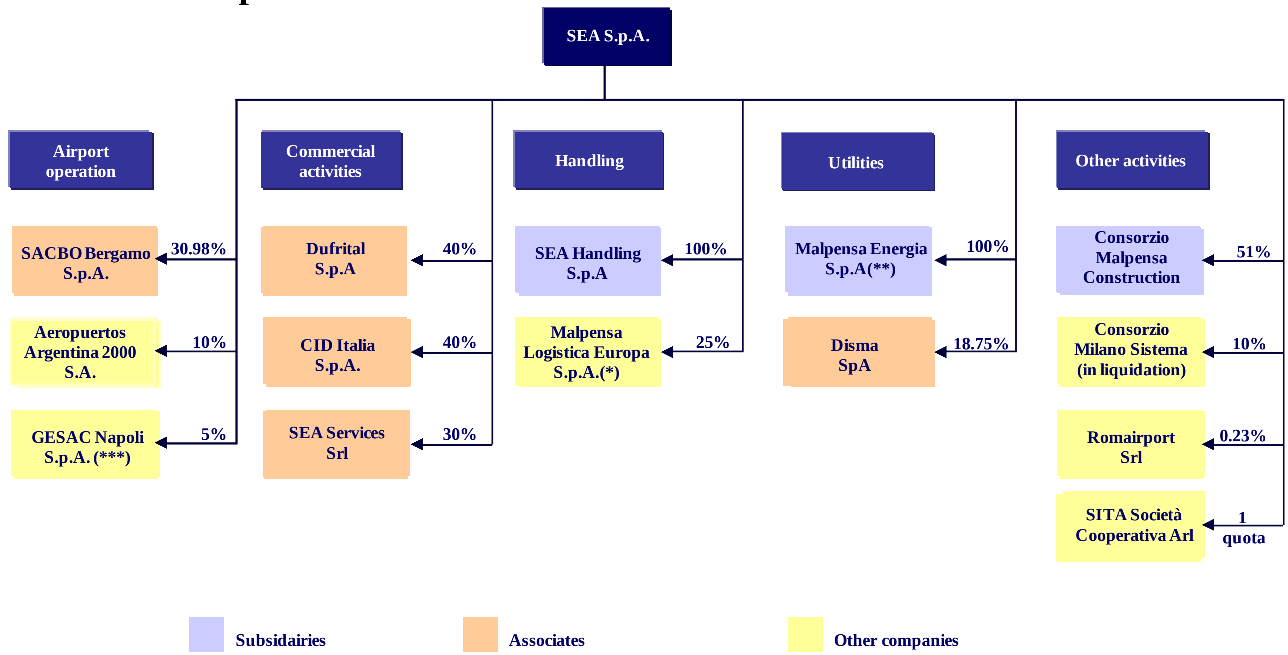
Annual Report 2010

CONTENTS

(Translation from Italian original)

GENERAL

The SEA Group



Group structure as of 31 December 2010
(*)The investment in Malpensa Logistics Europa decreased to 25% following the sale of quotas to Argol in 2010.
(**) In April 2011 Malpensa Energia S.p.A. will change its legal name to SEA Energia S.p.A.
(***) The investment was sold by the SEA Group on 3 March 2011.

Profile

The SEA Group operates the Milan airport system under a 40-year Convention made in 2001 by SEA SpA (“SEA”) and ENAC.
SEA SpA and the group companies operate and develop Malpensa and Linate airports, ensuring all related services and activities, such as aircraft landing and take-off, airport security, passenger and cargo handling, continuous development of commercial services rendered to passengers, operators and visitors through a broad and differentiated offering.
The SEA Group generates electrical and thermal power both to meet the requirements of its airports and for sale to the external market.

The Milan airport system is located in one of the areas with the fastest economic growth in Europe and also acts as a bridge linking the Mediterranean and continental Europe.
The particular geographic and economic positioning of the airports operated by the SEA Group is also enhanced by their location on one of the main development routes of the trans-European transport network - TEN-t, designed to facilitate the movement of people and goods between West and East, not only within Europe but also to and from the Middle and Far East.
The gross domestic product of the Region Lombardia, the base area of Malpensa and Linate airports, amounts to €311 billion and accounts for 20.4% of national GDP, ranking second among European airport systems after Paris and preceding London and Madrid.

Lombardia – Key indicators	
Surface (sq km)	23,862
Resident population (m)	9.8
Businesses per sq km	34.5
Per capita GDP at current prices (€'000)	31.7
Imports (€'m)	96.3
Exports (€'m)	82.0

Source: Annuario Statistico Regionale della Lombardia – December 2010

The airport system operated by the SEA Group comprises:

- Milan Malpensa airport: located approximately 48 km from Milan, it is connected to the city by rail (30 minutes from the city centre), and by road, including motorways, and to the main towns of northern Italy and Switzerland;

  Malpensa operates two passenger terminals and one cargo terminal:
  - Terminal 1, dedicated to business and leisure customers on domestic, international and intercontinental routes, with areas dedicated to scheduled and charter airline operators;
  - Terminal 2, dedicated to high-range low-cost traffic;
  - Cargo City, which makes Malpensa the top Italian airport by volume of cargo, and one of the top European cargo airports;
- Milano Linate airport: approximately 8 km from Milan, it is the European airport closest to the city centre, to which it is connected by local transport. It is used by frequent flyers on particularly appealing domestic and intra-EU routes.

(number)	**Milan airport system**	**Malpensa**	**Linate**
Airlines (*)	167	147	20
Check-in counters	354	283	71
Boarding gates	153	124	29
Aircraft stands	174	139	35
Commercial spaces	127	88	39
Food & beverage spaces	68	51	17
Car park spaces	15,300	10,250	5,050

(*) Only airlines that operated at least 10 flights during the year

Corporate bodies

Board of directors(1)	
Chairman and CEO	*Giuseppe Bonomi*
Directors	*Lino Girometta(3)*
	Raffaele Cattaneo(4)
	Alberto Ribolla(2)(4)
	Marco Pagnoncelli(2) (4)
Board of statutory auditors	
President	*Giancarlo Giordano*
Acting auditors	*Aldo Londei*
	Fabio Malcovati
	Maria Luisa Mosconi
	Raffaella Pagani
External auditors	*PricewaterhouseCoopers SpA*

(1) Appointed at the AGM of 28 April 2010 for a three-year term expiring on approval of the financial statements as of 31 December 2012

(2) Member of the Internal Audit Committee of the SEA Group

(3) Member of the Ethics Committee

(4) Member of the Remuneration Committee

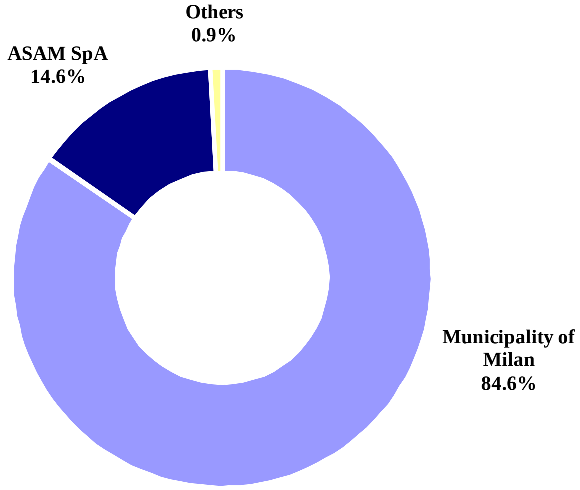
Information to shareholders

Share capital of SEA S.p.A. is equal to €27,500,000.00, divided into 250 million shares of nominal €0.11 each. As of 31 December 2010 SEA S.p.A. did not own treasury shares.

The ownerships structure is as follows:

Public entities *14 bodies/entities*	Municipality of Milan	84.56%
	ASAM SpA	14.56%
	Province of Varese	0.64%
	Municipality of Busto Arsizio	0.06%
	Other public entities	0.14%
Private shareholders 515 shareholders (*)		0.05%

(*)Based on Consob's Communication DME 4059866, SEA is excluded from the list of issuers of widely held instruments



For additional information contact us on
Tel: +39 02 74852864

Or visit the website: www.sea-aeroportimilano.it

Lines of business

	Aviation The Aviation business comprises the operation and development of the infrastructure of Malpensa and Linate airports (terminals, flight infrastructure, aircraft parking aprons), the operation of centralised infrastructure and security services. For these services, offered on an exclusive basis and subject to regulation, the SEA Group, though the parent company SEA SpA, receives charges and fees. *Types of revenues*: airport user charges (for aircraft, passengers and cargo), fees for the use of centralised infrastructure (e.g. loading bridges, BHS, centralised information systems), fees for security checks (on passengers and carry-on luggage, and 100% of hold luggage). Airport user charges and security fees are set by ministerial decrees; fees for the use of centralised infrastructure are monitored by ENAC.

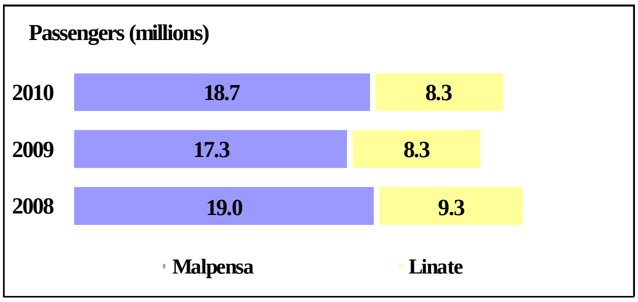
	Handling Handling comprises all ground handling services concerning aircraft, passengers, baggage, cargo and mail, which the SEA Group provides to the carriers operating in its airport system. Operations relating to this business, which were deregulated by Legislative Decree No. 18/99, are carried out by the SEA Group, as concerns ramp, passenger and cargo handling, through SEA Handling S.p.A. *Types of revenues*: fees for ramp handling (which comprises services rendered in the airside area, including: disembarking, transfer and embarking of passengers, cargo and baggage loading and unloading, aircraft balancing, baggage routing and reconciliation) and passenger handling (which comprises services rendered in the landside area, including: check-in and lost & found).

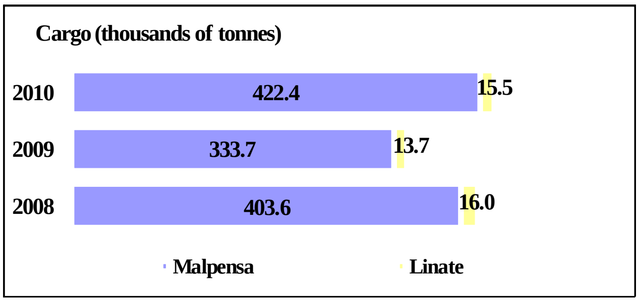
	Non Aviation The Non Aviation business comprises commercial activities (duty free and duty paid sales, food & beverage, car rental, banking, advertising); the operation of car parks; the operation and management of spaces supporting third party handlers, carriers, cargo logistics and aircraft maintenance operators; real estate operations; other activities (e.g. sale of electricity to third parties, rentals, technological and engineering services). *Types of revenues:* Non Aviation operations are carried out directly by SEA S.p.A., entities of the SEA Group or third parties. In this case the SEA Group receives a variable fee (royalty) on the activities performed by the third party operator, in general corresponding to a predefined percentage of sales, with a guaranteed minimum and/or a fixed fee for the use of airport spaces.

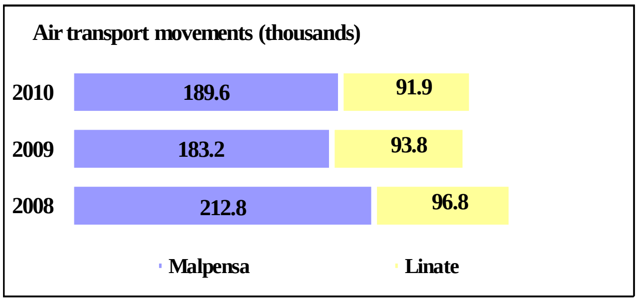
DIRECTORS' REPORT ON OPERATIONS OF THE SEA GROUP

Highlights

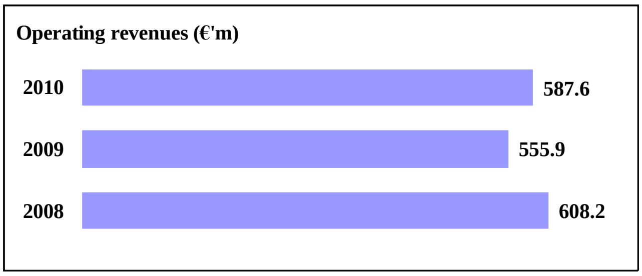
Traffic

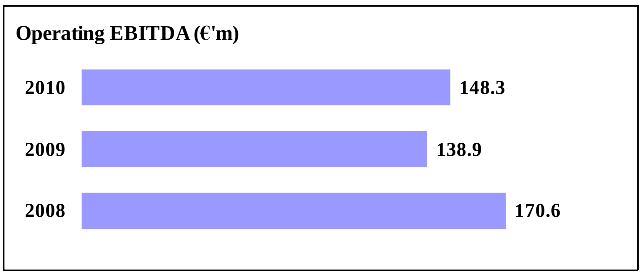


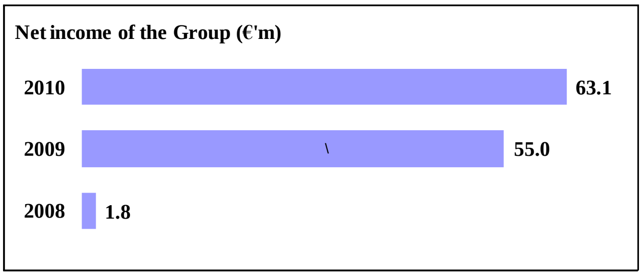


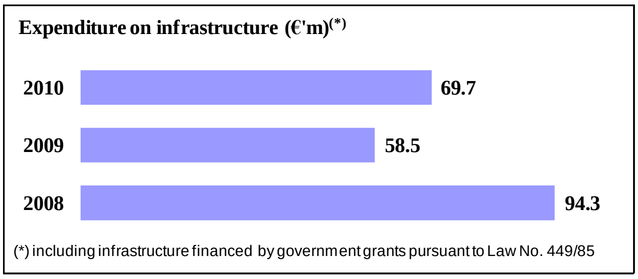


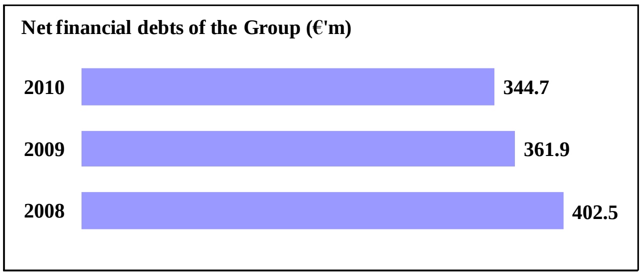
Group financial highlights [1]





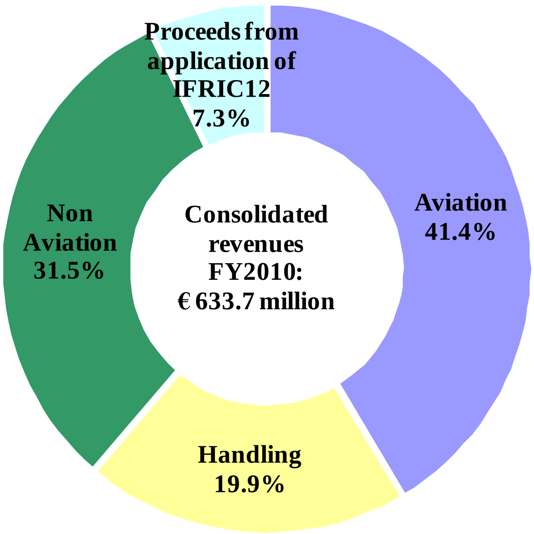






(1) The figures do not consider the impact of IFRIC 12. In consideration of the exit of Malpensa Logistica Europa from the consolidation perimeter, the 2008 and 2009 figures have been adjusted to make them comparable with those of 2010. Over the horizon considered the effects of this operation on the other items are negligible, so these have not been adjusted.

Consolidated Revenues FY2010 (*)



(*) SEA SpA's revenues of FY 2010 were € 267.4 million for Aviation and € 197.6 million for Non Aviation. Handling operations are not carried out by SEA SpA directly.

Additional financial figures of the SEA Group

The consolidated financial statements of the SEA Group have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (“IFRS").
To facilitate an assessment of the financial performance for 2010, the following tables show certain figures and indicators referred to the consolidated financial statements of the SEA Group as of 31 December 2010, compared with the previous two years.
It should be noted that, following the application of IFRIC 12 ‘Service concession arrangements’ that governs the recognition and measurement of concession agreements between the public and the private sector, the 2009 figures have been restated to reflect the effect of the new interpretation, which are illustrated in detail in note 33 to the consolidated financial statements.
In consideration of the exit of Malpensa Logistica Europa from the consolidation perimeter, the 2008 and 2009 EBITDA figures have been adjusted to make them comparable with those of 2010. Over the horizon considered the effects of this operation on the other items are negligible, so these have not been adjusted.

(amounts in €’m)	2010	2009	2008
Income statement			
Operating revenues	587.6	555.9	608.2
Proceeds from IFRIC adjustments	46.1	42.6	-
Operating costs	432.9	416.9	437.6
Charges from IFRIC adjustments	43.4	40.2	-
Operating result	97.9	61.9	32.4
Net result	63.1	55.0	1.8
Balance sheet			
Shareholders' equity	393.8	325.1	272.1
Net financial indebtedness	344.7	361.9	402.5
Fixed capital (*)	962.0	928.3	925.5
Financial ratios			
EBITDA margin (**)	23.8%	23.6%	28.1%
Leverage (net financial indebtedness/EBITDA)	2.3	2.6	2.4
Coverage (EBITDA/financial charges)(***)	13.2	7.8	8.7
Headcount			
Number of employees at the year end	5,178	5,313	5,458

(*) Excludes financial assets
(**) If we do not consider IFRIC 12, the EBITDA margin was 25.2% for 2010 and 25% for 2009
(***) Includes only financial charges on short- and medium-/long-term borrowings

Letter to shareholders

The directors' report on operations of the SEA Group has been prepared giving more emphasis, where appropriate, to matters of relevance to all the entities included in the consolidation, in particular SEA.

Dear shareholders,

The year 2010 marked an inversion of trend in the global air transport industry, which in 2009 had suffered the largest decline of the last few years, against the backdrop of a severe international economic and financial crisis that started in the second half of 2008 at a time when air transport was growing at a brisk pace, later markedly affected by the volatility of oil prices and a particularly adverse conjuncture. The resumption of business in air transport during 2010, with global growth of 8.2% in passengers and 20.6% in cargo, marked a slight improvement on the volumes of the beginning of 2008, when the industry crisis had not yet broken out in full.

In spite of those results the profitability of airlines at the end of 2010 remained particularly low, so that the scenario of air transport, characterised by high sensitivity to cost control by carriers, with resulting possible adverse effects on the development of operating networks, is still considered very complex.

Besides, the recovery of air traffic in 2010 was characterised by significant differences between the various geographical areas, which reflected the different economic conditions in the various countries and, in Europe, also contingent adverse factors such as the eruption of the Eyjafjallajökull volcano in Iceland, in the period April - May, and severe weather conditions in Northern and Central Europe, in December, which led to days of total suspension of air traffic in many European countries, with adverse repercussions also in the following days, due to the time necessary to carriers to resume traffic.

Against increases exceeding 9% in passenger traffic and 24% in cargo traffic in areas characterised by fast economic growth, such as South East Asia and the Middle East, in Europe growth was significantly lower (+5.1% in passengers and +10.8% in cargo) reflecting also a weaker economic conjuncture, adversely affected also by the state of the public finances in certain countries of the area.

In line with the matters highlighted by the IATA, it is indeed the particular conditions that European air transport went through during 2010, when the disruption caused by the dispersion of volcanic ash and by the difficult weather conditions at the end of the year had a severe impact on the lives of many individuals, restricting their mobility and relationships, which demonstrate the central role of air transport worldwide and the fundamental importance of airport infrastructure in managing connectivity.

In such a complex and many-faceted market, the performance of Malpensa was among the best in Europe (+7.9% in passengers and +26.6% in cargo), in line with airports characterised by the presence of a hub carrier and/or a geographical position that left them unaffected by the Icelandic volcanic ash plume, which had a significant adverse impact on the entire airport system operated by the SEA Group: the closure of Malpensa and Linate on certain days of April and May 2010 caused the loss of approximately 500 thousand passengers and over 3,700 air transport movements. If the eruption had not occurred, traffic at Malpensa would have grown by 9.9% in passengers and 4.9% in terms of air transport movements (instead of 7.4% and 3.9%, respectively).

At the year end the number of passengers that went through the airports operated by the SEA Group exceeded 27 million and the quantity of cargo reached nearly 438 thousand tonnes, with Malpensa growing on the previous year by over 1.4 million passengers – in fact, going back to the traffic levels of 2008 (when Alitalia operated as a hub carrier until late March) – and 90 thousand tonnes of cargo, with an increase in this traffic segment of 5% on 2008 (when the Alitalia Group still acted as an all cargo operator at Malpensa).

This positive performance was supported by the policy of the SEA Group to continue promoting its airport system, in particular Malpensa, as a gate to and from the world's most important business and leisure destinations, positioning itself on offering particularly appealing routes and frequencies, such as destinations in the Asia Pacific area, where Milan has a position of absolute leadership among the main European international airports. Also, the entry of new carriers and the offering of new routes continued in 2010: after de-hubbing in late 2010, 26 new carriers started operating at Malpensa and routes offered increased by 740 weekly frequencies, of which 30 are all cargo flights.

In this multi-faceted and complex scenario, and in spite of the loss of earnings of about €6 million from the closure of Malpensa and Linate airports following the dispersion of the volcanic ash plume from Iceland, the SEA Group reports satisfactory results for the year ended 31 December 2010, with gross operating profit of €151.0 million and net profit for the year of €63.1 million.
These results include the positive effect of the €27.3 million received in refund for the damage caused by the illegitimate reduction by the Ministry of Transport of handling fees defined for the years 1987, 1989 and 1990 (if this non-recurring item is excluded, net profit for the year was equal to €43.6 million).
The above results are affected by the modification of the consolidation perimeter of the SEA Group following the assumption by third parties of control over Malpensa Logistica Europa, with the sale of 75% of its capital stock (in 2009 the subsidiary contributed €1.4 million to gross operating profit).
The results of the SEA Group are also affected by the good performance of SEA Handling, which recorded a significant improvement in the gross operating result, €-8.6 million (vs. €-23.2 million in 2009), reducing the operating loss for the year by 63%.
These results were also reflected in an improvement in the Group's net financial indebtedness, equal to €344.7 million as of 31 December 2010 (down from the €361.9 million of 2009).

This positive performance was achieved in spite of a persisting negative competitive differential between the levels of airport user charges in Italy and Europe. During the year the SEA Group, considering it essential to bridge this gap (which at the end of 2010 was equal to 35%), made a strong effort to complete the procedure for obtaining a non-standard Outline Agreement (as allowed by Law No. 102 of 3 August 2009) and in November 2010, the first among eligible airport operators, obtained approval by ENAC of the basic principles of the related tariff regulation: SEA held consultations with airport users in February 2011, and expects to complete, in agreement with the relevant authorities, activities preliminary to the final authorisations to implement the Outline Agreement within the first half of 2011.
Although the level of airport user charges in Italy is currently not related in any way to the commitments of airport operators to build infrastructure, in 2010 the SEA Group continued developing capital expenditure in accordance with its business plan, considering it of fundamental importance to have suitable infrastructure in place to address the expected growth of air traffic in the next decade and the fact that airports are increasingly connoted as "airport cities"; specifically, the Group focused at Malpensa on works such as the expansion of Cargo City (which will add cargo handling capacity of over 500 thousand tonnes), the enlargement of Terminal 1 and construction of the third satellite (at the end of work, expected in 2012, an additional area of about 128 thousand sqm will become available, which will have a strong impact also on the airport's commercial offering), and the completion of car parks at Malpensa and Linate (for a total of 3,500 extra parking spaces).

During 2010 the SEA Group continued pursuing the commercial policy initiated in 2009, with strong attention to the end user, with whom we intend to develop a continuous relationship, from fostering customer loyalty through a loyalty card (we now have almost 40 thousand users), to offerings differentiated by airport, to developing an e-commerce strategy for the sale of products and services, not only by the SEA Group.
The use of web technology will be the distinguishing feature also for the development of Malpensa as a 'virtual hub', designed to strengthen transit through the airport by means of agreements with

operators specialising in distributing and marketing air transport routes, plus a connection service facilitated by the airport operator for passengers in transit, also between low-cost and traditional carriers, with services involving both baggage and transportation between terminals.

During the year contacts continued between the SEA Group and SACBO to identify industrial synergies and innovative partnership models capable of strengthening the specificities and characteristics of Malpensa, Linate and Bergamo airports. The purpose of the discussion, which may be extended also to the airports of Brescia and Verona, is to speed up the process of overcoming the fragmentation of the Italian air transport system.

Also in 2010 the SEA Group continued using social security redundancy benefit schemes (CIGS and "mobilità") that were approved following the state of crisis caused by de-hubbing by Alitalia. The redundancy benefits were applied to administration and operating personnel of SEA and SEA Handling on a targeted basis and involved a total of over 1.1 million hours of CIGS, fewer than in the previous year.

In light of the results achieved and the commitments of the SEA Group in the coming months, we extend heartfelt thanks to our employees and partners, who have continued and will continue to support the Group's operations.

2010: Significant events

The new SEA brand and the reorganisation of the Group

The corporate reorganisation processes that have involved the entire SEA Group, and will continue to entail a significant commitment in future, are manifested also in the decision to transform visual communication. In this perspective the definition of a new, essential but effective brand is a signal to stakeholders through which the SEA Group communicates the speed, rapidity and determination underlying its performance in response to the crisis of the past few years, transforming it into an opportunity for strategic review and growth.

It should also be noted that in the context of the renovation of the corporate brand, in early 2011 the subsidiary Malpensa Energia will change its legal name to SEA Energia, with the aim of communicating with immediateness the Group's presence also in this segment of business.

Eruption of the Eyjafjallajökull volcano in Iceland: a loss of 500 thousand passengers and €6 million in revenues. If this event had not occurred, the number of passengers served by the SEA Group would have grown by 7.3% (9.9% at Malpensa)

The dispersion of the ash plume from the eruption of the Icelandic volcano Eyjafjallajökull that started on 16 April 2010, and continued in May, caused the nearly total closure of airspace in Central and Northern Europe, following which operations were suspended also at Malpensa and Linate (from 6:00am on 17 April to 12:00am on 20 April).

The persistence of the eruption caused a second closure of European airports, which at Malpensa and Linate was limited to the hours between 8:00am and 2:00pm of 9 May.

The days of total suspension of air transport in most of the European continent, with adverse effects also on routes to North America, and the subsequent slow resumption of ordinary operations, which took a few days (as well as causing some passengers to renounce flying), had adverse impacts on all the airports involved, which also had to incur the cost of accommodating passengers blocked at airports.

The IATA has estimated that, for airlines only, the disruption caused loss of earnings for about €1.3 billion, generating significant inconvenience for more than 1.2 million passengers a day.

At Malpensa and Linate the disruption caused a loss of nearly 3,700 air transport movements and about 500 thousand passengers (whereof over 350 thousand at Malpensa), with a very significant financial impact that can be estimated as not less than €6 million in lost revenues.

If the eruption had not occurred, passenger traffic at the airports operated by the SEA Group would have recorded growth of 7.3% (compared with the actual 5.3%) and EBITDA would have reached €167 million. Specifically, Malpensa would have exceeded 19 million passengers, that is the level of 2008 before de-hubbing of the Alitalia Group in March.

easyJet: at Malpensa +10% passengers and +8.9% air transport movements, in spite of the heavy impact of the volcanic ash plume on the carrier's network

In the course of 2010 easyJet further strengthened its presence at Malpensa's low-cost terminal (Terminal 2) introducing 43 new weekly frequencies to important international destinations, including Lyon, Toulouse, Casablanca and Oporto.

In 2010 passengers served by this carrier at Malpensa numbered over 5.1 million (+10%) with about 40 thousand air transport movements (+8.9%), confirming the role of Malpensa's Terminal 2 as the carrier's key base in continental Europe. easyJet's performance at Malpensa was particularly satisfactory when we consider that the carrier's network was affected very heavily by the volcanic ash plume due to its UK bases being located in the geographical area most heavily affected by the eruption, with repercussions on the international network of routes served.

Lufthansa Italia: consolidation of operations at Malpensa (+43.8% passengers and +21% air transport movements)

In 2010 Lufthansa Italia, confirming its significant presence at Malpensa as a hub for domestic and international traffic, carried more than 1.2 million passengers (+43.8%) with over 15 thousand air transport movements (+21%), operating about 170 weekly frequencies to important Italian and European destinations. During the year the carrier further strengthened its presence at Malpensa introducing, among others, new routes to Stockholm, Warsaw, Palermo and Prague and increasing frequencies to Naples and Budapest.

At the end of 2010 the Lufthansa Group had carried 2.2 million passengers at Malpensa and Linate with over 29 thousand air transport movements, accounting for 8% of passenger traffic and 10.3% of air transport movements.

Finally, in January 2011 the Lufthansa Group announced the reorganisation of its passenger business. Starting from 1 April 2011, in a move that is testimony to its special interest for the Italian market, the Lufthansa Group will place all passenger operations (Lufthansa Italia, Air Dolomiti and the commercial network) under a single responsibility, a unique instance in the carrier's organisation structure, with the aim of creating strong synergies.

Malpensa: the entry of new important international carriers continues

In 2010 we continued our policy of attracting important international carriers to expand Milan's connectivity, in particular to the areas with the fastest economic growth, e.g. the Middle and Far East:

- In late March, under a provisional authorisation issued by ENAC, Cathay Pacific, which was already present at Milan but only in the all cargo segment, started operating also passenger services, linking Malpensa and Hong Kong through four weekly frequencies, thus giving passengers great flexibility in travelling between Italy and destinations in the Far East and Australia.
- In December another two important carriers started operating: Jet Airways, the largest Indian airline, introduced a daily flight to New Delhi, whence passengers can reach 51 destinations in India and other important Far East destinations; Oman Air, Oman's flagship carrier, operates 4 weekly frequencies on the Milan-Muscat route, with the possibility of going on to Colombo, Mumbai and Nepal.

Also other carriers, among which Tunisair, Afriqiyah Airways, Libyan Arab and Turkish Airlines, started new services and/or increased frequencies operated from Malpensa airport, having obtained provisional authorisations from ENAC.

AirOne: new services from Malpensa

Since late March the Alitalia Group has strengthened its presence at Malpensa by expanding operations of AirOne at the airport. The carrier placed 5 Airbus A320 aircraft at Terminal 1 and started operating daily frequencies to certain domestic and international destinations, thus enabling the Alitalia Group at the end of 2010 to reach over 1 million passengers carried at Malpensa.

Airbus A380 lands at Malpensa

The capital expenditure made by the SEA Group in the past few years means that Malpensa's offering in terms of infrastructure is one of the growth factors of the airport that is one of the European airports, and the sole in Italy, capable of accommodating all last-generation aircraft, including Airbus A380. Lufthansa was the first carrier to land an A380 at Malpensa in July, followed by Emirates.

Cargo business at Malpensa: the traffic levels of 2008, when Alitalia moved over 112 thousand tonnes of cargo, are exceeded

In 2010, with over 422 thousand tonnes of cargo carried, Malpensa exceeded the level of cargo traffic recorded in 2008 (equal to 403.6 tonnes), the last year of full operation of the Alitalia Group in the all cargo segment, and confirmed its role as the key Italian cargo hub, serving 46% of Italian air cargo traffic. This leadership was supported by the growth of business of the carriers present at the airport, in particular by the introduction of new routes and frequencies by Cargolux Italia, Cargoitalia, Korean Air, Asiana, Qatar Airways and Ethiad Airways.

Revision of bilateral agreements: additional negotiations and provisional authorisations

In the course of 2010 the SEA Group continued revising certain bilateral agreements, in particular those with important areas characterised by fast economic and commercial growth, such as Vietnam, Panama, Nigeria, Brazil, Bahrain and Russia, the latter with reference to trans-Siberian overflight for all cargo services. Thanks to the new agreements, in March 2011 Gulf Air will introduce four weekly flights to Bahrain, and Vietnam Airlines has already expressed its interest in a code sharing partnership with Alitalia, via Paris, with the possibility of introducing a direct route to Milan in the medium term.

The entry of new operators and the increase in frequencies of others was also made possible by the issue of provisional authorisations by ENAC. This, however, did not involve certain routes that are of particular importance to strengthen Malpensa's network, such as Singapore – Milan – New York, which Singapore Airlines would like to introduce in the short term and for which a decision by the Ministry of Transport is pending.

Virtual Hub: development of "ViaMilano" services

At the end of 2010 we started the trial phase of the "ViaMilano" project: this is a new service of the SEA Group that offers the possibility, through Malpensa airport, to reach domestic and international destinations by combining two or more connecting routes even if operated by different, low-cost and traditional carriers, on very advantageous economic terms. Customers may book flights online or from their travel agent. Among services offered to passengers that use "ViaMilano" are baggage check-in desks, dedicated transfer with high-frequency shuttle service, a fast track through security screening at the airport and discounts for shopping at Malpensa. It is also possible to take out additional insurance cover for the extra costs passengers may bear if they miss a connecting flight.

SEA Handling: turnaround continues, -63% operating loss compared with 2009

In 2010 the process of reorganisation of SEA Handling, started in 2009, continued also with a redefinition of the perimeter of activities to make it more similar to competitors' profiles, with the aim of gradual economic recovery to be achieved through specialisation in the 'core' activities of the handling segment and the offering of high quality services, strongly oriented to meeting customers' requirements. This strategy is reflected in the performance of SEA Handling for the year 2010: although the entity reported an operating loss of €8.6 million, to which contributed also the suspension of operations due to the eruption of the Icelandic volcano, the loss reduced by 63% from the €23.2 million reported for 2009. Compared with 2007, the last year of full operations of the Alitalia Group before de-hubbing, the operating loss reduced by about €34 million (from €42.5 million to €8.6 million).

Access to Malpensa: HSR connects the airport to Italy; new rail links to Milan Central and Cadorna stations

The completion of work to adapt the railway station's infrastructure to the requirements of high speed rail (HSR) has made it possible to reach Malpensa directly from Milan's Central station on the Frecciarossa, the high speed train of Ferrovie dello Stato. The new service, started in September 2010, allows easier and faster connections to the most important Italian towns, through four daily trains, significantly expanding the airport's catchment area. During the year also connections to the city centre increased, and the airport is now connected to both Central and Cadorna rail stations, finally overcoming the issue of the airport's accessibility.

Airport Carbon Accreditation – Achievement of neutrality

The effort made by the SEA Group to reduce direct and indirect CO_2 emissions has led to an important achievement: Malpensa and Linate airports, the first among major European airports, achieved the highest level of accreditation, +"Neutrality", under the European Airport Carbon Accreditation project promoted by ACI Europe (after achieving level 3 "Optimisation" at the end of 2009).

Enhancing the value of equity investments

Malpensa Logistica Europa: completion of process to sell a majority stake

As stipulated in the sales agreement made with the Argol Group for 75% of Malpensa Logistica Europa, in the course of 2010 SEA collected the last two tranches of the sales consideration.

GESAC: sale of stake held by SEA

With the aim of streamlining the portfolio of equity investments held by the SEA Group, in 2010 negotiations were started to sell SEA's stake in GESAC, the operator of Napoli Capodichino airport, equal to 5%. At the end of the negotiations, in March 2011, F2i, an infrastructure fund that already owned 65% of GESAC, acquired SEA's stake for €8.2 million.

Business outlook

The forecast macroeconomic scenario identifies opportunities for further recovery of the world's economies, although this is expected to proceed at different speeds in the various geographical areas, in particular in the member countries of the Euro area that are still under the impact of measures to balance the public accounts.

In this scenario, the IATA estimates a further increase in global air traffic in 2011 of more than 5% in both passenger and cargo traffic (although the growth will be lower than in 2001 when air traffic rebounded after the deep crisis of 2009).

The SEA Group, continuing to pursue the growth of the various areas of business, efficiency savings in processes and development of capacity, believes the performance for 2011 may be positive, unless there are significant changes in the macroeconomic scenario.

Possible downsides and increases in raw materials prices, also caused by geopolitical factors that are not clearly identifiable at present, could affect the process and require additional, specific measures.

In this respect we point out that the crisis in the North African countries bordering the Mediterranean, whose outcome cannot be predicted at the moment, could have an adverse impact on the recovery of the world economies, in particular in the Euro area, also as result of higher oil prices whose volatility impacts strongly the operation of airlines, with the possibility that the ongoing recovery in air traffic may stop, and of large effects on the stability of certain airlines: the IATA estimates that for each dollar increase in the average price for a barrel of oil, airlines could incur extra costs for a total of USD 1.6 billion.

Markets and legislation: developments

The air transport industry is closely related to the performance of the global economy and individual countries' economies: this, by influencing passengers' propensity to fly, has a significant impact on the offering of carriers, which are increasingly involved in reorganisations and cost cutting, also through international alliances designed to increase economies of scale.
In this scenario airport operators, while not directly subject to certain risks of the air transport industry, for instance the volatility of raw materials prices – in particular oil –, are affected to a significant degree by carriers' growth strategies, factors of international geopolitical instability, and all those events that, in various ways, may affect the use of air travel, also in terms of regulation, both domestic and international.

Below is an analysis of developments in markets and applicable legislation in the course of 2010.

Economic scenario
In 2010 the first signs were seen of recovery from the deep economic and financial crisis that marked markets in the last 18 months: the measures adopted by governments and supranational institutions and the dynamism of emerging countries supported a complex process of resumption of growth which, however, did not make it possible for the key economic indicators to return fully to pre-crisis levels, in a scenario where financial and commodity markets remained highly volatile, and the economies of the various countries markedly differentiated.
Estimates by the International Monetary Fund confirm this scenario: the 5% growth of global GDP in 2010 was strongly supported by the emerging economies, among which of note are the growth of China (+10.3%), India (+9.7%), other South-East Asian countries (+6.7%), and Brazil (+7.5%), while the performance of developed economies was more modest (USA +2.8%, Japan +4.3%, UK +1.7%, Euro area +1.8%).
Also within the Euro area there were significant differences, from GDP growth of 3.6% in Germany to 1% in Italy, to a contraction of 0.2% in Spain.
Against the constant growth of emerging economies, in particular in Asia where, however, there were also signs of overheating inflation, the most developed economies suffered due to a weak recovery in demand, high unemployment with consequent stagnating incomes and, in the Euro area, also the uncertainty surrounding the status of the public finances in the countries on the area's periphery, which led to the implementation of fiscal consolidation policies designed to control the level of public debt in the region.
The global recovery in the course of 2010, in particular from the second half of the year, was therefore strongly segmented, not accompanied by a rebalancing of the public accounts and by a process of redefinition of the structure of the economies of expanding countries, where increases in commodity and food prices (occurring in particular in the latter part of the year) could also give rise to geopolitical tensions whose effects cannot be predicted at present.
In this scenario, when for 2011 the International Monetary Fund forecasts GDP growth of 4.4%, still strongly differentiated between developed economies (with growth of 3% in the USA, 2.2% in Germany and 1% in Italy) and emerging economies (+9.6% in China, +8.4% in India and the rest of South East Asia), risks persist of the global economy cooling off, should crises in the finance sector, with consequent reductions in liquidity, be reflected in the real economy and/or possible tension in the prices for certain commodities, specifically oil, affect the growth of the emerging economies.

Air transport and airports

In 2010 the air transport industry recorded a significant improvement on the preceding two years, when the global economic crisis, particularly severe in the first half of 2009, and the high level of oil prices of 2008 had had a strong impact on both demand for air transport and on airlines' costs, causing a marked contraction in profitability. The IATA estimates that in the period 2008/2009 the global air transport industry reported an overall loss in excess of US$ 25 billion, while in 2010 it went back to profit (about US$ 15 billion), in spite of certain natural events during the year that negatively affected air traffic, in particular in Europe: the eruption of the Eyjafjallajökull volcano in April and May, which caused the closure of airspace in Central and Northern Europe, with significant impacts also on routes to the USA, and unfavourable weather conditions in December at many European airports, which caused several days' closure.

Compared with the previous year, the IATA's statistics for 2010 show global air transport growth of 8.2% in passengers and 20.6% in cargo, which, exceeding demand, required carriers to increase capacity in the course of the year (+4.4% in passengers and +8.9% in cargo, respectively).

The growth of air traffic was marked by significant differences between geographical areas; in particular Middle and Far East carriers, favoured by the fast growth rates of respective economies, recorded the largest traffic growth (+17.8% and +9.0% in passengers, +26.7% and +24.0% in cargo, respectively), while carriers in North America and Europe, penalised by the trend of the respective economies (in the case of European carriers, also by the impact of unfavourable natural events) recorded more modest growth, respectively +7.4% and +5.1% in passengers, +21.8% and +10.8% in cargo.

In a scenario where the European air transport market, in spite of an improvement, performed less well than the rest of the world, the traffic served by European airports was itself characterised by marked differentiation, influenced by adverse natural conditions (unusual on the continent) and the specific infrastructure capacities of individual airports that in some instances limited their performance, so that modest growth at certain airports (London Heathrow -0.2% in passengers, Paris Charles de Gaulle +0.4%, Madrid +2.9%, Amsterdam +3.8%) contrasted with significant growth at others (Munich +6.2%, Rome Fiumicino +7.5%, Vienna +8.7%).

In this scenario, Malpensa's performance was among the best in Europe (+7.9% in passengers and +26.6% in cargo), in line with airports characterised by the presence of a hub carrier and/or a geographical position that did not result in a suspension of business due to the Icelandic volcanic ash plume.

Also in 2010, in response to the complex market conditions and the need to improve airlines' profitability, there continued a process of concentration oriented to the creation of large supranational carriers with a role as drivers of international alliances. In this respect operations of note during 2010 were: the merger of British Airways and Iberia (both members of Oneworld), which will operate under the International Airlines Group – IAG brand; the merger of Continental and United (formerly in Star Alliance) whose union gave birth to the largest airline worldwide by volume of traffic (371 destinations in 59 countries and 144 million passengers); the start of the merger of Southwest Airlines, leader in low-cost air travel in the USA, and AirTran Holdings; and the announcement of negotiations between Brazil's TAM and Chile's LAN.

In 2010 the development of the alliance system, marking a significant innovation, involved also an important low-cost carrier: Air Berlin announced its official entry into Oneworld from 2012, with the aim of consolidating its operations and presence at the airports where it operates.

Again in 2010 the difficult conditions in the air transport market caused the crisis of certain important carriers, such as Japan Airlines and Mexicana, which started wide-ranging operating and financial restructuring programmes.

In this scenario the IATA's estimates for 2011, while forecasting a further increase in air transport, show reduced growth rates in comparison with 2010, a year of strong recovery compared with the preceding two years, characterised by a global economic crisis that was particularly severe in 2009 and by high oil prices in 2008. In particular, for 2011 global air traffic is expected to grow by 5.3% in passengers and 5.5% in cargo. However, forecast traffic growth could be limited by the consequences of possible economic downsides and by the volatility of oil prices, on which the ongoing crises in the countries of Northern Africa could have an effect that cannot be defined at present and, at any rate, a significant impact on carriers' costs and their ability to manage air traffic networks.

Regulatory framework

Airport user charges and regulated fees

The negative differential that has always characterised Italian airport user charges compared with those applied in the main European countries did not reduce at all in 2010, in spite of the coming into effect on 21 January 2010 of the decree of the Ministry of Transport to adjust airport user charges (Decree dated 8 October 2009), which increased the values of landing and take-off charges and airport departing passenger charges bringing them in line with planned inflation for 2009 (+1.5%).

At the end of 2010 airport user charges in Italy were nearly 40% lower than those applied at the main European international airports, which in the past few years have benefited from strong increases enabling them to address the decline in air traffic and the current economic crisis.

This gap is a factor that limits the capacity for growth of the entire Italian system of air transport, as it is not possible to define capital expenditure programmes supported by suitable levels of remuneration. The signing of Outline Agreements will contribute to greater certainty in the scenario in which airport operators operate, promoting the growth of the entire air transport system.

In view of completion of the process to define Outline Agreements, the Finance Act 2010 established the possibility to reduce in part the gap with Europe, introducing advances against airport departing passenger charges of up to €3 per departing passenger. SEA, the first among Italian airport operators, filed a formal petition to obtain those advances, reflecting the indications given by ENAC and also carrying out, in the summer of 2010, the required consultations with airport users, but to date a decree to raise the airport user charges has not been issued for any of the airports that submitted petitions.

During the year the effort made by the SEA Group in defining the Outline Agreement for Malpensa and Linate airports was particularly intense and sought to seize all regulatory opportunities. In detail, in the context of departures granted to airport systems of national relevance with traffic exceeding 8 million passengers (article 17, paragraph 34-bis of Law No. 102 of 3 August 2009 and subsequent amendments) SEA, the first among eligible airport operators, as early as March 2010 submitted to ENAC the documents necessary for signing its non-standard Outline Agreement, based on a dual till system, for a ten-year period, with charges revised every five years.

The board of management of ENAC, in its meeting of 15 November, approved the principles that, once they are agreed to by the supervising administrations, will make it possible to define the Outline Agreement for SEA. In February 2011 SEA also held consultations with airport users on the subjects of the capital expenditure programme, traffic forecasts, the quality plan and environmental indicators.

Handling fees
By ruling No. 5794/2008 the TAR (regional administrative court) of the Region Lombardia upheld the petition filed by SEA for a refund of the damage caused by the illegitimate reduction by the Ministry of Transport of handling fees defined for the years 1987, 1989 and 1990 and ordered the Ministry of Transport to pay SEA damages for a total of €8,106,307.48, plus legal interest and monetary revaluation.
The Ministry of Transport appealed against the ruling with a petition to suspend it that was dismissed by the Council of State (the top administrative court). On 8 January 2010 the Ministry of Transport executed the first-degree ruling (thus avoiding additional increases in interest and revaluation). The payment, for a total of €27.3 million, must be considered to have been made by virtue of the enforceability of the decision, whose final confirmation is referred to the relevant decision of the Council of State on the merits of the case.

European Commission inquiry into SEA Handling
In June 2010 the European Commission started an inquiry into the measures adopted since 2002 to cover the losses reported by SEA Handling, considering them to be in breach of EU rules on state aid.
In covering those losses SEA believes to have acted as a private investor in a market economy: loss coverage is justified by a market logic. SEA has decided, in an entrepreneurial perspective, to bear the losses of its subsidiary SEA Handling for the time necessary to complete the entity’s reorganisation, started with the demerger of the handling business, with the aim of recovering productivity and increasing handling revenues; on the other hand the measures taken are a direct consequence of the observance, by prudent managers, of general obligations prescribed by EU company law in the ordinary relationship between a parent company and a subsidiary.
Following publication of the inquiry in the OJEC, the parties involved, including SEA and SEA Handling, have been preparing the relevant remarks.

Capacity of Linate
With regard to the structure of flights at Linate it should be noted that the approval given by the Italian competition authority to the acquisition of AirOne by Alitalia, which also affected the structure of traffic at the airport, requires the definition, by 3 December 2011, of a deadline by which any monopoly position as may have arisen as a result of the acquisition must cease, in any case subject to the initiation of a specific inquiry.

Certification of airport handlers operating in Italy
In line with the attention given by the European Commission to the quality and adequacy of the handling services provided at European airports, in January 2011 ENAC approved a new regulation for the certification of handlers at Italian airports. Among the changes introduced, of note are: the adoption of more stringent criteria for certifying entities that wish to enter this market, in particular for airports with traffic exceeding 5 million passengers, the possibility to obtain authorisation not for separate services, but only for service categories, the adoption of the national collective labour agreement for the handling sector, and penalties for non-compliance with the regulation.
The adoption of the new regulation results in greater selection on entry to the market for airport handling in Italy, allowing greater stability, security and regularity in the provision of ground handling services for passengers and aircraft.

Taxation of air transport in Europe
The growth of air traffic in Europe could be adversely affected by the policies to balance budget deficits applied in certain countries of the Euro area that, from 2011, introduce fiscal measures that have a negative impact on the industry. In detail: Germany has introduced a new “Air Passenger Tax” from the beginning of 2011 (ranging from €8 for domestic flights to €45 for intercontinental flights); Austria is applying from March 2011 an additional charge on departing passengers, excluding those in transit (equal to €8 on short-/medium-haul routes and €35 on long-haul routes); and Italy, only for Rome Fiumicino airport, will introduce an additional charge for the benefit of the municipality of Rome (€1 per departing passenger); this in spite of the fact that in the past similar measures turned out not to be effective, as they led to a reduction in traffic and consequent lower growth rates for the entire economy affected.

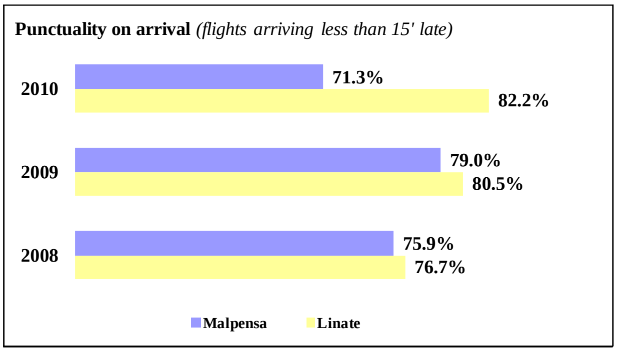
We also point out that the European Commission has been discussing a proposal to abolish the VAT exemption for the international air transport industry, on the grounds that it is a competitive advantage on other means of transport (specifically, HSR).

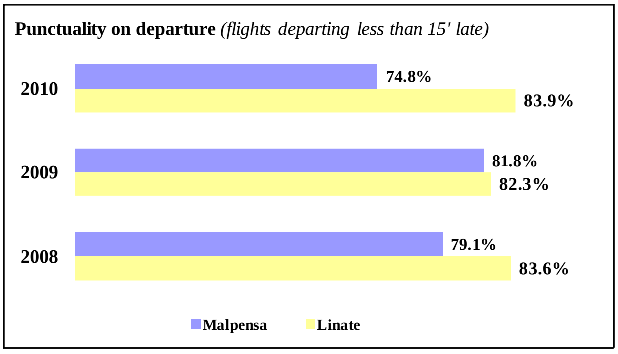
Slots
With reference to the possibility of auctioning slots, which the European Commission assessed in the course of 2010, airports expressed their interest in directing the relevant regulations so as to play an active role in the auctioning process as well as to obtain the inclusion in airport user charges of a component reflecting the commercial value assigned by carriers to slots, making them comparable to infrastructure expenditure. The European Commission is expected to rule on the matter in the second half of 2011.

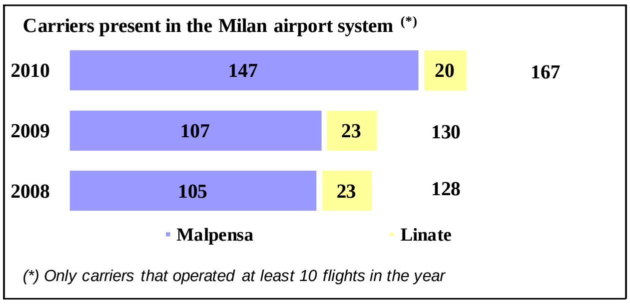
Airport security regulatory system
With regard to the continuous evolution of the regulatory and operating requirements for airport security, it should be noted that in the course of 2010 tests were conducted to assess the reliability of the scanners used at the airports to identify hazardous liquids, to enable passengers in transit from airports outside the European Union to carry liquids. The adoption of these new security measures could be postponed due to the reservations expressed by certain airports about the reliability of the outcome of the tests.

AVIATION

Key performance indicators





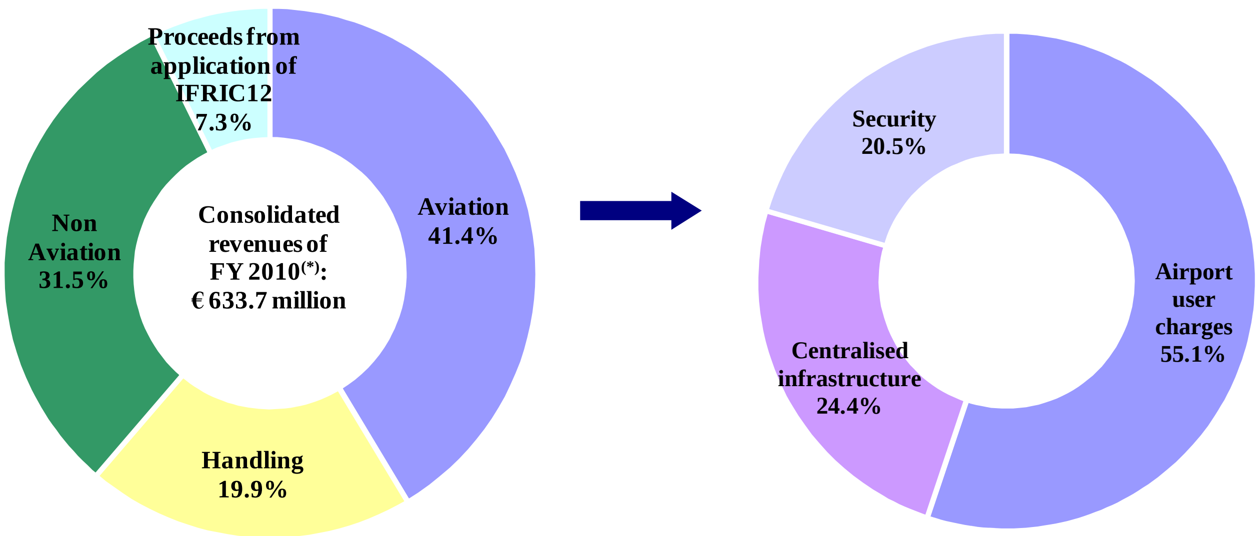


Traffic in 2010

	Air transport movements			Passengers (1)			Cargo (tonnes) (2)		
	31-Dec-10	*31-Dec-09*	*%(3)*	*31-Dec-10*	*31-Dec-09*	*%(3)*	*31-Dec-10*	*31-Dec-09*	*%(3)*
Malpensa	189,580	183,182	3.5	18,714,187	17,349,602	7.9	422,429	333,720	26.6
Linate	91,907	93,764	-2.0	8,295,436	8,293,839	0.0	15,520	13,656	13.7
Airport system operated by the SEA Group	281,487	276,946	1.6	27,009,623	25,643,441	5.3	437,949	347,376	26.1

(1)The number of passengers in transit is considered once
(2) Tonnes of cargo and mail in transit and trucked cargo are not considered
(3) Percentage change from the corresponding period of the previous year

Aviation Revenues FY 2010



(*) SEA SpA's revenues of FY 2010 were € 267.4 million for Aviation and €197.6 million for Non Aviation.
Handling operations are not carried out by SEA SpA directly.

