modulator.

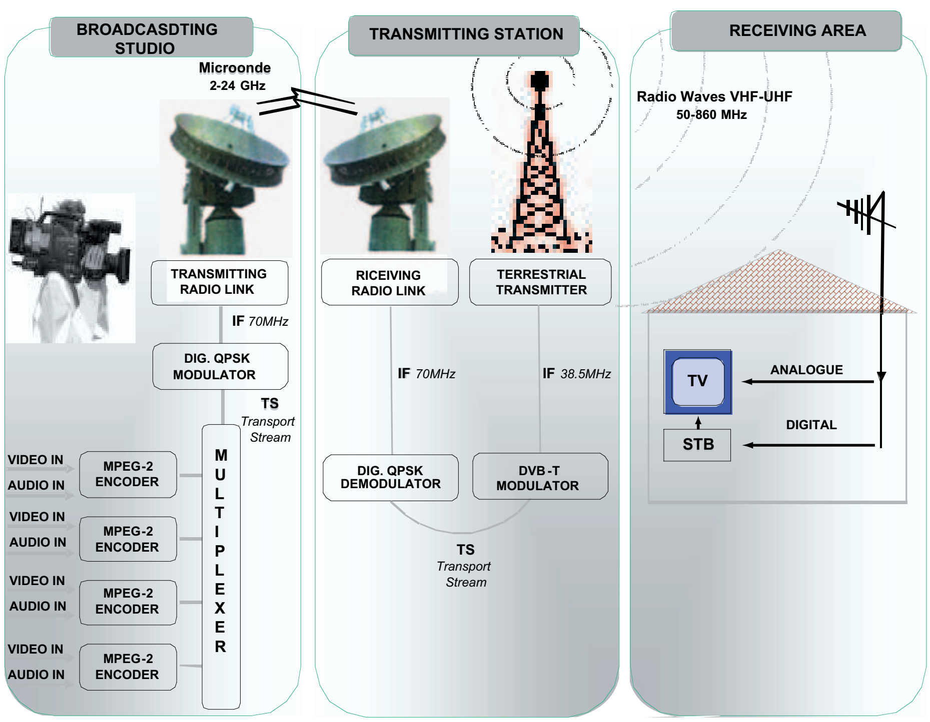
  For further information on the Modulators manufactured by SSBT, please refer to Chapter 6, Paragraph 6.1.1.1, of this Section One.
- Broadcasting Phase. In this phase, shared by both Analogue and Digital TV Broadcasting processes, the TV signal is broadcast from the broadcasting sites to the end users, through a Broadcasting Network composed of a set of transmitters needed to broadcast the TV signal among the end users' homes. The signal, handed on through the Radio Links belonging to the Distribution Network, is

received by a Transmitter which, through a device referred to as Exciter and through an Amplifier, modulates it at an intermediate frequency and then converts it into output frequency and finally amplifies it by broadcasting it from the Transmitting Antenna, thus delivering it to the area covered by the Transmitter. In case of blind areas caused by obstacles located within the coverage area, a Repeater is used to receive the signal from the Transmitter and to hand it on, without re-processing it, so as to cover those blind areas.

In the Analogue TV Broadcasting process, the video signal is modulated in AM (amplitude modulation), whereas the audio signal is modulated in FM (frequency modulation). In the Digital TV Broadcasting process, use is mostly made of the COFDM multi-carrier digital modulation, underlying the standard DVB-T, or the 8VSB modulation, underlying the standard ATSC, both techniques being used for transmitting data at high speed.

For further information on Radio Links, Exciters, Transmitters, Transmitting antennas and Repeaters manufactured and/or marketed by SSBT, please refer to Chapter 6, Paragraph 6.1.1.1, of this Section One.

- Reception Phase. In this last phase, shared by both Analogue and Digital TV Broadcasting processes, the TV signal is received by the end user's receiving system. In the Digital TV Broadcasting process, the end user's terminal must be composed of either a digital integrated receiver or by a decoder to be integrated into the analogue receiver. The decoder is the hardware which receives the TV signal, demodulates and decodes it, thus enabling to properly watch the programmes. In order to take advantage of the interactive TV systems offered by the digital technology, the end user's receiver must be integrated by a device operating as a return channel towards the TV studio. One of the methods most used for guaranteeing the return of the data flow sent by the end user consists in utilizing the analogue modem connected to a phone line or a network adapter to be connected to a computer network with broadband internet access.



The following picture outlines the different phases of the TV Broadcasting process:

Digital Mobile TV Broadcasting Process

The Mobile Digital TV Broadcasting process is characterized by the same phases as described above with regard to the Digital TV Broadcasting process and utilizes mostly the same equipment and the same technology. As for the Broadcasting Phase, the basic difference in respect of the Digital TV Broadcasting process consists in the method used for broadcasting the signal over the territory. The Digital Mobile TV Broadcasting process actually needs more devices to cover the same area with the signal. The Digital TV Broadcasting equipment needs fixed home aerials, whereas the Mobile Digital TV Broadcasting equipment (mobile phones), capable of receiving the mobile tv signal, have a built-in receiver much less efficient than the fixed home aerials. There is a need for a more intense signal (even 50 times as higher), as it happens for the GSM signal, and therefore for more devices spread all over the territory.

6.1.1.1 Products

SSBT's products, mostly instrumental to the transmission of the signal in terrestrial mode, are dedicated to the following three areas:

- Digital TV Broadcasting, consisting in using the digital technology for the purpose of broadcasting the terrestrial TV signal or, marginally, the satellite TV signal;
- Analogue TV Broadcasting, consisting in using the analogue technology for the purpose of broadcasting the terrestrial TV signal;
- Digital Mobile TV Broadcasting, consisting in using the digital technology for the purpose of broadcasting the terrestrial TV signal for mobile phones;

SSBT offers a wide range of products and services, whether simple or integrated, designed to cover the different phases of the Digital TV, Analogue TV and Mobile Digital TV Broadcasting process, except the Playout Phase.

The following chart summarizes the key strengths of the Issuer's products:

Compact size	Due to the compact size of the Issuer's products, customers can maximize the space they hire in transmission towers. As a result they can reduce hiring fees for tower spaces, which are usually calculated on the basis of space actually occupied. Furthermore, maintenance and substitution of devices in smaller equipment is easier.
Power saving equipment	All equipment produced by the Issuer allows significant power saving in the overall network costs.
Reliable equipment	Every single SSBT device is tested in-house before being shipped, simulating every weather condition with dedicated equipment, thus reducing the risk of damaged equipment.
Standardized components	The high level of standardization enables SSBT to use the same sub-systems in a wide set of products, thus reducing the stocks needed for assistance purposes and costs of operation, as a consequence.
Multistandard devices	All Issuer's latest transmitters are designed to permit their use in different digital standards and, with no modification or calibration, also in analog standards. This gives customers a greatest flexibility in the period of transition from analog to digital transmission, as well as longevity for their investments.
Easy remote control	All devices produced by the Issuer can be controlled and managed remotely even without dedicated software (devices can easily be reached from an internet browser). This drastically reduces the expenditure needed in terms of monitoring and tele-monitoring infrastructure.
Modular devices	Modular devices destined to Analogue TV Broadcasting and Digital TV Broadcastingallows, in case of malfunctioning, to replace only the broken components. This means faster maintenance and fixing, quickly restoring the signal transmission.

Products for the Digital TV Broadcasting

SSBT is engaged in engineering, manufacturing and marketing the following devices, both in Italy and abroad, instrumental to the above-described phases of Digital TV Broadcasting process:

- **Encoder**, device employed in the Encoding Phase, through which the TV signal is compressed by using the MPEG-2 system which is based on sophisticated encoding algorithms and is capable of compressing a TV programme from 270 Mbit/sec to 2 Mbit/sec as a minimum, while maintaining the high-quality features of the signal and deleting the useless or redundant information.

- **Multiplexer**, device employed in the Multiplexing phase, through which different digital "channels" are combined into one Transport Stream, designed to occupy a single frequency. In addition to this function, the Multiplexer manufactured by SSBT can also be used to modify or supplement any contents to an already created Transport Stream.

The following picture shows an Encoder with built-in Multiplexer:

Products for Digital and Analogue TV Broadcasting

SSBT is engaged in engineering, manufacturing and marketing, both in Italy and abroad, certain devices employed in the various phases of both Digital and Analogue TV Broadcasting processes. Here they are in detail:

- **Radio Links**, devices employed in the Transport Phase and regarded as components of the Distribution Network, ensuring mono and bi-directional point-to-point links between two transmission points (one transmitting and one receiving), thus enabling the transmission of the TV signal from television studios to the Broadcasting Networks. Radio Links are composed of one Transmitter and one mono-directional or bi-directional receiver. In the first case, reference is made to Monodirectional Radio Links, whereas, in the second case, reference is made to Bidirectional Radio Links. More particularly, monodirectional Radio Links connect two points in one direction, whereas bidirectional Radio Links are devices providing connections through microwaves between two points, both equipped with one transmitting and one receiving Radio Link, so as to ensure the bidirectional connection.

  SSBT is also engaged in manufacturing and marketing Radio Links consistent with the Analogue, Digital and Digital Mobile TV Broadcasting. The Radio Links manufactured by SSBT can be adjusted to the above methods of transmission, by just configuring the Modulator and de-modulator.

  The Radio Links manufactured by SSBT can broadcast signals on waves moving at a frequency ranging between 1.4 and 24 GHz. Due to their very direct and concentrated signal transmission capability, the Radio Links allow to save transmission power.

The Radio Links offered by SSBT can be used for local signal-transmitting networks, as well as for the implementation of derived connections between the national data-transmitting networks, referred to as backbones networks, and the positions. Furthermore, the Radio Links offered by SSBT have certain features potentially suitable for a series of applications of data transmission, even in sectors other than TV broadcasting (*e.g.*, the implementation of private networks or of point-to-point links for various purposes, whether civilian or military). The following picture shows a mobile digital Radio Link:

- **Modulators,** devices employed in the Modulation Phase, where the Transport Stream (or analogue/video signals, in case of analogue equipment) is modulated - for the purpose of being suitable for the terrestrial broadcast - at an intermediate frequency later converted by a device named "up converter" to the use frequency and then aired. In case of Radio Links, the receiver utilizes the aerial to capture the microwave signal and, through a so-called "down converter", it re-converts it to an IF frequency, which is later demodulated again through a demodulator, so as to recover the Transport Stream for digital technology, or the audio-visual signal for analogue technology.

  SSBT develops, manufactures and markets Modulators that can be employed in Analogue, Digital and Digital Mobile TV Broadcasting, using the most common modulation patterns on the market, which are particularly: AM, (Amplitude Modulation), FM (Frequency Modulation), QPSK (Quadrature Phase Shift Keying), QAM (Quadrature Amplitude Modulation), COFDM and 8-VSB (8 Vestigial Side Band);

- **Transmitters and Repeaters**, devices employed in the Broadcasting Phase, where the signal, after being duly modulated, is aired through a system of transmitting antennas at VHF or UHF frequency receivable by the TV sets currently on sale on the market.

  SSBT develops, manufactures and markets Transmitters that can be employed in Analogue, Digital and Digital Mobile TV Broadcasting. SSBT's offer includes various product lines according to the frequency bandwidth used for the TV broadcasting (VHF-I, VHF-III and UHF) and to the type of cooling system, whether air cooled or liquid cooled.

  SSBT manufactures and markets mass-produced models of Transmitters with an exit signal power ranging between 1 W and over 40 kW and, on demand, with higher signal powers. All models of Transmitters are very compact in size and very low power consuming in consideration of the power delivered.

SSBT's range of Transmitters includes digital-ready Transmitters (i.e., analogue devices upgradeable to digital technology) and dual mode Transmitters (able to transmit either analogue or digital signals, even if not simultaneously). This solution therefore allows the TV broadcasters to start the testing phase, e.g. by transmitting in analogue mode during daytime, while testing digital transmission by night. In so doing, at the switch off moment, when the TV signal will be required by the law to be broadcast in digital mode only, the broadcaster will already be having equipment available for broadcasting in digital mode in all respects, unlike most Transmitters manufactured by SSBT's competitors who, despite their being digital ready, are reported by the management to require physical assistance to do so.

In case of blind areas within the area covered by Transmitter, a Repeater is used for spreading the signal received from the Transmitters over the blind areas, thus guaranteeing full area coverage.

Repeaters can work both at the same frequency as the Transmitter from which the Repeater receives the signal and at an different frequency.

The Transmitters and Repeaters offered by SSBT work on frequencies ranging between 50 and 860 MHz, in VHF (Very High Frequency) and UHF (Ultra High Frequency) bandwidths, which are the frequencies receivable by the TV sets currently on sale on the market. SSBT manufactures models of Transmitters and Repeaters able to work at all standard frequencies used all over the world.

All models of Transmitters offered by SSBT, regardless of their power, can be equipped both as Transmitters and as Repeaters, without prejudice to the possibility of converting the Transmitters into Repeaters and vice versa by just replacing an electronic card.

SSBT produces both Transmitters complete with all their components and their single components, which can therefore be marketed separately from the Transmitter. The following picture shows a model of Transmitter:

- **Exciters,** devices employed in the Broadcasting Phase, embedded in the Transmitters, which modulate the TV signal in base-band at intermediate frequency and then convert it to output frequency. The following picture shows a model of Exciter:

- **Amplifiers,** devices employed in the Broadcasting Phase, embedded in the Transmitters, which amplify the power of the TV signal coming from the Exciter, by broadcasting it from the TransmittingAntenna, so that it can be received by the area to be covered.

SSBT's product portfolio includes other digital devices, such as synchronization systems, remote controls, decoders and satellite receivers.

In addition to the equipment manufactured directly, SSBT also markets a few products manufactured by third parties (such as transmitting antennas, devices instrumental to the Broadcasting Phase, through which the TV signal is aired).

Digital Mobile TV equipment

The products described above can be employed, in their digital configuration, for Digital Mobile TV configuration as well, since they share the same technology. However, considering the specific needs of mobile telecoms operators, SSBT products can be custom-designed in order to fullfil the standards regularly applied by mobile operators (*e.g*, 48 volt power supply, double redundant power supplies, telecoms-compatible and network-compatible interfaces, etc).

With special reference to the sector of Digital Mobile TV Broadcasting, SSBT manufactures DVB-H Transmitters for the implementation of complete broadcasting networks for the transmission of the DVB-H signal.

SSBT's research department is currently developing the firmware[3] necessary for the implementation of Digital Mobile TV Broadcasting also complying with the Media-FLO standard (for further information in this respect, please refer to Paragraph 6.2.2 of this Chapter 6) being implemented on the U.S. market. In fact, SSBT, through it subsidiary company MBITL, participates at the FLO-Forum – organization gathering the main manufacturers and designers of technical solutions for Mobile Digital TV Broadcasting according to this new standard – and contributes to defining the parameters and technical specifications for the standardization of the FLO products (Forward Link Only).

(3) The firmware is a software, resident in the system, designed exclusively for the operation and control of the relevant electronic device. Any change or upgrading of the firmware allows partial or total modification in the device's functions.

6.1.1.2 Services

SSBT provides custom-design equipment based on customers' technical and installation-related requirements.

The engineering activity consists in the development, based on the customers' specific needs, of new solutions aimed at implementing new products or upgrading and adjusting those already existing.

SSBT also offers an installation, test and first-usage services, carried out directly by its own technicians on the customers' network sites.

In addition, in order to meet the specific needs of its own customers, SSBT can perform ordinary after-maintenance on its original equipment (thus periodically checking whether the equipment is working properly and systematically replacing any components with the respective supply of spare parts) and extraordinary maintenance (consisting in the solution of malfunctions and breakdowns).

Maintenance activity is carried out by SSBT's employees, or by employees of its subsidiaries SSS and SSA or by local independent technicians for on-site interventions.

Furthermore, SSBT supplies the following technical and commercial services to industries and public and private broadcasters both in Italy and abroad:

- devising technical specifications for public tenders. Thanks to the experience achieved over the years by the staff of the companies within the group, SSBT can investigate its customers' technical and budget-related needs and then help them in preparing the necessary technical and commercial documents requested in international contests for the supply, development and maintenance of analogue and digital broadcasting networks.
- feasibility studies and deployment planning. These services consist in site surveys to be performed, if necessary, for the purpose of selecting the geographical sites for the best coverage possible, including inspections on the sites, if any, already singled out by the customer (Site Survey), as well as in drawing up a plan for the acquisition and implementation of the equipment necessary for implementing the distribution network and the broadcasting network, including the selection of the technologies to be used (type of broadcasting network to be adopted, type of Transmitters to be set up, type of cooling system for them, etc.);
- system integration. This service consists in selecting and matching devices of different types and brands, for the purpose of helping and assisting the customer in choosing and implementing more or less complex projects, including, but not limited to, TV Broadcasting facilities: the Issuer undertakes to design the system, to define the features of each single component, to select the equipment most appropriate for the project, to assemble and interface systems, even with third-party products, and to carry out the installation and the final testing at its own plant or on the customers' sites; and
- training courses. Training is an important customers' support service. Courses are given both on customers' site (On-site training) or at SSBT's plant (Factory training). SSBT tutors provide technicians and installers selected by the customer with accurate information and updates on the installation, maintenance and repairing activities for the equipment manufactured by SSBT, by supplying instruction sessions and, if requested, workshops.

Furthermore, through the controlled entity MBITL, SSBT offers the following value-added services:

- innovative, up-to-date and cost-effective solutions for Digital and Digital Mobile TV broadcasting;
- design and product simulation for major manufacturers of chips, *i.e.* silicon modules regarded as the basic components of electronic circuits.

6.1.1.3 Research and development

R&D activity is a key element to maintain and improve SSBT's competitive position in a sector requiring continuous technology innovation.

SSBT's R&D activity is carried on mainly by its subsidiary company MBITL, an R&D company operating in the TV Broadcasting industry worldwide. MBITL researches, develops and manufactures prototypes subsequently sold to the Issuer's non-competitor companies. In addition, as a result of its R&D activity, MBITL designs hardware and software solutions for the broadcasting industry, according to either industry standards or customers' specifications, based on the main transmission standards. MBITL technicians are experienced in implementing technological solutions for the Analogue, Digital and Digital Mobile TV Broadcasting. The R&D activity is basically aimed at improving the technical features of the SSBT products and at devising new ones.

Particularly, through its R&D activity SSBT has also developed the following technologies and product lines:

- "Mod-All" modulators: cards employed in the digital signal modulation process, which allow to use the same hardware for any modulation scheme (transmission standards depend on firmware installed);
- trans-modulators: devices enabling digital DVB-T signals to be received, demodulated and re-transmitted in analogue or digital mode, according to customers' specifications;
- high definition MPEG encoders: devices employed in compression of high definition digital signals;
- diversity receiver for mobile radio link: redundant receiving system which allows two or more aerials to be connected to the same device, seamlessly selecting the best signal available and making it available at output;
- modulators and de-modulators for 155 Mbit broadband microwave TV links: devices transmitting several compressed digital video signals at once with just one high-capacity microwave link (employed for backbone links);
- web-standard interface for remote control over devices: this system enables remote control over network devices installed in remote places, without any particular software or infrastructure required (if the place is provided with an internet/intranet connection, controls and measurements can be performed through any internet browser);
- gigabit ethernet interface for the fast connection through intranet/extranet with the devices: this interface enables devices to be remote-controlled at even higher speeds than the above interface and, in addition, it enables devices to be even fed via ethernet with the input signal to be transmitted (instead of serial or parallel interfaces commonly used in broadcasting networks).

In 1999, MBITL has been acknowledged by MIUR (Ministry of University and Research) as an excellent high-tech research center on the national level.

6.1.1.4 Manufacturing process

With reference to the products for the Analogue, Digital and Digital Mobile TV Broadcasting, SSBT carries out the key phases of the manufacturing process - design, prototype, development and assembling - on its own in order to keep high quality standards. With regard to the digital mobile TV equipment, part of the process is covered by MBITL.

Manufacturing phases characterized by low-tech procedures (such as the production of basic elements, including circuit boards and mechanical and electronical parts) are outsourced to third party assemblers, in order to reduce production costs and retain both production flexibility and available manufacturing capacity. Once manufactured, these products are tested in-house at SSBT's quality control division.

The manufacturing process starts with customers' orders, containing the technical requirements for the equipment requested.

Once the product is proved available in the warehouse, the manufacturing process starts and proceeds as follows:

- availability check and purchase of materials;
- sorting of components;
- manufacturing and assembly of semi-finished equipment;
- internal testing and fine-tuning of finished equipment;
- packaging and shipment.

The first two phases ensure the availability of all mechanical and electronical components necessary for implementing the final product. Before the assembling phase, spare parts undergo several internal and external manufacturing processes. At these stages, SSBT outsources the manufacturing and assembling phases of the low-tech semi-finished components (such as circuit boards assembly and rack and drawers cabling).

The manufacturing process is completed by having mechanical and electronic components tested, fine-tuned and assembled in single parts named modules. After the parts have been assembled, each single unit (consisting of several modules) is tested again and tuned to the required frequency. This process ends with a series of automatic and manual tests in order to assess compliance with international security standards and the customers' technical requirements.

Finally, the devices are put through a so-called burn-in process, which consists of a series of tests in a climatic chamber which simulates extreme climate conditions. This stress-test enables the device's resistance and reliability to be tested.

Once all functional parameters are checked and the fine-tuning is properly accomplished according to the technical specifications stated on the internal production order, then all technical and functional parameters are finally checked.

The devices are packaged with their sets of user manuals, cables and connectors, and then shipped to the agreed destination.

The average length of the manufacturing cycle significantly depends on both whether the components to be assembled are available in the warehouse and on the standard or customized configuration requested by the customers.

Typically two days are required to manufacture a catologued small or medium size product, but order shipment may take 15 days up to two months, depending on residual manufacturing capacity and on the priority given to each customer. Conversely, custom-made equipment's time-to-delivery is difficult to predict.

All stages of the manufacturing process are carried out in a laboratory at the Brescia plant, where the most sophisticated equipment is installed and every workbench fully equipped with all necessary instruments.

SSBT buys hardware and other standard semi-finished components normally readily available on the market from third-party manufacturers, partly due to the fast pace of the component market.

SSBT's main suppliers are:

- electronic components manufacturers;
- manufacturers of mechanical parts, such as drawers and cases (the so-called racks) acting as frame where the equipment is mounted;
- third-party suppliers in charge of the cabling of drawers and mounting/soldering of printed circuit boards.

For each of the above categories, SSBT uses several suppliers and manufacturers, in order to reduce dependency on a single sub-supplier and to foster competition among them. In the managers' opinion, SBBT's bargaining power has increased significantly over the last recent years thanks to the increased turnover, thus enabling the Issuer to sometimes enjoy preferential treatments in the form of payment extensions longer than the usual payment terms required by suppliers.

6.1.1.5 Quality control

The quality control deparment is committed to maintaining the quality standards for SSBT products. All basic components purchased from suppliers are directly checked and tested in-house by SSBT's technicians before being assembled into finished products. Furthermore, from the beginning of the manufacturing process, each device is labelled with a registration number, so that both the device and its components may be easily identified even years later for tracking purposes.

At the end of the manufacturing process, the devices are submitted to accurate testing, as detailed above in paragraph 6.1.1.4 of this Chapter 6.

A procedure is currently pending for the purpose of obtaining the ISO 9001:2000 quality certification, relating to corporate manufacturing processes, which is deemed by the management to be a further competitive advantage in favour of the Company.

All the SSBT products are EC marked, as prescribed by law.

6.1.1.6 Marketing policies

SSBT's main marketing and communication activity involves the participation in major international annual trade fairs, at forum meetings and other industry-related events. SSBT also regularly advertises its products and services on the main industry magazines, (e.g. the mazagines Millecanali, TV Technology and Broadcast Engineering).

SSBT participates in major international trade fairs, such as NAB in Las Vegas, IBC in Amsterdam and Broadcast Asia in Singapore.

Furthermore, SSBT participates at the most important technological happenings organized by the trade associations.

SSBT, whether directly or through its subsidiary company MBTIL, is also involved in working groups engaged in developing standards on a worldwide level, such as Media Flo Forum, which is defining the standards of a new mobile digital technology, the DVB association (gathering about 260 operators in 35 countries), which also sets the European standards for the Digital and TV Broadcasting (DVB-T) and Digital Mobile TV Broadcasting (DVB-H) and, finally, the ETSI (European Telecommunications Standards Institute), which sets all standards relating to telecommunications.

In 2006, SSBT's overall investment in the marketing activities has amounted to 326,523 euros, equal to about 0.92% of the consolidated revenues of the group belonging to SSBT.

Finally, the Issuer's web-site represents a fundamental instrument to promote the SSBT products particularly abroad.

6.1.1.7 Sales channels and customers

SSBT's sales channels vary according to the target markets:

- for Italian customers, sales and after-sale services are directly managed by the Issuer and particularly by its key managers;
- for customers located abroad, SSBT employs a network of 48 local distributors, who buy the products from SSBT and re-sell them in their respective areas, while taking advantage of the fact that SSA and SSS are monitoring and directly penetrating their respective markets, thus ensuring a worldwide commercial coverage.

Moreover, an important role within the distribution channel of the SSB products is played by SSA, which, since its incorporation, has been organizing the local distributors' network on the South and North American markets, while caring on SSBT's behalf for the relations with sellers, distributors and agents in the whole relevant area.

Most of SSBT's foreign distributors are system integrators, i.e. value-added operators who participate in public and private tenders, by coping with complex tender specifications for the implementation of terrestrial TV networks. They usually also provide on-site post-sale assistance and storage of spare parts in their respective countries.

As a rule, besides marketing the SSBT products, the distributors provide installation, test and maintenance services, in addition to the replacement of equipment under guarantee and the supply of spare parts.

Taking part in public tenders is still the most frequent way to access emerging markets such as Russia, South America, China and Middle East. These contests usually last up to six months and include the following stages:

- publication of the call for bids specifying all technical requirements;
- filing of the documentation (which takes 15 days, as minimum, up to two months);
- award of the tender (as a rule, within 2 or 3 months).

Tender participation always requires a bid-bond guarantee corresponding to 5% of the contract value, usually with a seven-month maturity date. The winning bidder is also asked to issue a performance bond for an amount equal to 10% of the contract value, with the same maturity date as the guarantee period required. Payments are typically received through irrevocable letters of credit in two instalments: 90% upon presentation of shipping documents and 10% after the equipment has been tested and accepted at the customer's site.

SSBT's main customers for Analogue TV Broadcasting and Digital TV Broadcasting equipment are:

- local TV broadcasters
- national TV broadcasting networks, such as Rai, Telecom Italia Media Broadcasting (la7), Rete A, TDF (France) and Teracom (Sweden);
- system integrators usually acting as general contractors and coordinating all activities necessary for the installation of terrestrial TV networks, such as Raiway, Elettronica Industriale (Mediaset) and Arqiva (England); and
- OEMs (Original Equipment Manufacturers), which re-brand and resell equipment manufactured by third-party suppliers

With regard to the Digital Mobile TV Broadcasting equipment, SSBT's customers are mobile telecoms operators and national TV broadcasters.

The revenues from the sectors of Analogue, Digital and Digital Mobile TV Broadcasting, where SSBT operates, are characterized by high customer concentration.

Year by year, the customer concentration level, though high, relates to different customers, also thanks to the technological innovations uninterruptedly introduced onto the reference markets and to how often the major groups within the sector are used to upgrading their Analogue, Digital and Digital Mobile TV Broadcasting equipment.

However, in spite of a certain customer concentration, SSBT can rely on a large base of customers who are periodically supplied with SSBT equipment. It must be noted that in financial year 2006 SSBT's five biggest customers have accounted, based on the management data worked out by the managers, for about 66.7% of the Issuer's consolidated turnover; particularly, the first biggest customer has accounted for 28.7%, the second one for 23.4% and the third one for 7%. In financial year 2005, SSBT's five biggest customers have accounted, as calculated by the managers, for about 37.1% of the Issuer's turnover and, particularly, the first biggest one has accounted for 10.6%, the second one for 8.5% and the third one for 6.7%.

It is to be pointed out that, during financial year 2006, the consolidated revenues relating to the relations with the first three customers in terms of turnover have totalled 20,9 million euros corresponding to about 59.1% of SSBT's consolidated turnover, whereas the first 10 customers have generated a turnover of 26,6 million euros corresponding to about 75.3% of SSBT's consolidated turnover.

Particularly, during 2006, SSBT's sales volume is broken down among local TV broadcasters (9.9%), national TV broadcasters (42.4%), system integrators (11.6%), OEMs (31.1%) and others (5%).

Payment terms vary according to the type of customer:

- an advance payment, or coverage through a usually irrevocable credit letter, is required of foreign customers;
- in Italy, the average time limit for collection ranges between 60 days as a minimum and 120 days as a maximum. Some particularly important customers are granted a longer payment time extension up to one year.

Over the last years, the Issuer has contributed to implementing the national and local broadcasting networks in the following countries: Columbia, Syria, Guinea, Georgia, Maldives Islands, Morocco, Mexico, United States, Spain, Albania, Greece, Macedonia, Iraq, Russia, Australia, Indonesia and Malaysia.

6.1.1.8 Key factors important to the Issuer's activity

The Issuer thinks that the key factors for success, both exogenic and endogenic, affecting its own business, can be summed up as follows:

- <u>reference markets with significant growth prospects and large spaces for small operators</u>: particularly, the markets of the Digital and Digital Mobile TV Broadcasting offer significant growth prospects in the light of the current analogue-to-digital conversion. In the management's opinion, in the light of such sectorial trends, its listing (with the consequent advantages for reputation and transparency) can turn out to be a distinguishing mark beneficial to SSBT;
- <u>development of Digital TV Broadcasting</u>: the Digital TV Broadcasting sector is currently experiencing a significant transition phase as a result of the introduction of the terrestrial digital technology (DVB-T and ATSC). The analogue-to-digital transition is taking place in all European countries, in North America, in most Asian countries and in Oceania, though at different paces. The development of digital technology, also considering the evolution in the regulatory framework, implies TV operators' significant investments into the sector, with a consequent increase in

demand. In the management's opinion, the experience accrued and the cooperation relations developed in Italy and abroad with some major TV broadcasters must be regarded as a key strength and competitive advantage for SSBT, which can therefore benefit from the development opportunities offered by the analogue-to-digital conversion;

- renewal of the transmitters within the Analogue TV Broadcasting sector: broadcasting networks are being totally renewed in order to be adjusted to the new transmission mode. The prospective conversion of TV networks from the Analogue to the Digital TV Broadcasting system has led the operators to postpone the upgrade of the analogue devices. The management therefore expects the operators to upgrade their broadcasting equipment by investing in digital or analogue products able to be used for or converted into Digital TV Broadcasting. Furthermore, in many countries of Africa, Middle East and Latin America, the terrestrial digital transition has not yet been officially scheduled (or, in some cases, the technological standard to be adopted has not been selected), thus leaving open a wide market for the replacement and extension of the analogue networks.
- development of Digital Mobile TV Broadcasting: digital technology is so featured as to be regarded as a transmitting system capable of receiving TV programmes on mobile terminals, such as cellular telephones, if properly equipped. The main manufacturers in the mobile telecoms sector have already developed mobile phones designed for that usage and the management expects an extensive market expansion. SSBT is already operating in this market sector by manufacturing Transmitters for the DVB-H signal;
- extension of digital technology to other transmission services: the digital technology developed for the Digital TV Broadcasting can be also extended to other transmission services, such as the digital radio service (DAB – Digital Audio Broadcasting). Moreover, the management deems SSBT to be able to extend its know-how to further applications (*e.g.*, the transmission of data within the military defense sector, thus extending the target markets for its offer);
- production flexibility: SSBT's management, considering production flexibility as a key factor, is steadily engaged in improving the structure of the production processes. The outsourcing chosen by SSBT for the least technological production phases offers higher flexibility in the production and higher productiveness of the plants, thus enabling it to cope with positive and negative peaks in the demand, in addition to a significant decrease in costs. Moreover, this strategy allows SSBT to focus on higher-tech activities, such as the development of new products;
- a wide and integrated range of products and services: the wide range of products and services, whether single or integrated, offered by SSBT is capable of covering the different phases of the Digital, Analogue and Digital Mobile TV Broadcasting processes, except for the Playout Phase, thus fully meeting the needs of TV broadcasters and of telecoms operators, as far as Digital Mobile TV Broadcasting is concerned;
- products: in the management's opinion, the features of the products are a key factor for SSBT's success, particularly considering: *(i)* their compact size; *(ii)* their low-power consumption; *(iii)* the low risk of breakdown; *(iv)* the standardization of their components; *(v)* their being suitable for different digital standards; *(vi)* the easy remote control; and *(vii)* their modularity. For further information on the key strengths of the Issuer's products, please refer to Paragraph 6.1.1.1 of this Chapter 6;
- research and development activity: the extensive research and development activity, carried out by the Issuer even through its subsidiary company MBITL, renowned as one of the main R&D companies in the TV Broadcasting sector, keeps the SSBT products on a high-tech level and high reliability and allows SSBT to widen the range of its products and services;
- quality, expertise and motivation of the management: SSBT's management is significantly experienced in the sectors of Analogue and Digital TV Broadcasting and, recently, Digital Mobile

TV Broadcasting, thus proving over time to be able to develop business in areas where it operates, by both approaching new markets, such as Digital TV Broadcasting and Digital Mobile TV Broadcasting, and by acquiring and integrating MBITL, as a strategic company due to its activity in the R&D sector relating to new technological solutions. Moreover, the management is young and highly motivated: SSBT's sharecapital actually shows an extensive presence of the managers involved in the management.

6.1.1.9 Corporate strategy

The management team is committed to strengthening SSBT's current position on the Italian and international markets for the products and services relating to the transmission of the TV signal. In this view, SSBT has worked out its own strategy by setting forth the following guidelines:

- distribution enhancement in existing and new markets;
- exploitation of the opportunities offered by the development of the Digital Mobile TV Broadcasting;
- maintenance of the excellent R&D activity; and
- improvement of operational and management efficiency.

Distribution enhancement in existing and new markets

The management team is firmly committed to keeping strengthening SSBT's sales network on the markets where it already operates and on other emerging markets.

Within the framework of the consolidation strategy, the management team is particularly striving to widen its sales network by entering into joint venture agreements with independent distributors in order to cover emerging markets, such as South America and East European Countries, as well as by executing trade agreements with multinational companies manufacturing high-power equipment for the transmission of the TV signal, in order to foster the marketing of SSB's products on grown-up markets, such as North America.

The marketing strategy pursued by the management team includes the opening of branches abroad and the acquisition of small/mid-cap companies operating in Italy and elsewhere in the Radio and Tv broadcasting industry.

Exploitation of the opportunities offered by the development of the Digital Mobile TV Broadcasting

The interest showed by important telecom operators in a new market able to offer an innovative service to a large body of customers as mobile users are represents a great opportunity for SSBT, which has been researching and developing this new technology intensively and is reported by its management team to have already achieved excellent technological and commercial results. The expertise acquired thus far puts SSBT, in its management opinion, in the forefront of the exploitation of applications, patents and projects on a wider range of markets and to spread research and development efforts over all those markets. In the management team's opinion, according to the first estimates of development for the Digital Mobile TV Broadcasting, a stronger demand for coverage will imply a higher number of devices required by the relevant operators, whilst there will be less need for diversification and (model) customization, thus allowing a mass-production of Transmitters designed for this market segment.

Maintenance of the excellent R&D activity

This is a highly distinguishing element for SSBT which, during the years, has always carried on activities aiming at technological innovation and research and development to meet customers' needs and to anticipate market trends. The management team's intention is to continue investing further in these activities, in order to retain the excellence of SSBT's strategic R&D activities.

In this connection, the management team will be aiming at strengthening the R&D structure by increasing the investments, particularly relating to focused recruitment and new equipment, for product development purposes and for the search for new technological solutions.

Improvement of operational and management efficiency

The management team is strongly committed to enhancing SSBT's production and management efficiency. In this regard, some initiatives have been undertaken, including progressive replacement of manufacturing instruments, introduction of new inventory accounting systems and improvement of the internal reporting systems.

6.1.1.10 Regulatory framework

SSBT's activity is disciplined by the law regulations relating to the production and marketing of radio and telecoms equipment.

Moreover, SSBT's activity and its development are benefiting from the regulatory interventions which regulate the analogue-to-digital transition, even though SSBT is not the direct addressee of those regulations.

Production of TV Broadcasting equipment

SSBT's activity is regulated by the following regulations, setting the protection and safety requirements prescribed for any radio equipment and telecoms terminal equipment to be marketed on the European market. Such requirements have been set forth in order to guarantee the safety of the equipment and to prevent the dispersion of electromagnetic interferences by means of a proper and effective utilization of the range of radio frequencies.

- European Parliament's EC Directive 1999/5/CE, enforced in Italy by Legislative Decree dated 9th May 2001 no. 269: defines a regulatory framework for the entry on the EC market, the free circulation and operation of radio equipment and telecoms terminal equipment. Any radio equipment and telecoms terminal equipment falling within application scope of said Directive shall not be subject to the provisions of EC Directive 1989/336/CEE, acknowledged in Italy by Legislative Decree dated 4th December 1992 no. 476, later replaced by Legislative Decree dated 12th November 1996 no. 615, except for the requirements relating to protection against eletromagnetic interferences - to be complied with when manufacturing such devices, pursuant to article 4 and schedule III - and except for the compliance assessment procedure pursuant to article 10, paragraph 1 and 2 and to schedule 1 of the Directive.

  Particularly, based on EC Directive 1999/5/CE, transmission devices are initially tested at the testing laboratories of private institutes acknowledged by the European Community and referred to as authorized certifiers. Attention is also paid to all technical data provided by the manufacturers with regard to the equipment through the so-called "technical construction manual". Following the positive outcome of the examination carried out by the authorized certifiers and drawn up as a letter of opinion issued by the same certifier, the equipment is then EC marked. Such marking is affixed under the manufacturer's responsibility.

  Article 6 paragraph 4 of Legislative Decree dated 9th May 2001 no. 269 (decree of enforcement of EC Directive 1999/5/CE) also provides for the obligation to notify the Ministry of Communications, at least four weeks in advance, of the intention to launch a product utilizing frequency bands not harmonized in the European Union. The Ministry of Communications, also based on the opinion issued by the authorized certifier after his tests, shall let the applicant know about any well-grounded prohibitions or restrictions and shall notify the European Commission thereof.

- EC Directive 1973/23/CEE, acknowledged in Italy by Law dated 18th October 1977 no. 791 and later amended by Legislative Decree dated 25th November 1996 no. 626: applies to radio equipment and telecoms terminal equipment with exclusive reference to the protection and safety requirements set forth by article 2 and schedule I and to the compliance assessment procedure pursuant to schedules III, section B, and IV of the Directive.

Transition from Analogue to Digital TV Broadcasting

SSBT's activity and its development are affected by the regulatory interventions regulating the analogue-to-digital conversion, even though the Issuer is not the direct addressee of those regulations.

The analogue-to-digital conversion is regulated by the following regulatory sources:

- Law dated 31st July 1997 no. 249 (Maccanico Law): it establishes the Communications Regulatory Authority (the "**Authority**") and sets forth the guidelines regulating the TV broadcasting frequencies, in order to guarantee pluralism and competition;
- Resolution no. 68/98 CONS (issued on 30th October 1998 pursuant to articles 2, paragraph 6, and 3 of the Maccanico Law): by virtue of said resolution, the Authority has adopted the National Plan for the assignment of TV broadcasting frequencies. Said plan is designed to regulate the TV broadcasting frequencies in analogue mode and to start the digital TV and audio broadcasting. Particularly, the plan reserves 4 channels for the Digital TV Broadcasting (DVB-T) and one for the digital audio broadcasting (DAB-T);
- Law decree dated 23rd January 2001 no. 5, later amended and converted into law by law no. 66 of 20th March 2001 (L.D. 5/2001): article 2-*bis* of law 66/2001 provides as follows: *(i)* the broadcasting of TV transmissions in digital mode on terrestrial frequencies shall take place according to the DVB technical standards applicable to TV programmes and to multimedia products and services, whether interactive or not (digital television), and according to the DAB technical standards for the audio broadcasting and for multimedia products and services, whether interactive or not (digital radio); *(ii)* TV programmes and multimedia services on terrestrial frequencies should have been aired exclusively in digital mode over the Italian territory by 2006; *(iii)* in order to allow the digital TV programmes on terrestrial frequencies to be launched onto the markets, any lawful TV broadcasters (on terrestrial frequencies, by satellite and by cable) can be allowed by the Ministry of Communications to experiment digital TV transmissions and services, as a rule within their respective user bases or parts thereof, also by setting up associations or understandings for the management of the relevant plants and for the broadcasting of multimedia and programmes services. Within the first 3 years since L.D. 5/2001 came into force, the transfer of equipment or business lines between local licensed broadcasters or between them and licensed national broadcasters (the so-called *trading* of frequencies) are allowed, provided that the acquisitions carried out by national broadcasters are exclusively employed for the experimental broadcasting in digital mode. Broadcasters holding more than one TV license shall reserve equal opportunities – and, in any case, at least 40% of the broadcasting capacity for the same block of programmes and services – for the experimentation by subjects other than their parent companies or subsidiary or associate companies under fair, transparent and non-discriminatory terms and conditions, pursuant to article 2, paragraphs 17 and 18 of the Maccanico Law, including any subjects already operating by satellite or by cable and including the licensed broadcasters which have not yet reached the minimum coverage pursuant to article 3, paragraph 5, of the Maccanico Law; *(iv)* the licensed radio broadcasters, as well as the local licensed radio broadcasters, can be allowed by the Ministry of Communications to experiment digital radio transmissions, as a rule within their respective user bases or parts thereof, also by setting up associations or understandings for the management of the

relevant plants and for the broadcasting of programmes and services. The digital radio transmissions are broadcast in band VHF-III and band UHF-L; *(v)* there must be a distinction between suppliers of contents and those who broadcast the contents over the territory;

- Law decree of 30th December 2005, no. 273 converted into law by law no. 51 of 23rd February 2006: article 19 postpones the term fixed for the digital conversion of the TV system on terrestrial frequencies over the Italian territory until 31st December 2008 (initially scheduled by article 2-*bis* of L.D. 5/2001 to be 31st December 2006). By virtue of ministerial decree dated 4th August 2006**,** the Minister of Communications has set up the “Italia Digitale” committee, appointed to define and coordinate the activities needed for the implementation of the national *switch-off* required for the transition to the terrestrial digital TV;
- Resolution no. 435/01/CONS (issued on 15th November 2001, under article 2-bis, paragraph 7, of L.D. 5/2001): by virtue of said resolution, the Authority has adopted the “Regulations relating to the terrestrial radio broadcasting in digital mode”. Said regulations include the executory provisions of L.D. 5/2001 for the analogue-to-digital transition and also regulate the tasks, obligations and responsibilities ascribed, within the framework of analogue broadcasting, to just one subject (licensee or operator) among the different subjects active in the digital broadcasting sector: the supplier of contents (who has the editorial responsibility for preparing of the programmes selected for the audio and TV broadcasting), the supplier of services (*i.e.*, the subject who supplies interactive services and other services to the end users, including any conditional access – *i.e.*, subject to payment - to the programmes) and the network operator (entitled to set up, operate and supply a network of electronic communications and the equipment for broadcasting, multiplexing, distribution and diffusion, as well as the resources of frequencies enabling to broadcast the programmes). The regulations also regulate the authorization procedure needed for the supply of TV contents and the procedure needed for the supply of services, as well as the procedure for the licensing of TV operators. Particularly, the regulations provide that the digital transmissions connected to TV licenses shall be allowed to take place exclusively from the places selected by the frequency assignment plan, notwithstanding the provisions relating to the experimental activity. Said plan has been adopted by the Authority on 29th January 2003 by virtue of resolution no. 15/03/CONS, containing the “Approval of the national plan for the assignment of terrestrial video broadcasting frequencies in digital mode (PNAF – DVB)” and has been supplemented on 12th November 2003 by the Authority’s resolution 399/03/CONS (PNAF DVB). The PNAF DVB plan provides that there must be 12 digital networks with national coverage, 126 with regional coverage and 1272 with provincial coverage. The Authority’s resolution 249/02/CONS, dated 31st July 2002, has also adopted the “National Plan for the assignment of the digital audio broadcasting frequencies” (PNAF DAB - T). The PNAF DAB – T plan provides that there must be 20 planned frequencies, including 4 in band VHF-III and 16 in band UHF-L and that there must be 7 national networks. The number of planned networks in band VHF-III is fixed at 3, including 2 of type SFN (isofrequential) non-decomposable on a local level and 1 of type 2-SFN decomposable on a regional level. The number of networks planned in band UHF-L is fixed at 4, all of type 4-SFN decomposable on a provincial level. The Authority’s resolution 266/06/CONS dated 24th May 2006 has amended resolution no. 435/01/CONS by regulating the starting phase of the terrestrial digital transmissions towards mobile terminals. In detail, the Authority has extended the provisions set forth in resolution no. 435/01/CONS to the transmissions towards mobile terminals, thus allowing the authorized suppliers of contents, suppliers of services and networks operators to operate also with mobile terminals, after filing a statement with the Ministry of Communications in that respect;
- law 5th March 2001 no. 57: establishes the provisions relating to the opening and regulation of markets. Particularly, article 23, paragraph 1, of said law provides the local broadcasters, lawfully

operating at 1st September 1999, with a contribution not higher than 40% of the expenses incurred, and properly documented, for the harmonization with the national plan for the assignment of broadcasting frequencies, as adopted by the Authority, and for the upgrading of the equipment;

- law 16th January 2003 no. 3: article 41, paragraph 7, provides that the Ministry of Communications must promote the experimentation of terrestrial digital transmissions and of interactive services. Said experimental activities are carried out under the supervision of the Ministry of Communications and of the Authority, under the technical supervision of the foundation *Fondazione Ugo Bordoni*, through agreements to be entered into between said foundation and the subjects entitled to experiment pursuant to L.D. 5/2001 and to resolution 435/01/CONS of the Authority;
- law 3rd May 2004 no. 112 (the "Gasparri Law"): with special reference to the transmission of the TV signal in digital mode, article 23 of the Gasparri Law provides that, until the enforcement of the national plan for the assignment of TV frequencies in digital mode, any national and local TV broadcasters – fulfilling the requirements prescribed for the authorization to experiment the terrestrial digital broadcasting pursuant to article 2-*bis* of law 66/2001 – shall be entitled to carry out those experiments, even through the simultaneous repetition of programmes already broadcast in analogue mode until the complete conversion of the networks, and they shall be also entitled to apply, starting from the effective date of the Gasparri Law and within the limits and terms set by the Authority's resolution 435/01/CONS, for the licenses and permits required to start the terrestrial digital transmissions. The experimentation of transmissions in digital mode can be carried out on the equipment lawfully operating in analogue mode when the law comes into force. For the purposes of the realization of digital networks, the transfer of facilities or business lines are allowed between national or local licensed broadcasters, provided that the acquisitions are carried out for the purpose of spreading the digital technique. Article 24 provides that the Authority must adopt certain regulations for the discipline of the starting phase of digital radio transmissions, including the starting phase of the implementation of the national plan for the assignment of the audio broadcasting frequencies in digital mode.

  Moreover, the Gasparri Law appoints (article 16) the Government to issue a legislative decree containing the consolidated text of the law provisions regulating radio and TV, by harmonizing the regulations in force and by amending, supplementing and repealing them insofar as necessary for their coordination or best enforcement in compliance with the Constitution, with the international law provisions acknowledged within the domestic legal system and with the obligations arising from Italy's participation in the European Union and European Communities (legislative Decree of 31st July 2005, no. 177 Radio and TV Consolidated Broadcasting Act);
- legislative decree of 31st July 2005, no. 177 ("Consolidated Broadcasting Act"): it establishes the general principles underlying the national, regional and local broadcasting system, which prepare said system for the introduction of digital technology and for the process of convergence between radio-TV and other sectors of interpersonal and mass communications, such as electronic communications, the book trade, whether electronic or not, and Internet in all its applications. The Consolidated Broadcasting Act also includes provisions relating to the broadcasting of radio, TV and data programmes, even with conditional access, and to the supply of related interactive services and of conditional-access services on terrestrial frequencies, by cable and by satellite.

Environmental regulations applicable to the installation of radio-TV and mobile telecommunications transmitters

The installation of radio-TV and mobile telecommunications transmitters is disciplined by both European community and national regulations.

With reference to the European community regulations, the Council's Recommendation no. 1999/519/EC dated 12th July 1999 has set limits for the exposure to electromagnetic fields within the band ranging between 0 Hz and 300 GHz., while introducing the need for appropriate protection measures against any possible detrimental effects of the exposure to electromagnetic fields.

With reference to the national regulations, it must be noted that the electronic communications networks and services for public use and the electronic communications activity for private use, as well as the radio electrical services, are regulated not only by Legislative Decree no. 259 of 1st August 2003 (Electronic Communications Code) - which empowers local authorities to grant the permits necessary for the installation of the electronic communications facilities for radio electrical equipment - but also by the following major provisions:

- law 31st July 1997, no. 249 (Maccanico Law): it empowers the Authority to supervise the thresholds of the radio frequencies compatible with human health and to make sure that those thresholds are not exceeded, also due to the joint effect of electromagnetic emissions, also thanks to the peripheral authorities of the Ministry of Communications. The compliance with those limits is a mandatory requirement for the licenses or permits needed to install equipment with electromagnetic emissions;
- ministerial decree dated 10th September 1998 no. 381: establishes the rules for fixing the health-compatible radio-frequency thresholds – in terms of exposure limits, attention threshold and quality targets – and the procedure and terms for implementing the remedial measures in the event that said limits are exceeded;
- law decree 23rd January 2001 no. 5: it provides that – while awaiting the enforcement of the national plans for the assignment of digital terrestrial audio and video broadcasting frequencies – any audio and video equipment exceeding and contributing to exceeding the limits and thresholds fixed as a result of the Maccanico Law must be transferred, at the expense of their owner, to the places singled out by said plans and, until the plans are adopted, to such places as indicated by the independent regions and provinces. In case of non-compliance within one hundred and twenty days since the application for transfer, the Ministry of Communications shall be entitled to disconnect the equipment until the transfer. Independent regions and provinces are empowered to order remedial measures at the expense of the owners of the equipment, and anybody infringing the requirement for compliance shall be inflicted an administrative penalty ranging between 25,822 and 154,937 euros. In case of repeated infringement, the Ministry of Environment shall be entitled to order the disconnection of the facilities until the remedial measures are executed.

Finally, again on a national level with special reference to the discipline of electric, magnetic and electromagnetic fields, let us remind the following regulatory provisions:

- law 22nd February 2001, no. 36 (Framework law on the protection against electric, magnetic and electromagnetic fields): it provides for the State to set the exposure limits, attention thresholds and quality targets, to enter into agreements relating to the programmes with the operators of broadcasting and mobile-telecoms facilities in order to promote technologies and techniques for the construction of facilities enabling to minimize the emissions into the environment and to safeguard the landscape; said law gives rise to the national register for fixed and mobile sources of electric magnetic and electromagnetic fields, and makes reference to subsequent decrees aimed at fixing those exposure limits, attention thresholds, quality targets and techniques for the measurement and detection of electromagnetic pollution, in addition to the criteria for outlining the remedial plans. Moreover, said law appoints the Regions to identify the places suitable for transmissions and for the mobile-telecoms facilities, as well as the radio electric and broadcasting equipment, the procedure for the release of the authorizations needed to install the equipment, the adoption of plans of remedial measures designed to adjust the existing radio electric equipment to the exposure limits, to the attention thresholds and to the quality targets fixed by the provisions of law no. 36/2001. The plan of remedial measures can also provide for the transfer of the broadcasting facilities to locations complying with the relevant plans and of different types of facilities towards appropriate places. Law no. 36/2001 also empowers city councils to adopt regulations designed to guarantee the proper urban and territorial settlement of the facilities and to minimize people's exposure to electromagnetic fields; and

- Prime Minister's decree dated 8th July 2003: it sets the exposure limits, attention thresholds and quality targets for the protection of people against exposure to electric, magnetic and electromagnetic fields generated on frequencies ranging between 100 kHz and 300 GHz.

6.1.2 Indication of new products and/or services introduced

The Issuer's research and development activity combined with that of its subsidiary company MBITL has enabled to create the following new products or product lines among others:

- New compact multistandard transmitter with SWDT technology (Issuer's registered trademark). Said technology has been developed and implemented by the SSBT and MBITL research departments and enables to use a common hardware platform for the transmission of the signals according to various analogue (*e.g.*, PAL, NTSC and SECAM) or digital standards (*e.g.*, DVB-T, DVB-H, ATSC, FLO, QPSK and QAM). The system's peculiarity consists in its possibility to upload some *firmware* on the system, enabling to choose the broadcasting technology for the equipment and to change it on site, by introducing a new concept of flexibility and upgradeability of the equipment to future TV standards;
- *c*amera link zero delay (trademark registered by the subsidiary company MBITL). It is a digital system for microwave links, which utilizes a proprietary algorithm encoding and compressing the video signal, thus enabling to minimize the delay in the signal received (contrary to what happens in the MPEG compression standard);
- DVB-H transmitter with built-in modulator. It is a very compact and light transmitter for Digital Mobile TV Broadcasting, containing the reception, synchronization, modulation and amplification functions for the signals and specially suitable for being installed at places for "cellular" networks.

6.2 Main markets

SSBT operates in the TV broadcasting sector and particularly on the reference markets of the:

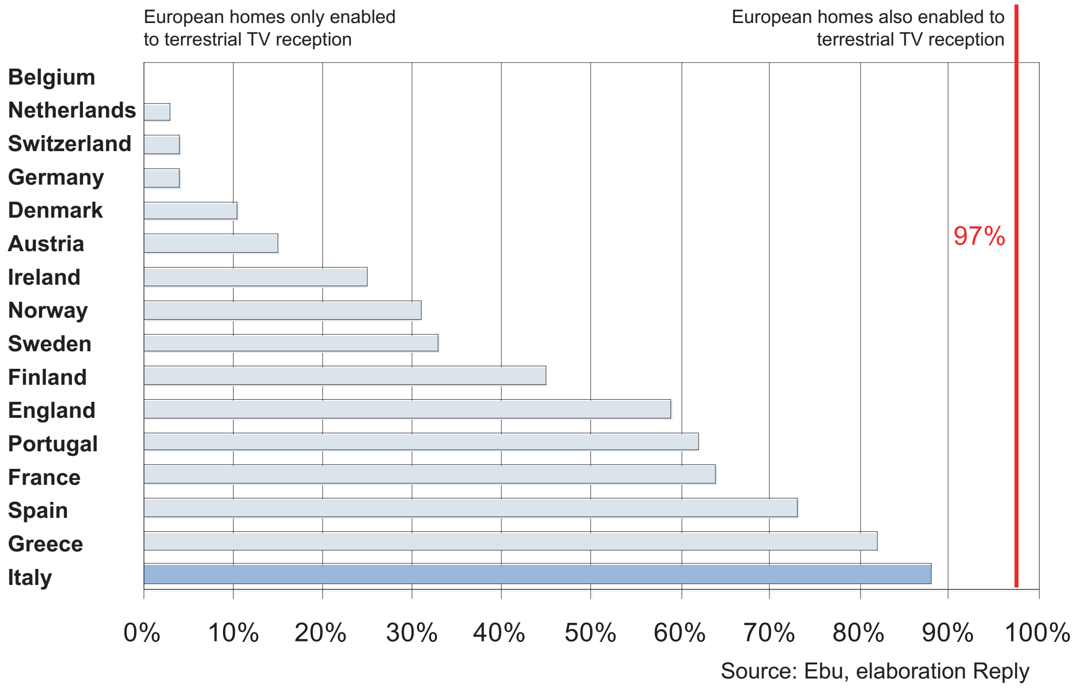
- Analogue TV Broadcasting;
- Digital TV Broadcasting;
- Digital Mobile TV Broadcasting for mobile telecoms operators.

6.2.1 Market of TV Broadcasting

On a worldwide level, over 90% of the global population is covered by terrestrial broadcasting (whether analogue or digital). In Europe, about 97% of families is equipped with television and receives the signal in terrestrial mode; particularly, 48% of European homes receives the TV signal in terrestrial mode only, whereas 22% also by satellite and 32% also by cable(4).

The following chart points out that the reception of the TV signal in terrestrial mode is traditionally widespread in Europe, as well as on a worldwide level.

(4) Source: European Commission, Eurobarometer 2006.



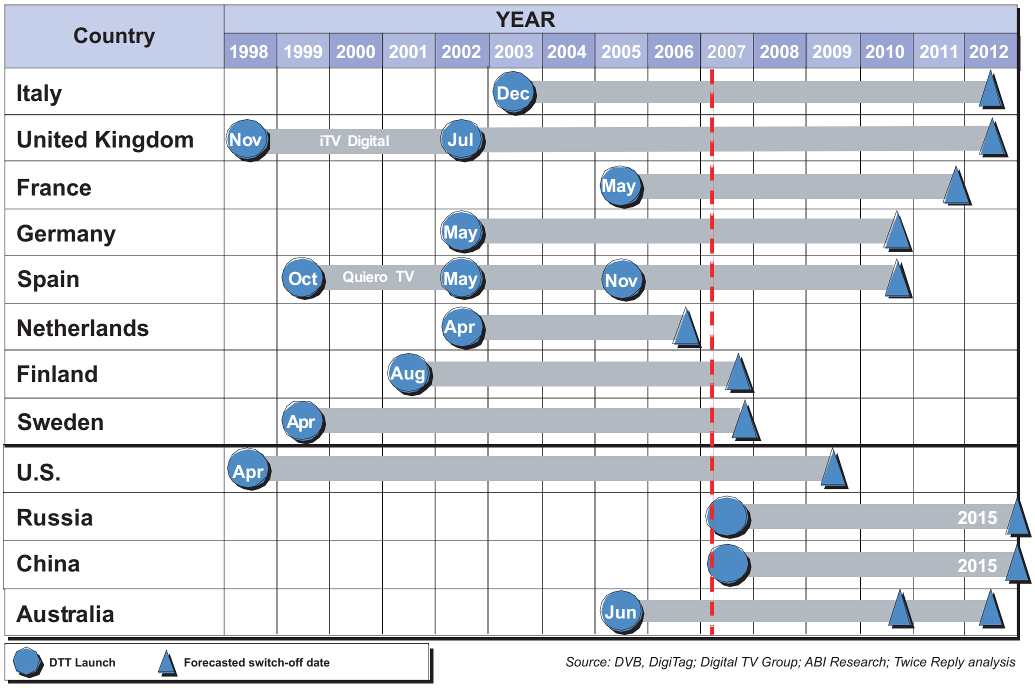
In Italy, about 98.6% of families owns at least one TV set; about 86% of them receives the TV signal in terrestrial mode only [5].

The wider-spread is the reception of the TV signal in terrestrial mode, the higher the necessary investments will be for the transition from the analogue (still prevailing) to the digital mode of transmission in the countries scheduling the analogue-to-digital conversion.

[5] Source: AGCOM 2006, "Public consultation on Market number 18".

The transition to the Digital TV Broadcasting

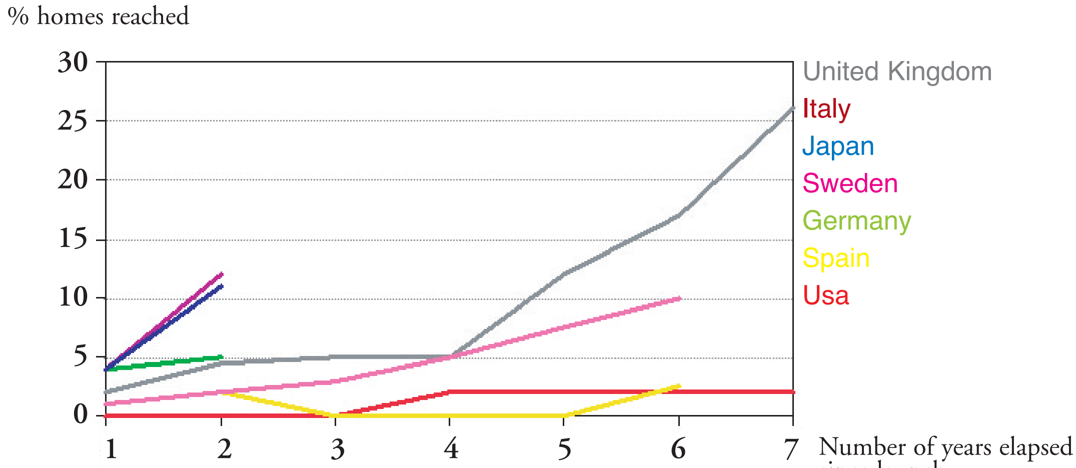
The following chart outlines the predictable analogue-to-digital conversion plans on a few TV markets worldwide, as processed by market sources; this date is referred to as Analogue Switch-Off date (ASO).



