Grandi Stazioni S.p.A.

CONSOLIDATED FINANCIAL STATEMENTS

COMPANY FINANCIAL STATEMENTS

At 31 December 2010

Grandi Stazioni S.p.A.

A company managed and coordinated by Ferrovie dello Stato S.p.A.

Share capital (fully paid up)**:** € 4,304,201.10.

Headquarters: Via G. Giolitti n. 34 – 00185 ROME

EAR No.: RM\841620

Companies' Register of Rome No.: 05129581004

Tax Identification/VAT Registration No.: 05129581004

WEB: www.grandistazioni.it

Mission of Grandi Stazioni Group

The Grandi Stazioni Group is part of the Ferrovie dello Stato Group and has been assigned the duty of refurbishing and managing Italy's 13 main railway stations: Roma Termini, Milano Centrale, Torino Porta Nuova, Firenze Santa Maria Novella, Bologna Centrale, Napoli Centrale, Venezia Mestre and Santa Lucia, Verona Porta Nuova, Genova Piazza Principe and Brignole, Palermo Centrale and Bari Centrale, besides Prague Central, Mariànské Làzne and Karlovy Vary stations in the Czech Republic.

The guiding goal of the company and its subsidiaries is to disseminate a new concept of railway station among the general public, as an enterprise with a high business potential, a venue for city life and a vibrant and welcoming place, capable of offering a range of quality services and opportunities for enjoying the time spent waiting for a train, or simply whiling away one's leisure time. According to this new concept, stations fulfil a new urban function.

Briefly, the aims of the company's mission are to:

- refurbish and valorise its properties through leasing, promotional and advertising activities and the direct management of passenger areas and services;
- improve the quality of and diversify travel services, by enhancing the existing offering and constantly striving to improve customer satisfaction;
- promote new ways of using space, by introducing innovative services in the Network stations, converted into multi-purpose facilities designed to cater for a broad range of needs, with retail stores, a specialist medical centre, a health club and other activities for spending leisure time;
- integrate the station buildings with the surrounding urban fabric, so that they may effectively become a vibrant part of the city, by facilitating access and enhancing inter-modality with all other means of transport;
- develop community outreach projects targeting marginalised and vulnerable people experiencing social exclusion, who gravitate to railway stations, in cooperation with volunteer organizations;
- spread a new concept of station, through communication strategies and cultural projects.

The lease agreements for station premises – featuring terms of 40 years, from 2000, in Italy, and 30 years in the Czech Republic – provide for the unitary management and functional upgrading of the station building complexes, and include the obligation to perform routine maintenance activities and deliver services not related to train operations, along with developing, funding and implementing functional upgrading programmes.

Governing Bodies of Grandi Stazioni SpA and Independent Auditing Firm

Board of Directors:

President: Ing. Mauro MORETTI

CEO: Dr. Fabio BATTAGGIA

Directors: Ing. Massimiliano CAPECE MINUTOLO DEL SASSO

Dr. Gaetano CASERTANO

Dr. Fabio CORSICO

Dr. Vittorio DE SILVIO

Avv. Maurizio MARCHETTI

Dr. Francesco ROSSI

Dr. Carlo VERGARA

Board of Auditors:

President:

Prof. Carlo CONTE

Acting Auditors: Prof. Claudio BIANCHI

Dr. Paolo BUZZONETTI

Alternate Auditors: Dr. Francesco ROSSI RAGAZZI

Dr. Giampiero TASCO

Executive responsible for preparing the company's accounting records:

Dott. Giovanni RADDI

Independent Auditing Firm:

PRICEWATERHOUSECOOPERS S.p.A.

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Letter to the Shareholders of Grandi Stazioni

The financial statements at 2010 show that our Group has confirmed its ongoing positive business trend and completed some important projects.

During the year, in fact, we completed the refurbishment and functional upgrading (Internal works) of the stations of Milano, Torino, Napoli, and the works at the stations of Prague Central in the Czech Republic.

The investments in the improvement of the Internal works at the other stations of Verona Porta Nuova, Bari Centrale, Bologna Centrale, Firenze S. Maria Novella, Genova Brignole, Genova Principe, Palermo Centrale, Venezia Mestre and Venezia S. Lucia continued with the usual significant commitment.

As regards the External works (i.e. the complementary works provided for under the so-called "Legge Obiettivo"), the investments continued, with respect to the new Video Surveillance system and the design developments relating to the North-West, North-East and Centre-South Lots and the contracting activities at Roma Termini.

During the year, the FS Group companies continued to vacate station premises, which were then refurbished and leased out to third parties, with a 12% net increase in rent revenue.

Income from media activities increased by 25%, despite the advertising market as a whole rose year-on-year by only 2.8%.

The management of common services, with respect to the corporate real estate, featured an overall rise in turnover of approx. 4%.

Services to customers (car parks, left luggage and toilets) recognised a 16% increase.

The financial year ended on 31 December 2010 highlights an operating income of 196 million euros, with a net year-on-year decrease of 11 million euros, due to the lack of revenue from real estate sales totaling 24 million euros and the increased rent revenue, reimbursement of ancillary costs and media activities.

Operating expenses total 147 million euros, up year-on-year by 5 million euros, as a result of increased personnel costs, ancillary rental costs, and retrocession fees on the rents payable to the owners of the properties, as a result of increased revenue.

Therefore, the gross operating margin has risen to 49 million euros and the net result stands at 20 million euros, down year-on-year by 20 million, due to the lack of revenue from both (i) real estate sales totaling 24 million euros, and (ii) the sale of equity stakes totaling 12 million euros, which positively characterised 2009.

Investments total 38 million euros, down year-on-year by 10 million euros, primarily due to the completion of three large-scale construction sites, the difficulties encountered in vacating the premises to be handed over to the contractors of the "Internal works", and the almost complete standstill of activities relating to the "External works", as a result of the delays in obtaining an extension of the period of use of the funds under the so-called "Legge Obiettivo", which expired on 31/12/08.

Financial indebtedness at 31/12/10 totaled 224 million euros, with a financial debt to own means ratio of 1.6.

In the year in question we increasingly focused on our foreign operations, which, in time, may represent a significant lever for the company's development, once the refurbishment of the Italian stations has maximised their business potential.

Mauro Moretti

Annual Report 2010

Consolidated results achieved in 2010

Introduction

The consolidated financial statements of the Grandi Stazioni Group have been prepared in compliance with the International Accounting Standards (IAS) and/or International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), acknowledged by the European Union pursuant to EC Regulation No. 1606/2002 and in force at the end of the financial year in question, besides the interpretations of the International Financial Reporting Standards Committee (IFRIC) and the Standing Interpretations Committee (SIC), approved by the European Commission.

Following the introduction of Regulation (EC) No. 1606/2002, and based on the provisions set out in the implementing legislative decree No. 38/2005, from the 2005 financial year, all companies – other than those issuing financial instruments admitted to trading on regulated markets – which prepare consolidated financial statements may adopt the international accounting standards, in respect of their consolidated financial statements. Therefore, effective from the 2009 financial year, Grandi Stazioni SpA has decided to adopt, for the first time, the International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), the interpretations of the International Financial Reporting Standards Committee (IFRIC) and the Standing Interpretation Committee (SIC) approved by the European Commission (hereinafter "IFRS-EU"), the transition date to the IFRS-EU having been established at 1 January 2008. As regards the previous financial years, Grandi Stazioni SpA applied article 27(3) of Legislative Decree No. 127/1991, granting the right not to prepare its own consolidated financial statements, since these were already prepared by the parent company Ferrovie dello Stato SpA.

Grandi Stazioni SpA (hereinafter "GST, Holding Company" and/or "Parent Company") is based in Italy. The company headquarters are in via G. Giolitti 34 – 00185 Rome.

The consolidated financial statements for the financial year ended on 31 December 2010 include the financial statements of the Parent Company, of the Italian-based subsidiary Grandi Stazioni Ingegneria Srl (hereinafter "GSI") and of the foreign-based subsidiary Grandi Stazioni Ceska Republika Sro (hereinafter "GSCR").

Key highlights

MEuros	**2009**	**2010**
Operating revenue	**206**	**196**
Operating expenses	**142**	**147**
EBITDA	**64**	**49**
Operating results	**51**	**35**
Net results	**40**	**20**
Net invested capital	**301**	**322**
Shareholders' equity	**136**	**142**
Net financial position	**165**	**180**

Consolidated financial ratios

		2009	2010
ROE	NR/AE*	**43%**	**18%**
ROI	OR/IC*	**18%**	**11%**
ROS (EBIT MARGIN)	OR/REV	**25%**	**18%**
EBITDA/OPERATING INCOME (EBITDA MARGIN)	EBITDA/REV	**31%**	**25%**
NET ASSET TURNOVER (NAT)	REV/IC*	**75%**	**63%**
LEVEL OF BORROWING	FD/AE	**1.7**	**1.6**

The results and ratios 2009 are largely affected by the revenue from the sale of a property and the income from the sale of a stake.

If the net impact of the above non-operating revenue and income on the 2009 Income Statement are not taken into account, the ratios would appear as follows:

		2009	2010
ROE	NR/AE*	**18%**	**18%**
ROI	OR/IC*	**11%**	**11%**
ROS (EBIT MARGIN)	OR/REV	**16%**	**18%**
EBITDA/OPERATING INCOME (EBITDA MARGIN)	EBITDA/REV	**23%**	**25%**
NET ASSET TURNOVER (NAT)	REV/IC*	**67%**	**63%**
LEVEL OF BORROWING	FD/AE	**1,7**	**1,6**

LEGEND

OC: Operating capital

IC*: Average net invested capital (between the start and end of the financial year) before equity investments

FD: Financial indebtedness

EBITDA: Earnings before income tax, depreciation and amortisation

AE*: Average equity (between the start and end of the financial year) after the result at the end of the financial year

AE: Equity

Lcurr: Current liabilities (Short-term debts)

REV: Operating revenue

INV: Inventories

NR: Net results

OR: Operating results

Principal events in the year

January

On 11 January 2010, Grandi Stazioni SpA entered into a contract with Satrel S.p.A., as part of a retail development project, with the construction of pedestrian pathways and public spaces, on the ground floor of the building previously housing the railway company's District HQ in Venice, providing for additional building work and systems, for an extra € 3,056,075.88, plus € 269,776.63 for safety costs.

The construction planning continued, on a functional basis, at Firenze Santa Maria Novella (Internal works) and Venezia Santa Lucia (External works).

Under the "Meeting resolution of 18 January 2010 – Inter-institutional technical meeting between Grandi Stazioni SpA, the local authority of Verona and the heritage protection authority of Veneto – Operational Department of Verona" it was decided to jointly implement the first functional section of the Masterplan of the Complementary Infrastructure (as per the so-called Legge Obiettivo[1]) relating to Verona Porta Nuova.

Under the "Meeting resolution of 21 January 2010 – Inter-institutional technical meeting between Grandi Stazioni SpA, the local authority of Bologna, the provincial government of Bologna, the regional government of Emilia Romagna, the heritage protection authorities of Emilia Romagna and Bologna" it was decided, after a months long preliminary investigation, to agree to the final Layout of the Masterplan of the Complementary Infrastructure (as per the Legge Obiettivo) relating to Bologna Centrale, updated in accordance with the CIPE resolution no. 129/06 of 29 April 2006.

Grandi Stazioni SpA lodged a complaint with the judicial authorities, in respect of the offences set out in articles 640, 61 and 11 of the Criminal Code and 2625 of the Civil Code, relating to the behaviour of former directors and executives of the company and the legal representative of a company that had been awarded a contract for providing support and consulting services, in respect of the conclusion of a property lease and subsequent sale.

Grandi Stazioni SpA opened a new retail outlet (Hudson Edicole) at Torino P.N. of about 80 square metres.

Grandi Stazioni SpA started negotiations for the renewal of the le trattative per il rinnovo del Corporate Supplementary Agreement, at separate tables, with the trade union organisations UGL and CGIL.

Grandi Stazioni Ceska Republika SRO approved Amendment 2 to the contract for the refurbishment of Prague Central station.

February

After the signing, on 30 September 2009, of the work commencement statement, launching the construction development of the detailed project relating to the "Piastra Parcheggi" project (a project providing for the construction of a car park above the railway platforms in the station of Roma Termini), the contractor – in agreement with Grandi Stazioni SpA – has developed new engineering/construction solutions, which, by streamlining the construction system and the relevant preliminary site works, will make it possible to reduce the impact on/occupation of the underlying platforms, simplifying the deck

[1] Translator's Note: the "Legge Obiettivo" is a legislative tool setting out the procedures for financing a number of large strategic infrastructures, in Italy, in the 10-year period between 2002 and 2013.

construction phases, without interrupting normal train operations (through the gradual construction of a portal with the twofold function of launching deck and site area for laying the materials).

These altered functional requirements led to the conclusion, on 25 February 2010, of the first supplementary agreement, by means of and under which the Contractor was granted an extra consideration of € 1,800,000 plus VAT, for the research and development of the above mentioned works. These new engineering/construction solutions introduced should not entail an increase in the total cost of the works.

On 19 February 2009, the heritage protection authorities of Milan (ref. no. 2570) launched a fact-finding process to investigate the compliance of the projects relating to the Complementary Works (as per the Legge Obiettivo) relating to Milano Centrale requested by Grandi Stazioni.

On 25 February 2010, the local authority of Bari (ref. no. 50801) issued a go-ahead, with respect to the final construction design for the Functional Upgrading of the building complex and the final construction design for the Construction of the Complementary Infrastructure at Bari Centrale.

On 26 February 2010, the local authority of Genoa (ref. *Determinazione Dirigenziale n.* 2010/118.21.0.4) issued a go-ahead, in respect of the compliance assessment of the construction plans for the Functional Upgrading and the Complementary Infrastructure (as per the Legge Obiettivo) at Genova Brignole and Genova Principe.

Grandi Stazioni opened two new retail outlets at the stations of Napoli Centrale for approx. 95 square metres (Calzedonia) and Torino for approx. 192 square metres (pharmacy).

March

With regard to Milano Centrale station, Rete Ferroviaria Italiana SpA awarded Grandi Stazioni SpA the contract for the performance of engineering activities, relating to the necessary works for upgrading the passenger information systems, to adapt them to the new train traffic needs. In order to ensure the technical compatibility with the existing signage in Milano Centrale, the firm that supplied the original systems was called in to carry out the upgrading and improvement works. Therefore, on 25 March 2010, a contract was entered into with Impresa Solari di Udine S.p.A., for the upgrading and integration of the multipurpose passenger information system at Milano Centrale. The total contract price is € 811,380.

Grandi Stazioni SpA, acting on the request of Rete Ferroviaria Italiana SpA, carried out a market survey in respect of the contract-awarding procedure for the supply and installation of modular seating, featuring individual seats mounted on a bar with armrests, in the stations of Milano Centrale, Torino Porta Nuova, Roma Termini and Napoli Centrale; the contract was ultimately awarded to Tecno S.p.A. It was concluded on 14 April 2010, for a total price of € 285,612.08.

The contract for the refurbishment of Palazzo Alto was reactivated, with respect to the asbestos removal and clearance operations; Grandi Stazioni S.p.A. is currently assessing the future use of this property.

Grandi Stazioni Ingegneria completed the development of the main design adjustments at Bari Centrale, Bologna Centrale, Firenze S.M.N, aimed at introducing the clarifications relating to the completion of the original designs within the established budgets and timeframes.

On 5 March 2010, the local authority of Milan (ref. no. PG 181324/2010) del 5 March 2010 issued a go-ahead, with respect to the compliance assessment of the Complementary Works (as per the Legge Obiettivo) at Milano Centrale.

On 9 March 2010, the heritage protection authorities of Turin (ref. no. 4104 cl. 34.16.11/1068.616) issued a go-ahead with respect to the compliance assessment of the Complementary Works (as per the Legge Obiettivo) at Torino Porta Nuova.

Press conferences were held in respect of the launching of the works for the "Piastra Parcheggi" car park at Roma Termini and the refurbishment works at Verona Porta Nuova and the adjacent square.

Five new retail outlets opened, as follows: two at Milano Centrale for approx. 323 square metres (Spizzico, tabacchi), two at Napoli for approx. 95 square metres (two Hudson Edicole) and one at Torino for approx. 176 square metres (Sephora).

The new pay toilets at Napoli Centrale were opened.

Following the complaint lodged by Retail Group, the Court of Milan, with an order issued on 10 March 2010, revoked the precautionary measure issued *inaudita altera parte* on 1 December 2009, subsequently confirmed by an order issued on 22 December 2009, requiring the above mentioned company to immediately vacate the areas in Milano Centrale, in favour of Grandi Stazioni SpA, to allow the holding of the inaugural event of the high speed lines. For more details, see note 21 "Provisions for risks and charges".

April

On 30 April 2010, the substantial conclusion of the functional requalification and upgrading works (Internal works) at Milano Centrale was formalised.

On 19 April 2010 (ref. no. 4660), the heritage protection department of the local authority of Venice issued a go-ahead, with respect to the compliance assessment of the construction plans for the Complementary Infrastructure (as per the Legge Obiettivo) at Venezia Santa Lucia.

On 28 April 2010 (ref. no. 191007), the local authority of Venice issued a go-ahead, with respect to the compliance assessment of the construction plans for the Complementary Infrastructure (as per the Legge Obiettivo) at Venezia S. Lucia.

Works commenced with respect to several functional sections of the Internal Refurbishment Works at Bologna Centrale (ATI Salini).

Complementary Works (as per the Legge Obiettivo) were started at: Milano Centrale, relating to the interconnection with the underground railway station at Piazza Duca d'Aosta (ATI DEC), Genova Brignole, Fabbricato Magazzini/ACC (ATI DEC) and Verona Porta Nuova (ATI CMB).

On 20 April 2010, the local authority of Naples, FS Sistemi Urbani S.r.l., Rete Ferroviaria Italiana S.p.A., Grandi Stazioni and M.N. Metropolitana di Napoli Spa entered into an agreement for defining their respective commitments, with regard to the "Napoli Piazza Garibaldi" project, which is part of the larger programme of works aimed at the urban reorganisation and upgrading of the railway network in Naples defined by the local authority of Naples, in partnership with Ferrovie dello Stato S.p.A.

This agreement provides, *inter alia,* for the following:

- the transfer of the ownership of Piazza Garibaldi by FS Sistemi Urbani to the local authority of Naples, for the already determined compulsory purchase price;

- the transfer, by the local authority of Naples, to Metropolitana di Napoli SpA of the surface rights, with respect to a portion of the square, for the construction, with equity, of a shopping mall and the subsequent management of the retail spaces;

- the contracting out of the management of the retail premises by Metropolitana di Napoli SpA to Grandi Stazioni, based on an ad hoc agreement;

- the consequent waiver, by Grandi Stazioni, of the right of commercial exploitation of the areas of Piazza Garibaldi, provided that, (i) it is effectively granted the management of the shopping mall, (ii) the local authority of Naples undertakes not to carry out operations in competition with Grandi Stazioni SpA, and (iii) Grandi Stazioni SpA is granted the right of pre-emption, with respect to all non-competitive activities authorised on Piazza Garibaldi.

Following up on the conclusion of the above mentioned agreement between the local authority of Naples and the Ferrovie dello Stato Group companies, Grandi Stazioni and Metropolitana di Napoli Spa then entered into a preliminary agreement, also on 20 April 2010, providing for the commitment, by Metropolitana di Napoli Spa, to lease out to Grandi Stazioni, the premises of the shopping mall, for a term of 35 years, from the date of delivery.

The preliminary agreement provides for the advance payment, by Grandi Stazioni, of a rent of € 21,000,000 plus VAT, at the date of conclusion of the relevant lease.

The shopping mall itself, which is expected to cost € 39,690,271, € 18,690,271 of which provided by the local authority of Naples, will be built by Metropolitana di Napoli Spa within three years from the start of the works, using the public funds made available for the construction of the underground railway line 1 and the underground works in the area of Piazza Garibaldi, and bank loans. The procedure for selecting the performance bond provider and/or lender of the 21 million euros needed to finance the project. Grandi Stazioni received a satisfactory loan offer from BIIS (Banca Infrastrutture Investimenti Sviluppo), with which it subsequently entered into an agreement with respect to the relevant economic terms and conditions.

The functional upgrading works (Internal Works) were launched at Bologna Centrale (ATI Salini).

Complementary Works (as per the Legge Obiettivo) were started at: Milano Centrale (ATI DEC), Genova Brignole – Fabbricato Magazzini/ACC (ATI DEC) and Verona Porta Nuova (ATI CMB)

Grandi Stazioni Ceska Republika approved, with Ceske Drahy, the amendment to the contracts in force between the parties, providing for the termination of the contract relating to the station ofKarlovy Vary. The related withdrawal fee of 46,500,000 Czech crowns (equal to approx. 1,860 thousand euros), will be paid in three successive quarterly instalments, as from 31 March 2010.

Eighteen new retail outlets opened, as follows: three at Milano Centrale for approx. 677 square metres (Salmoiraghi & Viganò, TIM, Gran Bar), four at Napoli for approx. 892 square metres (Mc Donald's, EPT Napoli, pharmacy Leona, Tezenis), and eleven at Torino for approx. 1,472 square metres (A Cafè, GTT-TTP,. Benetton 012, Salmoiraghi & Viganò, Sisley Donna, Sisley Uomo, tabacchi, United Colors of Benetton, two Time Cafes, Maggiore Car Hire).

With regard to the arbitration proceedings instituted by Vidion s.r.l., relating to the profit sharing agreement entered into on 19 February 2007, the Arbitral Board, on 8 April 2010, decided to grant the parties time until 30 April 2010 to file a brief specifying the requests and objections, exclusively in reply, and for the objections consequent to the formulation of the requests and objections set out in the briefs filed on 21 January 2010, and in relation to the memo filed by Vidion on 9 March 2010.

May

On 24 May 2010 (ref. no. 289355), the so-called Safeguarding Committee of the local authority of Venice issued a go-ahead, with respect to the compliance assessment of the construction plans for the Complementary Infrastructure (as per the Legge Obiettivo) at Venezia S. Lucia.

Eleven new retail outlets opened, as follows: seven at Milano for approx. 897 square metres (Segafredo, A Cafè, Hudson Edicole, Benetton, Time Cafè), two at Torino for approx. 217 square metres (Tabaccheria, Boggi) and four at Napoli for approx. 265 square metres (Maggiore Car Hire, Beauty Point, tabacconist, lottery shop).

VVO Srl in Liquidation, in which Grandi Stazioni Ingegneria Srl holds a 50% stake, at the General Meeting held on 20 May 2010, resolved to terminate the liquidation procedure and approve the Apportionment Plan.

Grandi Stazioni Ceska Republika SRO entered into facility management agreements, with specialised operators, with respect to the stations of Prague Central and Marianske Lazne.

June

On 30 June 2010, the Works Completion Certificate was issued for the station of Torino Porta Nuova.

Four new retail outlets opened, as follows: one at Milano for approx. 67 square metres (Benessere), two at Torino for approx. 213 square metres (Hudson Edicole, Mokà) and one at Napoli for approx. 105 square metres (Salmoiraghi & Viganò).

The party to the profit sharing agreement granted profit sharing rights, in respect of advertising operations, instituted a second arbitral procedure, with respect to the same matters as the proceedings under way, but this time relating to 2008, as opposed to 2009.

4 of the 5 Naples-based employees of Grandi Stazioni SpA, suspended in April because of serious working time infringements, and a Roma Termini control room employee, were dismissed.

July

On 22 July 2010, Grandi Stazioni SpA entered into a Supplementary Agreement 2 relating to the North West Lot (ATI DEC) governing the approval procedure of the construction plans, except for the following works: "construction of the FT multi-storey car park (3 levels) at Genova Brignole", the "landscaping of Piazza Verdi (Genova Brignole)", and the "landscaping of Piazza Acquaverde (Genova Piazza Principe)", and the ensuing new schedule of works and extra works.

On 12 July 2010, the Land Planning Department of the local authority of Venice (ref. no. 309699), issued a go-ahead, with respect to the compliance assessment of the construction plans for the Complementary Infrastructure (as per the Legge Obiettivo) at Venezia Mestre.

Seven new retail outlets opened, as follows: three at Milano for approx. 770 square metres (Sky Lounge Bar, Imaginarium and Labor), one at Napoli for approx. 79 square metres (Mokà) and three at Torino for approx. 1.419 square metres (Fresh & Good, Par Sei, Segafredo Zanetti).

Grandi Stazioni SpA incepted arbitral proceedings against Retail Group SpA, to determine its right to replace areas with premises and for Retail Group's default, with respect to its rent payment obligations.

A hearing was held in connection with the proceedings brought under article 414 of the Code of Civil Procedure by a former executive of Grandi Stazioni SpA, who claims to have suffered professional and biological damage, as a result of his demotion. At the hearing, the presiding magistrate attempted a settlement, but the plaintiff refused to accept Grandi Stazioni's offer. The information relating to civil disputes, and the potential liabilities entailed by the disputes, is detailed in note 21 "Provisions for risks and charges".

Grandi Stazioni SpA and the trade union organisations CGIL and UGL renewed the Corporate Supplementary Agreement. This agreement, which supersedes the rules and agreements in force until 2009, is set to expire on 31 December 2012.

VVO Srl was cancelled from the Companies' Register of Genoa.

August

On 6 August, an employee was dismissed with a "just cause", thus formalising the notice sent by the company on 7 July 2010. The employee subsequently appealed against his dismissal.

The Internal Works at Bari Centrale, and with respect to the Ferservizi Building at Palermo (ATI Salini) were started.

The design work for the refurbishment and improvement of the rainwater drainage system and roofing of the station of Torino was started, with the emergency inception of the more critical works.

The External Works relating to the ACC and Tunnel Ansaldo at Genova Brignole and the underground car park at Genova Principe (ATI DEC) were started.

On 31 August, the Internal Works at Napoli Centrale were substantially completed.

In connection with the first arbitral proceedings instituted by the party to the profit sharing agreement granted profit sharing rights in February 2009, the Arbitral Board issued a non-final decision with respect to the significant matters, primarily concerning points of law, with respect to the interpretation of articles 11 and 12 of the relevant profit sharing agreement. Under this decision, the arbitral board ruled that:

article 11 of the agreement (governing the remuneration of the party to the profit sharing agreement granted profit sharing rights) should be interpreted in the sense that the determination of Vidion's share of the profits should be based on the revenue, rather than the profit, achieved in connection with the relevant operations;

article 12 of the agreement (which governs, *inter alia*, the procedure for recovering the advance payments made by the party to the profit sharing agreement granting the profit sharing rights) should be interpreted in the sense that, in the case of a negative balance, the advance payments made by the the party to the profit sharing agreement granting the profit sharing rights should be recovered by subtracting the amount from the balance, i.e. from the amount resulting from the calculation of the share of the profits due to the party to the profit sharing agreement granted profit sharing rights in excess of the annual advance payment made (5 million euros) and not from the subsequent advance payments. Having regard to the issue posed by Grandi Stazioni, relating to the risk of not being able to recover the advance payment instalments made in accordance with the agreement, if article 12 thereof is interpreted (as it was subsequently interpreted by the final decision) in the sense proposed by Vidion, the arbitral board recalled the legal principle according to which either party is entitled to paralyse the request for fulfillment made by the opposite party, if it appears grounded that the changes in the subjective condition of the creditor or the objective conditions of the market are such as to jeopardise the possibility of fulfilling the contract programme (the so-called "objection of insecurity"). Based on this principle, and on the objection of default in pursuance of article 1460 of the Civil Code, Grandi Stazioni decided not to pay Vidion the second instalment of the advance payment on the share of profits for 2010, as provided in the agreement, and rejected Vidion's request for the payment of the balances deducted by Grandi Stazioni from the advance payments for 2009 and 2010.

Four new retail outlets opened, as follows: two at Milano for approx. 605 square metres (Bershka and Retail Food) and two at Napoli for approx. 108 square metres (Agenzia 365 and Santagata Assunta).

Grandi Stazioni Ceska Republika SRO perfected with UniCredit MedioCredito Centrale SpA the extension of the bridge loan from 18 October 2010 to 18 February 2011, and the increase in the relevant amount from 19 to 23 million euros.

September

Having regard to the above mentioned dismissal of 4 of the 5 employees (the fifth employee is on maternity leave) of Grandi Stazioni, the petitions lodged by three of the dismissed employees, under article 700, were examined by the Court of Naples. Three petitions were subsequently allowed, but the following appeals lodged by the Company, confirmed, in the first two cases, the validity of the decision by Grandi Stazioni. The third appeal has not yet been examined. On 7 September, another dismissed employee lodged a petition against his dismissal.

As regards the criminal proceedings pending before the Prosecutor's Office at the Criminal Court of Rome, resulting from the report presented by Grandi Stazioni against unknown persons, following the alleged activities carried out by a supplier between November 2007 and February 2008, relating to the removal of alleged interferences between the advertising video-communication system and the integrated video-surveillance works at the main Italian railway stations, the competent magistrate ordered and enforced the precautionary seizure of the injunction issued by the Civil Court of Rome, in favour of the supplier, for the payment of the invoices issued in relation to the services allegedly provided. The Public Prosecutor formulated a request for the committal for trial of the indicted persons.

Having regard to the dispute instituted by a supplier, to obtain the payment of several invoices relating to works and services allegedly carried out and provided, in connection with a framework Agreement for the extraordinary maintenance of certain buildings of the stations of Napoli Centrale and Palermo Centrale, and following the issuing of an order by the Magistrate, providing for the temporary enforcement of the injunction appealed against, an agreement was reached for the amicable settlement of the dispute. According to this agreement, Grandi Stazioni will withdraw its appeal and pay the amounts decided by the injunction (€ 356,245.00 plus VAT, interest and reduced legal costs). Moreover, Grandi Stazioni undertakes to pay a further amount for other works carried out and not recognised (€ 93,340.00 plus VAT and reduced interest), with respect to which the company had announced its intention to initiate legal proceedings. Lastly, the parties will mutually terminate the agreement and work implementation specifications, and terminate the contract for the preliminary site works at the stations of Bari Centrale and Palermo Centrale, which was never implemented by Grandi Stazioni, and with respect to which the company could have claimed damages for Grandi Stazioni's failure to go ahead with the contract.

The Internal Works at Venezia Mestre (ATI CMB) were started.

The works for the Improvement of the Lighting and Remote Control/Remote Management Systems at Roma Termini (PMS) and Verona Porta Nuova (Delfino) were completed.

The works relating to the multipurpose Passenger Information system and Video Wall at Milano Centrale (Solari) were completed.

Four of the five lifts installed at Bologna Centrale (Cofatech) were commissioned.

Seven new retail outlets opened, as follows: two at Milano for approx. 94 square metres (Juice Bar and Triumph) and five at Napoli for approx. 212 square metres (Napolimania, 3 Hudson Edicole, tabacconist).

October

On 7 October 2010, a hearing was held before the Board of the Authority responsible for supervising public works, services and supplies contracts (AVCP), with respect to the action lodged by Ferrovie dello Stato S.p.A. to determine whether:

- the clause providing for the right of *last call*, set out in article 33 of the contract concluded by Grandi Stazioni on 14 April 2000 with Rete Ferroviaria Italiana S.p.A., is still valid and effective, in the light of the current applicable regulations, also with reference to the EC regulations, and if it is compatible with the implementation fo a competitive tendering procedure;
- the clause in question, if introduced in the lex specialis relating to the tendering procedure to be launched for awarding the management of the High Speed Network stations, is still legitimate;
- regardless of the validity and effectiveness of the above mentioned clause, whether the possible participation of Grandi Stazioni in the competitive tendering procedure to be launched, for awarding the contract for the management of the High Speed Network station, may determine a conflict of interest, in the light of the relationship between the contracting entity and the tendering company.

At the hearing, the Board of the AVCP, having examined the briefs of the parties, expressed the need to collect further information, in order to formulate a decision, with respect to the contents of the future contract for the management of the HS Network stations. Therefore, Ferrovie dello Stato was requested to present to the Authority, and to Grandi Stazioni, a report on the above mentioned contract terms and conditions, and the hearing was adjourned to a future date.

On 14 October 2010, the heritage protection authorities of Veneto (ref. no. 14836) issued a go-ahead, with respect to the compliance assessment of the construction plans for the Complementary Infrastructure (as per the Legge Obiettivo) at Verona Porta Nuova.

Works started for the Functional Upgrading of the Passenger Building at Palermo C.le – Locali Ferservizi – with respect to the ground, first and third floors.

Having regard to the North-East Lot, Phase 0 was completed, relating to the construction of a temporary local/regional bus terminal near the station of Verona Porta Nuova.

Contract notices were issued, with respect to the Environmental and Maintenance Services at all the Network stations.

Seven new retail outlets opened, as follows: three at Milano for approx. 1.880 square metres (Zara, Bar Motta, Caffè Panzera), three at Torino for approx. 1.557 square metres (Triumph, Credito Piemontese and Feltrinelli) and one at Napoli for approx. 73 square metres (Bottega del Caffè).

The station cleaning contracts were extended for all the network stations, while awaiting the organisation of a new tendering procedure.

The maintenance contract relating to Roma Termini was extended, while awaiting the organisation of a new tendering procedure.

The CEO of Gandi Stazioni was hired by the company, in an executive capacity, on the request of the BoD.

November

On 15 November 2010, a so-called "Survey Agreement" was entered into with the temporary joint venture ATI Italiana Costruzioni S.p.A., within the framework of the contract concluded on 18 May 2005, for the functional upgrading and improvement of the buildings of Torino Porta Nuova station, in order to implement the contents of the final expert report (which found additional works totaling approx. € 221,000, besides € 68,000 for safety costs and € 15,000 for design costs), and to define the impact of the extension of the construction schedule entailed by these additional works. In the agreement, the contractor waived any reservations based on the contract schedule.

On 17 November 2010, a 2nd Supplementary Agreement (following up on the one concluded on 31 May 2006) was entered into with the temporary joint venture ATI Sielte S.p.A., relating to the installation of an integrated video-surveillance system. The agreement implements the contents of variation report 3, which was issued as a result of the requirements emerging from the need to extend the system outside the originally designated area not concerned by the refurbishment works and to other areas deemed sensitive by the railway police authorities. The agreement provides for additional supplies and works totaling approx. € 2,000,000, as a result of which the contract price now totals € 44,250,000, including safety costs.

On 29 November 2010, the first sections of the site works relating to the Internal Works at Palermo Centrale were started.

Fifteen new retail outlets opened, as follows: twelve at Milano for approx. 3.569 square metres (Network Italia Edicole, Pietre delle Meraviglie, Zeta, 2 currency exchange offices, Feltrinelli, bar, Geox, Swarovski, Mokà, Sloggi, Blue print), one at Torino for approx. 81 square metres (Pylones) and two at Napoli for approx. 889 square metres (Medi Max and Footlocker).

Grandi Stazioni Ceska Republika SRO tested the last phase of the refurbishment works at Prague Central.

December

On 13 December 2010, a memorandum of understanding was concluded between the local authority of Rome, FS Sistemi Urbani s.r.l. and Grandi Stazioni, setting out the procedures by means of which the local authority will take over the building called "Capsula Tellus", built by the Company in 1997, as part of the Termini Project, in Piazza dei Cinquecento in Rome, the original purpose of which was to hold TV and film screenings, and which will be used as a multipurpose facility for presenting the urban transformation projects relating to Rome ("Urban Center"). The memorandum of understanding provides, *inter alia*, that the local authority:

(i) will acquire ownership of the building, free of charge, in accordance with article 15, paragraph 2, of L.R. 15/2008, except for the ground on which it is built, and will express an opinion as to the underlying public interest of the acquisition, for public use, rather than demolition;

(ii) will then carry out the necessary refurbishment works, so that the building may be used as the Urban Center, at its own expense;

(iii) will ensure, as part of the institutional information activities hosted by the Urban Center, adequate visibility to the urban transformation projects, or in any case to the institutional activities, promoted by the Ferrovie dello Stato Group companies, by making available one or more computer monitors to this effect, and/or other arrangements agreed to, also as part of the design solution relating to the refurbishment of the building;

(iv) will grant Grandi Stazioni, provided that the necessary authorisations are given by the competent authorities, the exploitation, for no consideration, until 1 April 2040, for advertising purposes, of the exterior facades of the building, or of other advertising installations or video-communication systems, for a total area of at least 112 square metres, at the expense and under the responsibility of the local authority, as part of the refurbishment and improvement works, and based on a project agreed to with Grandi Stazioni and FS Sistemi Urbani.

On 15 December 2010, Grandi Stazioni lodged a complaint with the Prosecutor's Office of Naples against 5 employees, in respect of offences committed under articles 640 and 61, n. 11 of the Criminal Code (*Aggravated fraud*), in relation to the serious violation of their loyalty and good faith obligations as employees, and as a result of which they had been dismissed.

On 27 December 2010, an amendment was agreed to with Satrel S.p.A. of the contract concluded on 23 March 2005, for the functional upgrading and improvement of the so-called Palazzo Alto building in Naples, required for objective reasons (such as the delayed vacating of the premises by RFI, the need to partially review the design solutions previously adopted for the retail exploitation of the building, and as a result of the changed real estate market conditions), which had prevented the proper implementation of the contract. In the amendment, the parties agree to supersede the provisions set out in the Supplementary Agreements 1 and 2 to the contract, except for the effects already produced by the supplementary agreements at 31 October 2010, regulating the procedures for implementing the variations needed to complete the works.

Following the signing of this amendment, the total contract price has remained unchanged at € 22,278,759.19. The works still to be carried out total € 7,364,235.36. This amount includes the compensation agreed to by the parties, in relation to the construction and system related supplies at the site and no longer used for contract purposes, the conventional value of which has been determined in € 1,338,548.64. The deadline for completion has been postponed to 31 December 2011.

On 9 December 2010, a so-called "Survey Agreement" was entered into with the temporary joint venture ATI Rizzani de Eccher S.p.A., as part of the contract entered into on 18 May 2005 for the functional upgrading and improvement of the real estate complex of Milano Centrale.

This agreement defines the final price of the works, namely € 105,237,543.30, besides works on a time and materials basis for € 730,435.00, and the deadline for the completion of the works. The contractor has accepted the deadlines established for the completion of the works, expressly waiving the claims grounded on the unusual progress of the contract.

On 14 December 2010, a tendering session was held, in connection with the awarding of the environmental services contract, with respect to Lot 1 (stations of Milano Centrale, Torino Porta Nuova, Verona Porta Nuova, Venezia Santa Lucia, Venezia Mestre, Genova Brignole and Genova Principe - Total amount € 60,165,110.95) and Lot 2 (stations of Roma Termini, Napoli Centrale, Bari Centrale, Palermo Centrale, Firenze S. Maria Novella, Bologna Centrale - Total amount € 74,968,620.20 €). To date, 10 bids have been received, 9 of which allowed for Lot 1, and 11 bids, 9 allowed, for Lot 2. The compliance assessment of the best bids received is currently under way.

On 22 December 2010, the regional government of Piemonte (ref. no. 8967) issued a go-ahead, with respect to the compliance assessment of the construction plans for the Complementary Infrastructure (as per the Legge Obiettivo) at Torino Porta Nuova. The contractor – a temporary joint venture – awarded the contract relating to the North-East Lot, has completed the last stages of the construction plans relating to the Complementary Infrastructure (as per the Legge Obiettivo), and is currently engaged in completing the functional improvement of the Passenger Building at Palermo Centrale (Locali Ferservizi).

On 28 December 2010, the Complementary Infrastructure at Torino Porta Nuova were delivered, relating to the works for the 4-storey underground car park and the landscaping of the Via Sacchi side of the building.

The Maintenance contracts were extended for the stations of Napoli C.le/Napoli IP GS, Milano C. le and Torino PN, while awaiting a new tendering procedure.

Seven new retail outlets opened, as follows: one at Milano for approx. 64 square metres (Armani Jeans), one at Torino for approx. 46 square metres (Tim), three at Napoli for approx. 689 square metres (Segue, Cibiamo and L'Occitane), one at Firenze for approx. 144 square metres (Intesa SanPaolo) and one at Roma for approx. 64 square metres (L'Occitane).

On 10 December 2010, the adjourned General Meeting of 22 April 2010 was held; the Meeting resolved to appoint PricewaterhaouseCoopers Spa as the sole independent auditing firm for the FS Group, for the 3 years 2010-2011-2012, with respect to the auditing of the financial statements, the consolidated financial statements and the limited revision of the six-monthly report and of Grandi Stazioni Spa. The Meeting also confirmed the appointment of the board of auditors and of the president for a term of three years and, in any case, until the date of the general meeting called to approve the financial statements for the year ended on 31 December 2012.

Human resources

The number of employees of the Group, under permanent employment contracts and other arrangements, rose from 259 persons at 31 December 2009 to 279 persons at 31 December 2010, up by 20 persons.
The average number of employees rose from 250.8 persons in 2009 to 274.8 persons in 2010, up by 24 persons.
The increase in 20 employees is broken down as follows: 8 employees, as a result of the insourcing of the engineering activities that had previously been contracted out, and 7 employees, as a result of the consolidation of the sales structure set up to support peak sales periods in the year. The remaining 5 employees are staff members hired primarily in connection with the introduction of the SAP system. Lastly, the total number also includes two university graduates, hired in completion of the graduate employment project launched in 2009.
The composition of and changes to the staffing level of the three Group companies is shown in the following table.

Composition of and changes to the staffing level of Grandi Stazioni SpA

Personnel category	31.12.2009	In	Out	31.12.2010	Average per category	Avg FTE composition
Executives	13	1	0	14	13.2	13.2
Middle management	37	2	1	38	37.7	37.5
White-collar workers	185	22	15	192	189.0	185.4
Total employees	235	25	16	244	240.0	236.2
Other employment arrangements	14	14	11	17	19.8	19.8
Total	**249**	**39**	**27**	**261**	**259.8**	**256.0**

Composition of and changes to the staffing level of Grandi Stazioni Ingegneria SRL

Personnel category	31.12.2009	In	Out	31.12.2010	Average per category	Avg FTE composition
Executives	0	0	0	0	0.00	0.00
Middle management	2	1	0	3	3.00	3.00
White-collar workers	2	3	0	5	3.1	3.08
Total employees	4	4	0	8	6.1	6.08
Other employment arrangements	3	5	1	7	5.9	5.9
Total	**7**	**9**	**1**	**15**	**12.0**	**12.0**

Composition of and changes to the staffing level of Grandi Stazioni ČESKÀ Republika. S.R.O.

Personnel category	31.12.2009	In	Out	31.12.2010	Average per category	Avg FTE composition
Executives	0	0	0	0	0.00	0.00
Middle management	0	0	0	0	0.00	0.00
White-collar workers	3	0	0	3	3.00	3.00
Total	**3**	**0**	**0**	**3**	**3.00**	**3.00**

Labour relations

With regard to labour relations, 2010 proved a very important year for the Grandi Stazioni Group. The mature relationship, strengthened in recent years, with the two trade union organisations represented, has enabled us to conclude a new Corporate Supplementary Agreement.
This new agreement is much more modern, compared to the previous one, and unquestionably more representative of the Group's current situation.
The key innovations introduced are:

- the new employee bonus scheme, which is no longer based on the Net profit, but on the consolidated Gross operating margin, the sole indicator taken into account for the purposes of the Performance Assessment and Bonus Scheme applicable to all Grandi Stazioni Group employees;

- a modern welfare project, providing for a (non-professional) accident insurance cover alongside the medical care, besides guaranteeing more flexible working hours, consistently with the Group companies' business needs;
- new rules governing trade union rights and a new focus on cost developments, especially as regards secondment, accessibility and on-call allowances;
- enhanced strictness, with respect to sick leave, based on which the performance bonus does not apply to those employees who are off sick more than 11 times in the year.

Due to the fact that Grandi Stazioni Ingegneria has a very small number of employees, no trade union representatives have been elected there.

Training activities

Training 2010

Company	N° of man days	Hours	Cost
Grandi Stazioni S.p.a.	159	2,642.50	32,489.02
Grandi Stazioni Ingegneria S.r.l.	18	61.5	0

Key training projects:

- SAP (target personnel: all functions), scheduled for completion in 2011;
- IAS/IFRS standards (target personnel: Administration, Finance, Planning & Control function), scheduled for completion in 2011;
- Professional update (target personnel: all functions);
- Mandatory health & safety at work training: D.lgs. 81/08 (target personnel: all functions).

Management Policy

Besides entering into a new Corporate Supplementary Agreement, with respect to the HR management policies, Grandi Stazioni Group has focused on several strategic processes completing the organisation and management framework redesigned over the last two years:

- the valorisation of in-house skills, which led to the appointment, in 2010, of two new Station Managers from among the Group's human resources, trained and supported, with respect to a tailored process;
- the continuation of the project, in partnership with FS, providing for the employment of university graduates (6 in 2009 and 2 in 2010), as a means of incubating in-house talents capable of taking on direct responsibilities over the forthcoming 36 months;
- the introduction of the new Environmental Management model at Group level;
- the publishing of the complete job descriptions for all the line functions;
- the introduction of more precise controls, with respect to compliance by employees of the internal rules and procedures, which has led to the dismissal of 7 resources, as a result of serious violations in the year;

- an increased training effort by the company, coinciding with the introduction, effective from January 2011, of the SAP system, with respect to the management of the Administration & Accounting processes, gradually extended to all the other management processes.

Having regard to HR management, in 2010 Grandi Stazioni Ingegneria S.r.l. focused on the definition of the best possible measures for managing the contracts assigned to it.

The new resources were recruited primarily in the areas where the works are carried out, in order to find the professional skills to be employed on the projects under way.
Moreover, Grandi Stazioni Ingegnieria has introduced a performance assessment system applicable to all the personnel and based on the corporate and individual results achieved in the year.

Having regard to HR management policies, in 2010 Grandi Stazioni ČESKÀ Republika, S.R.O. focused on consolidating its staffing level and improving the distribution of the workload.

Health & safety at work

Activities concerning health and safety at Grandi Stazioni primarily entailed the strengthening of the results accomplished in previous years, based on the Risk Assessment Documents, the campaigns for instrumental and environmental data collection (noise, micro-climates, lighting, non ionising radiation, legionnaires' disease, drinking water, dust, etc.) in the offices and public station areas, the updating of the emergency plans for railway complexes, on the basis of the progress of the refurbishment works in the station property complexes, health inspections and the planning and execution of corporate training projects.

An innovation in 2010 was the performance of preliminary activities to the implementation of the Environmental Management System, through participation in the "Project for the development of a Group Environmental Management System" set up by Ferrovie dello Stato SpA, which will be further boosted in 2011.
H&S activities at Grandi Stazioni Ingegneria primarily entailed the performance of instrumental and environmental data collection campaigns in the offices (dust, air quality, etc.), health inspections and the planning and execution of corporate training projects.
H&S activities at Grandi Stazioni ČESKÀ Republika were carried out consistently with the applicable local regulations.

Environmental policy

In 2010, the key environmental policy activities/projects concerned the monitoring and analysis of energy and water consumption, the consolidation of the management perimeter of the station utilities, the assessment of procuring energy from alternative sources, the investigation of more cost-effective contract forms, separate waste collection and cleaning in the stations.

Below is a detailed overview of the above mentioned activities/projects, broken down by field of application.

Energy

During the year, the process of collecting data on and analysing consumption was completed, aimed at rationalising utility arrangements (an energy contract notice is scheduled to be issued in 2011), improving the efficiency of the distribution networks and eliminating loss and waste.

Completion of phase one of the process for separating the utility connections of FS Group (administrative measures) and start of planning of phase two actions (structural measures).

Accurate identification of the actual station users, to implement targeted consumption rationalisation actions and the charging thereof.

Feasibility study relating to the construction of a cogeneration plant (high-performance heat and energy production plants) and installation of photovoltaic systems on the station roofs, to be developed in coordination with the FS Group in the 2011-2015 period.

Use of combined simultaneous heating/cooling systems, to improve the overall performance of the systems.

Assessment of the gradual implementation of modular energy-saving LED lighting systems, in the place of the lighting systems in public areas, at the end of their technical life cycle.

Water supply

Monitoring water consumption and the efficiency of the water supply system, in order to timeously eliminate any leaks and rationalise utility contract arrangements.

Completion of phase one of the process for separating the utility connections of FS Group (administrative measures) and start of planning of phase two actions (structural measures).

Accurate identification of the actual station users, to implement targeted consumption rationalisation actions and the charging thereof.

Implementation of changes to the distribution circuits, aimed at eliminating waste, preventing mistaken handling and the consequent improper use of the water, and certain apportionment of water consumption costs among the actual users of the water.

Emissions

Gradual implementation of new and better performing production plants, featuring lower emissions of pollutants in the refurbished stations, with the conversion of diesel systems, obviously where they exist, into gas-fired systems, which of course are characterised by a lower environmental impact.