Developments in passenger and cargo traffic

Passenger traffic

In a scenario of partial economic recovery and recovering air traffic, in 2010 the airport system operated by the SEA Group recorded increases of 5.3% in passengers and 1.6% in air transport movements, positively affected by the performance of Malpensa (+7.9% passengers and +3.5% air transport movements) where SEA continued its policy of attracting important international carriers previously not operating at the airport and increasing the frequencies offered by existing carriers.
The performance of the airports operated by the SEA Group was adversely affected by the strong repercussions on air traffic in Europe from the eruption of a volcano in Iceland in the months of April and May: the suspension of operations at Malpensa and Linate translated into a loss of about 500 thousand passengers and over 3,700 air transport movements. If the eruption had not occurred, the growth of the airport system operated by the SEA Group would have been equal to 7.3% in passengers and 3% in air transport movements (in particular, at Malpensa growth would have been equal to 9.9% and 4.9%, respectively).
An analysis of passenger traffic at the end of 2010 at the airports operated by the SEA Group confirms that traffic is divided among several carriers, which strongly reduces the concentration that existed before de-hubbing: the Alitalia Group accounts for slightly over 7.4 million passengers (less than 29% of the total going through Malpensa and Linate, vs. 52.3% at the end of 2007 for Alitalia and AirOne), while the other carriers, which in 2009 already recorded traffic of over 18.3 million passengers, added another 1.2 million customers, an increase of 6.8%.

Malpensa

At the end of 2010 Malpensa recorded growth of 7.9% in passenger traffic (+1.4 million on the previous year). The increase, achieved in spite of the significant limitation to air traffic in Europe caused by the dispersion of the volcanic ash plume from Iceland (causing the loss of about 350 thousand passengers at Malpensa), was driven by the growth of volumes of almost all the main carriers operating at the airport, with easyJet adding nearly 465 thousand passengers, Lufthansa Italia about 375 thousand, and the Alitalia Group nearly 228 thousand (mainly on flights operated through AirOne).

During the year Malpensa confirmed its role as an important base for Star Alliance that, at the end of 2010, accounted for 23% of traffic at the airport, with an increase of 23% in passengers carried, thanks to the growth of Lufthansa Italia, Turkish Airlines, Austrian and Tap, and the entry into the alliance of Aegean and TAM.
Among the other alliances present at the airport, Sky Team (16% of traffic) recorded more modest growth (+5%) supported by the volumes of Aeroflot, Alitalia Group, CSA, Korean Air and Delta. In contrast, Oneworld (5.4% of traffic) recorded a decrease in volumes (-3%) having been strongly penalised by the declining volumes of British Airways and Iberia, also affected by strikes at the two airlines in the run up to their merger.

Below is an analysis of traffic broken down between the two terminals of Malpensa.

Malpensa Terminal 1

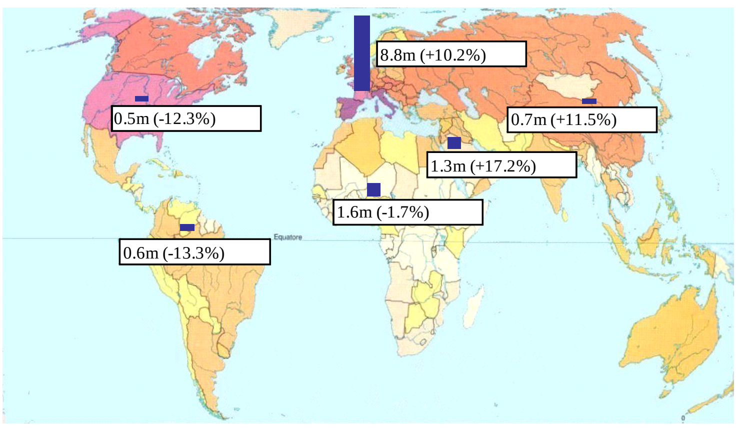
The increase of over 897 thousand passengers at Terminal 1 (+7.1% on 2009) was due to a number of factors:

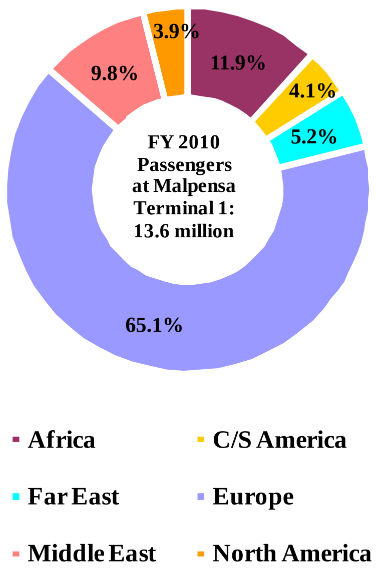
- A further increase in business of Lufthansa Italia which in the course of 2010, with about 170 weekly frequencies to Italian and international destinations, carried over 1.2 million passengers (+43.8%). During the year the Lufthansa Group, also due to the business of Air Dolomiti, recorded growth of 26.1% (+450 thousand passengers), exceeding 2.1 million passengers;

- The entry of certain international carriers, including Cathay Pacific (favoured also by the issuance of provisional authorisations pending the revision of the relevant bilateral agreement), Oman Air and Jet Airways, a leading Indian carrier;
- The growth of business volumes of existing airlines. In particular, among carriers that increased their frequencies we note Saudi Arabian Airlines (2 additional flights to Jeddah and Riyadh), SriLankan (from 2 to 3 weekly frequencies to Colombo), Air Berlin (12 new weekly frequencies with Stuttgart and 6 new weekly flights to Nurnberg), Turkish Airlines (2 weekly frequencies to Antalya and Bodrum and 3 new weekly flights to Istanbul), and El Al (2 additional flights to Tel Aviv);
- The growth of business volumes of the Alitalia Group that introduced a thrice weekly frequency to Miami and, through the AirOne brand, started operating fights to important destinations in Italy and the Mediterranean basin. As a result, in 2010 the Alitalia Group carried nearly 228 thousand passengers more than in 2009 (+14.6%).

The significant recovery of traffic served by the carriers present at Malpensa's Terminal 1 resulted in increases in passengers of 2.3% on international routes and 3.6% on intercontinental routes. Among the areas with the largest traffic increases were the Middle and Far East, driven by the growth of the respective economies.

Passenger traffic by geographical area





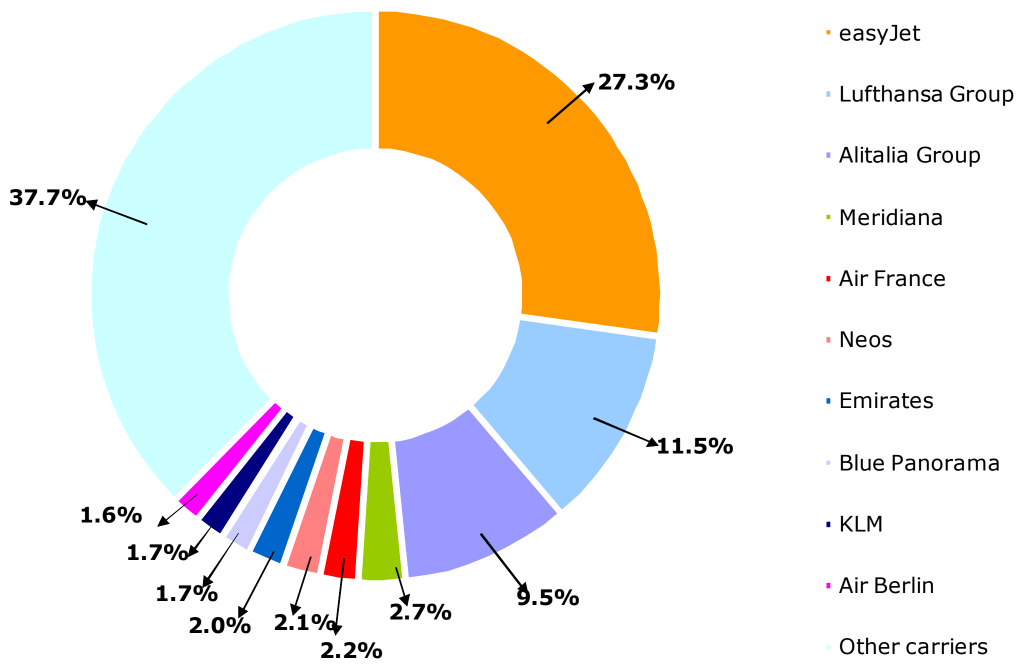
Malpensa's Terminal 2

During 2010 Malpensa's Terminal 2 served over 5.1 million passengers, an increase of 10% on 2009, supported by the significant growth of easyJet, which however was affected by the restrictions to air traffic caused by the dispersion of a volcanic ash plume from Iceland (whose impact was particularly significant on London's airports, an important hub for easyJet's operating network).

The growth of easyJet's operations at Malpensa, which confirmed the role of the airport as its key base for continental Europe, was supported by the introduction of 43 additional weekly frequencies, also thanks to the start of operation of routes to 11 new destinations (including Lyon, Toulouse, Casablanca, Oporto).

At the end of 2010 easyJet accounted for 27.3% of passenger traffic of the entire airport of Malpensa.

Passenger traffic: top 10 carriers at Malpensa

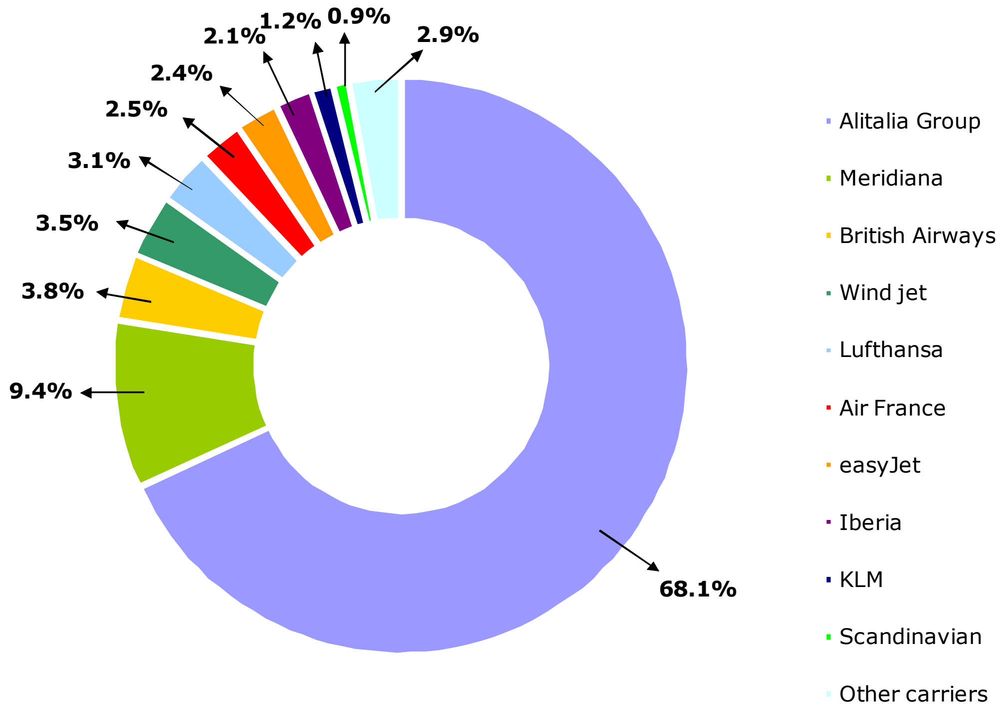


Linate

At Linate, which is subject to traffic limitations under the Ministerial Decrees dated 3 March 2000 and 5 January 2001, passenger numbers were substantially unchanged from 2009 (+1.6 thousand passengers): the decrease in traffic of the Alitalia Group (-101.2 thousand passengers), which accounts for about 68.1% of traffic at the airport, was fully counterbalanced by the growth of volumes of the other carriers (+102.8 thousand passengers).

This trend was influenced by a series of factors: the significant restrictions to European air traffic caused by the dispersion of the volcanic ash plume from Iceland, which caused a reduction of traffic at Linate of about 1,100 air transport movements, equal to over 140 thousand passengers; increased competition from HSR on the Milan – Rome route, the key route operated by the Alitalia Group at Linate (-12% in passengers and -15% in flights, equal to about 200 thousand passengers less than in 2009) and, in the first part of the year, a decline in business passenger traffic, which characterises the airport and was negatively affected by the continuing economic crisis in the first few months of the year in the Euro area, where the international destinations served by the airport are found.

Passenger traffic: top 10 carriers at Linate



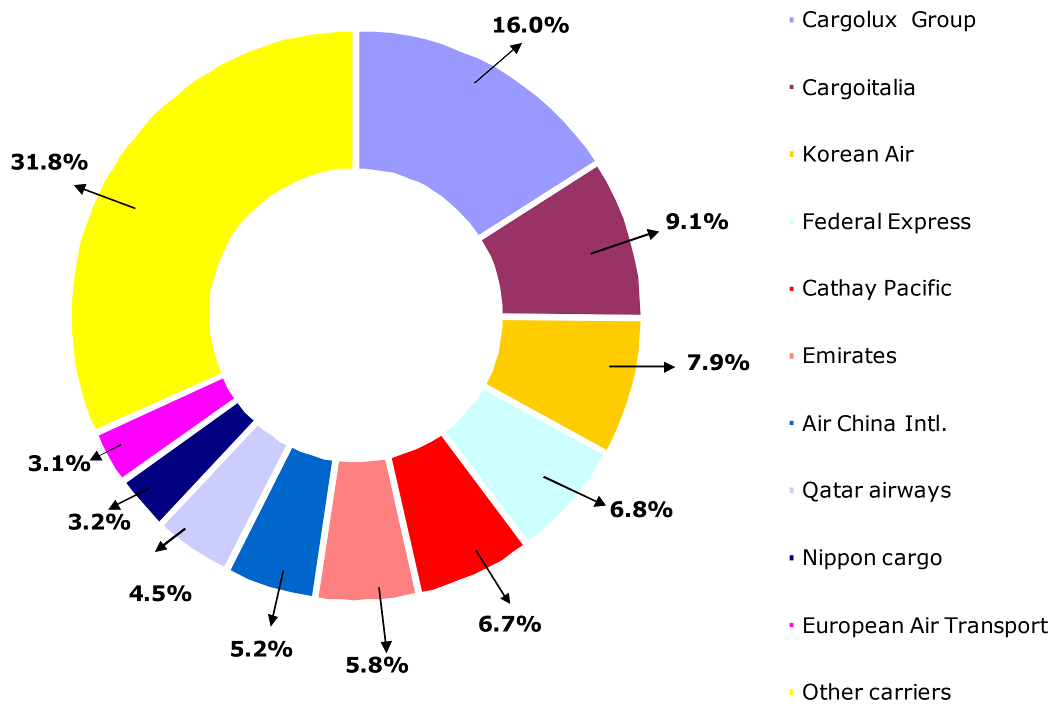
Cargo
In the course of 2010 the cargo traffic served by Malpensa and Linate airports benefited, like at leading international cargo airports, from the global economic recovery, especially in the Middle and Far East that are the destination of over 56% of cargo traffic from Malpensa.
At the end of 2010 cargo served at the Milan airports reached nearly 439 thousand tonnes, a higher level than that before Alitalia ceased cargo operations (in early 2009), and not far from the record high recorded by cargo traffic in the system in 2007, equal to €488 thousand tonnes.
This good performance confirmed the role of the airport system operated by the SEA Group, and Malpensa in particular, as the hub for air cargo traffic in Italy; in 2010, about 50% of cargo carried by air in Italy went through Malpensa and Linate airports.

Malpensa
The significant growth of the carriers operating at the airport, which in 2010 carried about 88.7 thousand tonnes more than in 2009, enabled Malpensa to record an increase of 26.6% in cargo traffic, with a good performance both in the all cargo segment (+34.4%), accounting for over 73% of cargo traffic at the airport, and on mixed flights (+9.3%).
This good performance, supported by the increases in frequencies in the course of 2010, which added to the significant number of frequencies introduced in the second half of 2009, confirms the interest of the leading international all cargo carriers in the airport.
During the year, the strong attraction of Malpensa as cargo airport, and the policy of developing new routes and frequencies implemented by the SEA Group also in his business segment, resulted in the following increases:

- Cargolux Italia introduced a weekly frequency to Johannesburg, bringing the number of routes operated to 8;
- Cargoitalia increased its volumes at Malpensa, increasing frequencies on the Dubai-Hong Kong and New York-Chicago routes and introducing a Shanghai/Almaty flight;
- Korean Air increased the number of weekly flights to Seoul to 6;
- Ethiad doubled its frequencies to Abu Dhabi;
- Asiana introduced a new frequency on the Milan-Seoul route;
- Qatar Airways increased the number of weekly flights to Doha to 3.

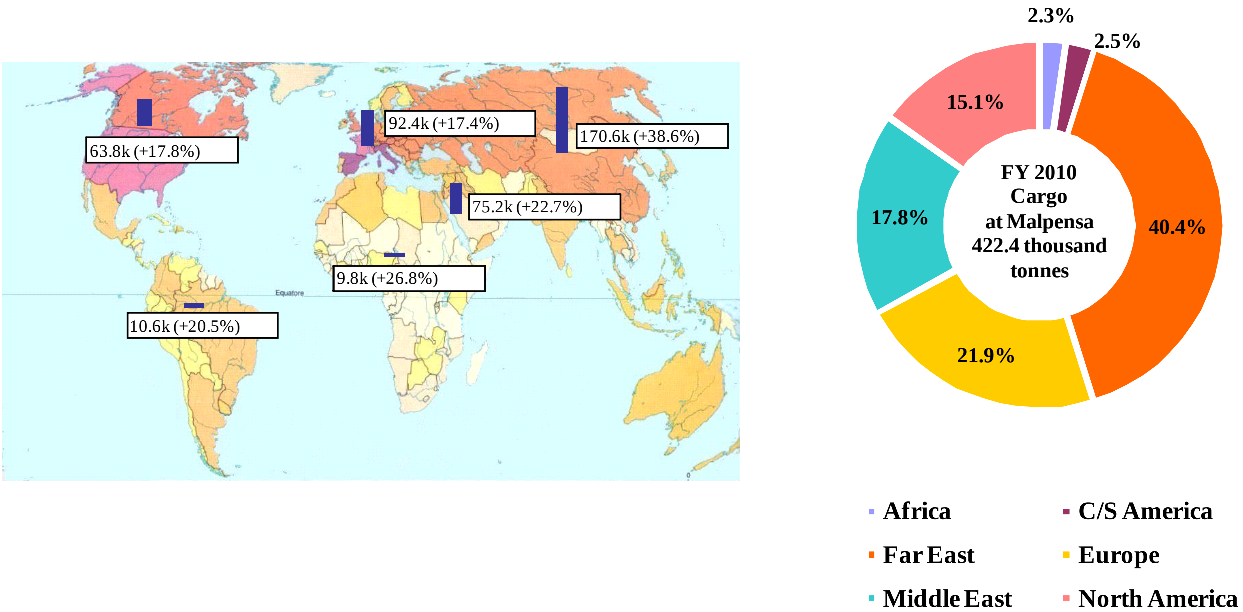
In 2010, the carriers that recorded the largest growth in the cargo business were: Cargolux (+25.5%, thanks to the significant growth of volumes of Cargolux Italia that started operating at Malpensa in the second half of 2009), Korean Air (+27.6%), Emirates (+8.1%), Air China Cargo (+119.8%) and Qatar Airways (+26.1%).

Cargo traffic: top 10 carriers at Malpensa



The following chart breaks down the cargo traffic served by Malpensa by area of destination and shows growth on all routes, with particularly significant increases on routes to the Middle and Far East (+22.7% equal to approximately 14 thousand tonnes, and +38.6%, equal to over 47 thousand tonnes, respectively). The growth of cargo traffic to the USA (+17.8%, equal to 9.6 thousand tonnes) and the Far East is particularly significant as these are the routes that were most severely affected by de-hubbing by Alitalia and its decision to discontinue its all cargo operations.

Cargo traffic by geographical area



Linate
In the course of 2010 cargo traffic at Linate airport (which is limited to hold cargo on passenger flights) recorded an increase of slightly more than 1.8 thousand tonnes (+13.7%), thanks to the growth of TNT Airways, a courier carrier, which recorded an increase in cargo served of more than 2 thousand tonnes (+19.9%).

Aviation commercial policy

In the course of 2010 the SEA Group continued to promote the growth of passenger and cargo traffic, in particular at Malpensa airport, through a policy of expanding routes and frequencies addressed both at existing carriers and at new airlines, in particular on routes to and from the countries with the fastest economic growth rates, interested in operating at European airports with significant capacity and capable of expanding it further.
In this perspective the SEA Group confirms it strong commitment to infrastructure expenditure that characterises its strategic business plan, believing that works to increase aviation capacity can be a factor that enhances the attractiveness of the airports operated, specifically Malpensa, also in consideration of the limited opportunities to increase capacity available to other important international airports in Europe, in a scenario where demand for air traffic is expected to grow significantly in the next decade.
This strategy, implemented with the aim of creating the conditions at Malpensa for the development of a system of interdependent connections, through the integration of different networks and business models, is part of a new operating logic that sees the airport as the director and promoter of carriers’ operations.
In particular, in the course of 2010, we started a process whose aim is to enable Malpensa to offer itself as a virtual hub, creating a network of connections between carriers operating short- and medium-haul routes (including the low-cost segment) and airlines operating on intercontinental routes.
In this respect it should be noted that the present configuration of traffic at Malpensa allows the development of this business proposition, while also satisfying passengers’ interest in the further growth of Milan’s air connectivity.
Also during 2010 the SEA Group continued supporting the policy of deregulation of traffic charges started by the Italian aviation authorities and pursuing the programme of financial incentives to the start-up of new long-haul services.

Revision of bilateral agreements in 2010

In 2010 the SEA Group, as part of its strategies for increasing traffic at Malpensa and Linate airports, confirmed its commitment to promoting the definition and revision of certain bilateral agreements that regulate access to the non-EU international market for air transport on the basis of specific agreements between countries.
Thanks to the efforts made by the SEA Group, and to the attractiveness of Malpensa for a number of carriers, during the year aviation agreements were made between Italy and some important countries (Vietnam, Nigeria, Panama, Russia, Bahrain and Brazil), that are bound to increase significantly the volumes of passengers and cargo served at Milan. In particular, in the framework of the agreement between Italy and Vietnam, Vietnam Airlines has already expressed its interest in a code sharing partnership with Alitalia, via Paris, with the possibility of introducing a direct route to Milan in the medium term. Moreover, thanks to the revision of the bilateral agreement with

Bahrain, in March 2011 Gulf Air, the flagship carrier, will start operating a four-weekly frequency between Milan and Manama.

The importance of the process of revision of bilateral agreements is confirmed by the fact that, thanks to the work done in 2009, in the course of 2010 a few carriers (including Qatar Airways, Asiana, Korean Air, Ukraine Airlines) have been able to start or increase their operations.
Furthermore, also in 2010 ENAC, based on the provisions of the Finance Act 2009, issued provisional authorisations outside the scope of bilateral agreements to enable new carriers (including Cathay Pacific and Afriqiyah Airways) to start operating and existing carriers at Malpensa (Tunisair, Libyan Arab Airlines and Turkish Airlines) to develop their operations.

During the year Singapore Airlines announced its intention to operate a direct flight from Milan Malpensa to New York, to be introduced as an extension of the current daily frequency between Singapore and Milan, and applied to the Ministry of Transport for an authorisation to operate this route, as a revision of the existing bilateral agreement.

Investment in Aviation operations

In the course of 2010 the SEA Group, in spite of airport user charges not having been revised and of uncertainty in the macroeconomic scenario, pursued the strong commitment to infrastructure building that characterises it strategic business plan, which also requires the drafting of a new airport masterplan for Malpensa, approval of which is a key requirement for implementation of the airport's long-term infrastructure development programme. In this respect it should be noted that, in 2010, ENAC expressed a favourable technical opinion on the relevant document submitted by the SEA Group.

Malpensa

Malpensa Terminal 1

In 2010 additional work was carried out on the enlargement of Terminal 1 and construction of a third satellite, which will become operational in 2012 and from which it will be possible to embark, through loading bridges, on new generation aircraft (including Airbus A380). On completion of the works, Malpensa's Terminal 1 will occupy an area of about 128 thousand sqm, with a significant increase in available commercial space.
At the end of the year construction work also started on the work of art that will act as a connection between the railway station and the terminal and, representing the twelfth gateway to Milan, will be the expression of the union of airport and city. The artwork, titled "The magic threshold", will also include an exhibition space and will provide access to the airport through lightworks, colours and minuscule water drops.

Malpensa Terminal 2

During the year SEA completed the revamping of Terminal 2 to adapt it to the requirements of low-cost traffic. In this perspective 4 new gates were built that are directly linked to aircraft stands so as to make it easier for passengers to embark on foot, thus reducing boarding times, in line with the needs of low-cost carriers.
Work also started to revamp the aircraft apron of Terminal 2 to ensure higher safety standards, greater operating efficiency and better protection of the environment, also following construction of a pipeline for dispatching aircraft fuel, thus avoiding the risk of fuel spills.

Malpensa Cargo City
In 2010 work continued on roofing the rail link, preliminary to construction of the new Logistics Centre within Cargo City, for which in the course of 2011 work will start on connecting the area with utility services and expanding the aircraft apron. These works testify to the strategic value that the SEA Group assigns to the segment of air cargo transport and airport logistics. The new Logistics Centre will raise the cargo capacity of Malpensa airport to exceed one million tonnes, from the current 550 thousand, further confirming the airport's leadership in air cargo transport in Italy.

Linate
In the course of 2010 work was started on the conservative restoration of the airside face of the terminal, designed by architect Aldo Rossi, visible to departing and arriving passengers.
In addition, as part of work to improve service to passengers, a new Sala Amica lounge was built in the boarding area for assistance to passengers with reduced mobility (PRM).
During the year preliminary work also started on upgrading the BHS to replace the current equipment with innovative models ensuring better operation.

In the course of 2010 the SEA Group, in agreement with ENAC, the Ministry of the Interior and the Provincial Fire fighters Command, drew up and formalised the operation and security processes that make it possible to perform refuelling of aircraft with passengers on board and/or embarking or disembarking even when fire-fighters are not present. The project is for the time being the only one of its kind in Italy, and after the successful completion of the trial phase of the new procedure at Malpensa's Terminal 2, we are now awaiting formal regulatory approval to bring Malpensa in line with the refuelling procedures already in place at the leading European international airports.

In the framework of international activities to maintain airport security, the ADDPRIV project ("Automatic Data relevancy Discrimination for a PRIVacy-sensitive video surveillance"), in which the SEA Group participated, obtained approval by the European Commission in 2010. The purpose of the project, which involves video surveillance systems, is to conciliate security with respect for citizens' privacy.

Quality

Also in 2010 the SEA Group confirmed its attention to continuous improvements in the quality of services offered to carriers and passengers, achieving better levels of service than the targets set in its Chart of Services.

Malpensa
In the course of 2010 worsening punctuality of arriving aircraft (-9.8% compared with 2009) was not reflected in an equivalent decrease in punctuality of aircraft departing from Malpensa, measured as the percentage of scheduled flights departing on time or within 15 minutes of schedule. The proportion of flights departing on time was 74.8%, a decrease of 8.6% compared with 2009, but about 3.5% better than arriving flights.
In a European environment characterised by natural events and weather that negatively affected the punctuality of the main international airports in Central and Northern Europe, and by the effect of strikes by air controller in Spain and workers of certain important carriers (including British Airways), the performance of Malpensa, while declining compared with the previous year, was still higher than average punctuality in Europe (70%).
It should be noted that Malpensa's performance was affected by the punctuality of Terminal 2, which was heavily affected by the delays suffered by easyJet, attributable solely to the carrier.

The attention paid by the SEA Group to the delivery times of arriving baggage, and actions to improve the service taken jointly with the handlers operating at Malpensa airport, made it possible to claim the first baggage at Terminal 1 within 27 minutes of arrival for about 95.1% of flights, and for about 95.0% of flights at Terminal 2, better levels than those set out in the Chart of Services, equal to 90% (vs. 94.9% and 94.4%, respectively, in 2009).

During the same period the quantity of misdirected baggage decreased significantly, from 6.4 items (per thousand departing passengers) in 2009 to 4.1 items in 2010. Performance improved at both terminals: misdirected baggage per thousand departing passengers numbered 5.8 items at Terminal 1 (vs. 9.0 in 2009), and 0.8 items at Terminal 2 (vs. 1.0 in 2009).

Linate

In the course of 2010 Linate airport, with 83.9% of flights departing on time, improved its punctuality (+0.4% compared with the corresponding period of 2009), measured as the percentage of scheduled flights departing on time or within 15 minutes of schedule. This performance confirms the ability of the SEA Group to recover efficiency thorough operations at its airports, considering that punctuality of arriving flights was equal to 82.2%.

Delivery times of arriving baggage reduced significantly, as it was possible to claim the first baggage within 18 minutes of arrival for 95.2% of flights (vs. 91.0% in 2009 and the target of 90% in the airport’s Chart of Services).

The quantity of baggage misdirected in 2010 was 5 items per thousand departing passengers, an improvement on 7.7 items in 2009.

Passenger Contingency Plan

In the course of 2010, in response to the events that characterised the end of 2009 and the early months of the new year (snowstorms and volcanic ash) the SEA Group developed a Passenger Contingency Plan project, designed to identify measures to assist passengers upon the occurrence of events that severely restrict operations at Malpensa and Linate airports, down to outright closure.

Prompt and effective emergency management by the SEA Group during the aforementioned events made it possible to identify a pre-defined plan of measures to be taken automatically should conditions occur that restrict air traffic, divided into different classes of discomfort to passengers.

Among predefined measures are: making food and beverage, including baby food, available to passengers, increasing the dissemination of information within the airport and by the call centre, increasing available personnel at check-in counters, and co-ordinating with the territory, specifically for the possible use of alternative transport.

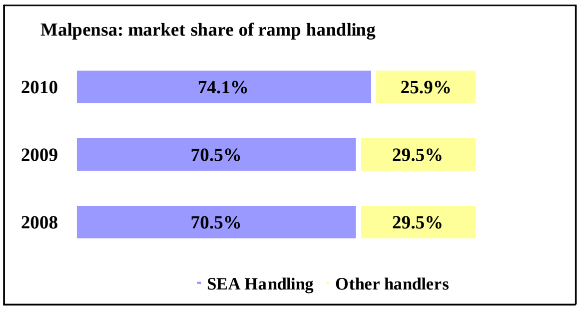
Assistance to PRM

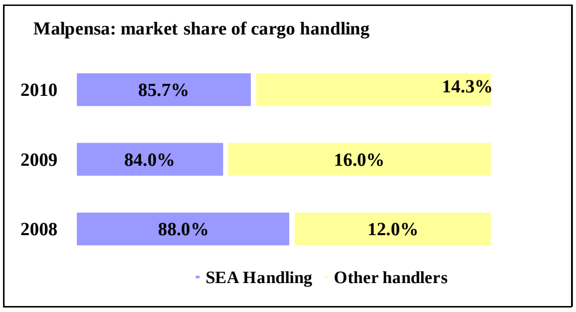
The levels of service adopted by the SEA Group in assistance to PRM (passengers with reduced mobility) can be considered a distinguishing feature of the airports it operates.

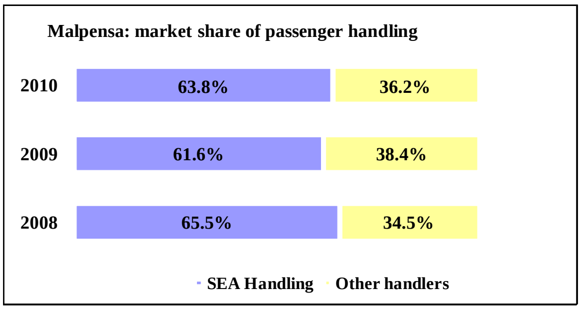
The SEA Group does not limit itself to complying with existing regulations but, to increase users’ satisfaction, has taken measures concerning two aspects: infrastructure, improving access to the airport for PRM; and organisation, defining Technical Regulations, agreed with the main trade associations and the Users’ Committee, which raises further the requirements for the assistance service (to be adopted in the course of 2011).

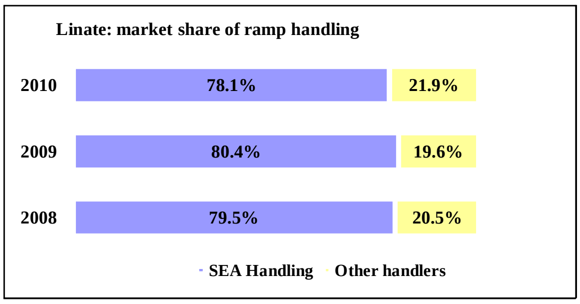
HANDLING

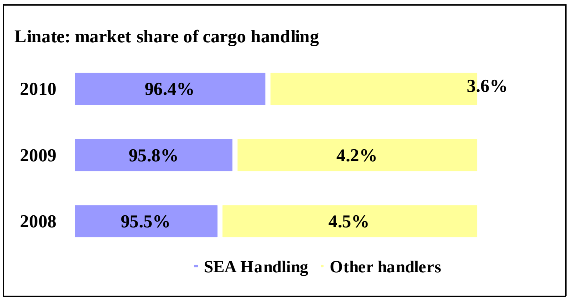
Key performance indicators

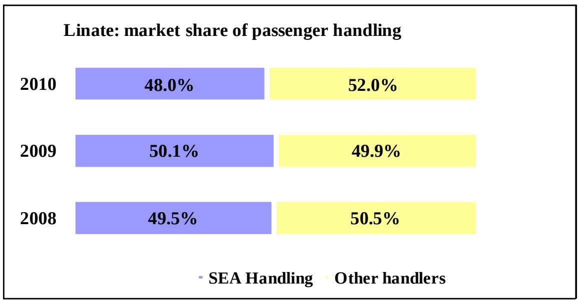




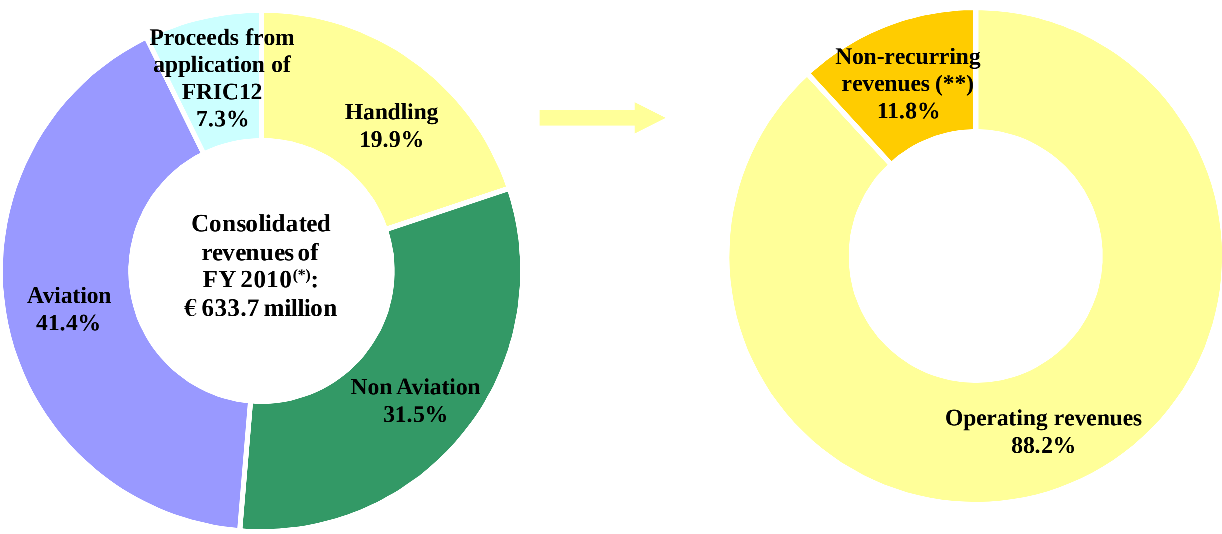








Handling Revenues FY 2010

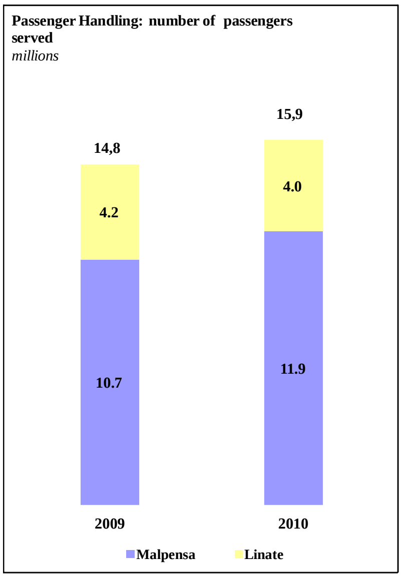


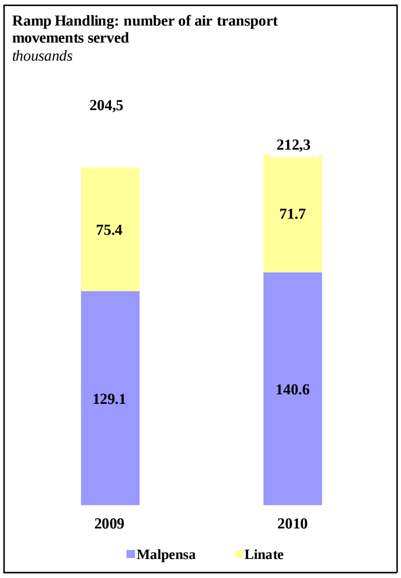
(*) SEA SpA's revenues of FY 2010 were € 267.4 million for Aviation and €197.6 million for Non Aviation. Handling operations are not carried out by SEA SpA directly.

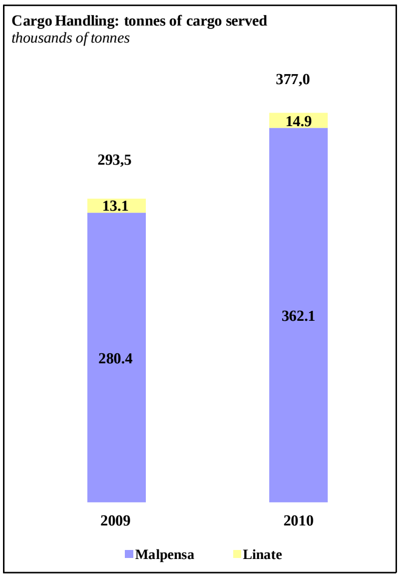
(**) Non-recurring revenues are related to the refund received for the damage caused by the illegitimate reduction by the Ministry of Transport of the handling fees defined for the years 1987, 1989 and 1990

Performance of handling operations

In 2010 the SEA Group, through its subsidiary SEA Handling, managed ramp, passenger and cargo handling in a market scenario that continued to be characterised by strong competition, increased by the increasingly challenging requests of carriers.
During the year SEA Handling recorded an increase of nearly 8 thousand air transport movements (+3.8%), 1.1 million passengers (7.3%) and over 83 thousand tonnes of cargo (+28.5%), a growth exceeding that of the airports in which it operates. This good performance was made possible by SEA Handling's ability to maintain its customer base by successfully revising the relevant agreements (for instance, with easyJet, Ethiad Airways and Air China Cargo) and to acquire important customers among the carriers that started operating at Malpensa during the year (Cathay Pacific in passengers, Jet Airways and Oman Air).
This performance, penalised also by the restrictions to air traffic following the dispersion of the Icelandic volcanic ash plume, is particularly significant in a scenario characterised by great emphasis on cost control by carriers, the need to reduce the time needed for embarking and disembarking, and demand for handling services of very high level and markedly differentiated by carrier category.







Ramp and passenger handling

Malpensa

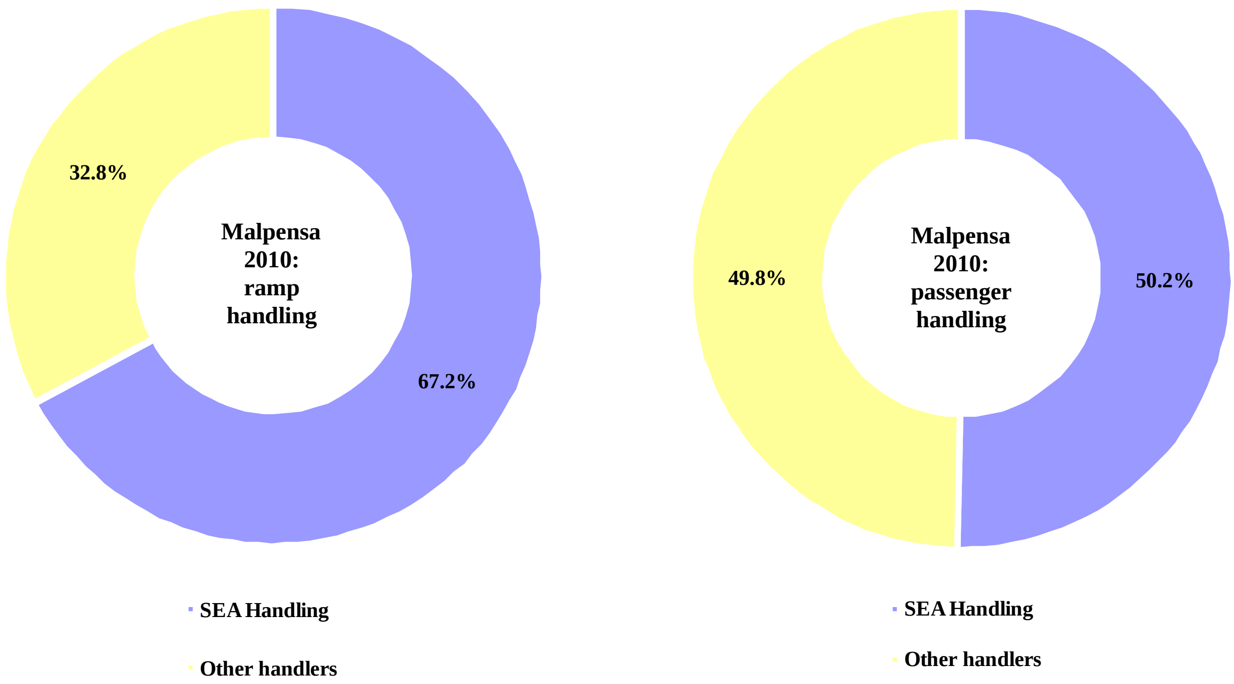
In the course of 2010 the handling operations carried out by the SEA Group at the airport recorded an increase of 11.5 thousand air transport movements and nearly 1.3 million passengers. The growth of traffic of SEA Handling was supported by the growing volumes of the key customers (specifically: easyJet, the Lufthansa Group, Air Italy, Blue Panorama, Qatar Airways and Ethiad Airways) and the entry of new customers (among which Afriqiya, Cathay Pacific, Jet Airways and Oman Air).
The performance of ramp, passenger and cargo handling operations at the airport's two terminals is analysed below.

Malpensa Terminal 1

In 2010 SEA Handling, with about 101 thousand air transport movements and over 6.8 million passengers served, recorded increases of 8.9% and 13.0%, respectively, at this terminal. The main factors of this performance were the following:

- The growth of air transport movements of Lufthansa Italia (+21%), which since the start of its operations has chosen SEA Handling for ramp handling services, also on the basis of a partnership agreement with Globeground (which provides passenger handling services to the carrier);
- An increase in traffic of certain carriers that were already customers of SEA Handling, among which are Turkish Airlines (+12.7%), Air Italy (+102.5%), Tunisair (+16.7%), Qatar Airways (+8.1%) and Saudi Arabian (+118%);
- An increase in traffic of the Alitalia Group (+38.7% passengers and +15.7% ramp) which in 2010 significantly strengthened its presence at Malpensa through AirOne, an airline that carried over 1 million passengers during the year;
- New customers such as Cathay Pacific and Afriqiya that started operating at Malpensa's Terminal 1 in the course of 2010 following the issuance by ENAC of provisional authorisations.

Market shares of SEA Handling at Malpensa Terminal 1



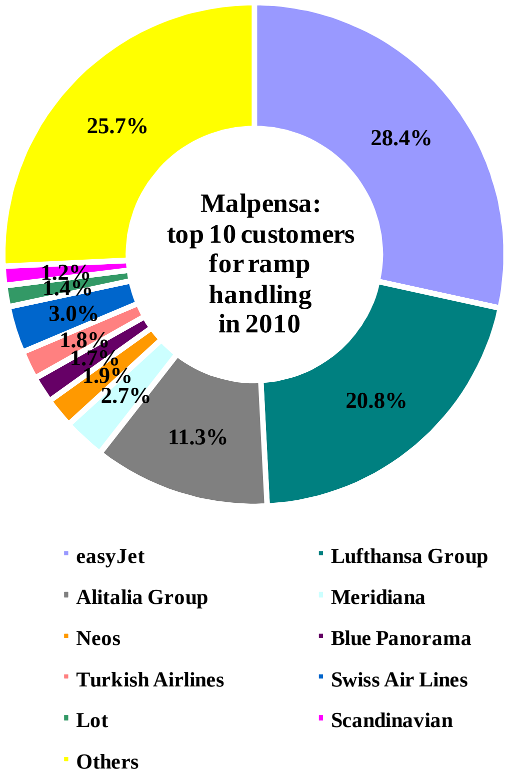
Malpensa Terminal 2

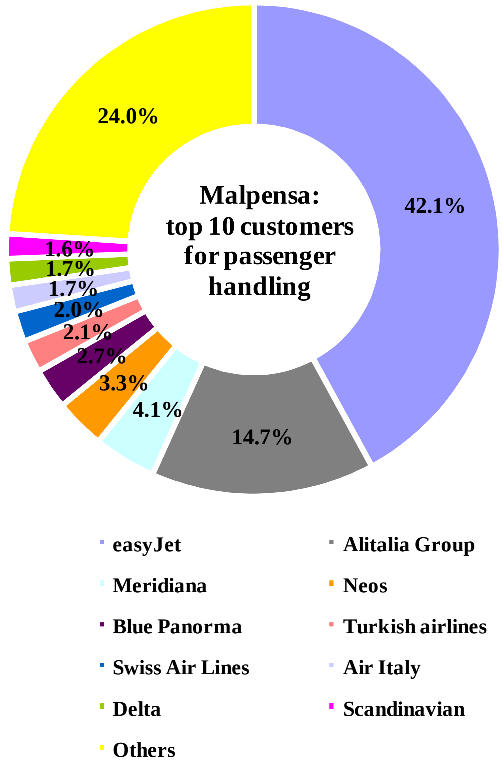
Ramp and passenger handling services have been rendered by SEA Handling to easyJet, the only carrier operating at Malpensa's Terminal 2, since 2006, the year when the low-cost carrier started the ongoing development of the routes and frequencies operated to/from Milan, and at the end of 2010 reached about 40 thousand air transport movements and over 5.1 million passengers served.

At the end of 2010 easyJet was SEA Handling's largest customer at Malpensa, with a share of 28.4% of the market served by SEA Handling in ramp handling and 42.8% in passenger handling.

The performance in terms of quality achieved by SEA Handling in services to the carrier has led to the successful completion of negotiations to extend the relevant agreement which remunerates SEA Handling for the broad range of services offered, including high-end services, with higher unit fees.

Malpensa: top 10 customers in 2010





Linate

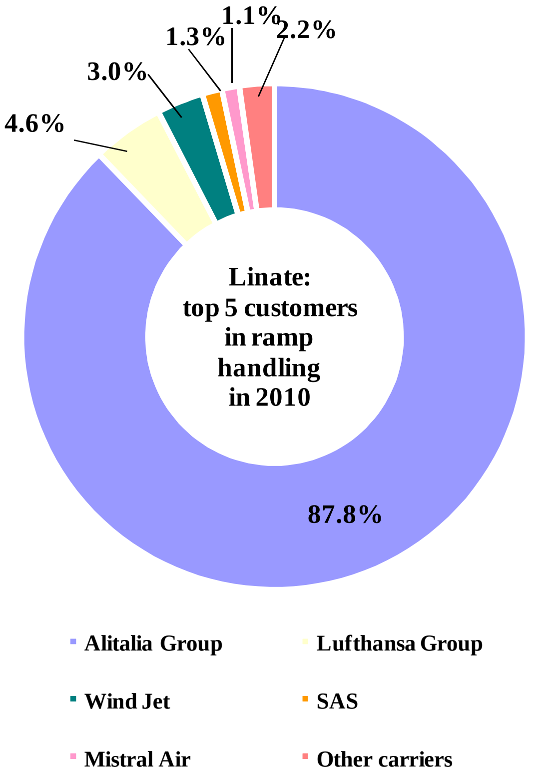
At Linate SEA Handling recorded a larger decline in volumes than that recorded by the airport: 3.6 thousand fewer air transport movements and over 166 thousand fewer passengers, vs. about 2 thousand fewer movements and substantially unchanged passenger numbers for the airport as a whole.

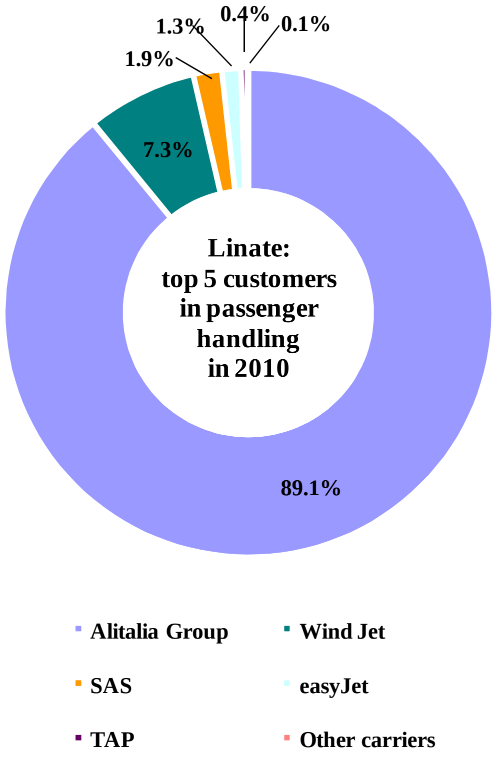
This performance was influenced by the reduction of traffic volumes of the Alitalia Group on routes served by SEA Handling (which do not include Rome and Naples), equal to 105 thousand passengers (-2.9%) and about 3 thousand air transport movements (-4.3%).

At the end of 2010 the Alitalia Group accounted for 88.5% of the marked served by SEA Handling at Linate and 37.4% of the entity's entire customer base in ramp handling (on an exclusive basis until 2013, under the agreement made in 2009).

In the course of 2010, following the renegotiation of the relevant agreement, easyJet became a customer of SEA Handling also at Linate airport, where it accounts for 0.5% of air transport movements of the airport.