Even though the transition is occurring in different ways and times according to the specific country, 2015 can be referred to as the year by which most of the main TV markets will have accomplished the analogue-to-digital conversion.

The analogue-to-digital transition began a few years ago in certain countries (particularly, in England, U.S., Sweden, Finland), whereas certain countries still have to start the same process.

The following diagram depicts the progressive adoption of the Terrestrial Digital Broadcasting, starting from the launch of the service in the reference countries (diffusion after 1, 2 years, etc.).



Progressive adoption of the terrestrial digital broadcasting since the service was launched
Source: Ofcom 2006

The duration and the investments necessary for completing the analogue-to-digital transition phase are affected by:

- Size of the existing analogue network: the higher the number of analogue Transmitters distributed over the territory, the higher the necessary investments will be for completing the process of digitalization of the network;
- Regulatory framework: the *ASO* dates and the minimum coverage targets (territory and population) to be guaranteed will affect the conversion in terms of volumes and time.

The advantages of the Digital TV Broadcasting

We particularly identify the following factors as the key strengths of the Digital TV Broadcasting if compared to the analogue transmission:

- **Transmission capacity:** though utilizing the same frequencies as the analogue system, the digital system can broadcast a number of programmes from four to six times higher. The end user can therefore take advantage of a very diversified offer, whilst the TV broadcaster can manage scrambled transmissions and/or channels and provide new services against payment (in pay-per-time, pay-per-view mode and on subscription).
- **Better quality**: digital technology allows to compress a number of different programmes (*multiplexing phase*) into one combined signal, to be transmitted on just one frequency. With the same use of the range of frequencies, the digital signal compression allows to transmit a higher amount of audio-video information and offers a chance to transmit contents at a much higher quality, including multi-language audio, multi-channel audio (Dolby Digital 5.1) and high-definition videos (HDTV).
- **Contents and advertisements on a local level**: terrestrial digital technology enables to personalize the contents dedicated to a specific geographic area. Italian small and medium businesses will be able to invest in advertising cheaper than now.

- **Interactiveness**: the end user can connect the set-top-box to the telephone line. By using the return channel, TV can become actually interactive, thus enabling to use many services, including t-commerce, t-banking, bets, internet or public utility services (t-government, t-learning, t-health). Local interactiveness is based on the transmission of contents uninterruptedly updated and stored into the memory of the set-top box and ready to be used on demand. Interactiveness and the new services relating thereto will be available to the main broadcaster in order to increase their audience.
- **Less electromagnetic pollution**: if compared to the analogue technology, digital technology generates less electromagnetic pollution, by covering the same geographic are with a 10 times lower transmission power [(6)].

6.2.1.1 The reference market

SSBT's reference market can be subdivided into three major business areas:

- Conversion of the networks from analogue to digital transmission;
- Replacement / upgrade of the components already installed;
- Maintenance activity.

Conversion of the networks from analogue to digital transmission

The number of transmitters used in each country depends on the combination of different factors, such as the size of the country, the number of inhabitants and their concentration, the territory morphology and the degree of diffusion of the different methods for receiving the TV signal.

The following chart specifies: (i) the overall number (digital and analogue Transmitters) of the devices for the terrestrial TV Broadcasting existing in Europe and in the rest of the world; (ii) the number (subdivided into low/medium and high power) of the devices converted to digital transmission; (iii) the percentage of digital devices out of the total number [(7)].

		Digital transmitters installed		
Geographic area	**Total Analogue and digital**	**Low/medium Power (<1kW)**	**High power (>1kW)**	**% digital out of total**
Italy	24,237 *	700	900	7%
France	13,183 *	0	96	1%
Germany	8,674 *	13	250	3%
England	4,145 *	231	267	12%
Portugal	708 *	0	0	0
Spain	11,993 *	0	140	1%
Sweden	1,180 *	34	249	24%
United States **	19,245	3,101	2,724	30%
Europe	76,345 *	1,270	2,201	5%
Africa and Middle East	10,323 *	unrecorded		unrecorded
Asia and Oceania	49,023 *	unrecorded		unrecorded
Americas	58,526 *	unrecorded		unrecorded

(6) Source: White book of the Terrestrial Digital TV, AGCOM 2000.

(7) Source: Reply's estimates based on data ERO 2006; *IDATE 2003, Annuario Millecanali 2004; **FCC Feb07. The estimates have been processed following an European Radiocommunications Office analysis and on the basis of a total number of Transmitters taken from the Institut de l'Audiovisuel et des Télécommunications en Europe (for Europe), from Millecanali (for Italy only) and from public institutional data.

Italy, with over 24,000 Transmitters – that is more than 30% of the European total number – is reported by the management team to be one of the markets with the best prospects for development. Particularly, the network conversion process has so far basically affected the national broadcasters, but it is expected to involve soon local/regional broadcasters, representing a market potentially interesting to SSBT.

If in Europe only 5% of all Transmitters has been converted, in the U.S. the digitalization process is already at a later stage; at present, in fact, in the United States about 30% of Transmitters is already based on digital technology, as a result of the switch-off date coming closer and closer (February 2009).

The beginning of the transition process towards the terrestrial digital broadcasting, the time needed for its implementation and the actual degree of population coverage will depend on the specific country. In each country, such elements will determine the amount and the distribution over time of the investments to be undertaken by TV industry over the next years.

The following chart sets out the market value of the conversion of the current analogue TV transmitters, which will have to be converted to digital, and the estimates relating to the value of the reference market(8).

Geographic area	Analogue Transmitters (%)	Estimate of investments already undertaken for the conversion *(mln euros)**	Market value of the conversion of analogue transmitters *(mln euros)**
Italy	93%	196	566
France	99%	19	375
Germany	97%	50	209
England	88%	58	66
Portugal	100%	0	39
Spain	99%	28	331
Sweden	76%	51	15
United States Uniti	70%	645	537
Europe	95%	470	1,904

Source: ERO 2006, IDATE 2003, Annuario Millecanali 2004; (*) Public institutional data processed by Reply.

In Italy, the total conversion of the analogue Transmitters, now accounting for over 90% of all Transmitters, would involve an overall investment approximately corresponding to 566 mln euros. All transmitters will have to be replaced by the predictable switch-off date.

In Europe, the value relating to the total conversion of the residual analogue transmitters can be assessed in the amount of about 1.9 billion euros. In the U.S., even though the digitalization process is already at a later stage, the digital conversion of the broadcasting network will require an investment of about 537 mln euros (said amount reaches 1,182 mln euros in case of total conversion of all analogue Transmitters installed).

(8) Source: Frost & Sullivan 2006.
* Reply's estimates based on SSBT's data; the estimates are based on an average investment of 200,000 euros for high-power facilities, 50,000 euros for medium-power facilities and 15,000 euros for low-power facilities.
** For the United States, the estimates refer to the completion of the analogue/digital simulcast phase by the predictable switch-off date; a total conversion of the installed analogue equipment would require an investment of 1,182 mln euros.

In addition to Europe and the U.S., an exhaustive view of the world's situation must take into account other important geographical areas not mentioned in the above chart: Africa, Middle East, Asia, Oceania and South America. The latest data available on those large areas [9] allow to fix the value of those markets at about 4 billion euros.

In addition to said assessment, now no longer up to date, the following remarks have to be pointed out:

- a few countries, and particularly Japan and Australia, have launched digital services (ISDB-T and DVB-T) and, at the end of 2006, have already reached a coverage respectively corresponding to 77% and to over 95% of the population[10]. In most of the remaining large areas, the digital transition has not begun yet, thus leaving the market for conversion unchanged if compared to 2003[11].
- some important countries in terms of potential market for replacement are now increasing their analogue broadcasting network; as an example, after 2004, China, with its number of households – 380 million – over twice higher than Europe, has increased the number of terrestrial State and provincial broadcasters, thus multiplying the number of the existing analogue Transmitters and scheduling a switch-off by 2015. China has just defined the DMB-T/H as technological standard to be adopted and will carry out the *trial* activities in 2007 for the official launch of the digital service before the Beijing Olympic Games of 2008 [12].
- countries such as Russia, Greece and Turkey have a high number of analogue Transmitters: Russia will rely on the DVB-T European standard and will launch the service in 2007 with a switch-off expected by 2015. Greece and Turkey have recently adopted the DVB-T standard and pilot projects are in progress in Istanbul and Athens even though no switch-off [13] dates have been scheduled yet.

Replacement /upgrade of components already installed

The sales market for analogue Transmitters in the considered countries is expected to be exhausted gradually until the switch-off; in the countries where the process is still in progress, there is still however a demand for the replacement of still functioning devices.

Said demand is expected to become less and less important in the next 5-8 years, in particular in emerging countries having not yet defined a switch-off date, or meeting some difficulties in the operation of new digital equipment (such as Middle East, Africa, etc.)

The following chart sets out an estimate of the current value of the yearly market for replacement subdivided according to geographic areas [14].

[9] Source: IDATE 2003.
[10] Source: Japan Ministry of Internal Affairs and Communications, Australian Broadcasting Corporation, 2006.
[11] Source: Reply's estimates based on data DVB 2006.
[12] Source: DVB 2006, Asia Pacific Broadcasting Union 2004-2006.
[13] Source: DVB 2006.
[14] Source: Reply's estimates based on data processed by IDATE, AGCM, Millecanali, FCC.

	Yearly market for replacement (M€)			
Geographic area	**2007**	**2008**	**2009**	**2010**
Italy	34	31	27	22
France	16	14	12	9
Germany	10	9	7	4
England	4	4	4	3
Portugal	2	1	1	1
Spain	15	13	10	6
Sweden	0	0	0	0
United States	44	37	19	2
Europe	99	89	75	57

Maintenance activity

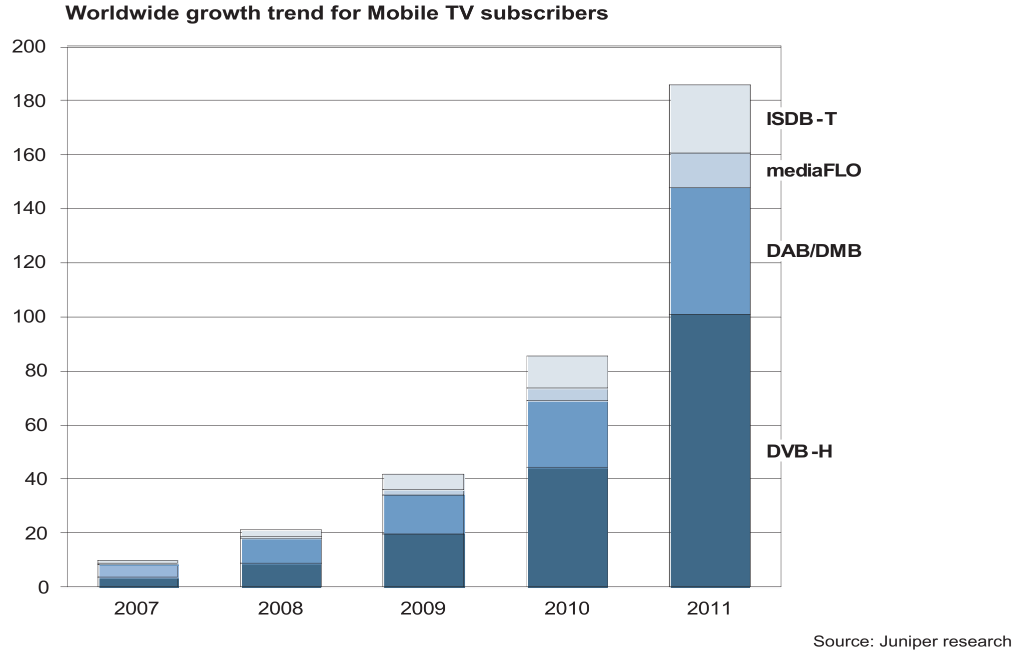
Maintenance services depend on the company's degree of penetration into the market of Transmitters. Even though it is impossible to quantify the volumes arising from this item, the diffusion of the SSBT products can be regarded as the primary boosting factor for the residual revenues coming from the services, in terms of sales incentives and of service differentiation. The growth in revenues from maintenance activities can be expected to be proportional to the trend of equipment sales; the diffusion of the activity will be however characterized by a delay in respect of the launch onto the particular market segment of the products marketed and will depend on the quality of the products distributed.

6.2.2 Digital Mobile TV Broadcasting

Over the last years, the main operators in the sector of electronic consumer products and supply of telecommunications services have launched many pilot projects designed to test the commercial feasibility of the Digital Mobile Broadcasting. And, after the first official launching occurred in 2005 (South Korea) and 2006 (Italy), for the next 5 years, the number of mobile TV subscribers is expected to reach significant volumes; by 2011, over 186 million users all over the world are expected to watch mobile TV (15).

Thanks to their ease in finding free frequencies for broadcasting new mobile channels, the countries closest to the switch-off date for the Terrestrial TV Broadcasting – or those at a later stage of digital transition – will start first.

(15) Source: Juniper Research, 2006. The source has been used throughout paragraph 6.2.2, except where otherwise expressly indicated.



Terrestrial Digital TV and Mobile Digital TV share the same need for a reference standard regulating the basic features of the technological elements required for producing, transmitting and watching the TV signal. The features shared by all protocols developed are the attention paid to the strength of the signal (error correction techniques), hand-over mechanisms (when moving around among different broadcasting cells) and reduction in power consumption for receiving devices:

- **DVB-H**: standard relating to the DVB organization and adjustable to the physical/technical features of the devices and to the broadcasting features of the network: it meets both the need for a significant reduction in power consumption, for longer lasting batteries, and the need to improve the reception of the signal when moving around. The DVB-H standard is characterized by the partial re-utilization of the DVB-T (terrestrial digital) broadcasting facilities, thus preferred by countries already adopting the DVB-T standard;
- **Media FLO**: is a broadcasting technology using modulation techniques referred to as 4K OFDM, as well as DVB-H. Relevant studies have reported it to be more efficient than other broadcasting technologies, but it is a proprietary technology (Qualcomm), still to be standardized by ITU. It is however expected to play a major role thanks to its diffusion in North America and, recently, in some European trials (England);
- **T-DMB / S-DMB**: T-DMB is a technology derived from the DAB standard duly adjusted for a better reception when moving around. It requires the utilization of VHF III and/or L-band terrestrial frequencies and L-band (S-DMB) satellite systems. If compared to DVB-H and Media FLO, it offers a higher efficiency in terms of coverage at the same transmission power level. The disadvantage is its lower capacity in terms of number of channels (kb/s) to be offered. S-DMB is a version ensuring the broadcasting through a geo-stationary satellite, so that any blind areas not covered by the satellite may be covered by a terrestrial component, always operating on satellite channels;
- **ISDB-T**: is a technology, developed and standardized in Japan, offering very flexible broadcasting (video and audio) services to mobile terminals as well. It employs OFDM techniques with different modulation patterns (QPSK, DQPSK, 16QAM, 64QAM). Its bandwidth is 5.6 MHz subdivided

into 13 segments, each of which is provided with a modulation and error correction independent on the others. Nevertheless, its appearance in Europe is unlikely in consideration of the high degree of market penetration of the DVB standard.

The following chart sets out the expectations for subscriptions listed according to the different technological standards adopted worldwide.

	2007	2008	2009	2010	2011
DVB-H	3.5	8.7	19.8	44.5	100.9
DAB/DMB	4.9	9.1	14.3	24.3	46.9
MediaFLO	0.3	0.8	2.1	4.9	13.0
ISDB-T	1.2	2.6	5.5	12.1	25.3
Total number of subscribers (million users)	**9.9**	**21.2**	**41.8**	**85.8**	**186.1**

Source: Juniper Research, 2006

6.2.2.1 Reference market

The reference market for Mobile TV Broadcasting can be subdivided, with reference to SSBT, into two main operating areas: installation of new networks and maintenance/replacement activities.

In 2006, in Italy the first Digital Mobile TV broadcast service has been launched with DVB-H technology. SSBT has played a major role in this initiative within the framework of the supply of transmitting devices; particularly, the SSBT products have been used to implement the whole indoors coverage (gap-filler), beside the high/medium power network useful for the coverage of large urban areas.

An appropriate reference market for SSBT will be constituted by the new broadcasting networks and particularly those relating to low-power transmitters, or gap-fillers; but, with regard to the standards, SSBT has already prepared solutions for DVB-H and MediaFLO, whereas solutions in DMB technology will be soon available.

As the DVB-H market is very recent, there are no results available relating to the replacement market for transmitting devices.

6.2.3 Breakdown of revenues according to business category and product category

As described above in Paragraph 6.1.1.1 of this Chapter 6, the products for Digital TV Broadcasting are also compatible with the Digital Mobile TV Broadcasting, since they employ the same technology.

The following chart sets out the breakdown of net revenues according to business and product categories, stated in million euros, for financial years ended September 30, 2006 and September 30, 2005 on a consolidated basis[16].

[16] These data are taken from the financial statements re-stated according to the IFRSs.

Business and product category *(thousand euros)*	**Net revenues 30th September 2006**	**Net revenues 30th September 2005**
Analogue TV Broadcasting	6,187	5,292
Digital TV Broadcasting	18,471	9,685
Digital Mobile TV Broadcasting	7,407	–
Other	3,277	2,103
Total	**35,342**	**17,080**

The Issuer's revenues for the year ended 30th September, 2004 are not significant due to the fact that, at the date of 30th September, 2004, the Issuer was a non-operating holding company.

To complete the information, the following chart sets out the breakdown of SSI's revenues of sales and services according to business and product categories for financial year ended September 30, 2004(*).

Business and product category *(thousand euros)*	**30th September 2004**
Analogue TV Broadcasting	7,487
Digital TV Broadcasting	3,912
Other	1,805
Total	**13,204**

(*) This data are taken from the financial statements prepared in accordance with Italian GAAP.

6.2.4 Breakdown of revenues according to geographic area

The following chart breaks down the net revenues according to geographic area, in million euros for the financial years closed at 30th September 2006 and 30 September 2005 on a consolidated basis[17].

Geographic area *(thousand euros)*	**Net revenues At 30th September 2006**	**Net revenues At 30th September 2005**
Italy	28,453	12,881
European Community	3,238	1,034
Non-EC countries	3,651	3,165
Total	**35,342**	**17,080**

Please note that the above-stated revenues relating to geographic areas do not reflect the penetration of the Issuer's products on foreign markets: in fact, the Issuer's customer portfolio also includes some Italian system integrators who, however, also act as general contractors on foreign markets. As a result, through said operators, the Issuer's products are also available to foreign end users, even though the most significant turnover arises from the Italian market.

6.3 Exceptional factors

Except for the acquisition of MBITL, whose effects on the Issuer's consolidated revenues are detailed in Chapter 20 of this Section One, there have been no further exceptional factors affecting the information contained in Paragraphs 6.1 and 6.2 above.

[17] These data are taken from the financial statements re-stated according to the IFRSs.

6.4 Dependency on patents or licenses, industrial, trade or financial agreements or on new manufacturing processes.

In consideration of the activities carried out by SSBT, the Issuer does not significantly depend on patents or licenses, industrial, trade or financial agreements or on new manufacturing processes.

Patents and license agreements

The management team thinks that the Issuer's activity does not depend on the granting of any patents or license agreements. SSBT's products are indeed characterized by a steady development, due to the uninterrupted search for innovative solutions for a better efficiency in the devices, so that it is difficult and unprofitable to patent them.

Industrial and trade agreements

As stated above in Paragraph 6.1.1.7 of this Chapter, during financial year closed at 30th September 2006, the Issuer's overall turnover coming from its five biggest customers has corresponded to about 66.7% of the consolidated turnover for the year. Particularly, the first customer has accounted for 28.7%, the second one for 23.4% and the third one for 7% of the Issuer's consolidated turnover for the same year. During financial year closed at 30th September 2005, SSBT's biggest five customers have accounted, based on the same management data processed by the management team, for about 37.1% of the Issuer's turnover and, particularly, whereas the first one has accounted for 10.6%, the second one for 8.5% and the third one for 6.7%.

It must be noted that during financial year 2006, the consolidated revenues from the relations with the first three customers in terms of turnover have amounted to 20.9 million euros equal to about 59.1% of SSBT's consolidated turnover, whereas the first 10 customers have generated a turnover of 26.6 million euros equal to about 75.3% of SSBT's consolidated turnover.

In the light of said percentages, in the management team's opinion, there is a dependency on some key customers, mitigated by the fact that SSBT's customers vary year to year, also thanks to the frequent technological innovations introduced on the reference markets and to how often major groups renew their Analogue, Digital and Digital Mobile TV Broadcasting facilities.

As to suppliers, at the Prospectus Date, the management team deems SSBT's business not to be subject to the risk of dependency on single suppliers.

Permits and authorizations

In order to be marketed in the European countries, the broadcasting devices manufactured by SSBT must comply with the requirements prescribed by the EC Directive 1999/5/CE, enforced in Italy by Legislative Decree of 9th May 2001, no. 269 (cf. Paragraph 6.1.1.10 of this Chapter 6).

According to said Directive, the broadcasting devices are initially tested at inhouse laboratories of private institutes acknowledged by the European Community and referred to as authorized certifiers.

After the positive outcome of the tests conducted by authorized certifiers and certified by a letter of opinion, issued by the certifier for SSBT, the Issuer, as manufacturer, can CE-mark the product, thus certifying its compliance with the requirements prescribed by the community regulations.

Article 6 paragraph 4 of Legislative Decree 269/2001 also provides for SSBT's obligation to notify the Ministry of Communications, at least four weeks in advance, of its own intention to launch the relevant product on the market. The Ministry of Communications, also based on the opinion issued by the authorized certifier in charge of the technical tests, shall let the applicant know about any well-grounded prohibitions or restrictions and shall notify the European Commission thereof.

With reference to the non-EU countries, the regulatory provisions applicable to the marketing of the products depend on each country and the Issuer applies for the permits from time to time, inasmuch as necessary.

6.5 Ranking among competitors

Below please find an analysis of SSBT's ranking among competitors in the sectors of TV broadcasting and Digital Mobile TV Broadcasting.

6.5.1 Position on the TV Broadcasting market

The TV Broadcasting sector is worldwide very competitive and composed of some major multinational groups and many national operators, among which the biggest ones have been expanding their presence – over the last years – internationally:

- the category of multinational groups is made up of major international operators (such as Harris, Larcan, Nec, Rohde & Schwarz, Thales, Toshiba) who - besides operating in the Analogue and Digital TV Broadcasting sectors - also develop systems devised for various target markets, including the governmental, military, aerospace and communications markets. Said operators, even if limited to their 'broadcast' divisions, are covering a product range often not directly comparable to SSBT, due to its being integrated into complex solutions for the "play-out" of contents (such as management platforms, content management/storage, broadcast). Global operators are distributed over the geographic areas where they operate mostly: North America (Harris and Larcan), Europe (Rohde & Schwarz and Thales) and Japan (Nec and Toshiba). Global operators are usually active all over the world through a wide network of trading companies, partnerships and/or local agents. All global operators implement products for both Analogue and Digital TV Broadcasting with a complete range of Transmitters, Repeaters and Radio Links. Certain global operators have developed or are developing products for Digital Mobile TV Broadcasting. Though operating in all segments of the TV broadcasting market, global operators are mostly engaged in manufacturing high-power equipment designed for national TV broadcasters which need to cover large areas of territory;
- the category of national operators are particularly operating on a national level and usually specializing in certain phases of the production chain. The said category includes medium and small businesses, ten of which are Italian, including SSBT and other major companies such as DMT, Electrosys, ABE Elettronica, Eurotel, Electronika and Telco Telecom. The Italian companies, established for the purpose of meeting the demand by many local broadcasters located on the national territory, have however also grown on an international level, by generating high turnover. These operators are active in Europe and in most interesting economic areas, including South-East Asia, South America, Russia, Turkey and Middle East. Except for a few companies, such as SSBT and DMT, national operators are mostly committed to developing low and medium power devices. Such types of devices are usually designed for local broadcasters which, for their narrow user-bases, need transmitting systems capable of covering limited geographic areas. Not all operators within this category are also active on the Digital TV Broadcasting market, in addition to the Analogue TV Broadcasting market.

During 2005, SSBT has turned out to be, among the 10 biggest Italian manufacturers, the second operator on the TV Broadcasting market, with a market share equal to about 14%. Significant market shares are also held by DMT, the biggest operator, but with a consolidated offer including business sectors not directly comparable to those of SSBT, such as system integration or the offer of towers and playout devices [18].

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(18) Source: Morgan Stanley, DMT public data

Taking into consideration its own results, the Issuer deems that the 2006 market share is increasing if compared with 2005. On the other hand the Issuer cannot assess the size of such growth, since the economic results of most part of the operators on the reference market for the year 2006 are not yet available.

6.5.2 Position on Digital Mobile TV Broadcasting market

In the light of the remarkable similarities between fixed and mobile TV transmitters, the digital mobile broadcasting market is characterized by the presence of the same operators mentioned in the above paragraph.

Due to the very recent development of this business sector, only few companies can boast a significant experience in this respect.

Particularly, SSBT can boast having implemented all the secondary broadcasting network (made up of about 1,100 gap-fillers) for the first operator in the world, which in 2006, during the world football championship, has launched the TV mobile service in DVB-H mode. Also considering the secondary networks implemented by the other mobile telecoms operators, SSBT can boast at the end of 2006 of a very significant share of all secondary Transmitters (gap-fillers) installed in Italy(19).

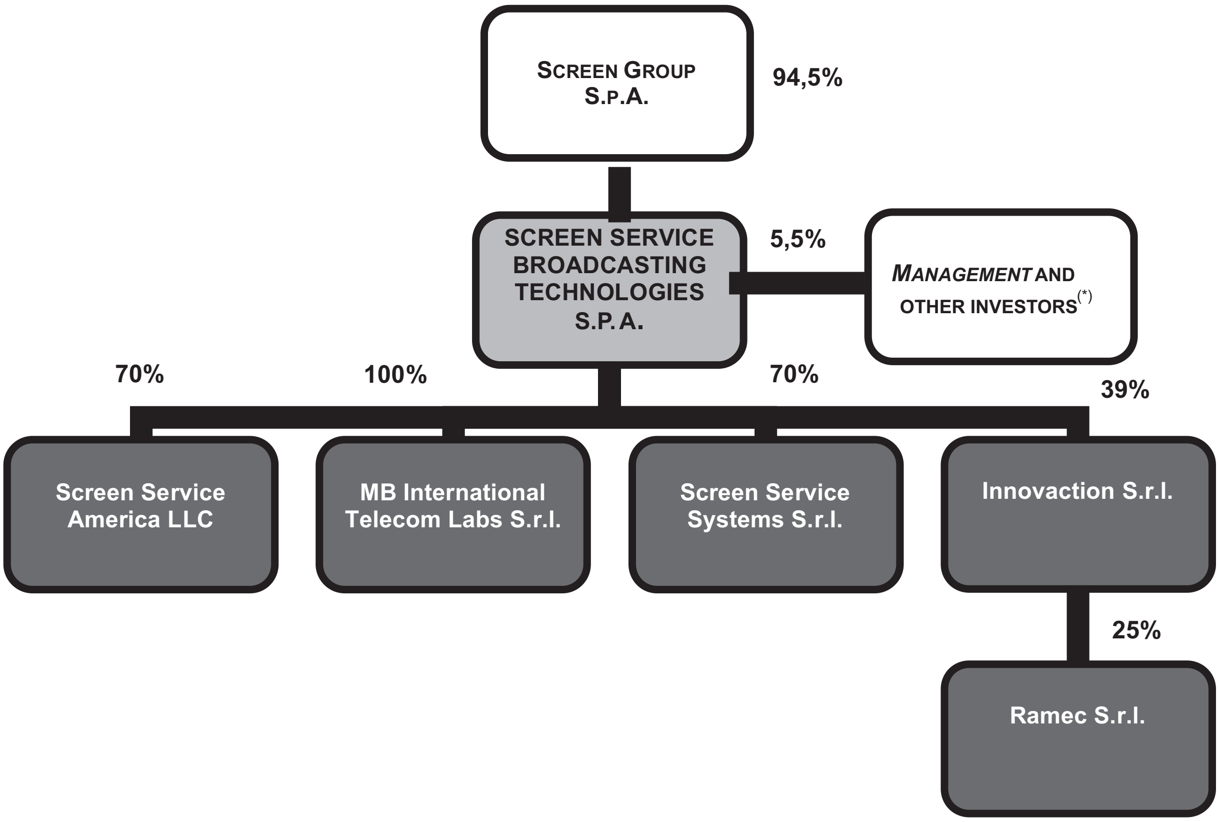
SSBT is worldwide regarded as a major international operator, thanks to its experience in implementing that network, to its offer of upgradeable products relating to different standards (DVB-H, MediaFLO, DMB, etc.) and particularly to the outstanding reputation achieved in the world's most pioneering country in this respect (20). For the above reasons, SSBT is now often allowed to participate in most international tenders designed to launch trial tests or to start the coverage of the respective countries.

(19) Source: Reply's estimates based on corporate data.
(20) Source: DVB 2006.

7. ORGANIZATIONAL STRUCTURE

7.1 Belonging to a group

The Issuer does not belong to any group. The following graph shows SSBT's subsidiaries and affiliates, specifying the percentage of share capital held by SSBT in each of them. The Issuer supervises and coordinates the subsidiaries pursuant to article 2497 and ff. of the Civil Code.



(*) Through the trust companies Aletti Fiduciaria S.p.A., UBS Fiduciaria S.p.A. and Istifid Fiduciaria S.p.A.

As for SSA, it must be noted that the 30% remaining stake in its share capital is held by Raul Garcia, as SSBT's reference person on the American market.

As for SSS, it must be noted that the 30% remaining stake in its share capital is held by Umberto Kuzminsky, who is now chairman of its board of directors.

As for Innovaction, it must be noted that the 61% remaining stake in its share capital is held by two individuals.

7.2 Companies controlled by the Issuer

The following chart indicates the companies in which the Issuer holds a controlling stake:

Subject	Registered office	% stake
MBITL	Brescia, via Giuseppe di Vittorio, n. 17	100
SSA	6095 NW 167th Street, Suite D-10, Miami, Florida 33015, U.S.A.	70
SSS	Viterbo, via Vico Quinzano n. 2	70

For further information on the companies directly controlled by the Issuer and on those participated by the Issuer through a stake high enough to affect the assessment of its assets and liabilities, please refer to Section One, Chapter 25.

8. PROPERTY, FACILITIES AND EQUIPMENT

8.1 Fixed assets

The Company does not own any real estate and carries out its activity in the buildings located in Brescia (BS), Via Giuseppe di Vittorio n. 17, where offices and production facilities are based. SSBT hires those buildings, as offices and for industrial and commercial uses, by virtue of a leasing agreement entered into on 17th November 2004 between SSI and Fincinque S.r.l., where SSBT has replaced SSI as a result of its merger through incorporation. For further information in this respect, please referred to Chapter 5, Paragraph 5.1.5.5 of this Section One. Fincinque S.r.l. has become the owner of those buildings as a result of the discorporation of SSI's real estate business line executed in favour of Fincinque S.r.l., through partial splitting, on 22nd September 2004. The agreement is scheduled to expire on 1st October 2010 and to be tacitly renewed for further six-year periods, unless either party terminates it. The yearly fee amounts to 150,000 euros.

The following chart is a list of the major real properties available to the Issuer's subsidiaries at the Prospectus Date by virtue of commercial leasing agreements.

Tenant	Location	Intended use	Expiration date	Yearly fee
MBITL(1)	Baranzate (MI), Via Milano n. 255 (two floors)	Real estate for industrial uses and offices	31 December 2011	60,000 euros
MBITL(1)	Baranzate (MI), Via Milano n. 255 (ground floor)	Real estate intended as laboratory and appurtenances	28 February 2011	25,000 euros
SSS	Viterbo (VT), Via Vico Quinzano n. 2	Real state intended as shop and warehouse	24 October 2012	32,400 euros

(1) MBITL is the lessee of these property by virtue of two lease agreements executed with M.B. International S.r.l., a company where the shareholder of Screen Group and director of the Issuer Michele Bargauan holds a participation.

SSA has established its registered office and carries out its activity in its own building located in Miami, Florida.

No agreements are currently in force for the leasing of assets used by the Issuer within the framework of the production process, with a value in excess of 50,000 euros.

The following charts indicates the most important agreements entered into for the leasing of assets used by subsidiaries within the framework of the production process, with a value in excess of 50,000 euros.

Lessee	Assets	Signing date	Total cost	Monthly fees	Expiration *leasing*	Lessor
MBITL	Component positioner	31 May 2006	€253,989.00	€ 7,055.25	31 May 2009	MPS Leasing &Factoring S.p.A.
MBITL	Serigraphic machine	6 June 2006	€ 73,221.84	€ 2,033.94	6 June 2009	MPS Leasing & Factoring S.p.A.
MBITL	Welding furnace	18 December 2006	€ 72,215.28	€ 2,005.98	9 January 2010	MPS Leasing & Factoring S.p.A.

8.2 Environmental matters

SSBT's facilities and its production activity are disciplined by the relevant environmental regulations generally applicable to industrial and commercial businesses.

The Issuer's activity does not raise any environmental issues and, at the Prospectus Date, no such lawsuits are pending against the Issuer or any of its subsidiaries.

Over the past financial years, the costs relating to environmental protection have not had any significant negative impact on the Issuer's activity. The management team is not expecting to face high costs in the future for environmental protection purposes.

For further information on the regulatory framework, please refer to Chapter 6, Paragraph 6.1.1.10 of this Section One.

9. FINANCIAL AND OPERATING INFORMATION

The present Chapter provides information on the operating and financial position relating to the years ended September 30, 2006 and 2005.

No analysis is provided in relation to the changes between the year ended September 30, 2004 and the year ended September 30, 2005, as at September 30, 2004, the Issuer, originating from the transformation into a limited company of a substantially inactive company (Villa Cedri S.r.l.), was a non-operating holding company, whose assets were comprised almost exclusively of the 100% holding in the share capital of SSI. Only from March 30, 2005, with the completion of the merger by incorporation of SSI and the Issuer, did the company become operative.

The analysis in the present Chapter relates to the financial information taken from the consolidated financial statements at September 30, 2006 and the financial statements at September 30, 2005 of the Issuer, restated in accordance with IFRS adopted by the European Union, prepared exclusively for inclusion in the present Prospectus, and subject to a full audit, for which reference should be made to the Auditing Company's report issued on February 16, 2007 (See Section One, Chapter 20, Paragraph 20.1.2). It should be noted that the Issuer prepared the consolidated financial statements for the first-time from the year ended September 30, 2006, following the acquisition of control in MBITL.

The following financial information must be read in conjunction with Chapters 10 and 20 of this Section One of the present Prospectus.

9.1 Financial situation

The financial situation of the Issuer and the principal factors impacting upon the years ended September 30, 2006, 2005 and 2004 are analysed in the Section One, Chapter 10 of the present Prospectus.

9.2 Operating activities

The principal factors which impacted upon the operations of the Issuer for the years ended September 30, 2006 and 2005 are described below.

9.2.1 Information on important factors having a significant impact on the results deriving from the activities of the Issuer

SSBT operates in the communications infrastructure sector and offers a wide range of products and integrated services to radio-television broadcasters and to mobile telephone operators. The core business is the design, production and commercialisation, in Italy and abroad, of technological equipment and solutions and the realisation and integration of complete systems principally for the transmission of terrestrial and satellite television signals, both analog and digital, as well as television signals for mobile phones.

The activities can be broken down into the following strategic areas:

- Digital TV Broadcasting, which permits the transmission of the terrestrial television signal or, as a marginal activity, via satellite with digital technology;
- Digital Mobile TV Broadcasting, which permits the transmission of the terrestrial television signal for the mobile telephone with digital technology (strategic area developed from 2006);
- Analogue TV Broadcasting, which permits the transmission of terrestrial television with analog technology;
- Other, which includes all the residual activities, such as technical assistance and spare parts supply.

For further information on the above-mentioned strategic areas, reference should be made to the Section One, Chapter 6, Paragraph 6.1.1 of the present Prospectus.

The following table shows the income statements for the years ended September 30, 2006 and 2005, restated in accordance with IFRS adopted by the European Union, utilised for the analysis of the changes in the operating activities in the periods under examination.

	Year-end September 30			
	2006		**2005**	
in Euro thousands		%		%
Revenues from production	35,342	100.0%	17,080	100.0%
Other income	211		241	
Total revenues & income	**35,553**		**17,321**	
Cost of raw materials and consumables utilised	9,843	27.9%	5,533	32.4%
Services	1,557	4.4%	3,231	18.9%
Rent, lease and similar costs	287	0.8%	212	1.2%
Amortisation & depreciation	324	0.9%	160	0.9%
Provisions & write-downs	211	0.6%	39	0.2%
Personnel costs	3,158	8.9%	1,669	9.8%
Other costs	460	1.3%	252	1.5%
Total costs	**15,840**	**44.8%**	**11,096**	**65.0%**
Operating costs	**19,713**	**55.8%**	**6,225**	**36.4%**
Result of companies valued at equity	(20)	(0.1%)	–	0.0%
Financial income	39	0.1%	54	0.3%
Financial charges	(1,012)	(2.9%)	(596)	(3.5%)
Profit before taxes	**18,720**	**53.0%**	**5,683**	**33.3%**
Income taxes	7,326	20.7%	2,252	13.2%
Net profit for year	**11,394**	**32.2%**	**3,431**	**20.1%**

Comments are provided below on the changes in the main income statement accounts in the period 2006 - 2005.

Revenues from production:

The breakdown of production revenues by business sector is shown in the table below:

	Year-end September 30			
	2006		**2005**	
in Euro thousands		%		%
Digital TV Broadcasting	18,471	52.2%	9,685	56.7%
Digital Mobile TV Broadcasting	7,407	21.0%	–	0.0%
Analogue TV Broadcasting	6,187	17.5%	5,292	31.0%
Other	3,277	9.3%	2,103	12.3%
Revenues from production	**35,342**	**100.0%**	**17,080**	**100.0%**

The revenues deriving from Digital TV Broadcasting (principally relating to the transmitters) almost doubled in the period under examination: Euro 18,741 thousand in 2006, compared to Euro 9,685 thousand in 2005. This increase is entirely due to growth in sales volumes, corresponding to an increase in market demand which, in the period under examination, saw an explosion of digital products, both for national and local networks, to the consequent detriment of demand for analogue products. The factor which had the greatest influence on the increase in demand of digital products was due, in the opinion of management, to the offer of Pay-TV programmes in the final months of 2005, particularly sporting transmissions, for which the digital terrestrial mode is utilised. Some large national Italian operators, given the possibility to widen their offer, began a reorganisation phase, based on the substitution of their transmitters, commissioning significant quantities of products from SSBT.

In addition, SSBT, in 2005, launched a dual-mode product, which permits the transmission of the television signal via analog and digital. Considering this product is one of the drivers of the digital technology expansion in Italy, although permitting the broadcasting of the television signal in both modes, the turnover deriving from the sales is considered by the management of the Issuer as a component of the strategic Digital TV Broadcasting area. SSBT as one of the few producers of this technology, therefore achieved, especially during 2006, a particularly high level of sales, confirming the growth trend already seen in 2005.

The Digital Mobile TV Broadcasting, created as a strategic area in 2006, recorded production revenues of Euro 7,407 thousand. In Italy, the factor which created demand for this transmission mode in 2006 was due, in the opinion of management, to the offer related to the football World Cup. SSBT, after some experimental phases in its laboratories, was commissioned by the only Italian operator which, in 2006, transmitted the DVB-H television signal, satisfying the specific technological requirements of the mobile telephone operators, through the production of products in accordance with the standards commonly utilised by telephone operators (with compatible interface for both telephone and internet standards).

With reference to Analogue TV Broadcasting (prevalently relating to the transmitters), revenues amounted to Euro 6,187 thousand in 2006 and Euro 5,292 thousand in 2005, recording an increase of Euro 895 thousand (16.9%). The increase is largely due to SSBT signing a long-term contract with a Swedish television operator. The master agreement, obtained through a tender process, provides for the supply of repeaters.

The growth in production revenues, in this strategic area, is lower compared to the other areas, in that a part of SSBT's clients preferred to acquire the new dual-mode products (as previously described, impacting on the strategic area Digital TV Broadcasting), rather than the traditional analog products.

The "Other" revenues derive from the sale of spare parts, components and technical assistance services, which amounted to Euro 3,277 thousand in 2006 and Euro 2,103 thousand in 2005, growth entirely deriving from volume increases. In particular, the growth in the sale of spare parts reflects the increase in production revenues in previous years, which normally results in the sale of spare parts after the guarantee period. The growth of revenues deriving from components relates to the specific requirements related to the Mobile TV Broadcasting, for which additional equipment is necessary, in addition to the purchase of the transmissions.

The geographic breakdown of revenues from sales and services is shown in the table below. This breakdown was made based on the country where the addressee of the sales invoice is based.

	Year-end September 30			
	2006		2005	
in Euro thousands		%		%
Italy	28,453	80.5%	12,881	75.4%
EU	3,238	9.2%	1,034	6.1%
Non-EU countries	3,651	10.3%	3,165	18.5%
Revenues from production	**35,342**	**100.0%**	**17,080**	**100.0%**

The geographic breakdown of revenues from sales and services shows Italy as the principal country in which the Issuer operates. This factor is impacted by the sales of the strategic area Digital Mobile TV Broadcasting and by the fact that the driver used to represent revenues by geographic area is the country where the addressee of the sales invoice is based and not the final user of the asset, for which the Company has no information. It should also be noted that in many overseas countries, in particular outside of Europe (South America and China in particular), the technical standards utilised in the production of digital technological products offered on the market have not yet been defined by the relevant government authorities and, therefore, the contribution to revenues in this area is not particularly significant.

Total revenues in Italy, equal to Euro 28,453 thousand in 2006 and Euro 12,881 thousand in 2005, grew by Euro 15,572 thousand, and increased as a percentage of total production revenues by 5.1%. This increase is due to the higher volumes in the strategic area Digital TV Broadcasting and to the commencement of the Digital Mobile TV Broadcasting. In both areas, the above growth factors only relate to Italy as resulting from the effects of the pay-TV broadcasting and the transmission with the DVB-H television signal.

In addition, the growth in Italy benefited from the effects of Decree No. 273 of December 30, 2005, which became law 66/2001 (see Section One, Chapter 6, Paragraph 6.1.1.10). In accordance with this legislation, Italy must undertake the broadcasting "switch-off" by December 31, 2008, and therefore, by this date, all the television networks must have digital broadcasting technology. Therefore, during the year 2006, there was a drive for the acquisition of these products, which increased sales volumes in Italy.

The sales in the EU market, amounting to Euro 3,238 thousand in 2006 and Euro 1,034 thousand in 2005, recorded significant growth (+ Euro 2,204 thousand). The largest growth was in Sweden, for which, as already described, a contract was signed for the supply of repeaters. In addition, SSBT sold a significant quantity in France, following an order relating to microwave digital links.

The revenues outside EU, amounting to Euro 3,651 thousand in 2006 and Euro 3,165 thousand in 2005, grew by Euro 486 thousand. The increase is due to the consolidation of MBITL, which also supplies clients in China and Korea. Excluding the subsidiary, the revenues in this geographic area would have decreased. This result is the combined effect of some contrasting factors. In particular, in 2006 the Issuer began penetration of the American market, thanks to the presence of the subsidiary SSA, which although in the start-up phase and still not significantly active, permitted the Issuer to create contacts with some American clients. In contrast, sales decreased in other countries and in particular in Albania and Syria. In relation to Albania, the year 2005 benefited from the presence of revenues from an important national television network, in development, which was supplied all the necessary technology. In relation to Syria, the method for awarding contracts by the local broadcasters, through tenders, slowed down the signing of contract, resulting in a delay in the revenues of the Issuer from this country to the following year.

Cost of raw materials and consumables utilised

In Euro thousands and	Year-end September 30			
	2006		2005	
% on production revenues		%		%
Raw materials	13,811	39.1%	8,696	24.6%
Equipment to sell	345	1.0%	178	0.5%
Accessory charges, energy and fuel	237	0.7%	109	0.3%
Materials for consumption and other assets	179	0.5%	103	0.3%
Packaging	29	0.1%	27	0.1%
Change in inventories	(4,758)	(13.5%)	(3,580)	(10.1%)
Cost of raw materials and consumables utilised	**9,843**	**27.9%**	**5,533**	**32.4%**

The account raw materials and consumables utilised, amounting to Euro 9,843 thousand in 2006 and Euro 5,533 thousand in 2005 increased by Euro 4,310 thousand (+77.9%) and decreased as a percentage on production revenues by 4.5%.

This improvement is largely the result of the strong negotiations undertaken by management with suppliers, whom, against the increasing quantities purchased, were requested important discounts on the sales prices. With reference to the strategic Digital Mobile TV Broadcasting area, as this features a unique set of standards, the raw materials purchased benefited from consequent economies of scale.

Finally, the consolidation of MBITL resulted in the decrease of the purchase costs relating to the electronic boards produced by the subsidiary which, in 2005, were included the sales price in the income statement of SSBT, while in 2006, in the consolidated income statements, the production costs were included without the margin applied.

Service costs

In Euro thousands and	Year-end September 30			
	2006		2005	
% on production revenues		%		%
Legal, administration and other charges	412	1.2%	1,396	8.2%
Advertising costs	259	0.7%	208	1.2%
Outsourcing	243	0.7%	1,025	6.0%
Commissions	238	0.7%	108	0.6%
Transport costs	189	0.5%	93	0.5%
Royalties	–	0.0%	126	0.7%
Other	216	0.6%	275	1.6%
Service costs	**1,557**	**4.4%**	**3,231**	**18.9%**

The total service costs, amounting to Euro 1,557 thousand in 2006 and Euro 3,231 thousand in 2005 decreased significantly as a percentage on production revenues by 14.5% and, in absolute terms, by Euro 1,674 thousand (51.8%). This change principally related:

- to the reduction of legal, administration and other charges, which decreased significantly (Euro 412 thousand in 2006 and Euro 1,396 thousand in 2005), with reference to some costs incurred in 2005, in relation to legal and notary fees, for the merger of SSI and to strategic consulting fees and due diligence, on the leverage buyout operation concerning SSI,

- to the reduction in outsourcing, which amounted to Euro 243 thousand in 2006 and Euro 1,025 thousand in 2005, and royalties, which were eliminated in 2006, while in 2005 they amounted to Euro 126 thousand, following the acquisition of MBITL: design and maintenance costs, both as fixed and variable costs (royalties), previously incurred by SSBT and supplied by M.B. International S.r.l., from the year 2006, are no longer paid.

These decreases were in part off-set by increases in commissions and transport costs. In relation to the commissions, it should be noted that the Issuer does not have on-going agency representatives, but utilises, on an occasional basis, brokers or other intermediaries who are recognised fees, which are agreed on a contract by contract basis, in the event of a positive outcome. Therefore, in the year ended September 30, 2006, the services provided to SSBT by these parties increased. In relation to the transport costs, the increase of Euro 96 thousand was in line with the production revenues.

Costs for rent, leases and similar

The costs for rent and leases amounted to Euro 287 thousand in 2006 and Euro 212 thousand in 2005, an increase of Euro 75 thousand, principally due to the lease on the building at Baranzate (MI), in Via Milano No. 256, paid by MBITL, not consolidated in 2005.

Amortisation & depreciation

The increase in depreciation/amortisation of Euro 164 thousand corresponds solely to the contribution to the consolidation of MBITL.

Provisions & write-downs

This account relates for both years to the doubtful debt provisions. The higher amount in 2006, equal to Euro 172 thousand, relates almost entirely to a receivable from Technosystem, a company which was placed in administration and from which only a 10% recovery of the receivable is expected.

Personnel costs

	Year-end September 30			
In Euro thousands and	**2006**		**2005**	
% on production revenues		%		%
Salaries	1,535	4.3%	772	4.5%
Remuneration to board of directors	805	2.3%	571	3.3%
Grants	490	1.4%	239	1.4%
Employee/directors benefits	252	0.7%	49	0.3%
Employee leaving indemnity provision	76	0.2%	38	0.2%
Personnel costs	**3,158**	**8.9%**	**1,669**	**9.8%**

Personnel costs almost doubled in the period: in 2006, they amounted to Euro 3,158 thousand, while in 2005 they amounted to Euro 1,669 thousand, decreasing by 0.9 percentage points on production revenues.

The increase in salaries is principally due to the increase in the number of employees related to:

- in part to the consolidation of MBITL, which at September 30, 2006 had 20 employees;
- in part to the increase in the workforce at SSBT, related to the growth in sales volumes, with five employees in the technical area.

The table below shows the number of employees by category at the respective dates:

	Employees at September 30	
Amounts stated in Euro	**2006**	**2005**
White-collar	51	29
Blue-collar	6	3
Total employees	**57**	**32**

The increase relating to the employee/directors benefits, amounting to Euro 203 thousand, principally relates to the additional payment, on December 23, 2005, to a new shareholder director. These plans are within the "equity settled plans" for which no financial payment is required by the company (see Section One, Chapter 20, Paragraph 20.1.2).

The remuneration of directors increased by Euro 234 thousand. This increase is due for Euro 89 thousand to the board of directors of MBITL and, for the remaining part, to the increase in the variable portion paid to the directors of SSBT, which have increased based on the good performance of the Company.

Other costs

Within this account, which increased by Euro 208 thousand, the principal changes relate to insurance, travel and printing material costs.

Operating result

The operating result in 2006 was Euro 19,713 thousand, a threefold increase on the operating result in 2005 (Euro 6,225 thousand) and an increase of 19.4% in the operating margin on total production revenues.

This was principally due to:

- strong growth in production revenues, which more than doubled from 2005 to 2006;
- lower percentage of raw material costs and consumable materials utilised, due to the decrease in the average purchase price following the negotiations made by management, which obtained significant discounts against the large growth in volumes requested;
- lower percentage of service costs, which decreased despite the increase in revenues, as in 2005 these costs largely related to general and non-recurring expenses, and not directly related to sales volumes.

Result of companies valued at equity

In 2006, the results of companies recorded under the equity method included the results of SSA, incorporated on November 21, 2005 and SSS, acquired on September 25, 2006.

Financial charges

The financial charges amounted to Euro 1,012 thousand in 2006 and Euro 596 thousand in 2005, an increase of Euro 416 thousand. The increase in 2006 is principally related to:

- the charge (Euro 199 thousand) relating to the advance repayment of the loan from Banca Popolare di Milano, in July 2006;
- higher interest on the shareholder loan for the purchase of SSI (Euro 166 thousand), which was incorrectly recorded in the accounts in the previous year;

- higher interest payable on bank current accounts and advances on bills (Euro 67 thousand), due to the higher utilisation of these credit lines.

Income taxes

The table below shows the percentage of the income taxes on the pre-tax result:

	Year-end September 30	
in Euro thousands	**2006**	**2005**
Profit before taxes	**18,720**	**5,683**
Current taxes	7,336	2,274
Deferred taxes	(10)	(22)
Income taxes	**7,326**	**2,252**
% of profit before taxes	*39.1%*	*39.6%*

9.2.2 Main changes in sales or net income

The main changes in the sales and other income are analysed in the Section One, Chapter 9, Paragraph 9.2.1 of the present Prospectus.

9.2.3 Policies or factors of a governmental, economic, fiscal, monetary or political nature

With reference to the policies or factors of a governmental, economic, fiscal, monetary or political nature, reference should be made to the analysis and considerations reported in the Section One, Chapter 6, Paragraph 6.1.1.10 and Chapter 9, Paragraph 9.2.1 of the present Prospectus.

10. FINANCIAL RESOURCES

10.1 Financial resources of the Issuer

The financial resources of the Issuer are held almost exclusively in Euro.

At December 31, 2006, SSBT had a net financial debt consisting of a long-term loan agreed by the Issuer on July 31, 2006 with a pool of banks for Euro 10 million, utilised for the refinancing of the existing debt and for operational needs and only partly compensated by the significant amount of liquid assets (see Section One, Chapter 10, Paragraph 10.3).

10.2 Cash flow of the Issuer

The changes in the net liquidity for the years ended September 30, 2006 and 2005, restated in accordance with IFRS adopted by the European Union, are summarised in the table below. The changes are not shown between the years ended September 30, 2005 and 2004, prepared in accordance with Italian GAAP, as at September 30, 2004, the Issuer was a substantially inactive holding of investments, whose assets were comprised almost exclusively of the 100% holding in the share capital of SSI.

in Euro thousands	Year-end September 30 2006	2005
Profit before taxes	18,720	5,683
Amortisation & depreciation	324	160
Effect of the recognition of the employee/directors benefits	252	49
Gains/losses on sale of non-current assets	(1)	–
Share of the results of investments valued at equity	20	–
Change in employee leaving indemnity and other personnel provisions	48	45
Changes in the accounts:		
– inventories	(4,758)	(3,580)
– trade receivables	(7,727)	(1,564)
– trade payables	364	302
– other assets/liabilities (1)	(1,781)	(2,533)
Net cash flow generated/(absorbed) from operating activities (A)	**5,461**	**(1,438)**
Acquisition of intangible assets	(62)	(56)
Acquisition of tangible assets	(659)	(105)
Acquisition of equity investments in subsidiaries, net of funds acquired	(2,585)	–
Change in financial receivables and other financial assets	(681)	399
Receipt from the sale of tangible and intangible assets	197	4
Net cash flow generated/(absorbed) from investing activities (B)	**(3,790)**	**242**
Net change in current financial liabilities	(1,457)	(2,123)
Receipt of non-current financial liabilities (including currrent portion)	10,238	1,473
Repayment of non-current financial liabilities (including currrent portion)	(9,164)	(941)
Share capital increases net of issuing costs	440	–
Net cash flow generated/(absorbed) from financing activities (C)	**57**	**(1,591)**
Net cash flow the year (A) + (B) + (C)	**1,728**	**(2,787)**
Cash and cash equivalents net of bank overdrafts at the beginning of the year	(928)	1,859
Cash and cash equivalents net of bank overdrafts at the end of the year	800	(928)

(1) The change includes the cash flow absorbed for the payment of income taxes which for the year ended September 30, 2006 amounted to Euro 5,345 thousand and for the year ended September 30, 2005 amounted to Euro 4,108 thousand.

The cash flow for the year ended September 30, 2006 was a positive balance of Euro 1,728 thousand, while the cash flow for the year ended September 30, 2005 was a negative balance of Euro 2,787 thousand. The movements are due to:

- the positive cash flow deriving from operating activities of Euro 6,899 thousand and from financing activities of Euro 1,648 thousand, off-set by
- the negative cash flow from investing activities of Euro 4,032 thousand.

The explanations for the above movements are described below.

Net cash flow generated/(absorbed) from operating activities

The net positive change in the cash flow from operating activities of Euro 6,899 thousand derives from the net profit for the year ended September 30, 2006 and to the net movements of non-cash items (+Euro 13,426 thousand) in part off-set by the increase in the absorption of working capital (aggregate of inventories, trade receivables and payables and other assets and liabilities) of Euro 6,527 thousand.

The principal movements of the working capital components are analysed below:

- in relation to inventories, there was a greater absorption of liquidity in 2006 of Euro 1,178 thousand, as inventory levels increased against greater production demand. The increase in inventories was less than proportional compared to the increase in turnover, thus resulting in improved inventory turns. In addition, at September 30, 2005, the inventory levels were particularly high as the Issuer received, in June 2005, a significant order from an important operator in the Italian television market which, following a conversion project of part of its network from analog to digital, commissioned significant volumes of products from SSBT;
- the trade receivables absorbed liquidity in both years, but for the year ended September 30, 2006, the absorption of cash was considerably higher by Euro 6,163 thousand. This increase reflects the significant growth in production revenues. The number of collection days outstanding are in line for the two years;
- the trade payables generated liquidity in both years, increasing from Euro 302 thousand to Euro 364 thousand, in line with the increase in purchases;
- the lower cash flow absorbed in relation to other assets/liabilities, of Euro 752 thousand, largely relates to the increase in the payments on account received from clients, requested by SSBT for the acceptance of some significant orders and only in part off-set by the higher payments on account and tax balance paid during the year.

Net cash flow generated/(absorbed) from investing activities

The cash flow deriving from investing activities was a negative balance of Euro 3,790 thousand in 2006 and a positive balance of Euro 242 thousand in 2005. The negative balance in 2006 principally derived from the acquisition of MBITL, which resulted in the use of liquidity (net of the liquidity acquired) of Euro 2,560 thousand.

The net investments in intangible assets are in line for the two years, while the tangible fixed assets increased by Euro 554 thousand. For the year ended September 30, 2006, MBITL undertook important capex investments, the most significant of which related to an automated assembly machine for SMD technical electrical boards and a screen printing machine.

In relation to the changes in financing activities, equal to a negative balance of Euro 681 thousand in 2006 and a positive balance of Euro 399 thousand in 2005, it is noted that:

- in 2006, the Issuer provided a loan to SSA, amounting to Euro 554 thousand, and paid the restricted deposit relating to the litigation with the client Technosystem, amounting to Euro 210 thousand (for further details, reference should be made to Paragraph 10.3 of the present Chapter);
- in 2005, the Issuer sold part of the securities in portfolio.

Net cash flow generated/(absorbed) from financing activities

The financing activities generated liquidity of Euro 57 thousand in 2006, while they absorbed liquidity of Euro 1,591 thousand in 2005. The movements in the two years were as follows:

- in 2006, the principal factors relating to the positive cash flow were *(i)* the refinancing through a pool of banks of the medium/long-term bank loan (net cash flow of Euro 1 million), *(ii)* the share capital increase (Euro 440 thousand), *(iii)* the new lease contracts, fully off-set by the negative cash flow relating to the payment of the instalment, equal to Euro 1.5 million, of the payable to the shareholders of SSI;
- in 2005, the principal movements related to the payment of the instalment, equal to Euro 1 million, on the long-term loan with Banca Popolare di Milano, and the payment of the instalment, equal to Euro 650 thousand, of the payable to the shareholders of SSI.

10.3 Financial requirements and financial structure

The table below shows the breakdown of the net debt at December 31, 2006 and at September 30, 2006, 2005 and 2004.

	IFRS			Italian GAAP	
	At December 31,	At September 30			
in Euro thousands	2006	2006	2005	2005	2004
Bank and postal deposits	10,137	813	319	319	751
Cash in hand	4	4	9	9	10
Total cash and cash equivalents (A)	***10,141***	***817***	***328***	***328***	***761***
Securities	293	293	350	–	–
Effects of the valuation at fair value of the derivatives	11	–	–	–	–
Total financial assets at market values (B)	***304***	***293***	***350***	–	–
Receivables from shareholders for share capital increase subscribed	70	–	–	–	–
Securities	–	–	–	351	–
Total other financial assets (C)	***70***	–	–	***351***	–
Payables on bank current accounts	(9)	(17)	(1,256)	(1,256)	–
Medium/long term bank loans – guaranteed	(1,250)	(1,250)	(1,859)	(2,000)	(1,000)
Payables to leasing companies	(82)	(88)	(27)	–	–
Payables to the former shareholders of SSI	–	–	(1,500)	(1,500)	(650)
Other liabilities	(30)	(8)	(26)	(26)	–
Total financial liabilities (D)	***(1,371)***	***(1,363)***	***(4,668)***	***(4,782)***	***(1,650)***
Net current debt (E)=(A)+(B)+(C)+(D)	***9,144***	***(253)***	***(3,990)***	***(4,103)***	***(889)***
Medium/long term bank loans – guaranteed	(8,861)	(8,745)	(7,000)	(7,000)	(9,000)
Payables to MIUR	(213)	(228)	–	–	–
Payables to the former shareholders of SSI	(1,500)	(1,500)	(1,500)	(1,500)	(3,000)
Payables to leasing companies	(111)	(130)	(13)	–	–
Total financial liabilities (G)	***(10,685)***	***(10,603)***	***(8,513)***	***(8,500)***	***(12,000)***
Net non–current debt (H)=(G)+(F)	***(10,685)***	***(10,603)***	***(8,513)***	***(8,500)***	***(12,000)***
Net debt (I)=(E)+(H) (1)	**(1,541)**	**(10,856)**	**(12,503)**	**(12,603)**	**(12,889)**

(1) The format applied by the Issuer for the calculation of the net financial debt is in accordance with the one provided for by paragraph 127 of the recommendation No. 05-504b of CESR (Committee of European Security Regulators) implementing EU Regulation 809/2004.