Operation of the heating/cooling systems, with a daily analysis of the emissions of pollutants and related regulation activities.

Feasibility study for assessing the possibility of switching over to the use of combined energy production systems and/or alternative energy surces (see paragraph 3 of Energy above).

Waste management

Launching of the new waste collection procedure, implemented in connection with the opening of the retail outlets in the stations of Milano Centrale, Napoli Centrale and Torino Porta Nuova, with a special and, indeed, strong focus on separate waste collection, with regard to the waste produced by the retail outlets (use of bins with three separate waste containers and, where necessary, door-to-door waste collection).

Maintaining the efficienty of the entire separate waste collection system in the spaces open to the public:

- maintenance of the separate waste collection bins;
- research into the development of new separate waste collection areas;
- research into new improved waste disposal solutions, also in partnership with the local waste management companies.

Public health

Implementation and efficiency maintenance of the no-smoking signs in the station and of the smoking areas.

Environmental monitoring

A total of 1552 environmental surveys were carried out during the year, in order to ensure the ongoing monitoring of the key environmental indicators:

DUST	70
DRINKING WATER: CHEMICAL ANALYSIS	148
DRINKING WATER: BIOLOGICAL ANALYSIS	148
LEGIONNAIRES' DISEASE	353
AIRBORNE LEGIONNAIRES' DISEASE	103
MICRO-CLIMATE	30
RADON	60
HIGH-FREQUENCY EMISSIONS	235
NOISE	405
Total	**1552**

Customer Relations

Customer Satisfaction

Grandi Stazioni Group continued monitoring customer satisfaction during 2010. The Customer Satisfaction analyses conducted by RFI on station visitors have highlighted a satisfaction rate of over 90%, which has increased year-on-year. Grandi Stazioni has supplemented these analyses with detailed analyses aimed at defining service and information improvement plans. In particular, as highlighted in the key management events, from July 2010 it has started revising the signage at Milano Centrale, consistently with the guidelines issued by Ferrovie dello Stato Group, with the aim of improving the clarity and effectiveness of station information. The new guidelines have then been applied to Napoli Centrale and will gradually be extended to all the other Network stations.

Foreign expansion

With regard to the Group's foreign expansion strategy, launched successfully in the Czech Republic through the subsidiary Grandi Stazioni Ceska Republika, which manages, *inter alia*, the station of Prague Central, the scouting of new markets continued during the year, with a special focus on countries featuring above-average economic growth rates and a significant rail transport (especially High Speed) growth potential, where the Group's know how, with respect to the refurbishment and commercial development of stations is an unquestionable asset. These scouting activities are primarily concentrated in Eastern European countries and the Mediterranean region, where large-scale station renovation projects are expected to be launched in the medium-to-short term.

Macro-economic background

After the timid positive signs recognised to the second half of 2009, the global economic recovery continued in 2010 at different speeds in the various geographical areas and countries, although generally at a slow pace and with a rather uncertain outlook.

% year-on-year change	2009	2010
GDP		
Worldwide	-0.2	5.2
developed countries		
USA	-2.6	2.8
UK	-5.0	1.7
Eurozone	-4.0	1.7
emerging countries		
China	9.1	10.3
India	5.7	9.5
Latin America	-2.1	6.2
Global business	-11.2	13.7

Source: *Prometeia Rapporto di Previsione January 2011*

The growth of the global GDP, driven by trade and amounting to +5.2% - on average – per year, has returned to pre-crisis levels: very strong in the emerging countries, especially in Asia, albeit with some weak points due to the pressure of inflation; below average in the developed countries, also due to the high unemployment figures.

In this situation, the actions of governments and central banks in the developed countries, faced with a still fragile domestic demand and contained inflation risks, have continued to be inspired by the highly expansive approach of monetary policies. Unlike in the emerging countries where, due to rising food prices, the pressure of inflation is higher and the authorities have intervened to make the monetary conditions less accomodating.

% year-on-year change	2009	2010
Eurozone		
GDP	**-4.0**	**1.7**
Germany	-4.7	3.5
France	-2.5	1.5
Italy	-5.1	1.0
Spain	-3.7	-0.2
Inflation	**0.3**	**1.6**
Germany	0.2	1.2
France	0.1	1.7
Italy	0.8	1.6
Spain	-0.3	1.8
Domestic demand	**-3.4**	**1.2**
Germany	-1.5	2.6
France	-2.6	1.6
Italy	-3.8	1.3
Spain	-5.9	-1.3

Source: *Prometeia Rapporto di Previsione January 2011*

In the Eurozone countries too, despite the obstacle represented by the sovereign debt of several countries, economic growth now features a plus sign once again; overall, the GDP rose by 1.7 percent thanks to the contribution of exports and investments, while household consumption has been negatively affected by the uncertain outlook of employment. Among the EU countries, the GDP is decidedly above average in Germany (+3.5 percent on average per year) and equal to average in the UK and France, while Spain is at the bottom of the league table, with a slightly negative trend. Inflation in the Eurozone gradually increased in 2010, as a result of the rising food and energy prices.

With regard to the Italian economy, the GDP is below average (+1.0 percent) and the economic situation remains weak. The growth dynamics, after an encouraging start of the year, with an expansion of half a percentage point (+0.4 and +0.5 percent, respectively, in the first and second quarters), slowed down to a standstill at the end of the year (+0.3 and 0.0 percent, respectively, in the third and fourth quarters), concomitantly with a slight drop in domestic demand and trade. Household consumption reached only 0.7 percent, confirming a widespread cautious wait-and-see approach, as a result of both lower spending income and an uncertain employment market outlook. At the end of the year, unemployment rates reached 8.6 percent, up year-on-year by approx. one percentage point; inflation too is on the rise, +1.6 percent (0.8 percent in 2009), largely reflecting the rising food and energy prices, as well as industrial production (+5.5 percentage points year-on-year).

Trends in the reference markets

Advertising market

The advertising market in 2010 featured a total 2.8% year-on-year rise.

The Media off line market is substantially at a standstill (+0.3%), while the Digital on line market skyrocketed (+21.7%).

Growth concerns TV advertising alone (+5.8%), to the detriment of all the other marginal media, as a result of the growth of digital TV channels and the consequent need for further advertising budgets to maintain their target coverage.

The out of home (OOH) sector results are the same as in 2009 (+1.1%), and have not recovered compared to the previous year (-19%), with growth reported only in the Digital OOH segment (+12.5%).

Conventional billboard advertising is still losing value, also as a result of a very aggressive price discount policy. The market is increasingly requesting last minute offers, which signifies marginality vis-à-vis the strategic nature of the medium.

The market of the Grandi Stazioni Group is growing at a faster pace than the reference market, and the market share is up from 2.3% to 2.9%, characterised as follows:

- Media revenues are growing faster than the market and stand at 18.2 million euros, up year-on-year by approx. 25%;
- the 2010 plan, aimed at intercepting average decreasing budgets, has been rather successful, with a rise in campaigns from 148 in 2009 to 215 in 2010;
- the relaunching of Video-communication (Vdc) too has been successful, estimated at +84% year-on-year, well above the benchmark (+12.5%);
- there is a strong recovery in intermediation with the Large Media Centres: 7.7 million euros in 2010 compared to 4.4 million euros in 2009;
- the decline of conventional advertising continues, especially with respect to Ambient, although it has been contained through pricing actions and the repositioning of Scroller products;
- brokerage costs (Agents and Media Centres) have been contained, compared to the budget forecasts;
- relations with key customers and Media Centers have picked up;
- new Agents have gradually been introduced in the Sales Networks since March 2010 (the last time, on 10 October 2010);
- the External Moviemedia Agent has been replaced by multi-brand Agents since March 2010;
- the long-term relations with the exclusive Sub-licensee Cinema Topspot has been stopped in June 2010;
- a new Digital Maxi Led was installed at Milano Centrale in September 2010.

Also to be highlighted is a further deterioration of the relations with the party to the profit sharing agreement granted profit sharing rights, with respect to the technical support activities associated with the supply of media services, following the interim decision by the Arbitration Board, which has impaired the flexibility of the operational procedures, with ensuing longer "time to market". For further details on the issue reference should be made to the significant events in the year.

Property market

During 2010, the Group continued the management of its existing Network relations, implementing all the relevant, functional and related activities, in consideration of the progress in the Network station refurbishment projects.

In this specific market, over the last year, 88 new retail outlets opened in the stations of, Milano Centrale, Torino Porta Nuova, Napoli Centrale, Roma Termini and Firenze Santa Maria Novella, for a total of approx. 18.500 square metres.
The marketing of retail premises continued, based on both pre-existing preliminary agreements, and the selection of business partners (for a total of 38 selections, resulting in the assignment of 23 retail premises), at the stations of Roma T.ni, Milano C.le, Torino P.N. and Napoli C.le., for a total of 64 new leases.

The implementation of the lease agreement entered into with Network Italia Edicole continued, for the opening of new newsagent shops in newly refurbished premises.

Planning activities were launched, with respect to the marketing of the premises with expiring leases at Roma Termini, based on the notices to quit notified to the tenants in previous years.

An agreement was defined for the refurbishment and commercial exploitation of the Upim department store at Roma Termini, with its transformation into a Coin chain store.

The business relationship with Retail Group continued, despite the arbitral proceedings, for details of which reference should be made to note 21 to the financial statements.

Property assets

As a result of the vacating of the premises occupied by FS Group, a special corporate unit has been set up dedicated to the marketing of the Group's real estate assets. During the year, therefore, a detailed analysis of the company's property assets was carried out, for the purpose of identifying all the commercially exploitable premises. This process led to the identification of premises for approx. 298,000 square metres, detailed as follows, and to the definition of the Asset Allocation Plan.

- 218,000 square metres in the Network
- 80,000 square metres owned by the Group

- 219,000 square metres Occupied
- 79,000 square metres Vacant

Subsequently, a network has been set up – broken down by geographical macro-areas – for the marketing of the retail premises, through Agency contracts concluded with prime companies in the various sectors:

- Centre (Roma Termini, Napoli Centrale);
- North-West (Firenze SMN, Torino PN, Genova Brignole and Genova Principe);
- North-East (Milano Centrale, Venezia Mestre, Venezia SL, Bologna);
- South (Bari, Palermo).

Moreover, with specific reference to the vacating of the Italferr premises at Roma Termini, given the size of the premises and the take up level on the leasing market in Rome, a specific primary level advisor was appointed.

Ex Lodo Barbieri premises (Trenitalia – RFI – Ferservizi)

During the year, the Group companies continued to vacate the station premises, and activities were put into place aimed at formalising the occupations by means of agreeing to and concluding lease agreements. In particular, the following can be highlighted:

Trenitalia

The plan for vacating the premises continued and, during the year, approx. 4200 square metres were surrendered.

New retail premises have been defined at all the stations concerned by refurbishment plans in the short term.

On 25 October 2010, the lease agreement relating to the occupied premises in the entire network was concluded.

Ferservizi

The refurbishment of the offices in building 10 of Torino Porta Nuova was completed.

The final terms and conditions were agreed to relating to the lease agreement for the premises occupied in the entire network. The last analyses are under way, with respect to all the aspects related to the backcharging of ancillary costs.

Moreover, the formalisation is under way of the agreement relating to the new headquarters at Palermo Centrale.

RFI

Having regard to the premises occupied by the canteen of RFI, a contract is about to be defined, through Ferservizi (in its capacity as the engineering entity responsible for the contract awarding procedure) with Gemeaz (the contractor).

DLF (Dopo Lavoro Ferroviario)

The plan providing for the vacating of the premises by this organisation continues, albeit at a slow pace. During the year, premises totaling approx. 2500 square metres were surrendered.

Difficulties remain with respect to the fornalisation of the relevant agreement, despite the availability of Grandi Stazioni. Therefore, all prior understandings with RFI have been confirmed.

Situation of ex Lodo Barbieri premises at 31 December 2010

Compared to 1 January 2010, the premises occupied by the Group companies have dropped from about 116000 square metres to about 103500 square metres

The difference, totaling approx. 12500 square metres, is broken down as follows:

- premises surrendered by Trenitalia: about -4400 square metres (old ticket office at Torino Porta Nuova and premises at Bologna C.le Verona, Milano and Torino);
- premises surrendered by RFI: about -10000 square metres (canteens for 5400 square metres, DLF premises at Napoli and Genova Principe for 2500 square metres, closing down of the canteen at Milano in June 2010 for 2100 square metres). Until the definition of the agreement, RFI will remain liable for the payment of the rents asked by GS;
- surrender of the Ferservizi premises at Torino building 10, equal to about +1900 square metres.

Third-party tenants

During the year, tenancies with third-party tenants were also managed, through the conclusion of new lease agreements, or the renewal of expired leases. Negotiations were also entered into with respect to potential future leases and the renegotiation of existing leases. Below is an overview of the main third-party tenancies per station:

Roma Termini

New leases:

- Fastweb: lease agreements concluded for premises used as technical rooms (annual rent: € 71,100);
- B-Tel: lease agreements concluded for office premises (annual rent: € 7,200);
- ATAC: lease agreements concluded for office premises (annual rent: € 15,400);
- Genius Facility Management: lease agreements concluded for premises used for storage (€ 1,630);
- Servirail: lease agreements concluded for office premises (€ 79,000);
- Wasteels International Italia Srl: lease agreements concluded for office premises (€ 35,000),

The following activities were also carried out:

- a consultancy contract was concluded for selecting the new tenant for the premises at Roma Termini Buildings “C” and “D” (currently rented out to Italferr);
- participation in two public tendering procedures (by the Ministry of Finance and the Ministry of the Environment) for the leasing of approx. 30.000 square metres of office premises;
- negotiations entered into with Gambero Rosso for the leasing of approx. 3.000 square metres of office/events premises;
- the vacating activities continue, with the contextual marketing of the accommodation premises.

Venezia Santa Lucia

New leases:

- InLinea: lease agreements concluded for office premises (annual rent: € 6,150);
- CMB: a temporary lease concluded for office/service premises (annual rent: € 10,000);

- Senigaglia (ex Bar DLF): lease agreements concluded for premises used as a bar for FS Group employees (annual rent: € 52.500 + 20% of the turnover).

The following activities were also carried out:

- vacating and contextual marketing of the accommodation premises;
- analysis for the reconversion to accommodation premises of building 2.

Milano Centrale

New leases:

- Servirail: lease agreements concluded for office premises (annual rent € 8,400 €)

The following activities were also carried out:

- the negotiations with FS Holding have almost been concluded, with respect to the leasing of 106 square metres of office premises;
- actions have been launched for the marketing of 1.500 square metres of premises to house a canteen;
- a lease agreement is in the process of being formalised with Sistemi Urbani, with respec to 83 square metres of office premises.

Firenze S. M. Novella

New leases:

- Cooperativa Di Facchinaggio Luigi Morelli: lease agreements concluded for ancillary premises (annual rent € 63,500)

The following activities were also carried out:

- a gratuitous lease agreement has been formalised with the Associazione delle Giovane (ACISJF);
- the vacating activities continue, with the contextual marketing of the accommodation premises;
- an agreement has been entered into with the local authority of Florence, with respect to the premises and the lease conditions relating to approx. 30 square metres for information purposes;
- new retail premises shared with Nuovo Trasporto Viaggiatori for ticketing and customer care services.

Bari Centrale

Negotiations are under way with the local authority of Bari for the formalisation of the occupation of building 3.

Napoli Centrale

The lease agreement is about to be formalised with Nuovo Trasporto Viaggiatori, with respect to premises for ticketing and customer care services.

Bologna Centrale

The negotiations under way have been concluded, and an agreement reach, with respect to the terms and conditions of the lease with Ferrovie Emilia Romagna relating to 60 square metres of office premises.

The vacating activities continue, with the contextual marketing of the accommodation premises.

The definition is under way, with Nuovo Trasporto Viaggiatori, of the new retail premises to be allocated to ticketing and customer care services.

Palermo Centrale

The negotiations with Bus Parking have been completed with respect to the leasing of 220 square metres of premises for ticket office/customer care/staff changing rooms.

The negotiations have been concluded with respect to the renewal of the lease with the company, relating to 61 square metres of office premises.

Verona Porta Nuova

The negotiations have been concluded with InLinea for the renewal of the lease for 83 square metres of office premises.

Properties owned

During the year, the valorisation activities highlighted by our Advisors were launched, in the wake of the Assessment and Agency Opinion activities. The following may be highlighted in this respect:

Roma - Via Marsala

Lease with Servio Tullio SpA; the design for the refurbishment and conversion of the building into a hotel is undergoing approval.

Appointment of a prime consultant, with respect to the sale of the building complex.

Completion of phase one of the sale procedure, with the receipt of non-binding offers.

Phase two of the sale procedure launched.

Napoli - Palazzo Alto

The property valorisation strategy has been defined, as follows:

1. clearance and partial refurbishment of the floors from 10 to 18, and subsequent leasing to a hotel operator;
2. clearance and full refurbishment (complete offices, with mobile partition walls and fittings) of floors from 2 to 9, for use as offices, and subsequent leasing to a services company;
3. construction of a food court on the first floor and of a retail area on the ground floor.

The tendering procedure is under way to select an Advisor for providing the consulting services, with respect to the selection of a Hotel Operator.

Appointment of a prime consultant, with respect to the leasing of the building complex.

Genova Principe - Via Andrea Doria

Appointment of a prime consultant, with respect to the sale of the building complex. The preliminary activities are under way for the sale of the building (document analysis, market screening for identifying the target customers).

Bologna - Via Pietramellara

Appointment of a prime consultant, with respect to the leasing of the building complex.

Firenze - Via Alamanni

Appointment of a prime consultant, with respect to the leasing of the building complex.

Group performance and financial position

Reclassified consolidated Income Statement

KEuros

	31.12.2010	31.12.2009	Difference
Revenue from sales and services	191,577	177,874	13,703
Other income	4,234	28,462	(24,228)
Operating revenue	**195,811**	**206,336**	**(10,525)**
Labour costs	(17,187)	(15,173)	(2,014)
Other expenses	(132,356)	(129,203)	(3,153)
Capitalisation - inventory changes	2,758	2,412	346
Operating expenses	**(146,785)**	**(141,964)**	**(4,821)**
EBITDA	**49,026**	**64,372**	**(15,346)**
Depreciations	(7,907)	(5,032)	(2,875)
Write-downs (write-ups)	(4,171)	(5,790)	1,619
Provisions for risks and charges	(1,711)	(2,665)	954
EBIT	**35,237**	**50,885**	**(15,648)**
Balance of financial management	(3,220)	9,566	(12,786)
RESULT BEFORE TAX	**32,017**	**60,451**	**(28,434)**
Income tax	(12,276)	(20,898)	8,622
OPERATING RESULTS FROM CONTINUING ASSETS	**19,741**	**39,553**	**(19,812)**
OPERATING RESULTS FROM ASSETS HELD FOR SALE MINUS TAX IMPACT	-	-	-
FINANCIAL YEAR RESULTS	**19,741**	**39,553**	**(19,812)**
Net Group results	***19,439***	***39,562***	***(20,123)***
Net minority interest results	***302***	***(9)***	***311***

Operating revenue in 2010 totals 195.8 million euros, with a net decrease year-on-year of 10.5 million euros, due to the combined effect of the lack of revenue from the sale of property, the increased rent revenue, the reimbursement of ancillary costs and media activities and the reduction of changes to contract work in progress.

Operating expenses total 146.8 million euros, up year-on-year by 4.8 million euros, due to the increased costs, in particular labour costs, ancillary rental costs and retrocession fees detailed hereinbelow.

The EBITDA, therefore, totals 49.0 million euros, down year-on-year by 15.3 million euros.

The operating results for 2010 records a net profit of 19.7 million euros, down year-on-year by 19.8 million euros.

The reasons for this considerable drop in the net results lie primarily in the lack of capital gains from the sale of the real estate in Venice and the financial revenue from the sale of the 100% stake in Network Italia Edicole srl (previously GS Edicole srl), which events positively characterised 2009.

The 2009 column reflects certain reclassifications made for the purpose of showing a clearer and more accurate reclassified economic situation.

Below is an analysis of the reclassified consolidated profit and loss account.

"Revenue from sales and services", totals 191.6 million euros, up year-on-year by 13.7 million euros, and is broken down as follows:

MEuros	2010	2009	DIFF
Leasing	91.2	81.4	9.8
Reimbursement of ancillary costs	67.7	64.9	2.8
Engagement and special installations	2.7	3.2	(0.5)
Advertising	15.5	11.4	4.1
Customer services	9.2	7.9	1.3
Engineering services	0.6	0	0.6
Changes to work in progress	2.9	8.4	(5.5)
Other income	1.8	0.7	1.1
Total	**191.6**	**177.9**	**13.7**

"Other income" total 4.2 million euros, down by 24.2 million, and is broken down as follows:

MEuros	2010	2009	DIFF
Property sales	-	24.1	(24.1)
Release of excess funds	2.3	-	2.3
Other income	1.9	4.3	(2.4)
Total	**4.2**	**28.4**	**(24.2)**

"Labour costs" total 17.2 million euros, up by approx. 2.0 million euros, due to the higher average staffing level and the higher unit costs per employee, as a result of the quality improvement of the new resources, especially the skilled workforce coming from the Lines and not present at the company. As regards unit cost, besides the above mentioned reason, these are also affected by the hiring, over the last quarter, of the CEO in an executive capacity.

MEuros	2010	2009	DIFF
Permanent employees	(16.0)	(14.4)	(1.6)
Freelance workers, seconded staff and collaborators	(1.2)	(0.8)	(0.4)
Total	**(17.2)**	**(15.2)**	**(2.0)**

"Other expenses" total 132.4 million euros, up by 3.2 million, and are broken down as follows:

MEuros	2010	2009	DIFF
Raw materials, consumables	**(0.2)**	**(0.2)**	**-**
Services			
Cleaning	(22.6)	(21.9)	(0.7)
Maintenance	(19.0)	(16.6)	(2.4)
Utilities	(15.8)	(14.9)	(0.9)
Engineering services	(4.2)	(8.9)	4.7
Services - security	(5.2)	(6.5)	1.3
Improvement of own assets	(0.1)	-	(0.1)
Profit sharing agreement fees	(2.9)	(2.5)	(0.4)
Cost of services to customers	(5.3)	(4.9)	(0.4)
Commissions	(1.8)	(1.0)	(0.8)
Professional fees	(1.8)	(2.8)	1.0
Insurance premiums	(1.0)	(0.9)	(0.1)
IT services	(0.9)	(0.9)	0.0
Consulting	(0.2)	(1.4)	1.2
Advertising	(1.1)	(0.9)	(0.2)
Directors' remuneration	(0.9)	(0.5)	(0.4)
Travel and accommodation	(0.6)	(1.1)	0.5
Others	(4.2)	(2.0)	(2.2)
Sub-total Services	**(87.7)**	**(87.7)**	**0.0**
Leased assets	**(38.8)**	**(34.6)**	**(4.2)**
Other management costs	**(5.7)**	**(6.6)**	**0.9**
Total	**(132.4)**	**(129.2)**	**(3.2)**

Purchases of raw materials and consumables are unchanged compared to the previous year at 0.2 million euros.

Costs for services total 87.7 million euros, which amount is unchanged compared to 2009.
Changes to the costs for services are essentially due to:

- - 4.7 million euros for engineering services provided by third parties;
- + 4.1 million euros for cleaning, maintenance and utilities, related to the management of the common spaces;
- - 1.3 million euros for security costs;
- + 1.2 million euros for higher commissions and consideration, in respect of profit sharing agreements, related to increased revenue from media;
- + 0.4 million euros for costs related to customer services;
- + 0.3 other services.

Leased assets totals 38.8 million euros, up year-on-year by 4.2 million euros. The increase is primarily due to the increased retrocession fee related to the agreement for use of the station complexes and to the reduction of the rents payable.

Other operating costs total 5.7 million euros, down year-on-year by 0.9 million euros, and primarily consist of tax charges.

"*Capitalisation"* totals 2.8 million euros, up by 0.4 million euros, consisting of the costs of the technical facility employed in the refurbishment projects.

"Depreciations" total 7.9 million euros, up year-on-year by 2.9 million euros, due to the inception of the depreciation of the properties in Torino, Milano e Napoli.

"Write-downs/(write-ups)" total 4.2 million euros, down year-on-year by 1.6 million euros, consisting of bad debts, relating to third parties, for 3.8 million euros; and Ferrovie dello Stato Group companies for 0.4 million euros.

"*Provisions for risks and charges*" total 1.7 million euros, down year-on-year by 1.0 million euros, broken down as follows:

- 1.4 million euros, for the civil dispute;
- 0.3 million euros, for employee disputes.

The *"Balance of financial management"* totals 3.2 million euros of charges, down year-on-year by 12.8 million euros, primarily as a result of the lack of income from the sale of stakes, affecting 2009 for 12.0 million euros.

As a result of the above, "*Income tax"* totals 12.3 million euros, down year-on-year by 8.6 million euros.

Reclassified consolidated Balance Sheet

KEuros

	31.12.2010	31.12.2009	Difference
ASSETS			
Net working capital	8.932	47.577	(38.645)
Other net assets	32.798	4.755	28.044
Operating capital	**41.730**	**52.332**	**(10.602)**
Fixed assets	277.902	265.496	12.406
Shareholdings recognised among the financial assets	-	-	
Net fixed assets	**277.902**	**265.496**	**12.406**
Staff severance pay (-)	(1.886)	(2.010)	123
Other provisions (-)	(13.434)	(15.227)	1.794
Staff severance pay and other provisions	**(15.320)**	**(17.237)**	**1.917**
Net assets/(liabilities) held for sale	**17.338**		17.338
NET INVESTED CAPITAL	**321.651**	**300.591-**	**21.060**
HEDGING			
Net financial position: short-term	(7.347)	(36.702)	29.355
Net financial position: medium/long term	185.205	201.230	(16.024)
Net financial position	**177.858**	**164.528**	**13.330**
Equity	**143.792**	**136.063**	**7.729**
HEDGING	**321.651**	**300.591**	**21.060**

The *"net invested capital"* at 31 December 2010 totaled 321.7 million euros, up year-on-year by 21.1 million euros, as a result of changes to the following items: "*assets held for sale" (+17.3 million)*, "*net fixed assets*" (+12.4 million euros), "*staff severance pay and other provisions*" (+1.9 million euros) and "*operating capital*" (-10.6 million euros), while the "*hedging*" increased due to changes in the "*net financial position*" (+13.3 million euros) and the "*equity*" (+7.7 million euros).

The reclassified consolidated balance sheet highlights, in particular:

- a 38.6 million euro drop in the "*net working capital"* due to the decrease in the contracted works in progress (-2.9 million euros) and trade receivables (-28.5 million euros), and the increase in the trade payables (-7.2 million euros);
- a 28.0 million euro increase "*other net assets"* due to the increase in the miscellaneous assets, tax credits and prepaid taxes (+14 million euros) and the decrease in the miscellaneous liabilities, deferred taxes and tax debts (+14 million euros);
- a 12.4 million euro increase in the *net fixed assets*, primarily due to the increase in the plant and machinery (+37.8 million euros) and the decrease resulting from the reclassification of the assets held for sale (-13.7 million euros), to sales/disposals (-3.8 million euros) and depreciation (-7.9 million euros);

- a 17.3 million euro increase in the *"net assets/(liabilities) held for sale"* due to the reclassification of the properties in Rome and Genoa, the sale of which has been decided;
- a 13.3 million euro drop in the *"net financial position",* due to the decrease in the medium/long term financing taken out to finance the refurbishment works and the short-term financial receivables;
- a 7.7 million euro increase in the *"equity"*, as a result of the profit posted in 2010, net of the distributed dividends and of the overall profit and loss items of the year, recognised directly in the shareholders' equity. The reclassified equity value differs from the shareholders' equity determined in accordance with the applicable civil law provisions due to the financial liabilities relating to the derivative instruments, and totals 2.1 million in 2010 compared to 0.5 million euros in 2009.

The 2009 column reflects certain reclassifications made for the purpose of showing a clearer and more accurate reclassified economic situation.

The reclassified prospectuses, and the related explanatory notes, for the separate company financial statements of Grandi Stazioni S.p.A. have been left out, because they mostly coincide with the values shown in the consolidated financial statements. A separate inclusion has not been deemed useful for the purpose of providing additional information to the reader of the financial statements.

Risk Factors

Through its activities, the company is exposed to a number of financial risks: environmental/context risks, strategic/operating risks and compliance risks.
The Group's operating and financial policies aim, among other things, to minimise the adverse impact of such risks on its financial performance. The company hedges exposure to certain risks by means of derivative financial instruments.
At the date of preparation of the current report on operations, no particular risks and uncertainties have been forecasted, capable of having a significant impact on the Group's business operations, equity and financial situation, besides those mentioned in note 6 to the consolidated financial statements.

Investments

Contracts of Works

Milano Centrale

The works relating to the Contract for the Refurbishment of Milano Centrale were completed on 30 April 2010. In June were completed the further marginal works subsequently contracted out to the temporary joint venture, in accordance with the Supplementary Agreement 2 bis entered into on 27 July 2009.

On 9 December 2010, a so-called Survey Agreement was entered into with the temporary joint venture, which determined the total final price of the contract as 105.24 million euros, thus implementing the Final Expert Opinion, plus the amount of 1.192 million euros for the so-called "expensive steel", based on the Ministerial Decree 390/09 and the contextual waiver by the temporary joint venture of the registered claims.

Torino Porta Nuova

The works under the Contract for the Refurbishment of Torino Porta Nuova were substantially completed on 30 June 2010.

On 15 November 2011, the Client signed a so-called Survey Agreement, which established in 49.69 million euros the final total price of the contract and included expert opinions no. 7 and 8; currently, acceptance tests are under way.

Napoli Centrale

The works under the Contract for the refurbishment of Napoli Centrale were substantially completed on 31 August 2010, consistently with the deadline set out in the Supplementary Agreement 3, entered into on 14 June 2010, the relevant so-called Statement of Agreement was signed on 20 November. The final total price of the contract, as set out in the Supplementary Agreement 3, is 50.94 million euros, and the relevant acceptance testing and final accounting procedures are under way.

North-West Area Lot

With regard to the North_West Lot Contract, the final construction design has been finally approved, in respect of the Internal Works and the External Works, and in 2010 the External Works were started at Genova Brignole (ACC Building) and Genova Piazza Principe (underground car park).

The total price of the Contract is set out in the Supplementary Agreement 2 as 55.00 million euros, with a 12% progress in activities.

North-East Area Lot

In the first half of 2010, the Complementary Works (as per the Legge Obiettivo) were launched, as well as the works relating to the height over the rail top at Verona Porta Nuova (on 28 October 2009, the activities separated and removed from the variation works at Venezia S. Lucia had been delivered, relating to the site access road and the structural consolidation of the so-called Bar Maccario area). During the second half of 2010, further site areas were handed over, in respect of the Internal Works at Venezia S.Lucia, where structural improvements were carried out on the floors for the new Trenitalia ticket office and parts of the station concourse. At Venezia Mestre and Verona Porta Nuova important activities started relating to the future retail area, with the construction of the mezzanine floor and the progress made on the facade at the rail top level of Platform 1 and, last but not least, on the construction of a glass façade for retail purposes.

On 03 December 2010, Grandi Stazioni notified the temporary joint venture of the Final approval of the Final Construction Design of the Internal Works relating to the North-East Lot. The last phases are currently under way, with respect to the completion of the final construction design of the External Works.

The total price of the Contract, as set out in the Agreement, is 38.27 million euros, and the progress made to date is approx. 7%.

Centre Area Lot

With regard to the Centre Area Lot, the key highlights are the inception – on 1 April 2010 – of the functional upgrading works (Internal Works) at Bologna C.le (on 18/09, the activities separated and removed from the requalification works at Firenze Santa Maria Novella had been delivered).

In June, the heritage protection authorities of Florence had approved the design of the connecting stairway between the rail top level and the basement floor of the station of Firenze Santa Maria Novella. Preliminary works were carried out for moving the offices of the San Paolo – Imi bank branch, thus vacating certain site premises.

In November, the Client completed the approval of the Final Construction Design relating to the functional upgrading of Firenze S.M.N. (Internal Works).

At Bologna Centrale, the site was set up for the new escalators in the "piazzale ovest" area and for the new "Hera lato est" technical facilities.

On 30 December 2010, Grandi Stazioni completed the approval of the Final Construction Design, with respect to the Refurbishment of the buildings at Bologna Centrale (Internal Works).

The total price of the Contract, as set out in the so-called Survey Agreement, is 43.20 million euros, and the progress made to date is approx. 5%.

South Area Lot

With regard to the South Area Lot, GS-Ingegneria completed the development of the design updates for Bari C.le, the purpose of which was to overcome the difficulties related to the implementation of the original projects, within the established budgets and timeframes, and which would have eventually led to a total standstill in the contract performance.

On 22 July 2010, the Functional Upgrading and Improvement of the Passenger Building at Palermo C.le – Locali Ferservizi premises – was resumed, with respect to the ground, first and third floors, which work was then completed on 22 December 2010. Furthermore, the temporary joint venture delivered – in sections – the Final Construction Design of the External Works of the stations within the entire Lot area.

With regard to the South Area Lot, Grandi Stazioni approved, on 29 December 2010, the overall Final Construction Design of the Internal Works relating to the entire Lot area, in which site works had already been incepted – on a section by section basis – on 5 August 2010 at Bari Centrale, and on 29 November 2010 at Palermo Centrale.

The total price of the Contract is 46.24 million euros, and the progress made to date is approx. 1%.

Roma Termini Overhead Car Park (Piastre) Project

Having regard to the requalification of the Contract for the Complementary Works at Roma Termini (started on 30 September 2009, with the signing of the Statement handing over the Activities), the contractor Claudio Salini substantially completed the detailed design of the so-called "Piastra Parcheggi" (which basically consists in the construction of an overhead car park above the station platforms), updated in accordance with new construction systems, in order to reduce the impact on the platforms, and is currently engaged in the complex phase one activities, relating to the research work preliminary to the site set-up phase and the development of the action plan for the works that are expected to heavily interfere with the ordinary rail operations.

The total price of the Contract, as set out in the Supplementary Agreement 1, is 84.51 million euros, and the progress made to date is approx. 2%.

Video-surveillance Project

Having regard to the contract entered into between GS and the temporary joint venture Sielte S.p.A. / Honeywell, on 17 December 2010, Supplementary Agreement 2 was signed, as a result of which the temporary joint venture will receive an extra consideration of 2.09 million euros (which means that the total contract price has now risen to 42.16 million euros), and the schedule revision of the activities related to the Functional Upgrading and Improvement of the entire Video-surveillance systems for all the Grandi Stazioni Network stations.
Having regard to the works under way, the Control Rooms of the stations of Milano Centrale, Torino Porta Nuova and Verona Porta Nuova underwent acceptance testing.
The total price of the Contract, as set out in the Supplementary Agreement 2, is 44.25 million euros, and the progress made to date is approx. 71%.

Activities carried out until 31 December 2010

"Internal Works" Action Plan (Upgrading/Refurbishments + Preliminary Works + Railway Area Projects)

Having regard to the total cost framework of 173.1 million euros (financed by GS) plus 196.3 million euros (financed by RFI), for the Refurbishment works, in 2010 the progress of the investments made stood as follows: approx. 18.3 million euros (GS) and 15.2 million euros (RFI). Therefore, the progress of investments at 31 December 2010 totaled 175.2 million euros (GS) and 155.7 million euros (RFI), amounting to 89.6% of the total investment of 369.3 million euros.

Activities carried out

With regard to the activities carried out, these mainly consist in the Refurbishment activities (by the contractors) and the Engineering activities, implemented by GS (Site Supervision, Safety and Acceptance testing) in the stations of Napoli, Milano, Torino, Genova Principe, Genova Brignole, Bari Centrale, Bologna Centrale, Firenze S.M.N., Verona Porta Nuova, Venezia Mestre and Venezia S. Lucia (financed by GS-RFI). Significant activities concerned the development and verification of the construction plans, besides the study of the design updates, prior to the start of the contract works.

Complementary Works (as per the so-called "Legge Obiettivo") (Infrastructure + CCTV)

Having regard to the total cost framework of 209.8 million euros (Infrastructure) and 51.0 million euros (Integrated Video-surveillance for the 13 Grandi Stazioni main stations) financed by the State, (besides 23.68 million euros for the Infrastructure provided by GS), progress was made primarily with respect to the investments for the supply of the new Video-surveillance system and the development of the final construction design variations of the External Works at Roma Termini. The overall progress of investments at 31/12/2010 was 8.1 million euros.

During 2010, Grandi Stazioni SpA transmitted to the Technical Mission Structure of the Ministry of Infrastructure and Transport the documents requested in relation to the application that had been made for the revision of the cost framework of the "Grandi Stazioni" project, and to the extension of the period of use of the financing (as per the Legge Obiettivo), as resolved by the CIPE, and the clarifications requested by the Technical Board set up in this respect.

Having regard to the "Grandi Stazioni" project, the Ministry of Infrastructure and Transport, invited the company to consider the expediency of suspend the delivery of the works and, in the case of deliveries already made, to put the work implementation procedure on hold, unless the company, acting independently and under its own responsibility, was absolutely certain of the conformity of its procedures and of the works to be carried out with the applicable regulations and the resolutions passed by the CIPE.

Based on the preliminary investigation carried out by the Technical Mission Structure, the CIPE, in relation to the programme of activities for the refurbishment and construction of the complementary infrastructure at the main stations, resolved on 22 July 2010 to:

- authorise the Ministry of Infrastructure and Transport to initiate a preliminary investigation with respect to the variations deemed of substantial importance, to the projects relating to the stations of Roma Termini, Bari Centrale, Bologna Centrale and Venezia S. Lucia;
- authorise the appropriation of the sums from the bidding discounts for the four projects mentioned above, while awaiting the outcome of the preliminary investigation;
- authorise – with respect to the other nine projects – the use of sums from the bidding discounts, subordinately to the presentation of analytical updated and consistent cost frameworks.

On 22 July 2010, the Ministry of Infrastructure and Transport instituted a preliminary investigation into the variations deemed of substantial importance, with respect to the four stations mentioned above.

Following the request made by the CIPE, Grandi Stazioni, on 4 August, presented the revised and updated cost frameworks for the 9 stations, for the assessment of congruity required in connection with the acknowledgement at the CIPE hearing.

On 5 August, moreover, Grandi Stazioni also forwarded to the Competent Authorities the documents relating to the other stations of Roma, Bari, Bologna and Venezia, enabling the calling of the services conference, relating to the approval procedure of the variations deemed of substantial importance. Last but not least, all the documents requested were transmitted to the Italian Audit Office (Corte dei Conti –

Sezione controllo), on 29 July, with respect to the contracts, the projects and the works carried out using the funds (as per the Legge Obiettivo).

The CIPE 61/2010 resolution relating to:

- the separation of the actions relating to the complementary works included in the Grandi Stazioni programme;
- the appropriation of the sums from the bidding discounts relating to the four projects featuring substantial variations (stations of Roma Termini, Bari Centrale, Bologna Centrale and Venezia S. Lucia), while awaiting the outcome of the preliminary investigation by the competent Ministry of Infrastructure and Transport, aimed at the approval of the above mentioned substantial variations to the detail designs;
- the appropriation of the sums from the bidding discounts relating to the remaining nine projects, mentioned in the acknowledgement among those that do not entail substantial variations, while awaiting the presentation of the revised and duly adjusted cost frameworks, in order to ensure their congruity, by the contractor to the competent Ministry;

was registered by the Audit Office (Corte dei Conti), on 9 February 2011.

Activities carried out

During the year, the following engineering activities, relating to the development of the design updates for the North-West, North-East, Centre and South Area Lots and the Roma Termini Contract, in accordance with the requirements.

Other actions (financed by GS, RFI and Trenitalia S.p.A.)

During 2010, progress was made with respect to the investments in the property owned totaling 4.7 million euros (finanziamenti GS), with respect to the completion of the works on the properties in Bologna (for which the technical and administrative acceptance testing and the certificate of habitability have been issued) and Venice (restoration work was carried out, as requested by the regional government of Veneto, on the areas sold in the previous financial year), as well as the refurbishment works at Napoli Palazzo Alto and Venezia Piano Terra (Ground Floor), which are still under way.

Lastly, we must highlight other investments made by GS totaling 4.6 million euros, and related to various projects primarily concerning the “retail development”, and other property valorisation actions by GS, promoted by the Operations, Sales and Media Functions, such as the Refurbishment of the Passenger Building at Palermo (Locali Ferservizi premises), MS and Upgrading of the Retail Premises, Toilets, Car Parks, Left Luggage, safety standard upgrading and installation of new Advertising facilities.

Activities carried out

During 2010, therefore, the activities as follows were carried out:

- Completion of the functional upgrading and improvement works relating to the portion of real estate sold to the regional government of Veneto, and continuation of the functional upgrading and improvement works on the ground floor retail premises owned by Grandi Stazioni at

Venezia S. Lucia, besides the progress in the refurbishment works of Napoli Palazzo Alto (financed by GS);

· Various activities related to the GS "retail development" project, promoted by the Operations, Sales and Media Functions, such as the Refurbishment of the Passenger Building at Palermo (Locali Ferservizi premises), MS and Upgrading of the Retail Premises, Toilets, Car Parks, Left Luggage, safety standard upgrading and installation of new Advertising facilities (financed by GS);

· Progress of the activities related to the static/scrolling message signs (stations of Milano Centrale, Torino Porta Nuova, Napoli Centrale, Genova Brignole, Genova Piazza Principe, Bologna Centrale) (financed by RFI);

· With regard to the Milano Centrale contract, activities by RFI in connection with the moving of rail facilities;

· Various activities financed by different RFI district departments (Milano, Napoli, Venezia, Genova), with respect to the raising of the platforms to the "+55" level for HS train access, and, at Genova P.P., the construction of a vehicle ramp for motorail train access;

· Upgrading of the lighting systems and installation of remote management/control systems, at Bologna Centrale, Firenze S.M.N., Milano Centrale, Roma Termini, Venezia Mestre, Venezia S. Lucia, Verona Porta Nuova (financed by RFI);

· Platform adjustments for the HS service at Bologna Centrale and Venezia S. Lucia (financed by RFI);

· During 2010, the installation of the seats in the stations of Milano, Napoli Torino, Roma was completed (financed by RFI);

· Completion of the actions relating to the new Trenitalia Layout in the stations of Milano Centrale, Napoli Centrale, Roma Termini, Torino Porta Nuova, and development of the design by the subsidiary GSI of the new Trenitalia Layouts at the stations of Bari Centrale, Bologna Centrale, Firenze S.M.N., Genova Principe, Genova Brignole, Venezia Mestre, Venezia S. Lucia and Verona Porta Nuova (financed by Trenitalia).

Overview of upgrading investments by Grandi Stazioni Group

	Progress at 31/12/09	Progress 2010	Progress at 31/12/10	Entire life cycle cost	Progress at 31/12/10
		M€	M€	M€	%
Internal refurbishment works	**165.3**	**20.4**	**185.7**	**223.6**	**83%**
Bari Centrale	1.7	0.2	1.9	5.8	33%
Bologna Centrale	3.9	1.2	5.1	11.7	44%
Firenze S. M. Novella	2.3	0.8	3.1	8.2	38%
Genova Brignole	1.0	0.2	1.2	5.6	21%
Genova Principe	2.0	0.4	2.4	7.8	31%
Milano Centrale	59.3	6.6	65.9	65.9	100%
Napoli Centrale	29.5	6.1	35.6	35.9	99%
Palermo Centrale	1.9	0.2	2.1	4.3	49%
Roma Termini	28.8	-	28.8	28.8	100%
Torino Porta Nuova	29.7	3.4	33.1	33.1	100%
Venezia Mestre	1.0	-	1.0	3.8	26%
Venezia S. Lucia	2.8	0.6	3.4	8.7	39%
Verona Porta Nuova	1.4	0.7	2.1	4.0	53%
Complementary infrastructure and Video-surveillance (L.O.)	**47.8**	**8.1**	**55.9**	**284.5**	**20%**
Bari Centrale	0.7	0.2	0.9	11.5	8%
Bologna Centrale	1.2	0.1	1.3	23.2	6%
Firenze S. M. Novella	0.3	-	0.3	3.1	10%
Genova Brignole	0.4	0.2	0.6	5.5	11%
Genova Principe	1.6	0.4	2.0	14.1	14%
Milano Centrale	1.0	0.3	1.3	7.7	17%
Napoli Centrale	0.8	0.2	1.0	23.6	4%
Palermo Centrale	0.3	-	0.3	4.7	6%
Roma Termini	3.8	2.2	6.0	103.6	6%
Torino Porta Nuova	0.5	0.2	0.7	9.8	7%
Venezia Mestre	0.5	-	0.5	5.3	9%
Venezia S. Lucia	0.3	-	0.3	3.2	9%
Verona Porta Nuova	1.3	0.3	1.6	13.2	12%
Recepimento prescrizioni CIPE	5.4	-	5.4	5.4	100%
Videosorveglianza	29.7	4.0	33.7	50.6	67%
			-		
GS-owned property	**27.9**	**4.4**	**32.3**	**47.0**	**69%**
Bologna Centrale	7.8	-	7.8	7.8	100%
Firenze	-	0.1	0.1	0.1	100%
Genova Piazza Principe	-	-	-	-	
Napoli Centrale	16.8	1.9	18.7	30.1	62%
Roma Termini	-	-	-	-	
Venezia S. Lucia	3.3	2.4	5.7	9.0	63%
			-		
Valorisations	**-**	**4.3**	**4.3**	**64.0**	**7%**
Tutte le stazioni	-	4.3	4.3	64.0	7%
			-		
Other GS activities	**8.1**	**-**	**8.1**	**8.6**	**94%**
L.O. advances	1.0	-	1.0	1.1	91%
Roma Termini	3.7	-	3.7	4.1	90%
Torino Porta Nuova	0.9	-	0.9	0.9	100%
Tutte le stazioni	2.5	-	2.5	2.5	100%
			-		

GENERAL TOTAL (*)	**249.1**	**37.2**	**286.3**	**627.7**	**46%**

(*) Investments at 31/12/09 and in 2010 include interest payable for 8.5 and 2.0 million, respectively

Research & Development

In 2010, the Group did not carry out any R&D activiries.

Related party transactions

Transactions between the Grandi Stazioni Group and Ferrovie dello Stato Group companies, and between these and the other related parties, are carried out according to an approach based on mutual economic convenience and at arm's length, at normal market conditions, which conditions are determined – if necessary – with the assistance of external consultants.

Intercompany transactions pursue the common goal of creating value for the FS Group as a whole. Therefore, it should be underlined that, consistently with the Business Plan of Ferrovie dello Stato Group, a more rational allocation of the assets and resources within the FS Group is under way, with a view to ensuring that each company focuses primarily on its core business, improving the valorisation and exploitation of the assets not strictly related to the core activities of the FS Group companies, outsourcing these activities to specialised entities, also by means of demergers and contributions of assets, while increasing the intragroup synergies and economies of scale.

These processes and transactions are carried out consistently with the applicable regulations, including the civil law and tax provisions, and abiding by the guidelines laid down by the supervisory government departments, taking into account the characteristics and peculiarities of the activities carried out by many of the FS Group companies.

The credit and debit transactions in the year, with the parent companies and other associated companies, and the information on transactions with related parties, are shown in the notes to the financial statements, to which reference should therefore be made.

Performance of subsidiary undertakings

Grandi Stazioni Ceska Republika SRO

Grandi Stazioni Ceska Republica SRO (GSCR) is the special purpose vehicle (SPV) set up to refurbish and manage the stations of Prague Central e Marianske Lazne. The company has a share capital of 240 million Czech crowns (9.6 million euros), subscribed to as follows: Grandi Stazioni SpA (51%), EBRD (39%) and SIMEST SpA (10%), and a shareholders' equity of 238.5 million Czech crowns (9.5 million euros).

The operating results for 2010, recognised in accordance with the Czech financial reporting principles, feature revenues totaling 118 million Czech crowns (4.7 million euros), an operating result of 27.0 million Czech crowns (1,1 million euros) and a net result of 14.1 million Czech crowns (0.6 million euros), up compared to the previous year.

During the year, the company made refurbishment investments totaling 314 million Czech crowns (12.6 million euros) and completed refurbishment projects at the stations of Marianske Lazne e Prague Central.

The overall investment of 1,053 million Czech crowns (42 million euros) is funded, for 576 million Czech crowns (23.0 million euros), by a bridge loan that is currently being replaced by long-term financing for 730 million Czech crowns (29.2 million euros).

Grandi Stazioni Ingegneria S.r.l.