Linate: top 5 customers in 2010

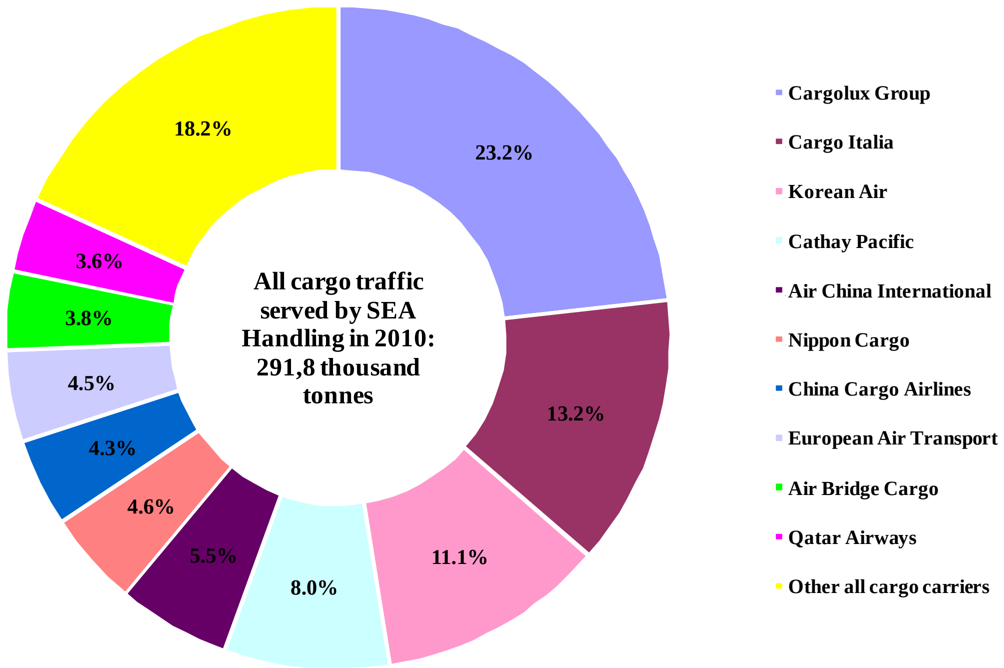




Cargo Handling

The cargo handling operations of SEA Handling are concentrated at Malpensa, where it offers cargo handling to almost all the all cargo carriers present at the airport.
In the course of 2010 the volume of cargo handled by the entity at Malpensa recorded an increase of over 82 thousand tonnes (+29.1%), influenced by the good performance of certain carriers, including Cargolux (+141.7%), Korean Air (+27.6%), Qatar Airways (26.1%), Air China (+119.8%) and CargoItalia (which more than doubled its business volumes).
The share of the cargo market served by SEA Handling at Malpensa at the end of 2010 was equal to 85.7% (+2%). This strong competitive positioning is supported by the high quality of the services rendered by SEA Handling also in cargo, where special expertise is required also in relation to the use of particularly complex equipment.

Cargo Handling: top 10 all cargo customers



Handling commercial policy

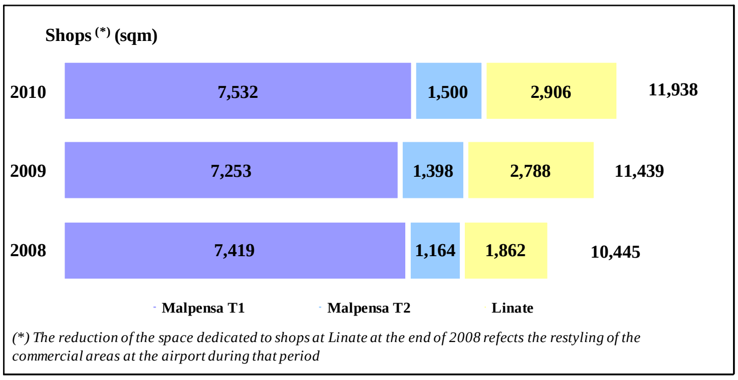
SEA Handling’s policy of focusing and specialising in ‘core’ operations of ramp, passenger and cargo handling continued also in 2010, enabling the entity to offer higher quality services that are strongly orientated to meeting customers’ needs.

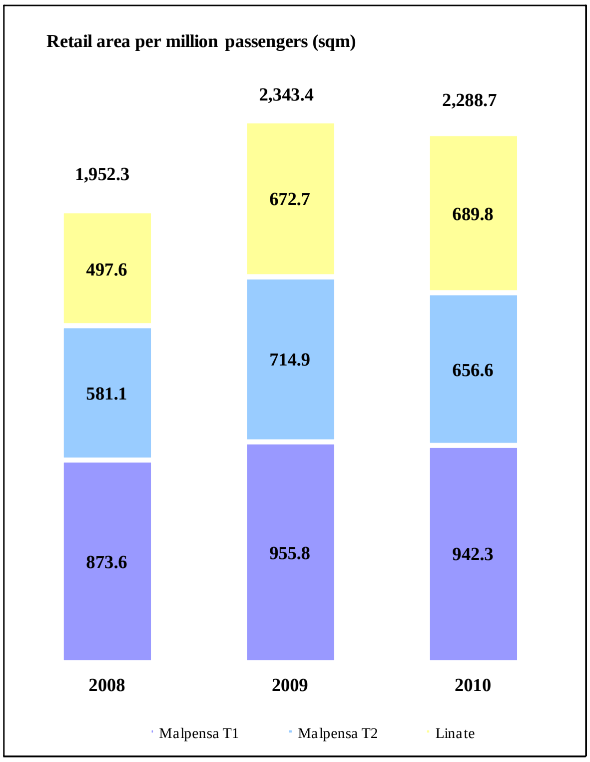
Thanks to its expertise in the services to be rendered to the various types of carriers and traffic, SEA Handling is the key player in handling operations at Malpensa and Linate airports, both under ‘full handling’ agreements that ensure high service levels and in partnership with other handlers.

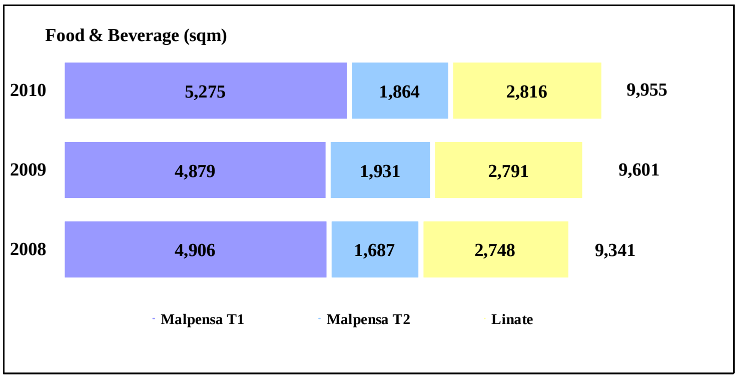
The recovery of productivity made possible by this policy has been supported also by SEA Handling’s decision to carry out continuous training of its human resources.

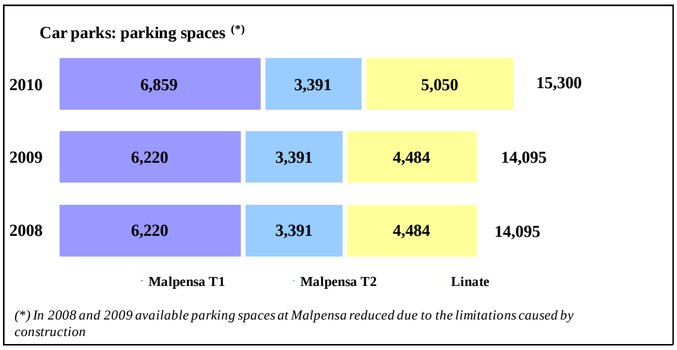
NON AVIATION

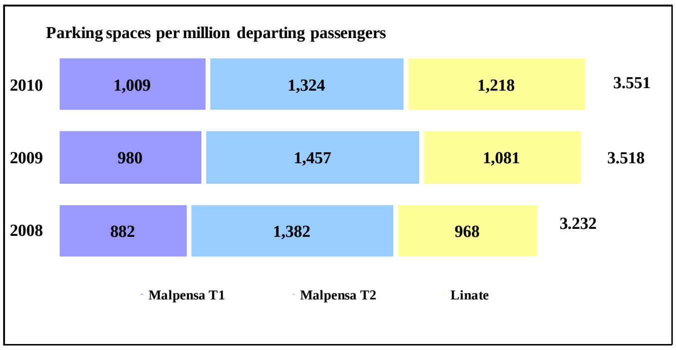
Key performance indicators



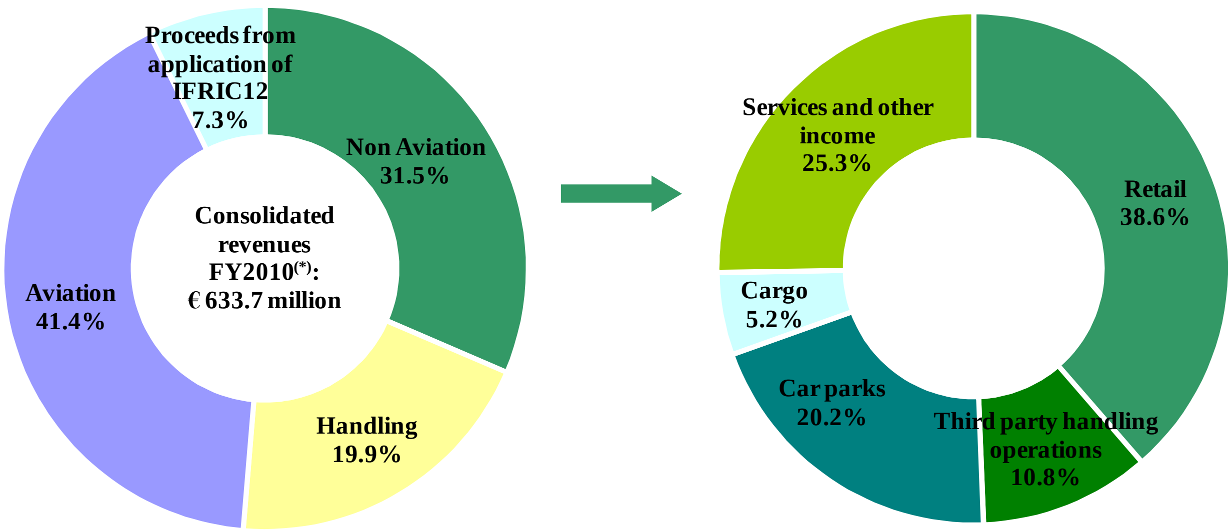








Non Aviation Revenues FY 2010



(*) SEA SpA's revenues of FY 2010 were € 267.4 million for Aviation and €197.6 million for Non Aviation.
Handling operations are not carried out by SEA SpA directly.

Non Aviation commercial policy

In 2010 the SEA Group continued the process of expanding activities not strictly related to airport operation, considering them an important and fundamental area of business development.
Going beyond the airport operator approach whereby commercial activities are limited to managing available spaces, the SEA Group has taken a path that will lead it to being a protagonist of commercial development at its airports, also supporting operators in a partnership approach, with the aim of expanding, innovating and enhancing the value of goods and services offered to the several customers and users present at Malpensa and Linate.
The B2C approach underlying this strategy has led to the implementation of a communication and marketing plant that provides, among other activities, for:

- Co-operation with the most important trade fairs and shows in the territory (during the fashion week, for instance, Malpensa and Linate act as gateways to Milan as ‘Global Fashion City’);
- New communication of the commercial proposition (Fall/Winter 2011 sales were announced through the web, advertising spaces at the airports and on public transport);
- The use of innovative distribution channels (the SEA Group’s website is undergoing a thorough overhaul and being transformed into a commercial portal);
- Consolidation of the loyalty programme to enhance the value of customer relationships, expanding knowledge of the relevant profiles.

The policy of co-operation and partnership with operators had a particularly large impact on Retail and Food & Beverage operations: during the year a series of models were introduced to develop activities through innovative sales concepts, an expansion of the airports’ brand portfolio and the use of analysis tools (customer profiling, marketing plan, quality monitoring) that make it possible to identify customer’s needs and meet them at best, segmenting customers based on the different characteristics of the airports operated by the SEA Group.
In 2010 we also completed construction of large parking areas on which innovative actions will be taken in terms of use and commercial offering, in line with the market oriented approach of the Non Aviation operations of the SEA Group.
Also Malpensa Energia, the entity through which the SEA Group operates in the generation of electricity with low environmental impact, has oriented its operations towards B2C, and in 2010 started supplying electricity through bilateral agreements with third parties, in competition with the leading electricity generators.
During the year, to expand its Non Aviation business, the SEA Group confirmed also an interest in developing real estate operations, by strengthening the structure dedicated to this business, with the priority task of defining and driving interventions outside the airport terminals, ensuring that these projects are consistent with the long-term development plans for both the airports operated by the SEA Group.

Performance of Non Aviation operations

Commercial activities

Retail

As part of the project to renovate the spaces and concepts of retail operations, also in the course of 2010 the SEA Group, which does not carry out these activities directly, continued its policy of increasing and restyling the areas dedicated to third party retail operations with the aim of incentivising and facilitating the use of shops and food & beverage areas by users of Malpensa and Linate.

Shops

Malpensa Terminal 1

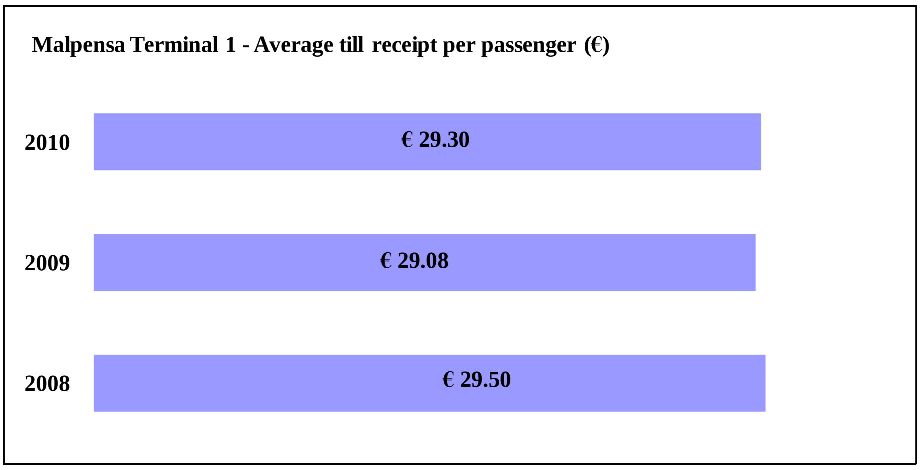
The significant presence of long-haul traffic (36% of passengers of Terminal 1 at the end of 2010), also on routes to areas with significant economic growth where demand for luxury goods has been growing strongly (in particular the Middle East and South East Asia), has led the SEA Group to increase further the presence of luxury fashion brands at Malpensa's Terminal 1, identifying innovation in commercial formats and formulas as the key to rising profitability in this business segment. In this perspective, during the year we started the transformation of the non-Schengen area of Malpensa's Terminal 1 into one of the most prestigious luxury areas in Italian and international retailing: existing brands, including Gucci, Armani, Etro and Hermes, will be followed in 2011 by the entry of Burberry and Zegna.

Also the Schengen boarding area was expanded and the profile of existing brands revised: during the year shops were opened by Mandarina Duck and Boggi Red, to be followed in the coming months by Brooks Brothers and Tommy Hilfiger.

The SEA Group's partnership with the Dufry Group, one of the most important international airport retailing operators, through the joint venture Dufrital, which manages duty free and duty paid operations at the airports of Malpensa, Linate, Bergamo, Verona and Genoa, focused in the course of 2010 on the need to expand the offering of highly profitable merchandise categories. In the coming months this strategy will lead to the restyling of duty free spaces at Terminal 1, previously used by fashion shops, as outlets for new products, including prestigious wine & food labels.

Co-operation with the Dufry Group also extends to SEA's joint venture Cid, the entity that manages newspaper and book sales at Malpensa and Linate airports. In the course of 2010 this partnership made it possible to start an important re-branding and restyling of outlets, with the introduction of the Hudson brand – a global leader in travel retailing, which opened its first outlet in the non-Schengen area of Terminal 1, to be followed in the coming months by re-branding of all outlets. The typical concept of Hudson News outlets, recognisable all over the world, is generally characterised by open storefronts and wide aisles, well-lit environments with warm furniture that draw customers in.

This policy made it possible to bring passenger spending back to the levels of 2008, in spite of the effects of the following international economic crisis and the change in the composition of traffic at Terminal 1.



Malpensa Terminal 2

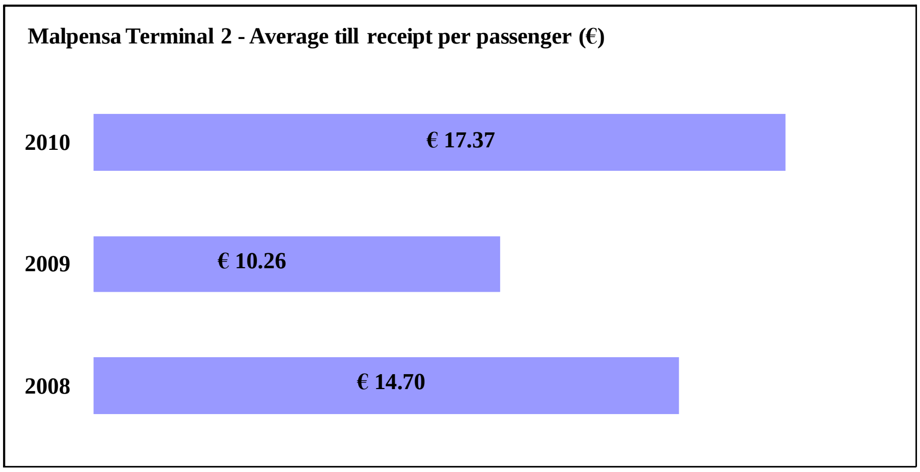
In the course of 2010, in line with the policy of strong characterisation of Malpensa's Terminal 2 as a high-range low-cost airport, we continued expanding the commercial offering.

The key changes were in the airside area, where a new eyewear shop and a space dedicated to Boggi's lifestyle line were opened.

In the arrivals area, in line with the project of re-branding and restyling of newsstands and bookshops, a Hudson News Café was opened that, in addition to traditional products also offers food & beverage, with multiple use of spaces, expanding service offered to customers.

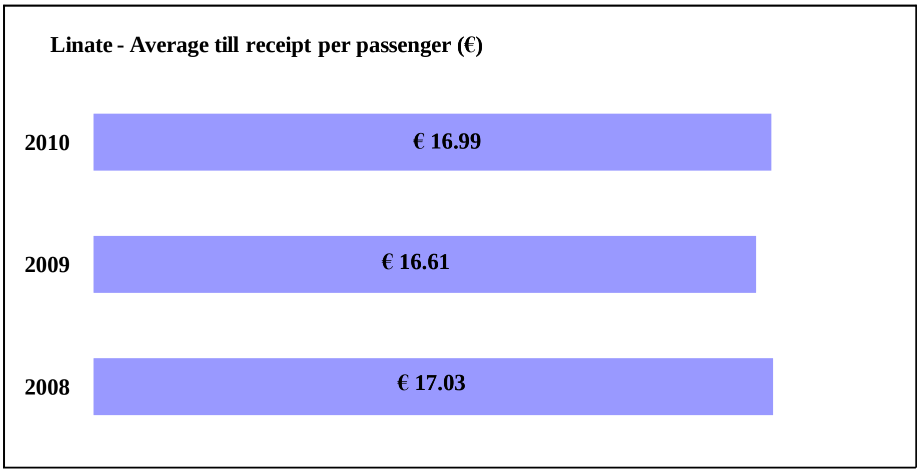
During the year we took a series of initiatives to offer the terminal's growing number of business customers services meeting their specific needs: in the boarding area a VIP-Club 2 lounge was inaugurated that offers information and refreshment, also with dedicated staff, in addition to wi-fi access. Moreover, a fast track to the boarding area was introduced to eliminate waiting times for access to security screening.

The implementation of this strategy made it possible, during 2010, to increase passenger spending significantly. It should be noted that the year 2008 was characterised, in the first half, by the presence of charter flights (then moved to Terminal 1), whose passengers have a different propensity to spend than the low-cost target on which Terminal 2 has subsequently focused.



Linate
In 2010 the restyling of the airport's commercial offering continued also through a series of infrastructure works that, by expanding the commercial areas, will allow the entry of new premium brands.
In detail, in the boarding area a new commercial area of about 450 sqm was completed and at the end of the year the first Thun airport store was opened, to be followed in the coming months by the opening of new outlets, including Dixons Travel, an important consumer electronics brand, and Boggi's lifestyle line.
Also the airport's main commercial gallery, located right after security screening, was re-branded in 2010, with the entry of Napapijri, to be followed by brands more suited to the needs of business customers, including Brooks Brothers.
Also a Linate, in the context of the restyling of newsstands and bookshops, a re-branding of outlets started with the introduction, at the beginning of 2011, of the Hudson News concept in the arrivals area.

The policy of strong renovation of the airport's commercial proposition, promoting the entry of products that meet the needs of the business customers to which the airport is dedicated, has made it possible to maintain the level of spending per passenger in spite of the effects of the international economic crisis (particularly significant for the airport's business traffic).



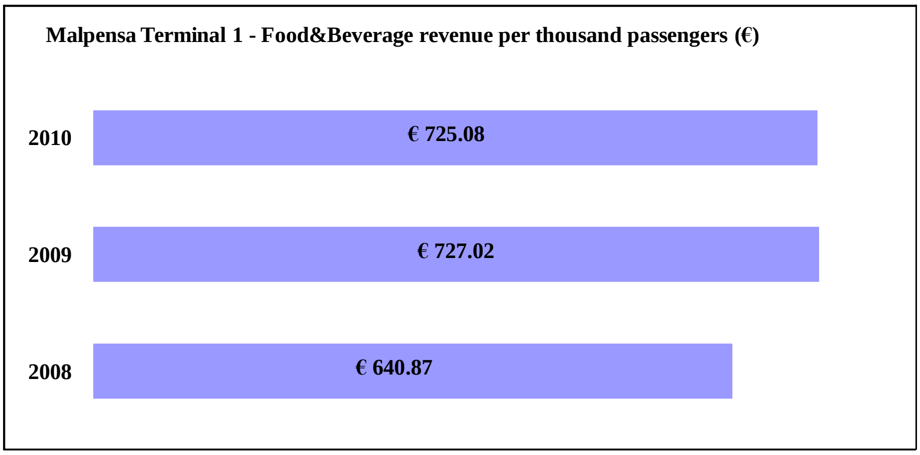
Food & Beverage

Malpensa Terminal 1

In the course of 2010, through the restyling of catering spaces and the introduction of new concepts, the SEA Group expended its Food & Beverage offering, with a focus on typical Italian products, with the inauguration of Venchi ice cream shops (in the arrivals and boarding areas) and the introduction, in the check-in area, of the new format 'Briciole Dolci e Salate' that sells bakery products from the Italian tradition. Moreover, a new elegant Time Café was opened, to serve passengers and users, close to the railway station, in an area subject to significant restyling with the opening of the Sheraton hotel.

During the year agreements were made to strengthen further the partnership with leading operators already present at the terminal, in particular to restyle the catering areas in the arrivals area, where Mokà and Mr Panino outlets will be opened shortly, and in the Schengen boarding area, where the presence of made in Italy products will be strengthened, also with the introduction of innovative wine bar and café projects.

The policy implemented by the SEA Group made it possible, also in 2010, to maintain the level of revenue per passenger, in spite of the significant growth of traffic recorded in the year (+7.1% compared with 2009).

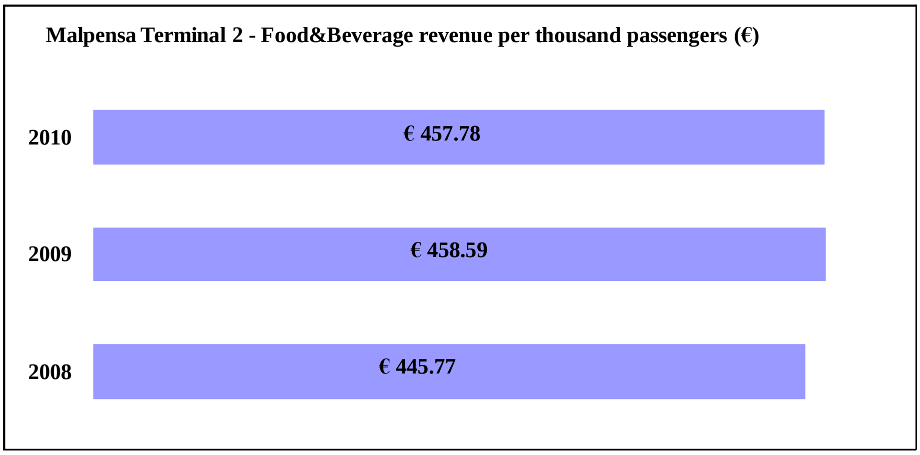


Malpensa Terminal 2

The significance of the Food & Beverage offering in an airport dedicated to low-cost customers was the rationale for the work done by the SEA Group in the course of 2010. In detail, the entry of the 'Briciole bar' format in the boarding area brings the offering in line with the consumption habits of

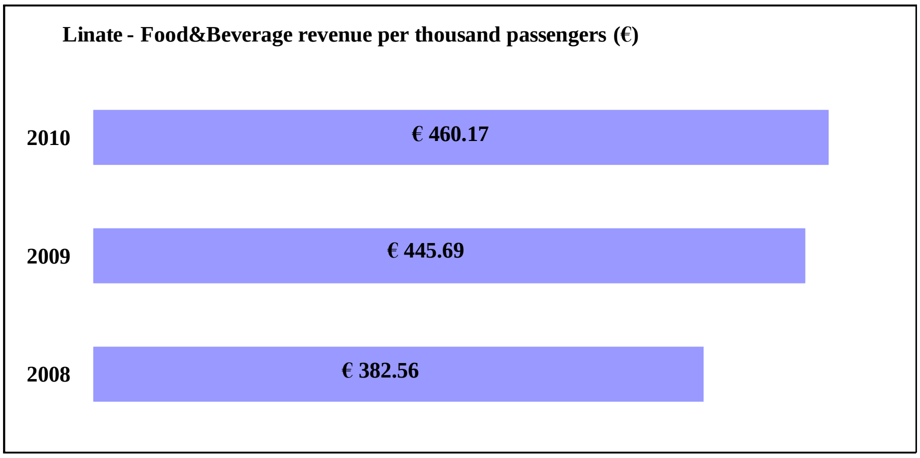
the terminal's passenger target and will be followed shortly, in the check-in area, by the addition of take-away pizza (Rosso Sapore) and café corners.
A re-branding project, already defined in 2010, will involve also the free flow area on the first floor of the check-in area, where the offering will be redefined also through the introduction of the Burger King brand.

The policy of the SEA Group, which stimulated the natural propensity of low-cost passengers to use Food & Beverage offerings, increased revenues in this area by 2.7% per passenger during the period 2008–2010.



Linate
In the course of 2010 the airport's vocation as a showcase for Milan manifested itself also in the choices made by the SEA Group for Food & Beverage. After the opening of a café with the historical brand Motta, other premium Milanese and Italian brands came to the airport, with the opening of outlets by Panino Giusto, a famous Milanese fast food chain, and Briciole Dolci e Salate, a concept bakery that offers freshly baked products.
Continuing in this characterisation, in the first few months of 2011, a corner dedicated to the premium Milanese pastry brand Sant'Ambroeus will be opened inside the Motta café.

The work done in the Food & Beverage area supported the growth of average profitability per passenger (+20.3% since 2008).



Car parks
In 2010 the SEA Group completed the expansion of the offering of car parks dedicated to passengers, reaching a total of 15,300 parking spaces for the public at Malpensa and Linate airports at the year end (+8.5% on the end of 2009).
However, it should be noted that in the course of the year work on construction of the Sheraton hotel at Malpensa and a new multi-storey car park at Linate, as well as the renovation of the existing multi-storey car park at the same airport, made a total of over 2,000 parking spaces unavailable at Malpensa and Linate.
In a scenario where the economic crisis affected customers' ability to spend, the SEA Group supported the operation of car parks at its airports through:

- An online booking service for parking at Malpensa and Linate, through the website www.sea-parkandfly.it, that presents the numerous offerings and promotions, linked in part also to the SEAMI loyalty programme;
- Strong characterisation of the car parks by type of service and customer, to meet customers' various requirements;
- An increase in the number of parking spaces offered at the airports, with the opening from early 2010 of a new car park at Malpensa with 1,100 parking spaces and, in December, the new multi-storey car park of Linate with over 2,400 spaces.

Malpensa Terminal 1
In the course of 2010 the number of parking spaces linked to Malpensa's Terminal 1 rose by 1,100 due to the entry into operation of the low-cost car park P1 and an additional 459 following the reopening of the short-term car parks, previously affected by construction of the Sheraton hotel.
To these three additional segments were added: executive car park P2 – 3,300 covered spaces of which 130 reserved for luxury cars; express car park P3 – 800 uncovered spaces linked to the terminal by a moving walkway; and long-term car park P4 – 1,200 uncovered spaces for long-term parking.

Malpensa Terminal 2
In the course of 2010 the significant growth of passenger traffic of easyJet (+10%) did not translate into a proportionate increase in the car park occupancy rate at Terminal 2, where the easy car park P5 offers 3,000 spaces that, from 2011, will be linked to the terminal by a covered pedestrian passage.
Occupancy of those spaces, to which should be added 391 spaces for short-term parking, was penalised in May and June by renovation work on P5 and by particularly aggressive competition, to which the SEA Group responded adopting tariff and marketing policies mainly directed to recovering the price-sensitive share of the market.

Linate
In 2010, in spite the stability of passenger traffic and the reduction of available parking spaces caused by construction of the new multi-storey car park and renovation of the existing one, the occupancy rate was high, with maximum occupancy (close to 100%) in the central days of the week, consistently with the requirements of the business traffic that characterises the airport.
In December 2010 the new multi-storey car park P2 was opened: this makes available 3,000 covered spaces distributed on several storeys, the top two of which are linked by a vehicle and pedestrian bridge to the 800-space top class car park P1, which in turn is directly linked to the check-in area. The system comprising P1 and P2 is the largest covered car park in Milan.

e-commerce
In 2010 the SEA Group defined its e-commerce strategy, starting construction of a commercial platform through which, from the coming months, it will develop sales on multiple channels, web and mobile, to distribute its services (car parks, access to VIP lounges, fast track, online

advertising) and sell the products offered by the shops at Malpensa and Linate (e-mall) and by partners, also not operating at the airports but whose activities are closely related to the services and products of air transport (travel booking, booking of hotels, flights, exhibition and museum tickets, car rental).

Loyalty Programme
In 2010 the project targeting customers of Malpensa and Linate airports to foster customer loyalty through the loyalty card, launched in the second half of 2009, continued with the aim of focusing the attention of passengers and users of Milan's airports on the services and goods offered by the SEA Group and its partners.
During the year SEA started co-operating with the association Salotto di Milano ("Milan's living room"), which groups operators located in Galleria Vittorio Emanuele II and the adjacent arcades on the northern side of Duomo square, with the aim of offering the card not only as a tool to facilitate purchases and simplify airport processes, but also as a gateway to opportunities offered by the territory.
Among activities related to the loyalty card, designed to promote purchases at both airports, are some prize competitions.
The success of the initiative is testified by the 22,000 new customers that signed up to the programme in 2010, bringing the number of cards issued to over 39,000.

Advertising
The year 2010, like the previous year, was characterised by significant difficulties of the advertising business that was affected by certain concomitant factors such as the negative international economic conjuncture, a decrease in the propensity to consume, and the prevalence of television as the preferred advertising vehicle.
With regard to advertising at Malpensa and Linate airports, after a phase of marked decline, in the last few months of the year the first signs were seen of a recovery, driven also by the SEA Groups' decision to equip both airports with innovative advertising supports - digital circuits – that make it possible to carry out advertising campaigns with a strong emotional impact and enable messages to consumers to be rotated.

Third party handling operations
In 2010 sub-concessions of spaces to third parties (carriers, handlers, operators of airport services) were concentrated at Malpensa, and focused on the renegotiation and extension of contracts with some important airlines already operating at the airport's terminals (including easyJet, Aeroflot, Air China), and new agreements for the use of new spaces by carriers that were not previously present, such as Jat, Oman Air and Cathay Pacific.
During the same period agreements were made for the use of warehouses, including one with the caterer Do&Co at Malpensa's Terminal 2 and one with the cargo handler Xpress at Linate.

Real Estate operations

Hotel at Malpensa
In October 2010 the Sheraton Hotel opened at a Malpensa's Terminal 1: the hotel, with a total surface of about 55,000 sqm, has 433 rooms, over 2,000 sqm of space for conferences and conventions, a club lounge of 200 sqm and a 1,100 sqm spa with swimming pool, currently the largest wellness centre in the Milan area. The infrastructure was built under a BOT model.

During the year a process was also started to select an operator for construction of a budget hotel at Malpensa's Terminal 2 that, by the end of 2011, should offer lower range hotel accommodation than that on offer at Terminal 1, with the aim of meeting more fully the needs of the different targets of passengers and users of Malpensa.

Business support

In line with market trends that emphasise the opportunities offered by development of the airport as 'airport city', in 2010 the SEA Group started a study for the construction, in the immediate vicinity of Malpensa's Terminal 1, of a business centre that will offer offices and multi-media spaces to multinationals and businesses of north-west Italy.
In addition, with a view to construction of the infrastructure to expand Malpensa's current Cargo City, which also includes first-line and second-line logistics warehouses, scouting of the market is in progress to gather expressions of interest in the use of those spaces and identify a possible partner in the project.

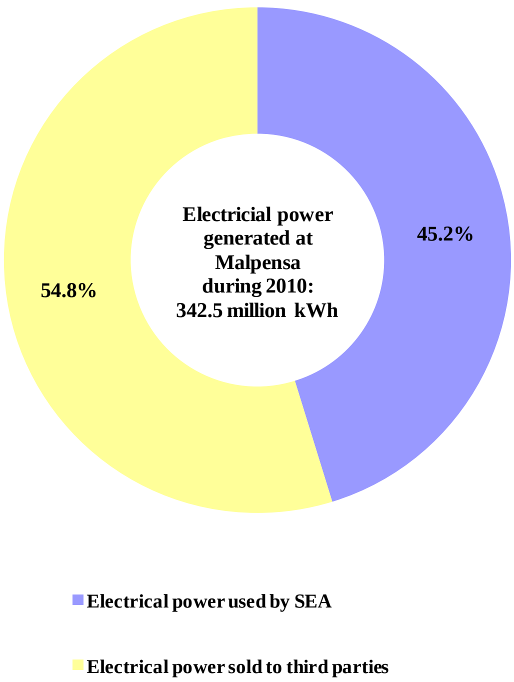
Upgrading of areas at Linate

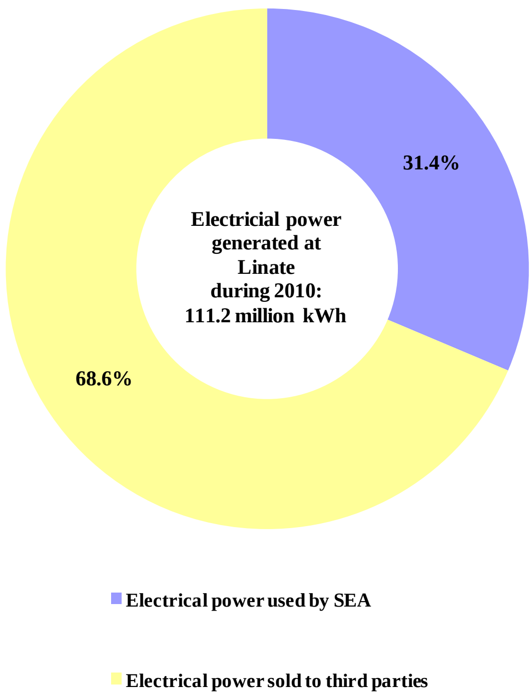
Certain areas currently used as warehouses and fuel deposits, of prime property value because they are located close to Idroscalo, Milan's hydropark, are the subject of a feasibility study for construction of a hotel and convention centre, in view of the complete transformation of Linate's waterfront area.

Electrical and thermal power generation

Through the subsidiary Malpensa Energia, generation of electrical and thermal power continued, to meet the requirements of the airport system operated by the SEA Group and for sale to third parties. In the course of 2010 electricity generated by Malpensa Energia increased by 7.3% (+30.8 million kWh) in spite of a reduction due to the damage suffered in February by one of the turbines at Malpensa which from July and until the end of the repair work was replaced by a leased turbine. The increase in electricity generated by the power stations of Malpensa and Linate and lower consumption by SEA, following the implementation of an energy savings plan, resulted in an increase in the quantity of electricity sold to third parties on the power exchange, equal to about 264 million kWh in 2010 (+19.7% on 2009).

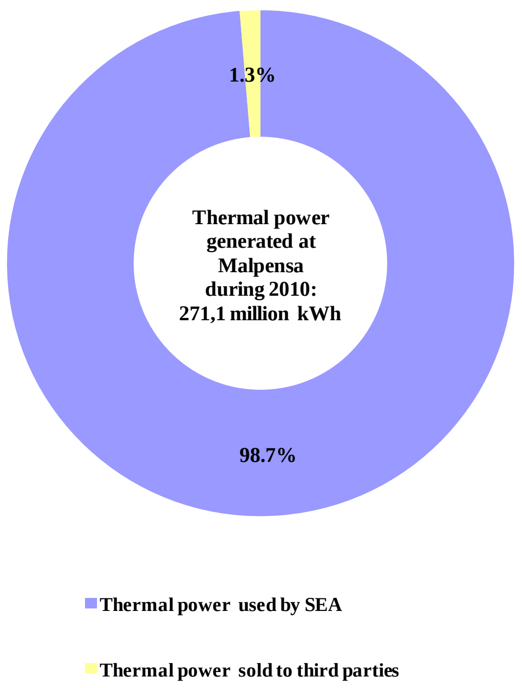
Electrical power generation and sale

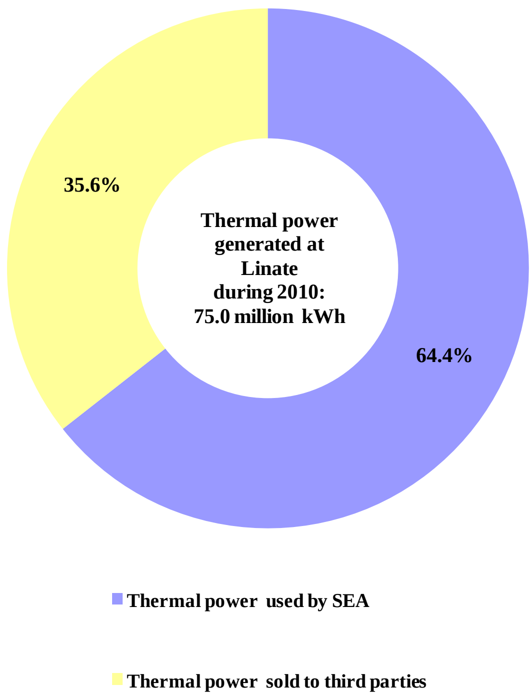




Generation of thermal power at Malpensa and Linate increased by 7.6%, to 346.1 million kWh; the increase was supported by the sale to third parties of part of the thermal power generated by the Linate power station to supply heating to neighbourhoods adjoining the airport and by the agreement made in 2010 with the Sheraton hotel at Malpensa to supply heating and cooling; the agreement also includes supplying electricity from the start of 2011.
In addition, during the year an agreement to supply electrical and thermal power was made with SACBO, the operator of Bergamo – Orio al Serio airport, and will go into operation from January 2011.

Thermal power generation and sale





SUSTAINABLE DEVELOPMENT

The SEA Group, also in 2010, confirmed that sustainable development of its business is the benchmark model for its operations.
The growth of the SEA Group cannot be separated by that of the territory in which it operates, and the Group maintains its strong commitment to promote the growth of the territory and the protection of the environment, in a perspective of dialogue and agreement with the institutions on the various levels that are involved in the ongoing development projects.

The airport as driver of the territory’s growth

The SEA Group believes it is an asset for the economy of the territory and employment.
In 2010 the SEA Group not only employed directly nearly 5,200 staff, but outsourced operations for over €223 million, involving about 950 suppliers, mostly from the region Lombardia (73%), which account for more than 60% of total work outsourced in 2010 (if companies from the region Piemonte are included, the percentage exceeds 65%).
In the course of 2010, in the framework of the social and cultural development of the territory, the SEA Group continued its commitment to co-operate with local institutions, with training projects that in different manners involved the various levels of schools in the Region Lombardia.
In this respect it should be noted that, in the last three years, over 350 high-school students were involved in providing assistance to passengers during summer traffic peaks and in training courses for ramp agents; in the framework of ongoing co-operation with Milan’s Polytechnic, about 600 students attended specialist university courses on air transport managed by the SEA Group and over 90% of those who obtained a master’s degree in airport management, also sponsored by the SEA Group, found employment in line with their expectations.

Management of the territory and environment

Considering environmental protection an opportunity for continuous improvement of corporate performance, rather than a mere law requirement, the SEA Group continued in 2010 its commitment to improve environmental performance. In detail, the attention of the SEA Group was directed to identifying the sources of and controlling CO_2 emissions (in the context of the greenhouse gas emission reduction targets set by the Kyoto Protocol), as well as to constant monitoring and verification of interaction with the environment. These activities, accompanied by continuous, careful work to raise the environmental awareness of all the stakeholders of the SEA Group, were conducted in partnership with the national and international institutions that monitor respect for and protection of the environment.
The SEA Group’s attention to the multiple aspects of the protection of the environment where Malpensa and Linate airports are located is testified by the successful completion in the course of 2010 of the annual verification required for the release by TÜV of the ISO 14001 environmental certificate for the Group’s environmental management system (EMS).

Climate change and air quality
After achieving, at the end of 2009, level 3 (Optimisation) accreditation in the European project called “Airport Carbon Accreditation”, promoted by ACI Europe, during the first half of 2010 Malpensa and Linate airports, the first among European airports, achieved level 3+ (Neutrality) accreditation (the top accreditation level).
This level of accreditation is testimony to an important effort to reduce direct and indirect CO_2 emissions by the SEA Group, which, after the significant decrease achieved in the period 2007-

2009, continued its commitment in 2010 achieving a further reduction of CO_2 emissions at both airports (–6% at Linate and –9% at Malpensa).

Energy savings – green certificates

In the course of 2010 the attention paid by the SEA Group to the protection of the environment through energy savings achieved significant recognition: thanks to the remote heating service provided to neighbourhoods adjoining the airport, the combined heat and power plant at Linate was assigned green certificates,.

Moreover, during the year the SEA Group, to reduce energy consumption at its airports, implemented an energy saving system that reduced consumption by 4.5% through optimisation of the use of the air conditioning system, partial utilisation of indoor and outdoor lighting (non-preferential circuits being turned off) and the use of low-energy light bulbs.

Noise pollution

In the course of 2010 the SEA Group continued its commitment to limit the noise generated by its operations at both the airports it operates.

At Malpensa meetings of the Airport Commission resumed and a scenario for rebalancing the distribution of air traffic on the different take-off routes was approved and entered a trial period that was successfully completed in late December; the protocol is currently in operation.

At Linate, after approval in 2009 of the noise zoning plan for areas adjoining the airport, we completed the detailed definition of all works to be done in the municipalities of Segrate, San Donato and Peschiera Borromeo to activate measures to limit and mitigate noise as required by the legislation in force and the noise zoning plan. In compliance with the regulatory framework SEA delivered the relevant document to the Region Lombardia and submitted to the competent ministry the elements requiring interpretation in order to proceed with the implementation plan.

It should be noted that the SEA Group is the first airport operator in Italy to identify and adopt measures to mitigate noise pollution following approval of the related noise zoning plan by the Airport Commission.

Waste management

In 2010 the SEA Group continued its commitment to separation at source of waste generated at airports, introducing the separation between plastic and aluminium at both airports and the separation of putrescible waste at Linate, after successful implementation at Malpensa.

At the end of 2010 the levels of separation achieved at Malpensa were 31.5% for paper, 28.5% for putrescible waste, 8.7% for glass and aluminium and 8.1% for wood. The levels achieved at Linate were: 64.1% for paper, 18% for putrescible waste, 7.5% for wood and 4.1% for glass.

FOD (Foreign Object Damage)

Thanks to the ongoing activity carried out by the SEA Group to raise awareness of all the subjects operating in the airside areas of Malpensa and Linate airports, the continuous monitoring in 2010 did not identify any evident signs of FOD.

Information about the environment

To facilitate widespread dissemination of information about the environment, in 2010 the SEA Group constantly updated the environmental section of its website, highlighting the various types of work performed, also providing monitoring figures and references and paying special attention to the queries made through the specific interface of the environmental section of the website.

Airport connectivity

The importance of the strategic positioning of the airports of the SEA Group is confirmed by the inclusion of Malpensa among the infrastructure built in the framework of the European TEN-t programme, whose purpose is to build a trans-European transport network to facilitate the movement of people and goods within the continent. In detail, the airport is located close to two road and railway axes defined in the infrastructure programme: Corridor 5 from Lisbon to Kiev and Corridor 24 from Rotterdam to Genoa, which, respectively link western to eastern Europe and the north of the continent to the south.

Railway network

In 2010 nearly 12% of passengers departing from Malpensa reached the airport by train but if we consider that another 10% used the shuttle bus from Milan Central station and that the proportion of passengers using out-of-town scheduled bus services is about 7%, the catchment area for passengers of rail services is bound to increase markedly. As a consequence, in the course of 2010 direct rail access to Malpensa was increased significantly:

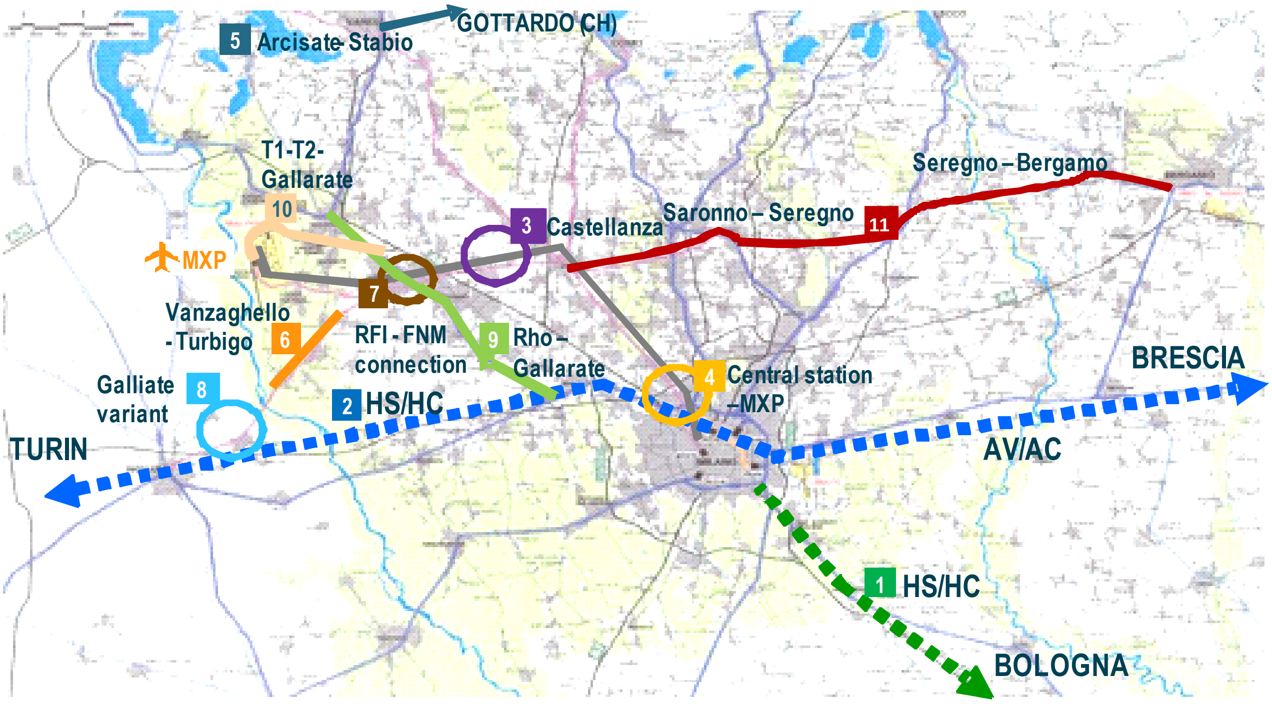
- Since September 2010 it has been possible to reach the airport on the Frecciarossa trains running HSR services between Florence and Malpensa in 2 hours 39 minutes (via Milan Central station) (see Ref. **1** in the figure "Development of rail connections"), and between Malpensa and Naples, which significantly expanded the number of potential users of the airport. A redefinition of timetables is under examination to make it easier for passengers departing from Malpensa to use rail services, and so is a possible increase in frequencies. Arrival of HSR was made possible also by the completion of work to adapt the railway station at Malpensa's Terminal 1 through platform extensions;
- In the course of 2010 the FNM Group increased the number of daily connections operated by Malpensa Express from Milan Cadorna station to Malpensa Terminal 1 to 79, including non-stop services; from Terminal 1 a free bus service runs every 15 minutes to Terminal 2. Moreover, the FNM Group reduced the length of the non-stop journey to 29 minutes, following completion of works to place the rail tracks underground at Castellanza (Ref. **3**);
- The Malpensa Express added a new service in December: 51 daily journeys from Milan Central station to the airport (Ref. **4**), taking about 40 minutes. At the end of 2010 the FNM Group operated a total of 130 daily connections with Malpensa, between 4.28am and 0.28am.

During the next few years access by rail to Malpensa will be further expanded along all traffic routes:

- Southbound, thanks to the quadrupling of the Rho-Gallarate line, the airport will be connected directly also to the trade fair site of Rho (Ref. 9);
- Northbound service will be increased through development of connections with Switzerland by construction of the Arcisate-Stabio line (Ref. **5**), which will reduce the length of journeys between Lugano and Malpensa within 2014, and through development of the rail network between Bellinzona and Gallarate;
- Connections to the area east of Malpensa will be supplemented by the start of passenger service on the Saronno-Seregno line in 2012, to be extended to Bergamo within 2020 (Ref. **11**);
- Access to Turin will be made easier by a HSR link running on the Galliate variant (Ref. 8) and by the doubling of the Vanzaghello-Turbigo line (Ref. 6).

It should also be noted that the rail link between Malpensa's Terminal 1 and Terminal 2, to be built as the continuation of the existing railway line (which now stops at Terminal 1) is at an advanced engineering stage and has obtained financing for €1.3 million from the European Union (Ref. **10**).

Development of rail connections



Access to Linate will also be the subject of significant development in the coming years with the construction of Milan's M4 underground line that will link the airport to some of the main hubs of the existing underground lines. Following completion of the engineering stage, at the end of 2010 a call for tenders was in progress and the construction contract is expected to be awarded by April 2011.

Road network

The key road connections are the motorways, chiefly the A8 Milano-Laghi and the A4 from Milan to Turin, the latter linked to the airport through the Boffalora-Malpensa junction.

In the coming years, also in view of Expo 2015, a number of large-scale infrastructure projects are planned for the road network of the Region Lombardia that will affect large chunks of the regional territory and, upon completion, will have a positive impact on the quality of connections to Malpensa and Linate airports, in terms both of reducing journey times and of ease of access.

Among the main projects are:

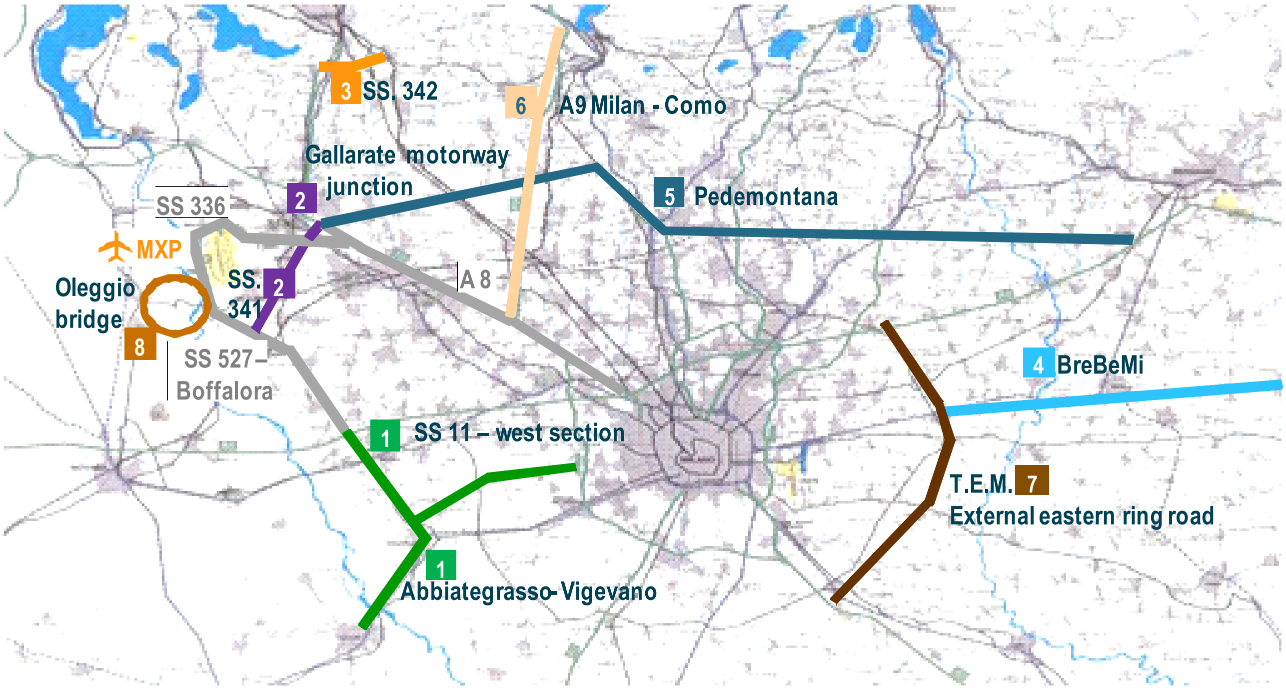
- The BreBeMi motorway linking Brescia to Bergamo to Milan: construction work started in July 2010 and will be completed by the end of 2012 (Ref. **4** in the figure "Development of road connections"); this will expand the catchment area of the airports operated by the SEA Group towards eastern Lombardia;
- The Pedemontana motorway (Ref. **5**) running "at the foot of the mountains", whose construction started in 2010: the first sections will become available in 2014 and the entire road system in 2015;
- Milan's Tangenziale Est Esterna (TEM), the external eastern ring road (Ref. **7**), which will link motorway A1 (from Naples - Rome - Florence - Bologna) to motorway A4 (Turin to Venice): the final project was approved at the end of 2010 and construction is expected to be completed in 2014.