The individual accounts comprising the net financial debt are described below.

Cash and cash equivalents

The group liquidity at December 31, 2006 consists of ordinary bank deposits of SSBT of Euro 9,882 thousand (at September 30, 2006 Euro 442 thousand, at September 30, 2005 Euro 319 thousand and at September 30, 2004 Euro 751 thousand) and of MBITL of Euro 255 thousand (at September 30, 2006 Euro 371 thousand). During the quarter ended December 31, 2006, the average interest received was between 0.5% and 3.453%.

The liquidity increased from Euro 817 thousand (at September 30, 2006) to Euro 10,141 thousand (at December 31, 2006) principally due to receipts (i) of a commercial nature, prevalently relating to an important contract in the strategic area Digital Mobile TV Broadcasting and (ii) of a financial nature, relating to the share capital increase for a totale amount of 3,000,000 euros (including 660,000 euros as par value and 2,340,000 euros as share premium) (see Section One, Chapter 20, Paragraph 20.1.1).

Securities

The account, amounting to Euro 293 thousand at December 31, 2006 (unchanged at September 30, 2006), relates to government securities maturing on January 15, 2007 and remunerated at 2.64%. At September 30, 2005 this account amounted to Euro 350 thousand and related for Euro 300 thousand to the quota in the investment fund Arca with a yield of 2.03% and for Euro 50 thousand to government bonds with a yield of 4.25%.

Effect of the valuation at fair value of the derivatives

At December 31, 2006, this account represents the fair value of the Interest Rate Swaps (IRS).

Receivables from shareholders for share capital increase subscribed

At December 31, 2006, this account represents the residual receivable from shareholders, for the share capital increase subscribed on December 28, 2006 and still not paid in. On January 3, 2007, this receivable was fully settled.

Payables on bank current accounts

This account, at December 31, 2006, consists of the residual payable Euro 9 thousand (at September 30, 2006 Euro 17 thousand) relating to the loan in MBITL of an original amount of Euro 50 thousand obtained on July 25, 2005 from Banca Popolare Commercio & Industria, repayable quarterly and which matures on January 25, 2007. This loan is at an interest rate of 3-moths Euribor plus 1.4%. The loan is not guaranteed and is not subject to covenants or negative pledges. At September 30, 2005, the amount of Euro 1,256 thousand related to bank overdrafts of SSBT with an average annual interest rate of 3.5%.

Medium/long term bank loans - guaranteed

At December 31, 2006, the account amounts to Euro 10,111 thousand (at September 30, 2006 Euro 9,995 thousand) and refers to the capital portion of the loan signed on July 31, 2006 between the Issuer, Centrobanca S.p.A., Monte dei Paschi di Siena Banca per l'Impresa S.p.A. and Banca Popolare di Milano S.c.a.r.l., for a total amount of Euro 10 million, increased by the interest matured up to that date.

This loan is repayable in 14 half-yearly instalments from January 31, 2007 and with maturity on July 31, 2013. The interest-rate is 6-months Euribor, increased by a margin of 1% up to July 31, 2007; the subsequent margin is variable up to 1.40%, based on the ratio between the Net Financial Position and the EBITDA (indicators agreed between the parties) and which will in any case increase up to 1.65% in the event that the financial obligations of the contract are not complied with.

The loan provides for, in line with market practices, a number of restrictions on the Issuer, among which the obligation not to undertake extraordinary finance operations (for example acquisitions, mergers and share capital reduction) and not to change the shareholder structure of the Company except with prior approval by the lending banks, to ensure that the shareholders' meeting does not distribute profits generated or distribute dividends and not to provide secured guarantees on the company's assets.

In addition, this loan provides for the compliance, by the Issuer, of the following covenants:

Financial indicator (1)	**2007**	**2008**	**2009**	**2010**	**2011**
Ratio between the Net Financial Position and net equity	≤1.50	≤1.25	≤1.0	≤1.0	≤0.75
Ratio between the Net Financial Position and EBITDA	≤3.00	≤3.00	≤2.50	≤2.50	≤2.00
Ratio between free cash flow and service of the debt	>1	>1	>1	>1	>1
Capex (Euro thousands)	≤600	≤600	≤≤600	≤600	≤600

(1) All the indicators reported in the table, with the exception of the net equity, relate to indicators not defined either by Italian GAAP or IFRS, but between the contractual parties represented.

This contract provides that the above-mentioned indicators are subject to annual verifications, through the comparison of the consolidated financial statements of the Issuer, with those shown in the table, and that the non-compliance of two from four of these indicators, or of only the ratio between the Net Financial Position and EBITDA, will result in an increase in the interest margin of 0.25% and the acceleration of the repayment.

The loan also provides for a number of events which could result in the anticipated repayment of the loan (events of default), for example, the non-payment of even one loan repayment, the non-compliance with two of the four financial indicators, or only the ratio between the Net Financial Position and EBITDA for two consecutive years, in the event that any declaration or guarantee is erroneous or incorrect, the sale by the Issuer of its activities or the impossibility to carry out its activities, the declaration of bankruptcy or other administration procedures or liquidation and the sale of the shares in the Company not communicated to the lending banks.

In addition, the Company may make anticipated repayments, partially or in full, of the loan after a period of 18 months after the disbursement and has the obligation to repay in advance, partially or in full, the loan in the event of, among other matters *(i)* the total or partial sale of the investment by the parent company in the Company, for a quota equal to a 100% of the loan (change of control); *(ii)* the sale to third parties of strategic assets, of a unitary value equal to or above Euro 50 thousand, without the net revenues being reinvested in similar assets within six months from their receipt, for a quota equal to 100% of the income from the sale; and *(iii)* the stock market listing through a public subscription offer or sale on a regulated market, for a quota equal to 100% of the income received, except in accordance with terms agreed in the event of a change of control.

A pledge on 100% of the share capital of the Screen Group, SSBT and MBITL was provided against this loan. The voting right relating to this pledge remains with the grantor, however, in the case of non-compliance of some obligations undertaken by the Company, the voting right will be granted to the lending banks.

On May 4, 2007 important changes were made to the above contract between the Issuer and the lending banks and the pledge on 100% of SSBT and of MBITL were released. Reference should be made to the Section One, Chapter 22.

At September 30, 2005 and at September 30, 2004 this account amounted to Euro 8,859 thousand and Euro 10,000 thousand respectively and related to the capital portion of the loan signed on September 29, 2004 with Banca Popolare di Milano S.c.a.r.l., guaranteed by a pledge on 93% of the shares of SSBT, repayable in 10 half-yearly repayments of Euro 1 million and with final payment on March 31, 2010; this loan was fully repaid and replaced by the loan described above.

Payables to leasing companies

This account refers to the payable deriving from the lease contracts signed by MBITL with MPS Leasing & Factoring S.p.A. and by SSBT with Italease S.p.A., for the purchase of equipment. At December 31, 2006 the payables to leasing companies amounted to Euro 193 thousand (of which Euro 82 thousand current) while at September 30, 2006 the payables amounted to Euro 218 thousand (of which Euro 88 thousand current). At September 30, 2005 they related only to SSBT and amounted to Euro 40 thousand (of which Euro 27 thousand current).

Payables to the shareholders of the former SSI

At December 31, 2006, the account amounted to Euro 1,500 thousand and relates to the residual amount of the payable of SSBT to the shareholders of the former SSI, following the acquisition of this latter on September 29, 2004. The total purchase price was paid in part at the closing date and in part payable as follows: (i) Euro 650 thousand by April 2, 2005, (ii) Euro 1,500 thousand by April 2, 2006 and (iii) Euro 1,500 thousand by January 12, 2009. Interest is payable at 6-month Euribor, paid on the maturity of the capital amount. This payable was unchanged at September 30, 2006 and amounted to Euro 3 million at September 30, 2005 (of which Euro 1.5 million current) and Euro 3,650 thousand at September 30, 2004 (of which Euro 650 thousand current).

Payables to MIUR (Ministry for University and Research)

The payable relates to the subsidised loan provided by the Ministry for University and Research to MBITL for the development of a specific research project. The initial amount was Euro 302 thousand (at December 31, 2006 Euro 213 thousand and at September 30, 2006 Euro 228 thousand), repayable half-yearly and with the final repayment due on July 1, 2013. This loan is at an interest rate at 1% half-yearly.

10.4 Other information: management of financial risks

The management of the group risks is based on the principle that the operating or financial risk is managed by the person responsible for the business division.

The principal risks are reported and discussed by the group's management so that measures are taken for their hedging, insurance and for the valuation of the residual risk.

Interest rate risk

The financial debt of the group is prevalently at floating interest rates. The group choice was in fact based on hedging the fair value risk of the financial instruments recorded in the financial statements, rather than limiting the cash flow risks deriving from them.

The principal characteristics of the derivative contracts at December 31, 2006 are provided below:

						At December 31, 2006	
Type of contract	**Credit institution**	**Subscription date**	**Maturity date**	**Variable rate received from SSBT**	**Fixed rate paid to SSBT**	**Notional (Euro thousands)**	**Fair value (Euro thousands)**
IRS	Banca Popolare Commercio Industria S.p.A.	14-nov-06	30-Jul-10	Euribor 6M	3.915%	1,800	3
IRS	MPS Banca per l'impresa S.p.A.	14-nov-06	31-Jul-10	Euribor 6M	3.915%	1,800	3
IRS	Banca Popolare di Milano	14-nov-06	30-Jul-10	Euribor 6M	3.915%	1,400	5
					Total	**5,000**	**11**

Exchange risks

The group sells its products almost exclusively in Euro, therefore the activities of the Group are not subject to significant currency fluctuations.

Credit risk

The group has appropriate procedures to minimise the exposure to the risk, such as prior verification of the insolvency of debtors and the monitoring of receivables.

Liquidity risk

The group manages the liquidity risk, maintaining an adequate level of liquidity and credit lines granted by the major credit institutions, in order to meet the financial needs of the operating activities.

10.5 Limitations to the use of the financial resources

In relation to these aspects, reference should be made to the Section One, Chapter 10, Paragraph 10.3 of the present Prospectus in relation to the guarantees on medium/long-term bank loans.

10.6 Own resources and debt

The following table shows the own resources and debt of the SSBT group at December 31, 2006:

in Euro thousands	**At December 31, 2006**
Bank and postal deposits	10,137
Cash in hand	4
Total cash and cash equivalents (A)	***10,141***
Securities	293
Effects of the valuation at fair value of the derivatives	11
Total financial assets at market values (B)	***304***
Receivables from shareholders for share capital increase subscribed	70
Total other financial assets (C)	***70***
Payables on bank current accounts	(9)
Bank payables for medium/long term loans - guaranteed	(1,250)
Payables to leasing companies	(82)
Other liabilities	(30)
Total financial liabilities (D)	***(1,371)***
Net current financial debt (E)=(A)+(B)+(C)+(D)	***9,144***
Bank payables for medium/long term loans - guaranteed	(8,861)
Payables to MIUR	(213)
Payables to shareholders	(1,500)
Payables to leasing companies	(111)
Total financial liabilities (F)	***(10,685)***
Net non-current debt (G)=(F)	***(10,685)***
Net debt (H)=(E)+(G) (1)	***(1,541)***
Share capital	(12,100)
Reserves and retained earnings	(23,845)
Total shareholders' equity (I)	***(35,945)***
Total capitalisation (L)=(D)+(F)+(I)	***(48,001)***

(1) The format applied by the Issuer for the calculation of the net financial debt is in accordance with the one provided for by paragraph 127 of the recommendation No. 05-504b of CESR (Committee of European Security Regulators) implementing EU Regulation 809/2004.

With reference only to the debt of the SSBT group, at March 31, 2007, the situation had improved significantly compared to the position at December 31, 2006. This improvement, as illustrated in the table below, resulted, for the first time (with reference to the financial data contained in the Prospectus), recording of a net positive balance, therefore, with liquidity exceeding financial liabilities, current and non-current.

In Euro thousands	**At March 31, 2007**
Bank and postal deposits	11,345
Cash in hand	6
Total cash and cash equivalent (A)	***11,351***
Securities	–
Effects of the valuation at fair value of the derivatives	15
Total financial assets at market values (B)	***15***
Payables on bank current accounts	–
Bank payables for medium/long term loans - guaranteed	(1,349)
Payables to MIUR	(15)
Payables to leasing companies	(77)
Other liabilities	(24)
Total financial liabilities (C)	***(1,465)***
Net current financial position (D)=(A)+(B)+(C)	***9,901***
Bank payables for medium/long term loans - guaranteed	(8,037)
Payables to MIUR	(198)
Payables to shareholders	(1,500)
Payables to leasing companies	(91)
Total financial liabilities (E)	***(9,826)***
Net non-current financial position (F)=(E)	***(9,826)***
Net financial position (G)=(D)+(F) [1]	***75***

[1] The format applied by the Issuer for the calculation of the net financial debt is in accordance with the one provided for by paragraph 127 of the recommendation No. 05-504b of CESR (Committee of European Security Regulators) implementing EU Regulation 809/2004.

11. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

11.1 The Issuer's research and development activity

The Issuer carries out a research and development activity mostly focused on designing TV Broadcasting equipment and on implementing innovative products, with special reference to digital technology, as well as on developing production processes designed to enhance the efficiency of the equipment and to improve the cost structure. The research and development activity is carried out by MBITL as far as digital technology is concerned and by the Issuer as far as analogue technology is concerned.

The R&D costs incurred by the Issuer during financial years closed at 30th September 2006 and 30th September 2005 have respectively amounted to 301,927 euros and 548,180 euros and respectively accounted for about 0.9% and 3.2% of the Issuer's consolidated revenues.

Said expenses appear to be remarkably low because the Issuer is capable of carrying out research and development activity in-house, thus minimizing the outsourcing and keeping the costs low.

Moreover, it must be noted that the amount relating to financial year 2006 is much lower than for financial year 2005 thanks to the acquisition of MBITL, a R&D company operating worldwide in the TV Broadcasting sector, acquired by the Issuer by investing 2,590,000 euros during financial year 2005. Said company has been appointed to carry out R&D activities on behalf of the Issuer, with a consequent remarkable reduction in costs.

11.2 Patents and licenses

As a rule, the Issuer has so far decided not to patent most results of its research because of the high risk of imitation; in fact, in the Issuer's opinion, whenever the technical construction specifications are disclosed, it would be sufficient to replace a component or to even slightly change the functioning *software* in order to dodge the patent restrictions. Moreover, innovation in the field of *software* and particularly in digital technology is so fast that there is no point in incurring any costs for patent protection.

At the Prospectus Date, the Issuer is the owner of the following patents:

- on 11th January 2002, SSI has filed an application with the Italian Patent and Trademark Office for a national patent numbered MI2002A000049 and entitled: "High-quality stereophonic modulator for TV transmitters". It deals with a stereophonic modulator designed to remove the inconveniences observed in previous similar devices, such as construction complexity, high costs and low-quality performances, by implementing a very high-quality stereophonic modulator, by streamlining the production, calibration and stability over time. SSBT has become the owner of that patent after having merged SSI through incorporation on 30th March 2005;
- on 16th December 2003, SSI has filed an application with the Italian Patent and Trademark Office for a national patent numbered MI2003A002486 and entitled: "Process and device for the implementation of digital TV networks according to the ATSC standard". The peculiarity of that process is based on the set of phases consisting in generating an ATSC signal through a timing signal sent by at least one transmitter and in sending said ATSC signal with the timing signals to at least one repeater with a built-in signal regenerator. SSBT has become the owner of that patent after having merged SSI through incorporation on 30th March 2005;

Furthermore, at the Prospectus Date, MBITL - *i.e*. a company controlled by the Issuer, as better detailed in Chapter 25 of the Section One, and engaged in researching, designing, developing and implementing TV Broadcasting equipment - has become the owner of the patents mentioned in the following chart, after absorbing the business line dismembered from M.B. International S.r.l. and committed to researching, developing, manufacturing and marketing hardware and software solutions for Digital TV Broadcasting and Digital Mobile TV Broadcasting:

Title of the patent	Country where the application is filed	Filing and granting	Expiration
Process for the generation of a modulated TV signal	Italy	Filed on 10 March 1995 under no. MI95A000475 Granted on 24 October 1997 under no. 1276019	10.03.2015
	U.S.A.	Filed on 6 March 1996 under no. 08/613.810	06.03.2016
Process and device for the generation of a modulated TV signal	Italy	Filed on 10 March 1995 under no. MI95A000476 Granted on 24 October 1997 under no. 1276020	10.03.2015
	U.S.A.	Filed on 6 March 1996 under no. 08/620.861	06.03.2016
Process for the digital synthesis of signals, particularly for high-frequency and high-power signals	Italy	Filed on 29 July 1996 under no. MI96A001617 Granted on 17 April 1998 under no. 1283354	29.07.2016
	U.S.A.	Filed on 7 July 1997 under no. 08/888.620	07.07.2017
Process for the digital synthesis of a signal of type COFDM	Italy	Filed on 29 July 1996 under no. MI96A001618 Granted on 17 April 1998 under no. 1283355	29.07.2016
Process for the decoding of a modulated signal in suppressed-carrier mode in the presence of a pilot tone, particularly for FM signals	Italy	Filed on 29 July 1996 under no. MI96A001619 Granted on 17 April 1998 under no. 1283356	29.07.2016
	U.S.A.	Filed on 7 July 1997 under no. 08/888.913	07.07.2017
Process for the individual adjustment of signal levels when mixing them up	Italy	Filed on 29 July 1996 under no. MI96A001620 Granted on 17 April 1998 under no. 1283357	29.07.2016
	U.S.A.	Filed on 7 July 1997 under no. 08/888.911	07.07.2017
Process for the reduction of calculation errors in the useful bandwidth of a FTIR signal, particularly for fixed-point microprocessors.	Italy	Filed on 6 October 1998 under no. MI98A002148 Granted on 29 September 2000 under no. 1302612	06.10.2018
	U.S.A.	Filed on 19 July 1999 under no. 09/356.554	19.07.2019
Universal interface device designed to monitor remote-controlled electronic devices.	Italy	Filed on 28 January 1999 under no. MI99A000160 Granted on 14 November 2001 under no. 1307649	28.01.2019
Process and device designed to enhance the performance of a d/a converter used for the synthesis of signals	Italy	Filed on 2 March 1999 under no. MI99A000425 Granted on 11 February 2002 under no. 1310300	02.03.2019
Process for the generation of a modulated frequency signal, with an improved reception by a radio receiver	Italy	Filed on 18 October 1999 under no. MI99A002176 Granted on 23 September 2002 under no. 1313792	17.10.2019
	U.S.A.	Filed on 29 March 2000 under no. 09/537.301	29.03.2020
Process for the transmission and reception of an analogue signal and particularly an audio signal	Italy	Filed on 10 November 1999 under no. MI99A002352 Granted on 3 December 2002 under no. 1314027	10.11.2019
	U.S.A.	Filed on 17 July 2000 under no. 09/617.845	
Process for converting a real signal into an intrinsically complex signal in quadrature	Italy	Filed on 24 March 2000 under no. MI2000A00636 Granted on 12 May 2003 under no. 1316852	
	U.S.A.	Filed on 5 February 2001 under no. 09/775.492	24.03.2020
Process for the timing of compressed and packaged digital signals generated by a remote generator through a narrow-band channel	Italy	Filed on 16 December 2003 under no. MI2003A002485 Patent pending	16.12.2023

11.3 Trademarks

On 20th October 2006, SSBT has filed an application, with the Italian Patent and Trademark Office, for the registration of the figurative trademark SWDT, to which the following application number has been attributed: MI2006C010394. SSBT has also registered the figurative trademarks "S" and "S Screen Service".

11.4 Domain names

At the Prospectus Date, SSBT is the owner of the following *domain names*:

- screen.it;
- screen-service.it;
- screenservice.biz;
- screenservice.info;
- screenservice.net;
- screenservice.tv;
- screenservice.us;
- ssbt.biz;
- ssbt.info;
- ssbt.it;
- ssbt.net;
- ssbt.org;
- ssbt.tv.

12. INFORMATION ON EXPECTED TRENDS

12.1 Significant recent trends in the performance of production, sales and inventories and in the evolution of costs and sales prices

During the current financial year, the Issuer has not detected any particularly significant trends in the evolution of costs and sales prices, likely to – positively or negatively affect – the business of the Issuer and of the companies of its group.

On the contrary, based on the pending purchase orders and on the turnover totaled at the Prospectus Date, the Issuer expects the same positive trend as for the previous financial year.

Particularly, in consideration of the digitalization of terrestrial broadcasting due to the "switch-off" dates coming closer (for further information, cf. Section One, Chapter 6, Paragraph 6.2.1, of the Prospectus), let us point out, as a positive fact, that the Issuer participates at many public tenders in Italy and in other countries of the world, including England, Ireland, Albania, Germany, United States and Russia.

12.2 Information on trends, uncertainties, requests, commitments or well-known events which might significantly affect the Issuer's prospects for at least the current financial year

At the Prospectus Date, the Issuer has no knowledge about any particular trends, uncertainties, requests, commitments or well-known facts reasonably expected to significantly affect the Issuer's and companies' of its group prospects for the current financial year.

It is to be noted that, after the end of the financial year closing at 30th September 2006, Arqiva appointed the Issuer as its preferred supplier for low and medium power analogue and digital transmitters, with reference to the projected switch-off of the Terrestrial TV Broadcasting in Great Britain.

Furthermore, the Issuer has been chosen as one of the selected partners of Nokia Siemens Networks (formerly Siemens Networks) for the supply of devices for the Digital Mobile TV Broadcasting and in particular of Transmitters, Repeaters and solutions for re-multiplexing in SFN network (single frequency network) in DVB-H standard.

In addition, certain negotiations and technical tests are at an advanced stage with important TV networks relating to the digitilization of current networks, as well as to the creation of new facilities based on terrestrial digital TV, with several foreign telephone companies wishing to implement their networks for the Digital Mobile TV Broadcasting and with certain OEM manufacturers for the supply of important quantities of devices developed by SSBT.

However, up till now it is impossible to foresee what will be the dimension of such possible future contracts and their impact on the group's sales.

13. PROFIT FORECASTS OR ESTIMATES

The Prospectus does not contain any forecast or estimate relating to profits.

14. ADMINISTRATIVE, EXECUTIVE OR SUPERVISORY BODIES

14.1 Information on Administrative, executive or supervisory bodies, as well as shareholders and key managers

14.1.1 Board of directors

Under article 13 of the Articles of Association, the Company is managed by a board of directors composed of no fewer than 5 and no more than 12 members, whether shareholders or not.

The directors' term is determined from time to time by the shareholders' general meeting, but, in any case, it cannot last longer than three financial years.

At the Prospectus Date, the Company's board of directors, holding office for three financial years until the approval of the financial statements at 30th September 2009, has been appointed by the general meeting of 19th February 2007.

The members of the board of directors, domiciled for business purposes at the Company's registered office, are mentioned in the following chart:

Position	Name and surname	Place and date of birth
Chairman	Carlo Bombelli	Vaiano Cremasco (CR), 24 January 1960
Vice chairman and managing director	Giovanni Saleri	Crema (CR), 27 December 1965
Managing director	Giuseppe Gatti	Palazzolo sull'Oglio (BS), 8 December 1965
Managing Director	Alessandro Sponchioni	Crema (CR), 9 November 1971
Managing Director	Michele Bargauan	Milan (MI), 7 February 1952
Director	Simone Cimino	Porto Empedocle (AG), 25 July 1961
Director	Guido De Vecchi	Milan (MI), 4 August 1966
Director	Marco Vismara	Milan (MI), 23 March 1965
Independent Director	Francesco Marena	Genoa (GE), 19 July 1936
Independent Director	Dante Daniele Buizza	Travagliato (BS), 5 November 1950

Below please find the most significant information on the professional experience of the directors board's current chairman and of the directors.

Carlo Bombelli began dealing in radiotelephony in 1976 and in 1981 he founded a company engaged in the maintenance of TV broadcasting devices. During that experience, he meets Saleri, with whom he starts a close cooperation. In 1988 he founded SSI. Since 1991, he has been acting as the sole director of a regional TV broadcaster in Lombardy. Since 1994, he has been exclusively committed to SSI. Since 1996, he has been acting as chairman of SSBT's directors board, formerly SSI. He has invented, studied and developed new products and has given rise to an uninterrupted boost in corporate innovation. Thanks to his over twenty-year-long experience on the Issuer's reference market, he personally cares about the relations with major national and international customers.

Giovanni Luca Saleri first met Carlo Bombelli in 1981, with whom he started a cooperation in the installation and maintenance of broadcasting facilities. In 1986, he became the technical manager for the broadcasting studios of Telemarket. In 1988, along with other partners, he founded Albatros Film & Video, a film/broadcasting company, of which he became the technical manager. Since 1996, he has been managing director of SSBT, formerly SSI. Over the last years, in addition to administrative, strategic and financial tasks and to the relations with banks, he has also carried out a well-focused marketing activity by concentrating on public and private tenders. He acts as director at MBITL and SSS.

Giuseppe Gatti started his activity as designer and tester of TV broadcasting devices for the company Linear S.r.l. In 1997 he joined SSI as technical manager, being also in charge of the production department and of research and development for the realization of new products. Gatti relies on a team of qualified technicians and supervises both the implementation phase and the post-sales phase, by giving guidelines and supporting those in charge of each sector in case of need. He now acts as a director of SSBT.

Alessandro Sponchioni started his cooperation with SSI in 1993 by concentrating on the marketing sector, for both the domestic market and the export. He became partner of SSI in 1996 and then director. Since 1998, when the in-house production of transmitters was started, he was in charge of procuring the materials and was appointed purchase manager. In cooperation with the marketing management, he develops the strategies for acquiring new customers. He is now a director of SSBT.

Simone Cimino has acted as a director for the Issuer since 2004. Founder, majority shareholder and chairman of Cimino e Associati Private Equity S.p.A. since 1999 and chairman and managing director of Cape-Natixis SGR S.p.A. since 2002, a savings management company of CNPEF. Earlier, Cimino had been managing director of LBO Italia S.r.l. and, even earlier, member of the corporate finance team of the Montedison Group. He is now Chairman of Arkimedica S.p.A., listed on the Expandi Market, and Vice Chairman of Trevisan Cometal S.p.A., listed on the Star, as well as Chairman of Fondazione Financidea, director of EVCA - European Venture Capital Association and member of the Executive Committee of AIFI – *Associazione Italiana del Private Equity e Venture Capital*. He also acts in different capacities in companies where he is an advisor through *Cimino e Associati Private Equity S.p.A.* or Cape-Natixis SGR S.p.A.

Michele Bargauan started his activity in the broadcasting sector in 1973. In 1975, he founded Antenna Milano, a laboratory intended as a technical support for the newly established local networks. In 1976, the laboratory was absorbed by Televisione Commerciale Italiana and Michele Bargauan began designing the first digital TV devices. In 1978, he started managing the company, in addition to the designing activity. Since 1983, he has engineered and implemented a few very important devices for the development of digital TV. From 1986 until 1990, he has been chairman of Finanziaria Televisiva S.p.A. In 1993, he resigned from any managerial duties, in order to focus on research, and he founded MB International S.r.l. Starting from 1997, he has been patenting processes and methods, publishing the results of research studies and giving courses. Following the acquisition of MBITL by SSBT, in 2006 he started acting as SSBT's research and development manager and contributing to studying, testing and designing innovative solutions for the Digital TV Broadcasting. He is the operating manager in charge of the R&D laboratory of MBITL and manages all relations with key suppliers of technology.

Guido De Vecchi has been a director of the Issuer since 2004. Professional accountant since 1993, he can boast a nine-year-long experience in private equity, in addition to his experience as corporate financial manager. As managing director of Cape-Natixis SGR S.p.A. since 2005, he has started working for *Cimino e Associati Private Equity S.p.A.* in 2003, after spending four years as investment manager at Interbanca Investimenti SGR S.p.A., *i.e.* a closed-end investment management company regulated by the Italian law. Earlier, he had been working for five years as financial manager at Mollificio S. Ambrogio S.p.A. and, even earlier, for two years as analyst at Arca Merchant S.p.A. He is now a director of Arkimedica, listed on the Expandi Market, and of other companies of which he is an advisor through Cimino e Associati Private Equity S.p.A. or Cape-Natixis SGR S.p.A.

Marco Vismara has been a director of the Issuer since 2006. In 2002, he started working at Cape-Natixis SGR S.p.A., where he is now a managing director. In the past, he has acted as General Manager of Antfactory Italia (investment company in the sector of technologies), vice chairman of Monitor Company (strategic consulting company for large companies and private equity funds), senior analyst for Arca Merchant S.p.A. and analyst in the Montedison Group. He is now a director of some companies where he is advisor through Cimino e Associati Private Equity S.p.A. or Cape-Natixis SGR S.p.A.

Francesco Marena has started acting as an independent director of the Issuer since 2007. In 1971, he founded the law firm Marena Bonvicini Ludergnani - MBL & Partners, with its registered office both in Milan and in Bologna, after accruing a decade-long experience at a major Italian multinational group. He is particularly active in the corporate, financial and contractual sector in general, as well as in acquisitions, for both Italian and international transactions; he also acts as arbitrator in national and international arbitration proceedings. In addition, he is a member of the directors boards of various companies and financial institutions in Italy and abroad.

Dante Daniele Buizza has started acting as an independent director of the Issuer since 2007. Lawyer in Brescia since 1980, he is specialized on civil, commercial, industrial, banking, economic and stock-exchange law, on both a judicial and extra-judicial level. He has accrued a remarkable judicial and extra-judicial experience in those sectors, while also dealing with matters relating to directors' and auditors' liability in joint-stock companies. He has been holding elective offices in the public administration and in joint-stock companies' administrative and supervisory bodies. He is now a director of Centrale del Latte S.p.A. of Brescia and of Telemarket S.p.A., as well as chairman of the directors board of Elefante TV S.p.A.

Over the last five years, none of the directors has ever been convicted in relation to any frauds or involved in bankruptcy proceedings, temporary receivership or receivership within the framework of his office, except in the event of voluntary liquidation, or been officially discriminated against and/or fined by public or regulatory authorities (including the relevant professional associations) or prohibited by a law court from acting as a member of the Issuer's administrative, executive or supervisory bodies or from holding any executive or managerial office for any issuer whatsoever.

Under article 19 of the Articles of Association, the board of directors is vested with full powers for the Company's ordinary and extraordinary management without any limitation, except for the powers reserved by the law to the shareholders' general meeting. The board of directors is also empowered to issue resolutions relating to the merger in the events regulated by articles 2505 and 2505 *bis* of the Civil Code, to the splitting in the event of article 2505 *bis* as referred to in article 2506 *ter* of the Civil Code, to the establishment or suppression of branches, to the share capital reduction in the event of withdrawal by the shareholder, to the adjustment of the articles of association to regulatory provisions and to the transfer of the registered office within the national territory.

Under article 21 of the Articles of Association, unless properly delegated, the power of representation and the power of signature shall belong to the chairman and, if appointed, to the vice chairman and to each managing director, whether jointly or severally, on the basis of the decisions of the directors' board which appoints them and defines their powers and duties.

On 19th February 2007, the Issuer's board of directors has also resolved:

- to appoint the Issuer's managing directors, the directors board's chairman Carlo Bombelli and the directors Giovanni Saleri, Giuseppe Gatti, Alessandro Sponchioni and Michele Bargauan;
- to vest the managing directors Carlo Bombelli and Giovanni Saleri, severally from each other, with full powers of ordinary and extraordinary management for the fulfillment of all deeds necessary and useful in achieving the corporate purpose, subject to a limit of 500,000 euros for each single transaction; and, jointly, with full powers of ordinary and extraordinary management for the fulfillment of all deeds necessary and useful in achieving the corporate purpose for each single transaction exceeding 500,000 euros and subject to a limit of 1,000,000 euros. They are also severally empowered to confer specific mandates and powers of attorney, even in favour of third parties, for certain deeds or types of deed, always within the above limits. Finally, they are severally empowered to legally represent the Company towards third parties and before any law court and to sign on behalf of the Company;

- to vest Michele Bargauan with powers of responsibility for and coordination of the research and development activity for the Issuer and for its subsidiaries and/or affiliates, including but not limited to the study and development of new products, the scientific research instrumental to the Company's production, the filing of patents, licenses and trademarks, the maintenance and consolidation of the relations with public and private institutions for R&D programmes, the filing of applications for funds relating to those research programmes; and with the power to sign the Company's mail;
- to empower Giuseppe Gatti to coordinate the production activity, while being in charge of the technical management, for the Issuer and for its subsidiaries and/or affiliates, and to coordinate the technical staff assigned to the production divisions and to the warehouse, and to draw up forecasts of expenses and budgets for the purchase of technical equipment and machinery in general, subject to a limit of 250,000 euros for each single transaction; and to sign the Company's mail;
- to empower Alessandro Sponchioni to buy raw materials, goods, products, assets and services generally relating to the Company's business and to execute, amend and terminate the respective purchase orders and purchase agreements, supply agreements and the like, thus defining all terms and conditions and undertaking any related or resulting action, subject to a limit of 250,000 euros for each single transaction; and to execute, amend and terminate any contract for mandate, contract for hire, contract for deposit, shipping or transport agreement, any insurance policy and any other agreement, relating to the Company's business, other than license agreements and franchising agreements or other agreements relating to the Company's patents, thus defining all terms and conditions and undertaking any related or resulting action; and to sign the Company's mail.

The following chart specifies all offices and stakes held by the directors (considered important in relation to the Issuer, except for the offices held in the Issuer or in companies directly or indirectly controlled by the Issuer) over the last five years, while indicating whether or not the director is still retaining his office and his stake:

Name and surname	Company	Position title	Position status
Carlo Bombelli	Fincinque S.r.l.	Chairman	Holding office
	Screen Group S.p.A.	Chairman	Holding office
	Fincinque S.r.l.	Partner	Holding office
	Screen Group S.p.A.	Partner	Holding office
Giovanni Saleri	Albatros Film & Video S.r.l	Director	Holding office
	Fincinque S.r.l..	Director	Holding office
	Screen Group S.p.A.	Director	Holding office
	Selfin Italia S.r.l.	Liquidator	Resigned from office
	Albatros Film & Video S.r.l	Partner	Holding office
	Fincinque S.r.l.	Partner	Holding office
	Screen Group S.p.A.	Partner	Holding office
Giuseppe Gatti	Fincinque S.r.l.	Director	Holding office
	Screen Group S.p.A.	Director	Holding office
	Fincinque S.r.l.	Partner	Holding office
	Screen Group S.p.A.	Partner	Holding office
Alessandro Sponchioni	Fincinque S.r.l.	Director	Holding office
	Screen Group S.p.A.	Director	Holding office
	Planet S.n.c.	Partner	Holding office
	Risport S.a.s.	Limited Partner	Holding office
	Fincinque S.r.l.	Partner	Holding office
	Screen Group S.p.A.	Partner	Holding office
Michele Bargauan	Screen Group S.p.A.	Director	Holding office
	Chalet 2005 S.a.s	Limited partner	Holding office
	Pentagono S.p.A.	Partner	Holding office
	Screen Group S.p.A.	Partner	Holding office

Name and surname	Company	Position title	Position status
Simone Cimino	Arkimedica S.p.A.	Chairman	Holding office
	Associazione Italiana Private Equity e Venture Capital (AIFI)	Director	Holding office
	Berkshire Hathaway Management S.r.l.	Director	Holding office
	Cape Regione Siciliana SGR S.p.A.	Chairman	Holding office
	Cimino e Associati Private Equity S.p.A.	Chairman	Holding office
	European Venture Capital Association (EVCA)	Director	Holding office
	Fondazione Financidea	Chairman	Holding office
	H.P. Group S.p.A.	Chairman	Holding office
	Koinè S.p.A.	Vice-chairman	Holding office
	Lucomed S.p.A.	Director	Holding office
	Meccanica Veneta S.p.A.	Director	Holding office
	Cape-Natixis SGR S.p.A.	Chairman	Holding office
	Phoenix Holding S.p.A.	Director	Holding office
	Phoenix International S.p.A.	Director	Holding office
	Screen Group S.p.A.	Director	Holding office
	Sogespa Gestioni S.p.A.	Director	Holding office
	Advance Capital Partners S.r.l.	Liquidator	Resigned from office
	Cim Italia S.r.l.	Director	Resigned from office
	Sial S.p.A.	Director	Resigned from office
	SOS – Acqua.it S.r.l.	Director	Resigned from office
	Trevisan S.p.A.	Director	Resigned from office
	B.H.M. S.r.l.	Partner	Holding office
	Arkimedica S.p.A.	Partner	Holding office
	Cimino e Associati Private Equity S.p.A.	Partner	Holding office
	Gestione Icos di Bertolin Adriano e Cimino Simone e C. S.a.s.	Partner	Holding office
	H.P. Group S.p.A.	Partner	Holding office
	Intelligenza Finanziaria per l'Impresa Advance S.r.l.	Partner	Holding office
	Koinè S.p.A.	Partner	Holding office
	Parkace Italia S.r.l.	Partner	Holding office
	Rest S.r.l.	Partner	Holding office
Guido De Vecchi	Arkimedica S.p.A.	Director	Holding office
	Clavis Cosmetics S.r.l.	Director	Holding office
	Eutourist Serv-System S.p.A.	Director	Holding office
	Luxy S.r.l.	Director	Holding office
	Cape-Natixis SGR S.p.A.	Director	Holding office
	Forno della Rotonda S.p.A.	Director	Holding office
	Olivotto Industries S.p.A.	Director	Holding office
	Screen Group S.p.A.	Director	Holding office
	Tech Med S.r.l.	Chairman	Holding office
	Bisson Gru S.r.l.	Director	Resigned from office
	Charme & Beauty S.r.l.	Director	Resigned from office
	Createx S.p.A.	Liquidator	Resigned from office
	Olivotto Ferrè S.p.A.	Director	Resigned from office
	Phoenix Holding S.p.A.	Director	Resigned from office
	Phoenix International S.p.A.	Director	Resigned from office
	Seating People S.r.l.	Director	Resigned from office
	Sinteco S.r.l.	Director	Resigned from office
Marco Vismara	Accent S.p.A.	Director	Holding office
	Cape Live S.p.A.	Chairman	Holding office
	Cimino e Associati Private Equity S.p.A.	Director	Holding office
	Dolciaria Valdenza S.p.A.	Director	Holding office
	Eltra S.p.A.	Director	Holding office
	Forno della Rotonda S.p.A.	Director	Holding office
	Cape-Natixis SGR S.p.A.	Director	Holding office
	Phoenix Holding S.p.A.	Director	Holding office
	Phoenix International S.p.A.	Director	Holding office
	Screen Group S.p.A.	Director	Holding office

Name and surname	Company	Position title	Position status
	Sial S.p.A.	Director	Holding office
	Sonus Faber S.p.A.	Director	Holding office
	Tech Med S.r.l.	Director	Holding office
	Cimino e Associati Private Equity S.p.A.	Partner	Holding office
Francesco Marena	Ascom Italia S.p.A.	Director	Holding office
	Credit Suisse (Italy) S.p.A.	Director	Holding office
	Fondazione Angelo De Gasperis	Director	Holding office
	I D B Holding S.p.A.	Director	Holding office
	Italgrani USA, Inc.	Director	Holding office
	Trevisan Cometal S.p.A.	Director	Holding office
Dante Daniele Buizza	Elefante TV S.p.A.	Chairman	Holding office
	Telemarket S.p.A.	Director	Holding office
	Casa dei Popolari S.r.l.	Partner	Holding office

For information regarding the compliance of the Articles of Association with the Self-Discipline Code for listed companies, cf. Section One, Chapter 16, Paragraph 16.4.

14.1.2 Key managers

It must be noted that the Issuer has not appointed any general manager (*i.e. direttore generale*).

However, a few prominent key managers can be identified as Carlo Bombelli, Giovanni Saleri, Michele Bargauan, Alessandro Sponchioni, Giuseppe Gatti, Gianluca Baccalini, Alberto Pavesi and Fabio Ranza.

For information on key managers also acting as directors of the Issuer, please refer to Paragraph 14.1.1 above.

In addition, below please find the most significant information on Gianluca Baccalini, Alberto Pavesi and Fabio Ranza.

In 1993, **Gianluca Baccalini** founded Point S.r.l., a food packaging company, where he has acted as sales manager for the world's market. In 1998, he started his cooperation with Elit S.r.l., a TV transmitters manufacturer, for which he has acted as sales manager also after the company was merged through incorporation into CTE International S.r.l. Since 2004, he has acted as sales manager for SSBT, formerly SSI, while being in charge of the relations with institutional customers, participating in tenders in Italy and abroad, supervising the commercial structure, as well as the marketing and communications sector. Along with the board of directors, he defines marketing strategies and fast-growing markets.

Alberto Pavesi joined SSI in 1991. In 1994, he started his cooperation with Zucchetti S.p.A., Gong division, as *project manager* where he has accrued a significant technical and commercial experience. In 1996, he was appointed area manager for the Rilev division of Zucchetti S.p.A. Since 1998, he has been area manager for the sector Sistemi Gestione Personale. He has singled out and evaluated companies for the next acquisitions by Zucchetti S.p.A. Starting from 2000, he has acted as managing director of Zucchetti Italia S.p.A. and of the companies participated by the group. Since 2004, he has acted as operation manager of SSBT, formerly SSI, where he focuses on matters relating to the Company's organizational and productive structure. He is also appointed to coordinate SSBT's subsidiaries and in charge of quality and management control. He keeps relations with all corporate sectors for the solution of specific issues and for the development of efficiency-enhancing and product-quality-enhancing ameliorative procedures. He is now a managing director at MBITL and director of SSS. In the year 2007 he has been appointed as manager in charge of the drawing up of the Issuer's accounting documents.

In 1995, **Fabio Ranza** started his cooperation with Brixia Zürst, a company of the Zürst Ambrosetti Group. After a short period spent as shipping manager, he moved to the marketing side. Since 2003, he has joined SSI, where he plays the same role, along with Gianluca Baccalini. Particularly, he is in charge of post-sales transactions, keeps direct relations with customers and with the production, follows all order-execution phases (including logistics) and tackles customer satisfaction issues.

14.1.3 Board of Auditors

Pursuant to article 23 of the Articles of Association, the board of auditors is composed of 3 regular auditors and 2 alternate auditors, holding office for three financial years and re-elegible. Their powers and fees are regulated by the applicable regulations.

In compliance with the provisions of article 148 of the Consolidated Act, as amended by the Law dated 28th December 2005, no. 262 (the so-called Savings Law) and by Legislative Decree dated 29th December 2006, no. 303, and by virtue of article 23 of the Articles of Association, the auditors shall be appointed based on the lists handed in by the shareholders in order to assure the minority that one regular auditor and one alternate auditor will be appointed. The chairman of the auditors' board is appointed by the general meeting among the auditors elected by the minority.

The current board of auditors has been appointed by the shareholders' general meeting of 19th February 2007 and shall be holding office until the adoption of the financial statements at 30th September 2009.

The members of the auditors' board, domiciled for business purposes at the Company' registered office, are mentioned in the following chart:

Position title	Name and surname	Place and date of birth
Chairman	Riccardo Alloisio	Verolanuova (BS) 8 September 1968
Regular auditor	Savio Gariboldi	Monza (MI) 9 August 1960
Regular auditor	Ornella Archetti	Iseo (BS) 5 July 1963
Alternate auditor	Antonio Faglia	Brescia (BS) 5 March 1959
Alternate auditor	Alessia Martinelli	Lovere (BG) 26 November 1973

We have hereinafter summarized the most significant information on the experience of the current chairman of the auditors' board and of the auditors.

Riccardo Alloisio has been registered in the Association of Professional Accountants of Brescia since 1995 and in the Register of Chartered Accountants since 1999. As professional accountant experienced in mergers and acquisitions, tax and corporate advisor for industrial and financial groups operating in Italy and abroad, he is a partner of the firm *Pernigotto e Associati* with its registered offices in Brescia and Milan. From 1993 until 1996, he has acted as auditor at Ernst & Young. He also acts as regular auditor and director in various companies.

Savio Gariboldi has been registered as Certified Accountant in Monza since 1986 and enrolled in the Register of Chartered Accountants since 1995. As certified accountant experienced in corporate, tax and labour law, he acts as regular auditor for companies controlled and coordinated by listed companies and for industrial companies in the mechanical, food, electronic, cosmetic and IT sectors, as well as for holding companies.

Ornella Archetti has been registered as Certified Accountant in Brescia since 1989 and enrolled in the Register of Chartered Accountants since 1995. She is a certified accountant experienced in extraordinary transactions and particularly in mergers and demergers of joint-stock companies, transfers and contributions of business lines. Since 1995, she has been a partner of the firm Bino e Associati, with its registered office in Iseo (BS). She has acted as auditor and legal auditor in joint-stock companies and foundations and, particularly, as legal auditor for the Institute for Economic Research (*Istituto di Studi economici e per l'occupazione)*. Moreover, she has been a director in the executive committee of the Association of Certified Accountants of Brescia.

Antonio Faglia has been registered in the Association of Professional Accountants of Brescia since 1986 and in the Register of Chartered Accountants since 1995. He directs his own firm of professional accounts based in Brescia (BS), is the author of various articles and papers on corporate finance and on corporate and tax law and has acted as auditor and director in various companies. He has been appointed by the Court of Brescia as receiver and assistant to the receiver in different bankruptcy proceedings, as well as court-appointed expert in civil cases relating to economic and financial matters.

Alessia Martinelli has been registered in the Association of Professional Accountants of Brescia since 2003 and in the Register of Chartered Accountants since 2003. As a professional accountant experienced in bankruptcy proceedings, corporate law and tax matters advice, she cooperates with the firm Pernigotto e Associati since dal 1998. She acts as regular auditor in various companies, as sole auditor and official receiver.

Over the last five years, none of the auditors has ever been convicted in relation to any frauds or involved in bankruptcy proceedings, temporary receivership or receivership within the framework of his office, except in the event of voluntary liquidation, or been officially discriminated against and/or fined by public or regulatory authorities (including the relevant professional associations) or prohibited by a law court from acting as a member of the Issuer's administrative, executive or supervisory bodies or from holding any executive or managerial office for any issuer whatsoever.

The following chart specifies all offices and stakes held by the auditors (considered important in relation to the Issuer, except for the offices held in the Issuer or in companies directly or indirectly controlled by the Issuer) over the last five years, while stating whether the director is still retaining his office and his stake:

Name and surname	**Company**	**Position**	**Position status**
Riccardo Alloisio	Bimar S.p.A.	Auditors' chairman	Holding office
	C.A.F. S.r.l.	Auditor	Holding office
	Camozzi Energy S.p.A.	Director	Holding office
	Camozzi Machine Tools S.p.A.	Auditor	Holding office
	Gambara Asfalti S.p.A.	Auditor	Holding office
	Gespi S.p.A.	Auditors' chairman	Holding office
	Inertis S.r.l.	Auditor	Holding office
	Lerna S.r.l.	Director	Holding office
	Marubeni Italia S.p.A.	Auditor	Holding office
	Newton Officine Meccanotessili S.r.l.	Directors' chairman	Holding office
	Ofmega S.p.A.	Auditor	Holding office
	P & A S.r.l.	Director	Holding office
	Phoenix Holding S.p.A.	Auditors' chairman	Holding office
	Phoenix International S.p.A.	Auditors' chairman	Holding office
	RST S.p.A.	Auditors' chairman	Holding office
	Screen Group S.p.A.	Auditors' chairman	Holding office
	S.I.GE.F. S.p.A.	Directors' chairman	Holding office
	Vouk Officine Meccanotessili S.p.A.	Auditor	Holding office
	Aliante Equity Investiments S.p.A.	Director	Resigned from office
	Beton Gifa S.r.l.	Auditor	Resigned from office
	Cava Arene Candide S.r.l.	Directors' chairman	Resigned from office
	Emmegi Detergents S.p.A.	Auditor	Resigned from office
	Snowstar S.r.l.	Auditor	Resigned from office
	Carisma S.r.l.	Partner	Holding office
	Fineffe S.r.l.	Partner	Holding office
	Newton Officine Meccanotessili S.r.l.	Partner	Holding office
	P&A S.r.l.	Partner	Holding office

Name and surname	Company	Position	Position status
Savio Gariboldi	Accent S.p.A.	Auditor	Holding office
	Cimino e Associati Private Equity S.p.A.	Auditor	Holding office
	Clavics Cosmetics S.r.l.	Auditors' chairman	Holding office
	Fond Metalli Conveyors S.r.l.	Auditor	Holding office
	Forno della Rotonda S.p.A.	Auditors' chairman	Holding office
	H.P. Group S.p.A.	Auditor	Holding office
	H.P. S.E.M.E.A. S.p.A.	Auditor	Holding office
	Meccanica Veneta S.p.A.	Auditor	Holding office
	Mida Industria S.r.l.	Auditors' chairman	Holding office
	Screen Group S.p.A.	Auditor	Holding office
	Tech Med S.r.l.	Auditors' chairman	Holding office
	Carbolario S.p.A.	Auditor	Resigned from office
	Charme & Beauty S.r.l.	Auditors' chairman	Resigned from office
	D.F.V. S.r.l.	Auditor	Resigned from office
	Sial S.p.A.	Auditor	Resigned from office
	Blu Due Immobiliare S.r.l.	Partner	Holding office
	Gariboldi & Partners S.r.l.	Partner	Holding office
	Maf Immobiliare S.r.l.	Partner	Holding office
	Xavio S.r.l.	Partner	Holding office
Ornella Archetti	Barone Pizzini S.p.A.	Auditor	Holding office
	Cavalieri S.p.A.	Auditor	Holding office
	Colombera S.p.A.	Auditor	Holding office
	Del Bono S.p.A.	Auditor	Holding office
	Edilmercato Castegnato S.r.l.	Auditor	Holding office
	Farme S.p.A.	Auditor	Holding office
	Fondazione "Michele e Liana Bettoni"	Director	Holding office
	Fondazione Museo dell'Industria e del Lavoro "Eugenio Battisti"	Auditor	Holding office
	H.T.P. S.r.l.	Auditor	Holding office
	Intra S.r.l.	Auditor	Holding office
	Istituto di Studi Economici e per l'Occupazione (I.S.E.O.)	Auditor	Holding office
	Marathon Iseo S.r.l.	Liquidator	Holding office
	O.M.C. 2 Diesel S.p.A.	Auditor	Holding office
	San Giorgio S.p.A.	Auditor	Holding office
	T.M.T. Emozioni S.r.l.	Auditor	Holding office
Antonio Faglia	Armkel Company Italy S.r.l.	Auditor	Holding office
	Autocaravan S.p.A.	Auditor	Holding office
	Bianchessi Auto S.r.l.	Auditor	Holding office
	BBI Electric S.p.A.	Auditors' chairman	Holding office
	Bonetti S.r.l.	Auditor	Holding office
	Bouty Healthcare S.p.A.	Auditor	Holding office
	Bouty S.p.A.	Auditor	Holding office
	Felimmobil S.p.A.	Auditor	Holding office
	Giorgio Marra Automobili S.p.A.	Auditors' chairman	Holding office
	IMCA S.r.l.	Auditor	Holding office
	M.I. Car s.r.l.	Auditor	Holding office
	M.IS.FIN S.p.A.	Auditor	Holding office
	Metallurgica Camuna S.p.A.	Auditor	Holding office
	Rollon Holding S.r.l.	Auditor	Holding office
	Rollon S.p.A.	Auditor	Holding office
	Somef S.p.A.	Auditors' chairman	Holding office
Alessia Martinelli	Bimar S.p.A.	Auditor	Holding office
	Gardenia S.n.c.	Receiver	Holding office
	S.I.GE.F. S.p.A.	Auditor	Holding office
	Società Municipalizzata Gardesana S.r.l.	Legal auditor	Holding office

14.1.4 Family relationships

At the Prospectus Date, there are no family relationships among the Issuer's directors, auditors and key managers**.**

14.2 Conflicts of interest among administrative, executive and supervisory bodies and key managers

At the Prospectus Date, no director, auditor or key manager of the Issuer is pursuing any private interests conflicting with his own obligations arising from his position or title within the Issuer, except for the following:

- the Issuer's director Simone Cimino, who, at the Prospectus Date, is holding a 0.12% stake in the Issuer's share capital through the trust company Istifid Fiduciaria S.p.A., is majority shareholder (being the owner, directly or indirectly, of 56.16% of the relevant share capital) and chairman of Cimino e Associati Private Equity S.p.A., as well as Advisor of the Issuer and controlling shareholder (being the owner of 51% of the relevant share capital) of Cape-Natixis SGR S.p.A., which, through CNPEF, being the management company of the same fund, controls Screen Group which, in turn, holds a 94.55% stake in the Issuer's share capital. It is to be noted that the management company CNPEF has nonetheless full autonomy of decision.

- the Issuer's director Marco Vismara, who is a shareholder and director of Cimino e Associati Private Equity S.p.A., as well as Advisor of the Issuer and controlling shareholder of Cape-Natixis SGR S.p.A., *i.e.* a savings management company of CNPEF which controls Screen Group which, in turn, holds a 94.55% stake in the Issuer's share capital;

- the chairman of the Issuer's board of directors Carlo Bombelli and the managing directors Giovanni Saleri, Giuseppe Gatti, Alessandro Sponchioni and Michele Bargauan are shareholders of Screen Group, that is the Issuer's majority shareholder (for further information on the structure of Screen Group's body of shareholders, please refer to Chapter 18, Paragraph 18.1, of this Section One);

- the chairman of the directors board, Carlo Bombelli, and the managing director Giovanni Saleri hold a stake respectively equal to about 0.12% and about 0.1% of the Issuer's share capital through the trust companies Aletti Fiduciaria S.p.A. and UBS Fiduciaria S.p.A.;

- finally, it must be pointed out that, by virtue of the agreements entered into on 31st July 2006, as later amended, within the framework of equity restructuring transaction for SSBT between Screen Group and the then-current shareholders of SSBT, the latter (except for Cristoforo Chiaia) are entitled to a supplement of price liable to accrue in case of transfer to third parties of Screen Group's whole shareholding in SSBT, at a price higher than the price paid by Screen Group for the purchase of those shares, until the new price is equal to 101,200,000 euros. The possible supplement of price, for a maximum amount of 53,200,000 euros, shall be equal to the difference between the price paid by the third party for the whole shareholding in SSBT and the price initially paid by Screen Group for the purchase of that shareholding. The possible supplement of price shall be payable even in the event that SSBT's shares are admitted to trading on the Expandi Market, it being agreed that, in that case, for the purpose of ascertaining whether the requirement for the applicability of the possible price supplement is fulfilled and for the purpose of calculating the amount thereof, all shares in SSBT held by Screen Group at the Offer Price shall be conventionally sold. As a result, the possible supplement of price payable to the chairman of the Issuer's board of directors, Carlo Bombelli, and to the managing directors Giovanni Saleri, Giuseppe Gatti, Alessandro Sponchioni and Michele Bargauan, under those agreements, is equal to a maximum overall amount of about 18,542,308 euros, which can accrue under the above conditions.

For information on Related Parties, please refer to Chapter 19 of this Section One.

15. REMUNERATION AND BENEFITS

15.1 Amount of remuneration (including any conditional or deferred remuneration) and of benefits in kind

Below are listed the gross yearly remuneration paid by the Issuer and by the companies directly and indirectly controlled by it to the Issuer's directors and auditors holding office at the Prospectus Date and to the key managers mentioned in Paragraph 14.1.2, Chapter 14 of this Section, for any reason whatsoever and in any form whatsoever, for the financial year closed at 30th September 2006:

Name and surname	**Position**	**Issuer** *euro*	**Subsidiaries** *euro*
Carlo Bombelli	Chairman	145,500	–
Giovani Saleri	Managing director	111,663	–
Giuseppe Gatti	Managing director	111,663	–
Alessandro Sponchioni	Managing director	111,663	–
Michele Bargauan	Managing director	66,664	–
Simone Cimino	Director	15,000	–
Guido De Vecchi	Director	15,000	–
Marco Vismara	Director	15,000	–
Francesco Marena (*)	Independent Director	–	–
Dante Daniele Buizza (*)	Independent Director	–	–
Alberto Pavesi	*Key manager*	38,000	42,000
Fabio Ranza	*Key manager*	42,246.76	–
Gianluca Baccalini	*Key manager*	55,194.94	–
Riccardo Alloisio	Auditors' chairman	10,498.12	–
Savio Gariboldi	Regular auditor	7,779.15	–
Ornella Archetti (*)	Regular auditor	–	–

(*) Francesco Marena, Dante Daniele Buizza and Ornella Archetti have not been remunerated at all during the financial year closed at 30th September 2006, as they have been first appointed by the Issuer's general meeting on 19th February 2007.

15.2 Overall amount set aside or accrued by the Issuer or by its subsidiaries for the payment of pensions, severance indemnities or similar benefits

At 30th September 2006, the overall amount set aside or accrued by the Issuer or by its subsidiaries for the payment of pensions, severance indemnities or similar benefits was equal to about 314,000 euros.

16. BOARD OF DIRECTORS' PRACTICES

16.1 Expiration date of the current term of office, if any, and duration of the term of office

The appointment dates and expiration dates relating to the board of directors' members are stated in Chapter 14, Paragraph 14.1.1 of this Section One, to which we are referring.

16.2 Information about labour agreements entered into by and between the members of executive or supervisory bodies and the Issuer providing for severance indemnities

The Issuer's directors and auditors have not entered into any labour agreements providing for severance indemnities.

16.3 Information on committees

At present, the Issuer's board of directors has decided not to set up the committee for internal control or the remuneration committee, provided for by the Self-Discipline Code, since they have been deemed inconsistent with the current equity structure and with the type of relations between shareholders and board of directors.

16.4 Issuer's declaration of compliance with the current corporate governance regime

The Issuer has adjusted its own corporate governance system to the law provisions set forth by the Consolidated Act as amended by Law dated 28th December 2005, no. 262 (the so-called Savings Law) and by Legislative Decree dated 29th December 2006, no. 303 ("**Legislative Decree 303**").

Adjustment to the Consolidated Act's provisions as amended by the Savings Law and by Legislative Decree 303

Particularly, the Issuer:

- has introduced in its Articles of Association the voting list for the election of the members of the board of directors, in compliance with the provisions of article 147 *ter* of the Consolidated Act, while entitling the shareholders representing at least 2.5% of the share capital to deliver lists for the election of the directors and providing that at least one director represents the most voted minority list;
- has provided in its Articles of Association, in compliance with the provisions of article 148 of the Consolidated Act, that the auditors be appointed based on lists delivered by shareholders representing at least 2.5% of the share capital, while providing that at least one regular auditor be elected by the minority and that the board of auditors be presided over by an auditor elected by the minority;
- has appointed 2 independent directors, *i.e.* Francesco Marena and Dante Daniele Buizza, in compliance with the provisions of article 147 *ter* of the Consolidated Act; and
- has appointed Alberto Pavesi as the person in charge of drawing up the corporate accounting documents, pursuant to article 154-*bis* of the Consolidated Act, and of fulfilling the obligations prescribed by said article 154-*bis*.

Moreover, in compliance with the provisions of article 159 of the Consolidated Act, the Issuer's general meeting held on 19th February 2007 has appointed PWC to audit the financial statements and the consolidated financial statements for nine financial years and therefore for financial years 2007 through 2015.

In order to comply with the Savings Law's provisions, the Issuer's board of directors, on 19th February 2007, has also resolved to set up a registry of persons accessing, in the performance of their offices, to the confidential information under article 115-*bis* of the Consolidated Act and articles 152-*bis* through 152-*quinquies* of the Issuers' Regulations, which will be prepared and kept with effect as of the initial date of trading for the Issuer's shares on the Expandi Market.

Adjustment to the Self-Discipline Code

The Issuer's Articles of Association, in compliance with the provisions of Principles 5.P.1 and 6.P.1 of the Self-Discipline Code, provides for: *(i)* the board of directors' power to set up further committees with specific tasks and functions, by specifying the composition and functioning thereof, and *(ii)* the personal and professional features of the candidates for director.