Grandi Stazioni Ingegneria S.r.l. (GSI) is a company wholly owned by Grandi Stazioni SpA, the purpose of which is to provide feasibility studies, researches, consulting, designs, site supervision, technical/economic congruity assessments and environmental impact studies; it also performs construction coordination activities and the construction, under licensing arrangements, of civil and hydraulic works, roads, industrial plants, cultural heritage works, sports facilities, agri-business plants, land management and reclamation works, also on a build and operate basis. The company's share capital totals 20 thousand euros, with a shareholders' equity of 0.4 million euros.

The operating result for 2010, recognised in accordance with the Italian financial reporting principles, highlights revenues totaling 3.9 million euros (entirely from the parent company GS), an operating result of 0.5 million euros and a net result of 0.2 million euros, up compared to the previous year.

The company has made investments in software totaling 0.1 million euros.

Own Equity

At 31 December 2010, Grandi Stazioni S.p.A. did not hold its own shares and/or any shares of its parent company, either directly or through a trust company or intermediary.

During 2010, the company did not purchase or sell its own shares and/or any shares of its parent company, either directly or through a trust company or intermediary.

Other information

Disputes & Litigation

Interferences relating to the advertising video-communications systems and video-surveillance works

As regards the criminal proceedings pending before the Prosecutor's Office at the Criminal Court of Rome, resulting from the report presented by Grandi Stazioni against unknown persons, instituted in connection with the alleged activities – for approx. 3 million euros – carried out by a supplier between November 2007 and February 2008, relating to the removal of alleged interferences between the advertising video-communication system and the integrated video-surveillance works at the main Italian railway stations, the competent magistrate ordered and enforced the precautionary seizure of the injunction issued by the Civil Court of Rome, in favour of the supplier, for the payment of the invoices issued in relation to the services allegedly provided.

It should be reminded that, during the proceedings, an order had been issued, on 15 June 2009, for the precautionary seizure of the invoices issued by the supplier, in respect of the above mentioned activities, and that, on 16 February 2010, a notice of conclusion of the inquiry had been issued, in pursuance of article 415 bis of the Code of Criminal Procedure, in respect of the offences referred to in articles 110, 81, 56, 640 bis (namely, aggravated fraud in respect of public-sector disbursements) and 61(7) of the Criminal Code, against – among the others – the general manager and CEO of the supplying company and, jointly, the former CEO of Grandi Stazioni and other former GS employees.

Former District HQ Building – Venice

With regard to the criminal proceedings currently pending before the Prosecutor's Office at the Criminal Court of Rome, based on the complaint lodged on 11 January 2010 by Grandi Stazioni, in respect of the offences referred to in articles 640 and 61, n. 11 of the Criminal Code (Aggravated fraud), 2625 of the Civil Code (Hindrance of controls), in relation to the behaviour of a former CEO, former executives of the Company and the legal representative of a company that had been awarded a contract for providing support and consulting services, in respect of the conclusion of a property lease for the so-called "Palazzo compartimentale" in Venice, and its subsequent sales, we are still awaiting the conslusion of the preliminary investigations.

Seizure of the prefabricated structures in Piazza Cinquecento

The Municipal Police of Rome have seized two prefabricated buildings erected by Grandi Stazioni in Piazza dei Cinquecento in Rome, which were supposed to house the activities moved there, as a result of the works under way for the "Termini Interconnection Improvement of the Metro A – Metro B underground railway stations", which works are currently being carried out by Roma Metropolitane S.r.l., because they are deemed to have been illegally erected without a building permit.

The structures had been erected after the relevant notices had been made to the competent Authorities, and after an agreement had been reached, with respect to the relocation solution, developed by Grandi Stazioni SpA, of certain secondary passenger services on the square.

At the end of July, a further meeting was held to examine the procedure for the temporary relocation of the structures in question, during which the competent Authorities, in the presence of the representatives of the heritage protection authority of Rome, had confirmed their go-ahead to the relocation proposal, requesting confirmation as to the temporary nature of the structures.
It should be underlines that, given the purely public nature of the secondary station services delivered in the relocated structures, and the nature of the structures themselves, consisting of prefabricated modular buildings designed to meet temporary and contingent needs, their erection does not require any type of building permit.
However, following the further meetings with the representatives of the 1st Municipality of Rome, Grandi Stazioni SpA transmitted the construction designs relating to the prefabricated modular buildings, and a general report aimed at illustrating the nature of the works and the temporary nature thereof, for the purpose of allowing the re-examination of the matter and the issuing of a decision by the competent authorities, also through the calling of a services conference meeting.
The Chief Engineer of the 1st Municipality therefore requested the local authority's 9th Department to urgently call a meeting of the services conference.
Awaiting the formal convening of the meeting, further contacts are under way with the local authority, with a view to expediting the relevant re-examination formalities, while a petition will be lodged, shortly, with the Prosecutor's Office of Rome, for the release from seizure of the buildings.

Rome HQ employee dispute

Grandi Stazioni SpA brought a civil action in the criminal proceedings pending before the Criminal Court of Rome against a former company employee, charged with the offences referred to in articles 81, 317 and 358 of the Criminal Code (Malfeasance in offence), because – as specified in the request for immediate proceedings of 24 June 2010 – in both Rome and Milan, until 26 May 2010, in his capaicty as an employee of the Company, firstly in the Quality Control and Standards Department, and then in the Building Services Management Department, at the company HQ, therefore entrusted with public services, taking illegal advantage of his position and powers, had obliged a cleaning services contractor at Milano Centrale and Verona Porta Nuova, to pay him sums of money, on a quarterly basis, from the beginning of 2007, threatening him that otherwise he would provide for quality controls to be made on the contractor's work.
The employee accepted a plea bargain, in pursuance of article 444 of the Code of Criminal Procedure, as a result of which he received a 2 years and 4 month prison sentence. Grandi Stazioni SpA was awarded court costs. The employee was dismissed in August 2010.

Naples HQ employee dispute

With regard to the previously illustrated events in the year, relating to the employees of the Naples HQ, Grandi Stazioni SpA lodged a formal complaint with the Prosecutor's Office of the Court of Naples against several employees at the Naples HQ, and any other persons aiding and abetting them, for the commission of the offences referred to in articles 640 and 61(11) of the Criminal Code (Aggravated fraud) and any other related offence, reserving the right to bring a civil action on a later date.

Legislative Decree 231/2001 on the administrative liability of entities

The Organisation, Management and Control Model – defined in pursuance of D.Lgs 231/2001 – has not been changed.
In September 2010, the term of office of the members of the Supervisory Body expired, although they will continue to operate until the appointment of the new members.

Legislative Decree 196/2003 on personal data protection

Having regard to the provisions of Legislative Decree No.196/2003, in 2010 the organisation chart of Grandi Stazioni SpA was revised, with the introduction of information relating to the System Administrators (ref. to the Official Journal no. .300 of 24 December 2008, as amended in accordance with the measure issued on 25 June 2009). Therefore, the automated instruments for recording access by the system administrators (log management) to personal data were implemented.

Lastly, the Security Programme Document was updated.

Information relating to the activities of the Parent Company, in pursuance of article 2497 ter.

During 2010, the parent company Ferrovie dello Stato S.p.A. did not exercise a significant influence on the decisions adopted by the Group, in repsect of its business operations.

Significant events after the end of the financial year

The SAP management programme was launched, relating to the management modules of the administration and accounting processes.

On 4 January 2011, the Railway Police of Bari, while inspecting the premises that used to house the Post Office on platform 1 of Bari Centrale, found certain alleged shortcomings in the maintenance condition of part of the premises used by station cleaning contractors for parking their electrical trolleys and storing other sundry materials, as a result of which they ordered the seizure of the premises for precautionary reasons.

Subsequently, the confirmation of the police seizure order – with respect to the premises and the materials stored therein – was notified to Grandi Stazioni SpA, the cleaning contractor and another company with access to the premises, used for both storage purposes and for recharging their electrical equipment.

A petition was then lodged with the Prosecutor's Office of Bari for the release from seizure of the premises, also for the purpose of timeously carrying out the refurbishment work and other work for upgrading the premises to compliance with the applicable standards, which work had already been previously scheduled. The competent judicial authorities allowed this petition.

On 20 January 2011, an employee at the Naples HQ was dismissed.

The new offices have been handed over to Ferservizi at Palermo Centrale (approx. 1.300 square metres).

Bids have been received, with respect to the lease-related and maintenance activities at all Network stations.

The CIPE 61/2010 resolution relating to:

- the separation of the actions relating to the complementary works included in the Grandi Stazioni programme;
- the appropriation of the sums from the bidding discounts relating to the four projects featuring substantial variations (stations of Roma Termini, Bari Centrale, Bologna Centrale and Venezia S. Lucia), while awaiting the outcome of the preliminary investigation by the competent Ministry of Infrastructure and Transport, aimed at the approval of the above mentioned substantial variations to the detail designs;
- the appropriation of the sums from the bidding discounts relating to the remaining nine projects, mentioned in the acknowledgement among those that do not entail substantial variations, while awaiting the presentation of the revised and duly adjusted cost frameworks, in order to ensure their congruity, by the contractor to the competent Ministry;

was registered by the Audit Office (Corte dei Conti), on 9 February 2011.

An agreement has been reached on the terms and conditions of the long-term financing arrangement for 730 million Czech crowns (29.2 million euros) between UniCredit Bank Austria AG and Grandi Stazioni Ceska Republika SRO. As regards the timeframe for the formalisation of the financing arrangement and the paying out of the money, Grandi Stazioni SpA stepped in with respect to the bridge loan granted by UniCredit SpA, and expiring on 18 February 2011, paying the amount of 27 million euros, to be used by the subsidiary for paying back the bridge loan and settling the final balance of the works carried out at Prague Central. The term of the financing arrangement between Grandi Stazioni and Grandi Stazioni Cesca, hedged by similar short-term financing granted by Banca Intesa to Grandi Stazioni, is expected not to exceed three months.

On 24 March 2011, the Authority responsible for supervising public works, services and supplies contracts (AVCP) issued its opinion no. 32776, in respect of the query posed by Ferrovie dello Stato S.p.A., with a petition dated 6 May 2010, relating to the validity and effectiveness of the clause providing for the right of *last call*, as set out in the contract concluded by Grandi Stazioni on 14 April 2000 with Rete Ferroviaria Italiana S.p.A., in the light of the current applicable domestic and EC regulations.

The AVCP's opinion is that the management of the HS network stations should be awarded by RFI in accordance with the public tendering procedures and, therefore, the clause providing for the right of last call should be considered "ineffective", in that it is incompatible with the applicable EC regulations, as a result of which Grandi Stazioni should be entitled to take part in the said tendering procedures.

Although the opinion still needs to be carefully analysed, it nevertheless raises a number of perplexing issues, from various points of view, especially in relation to the subjective qualification assigned to RFI, and the legal nature of the management contract to be awarded.

Outlook of operations

Based on the programming of the corporate activities and management strategies, the consolidated Budget of Grandi Stazioni Group undergoing approval forecasts that, in 2011, the EBITDA, operating result and net result, without taking into account any capital gains on scheduled property sales, may be in line with 2010.

With regard to the equity and financial aspects, the following are forecasted:

- an increase in the working capital;
- an increase in the net fixed assets, due to the new investments, less the decrease resulting from the reclassification of the property held for sale;
- an inrease in the net financial position, due to an increase of the long-term financial poisition and a decrease in the short-term financial position;
- an increase in equity, as a result of improved operating results.

Proposed allocation of the profit achieved by Grandi Stazioni S.P.A.

Shareholders,

you are hereby requested to approve the financial statements at 31 December 2010 of Grandi Stazioni S.p.A., as submitted to you by the Board of Directors and which are currently being audited, pursuant to article 14 of Legislative Decree No. 39/2010, by PricewaterhouseCoopers SpA, which financial statements show a net profit of € 19,421,700.
Since the legal reserve that has reached the limit referred to in article 2430 of the Italian Civil Code, we propose to allocate the profits for 2010 as follows, with a view to strengthening the company's equity and financial structure, in view of the investment plan approved for future implementation:

- € 15,416,790 to the shareholders, as a dividend of € 185.00 for each one of the 83,334 shares;
- The remaining € 4,004,910 to the extraordinary reserve.

Thanking you for the trust placed in us.

On behalf of the Board of Directors
The President
Ing. Mauro Moretti

Consolidated Financial Statements of Grandi Stazioni Group at 31 December 2010

Consolidated Schedules of Accounts

Consolidated statement of financial position (Balance Sheet)

(KEuros)	Note	31.12.2010	31.12.2009
Assets			
Property, plant and equipment	*(7)*	237,385	209,171
Investment property	*(8)*	40,375	56,235
Intangible assets	*(9)*	142	90
Prepaid tax assets	*(10)*	7,202	6,380
Non-current trade receivables	*(11)*	7,439	8,650
Other non-current assets	*(12)*	42,679	30,268
Total non-current assets		**335,221**	**310,793**
Construction contracts	*(13)*	11,687	14,610
Current trade receivables	*(11)*	87,105	113,812
Current financial assets (including derivatives)	*(14)*	18,393	7,583
Cash and cash equivalents	*(15)*	28,134	60,307
Tax credits	*(16)*	814	-
Other current assets	*(12)*	14,518	15,618
Assets held for sale	*(17)*	17,338	-
Total current assets		**177,988**	**211,931**
Total assets		**513,209**	**522,724**
Shareholders' equity			
Group shareholders' equity	*(18)*	**137,111**	**131,446**
Share capital	*(18)*	4,304	4,304
Other reserves	*(18)*	104,520	80,369
Profit (loss) brought forward (accumulated)	*(18)*	8,849	7,210
Results for the year	*(18)*	19,438	39,561
Minority interests	*(18)*	**4,610**	**4,070**
Minority profit/(loss)	*(18)*	303	(9)
Minority capital and reserves	*(18)*	4,307	4,079
Liabilities			
Medium/long term financing arrangements	*(18)*	185,205	201,230
Severance pay and other employee benefits	*(20)*	1,886	2,010
Provisions for risks and charges	*(21)*	6,255	6,611
Deferred tax liabilities	*(10)*	7,178	8,617
Non-current financial liabilities (including derivatives)	*(22)*	2,072	548
Other non-current liabilities	*(23)*	3,406	3,142
Total non-current liabilities		**206,003**	**222,157**
Current share of medium/long term financing	*(19)*	39,179	31,189
Current trade payables	*(24)*	110,707	103,499
Income tax payables	*(25)*	293	7,716
Other current liabilities	*(23)*	15,307	22,649
Total current liabilities		**165,485**	**165,052**
Total liabilities		**371,489**	**387,209**
Total shareholders' equity and liabilities		**513,209**	**522,724**

Consolidated income statement

(KEuros)	Note	31.12.2010	31.12.2009
Revenue and receipts			
Revenue from sales and services	*(26)*	191,577	177,874
Other income	*(27)*	4,234	28,462
Total revenue		**195,811**	**206,336**
		0	0
Operating expenses		0	0
Labour costs	*(28)*	(17,187)	(15,173)
Raw materials, consumables and commodities	*(29)*	(190)	(207)
Expenses for services	*(30)*	(87,654)	(87,707)
Leased assets	*(31)*	(38,775)	(34,641)
Other expenses	*(33)*	(5,739)	(6,648)
Capitalised internal construction costs	*(33)*	2,758	2,412
		-	-
Depreciations	*(34)*	(7,907)	(5,032)
Write-downs (write-ups)	*(35)*	(4,171)	(5,790)
Provisions for risks and charges	*(36)*	(1,711)	(2,665)
Operating results (EBIT)		**35,237**	**50,885**
		0	0
Financial revenues and expenses		0	0
Financial revenues	*(37)*	1,771	13,323
Financial expenses	*(38)*	(4,990)	(3,757)
Results before taxes		**32,017**	**60,452**
		0	0
Income tax	*(39)*	12,276	20,899
		0	0
Net results for the year (Group and Minority Interests)		**19,741**	**39,553**
Net Group results		*19,438*	*39,561*
Net minority interest results	*s*	*302*	*(9)*

Consolidated statement of comprehensive income

(KEuros)	Note	31.12.2010	31.12.2009
Net results for the year		**19,741**	**39,553**
Other total income statement items			
Effective portion of the fair value changes in the cash flow hedges	*(21)*	(1,524)	(478)
Gains (losses) relating to actuarial benefits	*(21)*	(57)	(93)
Tax impact	*(21)*	419	157
Other total income statement items for the year, less tax impacts	*(21)*	**(1,162)**	**(414)**
Total income statement for the year		**18,579**	**39,139**

Consolidated statement of changes in the shareholders' equity

KEuros	Group shareholders' equity											
	Share capital	Legal reserve	Extraordinary reserve	Share-premium reserve	Currency translation reserve	*Cash-flow hedge reserve*	*Actuarial valuation reserve*	Gains (losses) brought forward	Operating results	**Total**	Minority interests	**Total Shareholders' equity**
Balance at 1 January 2009	**4,304**	**861**	**18,332**	**58,309**	**280**	**(51)**	**(35)**	**4,158**	**18,072**	**104,230**	**4,014**	**108,244**
Distributed dividends									(12,000)	(12,000)		(12,000)
Allocation of net results for the previous year			3,020					3,052	(6,072)			
Total profit/(loss) recognised												
of which:												
Profit/(Loss) recognised directly in the shareholders' equity					67	(346)	(67)			(346)	65	(281)
Profit for the year									39,561	39,561	(9)	39,552
Balance at 31 December 2009	**4,304**	**861**	**21,352**	**58,309**	**347**	**(397)**	**(102)**	**7,210**	**39,561**	**131,446**	**4,070**	**135,515**
Distributed dividends									(12,500)	(12,500)		(12,500)
Other movements								(472)		(1,044)		(1,044)
Allocation of net results for the previous year			24,951					2,110	(27,061)	-		-
Total profit/(loss) recognised												
of which:												
Profit/(Loss) recognised directly in the shareholders' equity					248	(1,106)	57			(229)	237	8
Profit for the year									19,438	19,438	302	19,741
Balance at 31 December 2010	**4,304**	**861**	**46,303**	**58,309**	**595**	**(1,503)**	**(45)**	**8,848**	**19,438**	**137,111**	**4,610**	**141,720**

Consolidated statement of cash flows

(KEuros)	NOTE	31.12.2010	31.12.2009
Opening net cash	(14)	**60,307**	**7,222**
Cash flows from operating activities			
Profit (loss) for the year	(17)	19,740	39,552
Depreciations	(33)	7,907	5,032
Changes in severance pay	(19)	(124)	(4)
Changes in costruction contract inventories	(12)	2,923	(8,040)
Changes in trade and other receivables	(10)	16,614	(41,009)
Changes in provisions for risks and charges	(20)	(356)	2,504
Changes in tax receivables/payables	(15)	(10,498)	14,657
Changes in trade and other payables	(22) (23)	130	(25,737)
Total		**36,336**	**(13,045)**
Cash flows from investment activities			
Investments in:			
- intangible assets	(7)	(52)	12
- tangible assets	(5) (6)	(20,260)	(39,250)
Assets held for sale	(16)	(17,338)	41,757
Changes in financial assets	(13)	(10,810)	10,361
Changes in other fixed assets	(5) (6)	(6)	6
Total		**(48,466)**	**12,886**
Cash flows from financing activities			
Financing received/paid back	(18)	(6,509)	65,525
Distributed dividends	(17)	(12,501)	(12,000)
Other changes in Shareholders' equity	(17)	(1,033)	(281)
Total		**(20,043)**	**53,244**
Total cash flows for the year	(14)	**(32,173)**	**53,085**
Closing net cash	(14)	**28,134**	**60,307**

Notes to the consolidated Financial Statements

1 Introduction

The consolidated financial statements of the Grandi Stazioni Group (hereinafter the "Holding Company" and/or "Parent Company") have been prepared in compliance with the International Accounting Standards (IAS) and/or International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as adopted by the European Union ("EU-IFRS"). In particular, Grandi Stazioni S.p.A. has decided to apply Legislative Decree 38/2005, implementing Regulation (EC) No. 1606/2002 on the application of international accounting standards. In accordance with articles 3 and 4 of the above mentioned decree, in fact, the company applied the EU-IFRS standards for the first time in respect of the preparation of its consolidated financial statements for the financial year ended on 31 December 2009. Until that date, the company had always opted not to prepare consolidated financial statements – in pursuance of article 27 of Legislative Decree No. 127/1991 – because these financial statements were already prepared by the parent company Ferrovie dello Stato SpA.

2 Group activities and layout of the consolidated financial statements

Grandi Stazioni S.p.A. is a company incorporated and operating in accordance with the laws in force in the Republic of Italy.

The Company's legal headquarters are in Via G. Giolitti 34 – 00185 Rome.

The consolidated financial statements at 31 December 2009 include the financial statements of the Parent Company and of its Italian and foreign-based subsidiaries (hereinafter jointly referred to, with Grandi Stazioni S.p.A., as "Grandi Stazioni Group"), which subsidiaries are directly or indirectly controlled by the former, which can determine their financial and management decisions, obtaining the relevant benefits.

The list of shareholdings is included in the section on the "Perimeter, criteria and methods of consolidation" (note 5) attached to these notes.

The core business of the Grandi Stazioni Group is the refurbishment, upgrading and management of station complexes.

In particular, it operates throughout the country, in the 13 major Italian railway stations: Roma Termini, Milano Centrale, Torino Porta Nuova, Firenze Santa Maria Novella, Bologna Centrale, Napoli Centrale, Venezia Mestre and Santa Lucia, Verona Porta Nuova, Genova Piazza Principe and Brignole, Palermo Centrale and Bari Centrale, and internationally, in the 2 railway stations of Prague Central and Marianskè Lazne.

In carrying out its design and site supervision activities, feasibility studies and technical consulting operations, Grandi Stazioni collaborates with its subsidiary Grandi Stazioni Ingegneria.

The guiding goal of the company and its subsidiaries is to disseminate a new concept of railway station among the general public, as an enterprise with a high business potential, a venue for city life and a vibrant and welcoming place, capable of offering a range of quality services and opportunities for enjoying the time spent waiting for a train, or simply whiling away one's leisure time. According to this new concept, stations fulfil a new urban function.

Briefly, the aims of the company's mission are to:

- refurbish and valorise its properties through leasing, promotional and advertising activities and the direct management of passenger areas and services;
- improve the quality of and diversify travel services, by enhancing the existing offering and constantly striving to improve customer satisfaction;
- promote new ways of using space, by introducing innovative services in the Network stations, converted into multi-purpose facilities designed to cater for a broad range of needs, with retail stores, a specialist medical centre, a health club and other activities for spending leisure time;
- integrate the station buildings with the surrounding urban fabric, so that they may effectively become a vibrant part of the city, by facilitating access and enhancing inter-modality with all other means of transport;
- develop community outreach projects targeting marginalised and vulnerable people experiencing social exclusion, who gravitate to railway stations, in cooperation with volunteer organizations;
- spread a new concept of station, through communication strategies and cultural projects.

The Group structure is shown in Appendix 1 to these explanatory notes.

The approval and publication of the consolidated financial statements of Grandi Stazioni Group, for the financial year ended on 31 December 2010, pursuant to IAS 10, was decided by the Board of Directors of the Parent Company on 7 April 2011.

3 Financial reporting principles applied

Below is an overview of the key financial reporting principles applied to the preparation of the Consolidated Financial Statements. As mentioned above, these Consolidated Financial Statements have been prepared in accordance with the International Accounting Standards (IAS) and/or the International Financial Reporting Standards (IFRS), and the interpretations given by the International Financial Reporting Interpretations Commitee (IFRIC) and the Standing Interpretations Commitee (SIC), adopted by the European Union and contained in the relevant EU Regulations published up to 7 April 2011, the date on which the board of auditors of the Company approved these statements. In particular, the EU-IFRS have been consistently applied to all the periods shown in this document. Moreover, these statements have been prepared based on our best knowledge of the EU-IFRS, and taking into account the best doctrine on the subject; any future interpretational guidelines and updates will be applied in the following years, according to the procedures set out, each time, in the applicable accounting standards.

The financial statements have been prepared in Euros, which is the Company's functional currency; all the amounts shown in the following schedules are in thousands of Euros (KEuros) unless specified otherwise.

Below is a list of the components of the financial statements and the related classification criteria applied by the Group, with respect to the options set out in IAS 1 Presentation of Financial Statements:

- A consolidated statement of financial position (balance sheet), classifying the assets and liabilities as current and non-current;

- A consolidated income statement for the period, classifying operating expenses according to their nature;
- A consolidated statement of comprehensive income, comprising the operating results reported in the consolidated income statement and the other changes in the shareholders' equity items resulting from transactions not involving the Company's shareholders;
- A consolidated statement of cash flows, showing the cash flows descending from operating activities according to the "indirect method".

The consolidated financial statements have been prepared on a going concern basis, because the directors have found that the financial, operating and other ratios relating to the Company do not reveal any criticalities, risks or uncertainties capable of preventing the Group from fulfilling its obligations in the foreseeable future, and especially in the next 12 months. The procedures through which the Group manages its financial risks, including liquidity and capital risks, are described in the following note [6 Management of financial and operating risks].

The consolidated financial statements have been prepared based on the conventional historic cost principle, except as regards the valuation of the financial assets/liabilities, including the derivative instruments, when the application of the fair value principle is mandatory.

4 Accounting standards applied

Below is an overview of the key accounting standards and valuation principles applied to the preparation of the consolidated financial statements.

Property, plant and equipment

Property, plant and equipment are valued at their purchase/production cost, net of accumulated depreciation and write-downs. The purchase/production cost includes all expenses directly incurred to prepare the assets for use and any other dismantling and disposal costs incurred under contract obligations requiring the assets to be restored to their original condition. The financial charges directly relating to the acquisition, construction or production of qualified activities are capitalised and depreciated based on the useful life of the relevant asset. Improvement, upgrading and transformation costs that enhance the value of the tangible assets are recognised to the balance sheet among the assets.

Expenses incurred for ordinary and/or routine maintenance and repairs are directly charged to the income statement, at the time they are incurred. The costs relating to the expansion, upgrading or improvement of owned or leased structural elements are capitalised insofar as they meet the requirements needed to be separately classified as assets, or part of an asset, consistently with the "component approach" principle, according to which each component the useful life and related value of whichy can be independently valued must be treated individually.

Depreciations are recognised on a monthly basis, according to the straight line method, applying rates that allow the depreciation of the assets throughout their useful life. When an asset subject to depreciation is composed of elements that can be separately identified, and the useful life of one or more of which significantly differs from that of all the others making up the shole, each component is depreciated separately, according to the so-called "component approach" method.

The following table shows the useful life estimated by the Group for the various tangible assets:

	Rate
Civil works	3%
Plant and machines	5%-20%
Industrial and commercial equipment	20%
Other assets:	
- *Furnishings and fittings*	12%
- *Electronic machines*	20%
- *Office equipment*	40%
- *Vehicles*	25%

The useful life of tangible assets and their residual value are reviewed and updated, where necessary, at least at the end of each financial period. Land cannot be depreciated.

Assets under financial leasing arrangements

Any tangible assets held under financial leasing arrangements, through which the ownership risks and benefits are substantially transferred to the Group, are recognised as Group assets at their current value at the date of the relevant lease agreement or, if lower, at the current value of the payment due in respect of the leasing arrangements, including the amount to be paid for exercising the purchase option. The corresponding liability payable to the lessor is recognised to the balance sheet among the financial payables. The assets are then depreciated applying the above mentioned methods and principles, unless the term of the leasing arrangement is lower than the useful life represented by the said rates, and there is no reasonable certainty as to the transfer of ownership of the leased asset at the natural expiry of the agreement; in this case, the depreciation period is represented by the term of the leasing arrangement.

Leasing arrangements under which the lessor substantially maintains the risks and benefits related to the ownership of the assets are classified as operating leases. Operating lease costs are reported on a straight line basis, in the income statement, throughout the term of the leasing arrangement.

Investment property

Investment property is property (land or a building or parts thereof) held to earn rentals and/or for capital appreciation, and is ordinarily not for sale. Moreover, investment property is not used to produce or supply goods or services, or in connection with corporate administration. The accounting standards applied to this item are the same as those described for "Property, plant and equipment".

Buildings, in fact, are depreciated at a rate of 3%, while plant is depreciated at a rate of 15%.

Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance, controlled by the company and and from which future economic benefits are expected. Identifiability is defined with reference to the possibility of distinguishing the acquired intangible asset, with respect to the goodwill; as a rule, this requirement is satisfied when an intangible asset: (i) arises from contractual or other legal rights, or (ii) is separable, i.e. capable of being separated and sold, transferred, licensed, rented, or exchanged, either individually or together with a related contract. Control by the company consists in the power to exploit the future economic benefits flowing from the asset and in the possibility of limiting access to the asset by others.

Intangible assets are recognised at cost, determined according to the same process as property, plant and equipment, only when the latter can be reliably valued.

The Grandi Stazioni Group holds the following types of intangible assets, whose useful life has been defined as described:

	Rate
Software	33%
Licenses	33%

After its initial recording, the cost or fair value of the intangible assets with a defined useful life is adjusted in accordance with the related accumulated depreciation and any loss of value, determined through the procedures described below. Depreciation begins as soon as the intangible asset is available for use and is systematically apportioned in relation to the its remaining useful life, or based on its estimated useful life.

The useful life is reviewed annually and any changes, if deemed necessary, are made in accordance with the prospective application method.

The gain/loss from the sale of an intangible asset are determined as the difference between the sale price, less the relevant costs, and the asset's carrying amount, and is recognised to the income statement at the time of disposal.

Impairment of assets

i) (Intangible and tangible) assets with a defined useful life

At the date of the financial statements, an assessment is made to find out whether there are any signs that the value of the tangible/intangible assets may be impaired. For this purpose, both internal and external sources of information are used. The former (internal sources) include: the obsolescence or physical deterioration of the asset, any significant changes in the use of the asset and the actual economic performance of the asset compared to expectations. The external sources include: the market price trends of the asset, any technological, market or regulatory changes concerning the asset, the interest rate or capital cost trends used to value the investments.

If any of the above indicators are identified, the recoverable value of the assets is estimated, recording the write-down, if any, compared to the relevant carrying amount, in the income statement. The recoverable value of an asset is the higher of an asset's fair value less costs to sell and its value in use, the latter being the discounted present value of the future cash flows expected to arise from the asset. When determining its value in use, the expected future cash flows are discounted to the present based on a discount rate gross of tax, which reflects the current market valuations of the cost of money, in relation to the period of the investment and the specific risks of the assets. In the case of assets that do not produce broadly independent financial flows, the recoverable value is determined in relation to the cash generating unit to which the assets belong.

Value impairments are recognised to the income statement, if the carrying amount of the asset – or of the relevant cash generating unit to which the asset belongs – is higher than its recoverable value. Value impairments of the cash generating unit are recognised to reduce, first of all, the carrying amount of the goodwill thereof, if any, and secondly the other assets, in proportion to their carrying amount, and within the limits of the relevant recoverable value. If the grounds for a previous writedown of value are no more, the carrying amount of the asset is restored by recording in the income statement, at no more than the net carrying amount that the asset in question would have had if the writedown had never been effected and the relevant depreciations made.

ii) Intangible assets not yet available for use

The recoverable value of any intangible assets not yet available for use is subject to an annual (or more frequent) assessment of the recoverability of the value, in the presence of indicators that might point to an impairment of the assets.

Financial assets and trade receivables

Financial assets are initially recognised at their fair value and classified among the receivables and financing receivable, assets available for sale or financial assets at fair value, with a counterpart in the income statement, based on the relevant nature and the purpose for which they have been acquired.

Financial assets are recognised at the date of negotiation of the purchase/sale transaction and are removed from the financial statements when the right to receive the related cash inflows has expired, and the Group has substantially transferred all the risks and benefits inherent in the financial instrument, and the related control.

Financing and receivables

Financing and receivables (F&R) are non-derivative financial instruments, not quoted in an active market, which are expected to produce fixed or determinable payments. In particular, this category includes the following items in the consolidated balance sheet ["Non-current financial assets (including derivatives), "Current financial assets (including derivatives)" and "Current trade receivables"].

L&R are initially recognised at their fair value and then valued according to the depreciated cost method, based on the principle of the effective interest rate, less the bad debts fund. L&R are included in the current assets, except for those falling due after twelve months from the date of the financial statements, which are classified among the non-current assets.

Losses on financing and receivables are recognised to the financial statements subject to objective evidence that the Group will be unable to collect the amount due, from the debtor, based on the contract conditions. Objective evidence includes events such as the following:

- significant financial difficulties of the issuer or debtor;
- disputes under way with the debtor, with respect to the amounts due;
- the likelihood that the debtor may become insolvent or subject to other financial restructuring procedures.

The amount written down is measured as the difference between the carrying amount of the asset and the present value of the expected future cash flows, and is recognised to the income statement in the item ["Value adjustments and recoveries with respect to receivables"]. Non-recoverable financing and receivables are reported in the consolidated balance sheet less the bad debts fund. If, in the following years, the reasons for the previous write-downs cease to exist, the value of the assets is restored up to the value that would have resulted from the application of the depreciated cost method.

Derivative instruments

The derivatives entered into by the Group are aimed at tackling exposure to exchange and interest rate risks and at diversification of the borrowing parameters, enabling a reduction of the related costs and volatility. At the conclusion of the relevant contract, the derivative instruments are initially recognised at fair value and – if the derivatives are not recognised as hedging instruments – any subsequent changes to the fair value are treated as components of the income statement.

Hedge derivatives are recognised according to the hedge accounting methods only when:

- at the hedge start date, there is a formal designation and documentation of the hedge relationship;
- the hedge is expected to be highly effective;
- the effectiveness of the hedge can be reliably measured;
- the hedge is highly effective over the various accounting periods for which it has been designated.

If the derivatives qualify for hedge accounting, the following processes apply:

Cash flow hedge

If a derivative instrument is designated to hedge the exposure to changes in the cash flows of assets or liabilities recognised to the financial statements, or a highly likely foreseen transaction, the effective portion of the gains or losses resulting from the adjustment to the fair value of the derivative are entered in an ad hoc reserve of the shareholders' equity, and recognised to the income statement in the same years in which the impact of the hedged transaction is recognised to the income statement. The gain or loss associated with that portion of the ineffective hedge is immediately recognised to the income statement. If the hedged transaction is no longer deemed likely, the gains or losses not yet realised – recognised in the shareholders' equity reserve – are immediately recognised to the income statement.

Derivative instruments are recognised showing the negotiation date.

Measuring fair value

The fair value of financial instruments quoted in an active market is based on the market prices at the date of the financial statements. Instead, the fair value of financial instruments not quoted in an active market is measured according to valuation techniques based on a series of methods and assumptions related to the market conditions effective at the date of the financial statements.

Below is the three-level hierarchy used to measure the fair value of the financial instruments:

Level 1: the fair value is measured with reference to quoted (non adjusted) prices for identical assets or liabilities in active markets.

Level 2: the fair value is measured using valuation techniques with reference to variables observable in active markets.

Level 3: the fair value is measured using valuation techniques with reference to unobservable market variables.

Given the short-term characteristics of trade receivables/payables, it is deemed that the carrying amounts shown represent a good approximation of the fair value.

Construction contracts

Construction contracts (hereinafter also referred to as "revenue-generating contracts") are recognised at the amount agreed to in the initial contract, as reasonably accrued, according to the percentage of completion method of accounting, and taking into account the stage of completion of the contract work and the expected contract risks. The stage of completion of the contract work is measured with reference to the proportion that contract costs incurred at the date of the financial statements bear to the estimated total contract costs.

If the outcome of a contract cannot be estimated reliably, the contract revenue is recognised only to the extent that the contract costs incurred are expected to be recoverable. If the outcome of a construction contract can be estimated reliably, and it is likely that the contract will generate a profit, the contract revenue is recognised over the entire term of the contract itself. When it is likely that the aggregate contract costs will exceed the contract revenue, the potential loss is immediately recognised to the income statement.

The Group recognises as an asset the gross amount due from customers for contracts in progress, in respect of which the costs incurred, plus the measured profit (less the measured loss), exceed the amounts invoiced at the relevant stage of completion of the works. The Group recognises as a liability the gross amount due to customers, for all construction contracts in progress, in respect of which the amounts invoiced at the relevant stage of completion exceed the costs incurred, including the measured profit (less the measured loss).

Cash and cash equivalents

This item comprises the cash on hand and bank demand deposits, as well as other short-term investments with an original maturity of three months or less. At the date of the financial statements, bank account overdrafts are classified among the financial payables in the current liabilities section of the consolidated balance sheet. The elements included in the cash and cash equivalents are valued at the fair value, and any changes are recognised to the income statement.

Trade payables

Trade and other payables are initially recognised at the fair value, less any direct ancillary costs, and are subsequently valued at the depreciated cost, applying the effective interest rate method.

Financing arrangements

Financing arrangements are initially recognised at the fair value, less the direct ancillary costs, and are subsequently valued at the depreciated cost, applying the effective interest rate method. In the event of changes in the expected cash flows, the value of the liabilities is recalculated to reflect the changes, based on the present value of the new estimated cash flows and the effective internal rate as initially determined. Financing arrangements are classified among the current liabilities, except those with a maturity of more than twelve months, with respect to the date of the financial statements, and those for which the Group is unconditionally entitled to defer the payment date for at least twelve months after the maturity date. Financing arrangements are written off when extinguished and when the Group has transferred all the related risks and expenses.

Loans purchased or sold are recognised at the date of negotiation of the transaction, and are written off when extinguished and when the Group has transferred all the related risks and expenses.

Employee benefits

Short-term employee benefits comprise salaries, wages, pension scheme payments, compensated absences, and incentives, in the form of bonuses payable within twelve months from the date of the financial statements. These benefits are recognised among the labour costs in the period in which the service is rendered by the employee.

Severance pay and other employee benefits

The Group companies have set up both defined contribution and defined benefit plans. The defined contribution plans are managed by third-party fund management companies, with respect to which there are no legal or other obligations to pay in further amounts, if the fund no longer has sufficient assets to comply with its obligations to the employees. With regard to defined benefit pension plans, the Group pays contributions – which are either voluntary or fixed by contract – into public or private pension schemes. These contributions are recognised as labour costs, on an accrual basis. Advance contributions are recognised as assets that will be reimbursed or set off by future payments, if due.

A defined benefit plan cannot be classified as a defined contribution plan. In the case of defined benefit pension schemes, the amount of benefit paid out to employees can actually be determined only after retirement, and depdends on a number of factors, such as age, tenure of service and earnings history. Therefore, the obligations relating to defined benefit plans are determined by an independent actuary, using the so-called "projected unit credit method". The present value of the defined benefit plan is measured by discounting the future cash flows at an interest rate equal to that of (high-quality corporate) bonds issued in the currency in which the liability will be paid, and taking into account the duration of the relevant pension scheme. The gains/losses resulting from the actuarial measurement are charged entirely to the shareholders' equity, in the year in question, taking into account the deferred tax impact.

In particular, the Group manages a defined benefit plan, comprising the severance pay fund. Payment of severance pay is mandatory for all companies, under article 2120 of the Civil Code; it is considered as deferred remuneration and its amount depends on the employee's tenure of service and earnings history. From 1 January 2007, Law 296/2006 (the so-called "2007 Financial Law"), and subsequent enforcement regulations, has introduced a number of significant changes to the rules governing severance pay, including the choice, by the employee, to pay his or her severance pay money into either complementary pension schemes or the "Treasury Fund" managed by the INPS. This entails that – in accordance with the IAS 19 Employee Benefits standard – the pension plans managed by the INPS and the complementary pension schemes must be viewed as defined contribution plans, while the Group's severance pay plan, as from 1 January 2007, is a defined benefit plan.

Provisions for risks and charges

Provisions for risks and charges are set aside to cover losses or liabilities that are certain or probable, but for which the amount and/or timing cannot be determined at the end of the period. The recognised amount is measured only in the case of a current (legal or implicit) obligation for future disbursements, in respect of past events, and it is probable that the disbursement is required to fulfil an obligation. The amount is the best estimate of the expense needed to extinguish the obligation. The rate used to measure the present value of the liability reflects the current market values and takes into account the specific risk associated to each liability.

When the financial impact of the timing is significant, and the dates of payment of the obligations are estimated reliably, the funds are valued at the present value of the expected disbursement using a rate that reflects the market conditions, changes to the cost of money in time and the specific risk associated to the obligation. An increase in value of the provision, determined based on changes in the cost of money in time, is recognised as an interest payable.

The risks with respect to which the appearance of a liability is only possible are shown in the specific section on potential liabilities, and no appopriations are made with respect thereto.

Revenues

Revenues are measured to the extent that the relevant benefits are expected to flow to the Company, and their amount can be reliably determined, taking into account the value of any commercial rebates or discounts.

Revenue from services are recognised to the income statement, with reference to the stage of completion of the service and only when the service can be estimated reliably.

Revenue from contract work in progress is measured with respect to the stage of completion (percentage of completion method).

Interest receivable is recognised to the income statement, based on the effective rate of return.

Public grants

Public grants, if formally assigned and, in any case, when entitlement is finally determined and there is a reasonable certainty that the Group can comply with the relevant terms and conditions, and the perception that the grants will effectively be collected, are recognised, on an accrual basis, in direct correlation with the costs incurred.

i) Grants for equipment

Public grants for equipment refer to sums paid out by the State, or other Public Entities, to the Group, in connection with the construction, re-activation and extension of property, plant and equipment. Capital grants directly reduce the assets to which they refer and contribute to decreasing the depreciation rates.

ii) Grants for operating costs

Grants for operating costs refer to sums paid by the State, or other Public Entities, to the Group to reduce the costs and expenses incurred. These grants are recognised to the income statement to reduce the relevant cost item.

Recognition of costs

Costs are recognised when they are related to goods and services acquired or consumed during the year or for systematic appropriation.

Income tax

Current taxes are determined based on the estimated taxable income of the Group companies and consistently with the applicable tax regulations.

Prepaid and deferred taxes are calculated taking into account all the differences emerging between the taxable base of an asset or a liability and the related carrying amount, except for goodwill and those relating to differences resulting from the equity investments in subsidiaries, when the reversal timeframe of the differences is under the Company's control and it is likely that they will not become due in a reasonably foreseeable amount of time. Prepaid taxes, including those relating to prior tax losses, with regard to the proportion not been set off by the deferred taxes, are recognised to the extent that a future taxable income will be available, from which they can be recovered. Prepaid and deferred taxes are determined based on the foreseeable tax rates applied in the periods in which the differences will be either realised or extinguished.

Current, prepaid and deferred taxes are recognised to the income statement, except for those relating to items recognised among the other comprehensive income statement components, or directly debited or credited to the shareholders' equity. In the latter cases, the deferred taxes are recognised, respectively, in the "Tax impact" item, with respect to the other components of the comprehensive income statement and directly to the shareholders' equity. Prepaid and deferred taxes are set off when applied by the same tax authority, there is legal entitlement to set off and a net balance settlement is expected.

Other non-income taxes, such as indirect and other taxes, are included in the "Other expenses" income statement item.

In 2010, both the parent company Grandi Stazioni S.p.A. and the subsidiary Grandi Stazioni Ingegneria S.r.l. decided to participate in the national tax consolidation scheme (in respect of the 2010-2012 period), prepared by the holding company Ferrovie dello Stato S.p.A., in pursuance of article 117 of the T.U.I.R..

The tax consolidation agreement provides that, as regards the taxable income achieved and transferred to Ferrovie dello Stato S.p.A., the subsidiaries are bound to also transfer to the latter the "tax balances", less the receivables transferred within the legal deadline provided for the payment of the balance and deposits relating to the receivables transferred. In order to identify the measure and terms for payment, any set-off steps taken by the holding company Ferrovie dello Stato SpA, with respect to the FS Group tax, will not be taken into account.

As regards the transfer of tax losses, the company Ferrovie dello Stato S.p.A. is required to pay to its subsidiaries indemnities amounting to the losses that they themselves would have used autonomously, lacking an FS Group tax consolidation scheme.

Irap is paid independently by each of the companies participating in the tax consolidation scheme.

Assets and liabilities held for sale

Non-current assets whose carrying amount will be recovered primaily through sale, rather than continued use, are classified as held for sale and recognised separately from the other assets and liabilities in the balance sheet. The corresponding equity values for the previous year have not been reclassified.

Non-current assets classified as held for sale are measured firstly in accordance with the IFRS standard applicable to each asset and liability, then recognised at the lower between the carrying amount and the related fair value, less the sale costs. Any subsequent loss of value is recognised directly as an adjustment to the non-current assets classified as held for sale, with a counterpart to the income statement.

Instead, a reversal of impairment is measured for each subsequent increment of the fair value of an asset, less the sale costs, but only up to the comprehensive write-down loss previously measured.

Use of estimates and valuations

The preparation of the consolidated financial statements requires the application, by the directors, of the accounting standards and methods, which, in certain circumstances, are grounded on difficult and subjective valuations and estimates, based on past experience and on assumptions that are, from time to time, considered reasonable and realistic, with respect to the related circumstances. The outcome of the items included in the financial statements, to which the same estimates and assumptions have been applied, may therefore significantly differ from those recognised in the financial statements, due to the uncertainty of the assumptions and of the conditions on which the estimates are based. The estimates and assumptions are reviewed periodically and the impact of the ensuing changes is relfected in the income statement, if the review concerns the same financial year. Otherwise, in the case the revision concerns current and future periods, the changes are recognised in the year in which the review is made and the related future years.

The recognised outcomes may significantly differ from these estimates, as a result of possible changes to the factors taken into account when determining the estimates.

Below is a brief description of the accounting standards that, more than others, require greater subjectivity by the directors in making the estimates, and conserning which any changes in the underlying conditions, and the assumptions used, might significantly impact the consolidated financial data:

a) Depreciation

The depreciation of fixed assets is a significant cost for the Group. The cost of tangible/intangible assets and of investment property is depreciated on a straight line basis, over the estimated useful life of the relevant assets. The useful life of the Group’s fixed assets is determined by the directors when the asset is purchased; it is based on past experience, with respect to similar assets, market conditions and the anticipation of any future events that might impact the useful life. Therefore, the actual useful life may differ from the estimated useful life. The Group periodically assesses changes in technology and industry sectors, to update the remaining useful life. This periodical updating might entail changes in the depreciation period and, therefore, in the depreciation rates in future years.

b) Provisions for risks and charges

Provisions are recognised, with regard to risks of a legal and tax nature, in respect of a possible negative outcome. The value of the provisions set out in the financial statements in respect of these risks is represented by the best estimate at the relevant date made by the directors. This estimate entails the adoption of assumptions that depend on factors that can change in time, and which might significantly affect the current estimates made by the directors, in respect of the preparation of the consolidated financial statements of the Group.

c) Taxes

Deferred taxes receivable are recognised based on the expected revenue in future years. The valuation of the expected revenue, for the purpose of recording the deferred taxes, depends on factors that can change in time and significantly impact the valuation of the deferred taxes receivable.

d) Fair value of derivatives

The fair value of derivatives not quoted on listed markets is measured based on valuation methods. The Group applies valuation techniques using the inputs directly or indirectly observable on the market at the end date of the financial year, related to the valued assets and liabilities. Although the estimated fair values are deemed to be reasonable, possible variations to the estimation factors, on which the measurement of the above mentioned fair values is based, might produce different valuations.

5 Consolidation perimeter, criteria and methods

Below is an overview of the criteria adopted by the Group to define the area of consolidation and controlled companies, and the related consolidation criteria.

a) Consolidation area: controlled companies

The consolidated financial statements include, besides the Parent Company, all the companies over which the former directly or indirectly (i.e. through its subsidiaries) exercises control, starting from the date of acquisition of the company and until the control ceases for any reason. In particular, the control may be exercised based either on the direct or indirect ownership of a majority of the voting shares, or on a dominant influence expressed through the power to (directly or indirectly) determine, under the terms and conditions of an agreement, the financial and management decisions of the entities, obtaining the relevant benefits, and regardless of the stake held. The existence of any potential voting rights existing at the date of the financial statements is taken into account, for the purpose of determining control.