To expand road access to Malpensa further, additional works are planned that concern mainly: a connection between road SS11 and Milan's western ring road (connecting the Pavia area to

motorway A4) (Ref. 1), a variant of SS 341 (Ref. 2), a connection to SS 342 Vedano Olona (Ref. 3) and the reconstruction of the Oleggio bridge, which will facilitate traffic flows between Malpensa and Novara (Ref. 8).
Moreover, the addition of a third lane to the A9 motorway (Milan-Como-Switzerland) (connected to Malpensa through A8) is at an advanced stage of construction (Ref. 6).

The importance of road connections to Malpensa airport is confirmed by the fact that in 2010 about 89% of departing passengers reached the airport by road, and of these about 12% used the shuttle bus service from Milan.

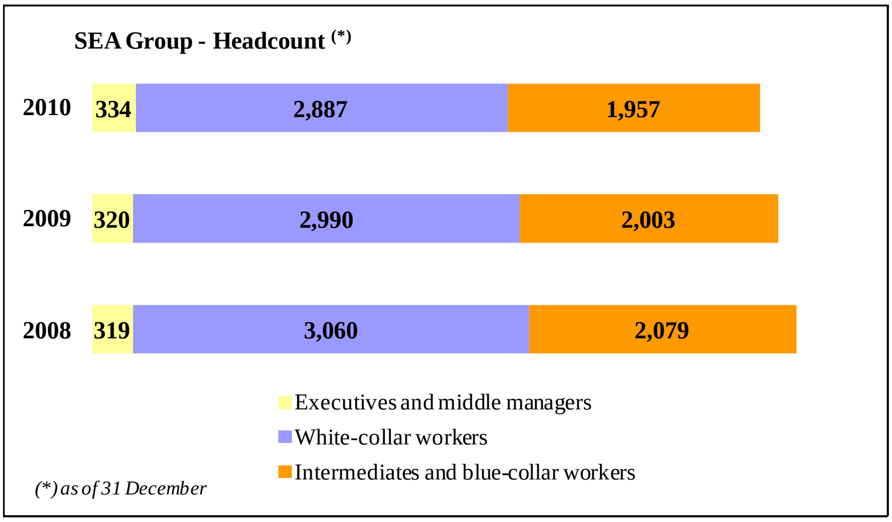
Development of road connections

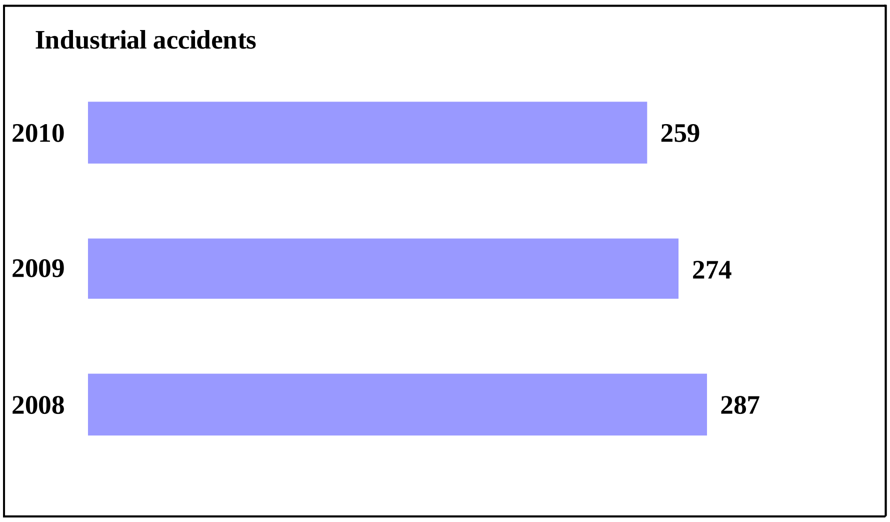


Access to Linate by road, already significant, will be supported further by the opening, at the end of 2010, of the new multi-storey car park that by providing more parking spaces favours the use of private cars to reach the airport.

HUMAN RESOURCE MANAGEMENT

Human resources





In consideration of the exit of Malpensa Logistica Europa from the consolidation perimeter, the 2008 and 2009 figures have been adjusted to make them comparable with 2010.

Consistently with the key role that the SEA Group assigns to ‘human capital’, in 2010 projects were started with the aim of enhancing the value of the Group’s human resources on a continuous basis and support efficiency savings processes throughout the organisation.

As of 31 December 2010 the human resources of the SEA Group numbered 5,178, a decrease of 135 from the end of 2009 (not considering the staff of Malpensa Logistica Europa, excluded from the consolidation perimeter since early 2010). A significant portion of the decrease was caused also by the continuation of the redundancy benefit scheme called ‘mobilità’, which started in September 2009 and continues to July 2011.
Also in 2010 we continued the special redundancy benefit scheme *Cassa Integrazione Guadagni Straordinaria* (CIGS) for SEA and SEA Handling, use of which was approved due to the crisis caused by de-hubbing by Alitalia. Application of this scheme to administration and operating staff was targeted: at the end of 2010 the total number of hours of CIGS actually used was 1,074 thousand (a decrease of about 202 thousand hours from 2009).
The growth of traffic, which was accompanied by a significant decrease in headcount, resulted in a larger use of overtime, which increased during the year by 49 thousand hours compared with 2009, when a further decline in the use of this type of service had been achieved after the significant reduction achieved in 2008.

Also in 2010 the SEA Group confirmed a significant presence of female workers, corresponding to 30% of the average headcount during the year, equally distributed in the various employee categories.

Operating management

During 2010 the process of reorganisation that the SEA Group has undergone in the past few years continued, with the aim of optimising processes and supporting the growth of the business.
In particular, during the year the reorganisation involved the organisation structure of the vehicle maintenance workshops at Malpensa and Linate and passenger security screening, in accordance with the Kaizen model of process optimisation, which requires the adoption of lean enterprise principles.

Career development and training

In the course of 2010 development of the professional system continued, and the stocktaking of job families and jobs was extended to the entire staff of SEA and SEA Handling. The results of this activity were posted on the corporate intranet, which during 2010 was also enriched with new content with the aim of maintaining the dialogue between employer and employee always active.

To enrich development and training processes further, in the course of 2010 activities were carried out to develop competencies and managerial skills through meetings and group activities, which will continue in 2011.

Moreover, during 2010 ordinary training activities continued, to improve the technical-specialist competencies and behaviour of employees of the SEA Group: 6,000 hours of training were conducted, in particular on the issues of safety, security and professional development in ICT (Information and Communication Technology).

Internal communication

In 2010 the SEA Group confirmed its attention to internal communication, continuing the publication, in paper form and on the corporate intranet, of ‘NoiSEA’ (“WeSEA”), the monthly newsletter addressed to employees of the SEA Group, which announces and discusses issues, news, and developments concerning SEA’s world.

Corporate welfare

In 2010 the SEA Group committed to developing corporate welfare further, with the aim of identifying the sum of corporate initiatives and solutions that promote the individual welfare of employees and their families, supporting productivity and corporate growth.
To this end a stocktaking was started of all ongoing projects originating from unilateral acts (including student bursaries awarded to nearly 1,000 beneficiaries, toy vouchers issued to over 2,000 children of employees), bilateral initiatives (consequent on the agreement with the trade unions, including additional health cover for over 3,000 beneficiaries, summer centres for

employees' children) and actions taken by the CRAL, employees' recreational associations, of Malpensa and Linate (in particular, culture and sports initiatives).
The analysis of results confirmed that the SEA Group has always been active in developing welfare initiatives, through services directed to the welfare of persons, as individuals and families (heath care and prevention, initiatives for employees' children, social services, recreation and much else), but also through projects devoted to balancing work and family life (flexible working hours, permits), mobility (public transport cards, car parks) and maternity (part-time work for mothers).
The Group then started the second phase of the project to develop corporate welfare, which involved directly the personnel of SEA and SEA Handling through the distribution of a questionnaire to ascertain the degree of awareness of and satisfaction for ongoing initiatives and gather indications for new initiatives, more closely tailored to employees' real requirements, so as to revise the current welfare offering.

Industrial relations

In the course of 2010 the pragmatic and fruitful dialogue with the trade unions, which had already characterised the last few years, continued and focused on efficiency savings and operating simplification projects. The process led to the signing at the beginning of the year of the extension for the four years 2008-2011 of the National Collective Labour Agreement, which stipulated pay rises and introduced a subdivision into 3 specific sections (airport operators, handling operators and caterers).
Also, in late March an agreement was made on the canteen service with, among other things, an increase in the cost borne by the employee for the service and the undertaking to introduce meal vouchers where access to the canteen service is not possible.
Finally, an agreement was made between SEA, SEA Handling and the trade union organisations concerning completion of the process of outsourcing of aircraft cleaning at Linate airport: the personnel currently engaged in this activity will be transferred to SEA in the manner established in the agreement.

As concerns the search of ways to limit litigation, an agreement has been made with the trade unions on litigation concerning the job description of *Agente Unico Aeroportuale* (AUA, "single airport agent") which establishes a new path for recognition of a higher pay grade, based on actual rotation.
Moreover, with the aim of promoting labour flexibility, the possibility has been created of seeking internal transfers between similar professional roles, so as to align traffic flows and workloads.

It should be noted that in January 2011 an agreement was made with the trade unions on the issues of the flotation of SEA and the pursuit of the efficiency recovery programme within the Group. The agreement is due to result, by May 2011, in the definition of a detailed agreement on measures to be taken, particularly with reference to SEA Handling that, after the positive experience of the trade union agreement of June 2008, part of the ongoing efficiency process, is placed at the centre of a new agreement that should lead it to report a profit by 2012.

Safety

In 2010 the prevention activity carried out by the SEA Group was aimed at constantly improving the safety conditions in which its personnel operates, as well as those of third parties (airport operators, passengers, users) through the implementation of new prevention and protection

measures and the introduction of new safety procedures both for work activities and for the key infrastructure present at the airports.
These actions, together with a significant commitment in terms of employee training, enabled us to confirm the decline in the number of accidents (-5.47% injuries compared with 2009) already observed in the past few years (- 22% in the last three years).

In the course of 2010, the construction of the new Sheraton Hotel at Malpensa's Terminal 1, the parallel redesigning of adjacent car parks and the increase in rail connections between Malpensa and Milan made it necessary to agree a General Co-ordination Plan between the SEA Group and the main operators present at Terminal 1, to manage possible emergencies in that area.

Moreover, during the year, constant attention to safety issues led the SEA Group to set up its own fire-fighting training ground on the site of Malpensa airport, which will make it possible to optimise the training of personnel of SEA and, upon request, other operators.

It should be noted that the activity conducted in accordance with recent regulations on "verification of the absence of drug addiction" of workers dedicated to specific tasks which carry risks also to third parties, preceded by an awareness campaign about the risks of addiction to tobacco, alcohol and drugs that involved our entire personnel, showed that instances of drug abuse are nearly absent, on a level much lower than the national average.

CORPORATE GOVERNANCE

Corporate Governance

The Corporate Governance structure that SEA SpA has adopted voluntarily (not being a listed company) is based on the recommendations and principles set out in the "Code of Self-discipline of Listed Companies" promoted by Borsa Italiana S.p.A. for entities listed on the Italian stock exchange.

SEA S.p.A. believes that the adoption of a corporate governance structure based on transparency and a correct balance between management and oversight, is an essential precondition and an effective tool for pursuing the values underlying its mission.

SEA's organisation structure follows a tradition model whereby management of the company is the responsibility of the Board of directors, the central body of the corporate governance system; oversight is the responsibility of the Board of statutory auditors and auditing is the responsibility of the independent auditors engaged by the shareholders.

The shareholders in general meeting take the most significant decisions for the company as, among other things, they appoint its corporate bodies, approve its financial statements and amend its by-laws.

The Board of directors comprises executive and non-executive directors and is assisted by committees, set up by the board itself, that formulate proposals and give advice (the Ethics Committee, Remuneration committee and the Group's Internal Audit committee). The committees are composed only of non-executive directors without operating authority, who perform their functions through periodical meetings of which minutes are drawn up and maintained in the Company's registers.

SEA's Internal Audit committee, in addition to assessing the adequacy of the internal control system, also acts as liaison between the Board of statutory auditors, the independent auditors, the Supervisory Board pursuant to Legislative Decree No. 231/01 and the Board of directors.
In its audit function, the Internal Audit committee is supported by the Auditing director.

Organisation and Management Model pursuant to Legislative Decree No. 231/01

The Organisation and Management Model has been drawn up in accordance with the provisions of Legislative Decree No. 231/01 "Regulations governing the administrative liability of legal entities, corporations and associations including those that are not legal entities", having due regard for the "Guidelines for drawing up organisation and management models pursuant to Legislative Decree No. 231/01", published by Confindustria, the Italian employers' federation.
The Model was formally adopted by the Board of directors of SEA SpA – in its General Part – by a resolution taken on 18 December 2003, and revised by subsequent resolutions taken on 20 December 2005, 24 October 2008 and 28 January 2010.

In this context, SEA and its subsidiaries have adopted all necessary and appropriate measures to adjust and supplement the Risk Map and the Organisation and Management Model to prevent the crimes introduced by the legislator until 31 December 2010.
The effectiveness and appropriateness of the Organisation and Management Model pursuant to Legislative Decree No. 231/01 is the responsibility of the Supervisory Board, appointed by the Board of directors and comprising three members (the Internal Audit director and two independent external members).

Ethics Code
In April 2000 SEA adopted its own Ethics Code that defines the Company's ethics and moral values, indicating the behaviour to be adopted by employees and members of corporate bodies in relationships within the company and with third parties.
An Ethics Committee has been appointed to disseminate information about the Ethics Code and monitor compliance.

Privacy
In accordance with the legislation governing the protection of personal data (item 26 of Appendix B to Legislative Decree No. 196/03 – "Technical regulations concerning minimum security measures"), the SEA Group has revised the related Security planning document.

FINANCIAL REVIEW

OF THE SEA GROUP

Performance

CONSOLIDATED INCOME STATEMENT

(amounts in thousands of euro)	Note	Year to 31 Dec. 2010	%	Year to 31 Dec. 2009 restated	%	% change 2010 vs. 2009
Revenues	21					
Aviation		**262,297**	**41.4%**	**253,868**	**40.7%**	**3.3%**
- Airport user charges		144,622	22.8%	134,415	21.6%	7.6%
- Centralised infrastructure fees		64,000	10.1%	68,726	11.0%	-6.9%
- Security fees		53,675	8.5%	50,727	8.1%	5.8%
Handling		**125,892**	**19.9%**	**103,569**	**16.6%**	**21.6%**
Logistics		**0**		**25,061**	**4.0%**	**-100.0%**
Non Aviation		**199,420**	**31.5%**	**198,477**	**31.8%**	**0.5%**
- Commercial activities		77,028	12.2%	76,746	12.3%	0.4%
- Third party handling operations and concession fees		21,462	3.4%	25,614	4.1%	-16.2%
- Car parks		40,190	6.3%	42,568	6.8%	-5.6%
- Cargo		10,378	1.6%	9,764	1.6%	6.3%
- Services and other income		50,362	7.9%	43,785	7.0%	15.0%
Proceeds from work on assets under concession		**46,116**	**7.3%**	**42,597**	**6.8%**	**8.3%**
Total Revenues (A)		**633,725**	**100.0%**	**623,572**	**100.0%**	**1.6%**
Operating costs	22					
Personnel costs		**247,650**	**39.1%**	**251,084**	**40.3%**	**-1.4%**
Gross salaries		240,351	37.9%	241,840	38.8%	-0.6%
Other personnel costs		7,299	1.2%	9,244	1.5%	-21.0%
Other operating costs		**191,591**	**30.2%**	**189,563**	**30.4%**	**1.1%**
Consumables		48,344	7.6%	42,927	6.9%	12.6%
Industrial costs		108,055	17.1%	111,218	17.8%	-2.8%
Administrative expenses		35,192	5.6%	35,418	5.7%	-0.6%
Cost of work on assets under concession		**43,441**	**6.9%**	**40,162**	**6.4%**	**8.2%**
Total Operating costs (B)		**482,682**	**76.2%**	**480,809**	**77.1%**	**0.4%**
Gross operating profit (A-B)		**151,043**	**23.8%**	**142,763**	**22.9%**	**5.8%**
Amortisation/depreciation, provisions and write-downs	23	**53,178**	**8.4%**	**80,883**	**13.0%**	**-34.3%**
Amortisation/depreciation		36,913	5.8%	40,821	6.5%	-9.6%
Provisions and write-downs		16,265	2.6%	40,062	6.4%	-59.4%
Operating profit		**97,865**	**15.4%**	**61,880**	**9.9%**	**58.2%**
Income/(Charges) from investments and Financial income/(charges)	24	**4,548**	**0.7%**	**14,710**	**2.4%**	**n.s.**
Income/(Charges) from investments, net		5,567	0.9%	35,394	5.7%	-84.3%
Financial income/(charges), net		(1,019)	-0.2%	(20,684)	-3.3%	-95.1%
Profit before taxes		**102,413**	**16.2%**	**76,590**	**12.3%**	**33.7%**
Income taxes	25	39,280	6.2%	22,865	3.7%	71.8%
Profit for the year		**63,133**	**10.0%**	**53,725**	**8.6%**	**17.5%**
Minority interests		2	0.0%	(1,301)	-0.2%	n.s.
Profit attributable to the owners of the parent company		**63,131**	10.0%	**55,026**	8.8%	14.7%

Revenues
Revenues of the SEA Group for the year ended 31 December 2010 rose from €623,572 thousand to €633,725 thousand, a 1.6% increase. This performance was affected by the closure of Malpensa and Linate airports due to the dispersion of the volcanic ash plume, but benefited from the recovery of passenger traffic (+5.3%) and cargo traffic (+26.1%), especially at Malpensa.

Aviation revenue amounted to €262,297 thousand and increased by €8,429 thousand (3.3%) compared with 2009. In detail, airport user charges (€144,622 thousand) increased by 7.6% both due to the recovery of traffic and to the coming into effect, on 21 January 2010, of the decree of the Ministry of Transport that adjusted the values of airport user charges to planned inflation for the year 2009; security services (€53,675 thousand) increased by 5.8%; centralised infrastructure fees (€64,000 thousand) decreased by 6.9% due to the coming into force of a new fee system for de-icing operations.

Handling revenue, equal to €125,892 thousand, increased by €22,323 thousand (+21.6%). The significant change is attributable for €14,883 thousand (principal amount plus revaluation) to the positive effect of the refund received for the damage caused by the illegitimate reduction by the Ministry of Transport of handling fees defined for the years 1987, 1989 and 1990.

As a result of the different method used to consolidate Malpensa Logistica Europa compared with 2009, there was no **logistics revenue** during the year 2010.

Non-aviation revenue (199,420 thousand) increased by €943 thousand (+0.5%) compared with last year.
In detail:

- Commercial activities: revenue was equal to €77,028 thousand, an increase of 0.4% on 2009.
  Revenue from advertising, shop and duty free sales was substantially in line with 2009; car rental revenue increased by 3.7% due to growing business volumes; banking revenue decreased by 18.3% due to the closure of two operators and lower fees, as established by the relevant contracts, from money exchange counters. Food & beverage revenue increased by 7.9%: this performance benefited from the introduction of new brands, the opening of new outlets and increased propensity to consume in this segment;
- Revenue from third party handling operations and concession fees was equal to €21,462 thousand, a 16.2% decrease. In detail, revenue from refuelling services decreased by 20.5% due to different fee adjustments at each airport and revenue from catering by 37.4% (due to contractual fee adjustments). Revenue from check-in counters and operating spaces reduced by 10.1% following the renegotiation of agreements with certain airlines;
- Car parks generated revenue of €40,190 thousand, a decrease of 5.6% that was due at Linate to the closure of the multi-storey car park for renovation and at Malpensa to passengers' rising propensity to use lower priced car parks.
- Cargo revenue (€10,378 thousand) increased by 6.3% mainly to fee adjustments;
- Services and other income amounted to €50,362 thousand, an increase of 15%. This is attributable to an increase in revenue from the sale of electrical and thermal power to third parties (+23.4%) and the sale of green certificates and CO_2 emission allowances exceeding the requirements of the subsidiary Malpensa Energia. Revenue from assistance to passengers, which last year was affected by the partial closure for restyling of dedicated lounges, also increased. Revenue from ticket sales decreased by 8.1% while revenue from engineering and technical services increased by 13.3%.

Proceeds from work on assets under concession (€46,116 thousand) increased by €3,519 thousand compared with 2009 (+8.3%). This type of revenue corresponds to the costs incurred for work under concession, increased by a mark-up reflecting the remuneration of internal costs incurred for engineering and construction management, and its recognition is accompanied by the recognition of assets under concession as intangible assets.

Operating costs

Operating costs rose from €480,809 thousand for 2009 to €482,682 thousand for 2010, an increase of €1,873 thousand (+0.4%).
The increase is explained as follows:

- Personnel costs were equal to €247,650 thousand, a decrease of €3,434 thousand (-1.4%) compared with 2009. This comprises gross salaries and other personnel costs.
  Gross salaries (€240,351 thousand) decreased by 0.6% on last year.
  It should be noted that in 2009 gross salaries were higher due to the different method used to consolidate Malpensa Logistica Europa. Adjusting for this, gross salaries increased by 2.8%. The change reflects mainly higher salaries negotiated in the revised collective labour agreement and increased overtime/holidays worked.
  In addition, due to the persisting crisis, also in 2010 the special redundancy benefit scheme *Cassa Integrazione Guadagni Straordinaria* and the long-term redundancy scheme 'mobilità' were used.
  Other personnel costs (€7,299 thousand) decreased by 21%. The cost of the company canteen decreased (-15.2%) following the agreement made in March 2010 by SEA and SEA Handling with the trade union representatives.
- Other operating costs were equal to €191,591 thousand, an increase of €2,028 thousand compared with 2009 (+1.1%).
  The increase attributable to the following:
  - Purchases of consumables were equal to €48,344 thousand, a 12.6% increase due mainly to larger purchases of methane gas of the subsidiary Malpensa Energia (+8.4%), fuel and Kilfrost (a product used in de-icing);
  - Industrial costs, equal to €108,055 thousand, decreased by 2.8% on last year. The main changes were reductions of the cost of assistance to passengers with reduced mobility (-24.3%), insurance costs (-24.9%) and outsourcing of cabin cleaning (-6.0%), which were counterbalanced by increases in the cost of commercial and marketing services and maintenance (+5.5%). Airport operating costs are affected by the different method used to consolidate Malpensa Logistica Europa compared with 2009; adjusted for this, other operating costs increased by 5.3%.
  - Administrative expenses were equal to €35,192 thousand, a decrease of 0.6% compared with 2009. The most significant changes were reductions of the cost of consulting and professional services (-3.6%), the concession fee payable to the State (-25.4%), rent expenses (-15.1%) and licence fees for hardware and software (-4.6%), which were counterbalanced by increases in advertising expenses (+95.0%) and taxes due to the local property tax.

Cost of work on assets under concession (€43,441 thousand) increased by €3,279 thousand (+8.2%). This item includes costs charged by third parties for construction of assets under concession from the State. These costs are matched by revenue from work on assets under concession.

Amortisation/depreciation was equal to €36,913 thousand and relates for €14,936 thousand to property, plant and equipment and for €21,977 thousand to intangible assets.

Provisions, write-downs and revaluations totalled €16,265 thousand. This caption reduced by €23,797 thousand (-59.4%) compared with 2009 due to the settlement of litigation started in previous years.
The change is attributable to the following:

- Net charges for €7,186 thousand: these are mainly charges related to airport operations, 'clawback' claims from airlines and labour-related charges;
- A charge to the provision for renovation and replacement of assets under concession, posted pursuant to IFRIC 12, for €9,978 thousand;
- Net write-downs of trade receivables for €1,865 thousand: these charges were posted consistently with the previous year to reflect the risk of deterioration of the financial condition of the key operators and write-downs of receivables from entities undergoing bankruptcy proceedings.

The most important settlements made by the SEA Group are illustrated below:

- Litigation with Volare Airlines in extraordinary administration and Air Europe in extraordinary administration: at the end of 2010 a settlement was agreed that provided for the end of clawback suits, the waiver of receivables from the entities undergoing bankruptcy proceedings and the payment of a lump sum equal to €4.7 million,
- Litigation concerning centralised infrastructure and other claims: on 19 January 2011 the SEA Group and the Alitalia Group reached a settlement to end the litigation started in 2004 concerning fees for the centralised services provided by SEA to AirOne at Malpensa and Linate airports and other claims pending with the Alitalia Group. In exchange for the payment of the agreed amount to SEA, the respective claims were abandoned;
- Litigation with caterers: the settlement ended all claims that had arisen in relation to the operations carried out by caterers on the sites of Linate and Malpensa airports, specifically with reference to the fees applied by the SEA Group.

The revaluation relates to plant and machinery for €2,764 thousand.

Income/(Charges) from investments, net, equal to €5,567 thousand, relates mainly to the Group's share of the net results for the year of entities carried at equity. It should be noted that net income from investments for the year ended 31 December 2009, equal to €35,394 thousand, reflected the gains realised on the disposal of the 19% interest held by the parent company in SACBO for €26,434 thousand and 75% of Malpensa Logistica Europa for €4,771 thousand.

Financial income/(charges), net, equal to €1,019 thousand, decreased by 95.1% compared with 2009. The significant change was due to the combined effect of the following factors:

- The positive effect of interest received following the collection of a refund for the damage related to handling fees of 1987/1989/1990 (€12,456 thousand);
- A reduction in interest expense on the Group's borrowings, as a result of continuing repayment of medium-/long-term loans and lower interest rates (€5,803 thousand);
- The positive effect of fair value measurement of hedging derivatives (€4,188 thousand)
- Higher interest expense on leases (€1,025 thousand);
- Higher other financial charges (€1,988 thousand);
- Lower financial charges due to the application of IFRIC 12 (€231 thousand).

Income taxes amounted to €39,280 thousand. Current income taxes were equal to €29,017 thousand and deferred income taxes were equal to €10,263 thousand.

Financial position

CONSOLIDATED RECLASSIFIED BALANCE SHEET

(amounts in thousands of euro)	31 Dec. 2010	31 Dec. 2009 restated	31 Dec. 2008 restated
Intangible assets			
Rights to assets under concession	705,112	679,987	675,439
Other intangible assets	7,198	6,563	5,302
Total	**712,310**	**686,550**	**680,741**
Property, plant and equipment	**246,316**	**238,107**	**241,128**
Investment properties	**3,406**	**3,610**	**3,673**
Financial assets	**51,381**	**46,159**	**50,053**
Fixed capital (A)	**1,013,413**	**974,426**	**975,595**
Trade receivables	190,140	172,969	148,317
Other receivables	30,170	52,453	76,782
Inventories	9,693	9,274	8,343
Current assets	**230,003**	**234,696**	**233,442**
Non-current assets classified as held for sale	**0**	**0**	**14,361**
Trade payables	(148,415)	(149,843)	(169,742)
Other payables	(128,763)	(131,277)	(115,625)
Current liabilities	**(277,178)**	**(281,120)**	**(285,367)**
Non-current liabilities classified as held for sale	**0**	**0**	**(8,439)**
Working capital (B)	**(47,175)**	**(46,424)**	**(46,003)**
Employees’ severance entitlement (TFR) (C)	(72,825)	(79,236)	(87,079)
Provision for renovation and replacement (D)	(104,083)	(101,994)	(89,256)
Other provisions (D)	(50,844)	(59,715)	(78,622)
Net capital employed (A+B+C+D)	**738,486**	**687,057**	**674,635**
Equity attributable to owners of the parent company	**(393,712)**	**(325,061)**	**(269,148)**
Minority interests in equity	**(80)**	**(78)**	**(2,994)**
Total equity (E)	**(393,792)**	**(325,139)**	**(272,142)**
Cash and cash equivalents	23,465	25,774	29,922
Government grants receivable	9,504	24,136	57,984
Advances against government grants	(9,277)	(22,478)	(55,920)
Short-term financial debts	(64,006)	(50,289)	(73,876)
Medium-/long-term financial debts	(304,380)	(339,061)	(360,603)
Net financial debts (F)	**(344,694)**	**(361,918)**	**(402,493)**
Equity and net financial debts (E+F)	**(738,486)**	**(687,057)**	**(674,635)**

Net capital employed as of 31 December 2010 amounted to €738,486 thousand, an increase of €51,429 thousand on 31 December 2009.

Fixed capital (€1,013,413 thousand) increased by €38,987 thousand on 31 December 2009 as a result of net capital expenditure in the year (€68,978 thousand), partly absorbed by depreciation allowances (€36,913 thousand), disinvestment, disposals and other changes (€1,700 thousand), and of an increase in financial assets of €5,222 thousand due to the measurement at equity of investments in associates.

Working capital (-€47,175 thousand) decreased by 751 thousand on 31 December 2009 essentially due to the combined effect of the following factors:

- An increase in trade receivables of €17,171 thousand, mainly attributable to the crisis of air transport that caused general delays in collections from the airlines operating at the airports;
- An increase in inventories of €419 thousand, a decrease in other receivables of €22,283 thousand mainly due to a decrease in government grants receivable pursuant to Law. No. 449/85;
- A decrease in trade payables of €1,428 thousand; a decrease in other payables of €2,514 thousand that was the result of the following: a total decrease of €7,607 thousand in payables to personnel for salaries and holidays not taken; a decrease of €2,604 thousand in taxes payable; a decrease of €2,136 thousand in social security payables; and an increase of €9,833 thousand mainly referred to higher deferred income from customers due to the billing method used by the Group.

The **Employees' severance entitlement (TFR)** reduced by €6,411 thousand.

The **Provision for renovation and replacement** of assets under concession, posted pursuant to IFRIC 12**,** increased by €2,089 thousand. **Provisions for risks and charges** reduced overall by €8,871 thousand due to releases and net utilisations of other provisions.

Total equity, including minority interests (€393,792 thousand) increased by €68,653 thousand. The increase reflects the profit for the year of €63,131 thousand and the fair value measurement of the investment in GESAC for €5,522 thousand as a result of its sale during March 2011.

As of 31 December 2010 **Net financial debts** were equal to €344,694 thousand, an improvement of €17,224 thousand compared with 31 December 2009 when the net financial position was a negative €361,918 thousand.
The reduction of indebtedness was favourably affected by the decrease in gross financial debts, equal to €368,386 thousand as of 31 December 2010, down from €389,350 thousand of 31 December 2009. The change was the result of the combination of the following factors:

- A further reduction of the Group's medium-/long-term financial debts as a result of continuing repayment of a large part of existing loans (principal repayments during the year totalled €37,040 thousand). It should be noted that medium-/long-term financial debts also include the corresponding portion of the financial commitment related to a finance lease for x-ray scanners for carry-on luggage (€3,128 thousand);
- An increase in short-term financial debts compared with 31 December 2009 (€14,500 thousand) due to treasury requirements caused by volatility in collections. Short-term financial debts also include commitments due to financial advances against certain trade receivables (for €2,141 thousand).

As to credit facilities providing advances against government grants receivable by SEA, which are repaid by ENAC (in accordance with the relevant Outline Agreement), during 2010 part of the credit lines were repaid, for €13,201 thousand, following the collection of the corresponding amount by ENAC. This made it possible to close the €152,000 thousand credit facility by the contractually agreed date, and to extinguish part of the €14,000 thousand facility expiring in May 2011.
At the end of 2010 borrowings of the SEA Group from those credit facility were equal to €9,277 thousand, matched by government grants receivable for €9,504 thousand.

Cash and cash equivalents as of 31 December 2010 amounted to €23,465 thousand, a decrease of €2,309 thousand on 31 December 2009.

The financial position in 2010 benefited from the €27,339 thousand refund received from the Ministry of Transport for the damage caused by the illegitimate reduction of handling fees defined for the years 1987, 1989 and 1990, and from receipt of the remaining two tranches of the payment for the sale of Malpensa Logistica Europa (equal to €6,627 thousand).
These non-recurring factors and the good performance of operations made it possible to cover the cost of the infrastructure built by the SEA Group in 2010, which reached €69,247 thousand, in addition to repaying the principal portions of existing loans.

On 25 February 2011, to support the Group's continuing commitment to develop infrastructure, two tranches were disbursed of the twenty-year, variable-rate credit facility of €15,000 thousand from the EIB/Banca Infrastrutture Innovazione e Sviluppo (BIIS). Moreover, on 3 March 2011 the SEA Group executed the sale to the investment fund F2i of the 5% interest held in GESAC (the operator of Naples Capodichino airport) for a consideration of €8,200 thousand.

Cash flows

CONSOLIDATED CASH FLOW STATEMENT

(amounts in thousands of euro)	**31 Dec. 2010**	**31 Dec. 2009 restated**
Cash flows from operating activities		
Profit/(Loss) before taxes	102,413	76,591
Adjustments:		
Gains on sale of equity investments	0	(31,204)
Amortisation/depreciation charges, net	36,913	40,821
Charges to provisions, write-downs and revaluations, net	(15,956)	580
Exchange losses/(gains) on foreign currency transactions	33	11
Loss/(Income) from equity investments net of dividends received	587	(5,549)
Fixed assets disposals	1,064	5,315
(Positive)/Negative change in fair value of derivative instruments	(3,556)	2,026
Cash generated from operating activities before changes in working capital	**121,498**	**88,591**
Change in inventories	(419)	(913)
Change in trade receivables	(17,171)	(24,654)
Change in other receivables	21,958	16,738
Change in provisions		
Change in liabilities	(16,694)	(16,272)
Cash used in changes in working capital	**(12,326)**	**(25,101)**
Income taxes paid	(26,526)	(9,941)
Cash generated from operating activities	**82,646**	**53,549**
Cash flows from investing activities		
Investment:		
- Intangible assets	(44,974)	(34,464)
- Tangible assets	(24,273)	(19,461)
- Financial assets	0	(4,520)
Disinvestment:		
- Intangible assets	0	0
- Tangible assets	269	3,497
- Financial assets	0	50,525
Proceeds from disposal of equity investments	0	(6,525)
Cash used in investing activities	**(68,978)**	**(10,948)**
Cash flows from financing activities		
Change in gross financial indebtedness	(32,191)	(77,278)
- Change in short- and medium-/long-term financial debts	*(18,990)*	*(43,835)*
- Change in financial advances against government grants	*(13,201)*	*(33,443)*
Change in government grants receivable	14,632	33,848
Change in other financial liabilities	1,582	(3,319)
Cash used in financing activities	**(15,977)**	**(46,749)**
Increase/(Decrease) in cash and cash equivalents	**(2,309)**	**(4,148)**
Cash and cash equivalents at beginning of year	**25,774**	**29,922**
Cash and cash equivalents at end of year	**23,465**	**25,774**

In 2010 operating activities generated cash for €82,646 thousand, whereas financing activities used cash for €15,977 thousand.
Cash used in investing activities in 2010 amounted to €68,978 thousand.

Capital expenditure, comprising intangible and tangible assets, totalled €69,247 thousand (net of government grants received) and relates to both infrastructure (runways, aprons, roads and buildings) and purchases of/upgrades to movable assets.

The key expenditure at Linate airport relates to construction of the new passenger car park and renovation of the existing one.

Of note among infrastructure built at Malpensa are:
- Additional work on the enlargement of Terminal 1 and construction of the third satellite;
- Enlargement of existing structures and construction of new sections of the BHS;
- Enlargement of the cargo area and roofing of the rail link;
- Revamping of the aircraft apron of Terminal 2.

With regard to movable assets, of note are: work on the BHS at Malpensa, upgrades to x-ray scanners and purchases of IT equipment.

Malpensa Energia carried out work on the new refrigerating unit.

Factors of risk to the SEA Group

Strategic risks
The strategic risks to which the SEA Group is exposed can have particularly significant effects on long-term performance, leading to possible revision of the growth policies of the SEA Group.

Developments in and structure of the market for air transport
The performance of the air transport industry is strongly affected by the growth of the overall volume of air traffic, which in turn is related to several factors, for instance the economy's overall trend or the development of alternative high-speed transport, especially rail.

Risks related to airlines' decisions
As is the case with other airport operators, the future growth of the business depends to a significant extent on the strategic decisions of airlines. In particular, in the last few years traditional carriers have started processes to establish international alliances that have strengthened their market positions and, in general, caused a change in the structure of demand; over the same period there has also been a significant change in demand caused by a stronger presence of low-cost carriers, with a consequent increase in competition between airports, which has led to the development of smaller airports in peripheral locations.

Regime under convention
A significant part of revenues of the SEA Group originate from activities carried out under the terms of the Convention made by Società per Azioni Esercizi Aeroportuali S.E.A. with ENAC, lasting until 4 May 2041. The Convention stipulates a series of obligations concerning the operation and development of Milan's airport system, and includes provisions for early termination in the event of serious breaches by SEA and for termination in the event that the fee payable by SEA is paid more than 12 months late or if SEA should be declared bankrupt. On expiry of the Convention SEA has an obligation to return the state assets that are part of the airports of Malpensa and Linate and to hand over to the State, free of charge, all the plants, works and infrastructure built by SEA on those assets.

Uncertainties due to regulatory developments
The operations of the SEA Group, like those of all airport operators in Italy, are subject to a high degree of regulation that impacts, in particular, the allocation of slots, control of air traffic and the definition of fees for services that can only be performed by the airport operator (airport user charges, security fees, fees for the use of common assets and centralised infrastructure for handling services).
In addition, like those of other operators, the operations of the SEA Group are subject to a number of laws and regulations on environmental protection, at the European Union, national, regional and local levels.

Risks related to airport handling
The performance of the handling business is affected by developments in and the structure of the market for air transport, as well as by the risks related to airlines' decisions. The latter have a significant influence on handlers' operations because handling agreements include provisions for termination that are particularly favourable to carriers. The environment of extreme competition in which airport handlers operate also entails risks in terms of significant fluctuations in the shares of the market they serve.

Operational risks
This category of risks, related to the manner in which the SEA Group manages its key business processes, while being capable of affecting performance in the short and long term, do not have a significant impact on strategy decisions.
These risks are managed by the parent company that identifies, evaluates and executes measures suitable to prevent and mitigate the consequences of occurrence of the above risk factors.

Management of traffic in the airport system
The SEA Group is committed to avoiding all business and service interruptions; in spite of this commitment, such interruptions may occur as a result of:
- Strikes and other forms of work stoppage by personnel, the personnel of airlines, air traffic controllers and operators of public emergency services;
- Incorrect and untimely provision of services by third parties, for instance personnel of ENAV responsible for controlling air traffic, operators of public emergency and security services, personnel of airlines or other operators providing handling services;
- Adverse weather conditions (snow, fog, etc.).

To mitigate the impact of these risks the SEA Group monitors the correct operation of the IT systems used in the operational management of the airports, and co-ordinates the services and activities necessary for a correct operation of the airports, also in emergency conditions.

Risks associated to safety and security management
The SEA Group, complying with the obligations set for airport operators by ENAC's Regulations for Construction and Operation of Airports dated 21 October 2003, ensures through its Safety Management System that airport operations are conducted in the established safety conditions, and assesses the effectiveness of the system so as to intervene to correct possible deviations caused by the actions of any operator at the airports.
In this respect the SEA Group makes sure that flight infrastructure, plant, equipment, processes and operating procedures comply with national and international standard; carries out continuous training of personnel to ensure maximum levels of safety, service quality and regularity and service efficiency.
In implementing its Safety Management System the SEA Group considers it essential and strategic to achieve the following targets:
- Making all management and individual employees, in their different positions and corporate functions, responsible for safety issues;
- Making operational safety a priority;
- Reducing the risks related to all ground operations, in particular those connected with aircraft, to a minimum;
- Placing an obligation to maintain safety standards on all operators, firms and external parties operating in any way within the airport site;
- Maintaining and improving the level of security and traceability of the system.

Risks associated to unplanned shutdowns
The SEA Group is exposed, among other things, to the risk of fires, flooding, technical malfunctions, explosions. Occurrence of those events can have an adverse impact on the Group's operations, performance and financial situation, both current and prospective.
To mitigate these risks, in addition to continuous upgrading of control and prevention systems, an insurance policy has been made that covers the financial impact of such events (including terrorist attacks).

Commodity risks

The SEA Group is exposed to fluctuations in prices for energy commodities, i.e. gas and, marginally, electricity, and the related exchange rates. These risks relate to purchases of energy commodities.

For additional information, reference is made to paragraph 4 of the notes to the consolidated financial statements.

Financial risks

Financial risks are managed by the parent company that identifies, evaluates and executes measures suitable to prevent and mitigate the consequences of occurrence of the above risk factors. For additional information, reference is made to paragraph 4 of the notes to the consolidated financial statements.

Significant vents after the balance sheet date

Development of passenger and cargo traffic
During the first two months of 2011 the airport system operated by the SEA Group recorded increases of 7.4% in passengers and 9.5% in cargo compared with the corresponding period of the previous year. This performance, supported by the growth of the carriers present at Malpensa and Linate airports, in particular the Lufthansa Group (+23.3%), easyJet (+13.5%), Blue Panorama (+64.7%) and Emirates (+3.0%), is positive when we consider the crisis that, particularly in February, affected the countries of northern Africa, connected to Milan also by direct flights from Malpensa.

Malpensa
At the end of February 2011 Malpensa recorded increases in both passenger traffic (+6.5%) and cargo traffic (+9.4%), exceeding 2.6 million passengers and 66 thousand tonnes of cargo. The increase in the number of passengers was driven by traffic at both terminals: Terminal 1 recorded growth of 4.3%, Terminal 2 of 12.5%.

Malpensa Terminal 1
In February traffic at Malpensa's Terminal 1 was penalised by the impact of the crisis that broke out in some Mediterranean countries, in particular Tunisia, Egypt and Libya, destinations served by direct flights from this terminal. In spite of these limitations, Malpensa's Terminal 1 recorded an increase of about 77 thousand passengers (+4.3%) driven by growing traffic in the Schengen area (+8.6%) and stable traffic outside the Schengen area (+0.1% in spite of the mentioned limitations). The carriers that contributed the most to the growth of traffic were the Lufthansa Group (+21.6%), Blue Panorama (+64.7%) and Delta Airlines (+47.5%).

Malpensa Terminal 2
At the end of February 2011 Malpensa's Terminal 2 recorded a significant increase in traffic, driven by the growth of easyJet that carried about 775 thousand passengers in the first two months of the year, confirming Malpensa's role as the carrier's key base in continental Europe.

Malpensa – cargo
In the first two months of 2011 the significant growth of cargo traffic that started in the second half of 2009 continued, recording an increase of about 6 thousand tonnes compared with the corresponding period of the previous year (+9.4%). The carriers that contributed the most to the growth of cargo traffic were Cargoitalia (+95.7%), China Cargo Airlines (+77.4%) and Korean Air (+7.0%).

Linate
Linate, which is subject to air traffic restrictions under the Ministerial Decrees dated 3 March 2000 and 5 January 2001, recorded significant growth of passenger traffic (+9.4% on the first two months of 2010), driven by the growing business of some of the carriers present at the airport, in particular easyJet (+24.3%), British Airways (+11.6%), Lufthansa (+34.2%) and Air France (+29.5%), while Alitalia, which accounts for 62% of traffic at the airport, maintained the volume of passengers carried in the first two months 2010 (-0.3%).

Further developments in traffic
Also in the first few months of 2011 the SEA Group continued its commitment to expand the number of routes and frequencies served from its airports, promoting the operations of existing carriers and the entry of new airlines. From late March 2011 at Malpensa 91 additional weekly frequencies to important intercontinental and international destinations will go into operation. In detail, the start of operations of Gulf Air (four weekly flights to Bahrain), the introduction of a four-

weekly frequency to Beijing by Air China, an increase in frequencies operated by Delta Airlines, Thai Airways, Cathay Pacific and Ethiad Airways, and a further strengthening of the presence of the Lufthansa Group with the enlargement of the network served by Lufthansa Italia (which will connect Milano also to Cagliari and Palma de Mallorca).

Settlement of litigation with Alitalia/AirOne

On 19 January 2011 the SEA Group and the Alitalia Group reached a settlement to end the litigation started in 2004 concerning fees for the centralised services provided by SEA to AirOne at Malpensa and Linate airports and other claims pending with the Alitalia Group. In exchange for the payment of the agreed amount to SEA, the respective claims were abandoned.

Settlement of litigation with Volare Airlines

In the framework of the settlement of the litigation with Volare Airlines in extraordinary administration and Air Europe in extraordinary administration, in February 2011 the SEA Group executed the agreement made in 2010 that provided for the end of clawback suits, the waiver of receivables from the entities undergoing bankruptcy proceedings and the payment of a lump sum equal to €4.7 million.

Restructuring plant of Meridiana fly

In January Meridiana fly announced its decision to take a series of actions, in the course of 2011, designed to redefine the perimeter of the airline's activities, which will result in a reduction of the fleet, consequent personnel redundancies and the outsourcing of some non-core operations.

Advanced Surface Movement Guidance and Control System (A-SMGCS)

Following the acknowledgement by the Ministry of Economic Development of the SEA Group's A-SMGCS project as one of the large-scale projects designed to promote technological innovation capable of increasing the nation's technological assets, in the coming months the procedure will be continued for obtaining financial support in accordance with the Ministerial decree dated 14 December 2009.

The A-SMGCS project involves the realisation of an automated system of surface lights that can guide aircraft from a predefined entry point to their waiting position for take-off.

This system, the first in Italy, is a supporting tool for ground traffic control that makes it possible to increase safety of operation and optimise taxiway times, especially in low visibility, with a consequent increase in capacity and a reduction of CO_2 emissions.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

(amounts in thousands of euro)	Note	31 Dec. 2010	31 Dec. 2009 restated	1 Jan. 2009 restated
ASSETS				
Intangible assets	5	712,310	686,550	680,740
Property, plant and equipment	6	246,316	238,108	241,128
Investment properties	6	3,406	3,611	3,673
Investments in associates	7	35,656	36,243	40,138
Available-for-sale investments	8	15,726	9,915	9,915
Deferred tax assets	9	15,825	26,294	24,811
Other receivables	10	1,187	1,578	1,704
Total Non-current assets		**1,030,426**	**1,002,299**	**1,002,109**
Inventories	11	9,693	9,274	8,344
Trade receivables	12	190,141	172,970	148,317
Other receivables	13	22,662	48,716	95,222
Cash and cash equivalents	14	23,465	25,774	29,922
Non-current assets classified as held for sale		0	0	14,361
Total Current assets		**245,961**	**256,734**	**296,166**
TOTAL ASSETS		**1,276,387**	**1,259,033**	**1,298,275**
LIABILITIES				
Share capital		27,500	27,500	27,500
Other reserves		303,082	242,537	239,876
Profit/(Loss) for the year		63,131	55,026	1,772
Equity attributable to owners of the parent company	15	**393,713**	**325,063**	**269,148**
Minority interests in equity		**80**	**78**	**2,994**
Consolidated equity		**393,793**	**325,141**	**272,142**
Provisions for risk and charges	16	154,927	161,709	154,849
Personnel-related provisions	17	72,825	79,236	87,079
Non-current financial liabilities	18	304,380	339,061	360,603
Total Non-current liabilities		**532,132**	**580,006**	**602,531**
Trade payables	19	148,415	149,843	169,742
Current income tax payable	19	41,351	44,004	43,400
Other payables	19	87,413	87,272	72,225
Current financial liabilities	20	73,283	72,767	129,796
Non-current liabilities classified as held for sale		0	0	8,439
Total Current liabilities		**350,462**	**353,886**	**423,602**
TOTAL LIABILITIES		**882,594**	**933,892**	**1,026,133**
TOTAL EQUITY AND LIABILITIES		**1,276,387**	**1,259,033**	**1,298,275**

CONSOLIDATED INCOME STATEMENT

(amounts in thousands of euro)	Note	Year to 31 Dec. 2010	%	Year to 31 Dec. 2009 restated	%	% change 2010 vs. 2009
Revenues	21					
Aviation		**262,297**	**41.4%**	**253,868**	**40.7%**	**3.3%**
- Airport user charges		144,622	22.8%	134,415	21.6%	7.6%
- Centralised infrastructure fees		64,000	10.1%	68,726	11.0%	-6.9%
- Security fees		53,675	8.5%	50,727	8.1%	5.8%
Handling		**125,892**	**19.9%**	**103,569**	**16.6%**	**21.6%**
Logistics		**0**		**25,061**	**4.0%**	**-100.0%**
Non Aviation		**199,420**	**31.5%**	**198,477**	**31.8%**	**0.5%**
- Commercial activities		77,028	12.2%	76,746	12.3%	0.4%
- Third party handling operations and concession fees		21,462	3.4%	25,614	4.1%	-16.2%
- Car parks		40,190	6.3%	42,568	6.8%	-5.6%
- Cargo		10,378	1.6%	9,764	1.6%	6.3%
- Services and other income		50,362	7.9%	43,785	7.0%	15.0%
Proceeds from work on assets under concession		**46,116**	**7.3%**	**42,597**	**6.8%**	**8.3%**
Total Revenues (A)		**633,725**	**100.0%**	**623,572**	**100.0%**	**1.6%**
Operating costs	22					
Personnel costs		**247,650**	**39.1%**	**251,084**	**40.3%**	**-1.4%**
Gross salaries		240,351	37.9%	241,840	38.8%	-0.6%
Other personnel costs		7,299	1.2%	9,244	1.5%	-21.0%
Other operating costs		191,591	30.2%	189,563	30.4%	1.1%
Consumables		48,344	7.6%	42,927	6.9%	12.6%
Industrial costs		108,055	17.1%	111,218	17.8%	-2.8%
Administrative expenses		35,192	5.6%	35,418	5.7%	-0.6%
Cost of work on assets under concession		**43,441**	**6.9%**	**40,162**	**6.4%**	**8.2%**
Total Operating costs (B)		**482,682**	**76.2%**	**480,809**	**77.1%**	**0.4%**
Gross operating profit (A-B)		**151,043**	**23.8%**	**142,763**	**22.9%**	**5.8%**
Amortisation/depreciation, provisions and write-downs/revaluations	23	**53,178**	**8.4%**	**80,883**	**13.0%**	**-34.3%**
Amortisation/depreciation		36,913	5.8%	40,821	6.5%	-9.6%
Provisions, write-downs, revaluations		16,265	2.6%	40,062	6.4%	-59.4%
Operating profit		**97,865**	**15.4%**	**61,880**	**9.9%**	**58.2%**
Income/(Charges) from investments and Financial income/(charges)	24	**4,548**	**0.7%**	**14,710**	**2.4%**	**n.s.**
Income/(Charges) from investments		5,567	0.9%	35,394	5.7%	-84.3%
Financial income/(charges)		(1,019)	-0.2%	(20,684)	-3.3%	-95.1%
Profit before taxes		**102,413**	**16.2%**	**76,590**	**12.3%**	**33.7%**
Income taxes	25	39,280	6.2%	22,865	3.7%	71.8%
Profit for the year		**63,133**	**10.0%**	**53,725**	**8.6%**	**17.5%**
Minority interests		2	0.0%	(1,301)	-0.2%	n.s.
Profit attributable to owners of the parent company		**63,131**	10.0%	**55,026**	8.8%	14.7%

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(amounts in thousands of euro)	2010			2009		
	Gross amount	Tax	Net amount	Gross amount	Tax	Net amount
(A) Profit/(Loss) for the year	**102,411**	**39,280**	**63,131**	**77,891**	**22,865**	**55,026**
Components recognised in equity:						
Gains from fair value measurement of available for sale financial assets	5,812	291	5,521			
Gains/(losses) from fair value measurement of derivatives designated as cash flow hedges						
Exchange differences from translation of foreign financial statements						
Actuarial gains/(losses) on employee benefits						
Share of other components recognised in equity of associates						
(B) Total Components recognised in equity						
(A)+(B) Total comprehensive income/(loss)	**108,223**	**39,571**	**68,652**	**77,891**	**22,865**	**55,026**
Attributable to:						
- Owners of the parent company			**68,652**			**55,026**
- Minority interests			**2**			**(1,301)**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Legal reserve	Other reserves and retained earnings (accumulated losses)	IFRIC 12 reserve	Fair value adjustments to available for sale financial assets	Adjustments to investments in associates	Profit for the year	Capital and reserves attributable to owners of the parent company	Capital and reserves of minority interests	Consoli-dated equity
Restated balance as of 31 Dec. 2008	**27,500**	**5,500**	**201,280**	**28,464**	**4,632**	**0**	**1,772**	**269,148**	**2,994**	**272,142**
Appropriation of profit for 2008 and other movements			(1,340)			4,000	(1,772)	**888**	**(1,615)**	**(727)**
Total comprehensive income/(loss)					0		55,026	**55,026**	**(1,301)**	**53,725**
Restated balance as of 31 Dec. 2009	**27,500**	**5,500**	**199,940**	**28,464**	**4,632**	**4,000**	**55,026**	**325,062**	**78**	**325,140**
Appropriation of profit for 2009 and other movements			55,026				(55,026)	**0**		**0**
Total comprehensive income/(loss)					5,519		63,131	**68,650**	2	**68,652**
Balance as of 31 Dec. 2010	**27,500**	**5,500**	**254,966**	**28,464**	**10,151**	**4,000**	**63,131**	**393,712**	**80**	**393,792**

CONSOLIDATED CASH FLOW STATEMENT

(amounts in thousands of euro)	**31 Dec. 2010**	**31 Dec. 2009 restated**
Cash flows from operating activities		
Profit/(Loss) before taxes	102,413	76,591
Adjustments:		
Gains on sale of equity investments	0	(31,204)
Amortisation/depreciation charges, net	36,913	40,821
Charges to provisions, write-downs and revaluations, net	(15,956)	580
Exchange losses/(gains) on foreign currency transactions	33	11
Loss/(Income) from equity investments net of dividends received	590	(5,549)
Fixed assets disposals	1,064	5,315
(Positive)/Negative change in fair value of derivative instruments	(3,556)	2,026
Cash generated from operating activities before changes in working capital	**121,501**	**88,591**
Change in inventories	(419)	(913)
Change in trade receivables	(17,171)	(24,654)
Change in other receivables	21,958	16,738
Change in provisions		
Change in liabilities	(16,697)	(16,272)
Cash used in changes in working capital	**(12,329)**	**(25,101)**
Income taxes paid	(26,526)	(9,941)
Cash generated from operating activities	**82,646**	**53,549**
Cash flows from investing activities		
Investment:		
- Intangible assets	(44,974)	(34,464)
- Tangible assets	(24,273)	(19,461)
- Financial assets	0	(4,520)
Disinvestment:		
- Intangible assets	0	0
- Tangible assets	269	3,497
- Financial assets	0	50,525
Proceeds from disposal of equity investments	0	(6,525)
Cash used in investing activities	**(68,978)**	**(10,948)**
Cash flows from financing activities		
Change in gross financial indebtedness	(32,191)	(77,278)
- Change in short- and medium-/long-term financial debts	*(18,990)*	*(43,835)*
- Change in financial advances against government grants	*(13,201)*	*(33,443)*
Change in government grants receivable	14,632	33,848
Change in other financial liabilities	1,582	(3,319)
Cash used in financing activities	**(15,977)**	**(46,749)**
Increase/(Decrease) in cash and cash equivalents	**(2,309)**	**(4,148)**
Cash and cash equivalents at beginning of year	**25,774**	**29,922**
Cash and cash equivalents at end of year	**23,465**	**25,774**

NOTES TO THE

CONSOLIDATED FINANCIAL STATEMENTS

OF THE SEA GROUP

AS OF 31 DECEMBER 2010

1. General

SEA ("the Company") is a company limited by shares, established and domiciled in Italy and governed by the laws of the Republic of Italy.