In order to adjust the Company's corporate governance system to some provisions of the Self-Discipline Code, the Issuer's board of directors has resolved on 19th February 2007: (i) to adopt a behavioural code (the so-called Internal Dealing) designed to regulate the information obligations and behavioural rules relating to the transactions carried out by people who, acting in their capacities, can have access to confidential information on the Issuer; and (ii) to appoint Giovanni Saleri as reference person in charge of collecting and managing the information on relevant transactions.

In compliance with Principle 4.P.1 of the Self-Discipline Code, on 19th February 2007, the Issuer's board of directors (i) has appointed Giovanni Saleri as the person responsible for the proper management of the relevant information, with special reference to confidential information; (ii) has adopted the internal procedure for the disclosure of documents and information relating to the Issuer, with special reference to confidential information; and (iii) has provided that all directors and auditors be bound to safeguard the confidentiality of documents and information gathered while acting in their capacities as such and to observe the above procedure.

In compliance with article 2391 bis of the Italian Civil Code and with Principle 9.P.1 of the Self-Discipline Code, the Issuer's board of directors has provided on 19th February 2007 that (i) the transactions with Related Parties shall comply with the criteria for substantial and procedural correctness; (ii) any directors having a potential or indirect interest in the transaction shall promptly and exhaustively notify the board thereof and shall part from the meeting during the resolution; and (iii) the board be advised by independent experts, should the value or the peculiar features of the transaction make it advisable to do so.

In compliance with Principle 1.P.1 of the Self-Discipline Code, on 19th February 2007, the Issuer's board of directors has provided that the board itself shall meet at least four times a year and at least once every three months.

In compliance with Principle 11.P.1 of the Self-Discipline Code, on 19th February 2007, the Issuer's board of directors has decided the creation of a special section within its web site where all information about the Issuer must be available if important for the shareholders and has appointed Giovanni Saleri as the person responsible for the relations with investors.

On 19th February 2007, the Issuer's board of directors has acknowledged that the directors Francesco Marena and Dante Daniele Buizza are fulfilling the requirements qualifying them as independent directors according to the Self-Discipline Code, as well as the independence requirements prescribed for the auditors by article 148, third paragraph, of the Consolidated Act. The presence of non-executive and independent directors within the Issuer's board of directors is intended for the best protection of the good corporate governance to be achieved through mutual dialogue and debate among all directors; the independent directors' contribution will allow the board of directors to impartially evaluate the cases of possible conflict of interest between the Issuer and the controlling shareholders.

Again, with regard to independent directors, on 19th February 2007, the Issuer's board of directors – in compliance with Principle 3.P.1 to be considered in conjunction with Principle 3.P.2 of the Self-Discipline Code, has provided that, at least once a year, the board itself must focus on the fulfillment, by those directors, of their independence requirements and particularly on their relations with the Issuer or with subjects related to the Issuer which could affect their independent judgement. Considering the small number of independent directors, no Lead Independent Director has been appointed, as mentioned in Principle 2.C.3.

At present, the Company's board of directors has decided not (i) to set up any director-appointment committee, as provided for by Principle 6.P.2, since it has been deemed inconsistent with the current equity structure and with the type of relations between shareholders and board of directors and (ii) to adopt any special regulations for the general meeting, because, in the Company's opinion, there is no need for further regulations in addition to the discipline prescribed by the Civil Code and by the Articles of Association.

Finally, it is to be noted that the Issuer intends to comply, by 31st December 2007, with the provisions of Legislative Decree dated 8th June 2001, no. 231, regulating the companies' liability for administrative torts, and to consequently adopt a management model for crime prevention and an ethical code.

17. EMPLOYEES

17.1 Number of employees

Number of employees over the last two financial years, broken down according to their major categories

The following chart shows the overall number of employees of the Issuer in Italy at 30th September 2005 and 2006, broken down according to their major categories:

Employees	**30 September 2006**	**30 September 2005**
Managers	–	–
Clerks	28	25
Workers	7	4
Total number	**35**	**29**

At the date of 30th September, 2004 the Issuer, as a non-operating holding company, had no employees.

It must also be noted that, at 31st December 2006, the overall number of employees employed by the Issuer and by its subsidiaries is 61, including one in the United States.

It is finally to be pointed out that during the latest financial year, in order to carry out its business, the Issuer has taken advantage of a small number of temporary employees.

At the Prospectus Date, the Issuer has never resorted to the Special Lay-off Pay Fund.

17.2 Shareholdings and *stock options*

Board of directors

At the Prospectus Date, some members of the Issuer's Board of Directors hold stakes in Screen Group S.p.A., which in turn holds about 94.5% of the Issuer's share capital. Particularly, Carlo Bombelli holds a 16.14% stake in the share capital of Screen Group S.p.A, whereas each of Giovanni Saleri, Giuseppe Gatti and Alessandro Sponchioni hold a 4.52% stake in the share capital of Screen Group S.p.A and Michele Bargauan a 4% stake in the share capital of Screen Group S.p.A.

It must also be noted that the above persons have proportionally (pro-quota) subscribed, along with all the other shareholders of Screen Group, to a convertible bonded loan issued by Screen Group on 31st July 2006 for the overall amount 22,540,000 euros. The bonds have been issued at par and offered as options to Screen Group's shareholders according to a ratio of 2 bonds for each share held, thus entitling them, in case of conversion, to obtain 1 new share for each bond held. The loan is scheduled to last 7 years starting from 30th September 2006 until 29th September 2013. For further information on the convertible bonded loan, please refer to Chapter 5, Paragraph 5.1.5.8 of this Section One.

It must also be noted that the chairman of the Issuer's board of directors, Carlo Bombelli, as well as the Issuer's managing director Giovanni Saleri and the Issuer's director Simone Cimino, respectively hold about 0.12%, 0.1% and 0.12% of the Issuer's share capital through the trust companies Aletti Fiduciaria S.p.A., UBS Fiduciaria S.p.A. and Istifid Fiduciaria S.p.A.

At the Prospectus Date, no member of the directors' board holds any option rights on the Issuer's share capital.

Board of auditors

At the Prospectus Date, the Issuer's auditors do not hold any financial instruments, whether directly or indirectly, belonging to the Issuer or to its subsidiaries, including any *stock options*, nor have they been granted options on those financial instruments.

Key Managers

At the Prospectus Date, each of the managers Gianluca Baccalini and Alberto Pavesi hold an about 3% stake in the share capital of Screen Group S.p.A., whereas the manager Fabio Ranza holds a 2% stake in the share capital of Screen Group S.p.A.

Furthermore, it must be noted that the above persons have subscribed pro-quota, along with all other shareholders of Screen Group, to the same convertible bonded loan as the members of the Issuer's board of directors, as mentioned above.

At the Prospectus Date, no key manager holds option rights on the Issuer's share capital.

17.3 Description of any agreements for the employees' participation in the Issuer's share capital

There are no agreements allowing the employees to participate in the Issuer's capital.

18. MAJOR SHAREHOLDERS

18.1 Major shareholders

The following chart shows the Issuer's corporate structure at the Prospectus Date and its evolution in case of full placement of the Shares under the Global Public Offering and in case of full exercise of the Greenshoe Option.

	Situation at the Prospectus Date		No. Shares under the Global Public Offering		Post-sale situation		Greenshoe Option	Post-sale and post-Greenshoe Option	
Shareholder	**No. Shares**	**%(1)**	**Sale**	**Subscription**	**No. Shares**	**%(1)**	**No. Shares**	**No. Shares**	**%(1)**
Screen Group S.p.A.	120,120,000	94.55	57,800,000	–	62,320,000	45.00	–	55,395,000	40.00
Istifid Fiduciaria S.p.A.[2]	2,310,000	1.82	–	–	2,310,000	1.67	–	2,310,000	1.67
UBS Fiduciaria S.p.A.[3]	2,310,000	1.82	–	–	2,310,000	1.67	–	2,310,000	1.67
Aletti Fiduciaria S.p.A.[4]	2,310,000	1.82	–	–	2,310,000	1.67	–	2,310,000	1.67
Mercato	–	–	–	11,450,000	69,250,000	50.00	6,925,000	76,175,000	55.00
Total	**127,050,000**	**100**	**57,800,000**	**11,450,000**	**138,500,000**	**100**	**6,925,000**	**138,500,000**	**100**

(1) The percentages are rounded up.
(2) Istifid Fiduciaria S.p.A. is a trust company, an associated company of Financiaria Canova S.p.A., Banco di Desio e della Brianza S.p.A., Credem - Gruppo Bancario Credito Emiliano, Cassa Lombarda S.p.A. and BancApulia S.p.A..
(3) UBS Fiduciaria S.p.A. is a trust company belonging to the UBS Italia group.
(4) Aletti Fiduciaria S.p.A., is a trust company belonging to the Banco Popolare di Verona e Novara group.

Screen Group S.p.A., with its registered office in Brescia, via Aldo Moro n. 5, is a holding company controlled by Cape-Natixis SGR S.p.A., through CNPEF, being the management company of the same fund, which holds 53% of its share capital. The following chart shows the structure of Screen Group's share capital.

Shareholders	No. Shares at the Prospectus Date	% share capital
CNPEF (1)	5,972,793	53
Carlo Bombelli	1,818,452	16.14
Fondamenta	597,279	5.3
Giovanni Saleri	509,692	4.52
Giuseppe Gatti	509,692	4.52
Alessandro Sponchioni	509,692	4.52
Michele Bargauan	450,800	4
Gianluca Baccalini	338,100	3
Alberto Pavesi	338,100	3
Fabio Ranza	225,400	2
Total	**11,270,000**	**100**

(1) CNPEF is a closed-end investment fund governed by the Italian law, organized and managed by Cape-Natixis SGR S.p.A., a savings management company operating in full autonomy of decisions. To complete the information, please note that Cape-Natixis SGR S.p.A. is controlled, as to 51%, by Cimino e Associati Private Equity S.p.A. (whose share capital is directly or indirectly held, as to 56.16% of same, by the Issuer's director Simone Cimino).

The chairman of the Issuer's board of directors, Carlo Bombelli, as well as the Issuer's managing director Giovanni Saleri and the Issuer's director Simone Cimino, respectively hold about 0.12%, 0.1% and 0.12% of the Issuer's share capital through the trust companies Aletti Fiduciaria S.p.A., UBS Fiduciaria S.p.A. and Istifid Fiduciaria S.p.A.

In addition, except as indicated above, no member of the administrative or supervisory bodies and no key manager is a shareholder of the Issuer through such trust companies.

18.2 Major shareholders' voting rights

At the Prospectus Date, the Issuer has only issued ordinary shares and, as a result, there are no other classes of shares conferring voting rights or any rights whatsoever (cf. Section One, Chapter 21, Paragraph 21.1).

18.3 Control over the Issuer

At the Prospectus Date, Cape-Natixis SGR S.p.A., through CNPEF, being the management company of the same fund, holds a 53% stake in Screen Group, which in turn holds about 94.5% in the Issuer's share capital (cf. Section One, Chapter 18, Paragraph 18.1).

Following the Global Public Offering, in case of full placement of the Shares, the stake held (through Screen Group) in the Company by Cape-Natixis SGR S.p.A., through CNPEF, being the management company of the same fund, will be such as to suggest that Cape-Natixis SGR S.p.A. itself can actually keep its control over the Issuer, under article 93 of the Consolidated Act; however, the influence that Cape-Natixis SGR S.p.A., through CNPEF, being the management company of the same fund, will be able to exercise on the shareholders' meeting can be duly assessed only based on the behaviours actually held by its shareholders during the first ordinary shareholders' meeting held after the Prospectus' Date.

18.4 Agreements likely to result in a change in control over the Issuer

The Issuer has no knowledge of any further agreement likely to result in any future change in control over the Issuer, except as set out below.

Within the framework of the equity restructuring transaction described in Chapter 5, Paragraph 5.1.5.8 of this Section One, Screen Group has issued a convertible bonded loan for an overall amount of 22,540,000 euros, subscribed *pro-quota* by all shareholders of Screen Group in proportion to the share capital held by them. The bonds have been issued at par and offered as options to the shareholders according to a ratio of 2 bonds for each share held, thus entitling them, in case of conversion, to obtain 1 new share for each bond held. The loan is scheduled to last 7 years starting from 30th September 2006 until 29th September 2013. Should the bonded loan fail to be fully converted only by some shareholders of Screen Group, then a change in the control over Screen Group might arise and, therefore, a change in the control over the Issuer, as an indirect consequence.

In addition, please refer to the description set forth in Section Two, Chapter 7, Paragraph 7.3 of the Prospectus with regard to the corporate restructuring transaction which may be carried out by Screen Group's shareholders.

19. TRANSACTIONS WITH RELATED PARTIES

Below are the significant transactions with Related Parties, as identified by IAS 24, entered into by the Issuer during the financial years closed at 30th September 2005 and 30th September 2006 and during the current financial year.

19.1 Lease agreements

SSBT hires the premises where offices and industrial activities are located, in Brescia (BS), Via Giuseppe di Vittorio n. 17, by virtue of a lease agreement entered into on 17th November 2004 between SSI and Fincinque S.r.l., where SSBT replaces SSI, as a result of the latter's merger through incorporation, occurred on 30th March 2005. Fincinque S.r.l. becomes the owner of said real properties after having absorbed SSI's real estate business line as a result of a partial demerger dated 22nd September 2004. Fincinque is directly participated by the Issuer's shareholders and directors Carlo Bombelli, Giuseppe Gatti, Giovanni Saleri and Alessandro Sponchioni. The agreement is scheduled to expire on 1st October 2010 and may be tacitly renewed for further six-year periods, unless either parties terminates it earlier. The yearly fee amounts to 150,000 euros.

MBITL hires the premises at Baranzate (MI), Via Milano n. 255, where its offices and laboratories are established, by virtue of two lease agreements entered into on 13th January 2006 and 25th February 2006 with M.B. International S.r.l., directly participated by the Screen Group shareholder and Issuer's director Michele Bargauan. The agreements are scheduled to expire, respectively, on 31st December 2011 and on 28th February 2011 and may be tacitly renewed for further six-year periods. The yearly rental fees respectively amount to 60,000 euros and 25,000 euros.

In the Issuer's opinion, the above lease agreements have been entered into at arm's length.

Below are outlined the above-described economic relations with Related Parties:

Counter-party	2006	2005
Lease agreement		
Fincinque S.r.l.	€ 150,000	euro 150,000
M.B. International S.r.l.	€ 60,000	n.a.
M.B. International S.r.l.	€ 25,000	n.a.

For further information on the lease agreements, please refer to Chapter 8, Paragraph 8.1 of this Section One.

19.2 R&D and license agreements

On 14th January 2005, Innovaction S.r.l. and MBITL, formerly M.B. International S.r.l., have entered into an agreement, amended on 18th January 2005 and without any time limit, whereby MBITL undertakes to design and to license an FM modulator card – allowing a direct channel modulation - in favour of Innovaction S.r.l. Under said agreement, Innovaction S.r.l. undertakes to pay to MBITL an initial fixed amount of 30,000 euros in addition to half-yearly royalties in variable amounts dropping from 150 euros to 50 euros depending on the number of cards sold, while a Innovaction S.r.l. shall retain full ownership of the products manufactured by enforcing that license.

19.3 Guarantees

On 7th June 2005, SSBT has issued a first demand bank guarantee in favour of *Banca Popolare*

Commercio e Industria S.p.A., in the interest of Innovaction S.r.l., as collateral for the loan of 300,000 euros granted to the latter by Banca Popolare Commercio e Industria S.p.A.

19.4 Intragroup loans

As shareholders' loans, the Issuer has granted a series of loans to SSS during 2006 and the first months of 2007, for an overall amount of 160,000 euros, and to SSA between the end of 2005 and June 2006, for an overall amount of about 554,430 euros, in order to support the performance of their respective activities.

Particularly, on 8th December 2006, SSA's legal representative, Raul Garcia, has subscribed a promissory note, whereby SSA acknowledges having received the amount of USD 678,335, equal to about 554,430 euros, as a loan, and thus undertakes to return it, upon request by SSBT, starting from 8th December 2036, along with the interest accrued at a rate of 5% per annum. As collateral for said loan, a mortgage has been raised in favour of SSBT on the real estate owned by SSA.

19.5 Intragroup commercial relations

The following chart sets out the credits and debts, as well as revenues and costs, between the Issuer and its subsidiaries and/or affiliates with reference to financial years closed at 30th September 2006 and 30th September 2005[22]:

Companies and type of commercial relationship	**30 September**	
(thousand euros)	**2006**	**2005**
Commercial credits:		
SSA	11	–
Innovaction S.r.l.	586	246
Commercial debts:		
Innovaction S.r.l.	421	549
Operating costs:		
Innovaction S.r.l.	1.592	2.162
Revenues:		
SSA	11	–
Innovaction S.r.l.	950	906

[22] These data have been excerpted from the consolidated financial statements at 30th September 2006 and from the financial statements at 30th September 2005, re-stated according to the IFRSs adopted by the European Union.

20. FINANCIAL INFORMATION RELATIVE TO THE ASSETS AND LIABILITIES, FINANCIAL SITUATION AND PROFITS AND LOSSES

20.1 Financial information relating to previous years

Introduction

The present Chapter reports the financial information relating to the assets and liabilities, to the financial situation and to the profits and losses for the quarter ended December 31, 2006 and for the years ended September 30, 2006, 2005 and 2004 of the Issuer, taken from the financial statements approved by the competent corporate bodies.

In particular, the present Chapter includes the following documents:

- the interim consolidated financial statements at December 31, 2006 of the Issuer, prepared in accordance with IAS 34 and exclusively for inclusion in the present Prospectus, subject to a limited audit, for which reference should be made to the Auditing Company's report issued on March 22, 2007 (See Section One, Chapter 20, Paragraph 20.1.1);
- the consolidated financial statements at September 30, 2006 and the financial statements at September 30, 2005 of the Issuer, restated in accordance with IFRS adopted by the European Union, prepared exclusively for inclusion in the present Prospectus, and subject to a full audit, for which reference should be made to the Auditing Company's report issued on February 16, 2007 (See Section One, Chapter 20, Paragraph 20.1.2);
- the financial statements at September 30, 2005 of the Issuer, prepared in accordance with Italian GAAP, and subject to an audit, for which reference should be made to the Auditing Company's report of February 7, 2006 (See Section One, Chapter 20, Paragraph 20.1.3).

The financial statements as at September 30, 2004 of the Issuer, prepared in accordance with Italian GAAP, and subject to an audit, for which reference should be made to the Auditing Company's report of March 5, 2007, is attached as an Appendix to the present Prospectus and therefore is not reproduced in this Chapter 20.

Please note that, at the date of 30th September 2004 the Issuer, deriving from the transformation into a joint stock company of a substantially non-operating company (Villa Cedri S.r.l.) was a non-operating holding company, whose only assets were represented by 100% of the share capital of SSI. Only at the date of 30th March 2005 the merger by incorporation of SSI was completed, and the Issuer became an operating company. For such reason, and to complete the information, Paragraph 20.1.4 of the of the present Chapter reports the balance sheet and income statement of SSI for the year ended September 30, 2004, taken from the relative financial statements prepared in accordance with Italian GAAP. The balance sheet of the above-mentioned financial statements was audited by Deloitte & Touche S.p.A., for which reference should be made to the auditing company's report of January 10, 2005.

20.1.1 Interim consolidated financial statements of the Issuer relating to the quarter ended December 31, 2006, prepared in accordance with IAS 34.

The present Paragraph includes the document relating to the interim consolidated financial statements at December 31, 2006, prepared in accordance with IAS 34, as approved by the Board of Directors of the Issuer on March 20, 2007. The Auditing Company's report on the above-mentioned interim consolidated financial statements is also attached.

BALANCE SHEET

Euro thousands	Note	At December 31 2006	At September 30 2006
Assets			
Non-current assets			
Plant, machinery and other assets	7.1	821	896
Goodwill		17,804	17,804
Intangible assets	7.2	1,055	1,020
Equity investments	7.3	256	266
Other financial assets	7.4	844	764
Other assets		39	3
Deferred tax assets		212	170
Total non-current assets		***21,031***	***20,923***
Current assets			
Inventories	7.5	11,138	12,623
Trade receivables	7.6	21,117	15,509
Other receivables		139	120
Other finanial receivables	7.7	70	–
Financial assets at market values	7.8	304	293
Cash and cash equivalents	7.9	10,141	817
Total current assets		***42,909***	***29,362***
Total assets		**63,940**	**50,285**
Shareholders' equity and libailities			
Shareholders' Equity			
Shareholders' Equity		12,100	11,440
Reserves and retained earnings		23,845	15,120
Total Shareholders' Equity	***7.10***	***35,945***	***26,560***
Non-current liabilities			
Bank payables	7.11	8,861	8,745
Other financial liabilities	7.12	1,824	1,858
Provision for risks and charges		352	347
Personnel provisions		342	314
Deferred tax liabilities		214	195
Other liabilities		–	–
Total non-current liabilities		***11,593***	***11,459***
Current liabilities			
Bank payables		1,259	1,267
Other financial liabilities		112	96
Trade payables		4,310	4,014
Current taxes		8,952	5,022
Other liabilities		1,769	1,867
Total current liabilities		***16,402***	***12,266***
Total liabilities		**63,940**	**50,285**

INCOME STATEMENT

		Quarter to December 31	
Euro thousands	**Note**	**2006**	**2005**
Revenues from production	8.1	16,191	4,971
Other income		31	29
Total revenues		**16,222**	**5,000**
Cost of raw materials and consumables utilised	8.2	4,185	2,145
Services		417	351
Rent, lease and similar costs		10	64
Amortisation & depreciation		132	39
Provisions & write-downs		20	39
Personnel costs	8.3	1,002	554
Other costs		114	88
Total costs		**5,880**	**3,280**
Operating result		**10,342**	**1,720**
Result of companies valued at equity		(16)	(1)
Financial income		44	3
Financial charges		(149)	(152)
Profit before taxes		**10,221**	**1,570**
Income taxes		3,913	647
Net profit for the period		**6,308**	**923**
Earnings per share - basic and diluted (in Euro)	**9**	**0.21**	**0.03**

CASH FLOW

Euro thousands	Note	Quarter to December 31 2006	2005
Cash flow from operating activity			
Profit before taxes		10,221	1,570
Adjustments to reconcile the net profit from operating activities to cash flow generated (absorbed) from operating activities:			
Amortisation & depreciation		122	39
Effect of recognition of employe benefits		77	11
Share of the results of investments valued at equity		16	–
Provision of employee leaving indemnity and other personnel provisions		31	24
Employee leaving indemnity paid		(3)	–
Changes in other current assets and liabilities:			
Change in inventories		1,485	(262)
Change in trade receivables		(5,608)	(1,696)
Change in trade payables		296	1,079
Net change in various receivables/payables and other assets/liabilities		(117)	88
Cash flow generated (absorbed) from operating activities		**6,520**	**853**
Cash flow from investing activity			
Acquisition of intangible assets		(63)	–
Acquisition of tangible assets		(19)	(13)
Acquisition of equity investments in subsidiaries and business units, net of funds acquired		(1)	(2,560)
Change in financial receivables and other financial assets		(203)	(289)
Cash flow generated (absorbed) from investing activities		**(286)**	**(2,862)**
Cash flow from financing activity			
Net change in currrent financial assets and liabilities		16	2,436
Receipt of non-current financial liabilities (including current portion)		116	–
Repayment of non-current financial liabilities (including current portion)		(34)	(22)
Share capital increases net of issuing costs		3,000	–
Cash flow generated (absorbed) from financing activities		**3,098**	**2,414**
Total cash flow		**9,332**	**405**
Cash and other liquid assets at the beginning of the period		**800**	**(928)**
Cash and other liquid assets at the end of the period		**(10,132)**	**524**
Reconciliation of cash and other liquid assets			
Cash and other liquid assets at the beginning of the period			
Cash and cash equivalents	7.9	817	328
Current account overdrafts payable on demand	7.11	(17)	(1,256)
		800	**(928)**
Cash and other liquid assets at the end of the period			
Cash and cash equivalents	7.9	10,141	280
Current account overdrafts payable on demand	7.11	(9)	(804)
		10,132	**(524)**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Euro thousands	**Share capital**	**Retained earnings**	**Total shareholders' equity**
At October 1, 2005	**11,000**	**3,474**	**14,474**
Share capital increase	440	–	440
Recognition effect of employee benefits	–	252	252
Net profit for the year	–	11,394	11,394
At September 30, 2006	**11,440**	**15,120**	**26,560**
Share capital increase	660	2,340	3,000
Recognition effect of employee benefits	–	77	77
Net profit for the year	–	6,308	6,308
At December 31, 2006	**12,100**	**23,845**	**35,945**

Euro thousands	**Share capital**	**Retained earnings/ (accumulated losses)**	**Total Shareholders' equity**
At October 1, 2004	**11,000**	**(6)**	**10,994**
Recognition effect of employee benefits	–	49	49
Net profit for the year	–	3,431	3,431
At September 30, 2005	**11,000**	**3,474**	**14,474**
Recognition effect of employee benefits	–	11	11
Net profit for the year	–	923	923
At December 31, 2005	**11,000**	**4,408**	**15,408**

NOTES TO THE FINANCIAL STATEMENTS

1 General Information

Screen Service Broadcasting Technologies S.p.A. (SSBT) is the holding company of the Screen Service Broadcasting Technologies Group (SSBT Group).

SSBT S.p.A., a limited liability company registered in Italy, has its registered office in Via G. di Vittorio 17, Brescia.

The SSBT Group, originally through Screen Service Italia S.p.A. (SSI), has operated for almost 20 years in the communications infrastructure sector and offers a wide range of products and integrated services to radio-television broadcasters and to mobile telephone operators. The core business is the design, production and commercialisation, in Italy and abroad, of technological equipment and solutions and the realisation and integration of complete systems principally for the transmission of terrestrial and satellite television signals, both analog and digital, as well as of television signals for mobile phones.

The information relating to the shareholding structure at December 31, 2006 of SSBT is shown below:

Shareholder	**No. of shares**	**%**(*)
Screen Group S.p.A.	120,120,000	94.55
Istifid Fiduciaria S.p.A.	2,310,000	1.82
UBS Fiduciaria S.p.A.	2,310,000	1.82
Aletti Fiduciaria S.p.A.	2,310,000	1.82
Total	**127,050,000**	**100**

(*) The percentages indicated are rounded upwards.

2 Accounting principles' highlights

The present financial statements refer to the period October 1, 2006 – December 31, 2006 and are prepared in accordance with IAS 34, concerning interim financial reporting, adopted by article 6 of EU regulation No. 1606/2002 and in consideration of Consob Communication No. 6064293 of July 28, 2006 in relation to the admission procedure of the ordinary shares of Screen Service Broadcasting Technologies S.p.A. for listing on the Expandi Market.

Accounting standard IAS 34 provides for a minimum level of information significantly lower than that required by IFRS, where information has already been published on the complete financial statements prepared in accordance with IFRS.

Therefore, the present consolidated financial statements, which were prepared in "condensed" form and include the minimum disclosures required by IAS 34, should be read together with the Group consolidated financial statements for the year ended September 30, 2006, included in the Prospectus in relation to the admission procedure of the ordinary shares of SSBT for listing on the Expandi Market.

The term IFRS includes all of the International Financial Reporting Standards (IFRS), all of the International Accounting Standards ("IAS") and all of the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") previously called the Standing Interpretations Committee ("SIC") approved by the European Commission at the date of the approval of the consolidated financial statements by the Board of Directors of the Parent Company and contained in the relative EU Regulations published at that date.

The accounting standards adopted in the preparation of the current financial statements were applied in a uniform manner for all the periods presented.

The income statement data, the changes in shareholders' equity and the cash flow for the period ended December 31, 2006 are shown in comparative form with the previous period – December 31, 2005. The balance sheets are presented in comparative form with the previous year – September 30, 2006.

The financial statements were prepared in Euro, the operational currency in which the Group principally operates.

The accounting principles adopted for the preparation of the present consolidated financial statements are the same as those utilised for the Group consolidated financial statements of Screen Service Broadcasting Technologies at September 30, 2006.

3 Consolidation principles

The Group consolidated financial statements includes the financial statements of SSBT (parent company) and the companies directly or indirectly controlled by SSBT, from the date of acquisition and until the date the control terminates. The control is exercised either due to directly or indirectly holding a majority of the voting rights, or through the exercise of a dominant influence which is expressed by the power to determine, including indirectly based on contractual or legal agreements, the financial and operating choices of the company and thus obtaining the relative benefits, even without reference to the actual holding in the company. The existence of potential exercisable voting rights at the balance sheet date is considered in order to determine control.

The subsidiary companies are consolidated using the line-by-line method. The criteria adopted for the line-by-line consolidation were as follows:

- the assets and the liabilities, the charges and the income of the companies fully consolidated are recorded line-by-line, attributing to the minority shareholders, where applicable, the share of net equity and net result for the period pertaining to them; this share is recorded separately in the net equity and in the consolidated income statement;
- the business combinations, in which the control of an entity is acquired, are recorded applying the "Purchase method". The acquisition cost is represented by the fair value, at the purchase date, of assets sold, of liabilities incurred and of capital instruments issued, and any other accessory charges directly allocated. The assets, liabilities and contingent liabilities are recognised at their fair value at the purchase date. The difference between the purchase cost and the fair value of the assets and liabilities acquired, if positive, is recorded under intangible assets as goodwill, or, if negative, after verifying the correct measurement of the fair values of the assets and liabilities acquired and of the purchase cost, recorded directly to the income statement, as income;
- the significant gains and losses, with the relative fiscal effect, deriving from operations between fully consolidated companies and not yet realised with third parties, are eliminated, except for the losses not realised and which are not eliminated, where the transaction indicates a reduction in the value of the asset transferred. The effects deriving from reciprocal payables and receivables, costs and revenues, as well as financial income and charges are also eliminated if significant;
- the gains and losses deriving from the sale of a share of the investment in a consolidated company are recorded in the income statement for the amount corresponding to the difference between the sales price and the corresponding fraction of the consolidated net equity sold.

Associated companies

Associated companies are companies in which the Group has a significant influence which is presumed to exist when the percentage held is between 20% and 50% of the voting rights. The investments in associated companies are valued under the equity method and are initially recorded at cost. The net equity method is as described below:

- the book value of these investments are in line with the adjusted net equity, where necessary, to reflect the application of the IFRS and includes the recording of the higher value attributed to the assets and liabilities and to any goodwill identified at the moment of the acquisition;
- the Group gains and losses are recorded at the date in which the significant influence begins and until the significant influence terminates; in the case where, due to losses, the Company valued under this method indicates a negative net equity, the carrying value of the investment is written down and any excess pertaining to the Group, where this latter is committed to comply with legal or implicit obligations of the investee, or in any case to cover the losses, is recorded in a specific provision; the equity changes of the companies valued under the equity method not represented by the income statement result are recorded directly as an adjustment to equity reserves;
- the significant gains and losses not realised generated on operations between the Parent Company /subsidiary companies and the associated company valued under the equity method are eliminated based on the share pertaining to the Group in the associated company itself; the losses not realised are eliminated, except when they represent a reduction in value.

The accounting principles of the financial statements of associated companies are adjusted, where necessary, to ensure uniform accounting principles with the Group.

The table below shows the companies in the group, the registered office, the share capital and the direct or indirect holding of the parent company Screen Service Broadcasting Technologies S.p.A. at December 31, 2006:

Company	**Registered offices**		**Share capital at December 31, 2006**	**Holding**	**Type of holding**	**Consolidation/ valuation method**
M.B. International Telecom Labs S.r.l.	Baranzate di Bollate (MI)	€	100,000.00	100%	Direct control	Line-by-line
Screen Service America L.L.C.	Miami Lakes, Florida US	$	1,000.00	70%	Direct control	Equity consolidated
Screen Service Systems S.r.l.	Viterbo	€	35,000.00	70%	Direct control	Equity consolidated
Innovaction S.r.l.	Pianopoli (CZ)	€	240,000.00	39%	Associated company	Equity method

The companies Screen Service America LLC and Screen Service Systems S.r.l. were excluded from the line-by-line consolidation, as although they are subsidiaries, they are not significant in relation to the financial statements of the group.

"Screen Service America L.L.C.", a 70% held subsidiary, with legal and operating offices in Miami, Florida (USA), was incorporated during the year and was set up as a logistical support for sales and services on the US market.

"Screen Service Systems S.r.l." with registered and operating offices at Viterbo, a 70% held subsidiary, was incorporated on August 18, 2006 and was set up to carry out functions of system integration, technical support and post-sale services.

Accounting standards recently approved by the European Commission

Some new standards, amendments and interpretations to existing standards are compulsory for financial statements relating to periods which begin on January 1, 2007 and others relating to periods which begin after January 1, 2007.

A summary of the main new standards, amendments and interpretations to existing standards, compulsory for the financial statements relating to periods which begin on January 1, 2007 and thereafter, and which could have an impact on the consolidated financial statements of the group, are shown below.

IFRS 7 – FINANCIAL INSTRUMENTS: DISCLOSURES

This standard, adopted by the European Union in January 2006 implements the disclosures contained in IAS 32 ("Financial Instruments: presentation and disclosures in the notes") with amendments and integrations; consequently, IAS 32 changed the name of the standard to "Financial instruments: presentation". The Company is assessing the impacts of IFRS 7 on the consolidated financial statements of the group.

IFRIC 8 – SCOPE OF IFRS 2 "SHARE-BASED PAYMENTS"

The group is assessing the impact of the application of IFRIC 8, effective from January 1, 2007, on the consolidated financial statements.

IFRIC 9 – REASSESSMENT OF EMBEDDED DERIVATIVES

The application of IFRIC 9, effective from January 1, 2007, will have no effect on the consolidated financial statements of the group.

Translation of foreign currency transactions

The transactions in currencies other than the operational currency of the company are translated using the exchange rate at the transaction date.

The foreign exchange gains and losses generated from the closure of the transaction or from the translation at the balance sheet date of the assets and liabilities in foreign currencies are recognised in the income statement.

4 Risk management policy

The management of the Group risks is based on the principle that the operating or financial risk is managed by the person responsible for the business division.

The principal risks are reported and discussed by the Group's top management so that measures are taken for their hedging, insurance and for the valuation of the residual risk.

Interest rate risk

The financial debt of the group is prevalently at floating interest rates. The group choice was in fact based on hedging the fair value risk of the financial instruments recorded in the financial statements, rather than limiting the cash flow risks deriving from them.

Exchange risks

The SSBT Group sells its products almost exclusively in Euro, therefore the activities of the Group are not subject to significant currency fluctuations.

Credit risk

The Group has appropriate procedures to minimise the exposure to the risk, such as prior verification of the insolvency of debtors and the monitoring of receivables.

Liquidity risk

The Group manages the liquidity risk, maintaining an adequate level of liquidity and credit lines granted by the major credit institutions, in order to meet the financial needs of the operating activities.

5 Business combinations

Compared to September 30, 2005, the consolidation scope changed as a consequence of the business combinations/incorporations described in the notes to the consolidated financial statements at September 30, 2006.

On December 17, 2005, control was acquired of MB International Telecom Labs S.r.l.; the situation at the date of acquisition of control is summarised below (in Euro thousands).

	Acquisition MB International Telecom Labs S.r.l.
Non-current assets	
Plant, machinery and other assets	329
Intangible assets	975
Other assets	1
Total non-current assets	***1,305***
Current assets	
Inventories	633
Trade receivables	185
Other receivables	137
Cash and cash equivalents	30
Total current assets	***985***
Non-current liabilities	
Other financial liabilities	(258)
Personnel provisions	(135)
Deferred tax liabilities	(106)
Total non-current liabilities	***(499)***
Current liabilities	
Banks payables	(149)
Trade payables	(753)
Other liabilities	(334)
Total current liabilities	***(1,236)***
Goodwill	***2,035***
Total acquisition costs	**2,590**
Cash and cash equivalents acquired	**30**
Total cash flow absorbed from acquisitions	**2,560**

M.B. International Telecom Labs S.r.l., with head offices at Baranzate (MI) and share capital of Euro 100 thousand, undertakes research and development activities for the Group for the implementation of new products, particularly in the development of terrestrial digital and “mobile-TV”.

6 Segment information

The Group operates in only one business, through a single production plant located in Italy, operating in both the domestic and international markets. Consequently, no information is provided on the primary segment information (business), while information is provided on the secondary segment (geographic sector).

The geographic breakdown of revenues is shown below:

	Quarter to December 31	
Euro thousands	**2006**	**2005**
Italy	13,040	3,459
European Union	958	829
Non-European Union	2,193	683
	16,191	**4,971**

With reference to the total assets utilised in each geographic area in which the Group operates, the details are provided in the table below:

Euro thousands	**At December 31, 2006**	**At September 30, 2006**
Italy	60,490	48,198
European Union	632	388
Non-European Union	2,536	1,529
	63,658	**50,115**

7 Information on the Balance Sheet

7.1 Facilities machinery and other assets

The account amounts to Euro 821 thousand, a decrease of Euro 75 thousand compared to September 30, 2006, due to the depreciation charge for the year.

7.2 Intangible assets

This account amounts to Euro 1,020 thousand, an increase of Euro 35 thousand compared to September 30, 2006.

7.3 Equity investments

This account amounts to Euro 256 thousand and the movements in the year are shown below:

Euro thousands	**At October 1, 2005**	**Increases (Decreases)**	**Revaluations (Write-downs)**	**At September 30, 2006**
Innovaction S.r.l.	242	–	–	242
Screen Service America L.L.C.	–	–	–	–
Screen Service Systems S.r.l.	24	–	(10)	14
	266	**–**	**(10)**	**256**

7.4 *Other financial assets*

The account is comprised of:

Euro thousands	**At December 31, 2006**	**At September 30, 2006**
Loan to Screen Service America L.L.C.	554	554
Restricted deposits Technosystem	210	210
Loan to Screen Service Systems S.r.l.	80	–
	844	**764**

The increase compared to September 30, 2006, amounting to Euro 80 thousand, relates to the loan provided by SSBT to Screen Service System S.r.l.. The loan is non-interest bearing and repayable at the end of the start-up phase of the subsidiary.

7.5 *Inventories*

The account is comprised of:

Euro thousands	**At December 31, 2006**	**At September 30, 2006**
Raw materials, supplies and consumables	6,865	8,188
Products in work-in-progress	4,216	3,397
Finished products and goods	364	1,234
Obsolete provision	(307)	(195)
	11,138	**12,624**

7.6 *Trade receivables*

The account is comprised of:

Euro thousands	**At December 31, 2006**	**At September 30, 2006**
Italian customers	15,329	8,731
of which associated company - Innovaction S.r.l.	*597*	*586*
European Union customers	632	388
Non-European Union customers	1,982	975
Bank drafts	3,335	5,567
Other trade receivables	183	178
Doubtful debt provision	(344)	(330)
	21,117	**15,509**

The receivables increased due to the higher turnover deriving from the new DVB-H technology developed by the company in the year.

The doubtful debt provision increased by Euro 14 thousand, due to the estimate of the risk on trade receivables.

7.7 *Other financial receivables*

The account entirely relates to the residual receivable from shareholders, against a share capital increase subscribed on December 28, 2006 and not yet paid-in.

7.8 Other financial assets at market value

The increase compared to September 30, 2006, amounting to Euro 11 thousand, relates to the impact of the fair value evaluation of the Interest Rate Swap, signed on November 14, 2006.

7.9 Cash and cash equivalents

The account is comprised of:

Euro thousands	**At December 31, 2006**	**At September 30, 2006**
Cash	4	4
Bank deposits	10,137	813
	10,141	**817**

The significant improvement in liquidity is due to the increase in turnover and margins.

7.10 Shareholders' Equity

The movements in shareholders' equity in the period and in the comparative period are shown in the "statement of changes in shareholders' equity" above.

The share capital at December 31, 2006 consists of 12,100,000 ordinary shares at a nominal value of Euro 1 each.

On December 28, 2006, a total of 560,000 ordinary shares were issued with a nominal value of Euro 1 each, with a share premium payment totalling Euro 2,340 thousand.

At December 31, 2006, Euro 70 thousand of this share capital increase was not paid in.

The shareholders' meeting of February 19, 2007 approved the split of the shares outstanding with 21 shares against 2 shares previously outstanding.

SSBT does not hold treasury shares, directly or indirectly, through its subsidiary companies.

7.11 Bank payables (current and non-current)

The account is comprised of:

Euro thousands	**At December 31, 2006**	**At September 30, 2006**
Long-term bank payables:		
MPS loan beyond 12 months	8,861	8,745
of which beyond 5 years	3,172	3,172
Short-term bank payables:		
MPS loan within 12 months	1,250	1,250
Bank overdraft	9	17
	10,120	**10,012**

The "MPS Loan" was signed on July 31, 2006 between Screen Service Broadcasting Technologies S.p.A., and a pool of banks (Centrobanca – Banca di Credito Finanziario e Mobiliare S.p.A., Monte dei Paschi di Siena Banca per l'Impresa S.p.A. and Banca Popolare di Milano S.c.a.r.l.), for a total amount of Euro

10 million, repayable in 14 half-yearly instalments from January 31, 2007 and until July 31, 2013. The interest-rate is 6-months Euribor, increased by a margin of 1% up to July 31, 2007; the subsequent margin is variable up to 1.40%, based on the ratio between the Net Financial Position and the EBITDA (indicators agreed between the parties), and which will in any case increase up to 1.65%, in the event that the financial obligations of the contract are not complied with.

The loan was measured using the amortised cost method.

The loan provides for, in line with market practices, a number of restrictions on the Issuer, among which the obligation not to undertake extraordinary operations (for example acquisitions, mergers and share capital reduction) and not to change the shareholder structure of the Company except with prior approval by the lending banks, to ensure that the shareholders' meeting resolves to distribute profits generated or distribute resolved dividends and not to provide secured guarantees on the company's assets.

In addition, this loan provides for the compliance, by the Issuer, of the following covenants:

Financial indicator(1)	**2007**	**2008**	**2009**	**2010**	**2011**
Ratio between the Net Financial Position and net equity	≤1.50	≤1.25	≤1.0	≤1.0	≤0.75
Ratio between the Net Financial Position and EBITDA	≤3.00	≤3.00	≤2.50	≤2.50	≤2.00
Ratio between free cash flow and service of the debt	>1	>1	>1	>1	>1
Capex (Euro thousands)	≤600	≤600	≤600	≤600	≤600

(1) All the indicators reported in the table, with the exception of the net equity, relate to indicators not defined either by Italian GAAP or IFRS, but between the contractual parties represented.

This contract provides that the above-mentioned indicators are subject to annual verifications, through the comparison of the consolidated financial statements of the Issuer, with those shown in the table, and that the non-compliance of two from four of these indicators, or of only the ratio between the Net Financial Position and EBITDA, will result in an increase in the interest margin of 0.25% and the acceleration of the repayment.

The following commitments were provided as guarantee on these loans:

(i) A pledge, signed on July 31, 2006 with MPS, Centrobanca and Banca Popolare di Milano of Euro 10 million, on 100% of the shares of the parent company Screen Group S.p.A., corresponding to a nominal value of Euro 11,270 thousand;

(ii) A pledge, signed on July 31, 2006 with MPS, Centrobanca and Banca Popolare di Milano of Euro 10 million, on 100% of the shares of Screen Service Broadcasting Technologies S.p.A., corresponding to a nominal value of Euro 11,440 thousand.

Taking into account the date of the signing of the loans and the fact that they provide for the payment by the company of a floating market interest rate, the book value, determined under the amortised cost method approximates the fair value of the loans at the balance sheet date.

7.12 Other financial liabilities (current and non-current)

The account is comprised of:

Euro thousands	**At December 31, 2006**	**At September 30, 2006**
Other non-current financial liabilities:		
Payables for purchase of SSI investment	1,500	1,500
of which beyond 5 years	–	–
Miur subsidised loan	213	228
of which beyond 5 years	68	68
Leasing beyond 12 months	111	130
Other current financial liabilities:		
Leasing within 12 months	82	88
Other	30	8
	1,936	**1,954**

The account "Payables for purchase of SSI investment" relates to the residual amount of the payable of SSBT to the shareholders of SSI, following the acquisition of this latter on September 29, 2004. The total purchase price was paid in part at the closing date and in part payable as follows:

(i) Euro 650 thousand by April 2, 2005;

(ii) Euro 1,500 thousand by April 2, 2006;

(iii) Euro 1,500 thousand by January 12, 2009.

Interest is payable at 6-month Euribor, paid on the maturity of the capital amount.

The account "MIUR subsidised loan" relates to the subsidised loan provided by the Ministry for University and Research to M.B. International Telecom Labs (M.B. ITL), for the development of a specific research project. The initial amount was Euro 302 thousand, repayable half-yearly and with the final repayment due on July 1, 2013. This loan is at an interest rate at 1% half-yearly.

The account "Leasing payables" refers to the payable deriving from the lease contracts signed by M.B. ITL with MPS Leasing & Factoring S.p.A. and by SSBT with Italease S.p.A., for the purchase of some equipment.

8 Information on the income statement

8.1 Revenues from production

The revenues from sales amount to Euro 16,191 thousand, an increase of 226% compared to the previous year.

The increase is principally due to the sale of equipment for the DVB-H transmission.

8.2 Cost of raw materials and consumables utilised

The raw material costs amount to Euro 4,185 thousand and the increase was proportionally lower than the increase in sales due to the significant purchase price reductions on components following the increased volumes compared to the previous year.

8.3 Personnel costs

The account amounts to Euro 1,002 thousand, an increase of Euro 448 thousand compared to the previous year, principally due to the increase in the workforce.

9 Earnings per share

The earnings per share is reported in the income statement.

The basis utilised for the calculation of the earnings per share is the Group net result of the relative periods. The number of shares is calculated as the average of the shares outstanding during the year, weighted based on the number of days of outstanding.

The benefit plans for employees did not have any effect on the earnings per share as no new shares were issued.

10 Transactions with related parties

Intercompany operations eliminated in the consolidation relate to ordinary operations and are regulated at market conditions; there are no operations of an atypical or of an unusual nature within the ordinary operations of the business.

A summary of the receivable/payable balances with related parties is shown in the table below:

	At December 31, 2006			
Euro thousands	**Receivables**	**Payables**	**Financial receivables**	**Financial payables**
Screen Service America L.L.C.	68	–	554	–
Innovaction S.r.l.	597	444	–	–
Screen Service System S.r.l.	–	–	80	–
Bombelli Carlo	–	7	–	900
Saleri Giovanni	–	6	–	150
Sponchioni Alessandro	–	6	–	150
Gatti Giuseppe Angelo	–	6	–	150
Chiaia Cristoforo	–	–	–	–
Bargauan Michele	–	6	–	–
Baccalini Gianluca	–	3	–	–
Ranza Fabio	–	2	–	–
Pavesi Alberto	–	4	–	–
	665	**484**	**634**	**1,350**

	At September 30, 2006			
Euro thousands	**Receivables**	**Payables**	**Financial receivables**	**Financial payables**
Screen Service America L.L.C.	11	–	554	–
Innovaction S.r.l.	586	421	–	–
Screen Service System S.r.l.	–	–	–	–
Bombelli Carlo	–	6	–	900
Saleri Giovanni	–	5	–	150
Sponchioni Alessandro	–	5	–	150
Gatti Giuseppe Angelo	–	5	–	150
Bargauan Michele	–	5	–	–
Baccalini Gianluca	–	3	–	–
Ranza Fabio	–	2	–	–
Pavesi Alberto	–	4	–	–
	597	**456**	**554**	**1,350**

The table below summarises the transactions with related parties in the first quarter of the year compared to the same period of the previous year, subdivided by the nature of the transaction:

	Quarter to December 31, 2006						
	Costs					Revenues	
Euro thousands	Products and services	Emoluments	Stock options	Rent, leases and similar costs	Financial charges	Sale of products	Financial income
Screen Service America L.L.C.	–	–	–	–	–	64	12
Innovaction S.r.l.	460	–	–	–	–	221	–
Screen Service System S.r.l.	–	–	–	–	–	–	–
Bombelli Carlo	–	61	5	–	17	–	–
Saleri Giovanni	–	45	1	–	3	–	–
Sponchioni Alessandro	–	45	1	–	3	–	–
Gatti Giuseppe Angelo	–	45	1	–	3	–	–
Chiaia Cristoforo	–	16	–	–	–	–	–
Bargauan Michele	–	45	66	–	–	–	–
Baccalini Gianluca	14	–	1	–	–	–	–
Ranza Fabio	11	–	1	–	–	–	–
Pavesi Alberto	3	16	1	–	–	–	–
De Vecchi Guido	–	7	–	–	–	–	–
Cimino Simone	–	7	–	–	–	–	–
Vismara Marco	–	7	–	–	–	–	–
Terreni Loredana	–	11	–	–	–	–	–
Fincinque S.r.l.	–	–	–	47	–	–	–
	488	**305**	**77**	**47**	**26**	**285**	**12**

	Quarter to December 31, 2005					
	Costs					Revenues
Euro thousands	Products and services	Emoluments	Stock options	Rent, leases and similar cost	Financial charges	Sale of products
Innovaction S.r.l.	339	–	–	–	–	215
Bombelli Carlo	–	46	4	–	48	–
Saleri Giovanni	–	34	1	–	6	–
Sponchioni Alessandro	–	34	1	–	6	–
Gatti Giuseppe Angelo	–	34	1	–	6	–
Chiaia Cristoforo	–	34	1	–	1	–
Baccalini Gianluca	14	–	1	–	–	–
Ranza Fabio	12	–	1	–	–	–
Pavesi Alberto	30	–	1	–	–	–
De Vecchi Guido	–	4	–	–	–	–
Cimino Simone	–	4	–	–	–	–
Vismara Marco	–	4	–	–	–	–
Fincinque S.r.l.	–	–	–	39	–	–
	395	**194**	**11**	**39**	**67**	**215**

11 Investments held by Directors and Statutory Auditors

At December 31, 2006, there are no investments in Service Broadcasting Technologies S.p.A. held by the Directors or Statutory Auditors.

12 Information relating to derivative contracts

The principal characteristics of the derivative contracts at December 31, 2006, which were signed as an integral part of the MPS loan contract (See note 7.11), are provided below:

				At December 31, 2006			
Type of contract	**Credit institution**	**Subscription date**	**Maturity date**	**Variable rate received from SSBT**	**Fixed rate paid to SSBT**	**Notional (Euro thousands**	**Fair value (Euro thousands)**
IRS	Banca Popolare Commercio Industria S.p.A.	14-Nov-06	30-Jul-10	Euribor 6M	3.915%	1,800	3
IRS	MPS Banca per l'impresa S.p.A.	14-Nov-06	31-Jul-10	Euribor 6M	3.915%	1,800	3
IRS	Banca Popolare di Milano	14-Nov-06	30-Jul-10	Euribor 6M	3.915%	1,400	5
					Total	**5,000**	**11**

13 Commitments and risks

Commitments and risks are shown below:

Comfort letter from Screen Service Broadcasting Technologies S.p.A., on behalf of Innovaction S.r.l., corresponding to Euro 300 thousand, as guarantee of the credit line for a similar amount granted by Banca Popolare Commercio e Industria S.p.A.

14 Subsequent events

There were no significant events after December 31, 2006.

Report of the auditors

To the Board of Directors of

Screen Service Broadcasting Technologies SpA

1. We have reviewed the accompanying consolidated balance sheet of Screen Service Broadcasting Technologies SpA as of December 31, 2006 and the related statements of income, changes in equity and cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review.

2. We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

3. For the opinion on the financial statements as of September 30, 2006, which are presented for comparative purposes as required by law, reference is made to our report dated February 16, 2007. The financial statements as of December 31, 2005 have not been reviewed.

4. Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of the financial position of the entity as at December 31, 2006, and of its financial performance and its cash flows for the three-month period then ended in accordance with IAS 34.

Brescia, March 22, 2007

PricewaterhouseCoopers SpA

/s/ Roberto Pirola

Roberto Pirola

(Partner)

(This report has been translated into the English language solely for the convenience of international readers.)

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20.1.2 *Consolidated financial statements at September 30, 2006 and financial statements at September 30, 2005 of the Issuer, restated in accordance with IFRS adopted by the European Union*

The present Paragraph includes the document relating to the consolidated financial statements for the year ended September 30, 2006 and the financial statements for the year ended September 30, 2005 of the Issuer, restated in accordance with IFRS adopted by the European Union, as approved by the Board of Directors on February 16, 2007.

The Auditing Company's report on the above-mentioned financial statements is also attached.

BALANCE SHEET

		At September 30	
Euro thousands	**Note**	**2006**	**2005**
Assets			
Non-current assets			
Plant, machinery and other assets	7.1	896	329
Goodwill	7.2	17,804	15,769
Intangible assets	7.3	1,020	82
Equity investments	7.4	266	192
Other financial assets	7.5	764	–
Other assets		3	28
Deferred tax assets	7.6	170	95
Total non-current assets		***20,923***	***16,495***
Current assets			
Inventories	7.7	12,623	7,232
Trade receivables	7.8	15,509	7,597
Other receivables	7.9	120	97
Financial assets at market values	7.1	293	350
Cash and cash equivalents	7.11	817	328
Total current assets		***29,362***	***15,604***
Total assets		**50,285**	**32,099**
Shareholders' equity and liabilities			
Shareholders' Equity			
Share capital	7.12	11,440	11,000
Retained earnings	7.12	15,120	3,474
Total Shareholders' Equity		***26,560***	***14,474***
Non-current liabilities			
Banks payables	7.14	8,745	7,000
Other financial liabilities	7.15	1,858	1,513
Provision for risks and charges	7.16	347	278
Personnel provisions	7.17	314	134
Deferred tax liabilities	7.6	195	21
Total non-current liabilities		***11,459***	***8,946***
Current liabilities			
Banks payables	7.14	1,267	3,115
Other financial liabilities	7.15	96	1,553
Trade payables	7.18	4,014	2,897
Current taxes	7.19	5,022	717
Other liabilities	7.19	1,867	397
Total current liabilities		***12,266***	***8,679***
Total liabilities		**50,285**	**32,099**

INCOME STATEMENT

Euro thousands		Year-end September 30	
	Note	**2006**	**2005**
Revenues from production	7.20	35,342	17,080
Other income	7.21	211	241
Total revenues & income		**35,553**	**17,321**
Cost of raw materials and consumables utilised	7.22	9,843	5,533
Services	7.23	1,557	3,231
Rent, lease and similar costs	7.24	287	212
Amortisation & depreciation	7.25	324	160
Provisions & write-downs	7.26	211	39
Personnel costs	7.27	3,158	1,669
Other costs	7.28	460	252
Total costs		**15,840**	**11,096**
Operating result		**19,713**	**6,225**
Share of result of companies valued at equity	7,4-7,16	(20)	0
Financial income	7.29	39	54
Financial charges	7.29	(1,012)	(596)
Profit before taxes		**18,720**	**5,683**
Income taxes	7.3	7,326	2,252
Net profit for year		**11,394**	**3,431**
Earnings per share – basic and diluted (in Euro)	**8**	**€ 1.00**	**€ 0.31**

CASH FLOW STATEMENT

		Year-end September 30	
Euro thousands	**Note**	**2006**	**2005**
Cash flow from operating activities			
Profit before taxes		18,720	5,683
Adjustments to reconcile the net profit from operating activities to cash flow generated (absorbed) from operating activities			
Amortisation & depreciation	7.27	324	160
Effect of the recognition of employee benefits	7.25	252	49
Gains/losses on sale of non-current assets		(1)	0
Share of the results of investments valued at equity	7,4-7,16	20	0
Provision of employee leaving indemnity and other personnel provisions	7.17	88	55
Employee leaving indemnity paid	7.17	(40)	(10)
Changes other current assets and liabilities:			
Change in inventories		(4,758)	(3,580)
Change in trade receivables		(7,727)	(1,564)
Change in trade payables		364	302
Net change in various receivables/payables and other assets/liabilities		(1,781)	(2,533)
Cash flow generated (absorbed) from operating activities		**5,461**	**(1,438)**
Cash flow from investing activities			
Acquisition of intangible assets	7.3	(62)	(56)
Purchase of tangible fixed assets	7.1	(659)	(105)
Acquisition of subsidiaries, net of cash acquired	5	(2,560)	0
Incorporating of companies recorded under the equity method		(25)	
Change in financial receivables and other financial assets		(681)	399
Receipt from sale of tangible and intangible assets		197	4
Cash flow generated (absorbed) from investing activities		**(3,790)**	**242**
Cash flow from financing activities			
Net change in current financial assets and liabilities		(1,457)	(2,123)
Receipt of non-current financial liabilities (including current portion)		10,238	1,473
Repayment of non-current financial liabilities (including current portion)		(9,164)	(941)
Share capital increases net of issuing costs	7.12	440	0
Cash flow generated (absorbed) from financing activities		**57**	**(1,591)**
Total cash flow		**1,728**	**(2,787)**
Cash and other liquid assets at the beginning of the year		**(928)**	**1,859**
Cash and other liquid assets at the end of the year		**800**	**(928)**
Reconciliation of cash and other liquid assets			
Cash and other liquid assets at the beginning of the year			
Cash and cash equivalents	7.11	328	2,206
Current account overdrafts payable on demand	7.14	(1,256)	(347)
		(928)	**1,859**
Cash and other liquid assets at the end of the year			
Cash and cash equivalents	7.11	817	328
Current account overdrafts payable on demand	7.14	(17)	(1,256)
		800	**(928)**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year ended September 30, 2006:

Euro thousands	**Share capital**	**Retained earnings**	**Total shareholders' equity**
At October 1, 2005	**11,000**	**3,474**	**14,474**
Share capital increase	440	0	440
Recognition effect of employee benefits	0	252	252
Net profit for the year	0	11,394	11,394
At September 30, 2006	**11,440**	**15,120**	**26,560**

Year ended September 30, 2005:

Euro thousands	**Share capital**	**Retained earnings**	**Total shareholders' equity**
At October 1, 2004	**11,000**	**(6)**	**10,994**
Recognition effect of employee benefits	–	49	49
Net profit for the year	–	3,431	3,431
At September 30, 2005	**11,000**	**3,474**	**14,474**

NOTES TO THE FINANCIAL STATEMENTS

GENERAL INFORMATION

Screen Service Broadcasting Technologies S.p.A. (SSBT S.p.A.) is the holding company of the Screen Service Broadcasting Technologies Group (SSBT Group).

SSBT S.p.A., a limited liability company registered in Italy, has its registered office in Via G. di Vittorio 17, Brescia.

The SSBT Group, originally through Screen Service Italia S.p.A. (SSI), has operated for almost 20 years in the communications infrastructure sector and offers a wide range of products and integrated services to radio-television broadcasters and to mobile telephone operators. The core business is the design, production and commercialisation, in Italy and abroad, of technological equipment and solutions and the realisation and integration of complete systems principally for the transmission of terrestrial and satellite television signals, both analog and digital, as well as television signals for mobile phones.

The SSBT Group has been fully controlled by Screen Group S.p.A. from July 2006, which exercises the activity of management and control.

ACCOUNTING PRINCIPLES' HIGHLIGHTS

The main accounting principles applied in the preparation of the restated financial statements were as follows.

Basis of preparation

The present document includes the consolidated financial statements at September 30, 2006 and the financial statements at September 30, 2005 of Screen Service Broadcasting Technologies S.p.A. (hereafter the "Company"), restated in accordance with International Financial Reporting Standards adopted by the European Union (hereafter also "Restated Financial Statements"). In relation to this, it should be noted that the Company prepared its first consolidated financial statements only in 2006, as up to September 30, 2005, the company held no controlling investments; therefore, the comparative information in the consolidated financial statements for the year ended September 30, 2006 and for the year ended September 30, 2005, refer to the financial statements of the Company.

In accordance with EU Regulation 809/2004 and recommendation No. 05-504b of CESR (Committee of European Security Regulators), the Group restated the consolidated financial statements at September 30, 2006 and the financial statements at September 30, 2005 in accordance with International Financial Reporting Standards (IFRS), adopted by the European Union, exclusively for their inclusion in the Prospectus in course of preparation for the admission procedure of the ordinary shares of Screen Service Broadcasting Technologies S.p.A..

The Restated Financial Statements derive from the consolidated financial statements at September 30, 2006 and from the financial statements at September 30, 2005 of Screen Service Broadcasting Technologies S.p.A., prepared in accordance with the Civil Code dispositions which regulate the criteria for the preparation of financial statements.

The Restated Financial Statements represent the first financial statements of Screen Service Broadcasting Technologies S.p.A. prepared in accordance with IFRS adopted by the European Union, and therefore the financial statements at September 30, 2005, restated in accordance with IFRS adopted by the European Commission, do not include comparative data relating to the previous year, as required by IAS 1.