Controlled companies are consolidated according to the full consolidation method, as follows:

- the assets and liabilities, expenses and revenue of the fully consolidated companies are consolidated on a line-by-line basis, assigning to any minority shareholders the proportion of shareholders' equity and net result to which they are entitled; minority interests are shown separately in the consolidated shareholders' equity and income statement;
- company aggregation transactions, concerning companies that are not subject to common control, and aimed at acquiring control over the said companies, are recognised applying the purchase method. The cost of purchase is represented by the current fair value at the date of purchase of the transferred assets, liabilities and capital instruments issued. The identifiable assets and liabilities, respectively acquired and taken on, are recognised at the related current value at the date of acquisition. The difference between the cost of acquisition and the current value of the identifiable assets and liabilities acquired, if positive, is recognised among the intangible assets as goodwill, or, if negative, after having reverified the correct measurement of the current values of the above mentioned assets and liabilities acquired and the cost of acquisition, is recognised directly to the income statement, as a receipt. In the event that the fair value of the identifiable assets and liabilities acquired can be only temporarily measured, the aggregation of companies is recognised based on the provisional values. Any adjustments resulting from the completion of the valuation process are recognised within twelve months from the date of acquisition, remeasuring the comparative data;
- the gains and losses, including the relevant tax impact, resulting from transactions between fully consolidated companies, and which have not yet been realised vis-à-vis third parties, are written off, except for the unrealised losses that are not written off, if the transaction provides proof of the impairment of the transferred asset. Moreover, the mutual debit/credit relations, expenses and revenue and financial expenses and revenue are also written off;
- with regard to the acquisition of minority interests relating to companies that are already controlled, any difference between the cost of acquisition and the related proportion of acquired shareholders' equity is recognised in the shareholders' equity.

The financial statements of the consolidated controlled companies are prepared for the financial year ended on 31 December, which is the reference date of the Consolidated Financial Statements, and have been specifically prepared and approved by the governing bodies of the single companies and suitably adjusted, if necessary, to ensure their consistency with the accounting standards applied at Group level.

The list of consolidated comapnies, including the information relating to their registered office and the stake held by the Parent Company, is shown in Appendix 1.

b) Translation of the financial statements of foreign-based companies

The financial statements of the foreign-based controlled companies have been prepared in the currency of the country in which each company operates (functional currency). The rules governing the translation of the financial statements prepared in currencies other than the Euro are given below:

- the assets and liabilities are translated at the exchange rates in force at the date of the financial statements;
- the goodwill and fair value adjustments, relating to the acquisition of a foreign-based company, are treated as assets and liabilities of the company and translated at the exchange rate in effect at the end of the financial year;
- expenses and revenue are translated at the average exchange rate for the year;
- the "currency translation reserve" in the consolidated shareholders' equity, shows both the exchange differences resulting from the conversion of the figures at rates other than the year's end rates, and those resulting from the translation of the opening shareholders' equity at an exchange rate that differs from that in effect at the end of the reporting year. The reserve is reversed to the income statement when the relevant stake in the company is disposed of.

The exchange rates adopted to translate the financial statements of the companies with a functional currency other than the Euro are shown in the table below:

	Avg exchange rate for the financial year ended on 31 December		Exchange rate at 31 December	
	2010	2009	2010	2009
CZK	25.287	26.111	25.017	26.455

c) Translation of items in foreign currencies

Transactions in currencies other than the functional currency are recognised at the exchange rate in effect at the date of the transaction. The monetary assets and liabilities denominated in currencies other than the Euro are then adjusted to the exchange rate in effect at the end date of the financial year. Non-monetary assets and liabilities denominated in currencies other than the Euro are recognised at the historical cost, using the exchange rate in force at the date of the initial measurement of the transaction. Any exchange differences are reflected in the consolidated income statement.

6 Risk management

The Group is exposed to the following risks: credit, liquidity and market risks.

This section provides information on the Group's exposure to each of the above mentioned risks, on the risk management objectives, policies and processes and on the methods used to assess them, as well as on the Group's capital management. The consolidated financial statements provide further quantitative information.

The overall responsibility for the creation and supervision of a Group risk management system lies with the BoD; the financial risk management strategy implemented by Grandi Stazioni Group conforms to and is consistent with the corporate objectives laid down by BoD of the Parent Company, as part of the strategic plans approved each time, and is aimed at managing and controlling the said risks.

Credit risk

A credit risk arises if a customer, or other counterparty to a financial instrument, causes a financial loss by failing to meet its contractual obligations (default) and is primarily associated with the Group's trade receivables and financial investments.

In order to define the strategies and guidelines for its commercial credit policy, assign credit lines to its customers, minimise its credit risk, monitor customer solvency, initiate debt collection operations, the holding company has appointed a Credit Manager and issued a credit management procedure.

The recovery prospects of any amounts owed to the Company are assessed on a case by case basis, taking into account the information received from the function managers and the in-house/external legal consultants following any debt collection procedures.

The receivables which, at the date of the financial statements, will probably not be collected are written down.

Moreover, the Group has received surety and/or deposits covering approx. three months of the total rents for the year.

Liquidity risk

Liquidity risks arise from not having the necessary resources to meet any obligations associated with financial liabilities, which can be settled by means of cash or by providing other financial assets.

The financing arrangements used to finance the upgrading of both the station complexes and the invested property have all been paid and structured based on the estimate of future cash flows expected from the lease agreements.

With regard to Grandi Stazioni S.p.A., the payment of the grants for the works carried out (as per the Legge Obiettivo), which, at the end of 2008, totaled 230.7 million euros, was suspended in 2009, awaiting the extension for the use thereof, which term had expired on 31 December 2008. For further details in this respect, reference should be made to the section on investments in the annual report.

The maturity dates of the financial liabilities, and relevant interest payable, are shown in the table below (*in KEuros*):

31 December 2010	Carrying amount	Contract value	Contractual cash flows 6 months or less	6-12 months	1-2 years	2-5 years	Over 5 years
Non-derivative financial liabilities							
Bank financing	224,384	273,157	33,120	9,977	20,456	64,418	145,186
Financial leasing liabilities					-	-	-
Trade payables	110,707	110,707	53,530	57,177	-	-	-
Total	**335,091**	**383,864**	**86,650**	**67,154**	**20,456**	**64,418**	**145,186**

31 December 2009	Carrying amount	Contract value	Contractual cash flows 6 months or less	6-12 months	1-2 years	2-5 years	Over 5 years
Non-derivative financial liabilities							
Bank financing	232,419	281,181	17,486	17,433	36,414	48,179	161,669
Financial leasing liabilities	222	222	222				
Trade payables	103,498	103,498	46,717	56,781			
Total	**336,139**	**384,901**	**64,425**	**74,214**	**36,414**	**48,179**	**161,669**

With reference to the stratification of the expected flow of the derivatives, reference should be made to the following paragraphs on “Currency risk” and “Interest rate risk”.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument fluctuate, as a result of changing market prices, exchange rates, interest rates or quotations of the capital instruments. The objective of the market risk management is to control the Group’s exposure to this risk within reasonable levels, while at the same time optimising the return on investments. The Group uses hedging transactions to manage outcome volatility.

The fair value of a derivative contract is determined using the official quotations for the instruments exchanged on regulated markets. The fair value of instruments that are not quoted on regulated markets is determined based on appropriate valuation models for each type of financial instrument, and using the market data relating to the end date of the financial year (such as interest rates, exchange rates, volatility), discounting to the present the expected cash flows, based on the market interest rate curves at the date of the financial statements, and translating the values in currencies other than the Euro at the exchange rate in effect at the end of the period, as supplied by the European Central Bank.

No changes have been made to the valuation criteria of the derivatives existing at the end of the financial year, compared to those adopted at the end of the previous year. The impact on the income statement and the shareholders’ equity of these valuations is, therefore, exclusively the result of the ordinary market dynamics.

The notional value of a derivative contract is the amount based on the flows are exchanged. The notional amounts of the derivatives shown here do not necessarily represent the amounts exchanged between the parties and, therefore, cannot be considered a measure of the Company's credit exposure.

The financial assets and liabilities relating to the derivatives held by the Group are:

- cash flow hedge derivatives, for hedging cash flow changes or currency risk, in respect of the Group's long-term variable rate borrowings;
- trading derivatives, for hedging interest rate and currency risks, which it is not deemed expedient to designate as cash flow hedge or fair value hedge transactions, or which do not meet the formal hedging requirements set out in IAS 39.

Currency risk

This risk only concerns the Grandi Stazioni Ceska subsidiary, which, in 2009, took out a medium-term loan (18 months) in Euros, maturing on 19 October 2010. Since the subsidiary's functional currency is the Czech crown, GS Ceska decided to hedge the currency risk by concluding three cross-currency rate swap agreements with BNP Paribas (classified as ritenuto opportuno coprirsi dal rischio di cambio stipulando three contratti (classified as "*trading derivatives*"). The terms of the swap agreements have been defined with a view to minimising the impact of the future interest payments, with respect to the above mentioned loan.

The table below shows the Group's currency risk exposure based on the notional value:

	Euro	**CZK**	**Euro**	**CZK**
	31 December 2010		**31 December 2009**	
Unicredit Mediocredito Centrale loan	23,000	576,380	15,000	396,975

The principal exchange rates applied in the year are shown below:

Euro	**Avg. exchange rate**	**Year's end spot rate**
CZK	25.2875	25,017

The table below shows the notional and fair values of the derivative contracts, at December 2010, with respect to the exchange rate, in KEuros:

Description	**Effective date**	**Notional**		**Fair value**		**Fair value assets**		**Fair value liabilities**	
		at 31.12.10	**at 31.12.09**	**at 31.12.10**	**at 31.12.09**	**at 31.12.10**	**at 31.12.09**	**at 31.12.10**	**at 31.12.09**

Cross currency rate swap BNP Paribas	03-Aug-09	15,500	9,000	357	254	357	254	-	-
Cross currency rate swap BNP Paribas	04-Aug-09	3,000	3,000	31	89	31	89	-	-
Cross currency rate swap BNP Paribas	23-Sep-09	3,000	3,000	81	127	81	127	-	-
TOTAL		**23,500**	**15,000**	**469**	**470**	**469**	**470**	**-**	**-**

The table below shows the expected cash flows in the forthcoming years, with respect to the above mentioned exchange rate trading derivatives:

	Fair value	**Stratification of expected cash flows**					
	at 31.12.2010	**2011**	**2012**	**2013**	**2014**	**2015**	**Oltre**
Cross currency rate swap BNP Paribas	357	357	-	-	-	-	-
Cross currency rate swap BNP Paribas	31	31	-	-	-	-	-
Cross currency rate swap BNP Paribas	81	81	-	-	-	-	-

Sensitivity analysis

If, at 31 December 2010, the exchange rate of the Czech crown (CZK) to the Euro had appreciated by 5%, all other variables remaining unchanged, it can be estimated that the shareholders' equity would have been lower by 17 thousand euros, as a result of the decrease of the fair value of the exchange rate derivatives. Vice versa, if the exchange rate of the Czech crown (CZK) to the Euro, at that date, had depreciated by 5%, all other variables remaining unchanged, the shareholders' equity would have been 17 thousand euros higher, as a result of the increased fair value of the exchange rate derivatives.

Interest rate risk

The BoD of Grandi Stazioni of 20 March 2009 decided to implement additional hedges, on top of the existing ones, with a view to increasing by 50% the ratio of hedging value to exposure to exposure to variable interest rates, in relation to the existing financing arrangements.

The instruments consist of conventional derivatives (e.g. IRS, FRA, COLLAR, CAP). At 31 December 2010, Interest Rate Swaps and Interest Rate Collars were used, as well as an Interest Rate Cap entered into before the above mentioned resolution was passed.

For Grandi Stazioni too a credit risk policy has been defined, with respect to derivative transactions.

To prevent credit risk concentration, it was established that no counterparty can take on positions in excess of 30% of the notional value of the hedged debt and that the minimum rating is at least "A -".

At 31 December 2010, Grandi Stazioni had entered into 4 ISDA Master Agreements, with prime domestic and international banks, with the requisite credit standing, and had operated in accordance with the above mentioned concentration limits. No counterpary had derivatives totaling more than 30% of the hedged debt portfolio.

The Company generally takes out variable rate loans increased by a spread. Therefore, its operating results are significantly affected by interest rate increases.

It is the Company's policy to minimise interest rate risks as far as possible, in the medium term, so as to substantially limit risk to property assets.

At 31 December 2010, the Company had entered into the following hedge contracts:

- *IRS with Mediobanca,* entered into in 2006 to hedge the 30 million euro variable rate loans, to ensure a differential applied on the EURIBOR at 6 months of 245 basis points, and a minimum rate of 4.30%; the contract will expire on 30 June 2011;
- *IRS with RBS* (Royal Bank of Scotland), entered into in 2009 to hedge an EIB loan, with a notional value of 20 million euros at a fixed rate of 3.635%; the contract will expire on 30 June 2023;
- *IRS with Calyon,* entered into in 2009 to hedge a EIB loan, with a notional value of 30 million euros at a fixed rate of 3.738%; the contract will expire on 30 June 2023;
- *Collar with BNP Paribas,* entered into in 2010 to hedge a EIB loan, with a notional value of 25 million euros, a Cap of 3.96%, a Floor of 1.25% and a Spread of 0.25%; the contract will expire on 31 December 2016.

The interest rate option derivative contract entered into with Mediobanca in 2006, initially to hedge the interest rate changes relating to the loan taken out with Monte dei Paschi di Siena, was maintained even after the loan had been paid back (in 2008) and used to hedge the same risk, in respect of the EIB loan.

All the derivative contracts mentioned can be classified as cash flow hedge contracts. The expiration date of the contracts does not exceed the maturity of the underlying financial liability, which means that any changes in the fair value and/or expected cash flows of the contracts, is balanced by a corresponding change in the fair value and/or expected cash flows of the underlying position.

Interest rate swap contracts typically provide for the periodical exchange of variable-rate interest flows with fixed-rate interest flows, both measured with respect to the same benchmark notional capital.

The interest rate option contracts on reaching the strike value provide for the periodical payment of an interest differential determined based on a benchmark notional capital. These strike values determine the minimum or maximum rate – cap and floor, respectively – at which the borrowing will be indexed, as an effect of the hedge.

Interest rate option contracts are generally entered into when the fixed interest rate ensuing from an interest rate swap is considered too high, vis-à-vis the Company's expectations in respect of future interest rate trends. Moreover, the use of an interest rate option is deemed appropriate at times of uncertainty about future interest rate trends, permitting the Company to reap the benefits of future interest rate reductions.

The table below shows – at 31 December 2010 and 31 December 2009 – the notional value of the interest rate derivative contracts, broken down by type of contract:

	Notional value		
KEuros	31.12.2010	31.12.2009	1.01.09
Interest rate swap	50,000	50,000	
Interest rate option	30,000	30,000	30,000
Collar	25,000		
Total	**105,000**	**80,000**	**30,000**

The Company has not effected any transactions of a speculative nature, or unrelated to its debt exposure.

The table below shows, at 31 December 2010, 31 December 2009 and 1 January 2009, the notional and fair value of the interest-rate derivative contracts, broken down by accounting designation (IAS 39):

	Notional Value			Fair value		
KEuros	31.12.10	31.12.09	1.01.09	31.12.10	31.12.09	1.01.09
Interest rate swap RBS	20,000	20,000		(690)	(70)	
Interest rate swap Calyon	30,000	30,000		(1,288)	(377)	
Cap Mediobanca	30,000	30,000	30,000	(37)	(101)	(70)
Collar BNP Paribas	25,000			(57)		
	105,000	**80,000**	**30,000**	**(2,072)**	**(548)**	**(70)**

The table below shows the future expected cash flows from the above mentioned derivatives:

KEuros	Fair value at 31.12.2010	2011	2012	2013	2014	2015
Currency CFH derivatives						
Interest rate swap RBS	(690)	(465)	(380)	(226)	(101)	26
Interest rate swap Calyon	(1,288)	(729)	(601)	(370)	(182)	8
Cap Mediobanca	(37)	(37)				
Collar BNP Paribas	(57)	(65)	(64)	(63)	(63)	(44)

The Company has designated none of the four derivative instruments shown above as hedging instruments, according to the fair value hedge model. It ensues that any changes in the interest rates at the end of the financial year would not affect the income statement.

The table below shows the fair value of the derivatives, and the ensuing impact on the Shareholders' Equity at 31 December 2010 and 31 December 2009 (plus the relevant taxes) which, the conditions remaining unchanged, would have been achieved, in respect of +100 bps or -100 bps of the benchmark interest rates:

KEuros	- 100 bps	Fair Value	+100 bps
31 December 2010			
Interest rate swap RBS	(2,323)	(691)	778
Interest rate swap Calyon	(3,752)	(1,291)	925
Cap Mediobanca	(37)	(37)	(37)
Collar BNP Paribas	(593)	(58)	419
Cash flow sensitivity (net)	**(6,706)**	**(2,076)**	**2,085**
31 December 2009			
Interest rate swap RBS	(1,817)	(70)	1,472
Interest rate swap Calyon	(3,013)	(377)	1,949
Cap Mediobanca	(111)	(101)	(61)
Cash flow sensitivity (net)	**(4,941)**	**(548)**	**3,360**

Analysis of the Balance Sheet items

7 Property, plant and equipment

The table below shows the amounts relating to property, plant and equipment at the beginning and the end of the year, and the related movements. The estimated useful life of the assets did not change in 2010.

	Land, buildings, rail and port infrastructure	Plant and machines	Industrial and commercial equipment	Other assets	Contract work in progress and advances	Leased assets	Total
Historical Cost	8,672	42,258	1,055	4,844	214,230	980	272,040
Depreciations and write-downs	(977)	(6,855)	(902)	(4,175)	(418)	(640)	(13,966)
Grants	-	(18,747)	-	-	(30,156)	-	(48,903)
At 31.12.2009	**7,695**	**16,656**	**153**	**669**	**183,656**	**341**	**209,171**
Investments	39	-	53	357	37,339	-	37,788
Commissioning	82,140	43,836	-	-	(126,041)	-	(65)
Depreciations	(1,788)	(3,294)	(81)	(312)	-	(200)	(5,675)
Sales and disposals	-		-	(3)	(200)	-	(203)
Reclassified from/to "Assets held for sale"	-	-	-	-	(8)	-	(8)
Other reclassifications	-	(3,624)	-	-	-	-	(3,624)
Total changes	**80,390**	**36,918**	**(27)**	**43**	**(88,910)**	**(200)**	**28,214**
Historical Cost	90,851	82,471	1,108	5,199	125,320	980	305,929
Depreciations and write-downs	(2,765)	(10,149)	(982)	(4,486)	(418)	(839)	(19,641)
Grants	-	(18,747)	-	-	(30,156)	-	(48,903)
At 31.12.2010	**88,086**	**53,574**	**126**	**712**	**94,746**	**141**	**237,385**

The increase of the item Contract work in progress *and advances,* totaling 37,339 thousand euros in 2010, refers to the capitalisation of external and internal costs, primarily relating to design expenses and the upgrading/refurbishment works under way at Venezia, Genova, Verona, Bologna, Firenze, Bari and Palermo.

The increase in *Land and buildings* of 82,140 thousand euros, and *Plant and Machinery* of 43,836 thousand euros, refers to the reclassifications made in respect of the advances for contract investments depreciated in the year and relating to the stations of Milano, Torino e Napoli.

Equipment purchasing contributions, totaling 30,156 thousand euros, refer to works under way for "complementary station works", approved in connection with the strategic infrastructure programme (under Law 443/2001 – the so-called Legge Obiettivo. For more details in this respect, reference should made to the section on investments in the Annual Report). The last tranch was collected at the end of 2009; in the meantime, the programme has been put on hold, while awaiting an extension applied for to the Ministry of Infrastructure and Transport (CIPE resolution no. 129 of 2006).

At 31 December 2010, the Other assets item included furnishings and fittings purchased in 2008, under a financial leasing arrangement entered into with Fercredit SpA (Ferrovie dello Stato Group). The historical cost of this asset – measured in 2008 – is 600 thousand euros, depreciated at 31 December 2010 for 259 thousand euros. Against this asset, in 2008, the corresponding financial payable was recognised for 600 thousand euros, which at 31 December 2010 had been fully paid back.

In these consolidated financial statements, the industrial buildings, plant and equipment are given less the Giubileo 2000 grants totaling 18,747 thousand euros, with the ensuing direct reduction of depreciations for 1,177 thousand euros in 2009 and 626 thousand euros in 2010. This reclassification was necessary to ensure uniformity of treatment with the other grants received.

8 Investment property

The table below provides an overview of investment property, and the related movements, compared to 31 December 2009.

	2010		2009	
	Land	**Buildings**	**Land**	**Buildings**
Balance at 1 January				
Cost	16,499	56,405	16,104	53,235
Depreciation fund	-	(16,669)	-	(14,977)
Carrying amount	**16,499**	**39,735**	**16,104**	**38,258**
Changes in the year				
Acquisitions	-	4,264	396	3,170
Reclassifications	(5,574)	(12,396)	-	-
Depreciation	-	(2,794)	-	(1,692)
Total changes	**(5,574)**	**(10,926)**	**396**	**1,478**
Balance at 31 Dicembre				
Cost	10,925	42,891	16,499	56,405
Depreciation fund	-	(13,442)	-	(16,669)
Carrying amount	**10,925**	**29,450**	**16,499**	**39,735**
Reclassifications				
Cost	(5,574)	(17,777)	-	-
Depreciation fund	-	5,381	-	-
Total	**(5,574)**	**(12,396)**	**-**	**-**

Investment property includes non-core land and buildings valued at cost; in particular, the item includes the value of the buildings near the stations of Napoli Centrale and Venezia Santa Lucia, purchased on 29 March 2001 by Ferrovie dello Stato S.p.A., and the building complexes in Bologna and Florence, purchased on on 20 December 2001 from Poste Italiane S.p.A..

The reclassification made in 2010 relates to the transfer to the *Current assets held for sale* of the value of the properties in Roma and Genoa, in accordance with the directors' resolution of 4 August 2010.

The increase of 4,264 thousand euros recognised in 2010 in the *Buildings* item refers to the reclassification, based on an expert report relating to the owned property in Bologna, of the amount previously credited to the "property, plant and equipment" item.

The properties in Rome, Venice and Naples are encumbered by mortgages totaling 91.5 million euros.

The investment property shown includes various properties occupied by Ferrovie dello Stato Group companies and/or third parties, from which the Company receives compensation for occupation of premises or rents. For more details on transactions with related parties reference should be made to note 43.

To value the investment property, the Company has appointed an independent valuer. The valuation was carried out using the reconstruction cost method; considering that the properties are rather old, the following ranges have been determined to estimate their market value:

- the value of <u>similar new</u> buildings would total 102 million euros
- the value of <u>similar old</u> buildings would total 60 million euros

Since the values set out in the valuation report are higher than the carrying amounts, no adjustments have been made to the financial statement.

9 Intangible assets

The table below provides an overview of intangible assets, which exclusively consist of software and user licenses.

	Concessions, licenses, trademarks and similar rights	Total
Historical Cost	4,439	4,439
Depreciations and write-downs	(4,349)	(4,349)
Grants	-	-
At 31.12.2009	**90**	**90**
Investments	127	127
Commissioning	-	-
Depreciations	(75)	(75)
Other reclassifications	-	-
Total changes	**52**	**52**
Historical Cost	4,566	4,566
Depreciations and write-downs	(4,424)	(4,424)

Grants	-	-
At 31.12.2010	**142**	**142**

The increase in 2010, totaling 77 thousand euros, primarily concerns SW licenses. In 2010, the Group did not incur any R&D costs.

10 Prepaid tax assets and deferred tax liabilities

The tables below provide an overview of prepaid tax assets and deferred tax liabilities, and the movement, in 2009 and 2010, relating to the deferred taxes recognised in connection with the principal temporary differences measured between thecarrying amounts and the corresponding tax values.

	31.12.2009	Incr.(decr.) recognised to the IS	Other movements	Reclassified to "Assets held for sale"	31.12.2010
Prepaid tax assets:					
Differences of value relating to tangibles/intangibles	515	595			1,110
Provisions set aside for risks and charges and write-downs with deferred tax deductibility	4,555	410			4,965
Valuation of financial instruments	151		419		570
Other items	1,159	(601)			557
Total	**6,379**	**403**	**419**	**-**	**7,202**
Deferred tax liabilities:					
Differences relating to fixed/financial assets	615	(27)			587
Revenue subject to deferred taxation	5,482	(1,370)			4,111
Valuation of financial instruments	94	(7)			87
Employee benefits	91				91
Capitalised financial expenses	2,335	(34)			2,302
Total	**8,617**	**(1,438)**		**-**	**7,178**

Prepaid tax assets at 31 December 2010 totaled 7,202 thousand euros and are up year-on-year by 823 thousand euros. This variation is primarily the result of the temporary differences emerging from the provisions set aside for the bad debts fund, provisions for risks and charges, the provisions set aside with respect to a portion of the Giubileo grants, due to the changed timeframe for the recovery of the grants, and the valuation of the financial instruments. The reduction recognised in respect of the other items primarily concerns the completion of the recoveries for tax purposes of the provisions set aside in the previous years, with respect to the bonuses, incentives and sundry taxes paid in the current year.

There are no prior tax losses, with respect to which the Group should have recognised prepaid taxes.

Deferred tax liabilities at 31 December 2010 totaled 7,178 thousand euros, down by 1,439 thousand euros, primarily as a result of the loss-absorbing capacity of the deferred taxes measured with respect to the capital gains on the sale of the building in Venice formerly housing the railways' District HQ, broken up into instalments, for tax purposes, payable in the current and the next three years.

11 Non-current and current trade receivables

Trade receivables are broken down as follows:

	31.12.2010		31.12.2009	
	Non-current	Current	Non-current	Current
Ordinary customers	7,439	52,764	8,650	69,538
Receivables from FS Group companies	-	45,650	-	54,276
Parent company	-	*229*	-	*478*
Other associated companies	-	*44,426*	-	*53,332*
Other receivables	-	-	-	-
Total	**7,439**	**98,414**	**8,650**	**123,814**
Bad debts fund	-	(11,309)	-	(10,002)
Third parties	-	*10,205*	-	*9,141*
FS Group	-	*1,104*	-	*861*
Net total fund	**7,439**	**87,105**	**8,650**	**113,812**

Trade receivables at 31 December 2010 are down year-on-year, as follows: "non-current" receivables by 1,211 thousand euros, and "current" by 26,707 thousand euros. This considerable improvement, with respect to both third parties and the FS Group, is the result of the widespread debt recovery activities implemented throughout the year. The bad debts fund was used, during the year, for 2,636 thousand euros and released for 229 thousand euros. Moreover, following the difficulties in respect of certain matured debts, it was deemed expedient to increase the bad debts fund by 4,170 thousand euros, as a result of which it now totals 11,309 thousand euros.

The following table shows receivables broken down by maturity date:

	Gross value 31.12.2010	Write-downs 31.12.2010	Gross value 31.12.2009	Write-downs 31.12.2009
Not yet due	64,220	(4,431)	85,919	(3,124)
0-30 days past due	14,053		10,624	
31-120 days past due	7,705		24,029	
121-365 days past due	627		1,333	
Over 1 yr past due	19,248	(6,878)	10,495	(6,878)
Total	**105,853**	**(11,309)**	**132,464**	**(10,002)**

Revenue from core transactions with single customers, which account for over 10% of the Company's total revenues, is broken down as follows, with respect to 2009 and 2010:

- Rete Ferroviaria Italiana: 54,557 thousand euros in 2009 and 57,052 thousand euros in 2010;
- Trenitalia: 29,597 thousand euros in 2009 and 29,299 thousand euros in 2010.

The above revenue is achieved entirely through the core property leasing and lease-related activities.

Maximum credit risk exposure, broken down by geographical area, is as follows:

	31.12.2010	31.12.2009
Italy	92,254	121,242
Eurozone countries	2,290	1,220
Total	**94,544**	**122,462**

12 Other non-current and current assets

The item is broken down as follows:

	31.12.2010		31.12.2009	
	Non-current	Current	Non-current	Current
Other receivables from Group companies	2,321	-	2,843	
VAT credit		66		
Advance payments on lease rentals	40,354	-	27,425	
Other State entities		9		14
Sundry receivables	4	13,945		14,526
Prepaid expenses and accrued income		498		1,078
Total	**42,679**	**14,518**	**30,268**	**15,618**
Bad debts fund				
Total net bad debts fund	**42,679**	**14,518**	**30,268**	**15,618**

Other "non-current" receivables from Group companies refer to the Irpeg credit totaling 2,321 thousand euros at 31 December 2010 (due date over 12 months), assigned by Ferrovie dello Stato S.p.A. in 2004, used each year within the maximum limit allowed by the applicable regulations (Legislative Decree No. 241/97). Sundry receivables totaling 3 thousand euros concern caution deposits.

Sundry "current" receivables are primarily represented by advance payments made to suppliers, particularly with respect to the profit-sharing agreement for "Media" activities (for 12,232 thousand euros), contract work (for 64 thousand euros) and commissions paid to agents for "Media" activities (for 53 thousand euros).

The carrying amount of the Advance payments on lease rentals includes the direct/indirect costs incurred by the Grandi Stazioni Ceska subsidiary, in connection with the upgrading of the stations of Prague Central and Mariànské Làzne. As illustrated in note 4 ("Applied accounting standards"), the costs have been suspended from the non-current assets and charged to the income statement on a straight-line basis, over the entire term of the leasing arrangement concluded with the Czech railways (Ceske Drahy a.s.). In 2010 and 2009, the total costs charged to the income statement totaled 631 thousand euros and 401 thousand euros, respectively, concerning which reference should be made to note 31 "Leased assets".

The item primarily includes prepayments referred to insurance premiums (for 231 thousand euros), SW maintenance fees (for 79 thousand euros) and interest payable (39 thousand euros).

Maximum credit risk exposure, broken down by geographical area, is as follows:

	31.12.2010	31.12.2009
Italy	16,843	18,461
Eurozone countries	40,354	27,425

Total	**57,197**	**45,886**

13 Construction contracts

Construction contracts are broken down as follows:

		31.12.2010	31.12.2009
Contract work in progress		32,112	28,979
Bad debts fund		(727)	(445)
	Net value	**31,385**	**28,533**
Advances		(19,698)	(13,923)
	Net value	**(19,698)**	**(13,923)**
		-	-
Total contract work in progress		**11,687**	**14,610**

Contract work in progress – relating to contract works not completed at 31 December 2010 – have been recognised among the inventories, based on the consideration set out in and regulated by the contracts entered into primarily with RFI S.p.A. and Trenitalia S.p.a. (both Ferrovie dello Stato Group companies).

The recognised decrease in contract work in progress at 31 December 2010, compared to the previous financial year, of 2,923 thousand euros, is the result of: a 3,735 thousand euro increase in contract consideration accrued in the year for works carried out; 5,775 thousand euros from higher advance payments primarily from RFI and Trenitalia; a 602 thousand euro decrease for the completion of contracts transferred to revenue, less the bad debts fund increase of 282 thousand euros.

The table below shows the movements for the year of the bad debts fund, highlighting the provisions and releases relating to the forecasted losses.

	Balance at 31.12.2009	Provisions	Use	Release of excess funds	Balance at 31.12.2010
Bad debts relating to contract work in progress	445	392		(110)	727
TOTAL	**445**	**392**	**-**	**(110)**	**727**

14 Non-current and current financial assets (including derivatives)

The table below gives an overview of the non-current financial assets, compared to 2009.

	Carrying amount			
	31.12.2010		31.12.2009	
	Non-current	Current	Non-current	Current
Financial assets				
Hedging derivatives	-	469	-	470
- Other financial receivables (from parent company)	-	17,924	-	7,113
Total	**-**	**18,393**	**-**	**7,583**

The carrying amounts shown correspond to the respective fair value measured at the date of the financial statements.

Financial receivables from the parent company comprise the balance of the inter-company bank account shared with Ferrovie dello Stato S.p.A., which receives the collections and payments relating to transactions with the Ferrovie dello Stato Group companies (besides the Holding Company, Ferservizi, Italferr, RFI and Trenitalia). At 31 December 2010, the balance of this account totaled 17,924 thousand euros. The bank account conditions are agreed to at arm's length and based on an agreement that provides for a receivable interest equal to the Euribor (monthly average), less an annual 0.175% spread. The average rates applied in 2009 and 2010 were 0.76% and 0.41%, respectively.

The "derivatives" item exclusively comprises the fair value, at 31 December 2010, of three derivative instruments entered into during the year by the Grandi Stazioni Ceska subsidiary, for the purpose of hedging the currency risks entailed by the financing arrangements in Euros with UniCredit MedioCredito Centrale S.p.A. These financial instruments are classified as financial trading instruments.

The above mentioned derivatives are recognised at fair value, on the respective financial statement dates and, with regard to the fair value hierarchy priority, are included within *level 2,* i.e., the fair value has been measured using inputs other than the quoted prices (in an active market for identical financial instruments), which are observable both directly (i.e. as prices) and indirectly (i.e. derived from prices).

For information on the Group derivatives, reference should be made to note 6 on "Currency risk" and "Interest rate risk".

15 Cash and cash equivalents

The item is broken down as follows:

Description	31.12.2010	31.12.2009
Bank and post office deposits	28,125	28,333
"Time deposit" transactions	-	31,890
Cheques	1	74
Cash-on-hand and other valuables	8	10
Total	**28,134**	**60,307**

The balance shows the cash resources and valuables held on 31 December 2010.

The drop in the Group's cash and cash equivalents, compared to 31 December 2009, is primarily the result of the lack of non-operating collections in the current year. Collections from customers, payments to suppliers and the current portions of bank payables are in line with last year's figures.

16 Tax credits

Tax credits at 31 December 2010 feature a balance of 814 thousand euros; the increase, compared to the previous year, is due to the excess advances paid, compared to the recognised estimated IRAP payable for 2010. The corresponding value at the end of the previous year is detailed in the table below:

	31.12.2010	31.12.2009

Irap credits	814
Total	**814**

17 Non-current assets held for sale

At 31 December 2010, the non-current assets held for sale comprise the buildings formerly housing the District HQ of Rome and Genoa, reclassified – for 17,338 thousand euros – into the investment property, in accordance with the directors' resolution of 4 August 2010, which authorises the CEO to initiate the competitive tendering procedures in view of the sale of the properties.

Assets held for sale	31.12.2010	31.12.2009
Buildings and land held for sale	17,338	
Total Assets held for sale	**17,338**	

18 Shareholders' equity

With regard to capital management, the objectives of Grandi Stazioni S.p.A. are inspired by: creating value for the shareholders, guaranteeing the stakeholders' interests and safeguarding business continuity, besides maintaining an adequate degree of capitalisation, for strengthening the Company's and Group's equity and financial structure, also in consideration of the considerable investments under way.

The changes in 2010, compared to 2009, in respect of the principal consolidated shareholders' equity items, are analytically described in the schedule of changes in the consolidated shareholders' equity, which follows the financial statement schedules.

Share capital

The fully subscribed and paid up share capital of the Parent Company, at 31 December 2001, is made up of 83,334 ordinary shares with a par value of € 51.65 each, totaling € 4,304,201.10. At 31 December 2010, based on the recordings in the register of shareholders, the share capital is held as follows: 60% by Ferrovie dello Stato S.p.A. and 40% by Eurostazioni S.p.A..

Legal Reserve

The legal reserve totals 861 thousand euros and is unchanged compared to 31 December 2009, because it has reached the limit laid down in article 2430 of the Civil Code (i.e. 20% of the share capital).

Share Premium Reserve

The share premium reserve was set up in connection with the share capital increase made on 28 July 2000 and has remained unchanged, compared to the previous financial year.

Extraordinary reserve

The extraordinary reserve was set up to receive the unallocated profit of previous years. The reserve, therefore, is up year-on-year by 24,519 thousand euros, following the apportionment of a part of the 2009 profit.

Foreign currency translation reserve

The currency translation reserve comprises the currency differences from the translation of the financial statements of the foreign-based Grandi Stazioni Ceska subsidiary.

Cash flow hedging reserve

The cash flow hedging reserve comprises the effective portion of the net accumulated changes in the fair value of the cash flow hedging instruments, in respect of hedged transactions not yet posted, taking into account the related tax impact. For more details reference should be made to note 6 on "interest rate risk" and note 22 "Non-current financial liabilities (including derivatives)".

Actuarial valuation reserve

This item exclusively comprises the portion of actuarially measured gains/(losses) charged entirely to the shareholders' equity, in the year in question, taking into account the relevant deferred tax impact.

Based on the resolution passed by the General Meeting of 22 April 2010, the parent company distributed dividends relating to 2009 for a total of 12,500 thousand euros.

The parent company's BoD meeting held on 7 April 2011 proposed to distribute dividends for 2010 totaling 15,417 thousand euros, equal to € 185 € per share.

Other components of the comprehensive income statement for the year

The section on the consolidated accounting statements includes the (comprehensive) income statement for the year, which highlights the other operating result components, less the tax impact. The table below shows the gross amount, and related tax impact, of the principal component relating to the changes in fair value of the derivatives:

	31.12.2010			31.12.2009		
	Gross amount	Tax impact	Net amount	Gross amount	Tax impact	Net amount
Effective portion of the fair value changes in the cash flow hedges	(1,524)	419	(1,105)	(478)	131	(346)
Gains (losses) relating to actuarial benefits	(57)	0	(57)	(93)	26	(67)
Other total income statement items for the year	**(1,581)**	**419**	**(1,162)**	**(571)**	**157**	**(414)**

19 Medium/long and short-term financing arrangements

Medium/long term financing arrangements, and the related current portion, are detailed, by type, in the table below:

Medium/long term financing arrangements	Carrying amount 31.12.2010	31.12.2009
Bank financing	185,205	201,230
Total	**185,205**	**201,230**

Short-term financing arrangements	31.12.2010	31.12.2009
Bank financing (short-term)	39,179	30,967
Financial leasing		222
Total	**39,179**	**31,189**
Total financing arrangements	**224,384**	**232,419**

For a detailed overview of the due dates of these financial liabilities, including the interest payable, reference should be made to note 6 ("Risk management", paragraph on "Liquidity risk").

The financing terms and conditions in effect are sumamrised in the table below:

				31/12/2010		31/12/2009	
Financing arrangements	Currency	Nominal interest rate	Due date	Nominal value	Carrying amount	Nominal value	Carrying amount
Property-secured loan with Banca BIIS – Immobile Roma	EUR	Euribor 6 months +0.95%	2022	15,270	15,270	16,284	16,284
Property-secured loan with Banca BIIS – Immobile Ve_Na	EUR	Euribor 6 months +0.95%	2022	45,812	45,812	48,852	48,852
Bipop Carire	EUR	Euribor 6 months +0.80%	2013	1,629	1,629	2,311	2,311
EIB financing	EUR	Euribor 6 months + spread variabile	2023	138,143	138,516	150,001	149,918
Financing Unicredit Medio Credito Centrale	EUR	Euribor 12 months + 1.7%	2010	23,040	23,157	15,084	15,054
Total financing arrangements				**223,894**	**224,384**	**232,532**	**232,419**

The carrying amounts of the financing arrangements detailed in the table above are representative of the relevant fair value.

The financing arrangements are broken down as follows:

- the debt payable by the parent company to Banca BIIS (Banca Infrastrutture Innovazione e Sviluppo), as a result of property-secured loans (the properties being located in Rome, Venice and Naples) originally totaling 80 million euros. Both financing arrangements were concluded on 6 March 2003, for a term of 20 years, and both provide for the payment only of the interest for the first three years, followed by the payment of the principal amount over the following 17 years, at a variable rate equal to the Euribor at six months, plus a 0.95% spread. During the year a change was recognised, as a result of the repayment of the respective capital portions;
- the Bipop Carire loan, taken out by the parent company in May 2005, totaling 3.25 million euros, to support the acquisition of equity investments in Italian and foreign-based companies (Law 100/90 - SIMEST). The term of this loan is 8 years, based on an arrangement that provides for the payment only of the interest for the first three years, followed by the payment of the principal amount over the following five years, at a variable rate equal to the Euribor at six months, plus a 0.8% spread;
- the financing received from the EIB (European Investment Bank) by the parent company, in April 2008, totaling 150 million euros, for the internal station upgrading/refurbishment works; the financing is guaranteed by Banca Calyon and Cassa Depositi e Prestiti S.p.A.. The term of the financing is 15 years, from the payment of the first tranche (30 June 2008); the arrangements

provide for the constant capital repayment (CCR) of the financing in six-monthly instalments, from 30 June 2010, according to an interest rate equal to the Euribor at 6 months, offered for a period of six months, increased or decreased by the number of base points notified by the Bank to the Company. In June and October 2008, respectively, two supplementary guarantee arrangements were concluded, with Banca Calyon S.A. and Cassa Depositi e Prestiti S.p.A., respectively, acknowledging a six-monthly commission, equal to 45 base points, determined based on the principal amount paid out each time. The arrangement provides for the obligation to notify the guarantor of compliance with the debt service ratios (historical, based on data from the financial statements at 31 December 2009, and projected, based on the 2010 budget figures), which, 31 December 2010, had been complied with. The hedging contract with Mediobanca was maintained, in respect of the financing, and during 2009 three IRS agreements were entered into. The financing arrangements detailed hereinabove entailed ancillary costs totaling 340 thousand euros, used to reduce the value of the financial payable in respect of the calculation of the depreciated cost;

- the loan taken out by the Grandi Stazioni Ceska subsidiary with Unicredit Mediocredito Centrale S.p.A. on 20 April 2009, totaling 23 million euros, entirely paid out at 31 December 2010. This loan is guaranteed by the parent company Grandi Stazioni for 25.3 million euros.

At 31 December 2010, only one financial leasing arrangement was in effect, entered into dal Group with Fercredit (extinguished during 2010). The Group, in 2010, recognised depreciations totaling 199 thousand euros, besides financial expenses for 3 thousand euros.

20 Severance pay and other employee benefits

	31.12.2010	31.12.2009
Present value of severance pay obligations	1,886	2,010
Total present value of obligations	**1,886**	**2,010**

The table below shows the changes in the present value of the employee benefit liabilities, consisting exclusively of severance pay.

	31.12.2010	31.12.2009
Employee benefits at 1 January	2,003	2,014
Interest cost (*)	80	92
Actuarial (gains) losses recognised in the shareholders' equity	(57)	93
Advances and use	(141)	(189)
Liabilities for defined benefit obligations at 31 December	**1,886**	**2,010**

(*) recognised in the Income Statement

There are no assets servicing the defined benefit plan and the cost recognised to the income statement in 2009 and 2010 exclusively consts of the financial expenses incurred in connection with the discounting to the present of the severance pay fund, for 92 thousand euros and 80 thousand euros, respectively.

Actuarial assumptions

The table below summarises the principal assumptions made with respect to the actuarial estimation process:

	31.12.2010	31.12.2009
Rate for discounting to the present value	4.70%	4.20%
Expected remuneration increases	3%	4.50%
Future pension benefit increases	1%	1%
Expected employee turnover rate	4.50%	4.50%
Expected advance payment rate	2%	2%
Death probability	RG48	RG48

Expected death probability rates are based on published statistics and mortality tables.

In 2010, the Group had an average of 275 employees, broken down by category in the following table:

EMPLOYEES	Avg 2010	Avg 2009	Difference
Executives/Managers	13.3	12.5	0.8
Middle managers	40.8	40.7	0.1
White-collar workers	195.1	181.6	13.5
Total permanent employees	**249.2**	**234.8**	**14.4**
Workers employed under atypical arrangements	25.8	15.1	10.7
TOTAL EMPLOYEES	**275.0**	**249.9**	**25.1**

21 Provision for risks and charges

The table below shows the amounts set aside in 2009 and 2010 and the movements in 2010 of the Provisions for risks and charges:

Description	31.12.2009	Appr.	Use	Release of excess funds	31.12.2010
Employee disputes	1,210	311			1,521
Bonuses paid out		15			15
Disputes with third parties:	5,401	1,387		(2,068)	4,720
Tax disputes	*448*	*0*			*448*
Civil disputes	*4,953*	*1,387*		*(2,068)*	*4,272*
Total non-current/current	**6,611**	**1,712**		**(2,068)**	**6,255**

Disputes & litigation arising in previous years

Application for payment filed by Ferone Pietro & C. s.r.l.

On 1 October 2010, a settlement was reached in respect of the application for payment filed by Ferone Pietro & C. S.r.l., requesting the payment of the compensation due for services allegedly provided, in connection with the contract for extraordinary maintenance works at the stations of Napoli Centrale and Palermo Centrale.

Under the settlement, Grandi Stazioni accepted to waive opposition and pay the amount set out in the court payment order (and declared temporarily enforceable), with respect to a Specification of Works carried out by the contractor (totalling approx. € 356,000, plus VAT, interest and reduced legal costs, the payment of further consideration claimed by the contractor, in respect of the performance of another Specification of Works (€ 93,000, plus VAT and reduced interest), the consensual termination of the contract between Grandi Stazioni and the contractor, entered into as part of the Framework Agreement M1/012/2007, of the relevant implementation specifications, and of the contract for preliminary site set-up activities at the stations of Bari Centrale and Palermo Centrale, concluded on 31 May 2007, the performance of which is no longer of any interest to Grandi Stazioni, and the contractor's waiver of the reimbursement of the costs incurred in connection with the performance bond provided.

Appeal against the tendering procedure for the construction planning and performance of the works relating to the functional upgrading of the station buildings and complementary infrastructures of the stations of Venezia S. Lucia, Venezia Mestre and Verona P. Nuova

On 20 October 2010, CIR S.p.A. filed an appeal with the *Consiglio di Stato* (Council of State), against the decision by the Regional Administrative Tribunal – TAR – of Lazio to disallow its petition requesting the cancellation – following the application of the procedure for inviting the second classified bidder for contract negotiation, in pursuance of article 140 of Legislative Decree No. 163/2006 – of the awarding of the contract for the construction planning and performance of the works relating to the functional upgrading of the station buildings and complementary infrastructures of the stations of Venezia S. Lucia, Venezia Mestre and Verona P. Nuova, including the management/maintenance services for the station building works, plants and systems, to the temporary joint venture set up by CMB and Fatigappalti S.p.A.

The appeal does not contain a petition for suspension. Grandi Stazioni then filed a brief, with respect thereto, on 2 November 2010.

The date of the relevant hearing has not yet been fixed and it does not seem likely that Grandi Stazioni will lose the case.

Accidents

In connection with the proceedings instituted at the Court of Rome by Mr. Secco, against Grandi Stazioni, in respect of a claim for compensation totaling 3 million euros, for injuries suffered in an accident at Roma Termini, the Court rejected the petitioner's application.

Disputes with agents

The actions brought by Grandi Stazioni against the agents Publica S.r.l., Spaziale s.r.l., AD s.r.l. and Media & Sport S.a.s., requesting the termination of the relevant contracts and the payment, by the agents, of damages for default of contract, for the amount determined by the Court, but no less than 6 million euros, are still in the preliminary investigation phase. The former agents have entered an appearance and filed counterclaims for approx. 54 million euros, of which approx. 12 million euros for commissions and allowances for termination of agency, and 42 million euros for damages and early termination of contract. In particular, during 2010, some of the expert reports commissioned by the Court, in respect of the matter, were completed and others are approaching completion. At present, the Company considers it likely that it will be ordered to pay the commissions and allowances and, therefore, has maintained the provision set up in the previous year.

Vidion arbitration proceedings 2009

The arbitration board appointed consulting experts, with respect to the first arbitration proceedings instituted by Vidion in 2009, against Grandi Stazioni, in respect of a claim for approx. 2.4 million euros for loss of revenue, as a result of diminished turnover, expenses incurred in connection with the failed installation of advertising devices, default interest accrued in connection with delayed payments, with respect to which proceedings the Company has filed counterclaims requesting the rejection of Vidion's claims, the termination of the contract entered into by Vidion and Grandi Stazioni, the restitution of the down payment made by Grandi Stazioni of 5.5 million euros, and compensation for termination of contract of between 5.0 million and 15.0 million euros, and, in any case, the payment of damages for at least 4.0 million euros, due to delays in the performance of the contract and the ensuing impairment of reputation. Moreover, Grandi Stazioni was obliged to appoint a new arbitrator, Prof. Diego Corapi, to replace the deceased Prof. Bernardino Libonati.

At present, the Company considers it likely that some of the claims brought by Vidion will be allowed by the arbitration board and has, therefore, increased the provisions set aside in the previous year for litigation expenses.

Ingenium Real Estate S.p.a. proceedings

In connection with the application for payment injunction filed by Ingenium Real Estate S.p.A., to obtain the payment of the valuable consideration allegedly due, in relation to the contract entered into on 20

April 2006 for the provision of engineering services, in connection with the station upgrading and related external works, and in relation to the supplementary agreement entered into on 25 May 2006 for design services relating to the station masterplan and the new premises of Trenitalia S.p.A., the Court has rejected the applicant's request for provisional enforcement. The Company is currently considering the possibility of a settlement to the dispute.

CBS Outdoor S.r.l. dispute

With a deed of summons served in January 2011, in respect of proceedings instituted at the Court of Appeals of Rome, CBS Outdoor S.r.l. appealed against the judgement issued by the Court of Rome (namely, judgement no. 24005/2009 issued on 23 November 2010), which judgement rejected the petition, filed by the plaintiff against Grandi Stazioni, for compensation and damages, in respect of illegalities committed in connection with certain advertising commissions for a value of approx. 7 million euros.