The Company's registered office is at Milan Linate airport in Segrate (Milan).

The business of the Company and its subsidiaries ("the Group" or "the SEA Group") is the operation of airports in accordance with the regulations issued by the aviation authorities. In carrying our these operations the Group provides centralised airport services such as airport co-ordination, information and public announcement systems, security and provision of commercial services. The Group also carries out engineering, construction and maintenance of the airport infrastructure and buildings of Linate and Malpensa, and engineering and construction of infrastructure also for other airports, both in Italy and abroad.
The Municipality of Milan controls the parent company SEA S.p.A. through an equity share of 84.56%.

2. Summary of financial reporting standards

The main accounting principles and policies applied in the preparation of the Group's consolidated financial statements are illustrated below.
The consolidated financial statements are presented in thousands of euro, as are the tables in the notes.
A reconciliation of the result of operations and net equity of the parent company SEA to the consolidated financial statements is not presented because the parent company's financial statements are drawn up in accordance with Italian generally accepted accounting principles.

2.1 Basis of preparation

These consolidated financial statements have been drawn up on a going concern basis, as management verified that no financial, operating or other indicators existed of the possibility of the Group being unable to meet its obligations in the foreseeable future, specifically in the next 12 months.
The Company used the option allowed by Legislative Decree No. 38 of 28 February 2005, governing the use of the options established in article 5 of Regulation 1606/2002/EC on the application of international financial reporting standards, and applied the International Financial Reporting Standards as adopted by the European Union (hereinafter also 'IFRS') for the preparation of its consolidated financial statements.

IFRS refers jointly to all International Financial Reporting Standards, all International Accounting Standards (IAS), all interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), previously known as Standing Interpretations Committee (SIC).
Specifically, IFRS were applied consistently to all financial years presented in this document.

As to the manner of presentation of the consolidated financial statements, the consolidated balance sheet presents current and non-current assets and current and non-current liabilities as separate classifications, the consolidated income statement presents costs by function, and the consolidated cash flow statement presents an analysis by areas that generate cash flows using the indirect method.

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets and liabilities, including derivative instruments, in those instances where fair value measurement is mandatory.

2.2.1 Financial reporting standards, amendments and interpretations applied in 2010

The accounting standards and policies and valuation estimates adopted are uniform with those used for the preparation of the consolidated financial statements as of 31 December 2009, except for the standards and revised standards listed below that were adopted by the Group starting from 1 January 2010.

IFRIC 12 'Service concession arrangements'

In November 2006 the IASB issued IFRIC 12 'Service Concession Arrangements'. The interpretation provides guidelines for the recognition by an entity operating under a concession (operator) of the value of the concession. On 25 March 2009 the competent bodies of the European Union endorsed this interpretation through the publication of Regulation EC 254/2009 that reads, in article 2 "Each company shall apply IFRIC 12 […], at the latest, as from the commencement date of its first financial year starting after the date of entry into force of this Regulation". Starting from

1 January 2010, the SEA Group has applied the interpretation retrospectively, from the date of the Convention with ENAC, i.e. starting from 2001; this entailed the restatement of the effects that would have resulted as of 1 January 2009 (the commencement date of the financial year presented as comparative) and the recognition of these effects in equity reserves.
As a consequence, management restated certain comparatives compared with the figures previously published, to reflect the accounting impact of retrospective application of IFRIC 12 as required by IAS 8.
In addition, the consolidated financial statements present a statement of financial position at the beginning of the first comparative period following the retrospective application of IFRIC 12 as required by IAS 1. For an easier understanding of this document it was considered appropriate to include in the notes to the consolidated financial statements tables reporting the balances as of 1 January 2009 only in the sections impacted by the introduction of IFRIC 12, while disclosure of all the accounting effects of retrospective application of IFRIC 12 to the comparative amounts, with the related commentary, is provided organically in the section 'Application of IFRIC 12 to the consolidated figures of the SEA Group' in note 34 of these notes to the consolidated financial statements, of which it is an integral part.

<u>Summary of the notions introduced by IFRIC 12</u>

IFRIC 12 applies to service concession arrangements between a public sector entity ("grantor") and a private sector entity (the concession holder, "operator") if:

a) the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and
b) the grantor controls—through ownership, beneficial entitlement or otherwise—any significant residual interest in the infrastructure at the end of the term of the arrangement.

If both the above conditions are fulfilled, the operator builds and operates the infrastructure on behalf of the grantor and consequently shall not recognise the infrastructure as property, plant and equipment in its financial statements. The interpretation applies also when the operator enjoys wide managerial discretion in the operation of the service rendered through the infrastructure.

Furthermore, it should be noted that the following standards and interpretations applicable to financial years beginning on or after 1 January 2010 do not apply to the SEA Group.

- IFRS 3 revised 'Business combinations', and amendment to IAS 27 'Consolidated and separate financial statements';
- 2008 Improvement to IFRS 5 'Non-current assets held for sale and discontinued operations';
- Improvement to IAS 39 'Financial instruments: recognition and measurement', Eligible hedged items;
- Amendment to IFRS 2 'Share-based payment';
- Improvements to IAS/IFRS (2009)
- IFRIC 17 'Distributions of non-cash assets to owners';
- IFRIC 18 'Transfers of assets from customers'.
- IFRS 1 – Additional exemptions for first-time adopters – designed to clarify the retrospective application of certain IFRS so that entities involved in the transition process are not subject to excessive cost or effort.

2.2.2 Financial reporting standards, amendments and interpretations not yet applicable and not adopted early by the Group

On 8 October 2009, the IASB issued an amendment to IAS 32 'Financial instruments: presentation', concerning the classification of rights issues. The amendment clarifies how to classify certain rights when the instruments issued are denominated in a currency other than the issuer's functional currency. The amendment is applicable to financial years beginning on or after 1 January 2010.

On 4 November 2009, the IASB issued IAS 24 revised 'Related party disclosures', which simplifies the disclosure requirements concerning related parties where public sector entities are present and clarifies the definition of 'related party'. This document was endorsed by the competent bodies of the European Union on 20 July 2010. The revised standard is applicable retrospectively to financial years beginning on or after 1 January 2010.

On 12 November 2009 the IASB issued the first part of IFRS 9 'Financial instruments', which will replace IAS 39 'Financial instruments: recognition and measurement'. This first phase deals with the classification of financial instruments and is part of a three-phase project, where phase two concerns the method of calculation of impairment of financial assets and phase three concerns the method of application of hedge accounting.
The new standard, whose purpose is to simplify and mitigate the complexity of accounting for financial instruments, classifies financial instruments in three categories that the reporting entity shall define on the basis of the business model applied, the contractual features of and cash flows generated by the instruments in question. On 28 October 2010, the IASB published new requirements for the recognition of financial liabilities. These requirements shall be incorporated into IFRS 9 on completion of the phases of classification and measurement of the project to replace IAS 39. At the date of this document, the competent bodies of the European Union had not completed the process of endorsement necessary for its application, expected to be mandatory for financial years beginning on or after 1 January 2013.

On 26 November 2009 the IFRIC published IFRIC 19 'Extinguishing financial liabilities with equity instruments', which deals with circumstances when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The interpretation was endorsed by the competent bodies of the European Union on 24 July 2010 and is applicable retrospectively to financial years beginning on or after 1 July 2010.

On the same date the IFRIC issued an amendment to IFRIC 14 to define the recognition of pension fund liabilities where an entity makes voluntary prepaid contributions and there is a minimum funding requirement. The interpretation was endorsed by the competent bodies of the European Union on 20 July 2010 and is applicable retrospectively to financial years beginning on or after 1 January 2010.

On 6 May 2010 the IASB published several improvements to seven IFRS, as part of the programme of annual improvements to International Financial Reporting Standards. The improvements are applicable to financial years beginning on or after 1 January 2011.

On 7 October 2010, the IASB published amendments to IFRS 7 'Financial instruments: disclosures'. The amendments are designed to improve understanding of the transactions underlying financial assets and the possible effects of the risks, if any, remaining with the entity that transferred those assets. It is applicable to financial years beginning on or after 1 July 2010.

2.3 Basis of consolidation

The financial statements of the entities included in the consolidation perimeter were drawn up for the year ended 31 December 2010 and have been adjusted, where necessary, to conform to the accounting principles applied by the Group.

The Group's consolidated financial statements comprise the financial statements of SEA (parent company) and those of the entities on which it exercises control, either directly or indirectly, from the date control was acquired to the date control ceases. In the circumstances, control is exercised by virtue of the Company holding directly a majority of voting rights.
Subsidiaries are consolidated on a line-by-line basis. The criteria applied in line-by-line consolidation are the following:

- The assets and liabilities, revenues and costs of subsidiaries are assumed line by line, and the proportionate shares of shareholders' equity and result of operations are allocated to minority interests where applicable; minority interests in equity and profit for the year are reported on separate lines;
- Business combinations that result in control of an entity being acquired are presented under the purchase method. The cost of an acquisition is equal to the fair value at the acquisition date of the assets sold, liabilities assumed, equity instruments issued and any other accessory charges that are directly attributable to the business. The assets, liabilities and contingent liabilities acquired are stated at the respective fair values at the acquisition date. The difference between the cost of acquisition and the fair value of the assets and liabilities acquired, if positive, is recorded in intangible assets as goodwill; if negative, after reviewing the correct measurement of the fair values of the assets and liabilities acquired and of the purchase cost, it is recorded directly in the income statement as an item of income;
- Acquisitions of minority interests in entities where control already exists are not treated as business combinations but as operations relevant to share capital; failing an applicable accounting standard, the Group records in shareholders' equity any difference between the acquisition cost and the share of the entity's equity acquired;
- Significant gains and losses, with the related tax effects, arising from transactions between entities consolidated on a line-by-line basis and not yet realised with third parties are eliminated, but unrealised losses are not eliminated

when the transaction provides evidence of impairment of the asset transferred. Intercompany receivables and payables, costs and revenues, and financial income and charges are also eliminated if significant;
- Gains and losses arising from the sale of investments in consolidated entities are charged to the income statement for the amount corresponding to the difference between the selling price and the share of the entity's equity transferred.

Associated companies
Associated companies are entities over which the Group exercises significant influence, which is assumed to exist when the equity interest is between 20% and 50% of voting rights.
Investments in associated companies are accounted for under the equity method and are initially recognised at cost. The equity method is as follows:

- The carrying amount of the investment is equal to the entity's net equity adjusted, where necessary, to reflect the application of IFRS and includes the higher values allocated to the assets and liabilities and any goodwill identified at the time of the acquisition;
- The Group's share of the entity's profits and losses is recorded from the date the significant influence commenced to the date it ceases; if, as a result of the losses reported, an entity measured under the equity method has a negative equity value, the carrying amount of the investment is set to nil and any excess attributable to the Group, where the latter has undertaken to discharge legal or constructive obligations of the investee, or to make good its losses, is recorded in a separate reserve; changes in equity other than the result of operations of entities measured under the equity method are recorded directly as adjustments to equity reserves;
- Significant unrealised gains and losses on transactions between the parent company/subsidiaries and an entity measured under the equity method are eliminated in proportion to the Group's interest in the investee; unrealised losses are eliminated unless they reflect impairment losses.

2.4 CONSOLIDATION PERIMETER

A list of the companies included in the consolidation perimeter and the respective reporting dates is reported in note 30.

In the course of 2010 the sale of 75% of Malpensa Logistica Europa was completed; the operation involved payment of the agreed consideration in three tranches, whereof two in 2010, in accordance with the agreement signed by SEA on 26 October 2009.

In the consolidated financial statements as of 31 December 2010, Malpensa Logistica Europa is classified as an associate, as was the case in the financial statements as of 31 December 2009, and is carried at equity.
On 3 March 2011 the SEA Group sold its 5% interest in GESAC S.p.A.; for this reason, in the consolidated financial statements as of 31 December 2010 the investment is measured at fair value against equity.

2.5 TRANSLATION OF TRANSACTIONS IN CURRENCIES OTHER THAN THE FUNCTIONAL CURRENCY

Transactions denominated in currencies other than the functional currency of the entity that performs the transaction are translated at the exchange rates prevailing on the trade date.

Exchange gains and losses originating from the settlement of the transaction or from the translation at year end of assets and liabilities denominated in foreign currencies are taken to the income statement.

2.6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprises both proprietary assets and assets operated under concession financed by the State. With regard to assets operated under concession financed by the SEA Group, reference is made to note 2.7 Intangible assets.

Assets operated under concession financed by the State
Assets operated under concession financed by the State are property, plant and equipment purchased by the Group in compliance with the Convention between ENAC and SEA dated 4 September 2001 (which extended the preceding concession agreement dated 7 May 1962). The Convention establishes the obligation for the Group to maintain and operate all the airport assets required for carrying out the airport business and its right to build facilities within the

airport site that will remain the property of the Group until the expiration date of the Convention, 4 May 2041. The property, plant and equipment will be handed over to the State free of charge on expiry of the Convention. In the consolidated financial statements assets financed through government grants pursuant to Law No. 449/85 are reported net of the amount of the grants received.

Proprietary assets
Proprietary assets are property, plant and equipment purchased by the Group for a consideration that are not to be transferred to the State free of charge at the end of the concession.

Property, plant and equipment, whether proprietary assets or assets operated under concession, are carried at purchase or production cost, less accumulated depreciation and any impairment losses. Cost includes the costs incurred directly to make the assets ready for use, as well as any dismantling and removal costs that will be incurred as a consequence of contractual obligations to restore the assets to their original conditions.

Ordinary and periodical maintenance and repair costs are charged directly to the income statement as incurred. Costs relating to the expansion, upgrading or improvement of proprietary assets or facilities leased from third parties are capitalised to the extent that they qualify for recognition as a separate asset or part of an asset in accordance with the component approach, under which each component of an item of property, plant and equipment whose useful life and value can be identified independently must be accounted for separately.

Depreciation is charged monthly on a straight-line basis at rates that make it possible to depreciate the assets until the end of their useful lives. When an asset being depreciated is made up of several identifiable components whose useful lives are significantly different from the life of the other components of the asset, depreciation is charged separately for each component in accordance with the component approach. Assets operated under concession financed by the State are depreciated over the term of the concession or, if shorter, the useful lives of identifiable components.
The depreciation rates applied to proprietary assets which have no identifiable components are the following:

Loading and unloading equipment and vehicles	10%
Runway equipment	31.5%
Miscellaneous equipment	25%
Furniture and fixtures	12%
Vehicles	20%
Cars	25%
Electrical and electronic machines	20%

The useful lives and net book values of property, plant and equipment are reviewed and adjusted, if necessary, at least at each reporting date.

2.7 INTANGIBLE ASSETS

Intangible assets are identifiable non-monetary assets without physical substance, controlled by the entity and capable of generating economic benefits in future. They are recorded at purchase and/or production cost, including the charges directly attributable to making the assets ready for use, less accumulated amortisation and any impairment losses. Any interest charges accruing during and for the development of intangible assets are expensed as incurred.
The categories of intangible assets in the consolidated financial statements of the SEA Group are the following:

(a) Rights to assets under concession
'Rights to assets under concession' reflects the right of the concession holder (intangible asset) to use assets operated under concession in consideration of the engineering and construction costs incurred for assets that are to be handed over on expiry of the concession. It is measured as the fair value of the engineering and construction work plus the borrowing costs capitalised, in compliance with the requirements of IAS 23, during construction. The fair value of construction services is determined as the costs actually incurred plus a 6% mark-up reflecting the remuneration of internal costs incurred for engineering and construction management performed by the SEA Group. This approach to the calculation of fair value is based on the fact that the operator must apply paragraph 12 of IAS 18 and, accordingly, if the fair value of the services received (specifically, the right to use the assets) cannot be determined reliably, the revenue is calculated as the fair value of the construction services rendered.
Assets for construction services in progress at the reporting date are measured under the percentage of completion method as the percentage of work completed, in accordance with IAS 11, and this value is reported on the income statement line 'Proceeds from work on assets under concession'.
Renovation or replacement costs are not capitalised and are included in the estimate of the 'Provision for renovation and replacement' illustrated further below.

Assets under concession are amortised over the term of the concession, as it is assumed that the future economic benefits they generate will be used by the operator.
Accumulated amortisation and the provision for renovation and replacement, taken together, ensure coverage of the following charges:

- Free handover to the State on expiry of the concession of those assets whose useful lives exceed the term of the concession;
- Renovation and replacement of components of assets operated under concession that are subject to wear and tear.

Whenever events occur that indicate that an intangible asset may have suffered an impairment loss, the difference between the carrying amount and the recoverable amount is charged to the income statement.

(b) Patents, concessions, licences, trademarks and similar rights
Trademarks and licences are amortised on a straight-line basis over their useful lives.

(c) Computer software
Software licences are amortised on a straight-line basis over 3 years while software maintenance costs are expensed as incurred.

2.8 IMPAIRMENT LOSSES OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

At each reporting date, the Group assesses whether there is an indication that an item of property, plant and equipment or an intangible asset may be impaired. If indicators of impairment are identified, the recoverable amount of the asset is estimated and any impairment loss is charged to the income statement. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use, the latter being the present value of the asset's estimated future cash flows. Where the asset does not generate cash flows that are largely independent of other assets, the recoverable amount of the cash generating unit to which the asset belongs is estimated. In determining fair value, reference is made to the purchase cost of a specific asset that takes into account a depreciation coefficient (this reflects the actual condition of the asset). In assessing value in use, the estimated future cash flows are discounted to present value using a rate that reflects current market assessments of the time value of money referred to the period of the investment and the risks specific to the asset. An impairment loss is charged to the income statement when the carrying amount of the asset exceeds its recoverable amount. When the reasons for recording an impairment no longer exist, the impairment loss recognised is reversed to the income statement and the carrying amount of the assets is increased to its recoverable amount, however, the increased amount cannot exceed the net book value that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

2.9 INVESTMENT PROPERTIES

This item comprises the properties owned by the Group that are not necessary to the operation of the business. Investment properties, initially recognised at cost, are measured in the following years at amortised cost less accumulated depreciation and impairment losses.

2.10 FINANCIAL ASSETS

Upon initial recognition, financial assets are classified in one of the following categories based on their nature and the reason why they were purchased:

(a) Financial assets at fair value through profit or loss
(b) Loans and receivables;
(c) Available-for-sale financial assets.

Purchases and sales of financial assets are accounted for on the value date of the transactions.

Financial assets are measured as follows:

<u>(a) Financial assets at fair value through profit or loss</u>
Financial assets are classified in this category if they were purchased for sale in the short term. Assets in this category are included in current assets and measured at fair value; changes in fair value, if significant, are recognised in the income statement in the period when they occur.

(b) Loans and receivables
Loans and receivables comprise financial instruments, mainly trade receivables, that are not derivatives and are not quoted in an active market, from which fixed or determinable payments are expected. Loans and receivables are included in current assets, except for those maturing after 12 months from the reporting date, which are classified in non-current assets. They are measured at amortised cost under the effective interest method.
If objective evidence exists of impairment indicators, the carrying amount is reduced to the discounted value of the cash flows that can be derived from the asset in future. Impairment losses are charged to the income statement. If the reasons for recording an impairment loss cease to exist, the write-down is reversed up to the value that would have resulted from the application of the amortised cost method.

(c) Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial instruments explicitly designated as available for sale or that cannot be classified in one of the preceding categories and are included in non-current assets unless management intends to sell them in the 12 months following the reporting date. Financial assets available for sale are initially recognised at cost, which is the initial fair value. Subsequently, these financial assets are measured at fair value and changes in fair value, if significantly different from original cost, are recognised in equity.

2.11 DERIVATIVE FINANCIAL INSTRUMENTS

On the date of the contract, derivative instruments are initially recognised at fair value and, if not designated as hedging instruments, changes in fair value after initial recognition are treated as components of financial income and charges of the period.

2.12 MEASURING THE FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a quoted financial instrument is based on the current bid price. If a financial asset has not an active market (or the security is not quoted), the Group defines fair value using valuation techniques. Those techniques include making reference to advanced negotiations under way, securities having the same characteristics, analyses based on cash flows, and pricing models based on the use of market indices that are in line, as far as possible, with the assets to be valued.

2.13 TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at fair value and then measured at amortised cost, less amounts charged to the provision for bad debts.

2.14 INVENTORIES

Inventories are stated at the lower of weighted average purchase or production cost and net realisable value. The value of inventories does not include financial charges.

2.15 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprises cash in hand, freely available bank deposits, and other short-term investments with maturities of three months or less. At the reporting date, bank overdrafts are classified as financial debts in current liabilities on the balance sheet. Items included in cash and cash equivalents are measured at fair value.

2.16 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

In accordance with IFRS 5, equity interests in subsidiaries that are held for sale must be presented on the consolidated balance sheet on separate lines, showing the subsidiary's total assets and liabilities, measured at the lower of cost and fair value less costs to sell. The subsidiary's assets and liabilities must be re-measured at each year end and interim reporting date.

2.17 TRADE AND OTHER PAYABLES

Trade and other payables are initially recognised at fair value and then measured at amortised cost.

2.18 FINANCIAL LIABILITIES

Financial liabilities relating to loans, bank borrowings, trade payables and other obligations to pay are initially recognised at fair value less direct charges, and subsequently measured at amortised cost under the effective interest method. If there is a change in the estimated future cash flows and these can be estimated reliably, the value of the liabilities is re-measured, to reflect the change, on the basis of the present value of the new estimated future cash flows and the internal rate of return initially determined. Financial liabilities are classified as current liabilities, unless the Group has an unconditional right to defer payment for at least 12 months after the reporting date.
Purchases and sales of financial liabilities are recognised on the value date of settlement.
Financial liabilities are derecognised when settled and when the Group has transferred all the risks and charges relating to the instruments.

2.19 EMPLOYEE BENEFITS

Pension plans
Group companies operate both defined-contribution and defined-benefit plans.

A defined-contribution plan is a plan in which the Group makes fixed payments to a third party fund operating the plan and has no legal or other obligation to make further contributions if the plan has not sufficient assets to meet obligations to employees in respect of current and past service. In a defined-contribution plan, the Group pays voluntary or contractually defined contributions to public and private insurance funds. The contributions are reported in personnel costs on an accrual basis. Contributions paid in advance are reported as an asset that will be refunded or offset against future payments, where due.

A defined-benefit plan is a pension plan that cannot be classified as a defined-contribution plan. In defined-benefit plans the amount of the benefit payable to the employee can be quantified only after employment has terminated, and is related to one or more factors such as age, years of service and salary; therefore, the cost is charged to the income statement of the period based on an actuarial valuation. The liability for defined-benefit plans reported on the balance sheet corresponds to the present value of the obligation at the reporting date less, where applicable, the fair value of the assets servicing the plan. Obligations under defined-benefit plans are determined annually by an independent actuary using the projected unit credit method. The present value of the defined-benefit plan is obtained by discounting the future cash flows using an interest rate equal to that applied to high-quality corporate bonds issued in the currency in which the liability will be settled and that takes into account the duration of the pension plan. Actuarial gains and losses originating from adjustments and changes in actuarial assumptions are taken directly to the income statement.

It should be noted that, as a result of the changes to the regulation of the employees' severance entitlement called *Trattamento di Fine Rapporto* (TFR) introduced by Law No. 296 of 27 December 2006 and subsequent decrees and regulations issued during the first half of 2007, the severance entitlement payable to Italian employees pursuant to article 2120 of the Civil Code qualifies as a defined-benefit plan for the portion earned before the application of the new law and as a defined-contribution plan for the portion earned after the application of the new law.

Termination benefits
Termination benefits are paid when an employee leaves the enterprise before the normal retirement age or accepts voluntary termination. The Group accounts for termination benefits when it can be demonstrated that the employment contract is terminated in accordance with a formal plan that defines the termination, or when the benefits are paid as a result of a termination incentive process.

2.20 PROVISIONS FOR RISKS AND CHARGES

Provisions are posted for specific losses or liabilities that are certain or probable, the amounts and timing of which cannot be determined accurately at the year end. Provisions are recognised only when a present legal or constructive obligation exists as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. The amount of the provision reflects the best estimate of the expenditure required to settle the obligation.

Risks in relation to which the occurrence of a liability is only possible are disclosed in the separate section on commitments and risks and are not provided for.

Provision for renovation and replacement of assets under concession
Under IFRIC 12 the accounting treatment of work performed by the operator on assets under concession differs based on the nature of the work: ordinary maintenance is expensed; replacement of an asset and scheduled maintenance at a future date, considering that under IFRIC 12 the concession holder does not recognise an asset but a right, must be recognised in accordance with IAS 37 - Provisions, contingent liabilities and contingent assets, which requires a charge to the income statement and, as a contra entry, a provision on the balance sheet for the costs that are expected to be incurred.
The provision for renovation and replacement of assets under concession therefore reflects the best estimate of the present value of the costs, calculated at the balance sheet date, for maintenance scheduled in future years to ensure the good condition and the correct and safe operation of assets under concession.

2.21 REVENUE RECOGNITION

Revenues are recognised at the fair value of the consideration received for the services rendered as part of the Group's ordinary business. Revenues are recognised after deducting value added tax, incentives and discounts.

Revenues primarily referred to services are recognised in the period in which the services are rendered.

Proceeds from work on assets under concession
Revenue earned in the period for construction work is recognised under the percentage of completion method on the basis of the costs incurred for this activity plus a 6% mark-up reflecting the remuneration of internal costs incurred for engineering and construction management performed by the SEA Group.

2.22 GOVERNMENT GRANTS
Government grants are recognised, when a formal award decree exists, on an accrual basis in direct correlation with the costs incurred.

1. Grants related to assets

Grants awarded in relation to property, plant and equipment are deducted from the purchase cost of the assets to which they relate.

2. Grants related to income

Grants other than those related to assets are recognised in the income statement on the line 'Services and other income'.

2.23 COST RECOGNITION
Costs are recognised when they relate to goods or services purchased or consumed during the period, or by systematic distribution.

2.24 BORROWING COSTS

Borrowing costs are recognised on an accrual basis and include the interest expense on borrowings calculated using the effective interest method, and exchange losses. Borrowing costs incurred for expenditure on assets where a predefined interval of time is normally required to make the asset ready for use or sale (qualifying assets) are capitalised and amortised over the useful life of the category of assets to which they relate, in accordance with IAS 23 revised.

2.25 INCOME TAX

Current income tax is computed with reference to taxable income for the period, applying the tax rates in force at the balance sheet date.

Deferred taxes are provided for all differences between the tax bases and carrying amounts of assets and liabilities, excluding goodwill. The portion of deferred tax assets that is not offset against deferred tax liabilities is recognised to the extent that it is probable that sufficient taxable income will be reported in future against which they can be recovered. Deferred tax assets and liabilities are computed using the tax rates that are expected to be in force in the years when the differences reverse.

Current and deferred taxes are recognised in the income statement, except for those relating to items charged or credited directly to shareholders' equity, where the tax effect is also recognised directly in shareholders' equity. Tax assets and liabilities are offset when they relate to taxes levied by the same taxation authority, there is a legally enforceable right to set off tax assets against tax liabilities and the Company intends to settle its tax assets and liabilities on a net basis.

Other taxes not related to income, such as property taxes, are included in 'Administrative expenses'.

2.26 DIVIDENDS

Dividends to be distributed are reported as liabilities in the year when the distribution is approved by the shareholders.

3. ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires the application by management of accounting principles and methods that in certain circumstances rely on difficult and subjective evaluations and estimates based on past experience and assumptions that are from time to time considered reasonable and realistic with reference to the circumstances. The use of such estimates and assumptions affects the amounts reported in the financial statements, i.e. the balance sheet, the income statement and the cash flow statement, as well as the information disclosed.

The accounting principles that require greater subjectivity of management in making estimates and where a change in the conditions underlying the assumptions used could have a significant impact on the consolidated financial information are described in brief below.

(a) Impairment of assets
In accordance with the accounting principles applied by the Group, property, plant and equipment and intangible assets with finite useful lives are tested for impairment, and an impairment loss must be recognised when there is an indication that it may be difficult to recover the asset's net book value through continued use. Testing the existence of such indicators requires management to make subjective judgements based on the information available within the Group and in the market, as well as past experience. Moreover, when indicators are identified that an asset may have become impaired, the Group determines the impairment loss using suitable valuation techniques. The correct identification of elements indicating that a potential impairment exists, and estimates of the amount of the impairment, depend on factor that may vary in time, affecting management's assessments and estimates.

(b) Depreciation
Depreciation of property, plant and equipment is a significant cost to the Group. The cost of property, plant and equipment is depreciated on a straight-line basis over the estimated useful lives of the relevant assets and components. The economic life of one of the Group's assets is determined by management at the time the asset is purchased; it is based on past experience with similar assets, market conditions and forecasts of future events that may have an impact on useful life, such as changes in technology. Therefore, an asset's effective economic life may differ from its estimated useful life. The Group periodically assesses changes in technology and industry to revise the remaining useful lives of assets. Those periodical revisions may entail a change in the depreciation period and therefore in the depreciation allowances charged in future periods.

(c) Provisions
Provisions are posted for legal and labour risks that represent the risk of negative outcome of the obligations existing at the reporting date. The values of provisions posted for those risks represent management's best estimates at the reporting date. Those estimates involve the adoption of assumptions that may vary in time and, therefore, could have a significantly different impact compared with the current estimates made by management in preparing the Group's consolidated financial statements.

(d) Trade receivables
Where objective evidence exists that trade receivables have become impaired, the carrying amounts are reduced to estimated recoverable amounts by posting a specific provision for bad debts. The amount of the bad debt provision

represents in time management's best estimate at the reporting date. This estimate is based on facts and expectations that may vary in time and, therefore, could have a significantly different impact compared with the current estimates made by management in preparing the Group's consolidated financial statements.

4. RISK MANAGEMENT

In August 2005 the IASB issued IFRS 7 – *Financial instruments: Disclosures* and a supplementary amendment to IAS 1 – *Presentation of financial statements*, requiring additional disclosures about equity, effective for financial periods beginning on or after 1 January 2007.
IFRS 7 requires additional disclosures about the entity's financial position, with particular reference to exposure to risks arising from the financial instruments used. The standard also requires a description of the policies and procedures adopted by the reporting entity to manage those risks.
In the course of 2010 the operations of the SEA Group were exposed to different categories of risks: credit risk, market risks, liquidity risk. The Group's risk management strategy is designed to minimise potential adverse impacts on the Group's financial performance. Certain types of risks are mitigated using derivative financial instruments.
The above risks are managed by the parent company which identifies, assesses and hedges financial risks in close cooperation with the other Group entities.

Credit risk

Credit risks reflects the exposure of the SEA Group to potential losses originating from failure by trade and financing counterparties to fulfil their obligations.
This risk originates primarily from typically financial factors, such as the possibility that a counterparty may default, or from factors more of a purely technical-commercial or administrative-legal nature.
For the SEA Group exposure to credit risk is predominantly connected with the deterioration of the financial situation of the key airlines which suffer, on the one hand, the impact of seasonality related to airport operations and, on the other, the consequences of geopolitical events that affect air transport (wars, epidemics, weather, oil price increases).

To mitigate this risk, the SEA Group has implemented procedures and measures to monitor the flow of expected receipts and any credit recovery actions.

In application of internal credit policies, customers are required to ensure the issuance of guarantees: these are typically bank or insurance guarantees on demand issued by entities with prime credit standing, or guarantee deposits.
As for the payment delays granted to most customers, these are mostly concentrated within 30 days of the invoice date.

Trade receivables are reported net of any provisions for bad debts that are prudently posted at different rates based on the different degrees of underlying litigation at the reporting date. The write-down necessary to bring nominal value in line with estimated recoverable amount is determined analysing trade receivables individually and using all available information on the situation of the individual debtor. The SEA Group uses the same write-down percentages for accounts that are past due or in litigation, or where bankruptcy proceedings are under way.

Gross trade receivables and provisions for bad debts are summarised as follows.

Consolidated financial statements as of 31 December 2010		**Trade receivables**	**Overdue balance**	**Provisions for bad debts**
	Total	279,832	225,678	100,207
Consolidated financial statements as of 31 December 2009		**Trade receivables**	**Overdue balance**	**Provisions for bad debts**
	Total	303,587	238,682	141,229

The overall balance receivable as of 31 December 2010 is guaranteed by bank or insurance guarantees and guarantee deposits for a total of €101,725 thousand; as of 31 December 2009 the overall balance receivable was guaranteed for €105,436 thousand. The decrease in gross trade receivables compared with 31 December 2009 is mainly attributable to the settlement in the course of 2010 of litigation pending.

Market risks

The market risks to which the SEA Group is exposed comprise all the types of risks directly and indirectly connected with price fluctuations in the respective markets. The market risks to which the SEA Group was exposed in the course of 2010 are:

a) Interest rate risk;
b) Exchange rate risk;
c) Commodity risk, related to the volatility of prices for energy commodities.

a) Interest rate risk

The SEA Group is exposed to the risk of changes in interest rates in relation to its need to finance operating activities and employ available cash. Fluctuations in interest rates may have a positive or negative impact on the result of operations of the SEA Group, changing the cost of and returns on financing and investing transactions.

The SEA Group manages this risk through appropriate balancing of fixed-rate and variable-rate borrowings, with the aim of mitigating the impact on profit and loss of fluctuations in applicable interest rates.

Variable-rate debts expose the Group to a risk originating from the volatility of interest rates (cash flow risk). To minimise this risk the Group may use derivative contracts that convert variable rates into fixed rates or that limit rate fluctuations to a predefined range (including the definition of barriers), which reduces the risk originating from variable rate volatility. These derivative contracts, entered into solely to hedge the fluctuations in market interest rates, are reported in the financial statements at fair value through profit or loss.

Gross financial debts of the SEA Group as of 31 December 2010 comprise short-term debts, with a maturity of less than 12 months and relating to ordinary financing requirements, and medium-/long-term debts (comprising a medium-/long-term portion and a short-term portion which is the amount maturing in the following 12 months).

The following table shows short-term financial debts connected with cash requirements originating from the significant volatility of receipts.

Short-term loans	Disbursement date	Maturity date	31 December 2010		31 December 2009	
			Amount (thousands of euro)	Interest rate	Amount (thousands of euro)	Interest rate
SEA SPA:						
BPM - Hot money	25-Nov-2009	on demand	-	-	6,000.00	1.15%
BNL - Hot money	17-Dec-2010	on demand	12,000.00	1.29%	-	-
MPS - Hot money	26-Nov-2010	31-Jan-2011	7,000.00	1.36%	-	-
Banca Intesa – Current account overdraft	21-Dec-2010	on demand	1,500.00	1.57%	-	-
TOTAL short-term financial debts			**20,500.00**	**1.34%**	**6,000.00**	**1.15%**

Medium-/long-term debts are presented in the following table, where the interest rate applicable to each loan is shown at nominal value (which includes a spread ranging from 0.20% and 1% and does not consider the effect of hedging transactions):

Medium-/long-term loans	Interest type	Disbursement date	Maturity date	31 December 2010		31 December 2009	
				Amount (thousands of euro)	Interest rate	Amount (thousands of euro)	Interest rate
SEA SPA:							
EIB 1st tranche (a)	F	17-Dec-1996	15-Sep-2011	3,499.00	7.70%	6,755.26	7.70%
EIB 2nd tranche (a)	F	24-Jul-1998	15-Mar-2013	7,687.46	5.27%	10,507.32	5.27%
EIB 2nd tranche (a)(**)	V	24-Jul-1998	15-Mar-2013	6,455.71	1.43%	9,038.00	1.17%
Total EIB direct				**17,642.17**	**4.35%**	**26,300.57**	**4.48%**
Pool Cariplo 1st tranche (**)	V	17-Dec-1996	15-Sep-2011	1,549.37	1.41%	3,098.74	1.15%
Pool Cariplo 2nd tranche	V	20-Jun-1997	15-Mar-2012	2,324.06	1.41%	3,873.43	1.15%
Pool Cariplo 2nd tranche	F	20-Jun-1997	15-Mar-2012	3,116.53	7.57%	5,009.38	7.57%
Pool Cariplo 3rd tranche	F	8-Aug-1997	15-Mar-2012	6,036.61	6.67%	9,743.29	6.67%
Pool Cariplo 4th tranche	F	8-Apr-1998	15-Mar-2013	15,613.92	5.44%	21,295.98	5.44%
Total EIB/Pool Cariplo				**28,640.5**	**5.39%**	**43,020.8**	**5.27%**
BIIS (ex Comit)-EIB 1st tranche	F	26-Aug-1999	15-Mar-2014	7,000.00	3.14%	9,000.00	3.14%
BIIS (ex Comit)-EIB 2nd tranche (*)	V	30-Nov-2000	15-Sep-2015	5,000.00	1.36%	6,000.00	1.10%
BIIS (ex Comit)-EIB 3rd tranche (*)	V	17-Mar-2003	15-Sep-2017	16,210.53	1.36%	18,526.32	1.10%
Total EIB/Comit				**28,210.53**	**1.80%**	**33,526.32**	**1.64%**
BNL-EIB 1st tranche	V	22-Nov-1999	15-Sep-2014	8,000.00	1.31%	10,000.00	1.05%
BNL-EIB 2nd tranche (*)	V	11-Aug-2000	15-Mar-2015	4,500.00	1.31%	5,500.00	1.05%
BNL-EIB 3rd tranche	V	14-Jan-2002	15-Sep-2009	-	1.31%	-	
BNL-EIB 4th tranche (*)	V	8-May-2003	15-Mar-2018	8,733.75	1.31%	9,898.25	1.05%
BNL-EIB 13.06.2006 1st tranche	V	4-Sep-2006	4-Sep-2026	11,000.00	1.36%	11,000.00	1.10%
BNL-EIB 13.06.2006 2nd tranche	V	4-Sep-2006	4-Sep-2026	11,000.00	1.36%	11,000.00	1.10%
BNL-EIB 13.06.2006 3rd tranche	V	4-Sep-2006	4-Sep-2026	11,000.00	1.36%	11,000.00	1.10%
BNL-EIB 13.06.2006 4th tranche (**)	V	4-Sep-2006	4-Sep-2026	12,000.00	1.36%	12,000.00	1.10%
BNL-EIB 13.06.2006 5th tranche (**)	V	4-Sep-2006	4-Sep-2026	12,000.00	1.36%	12,000.00	1.10%
BNL-EIB 2007 1st tranche (**)	V	7-Mar-2007	7-Mar-2027	11,000.00	1.36%	11,000.00	1.10%
BNL-EIB 2007 2nd tranche	V	7-Mar-2007	7-Mar-2027	11,000.00	1.36%	11,000.00	1.10%
Total EIB/BNL				**100,233.75**	**1.35%**	**104,398.25**	**1.08%**
UNICREDIT EIB 1st tranche	V	8-Sep-2007	8-Sep-2027	10,000.00	1.21%	10,000.00	1.15%
UNICREDIT EIB 2nd tranche	V	8-Sep-2007	8-Sep-2027	10,000.00	1.21%	10,000.00	1.15%
UNICREDIT EIB 3rd tranche	V	16-Feb-2009	15-Sep-2028	15,000.00	1.44%	15,000.00	1.15%
Total EIB/UNICREDIT				**35,000.00**	**1.31%**	**35,000.00**	**1.15%**
Unicredit Mediobanca, whereof:	V	8-Mar-2006	8-Mar-2013	102,500.00	1.51%	102,500.00	1.76%
- not swapped				52,500.00	1.51%	52,500.00	1.76%
- swapped (*)				50,000.00	1.51%	50,000.00	1.76%
Total non EIB loans				**102,500.00**	**1.51%**	**102,500.00**	**1.76%**
TOTAL SEA SPA				**312,226.92**	**1.98%**	**344,745.95**	**2.13%**
Malpensa Energia:							
BPM	V	20-Jun-2003	31-Dec-2014	8,342.00	1.91%	9,813.00	1.66%
UNICREDIT – BPM	V	20-Jun-2006	30-Jun-2014	18,475.92	1.75%	21,526.28	2.10%
TOTAL Malpensa Energia				**26,817.92**	**1.80%**	**31,339.28**	**1.96%**
TOTAL medium-/long-term debts				**339,044.84**	**1.96%**	**376,085.23**	**2.12%**
Total tranches swapped				*84,444.28*	*24.9%*	*137,061.30*	*36.4%*
Fixed rate debt				*42,953.51*	*12.7%*	*62,311.22*	*16.6%*
Non-hedged debt				*211,647.06*	*62.4%*	*176,712.71*	*47.0%*

(a) Subject to guarantee from the European Investment Fund
(*) Tranche subject to swap
(**) Tranche subject to swap as of 31 December 2009, not as of 31 December 2010

The average cost of the Group's gross medium-/long-term financial debts at the end of 2010, following transactions hedging interest rate risk, was equal to 2.67%.

The fair value of medium-/long-term bank loans, equal to €346,322 thousand as of 31 December 2010 (€375,514 thousand as of 31 December 2009) was calculated as follows:

- For fixed-rate loans, the principal and interest amounts were discounted using the spot rate for each contractual maturity date, extrapolated from the rates applied in the market;
- For variable-rate loans the interest amount was calculated using the estimated interest rate that will be applicable at each contractual maturity date, plus a spread as defined by the relevant contract. The interest amounts thus determined and maturing principal amounts were then discounted using the spot rate for each contractual maturity date, extrapolated from the rates applied in the market.

The following table shows the derivative instruments used by the SEA Group to hedge interest rate risk (measured at fair value through profit or loss).

INTERESTED RATE HEDGING INSTRUMENTS (amounts in thousands of euro)	Notional amount on inception	Balance outstanding as of 31 Dec. 2010	Date of instrument	Inception date	Maturity date	Fair value as of 31 Dec. 2010	Fair value as of 31 Dec. 2009
Step up collar knock out swap	30,729	0	25/6/2004	15/3/2005	15/9/2010	0.0	-321.2
Plain vanilla	50,000	50,000	8/5/2006	13/9/2006	13/3/2011	-704.2	-1,966.8
	22,000	16,211	31/5/2006	15/3/2007	15/3/2011	-212.0	-637.7
Collar swap	11,645	8,734	7/6/2006	15/9/2006	15/3/2011	-108.9	-323.8
	17,500	9,500	7/6/2006	15/9/2006	15/3/2011	-116.8	-360.8
	12,000	0	11/7/2007	17/9/2007	15/9/2010	0.0	-381.6
	12,000	0	20/7/2007	17/9/2007	15/9/2010	0.0	-383.1
	11,000	0	4/9/2007	17/9/2007	15/9/2010	0.0	-323.4
Total		84,444				-1,142.9	-4,698.4

A minus sign indicates the cost to the SEA Group of extinguishing the existing instrument early

A minus sign indicates the premium to the SEA Group of extinguishing the existing instrument early

b) Exchange rate risk

Except for the exchange rate risk connected with commodity risk, the SEA Group is exposed to a low risk of fluctuations in exchange rates because, while operating an in international environment, it effects transactions chiefly in euros. Therefore, the SEA Group does not believe it necessary to put in place specific transactions hedging this risk as amounts in currencies other than the euro are modest and receipts and payments tend to offset one another.

c) Commodity risk

The SEA Group is exposed to fluctuations in the prices, and related exchange rates, for energy commodities, i.e. gas and marginally electricity. These risks originate from purchases of energy commodities, which reflect fluctuations in the prices for the respective fuels, denominated in US dollars. Such fluctuations occur both directly and indirectly, through formulae and indices used in the pricing structure. Risks are present also in energy sales, in relation to fluctuations in the market price for the electricity sold to third parties.
As of 31 December 2010 the SEA Group had not put in place transactions to hedge this risk; their use is being evaluated for future years.

d) Liquidity risk

Liquidity risk for the SEA Group may occur where available financial resources are not sufficient to discharge financing and trading obligations on the agreed terms and by the agreed dates.
Liquidity, cash flows and financing requirements of the SEA Group are managed through policies and processes designed to minimise liquidity risk. In detail, the SEA Group:

- monitors and manages available financial resources centrally, under the supervision of the Group's treasury department, so as to ensure effective and efficient management of said resources, also prospectively;
- maintains appropriate cash holdings on treasury current accounts;
- has obtained committed (both revolving and non revolving) credit facilities suitable to meet the Group's financing requirements for the next 12 months originating from planned capital expenditure and the repayment of financial debts;
- monitors prospective liquidity, in relation to the business planning process.

At the end of 2010 the SEA Group had unused committed credit facilities for €170 million, with an average remaining term of more than 4 years, divided as follows: non-revolving credit lines for a total of €120 million intermediated by leading banks and drawing on funds from the EIB, related to construction of infrastructure at Malpensa airport, and a revolving credit line of €50 million (which may be drawn down in tranches of 3 to 12 months). As of 31 December 2010 the SEA Group had €21.3 million in cash invested in ordinary and treasury current accounts.
Coverage of trade payables is ensured by the SEA Group through careful management of working capital, to which contribute trade receivables and the respective contractually agreed settlement terms (also using indirect factoring transactions that make available additional credit facilities to ensure appropriate flexibility in the use of available funds).

The following table breaks down by maturity financial debts (principal, interest and derivative instruments) and trade payables as of 31 December 2010:

(amounts in millions of euro)	< 1 year	> 1 year < 3 years	> 3 years < 5 years	> 5 years	Total
Liabilities					
Gross financial debts	75.8	171.2	49.5	119.5	416.0
Trade payables	148.4				148.4
Total debts	***224.2***	***171.2***	***49.5***	***119.5***	***564.4***

The following table breaks down by maturity financial debts (principal, interest and derivative instruments) and trade payables as of 31 December 2009:

(amounts in millions of euro)	< 1 year	> 1 year < 3 years	> 3 years < 5 years	> 5 years	Total
Liabilities					
Gross financial debts	54.8	90.4	171.9	142.5	459.6
Trade payables	149.8				149.8
Total debts	***204.6***	***90.4***	***171.9***	***142.5***	***609.4***

(*) With regard to gross financial debts, it should be noted that these values do not include the credit facilities providing advances against government grants receivable, which as of 31 December 2009 had been drawn down for €22.5 million, and repayment of which is related to the collection of the receivables by SEA. Amounts drawn down from these credit facilities must be repaid in May 2011, even if SEA does not receive the corresponding grants (please note that a decree to re-award funds for €13 million is already being examined by the Ministry of the Economy).

Sensitivity analysis

In consideration of the fact that exchange rate risk is more or less insignificant for the SEA Group, the sensitivity analysis relates to those balance sheet items whose value may change as a result of fluctuations in interest rates.
In detail, the analysis considered:
- Bank deposits,
- Borrowings, and
- Derivative instruments hedging interest rate risk.

The assumptions and methods of calculation used in the sensitivity analysis conducted by the SEA Group are the following:

a) Assumptions: The effect on profit or loss of the SEA Group of a change in market interest rates of +50 or -50 basis points was calculated for the years ended 31 December 2010 and 31 December 2009.

b) Method of calculation:
   - The return on bank deposits is related to fluctuations in interbank rates. To estimate the increase/decrease in interest income caused by changing market conditions, the assumed change detailed in point a) was applied to the average annual balance of bank deposits of the SEA Group;
   - Borrowings considered were variable-rate loans, on which the interest expense is related to fluctuations in the 6-month Euribor rate;
   - The increase/decrease in interest expense caused by changing market conditions was estimated applying the assumed change detailed in point a) to the principal amount of borrowings existing in the year.
   - Derivative instruments hedging interest rate risk were measured in terms of both cash flows and fair value (in terms of the change from the previous year). In both cases the values were estimated applying the assumed change detailed in point a) to the forward curve estimated for the period in question.

The results of the sensitivity analysis are set out below:

(amounts in thousands of euro)	2010		2009	
	-50 bp	+50 bp	-50 bp	+50 bp
Current accounts (interest income)	-155.78	162.40	-130.65	130.65
Borrowings (interest expense) (1)	1,588.73	-1,588.73	1,824.04	-1,824.04
Hedging derivative instruments (cash flow)(2)	-677.30	677.30	-696.32	761.88
Hedging derivative instruments (fair value)	-211.92	211.49	-835.00	689.00

(1) + = lower interest expense; - = higher interest expense

(2) + = income from hedging instrument; - = cost of hedging instrument

The results of the sensitivity analysis on current accounts are affected by the low level of interest rates in the market, which in the event of a change of -50 basis points would be negative and were therefore set as zero.

It should be noted that certain financing arrangements provide for compliance with specific financial ratios (covenants), referred to the ability of the SEA Group to meet its annual or half-yearly financial requirements (net of available funds and government grants receivable) through profit from ordinary operations. In certain financing arrangements, exceeding predefined thresholds of covenants triggers the application, for the six months after the determination of the financial ratio, of a predefined spread (in accordance with a contractually defined pricing grid).
At present the SEA Group is not aware of any instances of default connected with existing borrowings or failure to comply with any of the above-mentioned covenants.

Classification of financial instruments

Financial statements as of 31 December 2009
(amounts in thousands of euro)

CATEGORY	Note	Fair value through profit or loss	Fair value through equity	Loans and receivables	Liabilities at amortised cost	Shareholder's equity
NON-CURRENT ASSETS						
Investments in associates	7					36,243
Available-for-sale financial assets	8	2,415	7,500			
Deferred tax assets	9			26,294		
Receivables from the Treasury	10			883		
Other receivables	10			696		
CURRENT ASSETS						
Trade receivables	12			162,358		
Receivables from associates	12			10,612		
Receivables from the Treasury	13			5,461		
Other receivables	13			19,119		
Loans	13			24,136		
Cash and cash equivalents	14			25,774		
NON-CURRENT LIABILITIES						
Bank loans and overdrafts	18				339,061	
CURRENT LIABILITIES						
Other current liabilities	19				87,271	
Trade payables and payments on account	19				146,166	
Payables to associates	19				3,677	
Bank loans and overdrafts	20				72,767	

Financial statements as of 31 December 2010
(amounts in thousands of euro)

CATEGORY	Note	Fair value through profit or loss	Fair value through equity	Loans and receivables	Liabilities at amortised cost	Shareholder's equity
NON-CURRENT ASSETS						
Investments in associates	7					35,656
Available-for-sale financial assets	8	26	15,700			
Deferred tax assets	9			15,825		
Receivables from the Treasury	10			757		
Other receivables	10			430		
CURRENT ASSETS						
Trade receivables	12			179,625		
Receivables from associates	12			10,515		
Receivables from the Treasury	13			4,678		
Other receivables	13			8,480		
Loans	13			9,504		
Cash and cash equivalents	14			23,465		
NON-CURRENT LIABILITIES						
Bank loans and overdrafts	18				301,252	
Payables to other lenders	18				3,128	
CURRENT LIABILITIES						
Other current liabilities	19				87,414	
Trade payables and payments on account	19				146,513	
Payables to associates	19				1,902	
Bank loans and overdrafts	20				70,510	
Payables to other lenders	20				2,773	

NOTES TO THE BALANCE SHEET

5. INTANGIBLE ASSETS

Intangible assets	31 Dec. 2009 Restated	Increases	Recognition of concession right	Account transfers (+)	Account transfers (-)	Amortisation charges /Write-downs	31 Dec. 2010
Rights to assets under concession	677,868		5,009	24,180		-16,376	690,681
Industrial patent and other intellectual property rights	5,364	2,990				-2,837	5,517
Assets under construction and payments on account	1,199	482					1,681
Airport concessions in progress and payments on account	2,120		36,492		-24,180		14,432
Total	**686,550**	**3,472**	**41,501**	**24,180**	**-24,180**	**-19,213**	**712,310**

Pursuant to IFRIC 12, the Group recognised ‘Rights to assets under concession’ for €690,681 thousand as of 31 December 2010 vs. €677,868 thousand as of 31 December 2009. These rights are amortised on a straight-line basis over the term of the concession from the State. Amortisation charged in 2010 was equal to €16,376 thousand.