As required by IFRS, the document of the principal effects of the transition to the IFRS adopted by the European Union is provided as an attachment.

The term IFRS includes all of the International Financial Reporting Standards (IFRS), all of the International Accounting Standards ("IAS") and all of the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") previously called the Standing Interpretations Committee ("SIC") approved by the European Commission at the date of the approval of the consolidated financial statements by the Board of Directors of the Company and contained in the relative EU Regulations published at that date.

The IFRS were recently applied for the first time in Italy and simultaneously in other countries and there are numerous standards recently published, or revisions thereof, for which a consolidated practice does not exist for their interpretation and application. The financial statements at September 30, 2005 and 2006 were therefore prepared on the basis of the best information on the IFRS and taking into account best practice; any further orientations and interpretative updates will be reflected in subsequent years, in accordance with the provisions of the accounting standards.

The financial statements were prepared in Euro, the operational currency in which the Group principally operates.

The present document was approved by the Board of Directors on February 16, 2007.

3 Presentation of the financial statements

The financial statements are prepared as follows:

Balance sheet

The assets and liabilities are analysed by maturity, separating the current and non-current account due before and due beyond 12 months respectively.

Income statement

For the Income Statement, the classification of costs according to their nature was adopted.

Cash flow statement

The indirect method was utilised.

ACCOUNTING PRINCIPLES

Consolidation principles

The financial statements consolidated, relating to the operating companies of the group, were prepared with reference to the balance sheet date of the consolidated financial statements, and are those prepared and approved by the Board of Directors of the individual companies, appropriately adjusted, where necessary, in accordance with the uniform accounting principles of the Parent Company.

The Group Consolidated Financial Statements includes the financial statements of Screen Service Broadcasting Technologies S.p.A. (Parent Company) and the companies which the company directly or indirectly controls, from the date of acquisition and until the date the control terminates. The control is exercised either due to directly or indirectly holding a majority of the voting rights, or through the exercise of a dominant influence which is expressed by the power to determine, including indirectly based on contractual or legal agreements, the financial and operating choices of the company and thus obtaining the relative benefits, without reference to the actual holding in the company. The existence of potential exercisable voting rights at the balance sheet date is considered in order to determine control.

The subsidiary companies are consolidated using the line-by-line method. The criteria adopted for the line-by-line consolidation were as follows:

- the assets and the liabilities, the charges and the income of the companies fully consolidated are recorded line-by-line, attributing to the minority shareholders, where applicable, the share of net equity and net result for the period pertaining to them; this share is recorded separately in the net equity and in the consolidated income statement;
- the business combinations, in which the control of an entity is acquired, are recorded applying the "Purchase method". The acquisition cost is represented by the fair value, at the purchase date, of assets sold, of liabilities incurred and of capital instruments issued, and any other accessory charges directly allocated. The assets, liabilities and contingent liabilities are recognised at their fair value at the purchase date. The difference between the purchase cost and the fair value of the assets and liabilities acquired, if positive, is recorded under intangible assets as goodwill, or, if negative, after verifying the correct measurement of the fair values of the assets and liabilities acquired and of the purchase cost, recorded directly to the income statement, as income;
- the significant gains and losses, with the relative fiscal effect, deriving from operations between fully consolidated companies and not yet realised with third parties, are eliminated, except for the losses not realised and which are not eliminated, where the transaction indicates a reduction in the value of the asset transferred. The effects deriving from reciprocal payables and receivables, costs and revenues, as well as financial income and charges are also eliminated if significant;
- the gains and losses deriving from the sale of a share of the investment in a consolidated company are recorded in the income statement for the amount corresponding to the difference between the sales price and the corresponding fraction of the consolidated net equity sold.

<u>*Associated companies*</u>

Associated companies are companies in which the Group has a significant influence, which is presumed to exist when the percentage held is between 20% and 50% of the voting rights. The investments in associated companies are valued under the equity method and are initially recorded at cost. The net equity method is as described below:

- the book value of these investments are in line with the adjusted net equity, where necessary, to reflect the application of the IFRS and includes the recording of the higher value attributed to the assets and liabilities and to any goodwill identified at the moment of the acquisition;
- the Group gains and losses are recorded at the date in which the significant influence begins and until the significant influence terminates; in the case where, due to losses, the Company valued under this method indicates a negative net equity, the carrying value of the investment is written down and any excess pertaining to the Group, where this latter is committed to comply with legal or implicit

obligations of the investee, or in any case to cover the losses, is recorded in a specific provision; the equity changes of the companies valued under the equity method not represented by the income statement result are recorded directly as an adjustment to equity reserves;

- the significant gains and losses not realised generated on operations between the Parent Company/subsidiary companies and the associated company valued under the equity method are eliminated based on the share pertaining to the Group in the associated company itself; the losses not realised are eliminated, except when they represent a reduction in value.

The accounting principles of the financial statements of associated companies are adjusted, where necessary, to ensure uniform accounting principles with the Group.

The table below shows the companies in the group, the registered office, the share capital and the direct or indirect holding of the parent company Screen Service Broadcasting Technologies S.p.A. at September 30, 2006:

Company	**Registered offices**		**Share capital at September 30, 2006**	**Holding**	**Type of holding**	**Consolidation/ valuation method**
M.B. International Telecom Labs S.r.l.	Baranzate di Bollate (MI)	€	100,000.00	100%	Direct control	Line-by-line
Screen Service America L.L.C.	Miami Lakes, Florida US	$	1,000.00	70%	Direct control	Equity consolidated
Screen Service Systems S.r.l.	Viterbo	€	35,000.00	70%	Direct control	Equity consolidated
Innovaction S.r.l.	Pianopoli (CZ)	€	240,000.00	39%	Associated company	Equity method

The companies Screen Service America LLC and Screen Service Systems S.r.l. were excluded from the line-by-line consolidation, as although they are subsidiaries, they are not significant in relation to the financial statements of the group.

"Screen Service America L.L.C.", a 70% held subsidiary, with legal and operating offices in Miami, Florida (USA), was incorporated during the year and was set up as a logistical support for sales and services on the US market.

"Screen Service Systems S.r.l." with registered and operating offices at Viterbo, a 70% held subsidiary, was incorporated on August 18, 2006 and was set up to carry out functions of system integration, technical support and post-sale services.

Accounting standards recently approved by the European Commission

Some new standards, amendments and interpretations to existing standards are compulsory for financial statements relating to periods which begin on January 1, 2007 and others relating to periods which begin after January 1, 2007.

A summary of the main new standards, amendments and interpretations to existing standards, compulsory for the financial statements relating to periods which begin on January 1, 2007 and thereafter, and which could have an impact on the consolidated financial statements of the group, are shown below.

IFRS 7 – FINANCIAL INSTRUMENTS: DISCLOSURES

This standard, adopted by the European Union in January 2006 implements the disclosures contained in IAS 32 ("Financial Instruments: presentation and disclosures in the notes") with amendments and integrations; consequently, IAS 32 changed the name of the standard to "Financial instruments: presentation". The Company is assessing the impacts of IFRS 7 on the consolidated financial statements of the group.

IFRIC 8 – SCOPE OF IFRS 2 "SHARE-BASED PAYMENTS"

The group is assessing the impact of the application of IFRIC 8, effective from January 1, 2007, on the consolidated financial statements.

IFRIC 9 – REASSESSMENT OF EMBEDDED DERIVATIVES

The application of IFRIC 9, effective from January 1, 2007, will have no effect on the consolidated financial statements of the group.

Translation of foreign currency transactions

The transactions in currencies other than the operational currency of the company are translated using the exchange rate at the transaction date.

The foreign exchange gains and losses generated from the closure of the transaction or from the translation at the balance sheet date of the assets and liabilities in foreign currencies are recognised in the income statement.

Property, plant and equipment

Property, plant and equipment are measured at purchase or production cost, net of accumulated depreciation and any loss in value. The cost includes charges directly incurred for bringing the asset to their condition for use, as well as dismantling and removal charges which will be incurred consequent of contractual obligations, which require the asset to be returned to its original condition. Interest charges on loans for the acquisition or construction of property, plant and equipment are charged directly to the income statement.

The expenses incurred for the maintenance and repairs of an ordinary and/or cyclical nature are directly charged to the income statement when they are incurred. The capitalisation of the costs relating to the expansion, modernisation or improvement of owned tangible assets or of those held in leasing, is made only when they satisfy the requirements to be separately classified as an asset or part of an asset in accordance with the component approach, in which case the useful life and the relative value of each component is measured separately. The inscription value is adjusted for depreciation on a systematic basis, calculated on a straight-line basis when the asset is available and ready for use, based on the estimated useful life.

The useful life of property, plant and equipment and their residual value are reviewed and updated, where necessary, at least at the end of each year. Applying the principle of the component approach, when the asset to be depreciated is composed of separately identifiable elements whose useful life differs significantly from the other parts of the asset, the depreciation is calculated separately for each part of the asset.

The depreciation is charged based on the number of months held on a straight-line basis which depreciates the asset over its estimated useful life.

The useful life estimated by the Group for the various categories of property, plant and equipment are as follows:

Type	Rate
Plant and machinery, equipment and other assets	20%
Industrial and commercial equipment (laboratory equipment)	25%
Other assets:	
internal transport	20%
office machines and office furniture	12%
EDP	20%

The property, plant and equipment held through finance lease contracts, where the majority of the risks and rewards related to the ownership of an asset have been transferred to the Group, are recognised as assets of the Group at their fair value or, if lower, at the current value of the minimum lease payments, including any redemption amounts to be paid. The corresponding liability due to the lessor is recorded in the financial statements under financial payables. The assets are depreciated applying the criteria and rates previously indicated for the account "property, plant and equipment", except where the duration of the lease contract is lower than the useful life represented by these rates and there is no reasonable certainty of the transfer of ownership of the asset on the normal expiry date of the contract; in this case the asset is depreciated over the duration of the lease contract. Any gains realised on the sale of leased assets are recorded under deferred income and recorded in the income statement over the duration of the lease contract.

The leased assets where the lessor bears the majority of the risks and rewards related to an asset are recorded as operating leases. The costs relating to operating leases are recorded on a straight-line basis in the income statement over the duration of the lease contract.

The gains and losses deriving from the sale or disposal are determined by comparing the amount received or agreed with the book value.

Intangible assets and Goodwill

An intangible asset is a non-monetary asset, identifiable and without physical substance, controllable and capable of generating future economic benefits. These assets are recorded at purchase and/or production cost, including the costs of bringing the asset to its current use, net of accumulated amortisation, and any loss in value. Interest charges matured during and for the development of intangible assets are charged directly to the income statement. Amortisation begins when the asset is available for use and is recognised on a systematic basis in relation to the residual possibility of use and thus over the estimated useful life of the asset.

(a) Goodwill

Goodwill represents the difference between the cost incurred for the acquisition of an investment (of the total activities) and the fair value of the assets and liabilities acquired at the acquisition date. Goodwill is not amortised, but is subject to an annual impairment test in order to verify whether a reduction in value has taken place. This test is made with reference to the "cash generating unit" or "CGU", to which the goodwill is attributed. A reduction in the value of the goodwill is recorded when the recoverable value of the goodwill is lower than the carrying value. The recoverable value is the higher between the fair value of the CGU, less costs to sell, and its value in use. Goodwill may not restated in subsequent years.

When the reduction in value deriving from the test is higher than the value of the goodwill allocated to the CGU the residual amount is allocated to the assets included in CGU in proportion to their carrying value. This allocation has as its minimum limit, the highest value between:

- the fair value of the asset less costs to sell;
- the value in use, as defined above;
- zero.

Gains and losses deriving from the sale of an investment include the amount of the relative goodwill.

(b) Patents, concessions, licenses, brands and similar rights
Brands and licenses are amortised on a straight-line basis over the estimated useful life.

(c) Computer software
The costs of software licences are capitalised considering the costs incurred for the purchase and in order that the software is ready for use and is amortised on a straight-line basis over five years.

Maintenance costs of the software programmes are charged to the income statement in the year incurred.

(d) Research and development costs
Research and development costs are recorded in the income statement when incurred, with the exception of development costs recorded under intangible assets when they satisfy the following conditions:

- the project is clearly identified and the related costs are reliably identifiable and measurable;
- the technical feasibility of the project is demonstrated;
- the intention to complete the project and sell the intangible assets generated from the project is demonstrated;
- a potential market exists or, in the case of internal use, the use of the intangible asset is demonstrated for the production of the intangible assets generated by the project;
- the technical and financial resources necessary for the completion of the project are available.

The amount of any development costs are recorded under intangible assets from the date in which the result generated from the project can be commercialised.

Loss in value of assets

At each balance sheet date, the property, plant and machinery and intangible assets are analysed in order to identify any indications of a reduction in value. Where these indications exist, an estimate of the recoverable value of the above mentioned assets is made, recording any write down compared to the relative book value in the income statement. The recoverable value of an asset is the higher between the fair value less costs to sell and its value in use, where this latter is the fair value of the estimated future cash flows for this asset. For an asset that does not generate sufficient independent cash flows, the realisable value is determined in relation to the cash-generation unit to which the assets belongs. In defining the value in use, the expected future cash flows are discounted utilising a discount rate that reflects the current market assessment of the time value of money, and the specific risks of the activity. A reduction in value is recognised in the income statement when the carrying value of the asset is higher than the recoverable amount. When the reasons for the write-down no longer exist, the book value of the asset is restated through the income statement, up to the value at which the asset would be recorded if no write-down had taken place and amortisation had been recorded.

Cash and cash equivalents

Cash and cash equivalents includes cash, bank deposits, and other short-term forms of investment, due within three months. At the balance sheet date, bank overdrafts are classified as financial payables under current liabilities in the balance sheet. The items included in the cash and cash equivalents are measured at fair value and the relative changes are recorded in the income statement.

Financial assets and liabilities

Financial assets recorded under current assets represent securities and investments measured at market value with any changes recorded in the income statement.

Loans are recognised at initial cost, corresponding to the fair value of the amount received, less the accessory charges for acquiring the loan. After the initial recording, the loans are valued under the amortised cost criteria, utilising the effective interest rate method.

Trade receivables and payables

Trade receivables are recorded at their realisation value, through a specific doubtful debt provision.

Payables are recorded at their nominal value.

Inventories

Inventories are recorded at the lower of purchase or production cost and realisable value represented by the amount that the company expects to obtain from their sale in the normal course of operations.

The cost of inventories is calculated applying the weighted average cost method on an annual basis.

Employee benefits

The defined benefit plans, which includes the employee leaving indemnity (i.e. TFR), are based on the working life of the employees and on the remuneration received by the employee during a pre-determined period of employment. In particular, the liability relating to the employment leaving indemnity is recognised in the financial statements based on the current actuarial value, as a benefit due to employees based on a defined benefit plan. The recognition in the financial statements of a defined benefit plan requires an estimate of the value of the services matured by employees for their employment service in current and previous years through actuarial techniques and the discounting of these services in order to determine the current value of Group commitments. The determination of the current value of the Group commitments is made by an independent expert using the Projected Unit Credit Method. This method, which relates to the so-called “matured benefits” techniques, considers each period of service by employees at the company as a source of an additional unit of right: the actuarial liability must be quantified only on the basis of the service matured at the valuation date; therefore, the total liability is normally proportioned based on the ratio between the service years matured at the valuation date and the total number of years at the expected settlement of the benefit. In addition, this method considers future increases in remuneration, of whatever nature (inflation, merit, contractual renewals etc), up to the termination of employment.

The amount of the rights matured in the year by employees is recorded in the income statement under the account personnel costs, while the notional financial charge which the company must incur if the market was required to finance the amount of the employee leaving indemnity is recorded under net financial income/(charges). The actuarial gains and losses which reflect the effects deriving from the changes in the actuarial assumptions utilised are recognised in the income statement, recording the part relating to the service of the cost under personnel costs, while the part relating to the actuarial gains/(losses) and the financial component are recorded under financial charges.

Provisions for risks and charges

Provisions for risks and charges relate to costs and expenses of a defined nature and of certain or probable existence whose amount or date of occurrence are uncertain as of the balance sheet date. The provisions are recorded when:

- it is probable the existence of a current obligation, legal or implicit, deriving from a past event;
- it is probable that compliance with the obligation will result in a charge;
- the amount of the obligation can be estimated reliably.

Provisions are recorded at the value representing the best estimate of the amount that the company would rationally pay to discharge the obligation or to transfer it to a third party at the balance sheet date. When the financial effect of the time is significant and the payment dates of the obligations can be reliably estimated, the provision shall be discounted at the average cost of debt to the company; the increase of the provision due to the passing of time is recorded as a financial expense in the income statement in the account “Net financial income/(charges)”.

If the liability relates to a tangible asset (for example dismantlement and restoration of sites), the counterparty of the provision is recognised under the asset to which it refers; the recognising of the charge to the income statement is made through the process of depreciation.

The costs which the company must incur to implement restructuring programmes are recorded in the year in which the programme is formalised and it is expected that the restructuring will take place.

The provisions are periodically updated to reflect the changes in the estimate of the costs, of the time period and of the discounting rate; the revision of estimates are recorded in the same income statement accounts in which the provision was recorded, when the liability relates to tangible fixed assets (for example dismantlement and restoration of sites), and in the asset account to which it refers.

Share-based payments

In relation to share-based payments on behalf of directors and employees granted in the years 2004-2005 and 2006, a fair value valuation was made of the options assigned that, in accordance with IFRS 2, are considered representative of the fair value of the services received. This fair value is recognised in the income statement over the expected period of maturity of the options and in shareholders’ equity.

Recognition of revenues and costs

Revenues from sale of goods and services are recognised on the transfer of the significant risks and rewards connected to the ownership or completion of the service.

The revenues relating to services partially provided are recorded for the amount matured, provided it is possible to reliably determine the stage of completion and there is no uncertainty of the amount and on the existence of the revenues and related costs; otherwise they are recorded to the limit of the recoverable costs incurred.

Revenues are recorded net of returns, discounts and premiums, as well as related direct taxes. The exchange of assets or services for a similar amount, in that they are not representative of sales operations, are not recorded under revenues and costs.

Costs are recorded when relating to goods and services sold or consumed in the year, or by specific allotment, or when their future utility cannot be determined.

Public Grants

Public grants, in the presence of a formal resolution allocating the amount, and, in any case, when the right to their provision is considered definitive as it is reasonably certain that the Group will comply with the conditions for obtaining the grants and the grants will be paid, are recorded in direct correlation with the costs incurred.

(a) Capital grants

The capital grants relating to property, plant and equipment are recorded as deferred revenue in the account "Other payables" under non-current and current liabilities respectively for the long and short term portion of same. The deferred revenue is recorded in the income statement as income on a straight-line basis in accordance with the useful life of the asset to which the grant was received.

(b) Operating grants

Operating grants are recorded in the income statement in the account "Other income".

Income taxes

Current income taxes are calculated based on the assessable income for the year, applying the current tax rates at the balance sheet date.

The deferred taxes are calculated on all the timing differences between the assessable income of an asset or liability and the relative book value, with the exception of the goodwill and of those differences deriving from investments in subsidiaries, when the reversal of these differences is subject to control by the Group and it is probable that they will not reverse in a reasonable foreseeable time period. The deferred tax assets, including those relating to losses carried forward, for the portion not compensated by deferred tax liabilities, are recognised only for those amounts for which it is probable there will be future assessable income to recover the amounts. The deferred taxes are calculated utilising the tax rates which are expected to be applied in the years when the temporary differences will be realised or settled.

Current and deferred income taxes are recorded in the income statement, except those relating to accounts directly credited or debited to equity, in which case the fiscal effect is recognised directly to equity. Taxes are compensated when the income tax is applied by the same fiscal authority, there is a legal right of compensation and the payment of the net balance is expected.

Earnings per share

Basic

The basic earnings per share is calculated by dividing the result of the Group by the weighted average shares outstanding during the year, excluding any treasury shares.

Diluted

The diluted earnings per share is calculated by dividing the result of the Group by the weighted average number of ordinary shares outstanding during the year, excluding any treasury shares. In order to calculate the diluted earnings per share, the average weighted number of shares outstanding is adjusted assuming the exercise of all the rights which have potential dilution effect, while the profit or loss of the Group is adjusted to take into account the effects, net of income taxes, of the exercise of these rights. The diluted earnings per share is not calculated in the case of losses, as any dilution effect would result in an improvement in the earnings per share.

Estimate and assumptions

The preparation of the financial statements require the directors to apply accounting principles and methods that, in some circumstances, are based on difficulties and subjective valuations and estimates based on the historical experience and assumptions which are from time to time considered reasonable and realistic based on the relative circumstances. The application of these estimates and assumptions impact upon the amounts reported in the financial statements, such as the balance sheet, the income statement and the cash flow statement, and on the disclosures in the notes to the accounts. The final outcome of the accounts in the financial statements which use the above-mentioned estimates and assumptions may differ from those reported in the financial statements due to the uncertainty which characterises the assumptions and the conditions upon which the estimates are based.

The accounting principles which require greater subjectivity by the directors in the preparation of the estimates and for which a change in the underlying conditions or the assumptions may have a significant impact on the consolidated financial statements are briefly described below:

(i) Valuation of the receivables: trade receivables are adjusted by the doubtful debt provision, taking into account the effective recoverable value. The calculation of the write-downs requires the directors to make valuations based on the documentation and the information available relating to the solvency of the clients, and from market and historical experience.

(ii) Valuation of the goodwill: in accordance with the accounting principles applied by the Group, the goodwill is subject to an annual verification ("impairment test") in order to verify whether a reduction in value has taken place, which is recorded as a write-down, when the net book value of the cash-generating unit to which the asset is allocated is higher than the recoverable value (defined as the higher value between the value in use and the fair value of the asset). The verification of the value requires the directors to make valuations based on the information available within the Group and from the market, as well as historical experience. In addition, when it is determined that there may be a potential reduction in value, the Group determines this using the most appropriate technical valuation methods available. The same verifications of value and the same valuation techniques are applied on the intangible and tangible assets with a defined useful life when there are indications of the difficulty for the recovery of the relative net book value through its use. The correct identification of the indicators of the existence of a potential reduction in value as well as the estimates for their determination depends on factors which may vary over time impacting upon the valuations and estimates made by the directors.

(iii) Risk provisions: the identification of the existence of a current obligation (legal or implied) in some circumstances may be difficult to determine. The directors evaluate these factors case-by-case, together with the estimate of the amount of the economic resources required to comply with the obligation. When the directors consider that a liability is only possible, the risks are disclosed in the notes under the section on commitments and risks without any provision.

4 Risk management policy

The management of the Group risks is based on the principle that the operating or financial risk is managed by the person responsible for the business division.

The principal risks are reported and discussed by the Group's management so that measures are taken for their hedging, insurance and for the valuation of the residual risk.

Interest rate risk

The financial debt of the Group is prevalently at floating interest rates. Management did not consider it necessary to implement processes to limit the risks connected to the volatility of interest rates in that for the year ended September 30, 2006, they were not considered significant.

Exchange risks

The SSBT Group sells its products almost exclusively in Euro, therefore the activities of the Group are not subject to significant currency fluctuations.

Credit risk

The Group has appropriate procedures to minimise the exposure to the risk, such as prior verification of the insolvency of debtors and the monitoring of receivables.

Liquidity risk

The Group manages the liquidity risk, maintaining an adequate level of liquidity and credit lines granted by the major credit institutions, in order to meet the financial needs of the operating activities.

5 Business combinations

Compared to September 30, 2005, the consolidation scope has changed due to the business combinations/incorporations described above.

On December 17, 2005, control was acquired of MB International Telecom Labs S.r.l.; the situation at the date of acquisition of control is summarised below (in Euro thousands).

	Acquisition MB International Telecom Labs S.r.l.
Non-current assets	
Plant, machinery and other assets	329
Intangible assets	975
Other assets	1
Total non-current assets	***1,305***
Current assets	
Inventories	633
Trade receivables	185
Other receivables	137
Cash and cash equivalents	30
Total current assets	***985***
Non-current liabilities	
Other financial liabilities	(258)
Personnel provisions	(135)
Deferred tax liabilities	(106)
Total non-current liabilities	***(499)***
Current liabilities	
Banks payables	(149)
Trade payables	(753)
Other liabilities	(334)
Total current liabilities	***(1,236)***
Goodwill	***2,035***
Total acquisition costs	**2,590**
Cash and cash equivalents acquired	**30**
Total cash flow absorbed from acquisitions	**2,560**

M.B. International Telecom Labs S.r.l., with head offices at Baranzate (MI) and share capital of Euro 100 thousand, undertakes research and development activities on behalf of the Group for the implementation of new products, particularly in the development of terrestrial digital and "mobile-TV".

6 Segment information

The Group operates in only one business, through a single production plant located in Italy, operating in both the domestic and international markets. Consequently, no information is provided on the primary segment information (business), while information is provided on the secondary segment (geographic sector).

The geographic breakdown of revenues is shown below:

	Year-end September 30	
Euro thousands	**2006**	**2005**
Italy	28,453	12,881
European Union	3,238	1,034
Non-European Union	3,651	3,165
	35,342	**17,080**

With reference to the total assets utilised in each geographic area in which the Group operates, the details are provided in the table below:

	Year-end September 30	
Euro thousands	**2006**	**2005**
Italy	48,198	30,135
European Union	388	528
Non-European Union	1,529	1,341
	50,115	**32,004**

7 Information on the Balance Sheet and Income Statement

7.1 Plant, equipment and other assets

The following table shows the movements in "plant, equipment and other assets" in the years 2006 and 2005:

Year ended September 30, 2006:

Category	Description	At October 1, 2005	Change in consolidation scope	Increases	Decreases	Depreciation	At Sept. 30, 2006
Plant and machinery:							
	Historical Cost	19	3	73	0	0	95
	Accum. Depreciation	(12)	0	0	0	(15)	(27)
		7	**3**	**73**	**0**	**(15)**	**68**
Minor equipment:							
	Historical Cost	1,012	301	528	(188)	0	1,653
	Accum. Depreciation	(769)	0	0	2	(188)	(955)
		243	**301**	**528**	**(186)**	**(188)**	**698**
Other assets:							
	Historical Cost	271	25	58	(16)	0	338
	Accum. Depreciation	(192)	0	0	6	(22)	(208)
		329	**329**	**659**	**(196)**	**(225)**	**896**

Year ended September 30, 2005:

Category	Description	At October 1, 2004	Increases	Decreases	Depreciation	At Sept. 30, 2005
Plant and machinery:						
	Historical Cost	12	7	0	0	19
	Accum. Depreciation	(9)	0	0	(3)	(12)
		3	**7**	**0**	**(3)**	**7**
Minor equipment:						
	Historical Cost	953	74	(15)	0	1,012
	Accum. Depreciation	(664)	0	11	(116)	(769)
		289	**74**	**(4)**	**(116)**	**243**
Other assets:						
	Historical Cost	250	24	(3)	0	271
	Accum. Depreciation	(171)	0	3	(24)	(192)
		79	**24**	**0**	**(24)**	**79**
		371	**105**	**(4)**	**(143)**	**329**

The column "Changes in the consolidation scope" relate to the acquisition of M.B. International Telecom Labs S.r.l..

The net value of the leased assets was Euro 244 thousand at September 30, 2006 (Euro 52 thousand at September 30, 2005).

7.2 Goodwill

The following table shows the movements in the account "goodwill" in the years 2006 and 2005

Year ended September 30, 2006:

Euro thousands	**At October 1, 2005**	**Increases**	**Write-downs**	**At September 30, 2006**
Goodwill	15,769	2,035	–	17,804

Year ended September 30, 2005:

Euro thousands	**At October 1, 2004**	**Increases**	**Write-downs**	**At September 30, 2005**
Goodwill	15,769	–	–	15,769

The increase in the balance at September 30, 2006 (Euro 2,035 thousand) is due to the acquisition of MB International Telecom Labs S.r.l..

Verification of the loss in value of intangible assets with indefinite useful lives

SSBT carried out an impairment test at the transition date to IFRS (01/10/2004), at September 30, 2005 and at September 30, 2006, confirming the book value of the goodwill.

In accordance with IAS 36, in the analysis of the value for the impairment test of the goodwill recorded in the accounts at September 30, 2006 of SSBT, the discounted cash flow method was used. The criteria is based on the general concept that the value of an enterprise ("Enterprise Value") is equal to the discounted value of the two following elements:

- cash flow that will be generated within the expected time period;
- residual value, which is the total enterprise value deriving from the period beyond the forecasted time period.

The discount rate from the operating cash flows considered is the WACC (Weighted Average Cost of Capital). The WACC is the average weighted cost of own capital and debt capital based on the financial structure of the enterprise.

In order to determine the economic value of SSBT (in terms of Enterprise Value), the cash flows utilised are those relating to the 2007-2011 business plan prepared by the Management of the Company.

In relation to the discount rate utilised, WACC, the principal assumptions in the calculation of the WACC are shown below:

- risk free rate=yield on securities without risk: yield on government bonds at 10 years (source: Bloomberg, December 31, 2006), equal to 3.98%;

- average beta sector unlevered: (source Bloomberg), equal to 0.98%;
- risk premium=Interest rate was estimated by us as 5.0% (Source Ibboston);
- small size premium=represents an additional risk related to the size of the Company equal to 2.0%;
- Kd medium/long-term period=the cost of the debt capital was determined using the reference interest rate swap 10Y/6M equal to 4.1% (Source: Bloomberg), increased by a spread of 1.5%. The fiscal rate used for the determination of the tax shield on the debt was equal to 33%.
- financial structure=92% composed of own capital and 8% composed of debt capital in line with the financial structure of the sector.

The WACC determined on the basis of the above assumptions is equal to 13.00% pre-tax, equivalent to a post-tax interest rate of 10.82%.

7.3 Intangible assets

The following table shows the movements in the account "intangible assets" in the years 2006 and 2005:

Year ended September 30, 2006:

Euro thousands	**At October 1. 2005**	**Change in consolidation scope**	**Increases**	**Amortisation**	**At September 30, 2006**
Patents	–	975	2	(66)	911
Software programmes	55	9	48	(23)	89
Others	27	–	3	(10)	20
	82	**984**	**53**	**(99)**	**1,020**

Year ended September 30, 2005:

Euro thousands	**At October 1, 2004**	**Increases**	**Amortisation**	**At September 30, 2005**
Patents	–	–	–	–
Software programmes	43	27	(14)	56
Others	–	29	(3)	26
	43	**56**	**(17)**	**82**

7.4 Equity investments

The account is comprised of:

		At September 30	
Euro thousands	**% held**	**2006**	**2005**
Innovaction S.r.l.	39%	242	192
Screen Service America L.L.C.	70%	–	–
Screen Service Systems S.r.l.	70%	24	–
		266	**192**

The following table shows the movements in the account in the years 2006 and 2005:

Year ended September 30, 2006:

Euro thousands	**At October 1, 2005**	**Increases (Decreases)**	**Revaluations (Write-downs)**	**At September 30, 2006**
Innovaction S.r.l.	192	–	50	242
Screen Service America L.L.C.	–	1	(1)	–
Screen Service Systems S.r.l.	–	24	–	24
	192	**25**	**49**	**266**

Year ended September 30, 2005:

Euro thousands	**At October 1, 2004**	**Increases (Decreases)**	**Revaluations (Write-downs)**	**At September 30, 2005**
Innovaction S.r.l.	192	–	–	192
	192	**–**	**–**	**192**

The information relating to the above companies and the reasons for their exclusion from the consolidation scope are reported in section 6.2 Structure of the group and consolidation scope, to which reference should be made.

7.5 Other financial assets

The account is comprised of:

	At September 30	
Euro thousands	**2006**	**2005**
Shareholder loan SSA	554	–
Restricted deposits Technosystem	210	–
	764	**–**

The increase in the account relates for Euro 554 thousand to the shareholder loan to Screen Service America LLC with an interest rate of 2.50% and for Euro 210 thousand to the restricted deposit relating to Technosystem, necessary in order to proceed with the recovery of the receivable from this client.

7.6 Deferred tax assets and liabilities

The details of deferred tax assets and liabilities, based on the relative temporary differences, are shown in the table below:

Euro thousands	At September 30	
	2006	**2005**
Deferred tax assets		
Doubtful debt provision	82	–
Obsolete provision	73	46
Other	15	49
Total	**170**	**95**
Deferred tax liabilities		
Higher value allocated to patents	(172)	–
Finance Leases	(7)	(3)
Effect of amortised cost on loans	(2)	–
Employee leaving indemnity, actuarial valuation	(1)	–
Other	(13)	(18)
Total	**(195)**	**(21)**

The deferred tax assets can be considered fully recoverable within 12 months, while the deferred tax liabilities are all beyond 12 months.

7.7 Inventories

The account is comprised of:

Euro thousands	At September 30	
	2006	**2005**
Raw materials, supplies and consumables	8,188	7,068
Products in work-in-progress	3,397	–
Finished products and goods	1,234	288
Obsolete provision	(195)	(124)
	12,624	**7,232**

The increase in the inventories compared to September 30, 2005 is due to the products in work in progress of machines with DVB-H technology.

7.8 Trade receivables

The account is comprised of:

	At September 30	
Euro thousands	**2006**	**2005**
Italian customers	8,731	4,251
of which associated company - Innovaction S.r.l.	*586*	*245*
European Union customers	388	528
Non-European Union customers	975	1,341
Bank drafts	5,567	1,683
Other trade receivables	178	4
Doubtful debt provision	(330)	(210)
	15,509	**7,597**

The receivables increased due to the higher turnover deriving from the new DVB-H technology developed by the company in the year.

The movements in the year and in the previous year of the doubtful debt provision are shown in the table below.

Year ended September 30, 2006:

Euro thousands	At October 1. 2005	Change in consolidation scope	Provision	Utilisation	At September 30, 2006
Doubtful Debt Provision	210	0	211	–98	323

Year ended September 30, 2005:

Euro thousands	At October 1. 2004	Provision	Utilisation	At September 30, 2005
Doubtful Debt Provision	171	39	0	210

7.9 Other receivables

The account is comprised of:

	At September 30	
Euro thousands	**2006**	**2005**
Prepayments and Accrued Income	31	4
Tax receivables	56	36
Others (Services Suppliers)	33	57
	120	**97**

7.10 Other financial assets at market value

The account is comprised of:

	At September 30	
Euro thousands	**2006**	**2005**
Arca Provision	0	310
Government Securities	293	0
Bonds	0	40
	293	**350**

The most significant movement relating to the financial assets at market value in 2006 relates to the purchase of government bonds for Euro 293 thousand and the disposal of the investment in the Arca Fund for Euro 310 thousand.

The annual yield on the Government Securities was 2.67%.

7.11 Cash and cash equivalents

The account is comprised of:

	At September 30	
Euro thousands	**2006**	**2005**
Cash	4	10
Bank deposits	813	318
	817	**328**

The interest rate on deposits is between 1% and 3.097%.

7.12 Shareholders' Equity

The movements in shareholders' equity in the year and in the previous year are shown in the "statement of changes in shareholders' equity" above.

The share capital at September 30, 2006 consists of 11,440,000 ordinary shares at a nominal value of Euro 1 each.

In the year ended September 30, 2006, a total of 440,000 ordinary shares of a value of Euro 1 each were issued following the share capital increase deliberated by the shareholders' meeting on December 23, 2005.

The share capital was fully subscribed and paid-in.

SSBT does not hold treasury shares, directly or indirectly, through its subsidiary companies.

7.13 Share-based payments

The benefit plans have the objective of providing incentive and loyalty to directors/employees who are the beneficiaries.

The benefit plans assigned in previous years were as follows:

- on July 6, 2004, assignment to the 5 founding shareholders of options for the acquisition of a maximum of 660,000 shares of the company equal to the nominal value of the shares. The conditions for the maturity of this incentive were based on the achievement of the remuneration level obtained by the investment fund in the share capital of the company, in addition to the beneficiaries remaining in service for at least 5 years from the assignment date. The period of maturity is therefore equal to 5 years. The valuation of the option was made utilising the Black-Scholes method, applying a risk-free rate of 3.7% and a volatility of 58.55% (source Bloomberg). The effect of the recording of this plan on the result in the years 2005 and 2006 was Euro 39 thousand per year. At September 30, 2006, there was a residual benefit, to be recorded in the income statements of future years equal to Euro 108 thousand.
- on December 27, 2004, three new collaborators, of which two employees and one director, were sold shares of the company at the nominal value (770,000 shares), and in addition one of these persons was granted the option to acquire a further 110,000 shares also at the nominal value. On July 31, 2006, the above-mentioned option was exercised and following the complete sale of the above-mentioned shares, the shareholders realised the benefit deriving from the plan. The conditions for the maturity of this incentive is that the beneficiaries remain in service at least 5 years from the

assignment date. The period of maturity is therefore equal to 5 years. The valuation of the option was made utilising the Black-Scholes method, applying a risk-free rate of 3.7% and a volatility of 58.55% (source Bloomberg). The effect of the recording of this plan on the result in the years 2005 and 2006 was Euro 9 thousand per year. At September 30, 2006, there was a residual benefit, to be recorded in the income statements of future years equal to Euro 25 thousand.

- on December 23, 2005, a share capital increase was deliberated reserved to a new director shareholder with payment at the nominal value of the shares. On July 31, 2006, following the complete sale of the above-mentioned shares, the shareholders realised the benefits deriving from the plan. The conditions for the maturity of this incentive is that the beneficiaries remain in service for at least 5 years from the assignment date. The period of maturity is therefore equal to 5 years. The effect of the recording of this plan on the result in the years 2005 was Euro 204 thousand. At September 30, 2006, there was a residual benefit, to be recorded in the income statements of future years equal to Euro 1,125 thousand.

7.14 Bank payables (current and non-current)

The account is comprised of:

	At September 30	
Euro thousands	**2006**	**2005**
Non-current bank payables:		
Bank loans beyond 12 months	–	7,000
of which beyond 5 years	–	–
Centrobanca loan - portion beyond 12 months	8,745	–
of which beyond 5 years	3,172	–
Current bank payables:		
Bank loans within 12 months	–	1,859
Centrobanca loan - portion within 12 months	1,250	–
Bank overdrafts	17	1,256
	10,012	**10,115**

The “Centrobanca Loan” was signed on July 31, 2006 between Screen Service Broadcasting Technologies S.p.A., and a pool of banks (Centrobanca – Banca di Credito Finanziario e Mobiliare S.p.A., Monte dei Paschi di Siena Banca per l’Impresa S.p.A. and Banca Popolare di Milano S.c.a.r.l.), for a total amount of Euro 10 million, repayable in 14 half-yearly instalments from January 31, 2007 and until July 31, 2013. The interest-rate is 6-months Euribor, increased by a margin of 1% up to July 31, 2007; the subsequent margin is variable up to 1.40%, based on the ratio between the Net Financial Position and the EBITDA (indicators agreed between the parties), and which will in any case increase up to 1.65%, in the event that the financial obligations of the contract are not complied with.

The loan was measured using the amortised cost method.

The loan provides for, in line with market practices, a number of restrictions on the Issuer, among which the obligation not to undertake extraordinary operations (for example acquisitions, mergers and share capital reduction) and not to change the shareholder structure of the Company except with prior approval by the lending banks, to ensure that the shareholders’ meeting resolves to distribute profits generated or distribute resolved dividends and does not provide secured guarantees on the company’s assets.

In addition, this loan provides for the compliance, by the Issuer, of the following covenants:

Financial indicator[1]	2007	2008	2009	2010	2011
Ratio between the Net Financial Position and net equity	⩽1,50	⩽1,25	⩽1,0	⩽1,0	⩽0,75
Ratio between the Net Financial Position and EBITDA	⩽3,00	⩽3,00	⩽2,50	⩽2,50	⩽2,00
Ratio between free cash flow and service of the debt	>1	>1	>1	>1	>1
Capex (Euro thousands)	⩽600	⩽600	⩽600	⩽600	⩽600

(1) All the indicators reported in the table, with the exception of the net equity, relate to indicators not defined either by Italian GAAP or IFRS, but between the contractual parties represented.

This contract provides that the above-mentioned indicators are subject to annual verifications, through the comparison of the consolidated financial statements of the Issuer, with those shown in the table, and that the non-compliance of two from four of these indicators, or of only the ratio between the Net Financial Position and EBITDA, will result in an increase in the interest margin of 0.25% and the acceleration of the repayment.

The following commitments were provided as guarantee on these loans:

(i) A pledge, signed on July 31, 2006 with MPS, Centrobanca and Banca Popolare di Milano of Euro 10 million, on 100% of the shares of the parent company Screen Group S.p.A., corresponding to a nominal value of Euro 11,270 thousand;

(ii) A pledge, signed on July 31, 2006 with MPS, Centrobanca and Banca Popolare di Milano of Euro 10 million, on 100% of the shares of Screen Service Broadcasting Technologies S.p.A., corresponding to a nominal value of Euro 11,440 thousand.

Taking into account the date of the signing of the loans and the fact that they provide for the payment by the company of a floating market interest rate, the book value, determined under the amortised cost method approximates the fair value of the loans at the balance sheet date.

7.15 Other financial liabilities (current and non-current)

The account is comprised of:

	At September 30	
Euro thousands	**2006**	**2005**
Other non-current financial liabilities:		
Payables for purchases of SSI investment	1,500	1,500
of which beyond 5 years	–	–
Miur subsidised loan	228	–
of which beyond 5 years	68	–
Leasing beyond 12 months	130	13
Other current financial liabilities:		
Payables for purchases of SSI investment	–	1,500
Leasing within 12 months	88	27
Other	8	26
	1,954	**3,066**

The account "Payables for purchase of SSI investment" relates to the residual amount of the payable of SSBT to the shareholders of SSI, following the acquisition of this latter on September 29, 2004. The total purchase price was paid in part at the closing date and in part payable as follows:

(i) Euro 650 thousand by April 2, 2005;

(ii) Euro 1,500 thousand by April 2, 2006;

(iii) Euro 1,500 thousand by January 12, 2009.

Interest is payable at 6-month Euribor, paid on the maturity of the capital amount.

The account "MIUR subsidised loan" relates to the subsidised loan provided by the Ministry for University and Research to M.B. International Telecom Labs (M.B. ITL), for the development of a specific research project. The initial amount was Euro 302 thousand, repayable half-yearly and with the final repayment due on July 1, 2013. This loan is at an interest rate at 1% half-yearly.

The account "Payables for leasing" relates to the payable deriving from the leasing contract signed by M.B. ITL with MPS Leasing & Factoring S.p.A. relating to an automated Cabiotec, and leasing signed by SSBT for a DVB Tester with Italease S.p.A..

7.16 Provision for risks and charges

The account is comprised of:

	At September 30	
Euro thousands	**2006**	**2005**
Product guarantee provision	278	278
Provision to cover losses in investments	69	–
	347	**278**

The provisions for risks and charges represents the product guarantee risks of Euro 278 thousand of the parent company and a provision to cover losses in the subsidiary of Euro 69 thousand, following the losses in the company Screen Service America L.L.C., which exceed the book value of the investment already written down.

7.17 Personnel provisions

The personnel provisions relate to the employee leaving indemnity provision (TFR) which represents the liabilities of the Group at September 30, 2006 to employees at that date, net of the advances paid. The valuations were made applying the actuarial method.

The movements in the year are shown in the table below:

Year ended September 30, 2006:

Euro thousands	**At October 1, 2005**	**Change in consolidation scope**	**Provision**	**Utilisation**	**At September 30, 2006**
Employee leaving indemnity prov.	134	135	85	(40)	314

Year ended September 30, 2005:

Euro thousands	At October 1, 2004	Provision	Utilisation	At September 30, 2005
Employee leaving indemnity prov.	89	55	(10)	134

The economic-financial assumptions applied in the year were as follows:

	2006	2005
Annual technical discounting rate	4.40%	4.00%
Annual inflation rate	2.00%	2.00%
Annual salary increase	3.50%	3.50%
Annual increase in employee leaving indemnity	3.00%	3.00%
Annual frequency of advances	3.00%	3.00%
Annual frequency of turnover	10.00%	10.00%

The demographic assumptions utilised are as follows:

- For the probability of death, the Italian population recorded by ISTAT in 2002 was used, by gender;
- For the probability of invalidity, the INPS tables projected to 2010 were used, by gender. This probability was created from the age and gender of the pensions at January 1, 1987, commencing from 1984, 1985 and 1986 relating to the personnel of the credit division;
- For the pension period, it was assumed that the first pensionable requisites valid for the General Compulsory Insurance were reached.

7.18 Trade payables

The account is comprised of:

	At September 30	
Euro thousands	2006	2005
Suppliers Italy	3,570	2,459
of which associated company Innovaction S.r.l.	*421*	*550*
European Union Suppliers	8	11
Non-European Union Suppliers	19	22
Trade payables for invoices to receive	417	404
	4,014	**2,897**

The normal payment conditions for suppliers is between 90 and 120 days.

7.19 Current taxes – Other current liabilities

The account is comprised of:

Euro thousands	At September 30 2006	2005
Current taxes		
IRES	4,386	593
IRAP	636	124
	5,022	**717**
Other current liabilities		
Advances and payments from customers	1,239	149
Payables to employees	333	128
Accrued liabilities and deferred income	161	–
Tax payables	53	86
Social security payables	74	34
Other	7	0
	1,867	**397**

7.20 Revenues from production

The account is comprised of:

Euro thousands	Year-end September 30 2006	2005
Sales of digital TV transmitters	15,397	7,382
Sales of telecom equipment	7,407	–
Sales of analog TV transmitters	4,497	4,018
Sales of components and spare parts	2,687	1,476
Sales of other digital equipment	2,141	1,725
Sale of analog microwave links	1,300	558
Resale of equipment and goods	387	404
Sales of other analog equipment	248	440
Repairs and assistance	230	183
Sale of mobile analog microwave links	120	229
Client training and courses	34	22
Sales of MMDS analog equipment	22	47
Sales of MMDS digital equipment	12	–
Service for install. plant and equipment	11	7
Sale of digital microwave links	–	577
Consulting services	–	3
Other sales	849	9
	35,342	**17,080**

The increase is principally due to the sale of equipment for the DVB-H transmission.

7.21 Other income

The account is comprised of:

Euro thousands	Year-end September 30 **2006**	 **2005**
Recovery of transport expenses	161	54
Operating grants	–	133
Others	50	54
	211	**241**

The most significant account of the other income relates to the recovery of transport expenses for the year 2006, amounting to Euro 161 thousand.

7.22 Cost of raw materials and consumables utilised

The account is comprised of:

Euro thousands	Year-end September 30 **2006**	 **2005**
Raw materials	13,811	8,696
Equipment to resell	345	178
Accessory charges, energy and fuel	237	109
Materials for consumption and other assets	179	103
Packaging	29	27
Change in inventories	(4,758)	(3,580)
	9,843	**5,533**

The significant increase in the cost is principally due to the increase in the turnover of the company.

7.23 Services

The account is comprised of:

Euro thousands	Year-end September 30 **2006**	 **2005**
Legal, administration and other charges	412	1,396
Advertising costs	259	208
Outsourcing	243	1,025
Commissions	238	108
Transport costs	189	93
Maintenance	72	29
Temporary labour	64	171
Equipment compliance expenses	36	35
Royalties	–	126
Others	44	40
	1,557	**3,231**

The account legal consulting, administration and other recorded a net decrease in the year (–Euro 984 thousand); this is principally due to the fact that in the previous year the costs were mainly related to the merger of SSI and to the strategic consulting and due diligence for the acquisition by Natexis Cape Private Equity Fund S.G.R. S.p.A. of SSBT.

The decrease in the account "Outsourcing", is due to the consolidation of M .B. International Telecom Labs S.r.l., which permitted the internalisation of this work within the Group.

As a consequence of the acquisition of the business division M.B. International Telecom Labs in the previous year, the royalty charges decreased.

7.24 Rent, lease and hire costs

The account is comprised of:

	Year-end September 30	
Euro thousands	**2006**	**2005**
Rent, lease and similar costs	287	212
	287	**212**

The costs for rent, lease and similar principally relate to building rent (Euro 153 thousand – Euro 151 thousand in 2005).

The rental contract of the building where SSBT S.p.A. has its headquarters was separated in 2004, through a partial spin-off of the real estate line of business of SSI to a newly incorporated company called Fincinque S.r.l.. Due to this operation, Fincinque S.r.l. took over the lease contract, signing a rental agreement with SSBT.

Subsequently, Fincinque S.r.l. paid the anticipated redemption for the full ownership of the building.

7.25 Amortisation and depreciation

The account is comprised of:

	Year-end September 30	
Euro thousands	**2006**	**2005**
Depreciation of tangible assets	225	143
Amortisation of intangible assets	99	17
	324	**160**

The increase in depreciation and amortisation is largely due to the acquisition of M.B. International Telecom Labs S.r.l., which contributed new assets to the group and consequently higher charges.

7.26 Provisions & write-downs

The account is comprised of:

	Year-end September 30	
Euro thousands	**2006**	**2005**
Provisions and write-downs	211	39
	211	**39**

The change is due to higher provisions on doubtful debt provisions against the possible losses deriving from the non-recovery of trade receivables.

7.27 Personnel costs

The account is comprised of:

	Year-end September 30	
Euro thousands	**2006**	**2005**
Personnel costs		
Remuneration BoD	805	571
Employee benefits	252	49
Salaries	1,535	772
Grants	490	239
Employee leaving indemnity provision	76	38
	3,158	**1,669**

For comments relating to the "Employee benefits", reference should be made to the specific paragraph.

The change in personnel costs is due to the fact that in the previous year Screen Service Broadcasting Technologies S.p.A. was a stand-alone entity, while in the current year, the company is consolidated with M.B. International Telecom Labs S.r.l..

The average number of employees and directors for the years ended September 30, 2006 and 2005 is shown in the table below:

	Year-end September 30	
Euro thousands	**2006**	**2005**
White-collar	44	24
Blue-collar	8	3
Directors	11	8
	63	**35**

The change in employee numbers is principally due to the acquisition of M.B. International Telecom Labs S.r.l..

7.28 Other costs

The account is comprised of:

Euro thousands	Year-end September 30 2006	2005
Travel and transfer	120	71
Insurance	80	30
Cleaning	34	34
Printing	25	26
Administrative expenses reimbursement	19	–
Gifts	13	23
Office stationery	12	8
Other	157	60
	460	**252**

The most significant account included in other costs is that relating to travel, which amounted to Euro 120 thousand in 2006 and Euro 71 thousand in 2005. Travel costs relate to industry trade fairs, which the company participates in throughout the world.

7.29 Financial income and charges

The account is comprised of:

Euro thousands	Year-end September 30 2006	2005
Income		
Other interest	20	3
Interest income from bonds	8	–
Exchange gains	5	30
Interest on bank current account	4	18
Income on securities	2	3
	39	**54**
Charges		
Loan interest	(454)	(477)
Bank interest charges	(389)	(27)
Bank charges	(43)	(40)
Current account interest	(41)	(1)
Interest charge on drafts	(28)	–
Exchange losses	(18)	(14)
Financial components of personnel costs	(14)	(17)
Interest on other financing	(13)	–
Expenses for tenders	(12)	(20)
	(1,012)	**(596)**
	(973)	**(542)**

7.30 Income taxes

The account is comprised of:

Euro thousands	Year-end September 30 2006	2005
Current taxes		
IRES	*6,360*	*1,930*
IRAP	*976*	*344*
Deferred taxes		
IRES	*(9)*	*(18)*
IRAP	*(1)*	*(4)*
	7,326	**2,252**

The reconciliation between the theoretical and then actual fiscal charge is as follows, divided by IRES and IRAP:

	2006			2005		
Euro thousands	**Amount**	**Rate %**	**IRES**	**Amount**	**Rate %**	**IRES**
Profit before taxes	18,720			5,683		
Theoretical tax charge		33%	6,178		33%	1,875
Permanent differences:						
Stock option plans	252	33%	83	49	33%	16
Other minor	272	33%	90	63	33%	21
			6,351			**1,912**

	2006			2005		
Euro thousands	**Amount**	**Rate %**	**IRAP**	**Amount**	**Rate %**	**IRAP**
Operating result	19,713			6,225		
Personnel costs	3,158			1,669		
Provision for doubtful debts	211			39		
Theoretical tax charge	23,082	4.25%	981	7,933	4.25%	337
Permanent differences:						
Other minor	(130)	4.25%	(6)	71	4.25%	3
			975			**340**

8 Earnings per share

Euro thousands	Year-end September 30 2006	2005
Group net profit for the year (in Euro thousands)	11,394	3,431
Weighted average number of shares	11,339,945	11,000,000
Profit per share - basic (Euro per share)	1.00	0.31
Profit per share - diluted (Euro per share)	1.00	0.31

It is also recalled that, as illustrated in the events subsequent to the balance sheet date, on December 28, 2006, a paid-in share capital increase was approved for the issue of 660,000 new shares.

The benefit plans for employees did not have any effect on the earnings per share as no new shares were issued.

9 Transactions with related parties

Intercompany operations eliminated in the consolidation relate to ordinary operations and are regulated at market conditions; there are no operations of an atypical or of an unusual nature within the ordinary operations of the business.

A summary of the receivable/payable balances with related parties is shown in the table below:

	2006				2005			
Euro thousands	**Receivables**	**Payables**	**Financial receivables**	**Financial payables**	**Receivables**	**Payables receivables**	**Financial payables**	**Financial**
Screen Service America L.L.C.	11	–	554	–	–	–	–	–
Innovaction S.r.l.	586	421	–	–	246	549	–	–
Screen Service Systems S.r.l.	–	–	–	–	–	–	–	–
Bombelli Carlo	–	6	–	900	–	–	–	1,800
Saleri Giovanni	–	5	–	150	–	–	–	300
Sponchioni Alessandro	–	5	–	150	–	–	–	300
Gatti Giuseppe Angelo	–	5	–	150	–	–	–	300
Chiaia Cristoforo	–	–	–	–	–	–	–	300
Bargauan Michele	–	5	–	–	–	–	–	–
Baccalini Gianluca	–	3	–	–	–	–	–	–
Ranza Fabio	–	2	–	–	–	–	–	–
Pavesi Alberto	–	4	–	–	–	–	–	–
	597	**456**	**554**	**1,350**	**246**	**549**	**–**	**3,000**

The financial payables of Euro 1,350 thousand relate to the payable for the acquisition of SSI, already commented upon under other financial liabilities.

The table below summarises the transactions with related parties in 2006 and 2005, subdivided by the nature of the transaction:

	2006						
	Costs					Revenues	
Euro thousands	**Products and services**	**Emoluments**	**Stock options**	**Rent, leases and similar costs**	**Financial charges**	**Sale of products**	**Financial income**
Screen Service America L.L.C.	–	–	–	–	–	11	9
Innovaction S.r.l.	1,592	–	–	–	–	950	–
Screen Service Systems S.r.l.	–	–	–	–	–	–	–
Bombelli Carlo	–	155	23	–	144	–	–
Saleri Giovanni	–	120	4	–	24	–	–
Sponchioni Alessandro	–	120	4	–	24	–	–
Gatti Giuseppe Angelo	–	120	4	–	24	–	–
Chiaia Cristoforo *	–	90	4	–	–	–	–
Bargauan Michele	–	75	203	–	–	–	–
Baccalini Gianluca **	55	–	–	–	–	–	–
Ranza Fabio **	46	–	–	–	–	–	–
Pavesi Alberto	42	47	10	–	–	–	–
De Vecchi Guido	–	15	–	–	–	–	–
Cimino Simone	–	15	–	–	–	–	–
Vismara Marco	–	15	–	–	–	–	–
Terreni Loredana	–	33	–	–	–	–	–
Fincinque S.r.l.	–	–	–	153	–	–	–
	1,735	**805**	**252**	**153**	**216**	**961**	**9**

* The emoluments of Cristoforo Chiaia, refer to nine months, due to his resignation in July 2006.

** The amounts relating to Baccalini Gianluca and Ranza Fabio refer to salaries paid.

Euro thousands	2005					
	Costs				Revenues	
	Products and services	Emoluments	Stock options	Rent, leases and similar costs	Financial charges	Sale of products
Innovaction S.r.l.	2,162	–	–	–	–	906
Bombelli Carlo	–	126	23	–	4	–
Saleri Giovanni	–	100	4	–	1	–
Sponchioni Alessandro	–	100	4	–	1	–
Gatti Giuseppe Angelo	–	100	4	–	1	–
Chiaia Cristoforo	–	100	4	–	1	–
Baccalini Gianluca	45	–	–	–	–	–
Ranza Fabio	39	–	–	–	–	–
Pavesi Alberto	72	–	10	–	–	–
De Vecchi Guido	–	15	–	–	–	–
Cimino Simone	–	15	–	–	–	–
Vismara Marco	–	15	–	–	–	–
Fincinque S.r.l.	–	–	–	151	–	–
	2,318	**571**	**49**	**151**	**8**	**906**

10 Investments held by Directors and Statutory Auditors

The holdings held by Directors and Statutory Auditors and the relative movement in the year 2006 are shown below:

Name	Number of shares held at September 30, 2005	Number of shares purchased in the year	Number of shares sold in the year	Number of shares held at September 30, 2006
Directors				
Bombelli Carlo	1,870,000	344,887	(2,214,887)	–
Saleri Giovanni	440,000	57,481	(497,481)	–
Sponchioni Alessandro	440,000	57,481	(497,481)	–
Gatti Giuseppe Angelo	440,000	57,481	(497,481)	–
Bargauan Michele	–	440,000	(440,000)	–
Baccalini Gianluca	330,000		(330,000)	–
Ranza Fabio	220,000		(220,000)	–
Pavesi Alberto	220,000	110,000	(330,000)	–
Chiaia Cristoforo	440,000	–	(440,000)	–
De Vecchi Guido	–	–	–	–
Cimino Simone	–	–	–	–
Vismara Marco	–	–	–	–
Board of Statutory Auditors				
Riccardo Alloisio	–	–	–	–
Giovanni Tampalini	–	–	–	–
Savio Gariboldi	–	–	–	–
	4,400,000	**1,067,330**	**(5,467,330)**	**–**

11 Subsequent events after the year end

On December 28, 2006, the Extraordinary Shareholders' Meeting approved a paid-in share capital increase of Euro 660 thousand, from the current Euro 11,440 thousand to Euro 12,100 thousand, with the payment of a share premium of Euro 2,240 thousand.

12 Commitments and risks

Commitments and risks are as follows:

Comfort letter from Screen Service Broadcasting Technologies S.p.A., on behalf of Innovaction S.r.l., corresponding to Euro 300 thousand, as guarantee of the credit line for a similar amount granted by Banca Popolare Commercio e Industria S.p.A.

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ATTACHMENT TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 2006 AND TO THE FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 2005, RESTATED IN ACCORDANCE WITH IFRS ADOPTED BY THE EUROPEAN UNION

SCREEN SERVICE BROADCASTING S.p.A.

TRANSITION TO IAS/IFRS INTERNATIONAL ACCOUNTING STANDARDS

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1 INTRODUCTION

In consideration of the fact that, based on the provisions of EU Regulation 809/2004 and of recommendation No. 05-504b of CESR (Committee of European Security Regulators), the Group restated the consolidated financial statements at September 30, 2006 and the financial statements at September 30, 2005 in accordance with International Financial Reporting Standards (IFRS), adopted by the European Union, exclusively for their inclusion in the Prospectus in course of preparation for the admission procedure of the ordinary shares of Screen Service Broadcasting Technologies S.p.A., it was necessary to prepare the present document which illustrates the effects and procedures applied for the transition to the above-mentioned IFRS.

2 GENERAL PRINCIPLES

The company applied the IFRS in retrospective manner to all of the periods closed prior to the transition date, except some voluntary and compulsory exemptions adopted in accordance with IFRS 1, which governs the transition to IFRS, as described in the following paragraphs.

In accordance with the provisions of IAS 1, the following information is provided relating to the effects of the transition to the IFRS.

The present document include:

- the reconciliation schedules between the net equity and consolidated result of those prepared in accordance with Italian GAAP and IFRS adopted by the European Union, for the first-time application of the standards, together with the relative explanatory notes:
  - at October 1, 2004, and
  - at September 30, 2005;
- the IFRS balance sheet at October 1, 2004 and at September 30, 2005 and the IFRS income statement for the year ended September 30, 2005 indicating the adjustments and reclassifications made in order to restate in accordance with IFRS.

Screen Service Broadcasting Technologies S.p.A. acquired the company Screen Service Italia S.p.A. on September 29, 2004, however at that date consolidated financial statements were not prepared in accordance with Italian GAAP as the company was not required to prepare this document. Subsequently, on March 30, 2005, with retrospective fiscal and accounting effect as of October 1, 2004, the company Screen Service Broadcasting Technologies S.p.A. incorporated Screen Service Italia S.p.A..