The above mentioned judgement also rejected the counterclaim made by Grandi Stazioni for compensation for damages in respect of the impairment to the Company's honorability and business reputation caused by the plaintiff.

Sale of equity interest

Having regard to the sale of the equity interest held by the Company in Network Italia Edicole srl, which sale occurred and took place in 2009, to date no compensation for damages has been received and, therefore, the handing over of the premises, as per the relevant agreement, has continued. Therefore, the provisions set aside, for both the relevant risks and charges and for the bad debts fund in the previous year, with respect thereto and in connection therewith, have been reduced.

Disputes & litigation arising in the year

Vidion arbitration proceedings 2010

The parties deposited the first briefs, with respect to the second arbitration proceedings instituted by Vidion, in June 2010, against Grandi Stazioni, with respect to claims for approx. 6.2 million euros for alleged loss of income due to a reduced turnover from advertising in 2009, alleged loss of revenue resulting from the discounts applied by Grandi Stazioni and the advertising campaigns effected free of charge in 2008 and 2009, the payment of the further sum due in relation to the advertising revenue in 2009, with respect to which Grandi Stazioni has filed a counterclaim requesting, inter alia, the rejection of all Vidion's claims, the termination of the contract, and the payment, by Vidion, of any sums resulting from the 2009 and 2010 balances, declaring Grandi Stazioni's right to withdraw from the contract, as a result of the numerous defaults by Vidion in 2009 and 2010, and requesting the restitution of the lump sum down payment made by Grandi Stazioni, as well as compensation for damages, including the damage due to delays in the performance of the contract and the ensuing impairment of reputation. Moreover, Grandi Stazioni was obliged to appoint a new arbitrator, Prof. Diego Corapi, to replace the deceased Prof. Bernardino Libonati.

At present, the Company considers it likely and possible that some of the claims brought by Vidion will be allowed by the arbitration board and has, therefore, increased the provisions set aside in the previous year for litigation expenses.

Retail Group arbitration proceedings

With regard to the arbitration proceedings instituted by Grandi Stazioni in July 2010 against Retail Group S.p.A., requesting the termination of the lease agreement, in pursuance of either article 1454 of the Civil Code, due to default by the tenant, or article 1453 of the Civil Code, for reasons attributable to Retail Group, and the payment of the rents resulting unpaid, in respect of the balance of the turnover however made in connection with the use of the leased areas and/or premises between 2002 and 2009, in accordance with the leasing arrangements, plus any interest, penalties and expenses, and compensation for the damages suffered in consequence of Retail Group defaulting behaviour, as determined by the Court, on an equitable basis or otherwise, and, in any case, for no less than 1.5 million euros, the defendant deposited its first brief and counterclaim, in October 2010, in which, besides requesting the rejection of the petitioner's claims, it requests the payment by the Company of compensation for damages totaling approx. 40 million euros.

The Company was subsequently obliged to appoint a new arbitrator, Prof. Francesco Benatti, to replace the deceased Prof. Berardino Libonati.

Employee disputes: Naples

In June 2010, the Company dismissed four employees working at its Naples headquarters for a just cause, due to serious misuse of their corporate badge. In particular, the four employees (plus another employee, who was not dismissed because on maternity leave) are accused of having set up a scheme according to which the first of the group to enter the workplace, at the start of the workday, would swipe the badges for the other group members too, even though they were not yet at work; the same would take place at the end of the workday, when the last group member to leave the workplace would swipe the badges of the other memebrs, who had already left earlier.

Three employees have appealed against their dismissal and, following the precautionary interim measures decided by the Court of Naples (labour-related disputes division), in pursuance of article 700 of the Criminal Code, have been reinstated. Later on, following the complaint filed with the Court by Grandi Stazioni, the Court of Naples rejected the appeals filed by two employees, however unexpectedly confirming the precautionary measure for the third employee.

Therefore, the four employees, have filed petitions under article 414 of the Criminal Code, with the Employee disputes division of the Court of Naples, against Grandi Stazioni requesting the cancellation of the dismissals, reinstatement at work and the payment of compensation for damages.

On 20 January 2011, the fourth employee was also dismissed.

The Company considers it reasonably likely and expects that the Court will order the reinstatement at work of the dismissed employees and the payment of the wages withheld and other forms of legal compensation, and has therefore allocated funds to the specific provision.

Functional upgrading works in building D at Roma Termini.

Based on a summons served on 21 October 2010, Mucciola Piero S.p.A. Has instituted legal proceedings against Grandi Stazioni before the Court of Rome, claiming compensation for approx. € 121,000, plus interest and revaluation, in respect of the so-called “expensive steel” issue, in pursuance of article 26, paragraph 4 bis of Law 109/1994, for the higher expenses incurred in 2004-2007, in connection with the performance of the contract entered into on 16 December 2004 for the functional upgrading of building

D at Roma Termini.

The first hearing, fixed for 21 February 2011 in the summons, was later postponed to24 March 2011.

Losing the case appears possible.

Tax disputes arising in previous years

In 2001, the *Guardia di Finanza* (Internal Revenue Inspectors) notified a tax assessment claiming that the Company had failed to pay withholding tax on its employees' wages, between 1997-2000, for 1.2 million euros, plus penalties.

In 2008, the Provincial Tax Appeals Committee of Rome deposited its decisions allowing the appeals filed by the Company, with respect to the tax assessments relating to 1997 and 1998 for 0.3 million euros, as notified by the Internal Revenue Service (IRS) in 2005. The IRS then challenged the decisions by the tax appeals committee; a hearing was fixed to examine the assessments relating to 1997 and 1998. The regional tax appeals committee rejected the appeal filed by the IRS (decisions no. 80/21/10 and 81/21/10 both deposited on 19 April 2010), and ensuingly confirmed the cancellation of the challenged measures. With regard to 1999 and 2000, after the Regional Tax Appeals Committee allowed the Company's petition (decision no. 227/48/2009), the IRS (Rome Office 1) filed an appeal against this decision, promptly challenged by the Company. The appeal hearing was held on 9 February 2011, but the decision is not yet known.

On 21 February 2008, the Company was notified tax payments due totaling € 158,389.56, for ICP primarily to the local authority of Rome, relating to 2004. Since the Company believes that it owes nothing to the local authority of Rome, on 18 April 2008 it filed an appeal, against the payment, with the Provincial Tax Appeals Committee of Rome, which, on 24 june 2010 deposited a decision (no. 367/16/10) reducing the payment due to € 19,400. To date, and despite the many requests made, the local authority of Rome has not yet returned the excess amount.

On 21 October 2009, the Company was notified tax payments due, totaling € 194,131.27, for ICP relating to 2004, 2005, 2006 and 2007, to the local authority of Venice. On 8 February 2010, the Company filed a petition for the cancellation of the assessment notices issued with respect to 2006 and 2007, because the amount was not due. The local authority of Venice allowed the Company's petition and has returned the amounts not due.

22 Non-current and current financial liabilities (including derivatives)

The table below shows the non-current financial liabilities:

	31.12.2010		31.12.2009	
	Non-current	Current	Non-current	Current
Financial liabilities				
Hedging derivatives	2,072		548	
	2,072		**548**	

The interest rate swap contracts were entered into in 2009, by the Company, to hedge the interest rate risks arising from the EIB financing, for further details on which reference should be made to note 19.

The derivative contract entered into with Mediobanca in 2006, originally to hedge the interest rate risks arising from the financing arrangements with Monte dei Paschi di Siena, was maintained after the financing had been paid back (in 2008) to hedge the same risks with respect to the EIB financing.

All the contracts detailed hereinabove can be classified as cash flow hedge contracts, and therefore their carrying amount is the fair value measured at the end of the year and recognised in dedicated shareholders' equity item.

The derivatives are recognised at fair value, on the respective financial statement dates and, with regard to the fair value hierarchy priority, are included within *level 2,* i.e., the fair value has been measured using inputs other than the quoted prices (in an active market for identical financial instruments), which are observable both directly (i.e. as prices) and indirectly (i.e. derived from prices).

For more information on the derivative instruments held by the Company, reference should be made to note 4 on "*Currency risks*" and "*Interest rate risks*".

23 Other non-current and current liabilities

The other non-current and current liabilities are broken down as follows:

	31.12.2010		31.12.2009	
	Non-current	Current	Non-current	Current
Payables to social security schemes		1,142		1,039
Other tax payables		1,473		3,867
VAT payables		2,670		567
Other payables to Group companies	2,321	3,752	2,838	2,960
Other payables	1,085	3,073	304	2,698
Deferred revenue and accrued liabilities		3,197		11,518
Total	**3,406**	**15,307**	**3,142**	**22,649**

The other non-current liabilities primarily consist of payables to the parent companies, with respect to the residual loan with Ferrovie dello Stato S.p.A., and the IRPEG tax credit transferred to the parent company Grandi Stazioni S.p.A. in 2004, as previously specified in the "other non-current assets" item (note 11). The "other payables" item primarily refers to the deposits paid by the tenants, in respect of the lease arrangements.

The other current liabilities include the VAT debt payable to FS Holding, accrued in connection with the Group VAT consolidation scheme, in which the Company has participated in the year in question. The Company has decided to participate in the scheme for 2011 as well. The other payables to the Group companies include the amount of 3,600 thousand euros received from Italferr to guarantee the full surrender of all the leased premises at Roma Termini, and the balance of all the amounts due (for rents and ancillary costs) by 30 November 2011, in respect of the decision by the Company to waive the compulsory collection of the debts owed to it.

The deferred revenue and accrued liabilities are broken down as follows: 2,523 thousand euros are revenues accruing in future years, in respect of the reimbursement of expenses invoiced in the year; these revenues will be recognised to the income statement, in the following years, based on the term of the relevant lease; 592 thousand euros are portions of *revenue from leases;* while 83 are portions of revenue from Media activities.

The "Other" item, at 31 December 2010, includes the amounts, totalling 460 thousand euros, withheld by the Grandi Stazioni Ceska subsidiary from its principal supplier Metrostav A.S. as a performance bond.

In these consolidated financial statements the accrued liabilities for 2009 are shown minus the part relating to the Giubileo 2000 grants, totaling 6,265 thousand euros (of which, 626 thousand euros - the current portion), because they have been used to reduce the relevant investments. For the reasons behind this reclassification, reference should be made to the observations in note 7.

The other current liabilities item for 2009 reflects the reclassification, among the current trade payables of 113 thousand euros, for more accurate reporting purposes.

24 Trade payables

Trade payables are broken down as follows:

	31.12.2010 Current	31.12.2009 Current
Payables to suppliers	92,983	91,681
Advance payments	305	113
Trade payables to Group companies	17,419	11,705
Total	**110,707**	**103,499**

The changes in the trade payables to third parties, compared to 31 December 2009, are the result of the increased costs for investments and the use of leased goods. Grandi Stazioni Ceska too has recognised increased payables to suppliers towards the end of the year, in connection with the completion of the works at the two upgraded stations of Prague Central and Marriànské Làzné. The item, as regards 2009, reflects the reclassification of other current liabilities for 113 thousand euros, for more accurate reporting purposes.

For more details about the payables to Group companies, reference should be made to note 44 on "Related party transactions".

25 Income tax payables

The item totals 293 thousand euros, at 31 December 2010, and is broken down as follwos:

	31.12.2010	31.12.2009
IRES payment under the tax consolidation scheme to Ferrovie dello Stato	215	6,426
IRAP	78	1,290
Total	**293**	**7,716**

The payable to the parent company due under the tax consolidation scheme concerns the amount of IRES (corporate tax) accrued at 31 December 2010, payable to the parent company Ferrovie dello Stato S.p.A., less any advance payments made. The IRAP (regional tax on corporate profit) tax payable concerns the balance accrued by Grandi Stazioni Ingegneria, with respect to the allocations for tax purposes made in 2010. The considerable difference compared to the previous year is due to the lower revenue recognised in 2009, following the transfer of equity assets. Grandi Stazioni and Grandi Stazioni Ingegneria have both agreed to participate in the nationwide tax consolidation scheme set up by Ferrovie dello Stato Group for 2010-2012.

Analysis of the consolidated Income Statement items

Below is an overview of the year-on-year consolidated income statement items.

TOTAL REVENUE AND INCOME

The Company's revenue and income in 2010 totals 195,811 thousand euros, down year-on-year by 10,525 thousand euros, and is broken down as follows:

26 Revenue from sales and services

This item totals 191,577 thousand euros and is comprised of:

	2010	2009	Change
Revenue from sales and services			
✓ *Receipts from long-term leases*	60,776	51,058	9,718
✓ *Receipts from compensation for occupation of premises/failed surrender of premises*	30,381	30,394	(13)
✓ *Engagement activities and special equipment*	2,729	3,153	(424)
✓ *Revenue from lease-related expenses*	67,711	64,854	2,858
✓ *Revenue from design and site supervision activities*	616	0	616
✓ *Revenue from media activities*	15,517	11,390	4,127
✓ *Revenue from customer services*	9,188	7,927	1,261
✓ *Other income from sales and services*	1,808	650	1,157
✓ *Changes in contract work in progress*	2,852	8,449	(5,597)
Total	**191,577**	**177,874**	**13,703**

Rent revenue (19% of which comes from Ferrovie dello Stato Group companies) has increased, as a result of the activities carried out in the year in certain station premises, primarily Milano, Torino and Napoli and Prague Central, leased in the year, leading to an increase in both leased premises and rents; Prague Central, in particular, posts rent revenues totaling approx. 3 million euros (compared to 1.3 million in 2009). The balance at 31 December 2010 also includes non-operating gains recognised in connection with the normal estimation updates, totaling 1,123 thousand euros.

"Receipts from compensation for occupation of premises/failed surrender of premises" (89% of which come from Ferrovie dello Stato companies) have not changed significantly, compared to last year. "Revenue from lease-related expenses" (approx. 90% of which come from Ferrovie dello Stato Group companies) are up, as a result of the amounts recovered with respect to leases featuring significant balances compared to the previous years; the recovered condominium expenses at Prague Central total 759 thousand euros. Particularly significant is the item "revenue from media activities", which, after a period of reorganisation and reduction for contingent economic reasons, is now growing once more. Revenue from customer services relates to receipts from pay toilets, left luggage and car parks; the year-on-year increase is primarily due to the management of the car parks and toilets.

Changes in work in progress total 2,852 thousand euros, down year-on-year by 5,597 thousand euros, and are broken down as follows:

Description	2010	2009	Change
Increase in the year	3,133	8,550	(5,417)
Recovered losses from previous years	111	256	(145)
Write-downs for future losses	(392)	(357)	(35)
Total	**2,852**	**8,449**	**5,597**

The changes in contract work in progress in 2010, recognised according to the percentage of completion method set out in IAS 11 ("cost to cost" method), relates to the assessment of the progress in the consideration accrued in the year, with respect to the development of the necessary technical assets needed to carry out the upgrading, refurbishment, efficiency maintenance and valorisation works at the 13 managed stations, primarily on account of RFI and Trenitalia. The above mentioned change is shown less the losses expected in the following years in connection with their completion, examined individually.

27 Other income

Other income totals 4,234 thousand euros and is down year-on-year by 24,228 thousand euros, as a result of the transaction last year relating to the sale of the property in Venice; the item is broken down as follows:

	2010	2009	Change
Other income			
✓ *Sale of land and buildings held for sale*		24,147	(24,147)
✓ *Sundry reimbursements*	1,949		1,949
✓ *Other income*	(13)	4,315	(4,328)
✓ *Release of excess funds*	2,297		2,297
Total	**4,234**	**28,462**	**(24,228)**

Sundry reimbursements primarily related to the revenue from advertising and promotional activities carried out by the Company in the managed stations (approx. 1,300 thousand euros), revenue from the reimbursement of expenses incurred by the parent company Grandi Stazioni to improve the quality and functional standards of the stations, invoiced in the year and adjusted based on the relevant lease term (approx. 600 thousand euros). The item "other income" is net of the non-operating losses recognised in connection with the normal updating of the estimates, totaling 57 thousand euros. The "release of excess funds" concerns the provisions for risks and charges (1,697 thousand euros) and the bad debts fund (299 thousand euros), of which 181 thousand euros from FS Group companies (for greater details, reference should be made to notes 11 and 21).

The 2009 financial statements reflect a reclassification of 940 thousand euros in the "labour costs" item, primarily as a result of the reversal of the recoveries for seconded employees, for more accurate reporting purposes.

28 Labour costs

Total 17,187 thousand euros, up year-on-year by 2,014 thousand euros, and are broken down as follows:

	2010	2009	Change
Permanent employees			
✓ *Salaries and wages*	11,712	10,000	1,712
✓ *Social security contributions*	3,266	3,198	67
✓ *Other labour costs for permanent employees*	233	147	86
✓ *Severance pay*	777	725	52
✓ Write up of end-of-service allowance	-	278	(278)
Freelance workers and collaborators			
✓ *Salaries and wages*	882	534	348
✓ *Social security contributions*	65	34	31
✓ *Seconded personnel*	252	255	(3)
✓ *Other expenses related to freelance workers and collaborators*	1	1	
Total	**17,187**	**15,173**	**2,014**

The amount includes all costs related to permanent employees, including merit pay, career advancements, the provisions required by law and allocations for merit-based bonuses and incentives accrued by the employees.

The rise recognised in 2010 in labour costs, compared to 2009, primarily concerns permanent employees, as a result of the hiring of people with higher qualifications, with respect to the various Business Lines, and of people with skills not previously present in the Group. As regards unit costs, besides the above mentioned reason, this has also been affected by the hiring, in the last quarter of the year, of the CEO in an executive position.

The other labour costs include the costs incurred for meal vouchers and training, and the costs relating to the annual fees for the employee health scheme, following the signing of a second-level corporate agreement on 11 September 2007.

The freelance workers and collaborators includes all workers hired under temporary contracts.

The 2009 financial statements reflect a reclassification of 940 thousand euros in the “labour costs” item, primarily as a result of the reversal of the recoveries for seconded employees, for more accurate reporting purposes.

With regard to the composition of and changes to the staffing level, reference should be made to note 20.

29 Raw materials, consumables and commodities

The item totals 189 thousand euros, down year-on-year by 18 thousand euros, and is broken down as follows:

	2010	2009	Change
Materials and consumables	188	206	(18)
Transport for purchases	-	1	(1)
Fuel and lubricants	1	-	1

Total	**189**	**207**	**(18)**

The year-on-year decrease is primarily the result of the Group savings in 2010 on the purchase of consumables and for office use and other commodities.

30 Expenses for services

Expenses for services total 87,654 thousand euros, down year-on-year by 53 thousand euros. The table below shows a breakdown of the item:

	2010	2009	Change
Services and works contracted out	**62,766**	**59,923**	**2,844**
- Security	5,191	6,471	(1,280)
- Cleaning	22,626	21,885	741
- Maintenance	19,028	16,630	2,398
- Utitilities	15,782	14,937	844
- Improvements to owned property	139	0	139
Miscellaneous services	**24,788**	**27,784**	**(2,996)**
- Consulting	222	1,363	(1,140)
- Engineering services	4,193	8,896	(4,703)
- Professional services	1,854	2,805	(951)
- Utilities	435	456	(21)
- Travel & accommodation	557	1,083	(526)
- Insurance premiums	1,017	861	156
- IT services	942	953	(11)
- Commissions	1,776	958	818
- Directors' remuneration	880	499	381
- Auditors' remuneration	57	57	0
- Advertising and promotional expenses	1,121	925	196
- Media services	2,928	2,486	442
- Expenses for customer services	5,290	4,899	391
- Other services	3,615	1,544	2,071
Total	**87,654**	**87,707**	**(53)**

Year-on-year, the costs for services and works contracted out are up for utilities, cleaning and maintenance work; while the reduction in the costs for services and security is due to efficiency enhancement and the reduced services in the period.

The principal changes in miscellaneous services feature: a decrease in engineering services, consulting and professional services, while there are increases in commissions, consideration for other media services and expenses for customer services, which are closely related to an increase in the related revenue. Directors' remuneration in 2010 include the balances settled to the incumbent CEO, following the integration, by the BoD, of the fee assigned since the date of appointment. The “other services” total 3,615 thousand euros and primarily refer to: non-operating losses due to the normal updating of estimates for 1,459 thousand euros, sundry condominium expenses incurred by Grandi Stazioni Ceska for 1,160 thousand euros, sundry services for 692 thousand euros and reproduction/copy services for 264 thousand euros.

The 2009 financial statements reflect a reclassification for 125 thousand euros in the “labour costs” item relating to the costs of staff employed under atypical arrangements, for more accurate reporting purposes.

31 Leased assets

This item totals 38,775 thousand euros, up year-on-year by 4,134 thousand euros, and is broken down as follows:

	2010	2009	Change
Operating lease rentals	645	422	223
Retrocession fee to RFI S.p.A.	37,733	33,573	4,160
Retrocession fee to SISTEMI URBANI S.p.A.	290	188	103
Property lease rents	23	459	(436)
Other rents and hirings	84	-	84
Total	**38,775**	**34,641**	**4,134**

The changes are primarily due to the increases of revenue – recognised in the retrocession fee – recognised to RFI, as a result of the increased leasing and media revenue, and the increased remuneration to FS Sistemi Urbani for the parking areas, which have determind an increased turnover.

The reduction in rents from leased property is due to the expiration of several lease agreements, used as guest quarters or for temporarily housing Ferrovie Group employees relocating from premises undergoing upgrading work.

Operating lease rentals primarily include the release of the advance lease rentals incurred by Grandi Stazioni Ceska. The carrying amount of these rents includes all the costs directly incurred for the upgrading of the railway stations of Praha - Hlavní nádraží and Mariánské Lázně. These costs are initially suspended in the item "other non-current assets" and recognised to the income statement on a straight line basis throughout the remaining life of the operating lease agreement in effect with České dráhy, a.s.. These costs were first recognised to the income statement in 2008. The year-on-year increase is related to the higher costs incurred in connection with the upgrading work at the stations, which was substantially completed during the year. The operating lease rentals relating to Grandi Stazioni Ceska, recognised in 2010 and 2009, total 631 thousand euros and 401 thousand euros, respectively. The term of the lease agreement of the subsidiary is 30 years, starting from the date of the acceptance testing of the upgrading works. The costs suspended as advance rentals primarily include construction costs, as well as design, insurance and other costs directly related to the station complexes, including the financial expenses, management fees and assignment fees paid in the upgrading period and throughout the term of the lease agreement.

32 Other expenses

The Other expenses item totals 5,739 thousand euros, down year-on-year by 909 thousand euros, and is broken down as follows:

	2010	2009	Change
Sundry taxes	4,943	4,704	239
Penalties and fines	128	125	3
Bad debts	3	14	(11)
Subscriptions and membership fees	155	69	86
Capital losses from the disposal of fixed assets	3	3	
Other expenses	506	1,733	(1,227)

Total	**5,739**	**6,648**	**(909)**

The principal changes concern: increased taxes for TARSU and ICP (Municipal Advertising Tax) and lower other operating expenses, as a result of the lack of the non-operating losses recognised in 2009, with respect to the partial settlement of a dispute with the local authority of Naples for ICI property tax payments in 2004-2006.

33 Capitalised internal construction costs

Capitalised internal construction costs total 2,758 thousand euros, at 31 December 2010, with a year-on-year increase of 346 thousand euros. The amount relates to the capitalisation of costs directly related to the investment activities in progress in the Group stations.

34 Depreciations

Depreciations total 7,907 thousand euros, up year-on-year by 2,875 thousand euros, and are broken down as follows:

	2010	2009	Change
Depreciation of intangible/tangible assets			
✓ *Depreciation of intangible assets*	77	131	(54)
✓ *Depreciation of tangible assets*	7,830	4,901	2,929
Total	**7,907**	**5,032**	**2,875**

The increased depreciation of property, plant and equipment is primarily due to the commissioning of the works relating to the properties in Milan, Naples and Turin, respectively on 30 April, 30 June and 31 August 2010. Instead, the depreciation of the properties in Rome and Genoa was suspended, as from September 2010, due to their reclassification to the assets held for sale.

35 Adjustments and write-ups of receivables

The item is detailed below, from both Ferrovie dello Stato S.p.A. Group companies and third parties:

	2010	2009	Change
Adjustments and write-ups of receivables	4,171	5,790	(1,619)
FS Group	*490*	*860*	*(370)*
Third-parties	*3,681*	*4,930*	*(1,249)*
Total	**4,171**	**5,790**	**(1,619)**

The writedown of the receivables included among the working capital is based on an accurate analysis of both the receivables and their degree of collectability.

36 Provisions for risks and charges

The item totals 1,711 thousand euros and is broken down as follows:

	2010	2009	Change
Provisions set aside for risks			
✓ *Civil litigation*	311	1,310	(999)

	2010	2009	Change
✓ *Employee disputes*	1,386	1,355	31
✓ *Other risks*	14	-	14
Total	**1,711**	**2,665**	**(954)**

The amount recognised in 2010 is the result of the further provisions set aside for risks and charges, as a result of the improved estimate of the compensation amounts that the Group will probably be required to pay, in respect of the disputes arising in the period. For a more detailed analysis, see note 21 "Provision for risks and charges".

37 Financial revenues

The Financial revenues at 31 December 2010 total 1,770 thousand euros, down year-on-year by 11,553 thousand euros. Financial revenues are broken down as follows:

	2010	2009	Change
Bank interest receivable	231	367	(136)
Interest receivable from parent companies	179	334	(155)
Income from the disposal of non-current assets held for sale	-	11,988	(11,988)
Interest receivable from leases	32	11	21
Exchange gains	1,323	146	1,177
Write-up of equity investments	6	-	6
Net change in the fair value of derivative instruments	-	477	(477)
Total	**1,771**	**13,323**	**(11,553)**

"Bank interest receivable" is the receivable interest accrued in the year on bank accounts. Year-on-year, this item is down, as a result of the shorter periods of deposit and a significant drop in the interest rates recognised.

The item "Interest receivable from parent companies" relates to the interest receivable accured on the intra-company joint bank account with Ferrovie dello Stato S.p.A., the terms and conditions of which are shown in detail in note 14 "non-current and current financial assets (including derivatives)".

Having regard to the item "net change in the fair value of derivative instruments", in 2010 Grandi Stazioni Ceska entered into three cross currency rate swap contracts with BNP Paribas S.A., for details of which reference should be made to note 6 on "Currency risks". The aim of these contracts is to hedge the currency risks arising from the financing in Euros granted in the period by UniCredit MedioCredito Centrale S.p.A.. The balance of 1,323 thousand euros relates to the exchange gains recognised by GS Ceska, in 2010, from currency transactions.

38 Financial expenses

The item Financial expenses, at 31 December 2010, totals 4,990 thousand euros, up year-on-year by 1,233 thousand euros. Financial expenses are broken down as follows:

	2010	2009	Difference
Default interest	107	-	107
Interest payable on long-term financing arrangements	3,295	5,825	(2,530)
Bank interest payable	6	14	(8)

Sundry interest payable	313	174	139
Financial expenses for derivatives	1,589	-	1,589
Sundry financial expenses	1,254	88	1,166
Exchange losses	451	242	209
Capitalised financial expenses	(2,025)	(2,586)	561
Total	**4,990**	**3,757**	**1,233**

Interest payable on long-term financing arrangements refers to the interest payable accrued in respect of the long-term property-secured loans granted by Banca BIIS (Banca Infrastructure Innovazione e Sviluppo – ex OPI), on the long-term financing arrangements with Bipop Carire and EIB (European Investment Bank) and on the loan granted to the subsidiary Grandi Stazioni Ceska by UniCredit MedioCredito Centrale S.p.A.. For more details, reference should be made to note 19 "short and long-term financing arrangements". The significant year-on-year decrease is the result of the large drop in the Euribor 6 month rate (which is used as the base measure for determining the costs of financial requirements), despite the increased amount of borrowings in the period, due to the drawings in respect of the EIB financing. The balance of 451 thousand euros relates to the exchange losses recognised by GS Ceska in 2010, from currency transactions. The item "financial expenses for derivatives" comprises: (i) for 684 thousand euros, the derivative differentials reported to the income statement of the Parent Company GS Spa, and (ii) for 905 thousand euros, the changes in fair value and losses, recognised in 2010, in respect of the derivatives held by the subsidiary GS Ceska.

Capitalised financial expenses refer to the financial expenses incurred in connection with financing arrangements specifically for station upgrading purposes, included among the operating expenses for the entire period of construction. The item also includes financial expenses for derivatives totaling 784 thousand euros (74 thousand euros in 2009). The above mentioned expenses incurred have been entirely capitalised; therefore, the capitalisation rate applied is equal to the actual interest rate used to measure the depreciated cost of the financing and is detailed in note 19.

39 Income tax

Income tax at 31 December 2010 stands at 12,276 thousand euros, down year-on-year by 8,623 thousand euros, and is broken down as follows:

	2010	2009	Difference
Current taxes			
IRAP	13.270	3.406	9.864
IRES	2.760	13.286	(10.526)
Adjustments for previous years		42	(42)
Deferred and prepaid taxes	(3.754)	4.165	(7.919)
Total	**12.276**	**20.899**	**(8.623)**

The deferred/prepaid tax balance includes the positive impact of the adjustment of the IRAP tax rate applicable to 2010 (as regards the parent company Grandi Stazioni SpA) and totaling 7 thousand euros, following the 0.15% increase.

The table below presents the reconciliation between actual and theoretical IRES tax expense:

	IRES			
	2010		2009	
	Tax base	Tax amount	Tax base	Tax amount
Profits before tax	32,017		60,452	
Theoretical tax expense		**8,805**		**16,624**
Theoretical tax rate		27.50%		27.50%
Temporary differences deductible in future years	19,602	5,391	13,887	3,819
Temporary differences relating to previous years	(7,137)	(1,963)	(27,973)	(7,693)
Taxable temporary differences	4,289	1,179	2,186	601
Deductible temporary differences	(518)	(142)	(238)	(65)
IRES	48,253	**13,270**	48,314	**13,286**
Actual tax rate		41.45%		22%
IRAP		**2,760**		**3,406**
tax for previous year				**42**
total deferred taxes		**(3,754)**		**4,165**
total taxes		**12,276**		**20,899**

40 Commitments and guarantees

Commitments to third parties are summarised in the table below:

Description	31.12.2010	31.12.2009	Difference
RISKS			
Credit support			
- to other associated companies	116	116	
- to others	500	500	
Other guarantees			
- to subsidiaries	25,300	20,900	4,400
TOTAL	**25,916**	**21,516**	**4,400**
COMMITMENTS			
Deferred contracts	21,000		21,000
TOTAL	**21,000**		**21,000**
TOTAL MEMORANDUM ACCOUNTS	**46,916**	**21,516**	**25,400**

This item includes:

- a guarantee provided by Ferrovie dello Stato to Metropark, in respect of a miscellaneous equipment leasing agreement expiring on 1 January 2013;
- a guarantee provided by Intesa-San Paolo to the local authority of Venice (Direzione Centrale Sportello Unico), originally expiring on 10 September 2008 and tacitly renewed year by year, in respect of the performance of the refurbishment works under way at the former District HQ of Venice (500 thousand euros), automatically renewed until the release is notified by the local authority;
- a guarantee provided to Unicredit - Medio Credito Centrale on behalf of Grandi Stazioni Cesca

Republika, to secure the bridge loan, entered into by the bank and the foreign-based subsidiary, expiring on 19 October 2010 and extended until 18 February 2011.

- A commitment arising from the execution (on 20 April 2010) of a preliminary agreement between Grandi Stazioni and Metropolitana di Napoli Spa, with respect to the undertaking by Metropolitana di Napoli Spa to lease out to Grandi Stazioni the premises of the Galleria Commerciale shopping mall, for the overall term of 35 years from the date of delivery, which provides for the down payment, by Grandi Stazioni, of rent totaling 21 million euros plus VAT, at the date of conclusion of the relevant lease.

41 Significant events after the end of the financial year

On 4 January 2011, the Railway Police of Bari, while inspecting the premises that used to house the Post Office on platform 1 of Bari Centrale, found certain alleged shortcomings in the maintenance condition of part of the premises used by station cleaning contractors for parking their electrical trolleys and storing other sundry materials, as a result of which they ordered the seizure of the premises for precautionary reasons.
Subsequently, the confirmation of the police seizure order – with respect to the premises and the materials stored therein – was notified to Grandi Stazioni SpA, the cleaning contractor and another company with access to the premises, used for both storage purposes and for recharging their electrical equipment.

A petition was then lodged with the Prosecutor's Office of Bari for the release from seizure of the premises, also for the purpose of timeously carrying out the refurbishment work and other work for upgrading the premises to compliance with the applicable standards, which work had already been previously scheduled. The competent judicial authorities allowed this petition.

On 20 January 2011, an employee at the Naples HQ was dismissed for the reasons commented on in detail in note 20 "provisions for risks and charges".

The SAP management programme was launched, relating to the management modules of the administration and accounting processes.

The new offices have been handed over to Ferservizi at Palermo Centrale (approx. 1.300 square metres).
Bids have been received, with respect to the lease-related and maintenance activities at all Network stations.
The CIPE 61/2010 resolution relating to:

- the separation of the actions relating to the complementary works included in the Grandi Stazioni programme;
- the appropriation of the sums from the bidding discounts relating to the four projects featuring substantial variations (stations of Roma Termini, Bari Centrale, Bologna Centrale and Venezia S. Lucia), while awaiting the outcome of the preliminary investigation by the competent Ministry of Infrastructure and Transport, aimed at the approval of the above mentioned substantial variations to the detail designs;
- the appropriation of the sums from the bidding discounts relating to the remaining nine projects, mentioned in the acknowledgement among those that do not entail substantial variations, while

awaiting the presentation of the revised and duly adjusted cost frameworks, in order to ensure their congruity, by the contractor to the competent Ministry;

was registered by the Audit Office (Corte dei Conti), on 9 February 2011.

An agreement has been reached on the terms and conditions of the long-term financing arrangement for 730 million Czech crowns (29.2 million euros) between UniCredit Bank Austria AG and Grandi Stazioni Ceska Republika SRO. As regards the timeframe for the formalisation/payment of the financing arrangement, Grandi Stazioni SpA stepped in with respect to the bridge loan granted by UniCredit SpA, and expiring on 18 February 2011, paying the amount of 27 million euros, to be used by the subsidiary for paying back the bridge loan and settling the final balance of the works carried out at Prague Central. The term of the financing arrangement between Grandi Stazioni and Grandi Stazioni Cesca, hedged by a similar short-term financing arrangement agreed to by Banca Intesa to Grandi Stazioni, is expected not to exceed three months.

42 Potential liabilities and assets

With regard to potential liabilities, reference should be made to note 20 “Provisions for risks and charges”.

Moreover, no potential assets have been recognised.

43 Auditing fees

In pursuance of article 37(16) of Legislative Decree No. 39/2010, and letter 16bis of article 2427 of the Civil Code, the fees paid to the independent auditor, at 31 December 2010, for all the Group companies totaled 92 thousand euros.

44 Directors’/Auditors’ remuneration

The table below shows the remuneration accrued to the Directors and Auditors in the year, in respect of the performance of their duties, including the remuneration accrued by the CEO in previous years but paid in the current year, and the salary paid to the CEO, in connection with his hiring in an executive position, from 1 October 2010, and shown in the labour costs.

PAYEES	2010	2009	Difference
Directors	1070	499	571
Auditors	57	57	0
TOTAL	**1127**	**556**	**571**

The remuneration accorded to the two members of the Board of Auditors totals 56 thousand euros.

45 Related party transactions

Transactions with executives holding positions of strategic responsibility

The table below shows the remuneration paid out to executives holding positions of strategic responsibility, for the relevant term of office and on an accrual basis.

	31.12.2010	31.12.2009
Short-term benefits	2.095	2.128
End-of-service allowance to employees	86	86
Total	**2.181**	**2.214**

In the periods in question, a total of 9 executives/function managers held positions of strategic responsibility (one of which was seconded by FS) and the CEO hired in an executive position from October 2010.

All the executives holding positions of strategic responsibility have declared that, in the period in question, they did not carry out any transactions – either directly or through close family members – with Ferrovie dello Stato Group companies or other companies directly or indirectly controlled by Ferrovie dello Stato.

Other related party transactions

For information on the transactions between Grandi Stazioni and other related parties, reference should be made to note 43 to the separate financial statements.

The table below provides a summary of the key asset and liability transactions, in the year, with subsidiaries, parent companies and other related companies. The table also higlights the transactions with the company that exercises management and coordination activities and with the companies that are subject to the same management and coordination activities.

Company	Asset transactions	Liability transactions
Parent companies		
Ferrovie dello Stato (a)	Trading and other transactions: lease-related expenses occupation of premises compensation for occupation of premises sundry reimbursements Financial transactions: group bank account interest	Trading and other transactions: services directors'/auditors' remuneration payables for tax credit transfer seconded personnel VAT consolidation IRES consolidation
Associated companies		
Trenitalia (b)	Trading and other transactions: lease-related expenses compensation for occupation of premises occupation of premises lease arrangements reimbursements	Trading and other transactions: engineering work advance payments reimbursements
Rete Ferroviaria Italiana (b)	Trading and other transactions: lease-related expenses compensation for occupation of premises occupation of premises consideration for engineering services reimbursements lease arrangements	Trading and other transactions: retrocession fees maintenance work engineering work advance payments utilities services
Ferservizi (b)	Trading and other transactions: lease-related expenses compensation for occupation of premises occupation of premises reimbursements	Trading and other transactions: travel fees
Fercredit (b)	Trading and other transactions: leasing	Trading and other transactions: leasing
FS Sistemi Urbani (b)		Trading and other transactions: retrocession fees
Cisalpino (b)	Trading and other transactions: lease-related expenses lease arrangements	

Italferr (b)	Trading and other transactions: lease-related expenses reimbursements lease arrangements	Trading and other transactions: guarantees
Metropark (b)	Trading and other transactions: reimbursements lease arrangements facilities	Trading and other transactions: services equipment leasing
Other related parties		
Anas	Trading and other transactions: lease arrangements	
Poste Italiane	Trading and other transactions: lease arrangements	Trading and other transactions: services
Rai	Trading and other transactions: Media	
Studiare Sviluppo	Trading and other transactions: lease arrangements	
Eni		Trading and other transactions: services
Enel		Trading and other transactions: services
Fondo Mario Negri		Trading and other transactions: pension scheme
Cassa depositi e Prestiti		Trading and other transactions: commissions

(a) Company exercising management and coordination activities (direct parent company)

(b) Company subject to management and coordination by (a)

Trading and other transactions

The table below shows the financial and operating figures relating to the transactions detailed above (*KEuros*):

Company	31.12.2010				2010	
	Receivables	Payables	Investment purchasing	Guarantees & Commitments	Expenses	Revenues
Parent companies						
Ferrovie dello Stato	236	5,564			465	160
Other associated companies						
Trenitalia	8,645	-2				29,299
Rete Ferroviaria Italiana	28,359	17,198			38,064	57,052
Ferservizi	2,514	155			6	3,126
Fercredit					3	
Fs Sistemi Urbani		478			290	
Cisalpino	8					51
Italferr	4,752	3,600				10,268
Metropark	148	172			345	175
Total other associated companies	**44,426**	**21,601**			**38,708**	**99,971**
Other related parties						
Anas S.p.A.	671					4,764
Poste Italiane S.p.A.	25				25	371
RAI S.p.A.	101					84
Studiare Sviluppo S.r.l.	0					0
Eni S.p.A.		1,496			4,472	
Fondo Mario Negri		58			107	
Enel S.p.A.		895			4,801	
Total other related parties	**797**	**2,449**			**9,405**	**5,219**
TOTAL	**45,459**	**29,614**			**48,578**	**105,350**

Financial transactions

The transactions with the FS Group companies were primarily of a trading nature and, therefore, the expenses and revenues, and the related payables and receivables, refer to: the leasing of station premises, the reimbursement of ancillary costs, cost recoveries relating to seconded personnel, the delivery of general Group services and business travel services.

Lastly, Ferrovie dello Stato S.p.A. and Grandi Stazioni S.p.A. have opened a group bank account into which funds are transferred and from which monies are paid out, in respect of the transactions with FS Holding, Ferservizi, Italferr, RFI and Trenitalia. At 31 December 2010, the balance of the group bank account totaled € 17,923,968.

The table below shows the financial and operating figures relating to the transactions detailed above (*KEuros*).

Company	31.12.2010			2010	
	Receivables	Payables	Guarantees & Commitments	Expenses	Revenues
Ferrovie dello Stato	17,924				179
Other associated companies					
Metropark			116		
Other related parties					
Cassa Depositi e Prestiti				336	
TOTAL	**17,924**		**25,416**	**336**	**210**

On 16 March 2010, the Board of Directors of the company resolved, jointly with the Parent Company FS, to participate in and apply the National Tax Consolidation Scheme for the 2010-2012 period.

Appendix 1 Consolidation area and equity interest of Grandi Stazioni Group

Provides design and site supervision services, with respect to the works carried out at the station complexes managed by the Group, in Italy and abroad.

Upgrades, valorises and manages the station complexes of Prague Central and Marianske Lazne.

Company Financial Statements of Grandi Stazioni SpA at 31 December 2010

Schedules of Accounts

Statement of financial position (Balance Sheet)

(Euros)	Notes	31.12.2010	31.12.2009	01.01.2009
Assets				
Property, plant and equipment	*(5)*	237,661,758	209,236,542	175,648,506
Investment property	*(6)*	40,374,715	56,234,644	54,361,236
Intangible assets	*(7)*	104,731	86,480	101,497
Prepaid tax assets	*(8)*	7,166,126	6,224,490	4,329,304
Equity investments	*(9)*	4,074,371	4,068,453	4,074,244
Non-current financial assets (including derivatives)		0	0	131,467
Non-current trade receivables	*(10)*	7,308,214	8,608,191	9,255,479
Other non-current assets	*(11)*	2,324,622	2,843,079	3,361,736
Total non-current assets		**299,014,536**	**287,301,879**	**251,263,469**
Construction contracts	*(12)*	11,686,650	14,609,750	6,569,895
Current trade receivables	*(10)*	85,808,468	113,057,823	83,965,602
Current financial assets (including derivatives)	*(13)*	17,923,968	7,113,256	17,807,544
Cash and cash equivalents	*(14)*	26,773,569	57,938,095	6,629,116
Tax credits	*(15)*	813,588	0	2,932,638
Other current assets	*(11)*	14,390,760	15,433,914	16,119,582
Assets held for sale	*(16)*	17,338,378	0	41,756,935
Total current assets		**174,735,381**	**208,152,838**	**175,781,312**
Total assets		**473,749,918**	**495,454,717**	**427,044,781**

Shareholders' equity				
Share capital	*(17)*	4,304,201	4,304,201	4,304,201
Reserves	*(17)*	103,923,992	80,021,420	77,415,873
Gains (losses) brought forward	*(17)*	9,387,476	7,370,239	4,239,048
Results for the year	*(17)*	19,421,700	39,468,278	18,150,767
Total shareholders' equity		**137,037,369**	**131,164,138**	**104,109,889**
Liabilities				
Medium/long term financing arrangements	*(18)*	185,205,329	201,229,740	159,371,620
Severance pay and other employee benefits	*(19)*	1,856,499	2,003,173	2,014,485
Provisions for risks and charges	*(20)*	6,239,874	6,610,642	4,103,007
Deferred tax liabilities	*(8)*	7,178,393	8,616,789	2,667,985
Non-current financial liabilities (including derivatives)	*(21)*	2,072,025	547,585	69,621
Other non-current liabilities	*(22)*	2,599,299	2,995,896	3,521,034
Total non-current liabilities		**205,151,418**	**222,003,825**	**171,747,752**
Current share of medium/long term financing	*(18)*	16,022,219	16,134,552	5,036,676
Current trade payables	*(23)*	100,711,621	96,513,606	117,518,670
Income tax payables	*(24)*	109,277	7,593,238	0
Other current liabilities	*(22)*	14,718,014	22,045,357	28,631,794
Total current liabilities		**131,561,131**	**142,286,754**	**151,187,140**
Total liabilities		**336,712,549**	**364,290,579**	**322,934,892**
Total shareholders' equity and liabilities		**473,749,918**	**426,226,385**	**427,044,781**

Income statement

(Euros)	Notes	31.12.2010	31.12.2009
Revenue and receipts			
Revenue from sales and services	*(25)*	187,807,841	176,006,528
Other income	*(26)*	4,971,171	29,672,811
Total revenue		**192,779,012**	**205,679,339**
Operating expenses			
Labour costs	*(27)*	(14,553,427)	(14,972,032)
Raw materials, consumables and commodities	*(28)*	(188,979)	(207,000)
Expenses for services	*(29)*	(87,444,846)	(87,417,660)
Leased assets	*(30)*	(38,143,761)	(34,160,025)
Other expenses	*(31)*	(5,431,627)	(6,532,522)
Capitalised internal construction costs	*(33)*	868,070	1,753,377
Depreciations	*(33)*	**(7,887,227)**	**(5,029,919)**
Write-downs (write-ups)			
Adjustments and write-ups of receivables	*(34)*	(4,170,731)	(5,789,958)
Provisions for risks and charges	*(35)*	**(1,697,342)**	**(2,664,978)**
Operating results (EBIT)		**34,129,142**	**50,658,622**
Financial revenues and expenses			
Financial revenues	*(36)*	476,214	12,718,655
Financial expenses	*(37)*	(3,317,452)	(3,089,251)
Results before taxes		**31,287,903**	**60,288,026**
Income tax	*(38)*	(11,866,203)	(20,819,748)
Net results for the year		**19,421,700**	**39,468,278**

Statement of comprehensive income

(Euro)	Note	31.12.2010	31.12.2009
Net results for the year		**19,421,700**	**39.468.278**
Other total income statement items			
Effective portion of the fair value changes in the cash flow hedges	*(21)*	(1,524,439)	(477.889)
Gains (losses) relating to actuarial benefits	*(21)*	(56,849)	(92.978)
Tax impact	*(21)*	419,221	156.989
Other total income statement items for the year, less tax impacts	*(21)*	**(1,162,067)**	**(413.878)**
Total income statement for the year		**18.259.633**	**39,054,400**

Statement of changes in the shareholders' equity

Euros	Shareholders' equity								
	Share capital	Legal reserve	Extraordinary reserve	Share premium reserve	*Actuarial valuation reserve*	*Fair value valuation reserve*	Cumul. gains (losses) brought forward	Operating results	**Total Shareholders' equity**
Balance at 1 January 2009	**4,304,201**	**860,840**	**18,331,647**	**58,308,624**	**(34,763)**	**(50,475)**	**4,239,048**	**18,150,767**	**104,109,889**
Distributed dividends								(12,000,000)	(12,000,000)
Allocation of net results for the previous year			3,019,480				3,131,191	(6,150,767)	(96)
Other movements					(67,409)	(346,524)			(413,933)
Total profit/(loss) recognised									
of which:									
Profit/(Loss) recognised directly in the shareholders' equity									-
Profit for the year								39,468,278	39,468,278
Balance at 31 December 2009	**4,304,201**	**860,840**	**21,351,127**	**58,308,624**	**(102,172)**	**(396,999)**	**7,370,239**	**39,468,278**	**131,164,138**
Distributed dividends								(12,500,000)	(12,500,000)
Allocation of net results for the previous year			24,950,942				2,017,237	(26,968,278)	(99)
Other movements					56,849	(1,105,219)			(1,048,370)
Total profit/(loss) recognised									
of which:									
Profit/(Loss) recognised directly in the shareholders' equity									-
Profit for the year								19,421,700	19,421,700
Balance at 31 December 2010	**4,304,201**	**860,840**	**46,302,069**	**58,308,624**	**(45,323)**	**(1,502,218)**	**9,387,476**	**19,421,700**	**137,037,369**

Statement of cash flows

(Euros)	NOTES	31.12.2010	31.12.2009
Opening net cash	(14)	**57,938,095**	**6,629,116**
Cash flows from operating activities			
Profit (loss) for the year	(17)	19,421,700	39,468,278
Depreciations and write-downs	(33)	7,887,227	5,029,919
Changes in severance pay	(19)	(146,674)	(11,312)
Changes in inventories	(12)	2,923,100	(8,039,855)
Changes in trade and other receivables	(10)	30,110,943	(27,109,141)
Changes in provisions for risks and charges	(20)	(370,768)	2,507,635
Changes in tax receivables/payables	(15)	(10,677,581)	14,579,494
Changes in trade and other payables	(22) (23)	(3,525,925)	(28,116,639)
Total		**45,622,022**	**(1,691,621)**
Cash flows from investment activities			
Investments in:			
- intangible assets	(7)	(18,251)	15,017
- tangible assets	(5) (6)	(20,452,514)	(40,491,363)
Assets held for sale	(16)	(17,338,378)	41,756,935
Changes in financial assets	(13)	(10,810,712)	10,694,288
Changes in other fixed assets	(5) (6)	(5,918)	5,791
Total		**(48,625,773)**	**11,980,668**
Cash flows from financing activities			
Financing received/(paid back)	(18)	(14,612,306)	53,433,961
Distributed dividends	(17)	(12,501,000)	(12,000,000)
Other changes in Shareholders' equity	(17)	(1,047,469)	(414,029)
Total		**(28,160,775)**	**41,019,932**
Total cash flows for the year	(14)	**(31,164,526)**	**51,308,979**
Closing net cash	(14)	**26,773,569**	**57,938,095**

Notes to the consolidated financial statements

41 Introduction

These financial statements for the year ended on 31 December 2010 (hereinafter, the company financial statements) have been prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as adopted by the European Union ("EU-IFRS"). In particular, Grandi Stazioni S.p.A. (the Company) has decided to apply Legislative Decree 38/2005, which regulates the options set out in article 5 of Regulation (EC) No. 1606/2002 on the application of international accounting standards. In accordance with articles 3 and 4 of the above mentioned decree, in fact, the company applied the EU-IFRS standards for the first time in respect of the preparation of its consolidated financial statements for the financial year ended on 31 December 2010. Until the financial year ended on 31 December 2009, the Company had always prepared its company financial statements in accordance with Legislative Decree No. 127/1991, consistently with the interpretations by the Italian accounting standards setter – Organismo Italiano di Contabilità (the Italian Accounting Standards).