Pursuant to IFRIC 12, the SEA Group does not control these types of assets, but is obliged to recognise a provision for renovation and replacement. For additional detail reference is made to note 34 ‘Application of IFRIC 12 to the consolidated figures of the SEA Group’.

‘Industrial patent and other intellectual property rights’, equal to €5,517 thousand as of 31 December 2010, relates to purchases of licences for the airport operation and management information systems, and purchases of software components. Application of the amortisation rate of 33.33% per annum resulted in an amortisation charge for the year of €2,837 thousand.

‘Assets under construction and payments on account’, equal to €1,681 thousand as of 31 December 2010, relates mainly to the costs incurred for work relating to implementation of and upgrades to management software.

‘Airport concessions in progress and payments on account’, equal to €14,432 thousand as of 31 December 2010 (€2,120 thousand as of 31 December 2009) relates to construction services in progress at the reporting date, measured under the percentage of completion method in accordance with IAS 11.

Impairment test of the CGUs BHS Malpensa and Third satellite Malpensa

In the years 2007 and 2008, SEA posted impairment losses for a total of €58,015 thousand as a consequence of de-hubbing of Malpensa by Alitalia, the key carrier operating at Milan’s airports. In detail, €23,100 thousand was referred to the impairment of the baggage handling system (BHS) and €34,915 thousand to Malpensa’s third satellite.

With reference to the outlook for air traffic, and to the absence of additional internal and external factors that may have a significant impact on Malpensa’s airport system, the impairment losses posted in previous years were substantially confirmed also in the 2010 financial statements.

As of 1 January 2009, as a result of retrospective application of IFRIC 12, the values of the impairment losses posted in previous years were equal to a total of €90,082 thousand (whereof €57,885 thousand referred to the BHS and €32,197 thousand to the third satellite).

Impairment test of the CGU Handling

In compliance with IAS 36, for the CGU Handling no change was posted compared with the values as of 31 December 2009 because the recoverable amounts of plant and machinery, industrial and commercial equipment and other assets were in line with the net book values.

6. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

The balance and movements during the year are detailed as follows:

Property, plant and equipment	31 Dec. 2009 Restated	Additions	Assets derecognised pursuant to IFRIC 12	Disposals / Scrapped or non-existent assets	Account transfers (+)	Account transfers (-)	Depreciation charges / Utilisations	31 Dec. 2010
Gross values								
Land and buildings	214,702	49	786	-1,852	49,989	-58,790		204,884
Plant and machinery	125,632	97	-7,576	-2,281	5,343	-2,348		118,867
Industrial and commercial equipment	81,897	2,797	-2,138	-1,043				81,513
Other assets	93,272	2,425		-2,766	2,675			95,606
Assets under construction and payments on account	47,958	69,525	-41,693	-6	60,713	-57,582		78,915
Total Gross values	**563,461**	**74,893**	**-50,621**	**-7,948**	**118,720**	**-118,720**	**0**	**579,785**
Accumulated depreciation								
Land and buildings	-61,453			585		117	-5,844	-66,595
Plant and machinery	-67,088			2,238			-3,698	-68,548
Industrial and commercial equipment	-80,024			1,043			-1,341	-80,322
Other assets	-82,818			2,712			-3,965	-84,071
Total Accumulated depreciation	**-291,383**	**0**	**0**	**6,578**	**0**	**117**	**-14,848**	**-299,536**
Impairment losses								
Land and buildings	-1,880							-1,880
Plant and machinery	4,836			37			0	4,873
Industrial and commercial equipment	-504							-504
Other assets	-518							-518
Assets under construction and payments on account	-35,904							-35,904
Total Impairment losses	**-33,970**	**0**	**0**	**37**	**0**	**0**	**0**	**-33,933**
Net book values								
Land and buildings	151,369	49	786	-1,267	49,989	-58,673	-5,844	136,409
Plant and machinery	63,380	97	-7,576	-6	5,343	-2,348	-3,698	55,192
Industrial and commercial equipment	1,369	2,797	-2,138	0	0	0	-1,341	687
Other assets	9,936	2,425	0	-54	2,675	0	-3,965	11,017
Assets under construction and payments on account	12,054	69,525	-41,693	-6	60,713	-57,582	0	43,011
Total Net book values	**238,108**	**74,893**	**-50,621**	**-1,333**	**118,720**	**-118,603**	**-14,848**	**246,316**

Property, plant and equipment as of 31 December 2010 was equal to €246,316 thousand, a net increase of €8,208 thousand on 31 December 2009. 'Additions', equal to €74,893 thousand, relates mainly to work on the terminal buildings, runways and aprons of Linate and Malpensa airports.

The column 'Assets derecognised pursuant to IFRIC 12' relates to the derecognition from assets owned by the SEA Group, pursuant to IFRIC 12, of those assets on which the Group does not have control and that are recognised as 'Rights to assets under concession'.

For a detailed analysis of the impact of the application of IFRIC 12 reference is made to note 34 'Application of IFRIC 12 to the consolidated figures of the SEA Group'.

Account transfers between 'Assets under construction' and 'Land and buildings' relate mainly to the capitalisation in 2010 of work on the buildings, runways, aprons and roads at Linate and Malpensa airports, as well as to the reclassification as 'Rights to assets under concession' of new capitalisations posted during the year and relating to assets subject to IFRIC 12.

The column 'Disposals / Scrapped or non-existent assets' shows non-existed assets and the values of assets disposed of or scrapped during the year.

Investment properties	31 Dec. 2009	Purchases	Disposals / Scrapped or non-existent assets	Account transfers	Depreciation charges / Utilisations	31 Dec. 2010
Gross amounts	4,075					4,075
Accumulated depreciation	-464			-117	-88	-669
Net book values	**3,611**	**0**	**0**	**-117**	**-88**	**3,406**

'Investment properties', equal to €3,406 thousand as of 31 December 2010, relates to civil buildings not necessary to the operation of the business of the SEA Group.

7. INVESTMENTS IN ASSOCIATES

The balance is detailed as follows:

Investments in associates	31 Dec. 2009	Increases/ Revaluations	Decreases/ Write-downs	31 Dec. 2010
Investments in associates				
SACBO SpA	22,443	4,046		26,489
Dufrital SpA	9,215	823	-6,000	4,038
CID Italia SpA	390	221		611
Disma SpA	2,314	245		2,559
Malpensa Logistica Europa	1,763			1,763
SEA Services	118	78		196
Total Investments in associates	**36,243**	**5,413**	**-6,000**	**35,656**

All investees are resident in Italy.
The percentages held in these entities are reported in note 30.

Below we report the key balance sheet and income statement figures for the year ended 31 December 2010, adjusted to conform to the IFRS adopted by the parent company.

SACBO SpA
Adjusted shareholder's equity as of 31 December 2010 was €85,506 thousand (€26,489 being the SEA Group's proportionate share) and net profit for the year was €13,257 thousand (€4,107 being the Group's proportionate share).
The increase in the year of €4,046 thousand was due to profit for the period and adjustment to the equity value as of 31 December 2010.

Dufrital SpA
Adjusted shareholder's equity was €10,095 thousand (€4,038 thousand being the Group's proportionate share) and net profit for the year was €1,859 thousand (€744 thousand being the Group's proportionate share). Measurement at equity entailed a total decrease in the carrying amount of the investment of €5,177 thousand resulting from a decrease of €6,000 thousand for the dividend distribution of 2008 and an increase of €823 thousand due to profit for the period and adjustment to the equity value as of 31 December 2010.

CID Italia SpA
Adjusted shareholder's equity was €1,528 thousand (€611 thousand being the Group's proportionate share) and net profit for the year was €299 thousand (€119 thousand for the SEA Group). The increase in the year of €221 thousand was due to profit for the period and adjustment to the equity value as of 31 December 2010.

Disma SpA
Adjusted shareholder's equity was €13,648 thousand (€2,559 thousand being the Group's proportionate share) and net profit for the year was €1,305 thousand (€245 thousand being the Group's proportionate share). The increase in the year of €245 thousand was due to profit for the period.

Malpensa Logistica Europa SpA
Available figures relate to the financial statements as of 31 December 2009 and show adjusted shareholder's equity of €7,052 thousand (€1,763 thousand being the Group's proportionate share).

SEA Services S.r.l.
Adjusted shareholder's equity was €653 thousand (€196 thousand being the Group's proportionate share) and net profit for the year was €260 thousand (€78 thousand being the Group's proportionate share). The increase in the year of €78 thousand was due to profit for the period.

8. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments	31 Dec. 2009	Increases/ Revaluations	Decreases/ Write-downs	31 Dec. 2010
Available-for-sale investments				
GESAC SpA	2,389	5,811		8,200
SITA Société Internationale de Télécommunications Aéronautiques – Belgium-based cooperative	0			0
Consorzio MilanoSistema	25			25
Romairport Srl	1			1
Aeropuertos Argentina 2000 SA	7,500			7,500
Total Available-for-sale investments	**9,915**	**5,811**	**0**	**15,726**

'Available-for-sale investments' increased by €5,811 thousand compared with 31 December 2009 as a result of the measurement at fair value of the investment in GESAC following its sale on 3 March 2011. For additional details, reference is made to the paragraph titled '2010: significant events' in the directors' report on operations accompanying the consolidated financial statements.

9. DEFERRED TAX ASSETS, NET

Deferred tax assets	31 Dec. 2009	Increases/(Decreases)	31 Dec. 2010
Deferred tax assets	63,561	-8,502	55,059
Deferred tax liabilities	-37,267	-1,967	-39,234
Deferred tax assets, net	**26,294**	**-10,469**	**15,825**

Deferred tax assets, net of deferred tax liabilities, were equal to €15,825 thousand as of 31 December 2010, having decreased by €10,469 thousand in the course of 2010. They relate mainly to the posting of taxed write-downs and provisions for risks and charges. Deferred tax assets were calculated using the tax rates in force as of 31 December 2010.

Deferred tax liabilities comprise those originating from temporary differences between the depreciation and amortisation charges against property, plant and equipment and intangible assets posted for statutory purposes and the extra charges calculated for fiscal purposes, the effect of the recalculation of employee benefits in accordance with IAS 19, and the deferred tax effect originating from the application of IFRIC 12. For a more appropriate presentation the balance of 2009 was reclassified.
For additional details, reference is made to note 25.

10. OTHER NON-CURRENT RECEIVABLES

Other non-current receivables	31 Dec. 2009	Increases (Decreases) and reclassifications	(Charges to provisions)	Utilisations of provisions	31 Dec. 2010
Tax receivables	**883**	-126			**757**
Other receivables:					
Other receivables	696	-266			430
	696	**-266**	**0**	**0**	**430**
Total Other non-current receivables	**1,578**	**-392**	**0**	**0**	**1,187**

'Tax receivables', equal to €757 thousand as of 31 December 2010, relates to the taxes withheld from the employees' severance entitlement (TFR) of the subsidiary SEA Handling.

'Other receivables', equal to €430 thousand as of 31 December 2010, relates mainly to receivables from employees and guarantee deposits.

CURRENT ASSETS

11. INVENTORIES

The balance is detailed as follows:

Inventories	31 Dec. 2009	Increases (Decreases)	31 Dec. 2010
Raw materials and consumables	9,274	419	9,693
Total	**9,274**	**419**	**9,693**

'Inventories', equal to €9,693 thousand, comprises consumables in stock as of 31 December 2010.

12. Trade receivables

Trade receivables are analysed as follows:

Trade receivables	31 Dec. 2009	Increases (Decreases) and reclassifications	(Charges to bad debt provision)	Utilisations/ Releases of provisions	31 Dec. 2010
Trade receivables – third parties					
Trade receivables, invoices and credit notes to be issued	303,587	-23,755			279,832
Bad debt provision	-141,229	168	-9,765	50,619	-100,207
	162,358	**-23,587**	**-9,765**	**50,619**	**179,625**
Trade receivables – associates	**10,612**	**-96**			**10,516**
Total Trade receivables	**172,970**	**-23,683**	**-9,765**	**50,619**	**190,141**

Trade receivables are presented net of the bad debt provision that amounted to €100,207 thousand and €141,229 thousand, respectively, as of 31 December 2010 and 31 December 2009.

The criteria applied to adjust receivables to estimated recoverable amount reflect different assessments based on the status of litigation. Bad debt charges, equal to €9,765 thousand, were posted to reflect both the risk of deterioration of the financial condition of the key operators with which litigation is pending, and write-downs of accounts receivable from entities undergoing bankruptcy proceedings. The column 'Utilisations/Releases of provisions' is attributable to the settlement in the course of the year of litigation for which provision had been posted in prior years. The most important settlements are illustrated below:

- *Litigation with Volare Airlines in extraordinary administration and Air Europe in extraordinary administration* – In 2010 the SEA Group made a settlement that provided for the end of clawback suits, the waiver of receivables from the entities undergoing bankruptcy proceedings and the payment of a lump sum equal to €4.7 million;
- *Litigation concerning centralised infrastructure and other claims* – On 9 January 2011 the SEA Group and the Alitalia Group reached a settlement to end the litigation started in 2004 concerning fees for the centralised services provided by SEA to AirOne at Malpensa and Linate airports and other claims pending with the Alitalia Group. In exchange for the payment of the agreed amount to SEA, the respective claims were abandoned;
- *Litigation with caterers* - The settlement ended all claims arising in relation to activities carried out by caterers within the airport sites of Linate and Malpensa, with particular reference to the fees applied by the SEA Group

Trade receivables include receivables from associates, detailed as follows:

Receivables from associates	31 Dec. 2010	31 Dec. 2009	Change
Dufrital SpA	6,909	6,079	830
Malpensa Logistica Europa SpA	1,790	3,437	-1,647
CID Italia SpA	1,035	872	163
SACBO SpA	6	27	-21
Disma SpA	152	58	94
Sea Services	623	139	484
Total	**10,515**	**10,612**	**-97**

Receivables from Dufrital, equal to €6,909 thousand as of 31 December 2010 and receivables from CID Italia, equal to €1,035 thousand, are of a trading nature and relate mainly to royalties on concessions of commercial spaces; receivables from Malpensa Logistica Europa, equal to €1,790 thousand, relate mainly to rent for the spaces used by the entity; receivables from SEA Services, equal to €623 thousand as of 31 December 2010, relate mainly to concessions for catering services.

13. Other current receivables

Other current receivables	31 Dec. 2009	Increases (Decreases) and reclassifications	(Charges to provisions)/ Reclassifications	Utilisations of provisions	31 Dec. 2010
Tax receivables	**5,461**	**-783**			**4,678**
Other receivables:					
Other receivables	44,957	-25,513			19,444
Bad debt provision	-1,702	-168	-173	583	-1,460
	43,255	**-25,681**	**-173**	**583**	**17,984**
Total Other current receivables	**48,716**	**-26,464**	**-173**	**583**	**22,662**

Tax receivables for income and indirect taxes amounted to €4,678 thousand as of 31 December 2010 and relate for €2,266 thousand to a claim for refund of 10% of the IRAP (regional trade income tax) paid in prior years, for €1,666 thousand to VAT, for €281 thousand to IRAP and for €465 thousand to tax receivables.

‘Other receivables’ is analysed as follows:

Other receivables	31 Dec. 2010	31 Dec. 2009	Change
Receivables from the Treasury for government grants pursuant to Law No. 449/85	9,504	24,136	-14,632
Receivables from the Treasury for litigation between SEA and the Ministry of Infrastructure and Transport	3,195	3,022	173
Sundry receivables	4,606	12,962	-8,356
Receivables from employees and social security institutions	1,928	4,575	-2,647
Receivables from the Ministry of Communications for radio links	211	262	-51
	19,444	**44,957**	**-25,513**
Provision for impairment	-1,460	-1,702	242
Total	**17,984**	**43,255**	**-25,271**

‘Receivables from the Treasury for government grants pursuant to Law No. 449/85’, discounted to present value in accordance with IAS 39, was equal to €9,504 thousand as of 31 December 2010. The balance decreased by €14,632 thousand in the course of 2010 following receipt of receivables arising in the years 2008 and 2009.
In relation to ‘Receivables from the Treasury for litigation between SEA and the Ministry of Infrastructure and Transport’ originating from the ruling of the supreme Court of Cassation that ordered the payment to SEA of adjustments to handling tariffs for the period 1974-1981, plus interest and expenses incurred by SEA, the balance of €3,195 thousand relates to the amount not yet collected from the Ministry, plus interest earned up to 31 December 2010.

‘Sundry receivables’, equal to €4,606 thousand, comprises receivables of miscellaneous nature (for ticket sales, refunds, advances to suppliers, receivables from insurers, for arbitration with contractors, from the CRAL, the employees’ recreational association, and other minor items). The change was mainly due to the collection of the outstanding amount receivable for the sale by the parent company of 75% of Malpensa Logistica Europa.

‘Receivables from employees and social security institutions’, equal to €1,928 thousand as of 31 December 2010, comprises mainly receivables from INPS, national social security, and Fondo Volo, the social security fund for airline pilots, cabin attendants and technicians, for the advance payment to employees on behalf of those institutions of the special redundancy benefits of *Cassa Integrazione Guadagni Straordinaria*, and receivables from INAIL, national industrial accident insurance.

‘Receivables from the Ministry of Communications’, equal to €211 thousand, relates to excess payments of fees for radio links made provisionally in prior years that will be offset against fees payable in future.

14. CASH AND CASH EQUIVALENTS

	31 Dec. 2010	31 Dec. 2009	Change
Bank and postal deposits	23,353	25,639	-2,286
Cash in hand and cash equivalents	112	135	-23
Total	**23,465**	**25,774**	**-2,309**

Available funds as of 31 December 2010 comprise the following assets:

- Available bank and postal deposits for €13,691 thousand;
- Tied bank deposits securing repayment of the EIB loans maturing in the following 12 months for €9,662 thousand;
- Cash in hand and cash equivalents for €112 thousand.

15. SHAREHOLDER'S EQUITY

As of 31 December 2010 share capital of the parent company SEA amounted to €27,500 thousand and was held as follows:

	No. of shares	%
Municipality of Milan	211,398,622	84.56
ASAM SpA	36,394,210	14.56
Other shareholders	2,207,168	0.88
Total	**250,000,000**	**100.00**

The nominal value of shareholders' equity of the parent company SEA is €27,500,000 and each share is worth a nominal €0.11.

The statement of changes in shareholders' equity has been prepared in accordance with IAS 1 Revised – Presentation of financial statements, application of which is mandatory for financial years beginning on or after 1 January 2009.

Movements in shareholders' equity in the periods presented are illustrated below:

	Share capital	Legal reserve	Other reserves and retained earnings (accumulated losses)	IFRIC 12 reserve	Fair value adjustments to available-for-sale financial assets	Adjustments to investments in associates	Profit for the year	Capital and reserves attributable to owners of the parent company	Capital and reserves attributable to minority interests	Consoli-dated equity
Restated balance as of 31 Dec. 2008	**27,500**	**5,500**	**201,280**	**28,464**	**4,632**	**0**	**1,772**	**269,148**	**2,994**	**272,142**
Appropriation of profit for 2008 and other movements			(1,340)			4,000	(1,772)	**888**	**(1,615)**	**(727)**
Total comprehensive income/(loss)					0		55,026	**55,026**	**(1,301)**	**53,725**
Restated balance as of 31 Dec. 2009	**27,500**	**5,500**	**199,940**	**28,464**	**4,632**	**4,000**	**55,026**	**325,062**	**78**	**325,140**
Appropriation of profit for 2009 and other movements			55,026				(55,026)	**0**		**0**
Total comprehensive income/(loss)					5,519		63,131	**68,650**	2	**68,652**
Balance as of 31 Dec. 2010	**27,500**	**5,500**	**254,966**	**28,464**	**10,151**	**4,000**	**63,131**	**393,712**	**80**	**393,792**

For details of the composition of the 'IFRIC 12 reserve' reference is made to note 34 'Application of IFRIC 12 to the consolidated figures of the SEA Group'.

The item 'Fair value adjustments to available-for-sale financial assets' relates for €4,632 thousand to the fair value measurement in accordance with IAS 39, in 2008, of the 10% interest held by the parent company SEA in Aeropuertos Argentina 2000 and for €5,519 thousand to the fair value measurement of the investment in GESAC following its sale on 3 March 2011.

The item 'Adjustments to investments in associates', equal to €4,000 thousand, relates to the Group's proportionate share of the increase in equity reserves following the capital injection made in 2008 by the parent company of Dufrital in compliance with the contract signed with SEA.

LIABILITIES

NON-CURRENT LIABILITIES

16. PROVISIONS FOR RISK AND CHARGES

Provisions for risk and charges	31 Dec. 2009 restated	Charges/ Increases	Utilisations/ Releases	31 Dec. 2010
Other provisions:	**161,709**	**24,903**	**-31,685**	**154,927**
Provision for grants from the European Union	392		-392	0
Provision for renovation and replacement	101,994	13,798	-11,709	104,083
Provision for future liabilities	59,323	11,105	-19,584	50,844
Total Provisions for risk and charges	**161,709**	**24,903**	**-31,685**	**154,927**

Details are as follows.

The provision for renovation and replacement of assets under concession, set up pursuant to IFRIC 12, equal to €104,083 thousand as of 31 December 2010 (€101,994 thousand as of 31 December 2009), is the estimate of the costs incurred to 31 December 2010 for maintenance work on assets under concession from the State to be carried out in future years. For additional details about IFRIC 12 reference is made to note 34 'Application of IFRIC 12 to the consolidated figures of the SEA Group'.

Details of movements during the year in the provision for future liabilities are as follows:

Provision for future liabilities	31 Dec. 2009	Reclassifications	Charges/ Increases	Utilisations/ Releases	31 Dec. 2010
Labour-related provisions	21,465	-141	4,891	-9,511	16,704
Provision for litigation with contractors	1,313	4,922	2,600	-4,035	4,800
Provision for litigation with airlines	1,661	-1,517			144
Provision for fiscal risks	2,946	0	107	-23	3,030
Provision for sundry risks	31,938	-3,264	3,507	-6,015	26,166
Total Provision for future liabilities	**59,323**	**0**	**11,105**	**-19,584**	**50,844**

It should be noted that for a more appropriate presentation of the provision for future liabilities, certain reclassifications were made within the provision as of 31 December 2009.

The key components of provisions for risk and charges as of 31 December 2010 are:
- Labour-related provisions, €16,704 thousand, relating to litigation with employees and termination incentives;
- Provision for litigation arising during performance of tender contracts of €4,800 thousand;
- Provision for litigation with airlines of €144 thousand;
- Provision for fiscal risks, arising from litigation pending, of €3,030 thousand;
- Provision for sundry risks of €26,166 thousand, detailed as follows:
  - €9,350 thousand for litigation concerning the operation of the airports;
  - €5,000 thousand for the charges arising from the noise zoning plans for areas adjoining Linate and Malpensa airports (Law No. 447/95 and subsequent ministerial decrees). It should be noted Malpensa's Airport Commission, unlike Linate's, has not yet approved the areas of intervention;
  - €11,085 for risks referred to the status of litigation concerning the clawback actions brought against the Company by airlines that have been declared bankrupt;
  - €690 thousand for litigation with ENAV;
  - €41 thousand for the purchase of greenhouse gas emission allowances for the subsidiary Malpensa Energia.

17. PERSONNEL-RELATED PROVISIONS

Movements during the year in the provision for the employees' severance entitlement (TFR) are detailed as follows:

	31 Dec. 2010	31 Dec. 2009
Balance at the beginning of the year	**79,236**	**87,079**
Changes		
Personnel costs	11,631	11,484
Financial (income)/charges	3,096	3,986
Actuarial (gains)/losses charged to profit or loss	1,571	2,572
Utilisations	-22,708	-25,885
Total changes	**-6,411**	**-7,843**
Balance at the end of the year	**72,825**	**79,236**

The actuarial valuation of the provision for the employees' severance entitlement (TFR) reflects the effects of the reform introduced by Law No. 296 of 27 December 2006 and subsequent decrees and regulations.

The key actuarial assumptions used to determine pension liabilities are set out below:

	31 Dec. 2010	31 Dec. 2009
Annual discount rate	**4.50%**	**4.10%**
Annual inflation rate	**2.00%**	**2.00%**
Annual increase in employees' severance entitlement (TFR)	**3.00%**	**3.00%**

18. NON-CURRENT FINANCIAL LIABILITIES

	31 Dec. 2010	31 Dec. 2009	Change
Bank loans and overdrafts	301,252	339,061	-37,809
Payables to other lenders	3,128	0	3,128
Total	**304,380**	**339,061**	**-34,681**

Medium-/long-term financial liabilities, comprising only the portions of loans maturing after 31 December 2011, were equal to €301,252 thousand (a decrease of €37,809 thousand on 31 December 2009).
The portions maturing in the 12 months after 31 December 2010 (included in Current financial liabilities) were equal to €37,793 thousand (an increase of €769 thousand on €37,024 thousand as of 31 December 2009).
Gross medium-/long-term financial liabilities as of 31 December 2010 amounted to €339,044 thousand, a decrease of €37,040 thousand on 31 December 2009 (see also note 20 'Current financial liabilities').
A detailed analysis of gross financial debts is provided in the section 'Risk Management'.

'Payables to other lenders', equal to €3,128 thousand as of 31 December 2010, relates to the non-current portion of a finance lease for x-ray scanners, as regulated by IAS 17.

CURRENT LIABILITIES

19. TRADE PAYABLES, TAX AND OTHER PAYABLES

Trade payables	31 Dec. 2010	31 Dec. 2009	Change
Payments on account	4,037	4,897	-860
Trade payables	142,476	141,269	1,207
Payables to associates	1,902	3,677	-1,775
Total	**148,415**	**149,843**	**-1,428**

The balance is analysed as follows:

'Payments on account', equal to €4,037 thousand as of 31 December 2010, decreased by €860 thousand compared with 31 December 2009. This comprises mainly grants from the European Union towards the engineering costs for the cargo logistics park and railway station to be built in the cargo area of Malpensa airport and advances from customers.

'Trade payables', equal to €142,476 thousand, relates to purchases of goods and services relevant to airport operation and the Group's capital expenditure, and increased by €1,207 thousand compared with 31 December 2009.

'Payables to associates' relates to sundry services and charges.

Tax payables	31 Dec. 2010	31 Dec. 2009	Change
Current income tax payable	41,351	44,004	-2,653
Total	**41,351**	**44,004**	**-2,653**

'Tax payables', equal to €41,351 thousand as of 31 December 2010, comprises the extra charge levied on airport departing passenger charges introduced by Laws No. 166/2008, 350/2003, 43/2005 and 296/2006 for €29,819 thousand, IRPEF (personal income tax) payable on the remuneration of employees and self-employed workers for €5,229 thousand, VAT for €1,026 thousand, IRES (corporation tax) for €4,797 thousand, IRAP (regional trade income tax) for €177 thousand and other tax payables for €303 thousand.

Other current liabilities	31 Dec. 2010	31 Dec. 2009	Change
Social security payables	18,306	20,442	-2,136
Other payables	69,108	66,829	2,279
Total	**87,414**	**87,271**	**143**

'Other payables' is detailed as follows:

Other payables	31 Dec. 2010	31 Dec. 2009	Change
Payables to employees for remuneration earned and sundry withholdings	**13,534**	**22,441**	**-8,907**
Payables to employees for holidays not taken	**11,316**	**10,016**	**1,300**
Sundry payables:			
Payables to the Treasury for concession fee	2,632	1,967	665
Third party liability damages	3,352	3,346	6
Payables to third parties of ticket sales receipts	6,166	5,959	207
Payables to the Treasury for assets to be handed over without charge	0	1,720	-1,720
Payables to the Treasury for concession fee for security services	72	66	6
Other	32,036	21,314	10,722
	44,258	**34,372**	**9,886**
Total	**69,108**	**66,829**	**2,279**

The item 'Other', equal to €32,036 thousand as of 31 December 2010, comprises the contribution payable by SEA to a fund for airport fire-fighting services established by Law No. 296 of 27 December 2006 for €15,825 thousand, as well as deferred income from customers, where the Group has issued invoices in advance but the related revenues are attributable to several financial years, and other minor payables for a total of €16,211 thousand. The increase of €10,722 thousand compared with 31 December 2009 is attributable for €6,462 thousand to the contribution payable by SEA to the fund for airport fire-fighting services established by Law No. 296 del 27 December 2006. The remaining increase, for a total of €4,260 thousand, is mainly attributable to higher deferred income from customers.

20. Current financial liabilities

	31 Dec. 2010	31 Dec. 2009	Change
Bank loans and overdrafts	70,510	72,767	-2,257
Payables to other lenders	2,773	0	2,773
Total	**73,283**	**72,767**	**516**

Current financial liabilities comprise:

- The principal portion of loans maturing in the following 12 months, equal to €37,793 thousand, an increase of €769 thousand compared with €37,024 thousand as of 31 December 2009. The increase in loan repayments depends on the schedule of repayment of the principal portions of existing loans;
- A short-term payable of €20,500 thousand connected with cash requirements originating from the significant volatility of receipts;

- A total of €9,277 thousand drawn down from two credit facilities (illustrated in the analysis of the net financial position) which provide advances against the government grants receivable by SEA;
- The negative fair value of derivative instruments for €1,142 thousand caused by the significant fall in interest rates from September 2008;
- Borrowing costs of the Group attributable to 2010 equal to €1,798 thousand.

The item ‘Payables to other lenders’, equal to €2,773 thousand as of 31 December 2010, relates for €631 thousand to the current portion of a finance lease for x-ray scanners, as regulated by IAS 17, and for €2,141 thousand to advances against the factoring of trade receivables on a recourse basis.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

21. REVENUES

AVIATION	FY 2010	FY 2009	Change	% change
Airport user charges				
Departing passengers charges	79,079	74,045	5,034	6.8%
Aircraft landing, take-off and parking charges	49,026	46,440	2,586	5.6%
Cargo loading and unloading charges	7,617	5,397	2,220	41.1%
Access fee	1,166	1,187	-21	-1.8%
Assistance to passengers with reduced mobility	7,734	7,346	388	5.3%
Total Airport user charges	**144,622**	**134,415**	**10,207**	**7.6%**
Centralised infrastructure	**64,000**	**68,726**	**-4,726**	**-6.9%**
Security	**53,675**	**50,727**	**2,948**	**5.8%**
TOTAL AVIATION	**262,297**	**253,868**	**8,429**	**3.3%**

HANDLING	**125,892**	**103,569**	**22,323**	**21.6%**

LOGISTICS	**0**	**25,061**	**-25,061**	**-100.0%**

NON AVIATION	FY 2010	FY 2009	Change	% change
Commercial activities				
Retail	21,759	22,796	-1,037	-4.5%
Advertising	10,179	10,139	40	0.4%
Food & beverage	15,992	14,823	1,169	7.9%
Car rental	12,185	11,752	433	3.7%
Duty paid and duty free	10,965	9,955	1,010	10.1%
Banking	5,948	7,281	-1,333	-18.3%
Total Commercial activities	**77,028**	**76,746**	**282**	**0.4%**
Third party handling operations and concession fees				
Check-in counters and other activities	11,399	12,682	-1,283	-10.1%
Aircraft refuelling	7,363	9,266	-1,903	-20.5%
Catering	1,533	2,447	-914	-37.4%
General aviation support	1,167	1,219	-52	-4.3%
Total Third party handling operations and concession fees	**21,462**	**25,614**	**-4,152**	**-16.2%**

Car parks				
Directly operated car parks	21,611	23,680	-2,069	-8.7%
Car parks operated under concession	18,579	18,888	-309	-1.6%
Total Car parks	**40,190**	**42,568**	**-2,378**	**-5.6%**
Cargo				
Concession of operating spaces to freight forwarders	10,378	6,927	3,451	49.8%
Cargo storage/portering and handling	0	2,837	-2,837	-100.0%
Total Cargo	**10,378**	**9,764**	**614**	**6.3%**
Services and other income				
Miscellaneous services	24,191	18,282	5,909	32.3%
Recharges of costs and expenses	8,896	9,000	-104	-1.2%
Miscellaneous concessions	4,619	4,722	-103	-2.2%
Engineering and technical services	3,457	3,050	407	13.3%
Ticket sales	2,764	3,008	-244	-8.1%
Sundry other income	5,830	5,214	616	11.8%
Rent income	605	509	96	18.9%
Total Services and other income	**50,362**	**43,785**	**6,577**	**15.0%**
TOTAL NON AVIATION	**199,420**	**198,477**	**943**	**0.5%**
Proceeds from work on assets under concession	**46,116**	**42,597**	**3,519**	**8.3%**
TOTAL REVENUES	**633,725**	**623,572**	**10,153**	**1.6%**

Revenue of the SEA Group for the year ended 31 December 2010 amounted to €633,725 thousand, an increase of 1.6% on €623,572 thousand for FY 2009. This performance was affected by the closure of Malpensa and Linate airports following caused by the dispersion of volcanic ash, but benefited from the recovery of passenger traffic (+5.3%) and cargo traffic (26.1%) especially at Malpensa.

Aviation revenue amounted to €262,297 thousand and increased by €8,429 thousand (3.3%) compared with 2009. In particular, airport user charges (€144,622 thousand) increased by 7.6% due both to the recovery of traffic and to the entry into effect, on 21 January 2010, of the decree of the Ministry of Transport that adjusted the values of airport charges to planned inflation for the year 2009; security services (€53,675 thousand) increased by 5.8%; centralised infrastructure fees (€64,000 thousand) decreased by 6.9% due to the coming into force of a new fee system for de-icing operations.

Handling revenue, equal to €125,892 thousand, increased by €22,323 thousand (+21.6%). The significant change is attributable for €14,883 thousand (principal amount plus revaluation) to the positive effect of the refund received from the Ministry of Transport for the damage caused by the illegitimate reduction of handling fees defined for the years 1987, 1989 and 1990.

It should be noted that, as a result of the different method applied to consolidate Malpensa Logistica Europa compared with 2009 (2010: equity method; 2009: line-by-line consolidation), due to the sale of 75% of the parent company's investment, there was no **logistics revenue** in FY 2010.

Non-aviation revenue, equal to €199,420 thousand for FY 2010, increased by a total of €943 thousand (+0.5%) compared with FY 2009.

Commercial activities generated revenue equal to €77,028 thousand, an increase of 0.4% on 2009. In detail, shop and duty free sales were substantially in line with 2009, generating revenue of 32,724 thousand; car rental and food & beverage revenues increased, respectively, by 3.7% and 7.9% due to growing business volumes; banking revenue decreased by 18.3% following the closure of two operators and lower fees from money exchange counters. For a more appropriate presentation, revenue for 2009 from the baggage wrapping service amounting to €1,732 thousand was reclassified from ‘Services and other income’ to ‘Commercial activities’.

Revenue from third party handling operations and concession fees, equal to €21,462 thousand for FY 2010, decreased by 16.2%. In detail, revenue from refuelling services decreased by 20.5% due to different fee adjustments at each airport; revenue from catering and check-in counters and operating spaces reduced, respectively, by 37.4% and 10.1% due to contractual fee adjustments.

Revenue from car parks (both operated directly by the parent company and under concession), equal to €40,190 thousand for FY 2010, decreased by a total of 5.6% on the previous year. The reduction was due at Linate to the closure of the multi-storey car park for renovation and at Malpensa to passengers’ rising propensity to use lower priced car parks.

Revenue from operating spaces on concession to freight forwarders, equal to €10,378 thousand for 2010, increased by 6.3% compared with 2009 as a result of contractual fee adjustments. It should be noted that in 2010 there was no ‘cargo’ revenue generated by Malpensa Logistica Europa, as a result of the different consolidation method applied compared with 2009 (2010: equity method; 2009: line-by-line consolidation), whereas in 2009 the item ‘operating spaces on concession to freight forwarders’, was reported net of elimination of intercompany items with Malpensa Logistica Europa.

Services and other income, equal to €50,362 thousand for 2010, increased by 15.0% compared with 2009. In particular we note the good performance of Malpensa Energia that generated higher revenue both from the sale of electrical and thermal power to third parties and from the sale of green certificates and CO_2 emission allowances exceeding its requirements. Revenue from assistance to passengers, which last year was affected by the partial closure for restyling of dedicated lounges, also increased.

Proceeds from work on assets under concession, recognised pursuant to IFRIC 12, were equal to €46,116 thousand for FY 2010 vs. €42,597 thousand for FY 2009 (+8.3%). This item of income corresponds to the costs incurred for work on assets under concession plus a 6% mark-up reflecting the remuneration of internal costs incurred for engineering and construction management performed by the SEA Group, and involves the recognition of assets under concession as intangible assets.

22. OPERATING COSTS

Personnel costs

	FY 2010	FY 2009	Change	% change
Salaries and wages	175,682	176,028	-346	-0.2%
Social charges	53,038	54,328	-1,290	-2.4%
Employees' severance entitlement (TFR)	11,631	11,484	147	1.3%
Other personnel costs	7,299	9,244	-1,945	-21.0%
Total Personnel costs	**247,650**	**251,084**	**-3,434**	**-1.4%**

Personnel costs of the SEA Group, equal to €247,650 thousand FY 2010, decreased by €3,434 thousand compared with 2009 (-1.4%).
It should be noted that adjusting for the net effect of the different consolidation method applied to Malpensa Logistica Europa compared with 2009, personnel costs would have increased by 1.9%. The change reflects mainly higher salaries negotiated in the revised collective labour agreement and increased overtime/holidays worked.

Other operating costs

Consumables	31 Dec. 2010	31 Dec. 2009	Change	% change
Raw materials, consumables and supplies	48,763	43,840	4,923	11.2%
Change in inventories	-419	-913	494	n.s.
Total Consumables	**48,344**	**42,927**	**5,417**	**12.6%**

Industrial costs	31 Dec. 2010	31 Dec. 2009	Change	% change
Ordinary maintenance	38,198	36,204	1,994	5.5%
Sundry industrial costs	4,462	14,737	-10,275	-69.7%
Cleaning	14,189	14,471	-282	-1.9%
Commercial and marketing services	21,818	10,841	10,977	n.s.
Insurance	5,507	7,329	-1,822	-24.9%
Airport fire-fighting service	6,462	6,434	28	0.4%
Outsourcing of cabin cleaning	5,295	5,630	-335	-6.0%
Rental of equipment and vehicles	3,614	3,586	28	0.8%
Urban solid waste tax	975	964	11	1.1%
Telephone	2,332	2,595	-263	-10.2%
Assistance to passengers with reduced mobility	2,174	2,870	-696	-24.3%
Write-offs of assets	0	2,126	-2,126	-100.0%
Security	1,336	1,511	-175	-11.6%
Electricity	694	736	-42	-5.7%
Water	778	891	-113	-12.7%
Heating and air conditioning	221	293	-72	-24.6%
Total Industrial costs	**108,055**	**111,218**	**-3,163**	**-2.8%**

Administrative expenses	31 Dec. 2010	31 Dec. 2009	Change	% change
Concession fee	5,828	7,817	-1,989	-25.4%
Hardware and software licence fees	5,721	5,995	-274	-4.6%
Legal services	3,773	2,919	854	29.3%
Strategic consulting	2,969	3,451	-482	-14.0%
Other administrative expenses	2,285	1,597	688	43.0%
Rent	1,144	1,348	-204	-15.1%
Technical services	2,986	3,724	-738	-19.8%
Directors' remuneration and expenses	809	1,001	-192	-19.2%
Gifts	710	755	-45	-6.0%
Taxes	2,503	1,586	917	57.8%
Association dues	1,046	991	55	5.5%
Advertising and promotion	2,182	1,119	1,063	95.0%
Medical services	757	754	3	0.4%
Sundry office operating costs	680	624	56	9.0%
Statutory auditors' remuneration and expenses	404	454	-50	-11.0%
Credit card costs and commissions	300	434	-134	-30.9%
Entertaining expenses	679	365	314	86.0%
Postage and telegraph	245	255	-10	-3.9%
Professional services for information systems	28	84	-56	-66.7%
Purchases of books and magazines and subscriptions	143	145	-2	-1.4%
Total Administrative expenses	**35,192**	**35,418**	**-226**	**-0.6%**

TOTAL OTHER OPERATING COSTS	**191,591**	**189,563**	**2,028**	**1.1%**

	FY 2010	FY 2009 restated	Change	Change %
Cost of work on assets under concession	**43,441**	**40,162**	**3,279**	**8.2%**

Other operating costs, equal to €191,591 thousand FY 2010, increased by €2,028 thousand on FY 2009 (+1.1%).

Purchases of consumables, equal to €48,344 thousand, increased by 12.6% mainly due to larger purchases of methane gas of the subsidiary Malpensa Energia, fuel and Kilfrost, a product used in de-icing.

Industrial costs, equal to €108,055 thousand for FY 2010, decreased by €3,163 thousand compared with the previous year (-2.8%). The main changes were reductions of insurance costs (-24.9%), the cost of assistance to passengers with reduced mobility (-24.3%) and outsourcing of cabin cleaning (-6.0%), which were counterbalanced by increases in the cost of maintenance (+5.5%) and marketing services (the latter increase is mainly attributable to the fact that the figure for FY 2009 was net of contributions received from Dufrital in execution of the commercial plan agreed with the SEA Group).
Other industrial costs decreased by 69.7% as a result of the different consolidation method applied to Malpensa Logistica Europa (2010: equity method; 2009 line-by-line consolidation); adjusted for this effect, other industrial costs increased by 5.3% mainly in relation to higher costs for assistance to passengers.

Administrative expenses, equal to €35,192 thousand FY 2010, decreased by €226 thousand on FY 2009 (-0.6%). The most significant changes were decreases in the cost of technical and strategic consulting, legal and professional services (-3.6%), the concession fee payable to the State (-25.4%) and rent expense (-15.1%), which were counterbalanced by higher tax charges (+57.8%) mainly as a result of higher local property tax due to new properties having been registered, and higher advertising and promotion expenses.

Cost of work on assets under concession amounted to €43,441 thousand in FY 2010 vs. €40,162 thousand in FY 2009 (+8.2%). This item comprises the cost of construction services rendered by third parties on assets under concession. It is accompanied by the recognition of proceeds from work on assets under concession.

23. DEPRECIATION/AMORTISATION, PROVISIONS AND WRITE-DOWNS

This item is detailed as follows:

Depreciation/amortisation	31 Dec. 2010	31 Dec. 2009 restated	Change	% change
Amortisation of intangible assets	21,977	28,651	-6,674	-23.3%
Depreciation of property, plant and equipment	14,936	12,170	2,766	22.7%
Total Amortisation/depreciation	**36,913**	**40,821**	**-3,908**	**-9.6%**

Provisions and write-downs	31 Dec. 2010	31 Dec. 2009 restated	Change	% change
Write-downs of receivables recorded in current assets	9,938	26,739	-16,801	-62.8%
Other revaluations of fixed assets	-2,764	0	-2,764	n.s.
Release of bad debt provision	-8,073	-4,258	-3,815	89.6%
Charges to/(releases from) provision for future liabilities	7,186	8,895	-1,709	-19.2%
Charge to provision for renovation and replacement	9,978	8,688	1,292	14.9%
Total Provisions and write-downs	**16,265**	**40,062**	**-23,797**	**-59.4%**

Total Depreciation/amortisation, provisions and write-downs	**53,178**	**80,883**	**-27,705**	**-34.3%**

Amortisation/depreciation totalled €36,913 thousand and comprises €14,936 thousand in depreciation of property, plant and equipment and €21,977 thousand in amortisation of intangible assets.

Provisions, **write-downs** and **revaluations** totalled €16,265 thousand.

Net charges to the provision for future liabilities, equal to €7,186 thousand, relate mainly to charges related to airport operations, clawback claims from airlines and labour-related charges. For additional details reference is made to the comments on consolidated performance in the directors' report on operations.

In June 2010 the European Commission started an inquiry into the measures adopted since 2002 to cover the losses reported by SEA Handling, considering them to be in breach of EU rules on state aid.

In covering those losses SEA believes to have acted as a private investor in a market economy.

Following publication of the inquiry in the OJEC, the parties involved, including SEA and SEA Handling, have been preparing the relevant remarks.
At the date of preparation of these consolidated financial statements no information is available that can lead one to expect an unfavourable outcome for the SEA Group of the formal inquiry by the Commission.

At the date of preparation of these draft consolidated financial statements, the Group is aware of the intention of the extraordinary commissioner appointed in the Alitalia procedure to file clawback claims as this has been expressed in the commissioner's report prepared pursuant to article 61, paragraph 3, of Legislative Decree No. 270 of 1999.

In connection with the possibility that clawback actions may be actually be instituted and in consideration of the available information, the SEA Group, supported by the advice of its legal counsels, did not post any provisions for risks, also in view of the possibility to invoke the general or particular exemptions allowed by law.

The charge to the provision for renovation and replacement, posted pursuant to IFRIC 12, was equal to €9,978 thousand for FY 2010 and is the amount calculated in respect of 2010.

Net write-downs of receivables for €1,865 thousand (€22,481 thousand in FY 2009) were posted to reflect the risk of deterioration of the financial condition of the key operators with which litigation is pending, and write-downs of receivables from entities undergoing bankruptcy proceedings.

The most important settlements made by the SEA Group are illustrated below:

- Litigation with Volare Airlines in extraordinary administration and Air Europe in extraordinary administration – At the end of 2010 a settlement was agreed that provided for the end of clawback suits, the waiver of receivables from the entities undergoing bankruptcy proceedings and the payment of a lump sum equal to €4.7 million;
- Litigation concerning centralised infrastructure and other claims – On 19 January 2011 the SEA Group and the Alitalia Group reached a settlement to end the litigation started in 2004 concerning fees for the centralised services provided by SEA to AirOne at Malpensa and Linate airports and other claims pending with the Alitalia Group. In exchange for the payment of the agreed amount to SEA, the respective claims were abandoned;
- Litigation with caterers **–** The settlement ended all claims arising in relation to activities carried out by caterers on the sites of Linate and Malpensa airports, with particular reference to the fees applied by the SEA Group.

The revaluation relates to plant and machinery for €2,764 thousand.

24. Income/(charges) from investments and Financial income/(charges)

This item is detailed as follows:

Income/(charges) from investments	**31 Dec. 2010**	**31 Dec. 2009**	**Change**	**% change**
Revaluations of investments	155	3,978	-3,823	-96.1%
Other income from investments	5,412	31,416	-26,004	-82.8%
Total Income/(charges) from investments	**5,567**	**35,394**	**-29,827**	**-84.3%**

Income from investments, equal to €5,567 thousand, relates for €5,412 thousand to the Group's share of the net profit or loss for the year of investees measured under the equity method. In detail:

SACBO SpA	4,046
Dufrital SpA	823
CID Italia SpA	220
Disma SpA	245
Malpensa Logistica Europa	0
Sea Service	78
Total	**5,412**

The Group's share of the net profit or loss for the year 2009 of investees, equal to €35,394 thousand, reflects the gains on the sale of the 19% interest held by the parent company in SACBO for €26,434 thousand and on the sale of 75% of Malpensa Logistica Europa for €4,771 thousand.

Financial income/(charges)

The balance is detailed as follows:

Financial income/(charges)	31 Dec. 2010	31 Dec. 2009 restated	Change	% change
Exchange gains	74	912	-838	-91.9%
Other financial income	18,129	5,161	12,968	n.s.
Total Financial income	**18,203**	**6,073**	**12,130**	**n.s.**
Interest expense on medium-/long-term debts	-7,466	-13,269	5,803	-43.7%
Exchange losses	-143	-21	-122	n.s.
Other interest expense	-11,613	-13,466	1,853	-13.8%
Total Financial charges	**-19,222**	**-26,756**	**7,534**	**-28.2%**
Total Financial income/(charges)	**-1,019**	**-20,683**	**19,665**	**-95.1%**

TOTAL INCOME/(CHARGES) FROM INVESTMENTS AND FINANCIAL INCOME/(CHARGES)	**4,548**	**14,711**	**(10,162)**	**-69.1.**

The net balance of **financial income and charges** was equal to €1,019 thousand and decreased by 95.1% compared with FY 2009. This significant change was due to the combined effect of the following factors:

- The positive effect of interest received following the collection of a refund for the damage related to handling fees of 1987/1989/1990 (€12,456 thousand);
- A reduction in interest expense on the Group’s borrowings, as a result of continuing repayment of medium-/long-term loans and lower interest rates (€5,803 thousand);
- The positive effect of fair value measurement of hedging derivatives (€4,188 thousand);
- Higher interest expense on leases (€1,025 thousand);
- Higher other financial charges (€1,988 thousand);
- Lower financial charges due to the application of IFRIC 12 (€231 thousand).

25. INCOME TAXES

Description	31 Dec. 2010	31 Dec. 2009 restated	Change	% change
Current income taxes	29,017	24,068	4,949	20.6%
Deferred income taxes	10,263	(1,203)	11,466	n.s.
Total	**39,280**	**22,865**	**16,415**	**71.8%**

Income taxes were equal to €39,280 thousand and comprise current income taxes of €29,017 thousand and deferred income taxes of €10,263 thousand.

RECOGNITION OF DEFERRED TAX ASSETS AND LIABILITIES AND RELATED EFFECTS

	2009			2010		
	Temporary differences	**Tax**	**Tax effect %**	**Temporary differences**	**Tax**	**Tax effect %**
DEFERRED TAX ASSETS:						
Tax loss for the purposes of IRES	326	90	27.50	0	0	27.50
Labour litigation	15,053	4,139	27.50	12,469	3,429	27.50
Provisions for risks and charges	30,241	9,496	31.40	29,616	9,331	31,4/37,9
Taxed bad debt provision	48,875	13,441	27.50	27,298	7,507	27.50
Derivative instruments and discounting to present value of government grants receivable	5,313	1,461	27.50	5,218	1,435	27.50
Impairment losses	58,015	18,217	31.40	56,297	15,482	27.50
Depreciation	53,217	16,711	27,5/31,4	56,591	17,819	27,5/31,4/34,0/37,9
Other temporary differences	22	6	27.50	167	57	34.00
TOTAL DEFERRED TAX ASSETS	**211,062**	**63,561**		**187,656**	**55,059**	
DEFERRED TAX LIABILITIES:						
Accelerated depreciation	52,745	8,914	27,5/3,9	33,942	7,437	27,5/3,9
Gains on disposal	161	44	27.50	817	225	27.50
Realised exchange gains	8	2	27.50	1	0	27.50
Depreciation	15,623	4,906	27,5/31,4	18,364	5,713	27,5/31,4/34,0
Employee benefits	12,975	3,568	27.50	13,953	3,837	27.50
Charges to bad debt provision	482	133	27.50	260	88	34.00
Provisions for risks and charges	12,478	3,918	31.40	12,752	4,004	31.40
Derivative instruments and discounting to present value of government grants receivable	6,109	1,680	27.50	10,720	2,948	27.50
Finance lease	0	0	27.50	2,269	624	27.50
Impact of IFRIC 12	41,363	12,988	31.40	42,376	13,306	31.40
Impact of IFRIC 12 – Borrowing costs	4,051	1,114	27.50	3,822	1,052	27.50
TOTAL DEFERRED TAX LIABILITIES	**145,994**	**37,267**		**139,275**	**39,234**	
Deferred tax (liabilities)/assets, net:		**26,294**			**15,825**	
DEFERRED TAX ASSETS, NET		**26,294**			**15,825**	

IRES, corporation tax – Reconciliation of ordinary to effective tax rate

	2009			2010		
	Taxable base	Tax charge	Tax rate	Taxable base	Tax charge	Tax rate
Profit before tax	96,756	26,608	27.5%	96,634	26,574	27.5%
Tax-exempt income	-	-	-	-	-	-
Increases						
Dividends	28	8	27.5%	303	83	27.5%
Charges to provisions	24,342	6,694	27.5%	21,132	5,811	27.5%
Non-deductible expenses	13,129	3,610	27.5%	9,567	2,631	27.5%
Write-downs of assets	0	0	27.5%	0	0	27.5%
Other permanent differences	29,668	8,159	27.5%	13,380	3,680	27.5%
Decreases						
Dividends	556	153	27.5%	6,053	1,665	27.5%
Utilisations of provisions	45,466	12,503	27.5%	50,781	13,965	27.5%
Deductible expenses	62,259	17,121	27.5%	25,335	6,967	27.5%
Tax base	55,641	15,301	27.5%	58,848	16,183	27.5%
Deductions		-			-	
IRES payable (*)		15,301			16,462	

	Theoretical tax	Effective tax	Diff. +	Theoretical tax	Effective tax	Diff. +
IRES, corporation tax	26,608	12,728	-13,880	26,574	16,462	-10,112
IRES rate%	27.5%	13.16%	-14.34%	27.5%	17.04%	-10.46%
IRAP, regional trade income tax, at 3.90%		11,338			12,555	
Total IRES-IRAP tax paid		24,068			29,017	
IRES - IRAP rate%	37.25%	24.87%	-12.38%	37.25%	30.03%	-7.22%

(*) Starting from 2010, Malpensa Energia is subject to an IRES surcharge of 6.5% known as 'Robin Tax'

26. MEMORANDUM ACCOUNTS AND OTHER COMMITMENTS

Guarantees received comprise:

- Guarantees received from customers for €935 thousand;
- Guarantees received from the subsidiary Malpensa Energia for €114 thousand relating to tender contracts for work on the power stations at Linate and Malpensa;
- A guarantee of €4,000 thousand received from the associate Malpensa Logistica Europa relating to the Group's cash pooling service.