For the purposes of the present transition, the data of Screen Service Broadcasting Technologies S.p.A. was restated at September 30, 2004, adjusted for the effects of the consolidation, from this date, of Screen Service Italia S.p.A.. For the purposes of complete information, reconciliation is provided between the balance sheet at October 1, 2004 of Screen Service Italia S.p.A., prepared in accordance with Italian GAAP and prepared in accordance with IFRS, indicating separately the effect of the business combination.

In relation to the financial statements at September 30, 2005, the effects are shown of the transition from the statutory financial statements prepared in accordance with Italian GAAP of Screen Service Broadcasting Technologies S.p.A. to the "primary" financial statements, prepared in accordance with IFRS of the same company, in that at that date, the company did not hold any investments in subsidiaries.

2 FORMAT FOR THE PRESENTATION OF THE FINANCIAL STATEMENTS

Balance sheet

The assets and liabilities are analysed by maturity, separating the current and non-current account due before and due beyond 12 months respectively.

Income statement

For the Income Statement, the classification of costs according to their nature was adopted.

3 DIFFERENCES OF TREATMENT COMPARED TO THE FINANCIAL STATEMENTS AT SEPTEMBER 30, 2005, PREPARED IN ACCORDANCE WITH ITALIAN GAAP

The principal differences in treatment are as follows:

(I) inclusion of all the assets and liabilities considered as such based on the new principles;

(II) recognition of the asset and liability values that would have resulted if the new standards had been applied previously with the exception of the exceptions/options permitted by IFRS 1;

(III) recognition of all of the adjustments resulting from the first-time application of the IFRS with recording in the opening net equity at the transition date, taking into account the relative fiscal effect to be recorded under deferred tax liabilities;

(IV) reclassification of the accounts recognised in accordance with standards different than IFRS.

4 EXEMPTIONS PERMITTED FROM THE COMPLETE RETROSPECTIVE APPLICATION OF THE IFRS

For the first-time application of IFRS, the company applied the following principal exemptions in accordance with IFRS 1:

(I) the cumulative effect deriving from the actuarial valuation of employee benefits after the employment period, principally the employee leaving indemnity, resulting from the first-time application of IAS 19, was fully recorded on transition;

(II) in accordance with IAS2 – Inventories, Paragraph 25, the cost of inventories must be calculated using the FIFO method or the weighted average cost formula. It was decided to use the weighted average cost method.

(III) After initial recognition at cost, IAS 16 – Property, plant and equipment, Paragraph 30 and IAS 38 – Intangible assets, Paragraph 72 allows these assets to be valued at cost, or by the periodic determination of the market value and adjustment of the book value to this value at the measurement date. It was decided to adopt the cost method. In addition, it is noted that the company, in the presence of revaluations made in previous years against which the values of the revalued tangible assets were in line with the fair value at that date, chose to maintain this value.

The transition to IFRS involved the maintenance of the estimates previously formulated according to Italian GAAP, except where the adoption of IFRS required the formulation of estimates according to different methods.

5 RECONCILIATION OF NET EQUITY AT OCTOBER 1, 2004 AND AT SEPTEMBER 30, 2005 AND THE RESULT FOR THE YEAR ENDED SEPTEMBER 30, 2005

The differences arising from the application of IFRS versus Italian GAAP as well as the choices of the above-mentioned accounting options set by IAS/IFRS entail the restating of the financial statements prepared under Italian GAAP indicating the effects on the net equity and net result.

The reconciliation of the net equity at October 1, 2004 and at September 30, 2005, as well as the result for the year ended September 30, 2005, between those prepared in accordance with Italian GAAP and IFRS is shown below.

The adjustments shown in the following reconciliation schedules are net of the relative tax effects, calculated on the basis of the current fiscal rates or substantially approved at the balance sheet date.

Description	**Note**	**Shareholders' equity at 01,10,04**	**Other movements**	**Net profit for the year**	**Shareholders' equity as at 30,09,05**
Shareholders' equity as per Italian GAAP		10,994	–	1,917	12,911
Recog. of employ. leav. indem. Under actuarial meth.	5.1	–	–	–1	–1
Fiscal adjustment effect	5.2	–	–	–31	–31
Recognition of financel lease contracts (IAS 17)	5.3	–	–	3	3
Reversal of goodwill amortisation	5.4	–	–	1,592	1,592
Employee benefits	5.5		49	–49	–
Total adjustments		**–**	**49**	**1,514**	**1,563**
Shareholders' equity IFRS		**10,994**	**49**	**3,431**	**14,474**

NOTES TO THE RECONCILIATION OF THE NET EQUITY AT OCTOBER 1, 2004 AND AT SEPTEMBER 30, 2005 AND THE RESULT FOR THE YEAR ENDED SEPTEMBER 30, 2005

Comments are provided below on the principal IFRS adjustments.

5.1 Employee leaving indemnity (IAS 19)

The adjustment relates to the valuation of the existing liabilities against the employee benefits to be paid on termination of employment and relates to the employee leaving indemnity. In accordance with Italian GAAP, the benefits are represented by liabilities determined in accordance with legislation, while the rules contained in IAS 19, paragraph 50, provide for their calculation through the use of technical actuaries.

At September 30, 2005, the adjustment to increase the employee leaving indemnity provision was Euro 1 thousand, before the fiscal effect, however it should be noted that the adjustment at the transition date, a decrease of Euro 1 thousand was recorded as a reduction of the value of the goodwill recorded on the business combination at September 29, 2004, in that this provision relates entirely to personnel of the company Screen Service Italia S.p.A..

5.2 Accelerated depreciation (IAS 16)

The adjustment refers to the effect of the business combination of the companies made on the merger and in particular relating to the reversal of the fiscal differences arising from the recording in the financial statements of the accelerated depreciation of Screen Service Italia S.p.A..

This adjustment amounts to Euro 49 thousand, before the relative fiscal effect, equal to Euro 18 thousand, and reverses the extraordinary items recorded by Screen Service Broadcasting Technologies S.p.A., as the company incorporating Screen Service Italia S.p.A., with recording of the goodwill relating to the business combinations of September 29, 2004.

5.3 Recording of finance leases (IAS 17)

Under Italian GAAP, the finance leases are recorded in accordance with the “asset method”, in which the lessee does not record either the asset or the related liability in the financial statement, charging the lease instalments in the income statement when due. IAS 17 – Leasing, requires that these operations are recorded in accordance with the “finance method”, on the basis of which the lessee has to:

1. record, on the signing of the contract, the value of the asset under non-current assets and, simultaneously, record a liability for a similar amount;
2. depreciate periodically, the asset over a period representing the estimated useful life, or, if lower, over the duration of the contract where the transfer of ownership is not expected;
3. periodically, record the financial charges relating to the loan received;
4. periodically adjust the value of the payable representing the loan received based on the repayments made in the period through the lease instalments.

The adjustment is related to the recognition:

1. of the net book value of the leased assets at the transition date and the assets relating to contracts concluded at that date which in the past were redeemed;
2. of the residual value, at the transition date, of the loan received at the moment of the signing of the contract.

At September 30, 2005, the amount was Euro 5 thousand, before the fiscal effect of Euro 2 thousand, however it should be noted that the adjustment at the transition date, amounting to Euro 4 thousand, before the fiscal effect, was recorded as a decrease of the goodwill due to the business combination at September 29, 2004.

5.4 Reversal of goodwill amortisation

The adjustment, amounting to Euro 1,592 thousand, represents the reversal of the amortisation on the goodwill recorded in 2005. Under Italian GAAP, the goodwill is amortised over a period of between 5 and 10 years. In accordance with the IFRS adopted by the European Union, in particular relating to IFRS 3 – Business Combinations, Paragraph 55, goodwill is no longer amortised on a systematic basis, but an annual impairment test is made.

No fiscal effect was calculated, in that the goodwill amortisation was not deductible.

5.5 Employee benefits

The benefit plans have the objective of providing incentive and loyalty to directors/employees who are the beneficiaries.

The benefit plans assigned in previous years were as follows:

- on July 6, 2004, assignment to the 5 founding shareholders of options for the acquisition of a maximum of 660,000 shares of the company equal to the nominal value of the shares. The conditions for the maturity of this incentive were based on the achievement of the remuneration level obtained by the investment fund in the share capital of the company, in addition to the beneficiaries remaining in service for at least 5 years from the assignment date. The period of maturity is therefore equal to 5 years. The valuation of the option was made utilising the Black-Scholes method, applying a risk-free rate of 3.7% and a volatility of 58.55% (source Bloomberg). The effect of the recording of this plan on the result in 2005 was Euro 39 thousand. At September 30, 2005, there was a residual benefit, to be recorded in the income statements of future years equal to Euro 147 thousand.
- on December 27, 2004, three new collaborators, of which two employees and one director, were sold shares of the company at the nominal value (770,000 shares), and in addition one of these persons was granted the option to acquire a further 110,000 shares also at the nominal value. On July 31, 2006, the above-mentioned option was exercised and following the complete sale of the above-mentioned shares, the shareholders realised the benefit deriving from the plan. The conditions for the maturity of this incentive is that the beneficiaries remain in service for at least 5 years from the assignment date. The period of maturity is therefore equal to 5 years. The valuation of the option was made utilising the Black-Scholes method, applying a risk-free rate of 3.7% and a volatility of 58.55% (source Bloomberg). The effect of the recording of this plan on the result in 2005 was Euro 9 thousand. At September 30, 2005, there was a residual benefit, to be recorded in the income statements of future years equal to Euro 34 thousand.

5.6 Reclassifications

Intangible assets

Under Italian GAAP, leasehold improvements are recorded as intangible assets. As per IFRS adopted by the European Union, these assets must be classified in accordance with the nature of the tangible assets to which they refer and therefore recorded in the account "property, plant and equipment".

Extraordinary net income/(charges)

Italian GAAP requires the recording of extraordinary net income/expenses in a specific account in the income statement. As per IFRS approved by the European Union, the extraordinary income/charges are classified in the respective cost and revenue accounts.

RECONCILIATION OF THE BALANCE SHEET AT OCTOBER 1, 2004 AND OF THE BALANCE SHEET AND INCOME STATEMENT AT SEPTEMBER 30, 2005

BALANCE SHEET AS AT 01.10.2004

Balance Sheet	SSBT Italian GAAP	Total IFRS Reclassifications	Total IFRS Adjustments	IFRS Aggregate
Assets				
Non-current assets				
Plant, machinery and other assets	–	–	371	371
Goodwill	–	–	15,769	15,769
Intangible assets	–	–	43	43
Equity investments	23,983	–	(23,791)	192
Deferred tax assets	–	–	86	86
Total non-current assets	***23,983***	***–***	***(7,522)***	***16,461***
Current assets				
Inventories	–	–	3,652	3,652
Trade receivables	–	–	6,033	6,033
Other receivables	200	–	(16)	184
Financial assets at market values	–	–	777	777
Cash and cash equivalents	761	–	1,445	2,206
Total current assets	**961**	**–**	**11,891**	**12,852**
Total assets	**24,944**	**–**	**4,369**	**29,313**
Shareholders' equity and liabilities				
Shareholders' Equity				
Share capital	11,000	–	–	11,000
Reserves and accumulated losses	(6)	–	–	(6)
Total Shareholders' Equity	***10,994***	***–***	***–***	***10,994***
Non-current liabilities				
Banks payables	10,000	–	(200)	9,800
Other financial liabilities	–	–	40	40
Provision for risks and charges	–	–	278	278
Personnel provisions	–	–	89	89
Deferred tax liabilities	–	–	34	34
Total non-current liabilities	***10,000***	***–***	***241***	***10,241***
Current liabilities				
Banks payables	–	–	347	347
Other financial liabilities	3,650	–	26	3,676
Trade payables	300	–	2,295	2,595
Other liabilities	–	–	1,460	1,460
Total current liabilities	***3,950***	***–***	***4,128***	***8,078***
Total shareholders' equity and liab.	**24,944**	**–**	**4,369**	**29,313**

For a better understanding of the transition process to the IFRS, details are provided below of the reclassifications and adjustments made relating to the company Screen Service Italia S.p.A.. It is recalled in fact that the majority of the adjustments at October 1, 2004 related to the consolidation of this company whose balance sheet was appropriately adjusted/reclassified to include the effects of the IFRS. However, having applied IFRS 3 to the business combination on September 29, 2004, the impact of these adjustments had an effect on the value of the goodwill:

BALANCE SHEET 01.10.2004

Balance Sheet	**Italian GAAP**	**Total Adjustments and reclass IFRS**	**IFRS standards**
Assets			
Non-current assets			
Plant, machinery and other assets	250	121	371
Goodwill	50	–	50
Intangible assets	43	–	43
Equity investments	192	–	192
Deferred tax assets	–	86	86
Total non-current assets	***535***	***207***	***742***
Current assets			
Inventories	3,652	–	3,652
Trade receivables	6,033	–	6,033
Other receivables	270	(86)	184
Financial assets at market values	777	–	777
Cash and cash equivalents	1,445	–	1,445
Total current assets	**12,177**	**(86)**	**12,091**
Total assets	**12,712**	**121**	**12,833**
Shareholders' equity and liabilities			
Shareholders' Equity			
Share capital	120	–	120
Reserves and retained earnings	8,152	36	8,188
Total Shareholders' Equity	**8,272**	**36**	**8,308**
Non-current liabilities			
Other financial liabilities	–	40	40
Provision for risks and charges	278	–	278
Personnel provisions	91	(1)	90
Deferred tax liabilities	13	21	34
Total non-current liabilities	***382***	***60***	***442***
Current liabilities			
Banks payables	347	–	347
Other financial liabilities	–	25	25
Trade payables	2,250	–	2,250
Other liabilities	1,461	–	1,461
Total current liabilities	***4,058***	***25***	***4,083***
Total shareholders' equity and liab.	**12,712**	**121**	**12,833**

BALANCE SHEET AT SEPTEMBER 30, 2005

	Italian GAAP	Total IFRS Reclassifications	Total IFRS Adjustments	IFRS
Assets				
Non-current assets				
Plant, machinery and other assets	278	–	51	329
Goodwill	14,213	–	1,556	15,769
Intangible assets	245	–	(163)	82
Equity investments	192	–	–	192
Other assets	28	–	–	28
Deferred tax assets	95	–	–	95
Total non-current assets	***15,051***	***–***	***1,444***	***16,495***
Current assets				
Inventories	7,232	–	–	7,232
Trade receivables	7,597	–	–	7,597
Other receivables	98	–	(1)	97
Financial assets at market values	350	–	–	350
Cash and cash equivalents	328	–	–	328
Total current assets	**15,605**	**–**	**(1)**	**15,604**
Total assets	**30,656**	**–**	**1,443**	**32,099**
Shareholders' equity and liabilities				
Shareholders' Equity				
Share capital	11,000	–	–	11,000
Reserves and retained earnings	1,911	–	1,563	3,474
Total Shareholders' Equity	***12,911***	***–***	***1,563***	***14,474***
Non-current liabilities				
Banks payables	7,000	–	–	7,000
Other financial liabilities	1,500	–	13	1,513
Provision for risks and charges	278	–	–	278
Personnel provisions	133	–	1	134
Deferred tax liabilities	18	–	3	21
Total non-current liabilities	***8,929***	***–***	***17***	***8,946***
Current liabilities				
Banks payables	3,256	–	(141)	3,115
Other financial liabilities	1,526	–	27	1,553
Trade payables	2,897	–	–	2,897
Other liabilities	1,137	–	(23)	1,114
Total current liabilities	***8,816***	***–***	***(137)***	***8,679***
Total liabilities	**30,656**	**–**	**1,443**	**32,099**

INCOME STATEMENT AT SEPTEMBER 30, 2005

	Italian GAAP	Total IFRS Reclassifications	Total IFRS Adjustments		IFRS
Revenues from production	17,080	–	–		17,080
Other income	241	–	–		241
Total revenues & income	**17,321**	**–**	**–**		**17,321**
Cost of raw materials andconsumables utilised	5,533	–	–		5,533
Services	3,849	(618)	–		3,231
Rent, lease and similar costs	241	–	(29)		212
Amortisation & depreciation	1,768	–	(1,608)		160
Provisions & write-downs	39	–	–		39
Personnel costs	1,017	618	34		1,669
Other costs	252	–	–		252
Total costs	**12,699**	**–**	**(1,603)**		**11,096**
Operating result	**4,622**	**–**	**1,603**		**6,225**
Financial income/(charges)	(484)	–	(58)		(542)
Extraordinary income/(charges)	62	(13)	(49)		–
Profit before taxes	**4,200**	**(13)**	**1,496**		**5,683**
Income taxes	2,283	(13)	(18)		2,252
Net profit for year	**1,917**	**–**	**1,514**		**3,431**
Earnings per share – basic and diluted (in Euro)				**€**	**0.31**

Report of the auditors

To the Board of Directors of

Screen Service Broadcasting Technologies SpA

1. We have audited the accompanying financial statements of Screen Service Broadcasting Technologies SpA, which comprise the consolidated balance sheet as of September 30, 2006 of Screen Service Broadcasting Technologies SpA and its subsidiaries (together "the Group"), and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and the balance sheet as of September 30, 2005 of Screen Service Broadcasting Technologies SpA, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes (the "restated financial statements").

   The restated financial statements of the Group are derived from the consolidated financial statements as of and for the year ended September 30, 2006 and the financial statements as of and for the year ended September 30, 2005, prepared in accordance with the requirements of the Italian Civil Code governing the criteria for their preparation, and audited by us, on which we have issued a report on January 11, 2007 and February 7, 2006, respectively. The restated financial statements have been prepared for the first time in accordance with International Financial Reporting Standards adopted by the European Commission for use in the European Union ("IFRS") solely for the listing of Screen Service Broadcasting Technologies SpA shares on the Expandi Market managed by Borsa Italiana SpA.

   Management is responsible for the preparation and fair presentation of the restated financial statements in accordance with IFRS. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

   Our responsibility is to express an opinion on the restated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

2. We have conducted our audits in accordance with the auditing standards and criteria recommended by CONSOB (Italian National Commission for Companies and Stock Exchange). An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

   We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

3. In our opinion, the restated financial statements give a true and fair view of the financial position of Screen Service Broadcasting Technologies SpA as of September 30, 2006 and 2005, and of its financial performance and its cash flows for the years then ended in accordance with IFRS.

4. As explained in the explanatory notes, the restated financial statements are the first financial statements prepared in accordance with IFRS, and the financial statements of Screen Service Broadcasting Technologies SpA as of and for the year ended September 30, 2005 do not include comparative information for the previous period, as required by IAS 1.

Brescia, February 16, 2007

PricewaterhouseCoopers SpA

/s/ Roberto Pirola

Roberto Pirola

(Partner)

(This report has been translated into the English language solely for the convenience of international readers.)

20.1.3 The Issuer's financial statements for the year ended September 30, 2005 prepared in accordance with Italian GAAP.

The present paragraph includes the document relating to the financial statements of the Issuer for the year ended September 30, 2005 prepared in accordance with Italian GAAP, as approved by the shareholders' meeting on February 9, 2006. The Auditing Company's report on the above-mentioned financial statements is also attached.

FINANCIAL STATEMENTS AS AT 30.09.2005

	30.09.2005	30.09.2004
Balance sheet		
Assets		
B) Fixed assets		
I) Intangible assets		
2) research, development and advertising costs	28,500	
accumulated amortisation	–2,850	
3) industrial patents and intellectual property rights	86,748	
accumulated amortisation	–30,890	
5) goodwill	15,805,240	
accumulated amortisation	–1,592,093	
7) other	199,801	
accumulated amortisation	–36,318	
Total	**14,458,138**	
II) Tangible assets		
2) plant and machinery	19,053	
accumulated depreciation	–12,196	
3) industrial and commercial equipment	930,034	
accumulated depreciation	–737,898	
4) other assets	271,438	
accumulated depreciation	–192,363	
Total	**278,068**	
III) Financial assets		
1) shareholdings in:		
a) subsidiary companies		23,982,968
b) associated companies	192,000	
2) receivables:		
d) from others	601	
Total	**192,601**	**23,982,968**
Total fixed assets	**14,928,807**	**23,982,968**
C) Current assets		
I) Inventories		
2) work in progress and semi-finished goods	7,067,746	
obsolete provision	–124,101	
4) finished goods	288,125	
Total	**7,231,770**	
II) Receivables		
1) trade receivables	7,349,517	
3) associated companies	246,515	
4 bis) tax receivables	33,151	285
4 ter) deferred tax assets	94,828	
5) from others	89,104	
Total	**7,813,115**	**285**
III) Current financial assets		
5) other securities	350,833	
Total	**350,833**	
IV) Cash and cash equivalents		
1) bank and postal deposits	318,434	751,568
3) cash-in-hand and cash equivalents	9,246	9,800
Total	**327,680**	**761,368**
Total current assets	**15,723,398**	**761,653**
D) Prepayments and accrued income	3,843	199,801
Total assets	**30,656,048**	**24,944,422**

	30.09.2005	30.09.2004
Balance sheet		
Liabilities		
A) Shareholders' equity		
I) Share capital	11,000,000	11,000,000
VII) Other reserves:		
Rounding reserve	2	
VIII) Losses carried forward	–6,318	–607
IX) Profit/(loss) for the year	1,917,113	–5,711
Total	**12,910,797**	**10,993,682**
B) Provisions for risks and charges		
2) taxation, including deferred tax liabilities	18,373	
3) other	277,521	
Total	**295,894**	
C) Employee leaving indemnity	133,050	
D) Payables		
4) bank payables (of which € 7,000,000 beyond twelve months)	10,255,861	10,000,000
6) payments on account	108,176	
7) trade payables	2,347,346	300,740
10) associated companies	549,528	
12) tax payables	803,654	
13) social security institutions	34,688	
14) other payables (of which € 1,500,000 beyond twelve months)	3,194,803	3,650,000
Total	**17,294,056**	**13,950,740**
E) Accruals and deferred income	22,251	
Total liabilities	**30,656,048**	**24,944,422**
Memorandum accounts		
Guarantees and pledges given to third parties	10,530,000	10,350,000
Lease obligations	71,876	
Total	**10,601,876**	**10,350,000**

	30.09.2005	30.09.2004
Income statement		
A) Value of production		
1) revenues from goods and services	17,079,599	298,000
2) changes in inventory of products in progress, semi-finished and finished goods	3,580,269	–298,000
5) other revenues and income	237,638	
Total	**20,897,506**	**0**
B) Costs of production		
6) raw materials, ancillary, consumables and goods	–9,038,412	
7) services	–4,110,753	–5,362
8) use of third party assets	–241,013	
9) personnel:		
a) wages and salaries	–772,352	
b) social security contributions	–192,478	
c) employee leaving indemnity	–52,405	
e) other costs	–7,884	
10) amortisation, depreciation and write-downs:		
a) amortisation of intangible assets	–1,644,774	
b) depreciation of tangible assets	–122,792	
d) doubtful debt provisions	–39,018	
14) other operating charges	–129,363	–354
Total	**–16,351,244**	**–5,716**
Difference between value and costs of production	**4,546,262**	**–5,716**
C) Financial income and charges		
16) other financial income:		
c) from non-current securities	5,429	
d) other income than above	18,779	5
17) interest and other financial charges	–449,314	
17 bis) exchange gains and losses	16,513	
Total	**–408,593**	**5**
E) Extraordinary income and charges		
20) income	62,237	
Total extraordinary income and charges	**62,237**	
Profit/(loss) before taxes	**4,199,906**	**–5,711**
22) Income taxes	–2,282,793	
23) Net profit/(loss) for the year	1,917,113	–5,711

NOTES TO THE FINANCIAL STATEMENTS

Dear Shareholders,

we present for your examination the financial statements for the year ended September 30, 2005, which report a net profit of Euro 1,917,113.

We recall that on March 30, 2005, by deed notarized by G. Tufano from Brescia, the merger by incorporation was completed of Screen Service Italia S.p.A., with accounting and fiscal effect as of October 1, 2004.

The present financial statements were prepared in accordance with the provisions of the Civil Code, Legislative Decree No. 127 of April 9, 1991 and Legislative Decree No. 6 of January 17, 2003, enacting the company law reform, which contained the requirements in Law No. 366 of October 30, 2001, amending the provisions contained in the V Book – V Title of the Civil Code and, therefore, the requirements for the preparation of statutory financial statements of joint stock companies.

Therefore, these financial statements are the first prepared in accordance with the new company law provisions which were effective as of January 1, 2004.

The financial statements consist of:

1) Balance Sheet;
2) Income Statement;
3) Notes to the financial statements.

The Notes constitute, together with the Balance Sheet and the Income Statement, an integral part of the financial statements.

FORM AND CONTENTS OF THE FINANCIAL STATEMENTS

The financial statements for the year ended 30.09.2005, in which the present Notes constitute an integral part in accordance with article 2423, paragraph 1, of the Civil Code, correspond to the underlying accounting records correctly maintained and were prepared:

- in accordance with articles 2423, 2423-*ter*, 2424, 2424-*bis*, 2425 and 2425-*bis* of the Civil Code;
- in accordance with the principles required by article 2423-*bis* of the Civil Code and the accounting principles required by article 2426 of the Civil Code, they have not changed from those used for the preparation of the financial statements of the previous year, except for the assets and liabilities in foreign currencies, whose valuation was made in accordance with the new provisions of point 8 of article 2426 of the Civil Code, introduced with Legislative Decree No. 6/2003.

The classifications of the single account items are comparable with those of the previous year, with the exception of the prepayments which in the present accounts, for a better application of the accounting principles, are recorded in the account BI 7) “other fixed assets”.

In accordance with article 2423-*ter*, paragraph 5, of the Civil Code, for the purposes of a better presentation and comparability of the financial statements, we have reclassified the accounting data relating to the previous year, with reference to:

* Balance Sheet – Assets: Account C II 5) "other receivables" in which, differing from the previous years, the tax receivables are no longer recorded, in accordance with the new presentation requirement of the balance sheet, to the Account C II 4-*bis*) "tax receivables" and 4-*ter*) "deferred tax assets".

* Income Statement: Account C 16) "other financial income" in accordance with the new presentation criteria of the income statement, to the Account C 17-*bis*) "exchange gains and losses".

No aggregations or omissions were made in relation to the obligatory reporting formats required by articles 2424 and 2425 of the Civil Code.

No asset or liability accounts are included in more than one account item.

Consideration was taken of the risks and losses relating to the year even if known after the balance sheet date.

The valuations adopted were based on the criteria of prudence and going concern of the company and there were no circumstances requiring the application of exceptions as per articles 2423 paragraph 4 and 2423-*bis* paragraph 2 of the Civil Code.

With specific reference to articles 2426 and 2427 of the Civil Code, we report the accounting principles adopted as well as the changes in the balance sheet and income statement accounts compared to the previous year, recalling that the changes relate almost entirely to be above-mentioned merger.

ACCOUNTING PRINCIPLES

Intangible assets

They are recorded at original purchase cost, increased by any direct charges which may be allocated and are amortised in accordance with article 2426 of the Civil Code.

Research, development and advertising expenses: they are amortised in accordance with statutory requirements, in relation to the residual useful life and in any case not above 5 years.

We recall that dividends may not be distributed until there are sufficient reserves to cover the amount of the costs not amortised.

Industrial patents and intellectual property rights: they are amortised in relation to the residual useful life and in any case not above 5 years.

Goodwill: this was in part purchased and, for the prevalent part, deriving from the recording of the merger difference; this is amortised over a period not above 10 years, with the approval of the Board of Statutory Auditors.

Other: the account relates to financing costs and are amortised based on the duration of the related loan.

Property, plant and equipment

They are recorded at purchase and/or production cost, including directly related costs, modified by previous revaluations made on the assets incorporated of Screen Service Italia S.p.A..

In accordance with article 10 of Law No. 72 of March 19, 1983, we report that the amounts recorded in the financial statements of laboratory equipment still existing at year-end were adjusted by the following revaluations:

	Law 342/2000	Law 350/2003	Total
Laboratory equipment	79,800	242,878	322,678

The amortisation is applied in accordance with the provisions of article 2435-*bis* of the Civil Code.

The maintenance and repairs which generated an effective increase in the value and of the useful life of the asset are recorded as an increase in the value of the asset and depreciated in relation to the residual use of the assets.

Depreciation is calculated based on the residual use of each individual asset on a straight-line basis; assets acquired in the year are depreciated at 50%, based on the limited utilisation in the production process.

The depreciation rates used were as follows:

– plant and machinery (telephone plant and switchboards)	20%
– industrial and commercial equipment	25%
– other assets:	
furniture and fittings	12%
EDP	20%
ordinary office machines:	12%
internal transport	20%
assets with a value below Euro 516.46	100%

Financial fixed assets

Investments in associated companies: they are valued at purchase price including incidental costs directly attributable to the asset.

As the book value is above the share of the net equity resulting from the last financial statements, the difference is explained in the present notes.

Current assets

Work in progress and semi-finished products: they are recorded at purchase cost including directly related charges, assembly and processing.

Obsolescence provision: includes provisions made in previous years and in the present year against potential liabilities due to the technical obsolescence of components and semi-processed work.

Finished products and goods: they are recorded at purchase cost including directly related charges, assembly and processing.

Receivables: they are recorded at nominal value, which corresponds to the difference between the nominal value and doubtful debt provision; the receivables in foreign currencies are recorded based on the exchange rate at the transaction date.

The "**deferred tax assets**" are recorded on temporary differences between the value of the assets and liabilities for the statutory financial statements and the value for fiscal purposes and are recorded on the basis of the reasonable certainty of their existence, in the years in which the relative temporary differences reverse, of an assessable income above the amount of the differences which will be cancelled.

They are recorded in accordance with accounting principle No. 25 issued by the Italian Accounting Profession (Dottori Commercialisti e dei Ragionieri) in relation to the recording of income taxes.

Marketable securities: they are recorded at purchase cost, at the lower between cost and market value.

Cash and cash equivalents: they record the balances as at 30/09/2005.

The receivables and foreign currency cash balances are recorded at the official exchange rate at September 30, 2005.

Accruals and prepayments

They are recorded in accordance with the accruals concept of costs and revenues.

Provisions for risks and charges

The "**deferred tax liabilities**" relates to the temporary differences between the values recorded of the assets and liabilities in accordance with statutory financial statements and the corresponding values recognised for fiscal purposes.

The criteria for the determination of the deferred income taxes years is in accordance with accounting principle No. 25 issued by the Italian Accounting Profession (Dottori Commercialisti e dei Ragionieri) in relation to the recording of income taxes.

The "**provision for risks**" includes provisions made in previous years and in the present year against potential liabilities for which the amount and the date on which they will arise could not be determined.

Provision for employee leaving indemnity

The amount is recorded in accordance with the Collective National Contract and in accordance with law and corresponds to the effective obligation of the Company towards its employees at the balance sheet date.

Payables

They are recorded at nominal value; the payables in foreign currencies are recorded at the official exchange rate on the transaction date.

NOTES TO THE BALANCE SHEET AND INCOME STATEMENT ACCOUNTS

Balance sheet

In relation to the movements, for a better presentation and understanding of some accounts, the opening balances are shown, even if not indicated in the financial statements as at September 30, 2004, of the aggregated value of the companies participating in the merger previously referred to.

INTANGIBLE ASSETS		
Research, development and advertising expenses		
Purchase cost		28,500
Amortisation		–2,850
Net value at 30.09.2005		25,650
Industrial patents and intellectual property rights		
Value 01.10.2004	1,160,890	
Increases	26,102	
Elimination of assets fully amortised	–1,100,244	86,748
Amortisation 01.10.2004	–1,117,621	
Reversal of amortisation	1,100,244	
Amortisation	–13,513	–30,890
Net value at 30.09.2005		55,858

The account includes costs for a new IT programmes, software applications and advanced production systems; this account also includes the management and administration system and the inventory system, relating to a long term work reorganisation project and in relation to the introduction of the Euro.

Goodwill		
Values 01.10.2004	49,580	
Increases	15,755,660	15,805,240
Amortisation		–1,592,093
Net value at 30.09.2005		14,213,147

This account relates to the goodwill of Euro 15,755,660 deriving from the cancellation of the shares representing 100% of the Share Capital of the subsidiary Screen Service Italia S.p.A., incorporated on March 30, 2005 and the amount represents the higher value recognised on the investment compared to the share of the net equity.

Others	
Value 01.10.2004	199,801
Amortisation	–36,318
Net value at 30.09.2005	163,483

The account includes the expenses relating to the loan contract of Euro 10 million signed on September 29, 2004 with Banca Popolare di Milano concerning financing fees and expenses for the registration of the loan; these costs will be amortised in five years over the duration of the loan contract.

In the previous year, these were recorded under prepayments; in accordance with accounting principle No. 24, they are recorded in the intangible asset account “others”.

Total net value at 30.09.2005 tangible fixed assets	14,458,138

Tangible fixed assets

In accordance with the company law reform, paragraph 2 of article 2426 of the Civil Code was eliminated and adjustments and provisions can no longer be made exclusively in application of fiscal legislation.

Therefore, in the present financial statements, these accounts were eliminated without recording any income statement effect in relation to accelerated depreciation made in previous years.

In accordance with current regulations, following the merger previously mentioned, accelerated depreciation was reversed from the financial statements totalling Euro 49,324, recording prior year income of a similar amount and registering a deferred tax liability of Euro 18,373.

Plant and machinery		
Value 01.10.2004	12,479	
Increases	6,574	19,053
Accumulated depreciation 01.10.2004	–11,579	
Reversal accumulated depreciation for “fiscal elimination”	2,111	
Depreciation	–2,728	–12,196
Net value at 30.09.2005		6,857
Industrial and commercial equipment		
Value 01.10.2004	871,277	
Decrease for disposals	–14,903	
Increases	73,660	930,034
Accumulated depreciation 01.10.2004	–666,125	
Reversal accumulated depreciation for “fiscal elimination”	12,103	
Utilisation for disposals	12,007	
Depreciation	–95,883	–737,898
Net value at 30.09.2005		192,136
Other assets		
Value 01.10.2004	250,252	
Increases	24,193	
Decrease for disposals	–3,007	271,438
Accumulated depreciation 01.10.2004	–206,298	
Reversal accumulated depreciation for “fiscal elimination”	35,109	
Utilisation for disposals	3,007	
Depreciation	–24,181	–192,363
Net value at 30.09.2005		79,075
This account “**Other assets**” is comprised of:		
Internal transport		7,748
EDP		78,607
Furniture and fittings		147,343
Others		37,740
Total		271,438
Net value at 30.09.2005 tangible assets		**278,068**

Financial assets

Equity investments

The value of the investment in subsidiaries was eliminated, recorded in the financial statements at September 30, 2004 for Euro 23,982,968, following the incorporation of Screen Service Italia S.p.A..

Information is provided in compliance with article 2427, paragraph 1 of the Civil Code:

Equity investments in associated companies

Innovaction S.r.l. with registered office at Via Vittime di Nassiriya 11 – Pianopoli (Cz), Share Capital Euro 240,000 – Net equity at December 31, 2004 of Euro 316,481– holding 39%.

Value from merger 01.10.2004	192,000
Value at 30.9.2005	**192,000**

The valuation at purchase cost is maintained in relation to the future profitability forecasts and to the non-realised gains of the investment, which will allow for a recovery in the higher value recorded.

Receivables

The account relates to deposits for utilities, acquired following the merger.

CURRENT ASSETS	
Inventories	
work in progress and semi-finished goods	7,067,746
obsolete provision	–124,101
finished products and goods	288,125
	7,231,770

The inventory obsolescence provision, acquired following the merger, increased by Euro 24,101 during the year and represents an adjustment due to the possible technical obsolescence of components held in inventory.

Receivables

The trade receivables recorded in the accounts are already adjusted for the doubtful debt provision of Euro 210,038.

The doubtful debt provision, recorded in the accounts at October 1, 2004 for Euro 171,020 following the merger, during the year increased for the provision made of Euro 39,018.

The “**tax receivables**” of Euro 33,151 record the tax credits in accordance with Law 140/1997.

The “**deferred tax assets**”, recorded in the accounts at October 1, 2004 following the merger, amounted to Euro 85,850 and during the year deferred tax assets were estimated of Euro 8,978, calculated on the inventory obsolescence provision of Euro 24,101 made in the year: the final balance is therefore Euro 94,828.

The “other receivables” principally relate to:

The “**other receivables**” principally relate to:	
Supplier credit notes to be issued	9,346
Supplier advances	34,032
Supplier receivables	15,495
INAIL payments on account	3,281
Various	26,950
	89,104

Current financial assets	
They are recorded in the accounts for Euro 350.833, they are comprised of::	
– ARCA fund	309,994
– bonds	40,000
– Cassa Rurale ed Artigiana Padana	832
– CONAI (National Packaging Consortium)	7
	350,833

They are all from the incorporated Screen Service Italia S.p.A..

Cash and cash equivalents

	30.09.2005	Changes
bank and postal deposits	318,434	433,134–
cash-in-hand and cash equivalents	9,246	554–
	327,680	**433,688–**

Prepayments and accrued income

The account relates to prepayments of Euro 3,843 for leasing, insurance, motor tax and fees for periodic assistance.

Overall, the account decreased by Euro 195,958, principally due to the change in the recording of loan charges to accounts BI 7) “other fixed assets”.

Shareholders’ equity	30.09.2005	Cahanges
Share Capital	11,000,000	
Rounding reserve	2	2+
Losses carried forward	– 6,318	
Profit for the year	1,917,113	1,917,113+
Total	**12,910,797**	**1,917,115+**

The Share Capital is fully subscribed and paid-in and amounts to Euro 11,000,000, divided into 11,000,000 shares with a nominal value of Euro 1 each.

From the preparation of the accounts in Euro, differences emerged from the accounting system recorded with 2 decimal points, with recording in a separate net equity reserve.

In accordance with articles 2427 No. 4 and 2427 No. 7/bis, attachments "A" and "B" reports the composition of net equity, the possibility of utilisation and the relative distribution of each equity account, and of the movements and utilisations recorded in the last three years.

Provisions for risks and charges

The "deferred tax liabilities" resulting from the previously mentioned merger, at October 1, 2004, amounted to Euro 12,913 for deferred tax provisions made on the gains realised by the incorporated Screen Service Italia S.p.A. deriving from the sale of the building in Brescia, Via del Rampino 3, in 2001 and on which the tax is assessable, in accordance with T.U.I.R., over five years.

During the year, an equal amount was utilised for the relevant quota as of 30 September 2005.

At the end of the year, a provision was made of Euro 18,373 for taxes due following the "elimination" of the accelerated depreciation recorded in the accounts in previous years of the incorporated company.

	01.10.2004	30.09.2005	Changes
taxes on gains	12,913		12,913–
taxes on "fiscal elimination"		18,373	18,373+
	12,913	**18,373**	**5,460+**

The "**other**" provisions represent the provisions acquired following the merger for product risk guarantees of Euro 277,521 and there were no changes compared to the previous year of the incorporated company.

Employee leaving indemnity

The account recorded in the financial statements following the merger, recorded the following changes:

Values from merger 01.10.2004	90,958
Payments made and utilisation for resignations	–10,116
Revaluations.	2,588
Provision for year	49,620
Value at 30.09.2005	133,050

Payables

Compared to the previous year, the account recorded a net increase of Euro 3,338,929, as illustrated by the movements below, which also shows the accounts deriving from the merger:

	30.09.2005	Changes
– bank payables	10,255,861	255,861 +
– payments on account	108,176	108,176 +
– trade payables	2,347,346	2,046,606 +
– associated companies	549,528	549,528 +
– tax payables	803,654	803,654 +
– social security institutions	34,688	34,688 +
– other payables	3,194,803	455,197 –
	17,294,056	**3,343,316 +**

The account "**bank payables**" includes the mortgage loan of Euro 10 million signed on September 29, 2004 with Banca Popolare di Milano, guaranteed by a pledge on 93% of the shares of Screen Service Broadcasting Technologies S.p.A., repayable in 10 half-yearly instalments of Euro 1 million and with final repayment due on March 31, 2010; the residual amount at September 30, 2005 was Euro 9 million, of which Euro 7 million beyond 12 months.

The account "**tax payables**" includes:

balance of IRES income tax	592,952
balance of IRAP regional tax	124,141
withholding taxes on salaries	11,668
other withholding taxes	17,338
VAT Credits	57,341
Revaluation of employee leaving indemnity	214
	803,654

The account "**other payables**", which decreased by Euro 455,197 compared to the previous year and includes the balance of Euro 3,000,000 (of which Euro 1,500,000 beyond 12 months) to be paid for the acquisition of the then associated company Screen Service Italia S.p.A., other employee payables of Euro 128,076, credit notes to issue to clients of Euro 40,548 and other payables of Euro 26,179.

Accruals and deferred income

The account relates to accruals of Euro 22,251 on various insurance policies.

Memorandum accounts

The account increased by Euro 251,876; the breakdown of the account is as follows:

– pledge, signed on September 29, 2004 with Banca Popolare di Milano of € 10 million, on 93% of the shares of Screen Service Broadcasting Technologies S.p.A., corresponding to a nominal value of	10,230,000
– comfort letter in favour of Banca Popolare Commercio & Industria S.p.A. given on the behalf of the associate company Innovaction S.r.l.	300,000
– future lease commitments	71,876
	10,601,876

Income statement

As the accounts in the income statement are not directly comparable with the previous year in that they principally relate to the income statement of the incorporated Screen Service Italia S.p.a, only the composition of the accounts are provided below.

Value of production

Revenues from sales of goods and services

The geographic breakdown of sales is as follows:

Italy	13,050,857
European Union	1,118,161
Non-European Union	3,265,791
Return on sales	– 355,210
	17,079,599

Other income and revenues

Corresponding to:

reimbursement of expenses	88,671
operating grants	132,671
over-accruals and similar	3,704
commissions receivable	2,502
rental income	8,972
gains on disposals	1,019
other income	99
	237,638

COSTS OF PRODUCTION

Raw materials, consumables and goods

raw materials	8,695,625
packaging	26,866
materials for consumption	58,928
equipment to resell :	178,186
equipment development costs	27,242
assets less than Euro 516,46	43,922
other materials	7,643
	9,038,412

Services

Design, external work and repairs, board assemblage	1,393,649
Insurance premiums	30,524
Transport costs	143,688
Commissions	107,624
Printing, publications and insertions	89,218
Electricity – water - gas	43,783
Trade fairs and conferences	98,479
Travel and transfer	77,884
Maintenance and assistance contracts	32,276
Telephone expenses	23,329
Technical consultants	813,054
Other consultancy fees	357,830
Board of Directors' emoluments	570,984
Social security contributions for Directors	47,357
Statutory auditors fees	42,091
Royalties	125,522
Bank charges	40,206
Various charges	73,255
	4,110,753

Rents, leases and similar

Autovehicle leasing	27,544
Equipment and machinery leasing	43,737
Charges on leasing	6,029
Autovehicle rental	2,094
Machine rental	2,209
Building rent	151,000
Warehouse rent	8,400
	241,013

With reference to assets utilised based on two rental contracts, in accordance with the requirements of article 2427, No. 22), of the Civil Code, a statement was prepared (attachment “C1”), which, among others, illustrates:

– The total value with which the leased assets would be recorded at the balance sheet date, if they had been recorded as fixed assets, with separate indications of the depreciation which would be applied in the year, of the accumulated depreciation and of the consequent net book value of the assets;
– The current value on future lease payments;
– The effective financial charge for the year.

The rental contracts at September 30, 2005 are directly recorded in accordance with the asset method required by current regulations, which requires the entire recording of the lease payments in the income statement and the commitment relating to future lease payments to be stated in the memorandum accounts; on the redemption of the lease contract, the asset is recorded under fixed assets.

If the company had recorded the finance leases in accordance with IAS 17, the result for the year to September 30, 2005 and the relative net equity would have been respectively higher by approximately Euro 18,885 net of the fiscal effect of 37.25% (attachment “C”).

The company maintains the analytical schedules relating to the principal components of the individual lease contracts.

Personnel costs

The personnel costs, as shown on the face of the income statement, amounted to Euro 1,025,119.

The average number of employees during the year was 27; the number of employees at September 30, 2005 was 3 blue-collar and 24 white-collar workers.

Amortisation & depreciation

The total amortisation/depreciation charge in the year was Euro 1,767,566, of which Euro 1,644,774 relating to intangible fixed assets and Euro 122,792 relating to tangible fixed assets; for further information, reference should be made to the changes already shown under fixed assets.

Receivables written down

The provision was made of Euro 39,018 which was considered appropriate.

Other operating charges

The charges in the year were as follows:

fuel	8,656
cle aning	33,861
associations	3,541
other taxes	8,518
stationery	8,423
printing	26,430
losses on fixed asset sales	1,840
registration and certificates	5,260
various penalties	1,534
interest on taxes	15,243
various charges	16,057
	129,363

FINANCIAL INCOME AND CHARGES

The financial result was a net charge of Euro 408,593, deriving from the following accounts, including the exchange losses which the incorporated company incurred, which were reclassified in another account in the previous year (€ 253,659):

Financial income

Financial income income from non-current securities	5,429
other than above interest income on current accounts	17,852
other interest	927
	24,208
Interest and other financial charges	
interest payable on current accounts	1,246
interest on bank loans	440,725
bank interest payable	7,343
	449,314

Exchange gains and losses

The balance of Euro 16,513 is represented by the exchange gains and losses.

Foreign currency receivables and payables, already recorded in the previous year at the exchange rate at the transaction date, were recorded at the year-end exchange rate. This adjustment resulted in the recording of the "differences" (exchange gains or losses) in the income statement, in the separate Account C 17-*bis* "exchange gains or losses".

In order to determine the "differences", the exchange rate at the balance sheet date was utilised.

EXTRAORDINARY INCOME AND CHARGES

The extraordinary income includes utilisation of the deferred tax liability of Euro 12,913 and prior year income of Euro 49,324 generated from the “ elimination” of the accelerated depreciation on tangible fixed assets recorded in the previous years.

INCOME TAXES FOR THE YEAR

The total tax for the year amounted to Euro 2,282,793, of which Euro 1,929,751 for IRES income tax, € 343,646 for IRAP regional tax and Euro 18,373 for deferred income charge, after deferred income of Euro 8,977.

OTHER INFORMATION

In accordance with article 2427 of the Civil Code the following information is disclosed:

a) there were no receivables with a residual duration of more than five years;

b) there are no secured guarantees on the assets of the company;

c) there are no financial charges posted to items in assets in the balance sheet;

d) there is no income from investments;

e) directors fees amounted to Euro 570,984;

f) statutory auditors fees amounted to Euro 42,091;

g) the share capital consisted of 11,000,000 ordinary shares with a par value of Euro 1 each, fully subscribed and paid-in.

h) the company does not have shares other than ordinary shares.

The present financial statements, represent in a true and fair manner the balance sheet and financial position as well as the result for the year and reflect the underlying accounting records.

For the Board of Directors

The Chairman

Carlo Bombelli

SCREEN SERVICE BROADCASTING TECHNOLOGIES S.P.A.

ATTACHMENT "A"

STATEMENT OF "COMPOSITION OF SHAREHOLDERS' EQUITY"

(art. 2427 No. 7-bis C.C)

	Amount	Utilisation	Distributable		Summary of utilisations made in previous years: for covering losses	for other reasons
Share capital	11,000,000					
Rounding reserve	2					
Losses carried forward	-6,318					
Profits 30.09.05 to cover losses carried forward	6,318	B				
Profits 30.09.2005 to cover legal reserve	95,540	B				
Residual profits 30.09.2005	1,815,255	A,B,C	1,815,255			
	12,910,797		**1,815,255**			
Quota not distributable for statutory purposes*			-25,650	(*)		
Quota not distributable for fiscal purposes - property lean as per art. 109, par. 4 b) - (schedule EC)						
Residual quota distributable			**1,789,605**			

Legend:

A: for share capital increase

B: to cover losses

C: for distribution to shareholders

(*) portion not distributable to cover intangible assets not yet amortised (art. 2426 no. 5)

For the Board of Directors

The Chairman

Carlo Bombelli

SCREEN SERVICE BROADCASTING TECHNOLOGIES S.P.A.

ATTACHMENT "B"

"STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY"

(art. 2427 No. 4 C.C)

Date	Description	Share capital	Legal reserve	Extraordinary reserve	Rounding reserve	Losses carried forward	Profit/ loss	Total share. eq.
01/01/2004	value at 01.01.2004	10,400			-1		-607	9,792
	losses carried forward 2003					-607	607	
28/07/2004	share capital increase	1,000,000						1,000,000
07/09/2004	share capital increase	9,989,600						9,989,600
	loss at 30.09.2004						-5,711	-5,711
	rounding				1			1
30/09/2004	value at 30.09.2004	11,000,000				-607	-5,711	10,993,682
10/01/2005	losses carried forward 2004					-5,711	5,711	0
	profit for year end 30.09.05						1,917,113	1,917,113
	rounding				2			2
30/09/2005	**value at 30.09.2005**	**11,000,000**			**2**	**-6,318**	**1,917,113**	**12,910,797**

For the Board of Directors

The Chairman

Carlo Bombelli

SCREEN SERVICE BROADCASTING TECHNOLOGIES S.P.A.

ATTACHMENT "C1"

LEASING SCHEDULE
(art. 2427 No. 22 C.C)

	"A"		"B"	"C" = A - B	ACTUAL VALUE	FINANCIAL CHARGES
YEAR	ASSET VALUE	DEP. 25%	Dep. Fund	ASSET VALUE	LEASE INSTAL. DUE (*)	FOR THE YEAR
				net of dep.	(leasing repayment plan)	(leasing repayment plan)
2002	39,596	4,950	4,950	34,646	28,184	1,851
2003	102,680	17,784	22,734	79,946	59,957	4,021
2004	185,005	35,961	58,695	126,310	89,209	5,225
2005	185,005	46,251	104,946	80,059	40,107	3,588
2006	185,005	41,301	146,247	38,758	10,402	1,104
2007	185,005	28,467	174,714	10,291		
2008	185,005	10,291	185,005	0		

(*) lease instalments due (capital portion)

For the Board of Directors
The Chairman
Carlo Bombelli

SCREEN SERVICE BROADCASTING TECHNOLOGIES S.P.A.

ATTACHMENT "C2"			
LEASING EFFECTS ON INCOME AND NET EQUITY			
Effects on income	**2003**	**1/1-30/09/04**	**1/10-30/09/05**
Leasing payments (to income statement)			71,282
Depreciation			35,961
lease interest			5,225
Gross effect on income for the year			30,096
Income taxes 37.25%			11,211
Net effect on income for the year			18,885
Effects on shareholders' equity			18,885
	For the Board of Directors		
	The Chairman		
	Carlo Bombelli		

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Report of the auditors

To the Board of Directors of

Screen Service Broadcasting Technologies SpA

1 We have audited the financial statements of Screen Service Broadcasting Technologies SpA as of September 30, 2005. These financial statements are the responsibility of Screen Service Broadcasting Technologies' directors. Our responsibility is to express an opinion on these financial statements based on our audit. This report shall not be considered as issued to comply with law provisions, as for the performance of Audit activities provided by Article 2409-bis et seq. Screen Service Broadcasting Technologies SpA has appointed an auditor other than our auditing firm.

2 We conducted our audit in in accordance with the auditing standards and criteria recommended by CONSOB. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

The financial statements for the year present, for comparative purposes, the information relating to the prior period. Prior year information have been examined by us to the extent necessary to provide our opinion on the financial statements as of September 30, 2005; therefore our opinion does not cover comparative information.

3 In our opinion, the financial statements of Screen Service Broadcasting Technologies SpA as of September 30, 2006 comply with the laws governing the criteria for their preparation; accordingly, they give a true and fair view of the financial position and of the results of operations of the company.

4 As reported in the Notes to the financial statements on March 30, 2005 Screen Service Italia SpA has been merged through incorporation into the Screen Service Broadcasting Technologies SpA. The tax and accounting effects of such merger start as from October 1, 2004; as a consequence the operations of the merged company have been recorded in the books of Screen Service Broadcasting Technologies SpA and prior year information are not directly comparable to the current year.

Brescia, February 7, 2006

PricewaterhouseCoopers SpA

SIGNATURE

Roberto Pirola

(Partner)

(This report has been translated into the English language solely for the convenience of international readers.)

20.1.4 Balance sheet and income statement of SSI for the year ended September 30, 2004 extracted from the relative financial statements, prepared in accordance with Italian GAAP.

The present paragraph includes the balance sheet and income statement of SSI for the year ended September 30, 2004 extracted from the financial statements prepared in accordance with Italian GAAP, as approved by the shareholders' meeting on January 11, 2005.

	30.09.2004	**30.09.2003**
Balance sheet		
Assets		
B) Non-current assets		
I) Intangible assets		
3) industrial patents & intellectual property rights	1,160,890	1,120,009
accumulated amortisation	–1,117,621	–999,556
5) goodwill	165,266	165,266
accumulated amortisation	–115,686	–99,160
7) other		32,198
accumulated amortisation		–9,742
Total	**92,849**	**209,015**
II) Property, plant and equipment		
1) land and buildings		4,385
accumulated depreciation		–1,937
2) plant and machinery	12,479	12,479
accumulated depreciation	–11,579	–11,224
3) industrial and commercial equipment	871,277	830,039
accumulated depreciation	–666,125	–539,817
4) other assets	250,252	312,296
accumulated depreciation	–206,298	–266,867
Total	**250,006**	**339,354**
III) Financial assets		
1) shareholdings in:		
a) subsidiary companies		24,600
b) associated companies	192,000	
2) receivables:		
d) from others	434	104
Total	**192,434**	**24,704**
Total fixed assets	**535,289**	**573,073**
C) Current assets		
I) Inventories		
1) raw materials, supplies and consumable goods	2,536,058	1,491,128
2) work in progress and semi-finished goods	1,215,444	402,566
4) finished goods		347,176
Total	**3,751,502**	**2,240,870**
II) Receivables		
1) trade receivables	5,906,731	3,086,614
3) associated companies	126,286	
5) from others	264,533	758,053
Total	**6,297,550**	**3,844,667**

	30.09.2004	30.09.2003
III) Current financial assets		
5) other securities	777,476	779,113
Total	**777,476**	**779,113**
IV) Cash and cash equivalents		
1) bank and postal deposits	1,441,750	2,141,696
3) cash-in-hand and cash equivalents	3,313	13,713
Total	**1,445,063**	**2,155,409**
Total current assets	**12,271,591**	**9,020,059**
D) Prepayments and accrued income	5,224	217,614
Total assets	**12,812,104**	**9,810,746**
Liabilities		
A) Shareholders' equity		
I) Share capital	120,000	90,000
III) Revaluation reserve	271,017	271,017
IV) Legal reserve	18,000	18,000
VII) Other reserves:		
Extraordinary reserve	2,680,232	1,978,457
Reserves for paid in capital	154,635	154,635
Rounding reserve	3	1
IX) Profit for the year	5,028,423	794,401
Total	**8,272,310**	**3,306,511**
B) Provisions for risks and charges		
2) taxation	12,913	25,826
3) other	377,521	277,521
Total	**390,434**	**303,347**
C) Employee leaving indemnity	90,958	76,473
D) Payables		
3) bank payables	346,713	33,889
4) other lenders		128,533
5) payments on account	92,515	466,114
6) trade payables	2,034,131	1,485,324
8) subsidiary companies		3,150,091
9) associated companies	215,624	
11) tax payables	1,203,831	723,003
12) social security institutions	17,294	9,122
13) other payables	120,763	108,055
Total	**4,030,871**	**6,104,131**
E) Accruals and deferred income	27,531	20,284
Total liabilities	**12,812,104**	**9,810,746**
Memorandum accounts		
Guarantees and pledges given to third parties	49,080	
Lease obligations	147,665	1,707,249
Total	**196,745**	**1,707,249**

	30.09.2004	30.09.2003
Income statement		
A) Value of production		
1) revenues from goods and services	13,203,626	17,699,226
2) changes in inventory of products in progress, semi-finished and finished goods	465,701	–84,937
5) other revenues and income	314,104	238,867
Total	**13,983,431**	**17,853,156**
B) Costs of production		
6) raw materials, ancillary consumables and goods	–6,217,889	–8,065,809
7) services	–3,521,415	–3,444,709
8) use of third party assets	–462,199	–426,622
9) personnel:		
a) wages and salaries	–452,887	–436,972
b) social security contributions	–131,192	–119,656
c) employee leaving indemnity	–58,663	–31,925
10) amortisation, depreciation and write-downs:		
a) amortisation of intangible assets	–139,083	–244,270
b) depreciation of tangible assets	–161,826	–183,002
d) doubtful debt provisions	–171,020	–15,721
11) change in inventory of raw materials, ancillary, consumables and goods	1,044,930	992,739
13) other provisions	–100,000	
14) other operating charges	–236,720	–98,508
Total	**–10,607,964**	**–12,074,455**
Difference between value and costs of production	**3.375.467**	**5.778.701**
C) Financial income and charges		
15) income from subsidiaries	3,150,000	
16) other financial income:		
c) from non-current securities	15,195	
d) other income than above	9,492	1,047,519
17) interest and other financial charges	–2,099	–35,988
Total	**3,172,588**	**1,011,531**
E) Extraordinary income and charges		
20) income	12,913	12,913
21) charges	–48,345	–5,360,627
Total extraordinary income and charges	**–35,432**	**–5,347,714**
Profit before taxes	**6,512,623**	**1,442,518**
22) Income taxes	–1,484,200	–648,117
26) Net profit for the year	5,028,423	794,401

20.2 Dividend policy

In 2006 and 2005, dividends were not distributed.

Where the results of the Company allow, the shareholders' meeting must decide on the distribution of profits.

20.3 Judicial and arbitration proceedings

It should be highlighted that insofar as the Issuer is aware, there are no current or pending administrative, judicial or arbitration proceedings, including any proceedings of this type, which could have or have recently had significant repercussions on the financial situation or profitability of the Issuer.

It must be however noted that on April 26, 2007 the Issuer was notified of a request for the seizure of assets by the former client OEM, in relation to assets and receivables of the Issuer up to the amount of the claim for damages relating to the supply of defective services and the loss of consequent earnings, amounting to Euro 800 thousand (in addition to the damage to its commercial image to be quantified). The Issuer believes that the claims are unfounded and will adopt the relevant defence before any competent offices. Moreover it must be noted that the appointed judge decided not to proceed without summoning the opposite party.

20.4 Significant changes to the Issuer's financial or commercial situation

There were no significant changes in the financial or commercial situation of the Issuer after the year-end date of September 30, 2006.

21. SUPPLEMENTAL INFORMATION

21.1 Share capital

21.1.1 Issued capital

Capital subscribed and paid up at the Prospectus Date

At the Prospectus Date, the Company's share capital is equal to 12,100,000 euros, fully subscribed and paid up, and is represented by no. 127,050,000 ordinary shares with no par value. The shares are registered and confer the voting right at the ordinary and extraordinary general meetings and the right to enjoy the profits.

Capital subscribed and paid up at 30th September 2006

At 30th September 2006, the Company's share capital was equal to 11,440,000 euros, fully subscribed and paid up, and was fully owned by the holding company Screen Group.

The composition of SSBT's share capital at 30th September 2006 is the result of a first share capital increase resolved on 28th July 2004 by SSBT's general meeting, from 10,400 euros to 1,010,400 euros, thus increased by a nominal amount of 1,000,000 euros, immediately subscribed and paid up by the sole shareholder CNPEF.

On 7th September 2004, SSBT's general meeting decided to turn the company into a joint-stock company while increasing the share capital from 1,010,400 euros to 11,000,000 euros, by issuing 9,989,600Shares at par, by reserving the said capital increase in favour of the sole shareholder CNPEF up to 6,000,000 euros and by appointing the board of directors to offer the remaining part of the share capital increase, equal to 5,000,000 euros, to new shareholders for subscription, with a consequent partial waiver of the option right by CNPEF. On 29th September 2004, the new share capital was fully subscribed and paid up by: (*i*) CNPEF, for a nominal amount of 4,989,600 euros; (*ii*) by Fondamenta, for a nominal amount of 600,000 euros; (*iii*) by Carlo Bombelli, for a nominal amount of 2,640,000 euros; (*iv*) by Giovanni Saleri, for a nominal amount of 440,000 euros; (*v*) by Cristoforo Chiaia, for a nominal amount of 440,000 euros; (*vi*) by Giuseppe Gatti, for a nominal amount of 440,000 euros; and (*vii*) by Alessandro Sponchioni, for a nominal amount of 440,000 euros.