42 Company overview

Grandi Stazioni S.p.A. is a company incorporated and operating in accordance with the laws in force in the Republic of Italy.

The Company's legal headquarters are in Via G. Giolitti 34 – 00185 Rome.

The core business of the Grandi Stazioni is the upgrading and management of station complexes.

In particular, it operates throughout the country, in the 13 major Italian railway stations: Roma Termini, Milano Centrale, Torino Porta Nuova, Firenze Santa Maria Novella, Bologna Centrale, Napoli Centrale, Venezia Mestre and Santa Lucia, Verona Porta Nuova, Genova Piazza Principe and Brignole, Palermo Centrale and Bari Centrale, and internationally, in the 2 railway stations of Prague Central and Marianskè Lazne.

In carrying out its design and site supervision activities, feasibility studies and technical consulting operations, Grandi Stazioni collaborates with its subsidiary Grandi Stazioni Ingegneria.

The guiding goal of the company and its subsidiaries is to disseminate a new concept of railway station among the general public, as an enterprise with a high business potential, a venue for city life and a vibrant and welcoming place, capable of offering a range of quality services and opportunities for enjoying the time spent waiting for a train, or simply whiling away one's leisure time. According to this new concept, stations fulfil a new urban function.

In carrying out its design and site supervision activities, feasibility studies and technical consulting operations, Grandi Stazioni collaborates with its subsidiary Grandi Stazioni Ingegneria.

The guiding goal of the Company is to disseminate a new concept of railway station among the general public, as an enterprise with a high business potential, a venue for city life and a vibrant and welcoming place, capable of offering a range of quality services and opportunities for enjoying the time spent waiting for a train, or simply whiling away one's leisure time. According to this new concept, stations fulfil a new urban function.

Briefly, the aims of the Company's mission are to:

- refurbish and valorise its properties through leasing, promotional and advertising activities and the direct management of passenger areas and services;
- improve the quality of and diversify travel services, by enhancing the existing offering and constantly striving to improve customer satisfaction;
- promote new ways of using space, by introducing innovative services in the Network stations, converted into multi-purpose facilities designed to cater for a broad range of needs, with retail stores, a specialist medical centre, a health club and other activities for spending leisure time;
- integrate the station buildings with the surrounding urban fabric, so that they may effectively become a vibrant part of the city, by facilitating access and enhancing inter-modality with all other means of transport;
- develop community outreach projects targeting marginalised and vulnerable people experiencing social exclusion, who gravitate to railway stations, in cooperation with volunteer organizations;
- spread a new concept of station, through communication strategies and cultural projects.

The approval and publication of the financial statements of Grandi Stazioni SpA, for the financial year ended on 31 December 2010, pursuant to IAS 10, was decided by the Board of Directors on 7 April 2011.

43 Financial reporting principles applied

Below is an overview of the key financial reporting principles applied to the preparation of the company financial statements.

Property, plant and equipment

Property, plant and equipment are valued at their purchase/production cost, net of accumulated depreciation and write-downs. The purchase/production cost includes all expenses directly incurred to prepare the assets for use and any other dismantling and disposal costs incurred under contract obligations requiring the assets to be restored to their original condition. The financial charges directly relating to the acquisition, construction or production of qualified activities are capitalised and depreciated based on the useful life of the relevant asset. Improvement, upgrading and transformation costs that enhance the value of the tangible assets are recognised to the balance sheet among the assets.

Expenses incurred for ordinary and/or routine maintenance and repairs are directly charged to the income statement, at the time they are incurred. The costs relating to the expansion, upgrading or improvement of owned or leased structural elements are capitalised insofar as they meet the requirements needed to be separately classified as assets, or part of an asset, consistently with the "component approach" principle, according to which each component the useful life and related value of whichy can be independently valued must be treated individually.

Depreciations are recognised on a monthly basis, according to the straight line method, applying rates that allow the depreciation of the assets throughout their useful life. When an asset subject to depreciation is composed of elements that can be separately identified, and the useful life of one or more of which significantly differs from that of all the others making up the shole, each component is depreciated separately, according to the so-called “component approach” method.

The following table shows the useful life estimated by the Company for the various tangible assets:

	Rate
Civil works	3%
Plant and machines	5%-20%
Industrial and commercial equipment	20%
Other assets:	
- *Furnishings and fittings*	12%
- *Electronic machines*	20%
- *Office equipment*	40%
- *Vehicles*	25%

The useful life of tangible assets and their residual value are reviewed and updated, where necessary, at least at the end of each financial period. Land cannot be depreciated.

Assets under financial leasing arrangements

Any tangible assets held under financial leasing arrangements, through which the ownership risks and benefits are substantially transferred to the Company, are recognised as Company assets at their current value at the date of the relevant lease agreement or, if lower, at the current value of the payment due in respect of the leasing arrangements, including the amount to be paid for exercising the purchase option. The corresponding liability payable to the lessor is recognised to the balance sheet among the financial payables. The assets are then depreciated applying the above mentioned methods and principles, unless the term of the leasing arrangement is lower than the useful life represented by the said rates, and there is no reasonable certainty as to the transfer of ownership of the leased asset at the natural expiry of the agreement; in this case, the depreciation period is represented by the term of the leasing arrangement.

Leasing arrangements under which the lessor substantially maintains the risks and benefits related to the ownership of the assets are classified as operating leases. Operating lease costs are reported on a straight line basis, in the income statement, throughout the term of the leasing arrangement.

Investment property

Investment property is property (land or a building or parts thereof) held to earn rentals and/or for capital appreciation, and is ordinarily not for sale. Moreover, investment property is not used to produce or supply goods or services, or in connection with corporate administration. The accounting standards applied to this item are the same as those described for "Property, plant and equipment".

Buildings, in fact, are depreciated at a rate of 3%, while plant is depreciated at a rate of 15%.

Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance, controlled by the company and and from which future economic benefits are expected. Identifiability is defined with reference to the possibility of distinguishing the acquired intangible asset, with respect to the goodwill; as a rule, this requirement is satisfied when an intangible asset: (i) arises from contractual or other legal rights, or (ii) is separable, i.e. capable of being separated and sold, transferred, licensed, rented, or exchanged, either individually or together with a related contract. Control by the company consists in the power to exploit the future economic benefits flowing from the asset and in the possibility of limiting access to the asset by others.

Intangible assets are recognised at cost, determined according to the same process as property, plant and equipment, only when the latter can be reliably valued.

Grandi Stazioni holds the following types of intangible assets, whose useful life has been defined as described:

	Rate
Software	33%
Licenses	33%

After its initial recording, the cost or fair value of the intangible assets with a defined useful life is adjusted in accordance with the related accumulated depreciation and any loss of value, determined through the procedures described below. Depreciation begins as soon as the intangible asset is available for use and is systematically apportioned in relation to the its remaining useful life, or based on its estimated useful life.

The useful life is reviewed annually and any changes, if deemed necessary, are made in accordance with the prospective application method.

The gain/loss from the sale of an intangible asset are determined as the difference between the sale price, less the relevant costs, and the asset's carrying amount, and is recognised to the income statement at the time of disposal.

Impairment of assets

i) (Intangible and tangible) assets with a defined useful life

At the date of the financial statements, an assessment is made to find out whether there are any signs that the value of the tangible/intangible assets may be impaired. For this purpose, both internal and external sources of information are used. The former (internal sources) include: the obsolescence or physical deterioration of the asset, any significant changes in the use of the asset and the actual economic performance of the asset compared to expectations. The external sources include: the market price trends of the asset, any technological, market or regulatory changes concerning the asset, the interest rate or capital cost trends used to value the investments.

If any of the above indicators are identified, the recoverable value of the assets is estimated, recording the write-down, if any, compared to the relevant carrying amount, in the income statement. The recoverable value of an asset is the higher of an asset's fair value less costs to sell and its value in use, the latter being the discounted to the present value of the future cash flows expected to arise from the asset. When determining its value in use, the expected future cash flows are discounted to the present based on a discount rate gross of tax, which reflects the current market valuations of the cost of money, in relation to the period of the investment and the specific risks of the assets. In the case of assets that do not produce broadly independent financial flows, the recoverable value is determined in relation to the cash generating unit to which the assets belong.

Value impairments are recognised to the income statement, if the carrying amount of the asset – or of the relevant cash generating unit to which the asset belongs – is higher than its recoverable value. Value impairments of the cash generating unit are recognised to reduce, first of all, the carrying amount of the goodwill thereof, if any, and secondly the other assets, in proportion to their carrying amount, and within the limits of the relevant recoverable value. If the grounds for a previous writedown of value are no more, the carrying amount of the asset is restored by recording in the income statement, at no more than the net carrying amount that the asset in question would have had if the writedown had never been effected and the relevant depreciations made.

ii) Intangible assets not yet available for use

The recoverable value of any intangible assets not yet available for use is subject to an annual (or more frequent) assessment of the recoverability of the value, in the presence of indicators that might point to an impairment of the assets.

Equity investments in subsidiaries

Equity investments in subsidiaries are recognised at cost, adjusted by the write-down amount. When the reasons determining the impairment are no more, the carrying amount of the equity investments is increased up to the original cost. This reversal of impairment is recognised to the income statement.

Financial assets and trade receivables

Financial assets are initially recognised at their fair value and classified among the receivables and financing receivable, assets available for sale or financial assets at fair value, with a counterpart in the income statement, based on the relevant nature and the purpose for which they have been acquired.

Financial assets are recognised at the date of negotiation of the purchase/sale transaction and are removed from the financial statements when the right to receive the related cash inflows has expired, and the Company has substantially transferred all the risks and benefits inherent in the financial instrument, and the related control.

Loans and receivables

Loans and receivables (L&R) are non-derivative financial instruments, not quoted in an active market, which are expected to produce fixed or determinable payments. In particular, this category includes the following items in the consolidated balance sheet ["Non-current financial assets (including derivatives), "Current financial assets (including derivatives)" and "Current trade receivables"].

L&R are initially recognised at their fair value and then valued according to the depreciated cost method, based on the principle of the effective interest rate, less the bad debts fund. L&R are recognised in the current assets, except for those falling due after twelve months from the date of the financial statements, which are recognised in the non-current assets.

Losses on loans and receivables are recognised to the financial statements subject to objective evidence that the Company will be unable to collect the amount due, from the debtor, based on the contract conditions. Objective evidence includes events such as the following:

- significant financial difficulties of the issuer or debtor;
- disputes under way with the debtor, with respect to the amounts due;
- the likelihood that the debtor may become insolvent or subject to other financial restructuring procedures.

The amount written down is measured as the difference between the carrying amount of the asset and the present value of the expected future cash flows, and is recognised to the income statement in the item ["Value adjustments and recoveries with respect to receivables"]. Non-recoverable financing and receivables are reported in the consolidated balance sheet less the bad debts fund. If, in the following years, the reasons for the previous write-downs cease to exist, the value of the assets is restored up to the value that would have resulted from the application of the depreciated cost method.

Derivative instruments

The derivatives entered into by the Company are aimed at tackling exposure to exchange and interest rate risks and at diversification of the borrowing parameters, enabling a reduction of the related costs and volatility. At the conclusion of the relevant contract, the derivative instruments are initially recognised at fair value and – if the derivatives are not recognised as hedging instruments – any subsequent changes to the fair value are treated as components of the income statement.

Hedge derivatives are recognised according to the hedge accounting methods only when:

- at the hedge start date, there is a formal designation and documentation of the hedge relationship;
- the hedge is expected to be highly effective;
- the effectiveness of the hedge can be reliably measured;
- the hedge is highly effective over the various accounting periods for which it has been designated.

If the derivatives qualify for hedge accounting, the following processes apply:

Cash flow hedge

If a derivative instrument is designated to hedge the exposure to changes in the cash flows of assets or liabilities recognised to the financial statements, or a highly likely foreseen transaction, the effective portion of the gains or losses resulting from the adjustment to the fair value of the derivative are entered in an ad hoc reserve of the shareholders' equity, and recognised to the income statement in the same years in which the impact of the hedged transaction is recognised to the income statement. The gain or loss associated with that portion of the ineffective hedge is immediately recognised to the income statement. If the hedged transaction is no longer deemed likely, the gains or losses not yet realised – recognised in the shareholders' equity reserve – are immediately recognised to the income statement.

Derivative instruments are recognised showing the negotiation date.

Measuring fair value

The fair value of financial instruments quoted in an active market is based on the market prices at the date of the financial statements. Instead, the fair value of financial instruments not quoted in an active market is measured according to valuation techniques based on a series of methods and assumptions related to the market conditions effective at the date of the financial statements.

Below is the three-level hierarchy used to measure the fair value of the financial instruments:

Level 1: the fair value is measured with reference to quoted (non adjusted) prices for identical assets or liabilities in active markets.

Level 2: the fair value is measured using valuation techniques with reference to variables observable in active markets.

Level 3: the fair value is measured using valuation techniques with reference to unobservable market variables.

Given the short-term characteristics of trade receivables/payables, it is deemed that the carrying amounts shown represent a good approximation of the fair value.

Construction contracts

Construction contracts (hereinafter also referred to as "revenue-generating contracts") are recognised at the amount agreed to in the initial contract, as reasonably accrued, according to the percentage of completion method of accounting, and taking into account the stage of completion of the contract work and the expected contract risks. The stage of completion of the contract work is measured with reference to the proportion that contract costs incurred at the date of the financial statements bear to the estimated total contract costs.

If the outcome of a contract cannot be estimated reliably, the contract revenue is recognised only to the extent that the contract costs incurred are expected to be recoverable. If the outcome of a construction contract can be estimated reliably, and it is likely that the contract will generate a profit, the contract revenue is recognised over the entire term of the contract itself. When it is likely that the aggregate contract costs will exceed the contract revenue, the potential loss is immediately recognised to the income statement.

The Company recognises as an asset the gross amount due from customers for contracts in progress, in respect of which the costs incurred, plus the measured profit (less the measured loss), exceed the amounts invoiced at the relevant stage of completion of the works. The Company recognises as a liability the gross amount due to customers, for all construction contracts in progress, in respect of which the amounts invoiced at the relevant stage of completion exceed the costs incurred, including the measured profit (less the measured loss).

Cash and cash equivalents

This item comprises the cash on hand and bank demand deposits, as well as other short-term investments with an original maturity of three months or less. At the date of the financial statements, bank account overdrafts are classified among the financial payables in the current liabilities section of the consolidated balance sheet. The elements included in the cash and cash equivalents are valued at the fair value, and any changes are recognised to the income statement.

Trade payables

Trade and other payables are initially recognised at the fair value, less any direct ancillary costs, and are subsequently valued at the depreciated cost, applying the effective interest rate method.

Financing arrangements

Loans payable are initially recognised at the fair value, less the direct ancillary costs, and are subsequently valued at the depreciated cost, applying the effective interest rate method. In the event of changes in the expected cash flows, the value of the liabilities is recalculated to reflect the changes, based on the present value of the new estimated cash flows and the effective internal rate as initially determined. Loans payable are classified among the current liabilities, except those with a maturity of more than twelve months, with respect to the date of the financial statements, and those for which the Company is unconditionally entitled to defer the payment date for at least twelve months after the maturity date. Loans payable are written off when extinguished and when the Company has transferred all the related risks and expenses.

Loans purchased or sold are recognised at the date of negotiation of the transaction, and are written off when extinguished and when the Company has transferred all the related risks and expenses.

Employee benefits

Short-term employee benefits comprise salaries, wages, pension scheme payments, compensated absences, and incentives, in the form of bonuses payable within twelve months from the date of the financial statements. These benefits are recognised among the labour costs in the period in which the service is rendered by the employee.

Severance pay and other employee benefits

The Company has set up both defined contribution and defined benefit plans. The defined contribution plans are managed by third-party fund management companies, with respect to which there are no legal or other obligations to pay in further amounts, if the fund no longer has sufficient assets to comply with its obligations to the employees. With regard to defined benefit pension plans, the Company pays contributions – which are either voluntary or fixed by contract – into public or private pension schemes. These contributions are recognised as labour costs, on an accrual basis. Advance contributions are recognised as assets that will be reimbursed or set off by future payments, if due.

A defined benefit plan cannot be classified as a defined contribution plan. In the case of defined benefit pension schemes, the amount of benefit paid out to employees can actually be determined only after retirement, and depdends on a number of factors, such as age, tenure of service and earnings history. Therefore, the obligations relating to defined benefit plans are determined by an independent actuary, using the so-called "projected unit credit method". The present value of the defined benefit plan is measured by discounting the future cash flows at an interest rate equal to that of (high-quality corporate) bonds issued in the currency in which the liability will be paid, and taking into account the duration of the relevant pension scheme. The gains/losses resulting from the actuarial measurement are charged entirely to the shareholders' equity, in the year in question, taking into account the deferred tax impact.

In particular, the Company manages a defined benefit plan, comprising the severance pay fund. Payment of severance pay is mandatory for all companies, under article 2120 of the Civil Code; it is considered as deferred remuneration and its amount depends on the employee's tenure of service and earnings history. From 1 January 2007, Law 296/2006 (the so-called "2007 Financial Law"), and subsequent enforcement regulations, has introduced a number of significant changes to the rules governing severance pay, including the choice, by the employee, to pay his or her severance pay money into either complementary pension schemes or the "Treasury Fund" managed by the INPS. This entails that – in accordance with the IAS 19 Employee Benefits standard – the pension plans managed by the INPS and the complementary pension schemes must be viewed as defined contribution plans, while the Company's severance pay plan, as from 1 January 2007, is a defined benefit plan.

Provisions for risks and charges

Provisions for risks and charges are set aside to cover losses or liabilities that are certain or probable, but for which the amount and/or timing cannot be determined at the end of the period. The recognised amount is measured only in the case of a current (legal or implicit) obligation for future disbursements, in respect of past events, and it is probable that the disbursement is required to fulfil an obligation. The amount is the best estimate of the expense needed to extinguish the obligation. The rate used to measure the present value of the liability reflects the current market values and takes into account the specific risk associated to each liability.

When the financial impact of the timing is significant, and the dates of payment of the obligations are estimated reliably, the funds are valued at the present value of the expected disbursement using a rate that reflects the market conditions, changes to the cost of money in time and the specific risk associated to the obligation. An increase in value of the provision, determined based on changes in the cost of money in time, is recognised as an interest payable.

The risks with respect to which the appearance of a liability is only possible are shown in the specific section on potential liabilities, and no appopriations are made with respect thereto.

Revenues

Revenues are measured to the extent that the relevant benefits are expected to flow to the Company, and their amount can be reliably determined, taking into account the value of any commercial rebates or discounts.

Revenue from services are recognised to the income statement, with reference to the stage of completion of the service and only when the service can be estimated reliably.

Revenue from contract work in progress is measured with respect to the stage of completion (percentage of completion method).

Interest receivable is recognised to the income statement, based on the effective rate of return.

Public grants

Public grants, if formally assigned and, in any case, when entitlement is finally determined and there is a reasonable certainty that the Company can comply with the relevant terms and conditions, and the perception that the grants will effectively be collected, are recognised, on an accrual basis, in direct correlation with the costs incurred.

i) *Grants for equipment*

Public grants for equipment refer to sums paid out by the State, or other Public Entities, to the Company, in connection with the construction, re-activation and extension of property, plant and equipment. Capital grants directly reduce the assets to which they refer and contribute to decreasing the depreciation rates.

ii) Grants for operating costs

Grants for operating costs refer to sums paid by the State, or other Public Entities, to the Company to reduce the costs and expenses incurred. These grants are recognised to the income statement to reduce the relevant cost item.

Recognition of costs

Costs are recognised when they are related to goods and services acquired or consumed during the year or for systematic appropriation.

Income tax

Current taxes are determined based on the estimated taxable income of the Company and consistently with the applicable tax regulations.

Prepaid and deferred taxes are calculated taking into account all the differences emerging between the taxable base of an asset or a liability and the related carrying amount, except for goodwill and those relating to differences resulting from the equity investments in subsidiaries, when the reversal timeframe of the differences is under the Company's control and it is likely that they will not become due in a reasonably foreseeable amount of time. Prepaid taxes, including those relating to prior tax losses, with regard to the proportion not been set off by the deferred taxes, are recognised to the extent that a future taxable income will be available, from which they can be recovered. Prepaid and deferred taxes are determined based on the foreseeable tax rates applied in the periods in which the differences will be either realised or extinguished.

Current, prepaid and deferred taxes are recognised to the income statement, except for those relating to items recognised among the other comprehensive income statement components, or directly debited or credited to the shareholders' equity. In the latter cases, the deferred taxes are recognised, respectively, in the "Tax impact" item, with respect to the other components of the comprehensive income statement and directly to the shareholders' equity. Prepaid and deferred taxes are set off when applied by the same tax authority, there is legal entitlement to set off and a net balance settlement is expected.

Other non-income taxes, such as indirect and other taxes, are included in the "Other expenses" income statement item.

In 2010, both the parent company Grandi Stazioni S.p.A. and the subsidiary Grandi Stazioni Ingegneria S.r.l. decided to participate in the national tax consolidation scheme (in respect of the 2010-2012 period), prepared by the holding company Ferrovie dello Stato S.p.A., in pursuance of article 117 of the T.U.I.R..

In 2010, the Company agreed to participate in the national tax consolidation scheme (for the 2010-2012 period) implemented by the parent company Ferrovie dello Stato S.p.A., in pursuance of article 117 of the

T.U.I.R..

The tax consolidation agreement provides that, as regards the taxable income achieved and transferred to Ferrovie dello Stato S.p.A., the subsidiaries are bound to also transfer to the latter the "tax balances", less the receivables transferred within the legal deadline provided for the payment of the balance and deposits relating to the receivables transferred. In order to identify the measure and terms for payment, any set-off steps taken by the holding company Ferrovie dello Stato SpA, with respect to the FS Group tax, will not be taken into account.

As regards the transfer of tax losses, the company Ferrovie dello Stato S.p.A. is required to pay to its subsidiaries indemnities amounting to the losses that they themselves would have used autonomously, lacking an FS Group tax consolidation scheme.

Irap is paid independently by each of the companies participating in the tax consolidation scheme.

Assets and liabilities held for sale

Non-current assets whose carrying amount will be recovered primaily through sale, rather than continued use, are classified as held for sale and recognised separately from the other assets and liabilities in the balance sheet. The corresponding equity values for the previous year have not been reclassified.

Non-current assets classified as held for sale are measured firstly in accordance with the IFRS standard applicable to each asset and liability, then recognised at the lower between the carrying amount and the related fair value, less the sale costs. Any subsequent loss of value is recognised directly as an adjustment to the non-current assets classified as held for sale, with a counterpart to the income statement.

Instead, a reversal of impairment is measured for each subsequent increment of the fair value of an asset, less the sale costs, but only up to the comprehensive write-down loss previously measured.

Recently issued accounting standards

Accounting standards approved by the European Union and applied in advance by the Company

At the date of approval of these company financial statements the EU legislators had approved certain accounting standards and interpretations, which have been voluntarily applied by the Company in advance, as follows:

Amendments to IFRS 1 and IFRS 7 – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters.

Accounting standards approved by the European Union and not adopted in advance by the Company

At the date of approval of these company financial statements, the EU legislators had approved certain accounting standards and interpretations, the application of which is not yet mandatory, and which will be applied by the Company in the future financial years. Following is a summary overview of the amendments and their potential impact on the Company:

Amendments to IAS 24 – Related Party Disclosure. The amended version of this standard applies to the Company, at the date of these financial statements, although no significant impact is expected from its application;

Amendments to IAS 32 – Classification of Rights Issues (applicable from 1 January 2011). The amended version of this standard does not apply to the Company, at the date of the present financial statements;

Amendments to IFRIC 14 – Prepayments of a minimum funding requirement (applicable from 1 January 2011). The amended version of the standard is not expected to impact the financial statements in any way;

Amendments to IFRIC 19 – Extinguishing financial liabilities with equity instruments (applicable from 1 January 2011). The amended version of the standard is not expected to impact the financial statements in any way.

The 2010 improvement process provides for the amending of various accounting principles, the application of which is expected to enter into force on 1 January 2011, including IFRS 1 (First-time adoption of international financial reporting standards), IFRS 3 (Business combinations), IFRS 7 (Financial instruments: disclosures), IAS 1 (Presentation of financial statements), IAS 27 (Consolidated and separate financial statements) and IAS 34 (Interim financial reporting). The application of the above mentioned amendments is not expected to significantly impact financial reporting by the Company.

Use of estimates and valuations

The preparation of the consolidated financial statements requires the application, by the directors, of the accounting standards and methods, which, in certain circumstances, are grounded on difficult and subjective valuations and estimates, based on past experience and on assumptions that are, from time to time, considered reasonable and realistic, with respect to the related circumstances. The outcome of the items included in the financial statements, to which the same estimates and assumptions have been applied, may therefore significantly differ from those recognised in the financial statements, due to the uncertainty of the assumptions and of the conditions on which the estimates are based. The estimates and assumptions are reviewed periodically and the impact of the ensuing changes is relfected in the income statement, if the review concerns the same financial year. Otherwise, in the case the revision concerns current and future periods, the changes are recognised in the year in which the review is made and the related future years.

The recognised outcomes may significantly differ from these estimates, as a result of possible changes to the factors taken into account when determining the estimates.

Below is a brief description of the accounting standards that, more than others, require greater subjectivity by the directors in making the estimates, and conserning which any changes in the underlying conditions, and the assumptions used, might significantly impact the consolidated financial data:

a) Depreciations

The depreciation of fixed assets is a significant cost for the Company. The cost of tangible/intangible assets and of investment property is depreciated on a straight line basis, over the estimated useful life of the relevant assets. The useful life of the Company's fixed assets is determined by the directors when the asset is purchased; it is based on past experience, with respect to similar assets, market conditions and the anticipation of any future events that might impact the useful life. Therefore, the actual useful life may differ from the estimated useful life. The Company periodically assesses changes in technology and industry sectors, to update the remaining useful life. This periodical updating might entail changes in the depreciation period and, therefore, in the depreciation rates in future years.

b) Provisions for risks and charges

Provisions are recognised, with regard to risks of a legal and tax nature, in respect of a possible negative outcome. The value of the provisions set out in the financial statements in respect of these risks is represented by the best estimate at the relevant date made by the directors. This estimate entails the adoption of assumptions that depend on factors that can change in time, and which might significantly affect the current estimates made by the directors, in respect of the preparation of the financial statements of the Company.

c) Taxes

Deferred taxes receivable are recognised based on the expected revenue in future years. The valuation of the expected revenue, for the purpose of recording the deferred taxes, depends on factors that can change in time and significantly impact the valuation of the deferred taxes receivable.

d) Fair value di derivatives

The fair value of derivatives not quoted on listed markets is measured based on valuation methods. The Company applies valuation techniques using the inputs directly or indirectly observable on the market at the end date of the financial year, related to the valued assets and liabilities. Although the estimated fair values are deemed to be reasonable, possible variations to the estimation factors, on which the measurement of the above mentioned fair values is based, might produce different valuations.

44 Financial and operating risk management

The Company is exposed to the following risks, as a result of the use of financial instruments:

- credit risk;
- liquidity risk;

- market risk.

This section provides information on the Company's exposure to each of the above mentioned risks, on the risk management objectives, policies and processes and on the methods used to assess them, as well as on the Company's capital management. The company financial statements provide further quantitative information.

The overall responsibility for the creation and supervision of a Company risk management system lies with the BoD; the financial risk management strategy implemented by the Company conforms to and is consistent with the corporate objectives laid down by BoD of the Parent Company, as part of the strategic plans approved each time, and is aimed at managing and controlling the said risks.

Credit risk

A credit risk arises if a customer, or other counterparty to a financial instrument, causes a financial loss by failing to meet its contractual obligations (default) and is primarily associated with the Company's trade receivables and financial investments.

In order to define the strategies and guidelines for its commercial credit policy, assign credit lines to its customers, minimise its credit risk, monitor customer solvency, initiate debt collection operations, the company has appointed a Credit Manager and issued a credit management procedure.

The recovery prospects of any amounts owed to the Company are assessed on a case by case basis, taking into account the information received from the function managers and the in-house/external legal consultants following any debt collection procedures.

The receivables which, at the date of the financial statements, will probably not be collected are written down.

Moreover, the Group has received surety and/or deposits covering approx. three months of the total rents for the year.

Liquidity risk

Liquidity risks arise from not having the necessary resources to meet any obligations associated with financial liabilities, which can be settled by means of cash or by providing other financial assets.

The financing arrangements used to finance the upgrading of both the station complexes and the invested property have all been paid and structured based on the estimate of future cash flows expected from the lease agreements.

The payment of the grants for the works carried out (as per the Legge Obiettivo), which, at the end of 2008, totaled 230.7 million euros, was suspended in 2009, awaiting the extension for the use thereof, which term had expired on 31 December 2008. For further details in this respect, reference should be made to the section on investments in the annual report.

The maturity dates of the financial liabilities, and relevant interest payable, are shown in the table below (*in KEuros*):

		Contractual cash flows					
31 December 2010	**Carrying amount**	**Contract value**	**6 months or less**	**Carrying amount**	**Contract value**	**6 months or less**	**Carrying amount**
Non-derivative financial liabilities							
Bank financing	201,227	249,989	9,952	9,977	20,456	64,418	145,186
Financial leasing liabilities					-	-	-
Trade payables	100,712	100,712	43,535	57,177	-	-	-
Total	**301,939**	**350,701**	**53,487**	**67,154**	**20,456**	**64,418**	**145,186**

		Contractual cash flows					
31 December 2009	**Carrying amount**	**Contract value**	**6 months or less**	**Carrying amount**	**Contract value**	**6 months or less**	**Carrying amount**
Non-derivative financial liabilities							
Bank financing	217,365	266,127	9,959	9,906	36,414	48,179	161,669
Financial leasing liabilities	222	222	222				
Trade payables	96,514	98,514	39,733	56,781			
Total	**314,101**	**362,863**	**49,914**	**66,687**	**36,414**	**48,179**	**161,669**

		Contractual cash flows					
1 January 2009	**Carrying amount**	**Contract value**	**6 months or less**	**Carrying amount**	**Contract value**	**6 months or less**	**Carrying amount**
Non-derivative financial liabilities							
Bank financing	166,840	215,602	7,364	4,283	15,686	51,900	136,369
Financial leasing liabilities	309	309	135	174		-	-
Trade payables	118,316	118,316	58,881	59,435	-	-	-
Total	**285,465**	**334,227**	**66,380**	**63,892**	**15,686**	**51,900**	**136,369**

With reference to the stratification of the expected flow of the derivatives, reference should be made to the following paragraphs on “Currency risk” and “Interest rate risk”.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument fluctuate, as a result of changing market prices, exchange rates, interest rates or quotations of the capital instruments. The objective of the market risk management is to control the Company’s exposure to this risk within reasonable levels, while at the same time optimising the return on investments. The Company uses hedging transactions to manage outcome volatility.

The fair value of a derivative contract is determined using the official quotations for the instruments exchanged on regulated markets. The fair value of instruments that are not quoted on regulated markets is determined based on appropriate valuation models for each type of financial instrument, and using the market data relating to the end date of the financial year (such as interest rates, exchange rates, volatility), discounting to the present the expected cash flows, based on the market interest rate curves at the date of the financial statements, and translating the values in currencies other than the Euro at the exchange rate in effect at the end of the period, as supplied by the European Central Bank.

No changes have been made to the valuation criteria of the derivatives existing at the end of the financial year, compared to those adopted at the end of the previous year. The impact on the income statement and the shareholders' equity of these valuations is, therefore, exclusively the result of the ordinary market dynamics.

The notional value of a derivative contract is the amount based on the flows are exchanged. The notional amounts of the derivatives shown here do not necessarily represent the amounts exchanged between the parties and, therefore, cannot be considered a measure of the Company's credit exposure.

The financial assets and liabilities relating to the derivatives held by the Company are cash flow hedge derivatives, for hedging cash flow changes or currency risk, in respect of the Group's long-term variable rate borrowings.

Currency risk

During the year, the Company did not carry out any significant currency transactions and, therefore, is not exposed to currency risks.

Interest rate risk

The BoD of Grandi Stazioni of 20 March 2009 decided to implement additional hedges, on top of the existing ones, with a view to increasing by 50% the ratio of hedging value to exposure to exposure to variable interest rates, in relation to the existing financing arrangements.

The instruments consist of conventional derivatives (e.g. IRS, FRA, COLLAR, CAP). At 31 December 2010, Interest Rate Swaps and Interest Rate Collars were used, as well as an Interest Rate Cap entered into before the above mentioned resolution was passed.

For Grandi Stazioni too, like all the other major Ferrovie dello Stato Group companies, a credit risk policy has been defined, with respect to derivative transactions.

To prevent credit risk concentration, it was established that no counterparty can take on positions in excess of 30% of the notional value of the hedged debt and that the minimum rating is at least "A -".

At 31 December 2010, Grandi Stazioni had entered into 4 ISDA Master Agreements, with prime domestic and international banks, with the requisite credit standing, and had operated in accordance with the above mentioned concentration limits. No counterpary had derivatives totaling more than 30% of the hedged debt portfolio.

The Company generally takes out variable rate loans increased by a spread. Therefore, its operating results are significantly affected by interest rate increases.

It is the Company's policy to minimise interest rate risks as far as possible, in the medium term, so as to substantially limit risk to property assets.

At 31 December 2010, the Company had entered into the following hedge contracts:

- *IRS with Mediobanca,* entered into in 2006 to hedge the 30 million euro variable rate loans, to ensure a differential applied on the EURIBOR at 6 months of 245 basis points, and a minimum rate of 4.30%; the contract will expire on 30 June 2011;
- *IRS with RBS* (Royal Bank of Scotland), entered into in 2009 to hedge a EIB loan, with a notional value of 20 million euros at a fixed rate of 3.635%; the contract will expire on 30 June 2023;
- *IRS with Calyon,* entered into in 2009 to hedge a EIB loan, with a notional value of 30 million euros at a fixed rate of 3.738%; the contract will expire on 30 June 2023;
- *Collar with BNP Paribas,* entered into in 2010 to hedge a EIB loan, with a notional value of 25 million euros, a Cap of 3.96%, a Floor of 1.25% and a Spread of 0.25%; the contract will expire on 31 December 2016.

The interest rate option derivative contract entered into with Mediobanca in 2006, initially to hedge the interest rate changes relating to the financing arrangement with Monte dei Paschi di Siena, was maintained even after the financing had been paid back (in 2008) and used to hedge the same risk, in respect of the EIB financing.

All the derivative contracts mentioned can be classified as cash flow hedge contracts. The expiration date of the contracts does not exceed the maturity of the underlying financial liability, which means that any changes in the fair value and/or expected cash flows of the contracts, is balanced by a corresponding change in the fair value and/or expected cash flows of the underlying position.

Interest rate swap contracts typically provide for the periodical exchange of variable-rate interest flows with fixed-rate interest flows, both measured with respect to the same benchmark notional capital.

The interest rate option contracts on reaching the strike value provide for the periodical payment of an interest differential determined based on a benchmark notional capital. These strike values determine the minimum or maximum rate – cap and floor, respectively – at which the borrowing will be indexed, as an effect of the hedge.

Interest rate option contracts are generally entered into when the fixed interest rate ensuing from an interest rate swap is considered too high, vis-à-vis the Company's expectations in respect of future interest rate trends. Moreover, the use of an interest rate option is deemed appropriate at times of uncertainty about future interest rate trends, permitting the Company to reap the benefits of future interest rate reductions.

The table below shows – at 31 December 2010 and 31 December 2009 – the notional value of the interest rate derivative contracts, broken down by type of contract:

	Notional Value		
KEuros	**31.12.2010**	**31.12.2009**	**1.01.09**
Interest rate swap	50,000	50,000	
Interest rate option	30,000	30,000	30,000
Collar	25,000		

Total	105,000	80,000	30,000

The Company has not effected any transactions of a speculative nature, or unrelated to its debt exposure.

The table below shows, at 31 December 2010, 31 December 2009 and 1 January 2009, the notional and fair value of the interest-rate derivative contracts, broken down by accounting designation (IAS 39):

	Notional Value			*Fair value*		
KEuros	31.12.10	31.12.09	1.01.09	31.12.10	31.12.09	1.01.09
Interest rate swap RBS	20,000	20,000		(690)	(70)	
Interest rate swap Calyon	30,000	30,000		(1,288)	(377)	
Cap Mediobanca	30,000	30,000	30,000	(37)	(101)	(70)
Collar BNP Paribas	25,000			(57)		
	105,000	**80,000**	**30,000**	**(2,072)**	**(548)**	**(70)**

The table below shows the future expected cash flows from the above mentioned derivatives:

KEuros	**Fair value at 31.12.2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Currency CFH derivatives						
Interest rate swap RBS	(690)	(465)	(380)	(226)	(101)	26
Interest rate swap Calyon	(1,288)	(729)	(601)	(370)	(182)	8
Cap Mediobanca	(37)	(37)				
Collar BNP Paribas	(57)	(65)	(64)	(63)	(63)	(44)

The Company has designated none of the four derivative instruments shown above as hedging instruments, according to the fair value hedge model. It ensues that any changes in the interest rates at the end of the financial year would not affect the income statement.

The table below shows the fair value of the derivatives, and the ensuing impact on the Shareholders' Equity at 31 December 2010 and 31 December 2009 (plus the relevant taxes) which, the conditions remaining unchanged, would have been achieved, in respect of +100 bps or -100 bps of the benchmark interest rates:

KEuros	**- 100 bps**	**Fair Value**	**+100 bps**
31 December 2010			
Interest rate swap RBS	(2,323)	(690)	778
Interest rate swap Calyon	(3,752)	(1,288)	925
Cap Mediobanca	(37)	(37)	(37)
Collar BNP Paribas	(593)	(57)	419
Cash flow sensitivity (net)	**(6,706)**	**(2,076)**	**2,085**
31 December 2009			
Interest rate swap RBS	(1,817)	(70)	1,472

Interest rate swap Calyon	(3,013)	(377)	1,949
Cap Mediobanca	(111)	(101)	(61)
Cash flow sensitivity (net)	**(4,941)**	**(548)**	**3,360**

Analysis of the Balance Sheet items

45 Property, plant and equipment

The table below shows the amounts relating to property, plant and equipment at the beginning and the end of the year, and the related movements. The estimated useful life of the assets did not change in 2010.

	Land and buildings	Plant and machines	Industrial and commercial equipment	Other assets	Contract work in progress and advances	Lease
Historical Cost	7,892	34,951	998	5,450	185,039	
Depreciations and write-downs	(688)	(4,619)	(789)	(3,844)	(418)	
Grants	-	(18,747)	-	-	(30,156)	
At 01.01.2009	**7,204**	**11,585**	**209**	**1,606**	**154,466**	
Investments	780	7,307	57	167	55,837	
Depreciations	(289)	(2,236)	(112)	(331)	-	
Sales and disposals	-	-	(0)	47	-	
Other reclassifications	-	-	-	(819)	(26,582)	
Total changes	**491**	**5,072**	**(56)**	**(937)**	**29,256**	
Historical Cost	8,672	42,258	1,055	4,844	214,295	
Depreciations and write-downs	(977)	(6,855)	(902)	(4,175)	(418)	
Grants	-	(18,747)	-	-	(30,156)	
At 31.12.2009	**7,695**	**16,656**	**153**	**669**	**183,721**	
Investments	157	-	53	357	37,368	
Commissioning	82,140	43,901	-	-	(126,041)	
Depreciations	(1,788)	(3,294)	(81)	(312)	-	
Sales and disposals	-	-	(0)	-	(200)	
Reclassified from/to "Assets held for sale	-	-	-	-	(8)	
Other reclassifications	-	(3,624)	-	(3)	-	
Total changes	**80,508**	**36,983**	**(28)**	**43**	**(88,881)**	
Historical Cost	90,969	82,536	1,108	5,199	125,414	
Depreciations and write-downs	(2,765)	(10,149)	(982)	(4,486)	(418)	
Grants	-	(18,747)	-	-	(30,156)	
At 31.12.2010	**88,204**	**53,639**	**125**	**712**	**94,840**	

The increase of the item *Contract work in progress and advances,* totaling 37,368 thousand euros in 2010, refers to the capitalisation of external and internal costs, primarily relating to design expenses and the upgrading/refurbishment works under way at Venezia, Genova, Verona, Bologna, Firenze, Bari and Palermo.

The increase in *Land and buildings* of 82,140 thousand euros, and *Plant and Machinery* of 43,901 thousand euros, refers to the reclassifications made in respect of the advances for contract investments depreciated in the year and relating to the stations of Milano, Torino e Napoli.

Equipment purchasing contributions, totaling 30,156 thousand euros, refer to works under way for "complementary station works", approved in connection with the strategic infrastructure programme (under Law 443/2001 – the so-called Legge Obiettivo. The last tranch was collected at the end of 2008; in the meantime, the programme has been put on hold, while awaiting an extension applied for to the Ministry of Infrastructure and Transport (CIPE resolution no. 129 of 2006).

At 31 December 2010, the *Other assets* item included furnishings and fittings purchased in 2008, under a financial leasing arrangement entered into with Fercredit SpA (Ferrovie dello Stato Group). The historical cost of this asset – measured in 2008 – is 600 thousand euros, depreciated at 31 December 2010 for 259 thousand euros. Against this asset, in 2008, the corresponding financial payable was recognised for 600 thousand euros, which at 31 December 2010 had been fully paid back.

46 Investment property

The table below provides an overview of investment property, and the related movements from 1 January 2009.

	2010		2009	
	Land	Buildings	Land	Buildings
Balance at 1 January				
Cost	16,499	56,405	16,104	53,235
Depreciation fund	-	(16,669)	-	(14,977)
Fondo Write-downs	-	-	-	-
Carrying amount	**16,499**	**39,735**	**16,104**	**38,258**
Changes in the year				
Acquisitions		4,264	396	3,170
Reclassifications	(5,574)	(12,396)		
Depreciation	-	2,794	-	(1,692)
Total changes	**(5,574)**	**(10,925)**	**396**	**1,478**
Balance at 31 Dicembre				
Cost	10,925	42,891	16,499	56,405
Depreciation fund		(13,442)	-	(16,669)
Carrying amount	**10,925**	**29,450**	**16,499**	**39,735**
Reclassifications				
Cost	(5,574)	(17,777)		
Depreciation fund	-	5,381		
Total	**(5,574)**	**(12,396)**		

Investment property includes non-core land and buildings valued at cost; in particular, the item includes the value of the buildings near the stations of Napoli Centrale and Venezia Santa Lucia, purchased on 29 March 2001 by Ferrovie dello Stato S.p.A., and the building complexes in Bologna and Florence, purchased on on 20 December 2001 from Poste Italiane S.p.A..

The reclassification made in 2010 relates to the transfer to the *Current assets held for sale* of the value of the properties in Roma and Genoa, in accordance with the directors' resolution of 4 August 2010.

The increase of 4,264 thousand euros recognised in 2010 in the *Buildings* item refers to the reclassification, based on an expert report relating to the owned property in Bologna, of the amount previously credited to the “property, plant and equipment” item.

The properties in Rome, Venice and Naples are encumbered by mortgages totaling 91.5 million euros.

The investment property shown includes various properties occupied by Ferrovie dello Stato Group companies and/or third parties, from which the Company receives compensation for occupation of premises or rents. For more details on transactions with related parties reference should be made to note 43.

To value the investment property, the Company has appointed an independent valuer. The valuation was carried out using the reconstruction cost method; considering that the properties are rather old, the following ranges have been determined to estimate their market value:

- the value of similar new buildings would total 102 million euros
- the value of similar old buildings would total 60 million euros.

Since the values set out in the valuation report are higher than the carrying amounts, no adjustments have been made to the financial statement.

47 Intangible assets

The table below provides an overview of intangible assets, which exclusively consist of software and user licenses.

	Concessions, licenses, trademarks and similar rights	Total
Historical Cost	4,318	4,318
Depreciations and write-downs	(4,217)	(4,217)
At 01.01.2009	**101**	**101**
Investments	116	116
Depreciations	(131)	(131)
Total changes	**(15)**	**(15)**
Historical Cost	4,435	4,435
Depreciations and write-downs	(4,348)	(4,348)
At 31.12.2009	**86**	**86**
Historical Cost	4,318	4,318
Depreciations and write-downs	(4,217)	(4,217)
Consistenza Anno Precedente	86	86
Investments	77	77
Depreciations	(58)	(58)
Total changes	**18**	**18**
Historical Cost	4,511	4,511
Depreciations and write-downs	(4,407)	(4,407)

At 31.12.2010	**105**	**105**

The increase in 2010, totaling 77 thousand euros, primarily concerns SW licenses. In 2010, the Company did not incur any R&D costs.

48 Prepaid tax assets and deferred tax liabilities

The tables below provide an overview of prepaid tax assets and deferred tax liabilities, and the movement, in 2009 and 2010, relating to the deferred taxes recognised in connection with the principal temporary differences measured between thecarrying amounts and the corresponding tax values.

	01.01.2009	**Incr.(decr.) recognised to the IS**	**Other movements**	**Reclassified to "Assets held for sale"**	**31.12.2009**	**Incr.(decr.) recognised to the IS**	**Other movements**	**31.12.2010**
Prepaid tax assets:								
Differences of value relating to tangibles/intangibles	1,107	(592)			515	595		1,110
								-
Provisions set aside for risks and charges and write-downs with deferred tax deductibility	2,644	1,911	-		4,555	410		4,965
Valuation of financial instruments	19	-	131		151	-	419	570
Other items	559	444	-		1,004	(482)		521
Total	**4,329**	**1,763**	**131**		**6,224**	**522**	**419**	**7,166**
Deferred tax liabilities:								
Differences relating to fixed/financial assets	822	(207)		-	615	(27)		587
Revenue subject to deferred taxation	-	5,482		-	5,482	(1,370)		4,111
Valuation of financial instruments	94	-		-	94	(7)		87
Employee benefits	120	(4)	(26)	-	91			91
Capitalised financial expenses	1,632	703			2,335	(34)		2,302
Total	**2,668**	**5,974**	**(26)**		**8,617**	**(1,438)**		**7,178**

Prepaid tax assets at 31 December 2010 totaled 7,166 thousand euros and are up year-on-year by 942 thousand euros. This variation is primarily the result of the temporary differences emerging from the provisions set aside for the bad debts fund, provisions for risks and charges, the provisions set aside with respect to a portion of the Giubileo grants, due to the changed timeframe for the recovery of the grants, and the valuation of the financial instruments. The reduction recognised in respect of the other items primarily concerns the completion of the recoveries for tax purposes of the provisions set aside in the previous years, with respect to the bonuses, incentives and sundry taxes paid in the current year.

There are no prior tax losses, with respect to which the Company should have recognised prepaid taxes.

Deferred tax liabilities at 31 December 2010 totaled 7,178 thousand euros, down by 1,439 thousand euros, primarily as a result of the loss-absorbing capacity of the deferred taxes measured with respect to the capital gains on the sale of the building in Venice formerly housing the railways' District HQ, broken up into instalments, for tax purposes, payable in the current and the next three years.

49 Equity investments

The tables below show the equity investments held by the Company at the beginning and end of the year in quesiton, grouped by category, and the changes in 2010 and 2009.