Guarantees in favour of third parties comprise the following:

- A guarantee of €17,642 thousand issued by the European Investment Fund to secure the EIB loan;
- A guarantee of €5,400 thousand issued by Banca Popolare di Lodi to ENAC securing the concession fee;
- A guarantee of €7,500 thousand to Banca Popolare di Milano securing the credit facilities received by the subsidiaries that participate in the Group's cash pooling service;
- A guarantee relating to the subsidiary Malpensa Energia, issued by Banca Popolare di Milano to the Revenue Agency of Milan to secure offsetting of group VAT for €2,394 thousand;
- Sundry guarantees for €8,188 thousand. In detail:
    - A guarantee of €4,000 thousand in favour of the Ministry of Defence for the use by SEA of land owned by the Ministry following modifications of existing roads in relation to the opening of the new multi-storey car park at Linate. This guarantee falls into the scope of the technical agreement that SEA made on 4 June 2009 with the Ministry of Defence and ENAC that stipulates the transfer by the Ministry of Defence to ENAC of certain state properties no longer of interest to the military and bordering the sites of Linate and Malpensa airports. SEA, which needs to use those properties to develop and enhance infrastructure at the airports, acquires a concession to use the properties until 2041 in exchange for construction of a series of structures for the benefit of the Ministry of Defence, for an amount equal to €25,900 thousand;
    - A guarantee of €1,602 thousand in favour of Consorzio Parco Lombardo Valle del Ticino, the Ticino valley regional park authority, for the correct execution of compensatory afforestation performed in connection with the transformation of a portion of woodland into the airport site of Malpensa and in the municipality of Lonate Pozzolo;
    - A guarantee of €342 thousand in favour of the supplier Contract GmbH for the rental of airside transfer buses;
    - A guarantee of €1,052 thousand of the subsidiary Malpensa Energia in favour of Terna S.p.A. securing the dispatching of electricity;
    - A guarantee of €300 thousand of the subsidiary Malpensa Energia in favour of the GME, the national electricity market operator, for access to the power exchange;
- Other minor guarantees for €892 thousand.

Real guarantees, equal to €8,057 thousand, relate to a pledge on receivables to secure loans disbursed by banks drawing on funds from the EIB.

Commitments under long-term tenders and other contracts in progress comprise commitments to contractors for €53,185 thousand, reported net of works already built and billed to SEA. Commitments originating from tenders are detailed as follows:

Agreement SEA /Ministry of Defence / ENAC	25,773	Engineering and construction of works for Ministry of Defence
R.T.I. (jointly controlled operation) CCC/Cile/Oanzeri/Boffetti imp/STS	13,886	Linate and Malpensa - Engineering and extraordinary maintenance of infrastructure and plants
R.T.I. (jointly controlled operation) C.I.C./Sirti/Centroedile/Econord	7,054	Malpensa – Revamping of T2 aircraft apron
Codelfa	3,661	Malpensa – Roofing of FNM rail trench
Taddei	1,324	Malpensa – Completion of passenger terminal 3°/3°
ATI (jointly controlled operation) Cotea/Gemmo	862	Linate and Malpensa – Engineering and extraordinary maintenance of infrastructure
Consorzio Stabile Edimo	625	Linate – Civil and structural works for the new multi-storey car park north
TOTAL	**53,185**	

27. TRANSACTIONS WITH RELATED PARTIES

SACBO
SEA and SACBO have entered into a 'General service agreement' relating to the provision of support, consulting and professional/technical assistance services in the legal affairs, auditing and payroll areas. During FY this activity generated revenue of €69 thousand for the SEA Group.

Dufrital
In FY 2010 operations of Dufrital generated commercial revenues for the SEA Group from royalties on sales for €18,545 thousand.

CID Italia
In FY 2010 operations of CID Italia generated commercial revenues for the SEA Group from royalties on sales for €2,017 thousand.

Malpensa Logistica Europa
In FY 2010 leases of spaces to Malpensa Logistica Europa generated revenues for the SEA Group for €3,672 thousand.

SEA Services
In FY 2010 concession of spaces to SEA Services generated revenues for the SEA Group for €1,083 thousand. The costs incurred by the SEA Group in FY 2010 for catering services rendered by SEA Services were equal to €607 thousand.

Disma
In FY 2010 operations of Disma generated commercial revenues for the SEA Group from the concession for fuel distribution for €140 thousand.

28. DIRECTOR'S AND STATUTORY AUDITORS' REMUNERATION AND EXTERNAL AUDITORS' FEES

The remuneration paid by the SEA Group in 2010 to the members of the board of directors and board of statutory auditors (*Collegio Sindacale*) was equal, respectively, to €808 thousand and €404 thousand.
The remuneration payable in respect of the year 2010 to the members of the board of directors and board of statutory auditors of entities consolidated on a line-by-line basis, i.e. the directors and statutory auditors of the parent company, is equal, respectively, to €199 thousand and €68 thousand.

Pursuant to article 2427, paragraph 16bis, of the Civil Code, we report the fees paid to the external auditors PricewaterhouseCoopers SpA in respect of the year 2010:
1. Fees for statutory audit of the annual financial statements of SEA SpA, SEA Handling, Malpensa Energia and the consolidated financial statements of the SEA Group, for €197 thousand;
2. Fees for other procedures performed in the framework of the audit for €108 thousand;
3. Fees for non-audit services for €53 thousand.

29. Headcount

The following table shows the number of employees at the close of each quarter of 2010 and the annual average.

Grade	Headcount at 31 March 2010	Headcount at 30 June 2010	Headcount at 30 Sept. 2010	Headcount at 31 Dec. 2010	Average headcount in 2010
Executive managers	49	51	54	53	52
Middle managers	271	269	274	281	274
Clerical staff	2,967	2,975	2,931	2,919	2,948
Workers	1,974	1,986	1,932	1,925	1,954
Total	**5,261**	**5,281**	**5,191**	**5,178**	**5,228**

The following table shows the average number of employees for each quarter and for the year 2010 on the basis of hours paid and personnel hired and terminated in 2010.

Grade	Average full-time equivalents 1st quarter of 2010	Average full-time equivalents 2nd quarter of 2010	Average full-time equivalents 3rd quarter of 2010	Average full-time equivalents 4th quarter of 2010	Average full-time equivalents in 2010
Executive managers	50	50	53	53	52
Middle managers	271	271	270	281	273
Clerical staff	2,821	2,798	2,803	2,765	2,797
Workers	1,842	1,852	1,863	1,805	1,841
Total	**4,984**	**4,971**	**4,989**	**4,904**	**4,962**

30. List of entities included in the consolidation perimeter

The entities included in the consolidation perimeter and the respective reporting dates are listed below.

	Percentage held	Date of F/S
Entities consolidated line by line:		
- SEA Handling SpA	100	31 December 2010
- Malpensa Energia Srl	100	31 December 2010
- Consorzio Malpensa Construction	51.0	31 December 2010
Entities carried at equity:		
- Dufrital SpA	40.0	31 December 2010
- CID Italia SpA	40.0	31 December 2010
- SACBO SpA	30.979	31 December 2010
- SEA Services S.r.l.	30.00	31 December 2010
- Malpensa Logistica Europa SpA	25.0	31 December 2009
- Disma SpA	18.75	31 December 2010
Entities measured at fair value		
- Aeropuertos Argentina 2000 SA	10.0	31 December 2010
- GESAC SpA	5.0	31 December 2009
Entities measured at cost		
- Consorzio MilanoSistema in liquidazione	10.0	31 December 2010
- Romairport Srl	0.22667	31 December 2009
- SITA Soc. Coop. a.r.l.	1 quota	31 December 2006

31. Seasonality

The Group’s business is characterised by some seasonality in revenues, which are normally higher in August and December as a result of increases in the number of flights by the airlines operating at the airports.

32. Transactions arising from unusual operations

In the course of 2010 there were no transactions arising from unusual operations.

33. Significant events occurring after the closing date

Significant events occurring after the 2010 year end are illustrated in the Directors’ report on operations.

34. APPLICATION OF IFRIC 12 TO THE CONSOLIDATED FIGURES OF THE SEA GROUP

Below we illustrate the changes introduced by IFRIC 12 ‘Service concession arrangements’, an interpretation issued by the International Accounting Standards Board that governs the recognition and measurement of concession agreements between a public sector and a private sector entity.

IFRIC 12, published by the IASB in November 2006, was endorsed by the European Commission with Regulation 254/2009/EC on 25 March 2009 and its application is mandatory for financial statements prepared in accordance with IAS/IFRS for financial years beginning on or after the endorsement date.

Moreover, application of IFRIC 12 conforms to the document drawn up by the Italian accounting standards setter Organismo Italiano di Contabilità – Application No. 3 ‘Service concession arrangements’, published in July 2010.

Accordingly, starting from 1 January 2010, the SEA Group has published consolidated financial information applying IFRIC 12.

Unlike the practice previously adopted and failing a specific criterion established by the IASB, IFRIC 12 states that the operator shall not recognise as property, plant and equipment the infrastructure that is to be handed back to the grantor because the contractual service arrangement does not convey the right to control the use of the infrastructure to the operator. The operator has only access to operate the infrastructure to provide the public service on behalf of the grantor in accordance with the terms specified in the contract with the grantor. This right can be classified as a financial asset or an intangible asset, depending on whether the operator has an unconditional right to receive cash or another financial asset from or at the direction of the grantor regardless of actual use of the infrastructure (financial asset), or a right to charge users for the public service (intangible asset).

Below we report the criteria used in applying the interpretation to the concessions held by the Group and the effects of first-time application.

<u>Scope of application of IFRIC 12 and criteria applied</u>

IFRIC 12 applies to service concession arrangements where the grantor is a public sector entity and the operator is a private sector entity, if:

a. the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and
b. the grantor controls—through ownership, beneficial entitlement or otherwise—any significant residual interest in the infrastructure at the end of the term of the arrangement.

Concession arrangements falling into the scope of application of IFRIC 12 generally provide for the operator to (i) construct and/or upgrade the infrastructure used to provide the public service, and (ii) operate and maintain the infrastructure for a specified period of time.

For both activities the operator shall recognise and measure revenues for the services rendered.
As a consequence, construction or upgrading of infrastructure is similar to the activity of a construction company and during the period when these services are provided the cost of and revenue from construction services are recognised on the income statement in accordance with IAS 11.

For the construction and/or upgrade services rendered the operator receives a consideration that is to be accounted for at fair value, as either:
a) a financial asset (the ‘financial asset model’), or
b) an intangible asset (the ‘intangible asset model’).

The financial asset model is applicable when the operator has an unconditional contractual right to receive cash flows for the construction services that are contractually guaranteed regardless of whether the infrastructure is actually used.
Instead, the operator shall recognise an intangible asset to the extent that in exchange for the construction and upgrade services it obtains a right to charge the users of the public service.
This right, therefore, is not unconditional or guaranteed by the grantor, because the amounts received are contingent on the extent that the public uses the service.
If the operator is paid for the construction services partly by a financial asset and partly by an intangible asset it is necessary to account separately for each component of the operator’s consideration.

The Convention made on 4 September 2001 by the parent company SEA and ENAC for the operation of Linate and Malpensa airports, expiring on 4 May 2041 (which superseded the Convention dated 7 May 1962), governs transactions relating to the operation and development of the airport activities at Linate and Malpensa, including engineering, construction, upgrade and maintenance and use of the plant and infrastructure necessary to the operation of the business.

IFRIC 12 is therefore applicable on the basis of the airport concession arrangement entered into with ENAC and, specifically, the intangible asset model applies as the Convention stipulates the construction or enlargement of the infrastructure and its operation and maintenance by the operator, and that the services rendered by the operator will be remunerated solely by the fees charged to users of the public service.

First-time application

On first-time adoption, the SEA Group applied the interpretation retrospectively, from the date of the Convention, i.e. from the year 2001; this, in accordance with IAS 8, entailed the restatement of the effect that would have resulted as of 1 January 2009 (the opening date of the financial year presented as comparative) and the charging of those effects to equity reserves.

Presentation of the impact of first-time application on the financial position and result of operations

This paragraph reports the effect on the financial position and result of operations originating from the application of IFRIC 12 by presenting schedules that reconcile the balance sheet, income statement, equity and cash flow figures before and after application of the interpretation.

In detail, a summary schedule is presented that reconciles the consolidated shareholder’s equity of the SEA Group as of 1 January and as of 31 December 2009, and the consolidated net profit for the year ended 31 December 2009; moreover, reconciliation schedules have been prepared for the consolidated balance sheet, income statement, statement of comprehensive income and cash flow statement as of 1 January 2009 and as of 31 December 2009 before and after application of IFRIC 12.

Finally, reconciliation schedules have been prepared for the consolidated balance sheet, income statement, statement of comprehensive income and cash flow statement as of 31 December 2010 before and after application of IFRIC 12.

The items principally affected by the application of IFRIC 12 are the following:

Balance sheet

a) Intangible assets
Recognition of the concession rights from construction and/or upgrade services, which have been and will be recovered through the fees charged to the users of the public service. These intangible assets are amortised on a straight-line basis over the term of the concession. Amortisation starts from the time the rights start generating economic benefits;

b) Property, plant and equipment
Derecognition of assets under concession financed by the SEA Group and other items of property, plant and equipment previously recognised as proprietary assets that are closely connected with the infrastructure under concession and therefore, under IFRIC 12, are assets under the control of the grantor;

c) Provisions for future charges
Recognition of the provision for renovation and replacement of assets under concession, which comprise the costs to be incurred for maintenance and replacements designed to ensure the serviceability of the infrastructure.

Income statement

a) Proceeds from and cost of construction services
Revenues and costs relating to construction services are recognised on the basis of the percentage of completion of the relevant contracts. Revenue from construction and/or upgrade services is the amount receivable by the operator for the services rendered and is measured at fair value, calculated on the basis of total construction costs incurred, i.e. the cost of materials and external services, plus a 6% mark-up reflecting the remuneration of the internal costs of engineering and construction management performed by personnel of the SEA Group.

b) Depreciation/amortisation
Adjustment to depreciation of assets under concession and other items of property, plant and equipment, and recognition of depreciation of the concession rights over the term of the concession;

c) Provisions
Charge to the provision for renovation and replacement to maintain assets under concession in good serviceable condition;

d) Financial charges
Recognition of the cost of discounting to present value the provision for renovation and replacement;

e) Deferred tax assets and liabilities
All the effects recognised upon application of IFRIC 12, determined using the criteria illustrated above, generate deferred tax assets and liabilities.

Reconciliation of consolidated shareholders' equity as of 1 January 2009 and 31 December 2009 and reconciliation of consolidated net profit for the year 2009

	Shareholders' equity as of 1 Jan. 2009	Shareholders' equity as of 31 Dec. 2009
Net book value before IFRIC 12	**243,678**	**294,834**
IFRIC 12 adjustments before tax effect:	**41,493**	**44,408**
Derecognition of assets under concession	(544,690)	(533,586)
Recognition of airport concession – expenditure on infrastructure under concession	675,439	679,988
Recognition of provision for renovation and replacement	(89,256)	(101,994)
Tax effect on IFRIC 12 adjustments	(13,029)	(14,102)
Net book value after IFRIC 12	**272,142**	**325,140**
Change (absolute)	**28,464**	**30,306**
Change %	**11.7**	**10.3**

	Net profit for the year 2009
Net book value before IFRIC 12	**53,184**
IFRIC 12 adjustments before tax effect:	**2,915**
Effect on profit and loss of mark-up on work on assets under concession	2,435
Derecognition of accumulated depreciation of assets under concession	39,812
Recognition of amortisation of concession rights	(26,594)
Recognition of charge to the provision for renovation and replacement of assets under concession	(8,687)
Amount to be discounted to present value of the provision for renovation and replacement of assets under concession	(4,051)
Tax effect on IFRIC 12 adjustments	(1,073)
Net book value after IFRIC 12	**55,026**
Change (absolute)	**1,842**
Change %	**3.5**

Reconciliation of IFRS balance sheet as of 1 January 2009 and 31 December 2009

(amounts in thousands of euro)	Note	As of 1 January 2009			31 Dec. 2009		
		before IFRIC 12	Change	after IFRIC 12	before IFRIC 12	Change	after IFRIC 12
ASSETS							
Intangible assets	1	5,301	675,439	680,740	6,562	679,988	686,550
Property, plant and equipment	2	785,818	(544,690)	241,128	771,694	(533,586)	238,108
Investment properties		3,673		3,673	3,611		3,611
Investments in associates		40,138		40,138	36,243		36,243
Available-for-sale investments		9,915		9,915	9,915		9,915
Deferred tax assets	3	37,840	(13,029)	24,811	40,396	(14,102)	26,294
Other receivables		1,704		1,704	1,578		1,578
Total Non-current assets		**884,389**	**117,720**	**1,002,109**	**869,999**	**132,300**	**1,002,299**
Inventories		8,344		8,344	9,274		9,274
Trade receivables		148,317		148,317	172,969		172,969
Other receivables		95,222		95,222	48,716		48,716
Cash and cash equivalents		29,922		29,922	25,774		25,774
Non-current assets classified as held for sale		14,361		14,361	0		0
Total Current assets		**296,166**	**0**	**296,166**	**256,733**	**0**	**256,733**
TOTAL ASSETS		**1,180,555**	**117,720**	**1,298,275**	**1,126,732**	**132,300**	**1,259,032**
LIABILITIES							
Share capital		27,500		27,500	27,500		27,500
Other reserves	4	211,412	28,464	239,876	214,073	28,464	242,537
Profit/(Loss) for the year		1,772		1,772	53,184	1,842	55,026
Equity attributable to owners of the parent company		**240,684**	**28,464**	**269,148**	**294,757**	**30,306**	**325,063**
Minority interests in equity		**2,994**		**2,994**	**78**		**78**
Consolidated equity		**243,678**	**28,464**	**272,142**	**294,835**	**30,306**	**325,141**
Provisions for risks and charges	5	65,593	89,256	154,849	59,715	101,994	161,709
Personnel-related provisions		87,079		87,079	79,236		79,236
Non-current financial liabilities		360,603		360,603	339,061		339,061
Total Non-current liabilities		**513,275**	**89,256**	**602,531**	**478,012**	**101,994**	**580,006**
Trade payables		169,742		169,742	149,843		149,843
Current income tax payable		43,400		43,400	44,004		44,004
Other payables		72,225		72,225	87,271		87,271
Current financial liabilities		129,796		129,796	72,767		72,767
Non-current liabilities classified as held for sale		8,439		8,439	0		0
Total Current liabilities		**423,602**	**0**	**423,602**	**353,885**	**0**	**353,885**
TOTAL LIABILITIES		**936,877**	**89,256**	**1,026,133**	**831,897**	**101,994**	**933,891**
TOTAL EQUITY AND LIABILITIES		**1,180,555**	**117,720**	**1,298,275**	**1,126,732**	**132,300**	**1,259,032**

Notes to the adjustments presented in the in the schedule Reconciliation of IFRS balance sheet as of 31 December 2009

1. Intangible assets
This is the recognition of intangible assets for rights earned for performance of construction services for €675,439 thousand as of 1 January and €679,988 thousand as of 31 December 2009.

2. Property, plant and equipment
This is the derecognition of the assets under concession and other items of property, plant and equipment closely connected to the infrastructure under concession, for €544,690 thousand as of 1 January and €533,586 thousand as of 31 December 2009.

3. Deferred tax assets
This relates to the deferred tax assets arising from the application of IFRIC 12, equal to €13,029 thousand as of 1 January 2009 and €14,102 thousand as of 31 December 2009.

4. Other reserves
The amount of €28,464 thousand is the effect of the application of IFRIC 12 on shareholder's equity as of 1 January 2009.

5. Provisions for risks and charges
To meet the obligation to maintain the infrastructure under concession in good serviceable condition, and in relation to the intangible asset model adopted, a provision for renovation and replacement of assets under concession has been recognised for €89,256 thousand as of 1 January and €101,994 thousand as of 31 December 2009.

Reconciliation of consolidated income statement for the year 2009

(amounts in thousands of euro)	Note	31 December 2010 Before IFRIC 12	Change	After IFRIC 12
Revenues:				
Aviation		**253,868**	**0**	**253,868**
- Airport user charges		134,415		134,415
- Centralised infrastructure fees		68,726		68,726
- Security fees		50,727		50,727
Handling		**103,569**		**103,569**
Logistics		**25,061**		**25,061**
Non Aviation		**198,477**	**0**	**198,477**
- Commercial activities		76,746		76,746
- Third party handling operations and concession fees		25,614		25,614
- Car parks		42,568		42,568
- Cargo		9,764		9,764
- Services and other income		43,785		43,785
Proceeds from work on assets under concession	1	**0**	**42,597**	**42,597**
Total Revenues (A)		**580,975**	**42,597**	**623,572**
Operating costs:				
Personnel costs		**251,084**	**0**	**251,084**
Gross salaries		241,840		241,840
Other personnel expenses		9,244		9,244
Other operating costs		**189,563**	**0**	**189,563**
Consumables		42,927		42,927
Industrial costs		111,218		111,218
Administrative expenses		35,418		35,418
Cost of work on assets under concession	1	**0**	**40,162**	**40,162**
Total Operating costs (B)		**440,647**	**40,162**	**480,809**
Gross operating profit (A-B)		**140,328**	**2,435**	**142,763**
Amortisation/depreciation, provisions and write-downs		**85,414**	**(4,531)**	**80,883**
Amortisation/depreciation	2	54,039	(13,218)	40,821
Provisions and write-downs	3	31,375	8,687	40,062
Operating profit		**54,914**	**6,966**	**61,880**
Income/(Charges) from investments, Financial income/(charges)		**18,761**	**(4,051)**	**14,710**
Income/(Charges) from investments, net		35,394		35,394
Financial income/(charges), net	4	(16,633)	(4,051)	(20,684)
Profit before taxes		**73,675**	**2,915**	**76,590**
Income taxes	5	21,792	1,073	22,865
Profit for the year		**51,883**	**1,842**	**53,725**
Minority interests		(1,301)		(1,301)
Profit attributable to the owners of the parent company		**53,184**	**1,842**	**55,026**

Notes to the schedule Reconciliation of consolidated income statement for the year 2009

1. Proceeds from and cost of work on assets under concession
This item of income, reported for €42,597 thousand for the year 2009, is the amount earned by the operator for the services performed and is measured at fair value, determined as the total construction costs incurred (€40,162 thousand for the year 2009), comprising the cost of materials and external services, plus a 6% mark-up reflecting the remuneration of internal costs incurred for engineering and construction management performed by the SEA Group. The contra entry to this is the recognition in intangible assets (pursuant to IAS 11) of concession rights to the assets operated under concession, which the Group does not control but has the obligation to maintain in accordance with the Convention with ENAC.

2. Amortisation/depreciation
The amount of -€13,218 thousand is the balance of -€39,812 thousand in depreciation reversed following the derecognition of assets operated under concession and other items of property, plant and equipment connected with the concession, and amortisation of €26,594 thousand posted against assets under concession.

3. Provisions
This is the charge to the provision for renovation and replacement of assets under concession, for €8,687 thousand, posted in the year 2009 as the charge for the period to meet the obligation to maintain the infrastructure under concession in good serviceable condition, in relation to the intangible asset model adopted.

4. Financial income/(charges), net
This is the component relating to the discounting to present value for the year 2009, equal to €4,051 thousand, of the provision for renovation and replacement of assets under concession.

5. Income taxes
This is the provision for deferred tax liabilities of 2009, equal to €1,073 thousand, generated by the application of IFRIC 12.

RECONCILIATION OF STATEMENT OF COMPREHENSIVE INCOME FOR 2009

(amounts in thousands of euro)	**2009 before IFRIC 12**			**2009 after IFRIC 12**		
	Gross amount	Tax	Net amount	Gross amount	Tax	Net amount
(A) Profit/(Loss) for the year	**74,976**	**21,792**	**53,184**	**77,891**	**22,865**	**55,026**
Components recognised in equity:						
Gains from fair value measurement of available-for-sale financial assets						
Gains/(losses) from fair value measurement of derivatives designated as cash flow hedges						
Exchange differences from translation of foreign financial statements						
Actuarial gains/(losses) on employee benefits						
Share of other components recognised in equity of associates						
(B) Total Components recognised in equity						
(A)+(B) Total comprehensive income/(loss)	**74,976**	**21,792**	**53,184**	**77,891**	**22,865**	**55,026**
Attributable to:						
- Owners of the parent company			**53,184**			**55,026**
- Minority interests			**(1,301)**			**(1,301)**

Reconciliation of consolidated cash flow statement as of 31 December 2009

(amounts in thousands of euro)	Note	31 December 2009 Before IFRIC 12	Change	after IFRIC 12
Cash flows from operating activities				
Profit/(Loss) before taxes	1	73,675	2,916	76,591
Adjustments:				
Gains on sale of equity investments		(31,204)		(31,204)
Amortisation/depreciation charges, net	2	54,039	(13,218)	40,821
Charges to provisions, write-downs and revaluations, net	3	(12,160)	12,740	580
Exchange losses/(gains) on foreign currency transactions		11		11
Loss/(Income) from equity investments net of dividends received		(5,549)		(5,549)
Fixed assets disposals		5,315		5,315
(Positive)/Negative change in fair value of derivative instruments		2,026		2,026
Cash generated from operating activities before changes in working capital		**86,153**	**2,438**	**88,591**
Change in inventories		(913)		(913)
Change in trade receivables		(24,654)		(24,654)
Change in other receivables		16,738		16,738
Change in liabilities		(16,272)		(16,272)
Cash used in changes in working capital		**(25,101)**	**0**	**(25,101)**
Income taxes paid		(9,941)		(9,941)
Cash generated from operating activities		**51,111**	**2,438**	**53,549**
Cash flows from investing activities				
Investment:				
- Intangible assets	4	(3,321)	(31,143)	(34,464)
- Tangible assets	4	(48,166)	28,705	(19,461)
- Financial assets		(4,520)		(4,520)
Disinvestment:				
- Intangible assets		0		0
- Tangible assets		3,497		3,497
- Financial assets		50,525		50,525
Proceeds from disposal of equity investments		(6,525)		(6,525)
Cash used in investing activities		**(8,510)**	**(2,438)**	**(10,948)**
Cash flows from financing activities				
Change in gross financial indebtedness		(77,278)		(77,278)
- Change in short- and medium-/long-term financial debts		*(43,835)*		*(43,835)*
- Change in financial advances against government grants		*(33,443)*		*(33,443)*
Change in government grants receivable		33,848		33,848
Change in other financial liabilities		(3,319)		(3,319)
Cash used in financing activities		**(46,749)**	**0**	**(46,749)**
Increase/(Decrease) in cash and cash equivalents		**(4,148)**	**0**	**(4,148)**
Cash and cash equivalents at beginning of year		**29,922**		**29,922**
Cash and cash equivalents at end of year		**25,774**	**0**	**25,774**

Notes to the adjustments presented in the schedule Reconciliation of consolidated cash flow statement as of 31 December 2009

1. Profit/(Loss) before taxes
This is the overall effect of the application of IFRIC 12 as of 31 December 2009 before taxes (the provision for deferred tax liabilities is equal to €1,073 thousand)

2. Amortisation/depreciation charges, net
The amount of -€13,218 thousand is the balance of -€26,594 thousand in depreciation reversed following the derecognition of assets operated under concession and other items of property, plant and equipment connected with the concession, and amortisation of €39,812 thousand posted against assets under concession.

3. Net charges to provisions
This is the charge to the provision for renovation and replacement of assets under concession, for €12,740 thousand, posted in the year 2009 as the charge for the period to meet the obligation to maintain the infrastructure under concession in good serviceable condition, in relation to the intangible asset model adopted.

4. Movements during the year in intangible and tangible assets
The amounts of -€31,143 thousand for intangible assets and +€28,705 thousand for tangible assets reflect, respectively, the recognition of rights to assets under concession following application of IFRIC 12 and the reversal of assets under concession and other items of property, plant and equipment connected with the concession.

Reconciliation of IFRS balance sheet as of 31 December 2010

(amounts in thousands of euro)	Note	31 Dec. 2010 before IFRIC 12	Change	after IFRIC 12
ASSETS				
Intangible assets	1	7,197	705,113	712,310
Property, plant and equipment	2	804,284	(557,968)	246,316
Investment properties		3,406		3,406
Investments in associates		35,656		35,656
Available-for-sale investments		15,726		15,726
Deferred tax assets	3	30,182	(14,357)	15,825
Other receivables		1,187		1,187
Total Non-current assets		**897,638**	**132,788**	**1,030,426**
Inventories		9,693		9,693
Trade receivables		190,141		190,141
Other receivables		22,662		22,662
Cash and cash equivalents		23,465		23,465
Total Current assets		**245,961**	**0**	**245,961**
TOTAL ASSETS				
LIABILITIES				
Share capital		27,500		27,500
Other reserves	4	272,776	30,306	303,082
Profit/(Loss) for the year		64,732	(1,601)	63,131
Equity attributable to owners of the parent company		**365,008**	**28,705**	**393,713**
Minority interests in equity		**80**		**80**
Consolidated equity		**365,088**	**28,705**	**393,793**
Provisions for risks and charges	5	50,844	104,083	154,927
Personnel-related provisions		72,825		72,825
Non-current financial liabilities		304,380		304,380
Total Non-current liabilities		**428,049**	**104,083**	**532,132**
Trade payables		148,415		148,415
Current income tax payable		41,351		41,351
Other payables		87,413		87,413
Current financial liabilities		73,283		73,283
Total Current liabilities		**350,462**	**0**	**350,462**
TOTAL LIABILITIES		**778,511**	**104,083**	**882,594**
TOTAL EQUITY AND LIABILITIES		**1,143,599**	**132,788**	**1,276,387**

Notes to the adjustments presented in the schedule Reconciliation of IFRS balance sheet as of 31 December 2010

1. Intangible assets
This is the recognition of intangible assets for rights earned for performance of construction services for €705,113 thousand as of 31 December 2010.

2. Property, plant and equipment
This is the derecognition of the assets under concession and other items of property, plant and equipment closely connected to the infrastructure under concession for €557,968 thousand as of 31 December 2010.

3. Deferred tax assets
The balance relates to the deferred tax assets arising from the application of IFRIC 12, shown net of deferred tax liabilities, and is equal to €14,357 thousand as of 31 December 2010.

4. Other reserves
The amount of €30,306 thousand is the effect of the application of IFRIC 12 on shareholder's equity as of 1 January 2010.

5. Provisions for risks and charges
To meet the obligation to maintain the infrastructure under concession in good serviceable condition, and in relation to the intangible asset model adopted, a provision for renovation and replacement of assets under concession has been recognised for €104,083 thousand as of 31 December 2010.

Reconciliation of consolidated income statement for the year 2010

(amounts in thousands of euro)	Note	31 December 2010 Before IFRIC 12	Change	After IFRIC 12
Revenues:				
Aviation		**262,297**	**0**	**262,297**
- Airport user charges		144,622		144,622
- Fees for centralised infrastructure		64,000		64,000
- Security fees		53,675		53,675
Handling		**125,892**		**125,892**
Non Aviation		**199,420**	**0**	**199,420**
- Commercial activities		77,028		77,028
- Third party handling operations and concession fees		21,462		21,462
- Car parks		40,190		40,190
- Cargo		10,378		10,378
- Services and other income		50,362		50,362
Proceeds from work on assets under concession	1	**0**	**46,116**	**46,116**
Total Revenues (A)		**587,609**	**46,116**	**633,725**
Operating costs:				
Personnel costs		**247,650**	**0**	**247,650**
Gross salaries		240,351		240,351
Other personnel expenses		7,299		7,299
Other operating costs		**191,591**	**0**	**191,591**
Consumables		48,344		48,344
Industrial costs		108,055		108,055
Administrative expenses		35,192		35,192
Cost of work on assets under concession	1	**0**	**43,441**	**43,441**
Total Operating costs (B)		**439,241**	**43,441**	**482,682**
Gross operating margin (A-B)		**148,368**	**2,675**	**151,043**
Amortisation/depreciation, provisions and write-downs		**53,062**	**116**	**53,178**
Amortisation/depreciation	2	45,729	(8,816)	36,913
Provisions and write-downs	3	7,333	8,932	16,265
Operating profit		**95,306**	**2,559**	**97,865**
Income/(Charges) from investments, Financial income/(charges)		**8,367**	**(3,819)**	**4,548**
Income/(Charges) from investments, net		5,567		5,567
Financial income/(charges), net	4	2,800	(3,819)	(1,019)
Profit before taxes		**103,673**	**(1,260)**	**102,413**
Income taxes	5	38,939	341	39,280
Profit for the year		**64,734**	**(1,601)**	**63,133**
Minority interests		2		2
Profit attributable to the owners of the parent company		**64,732**	**(1,601)**	**63,131**

Notes to the schedule Reconciliation of consolidated income statement for the year 2010

1. Proceeds from and cost of work on assets under concession
This item of income, reported for €46,116 thousand for the year 2010, is the amount earned by the operator for services performed and is measured at fair value, determined as the total construction costs incurred (€43,441 thousand for the year 2010), comprising the cost of materials and external services, plus a 6% mark-up reflecting the remuneration of internal costs incurred for engineering and construction management performed by the SEA Group. The contra entry to this is the recognition in intangible assets of concession rights (pursuant to IAS 11) to the assets operated under concession, which the Group does not control but has the obligation to maintain in accordance with the Convention with ENAC.

2. Amortisation/depreciation
The amount of -€8,816 thousand is the balance of -€27,958 thousand in depreciation reversed following the derecognition of assets operated under concession and other items of property, plant and equipment connected with the concession, and amortisation of €19,140 thousand posted against assets under concession.

3. Provisions
This is the charge to the provision for renovation and replacement of assets under concession, for €8,932 thousand, posted in the year 2010 as the charge for the period to meet the obligation to maintain the infrastructure under concession in good serviceable condition, in relation to the intangible asset model adopted.

4. Financial income/(charges), net
This is the component relating to the discounting to present value for the year 2010, equal to €3,819 thousand, of the provision for renovation and replacement of assets under concession.

5. Income taxes
This is the provision for deferred tax liabilities of 2010, equal to €341 thousand, generated by the application of IFRIC 12.

RECONCILIATION OF STATEMENT OF COMPREHENSIVE INCOME FOR 2010

(amounts in thousands of euro)		**2010 before IFRIC 12**			**2010 after IFRIC 12**	
	Gross amount	Tax	Net amount	Gross amount	Tax	Net amount
(A) Profit/(Loss) for the year	**103,671**	**38,939**	**64,732**	**102,411**	**39,280**	**63,131**
Components recognised in equity:						
Gains from fair value measurement of available-for-sale financial assets	5,812	291	5,521	5,812	291	5,521
Gains/(losses) from fair value measurement of derivatives designated as cash flow hedges						
Exchange differences from translation of foreign financial statements						
Actuarial gains/(losses) on employee benefits						
Share of other components recognised in equity of associates						
(B) Total Components recognised in equity						
(A)+(B) Total comprehensive income/(loss)	**109,483**	**39,230**	**70,253**	**108,223**	**39,571**	**68,652**
Attributable to:						
- Owners of the parent company			**70,253**			**68,652**
- Minority interests			**2**			**2**

Reconciliation of consolidated cash flow statement as of 31 December 2010

(amounts in thousands of euro)	Note	31 December 2010 Before IFRIC 12	Change	after IFRIC 12
Cash flows from operating activities				
Profit/(Loss) before taxes	1	103,673	(1,260)	102,413
Adjustments:				
Gains on sale of equity investments		0		0
Amortisation/depreciation charges, net	2	45,729	(8,816)	36,913
Charges to provisions, write-downs and revaluations, net	3	(16,912)	956	(15,956)
Exchange losses/(gains) on foreign currency transactions		33		33
Loss/(Income) from equity investments net of dividends received		587		587
Fixed assets disposals		1,064		1,064
(Positive)/Negative change in fair value of derivative instruments		(3,556)		(3,556)
Cash generated from operating activities before changes in working capital		**130,618**	**(9,120)**	**121,498**
Change in inventories		(419)		(419)
Change in trade receivables		(17,171)		(17,171)
Change in other receivables		21,958		21,958
Change in liabilities		(16,694)		(16,694)
Cash used in changes in working capital		**(12,326)**	**0**	**(12,326)**
Income taxes paid		(26,256)		(26,526)
Cash generated from operating activities		**91,766**	**(9,120)**	**82,646**
Cash flows from investing activities				
Investment:				
- Intangible assets	4	(3,473)	(41,501)	(44,974)
- Tangible assets	4	(74,894)	50,621	(24,273)
- Financial assets		0		0
Disinvestment:				
- Intangible assets		0		0
- Tangible assets		269		269
- Financial assets		0		0
Proceeds from disposal of equity investments		0		0
Cash used in investing activities		**(78,098)**	**9,120**	**(68,978)**
Cash flows from financing activities				
Change in gross financial indebtedness		(32,191)		(32,191)
- Change in short- and medium-/long-term financial debts		(18,990)		*(18,990)*
- Change in financial advances against government grants		(13,201)		*(13,201)*
Change in government grants receivable		14,632		14,632
Change in other financial liabilities		1,582		1,582
Cash used in financing activities		**(15,977)**	**0**	**(15,977)**
Increase/(Decrease) in cash and cash equivalents		**(2,309)**	**0**	**(2,309)**
Cash and cash equivalents at beginning of year		**25,774**		**25,774**
Cash and cash equivalents at end of year		**23,465**	**0**	**23,465**

Notes to the adjustments presented in the schedule Reconciliation of consolidated cash flow statement as of 31 December 2010

1. Profit/(Loss) before taxes
This is the overall effect of the application of IFRIC 12 as of 31 December 2010 before taxes (the provision for deferred tax liabilities is equal to €341 thousand).

2. Amortisation/depreciation charges, net
The amount of -€8,816 thousand is the balance of -€27,958 thousand in depreciation reversed following the derecognition of assets operated under concession and other items of property, plant and equipment connected with the concession, and amortisation of €19,140 thousand posted against assets under concession.

3. Charges to provisions, write-downs and revaluations, net
The main component is the charge to the provision for renovation and replacement of assets under concession, for €2,089 thousand, posted as of 31 December 2010 as the charge for the period to meet the obligation to maintain the infrastructure under concession in good serviceable condition, in relation to the intangible asset model adopted.

4. Movements during the year in intangible and tangible assets
The amounts of -€41,501 thousand for intangible assets and +€50,621 thousand for tangible assets reflect, respectively, the recognition of rights to assets under concession following application of IFRIC 12 and the reversal of assets under concession and other items of property, plant and equipment connected with the concession.

Signed on behalf of the parent company SEA

Giuseppe Bonomi

Chairman of the Board

REPORT OF THE BOARD OF STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SEA GROUP AS OF 31 DECEMBER 2010

Dear Shareholders,

We report about the oversight activity we performed on SEA - SOCIETA' ESERCIZI AEROPORTUALI S.p.A. as the entity required by law to prepare consolidated financial statements for the SEA Group.

We examined the Company's draft consolidated financial statements as of 31 December 2010 prepared by the Board of directors pursuant to the applicable legislation and delivered by them to the Board of statutory auditors on 7 March 2010 together with the detailed schedules and report on operations.

We note that in previous years the Company had already used the option allowed by Legislative Decree No. 38 of 28 February 2005, governing the use of the options established in article 5 of Regulation 1606/2002/EC on the application of international financial reporting standards, and applied the International Financial Reporting Standards as adopted by the European Union (hereinafter also 'IFRS') for the preparation of its consolidated financial statements. Specifically, we note that IFRS were applied consistently to all financial years presented in this document.

The SEA Group has adopted IFRS starting from the consolidated financial statements for the year ended 31 December 2006.

In the preparation of these consolidated financial statements an interpretation of IFRS has been applied that was recently endorsed by the European Commission: IFRIC 12 'Service Concession Arrangements', issued by the International Accounting Standards Board, which deals with the recognition and measurement of service concession arrangements between a public sector and a private sector entity.

As a consequence, in the consolidated financial statements certain comparatives were restated compared with the figures previously published, to reflect the accounting impact of retrospective application of IFRIC 12 as required by IAS 8.

The balance sheet shows a consolidated net profit of Euro 63,131 thousand, versus a net profit of Euro 55,026 thousand in the financial statements as of 31 December 2009, and is summarised as follows (in thousands of euro):

CONSOLIDATED ASSETS

Non-current assets	Euro	1,030,426
Current assets	”	222,496
Cash and cash equivalents	”	23,465
Total Assets	”	**1,276,387**

CONSOLIDATED LIABILITIES

Equity attributable to owners of the parent company	”	330,582
Profit for the year	”	63,131
Minority interests	”	80
Provisions for risk and charges	”	154,927
Personnel-related provisions	”	72,825
Non-current financial liabilities	”	304,380
Current liabilities	”	350,462
Total Equity and liabilities	”	**1,276,387**

The consolidated result of operations is expressed by the following income statement values:

INCOME STATEMENT

Revenues	Euro	633,725
Costs	”	(482,682)
Amortisation/depreciation, provisions and write-downs	”	(53,178)
Operating profit	”	**97,865**
Financial income/(charges)	”	(1,019)
Income/from investments	”	5,567
Profit before taxes	”	**102,413**
Income taxes	”	(39,280)
Profit for the year	”	**63,133**
Minority interests	“	2
Profit attributable to owners of the parent company	”	**63,131**

The Group’s consolidated financial statements comprise the financial statements of SEA (the parent company) and those of the entities on which it exercises control, either directly or indirectly, from the date control was acquired to the date control ceases. In the circumstances, control is exercised by virtue of the Company holding directly a majority of voting rights (IAS 27).

Subsidiaries consolidated on a line-by-line basis comprise the following entities:

- Malpensa Energia S.p.A.
- S.E.A. Handling S.p.A.
- Consorzio Malpensa Construction

Investments in associated companies measured under the equity method, in accordance with IAS 28, are those over which the parent company (SEA S.p.A.) exercises significant influence, which is assumed to exist when the equity interest is between 20% and 50% of voting rights exercisable at the entity’s general meetings.

Associated companies carried at equity comprise the following entities:

- SACBO S.p.A.
- Malpensa Logistica Europa S.p.A.
- Dufrital S.p.A.
- CID Italia S.p.A.
- Disma S.p.A.
- SEA Services S.r.l.

Disma S.p.A., in which SEA S.p.A. holds 18.75%, has been measured under the equity method due to the significant influence exercised by the parent company.

The following investments, available for sale, have been measured at fair value:

- GESAC S.p.A. - Aeroporto di Capodichino
- Aeropuertos Argentina 2000 S.A..

For the following investments measurement at cost has been maintained:

- Consorzio Milano Sistema in liquidazione
- ROMAIRPORT S.r.l.,
- SITA Soc. Coop. a.r.l..

With regard to change in the consolidation perimeter, during 2010 the Group completed the sale of 75% of the subsidiary Malpensa Logistica Europa S.p.A., which entailed payment in three tranches whereof two were collected in 2010, in accordance with the sales agreement between SEA and ARGOL S.p.A. dated 26 October 2009.

The financial statements of the subsidiaries and associated companies consolidated in the SEA Group were drawn up adopting, for each financial year end, the accounting principles applied by the parent company.

The basis of consolidation, illustrated in the notes to the consolidated financial statements, may be summarised as follows:

- The financial statements that have been consolidated refer to the same financial year; consolidation entries were applied to the financial statements prepared by the management boards of the parent company, subsidiaries and associates, and approved or being approved by the respective shareholders in general meeting, which were adjusted, if necessary, to apply uniform accounting policies.
- We verified that the same accounting policies were applied in the consolidated financial statements as those adopted by the parent company.
- We examined the notes to the consolidated financial statements and found that they indicate the basis of consolidation adopted and illustrate in detail the key items of the consolidated balance sheet and income statement.
- We examined the directors’ report on operations for the year ended 31 December 2010 and found it exhaustive and complete for the purposes required by law, containing the main facts that characterised operations during the financial year; the report is exhaustive in terms of the information provided about operating activities and

development, strategies and transactions, and the description of the key risks and uncertainties to which the Company is exposed.

- We verified the characteristics of transactions between the parent company and the other entities of the SEA Group, which relate essentially to the provision of services and cash pooling system, the raising and used of funds; they are of an ordinary and recurring nature, and were effected at arm's length.

We note that the external auditors PricewaterhouseCoopers S.p.A., in their report dated 8 April 2011, state that the consolidated financial statements of the SEA Group as of 31 December 2010 comply with the IFRS as adopted by the European Union; they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of the SEA Group for the year then ended.

We verified that the consolidated financial statements correspond to the facts and information of which we are aware as a result of attending meetings of the corporate bodies, exercising our oversight duties and our powers of inspection and control.

The directors' report on the consolidated financial statements is exhaustive in terms of the information provided about operating activities and development, strategies and transactions between entities of the Group; our examination found that it is consistent with the information provided in the consolidated financial statements, as also stated in the report of the external auditors PricewaterhouseCoopers S.p.A. dated 8 April 2011.

Milan, 8 April 2011

THE BOARD OF STATUTORY AUDITORS

Giancarlo GIORDANO	(President)
Aldo LONDEI	(Acting auditor)
Fabio MALCOVATI	(Acting auditor)
Maria Luisa MOSCONI	(Acting auditor)
Raffaella PAGANI	(Acting auditor)

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010

To the shareholders of
S.E.A. – SOCIETÀ ESERCIZI AEROPORTUALI SpA

1 We have audited the consolidated financial statements of S.E.A. - Società Esercizi Aeroportuali SpA and its subsidiaries (the "S.E.A. Group") as of 31 December 2010, comprising the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in shareholders' equity, cash flow statement and related notes. The directors of S.E.A. - Società Esercizi Aeroportuali SpA are responsible for the preparation of these consolidated financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards issued by the Italian accounting profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by CONSOB, the national stock exchange commission. Those standards require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion

The consolidated financial statements present as comparatives the corresponding amounts of the prior period and the balance sheet as of 31 December 2009. As illustrated in the notes to the consolidated financial statements, the directors restated certain prior period comparatives and the balance sheet as of 31 December 2009, which has been derived from the consolidated financial statements as of 31 December 2008, compared to the figures previously presented that we audited and on which we issued our audit reports dated, respectively, 12 April 2010 and 9 April 2009. We examined the criteria applied for restating the comparative figures and the related disclosures presented in the notes to the consolidated financial statements for the purpose of expressing our opinion on the consolidated financial statements as of 31 December 2010.

3 In our opinion, the consolidated financial statements of the S.E.A. Group as of 31 December 2010 comply with the International Financial Reporting Standards as adopted by the European Union; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of the S.E.A. Group. for the year then ended.

4 The directors of S.E.A. - Società Esercizi Aeroportuali SpA. are responsible for the preparation of a report on operations in compliance with the applicable laws. Our responsibility is to express an opinion on the consistency of the report on operations with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard No. 001 issued by Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili and recommended by CONSOB. In our opinion, the report on operations is consistent with the consolidated financial statements of S.E.A. - Società Esercizi Aeroportuali SpA as of 31 December 2010.

Milan, 8 April 2011

PricewaterhouseCoopers SpA

signed by
Sergio Pizzarelli
(Partner)

This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers

(Translation from Italian original)

DIRECTORS’ REPORT ON OPERATIONS OF SEA SpA

The key elements of the operations of SEA SpA in the year 2010 are illustrated in the directors' report on operations accompanying the consolidated financial statements, where greater emphasis has been given, where appropriate, to issues of relevance to all the entities included in the consolidation perimeter, in particular SEA.

Revenues of SEA SpA for 2010 were equal to €465 million, an increase of 1.5%. This performance was negatively affected by the closure of Malpensa and Linate airports following the dispersion of the volcanic ash plume, but benefited from the recovery of passenger traffic (+5.3%) and cargo traffic (26.1%), especially at Malpensa; costs, after depreciation/amortisation and provisions, were equal to €328 million, an increase of 8.1%: the change reflects mainly higher labour costs following the renegotiation of the collective labour agreement and the effect of the transfer of personnel from the subsidiary SEA Handling following the transfer of ticket sales and workshop maintenance activities to SEA, higher costs for consumables and higher industrial costs. Profit for the year ended 31 December 2010 was equal to €59.8 million and includes the positive effect of the collection of €27.3 million as a refund for the damage caused by the illegitimate reduction by the Ministry of Transport of handling fees defined for the years 1987, 1989 and 1990 (adjusted for this non-recurring item, profit for the year was equal to €40.3 million).
SEA's net financial indebtedness improved, having reduced to €314.9 million (from €352 million in 2009).
Capital expenditure by SEA SpA in 2010 amounted to €76.2 million.

Financial position and performance

For the purpose of a better evaluation of financial performance, the following tables report certain figures and indicators referred to the financial statements of SEA SpA as of 31 December 2010, compared with the previous year.
The financial statements of the parent company SEA have been drawn up in accordance with Italian generally accepted accounting principles.

SEA

(amounts in millions of euro)	**2010**	**2009**	**Change (%)**
Performance			
Revenues	465.0	458.3	1.5%
Operating costs	376.1	365.7	2.8%
- whereof: depreciation/amortisation and provisions	*47.5*	*61.7*	-23.0%
Operating profit	88.9	92.6	-4.0%
Profit before tax	96.6	96.7	-0.1%
Profit for the year	59.8	67.5	-11.4%
Financial position			
Shareholders' equity	328.6	268.8	22.2%
Government/EU grants	499.5	499.4	0.0%
Net financial debts	314.9	352.0	-10.5%
Net capital employed	1,143.0	1,120.3	2.0%
Personnel			
Headcount at the year end	2,770	2,801	-31
Financial ratios			
Gross operating profit/Revenues	29.3%	33.7%	
Net financial position/Gross operating profit	2.3	2.3	

Performance

RECLASSIFIED INCOME STATEMENT OF SEA S.p.A.

(amounts in thousands of euro)	FY 2010	%	FY 2009	%	% change 2010 vs. 2009
Revenues:					
Aviation	**267,446**	**57.5%**	**257,632**	**56.2%**	**3.8%**
- Airport user charges	148,768	32.0%	138,179	30.1%	7.7%
- Centralised infrastructure	65,003	14.0%	68,726	15.0%	-5.4%
- Security	53,675	11.5%	50,727	11.1%	5.8%
Non-aviation revenue	**197,579**	**42.5%**	**200,700**	**43.8%**	**-1.6%**
- Commercial activities	77,305	16.6%	77,033	16.8%	0.4%
- Third party handling operations and concession fees	26,542	5.7%	31,366	6.8%	-15.4%
- Car parks	40,648	8.7%	42,906	9.4%	-5.3%
- Cargo	10,378	2.2%	10,638	2.3%	-2.4%
- Services and other income	42,707	9.2%	38,757	8.5%	10.2%
Total Revenues (A)	**465,024**	**100.0%**	**458,332**	**100.0%**	**1.5%**
Operating costs:					
Personnel costs	**148,725**	**32.0%**	**137,776**	**30.1%**	**7.9%**
Gross salaries	143,406	30.8%	131,635	28.7%	8.9%
Other personnel costs	5,319	1.1%	6,140	1.3%	-13.4%
Other operating costs	**179,910**	**38.7%**	**166,222**	**36.3%**	**8.2%**
Consumables	14,383	3.1%	12,160	2.7%	18.3%
Industrial costs	133,051	28.6%	119,299	26.0%	11.5%
Administrative expenses	32,476	7.0%	34,763	7.6%	-6.6%
Total Operating costs (B)	**328,635**	**70.7%**	**303,997**	**66.3%**	**8.1%**
Gross operating profit (A-B)	**136,389**	**29.3%**	**154,334**	**33.7%**	**-11.6%**
Amortisation/depreciation, provisions and write-downs/revaluations	**47,479**	**10.2%**	**61,715**	**13.5%**	**-23.1%**
Amortisation/depreciation	39,568	8.5%	39,115	8.5%	1.2%
Provisions, write-downs, revaluations	7,911	1.7%	22,600	4.9%	n.s.
Operating profit	**88,910**	**19.1%**	**92,619**	**20.2%**	**-4.0%**
Income/(Charges) from investments and Financial income/(charges)	**7,656**	**1.6%**	**4,137**	**0.9%**	**85.1%**
Income/(Charges) from investments	(7,328)	-1.6%	13,637	3.0%	-153.7%
Financial income/(charges)	(8,740)	-1.9%	(12,125)	-2.6%	-27.9%
Extraordinary and other income (expenses)	23,724	5.1%	2,625	0.6%	803.7%
Profit before taxes	**96,566**	**20.8%**	**96,756**	**21.1%**	**-0.2%**
Income taxes	36,786	7.9%	29,212	6.4%	25.9%
Profit for the year	**59,780**	**12.9%**	**67,544**	**14.7%**	**-11.5%**

Revenues

SEA's revenues for the year ended 31 December 2010 were equal to €465,024 thousand, vs. €458,332 thousand for 2009, an increase of €6,692 thousand (+1.5%). This performance benefited from the recovery of passenger traffic (+5.3%) and cargo traffic (+26.1%), especially at Malpensa airport.

Aviation revenue amounted to €267,446 thousand, an increase of €9,814 thousand (3.8%) compared with 2009. In detail, airport user charges (€148,768 thousand) increased by 7.7% both due to the recovery of traffic and to the coming into effect, on 21 January 2010, of the decree of the Ministry of Transport that adjusted the values of airport charges to planned inflation for the year 2009; security services (€53,675 thousand) increased by 5.8%; centralised infrastructure fees (€65,003 thousand) decreased by 5.4%, due to the coming into force of a new fee system for de-icing operations.