By resolution dated 21st January 2005, SSBT's general meeting has resolved to merge SSI through incorporation. The merger has not involved any increase in SSBT's share capital because SSBT was already holding 100% of the merged company's share capital.

On 23rd December 2005, SSBT's general meeting resolves to increase the share capital euros from 11,000,000 euros to 11,440,000 euros, by issuing 440,000 Shares at par, to be offered as option to the shareholders. The share capital increase was fully subscribed and paid up by Michele Bargauan, after the shareholders' prior waiver of their respective option rights.

On 28 December 2006, the Issuer's ordinary general meeting has resolved to increase the share capital by 660,000 euros, from 11,440,000 euros to 12,100,000 euros, corresponding to about 5.4% of the share capital, with a share-premium of 2,340,000 euros and exclusion of the option right. Said capital increase is subscribed and paid up by Istifid Fiduciaria S.p.A., UBS Fiduciaria S.p.A. and Aletti Fiduciaria S.p.A., each of them for a shareholding equal to about 1.8% of the share capital.

On 19th February 2007, SSBT's extraordinary general meeting has resolved to split up the Company's ordinary shares by giving 21 shares for every 2 shares held, in order to cancel their respective par value at the same time, without prejudice to the share capital, so that the Issuer's share capital at the Prospectus Date is equal to 12,100,000 euros, represented by no. 127,050,000 ordinary shares without indication of the par value.

Capital resolved for the purposes of the Global Public Offering

By virtue of a resolution passed by the ordinary general meeting on 19th February 2007 and notarized by Mrs. Camilla Barzellotti from Brescia *rep.* 5608 *racc.* 947, the Company has approved the share capital increase against payment, even by tranches, up to a maximum amount of 1,500,000 euros by issuing a maximum number of no. 15,750,000 ordinary shares, without indication of the par value, issued at a unit price per share not lower than 0.20 euros, to be allocated to share capital in the amount of 0.09524 euros and to share premium in the minimum amount of 0.10476 euros, with the same features and enjoyment as the other shares outstanding upon issuance, with exclusion of the option right under article 2441, 5th paragraph of the Civil Code, to be offered to third parties for subscription within the framework of the Global Public Offering and to be executed by 31st December 2007, on the understanding that, (*i*) should the settlement date of the transactions relating to the Global Public Offering be earlier than the expiration of the above time limit, then on that date the share capital increase shall be deemed to be exhausted in any case, but, (*ii*) should the share capital increase turn out not to be fully subscribed at that expiration date, then the share capital shall be deemed to be increased by an amount equal to the subscriptions collected until that moment, in compliance with article 2439 paragraph 2, of the Civil Code.

For a description of a possible evolution of the Issuer's share capital as a result of the Global Public Offering, please refer to Section One, Chapter 18, Paragraph 18.1.

21.1.2 Non-representative shares

At the Prospectus Date, the Issuer has not issued any shares which do not represent the share capital.

21.1.3 Own shares

At the Prospectus Date, the Issuer is not holding any own shares, whether directly or indirectly through trust companies or through an in-between.

21.1.4 Amount of convertible, exchangeable and cum-warrant bonds

At the Prospectus Date, the Issuer has not issued any convertible, exchangeable and cum-warrant bonds.

21.1.5 Indication of any purchase rights and/or obligations on the Issuer's share capital

Except as provided in the above Paragraph 21.1.1 of this Chapter 21, at the Prospectus Date there are no purchase rights and/or obligations on the share capital resolved but not issued, nor are there any commitments for share capital increase.

21.1.6 Information relating to any group members' share capital being offered as option

At the Prospectus Date, the Issuer has no knowledge of any transactions relating to whether the share capital of any members of the Issuer's group is being offered as option.

21.1.7 Description of the share capital evolution

Except as provided in the above Paragraph 21.1.1 of this Chapter 21, the Issuer's share capital has remained unchanged with regard to the period referred to by the financial information relating to previous financial years.

21.2 Memorandum of incorporation and Articles of Association

By virtue of the extraordinary general meeting's resolution dated 19th February 2007 and notarized by notary public Mrs. Camilla Barzellotti from Brescia *rep.* 5608 *racc.* 947, the Issuer has adopted the new Articles of Association, also for the purpose of complying with the law provisions applicable to listed company.

For further information on the Issuer's memorandum of incorporation, please refer to Chapter 5, Paragraph 5.1.4 of this Section One.

21.2.1 Issuer's object and purposes

Under article 4 of the Articles of Association, the Company is committed to: (*i*) the construction of facilities and equipment for TV broadcasting and for data transmission, two-way transmitters, electronic devices in general and the like, as well as the management, maintenance, purchase and sale, even through IT and telematic technologies (internet), of the above facilities and equipment, in addition to measuring and controlling devices; (*ii*) the direct or indirect participation and shareholding in other companies, undertakings or other entities, even if based abroad, operating within the above sector or pursuing a purpose similar or related to its own purpose; (*iii*) the supply to such companies of technical and/or financial assistance and supervision and services in general.

For the achievement of the corporate purpose, the Company can also provide services, carry out commercial, industrial and real estate transactions, carry out financial business, and furnish any guarantees whatsoever in consideration of the Company's or third parties' corporate liabilities and obligations in the interest of the Company or of its subsidiaries and affiliates, even towards banks or credit institutions.

Any performance of activities labelled by the law as financial business addressed to the public shall be however excluded, as well as any and all savings-related activities and any other activities reserved by law. Any reserved professional activities are also excluded.

21.2.2 Summary of the Articles of Association relating to members of management, executive and supervisory boards

Board of directors

Under article 13 of the Articles of Association, the Company is managed by a board of directors composed of no fewer than 5 and no more than 12 members, as resolved by the general meeting at the time of their appointment. Unless the general meeting has set a shorter term of office when appointing them, the directors shall hold their offices for three financial years and expire on the date of the general meeting convened for the adoption of the financial statements relating to the last financial year of their tenures.

The directors may be non-shareholders and may be re-elected.

Under article 14 of the Articles of Association, in order to ensure the election of one director of the Company from the minority list, the appointment of the directors' board shall take place based on lists handed in by the shareholders, where the candidates are listed in each section under a progressive number with the possible specification, beside the reference candidate, of whether he is eligible to qualify as independent, also for the purpose of complying with the applicable regulations.

The Company has no committee for the proposal of candidates for the board of directors.

If there fails to be a majority of directors elected by the general meeting, the whole board is deemed to resign and the general meeting shall be promptly convened by the directors still holding office for the re-construction of the board.

Under article 15 of the Articles of Association, the directors board shall appoint one of its members as chairman, unless the general meeting has already appointed him. The board can appoint one or more vice chairmen, as well as one or more managing directors, also acting as vice chairmen.

Under article 16 of the Articles of Association, the directors' board meets whenever the chairman deems it appropriate, or when at least two directors or one managing director or the auditors' board may ask to do so.

The directors board is convened by its chairman or managing director, whether at the registered office or else where, in Italy or in another country of the European Union, by faxing or delivering a notice of meeting stating the date, time and place of meeting, as well as the items on the agenda, at least five days prior to the meeting, at each director's and statutory auditor's address. In case of urgent need for meeting, the notice of meeting will be wired or faxed at least two days prior to the meeting.

The meetings of the board of directors are duly convened even when held by audio or video conference call, provided that all participants shall be identified by the chairman and by all other participants and allowed to attend the debate or intervene on the agenda in real time and provided that all of the meeting shall be recorded on the minutes.

Pursuant to article 18 of the Articles of Association, the resolutions of the board of directors shall be validly passed by favourable vote of the majority of the directors holding office. The board of directors passes resolutions with the favourable vote of the majority of the attending directors. In the case of equality of votes, the chairman's vote shall prevail.

Under article 19 of the Articles of Association, the board of directors is fully empowered for the ordinary and extraordinary management of the Company without any limitation whatsoever, except for the powers reserved by law to the general meeting. The board of directors is also empowered for resolutions relating to: (*i*) the merger in such cases as provided under articles 2505 and 2505-*bis* of the Civil Code, the demerger in the events regulated by article 2505-*bis* as referred to by article 2506-*ter* of the Civil Code; (*ii*) the establishment or suppression of branches; (*iii*) the share capital decrease in case of shareholder's withdrawal; (*iv*) the harmonization of the Articles of Association with any applicable regulations; and (*v*) the transfer of the registered office within the national territory.

Under article 20 of the Articles of Association, the board of directors can vest an executive committee or to one or more directors with the powers regulated by article 2381 of the Civil Code.

Under article 21 of the Articles of Association, the power to represent and sign on behalf of the Company belongs to the chairman and to the vice chairman and to each managing director, if any, whether jointly or severally, except as delegated under article 20, according to the decisions of the directors board which has appointed them and determines their powers and duties.

Under article 22, the members of the directors board and of the executive committee shall be remunerated as determined by the general meeting. Moreover, the directors holding particular office shall be remunerated as determined by the board of directors in agreement with the auditors board.

Board of auditors

Under article 23 of the Articles of Association, the Issuer's auditors' board is composed of three statutory auditors and due alternate auditors. The ordinary general meeting, when appointing them, also appoints the chairman of the board of auditors and fixes the auditors' remuneration.

The auditors may hold their offices for three financial years and be re-elected.

The auditors are appointed based on the lists proposed by the shareholders in order to assure that the minority appoints one statutory auditor and one alternate auditor. Two statutory auditors and one alternate auditor shall come from the most voted list, as progressively numbered on the list in their respective sections. One statutory auditor and one alternate auditor shall be elected from the second most voted list. The chairman of the board of directors shall by appointed by the Company's general meeting and shall be the statutory auditor coming from the most voted second list at the general meeting. In the case of equal votes between the lists, the whole general meeting shall vote again in order to reach an indisputable result.

Under article 24, the accounting supervision is exercised by the auditing company fulfilling the requirements prescribed by law. The appointed auditing company's appointment, duration, tasks, powers, duties and remuneration shall be regulated by the applicable law provisions.

21.2.3 Rights, privileges and constraints arising from each class of existing shares

All the Issuer's shares are registered, ordinary, freely transferable and indivisible and each of them entitles the shareholder to cast one vote, at the Company's ordinary and extraordinary meetings, in addition to other underlying asset-related and administrative rights related thereto, according to the applicable regulations.

There are no further classes of shares conferring assets-related and administrative rights other than those conferred by the above ordinary shares.

Under article 26 of the Articles of Association, the net profits resulting from the financial statements approved by the general meeting shall be allocated as determined by the general meeting, after setting aside 5% of their amount as legal reserve up to one fifth of the share capital.

Uncollected profits shall be forfeited in favour of the Company, five years since the date when they become receivable.

In case of winding-up, the shares shall entitle the shareholders to participate in the distribution of the remaining assets as prescribed by law.

21.2.4 Change in the shareholders' rights

Under article 7 of the Articles of Association, the withdrawal right is enforceable whenever allowed by mandatory regulations and is regulated by the law.

The withdrawal right shall not be enforceable for resolutions extending the Company's validity period and introducing or removing restrictions on the circulation of shares.

21.2.5 Call of shareholders' meeting

Under article 8 of the Articles of Association, the general meeting is convened, as prescribed by the law, by the Company's board of directors at the registered office or somewhere else, whether in Italy or other country of the European Union, as instructed by the notice of meeting. The general meeting shall be convened by a notice stating the day, time and place and items on the agenda, to be published under such terms and conditions as prescribed by law, either on at least one of the following newspapers – Il Sole 24 Ore or MF/Milano Finanza – or on the Official Gazette of the Italian Republic, in case of discontinued publication of those newspapers or in case of actual impediment.

Under article 9 of the Articles of Association, the ordinary general meeting is convened at least once a year within 120 days after the closing of the financial year or within 180 days upon occurrence of such exceptional circumstances as described by the applicable regulations, to be ascertained by the board of directors.

Shareholders' general meetings, whether ordinary or extraordinary, can also be convened on third call as prescribed by law.

Under article 10 of the Articles of Association, the general meeting shall be joined by shareholders allowed to vote at the general meeting, who have been given by the intermediary in charge of the book-keeping a proper written notice evidencing that they have filed the shares under dematerialization and concentrated management, to be notified to the Company, in compliance with the applicable regulations, at least two working days before the day scheduled for the general meeting. Each shareholder allowed to attend the general meeting shall be entitled to be represented by a proxy-holder by virtue of a written proxy statement, in such cases and to such extent as prescribed by law. Particularly, corporate bodies and legal persons and can be represented not only by their legal representatives but also by a proxy-holder vested with written power of attorney, even in the form of a simple letter signed by the legal representative.

21.2.6 Provisions of the Articles of Association likely to delay, postpone or prevent a change in the control over the Issuer

The Articles of Association does not contain any provisions setting limits on the participation in the Issuer's share capital or delaying, postponing or preventing a change in control over the Issuer.

21.2.7 Public disclosure obligation

The Issuer's articles of association do not contain any provisions imposing any public disclosure in case of changes in the major shareholdings.

The provisions of articles 120 and ff. of the Consolidated Act shall apply.

21.2.8 Amendment to share capital

The Articles of Association do not contain provisions, regarding any amendment to the share capital, more restrictive than those imposed by the applicable regulations.

22. MAJOR AGREEMENTS

Below is an outline of the major agreements, other than those executed in the ordinary course of business, entered into by the Issuer over the two years just before the Prospectus Date.

MBITL acquisition agreement

On 16th December 2005, the Issuer as buyer, M.B. International S.r.l. as seller and Mr. Michele Bargauan, as far as concerned him, have entered into an agreement for the purchase of a 100% stake in the share capital of MBITL, after M.B. International S.r.l. had contributed to MBITL a business line committed to research, development and marketing, including the respective agreements, as well as any patent license agreements, intellectual property rights agreements and all agreements relating to rights instrumental to the performance of the business line and/or to the research and development activity, including all patents and intellectual property rights. The stake in MBITL was transferred on 30th December 2005.

The amount paid for the acquisition of MBITL is 2,590,000 euros. The seller has furnished the guarantees usually required for such transactions, thus undertaking to indemnify any liabilities arising from a discrepancy with the situation depicted in the relevant representations and warranties. The agreement also provides for an increase in SSBT's share capital, in order to allow Michele Bargauan to enter SSBT's share capital, as better detailed in Chapter 5, Paragraph 5.1.5.5 of this Section One. Within the framework of said transaction, MBI and Michele Bargauan have undertaken not to compete with SSBT, with special regard to the obligation of non-competition with MBITL for five years since the completion of the sale and purchase.

For further information on the above transaction, please refer to Chapter 5, Paragraph 5.1.5.5 of this Section One.

Loan agreement

Below is a short description of the long-term loan agreement – entered into on 31st July 2006 by the Issuer, Centrobanca – Banca di Credito Finanziario e Mobiliare S.p.A, Monte dei Paschi di Siena Banca per l'Impresa S.p.A. and Banca Popolare di Milano S.c.a.r.l., for an overall amount of 10,000,000 euros refundable in the form of 14 half-yearly instalments, starting from 31st January 2007 until 31st July 2013 – designed to re-finance the existing indebtedness and to meet the needs for circulating capital. The agreed interest rate is equal to the six-month Euribor, plus a 1% margin until 31st July 2007, liable to be later increased up to 1.40%, depending on the performance of the ratio "Net financial position / Ebitda" calculated based on the certified consolidated financial statements and updated on a yearly basis on 30th September of each year, starting from the financial statements at 30th September 2006. In any case, that margin shall be increased up to 1.65% in case of failure to comply with financial constraints imposed by the loan agreement.

In addition, the above agreement requires the Company to comply with a series of financial parameters to be calculated on a consolidated basis, including: (*i*) the Net Financial Position / Net Assets ratio; (*ii*) the Net Financial Position / Ebitda ratio; (*iii*) free cash flow / debt service cover ratio; and (*iv*) maximum size of investment (capex). The above agreement provides that these parameters shall be periodically checked and that any failure to comply with two out of four parameters or with the only Net Financial Position / Ebitda ratio shall cause a 25% increase in the margin and the expiry of the time limit, thus entitling the lending banks to immediately claim the residual amount. At the Prospectus Date, the above parameters are met.

The loan also specifies a series of events likely to require an advance re-payment of the loan (events of default), such as a failure to pay even one instalment or to comply with two out of four financial parameters or with the only Net Financial Position / Ebitda ratio for two consecutive financial years, the event that any representation and warranty turns out to be wrong or misleading, the event that the Company gives up its activity, is prevented from carrying it out, undergoes bankruptcy, pre-bankruptcy or receivership proceedings or the event that any stakes in the Company are transferred without notifying the lending banks.

Furthermore, the Company shall be entitled to refund the loan in advance, whether partially or fully, starting from the eighteenth month since the loan was granted and shall be bound to refund a part or all of the loan in advance if, just as an example, strategic assets are sold to third parties at a unit value equal to or higher than 50,000 euros, without reinvesting the net revenues in similar assets within six months since they were collected, for a stake corresponding to 100% of the revenues from the sale.

By virtue of an amendment agreement entered into on May 4, 2007, the Issuer has inter alia obtained to be released – effective as of the Borsa Italiana's ruling allowing the SSBT ordinary shares to be traded – from certain limitations provided for in the loan agreement, including, in particular, the obligation not to carry out extra-ordinary transactions (e.g. acquisitions, mergers and share capital reductions) as well as the undertaking to cause the shareholders' meeting of the Company to resolve about the distribution of profits generated; furthermore, the existing pledge on 100% of the share capital of SSBT and MBITL has been released on May 4, 2007.

The loan agreement, modified as above, does not provide for any obligation to assign to anticipated repayment the proceeds deriving from the subscription public offering.

Finally, with reference to the loan agreement entered into on July 31, 2006 among Screen Group, Centrobanca – Banca di Credito Finanziario e Mobiliare S.p.A., Monte dei Paschi di Siena Banca per l'Impresa S.p.A. and Banca Popolare di Milano S.c.a.r.l., for a total amount of 15,000,000 euros (for more information please refer to Chapter 5, Paragraph 5.1.5.8 of this Section One), it is to be noted that the existing pledge on 100% of the share capital of SSBT has been released on May 4, 2007.

It is to be noted that such amendments to the loan agreement and the release of the pledge on 100% of SSBT and MBITL are subject to the condition subsequent that the ordinary shares of SSBT do not start to be traded on the Expandi Market within 15th July 2007. Please note that the Global Public Offering will be withdrawn should the trading not start within such term (cfr. also Section Two, Chapter 5, Paragraph 5.1.4).

23. THIRD-PARTY INFORMATION, STATEMENTS BY EXPERTS AND DECLARATIONS OF INTERESTS

23.1 Third-party information, statements by experts and declarations of interests

The Prospectus does not contain any opinions or reports released by experts.

23.2 Evidence relating to third-party information, statements by experts and declarations of interests

Where expressly specified, the information contained in the Prospectus is provided by third parties. The Company confirms that such information has been faithfully reported by the Issuer and, as far as the management team knows, also considering the information published by the same third parties, there has been no omission of facts likely to make the information incorrect or misleading.

24. DOCUMENTS ACCESSIBLE TO THE PUBLIC

Copies of the following documents can be consulted during the validity period of the Prospectus, pursuant to article 9-*bis* of the Issuers' Regulations, at the Issuer's registered office in Brescia (BS), Via Giuseppe di Vittorio n. 17, on working days during working hours, and at Borsa Italiana:

- Memorandum of incorporation and Articles of Association;
- interim consolidated financial statements at 31st December 2006, drawn up in compliance with IAS 34 and complete with relevant Auditing Company's report;
- Consolidated financial statements at 30th September 2006 and financial statements at 30th September 2005, restated under the IFRSs adopted by the European Union and complete with the relevant Auditing Company's report;
- Financial Statements at 30th September 2006, drawn up according to the observation and assessment criteria set forth by the Italian Accounting Standards, complete with the relevant Auditing Company's report;
- Financial Statements at 30th September 2005, drawn up according to the observation and assessment criteria set forth by the Italian Accounting Standards, complete with the relevant Auditing Company's report;
- Financial Statements at 30th September 2004, drawn up according to the observation and assessment criteria set forth by the Italian Accounting Standards, complete with the relevant Auditing Company's report;
- Prospectus.

Articles of Association and Prospectus are also available on the Issuer's web-site: www.screen.it.

25. INFORMATION ON THE SHAREHOLDING STRUCTURE

Below is the most important information regarding the companies in which the Issuer holds a stake having a significant incidence on the evaluation of assets and liabilities.

M.B. International Telecom Labs S.r.l. was established – as a result of the contribution, by M.B. International S.r.l., of the business line designed for the research and development, production and marketing of hardware and software solutions for Digital TV Broadcasting and for Digital Mobile TV Broadcasting – on 16th December 2005, with its registered office in Brescia (BS), Via Giuseppe di Vittorio n. 17, fully subscribed and paid-up share capital of 100,000 euros, directly controlled by the Issuer, which holds 100% of its share capital. This company is committed to the research, planning, development and realization of TV broadcasting devices.

Screen Service Systems S.r.l., incorporated on 18th August 2006, with its registered office in Viterbo (VT), Via Vico Quinzano n. 2, with fully subscribed and paid-up share capital of 35,000 euros, directly controlled by the Issuer, which holds 70% of its share capital. This company is committed to the installation, maintenance and repairs of radio and TV transmitters and to the supply of additional services, such as technical and commercial consulting services for the installation of telecommunications systems and for the fulfillment of formalities for turn-key delivery of the product.

Screen Service America L.L.C., incorporated on 7th December 2005, with its registered office in 6095 NW 167th Street, Suite D-10, Miami, Florida 33015, U.S.A., share capital USD 1,000, directly controlled by the Issuer which holds 70% of its share capital. This company is committed to the assembly and marketing of TV broadcasting equipment manufactured by SSBT and to the supply of post-sale services and customer assistance in North and South America.

Innovaction S.r.l., incorporated on 24th December 1999, with its registered office in Pianopoli (CZ), Via Enrico Berlinguer s.n.c., with a fully subscribed and paid-up share capital of 360,000 euros, participated by the Issuer which directly holds 39% of its share capital. This company studies, engineers and implements designs and prototypes relating to electronic devices and to transmitters and receivers for the TV broadcasting.

SECTION TWO

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1. PERSONS RESPONSIBLE

For a description of the persons responsible for the data and news contained in this Prospectus and for their declaration of responsibility for the information contained herein, please refer to Section One, Chapter 1 of the Prospectus.

2. RISK FACTORS

For a description of the risk factors relating to the Issuer , to the sector where it operates, to the Global Public Offering and to the financial instruments being offered, please refer to Section One, Chapter 4 of the Prospectus.

3. BASIC INFORMATION

3.1 Declaration relating to the working capital

The Company thinks that the working capital is sufficient to meet its current needs for a period of at least 12 months since the Prospectus Date.

For further information on the Issuer's capital resources, please refer to Section One, Chapters 9 and 10.

3.2 Own funds and indebtedness

At 31st March 2007, the Issuer's net financial position was equal to 75 thousand euros.

For further information relating to the Issuer's own funds and indebtedness, please refer to Section One, Chapter 10 of the Prospectus.

3.3 Interests of natural and legal persons participating in the Global Public Offering

At the Prospectus Date, the Company has no knowledge of any natural or legal persons likely to be significantly interested in the Global Public Offering, apart from the fact that Cimino e Associati Private Equity S.p.A., acting as the Issuer's Advisor, is a controlling shareholder of Cape-Natixis SGR S.p.A., i.e. management company of CNPEF, which is in turn Screen Group's majority shareholder.

It must also be noted that, by virtue of the agreements entered into on 31st July 2006, as later amended, between SSBT's shareholders and Screen Group, within the framework of the SSBT's equity restructuring transaction (cf. Section One, Chapter 5, Paragrafo 5.1.5.8) carried out by selling 100% of SSBT's share capital to Screen Group and by a subsequent immediate reinvestment of SSBT's then-current shareholders, except for Cristoforo Chiaia, in Screen Group's share capital, a supplement of price may be owed to the selling shareholders – except for Cristoforo Chiaia – which will be payable in the event that Screen Group's whole shareholding in SSBT is transferred to third parties at a price higher than the price paid by Screen Group for the purchase of those shares, until the new price is equal to 101,200,000 euros. The supplement of price, in a maximum amount of 53,200,000 euros, shall correspond to the difference between the price paid by the third party for the whole shareholding in SSBT and the price initially paid by Screen Group for the purchase of that stake. The possible supplement of price may be owed even in the event that SSBT's shares are admitted to trading on the Expandi Market, it being agreed that, in that event, all shares held by Screen Group in SSBT shall be considered sold at the Offer Price for the purpose of ascertaining whether the requirement for the supplement of price has been fulfilled and of calculating the amount thereof.

3.4 Reasons for the Global Public Offering and use of proceeds

The Global Public Offering is aimed at strengthening and developing the Company and its subsidiaries and particularly at:

- providing the Company with the requirements needed for admittance to listing and therefore for the acknowledgement as a listed company, with the consequent advantages in terms of reputation and fame, also helpful to the Issuer when participating in tenders and for the achievement of new purchase orders;
- raising the funds for the Issuer's industrial growth plan and for the implementation of both its inward growth strategy, by enhancing and updating the existing products, and outward growth strategy, through strategic alliances and targeted acquisitions. In particular the Issuer expects to be in a position,

in a short time, to participate, even by utilizing its own resources, to specific associations for the development and operation of networks of Digital TV Broadcasting and Digital Mobile TV Broadcasting in several countries, currently including USA and certain Eastern European countries;

- attracting new managers, also of international standing, and offering incentives to the current management team.

The Issuer is going to cope with the financial needs arising from the implementation of its own strategic plans by using the proceeds resulting from the Global Public Offering, the cash generation and the available loans.

4. INFORMATION RELATING TO THE FINANCIAL INSTRUMENTS TO BE OFFERED/ADMITTED TO TRADING

4.1 Description of the type and class of the financial instruments to be listed

The Shares covered by the Global Public Offering are no. 69,250,000 ordinary Shares of the Company, without indication of par value, equal to 50% of the share capital after the Global Public Offering, including no. 57,800,000 Shares offered on sale by the Selling Shareholder and no. 11,450,000 Shares resulting from a share capital increase resolved by the Issuer's extraordinary general meeting on 19th February 2007.

In case of full exercise of the Greenshoe Option, the overall number of shares under offer shall not exceed 55% of the share capital.

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4.2 Law provisions whereunder the financial instruments have been designed

The Company's shares are issued in accordance with the Italian law.

4.3 Features of the Shares

The Shares are registered and subject to the regime regulating the outstanding shares issued by Italian companies with listed shares, as prescribed by the applicable law provisions and regulations, including those relating to dematerialized financial instruments in compliance with Legislative Decree dated 24th June 1998 no. 213 and with the Regulation approved by Consob's Resolution dated 23rd December 1998 no. 11768.

4.4 Currency selected for the issue of financial instruments

The financial instruments are issued and denominated in euros.

4.5 Description of rights, including any restriction thereof, connected to the financial instruments and procedure for the exercise thereof

The shares are registered, freely transferable and indivisible and each of them shall confer one voting right at the Company's ordinary and extraordinary meetings, as well as the other economic and administrative rights in accordance with the applicable law and Articles of Association provisions.

Under article 26 of the Articles of Association, the net profits resulting from the financial statements, duly adopted by the shareholders' general meeting, shall be allocated as follows: (*i*) 5% to the legal reserve fund until the fund has reached a fifth part of the share capital; and (*ii*) the rest at the general meeting's disposal for such purposes as they may deem advisable.

The dividends uncollected within five years, since the first day when they were receivable, shall be forfeited in favour of the Company.

The Company is dissolved in such events as specified by law. In case of the Company's dissolution, the extraordinary general meeting shall define the appropriate receivership, by appointing one or more receivers and specifying their powers and fees.

There are no further classes of shares.

4.6 Resolutions, authorizations and approvals whereby the financial instruments have been or will be designed and/or issued

The Shares newly issued under the Global Public Offering are the result of the capital increase – with exclusion of the option right for the current shareholders, for a maximum amount of 1,500,000 euros through the issuance of a maximum number no. 15,750,000 ordinary shares without indication of the par value – resolved by the Company's extraordinary general meeting on 19th February 2007.

4.7 Date scheduled for the issuance of the financial instruments

At the same time as the payment of the price, the Shares assigned within the framework of the Global Public Offering shall be made available to those entitled thereto in a dematerialized form through an accounting record on the deposit accounts opened by the Dealers at Monte Titoli.

4.8 Description of any possible restrictions over the free transferability of the financial instruments

There are no restrictions over the free transferability of the Shares.

4.9 Indication of any law provisions regulating the obligation to launch a public purchase offer and/or residual offer for purchase and sale with regard to financial instruments

After being listed on the Expandi Market, the Issuer's Shares will be regulated by the Consolidated Act's provisions, as later amended, relating to public purchase offers and public sale offers and by the respective executive regulations.

Below are the most significant law provisions relating to public purchase offers and public sale offers; for further information, please refer to the applicable law provisions.

Pursuant to the Consolidated Act, anybody holding a stake exceeding 30% of shares as a result of purchases against payment – provided that such shares entitle him to cast a vote at general meetings passing resolutions about the appointment, dismissal or tasks of the directors of a company listed on an Italian regulated market – must promote a public purchase offer relating to all ordinary shares.

Pursuant to the Issuers' Regulations, the same obligation also applies to anybody owning more than 30% of shares with voting rights (without however having any shareholding enabling him to exercise the majority of the voting rights at the shareholders' ordinary meetings), provided that, within the following twelve months, he directly or indirectly purchases more than three per cent of the share capital – represented by the voting shares allowing to join the general meetings' resolutions relating to the appointment, dismissal and tasks of the directors – of any company listed on an Italian regulated market, through purchases against payment or through subscriptions or conversions in the exercise of the rights traded over the same period.

The offer must be promoted within thirty days after the date when the limit was exceeded, at a price not lower than the arithmetic average between: (*i*) the weighted average market price over the previous twelve months; and (*ii*) the highest ever price accepted, within the same period, by the offerer for purchases of shares of the same class. Should no purchases be carried out within that period, the offer shall be promoted at the weighted average market price recorded over the previous twelve months or, if the company's shares have been traded for less than twelve months, the offer shall be promoted at that period's weighted average market price.

Nevertheless, it must be noted that the EC Directive 2004/25/CE, still being acknowledged in Italy, provides that the maximum price paid for the same securities by the bidder, or by persons acting on his behalf, within a period – to be determined by the member Countries and ranging between six and twelve months prior to the offer – is considered fair. If, after the offer is disclosed to the public and before it is closed for the acceptance, the bidder or anybody acting on his behalf buys securities as a price higher than the offer price, then the bidder must increase the offer up to an amount not lower than the maximum price paid for those securities.

Upon occurrence of certain circumstances, although the number of purchased shares exceeds the fixed limit, the Consolidated Act and the Issuers' Regulations provide for a few cases of exemption from the launch of the public purchase offer.

Finally, whoever holds more than 90% of the ordinary shares must promote a "residual" public purchase offer for the remaining voting shares, at a price fixed by Consob, unless within 120 days he restores the minimum level of freely-tradable shares sufficient to guarantee the regular performance of the trading.

Each shareholder holding more than 98% of the ordinary shares of a company listed following a public purchase offer covering all its ordinary shares shall be entitled to buy the residual shares within four months after the closing of the offer, provided that in the offer document he has expressed his intention to enforce such a right. The price is fixed by an expert appointed by the presiding judge of the law court having jurisdiction over the place where the issuer has established its registered office (also considering the offer price and the market price over the last six months).

4.10 Public purchase offers carried out by third parties on the Issuer's shares during the last and current financial year

The Issuer's Shares have not been proposed for any public purchase offer during the financial year closed at 30th September 2006 or during the current financial year.

4.11 Tax matters

Below is some general information relating to the taxation system applicable to the purchase, possession and transfer of shares for certain categories of investors. The following overview is not intended to be an exhaustive analysis of all tax-related consequences of the purchase, possession and transfer of Shares.

The taxation system explained below is based on the Italian tax law provisions and on the common practice at the Prospectus Date, it being understood that they are subject to any possible changes with possible retroactive effects. The investors are however bound to consult with their advisors about the taxation applicable to the purchase, possession and transfer of Shares and to ascertain the type and origin of the amounts received as dividends on the Shares.

It must also be noted that the Italian Government has been appointed to streamline the tax system applicable to any income of financial nature. A draft law enacted under delegated power has been recently proposed in the Parliament for the reform of the taxation applicable to any income of financial nature. As a result, the approval of legislative rulings amending the current regulations might affect the tax system applicable to the Company's shares as described in the following paragraphs.

4.11.1 Taxation of dividends relating to realized profits

The taxation system applicable to the distribution of dividends depends on who receives them, as described below.

Individuals residing for tax purposes in Italy

The dividends paid by Italian companies to individuals residing in Italy for tax purposes, referable to "qualified" shareholdings (as defined below) held outside the performance of their business, are not subject to any tax deductions at source, provided that, upon receipt thereof, the recipients declare that the dividends arise from "qualified" shareholdings. The dividends must be reported by the recipient on his income tax return and are regarded as a component of his overall taxable income, subject to taxation at a marginal tax rate, limited to 40% of their amount.

With regard to companies listed on regulated markets, the shareholdings (other than Savings shares) are considered "qualified" when, also considering the rights and entitlements whereby the said shareholdings can be achieved, they altogether represent a percentage of the voting rights exercisable at the shareholders' ordinary meetings higher than 2% or, alternatively, a stake in the share capital higher than 5%. Such a rule applies only starting from the date when the relevant shareholdings, entitlements and rights correspond to a percentage of the voting rights or of the share capital which can be regarded as a "qualified" shareholding at least for one day, during the twelve month period immediately before the date when dividend is collected.

The dividends paid by Italian companies to individuals residing in Italy for tax purposes, with regard to "non-qualified" shareholdings held outside the performance of the business, are subject to a tax deduction at source (withholding tax) corresponding to 12.50%.

By virtue of Legislative Decree of 24th June 1998, no. 213, starting from 1st January 1999 the Italian companies' shares traded on regulated markets must necessarily join the centralized deposit system, in the so-called dematerialization regime.

In this connection – by virtue of the provisions of article 27-*ter* of Presidential Decree dated 29th September 1973, no. 600, as later amended by Legislative Decree dated 12th December 2003, no. 344 – the profits, coming from shares contributed to the centralized deposit system managed by Monte Titoli (like the Company's shares under Offer) and paid to natural residents with regard to "non-qualified" shareholdings unrelated to any individual business, shall be subject, instead of the usual withholding taxes, to a substitute tax replacing the income taxes to the extent of 12.5% under the same terms and conditions as the withholding taxes.

The substitute tax shall be applied by the residents joining the centralized deposit system managed by Monte Titoli, where the securities are lodged, or by the non-resident custodians who join the centralized deposit system managed by Monte Titoli, whether directly or indirectly, through foreign central custodians.

In the above event, when securities are lodged at non-residents, the tax obligations relating to the applicable substitute tax shall be entrusted to a tax representative in Italy (particularly, a Bank or stock brokerage company residing in Italy, a permanent establishment in Italy of non-resident banks or investment companies, or a centralized management company dealing in financial instruments, duly authorized under article 80 of the Consolidated Act) appointed by the above persons pursuant to the provisions of article 27-*ter*, paragraph 8, of Presidential Decree dated 29th September 1973, no. 600, who shall perform his duties under the same conditions and responsibilities as prescribed for any resident.

The tax deduction at source or substitute tax in the amount of 12.50% shall not be levied if the dividends refer to "non-qualified" shareholdings, held within the framework of individual portfolios managed by qualified institutional buyers, for which the shareholders have preferred the 12.50% substitute tax according to the savings taxation system ("regime di risparmio gestito") under article 7 of Legislative Decree dated 21st November 1997, no. 461 ("**Legislative Decree no. 461/97**"). In that event, the dividends are a component of the yearly result of the individual portfolio management, subject to the 12.50% substitute tax enforced by the portfolio manager.

Entities carrying on a business

Any dividends received by joint stock companies, limited share partnerships, limited liability companies, co-operatives and mutual insurance companies, public and private bodies – carrying out a commercial activity as their sole or main purpose and residing in Italy for tax purposes, pursuant to art. 73, paragraph 1, a) and B) of Presidential Decree dated 27th December 1986 no. 917 (T.U.I.R. Consolidated Act relating to Income Taxes) – shall not be subject to any tax deduction at the source and shall be regarded as a component of the recipients' overall taxable income subject to the corporate income tax (IRES) to the extent of 5% of their amounts.

A different tax system is provided in case the subject receiving the dividends and the subject paying them have chosen the tax consolidation system.

The dividends received by general partnerships, limited partnerships and by any companies treated as such in accordance with article 5 of the T.U.I.R, as well as by individuals residing in Italy for tax purposes, who receive the dividends while running their business, shall not be subject to any tax deduction at source and shall be regarded as a component of their corporate income, for 40% of their amount.

Exempted subjects

A 27% tax deduction at source (withholding tax) is applicable to the dividends received by subjects residing in Italy for tax purposes. To any shares, like the Shares, lodged at the centralized deposit system managed by Monte Titoli, a substitute tax shall apply, instead of a withholding tax, at the same tax rate and under the same conditions, and shall be enforced, at the time of payment, by the subject (joining the centralized deposit system managed by Monte Titoli) where the Shares are lodged.

Non-commercial entities residing for tax purposes in Italy

The dividends paid to public or private bodies residing in Italy for tax purposes, other than companies, which do not perform any commercial activity as their sole or main purpose, are regarded as a component of their taxable income to the extent of 5% of the amount thereof.

Such a tax system – applicable to both dividends relating to institutional activities and those relating to commercial activities, if any, carried out by non-commercial subjects – shall be provisionally applicable until the enforcement of the law provision contained in the law enacted under delegated power on 7th April 2003, no. 80, which re-qualifies the non-commercial subjects as tax-payers subject to the income tax (IRE) rather than tax-payers subject to the corporate income tax (IRES).

Undertakings for collective investment in transferable securities (OICVM)

The dividends received by Italian Undertakings for collective investment in transferable securities (i.e., investment funds and open-end investment companies), regulated by article 8, paragraphs 1-4, Legislative Decree no. 461/97, are not subject to any tax deduction at source and are regarded as a component of the yearly operating result, which is subject to a substitute tax at a 12.50% tax rate or, upon occurrence of certain circumstances, at a tax rate reduced to 5%, under article 12 of Legislative Decree of 30th September 2003, no. 269 ("**Legislative Decree no. 269/2003**"), as later amended by act dated 24th November 2003, no. 326, or at a tax rate raised to 27%, pursuant to article 8 of Legislative Decree dated 23rd December 1999, no. 505 ("**Legislative Decree no. 505/1999**").

It must be noted that on 7th September 2005, the European Commission has disclosed its opinion that the substitute tax at a 5% tax rate for undertakings for collective investment in transferable securities, with a focus on small and medium capitalization companies, would give rise to State's aid forbidden by article 87 of the EC Treaty, because it would result in the achievement of an indirect benefit for the savings management companies which have set up any undertakings for collective investment in transferable securities.

Pension funds

The dividends received by pension funds residing in Italy and taxable as prescribed by Legislative Decree dated 5th December 2005, no. 252, shall not be subject to any tax deductions at source and shall be regarded as a component of their yearly operating result, which is subject to a substitute tax at a 11% tax rate.

Real estate investment funds

The dividends received by the Italian real estate investment funds set up pursuant to article 37, Legislative Decree date 24th February 1998, n. 58, or article 14-*bis* of the Law dated 25th January 1994, no. 86, are not subject to any tax deduction at source.

Besides being exempted from the income taxes and from the regional tax on productive activities, such real estate funds are not subject to any substitute tax on the net accounting value of the fund, but the proceeds arising from the participation in funds are subject to a 12.50% withholding tax payable by the recipients thereof as an advance payment or tax (depending on the recipients' legal status), except for the proceeds collected by subjects actually benefiting from same residing for tax purposes in Countries allowing an appropriate exchange of information with the Italian Inland Revenue or by foreign institutional investors, even without subjective tax liability, established in those Countries.

Non-residents without any permanent establishment in Italy

The dividends received by subjects, not resident for tax purposes in Italy and without any permanent establishment in Italy referable to the shareholding, are subject to a 27% tax deduction at source, to be reduced to 12.5% in case of savings shareholders. To any shares, such as the Shares, put in the centralized deposit system managed by Monte Titoli, a substitute tax shall apply, instead of a withholding tax, at the same tax rate and under the same conditions, and shall be paid at the time of payment by the subject (joining the centralized deposit system managed by Monte Titoli) where the Shares are lodged.

The shareholders not resident for tax purposes in Italy may file an application for refund with the Italian Inland Revenue, under such terms and conditions as prescribed by the law, up to a maximum amount corresponding to 4/9 of the substitute tax levied in Italy on dividends, with regard to the tax proved to have been definitively paid by them abroad on the dividends received, after providing the relevant Italian tax authorities with the certificates issued by the foreign Country's relevant tax authority.

Instead of the above refund up to 4/9 of the tax levied in Italy, the recipient of the dividends can alternatively apply for the enforcement of the double taxation convention between Italy and his own Country of residence, provided that the latter allows the reduction of the tax deduction at source on dividends applicable in Italy. With regard to dividends on shares, like the Shares, lodged in the centralized deposit system managed by Monte Titoli, for which the tax deduction at source is applicable in the form of a substitute tax, any non-resident investor – interested in obtaining the direct enforcement of the substitutive tax in the amount prescribed by a double taxation convention – shall provide the subject bound to pay the substitute tax, prior to the payment of the dividends, with the following documents: (*i*) a statement drawn up by himself, containing the identification data of the foreign investor as actual recipient of the dividends, indicating that all terms and conditions regulating the application of the conventional tax regime and any further data needed to determine the extent of the applicable tax rate pursuant to the double taxation convention are met, and (*ii*) a declaration by the relevant tax authority of the Country of residence of the actual recipient of the dividends, certifying his residence in that Country for the purposes of the applicable double taxation convention. Such a certification will be effective until 31st March of the year immediately following the year of the filing. The Italian Inland Revenue has also agreed with a few foreign Countries' inland revenues upon special application forms designed for a more efficient and easier refund or total or partial exemption from the tax deduction at source applicable in Italy. If the documents are not filed with the custodian before the payment of the dividends is ordered, then the substitute tax will apply at a 27% tax rate. In that event, the actual recipient of the dividends can however apply to the Inland Revenue for the reimbursement of the difference between the levied withholding tax (based on the domestic Italian regulation) and the withholding tax applicable pursuant to the double taxation convention by filing an appropriate application for refund, together with the above documents, under such terms and conditions as prescribed by law.

Under art. 27-*bis* of Presidential Decree no. 600 dated 29th September 1973, approved in compliance with EC Directive no. 435/90/CEE of the Council of 23rd July 1990, whenever the dividends are received by a company: (*i*) resident for tax purposes in a member Country of the European Union, (*ii*) structured in any of the forms described in the schedule attached to Directive no. 435/90/CEE, (*iii*) subject, in its Country of residence, to any of the taxes indicated in the schedule attached to said Directive, without being allowed to enjoy any option rights or exemptions unlimited in terms of territory or time and (*iv*) holding a direct stake in the Company not lower than 20 % of its share capital for an uninterrupted period of at least one year, then such a company shall be entitled to apply for a refund of the incurred tax deduction at source. For that purpose, the company must provide (*i*) a certification, issued by the foreign Country's relevant tax authorities, confirming that the non-resident company fulfills the above requirements and (*ii*) the documents certifying the fulfillment of the above requirements. Moreover, as soon as the above requirements are fulfilled, the non-resident company can apply for the non-enforcement of the tax deduction at source by providing the custodian of the Shares with the above documents, which must be kept available for inspection until expiration of the period subject to tax audit, relating to the taxable period still in force on the date of payment of the dividends and, in any and all cases, until the conclusion of the tax audits. The refund right or exemption right applies to non-resident companies found to be directly or indirectly controlled by non-residents in the European Union's member countries, provided that such companies prove that they were not incorporated for the sole or main purpose of taking advantage of that taxation system. On 6th February 2007, the Council of Ministers has approved the legislative decree no. 49 (published on the Official Gazette of the Italian Republic no. 86 of 13th April 2007) – thus enforcing the EC Directive no. 123/2003 – and amended some provisions regulated by art. 27-*bis* of Presidential Decree no. 600 of 29th September 1973 and to reduce the direct shareholding percentage in the share capital of the company distributing profits to 20% for the profits distributed starting from 1st January 2005, to 15% for those distributed starting from 1st January 2007 and finally to 10% for those distributed starting from 1st January 2009.

Non-residents for tax purposes in Italy with permanent establishment on the State's territory

The dividends received by non-residents for tax purposes in Italy, who hold the shareholding through a permanent establishment in Italy, shall not be subject to any withholding taxes in Italy and shall be regarded as a component of the permanent establishment's overall income to the extent of 5% of their amount. Should the dividends arise from a shareholding unrelated to any permanent establishment in Italy belonging to the non-resident recipient, please refer to the above paragraph.

4.11.2 Distribution of reserves under art. 47, paragraph 5, of Presidential Decree no. 917/1986

The information contained in this Paragraph provides a brief overview of the taxation system applicable to the distribution by the Company – on occasions other than a reduction of exuberant capital, withdrawal, exclusion, redemption or winding-up – of the capital reserves regulated by art. 47, paragraph 5, of Presidential Decree no. 917/1986 or of the reserves or other funds set up with issue-premiums, with equalizing interest paid by the subscribers, with sinking funds or paid-in capital contributed by the shareholders or with residues of tax-exempt monetary revaluation (hereinafter also referred to as "capital reserves").

Individuals residing for tax purposes in Italy

Regardless of the general meeting's resolution, the amounts collected by individuals residing for tax purposes in Italy as a result of the distribution of capital reserves are regarded as profits of the recipients thereof, provided that the distributing company has achieved operating profits and profit reserves (apart from the portion thereof allocated subject to tax deferral). The amounts regarded as profits are subject to the same tax regime as outlined above, depending on whether they are non-qualified shareholdings and/or unrelated to any business. The amounts received as a result of the distribution of capital reserves, net of the amount classifiable as profit, based on the above, will reduce the tax-deductible cost of the shareholding by an equal amount. It follows that, on the occasion of a subsequent transfer, the taxable capital gains are calculated on the basis of the difference between the selling price and the tax-deductible cost of the shareholding reduced by an amount equal to the amounts received as a result of the distribution of capital reserves (net of the amount regarded as profit, if any). According to the interpretation approved by the Italian Inland Revenue, the amounts received as a result of a distribution of capital reserves must be regarded as profits with reference to the amount in excess of the tax-deductible cost of the shareholding. With regard to the shareholdings for which the individual has preferred a so-called managed savings ("risparmio gestito") system under art. 7 of Legislative Decree 461/1997, if no explanation whatsoever comes from the Italian Inland Revenue, according to a systematic interpretation of the law provisions, the amounts assigned as a result of the distribution of capital reserves will be regarded as a component of the yearly operating result relating to the taxable period when the distribution took place. The value of the shareholdings at the end of the same taxable period (or upon expiration of the "risparmio gestito" system, if earlier) must also be included in the calculation of the yearly operating result relating to the taxable period, subject to the 12.50% substitute tax.

General partnerships, limited partnerships and equivalent companies pursuant to article 5 of Presidential Decree no. 917/1986, partnerships, companies and corporate bodies – disciplined by art. 73, paragraph 1, a) and b) of Presidential Decree no. 917/1986 – residing for tax purposes in Italy.

With regard to general partnerships, limited partnerships and equivalent companies disciplined by article 5 of the T.U.I.R. as well as companies and corporate bodies disciplined by art. 73, paragraph 1, a) and b), of the T.U.I.R., residing for tax purposes in Italy, the amounts received by them as a result of the distribution of capital reserves will be regarded as profits, provided that, and to the extent that, there are operating profits and profit reserves (except for the portion thereof allocated subject to tax deferral). The amounts qualified as profits are subject to the same taxation system as outlined above. The amounts received as a result of the distribution of capital reserves, net of the amount referred to as profit, will reduce the tax-deductible cost of the shareholding by an equal amount. The amounts received following the distribution of capital reserves, to the extent of the portion in excess of the fiscal cost of the shareholding, will be regarded as capital gains and, as such, will be subject to the taxation system outlined in Paragraph 4.11.3 below.

Italian pension funds and undertakings for collective investment in transferable securities O.I.C.V.M. (investment funds and SICAV)

According to a comprehensive interpretation of the law provisions, the amounts received by O.I.C.V.M. (investment funds and SICAV) and by Italian pension funds, as a result of the distribution of capital reserves, should be regarded as component of the net operating result relating to the taxable period during which the distribution took place, which is subject to substitute tax at a tax rate of 12.50% or 11% in case of pension funds. The value of the shareholdings at the end of the same taxable period must also be contributed to the yearly operating result.

Non-residents for tax purposes in Italy, without any permanent establishment within the State's territory

With regard to non-residents for tax purposes in Italy (whether natural persons or joint stock companies), without a permanent establishment in Italy referable to the shareholding, the amounts received as a result of the distribution of capital reserves are deemed to be of the same fiscal nature as those received by individuals residing for tax purposes in Italy. Based on a comprehensive interpretation of the law provisions applicable, as a rule, to this type of situation, the amounts classifiable as profits are subject to the same taxation system as outlined above. As already pointed out with reference to individuals and joint stock companies residing for tax purposes in Italy, any amounts received as a result of the distribution of capital reserves, net of the amount classifiable as profit, will reduce the tax-deductible cost of the shareholding by an equal amount.

Non-residents for tax purposes in Italy with permanent establishment in the Country's territory

With regard to non-residents holding their stakes through a permanent establishment in Italy, those amounts are regarded as a component of their permanent establishment's income subject to the taxation system applicable to companies and corporate bodies disciplined by article 73 paragraph 1, a) and b) of the T.U.I.R., residing for tax purposes in Italy.

Should the distribution of capital reserves be the result of a shareholding unrelated to any permanent establishment in Italy of the non-resident recipient, please refer to the above paragraph.

4.11.3 Capital gains arising from transfer of shares

Individuals residing in Italy

The capital gains – realized by individuals residing for tax purposes in Italy as a result of the transfer, against payment, of shares, entitlements or rights whereby those shareholdings can be purchased, if not achieved while conducting any commercial or handicraft business or professional activities – are regarded by the Italian regulations as (financial) "different incomes" ('redditi diversi') under article 67 of the T.U.I.R. Such capital gains are subject to a different taxation depending on their being "qualified" or "non-qualified" shareholdings.

As far as our matter (securities traded on regulated markets) is concerned, the shareholdings are considered "qualified" when – also taking into account the rights and entitlements whereby they can be achieved – the shareholdings transferred over the 12 months prior to the transfer altogether represent a percentage of the voting rights, exercisable at the ordinary general meetings, higher than 2% or a stake in the share capital higher than 5%. The twelve-month period begins from the moment when the owned rights and entitlements correspond to a percentage of the voting rights or of the share capital beyond the above limits. With regard to rights or entitlements whereby stakes can be achieved, attention is paid to the percentages of voting rights or of share capital potentially referable to the shareholdings.

The capital gains realized during the reference year arising from the transfer of "qualified" shareholdings are exclusively taxable based on the system of the income tax return. They are algebraically added, to the extent of 40% of their amounts, to the corresponding share (40%) of the capital losses resulting during the year from the transfer of "qualified" shareholdings. If the capital gains exceed the capital losses, then the excess will contribute to the tax-payer's overall taxable income. If the capital losses are higher than capital gains, the excess, again in the form of 40% of the overall amount, is deducted – up to 40% of the amount of the capital gains arising from the sale of "qualified" shareholdings – during the subsequent taxable periods, but not beyond the fourth one, provided that the excess be recorded on the income tax return relating to the taxable period when the capital losses arose.

With regard to capital gains – other than those resulting from a commercial business – realized by individuals residing for tax purposes in Italy by transferring "non-qualified" shareholdings against payment, the tax-payer can select one among the following three taxation methods:

- Taxation based on the taxation system applicable to the yearly income tax return (article 5, Legislative decree no. 461/97). In his income tax return, the tax-payer is bound to record the capital gains and capital losses realized during the taxable period and to enforce a substitute tax, at a 12.50% tax rate, on the capital gains after deduction of the capital losses of the same type. The substitute tax is paid within the time period allowed for the payment of the income taxes owed in full settlement, based on the income tax return. The exceeding capital losses, if duly entered on the tax return, can be deducted, up to the amount of the capital gains relating to "non-qualified" shareholdings and of the financial "different incomes" pursuant to article 67, paragraph 1, *c-bis*), *c-ter*), *c-quater*) and *c-quinquies*) of the T.U.I.R., realized during the subsequent taxable periods, but not beyond the fourth one; this taxation method is mandatory if the tax-payer does not choose either of the two following criteria;

- "Regime del risparmio amministrato" (article 6, Legislative Decree no. 461/97). Such a system shall apply provided that: (*i*) the Shares are lodged at resident banks or stock brockerage companies ("società di intermediazione mobiliare") or further residents identified based on special ministerial decrees and (*ii*) the shareholder (by delivering a written notice to the broker) chooses the application of this system when opening the account or, in case of accounts already opened, he communicates his choice to the broker prior to the beginning of the taxable period for which he intends to comply with said taxation system. In the event that the subject chooses the said taxation system, the 12.50% substitute tax will be assessed and paid, on each capital gain, by the stock brokerage company at which the shares are banked in safe custody or under management. Thus, the subject who has realized the capital gain is not bound to enter such income on his income tax return. The capital losses, if any, can be deducted up to the amount of the capital gains from "non-qualified" shareholdings and of the other financial "different income" under article 67, paragraph 1, *c-bis*), *c-ter*), *c-quater*) and *c-quinquies*) of the T.U.I.R., if yielded within the framework of the same relationship, during the same taxable period or during the next taxable periods, but not beyond the fourth one. Should the safe custody or management relationship be terminated, the possible capital losses, unutilized for set-off purposes, can be deducted – after a specific certificate has been issued by the stock brokerage company, not beyond the fourth taxable period following the period when they occurred – from the capital gains realized within the framework of another relationship regulated by the managed savings system and registered in the same name, or can be deducted by the same subjects when drawing-up their tax returns under such restrictions and conditions as set forth above;
- 'Regime del Risparmio Gestito' (article 7, Legislative Decree no. 461/97). A preliminary requirement for the application of this tax regime is that the shares must be contributed to an individual portfolio managed by a broker duly empowered to do so. According to this taxation system, the 12.50% substitute tax is levied by the broker, at the end of each taxable period, on the value increase of the managed assets, accrued during the taxable period even if uncollected, net of the contributions and of the income subject to withholding tax, of the income exempted from or however not subject to taxes and of any income regarded as a component of the tax-payers' overall income, of the proceeds arising from shares of undertakings for collective property investments subject to substitute tax as per article 8 of Legislative Decree no. 461/1997, as well as from real estate investment trusts pursuant to the Law dated 25th January 1994 no. 86, of an amount equal to 60% of the proceeds deriving from the participation in undertakings for collective saving investments mentioned in the forth sentence of paragraph 1, article 10-*ter*, of the Law dated 23rd March 1983, no. 77. Within the framework of the 'risparmio gestito', the capital gains arising from the transfer of non-qualified shareholdings will contribute to increasing the assets under management during the taxable period, subject to a 12.50% substitute tax. The subject who has realized the capital gain is not bound to enter such income on his income tax return. The negative operating result reached during a taxable period can be deducted from the operating result of the next fourth taxable periods, for the whole amount contained in each of them. In case of cancellation of the option or termination of the mandate for management, the negative operating results (duly certified by the manager) can be deducted – not beyond the fourth taxable period following the period when they arose – from the capital gains resulting from another relationship, regulated by the managed savings system (either 'amministrato' or 'gestito') and registered in the same name of the original relationship or deposit, or can be deducted by the same subjects when drawing-up their tax returns under such restrictions and conditions as set forth above.

In addition to capital gains and capital losses on non-qualified shareholdings, the result of the asset management also includes other types of income belonging to the category of financial "different incomes", as well as the investment income yielded by the assets under management (apart from any tax-exempted or non-taxable income and any other income subject to tax deduction at source or substitute tax).

Commercial entities

The proceeds realized by joint stock companies, limited share partnerships, limited liability companies, co-operatives and mutual insurance companies, public and private bodies – carrying out a commercial activity as their sole or main purpose – resulting from the transfer of the Shares against payment, other than those fulfilling the requirements prescribed by article 87 of the T.U.I.R., will be fully included in the corporate taxable income and, as such, are taxable by the Italian ordinary taxation system.

The capital gains realized following the sale of the Shares, other than those fulfilling the requirements prescribed by article 87 of the T.U.I.R, will be either fully included in the overall income relating to the financial year when they were realized, or – if the Shares have been recorded in the three latest financial statements among the long-term investments , at the tax-payer's discretion – recorded in the form of constant portions spread out over the financial year when they arose and over the following financial years, but not beyond the fourth one. The above choice must be specified on the tax return.

Nevertheless, whenever the following requirements are fulfilled (under article 87 of the T.U.I.R.), the capital gains are tax-exempted to the extent of 84% of their amount (so-called participation exemption) and, more precisely, when:

a) The participation has been held uninterruptedly since the first day of the eighteenth month prior to the actual transfer, by deeming the most recently purchased shares to have been transferred first;

b) The participation is classified as a long-term investment on the first financial statements closed during the period of its possession;

c) The participated company's residence for tax purposes is located in a Country or territory other than those classified as tax havens by Ministerial Decree issued under article 167, paragraph 4, of the T.U.I.R. (said requirement must be ascertained at the moment of the transfer and uninterruptedly, since the beginning of the three previous taxable periods) or, alternatively, the income has fully proved not to be localized in those Countries or territories, by means of a request for explanation from the Italian Inland Revenue. In our type of situation, such a circumstance would be significant only in the event that the Company should transfer its residence for tax purposes;

d) The participated company conducts a commercial business according to the definition set out in article 55 of the T.U.I.R. This requirement shall not apply to companies whose securities are traded on regulated markets.

The requirements under c) and d) above must be existing, uninterruptedly, at the time of realization, at least from the beginning of the third tax period before the realization itself.

Upon occurrence of the above type of situation (transfer of shares meeting the requirements under article 87 of the T.U.I.R.), it must be noted that the capital losses from the transfer of shares will not be deductible, to the extent of 100% of their amount, in the event of their uninterrupted possession starting from the first day of the twelfth month prior to the month of the transfer (it being understood that the most recently purchased shares will be considered sold first).

Starting from 1st January 2006, the capital losses and the negative differences between proceeds and costs relating to shares which do not fulfill the requirements prescribed for the exemption must not be taken into account up to extent of the non-taxable amount of the dividends or interim dividends received over the thirty-six months immediately before their realization/achievement. The above regulation applies to the shares purchased over the 36 months immediately before the realization/achievement, provided that the participated company's residence for tax purposes be located in a Country or territory other than those regarded as tax havens by Ministerial Decree issued under article 167, paragraph 4, of the T.U.I.R or, alternatively, provided that the income has fully proved not to be localized in those Countries or territories, by means of a request for explanation from the Inland Revenue.

Capital gains and capital losses realized by general partnerships, limited partnerships and by any equivalent companies, under article 5 of the T.U.I.R., and by individuals running their business, through the transfer of Shares against payment, will be fully included in the corporate taxable income subject to the Italian ordinary taxation system.

The above subjects are however allowed to include any capital gain in the taxable income over five taxable periods (i.e., the period when the capital gain arose and the next periods, but not beyond the fourth one). Nonetheless, whenever the above requirements – for the applicability of the so-called participation exemption – are fulfilled by joint stock companies and commercial entities, then capital gains are included in the corporate taxable income to the extent of 40% of their amount in case of uninterrupted possession thereof starting from the first day of the eighteenth month prior to the transfer (and the most recently purchased shares will be considered sold first). On the contrary, capital losses can be deducted up to the maximum extent of 40% in case of uninterrupted possession thereof starting from the first day of the twelfth month prior to the transfer.

For certain type of companies and under certain conditions, the capital gains realized by the above subjects, by selling the Shares, contribute to the formation of the respective net value of the production, subject to the regional tax on productive activities (IRAP).

In any and all cases, any devaluation and adjustment of the value of the Shares is not tax-deductible.

Non-commercial entities residing for tax purposes in Italy

The capital gains realized by public and private bodies residing for tax purposes in Italy, other than companies, which dot not conduct commercial activities as their sole or main purpose, are taxable according to the same law provisions applicable to individual residents.