	Original cost 31.12.2009	Original cost 31.12.2010
Equity investments in subsidiaries	4,068	4,074
	4,068	**4,074**

	Net value 31.12.2008	Movements in the year: Disposals/ reimbursements	Movements in the year: Write-downs / Reversals of impairment	Net value 31.12.2009	Cumul. write-down fund
Equity investments in subsidiaries					
Grandi Stazioni Ingegneria S.r.l.	14			14	6
Grandi Stazioni Pubblicità S.r.l. - in liquidation	6	(6)			
Grandi Stazioni Ceska Repubblica Sro	4,054			4,054	
	4,074	**(6)**		**4,068**	**6**

	Net value 31.12.2009	Movements in the year: Disposals/ reimbursements	Movements in the year: Write-downs / Reversals of impairment	Net value 31.12.2010	Cumul. write-down fund
Equity investments in subsidiaries					
Grandi Stazioni Ingegneria S.r.l.	14		6	20	
Grandi Stazioni Ceska Repubblica Sro	4,054			4,054	
	4,068		**6**	**4,074**	

Below is a list of the equity investments in subsidiaries currently held by the Company, and the comparison of the carrying amounts and corresponding portion of the relevant shareholders' equity.

	HQ	Share capital	Profit (loss) for the year	Shareholders' equity at 31.12.2010	% stake	Relevant shareholders' equity (a)	Carrying amount at 31.12.2010 (b)	Difference (b) - (a)
Equity investments in subsidiaries								
Grandi Stazioni Ingegneria S.r.l.	Rome	20	210	371	100%	371	20	(351)
Grandi Stazioni Ceska Repubblica Sro	Prague	7,949,747	617,300	9,407,403	51%	4,797,776	4,054,371	(743,405)
TOTAL		**7,969,747**	**827,738**	**9,778,504**		**5,168,877**	**4,074,371**	**(1,094,506)**

50 Non-current and current trade receivables

Trade receivables are broken down as follows:

	31.12.2010		31.12.2009		01.01.2009	
	Non-current	Current	Non-current	Current	Non-current	Current
Ordinary customers	7,308	51,467	8,608	68,784	9,255	52,936
Receivables from Group companies	-	45,650	-	54,276	-	36,660
Subsidiaries	-	*995*	-	*466*	-	*236*
Parent company	-	*229*	-	*478*	-	*449*
Other associated companies	-	*44,426*	-	*53,332*	-	*35,976*
Total	**7,308**	**97,117**	**8,608**	**123,060**	**9,255**	**89,597**
Bad debts fund	-	(11,309)	-	(10,002)	-	(5,631)
Third parties	-	*10,204*	-	*9,141*	-	*5,631*
Group	-	*1,104*	-	*861*	-	-
Net total fund	**7,308**	**85,808**	**8,608**	**113,058**	**9,255**	**83,966**

Trade receivables at 31 December 2010 are down year-on-year, as follows: "non-current" receivables by 1,300 thousand euros, and "current" by 27,250 thousand euros. This considerable improvement, with respect to both third parties and the Group, is the result of the widespread debt recovery activities implemented throughout the year.

The bad debts fund was used, during the year, for 2,636 thousand euros and released for 229 thousand euros. Moreover, following the difficulties in respect of certain matured debts, it was deemed expedient to increase the bad debts fund by 4,170 thousand euros, as a result of which it now totals 11,309 thousand euros.

The following table shows receivables broken down by maturity date:

	Gross value 31.12.2010	Write-downs 31.12.2010	Gross value 31.12.2009	Write-downs 31.12.2009	Gross value 31.12.2008	Write-downs 31.12.2008
Not yet due	64,220	(4,431)	85,513	(3,124)	81,631	(2,951)
0-30 days past due	13,943		10,343		3,035	
31-120 days past due	7,376		24,029		3,839	
121-365 days past due	627		1,287		3,735	
Over 1 yr past due	18,258	(6,878)	10,495	(6,878)	6,376	(2,680)
Total	**104,425**	**(11,309)**	**131,668**	**(10,002)**	**98,616**	**(5,631)**

Revenue from core transactions with single customers, which account for over 10% of the Company's total revenues, is broken down as follows, with respect to 2009 and 2010:

- Rete Ferroviaria Italiana: 54,557 thousand euros in 2009 and 57,052 thousand euros in 2010;
- Trenitalia: 29,597 thousand euros in 2009 and 29,299 thousand euros in 2010.

The above revenue is achieved entirely through the core property leasing/management activities.

Maximum credit risk exposure, broken down by geographical area, is as follows:

	31.12.2010	31.12.2009	01.01.2009
Italy	92,851	121,477	92,985
Eurozone countries	266	189	236
Total	**93,117**	**121,666**	**93,221**

51 Other non-current and current assets

The item is broken down as follows:

	31.12.2010		31.12.2009		01.01.2009	
	Non-current	Current	Non-current	Current	Non-current	Current
Other receivables from Group companies	2,321		2,838		8	5,259
VAT credit		62		0	3,354	384
Grants for equipment, from EU, other Ministries and others						9,647
Other State entities		9		14		
Sundry receivables	4	13,822	5	14,334		
Prepaid expenses and accrued income		497		1,086		829
Total	**2,325**	**14,391**	**2,843**	**15,434**	**3,362**	**16,120**
Bad debts fund						
Total net bad debts fund	**2,325**	**14,391**	**2,843**	**15,434**	**3,362**	**16,120**

Other "non-current" receivables from Group companies refer to the Irpeg credit totaling 2,321 thousand euros at 31 December 2010 (due date over 12 months), assigned by Ferrovie dello Stato S.p.A. in 2004, used each year within the maximum limit allowed by the applicable regulations (Legislative Decree No. 241/97). Sundry receivables totaling 3 thousand euros concern caution deposits.

Sundry "current" receivables are primarily represented by advance payments made to suppliers, particularly with respect to the profit-sharing agreement for "Media" activities (for 12,232 thousand euros), contract work (for 64 thousand euros) and commissions paid to agents for "Media" activities (for 53 thousand euros).

The item primarily includes prepayments referred to insurance premiums (for 231 thousand euros), SW maintenance fees (for 79 thousand euros) and interest payable (39 thousand euros).

Maximum credit risk exposure, broken down by geographical area, is as follows:

	31.12.2010	31.12.2009	01.01.2009
Italy	16,715	18,277	19,481
Total	**16,715**	**18,277**	**19,481**

52 Construction contracts

Construction contracts are broken down as follows:

		31.12.2010	31.12.2009	01.01.2009
Contract work in progress		32,112	28,979	15,989
Bad debts fund		(727)	(445)	(344)
	Net value	**31,385**	**28,533**	**15,645**
Advances		(19,698)	(13,923)	(9,075)
	Net value	**(19,698)**	**(13,923)**	**(9,075)**
Total contract work in progress		**11,687**	**14,610**	**6,570**

Contract work in progress – relating to contract works not completed at 31 December 2010 – have been recognised among the inventories, based on the consideration set out in and regulated by the contracts entered into primarily with RFI S.p.A. and Trenitalia S.p.a. (both Ferrovie dello Stato Group companies).

The recognised year-on-year decrease in contract work in progress at 31 December 2010, of 2,923 thousand euros, is the result of: a 3,735 thousand euro increase in contract consideration accrued in the year for works carried out; 5,775 thousand euros from higher advance payments primarily from RFI and Trenitalia; a 602 thousand euro decrease for the completion of contracts transferred to revenue, less the bad debts fund increase of 282 thousand euros.

The table below shows the movements for the year of the bad debts fund, highlighting the provisions and releases relating to the forecasted losses.

	Balance at 1.1.2009	Provisions	Use	Release of excess funds	Balance at 31.12.2009	Provisions	Use	Release of excess funds	Balance at 31.12.2010
Bad debts relating to contract work in progress	**344**	357		(256)	**445**	392		(110)	**727**
TOTAL	**344**	**357**	**-**	**(256)**	**445**	**392**	**-**	**(110)**	**727**

53 Non-current and current financial assets (including derivatives)

The table below gives an overview of the non-current financial assets at the date of transition to the IFRS and at the end of 2009 and 2010.

	Carrying amount					
	31.12.2010		31.12.2009		01.01.2009	
	Non-current	Current	Non-current	Current	Non-current	Current
Financial assets						
Hedging derivatives					131	
- Other financial receivables (from parent company)		17,924		7,113		17,808
		17,924		**7,113**	**131**	**17,808**

The carrying amounts shown correspond to the respective fair value measured at the date of the financial statements.

Financial receivables from the parent company comprise the balance of the inter-company bank account shared with Ferrovie dello Stato S.p.A., which receives the collections and payments relating to transactions with the Ferrovie dello Stato Group companies (besides the Holding Company, Ferservizi, Italferr, RFI and Trenitalia). At 31 December 2010, the balance of this account totaled 17,924 thousand euros. The bank account conditions are agreed to at arm's length and based on an agreement that provides for a receivable interest equal to the Euribor (monthly average), less an annual 0.175% spread. The average rates applied in 2009 and 2010 were 0.76% and 0.41%, respectively.

For information on the Group derivatives, reference should be made to note 4 on “Currency risk” and “Interest rate risk”.

54 Cash and cash equivalents

The item is broken down as follows:

Description	31.12.2010	31.12.2009	01.01.2009
Bank and post office deposits	26,767	57,858	6,617
Cheques	1	74	6
Cash-on-hand and other valuables	5	6	6
Total	**26,774**	**57,938**	**6,629**

The balance shows the cash resources and valuables held on 31 December 2010.

The year-on-year drop in the Group's cash and cash equivalents is primarily the result of the lack of non-operating collections in the current year. Collections from customers, payments to suppliers and the current portions of bank payables are in line with last year's figures.

55 Tax credits

Tax credits at 31 December 2010 feature a balance of 814 thousand euros; the year-on-year increase is due to the excess amount reported in the IRAP accounts paid during the year, compared to the balance of current assets recognised at the end of 2010. The corresponding values at the end of the previous year and at 1 January 2009 are detailed in the table below:

	31.12.2010	31.12.2009	01.01.2009
Ires (under the tax consolidation scheme)			2,677
Irap credits	814		256
Total	**814**		**2,933**

56 Non-current assets held for sale

At 31 December 2010, the non-current assets held for sale comprise the buildings formerly housing the District HQ of Rome and Genoa, reclassified – for 17,338 thousand euros – into the investment property, in accordance with the directors' resolution of 4 August 2010, which authorises the CEO to initiate the competitive tendering procedures in view of the sale of the properties.

Assets held for sale	31.12.2010	31.12.2009	01.01.2009
Buildings and land held for sale	17,338		41,757
Total Assets held for sale	**17,338**		**41,757**

57 Shareholders' equity

With regard to capital management, the objectives of Grandi Stazioni S.p.A. are inspired by: creating value for the shareholders, guaranteeing the stakeholders' interests and safeguarding business continuity, besides maintaining an adequate degree of capitalisation, for strengthening the Company's equity and financial structure, also in consideration of the considerable investments under way.

The changes in 2010, compared to 2009, in respect of the principal consolidated shareholders' equity items, are analytically described in the schedule of changes in the consolidated shareholders' equity, which follows the financial statement schedules.

Share capital

The fully subscribed and paid up share capital of the Company, at 31 December 2001, is made up of 83,334 ordinary shares with a par value of € 51.65 each, totaling € 4,304,201.10. At 31 December 2010, based on the recordings in the register of shareholders, the share capital is held as follows: 60% by Ferrovie dello Stato S.p.A. and 40% by Eurostazioni S.p.A..

Legal Reserve

The legal reserve totals 861 thousand euros and is unchanged, year on year, because it has reached the limit laid down in article 2430 of the Civil Code (i.e. 20% of the share capital).

Extraordinary reserve

The extraordinary reserve was set up to receive the unallocated profit of previous years. The reserve, therefore, increased by 3,019 thousand euros in 2009 and 24,951 thousand euros in 2010.

Share Premium Reserve

The share premium reserve, totaling 58,209 thousand euros, was set up in connection with the share capital increase made on 28 July 2000 and has remained unchanged year-on-year.

Actuarial valuation reserve

This item totals less 45 thousand euros and exclusively comprises the portion of actuarially measured gains/(losses) charged entirely to the shareholders' equity, in the year in question, taking into account the relevant deferred tax impact.

Cash flow hedging reserve

The cash flow hedging reserve comprises the effective portion of the net accumulated changes in the fair value of the cash flow hedging instruments, in respect of hedged transactions not yet posted, taking into account the related tax impact. For more details reference should be made to note 4 on "interest rate risk" and note 21 "Non-current financial liabilities (including derivatives)".

Profits brought forward

Profits brought forward total 9,387 thousand euros and comprise the reserves made in connection with the first-time adoption of the IAS, less the actuarial valuation and cash-flow hedging reserves mentioned above.

Results for the year

The results for the year total 19,422 thousand euros. The year-on-year decrease is primarily due to the lack of non-operating transactions during the previous year.

As resolved by the General Meeting on 22 April 2010, in 2010 the Company distributed dividends for 2009 totaling 12,500 thousand euros.

The table below shows the origin, availability and distributability of the shareholders' equity items and their use in the three previous years.

Origin	Amounts at 31.12.2010 (a+b)	Non-distributable portion (a)	Available portion (b)	Distributable portion (b)	Summary of use in the three previous years			
					Capital increase	Hedging of losses	Distribution to shareholders	Other (specify)
Share capital	**4,304**							
Capital reserves:								
Share-premium reserve	58,309		58,309	58,309				
Profit allocation reserves:								
Legal reserve	861		861					

Extraordinary reserve	46,302		46,302	46,302
IAS 19 reserve	(45)	(45)		
IAS 39 reserve	(1,502)	(1,502)		
FTA reserve	9,386	6,662	2,724	
TOTAL	**117,615**	**5,115**	**108,196**	**104,611**

Other components of the comprehensive income statement for the year

The section on the accounting statements includes the (comprehensive) income statement for the year, which highlights the other operating result components, less the tax impact. The table below shows the gross amount, and related tax impact of the other principal components.

	31.12.2010			31.12.2009		
	Gross amount	**Tax impact**	**Net amount**	**Gross amount**	**Tax impact**	**Net amount**
Effective portion of the fair value changes in the cash flow hedges	(1,524)	419	(1,105)	(478)	131	(346)
Gains (losses) relating to actuarial benefits	(57)	0	(57)	(93)	26	(67)
Other total income statement items for the year	**(1,581)**	**419**	**(1,162)**	**(571)**	**157**	**(414)**

58 Medium/long and short-term financing arrangements

This note illustrates the contract conditions governing medium/long term financing arrangements, and the related current portion, measured according to the depreciated cost metjod; they are detailed, by type, in the table below:

	Carrying amount		
Medium/long term financing arrangements	**31.12.2010**	**31.12.2009**	**01.01.2009**
Bank financing	185,205	201,230	159,372
Total	**185,205**	**201,230**	**159,372**
Short-term financing arrangements	**31,12,2010**	**31,12,2009**	**01,01,2009**
Bank financing (short-term)	16,022	16,135	5,037
Total	**16,022**	**16,135**	**5,037**
Total financing arrangements	**201,227**	**217,364**	**164,408**

For a detailed overview of the due dates of these financial liabilities, including the interest payable, reference should be made to note 4 ("Risk management", paragraph on "Liquidity risk").

The financing terms and conditions in effect are sumamrised in the table below:

Debtor	Currency	Nominal interest rate	Due date	31.12.2010 Nominal value	31.12.2010 Carrying amount	31.12.2009 Nominal value	31.12.2009 Carrying amount	01.01.2009 Nominal value	01.01.2009 Carrying amount
Property-secured loan with Banca BIIS – Immobile Roma	EUR	Euribor 6 months +0.95%	2022	15,270	15,270	16,284	16,284	17,285	17,285
Property-secured loan with Banca BIIS – Immobile Venezia\Napoli	EUR	Euribor 6 months +0.95%	2022	45,812	45,812	48,852	48,852	51,852	51,852
Bipop Carire	EUR	Euribor 6 months +0.80%	2013	1,629	1,629	2,311	2,311	2,946	2,946
EIB financing	EUR	Euribor 6 months + spread variabile	2023	138,143	138,516	150,001	149,917	92,000	92,325
Total financing arrangements				**200,854**	**201,227**	**217,448**	**217,364**	**164,083**	**164,408**

The carrying amounts of the financing arrangements detailed in the table above are representative of the relevant fair value.

The financing arrangements are broken down as follows:

- the debt payable by the Company to Banca BIIS (Banca Infrastrutture Innovazione e Sviluppo), as a result of property-secured loans (the properties being located in Rome, Venice and Naples) originally totaling 80 million euros. Both financing arrangements were concluded on 6 March 2003, for a term of 20 years, and both provide for the payment only of the interest for the first three years, followed by the payment of the principal amount over the following 17 years, at a variable rate equal to the Euribor at six months, plus a 0.95% spread. During the year a change was recognised, as a result of the repayment of the respective capital portions;
- the Bipop Carire loan, taken out by the Company in May 2005, totaling 3.25 million euros, to support the acquisition of equity investments in Italian and foreign-based companies (Law 100/90 - SIMEST). The term of this financing arrangement is 8 years, based on an arrangement that provides for the payment only of the interest for the first three years, followed by the payment of the principal amount over the following five years, at a variable rate equal to the Euribor at six months, plus a 0.8% spread. The change in the year is due to the repayment of the respective shares of the principal;
- the financing with the EIB (European Investment Bank) by the Company, in April 2008, totaling 150 million euros, for the internal station upgrading/refurbishment works; the financing is guaranteed by Banca Calyon and Cassa Depositi e Prestiti S.p.A.. The term of the financing is 15 years, from the payment of the first tranche (30 June 2008); the arrangements provide for the constant capital repayment (CCR) of the financing in six-monthly instalments, from 30 June 2010, according to an interest rate equal to the Euribor at 6 months, offered for a period of six months, increased or decreased by the number of base points notified by the Bank to the Company. In June and October 2008, respectively, two supplementary guarantee arrangements were concluded, with Banca Calyon S.A. and Cassa Depositi e Prestiti S.p.A., respectively,

acknowledging a six-monthly commission, equal to 45 base points, determined based on the principal amount paid out each time. The arrangement provides for the obligation to notify the guarantor of compliance with the debt service ratios (historical, based on data from the financial statements at 31 December 2009, and projected, based on the 2010 budget figures), which, 31 December 2010, had been complied with. The hedging contract with Mediobanca was maintained, in respect of the financing, and during 2009 three IRS agreements were entered into. The financing arrangements detailed hereinabove entailed ancillary costs totaling 340 thousand euros, used to reduce the value of the financial payable in respect of the calculation of the depreciated cost;

With regard to the loan granted to the subsidiary Grandi Stazioni Ceska by Unicredit Mediocredito Centrale S.p.A., on 20 April 2009, for 23 million euros, which had been entirely paid out on 31 December 2010, the Company has given a guarantee of 25.3 million euros, as commented on in note 39.

The table below shows the due dates of the financial leasing liabilities:

	Present value of the minimum payments due for the leasing arrangements **2010**	**Present value of the minimum payments due for the leasing arrangements** **2009**	**Present value of the minimum payments due for the leasing arrangements** **2008**
Within the year		222	309
Between 1 to 5 yrs			222
		222	**531**

At 1 January 2009, only two financial leasing arrangement had been eneterd into by the Company, with Monte dei Paschi di Siena leasing (extinguished in 2009) and Fercredit (extinguished during 2010), respectively.

Having regard to the above arrangements, in 2009 and 2010, the Company recognised depreciations totaling 179 thousand euros and 199 thousand euros, respectively, besides financial expenses for 12 thousand euros and 3 thousand euros, respectively.

59 Severance pay and other employee benefits

	31.12.2010	**31.12.2009**
Present value of severance pay obligations	1,856	2,003
Total present value of obligations	**1,856**	**2,003**

The table below shows the changes in the present value of the employee benefit liabilities, consisting exclusively of severance pay.

	31.12.2010	**31.12.2009**

Employee benefits at 1 January	2,003	2,014
Interest cost	80	86
Actuarial (gains) losses recognised in the shareholders' equity	(57)	93
Advances and use	(170)	(191)
Liabilities for defined benefit obligations at 31 December	**1,856**	**2,003**

There are no assets servicing the defined benefit plan and the cost recognised to the income statement in 2009 and 2010 exclusively consts of the financial expenses incurred in connection with the discounting to the present of the severance pay fund, for 93 thousand euros and 57 thousand euros, respectively.

Actuarial assumptions

The table below summarises the principal assumptions made with respect to the actuarial estimation process:

	31.12.2010	**31.12.2009**
Rate for discounting to the present value	4.70%	4.20%
Expected remuneration increases	3%	4.50%
Future pension benefit increases	1%	1%
Expected employee turnover rate	4.50%	4.50%
Expected advance payment rate	2%	2%
Death probability	RG48	RG48

Expected death probability rates are based on published statistics and mortality tables.

In 2010, the Company had an average of 260 employees, broken down by category in the following table:

EMPLOYEES	**Avg 2010**	**Avg 2009**	**Difference**
Executives/managers	13.2	12.5	0.7
Middle managers	37.8	39.7	(1.9)
White-collar workers	189.0	178.8	10.2
TOTAL PERMANENT EMPLOYEES	**240.0**	**231.0**	**9.0**
Workers employed under atypical arrangements	19.8	13.9	5.9
TOTAL	**259.8**	**244.9**	**14.9**

60 Provision for risks and charges

The table below shows the opening and closing balance and the movements in 2009 and 2010 of the Provisions for risks and charges:

Description	**01.01.2009**	**Appr.**	**Use**	**31.12.2009**	**Appr.**	**Use**	**Release of excess funds**	**31.12.2010**

Employee disputes	635	575		1,210	311			1,521
Disputes with third parties:	3,468	2,090	(157)	5,401	1,387		(2,068)	4,720
Tax disputes	*576*		*(128)*	*448*				*448*
Civil disputes	*2,892*	2,090	*(29)*	*4,953*	*1,387*		*(2,068)*	*4,272*
Total non-current/current	**4,103**	**2,665**	**(157)**	**6,611**	**1,697**		**(2,068)**	**6,240**

Disputes & litigation arising in previous years

Application for payment filed by Ferone Pietro & C. s.r.l.

On 1 October 2010, a settlement was reached in respect of the application for payment filed by Ferone Pietro & C. S.r.l., requesting the payment of the compensation due for services allegedly provided, in connection with the contract for extraordinary maintenance works at the stations of Napoli Centrale and Palermo Centrale.

Under the settlement, Grandi Stazioni accepted to waive opposition and pay the amount set out in the court payment order (and declared temporarily enforceable), with respect to a Specification of Works carried out by the contractor (totalling approx. € 356,000, plus VAT, interest and reduced legal costs, the payment of further consideration claimed by the contractor, in respect of the performance of another Specification of Works (€ 93,000, plus VAT and reduced interest), the consensual termination of the contract between Grandi Stazioni and the contractor, entered into as part of the Framework Agreement M1/012/2007, of the relevant implementation specifications, and of the contract for preliminary site set-up activities at the stations of Bari Centrale and Palermo Centrale, concluded on 31 May 2007, the performance of which is no longer of any interest to Grandi Stazioni, and the contractor's waiver of the reimbursement of the costs incurred in connection with the performance bond provided.

Appeal against the tendering procedure for the construction planning and performance of the works relating to the functional upgrading of the station buildings and complementary infrastructures of the stations of Venezia S. Lucia, Venezia Mestre and Verona P. Nuova

On 20 October 2010, CIR S.p.A. filed an appeal with the *Consiglio di Stato* (Council of State), against the decision by the Regional Administrative Tribunal – TAR – of Lazio to disallow its petition requesting the cancellation – following the application of the procedure for inviting the second classified bidder for contract negotiation, in pursuance of article 140 of Legislative Decree No. 163/2006 – of the awarding of the contract for the construction planning and performance of the works relating to the functional upgrading of the station buildings and complementary infrastructures of the stations of Venezia S. Lucia, Venezia Mestre and Verona P. Nuova, including the management/maintenance services for the station building works, plants and systems, to the temporary joint venture set up by CMB and Fatigappalti S.p.A.

The appeal does not contain a petition for suspension. Grandi Stazioni then filed a brief, with respect thereto, on 2 November 2010.

The date of the relevant hearing has not yet been fixed and it does not seem likely that Grandi Stazioni will lose the case.

Accidents

In connection with the proceedings instituted at the Court of Rome by Mr. Secco, against Grandi Stazioni, in respect of a claim for compensation totaling 3 million euros, for injuries suffered in an accident at Roma Termini, the Court rejected the petitioner's application.

Disputes with agents

The actions brought by Grandi Stazioni against the agents Publica S.r.l., Spaziale s.r.l., AD s.r.l. and Media & Sport S.a.s., requesting the termination of the relevant contracts and the payment, by the agents, of damages for default of contract, for the amount determined by the Court, but no less than 6 million euros, are still in the preliminary investigation phase. The former agents have entered an appearance and filed counterclaims for approx. 54 million euros, of which approx. 12 million euros for commissions and allowances for termination of agency, and 42 million euros for damages and early termination of contract. In particular, during 2010, some of the expert reports commissioned by the Court, in respect of the matter, were completed and others are approaching completion. At present, the Company considers it likely that it will be ordered to pay the commissions and allowances and, therefore, has maintained the provision set up in the previous year.

Vidion arbitration proceedings 2009

The arbitration board appointed consulting experts, with respect to the first arbitration proceedings instituted by Vidion in 2009, against Grandi Stazioni, in respect of a claim for approx. 2.4 million euros for loss of revenue, as a result of diminished turnover, expenses incurred in connection with the failed installation of advertising devices, default interest accrued in connection with delayed payments, with respect to which proceedings the Company has filed counterclaims requesting the rejection of Vidion's claims, the termination of the contract entered into by Vidion and Grandi Stazioni, the restitution of the down payment made by Grandi Stazioni of 5.5 million euros, and compensation for termination of contract of between 5.0 million and 15.0 million euros, and, in any case, the payment of damages for at least 4.0 million euros, due to delays in the performance of the contract and the ensuing impairment of reputation. Moreover, Grandi Stazioni was obliged to appoint a new arbitrator, Prof. Diego Corapi, to replace the deceased Prof. Bernardino Libonati.

At present, the Company considers it likely that some of the claims brought by Vidion will be allowed by the arbitration board and has, therefore, increased the provisions set aside in the previous year for litigation expenses.

Ingenium Real Estate S.p.a. proceedings

In connection with the application for payment injunction filed by Ingenium Real Estate S.p.A., to obtain the payment of the valuable consideration allegedly due, in relation to the contract entered into on 20 April 2006 for the provision of engineering services, in connection with the station upgrading and related external works, and in relation to the supplementary agreement entered into on 25 May 2006 for design services relating to the station masterplan and the new premises of Trenitalia S.p.A., the Court has rejected the applicant's request for provisional enforcement. The Company is currently considering the possibility of a settlement to the dispute.

CBS Outdoor S.r.l. dispute

With a deed of summons served in January 2011, in respect of proceedings instituted at the Court of Appeals of Rome, CBS Outdoor S.r.l. appealed against the judgement issued by the Court of Rome (namely, judgement no. 24005/2009 issued on 23 November 2010), which judgement rejected the petition, filed by the plaintiff against Grandi Stazioni, for compensation and damages, in respect of illegalities committed in connection with certain advertising commissions for a value of approx. 7 million euros.

The above mentioned judgement also rejected the counterclaim made by Grandi Stazioni for compensation for damages in respect of the impairment to the Company's honorability and business reputation caused by the plaintiff.

Sale of equity interest

Having regard to the sale of the equity interest held by the Company in Network Italia Edicole srl, which sale occurred and took place in 2009, to date no compensation for damages has been received and, therefore, the handing over of the premises, as per the relevant agreement, has continued. Therefore, the provisions set aside, for both the relevant risks and charges and for the bad debts fund in the previous year, with respect thereto and in connection therewith, have been reduced.

Disputes & litigation arising in the year

Vidion arbitration proceedings 2010

The parties deposited the first briefs, with respect to the second arbitration proceedings instituted by Vidion, in June 2010, against Grandi Stazioni, with respect to claims for approx. 6.2 million euros for alleged loss of income due to a reduced turnover from advertising in 2009, alleged loss of revenue resulting from the discounts applied by Grandi Stazioni and the advertising campaigns effected free of charge in 2008 and 2009, the payment of the further sum due in relation to the advertising revenue in 2009, with respect to which Grandi Stazioni has filed a counterclaim requesting, inter alia, the rejection of all Vidion's claims, the termination of the contract, and the payment, by Vidion, of any sums resulting from the 2009 and 2010 balances, declaring Grandi Stazioni's right to withdraw from the contract, as a result of the numerous defaults by Vidion in 2009 and 2010, and requesting the restitution of the lump sum down payment made by Grandi Stazioni, as well as compensation for damages, including the damage due to delays in the performance of the contract and the ensuing impairment of reputation. Moreover, Grandi Stazioni was obliged to appoint a new arbitrator, Prof. Diego Corapi, to replace the deceased Prof. Bernardino Libonati.

At present, the Company considers it likely and possible that some of the claims brought by Vidion will be allowed by the arbitration board and has, therefore, increased the provisions set aside in the previous year for litigation expenses.

Retail Group arbitration proceedings

With regard to the arbitration proceedings instituted by Grandi Stazioni in July 2010 against Retail Group S.p.A., requesting the termination of the lease agreement, in pursuance of either article 1454 of the Civil Code, due to default by the tenant, or article 1453 of the Civil Code, for reasons attributable to Retail Group, and the payment of the rents resulting unpaid, in respect of the balance of the turnover however made in connection with the use of the leased areas and/or premises between 2002 and 2009, in accordance with the leasing arrangements, plus any interest, penalties and expenses, and compensation for the damages suffered in consequence of Retail Group defaulting behaviour, as determined by the Court, on an equitable basis or otherwise, and, in any case, for no less than 1.5 million euros, the defendant deposited its first brief and counterclaim, in October 2010, in which, besides requesting the rejection of the petitioner's claims, it requests the payment by the Company of compensation for damages.

The Company was subsequently obliged to appoint a new arbitrator, Prof. Francesco Benatti, to replace the deceased Prof. Berardino Libonati.

Employee disputes: Naples

In June 2010, the Company dismissed four employees working at its Naples headquarters for a just cause, due to serious misuse of their corporate badge. In particular, the four employees (plus another employee, who was not dismissed because on maternity leave) are accused of having set up a scheme according to which the first of the group to enter the workplace, at the start of the workday, would swipe the badges for the other group members too, even though they were not yet at work; the same would take place at the end of the workday, when the last group member to leave the workplace would swipe the badges of the other memebrs, who had already left earlier.

Three employees have appealed against their dismissal and, following the precautionary interim measures decided by the Court of Naples (labour-related disputes division), in pursuance of article 700 of the Criminal Code, have been reinstated. Later on, following the complaint filed with the Court by Grandi Stazioni, the Court of Naples rejected the appeals filed by two employees, however unexpectedly confirming the precautionary measure for the third employee.

Therefore, the four employees, have filed petitions under article 414 of the Criminal Code, with the Employee disputes division of the Court of Naples, against Grandi Stazioni requesting the cancellation of the dismissals, reinstatement at work and the payment of compensation for damages.

On 20 January 2011, the fourth employee was also dismissed.

The Company considers it reasonably likely and expects that the Court will order the reinstatement at work of the dismissed employees and the payment of the wages withheld and other forms of legal compensation, and has therefore allocated funds to the specific provision.

Functional upgrading works in building D at Roma Termini.

Based on a summons served on 21 October 2010, Mucciola Piero S.p.A. Has instituted legal proceedings against Grandi Stazioni before the Court of Rome, claiming compensation for approx. € 121,000, plus interest and revaluation, in respect of the so-called "expensive steel" issue, in pursuance of article 26, paragraph 4 bis of Law 109/1994, for the higher expenses incurred in 2004-2007, in connection with the performance of the contract entered into on 16 December 2004 for the functional upgrading of building D at Roma Termini.

The first hearing, fixed for 21 February 2011 in the summons, was later postponed to24 March 2011.

The Company considers it unlikely that it will lose the case.

Tax disputes arising in previous years

In 2001, the *Guardia di Finanza* (Internal Revenue Inspectors) notified a tax assessment claiming that the Company had failed to pay withholding tax on its employees' wages, between 1997-2000, for 1.2 million euros, plus penalties.

In 2008, the Provincial Tax Appeals Committee of Rome deposited its decisions allowing the appeals filed by the Company, with respect to the tax assessments relating to 1997 and 1998 for 0.3 million euros, as notified by the Internal Revenue Service (IRS) in 2005. The IRS then challenged the decisions by the tax appeals committee; a hearing was fixed to examine the assessments relating to 1997 and 1998. The regional tax appeals committee rejected the appeal filed by the IRS (decisions no. 80/21/10 and 81/21/10 both deposited on 19 April 2010), and ensuingly confirmed the cancellation of the challenged measures. With regard to 1999 and 2000, after the Regional Tax Appeals Committee allowed the Company's petition (decision no. 227/48/2009), the IRS (Rome Office 1) filed an appeal against this decision, promptly challenged by the Company. The appeal hearing was held on 9 February 2011, but the decision is not yet known.

On 21 February 2008, the Company was notified tax payments due totaling € 158,389.56, for ICP primarily to the local authority of Rome, relating to 2004. Since the Company believes that it owes nothing to the local authority of Rome, on 18 April 2008 it filed an appeal, against the payment, with the Provincial Tax Appeals Committee of Rome, which, on 24 june 2010 deposited a decision (no. 367/16/10) reducing the payment due to € 19,400. To date, and despite the many requests made, the local authority of Rome has not yet returned the excess amount.

On 21 October 2009, the Company was notified tax payments due, totaling € 194,131.27, for ICP relating to 2004, 2005, 2006 and 2007, to the local authority of Venice. On 8 February 2010, the Company filed a petition for the cancellation of the assessment notices issued with respect to 2006 and 2007, because the amount was not due. The local authority of Venice allowed the Company's petition and has returned the amounts not due.

61 Non-current and current financial liabilities (including derivatives)

The table below shows the non-current financial liabilities:

	Carrying amount					
	31.12.2010		31.12.2009		01.01.2009	
	Non-current	Current	Non-current	Current	Non-current	Current
Financial liabilities						
Hedging derivatives	2,072		548			
	2,072		**548**			

The item comprises the fair value of the four derivative contracts already illustrated in detail in note 4, to which reference should be made for more information.

The two interest rate swap contracts were entered into with RBS and Calyon, respectively, in 2009, to hedge the interest rate risks arising from the EIB financing, and therefore reference should be made to note 18.

The derivative contract (cap) entered into with Mediobanca in 2006, originally to hedge the interest rate risks arising from the financing with Monte dei Paschi di Siena, was maintained after the financing had been paid back (in 2008) to hedge the same risks with respect to the EIB financing.

The derivative contract (collar) was entered into by the Company, with BNP Paribas, in2010, to hedge the interest rate risks arising from the EIB financing, and therefore reference should be made to note 18.

All the contracts detailed hereinabove can be classified as cash flow hedge contracts, and therefore their carrying amount is the fair value measured at the end of the year and recognised in dedicated shareholders' equity item.

The derivatives are recognised at fair value, on the respective financial statement dates and, with regard to the fair value hierarchy priority, are included within *level 2,* i.e., the fair value has been measured using inputs other than the quoted prices (in an active market for identical financial instruments), which are observable both directly (i.e. as prices) and indirectly (i.e. derived from prices).

62 Other non-current and current liabilities

The other non-current and current liabilities are broken down as follows :

	31.12.2010		31.12.2009		01.01.2009	
	Non-current	Current	Non-current	Current	Non-current	Current
Payables to social security schemes		1,142		1,039		1,039
Other tax payables		1,473		3,867		1,835
VAT payables to FS		2,670		567		
Other payables to Group companies	2,321	4,006	2,838	2,968	3,354	2,908
Other payables	278	2,230	158	2,086	167	14,495
Deferred revenue and accrued liabilities		3,197		11,518		8,355
Total	**2,599**	**14,718**	**2,996**	**22,045**	**3,521**	**28,631**

The other non-current liabilities primarily consist of payables to the parent companies, with respect to the residual loan with Ferrovie dello Stato S.p.A., and the IRPEG tax credit transferred to the parent company Grandi Stazioni S.p.A. in 2004, as previously specified in the "other non-current assets" item (note 11). The "other payables" item primarily refers to the deposits paid by the tenants, in respect of the lease arrangements.

The other current liabilities include the VAT debt payable to FS Holding, accrued in connection with the Group VAT consolidation scheme, in which the Company has participated in the year in question. The Company has decided to participate in the scheme for 2011 as well. The other payables to the Group companies include the amount of 3,600 thousand euros received from Italferr to guarantee the full surrender of all the leased premises at Roma Termini, and the balance of all the amounts due (for rents and ancillary costs) by 30 November 2011, in respect of the decision by the Company to waive the compulsory collection of the debts owed to it.

The deferred revenue and accrued liabilities are broken down as follows: 2,523 thousand euros are revenues accruing in future years, in respect of the reimbursement of expenses invoiced in the year; these revenues will be recognised to the income statement, in the following years, based on the term of the relevant lease; 592 thousand euros are portions of *revenue from leases;* while 83 are portions of revenue from Media activities.

63 Non-current and current trade payables

Trade payables – all current – are broken down as follows:

	31.12.2010	31.12.2009	01.01.2009
	Current	Current	Current
Payables to suppliers	80,396	82,918	101,336
Advance payments	305	113	86
Trade payables to Group companies	20,011	13,482	16,097

Total	**100,712**	**96,513**	**117,519**

The year-on-year changes in the trade payables to third parties are the result of the increased costs for investments, while the change in payables to Group companies is due to the use of leased goods. The payables for invoices not yet received total 57,177 thousand euros (of which 10,110 thousand euros from Group companies), compared to 56,781 thousand euros (of which 1,840 thousand euros from Group companies) at 31 December 2010.

For more details about the payables to Group companies, reference should be made to note 42 on "Related party transactions".

64 Income tax payables

The item totals 109 thousand euros at 31 December 2010 and is broken down as follows:

	31.12.2010	31.12.2009	01.01.2009
IRES payment under the tax consolidation scheme to Ferrovie dello Stato	109	6,348	
IRAP		1,245	
Total	**109**	**7,593**	

The payable to the parent company due under the tax consolidation scheme concerns the amount of IRES (corporate tax) accrued at 31 December 2010, payable to the parent company Ferrovie dello Stato S.p.A., less any advance payments made. The considerable year-on-year difference is due to the lower revenue recognised in 2009, following the transfer of equity assets. The Company has agreed to participate in the nationwide tax consolidation scheme set up by Ferrovie dello Stato Group for 2010-2012.

Analysis of the Income Statement items

Below is an overview of the year-on-year consolidated income statement items.

TOTAL REVENUE AND INCOME

The Company's revenue and income in 2010 totals 192,779 thousand euros, down year-on-year by 12,900 thousand euros and is broken down as follows:

65 Revenue from sales and services

The item totals 187,808 thousand euros and is broken down as follows:

	2010	2009	Change
Revenue from sales and services			
✓ *Receipts from long-term leases*	57,767	49,713	8,054
✓ *Receipts from compensation for occupation of premises/failed surrender of premises*	30,381	30,394	(13)
✓ *Engagement activities and special equipment*	2,729	3,153	(424)
✓ *Revenue from lease-related expenses*	66,952	64,332	2,620
✓ *Revenue from design and site supervision activities*	616		616
✓ *Revenues from media activities*	15,517	11,390	4,127
✓ *Revenue from customer services*	9,188	7,926	1,262
✓ *Other income from sales and services*	1,808	650	1,158
✓ *Changes in contract work in progress*	2,852	8,449	(5,597)
Total	**187,808**	**176,007**	**11,801**

Rent revenue (19% of which comes from Ferrovie dello Stato Group companies) has increased, as a result of the activities carried out in the year in certain station premises, primarily Milano, Torino and Napoli and Prague Central, leased in the year, leading to an increase in both leased premises and rents. The balance at 31 December 2010 also includes non-operating gains recognised in connection with the normal estimation updates, totaling 1,123 thousand euros.

"Receipts from compensation for occupation of premises/failed surrender of premises" (89% of which come from Ferrovie dello Stato companies) have not changed significantly, year-on-year. "Revenue from lease-related expenses" (approx. 90% of which come from Ferrovie dello Stato Group companies) are up, as a result of the amounts recovered with respect to leases featuring significant balances compared to the previous years. Particularly significant is the item "revenue from media activities", which, after a period of reorganisation and reduction for contingent economic reasons, is now growing once more. Revenue from customer services relates to receipts from pay toilets, left luggage and car parks; the year-on-year increase is primarily due to the management of the car parks and toilets.

Changes in work in progress total 2,852 thousand euros, down year-on-year by 5,597 thousand euros compared to 2009, and are broken down as follows:

Description	2010	2009	Change
Increase in the year	3,133	8,550	(5,417)

Recovered losses from previous years	111	256	(145)
Write-downs for future losses	(392)	(357)	(35)
Total	**2,852**	**8,449**	**5,597**

The changes in contract work in progress in 2010, recognised according to the percentage of completion method set out in IAS 11 ("cost to cost" method), relates to the assessment of the progress in the consideration accrued in the year, with respect to the development of the necessary technical assets needed to carry out the upgrading, refurbishment, efficiency maintenance and valorisation works at the 13 managed stations, primarily on account of RFI and Trenitalia. The above mentioned change is shown less the losses expected in the following years in connection with their completion, examined individually.

66 Other income

Other income totals 4,971 thousand euros and is down year-on-year by 24,702 thousand euros, primarily due to lack of revenue recognised last year from the sale of the property in Venice; the item is broken down as follows:

	2010	2009	Change
Other income			
✓ *Income from recoveries from subsidiaries*	429	317	112
✓ *Sale of land and buildings held for sale*	-	21,995	(21,995)
✓ *Sundry reimbursements*	2,195	4,918	(2,723)
✓ *Non-operating gainse*	-	2,152	(2,152)
✓ *Other income*	50	291	(241)
✓ *Release of excess funds*	2,297	-	2,297
Total	**4,971**	**29,673**	**(24,702)**

Income from recoveries from subsidiaries concern the following: the chargeback of various services delivered to Grandi Stazioni Ingegneria and Grandi Stazioni Ceska Republica. Sundry reimbursements primarily related to the revenue from advertising and promotional activities carried out by the Company in the managed stations (approx. 1,358 thousand euros), revenue from the reimbursement of expenses incurred by Grandi Stazioni to improve the quality and functional standards of the stations, invoiced in the year and adjusted based on the relevant lease term (677 thousand euros). The "release of excess funds" concerns the provisions for risks and charges for 2,068 thousand euros, and the bad debts fund for 229 thousand euros, of which 181 thousand euros from FS Group companies (for greater details, reference should be made to notes 10 and 20).

67 Labour costs

Labour costs total 14,553 thousand euros, down year-on-year by 419 thousand euros, and are broken down as follows:

	2010	2009	Change
Pernmanent employees			

	2010	2009	Change
✓ *Salaries and wages*	9,563	9,912	(349)
✓ *Social security contributions*	3,124	3,158	(35)
✓ *Other labour costs for permanent employees*	152	81	70
✓ *Severance pay*	752	718	34
✓ *Write-up of end-of-service allowance*	-	278	(278)
Freelance workers and collaborators			
✓ *Salaries and wages*	678	534	144
✓ Social security contributions	33	34	(1)
✓ *Seconded personnelo*	252	255	(3)
✓ *Other expenses related to freelance workers and collaborators*	1	1	(0)
Total	**14,553**	**14,972**	**(419)**

The amount includes all costs related to permanent employees, including merit pay, career advancements, the provisions required by law and allocations for merit-based bonuses and incentives accrued by the employees.

The year-on-year drop recognised in 2010 in labour costs, primarily concerns permanent employees, as a result of the hiring of people with higher qualifications, with respect to the various Business Lines, and of people with skills not previously present in the Company. As regards unit costs, besides the above mentioned reason, this has also been affected by the hiring, in the last quarter of the year, of the CEO in an executive position.

The other labour costs include the costs incurred for meal vouchers and training, and the costs relating to the annual fees for the employee health scheme, following the signing of a second-level corporate agreement on 11 September 2007.

The freelance workers and collaborators includes all workers hired under temporary contracts.

With regard to the composition of and changes to the staffing level, reference should be made to note 19.

68 Raw materials, consumables and commodities

The item totals 189 thousand euros, down year-on-year by 18 thousand euros, and is broken down as follows:

	2010	2009	Change
Materials and consumables	188	206	(18)
Transport for purchases		1	(1)
Fuel and lubricants	1		1
Total	**189**	**207**	**(18)**

The year-on-year decrease is primarily the result of the savings in 2010 on the purchase of consumables and for office use and other commodities.

69 Expenses for services

Expenses for services total 87,445 thousand euros, down year-on-year by 27 thousand euros. The table below shows a breakdown of the item:

	2010	2009	Change

Services and works contracted out	**62,674**	**60,183**	**2,491**
- Security	5,191	6,471	(1,280)
- Cleaning	22,626	21,885	741
- Maintenance	18,962	16,865	2,097
- Utitilities	15,756	14,962	794
- Improvements to owned property	139		139
Miscellaneous services	**24,770**	**27,235**	**(2,465)**
- Consulting	222	780	(558)
- Engineering services	5,975	10,180	(4,205)
- Professional services	1,260	2,385	(1,125)
- Utilities	435	424	11
- Travel & accommodation	513	528	(15)
- Insurance premiums	1,009	1,082	(73)
- IT services	923	861	62
- Commissions	1,776	939	836
- Directors' remuneration	857	499	358
- Auditors' remuneration	57	57	0
- Advertising and promotional expenses	1,101	905	196
- Media services	2,928	2,486	442
- Expenses for customer services	5,290	4,899	391
- Other services	2,424	1,209	1,214
Total	**87,445**	**87,418**	**27**

Year-on-year, the costs for services and works contracted out are up for utilities, cleaning and maintenance work; while the reduction in the costs for services and security is due to efficiency enhancement and the reduced services in the period.

The principal changes in miscellaneous services feature: a decrease in engineering services, consulting and professional services, while there are increases in commissions, consideration for other media services and expenses for customer services, which are closely related to an increase in the related revenue. Directors' remuneration in 2010 include the balances settled to the incumbent CEO, following the integration, by the BoD, of the fee assigned since the date of appointment. The “other services” total 2,424 thousand euros and primarily refer to: non-operating losses due to the normal updating of estimates for 1,459 thousand euros, sundry services for 657 thousand euros and reproduction/copy services for 264 thousand euros.

70 Leased assets

The item totals 38,144 thousand euros, up year-on-year by 3,984 thousand euros, and is broken down as follows:

	2010	2009	Change
Operating lease rentals	14	20	(6)
Retrocession fee to RFI S.p.A.	37,733	33,573	4,160
Retrocession fee to SISTEMI URBANI S.p.A.	290	188	102
Property lease rents	23	314	(291)
Other rents and hirings	84	65	19
Total	**38,144**	**34,160**	**3,984**

The changes are primarily due to the increased retrocession fees to RFI and FS Sistemi Urbani, in connection with the increased leasing and Media revenue.

The reduction in rents from leased property is due to the expiration of several lease agreements, used as guest quarters or for temporarily housing Ferrovie Group employees relocating from premises undergoing upgrading work.

At the moment there are no minimum payments due to irrevocable operating lease arrangements.

71 Other expenses

The item Other expenses totals 5,432 thousand euros, down year-on-year by 1,101 thousand euros, and is broken down as follows:

	2010	2009	Change
Sundry taxes	4,943	4,704	239
Penalties and fines	128	125	3
Bad debts	3	14	(11)
Subscriptions and membership fees	155	69	87
Capital losses from the disposal of fixed assets	3	3	
Other expenses	199	1,618	(1,419)
Total	**5,432**	**6,533**	**(1,101)**

The principal changes concern: increased taxes for TARSU and ICP (Municipal Advertising Tax) and lower other operating expenses, as a result of the lack of the non-operating losses recognised in 2009, with respect to the partial settlement of a dispute with the local authority of Naples for ICI property tax payments in 2004-2006.

72 Capitalised internal construction costs

Capitalised internal construction costs total 868 thousand euros, at 31 December 2010, with a year-on-year decrease of 885 thousand euros. The decrease is the result of the secondment of most of the engineering staff to work on the investment contracts carried out by the subsidiary Grandi Stazioni Ingegneria.

73 Depreciations

Depreciations total 7,887 thousand euros, up year-on-year by 2,857 thousand euros, and are broken down as follows:

	2010	2009	Change
Depreciation of intangible/tangible assets			
✓ *Depreciation of intangible assets*	59	131	(72)
✓ *Depreciation of tangible assets*	7,828	4,899	2,929
Total	**7,887**	**5,030**	**2,857**

The increased depreciation of property, plant and equipment is primarily due to the commissioning of the works relating to the properties in Milan, Naples and Turin, respectively on 30 April, 30 June and 31 August 2010. Instead, the depreciation of the properties in Rome and Genoa was suspended, as from September 2010, due to their reclassification to the assets held for sale.