Undertakings for collective investment in transferable securities

The capital gains – realized by O.I.C.V.M. disciplined by art. 8, paragraphs 1-4, of Legislative Decree 461/1997 (investment funds and SICAV) by selling the shares – are included in the calculation of the yearly operating result subject to substitute tax at a 12.50% tax rate (upon occurrence of certain circumstances, reduced to 5% pursuant to art. 12 of Legislative Decree no. 269/2003). With reference to resident open-end investment companies (SICAVs) with less than 100 participants – unless the shares or stakes in the above entities held by qualified investors, other than individuals, are higher than 50% – the 12.50% substitute tax shall apply to the portion of operating result referable to "non-qualified" shareholdings. The substitute tax shall be however levied at a 27% tax rate on the portion of the yearly operating result referable to "qualified" shareholdings held by the above subjects. For these purposes, "qualified" shareholdings refer to the voting shares or stakes, in the share capital or assets of companies listed on regulated markets, in excess of 10% (this percentage is calculated by including the rights, whether or not represented by securities, which entitle to buy voting stakes in a share capital or assets).

It is to be noted that, on 7th September 2005, the European Commission disclosed its decision that the substitute tax, reduced to a 5% tax rate, for the OICVMs (undertakings for collective investment in transferable securities) focusing on small and medium capitalization companies, would give rise to a State aid forbidden by article 87 of the EC Treaty, because it would result in the achievement of an indirect benefit for the savings management companies which have set up such undertakings for collective investment in transferable securities.

Pension funds

The pension funds residing in Italy – subject to the taxation system set forth in Legislative Decree no. 252 of 5th December 2005 – are subject to a substitute tax on the yearly operating result at a 11% tax rate. This operating result includes the capital gains referable to the Shares. Moreover, the substitute tax applies to the operating result achieved at the end of each year and the tax can be therefore levied in advance of the actual realization of the capital gain.

Real estate investment funds

The capital gains resulting from real estate investment funds pursuant to Legislative Decree no. 351/2001 through the sale of Shares are not subject to any taxation at the expense of the fund. The proceeds from the participation in the funds are however subject to a 12.50% withholding tax levied as an advance payment or as a tax (depending on the recipients' legal status), with exclusion of the proceeds received by the residents for tax purposes in Countries which guarantee an appropriate exchange of information with the Italian Inland Revenue.

Non-residents without any permanent establishment in Italy

The capital gains realized by non-residents for tax purposes in Italy, without any permanent establishment in Italy, by selling "non-qualified" shareholdings in resident companies listed on regulated markets, are not taxable in Italy, although held therein. In the cases where the "risparmio amministrato" or "risparmio gestito" system applies, the shareholders – if interested in benefiting from the exemption regime – must supply the financial brokers, at whom their Shares are lodged, or the asset manager, with a self-certification as evidentiary document confirming that they are not residents in Italy for tax purposes.

The capital gains realized by non-residents for tax purposes in Italy, without any permanent establishment in Italy, as the result of the sale of qualified shareholdings, are algebraically added, to the extent of 40% of their amount, to the corresponding portion of the capital losses resulting from the transfer of qualified shareholdings. If the capital gains exceed the capital losses, the excess is regarded as a component of the tax-payer's overall taxable income. If the capital losses exceed the capital gains, the excess is deducted, within the same limits of the 40% of its amount, up to the amount of 40% of the capital gains realized during the next taxable periods, but not beyond the fourth one, provided that they are entered on the tax return relating to the taxable period during which the capital losses arose.

It is however understood that the tax exemption granted by the international double taxation conventions shall apply insofar as applicable. In this respect, the conventions entered into by Italy have generally ruled out the applicability of the substitute tax, under certain conditions, thus deeming any capital gains realized by non-residents to be exclusively liable to taxation in the investors' foreign Country of residence.

Non-residents in Italy with permanent establishment in the Country's territory

With regard to non-residents holding stakes through a permanent establishment in Italy, those amounts are regarded as a component of the permanent establishment's income according to the taxation system applicable to capital gains realized by companies and corporate bodies residing in Italy for tax purposes, under article 73, paragraph 1, points a) and b) of the T.U.I.R.

In the event that the shareholding is unrelated to any permanent establishment in Italy belonging to the non-resident, please refer to the above paragraph.

4.11.4 Special transfer tax on Stock Exchange dealings

Insofar as applicable, the transfer tax on the Stock Exchange dealings shall apply as follows:

- 0.072 euros every 51.65 euros (or fraction of 51.65 euros) of the price for the Shares, in case of agreements entered into by and between the contracting parties whether directly or through entities other than the Professional Brokers mentioned under paragraph c) of article 1 of Legislative Decree 435/1997;

- 0.0258 euros every 51.65 euros (or fraction of 51.65 euros) of the price for the Shares, in case of agreements entered into by and between individuals and Professional Brokers, according to paragraph c) above, or between individuals through the above mentioned subjects;
- 0.0062 euros every 51.65 euros (or fraction of 51.65 euros) of the price for the Shares, in case of agreements entered into by and between banks or financial intermediaries, duly authorized to propose their professional activity to the public pursuant to Legislative Decree 58/1998, or brokers (the "Professional Brokers").

Nonetheless, the "transfer tax on Stock Exchange dealings" shall not apply to the following agreements:

- the agreements executed on the regulated markets. This exemption also covers the relationships between Professional Brokers and the subjects on whose behalf the agreements are executed;
- the agreements relating to shareholdings in listed companies (like the Shares), executed outside the regulated markets, provided that they are entered into by and between:
  - Professional Brokers;
  - Professional Brokers, on the one hand, and non-residents, on the other hand;
  - Professional Brokers, whether residents or non-residents, on the one hand, and undertakings for collective investment on the other hand;
- The agreements relating to public sales offers, whether instrumental to the admittance to listing on regulated markets or based on financial instruments already listed on regulated markets;
- The agreements relating to shareholdings in non-listed companies, executed by non-residents with Professional Brokers;
- Agreements having a value not exceeding 206.58 euros;
- Loan agreements relating to securities and any other agreement pursuing the same economic purpose.

Finally, the amount shall not apply to any transfers of shareholdings between subjects, companies or corporate bodies whatsoever, mutually related through a control relationship under article 2359, paragraph 1, nos. 1 and 2 of the Italian Civil Code, or between companies directly or indirectly controlled by the same subject, pursuant to the same law provisions.

4.11.5 Inheritance and gift tax

The Law Decree no. 262 dated 3rd October 2006, as amended and converted by Law no. 286 dated 24th November 2006, has imposed the inheritance and gift tax on mortis-causa transfers of assets and rights, as gifts or voluntary conveyances without valuable consideration, and on the creation of restraints on the assets.

Any and all situations not regulated by paragraphs 47 through 49 and 51 through 54 of article 2 of Law no. 286 of 2006 shall be disciplined by the provisions, insofar as applicable, of Legislative Decree dated 31st October 1990, no. 346, in its version in force on 24th October 2001.

Inheritance tax

Pursuant to article 2, paragraph 48 of Law no. 286 of 2006, the mortis-causa transfers of assets and rights are subject to the inheritance tax, according to the following tax rates based on the overall net value of the assets:

- For the shares transferred in favour of spouse and close relatives, the tax rate is 4%, with a franchise of 1,000,000 Euros for each beneficiary;

- For the shares transferred in favour of other relatives up to the fourth degree and of close relatives-in-law or other relatives-in-law up to the third degree, the tax rate is 6% (without franchise);
- For shares transferred in favour of other subjects, the tax rate is 8% (without franchise).

The above rule shall apply to hereditary procedures opened starting from 3rd October 2006.

Pursuant to article 1, paragraph 77, of the Law dated 27th December 2006, no. 296 (the so-called Financial Law for the year 2007), in case of shares transferred in favour of brothers and sisters, the ineritance tax shall apply to the net value in excess, for each beneficiary, of 100,000 Euros, at a 6% tax rate. Furthermore, if the beneficiary is a severely handicapped person under Law dated 5th February 1992, no. 104, the inheritance tax shall exclusively apply to the portion of the value of the shareholding or legacy in excess of 1,500,000 Euros. This provision applies to hereditary procedures opened starting from 3rd October 2006.

Gift tax

Under article 2, paragraph 49 of Law no. 286 of 2006, in case of gifts, free transfers of assets and rights and creation of restraints on the assets, the gift tax is determined by applying the following tax rates to the overall value of the shares, net of any charges at the expense of the beneficiary – or, if the deed of gift is jointly executed in favour of more beneficiaries or if the same deed includes several acts of disposition in favour of different beneficiaries – to the value of the transferable shares:

- in case of gift or transfer free of charge in favour of the spouse and close relatives, the gift tax shall apply at a 4% tax rate with a franchise of 1,000,000 Euros for each beneficiary;
- in case of gift or transfer free of charge in favour of other relatives up to the fourth degree and direct relatives-in-law and indirect relatives-in-law up to the third degree, the gift tax shall apply at a 6% tax rate (without franchise);
- in case of gift or transfer free of charge in favour of other beneficiaries, the gift tax shall apply at a 8% tax rate (without franchise).

The above rule shall apply to notarized deeds, deeds without valuable consideration and unauthenticated private deeds filed for registration starting from 29th November 2006. Under article 1, paragraph 77, of Law dated 27th December 2006, no. 296 (the so-called Financial Law for the year 2007), in case of gift or free transfer in favour of brothers and sisters, the gift tax shall apply to the net overall value in excess, for each beneficiary, of 100,000 Euros, at a 6% tax rate. Furthermore, if the beneficiary is a severely handicapped person as meant by Law dated 5th February 1992, no. 104, the gift tax shall exclusively apply to the portion of value exceeding 1,500,000 Euros. This provision exclusively applies to notarized deeds of gift and private deeds filed for registration starting from 1st January 2007.

Finally, under article 1, paragraph 78, of Law dated 27th December 2006, no. 296 (the so-called Financial Law for the year 2007), no inheritance or gift tax shall apply to transfers of shares, even through family arrangements, under articles 768-*bis* and ff. of the Civil Code in favour of the descendants. In case of shares of joint-stock companies, the benefit shall only apply to the shares which confer or contribute to conferring the control pursuant to article 2359, first paragraph, Civil Code. This benefit shall apply provided that the assigns will continue the commercial business or retain control for a period not shorter than five years since the transfer date, by virtue of a special statement in that respect, at the same time as the filing of the declaration of succession or gift deed. Any failure to comply with the above condition shall forfeit the benefit and urge the payment of the tax in its ordinary amount and of the administrative penalty inflicted by article 13 of Legislative Decree dated 18th December 1997, no. 471, and of the overdue interest starting from the date when the tax should have been paid. This rule applies to hereditary procedures opened starting from 3rd October 2006 and to notarized deeds of gift and to private deeds filed for registration starting from 1st January 2007.

5. CONDITIONS OF THE GLOBAL PUBLIC OFFERING

5.1 Conditions, statistics relating to the Global Public Offering, scheduled calendar and ways to subscribe the Offer

5.1.1 Conditions regulating the Global Public Offering

The Global Public Offering is not subject to any condition, except for the ruling allowing the shares to start being traded on the Italian Stock Exchange (cf. Section Two, Chapter 6, Paragraph 6.1).

5.1.2 Amount of Global Public Offering

The Global Public Offering, aimed at having the shares admitted to listing on the Expandi Market, covers an overall number of 69,250,000 Shares, partly (no. 11,450,000 Shares) resulting from a share capital increase with exclusion of the option right pursuant to article 2441, fifth paragraph, of the Civil Code, resolved by the Issuer's extraordinary general meeting on 19th February 2007 and partly (no. 57,800,000 Shares) offered on sale by the Selling Shareholder.

Without prejudice to the provisions of the Paragraph 5.1.4 below, the Promoters, in agreement with the Coordinator of the Global Public Offering, reserve the right not to place all of the Shares, by informing the public in the supplemental notice relating to the Offer Price; this circumstance might decrease the number of Shares placed within the framework of the Global Public Offering, with an initial decrease in the number of Shares offered on sale by the Selling Shareholder, as it will be disclosed in the above-mentioned supplemental notice.

5.1.3 Validity period of the Public Offering and ways to subscribe it

The Public Offering, with exclusion of the Offer to Employees, will commence at h. 9:00 AM of 28th May 2007 and will end at h. 4:30 PM of 6th June 2007.

Any subscription coupons received by the Dealers from the Italian general public before h. 9:00 AM of 28th May 2007 and after h. 4:30 PM of 6th June 2007 shall be unacceptable and considered void.

The Offer to Employees shall commence at 9:00 AM of 28th May 2007 and shall end at 4:30 PM of 5th June 2007. Any subscription coupons received by the Dealers from Employees before h. 9:00 AM of 28th May 2007 and after h. 4:30 PM of 5th June 2007 shall be unacceptable and considered void.

The Promoters, in agreement with the Coordinator of the Global Public Offering, reserve the right to (*i*) postpone the Offer Period; or (*ii*) extend the Offer Period; or (*iii*) close the Public Offering in advance (in any case, not earlier than the second day of the Offer Period) if, prior to the closing of the Offer Period, the amount of Shares under Public Offering is fully placed, while promptly notifying Consob and the public by means of a notice to be published on at least one national financial-economic newspaper by the Offer Period's last day.

The anticipated closing shall be effective as of the day following the publication of said notice and shall also cover remote subscriptions, carried out telematically.

Copies of this Prospectus will be available free of charge to any applicants, starting from the day immediately preceding the commencement of the Public Offering, at the Dealers', at the Issuer's registered office in Brescia, via Giuseppe di Vittorio, n. 17 and at Borsa Italiana in Milan, Piazza degli Affari, n. 6.

The Company will also publish the Prospectus on its web-site www.screen.it after filing it with Consob and after its publication as prescribed by law.

A. Subscription from the general public

The applications for subscription to the Public Offering from the general public shall be handed in by subscribing the special application form (which will be available at the Dealers' and on the Issuer's web-site www.screen.it), duly filled in and signed by the applicant or by his proxy-holder and handed it to a Dealer (Form A). Trust companies offering investment portfolio management services – even in a fiduciary capacity, under art. 60, paragraph 4, of Legislative Decree dated 23rd July 1996, no. 415 – allowed to join the only Public Offering will have to fill in the relevant application form for each customer, by just specifying the customer's tax code in the applicable blank space, by leaving his name and surname (corporate name) unspecified and by writing the trust company's corporate name and tax code on the blank space for the registration of the Shares.

The general public's applications for subscription to the Public Offering will be allowed to be delivered even through intermediaries authorized to manage individual investment portfolios in compliance with the Consolidated Act and with its executive regulations, provided that they sign the relevant application form in the name and on behalf of the applicant, as well as through intermediaries authorized under the same Consolidated Act, including its executive regulations, to collect and to forward orders, under the terms and conditions of the Brokers' Regulations.

At www.screen.it, a relevant window will enable the applicant to print the Prospectus and the application form (Form A) to be handed to a Dealer.

Moreover, the Dealers' on-line customers will be enabled to join the Public Offering on line, by using internet-based electronic instruments, instead of the traditional paper method, but in equivalent ways, under art. 13, paragraph 2, of the Issuers' Regulations.

Said subscription can be performed by using an individual password to access an area reserved to placements within each Dealer's area dedicated to on-line customers, where they will be allowed, by entering an individual password on line, to provide all their personal and financial data required for the paper subscription without any differentiation.

Once the data are entered and confirmed, a summary will be displayed on the screen of the customer, who will be asked to confirm them again. If re-confirmed, the data will be processed as any proper application for subscription.

It must also be noted that this subscription mode does not change or affect the relationship between on-line Dealers and Lead Manager, if compared to the relations between Lead Manager and the other Dealers. On-line Dealers make the Prospectus available on their own web-sites.

On-line Dealers shall assure the Lead Manager about the suitability of their IT procedures for their customers' on-line subscriptions. Moreover, the same Dealers shall undertake to deliver the notices prescribed by the regulations applicable to on-line banks.

B. Employees' subscriptions

The Employees' applications for subscription, relating to the shareholding reserved to them, shall be handed in for an amount equal to the Minimum Lot or multiples thereof by subscribing the relevant application form (Form B), duly filled in and signed by the applicant or by his special proxy-holder. The Dealer will have to check whether the applicant is actually an Employee. Each applicant for the Offer to Employees will be allowed to file only one application form.

On the web-site (www.screen.it), a relevant window will enable the applicant to enter the required password and print Form B, to be given to a Dealer.

The Employees shall also be entitled to join the Public Offering addressed to the general public under its terms and conditions.

* * *

Any authorized Dealers, willing to place the Shares off-site under article 30 of the Consolidated Act, shall collect the applications for subscription to the Public Offering both directly at their own bank-counters or offices and through financial intermediaries regulated by article 31 of the Consolidated Act.

Under art. 30, paragraph 8, of the Consolidated Act, the provision of paragraph 6 of the same article shall not apply to public sale offers or public offers for subscription of voting shares, traded on regulated markets, and – based on Consob's trend – of shares admitted to listing but still untraded. The above-mentioned paragraph 6 provides that the effectiveness of agreements executed off-site through financial intermediaries is suspended for seven days starting from the date when they were executed by the investor.

The applications for subscription mentioned under paragraphs A and B above are irrevocable excepted as provided by the law and are unconditional and/or without term.

The Lead Manager, based on the data received from each Dealer, reserves the right to check whether the subscriptions to the Public Offering are regular, in consideration of the relevant terms and conditions, without prejudice to any notices allowed by law and by the relevant regulations.

5.1.4 Information relating to the suspension of the Public Offering and/or revocation of the Public Offering and/or of the Institutional Placement

If between the publication date of the Prospectus and the day of the commencement of the Public Offering some exceptional events occur, as intended by the international practice, including any exceptional events affecting the political, financial, economic, monetary, regulatory or market situation on a national or international level, as well as negative events regarding the Issuer's and/or its subsidiaries' financial and economic situation, also in terms of income and management, or any significant events relating to the Issuer and/or its subsidiaries and deemed by the Coordinator of the Global Public Offering to be likely to compromise the successful outcome or to make it unadvisable to start the Global Public Offering, or if no underwriting agreement is successfully closed with regard to the Public Offering mentioned under the following Paragraph 5.4 of this Chapter 5, the Promoters, in agreement with the Coordinator of the Global Public Offering, shall decide whether or not to start the Public Offering, which will be considered cancelled. Any such decision shall be promptly communicated to Consob and to the public by means of a notice published on at least one economic-financial national newspaper prior to or on the day scheduled for the commencement of the Offer Period.

Moreover, the Promoters, in agreement with the Coordinator of the Global Public Offering, reserve the right to withdraw all or part of the Public Offering and/or Institutional Placement, with prompt prior notice to Consob and to the public, published on at least one economic-financial national newspaper by the Payment Date (*i*) if, at the end of the Offer Period, the collected subscriptions turn out to be fewer than the amount under Offer, (*ii*) if there fails to be all or part of the Institutional Placement, due to the invalidation of – or failure to undertake – all or part of the underwriting commitment relating to the Shares covered by the Institutional Placement, or (*iii*) in case of failure to fulfill all or part of the underwriting commitment, as prescribed in the underwriting agreement for the Public Offering.

The Public Offering shall however be withdrawn if Borsa Italiana does not allow the start of trading and/or revokes the ruling allowing the shares to be listed under article 2.4.3, paragraph 7, of the Stock Exchange Regulations, with prior notice to Consob and then to the public, to be published on a national economic-financial newspaper.

The Global Public Offering shall be in any case withdrawn should the trading not start within 15th July 2007 (cfr. Section One, Chapter 22), with prior notice to Consob and then to the public, to be published on a national economic-financial newpaper.

5.1.5 Reduction of the subscription and reimbursement method

The participants in the Public Offering are not allowed to reduce their subscriptions.

5.1.6 Amount of the subscriptions

The applications from the general public for subscription to the Public Offering shall be exclusively handed in to the Dealers for the Minimum Lot or multiples thereof, or for the Increased Minimum Lot or multiples thereof, without prejudice to the assignment planset out in the following Paragraph 5.2 of this Chapter 5. The application for amounts equal to the Minimum Lot or multiples thereof does not exclude the application for amounts equal to the Increased Minimum Lot or multiples thereof and, vice versa, the application for amounts equal to the Increased Minimum Lot or multiples thereof does not exclude the application for amounts equal to the Minimum Lot or multiples thereof, even by using the same application form. The applications for subscription to the Offer to Employees shall be filed for minimum amounts equal to the Minimum Lot or multiples thereof, without prejudice to the assignment plan set out in the following Paragraph 5.2.3.

5.1.7 Withdrawal of subscription

The applications for subscription are irrevocable excepted as provided by the law and are unconditional and/or without term.

5.1.8 Payment and delivery of the Shares

The allotted Shares shall be paid up by the Payment Date through the Dealer who has collected the application, without any additional fees or expenses payable by the applicant.

In case of postponement, extension or anticipated closing of the Public Offering, any changes in the Payment Date shall be communicated by the same notice whereby the relevant event will be disclosed to the public.

At the same time as the payment of the price, the Shares allotted within the framework of the Public Offering shall be made available, in a dematerialized form, to those entitled thereto by means of an accounting record on the deposit accounts held at Monte Titoli by the Dealers.

5.1.9 Results of Public Offering and Global Public Offering

The Lead Manager shall disclose the results of the Public Offering within the five working days following the closing of the same, as well as the summarized results of the Global Public Offering by means of a relevant notice on at least one national economic-financial newspaper. At the same time, a copy of that notice shall be forwarded to Consob and to Borsa Italiana.

Within two months since the publication of the notice, the Lead Manager shall notify Consob of the outcome of the checks made on the proper performance of the placement and of its possible assignment, in addition to the summarized results of the Global Public Offering in compliance with the applicable regulations.

5.1.10 Procedure for the exercise of a possible option right, for the tradeability of subscription rights and for the treatment of unexercised subscription rights.

Within the framework of the Global Public Offering, no option right is scheduled to be exercisable on the newly issued Shares. Furthermore, none of the Issuer's shareholders owns any subscription right on Shares newly issued within the framework of the Global Public Offering; in this respect, no procedure has been set forth for the treatment of unexercised subscription rights.

5.2 Allotment and assignment plan

5.2.1 Categories of potential investors to whom the Shares are offered and markets

The Public Offering is exclusively addressed to the general public in Italy and to the Employees.

The Public Offering cannot be joined by qualified investors, as defined by articles 25 and 31, paragraph 2 of the regulations adopted by virtue of Consob's Resolution no. 11522 dated 1st July 1998 as later amended (except for individuals mentioned in the same article 31, paragraph 2, except for investment management companies authorized to offer investment portfolio management services on an individual basis on behalf of third parties and except for trust companies offering investment portfolio management services even in a fiduciary capacity, pursuant to art. 60, paragraph 4 of Legislative Decree dated 23rd July 1996, no. 415) ("**Qualified Investors**"), and for institutional investors acting abroad (together with Qualified Investors, referred to as "**Institutional Investors**") who can join the Institutional Placement.

The Public Offering cannot be joined by those who, at the time of the application, while residing in Italy, can however be deemed – under the U. S. Securities Laws and other relevant local regulations – to be residents in the United States of America or in any other country where the offer of financial instruments is not allowed unless authorized by the relevant authorities (the "**Other Countries**"). No financial instrument can be offered or traded in the United States of America or in Other Countries unless expressly authorized as prescribed by each country's relevant law provisions, or as an exception to those law provisions. The Shares have not been and will not be registered pursuant to the United States Securities Act of 1933 as later amended or to the corresponding regulations in force in the Other Countries. As a result, they cannot be offered or delivered, whether directly or indirectly, in the United States of America or in the Other Countries.

Should the Lead Manager find out that the subscription to the Public Offering by the residents in Italy has infringed the relevant regulations in force in the United States of America or in the Other Countries, then the Lead Manager will reserve the right to take appropriate measures.

The Institutional Placement is addressed to Institutional Investors in Italy and abroad, except for the United States of America, Australia, Canada and Japan, within the limits set by law, under Regulation S of the United States Securities Act of 1933 as later amended, without prejudice to any exemptions allowed by the relevant law provisions. The Institutional Placement shall be carried out based on a document drawn up in the English language, containing data and information consistent with the content of the Prospectus.

5.2.2 Major shareholders, members of the Issuer's board of directors or board of auditors who are willing to join the Public Offering and people interested in joining the Public Offering in an amount exceeding 5%

As far as the Company knows, neither the major shareholders nor the Issuer's directors or auditors are going to join the Public Offering.

As far as the Company knows, nobody is going to join the Public Offering for more than 5%.

5.2.3 Information to be communicated prior to the assignment

a) Subdivision of the Global Public Offering

The Global Public Offering consists of:

- Public Offering for a minimum number of 6,925,000 Shares, corresponding to 10% of the Global Public Offering, addressed to the general public in Italy. The Public Offering cannot be joined by Institutional Investors, who can exclusively join the Institutional Placement specified below; and

- Institutional Placement for a maximum number of 62,325,000 Shares, addressed to Institutional Investors in Italy and abroad, except for the United States of America, Australia, Canada and Japan, notwithstanding any possible exemptions allowed by the applicable law provisions.

The Public Offering includes:

- An offer reserved to the general public. Out of the Shares actually assigned to the general public, a portion not exceeding 30% will be used to satisfy the subscriptions received from the general public for amounts equal to the Increased Minimum Lot or multiples thereof (cf. Section Two, Chapter 5, Paragraph 5.1.6);
- An offer reserved to the Employees (the "**Offer to Employees**") for no. 3 Minimum Lots each.

b) Claw back

A minimum amount of no. 6,925,000 Shares, equal to 10% of the Global Public Offering, will be reserved to subscriptions received within the framework of the Public Offering. Within the framework of the Public Offering, no. 225 Minimum Lots will be reserved for the Offer to Employees.

The remaining amount of Shares under the Global Public Offering will be allotted by the Coordinator of the Global Public Offering, in agreement with the Promoters, between the Underwriting Syndicate for the Public Offering and the Underwriting Syndicate for the Institutional Placement, in consideration of how many subscriptions have been received by the Underwriting Syndicate for the Public Offering and of the number and quality of subscriptions received by the Underwriting Syndicate for the Institutional Placement.

If all the subscriptions to the Public Offering are altogether fewer than the said minimum amount, the remaining Shares can be transferred into the Institutional Placement and vice versa, provided that the demand generated by the respective offers can absorb those Shares.

Within the framework of the overall amount intended for the Underwriting Syndicate for the Public Offering, the Shares will be respectively assigned to the general public and to the Employees, according to criteria later specified, on the warning that, should all the subscriptions from Employees be fewer than the number of Shares reserved to them, the remaining Shares will be transferable into the portion dedicated to the general public, provided that the relevant demand will be capable of absorbing those Shares. In the event that the overall number of subscriptions received from the general public is lower than the number of Shares reserved to the general public, the remaining Shares will be transferable into the portion dedicated to Employees, provided that the relevant demand will be capable of absorbing those Shares.

Out of the Shares actually assigned to the general public, a portion not exceeding 30% will be used to satisfy the subscriptions received from the general public for amounts equal to the Increased Minimum Lot or multiples thereof. In case of subscriptions received for amounts, equal to the Increased Minimum Lot or multiples thereof, lower than the amount reserved for them, the remaining Shares will be available to satisfy the subscriptions received from the general public for amounts equal to the Minimum Lot or multiples thereof. In case of subscriptions received for amounts equal to the Minimum Lot or multiples thereof lower than the amount reserved for them, the remaining Shares will be available to satisfy the subscriptions received from the general public for amounts equal to the Increased Minimum Lot or multiples thereof, even beyond said maximum limit.

c) Methods of allotment

Within the framework of the overall portion dedicated to the Underwriting Syndicate for the Public Offering, the Shares shall be assigned to the general public and to Employees according to the following criteria.

(A) Subscriptions from the general public

A.1. Subscriptions for amounts equal to the Minimum Lot or multiples thereof

If the subscriptions received by the Dealers from the general public for amounts equal to the Minimum Lot or multiples thereof exceed the portion dedicated to the general public by the Public Offering, each applicant shall be allotted an amount of Shares equal to the Minimum Lot.

If some Shares are left after the assignment of the Minimum Lot, all relevant applicants shall be granted a second Minimum Lot and then a third one, and so on, until the complete fulfillment of the general public's demand for amounts equal to the Minimum Lot or multiples thereof, or until the Shares relating to the portion reserved to them are finished or until the amount of Shares available, after deduction of the Minimum Lots already assigned, is insufficient to grant a further Minimum Lot to all applicants. In this last event, the Lead Manager shall assign them to single applicants participating in the said proportional allotment, by drawing lots. The drawing shall however be disciplined by rules enabling to check whether the requirements for correctness and equal treatment have been actually fulfilled.

Should the offered amount be insufficient for the assignment of one Minimum Lot to each applicant, then each Minimum Lot shall be individually assigned by the Lead Manager to the applicants by drawing lots, subject to rules enabling to check whether the requirements for correctness and equal treatment have been actually fulfilled.

A.2. Subscriptions for amounts equal to the Increased Minimum Lot or multiples thereof

If the subscriptions received by the Dealers from the general public for amounts equal to the Increased Minimum Lot, or multiples thereof, exceed the portion intended for the general public within the framework of the Public Offering, then each applicant will be allotted an amount of Shares equal to the Increased Minimum Lot.

In the event that some Shares are left after the assignment of the Increased Minimum Lot, all relevant applicants will be allotted a second Increased Minimum Lot and then a third one, and so on, until the complete fulfillment of the general public's demand for amounts equal to the Increased Minimum Lot or multiples thereof, or until the Shares relating to the portion reserved to them are finished or until the amount of Shares available, after deduction of the Increased Minimum Lots already assigned, is insufficient to grant a further Increased Minimum Lot to all applicants. In this last event, the Lead Manager shall assign them to single applicants participating in the said proportional allotment, by drawing lots. The drawing shall however be disciplined by rules enabling to check whether the requirements for correctness and equal treatment have been actually fulfilled.

Should the offered amount be insufficient for the assignment of one Minimum Lot to each applicant, then each Minimum Lot shall be individually assigned by the Lead Manager to the applicants by drawing lots, subject to rules enabling to check whether the requirements for correctness and equal treatment have been actually fulfilled.

(B) Subscriptions from Employees

Each applicant shall be guaranteed an amount of Shares up to 3 Minimum Lots each.

If some Shares are left after the assignment of the third Minimum Lot, all relevant applicants shall be granted a fourth Minimum Lot and then a fifth one, and so on, until the complete fulfillment of the demand of the Employees for amounts equal to the Minimum Lot or multiples thereof, or until the Shares relating to the portion reserved to them are finished or until the amount of available Shares, after deduction of the Minimum Lots already assigned, is insufficient to grant a further Minimum Lot to all applicants. In this last event, the allotment shall be carried out by drawing lots.

The drawing shall however be disciplined by rules enabling to check whether the requirements for correctness and equal treatment have been actually fulfilled.

d) Preferential treatment

Each Employee shall be assured about the allotment of an amount of Shares equal to a maximum number of 3 Minimum Lots.

e) Treatment of subscriptions or applications for subscription within the framework of the assignment

The treatment of subscriptions is not determined depending on the company through which they are carried out.

f) Minimum target for the assignment

No minimum target is set for the assignment of the portion of Shares reserved to the Public Offering.

g) Conditions for the closing of the Public Offering and minimum duration of the Offer Period

The Promoters reserve the right, in agreement with the Coordinator of the Global Public Offering, to order the anticipated closing of the Public Offering if, before the Offer Period's closing, the amount of Shares under the Public Offering is fully placed; the anticipated closing of the Public Offering shall not be allowed to be carried out before the second day of the Offer Period and shall be promptly communicated to Consob and to the public by means of a notice to be published on at least one national economic-financial newspaper by the last day of the Offer Period.

The anticipated closing shall be effective as of the day immediately following the day of the publication of said notice and shall also relate to off-site or on-line subscriptions.

The Offer Period cannot be shorter than two days.

h) Multiple subscriptions

Multiple subscriptions are allowed from the participants joining the Public Offering (excluding the Offering to Employees).

5.2.4 Procedure for notifying the subscribers of the allotments

Each Dealer shall notify the subscribers of the amounts assigned to them immediately after being notified of the allotment by Lead Manager.

5.2.5 Over Allotment and Greenshoe Option

The Selling Shareholder is expected to provide the Coordinator of the Global Public Offering with an option to borrow a further maximum number of 6,925,000 Shares, corresponding to a 10% portion of the number of Shares under the Global Public Offering for the purposes of an Over Allotment within the framework of the Institutional Placement. In case of Over Allotment, the Coordinator of the Global Public Offering shall be entitled to exercise all or part of that option and to sell the borrowed Shares to the Institutional Investors.

The Selling Shareholder is also expected to provide the Coordinator of the Global Public Offering with an option for the purchase, at the Offer Price (the "**Greenshoe Option**"), of a maximum number of 6,925,000 Shares, corresponding to a 10% portion of the number of Shares under the Global Public Offering, to be placed at the addressees of the Institutional Placement, in case of Over Allotment, as just explained above.

Said options shall be exercisable, whether in full or in part, until the 30th day following the initial date of trading for the Issuer's Shares on the Expandi Market.

5.3 Determination of the Offer Price

5.3.1 Offer Price and expenses payable by the subscriber

The Offer Price for the Shares shall be determined at the end of the Global Public Offering.

The pricing shall also take into account: (*i*) the conditions of the national and international stock market; (*ii*) the quantity and quality of the expressions of interest coming from the Institutional Investors; and (*iii*) the amount of the demand recorded within the framework of the Public Offering.

Price Range

The Promoters – also referring to the analyses carried out by the Coordinator of the Global Public Offering and pursuing the sole purpose of allowing to collect any expressions of interest from Institutional Investors within the framework of the Institutional Placement, have agreed with the Coordinator of the Global Public Offering upon a price range of the Shares of the Company (the "**Price Range**") from a minimum value, which is not binding for the purpose of determining the Offer Price, equal to 1.35 euros per Share and a maximum value, which is binding for the purpose of determining the Offer Price, equal to 1.80 euros per Share, corresponding to a valuation of the Company's economic capital ranging from a minimum of approximately 171.52 million euros and a maximum of approximately 228.69 million euros.

The said Price Range has been determined by considering the results and the prospects for development relating to the Company's and its group's current and next financial years, as well as market conditions, and by applying the most common evaluation methods used by the authors and by the customary practice on an international level. Attention has also been paid to the results of the premarketing activity carried out by qualified investors with high international standing. Particularly, for evaluation purposes, attention has been paid to the results obtained by applying both the market multiples method – which compares the Company to some listed companies, as references, on the basis of indexes and multipliers of significant economic and financial amounts and assets – and, as control analysis, the so-called Discounted Cash Flow method, discounting the forecast cash flows.

The multiples method has been chosen as the main evaluation method as it is deemed to be a method generally accepted and utilized by the stock exchange market, since comparable companies are used in terms of models with reference to their business, dimension and relevant market, thus allowing an easy comparison with alternative investments existing on the market; furthermore, the said method results to be less dependent on subjective calculation factors such as discount rates used in other methods.

The Discounted Cash Flow method, used for check purposes, even if theoretically more correct and appreciated from the international practice standpoint, does not take into consideration the market conditions and needs, to be implemented, detailed forecast plans; in addition, and with particular reference to companies expecting important growth, the weight of the Terminal Value element may result to have a remarkable importance on the valuation of the relevant securities.

Just for explanatory purposes, the following chart shows the multipliers 2006 EV/Ebitda relating to the Company, calculated based on the indicative evaluation of the Company corresponding to the Price Range and on the Company's economic data and assets and liabilities at 30th September 2006 (International Accounting Standards).

Multiple calculated on	2006 EV/Ebitda
Value based on the minimum of the Price Range	approx. 9,11 times
Value based on the maximum of the Price Range	approx. 11,97 times

Just for explanatory purposes, below are some multipliers relating to companies supposed to be potentially comparable to the Company.

The companies which are deemed to be potentially comparable are:

DMT Digital Multimedia Technologies (listed in Italy at MTA) – an Italian company active in the production of systems for analogue, digital and mobile TV broadcasting as well as in the operation of its own transmission towers for TV and radio broadcasters.

Harris Corporation (listed in the United States of America at NYSE) – a multinational USA company active in the production of communication equipment and systems for the public and private sector.

Teleste Corporation (listed in Finland, at the Helsinki OMX Stock Exchange) – a Finnish company specializing in the development of solutions for the broadband data communication.

Thales Group (listed in France at the Euronext market) – a multinational French company, specializing, through one of its departments, in the development of equipment and tools for the terrestrial and satellite TV broadcasting.

Tandberg Television (listed in Norway on the XOSL market) – a Norwegian company active in the production of equipment for TV broadcasting through Internet Protocol (IPTV).

These multipliers have been calculated by referring to the market capitalization at 25th April 2007, to the latest yearly statements of assets and liabilities available to the public and to the consolidated economic data for the twelve months ended at 31st December 2006 (calendarized if those companies close their financial years at 30th June 2006).

Company	2006 EV/Ebitda
DMT Digital Multimedia Technologies	30,61 times
Harris Corporation	11,43 times
Teleste Corporation	16,58 times
Thales Group	10,62 times
Tandberg Television	15,62 times
Average	16,97 times
Median	15,62 times

Maximum Price

The Maximum Price shall be equal to the maximum value of the Price Range.

Offer Price

The Offer Price shall be determined according to the open price mechanism.

The Offer Price shall be determined by the Promoters, in agreement with the Coordinator of the Global Public Offering, at the end of the Offer Period, by also considering the conditions of the domestic and international stock market, the quantity and quality of the expressions of interest gathered among the Institutional Investors and the quantity of demand recorded within the framework of the Public Offering.

The Offer Price shall be the same for both the Public Offering and the Institutional Placement.

No extra charge or expense is expected to be incurred by the subscribers to the Public Offering. If the subscriber is not a proper customer of the Dealer where the application for subscription is filed, the former may be asked to open a current account or to pay an interest-free temporary deposit in an amount, equal to the counter-value of the Shares applied for, calculated on the basis of the Maximum Price. Said payment shall be returned, without charging any commissions or expenses, to the applicant in case of rejection of his application for subscription.

5.3.2 Disclosure of the Offer Price

The Offer Price shall be disclosed by a special supplemental notice published on at least one national economic-financial newspaper within two working day since the end of the Offer Period and, at the same time, forwarded to Consob. The notice disclosing the Offer Price shall also state the counter-value of Minimum Lot and Increased Minimum Lot and the data relating to the Company's capitalization calculated based on the Offer Price, as well as the total revenues from the Global Public Offering, with reference to the Offer Price and after deduction of the fees payable to the Underwriting Syndicate for the Public Offering and to the Underwriting Syndicate for the Institutional Placement.

The supplemental notice relating to the Offer Price shall also be available on the Company's web-site www.screen.it.

5.3.3 Reasons for exclusion of the option right

The share capital increase has been resolved by the Issuer's extraordinary general meeting on 19th February 2007 with exclusion of the option right under article 2441, paragraph 5, of the Civil Code (Cf. Section One, Chapter 21, Paragraph 21.1).

The minimum issue-price of the Shares has been fixed at an amount not lower than the unit value per share relating to of the Company's net assets at 30th September 2006, as adjusted up in consideration of the payments resulting from the share capital increase resolved by the general meeting of 28th December 2006, corresponding to an overall amount of 0.20 euros per share. This increase shall be executed by and no later than 31st December 2007, on the warning that: (*i*) if the latest date of settlement of the transactions relating to the Global Public Offering occurs prior to the expiration of the above time limit, then the share capital increase shall be however considered exhausted at that latest date of settlement, whilst, (*ii*) if, upon expiration of the time limit, the share capital increase appears not to be fully subscribed, then the share capital shall be considered increased by an amount equal to the subscriptions collected until that moment, in compliance with article 2439 paragraph 2 of the Civil Code.

5.3.4 Difference between Offer Price and the price paid for the Issuer's Shares over the previous year or to be paid by the members of the boards of directors and of auditors and by the key managers or people partnering with them.

During the year preceding the Prospectus Date, none of the members of the Issuer's board of directors and board of auditors and none of the Issuer's key managers or people partnering with them has purchased Shares in the Company, except for what follows:

- on 31st July 2006, CNPEF and Fondamenta have transferred:
  - a total number of 110,000 shares in the Issuer (representing about 0.96% of its share capital) to Alberto Pavesi, a key manager for the Issuer, at their par value and therefore at a price equal to 110,000 euros; and
  - a total number of 517,330 shares in the Issuer (representing about 4.52% of its share capital) to the Issuer's chairman Carlo Bombelli (no. 344,887 shares), to the managing director Giovanni

Saleri (no. 57,481 shares), to the managing director Giuseppe Gatti (no. 57,481 shares) and to the managing director Alessandro Sponchioni (no. 57,481 shares) at their par value and therefore for an overall amount of 517,330 euros;

- on the same 31st July 2006, in execution of the equity restructuring transaction descrtibed in detail in Section One, Chapter 5, Paragraph 5.1.5.8, SSBT shareholders – except only for Cristoforo Chiaia – have transferred to Screen Group their shares in the Issuer for a basic price of 0.3869 euros per share (calculated following the split-up of the shares), corresponding to an assessment for the 100% of SSBT share capital equal to 46,800,000 euros. Within the framework of such transaction, a possible supplement of price is provided for an overall amount up to maximum 53,200,000 euros and, should it become payable, the definitive price per share paid by Screen Group (always calculated following the split-up of the shares) would amount to 0.8502 euros, corresponding to an assessment of 100% of SSBT equal to 102,128,000 euros.
- within the framework of the above described transaction, Cristoforo Chiaia's stake in SSBT, equal to about 3.85% of its share capital, has been bought by Screen Group in exchange for 3,000,000 euros, i.e. a price of 0.6494 euros per share (calculated following the split-up of the shares) based on a 100% assessment of SSBT equal to 78,000,000 euros;
- on 28th December 2006, the chairman of the Issuer's board of directors, Carlo Bombelli, along with the managing director Giovanni Saleri and the director Simone Cimino, through the trust companies Aletti Fiduciaria S.p.A., UBS Fiduciaria S.p.A. and Istifid Fiduciaria S.p.A., have subscribed a part of the Issuer's share capital increase with exclusion of the option right at a unit price per share (calculated following the split-up of the shares) equal to 0.4329 euros, corresponding to an assessment of 100% of SSBT equal to 52,000,000 euros, thus respectively achieving about 0.12%, 0.1% and 0.12% of the Issuer's share capital, through the same trust companies. For further information on said share capital increase, please refer to Section One, Chapter 5, Paragraph 5.1.5.10.

None of the members of the Issuer's board of directors and board of auditors and none of its key managers, or people partnering with them, owns any options for the purchse of the Company's shares.

5.4 Placement and sale

5.4.1 Names and addresses of the Coordinators of the Global Public Offering

The Public Offering is coordinated and directed by Mediobanca – Banca di Credito Finanziario S.p.A., with its registered office in Milan, Piazzetta Enrico Cuccia 1, acting as Lead Manager.

Mediobanca also acts as Listing Partner.

The Shares under the Public Offering are placed among the public through an Underwriting syndicate (the "**Underwriting syndicate for the Public Offering**") joined by banks and stock brokerage companies (the "**Dealers**"), whose list shall be disclosed by depositing it at Consob, at the Company's registered office and at the Dealers and by publishing a relevant notice on at least one national economic-financial newspaper by the day before the beginning of the Offer Period.

The same notice shall specify the Dealers who will collect the subscriptions on line from the general public through the remote collection system (the "**On-line Dealers**").

Mediobanca also acts as Coordinator of the Global Public Offering and as Sole Bookrunner and Lead Manager within the framework of the Institutional Placement.

5.4.2 Bodies in charge of the financial service

The securities service relating to the Shares shall be supplied, on behalf of the Company, by Spafid S.p.A. with its registered office in Milan, via Filodrammatici n. 10.

5.4.3 Placement and guarantee

The Shares under the Public Offering shall be placed in Italy among the public through the Underwriting syndicate for the Public Offering.

The Underwriting syndicate for the Public Offering shall ensure an amount of Shares equal to at least the minimum amount of Shares under the Public Offering.

The underwriting agreement, to be entered into by the Selling Shareholder, the Issuer and the Underwriting Syndicate for the Public Offering, shall provide that the Underwriting Syndicate for the Public Offering must not be bound to fulfill the guarantee obligations or that those obligations can be revoked upon occurrence of certain circumstances, such as: (*i*) serious changes in the national and/or international political, financial, economic, regulatory, monetary or market situation, or significant changes negatively affecting, or likely to affect, the Issuer's financial situation, assets or income, so as to make it detrimental or unadvisable to start the Global Public Offering, in the opinion of the Global Public Offering's Coordinator; (*ii*) Issuer's and/or Selling Shareholder's failure to fulfill the obligations prescribed by the underwriting agreement for the Public Offering; (*iii*) failure to execute, terminate or invalidate the underwriting agreement for the Institutional Placement; (*iv*) the fact that the representations and warranties, offered by the Issuer and/or Selling Shareholder in the underwriting agreement for the Public Offering, turn out to be untrue, incomplete or incorrect, so as to have a negative impact on the Global Public Offering; or (*v*) the failure to obtain Borsa Italiana's ruling allowing the Company's ordinary shares to be traded on the Expandi Market, or provision of commencement of trading, and/or the revocation of any of the said ruling or provision.

The Shares under Institutional Placement shall be placed through the Underwriting Syndicate for the Institutional Placement coordinated and directed by Mediobanca.

The portion of the Global Public Offering not guaranteed by the Underwriting Syndicate for the Public Offering, or any lower amount resulting from the reduction referred to in the above Paragraph 5.1.2 of this Chapter, shall be guaranteed by the Underwriting Syndicate for the Institutional Placement. Selling Shareholder and Issuer shall regulate their guarantee and placement commitments by entering into a special agreement with the participants in the Underwriting Syndicate for the Institutional Placement (the "**Institutional Agreement**"). The Institutional Agreement shall relate to a maximum number of Shares, maybe even lower than the amount originally reserved, equal to the Shares actually assigned within the framework of the Global Public Offering and not guaranteed by the Underwriting Syndicate for the Public Offering.

The Institutional Agreement shall also provide that the relevant guarantee commitment may be repealed by and not later than the Payment Date and that the Institutional Agreement may be terminated upon occurrence of certain circumstances, such as: (*i*) serious changes in the national and/or international political, financial, economic, regulatory, monetary or market situation, or significant changes negatively affecting, or likely to affect, the Issuer's activity, financial situation, assets or income, as well as on the Issuer's management, so as to make it detrimental or unadvisable to start the Global Public Offering, in the reasonable opinion of the Global Public Offering's Coordinator after consulting with the Promoters; (*ii*) Issuer's and/or Selling Shareholder's failure to fulfill the obligations prescribed by the Institutional Agreement; (*iii*) failure to execute, terminate or invalidate the underwriting agreement for the Public Offering; (*iv*) the fact that the representations and warranties, offered by the Issuer and/or Selling Shareholder in the underwriting agreement for the Institutional Placement, turn out to be untrue, incomplete or incorrect, so as to have a negative impact on the Global Public Offering; or (*v*) the failure to obtain Borsa Italiana's ruling allowing the Company's ordinary Shares to be traded on the Expandi Market, or provision of commencement of trading, and/or the revocation of any of the said ruling or provision.

The Promoters, on the one hand, and the Coordinator of the Global Public Offering, on the other hand, shall be entitled not to execute the Institutional Agreement if no appropriate level is reached with regard to the quantity and quality of demand from the Institutional Investors, according the customary market practice in similar transactions, or if no agreement is reached about the Offer Price.

The overall amount of the fees payable by the Promoters to the Dealers and to the Underwriting Syndicate for the Institutional Placement shall not exceed 5% of the counter-value of the Shares placed within the framework of the Global Public Offering and following the possible exercise of the Greenshoe Option.

5.4.4 Execution date of the underwriting agreements

The underwriting agreement for the Public Offering shall be entered into prior to the commencement of the Public Offering; the Institutional Agreement shall be later entered into at the end of the Offer Period.

6. ADMITTANCE TO LISTING AND TRADING METHOD

6.1 Listing market

The Company has filed an application with Borsa Italiana for the admittance of its ordinary shares to listing on the Expandi Market.

Borsa Italiana, by measure no. 5281 dated 21st may 2007, has allowed the Company's ordinary shares to be admitted on the Expandi Market.

The starting date of trading of the Issuer's shares on the Expandi Market shall be scheduled by Borsa Italiana under art. 2.4.3, paragraph 6, of the Stock Exchange Regulations, after making sure that the Shares have been sufficiently circulated.

6.2 Other regulated markets

At the Prospectus Date, the Company's Shares are not listed on any other regulated market.

6.3 Other transactions

In the period close to the listing period, no other transactions are scheduled for the sale, subscription and private placement of financial instruments belonging to the same class as those covered by the Global Public Offering.

6.4 Intermediaries in the transactions on the secondary market

Within the framework of the Global Public Offering, at the publication date of the Prospectus, nobody has undertaken to act as intermediary in the transactions on the secondary market.

6.5 Stabilization

Mediobanca reserves the right – also in the name and on behalf of the members of the Underwriting Syndicate for the Public Offering and of the Underwriting Syndicate for the Institutional Placement – to carry out stabilization activities on the Shares on the Expandi Market in compliance with the applicable regulations. This activity can be performed from the starting date of trading of the Issuer's shares on the Expandi Market until the 30th day following that date.

It is however unsure whether the stabilization activity will be actually carried out; moreover, it can be discontinued at any time.

Stabilization transactions, if undertaken, may determine a market price higher than the price that would otherwise prevail.

7. HOLDERS OF FINANCIAL INSTRUMENTS INTERESTED IN THE SALE

7.1 Holders of financial instruments who proceed to the sale

The 57,800,000 Shares offered on sale within the framework of the Global Public Offering are transferred by Screen Group S.p.A., a joint-stock company incorporated under the Italian law, with its registered office in Brescia, Via Aldo Moro n. 5, Tax Code and registration number in the Trade Register of Brescia 03048230233, REA number 478738, and subscribed share capital equal to 11,270,000 euros.

7.2 Financial instruments offered by each of the holders of financial instruments who proceed to the sale

Out of the 69,250,000 Shares under the Global Public Offering, a total number of 57,800,000 Shares is offered on sale by the Selling Shareholder.

7.3 Lock-up agreements

Selling Shareholder and Company

The Selling Shareholder and the Company shall undertake – towards the Coordinator of the Global Public Offering, with effect as of the execution date of the Lock-Up Agreement until the 24th month since the starting date of trading of the Issuers ordinary shares on the Expandi Market – not to carry out any direct or indirect sales, acts of dispositions or other transactions directly or indirectly affecting the Issuer's shares held by themselves (or other financial instruments, whether participative or not, entitling the holders thereof to buy, subscribe, convert and exchange Issuer's shares, or conferring any similar rights pertaining to such shares); not to grant any options, rights or warrants for the purchase, subscription, conversion or exchange of Issuer's shares and not to negotiate or execute swap agreements or other derivative agreements having the same, even just economic, effects as the above transactions, without the prior written consent of the Global Public Offering's Coordinator, which shall not be unreasonably denied. Said commitment shall cover all of the Issuer's shares held by the Selling Shareholder, the shares existing on the starting date of the Global Public Offering and the shares bought or received by him over the 24 months starting from the first day of trading for the Issuer's ordinary shares on the Expandi Market, except for the Shares sold within the framework of the Global Public Offering and those, if any, covered by the Over Allotment and by the Greenshoe Option or reserved for the Issuer's equity incentive plans and/or stock option plans.

The Selling Shareholder and the Company shall also undertake, for an equal period of time, not to (*i*) promote and/or approve any share capital increases (unless for the purpose of restoring the share capital or complying with applicable regulations requiring a share capital increase) or issuance of convertible bonds or other financial instruments, whether participative or not, entitling the holders thereof to buy, subscribe, convert or exchange Issuer's shares, or (*ii*) authorize the enforcement of acts of disposition on any shares held by the Company, without the previous written consent of the Coordinator of the Global Public Offering, which shall not be unreasonably denied.

All the above without prejudice to any acts of disposition executed in compliance with the obligations imposed by law provisions or regulations or by rulings or requests from relevant authorities.

Screen Group's shareholders

Screen Group's shareholders Carlo Bombelli, Giovanni Saleri, Giuseppe Gatti, Alessandro Sponchioni, Michele Bargauan, Gianluca Baccalini, Alberto Pavesi, Fabio Ranza, CNPEF and Fondamenta shall undertake – towards the Global Public Offering's Coordinator, as of the execution date of the Lock-Up Agreement until the 24thmonth following the starting date of trading for the Issuer's ordinary shares on the Expandi Market – not to carry out any direct or indirect sales, acts of disposition or other transactions directly or indirectly affecting the shares in Screen Group held by themselves. In addition, Screen Group's shareholders Carlo Bombelli, Giovanni Saleri, Giuseppe Gatti, Alessandro Sponchioni, Michele Bargauan, Gianluca Baccalini, Alberto Pavesi, Fabio Ranza, CNPEF and Fondamenta shall undertake, for an equal period of time, not (*i*) to promote and/or approve any share capital increases (unless for the purpose of restoring the share capital or complying with applicable regulations requiring a share capital increase) or issuance of convertible bonds or other financial instruments, whether participative or not, entitling the holders thereof to buy, subscribe, convert or exchange the shares held by themselves in Screen Group, or (*ii*) authorize or let anybody authorize the enforcement of acts of disposition on any Issuer's shares held by Screen Group and/or by the Company, without the previous written consent of the Coordinator of the Global Public Offering, which shall not be unreasonably denied. The same commitments – with effect as of the execution date of the relevant agreement until the 24th month following the starting date of trading for the Issuer's ordinary shares on the Expandi Market – shall be undertaken by Screen Group's shareholders Carlo Bombelli, Giovanni Saleri, Giuseppe Gatti, Alessandro Sponchioni, Michele Bargauan, Gianluca Baccalini, Alberto Pavesi and Fabio Ranza with regard to the shares ever held by them, directly or indirectly, since the starting date of trading for the Issuer's ordinary shares on the Expandi Market.

All the above without prejudice to any acts of disposition executed in compliance with the obligations imposed by law provisions or regulations or by rulings or requests from relevant authorities.

It is agreed that subsequently to the initial date of trading for the Issuer's ordinary shares on the Expandi Market – and to the purpose of allowing the financial shareholders of Screen Group to manage on an independent basis their investment in the Issuer – a corporate restructuring may be performed (e.g. by a demerger or different technical modalities to be defined) as a result of which CNPEF and Fondamenta, as of one side, and the other shareholders of Screen Group, as of the other side, may hold 100% of the two different vehicle companies – one of which might be Screen Group – directly holding the Issuer's shares proportionally to their respective shareholding in Screen Group. The proportional allotment of the Issuer's shares to the two different vehicles should take place based on a mere mathematic calculation, without any valuation of the Issuer's shares; therefore, should such restructuring be realized, the vehicle owned by CNPEF and Fondamenta would hold a participation equal to 23.32% – whilst the vehicle owned by the other shareholders of Screen Group would hold a participation equal to 16.68% of the Issuer's share capital resulting from the Global Public Offering and in case of full exercise of the Greenshoe Option.

Should the above mentioned restructuring be realized, the Lock-Up Agreement undertaken by CNPEF and Fondamenta as outlined above, taking into consideration, inter alia, the nature of the financial shareholders thereof, shall be intended to have been undertaken by them and by the vehicle controlled by them for 12 – instead of 24 – months, without prejudice to the 24 months Lock Up Commitment undertaken by the other shareholders of Screen Group and by the vehicle controlled by them.

Should the above mentioned transaction be realized, it is not possible to foresee whether Cape-Natixis SGR S.p.A., taking into account the decrease of the percentage of the Issuer's share capital held by it – through CNPEF and through the vehicle owned by the same fund – will be in a position to exercise the control over the Issuer under article 93 of the Consolidated Act, since the influence that Cape-Natixis SGR S.p.A., through CNPEF and the vehicle owned by the same fund, will be able to exercise on the shareholders' meeting can be duly assessed only based on the behaviours actually held by its shareholders during the first ordinary shareholders' meeting held after the Prospectus' Date.

8. EXPENSES FOR THE OFFER

8.1 Overall net revenues and estimated total expenses for the Global Public Offering

The estimated revenues from the subscription offer, calculated on the basis of the Price Range, net of the fees payable to the Underwriting Syndicate for the Public Offering and to the Underwriting Syndicate for the Institutional Placement, ranges from a minimum of about 14.68 million euros to a maximum of 19.58 million euros.

The estimated revenues from the subscription offer, calculated on the basis of the Maximum Price, net of the fees payable to the Underwriting Syndicate for the Public Offering and to the Underwriting Syndicate for the Institutional Placement, will be equal to 19.58 million euros.

The revenues from the Global Public Offering, calculated based on the Offer Price, net of the fees payable to the Underwriting Syndicate for the Public Offering and to the Underwriting Syndicate for the Institutional Placement, shall be disclosed to the public by the Company and by the Selling Shareholder within the framework of the supplemental notice disclosing the Offer Price and shall be communicated at the same time to Consob in such manner as specified in Section Two, Chapter 5, Paragraph 5.3.2.

The expenses relating to the Company's listing and to the Global Public Offering – including advertising expenses and excluding the fees payable to the Underwriting Syndicate for the Public Offering and to the Underwriting Syndicate for the Institutional Placement – (Cf. Section Two, Chapter 5, Paragraph 5.4.3) are expected to amount to about 2.1 million euros and shall be incurred by the Issuer.

Just for explanatory purposes, the following chart shows the net revenues resulting from the share capital increase, calculated based on the Price Range (Cf. Section Two, Chapter 5, Paragraph 5.3.1), net of the expenses relating to the Company's listing and to the Global Public Offering, including advertising expenses and excluding the fees payable to the Underwriting Syndicate for the Public Offering and to the Underwriting Syndicate for the Institutional Placement.

	Million Euros based on the minimum value of the Price Range	**Million Euros based on the maximum value of the Price Range**
Net revenues from share capital increase net of the expenses for the listing (excluding the fees payable to the Underwriting Syndicate for the Public Offering and to the Underwriting Syndicate for the Institutional Placement)	13.36	18.51

9. DILUTION

9.1 Amount and percentage of the immediate dilution arising from the Global Public Offering

As a result of the share capital increase transaction instrumental to the Global Public Offering, no dilution whatsoever can take place, because the minimum issue-price for the Shares, as fixed by the Company's extraordinary general meeting on 19th February 2007, may not be lower than the unit value per share of the Company's net assets, resulting from the latest approved balance sheet, as adjusted up in consideration of the payments arising from the share capital increase resolved by the general meeting of 28th December 2006.

The sale of the Shares offered by the Selling Shareholder involves no issuance of Company's shares and therefore no dilution effect.

For further information on the development of the Issuer's body of shareholders in case of full placement of the Shares under the Global Public Offering and in case of full exercise of the Greenshoe Option, please refer to Section One, Chapter 18, Paragraph 18.1 of the Prospectus.

9.2 Offer addressed to the current shareholders

The Global Public Offering does not provide for any offer addressed to the Issuer's current shareholders.

10. SUPPLEMENTAL INFORMATION

10.1 Participants in the transaction

Below are the participants in the transaction.

Subject	Role
Screen Service Broadcasting Technologies S.p.A.	Issuer
Screen Group S.p.A.	Selling Shareholder
Mediobanca - Banca di Credito Finanziario S.p.A.	Coordinator of the Global Public Offering, Listing Partner, Lead Manager, Sole Bookrunner and Lead Manager for the Institutional Placement
Cimino e Associati Private Equity S.p.A.	Advisor for the Issuer
PricewaterhouseCoopers S.p.A.	Auditing Company

10.2 Further information contained in the explanatory note on the financial instruments and audited, whether in full or in part, by the legal auditors

No information contained in Section Two of the Prospectus have been audited or partially audited by legal auditors.

10.3 Experts' opinions and reports

The Prospectus does not contain any opinions or reports attributable to experts.

10.4 Third-party information

Where expressly specified, the information contained in the Prospectus are released by third parties. The Company confirms that such information have been truly rendered by the Company and, as far as the management team knows, also based on information published by the relevant third parties, there has been no omission of facts likely to make the information incorrect or misleading.

10.5 Schedules

The following schedule is attached to the Prospectus:

- balance sheet at 30th September 2004 drawn up according to the assessment and evaluation criteria set forth by the Italian Accounting Standards, complete with the Auditing Company's relevant report.

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