74 Adjustments and write-ups of receivables

The item is detailed below, from both the Group companies and third parties:

	2010	2009	Change
Adjustments and write-ups of receivables	4.171	5.790	(1.619)
Group	*490*	*861*	*(370)*
Third parties	*3.680*	*4.930*	*(1.249)*
Total	**4.171**	**5.790**	**(1.619)**

The writedown of the receivables included among the working capital is based on an accurate analysis of both the receivables and their degree of collectability.

75 Provisions for risks and charges

The item totals 1,697 thousand euros and is broken down as follows:

	2010	2009	Change
Provisions set aside for risks			
✓ *Civil litigation*	311	1,310	(999)
✓ *Employee disputeso*	1,386	1,355	31
Total	**1,697**	**2,665**	**(968)**

The amount recognised in 2010 is the result of the further provisions set aside for risks and charges, as a result of the improved estimate of the compensation amounts that the Company will probably be required to pay, in respect of the disputes arising in the period. For a more detailed analysis, see note 20 “Provision for risks and charges”.

76 Financial revenues

The Financial revenues at 31 December 2010 total 476 thousand euros, down year-on-year by 12,243 thousand euros, primarily due to the revenue from the disposal of the equity interest in Network Italia Eeicole S.r.l. (previously Grandi Stazioni Edicole S.r.l.), in September 2009. Financial revenues are broken down as follows:

	2010	2009	Change
Bank interest receivable	229	358	(129)
Interest receivable from parent companies	179	334	(155)
Income from subsidiaries	31	27	4

Income from the disposal of non-current assets held for sale	-	11,988	(11,988)
Interest receivable from leases	31	11	21
Exchange gains	-	1	(1)
Write-up of equity investments	6	-	6
Total	**476**	**12,719**	**(12,243)**

"Bank interest receivable" is the receivable interest accrued in the year on bank accounts. Year-on-year, this item is down, as a result of the shorter periods of deposit and of the drop in interest rates.

The item "Interest receivable from parent companies" relates to the interest receivable accured on the intra-company joint bank account with Ferrovie dello Stato S.p.A., the terms and conditions of which are shown in detail in note 13 "non-current and current financial assets (including derivatives)".

Financial revenues to subsidiaries relates to the interest accrued from Grandi Stazioni Ceska, in respect of the security provided to MedioCredito Centrale, in connection with a bridge loan granted by the bank to the foreign-based subsidiary. The debt was entirely paid back on 18 February 2011.

The write-up of the equity investment totaling 6 thousand euros reversal of impairment, with respect to the subsidiary Grandi Stazioni Ingegneria, for further details of which reference should be made to note 9.

77 Financial expenses

The item Financial expenses, at 31 December 2010, totals 3,317 thousand euros, up year-on-year by 228 thousand euros. Financial expenses are broken down as follows:

	2010	2009	Difference
Default interest	107	189	(82)
Interest payable on long-term financing arrangements	1.270	2.275	(1.005)
Financial expenses for derivatives	1.468	75	1.394
Sundry financial expenses	2.495	3.136	(641)
Exchange losses	1		1
Capitalised financial expenses	(2.025)	(2.586)	561
Total	**3.317**	**3.089**	**228**

Interest payable on long-term financing arrangements refers to the interest payable accrued in respect of the long-term property-secured loans granted by Banca BIIS (Banca Infrastructure Innovazione e Sviluppo – ex OPI), on the long-term financing arrangements with Bipop Carire and EIB (European Investment Bank. For more details, reference should be made to note 18 "short and long-term financing arrangements". The significant year-on-year decrease is the result of the large drop in the Euribor 6 month rate (which is used as the base measure for determining the costs of financial requirements), together with the reduced borrowings in the period, due to the reimbursements in respect of the property-secured loans and the EIB financing. For financial expenses on derivatives, reference should be made to note 18.

Financial expenses are recognised less the capitalisations in the intangible assets, for 2,025 thousand euros in 2010 and 2,586 thousand euros in 2009.

78 Income tax

Income tax at 31 December 2010 stands at 11,866 thousand euros, down year-on-year by 8,954 thousand euros, and is broken down as follows:

	2010	2009	Difference
IRAP	2,638	3,360	(722)
IRES	11,189	13,406	(2,217)
Deferred and prepaid taxes	(1,961)	4,054	(6,015)
Total income tax	**11,866**	**20,820**	**(8,954)**

The deferred/prepaid tax balance includes the positive impact of the adjustment of the IRAP tax rate applicable to 2010 and totaling 7 thousand euros, following the 0.15% increase.

The table below presents the reconciliation between actual and theoretical IRES tax expense:

	IRES			
	2010		2009	
	Tax base	Tax amount	Tax base	Tax amount
Profits before tax	31,288		60,288	
Theoretical tax expense		**8,604**		**16,579**
Theoretical tax rate		27,50%		27,50%
Temporary differences deductible in future years	12,767	3,511	14,253	3,920
Temporary differences relating to previous years	(7,138)	(1,963)	(28,458)	(7,826)
Taxable temporary differences	4,289	1,179	2,186	601
Deductible temporary differences	(518)	(142)	(238)	(65)
IRES	40,687	**11,189**	48,031	**13,208**
Actual tax rate		35,76%		22%
IRAP		**2,638**		**3,360**
tax for previous year				**42**
total deferred taxes		**(1,961)**		**4,209**

79 Commitments and guarantees

Commitments to third parties are summarised in the table below:

Description	31.12.2010	31.12.2009	Difference
RISKS			
Credit support			
- to other associated companies	116	116	
- to others	500	500	
Other guarantees			
- to subsidiaries	25,300	20,900	4,400

TOTAL	**25,916**	**21,516**	**4,400**
COMMITMENTS			
Deferred contracts	21,000		21,000
TOTAL	**21,000**		**21,000**
TOTAL MEMORANDUM ACCOUNTS	**46,916**	**21,516**	**25,400**

This item includes:

- a guarantee provided by Ferrovie dello Stato to Metropark, in respect of a miscellaneous equipment leasing agreement expiring on 1 January 2013;
- a guarantee provided by Intesa-San Paolo to the local authority of Venice (Direzione Centrale Sportello Unico), originally expiring on 10 September 2008 and tacitly renewed year by year, in respect of the performance of the refurbishment works under way at the former District HQ of Venice (500 thousand euros), automatically renewed until the release is notified by the local authority;
- a guarantee provided to Unicredit - Medio Credito Centrale on behalf of Grandi Stazioni Cesca Republika, to secure the bridge loan, entered into by the bank and the foreign-based subsidiary, expiring on 19 October 2010 and extended until 18 February 2011.
- a commitment arising from the execution (on 20 April 2010) of a preliminary agreement between Grandi Stazioni and Metropolitana di Napoli Spa, with respect to the undertaking by Metropolitana di Napoli Spa to lease out to Grandi Stazioni the premises of the Galleria Commerciale shopping mall, for the overall term of 35 years from the date of delivery, which provides for the down payment, by Grandi Stazioni, of rent totaling 21 million euros plus VAT, at the date of conclusion of the relevant lease.

80 Potential liabilities and assets

With regard to potential liabilities, reference should be made to note 20 “Provisions for risks and charges”.

Moreover, no potential assets have been recognised.

81 Auditing fees

In pursuance of article 37(16) of Legislative Decree No. 39/2010, and letter 16bis of article 2427 of the Civil Code, the fees paid to the independent auditor, at 31 December 2010, totaled 74 thousand euros.

82 Directors’/Auditors’ remuneration

The table below shows the remuneration accrued to the Directors and Auditors in the year, in respect of the performance of their duties, including the remuneration accrued by the CEO in previous years but paid in the current year, and the salary paid to the CEO, in connection with his hiring in an executive position, from 1 October 2010, and shown in the labour costs.

PAYEES	2010	2009	Difference

Directors	1,070	499	571
Auditors	57	57	0
TOTAL	**1,127**	**556**	**571**

The remuneration accorded to the two members of the Board of Auditors totals 56 thousand euros.

83 Related party transactions

Transactions with executives holding positions of strategic responsibility

The table below shows the remuneration paid out to executives holding positions of strategic responsibility, for the relevant term of office and on an accrual basis.

	31.12.2010	31.12.2009
Short-term benefits	2,095	2,128
End-of-service allowance to employees	86	86
Total	**2,181**	**2,214**

In the periods in question, a total of 9 executives/function managers held positions of strategic responsibility (one of which was seconded by FS) and the CEO hired in an executive position from October 2010.

All the executives holding positions of strategic responsibility have declared that, in the period in question, they did not carry out any transactions – either directly or through close family members – with Ferrovie dello Stato Group companies or other companies directly or indirectly controlled by Ferrovie dello Stato.

Other related party transactions

Transactions between Grandi Stazioni and other related parties, are carried out according to an approach based on mutual economic convenience and at arm's length, at normal market conditions, which conditions are determined – if necessary – with the assistance of external consultants.

Intercompany transactions within the Ferrovie dello Stato Group, to which Grandi Stazioni belongs, pursue the common goal of creating value for the FS Group as a whole. Therefore, it should be underlined that, consistently with the new Business Plan of Ferrovie dello Stato Group for 2007-2011, a more rational allocation of the assets and resources within the FS Group is under way, with a view to ensuring that each company focuses primarily on its core business, improving the valorisation and exploitation of the assets not strictly related to the core activities of the FS Group companies, outsourcing these activities to specialised entities, also by means of demergers and contributions of assets, while increasing the intragroup synergies and economies of scale.

These processes and transactions are carried out consistently with the applicable regulations, including the civil law and tax provisions, and abiding by the guidelines laid down by the supervisory government departments, taking into account the characteristics and peculiarities of the activities carried out by many of the FS Group companies.

The table below provides a summary of the key asset and liability transactions, in the year, with subsidiaries, parent companies and other related companies. The table also higlights the transactions with the company that exercises management and coordination activities and with the companies that are subject to the same management and coordination activities.

Company	Asset transactions	Liability transactions
Subsidiaries		
GS Ingegneria	Trading and other transactions: service lease arrangements reimbursements	Trading and other transactions: corrispettivi su lavori di ingegneria Seconded personnel
GS Ceska	Trading and other transactions: assignement fee financing arrangements	Seconded personnel
Parent companies		
Ferrovie dello Stato (a)	Trading and other transactions: lease-related expenses occupation of premises compensation for occupation of premises sundry reimbursements Financial transactions: group bank account interest	Trading and other transactions: service directors'/auditors' remuneration payables for tax credit transfer seconded personnel VAT consolidation IRES consolidation
Associated companies		
Trenitalia (b)	Trading and other transactions: lease-related expenses compensation for occupation of premises occupation of premises lease arrangements reimbursements	Trading and other transactions: engineering work advance payments reimbursements
Rete Ferroviaria Italiana (b)	Trading and other transactions: lease-related expenses compensation for occupation of premises occupation of premises consideration for engineering services reimbursements lease arrangements	Trading and other transactions: retrocession fees maintenance work engineering work advance payments utilities services
Ferservizi (b)	Trading and other transactions: lease-related expenses compensation for occupation of premises occupation of premises reimbursements	Trading and other transactions: travel fee
Fercredit (b)	Trading and other transactions: leasing	Trading and other transactions: leasing
FS Sistemi Urbani (b)		Trading and other transactions: retrocession fees
Cisalpino (b)	Trading and other transactions: lease-related expenses lease arrangements	
Italferr (b)	Trading and other transactions: lease-related expenses reimbursements lease arrangements	Trading and other transactions: guarantees

Metropark (b)	Trading and other transactions: reimbursements lease arrangements facilities	Trading and other transactions: services equipment leasing
Other related parties		
Anas	Trading and other transactions: lease arrangements	
Poste Italiane	Trading and other transactions: lease arrangements	Trading and other transactions: services
Rai	Trading and other transactions: Media	
Studiare Sviluppo	Trading and other transactions: lease arrangements	
Eni		Trading and other transactions: services
Enel		Trading and other transactions: services
Fondo Mario Negri		Trading and other transactions: pension scheme
Cassa depositi e Prestiti		Trading and other transactions: commissions

(a) Company exercising management and coordination activities (direct parent company)

(b) Company subject to management and coordination by (a)

Trading and other transactions

The table below shows the financial and operating figures relating to the transactions detailed above (*KEuros*):

Company	31.12.2010				2010	
	Receivables	Payables	Investment purchasing	Guarantees & Commitments	Expenses	Revenues
Subsidiaries						
GS Ceska	266				(200)	154
GS Ingegneria	729	1,843			43	396
Parent companies						
Ferrovie dello Stato	236	5,564			465	160
Other associated companies						
Trenitalia	8,645	-2				29,299
Rete Ferroviaria Italiana	28,359	17,198			38,064	57,052
Ferservizi	2,514	155			6	3,126
Fercredit					3	
Fs Sistemi Urbani		478			290	
Cisalpino	8					51
Italferr	4,752	3,600				10,268
Metropark	148	172			345	175
Total other associated companies	**44,426**	**21,601**			**38,708**	**99,971**
Other related parties						
Anas S.p.A.	671					4,764
Poste Italiane S.p.A.	25				25	371
RAI S.p.A.	101					84
Studiare Sviluppo S.r.l.	0					0
Eni S.p.A.		1,496			4,472	
Fondo Mario Negri		58			107	
Enel S.p.A.		895			4,801	
Total other related parties	**797**	**2,449**			**9,405**	**5,219**
TOTAL	**45,454**	**31,457**			**48,421**	**105,900**

Financial transactions

The transactions with the Group companies were primarily of a trading nature and, therefore, the expenses and revenues, and the related payables and receivables, refer to: the leasing of station premises, the reimbursement of ancillary costs, cost recoveries relating to seconded personnel, the delivery of general Group services and business travel services.

Lastly, Ferrovie dello Stato S.p.A. and Grandi Stazioni S.p.A. have opened a group bank account into which funds are transferred and from which monies are paid out, in respect of the transactions with FS Holding, Ferservizi, Italferr, RFI and Trenitalia. At 31 December 2010, the balance of the group bank account totaled € 17,923,968.

The table below shows the financial and operating figures relating to the transactions detailed above (*KEuros*).

Company	31.12.2010			2010	
	Receivables	Payables	Guarantees & Commitments	Expenses	Revenues
Subsidiaries					
GS Ceska			25,300		31
Parent companies					
Ferrovie dello Stato	17,924				179
Other associated companies					
Metropark			116		
Other related parties					
Cassa Depositi e Prestiti				336	
TOTAL	**17,924**		**25,416**	**336**	**210**

On 16 March 2010, the Board of Directors of the company resolved, jointly with the Parent Company FS, to participate in and apply the National Tax Consolidation Scheme for the 2010-2012 period.

84 Significant events after the end of the financial year

On 4 January 2011, the Railway Police of Bari, while inspecting the premises that used to house the Post Office on platform 1 of Bari Centrale, found certain alleged shortcomings in the maintenance condition of part of the premises used by station cleaning contractors for parking their electrical trolleys and storing other sundry materials, as a result of which they ordered the seizure of the premises for precautionary reasons.

Subsequently, the confirmation of the police seizure order – with respect to the premises and the materials stored therein – was notified to Grandi Stazioni SpA, the cleaning contractor and another company with access to the premises, used for both storage purposes and for recharging their electrical equipment.

A petition was then lodged with the Prosecutor's Office of Bari for the release from seizure of the premises, also for the purpose of timeously carrying out the refurbishment work and other work for upgrading the premises to compliance with the applicable standards, which work had already been previously scheduled. The competent judicial authorities allowed this petition.

On 20 January 2011, an employee at the Naples HQ was dismissed for the reasons commented on in detail in note 20 "provisions for risks and charges".

The SAP management programme was launched, relating to the management modules of the administration and accounting processes.

The new offices have been handed over to Ferservizi at Palermo Centrale (approx. 1.300 square metres).

Bids have been received, with respect to the lease-related and maintenance activities at all Network stations.

The CIPE 61/2010 resolution relating to:

- the separation of the actions relating to the complementary works included in the Grandi Stazioni programme;
- the appropriation of the sums from the bidding discounts relating to the four projects featuring substantial variations (stations of Roma Termini, Bari Centrale, Bologna Centrale and Venezia S. Lucia), while awaiting the outcome of the preliminary investigation by the competent Ministry of Infrastructure and Transport, aimed at the approval of the above mentioned substantial variations to the detail designs;
- the appropriation of the sums from the bidding discounts relating to the remaining nine projects, mentioned in the acknowledgement among those that do not entail substantial variations, while awaiting the presentation of the revised and duly adjusted cost frameworks, in order to ensure their congruity, by the contractor to the competent Ministry;

was registered by the Audit Office (Corte dei Conti), on 9 February 2011.

An agreement has been reached on the terms and conditions of the long-term financing arrangement for 730 million Czech crowns (29.2 million euros) between UniCredit Bank Austria AG and Grandi Stazioni Ceska Republika SRO. As regards the timeframe for the formalisation/payment of the financing arrangement, Grandi Stazioni SpA stepped in with respect to the bridge loan granted by UniCredit SpA, and expiring on 18 February 2011, paying the amount of 27 million euros, to be used by the subsidiary for paying back the bridge loan and settling the final balance of the works carried out at Prague Central. The term of the financing arrangement between Grandi Stazioni and Grandi Stazioni Cesca, hedged by a similar short-term financing arrangement agreed to by Banca Intesa to Grandi Stazioni, is expected not to exceed three months.

85 Information on the management and coordination activities

The tables below provide a summary of the key highlights of the financial statements of the consolidating company Ferrovie dello Stato S.p.A., which carries out the management and coordination activities within the meaning of article 2497 bis of the Civil Code. These highlights of the holding company Ferrovie dello Stato S.p.A. have been extracted from the relevant financial statements for the year ended on 31 December 2009. For a more in-depth and detailed understanding of the assets, equity and financial situation of Ferrovie dello Stato S.p.A. (the holding company) at 31 December 2009, and of its operating results at the above mentioned date, reference should be made to the financial statements themselves, which, accompanied by the requisite independent auditor's report, are available in accordance with the law.

(KEuros)

BALANCE SHEET	**31.12.2009**	**31.12.2008**
ASSETS:		
A) Receivables from shareholders for payments still due		
B) Fixed assets	42,676,601	42,529,233
C) Operating capital	4,607,304	5,488,439
D) Accrued revenue and prepaid expenses	11,186	38,802
TOTAL	**47,295,091**	**48,056,474**
LIABILITIES:		
A) Shareholders' equity:	36,050,362	35,980,289
Capital	*38,790,425*	*38,790,425*
Reserves	*293,484*	*292,920*
Gains (losses) brought forward	*(3,103,620)*	*(3,114,349)*
Profit (loss) for the year	*70,073*	*11,293*
B) Provisions for risks and charges	814,487	856,868
C) Severance pay	21,616	22,794
D) Payables	10,397,204	11,155,426
E) Accrued expenses and unearned revenue	11,422	41,097
TOTAL	**47,295,091**	**48,056,474**

GUARANTEES, COMMITMENTS AND OTHER RISKS	**3,410,233**	**2,509,554**

INCOME STATEMENT	**2009**	**2008**
A) Operating revenues	171,075	188,520
B) Operating expenses	193,807	178,429
C) Financial revenues and expenses	40,948	47,337
D) Financial asset value adjustments	0	(41,643)
E) Non-operating revenues/expenses	56,259	5,526
Income tax for the year	(4,402)	(10,018)
Profit (loss) for the year	**70,073**	**11,293**

86 Impact of the transition to the International Financial Reporting Standards (IFRS)

General

For the purpose of presenting the impact of the transition to the IFRS standards, and in order to comply with the disclosure requirements set out in paragraphs 24 a) and b) e 25 of the IFRS 1 on the impact of the first-time adoption of the standards, Grandi Stazioni S.p.A. has followed the example set out in the IFRS 1, IG 63. Therefore, Grandi Stazioni S.p.A. has prepared and reported the following:

- the statements of financial position at 1 January 2009 and 31 December 2009, the income statement, the statement of comprehensive income and the statement of changes in equity per the financial year ended on 31 December 2009, changed in accordance with the IFRS;
- the accounting principles used and the rules applied, in connection with the first-time adoption of the IFRS;
- reconciliations of the statements of financial position at 1 January 2009 and 31 December 2009 and the income statement for the financial year ended on 31 December 2009, showing the adjustments made to the data in accordance with the Italian Accounting Standards, for the purpose of making the presentational changes required in connection with the adoption of the IFRS;
- reconciliation of the shareholders' equity and operating results measured according to the Italian Accounting Standards to those measured according to the IFRS, at the date of transition to the IFRS (1 January 2009), at 31 December 2009 and for the financial year ended on 31 December 2009;
- explanations of the above mentioned reconciliations.

Accounting principles and rules applied for the first-time adoption of the IFRS

In connection with the first-time adoption of the IFRS, the statement of financial position at 1 January 2009 and at 31 December 2009, and the income statement for the year 2009, prepared according to the previously applied Italian Accounting Standards, have been adjusted and reclassified in order to ensure their conformity with the IFRS presentation, reporting and measurement criteria.

The impact of this transition to the IFRS is the result of the change in the accounting principles applied and, therefore, as required by IFRS 1, it is reflected in the opening shareholders' equity at the date of transition (1 January 2009).

The transition to the IFRS has entailed maintaining the estimates made previously according to the Italian Accounting Standards, unless the IFRS did not require the formulation of estimates made according to different methods.

No exceptions have been made, in these financial statements, with respect to the application of the IFRS.

As required by the IFRS 1, at the date of transition to the new standards (1 January 2009), a statement of financial position has been prepared in which:

· all and only the assets and liabilities recordable according to the new principles have been recognised;

· the items previously recognised in the financial statements according to principles other than the IFRS have been reclassified;

· the assets and liabilities have been recognised at the value that would have been measured if the new accounting principles had always been applied, except for the exceptions and options allowed by the IFRS 1, and given below;

· all the adjustments resulting from the first-time adoption of the IFRS have been recognised, with a shareholders' equity counterpar, taking into account the relevant tax impact recognised in the prepaid tax assets or deferred tax liabilities.

The restating of the opening financial position at 1 January 2009 and of the other financial statements at 31 December 2009 required the company to make the following decisions, with respect to the options provided by the IFRS:

· financial statement layouts: with regard to the statement of financial position (balance sheet), it was decided to adopt the so-called "current/non-current" layout, while in the case of the income statement it was decided to adopt the layout providing for the classification of expenses based on their nature;

· optional exemptions under the IFRS 1, in connection with the first time adoption of the IFRS (1 January 2009):

  - measurement of the property, plant and equipment, of the investment property and of the intangible assets at the fair value or, alternatively, at the revalued cost as the amount substituted for the cost: the company has adopted the cost model for all the categories of assets;

  - employee benefits (IAS 19): the value of the Severance Pay has been determined at the date of transition on the basis of actuarial methods and assumptions. The company has decided to recognise in the shareholders' equity all the actuarial gains/losses accumulated and existing at 1 January 2009, besides all the subsequent actuarial gains/losses;

  - designation of the financial instruments recognised prior to 1 January 2009: the financial instruments must be classified when first recognised in the financial statements and may thereafter be changed only in limited cases. However, the IFRS 1 allows the allocation of the financial instruments to the various categories at the transition to the IFRS, as an exception to the general rule. The company has decided to make use of this opportunity;

- financial expenses: as allowed by the IFRS 1, the Company has decided to make use of the opportunity provided by IAS 23 (revised) to apply the principle from before 1 January 2009. Grandi Stazioni S.p.A. has decided to capitalise the financial expenses relating to its qualified assets from 1 January 2000, which is the date on which work started in all the stations, except Roma Termini.

· accounting processes selected in accordance with the options provided by the IFRS:

  - measurement of the property, plant and equipment, of the investment property and of the intangible assets: after their initial recognition at cost or fair value, IAS 16, IAS 38 and IAS 40 provide that these assets can be measured at either cost or fair value. The company has opted for the cost model.

Reconciliation of the statements of financial position at 1 January 2009 and 31 December 2009 and of the income statement for the financial year ended on 31 December 2009

The differences emerging from the application of the IFRS compared to the Italian Accounting Standards, and the decisions made by the company, with respect to the accounting options allowed by the IFRS and described above, entail a restatement of the accounting data prepared according to the Italian Accounting Standards on the subject of financial statements, with an impact on the shareholders' equity and operating result summarised in the following tables. The adjustments required by the IFRS are described in detail in the following explanatory notes.

The following tables present the statements of financial position at 1 January 2009 and 31 December 2009 and the income statement for 2009, highlighting, for each item:

· the values measured according to the Italian Accounting Standards, as reclassified according to the IFRS;

· the adjustments relating to the IFRS;

· the adjusted values according to the IFRS.

Reconciliation of the statement of financial position at 1 January 2009

(KEuros)	Notes	Italian Gaap 1.1.2009	Reclassifications	Adjustments	IFRS 1.1.2009
Assets					
Property, plant and equipment	*a,b,c,d,l*	79,843	89,287	6,518	175,649
Investment property	*c*	-	51,446	2,915	54,361
Intangible assets	*b,e*	149,276	(148,175)	(1,000)	101
Prepaid tax assets	*a,c,e,i*	4,098	(110)	342	4,330
Equity investments		4,074	-	-	4,074
Non-current financial assets (including derivatives)	*f*	-	-	131	131
Non-current trade receivables		9,255	-	-	9,255
Other non-current assets		3,362	-	-	3,362
Total non-current assets		**249,908**	**(7,551)**	**8,907**	**251,263**
Inventories	*g,i*	56,276	(40,631)	(9,075)	6,570
Current trade receivables		83,966	-	-	83,966
Current financial assets (including derivatives)	*f*	17,819	(12)	-	17,807
Cash and cash equivalents		6,629	-	-	6,629
Tax credits		2,933	-	-	2,933
Other current assets		16,120	-	-	16,120
Assets held for sale and groups being disposed of	*i*	-	41,757	-	41,757
Total current assets		**183,743**	**1,114**	**(9,075)**	**175,782**
Total assets		**433,651**	**(6,437)**	**(168)**	**427,045**
Shareholders' equity					
Share capital		4,304	-	-	4,304
Other reserves		77,501	-	(85)	77,416
Profit (loss) brought forward (accumulated)	*i*	-	755	3,484	4,239
Operating results		15,020	-	3,131	18,151
Total shareholders' equity		**96,825**	**755**	**6,530**	**104,110**
Liabilities					
Medium/long term financing arrangements	*a*	159,355	-	17	159,372
Severance pay and other employee benefits	*h*	2,452	-	(438)	2,014
Provisions for risks and charges		4,103	-	-	4,103
Deferred tax liabilities	*c,d,f,h,i*	-	248	2,420	2,668
Non-current financial liabilities (including derivatives)	*f*			70	70
Non-current trade payables		-	-	-	-
Other non-current liabilities	*l*	9,774	(6,253)	-	3,521
Total non-current liabilities		**175,684**	**(6,005)**	**2,068**	**171,748**
Short-term financing arrangements					
Current share of medium/long term financing	*a*	4,728	-	308	5,036
Short-term share of Provisions for risks and charges		-	-	-	-
Current trade payables	*g*	114,902	2,617	-	117,519
Income tax payables	*a*	-	-	-	-
Financial liabilities current (including derivatives)		-	-	-	-
Other current liabilities	*g,l*	41,512	(3,805)	(9,075)	28,632
Liabilities held for sale and groups being disposed of		-	-	-	-
Total current liabilities		**161,142**	**(1,188)**	**(8,766)**	**151,188**
Total liabilities		**336,826**	**(7,193)**	**(6,698)**	**322,935**
Total shareholders' equity and liabilities		**433,651**	**(6,437)**	**(168)**	**427,045**

Reconciliation of the statement of financial position at 31 December 2009

(KEuros)	Notes	Italian Gaap 31.12.2009	Reclassifications	Adjustments	IFRS 31.12.2009
Assets					
Property, plant and equipment	*a,b,c,d,l*	77,421	122,890	8,926	209,237
Investment property	*c*	-	52,924	3,310	56,235
Intangible assets	*b,e*	182,508	(182,079)	(342)	87
Prepaid tax assets	*a,c,e,i*	5,964	-	261	6,225
Equity investments		4,068	-	-	4,068
Non-current financial assets (including derivatives)		-	-	-	-
Non-current trade receivables		8,608	-	-	8,608
Other non-current assets		2,843	-	-	2,843
Total non-current assets		**281,412**	**(6,265)**	**12,155**	**287,302**
Inventories	*g,i*	28,533	-	(13,923)	14,610
Current trade receivables		113,058	-	-	113,058
Current financial assets (including derivatives)		7,113	-	-	7,113
Cash and cash equivalents		57,938	-	-	57,938
Tax credits		-	-	-	-
Other current assets		15,434	-	-	15,434
Assets held for sale and groups being disposed of		-	-	-	-
Total current assets		**222,076**	**-**	**(13,923)**	**208,153**
Total assets		**503,488**	**(6,265)**	**(1,769)**	**495,454**
Shareholders' equity					
Share capital		4,304	-	-	4,304
Altre reserve		80,521	-	(499)	80,022
Profit (loss) brought forward (accumulated)		-	-	7,370	7,370
Operating results		37,451	-	2,017	39,468
Total shareholders' equity		**122,276**	**-**	**8,888**	**131,164**
Liabilities					
Medium/long term financing arrangements	*a*	201,536	-	(306)	201,230
Severance pay and other employee benefits	*h*	2,335	-	(332)	2,003
Provisions for risks and charges		6,611	-	-	6,611
Deferred tax liabilities	*c,d,f,h,i*	5,482	-	3,135	8,617
Non-current financial liabilities (including derivatives)	*f*	-	-	548	548
Non-current trade payables		-	-	-	-
Other non-current liabilities	*l*	8,634	(5,638)	-	2,996
Total non-current liabilities		**224,598**	**(5,638)**	**3,044**	**222,004**
Short-term financing arrangements		-	-	-	-
Current share of medium/long term financing	*a*	15,912	-	222	16,134
Short-term share of Provisions for risks and charges		-	-	-	-
Current trade payables	*g*	96,401	113	-	96,514
Income tax payables		7,593	-	-	7,593
Financial liabilities current (including derivatives)		-	-	-	-
Other current liabilities	*g,l*	36,708	(740)	(13,923)	22,045
Liabilities held for sale and groups being disposed of		-	-	-	-
Total current liabilities		**156,614**	**(627)**	**(13,701)**	**142,286**
Total liabilities		**381,212**	**(6,265)**	**(10,657)**	**364,290**
Total shareholders' equity and liabilities		**503,488**	**(6,265)**	**(1,769)**	**495,454**

Reconciliation of the income statement for the financial year ended on 31 December 2009

	Notes	Italian Gaap 31.12.2009	Reclassifications	Adjustments	IFRS 31.12.2009
Revenue and receipts					
Revenue from sales and services		176,007	-	-	176,007
Other income	*i*	31,727	(940)	(1,114)	29,673
Total revenue		**207,733**	**(940)**	**1,114**	**205,679**
Operating expenses					
Labour costs	*b*	(16,109)	1,137	-	(14,972)
Raw materials, consumables and commodities		(207)	-	-	(207)
Expenses for services		(87,294)	(124)	-	(87,417)
Leased assets	*a*	(34,481)	-	321	(34,160)
Other expenses operative		(6,533)	-	-	(6,533)
Capitalised internal construction costs		1,753	-	-	1,753
Depreciations	*a,c,e*	(5,905)	-	875	(5,030)
Write-downs (write-ups)		(5,790)	-	-	(5,790)
Provisions for risks and charges		(2,665)	-	-	(2,665)
Operating results (EBIT)		**50,504**	**73**	**81**	**50,658**
Financial revenues and expenses					
Financial revenues		12,719	-	-	12,719
Financial expenses	*a,d,f,h*	(5,546)	-	2,457	(3,089)
Results before taxes		**57,676**	**73**	**2,539**	**60,288**
Income tax	*a,c,d,e,f,h*	(20,225)	-	(595)	(20,820)
Operating results from continuing assets		**37.451**	**73**	**1,944**	**39,468**
Results for the year of the assets for sale less tax impacts					
Net operating results		**37,451**	**73**	**1,944**	**39,468**

Explanatory notes to the reconciliation prospectuses

With regard to the principal adjustments made, the following paragraphs set out the observations and references to the reclassifications and adjustments included in the reconciliation prospectuses relating to the shareholders' equity and the net result values illustrated previously.

a) Leasing

According to the ITA GAAP, the leasing arrangements entered into by the Company were treated as "operational". At the date of transition the characteristics of the leasing arrangements have been measured in the light of the IFRS-EU and the same agreements have been more expediently classified as "financial" leasing arrangements.

This classification has determined an increase in value of the property, plant and equipment item and of the liabilities in the balance sheet, and an increase in value of the financial expenses and depreciations, besides a reduction of the operating expenses in the income statement.

The impact may be summarised as follows:

KEuros	1 January 2009	31 December 2009
Income statement		
Operating expenses		321
Depreciations and write-downs		(179)
Financial expenses		(13)
Tax impact		(42)
Net results for the year		87
Balance sheet		
Property, plant and equipment	579	400
Total current assets	**579**	**400**
Medium/long term financing arrangements	(222)	-
Current share of medium/long term financing	(308)	(222)
Total current liabilities	**(530)**	**(222)**
Tax impact	(16)	(59)
Shareholders' equity	(33)	119

b) Leasehold improvements

At 1 January 2009 and at 31 December 2009 the Company recorded in the "Intangible assets" the expenses incurred for the upgrading and improvement of leased station premises.

These expenses, however, do not qualify as "Intangible assets", within the meaning of the IAS 38. Therefore, lacking the necessary requirements, these expenses – according to the IAS 16 – have been reclassified in the "Property, plant and equipment" item, in consideration of the fact that they consist of civil works and sundry plant.

Keuros	1 January 2009	31 December 2009
Income statement		
		-
Net results for the year		-
Balance sheet		
Property, plant and equipment	26,230	26,984
Intangible assets	(26,230)	(26,984)
Shareholders' equity	-	-

c) Investment property

Grandi Stazioni S.p.A. owns properties in the vicinity of the stations of Roma Termini, Napoli Centrale, Venezia Santa Lucia, Genova Porta Principe, Bologna and Firenze.

All these properties are held for the purpose of collecting rents or for investment appreciation and, therefore, they have been classified in the "Investment property".

Their value has been measured according to the cost model, rather than the fair value. Therefore, since the net value of the properties, at the date of transition, has not been applied as a deemed cost, the adjustment has entailed the reversal of depreciation – measured according to the ITA GAAP – with respect to the portion of land on which the buildings stand.

KEuros	1 January 2009	31 December 2009
Income statement		
Depreciations and write-downs		396
Tax impact		-
Net results for the year		396
Balance sheet		
Property, plant and equipment	(51,446)	(52,924)
Investment property	54,361	56,235
Tax impact	(557)	(557)
Shareholders' equity	2,358	2,754

d) Financial expenses

The financing arrangements entered into in 2005 with MPS and in 2008 with EIB are related to the station upgrading works (except for Roma Termini, which works had substantially been completed in the previous years). IAS 23 (revised) obliges the companies adopting the IFRS-EU to recognise the financial assets suited to capitalisation in the fixed assets. Therefore, as mentioned above, Grandi Stazioni S.p.A. has designated 1 January 2000 as the effective date for the obligatory capitalisation of the financial expenses, in consideration of the fact that the station upgrading works started on that date and, subsequently (in 2005 and 2008), the previously mentioned financing arrangements were entered into. Moreover, the impact of the adoption of the depreciated cost method has been measured, with respect to certain loans taken out by the Company.

The impact of the adjustments based on the IAS 23 (revised) are summarised below:

KEuros	**1 January 2009**	**31 December 2009**
Income statement		
Financial expenses		2,586
Tax impact		(703)
Net results for the year		1,883
Balance sheet		
Property, plant and equipment	5,940	8,526
Tax impact	(1,632)	(2,335)
Shareholders' equity	4,308	6,191

e) Intangible assets

Intangible assets, recognised according to the ITA GAAP in the item "Others", included the internal capitalised costs that were not specifically related to the single contracts completed or under way.

These expenses do not qualify for classification as Intangible assets – within the meaning of the IAS 38 – and, therefore, in connection with the first adoption of the IFRS-EU, they have been used to reduce the shareholders' equity at the date of transition and, in 2010, have been recognised directly in the operating expenses.

The impact of the adjustment is shown below:

Keuros	1 January 2009	31 December 2009
Income statement		
Depreciations and write-downs		658
Tax impact		(212)
Net results for the year		446
Balance sheet		
Intangible assets	(1,000)	(342)
Tax impact	322	110
Shareholders' equity	(678)	(232)

f) Recognition of the Cash Flow Hedge reserve and of the impact of the depreciated cost of financing

With regard to the financing arrangement with EIB in 2008, the ancillary costs incurred – according to the ITA GAAP – were charged to the income statement. Following the adoption of the IFRS-EU, this financing has been recognised based on the depreciated cost method. According to this method, the financial liability has been determined using the effective interest method; the effective interest rate is the rate used to exactly discount to the present the future payments as estimated throughout the expected life of the financing. The adjustment entailed a recovery of the ancillary costs of the financing, which have been used to reduce the financial debt, with a consequent positive impacr on the shareholders' equity at the date of transition.

Moreover, Grandi Stazioni S.p.A. has also entered into an interest rate swap (IRS) agreement with Mediobanca Banca di Credito Finanziario S.p.A. – effective from 30 June 2006 to 30 June 2011 – on a notional capital of 30 million euros, under which Grandi Stazioni S.p.A. receives a six-monthly remuneration based on the 6-month Euribor rate, and pays a financial cost based on the 6-month Euribor rate, with a 0.245% cap, up to a maximum of 4.30%. In accordance with the IAS 39, the above mentioned derivatives have been qualified as cash flow hedges and, therefore, the changes in fair value are recognised in a specific shareholders' equity reserve.

The impact of the adjustment is shown below:

KEuros	1 January 2009	31 December 2009
Income statement		
Financial revenues		30
Net results for the year		30
Balance sheet		
Non-current financial assets, including derivatives	131	-
Medium/long term financing arrangements	205	306
Financial liabilities non-current, including derivatives	(70)	(548)
Tax impact	(73)	58
Shareholders' equity	193	(184)

g) Construction contracts

At 1 January 2009 and at 31 December 2009 the Company featured "Contract works in progress" primarily with respect to the RFI contracts, the invoiced advance payments of which have been recognised in the liabilities section of the balance sheet.

Based on the IAS 11, the contracts in question have been reported as follows:

- the contracts in progress, the incurred costs of which – plus (or minus) the measured profits – exceed the invoiced advance payments, are recorded less the advance payments received;
- the contracts in progress, the incurred costs of which – plus (or minus) the measured profits – are below the invoiced advance payments, are recorded in the liabilities to reduce the advance payments received.

The table below shows the impact of the adjustment:

KEuros	1 January 2009	31 December 2009
Income statement		
Net results for the year		-
Balance sheet		
Inventories	(9,075)	(13,923)
Other current liabilities	9,075	13,923
Shareholders' equity	-	-

Moreover, the advance payments received have been reclassified, from "Other current liabilities" to "Current trade payables", the impact of which is shown below:

KEuros	1 January 2009	31 December 2009
Income statement		
Net results for the year		-
Balance sheet		
Other current liabilities	(2.617)	(113)
Current trade payables	2.617	113
Shareholders' equity	-	-

h) Employee benefits

The severance pay related payables used to be recognised in the financial statements prepared according to the ITA GAAP, consistently with the law and the applicable employment contracts. Based on the IAS 19, and on the indications of the Italian standard-setter OIC, as shown in its "Guidelines to the transition to the international accounting standards, severance pay is considered a "defined benefit plan" and, therefore, has been redetermined based on the acturial method.

The accounting model adopted by the company, in accordance with the IAS 19 (par. 93A and 93B), provides for the recognition of all the actuarial gains and losses – less the relevant tax impact – directly in a shareholders' equity reserve. Therefore, the only income statement impact in 2009 is the impact of the interest payable resulting from the actuarial measurement.

KEuros	1 January 2009	31 December 2009
Income statement		
Labour costs		73
Financial expenses		(86)
Tax impact		4
Net results for the year		(9)
Balance sheet		
Severance pay and other employee benefits	437	331
Tax impact	(120)	(91)
Shareholders' equity	317	240

i) Non-current assets held for sale

At 31 December 2008, the Company held property for sale recorded in the "Inventories" item, and relating to the net accounting value of the building in Venice housing the district HQ.

The carrying amount of this property has been recovered in 2009, through a sales transaction rather than its continued use, therefore the building, which falls within the scope of IFRS 5, in the financial statements at 31 December 2008, has been reclassified in the "Non-current assets held for sale". The only accounting impact on the income statement for 2009 is represented by the adjustment of the capital gains from the sale of property, in the wake of the reversal of impairment of the value of the land on which the building stands, depreciated, according to the ITA-GAAP, up to 31 December 2006:

KEuros	**1 January 2009**	**31 December 2009**
Income statement		
Operating revenue		(1,114)
Tax impact		359
Net results for the year		(755)
Balance sheet		
Inventories	(40,631)	-
Current financial assets, including derivatives	(12)	-
Non-current assets held for sale	41,757	-
Tax impact	(359)	-
Shareholders' equity	755	-

l) Grants for equipment

It is highlighted that the ITA-GAAP balances, at 1 January 2009 and at 31 December 2009, feature, with respect to the "Other non-current liabilities" and "Other current liabilities" items, respectively, the percentage share of the grant for equipment (Giubileo 2000 Grant) recognised according to the direct method. The reconciliation prospectus of the statement of financial position features a reclassification thereof to directly reduce the tangible assets to which they refer, in order to clearly and uniformly display the said values with respect to the other contributions received.

The tables below show the impact of the above mentioned adjustment:

KEuros	**1 January 2009**	**31 December 2009**
Income statement		
Net results for the year		-
Balance sheet		
Property, plant and equipment	(7,441)	(6,265)
Other non-current liabilities	(6,253)	(5,638)
Other current liabilities	(1,188)	(627)
Shareholders' equity	-	-

Reconciliation of the shareholders' equity at 1 January and 31 December 2009 and of the operating results for the financial year ended on 31 December 2009 and related explanatory notes.

(KEuros)	Notes	Shareholders' equity at 1.1.2009	Net operating results 2009	Shareholders' equity at 31.12.2009
Italian GAAP values		**96,825**	**37,451**	**122,276**
IFRS adjustments:				
Leased assets	*a*	49	129	178
Investment property	*c*	2,915	396	3,311
Capitalisable financial expenses	*d*	5,940	2,586	8,526
Intangible assets (non-capitalisable)	*e*	(1,000)	658	(342)
Derivative instruments	*f*	266	(30)	(242)
Employee benefits	*h*	437	(13)	331
Assets held for sale	*i*	1,114	(1,114)	-
Tax impact on the IFRS adjustments:		**(2,435)**	**(594)**	**(2,874)**
Leased assets	*a*	(16)	(42)	(59)
Investment property	*c*	(557)	-	(557)
Capitalisable financial expenses	*d*	(1,632)	(703)	(2,335)
Intangible assets (non-capitalisable)	*e*	322	(212)	110
Derivative instruments	*f*	(73)	-	58
Employee benefits	*h*	(120)	4	(91)
Assets held for sale	*i*	(359)	359	
IFRS values		**104,111**	**39,469**	**131,164**

Reconciliation of the cash flow statement for the financial year ended on 31 December 2009

The reconciliation prospectus of the cash flow statement has not been presented because the application of the IFRS-EU accounting principles has entailed no significant impacts.

STATEMENT BY THE CEO AND THE EXECUTIVE RESPONSIBLE FOR PREPARING THE COMPANY ACCOUNTS OF GRANDI STAZIONI SpA ON THE FINANCIAL STATEMENTS FOR 2010

1. The undersigned Fabio Battaggia and Giovanni Raddi, respectively Chief Executive Officer and Executive responsible for preparing the Company accounts of Grandi Stazioni SpA, having regard to:

    - the provisions of article 27 of the Articles of Association of Grandi Stazioni SpA;
    - paragraph 2 below;

    hereby certify:

    - the adequacy, in relation to the characteristics of the Company, and
    - the effective application

    of the administrative and accounting procedures applied to the preparation of the financial statements for 2010.

2. They also declare that:

    a. the assessment of the adequacy and effective application of the administrative and accounting procedures applied to the preparation of the financial statements of Grandi Stazioni SpA is based on an internal model that complies with and conforms to the "Internal Controls – Integrated Framework" issued by the "Committee of Sponsoring Organizations of the Treadway Commission", which represents the international generally accepted reference framework for internal controls;

    b. the following key highlights have emerged from this assessment:

        - the Company has put into place generally sufficient organisational and administrative-accounting procedures, in relation to its characteristics;

however, the effective application of these procedures, as regards their impact on the 2010 financial statement disclosures, still appears to be lacking, especially as regards the data transmission timeframes and procedures, for financial reporting purposes, and the formalisation of the advertising agreements. Therefore, the Company functions have been requested to employ the necessary human resources and implement updated business report systems, in this respect;

- the integration of the business support systems with the administrative and accounting systems is still below standard. In 2010, a project was implemented providing for the introduction of the SAP software, which is being phased in as follows: at the beginning of 2011, for the administrative and accounting processes, and in the second quarter of 2011, for management processes. The introduction of the SAP software will solve many of the integration problems existing between the management and the accounting systems.

In any case, the shortcomings found have scarcely affected the 2010 financial statement disclosures.

3. It is also certified that the financial statements:

a. have been prepared in accordance with the applicable international accounting standards set out in Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;

b. are consistent with the relevant acccounting books and records;

c. provide a truthful and accurate representation of the equity, financial position and operating results of Grandi Stazioni SpA.

Rome, 28 March 2011

Signed by the CEO and the above detailed Executive.

GRANDI STAZIONI SpA – Share capital (fully paid up): € 4,304,201
Gead Office: Via G. Giolitti 34 – 00185 Rome – Companies' Registry No. 571591/96

REPORT BY THE BOARD OF STATUTORY AUDITORS FOR THE GENERAL MEETING

To the Shareholders,

the incumbent Board, comprising the members Carlo Conte, the Chairman, Claudio Bianchi and Paolo Buzzonetti, was appointed by you on 10 December 2010, following the meeting adjourned on 22 April 2010.

The Board, whose duty is to supervise the management of the Company, because the account auditing functions have been contracted to PricewaterhouseCoopers SpA, has performed its tasks by stepping up contacts, after 10 December 2010, with the persons in charge of the various control functions, thus enhancing its coordination activities.

The Board members have attended the Director's meetings and obtained from the CEO and the top management of the Company all the necessary information on the management performance and outlook.

In particular, the Chairman of the Board has attended the meetings of the Supervisory Body, promptly reporting to the other Members, with respect thereto, while the Board has constantly and consistently liaised with the Internal Audit Manager, with whom it has always examined in depth the audit reports prepared for the Board of Directors.

The Board highlights that transactions with related parts are customary and that they are suitably reported to the Board of Directors in the relevant paragraph of the Annual Report.

Grandi Stazioni's status, as a company subject to the management and coordination of Ferrovie dello Stato SpA, in pursuance of article 2497 of the Civil Code, is confirmed, based on the Board's findings, by its compliance with the Group procedures and its recent transition to the SAP software platform.

The Board has also constantly liaised with the independent auditor, PricewaterhouseCoopers SpA, which has always attended the Board meetings with the partner and the managers responsible for supervising the accounts of Grandi Stazioni SpA.

Therefore, the Board is also in the position to acknowledge that the accounting records, as well as the social security contributions and tax statements, have never shown any omissions, irregularities or liability to penalties, or in any case such as to require reporting to the supervisory bodies or mention in this report.

The Board underlines that it has specifically liaised with the independent auditor on the matter of the company and consolidated financial statements at various meetings, also by means of teleconferencing, to further investigate the more critical aspects. In this regard, it has been acquainted by PricewaterhouseCoopers SpA that its opinion will not contain any severe criticism and any requests to comply with, conform to or abide by the disclosure requirements and other applicable regulations, laws and standards, with respect to financial reporting, and that its opinion will be positive, with respect to the consistency of the Annual Report with the financial statements.

Now therefore, and as a result hereof, acting strictly within our remit, we hereby recommend the approval of the company financial statements for 2010, and the proposed allocation of the profit by the Board of Directors, at the end of the Annual Report.

Also acting within our remit, and based on the information acquired from PricewaterhouseCoopers SpA, we recommend the approval of the consolidated financial statements for the same period.

The Board has not received any reports made in pursuance of article 2408 of the Civil Code.

Rome, 13 april 2011

Signed by the members of the Board of Auditors.