Non-aviation revenue, equal to €197,579 thousand, decreased by €3,121 thousand (-1.6%) compared with last year.
The reduction is attributable to the following factors:

- *Commercial activities*: revenue was equal to €77,305 thousand, an increase of 0.4% on 2009.
  In detail, revenue from advertising, shop and duty free sales was substantially in line with 2009; car rental revenue increased by 3.2% due to growing business volumes; banking revenue decreased by 18.3% due to the closure of two operators and lower fees, as established by the relevant contracts, from money exchange counters. Food & beverage revenue increased by 6.3%: this performance benefited from the introduction of new brands, the opening of new outlets and increased propensity to consume in this segment;
- *Third party handling operations and concession fees*, equal to €26,542 thousand, decreased by 15.4%. In detail, revenue from refuelling services decreased by 20.5% (different fee adjustments by airport) and from catering by 37.3% (contractual fee adjustments). Revenue from check-in counters and operating spaces reduced by 10.6% following the release of spaces used by carriers and by the subsidiary SEA Handling (following the change in business perimeter);
- *Car parks* generated revenue of €40,648 thousand, a decrease of 5.3%. that was due at Linate to the closure of the multi-storey car park for renovation and at Malpensa to passengers' rising propensity to use lower priced car parks.
- *Cargo*: revenue was equal to €10,378 thousand, a decrease of 2.4% mainly due to fee adjustments;
- *Services and other income* amounted to €42,707 thousand, an increase of 10.2%. This is attributable to higher revenue from ticket sales and new services rendered to the subsidiary SEA Handling, as a result of the transfer of ticket sales and workshop maintenance activities from SEA Handling to SEA in the last quarter of 2009. Revenue from assistance to passengers, which last year was affected by the partial closure for restyling of dedicated lounges, also increased.

Operating costs
Operating costs rose from €303,997 thousand for 2009 to €328,635 thousand for 2010, an increase of €24,638 thousand (+8.1%).

The increase is explained as follows:

- *Personnel costs* were equal to €148,725 thousand, an increase of €10,949 thousand (+7.9%) compared with 2009. This comprises gross salaries and other personnel costs.
  Gross salaries, equal to €143,406 thousand, increased by 8.9%. The change reflects mainly higher salaries negotiated in the revised collective labour agreement and the effect of the transfer of personnel from SEA Handling as a result of the transfer of ticket sales and workshop maintenance activities to SEA. In addition, due to the persisting crisis, also in 2010 the special redundancy benefit scheme *Cassa Integrazione Guadagni Straordinaria* and the long-term redundancy scheme 'mobilità' were used..
  Other personnel costs (€5,319 thousand) decreased by 13.4%.

- *Other operating costs* were equal to €179,910 thousand, an increase of €13,688 thousand compared with 2009 (+8.2%).
  The increase is attributable to the following:
  - *Purchases of consumables* were equal to €14,383 thousand, an increase of 18.3% due mainly to larger purchases of fuel and Kilfrost (a product used in de-icing);
  - *Industrial costs*, equal to €133,051 thousand, increased by 11.5% on 2009. The main changes were increases in the cost of commercial and marketing services (+64.7%) and maintenance (+5%), the rental of cars and x-ray scanners, higher intercompany costs from the subsidiary SEA Handling for services supporting airport

operations (+10.7%), airport operating costs (+43.2%) for services rendered by VIP lounges. These increases were in part counterbalanced by a reduction of the cost of assistance to passengers with reduced mobility (-26.8%) and insurance costs (-20.1%). In addition, the cost of electricity increased by 7.4%, counterbalanced by a lower cost for heating and air conditioning (-4.2%);
- *Administrative expenses* were equal to €32,476 thousand, a decrease of 6.6% compared with 2009. Lower costs for consulting and professional services (-3.7%) and the concession fee (-25.7%) were counterbalanced mainly by increases in advertising expenses (+83.8%) and local property tax due to new properties being registered (+39.2%).

Amortisation/depreciation totalled €39,568 thousand and relates for €37,266 thousand to property, plant and equipment and for €2,302 thousand to intangible assets.

Provisions, write-downs and revaluations totalled €7,911 thousand.
The change is attributable to the following:
- Net charges to the provision for future liabilities, equal to €11,758 thousand, relating mainly to scheduled maintenance and personnel-related charges arising from litigation with employees. This item is shown net of utilisations for the settlement of litigation pending.
- Net write-downs of trade receivables: this item shows a credit balance of €2,129 thousand as a result of the release of provisions posted in previous years following the settlement of litigation, partly counterbalanced by charges posted in 2010 consistently with the previous year to reflect the risk of deterioration of the financial condition of the key operators and write-downs of receivables from entities undergoing bankruptcy proceedings.

The most important settlements made 2010 are illustrated below:
- *Litigation with Volare Airlines in extraordinary administration and Air Europe in extraordinary administration* – At the end of 2010 a settlement was agreed that provided for the end of clawback suits, the waiver of receivables from the entities undergoing bankruptcy proceedings and the payment of a lump sum equal to €4.7 million.
- *Litigation concerning centralised infrastructure and other claims* – On 19 January 2011 the SEA Group and the Alitalia Group reached a settlement to end the litigation started in 2004 concerning fees for the centralised services provided by SEA to AirOne at Malpensa and Linate airports and other claims pending with the Alitalia Group. In exchange for the payment of the agreed amount to SEA, the respective claims were abandoned.
- *Litigation with caterers* – The settlement ended all claims that had arisen in relation to the operations carried out by caterers on the sites of Linate and Malpensa, specifically with reference to the fees applied by the SEA Group.

'Revaluations' relates to plant and machinery for €1,718 thousand.

Income/(Charges) from investments, net amounted to €7,328 thousand: the impairment loss of the subsidiary SEA Handling of €13,380 thousand was counterbalanced by dividends received from associates and other companies for €6,053 thousand.
In 2009 this item included the gains realised on the disposal of the 19% interest in SACBO and 75% of Malpensa Logistica Europa for a total of €42,706 thousand, in addition to an impairment loss of SEA Handling for €29,667 thousand.

Financial income/(charges), net amounted to €8,740 thousand, a decrease of €3,385 thousand compared with 2009. The significant reduction was mainly due to continuing repayment of medium-/long-term loans and lower interest rates on borrowings.

Extraordinary income, net was equal to €23,724 thousand. The significant change compared with 2009 was due to the positive effect of the refund received following the ruling by the TAR (regional administrative court) of Lombardia that ordered the Ministry of Infrastructure and Transport to refund SEA for the damage caused by the illegitimate reduction by the Ministry of Transport of handling fees defined for the years 1987, 1989 and 1990.
The Ministry of Infrastructure and Transport filed an appeal with the Council of State against the TAR's ruling but this was rejected in May 2009. As a consequence, on 8 January 2010 the Ministry of Transport paid a total of €27,339 thousand (€8,106 thousand plus legal interest and monetary revaluation) by virtue of the enforceability of the decision, whose final confirmation is referred to the relevant decision of the Council of State on the merits of the case. SEA,

supported also by the opinion of its legal counsels, considers the risk that the dispute may have an unfavourable outcome remote.

Income taxes amounted to €36,786 thousand. Current income taxes were equal to €28,141 thousand and deferred income taxes were equal to €8,664 thousand.

Financial position

RECLASSIFIED BALANCE SHEET OF SEA S.p.A.

(amounts in thousands of euro)	**As of 31 December 2010**	**As of 31 December 2009**
Intangible assets	**6,207**	**5,038**
Property, plant and equipment		
- Proprietary assets	73,913	80,382
- Assets operated under concession	1,069,038	1,040,927
- Assets under construction and payments on account	135,862	121,214
Total	**1,278,813**	**1,242,523**
Financial assets	**34,988**	**51,069**
Fixed capital (A)	**1,320,008**	**1,298,630**
Trade receivables	152,108	151,843
Other receivables, accrued income and prepayments	40,731	60,743
Inventories	9,546	9,262
Current assets	**202,385**	**221,848**
Trade payables	(148,966)	(167,478)
Other payables, accrued expenses and deferred income	(114,314)	(108,157)
Current liabilities	**(263,280)**	**(275,635)**
Working capital (B)	**(60,895)**	**(53,787)**
Staff leaving indemnity (C)	(52,328)	(54,757)
Provisions for risk and charges (D)	(63,754)	(69,733)
Net capital employed (A+B+C+D)	**1,143,031**	**1,120,353**
Government/EU grants (E)	**(499,513)**	**(499,441)**
Net equity	**(328,609)**	**(268,829)**
Cash and bank	22,667	25,562
Short-term financial assets	36,742	34,244
Medium-/long- term financial assets	0	3,499
Government grants receivable	9,409	22,586
Advances against government grants	(9,277)	(22,478)
Short-term portion of medium-/long-term financial debts	(95,835)	(103,269)
Medium-/long-term financial debts	(278,615)	(312,227)
Net financial debts (G)	**(314,909)**	**(352,083)**
Government grants, Equity and Net financial debts (E+F+G)	**(1,143,031)**	**(1,120,353)**

Net capital employed as of 31 December 2010 amounted to €1,143,031 thousand, an increase of €22,678 thousand on 31 December 2009.

Fixed capital (€1,320,008 thousand) increased by €21,378 thousand on 31 December 2009 as a result of net capital expenditure in the year (€76,245 thousand), partly absorbed by depreciation charges (€39,567 thousand), disinvestment, disposals and other changes (€781 thousand), and of a decrease in financial assets of €16,081 thousand.

Net **Working capital** (- €60,895 thousand) increased by €7,108 thousand on 31 December 2009 essentially due to the combined effect of the following factors:

- An increase in trade receivables of €265 thousand, an increase in inventories of €284 thousand and decreases in other receivables and accrued income and prepayments for €20,012 thousand;
- A decrease in trade payables of €8,512 thousand and increases in other payables and accrued expenses and deferred income for €6,157 thousand. This item includes payables to employees, tax and other payables, comprising chiefly a contribution to a fund for fire-fighting services.

The **Employees' severance entitlement (TFR)** increased by €2,429 thousand as a result of charges for the year, amounts paid to employees on termination and as advances, and transfers to supplementary pension funds.

Provisions for risks and charges increased by €5,979 thousand compared with 2009.

Shareholders' equity (€328,609 thousand) increased by €59,780 thousand, which reflects the profit for the year.

As of 31 December 2010 SEA had **Net financial debts** of €314,909 thousand, an improvement of €37,174 thousand compared with 31 December 2009 when the net financial position was a negative €352,083 thousand.
The reduction of indebtedness was favourably affected by the decrease in gross financial debts, equal to €343,596 thousand as of 31 December 2010, compared with €384,508 thousand as of 31 December 2009. The change was the result of the combination of several factors, mainly:

- A further reduction of SEA's medium-/long-term financial debts as a result of continuing repayment of a large part of existing loans (principal repayments during the year totalled €32,519 thousand);
- An increase in short-term financial debts compared with 31 December 2009 (€14,500 thousand) due to treasury requirements caused by volatility in collections. Short-term financial debts also include commitments due to financial advances against certain trade receivables (for €1,713 thousand);
- A positive change in the intercompany cash pooling position (an improvement of €24,721 thousand).

As to credit facilities providing advances against government grants receivable, which are repaid by ENAC (in accordance with the relevant Outline Agreement), during 2010 part of the credit lines was repaid, for €13,201 thousand, following the collection of the corresponding amount by ENAC. This made it possible to close the €152,000 thousand credit facility by the contractually agreed date, and to extinguish part of the €14,000 thousand facility expiring in May 2011.
At the end of 2010 borrowings of SEA from that credit facility were equal to €9,277 thousand, matched by government grants receivable for €9,409 thousand.

Cash and bank as of 31 December 2010 was equal to €22,667 thousand, a decrease of €2,895 thousand on 31 December 2009.

The financial position in 2010 benefited from the €27,300 thousand refund received from the Ministry of Transport for the damage caused by the illegitimate reduction of handling fees defined for the years 1987, 1989 and 1990, and from receipt of the remaining two tranches of the payment for the sale of Malpensa Logistica Europa (equal to €6,627 thousand).
These non-recurring factors and the good performance of operations made it possible to cover the cost of the infrastructure built by SEA, in addition to repaying the principal portions of existing loans.

It should be noted that on 25 February 2011, to support SEA's continuing commitment to develop infrastructure, two tranches were disbursed of the twenty-year, variable-rate loan of €15,000 thousand from the EIB/Banca Infrastrutture Innovazione e Sviluppo (BIIS). Moreover, on 3 March 2011 SEA executed the sale to the investment fund F2i of the 5% interest in GESAC (the operator of Naples Capodichino airport) for a consideration of €8,200 thousand.

CASH FLOW STATEMENT - SEA S.p.A.

(amounts in thousands of euro)	31 Dec. 2010	31 Dec. 2009
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**25,562**	**29,208**
Cash flows from operating activities		
Profit/(Loss) before taxes	59,780	67,544
Adjustments:		
Amortisation/depreciation charges, net	39,567	39,115
Charges to provisions, write-downs and revaluations, net	3,326	40,107
Gains on sale of equity investments	0	(42,706)
Fixed assets disposals	876	5,315
Cash used in changes in working capital		
Change in inventories	(285)	(930)
Change in trade receivables	(131)	(14,984)
Change in other receivables	49,936	92,710
Change in current liabilities	(37,087)	(28,806)
Cash generated from operating activities	**115,982**	**157,365**
Cash flows from investing activities		
Investment in:		
- Intangible assets	(3,472)	(2,720)
- Tangible assets	(72,773)	(53,985)
- Financial assets	0	(38,849)
Disinvestment in:		
- Intangible assets	0	0
- Tangible assets	59	12
- Financial assets	2,389	50,526
Proceeds from disposal of equity investment	0	(6,526)
Cash used in investing activities	**(73,797)**	**(51,542)**
Cash flows from financing activities		
Change in gross financial indebtedness	(29,514)	(74,864)
- Change in short- and medium-/long-term financial debts	(16,313)	(41,422)
- Change in financial advances against government grants	(13,201)	(33,442)
Change in government grants receivable	(13,177)	(34,605)
Change in short-term financial assets	(2,389)	0
Dividends paid	0	0
Cash used in financing activities	**(45,080)**	**(109,469)**
Increase/(Decrease) in cash and cash equivalents	**(2,895)**	**(3,646)**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**22,667**	**25,562**

In 2010 operating activities generated cash for €115,982 thousand, a decrease of €41,383 thousand on 2009 affected by the sale of 19% of SACBO and 75% of Malpensa Logistica Europa.

These cash flows covered in part the cash outlays of 2010 connected with investment in property, plant and equipment and intangible assets (€76,245 thousand).

Expenditure on tangible assets during the year, equal to €72,773 thousand, relates for €3,457 thousand to infrastructure (runways, aprons, roads and buildings) and for €9,316 thousand to purchases of/upgrades to movable assets.

The key expenditure at Linate airport relates to construction of the new passenger car park and renovation of the existing one.

Of note among infrastructure built at Malpensa are:
- Additional work on the third satellite of Terminal 1;
- Enlargement of existing structures and construction of new sections of the BHS;
- Enlargement of the cargo area and roofing of the rail link;
- Revamping of the aircraft apron of Terminal 2.

With regard to movable assets, of note are: work on the BHS at Linate, the corporate intranet and purchases of equipment.

Highlights of investees and intercompany transactions

As of 31 December 2010 SEA held investments in the following entities, classified based on the segments in which they operate:

	Percentage held
Airport operation	
- SEA Handling S.p.A.	100%
- SACBO S.p.A.	30.979%
- Aeropuertos Argentina 2000 S.A.	10%
- GESAC S.p.A.	5%
Services and retailing	
- Dufrital S.p.A.	40%
- CID Italia S.p.A.	40%
- SEA Services S.r.l.	30%
Construction and operation of airport infrastructure	
- Malpensa Energia S.p.A.	100%
- Malpensa Logistica Europa S.p.A.	25%
- Disma S.p.A.	18.75%

Other equity investments are held in:

Consorzio Malpensa Construction	51%
Consorzio MilanoSistema in liquidazione	10%
Romairport S.r.l.	0.2266%

Moreover, SEA holds 1 quota in SITA (Société Internationale de Télécommunications Aéronautiques), a cooperative based in Belgium operating in telecommunications.

It should be noted that on 3 March 2011 SEA sold its 5% investment in GESAC S.p.A..

SEA Handling

SEA Handling started operating in handling activities at Linate and Malpensa airports on 1 June 2002, following the contribution of the business by SEA.

Effective 1 October 2009, SEA Handling transferred to the parent company SEA the ticket sales and vehicle maintenance businesses.

As of 31 December 2010 share capital comprised 38,050,394 shares of nominal €1 each.

Revenues for the year amounted to €125.9 million, up 5.4% on 31 December 2009 (€119.5 million), operating costs amounted to €134.5 million vs. €142.7 million in 2009 (-5.8%), and the gross operating loss was equal to €8.6 million vs. €23.2 million for 2009, down 63.1%.

The net loss for the year ended 31 December 2010 was equal to €13.4 million vs. €29.7 million for 2009, a decrease of 54.9%.

The net financial position as of 31 December 2010 was an asset of €39.7 million vs. €62.2 million as of 31 December 2009.

Headcount as of 31 December 2010 was 2,383, vs. 2,489 as of 31 December 2009.

At an extraordinary general meeting on 14 October 2010, when the trial balance as of 30 June 2010 was approved, the shareholder decided to postpone to the term prescribed by article 2446, paragraph 2, of the Civil Code (or an earlier date if appropriate) the adoption of the measures considered most appropriate to cover the losses resulting from the trial balance, for a total of €17,404 thousand (whereof €8,974 thousand relates to losses carried forward from 2009 and €8,430 thousand is the loss for the first half of 2010).

On 2 March 2011 the shareholder SEA confirmed its commitment to continue financing and providing financial support to SEA Handling so as to ensure that it is capable both of meeting its obligations and to continue operating as a going concern without any decrease in operating capacity, for the entire year 2011.

In addition, the amount of fees defined in agreements between SEA and SEA Handling was agreed having regard, on the one hand, to quantities, either expressed in man hours or valued on a lump-sum basis by analogy to similar circumstances and. on the other hand, to unit values derived from official figures for the Group’s personnel costs, as well as to prices offered for similar services in the market.

Malpensa Logistica Europa

The entity’s purpose is to promote, in Italy and abroad, activities designed to increase cargo traffic (by air or other means), to perform, operate and develop cargo logistics, intermodal transport, services to carriers, and to manage property and movable assets mainly related to airports.

Malpensa Energia

The entity’s purpose is to design, build, and operate combined heat and power plants for the provisioning, generation and sale of electrical and thermal power. Malpensa Energia operates the combined heat and power plants at Malpensa and Linate that generate electrical and thermal power for use by the parent company SEA and for sale to third parties.
At the end of 2009, the boards of directors of SEA and Malpensa Energia approved the extension of the sub-concession for the operation of the Malpensa power plant to 30 June 2022, the same expiration date as the concession for the power plant at Linate.

On expiry of the concessions, the plants built by Malpensa Energia will be handed over to SEA free of charge, in conditions of ordinary preservation and efficiency.

The financial statements as of 31 December 2010 show profit for the year of €3.2 million vs. €0.1 million for the year ended 31 December 2009. Revenues were equal to €53.0 million, up 15.6% on the previous year (€45.8 million). Gross operating profit was €12.5 million, up 17.5% on 2009 (€10.6 million).

Net financial indebtedness as of 31 December 2010 was equal to €61.5 million vs. €69.7 million as of 31 December 2009.

Consorzio Malpensa Construction

The consortium provides construction management services to SEA relating to the expansion, upgrading and restyling of Malpensa airport, using primarily the personnel of the consortium members (SEA and Metropolitana Milanese).
In 2002 a second supplemental deed for engineering and construction management of works at Linate was signed.
The term of the consortium, and consequently of the construction management contract, has been extended to 31 December 2011.

In the course of 2010, the consortium had revenues from engineering and construction management carried out for SEA equal to €0.4 million, in line with the previous year.
Net profit for the year was equal to €0.004 million and the net financial position as of 31 December 2010 was a asset of €0.6 million.

SACBO
SACBO is the operator of Bergamo's airport at Orio al Serio under a concession agreement expiring in 2042.

Commercial traffic in 2010 recorded a total of 67,636 air transport movements (+3.6% on 2009), 7.68 million passengers carried (+7.3% on 2009), and 106,921 tonnes of cargo (+6.6% on the previous year).

The draft financial statements as of 31 December 2010 show profit for the year of €12.3 million vs. €10.8 million for the year ended 31 December 2009 (+21.5%). Revenues were equal to €92.9 million, up 4.8% on the previous year (€88.6 million). Gross operating profit was €27.3 million, up 7.0% on 2009 (€25.5 million).

The net financial position as of 31 December 2010 was an asset of €13.9 million vs. €29.8 million as of 31 December 2009.

Dufrital
Dufrital operates commercial spaces at some Italian airports. At Milan's airports, where it has a sub-concession from SEA expiring in 2041, Dufrital operates duty free and duty paid outlets. Dufrital is also present in the inflight sales business ("Duty Free on Board"), through agreements with some airlines.

The draft financial statements as of 31 December 2010 show revenues of €86.9 million vs. €78.4 million in 2009 (+10.7%).
Operating costs amounted to €79.5 million vs. €69.6 million in the previous year (+14.4%). Gross operating profit was equal to €7.3 million vs. €8.9 million for 2009 (-17.6%).
Profit for the year was equal to €2.3 million vs. €3.7 million for 2009 (-41.9%).

CID Italia
CID Italia has a sub-concession from SEA until 2041 to operate newsstands and outlets for sundry merchandise at Milan's airports.

The draft financial statements as of 31 December 2010 show profit for the year of €0.3 million vs. €0.4 million for the year ended 31 December 2009 (-9.8%).

Revenues were equal to €31.6 million vs. €35.0 million for the previous year (-9.6%).
Operating costs amounted to €30.0 million vs. €33.3 million in 2009 (-9.9%). Gross operating profit was equal to €1.6 million, down 2.3% on the previous year.

Disma
This entity was established on 31 July 1991 with the business purpose of engineering, construction and operation of the aviation fuel and lube oil deposit and the refuelling plant of Malpensa airport. It carries out its activities through a sub-concession from SEA expiring on 31 December 2020.
Fuel sold in 2010 totalled 1,106 thousand cm vs. €1,039 thousand cm last year.
Revenues of 2010 were equal to €5.7 million. up 4.9% on 2009. Gross operating profit was equal to €3.2 million. up 0.9% on the previous year.

The financial statements as of 31 December 2010 show profit for the year of €1.0 million vs. €0.9 million for the year ended 31 December 2009.

Capital expenditure in 2010 amounted to €2.5 million.

As of 31 December 2010 net financial indebtedness was equal to €5.6 million vs. €5.7 million as of 31 December 2009.

SEA Services
This entity, established in 2008, started operating in the course of 2009 and provides industrial cleaning and catering services at Linate and Malpensa.

Revenues of 2010 were equal to €4.6 million vs. €0.5 million in 2009, operating costs amounted to €4.1 million vs. €0.4 million, gross operating profit was equal to €0.5 million vs. €0.1 million in 2009, and profit for the year was equal to €0.3 million vs. €0.01 million for 2009.

Capital expenditure in 2010 amounted to €0.03 million vs. €0.2 million in 2009 (which reflected, in particular, the contribution of the business from the shareholder Servizi di Bordo S.r.l.).

As of 31 December 2010 the net financial position was an asset of €0.9 million vs. €0.6 million as of 31 December 2009.

Aeropuertos Argentina 2000 S.A.
This entity, established on 28 January 1998, on 9 February 1998 entered into a 30-year concession agreement with the Argentine government to operate 33 airports that are part of Argentina’s airport system.
The financial statements as of 31 December 2010 show profit for the year of 311.3 million pesos vs. 245.3 million pesos in 2009.

Traffic grew from 20.3 million passengers in 2009 to 22.9 million passengers in 2010 (+12.8%), while air transport movements, totalling 378.9 thousand, were 3.4% up on 31 December 2009.

The carrying amount of the equity interest is unchanged from 31 December 2009.

Events of 2010
In February 2010 the parent company SEA and AA2000 defined the method of payment of the remaining balance receivable by the parent company from AA2000, equal to USD 533 thousand, in two tranches of the same amount, in April and May 2010. The two tranches were paid by AA2000, which thus extinguished its debt to the SEA Group.

In February 2010 AA2000 paid dividends, as resolved the AGM of 24 April 2009: the parent company SEA received dividends for a value corresponding to €53 thousand. At the AGM of 19 March 2010 the shareholders approved the distribution of an ordinary dividend of 40 million pesos, delegating the decision about the timing of payment to the board of directors.

On 11 March 2010 the Argentine stock exchange commission, *Comision Nacional de Valores*, authorised the public offering of a bond issue approved in 2009; on 21 April 2010 AA2000 issued bonds for a total of USD 41.8 million.

On 3 December 2010 the Comision Nacional de Valores authorised the public offering of a bond issue approved on 13 September 2010; on 22 December 2010 AA2000 issued bonds for a total of USD 300 million, maturing in 2020.

Sales agreement

On 3 December 2008 the Argentine airport regulator ORSNA, *Organismo Regulador del Sistema Nacional de Aeropuertos*, authorised the sale to Corporaciòn America SA (CASA) of a 26% interest in AA2000 held by SEA, in execution of the first step of the sale agreement entered into by SEA and CASA on 9 Augusto 2006. The agreed consideration, for a total of €4.9 million, has been entirely received by SEA. Accordingly, SEA's equity interest in AA2000 is now equal to 10%.

The second step of the sale, relating to the remaining 10% interest, stipulates that CASA shall grant SEA a put option to sell the remaining 10% of AA2000 for €7.5 million. SEA will be able to exercise the put option within 30 days of the fifth anniversary of the date of the agreement.
SEA shall maintain 10% of AA2000 for at least 5 years and 30 days from the date of the agreement and will be under no obligation in terms of 'representations and warranties' relating to the operating management of AA2000.

GESAC

In 2003 GESAC made a Convention with ENAC for the full operation of Naples Capodichino airport, for a term of 40 years.
The draft financial statements as of 31 December 2010 show net profit for the year of €7.6 million vs. 5.0 million for the year ended 31 December 2009 (+52%).
In 2010 traffic at the airport totalled 5.6 million passengers (+4.9% on 2009); cargo carried totalled 5,326 tonnes (-5.8% on 2009), and air transport movements totalled 63,564 (-0.7% compared with 2009).

On 3 March 2011 SEA sold its 5% interest in GESAC S.p.A.

INTERCOMPANY TRANSACTIONS

With reference to the disclosures required by article 2428 of the Italian Civil Code on transactions between the company and its subsidiaries and associates, we report below the effects of those transactions on the balance sheet and income statement for the year ended 31 December 2010.

(amounts in thousands of euro)

	Receivables	**Payables**	**Revenues**	**Financial income**	**Dividends**	**Proceeds from tax consolidation**	**Costs**	**Financial charges**
Entity:								
Sea Handling	13,717	(51,449)	26,389			2,184	(14,643)	(241)
Malpensa Energia	36,667	(8,901)	750	1,693			(28,969)	
Malpensa Logistica Europa	1,790	(858)	4,185					
Consorzio Malpensa Construction	621	(656)	284					
SACBO	6	0	72					
Dufrital	6,909	(310)	19,327		6,000			
Cid Italia	1,035	(115)	2,307				(30)	
Disma	152	(92)	279					
Sea Services	623	(384)	1,140				(607)	
Aeropuertos Argentina 2000	0	0			53			
Romairport	4							
Consorzio MilanoSistema in liq.		(25)						
Total	**61,524**	**(62,790)**	**54,733**	**1,693**	**6,053**	**2,184**	**(44,249)**	**(241)**

Receivables and payables include accruals, prepayments and deferrals

ADDITIONAL DISCLOSURES

SEA does not carry out research and development activities and does not hold own shares either directly or indirectly.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Significant events after the closing date are illustrated in the directors’ report on operations accompanying the consolidated financial statements of the SEA Group.

SEA SpA
SEPARATE FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

SEA S.p.A.

BALANCE SHEET - ASSETS (amounts in units of euro)			31 December 2010	31 December 2009
A) Unpaid share capital			--	--
B) Fixed assets				
I	Intangible assets			
	1)	Start-up and expansion costs	--	--
	2)	Research, development and advertising expenses	--	--
	3)	Industrial and other patent rights	4,526,556	3,839,684
	4)	Concessions, licenses, trademarks and similar rights and assets	--	--
	5)	Goodwill	--	--
	6)	Assets in progress and and payments on account	1,680,931	1,198,376
	7)	Other intangible assets	--	--
Total			**6,207,487**	**5,038,060**
II	Tangible assets			
	1)	Land and buildings	1,076,426,846	1,048,266,476
	2)	Plant and machinery	54,164,831	62,477,763
	3)	Industrial and commercial equipment	2,661,558	1,233,870
	4)	Other assets	9,697,639	9,331,274
	5)	Assets under construction and payments on account	135,862,561	121,213,829
Total			**1,278,813,435**	**1,242,523,212**
BALANCE SHEET - ASSETS			**31 December 2010**	**31 December 2009**
III	Financial assets			
	1)	Equity interests:		
		a) in subsidiaries	22,743,668	36,123,689
		b) in associated companies	10,599,328	10,599,328
		d) in other companies	1,137,249	3,525,862
	Total		**34,480,245**	**50,248,879**
	2)	Receivables		
		a) from subsidiaries		
		- falling due within one year	3,498,996	3,256,261
		- falling due after one year	0	3,498,996
		Total	**3,498,996**	**6,755,257**
		b) from associated companies	--	--
		c) from parent companies	--	--
		d) from others		
		- falling due within one year	77,182	127,213
		- falling due after one year	430,516	692,435
		Total	**507,698**	**819,648**
	Total		**4,006,694**	**7,574,905**
	3)	Other securities	--	--
	4)	Own shares	--	--
Total			**38,486,939**	**57,823,784**
Total Fixed assets			**1,323,507,861**	**1,305,385,056**

C) Current assets				
I	Inventory			
	1)	Raw materials and consumables	9,546,506	9,261,944
	2)	Work in progress	--	--
	3)	Contracted work in progress	--	--
	4)	Finished products and goods held for resale	--	--
	5)	Payments on account	--	--
	Total Inventory		**9,546,506**	**9,261,944**
II	Receivables			
	1)	Trade receivables		
		- falling due within one year	124,988,538	117,706,787
		- falling due after one year	--	--
		Total	**124,988,538**	**117,706,787**
	2)	Receivables from subsidiaries		
		- falling due within one year	47,459,417	54,512,579
		- falling due after one year	--	--
		Total	**47,459,417**	**54,512,579**
	3)	Receivables from associated companies		
		- falling due within one year	10,515,127	10,611,577
		- falling due after one year	--	--
		Total	**10,515,127**	**10,611,577**
	4)	Receivables from parent companies	--	--
	4bis)	Tax receivables		
		- falling due within one year	2,990,443	4,022,100
		- falling due after one year	--	--
		Total	**2,990,443**	**4,022,100**
	4ter)	Deferred tax assets		
		- falling due within one year	37,960,119	47,725,186
		- falling due after one year	--	--
		Total	**37,960,119**	**47,725,186**
	5)	Other receivables		
		- falling due within one year	14,349,657	37,998,010
		- falling due after one year	--	--
		Total	**14,349,657**	**37,998,010**
Total			**238,263,301**	**272,576,239**
III	Short-term investments			
	1)	Investments in subsidiaries	--	--
	2)	Investments in associated companies	--	--
	3)	Investments in parent companies	--	--
	4)	Other investments	2,388,613	--
	5)	Own shares	--	--
	6)	Other securities	--	--
	Total		**2,388,613**	**0**
IV	Cash and bank			
	1)	Bank and postal deposits	22,575,953	25,454,485
	2)	Cheques in hand	--	--
	3)	Cash in hand	91,396	107,834
	Total		**22,667,349**	**25,562,319**
Total Current assets			**272,865,769**	**307,400,502**
D) Accrued income and prepayments			**2,945,383**	**2,808,655**
Total ASSETS			**1,599,319,013**	**1,615,594,213**

BALANCE SHEET - LIABILITIES		31 December 2010	31 December 2009
A) Shareholders' equity			
I	Share capital	27,500,000	27,500,000
II	Share premium reserve	21,467,911	21,467,911
III	Revaluation reserve	60,288,174	60,288,174
IV	Legal reserve	5,500,000	5,500,000
V	Reserves required by company by-laws	--	--
VI	Own shares	--	--
VII	Other reserves:		
	Extraordinary reserve	154,073,187	86,529,241
	Reserve from unrealised exchange gains	--	--
VIII	Profit/(Loss) carried forward	--	--
IX	Profit/(Loss) for the year	59,780,009	67,543,946
Total Shareholders' equity		**328,609,281**	**268,829,272**
B) Provisions for risks and charges			
1)	Provision for pensions and similar obligations	--	--
2)	Provision for deferred taxes	8,104,388	9,224,637
3)	Other provisions	563,267,534	569,174,200
Total Provisions for risks and charges		**571,371,922**	**578,398,837**
C) Employees' severance entitlement (TFR)		**52,327,852**	**54,756,856**
D) Payables			
1)	Bonds and debenture loans	--	--
2)	Convertible bonds and debenture loans	--	--
3)	Loans from shareholders	--	--
4)	Bank loans and overdrafts		
	- falling due within one year	63,382,504	60,996,964
	- falling due after one year	278,615,042	312,226,918
	Total	**341,997,546**	**373,223,882**
5)	Loans from other lenders		
	- falling due within one year	1,713,301	--
	- falling due after one year	--	--
	Total	**1,713,301**	**0**
6)	Payments on account:		
	- falling due within one year	3,580,903	4,603,261
	- falling due after one year	--	--
	Total	**3,580,903**	**4,603,261**
7)	Trade payables		
	- falling due within one year	124,180,474	124,500,544
	- falling due after one year	0	238,611
	Total	**124,180,474**	**124,739,155**
8)	Notes payable	--	--
9)	Payables to subsidiaries		
	- falling due within one year	60,929,357	100,150,866
	- falling due after one year	--	--
	Total	**60,929,357**	**100,150,866**
10)	Payables to associated companies		
	- falling due within one year	293,102	2,734,709
	- falling due after one year	--	--
	Total	**293,102**	**2,734,709**
11)	Payables to parent companies	--	--
12)	Tax payables		
	- falling due within one year	38,665,486	42,718,432
	- falling due after one year	--	--
	Total	**38,665,486**	**42,718,432**

13)	Social security payables		
	- falling due within one year	11,580,203	12,068,805
	- falling due after one year	--	--
	Total	**11,580,203**	**12,068,805**
14)	Other payables		
	- falling due within one year	37,879,039	35,877,405
	- falling due after one year	--	--
	Total	**37,879,039**	**35,877,405**
Total Payables		**620,819,411**	**696,116,515**
E) Accrued expenses and deferred income		**26,190,547**	**17,492,733**
Total LIABILITIES		**1,599,319,013**	**1,615,594,213**

MEMORANDUM ACCOUNTS	**31 December 2010**	**31 December 2009**
Personal guarantees given		
a) Guarantees:		
in favour of subsidiaries	--	--
in favour of others	54,698,908	69,629,610
Total Personal guarantees given	**54,698,908**	**69,629,610**
Real guarantees given		
Pledge on receivables	8,056,728	8,058,455
Other memorandum accounts		
Commitments for long-term tenders and contracts in progress	53,185,047	54,996,745
Personal guarantees received		
a) Guarantees:		
in favour of subsidiaries	21,500,000	21,500,000
other guarantees	935,000	8,290,000
Total Personal guarantees received	**22,435,000**	**29,790,000**
Total Memorandum accounts	**138,375,683**	**162,474,810**

Income statement			FY 2010	FY 2009
A) Value of production				
1)	Revenue from sales and services		429,467,341	424,440,563
2)	Changes in stocks of work in progress and finished goods		--	--
3)	Changes in contract work in progress		--	--
4)	Own work capitalised		--	--
5)	Other income:		25,392,122	26,217,868
Total Value of production			**454,859,463**	**450,658,431**
B) Cost of production				
6)	Raw materials, consumables, spare parts and other goods		14,667,478	13,089,617
7)	Services		123,905,219	119,758,655
8)	Rental and leasing charges		17,752,243	17,211,218
9)	Personnel:			
	a)	Wages and salaries	102,550,862	86,680,367
	b)	Social charges	31,122,910	26,775,745
	c)	Employees' severance entitlement (TFR)	8,340,320	6,952,302
	d)	Pensions and similar obligations	2,215,094	1,899,655
	e)	Other personnel costs	2,460,094	12,958,384
	Total		**146,689,280**	**135,266,453**
10)	Amortisation, depreciation and write-downs			
	a)	Amortisation of intangible assets	2,302,372	1,946,796
	b)	Depreciation of tangible assets	37,265,501	37,168,220
	c)	Other write-downs of fixed assets	0	0
	d)	Write-downs of receivables included in current assets	4,113,871	19,541,701
	Total		**43,681,744**	**58,656,717**
Income statement			**FY 2010**	**FY 2009**
11)	Changes in stocks of raw materials, consumables, spare parts and other goods		-284,562	-929,833
12)	Provisions for risks		--	--
13)	Other provisions		12,403,843	7,099,269
14)	Other operating charges		7,586,269	8,476,246
Total Cost of production			**366,401,514**	**358,628,342**
Difference between value and cost of production (A-B)			**88,457,949**	**92,030,089**
C) Financial income and charges				
15)	Income from equity interests:			
	- from subsidiaries		0	5,659,864
	- from associated companies		6,000,000	37,389,654
	- from others		53,140	212,500
	Total		**6,053,140**	**43,262,018**
16)	Other financial income:			
	a)	From receivables recorded as fixed assets:		
		- from subsidiaries	399,502	650,938
		- from associated companies	--	--
		- from others	--	--
	b)	From securities recorded as fixed assets	--	--
	c)	From securities recorded as current assets	--	--
	d)	Financial income other than the above:		
		- from subsidiaries	1,293,105	1,709,794
		- from associated companies	--	--
		- from parent companies	--	--
		- from others	387,234	889,026
	Total		**2,079,841**	**3,249,758**

17)	Interest and other financial charges:			
	- from subsidiaries		242,429	709,666
	- from associated companies		--	--
	- from parent companies		--	--
	- other		10,978,843	15,757,943
	Total		**11,221,272**	**16,467,609**
17bis)	Exchange gains/(losses)		32,090	895,932
Total Financial income and charges			**-3,056,201**	**30,940,099**
D) Adjustments to the value of financial assets				
18)	Revaluations:			
	a)	of equity interests	0	42,095
	b)	of other investments	--	--
	c)	of securities recorded as current assets	--	--
	Total		**0**	**42,095**
19)	Write-downs:			
	a)	of equity interests	13,380,020	29,667,550
	b)	of other investments	--	--
	c)	of securities recorded as current assets	--	--
	Total		**13,380,020**	**29,667,550**
Total Adjustments to the value of financial assets			**-13,380,020**	**-29,625,455**

Income statement			**FY 2010**	**FY 2009**
E) Extraordinary income and expenses				
20)	Income		33,784,365	7,090,366
21)	Expenses		9,240,256	3,679,430
Total Extraordinary items			**24,544,109**	**3,410,936**
Profit/(Loss) before taxes (A-B±C±D±E)			**96,565,837**	**96,755,669**
22)	Income taxes			
	a)	Current income taxes	28,141,010	28,308,460
	b)	Deferred income taxes	8,644,818	903,263
	Total		**36,785,828**	**29,211,723**
Profit/(Loss) for the year			**59,780,009**	**67,543,946**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS OF SEA S.p.A.

Presentation and content of the financial statements

SEA S.p.A.'s separate annual financial statements as of 31 December 2010, the items of which are illustrated hereinafter, have been drawn up in compliance with Italian legislation.

The balance sheet, the income statement and the notes to the financial statements have been drawn up following the layout and instructions specified in articles 2424, 2424bis, 2425, 2425bis and 2427 of the Italian Civil Code.

In order to provide additional information and to present the financial position and state of affairs of the Company more clearly, a reclassified balance sheet, a reclassified income statement and a cash flow statement have been prepared to accompany the directors' report on operations.

The accounting policies adopted, illustrated further below, which follow the general principles set forth in articles 2423 and 2423-bis and 2426 of the Civil Code, specify the criteria applied in measuring the various categories of assets and in determining depreciation/amortisation and provisions charged to the income statement.

During the year under consideration no exceptional events occurred requiring recourse to the departure allowed by article 2423, fourth paragraph, of the Civil Code.

The notes to the various financial statements items highlight changes in the composition of the individual balance sheet and income statement accounts in comparison with the previous year.

The items of the previous year's financial statements have not been reclassified.

The balance sheet, the income statement and these notes to the financial statements are presented in euro units, without decimals.

The engagement to audit the financial statements as of 31 December 2010 has been assigned to PricewaterhouseCoopers SpA.

We hereby state that all transactions made by the Company either directly or indirectly are reflected in the accounting records.

Accounting policies

The values included in the financial statements are measured in compliance with the principles governing the preparation of financial statements set out in articles 2423 and 2423bis of the Civil Code, the provisions of articles 2424bis and 2426 of the Civil Code, Legislative Decree No. 6 of 17 January 2003 and the accounting standards issued by *Organismo Italiano di Contabilità* (OIC), the Italian accounting standard setter, which interpret and supplement the applicable legislation. There are no assets or liabilities stated on more than one line of the balance sheet.
The specific accounting policies applied to the main financial statements items are illustrated in detail below. They are consistent with those applied in the previous year.

Intangible assets are stated at cost; amortisation is deducted directly in computing the values of assets, with reference to their residual utilisation.

Tangible assets are stated at purchase cost, increased by accessory charges and revaluation computed in compliance with the law (Laws No. 576/75, 72/83 and 413/91). They are depreciated systematically with reference to their estimated useful lives.

When at the reporting date there are indications that tangible assets may have become impaired, the carrying amount is written down. If in subsequent periods the reasons for a write-down are found no longer to exist, the write-down is reversed (article 2426, point 3 of the Civil Code and OIC 16, paragraph XIII).

With regard to assets operated under concession that are to be handed over on expiry of the concession, the portion financed by the Company and the portion financed by the State are reported separately. The classification of assets operated under concession financed by the State within assets on the balance sheet has a legal basis in the Convention between ENAC and SEA dated 4 September 2001 (which extended the previous concession agreement dated 7 May 1962), which requires SEA to maintain and operate all the airport's assets without distinction on the basis of the source of finance, and is financially justified by their nature of business operating assets. The Convention is set to expire in 2041.

Those assets have been depreciated since 1999 applying special depreciation applicable to assets operated under concession.

In the case of *assets operated under concession financed by SEA*, the net value to be depreciated has been calculated by adding to the historical cost as of 31 December 1998 additions during the year 1999 and subsequent years and deducting accumulated ordinary economic-technical depreciation.
The straight-line special depreciation charge has been obtained by dividing the net book value to be depreciated by the number of years left till the end of the Convention.

As to *assets operated under concession financed by the State*, no additional depreciation charge has been computed for 1999 and subsequent years as the amounts already accumulated were considered to be appropriate, the values of the assets being offset against government grants.

On the basis of a plan for scheduled maintenance of the infrastructure operated under concession that was prepared for the purposes of the extension of the Convention to 2041, a provision for scheduled maintenance has been recorded to ensure the functioning of assets operated under concession in accordance with the Convention.

Civil buildings are subject to ordinary economic-technical depreciation.

Assets under construction are measured at cost and classified within assets similarly to other assets in operation.

The depreciation rates applied to calculate the depreciation charge for the year are detailed in the comments to tangible assets.

Financial assets are measured at acquisition or subscription cost, inclusive of accessory charges.
Equity interests are written down, if necessary, to reflect any impairment losses.

In order to determine whether an impairment loss has occurred, reference is made to the current performance and projected earnings of the investee and its net equity.

Stocks of consumables are stated at the lower of average weighted purchase cost, including any additional charges, and market.

Receivables are stated at nominal value and adjusted to estimated recoverable amount by posting a provision for bad debts.

Prepayments, accruals and deferrals are time-based apportionments of income and expenditure items that relate to more than one accounting period, posted in accordance with the accrual basis of accounting, in compliance with article 2424 bis of the Civil Code.

The **employees' severance entitlement** (‘Trattamento di fine rapporto’, TFR), determined in compliance with article 2120 of the Civil Code and the reform of pension funds, reflects the actual liability to employees as of 31 December 2010.

Provisions for risks and charges reflect the estimated costs to be incurred for liabilities that are considered certain or probable but the amounts or dates of occurrence of which are not yet known. Provisions reflect best estimates based on the information available at the balance sheet date.

With regard to provisions for government grants and for renovation and replacement of assets operated under concession, their classification in liabilities has a legal basis in the Convention between ENAC and SEA dated 4 September 2001, which commits SEA to hand over free of charge the assets indentified in the Convention on expiry of the concession, in good working condition.
These provisions have been set up to cover costs that are certain to be incurred in future owing to the commitment to transfer the assets without charge on expiry of the Convention. Their purpose is to avoid the need for the concessionaire to decrease own or borrowed funds at the time of the transfer by an amount corresponding to the net book values written off plus any costs incurred to restore the assets to working condition. The provisions may become own funds on expiry of the Convention should a gain arise upon the transfer of the assets, and in the amount thereof.

Tax receivables, tax liabilities and deferred taxes
Income taxes are computed and provided in relation to the estimated tax charge for the period, in compliance with the laws in force.

Deferred taxes are also recognised on the basis of temporary differences between taxable income and profit before tax as per the statutory accounts. If the calculation gives rise to a deferred tax asset, this is recognised within receivables to the extent that it is considered to be recoverable. If a liability arises, it is recorded in the provision for deferred taxes.

For the year 2010 SEA has applied a consolidated tax regime with its subsidiaries SEA Handling and Malpensa Energia.

Receivables and payables originally denominated in foreign currencies are recorded at the exchange rates prevailing on the trade date. Following the reform of company law (Legislative Decree No. 6/2003) and subsequent amending decrees, receivables and payables in foreign currencies are translated at the spot exchange rate on the closing date; the resulting exchange gains and losses are reported on the income statement line 17bis) 'Exchange gains/(losses)' and any net gain is set aside in a specific reserve that is not distributable until the foreign currency receivable or payable is collected or paid.

Payables are reported at nominal value, and amounts falling due after one year are identified.

Revenues are recognised when their existence is certain and the amount can be determined, and are reported after deducting discounts, rebates, incentives and value added tax. Revenues from services rendered are recognised either when the service is completed or continuously in the case of leases, rentals or loans. Revenue from the sale of movable assets is earned at the time of shipment or delivery or, if different, at the time legal title or other real right arises or is transferred. Revenue from the sale of property is earned at the time the purchase and sale agreement is signed or at the time legal title or other real right arises or is transferred. Recognition is in compliance with the accrual basis of accounting, i.e. at the closing date unbilled revenues earned are recognised and revenues billed early are reported as deferred income.

Grants related to income other than grants related to assets are credited to the income statement line 'Other income'.

Costs, reported after deducting discounts, rebates, incentives and value added tax, relate to purchases of goods, services and manpower, consumption of assets (through depreciation or other) and costs incurred in carrying our the corporate business, such as borrowing costs, taxes and extraordinary expenses. Recognition is in compliance with the accrual basis of accounting, i.e. at the closing date unbilled costs incurred are recognised and costs billed early are reported as prepayments.

Transactions hedging interest rate risk

The financial instruments used to hedge the risk of fluctuations in interest rates on specific assets and liabilities are recognised as follows: if the fair value of the derivative instruments at the balance sheet date is positive no entry is posted, if negative it is recognised in provisions for risks and charges.

Dividends are recognised in the year when they are actually collected.

Memorandum accounts show guarantees received and given and the most significant commitments existing at the reporting date.

Changes in assets and liabilities items

Fixed assets

Intangible assets

Balance as of 31 Dec. 2010	6,207,487
Balance as of 31 Dec. 2009	5,038,060
Change	1,169,427

Description	Balance as of 31 Dec. 2009	Increases	Account transfers/ Decreases/ Write-downs	Amortisation charges	Balance as of 31 Dec. 2010
Start-up and expansion costs	0	0	0	0	0
Research, development and advertising expenses	0	0	0	0	0
Industrial and other patent rights	3,839,684	2,989,244	0	-2,302,372	4,526,556
Concessions, licenses, trademarks and similar rights and assets	0	0	0	0	0
Goodwill	0	0	0	0	0
Assets in progress and payments on account	1,198,376	3,471,799	-2,989,244	0	1,680,931
Other intangible assets	0	0	0	0	0
Total	**5,038,060**	**6,461,043**	**-2,989,244**	**-2,302,372**	**6,207,487**

Intangible assets as of 31 December 2010 amounted to €6,207 thousand vs. €5,038 thousand as of 31 December 2009. There were no write-downs, revaluations or disposals.

The net book value as of 31 December 2010 of **Industrial and other patent rights**, whose net increase in the year amounted to €687 thousand, was equal to €4,527 thousand. The increase in 2010 relates to costs incurred to purchase licences for the airport operation and management information systems, and software components. The amortisation rate applied is 33.33%.

The balance as of 31 December 2010 of **assets in progress and payments on account**, equal to €1,681 thousand, relates to work carried out on the airport operation and management information systems.

Start-up and expansion costs, Research, development and advertising expenses
During the year 2010 no additional costs were capitalised in these categories.
Therefore, pursuant to article 2426 of the Civil Code, there are no restrictions on the distribution of equity reserves.

Previous years' revaluations, depreciation and write-downs

Historical cost at the beginning of the year is broken down as follows:

Description	Historical cost	Accumulated depreciation	Write-downs	Net book value
Start-up and expansion costs	1,056,022	-1,056,022	0	0
Research, development and advertising expenses	3,991,198	-3,991,198	0	0
Industrial and other patent rights	24,276,699	-20,437,015	0	3,839,684
Concessions, licenses, trademarks and similar rights and assets	0	0	0	0
Goodwill	0	0	0	0
Assets in progress and payments on account	1,198,376	0	0	1,198,376
Other intangible assets	14,722,581	-14,691,402	-31,179	0
Total	**45,244,876**	**-40,175,637**	**-31,179**	**5,038,060**

Tangible assets

Balance as of 31 Dec. 2010	1,278,813,435
Balance as of 31 Dec. 2009	1,242,523,212
Change	36,290,223

	Balance as of 31 Dec. 2009	Additions	Disposals / Scrapped or non-existent assets	Account transfers (+)	Account transfers (-)	Depreciation charges / Write-downs	Balance as of 31 Dec. 2010
GROSS VALUES							
Land and buildings	*1,408,263,931*	*48,846*	*-1,460,894*	*49,989,093*	*-1,088,967*	*0*	*1,455,752,009*
Plant and machinery	*223,628,757*	*2,560*	*-190,083*	*2,348,055*	*0*	*0*	*225,789,289*
Industrial and commercial equipment	*65,522,842*	*2,722,868*	*-13,231,061*	*0*	*0*	*0*	*55,014,649*
Other assets	*80,594,922*	*1,420,029*	*-397,638*	*2,675,385*	*0*	*0*	*84,292,698*
Assets under construction and payments on account	*157,118,696*	*68,578,341*	*-6,043*	*663,903*	*-54,587,469*	*0*	*171,767,428*
GROSS VALUES	**1,935,129,148**	**72,772,644**	**-15,285,719**	**55,676,436**	**-55,676,436**	0	**1,992,616,073**
ACCUMULATED DEPRECIATION							
Land and buildings	*-354,761,558*	*0*	*585,258*	*0*	*0*	*-19,912,966*	*-374,089,266*
Plant and machinery	*-144,480,939*	*0*	*190,083*	*0*	*0*	*-12,381,678*	*-156,672,534*
Industrial and commercial equipment	*-64,128,758*	*0*	*13,231,061*	*0*	*0*	*-1,295,180*	*-52,192,877*
Other assets	*-71,219,643*	*0*	*344,267*	*0*	*0*	*-3,675,678*	*-74,551,054*
TOTAL ACCUMULATED DEPRECIATION	**-634,590,898**	**0**	**14,350,669**	**0**	**0**	**-37,265,502**	**-657,505,731**
IMPAIRMENT LOSSES							
Land and buildings	*-5,235,897*	*0*	*0*	*0*	*0*	*0*	*-5,235,897*
Plant and machinery	*-16,670,055*	*0*	*0*	*0*	*0*	*1,718,131*	*-14,951,924*
Industrial and commercial equipment	*-160,214*	*0*	*0*	*0*	*0*	*0*	*-160,214*
Other assets	*-44,005*	*0*	*0*	*0*	*0*	*0*	*-44,005*
Assets under construction and payments on account	*-35,904,867*	*0*	*0*	*0*	*0*	*0*	*-35,904,867*
TOTAL IMPAIRMENT LOSSES	**-58,015,038**	0	**0**	**0**	**0**	**1,718,131**	**-56,296,907**
NET BOOK VALUES							
Land and buildings	*1,048,266,476*	*48,846*	*-875,636*	*49,989,093*	*-1,088,967*	*-19,912,966*	*1,076,426,846*
Plant and machinery	*62,477,763*	*2,560*	*0*	*2,348,055*	*0*	*-10,663,547*	*54,164,831*
Industrial and commercial equipment	*1,233,870*	*2,722,868*	*0*	*0*	*0*	*-1,295,180*	*2,661,558*
Other assets	*9,331,274*	*1,420,029*	*-53,371*	*2,675,385*	*0*	*-3,675,678*	*9,697,639*
Assets under construction and payments on account	*121,213,829*	*68,578,341*	*-6,043*	*663,903*	*-54,587,469*	*0*	*135,862,561*
TOTAL NET BOOK VALUES	**1,242,523,212**	**72,772,644**	**-935,050**	**55,676,436**	**-55,676,436**	**-35,547,371**	**1,278,813,435**

At the balance sheet date tangible assets were equal to €1,278,813 thousand, a net increase of €36,290 thousand on 31 December 2009.

Additions in the year, equal to €72,773 thousand, whereof €666 thousand financed by the State, are reported net of expenditure of €324 thousand made by the associate Dufrital (pursuant to the commercial agreement made in 2008). Additions relate for €63,457 thousand to infrastructure (runways, aircraft aprons, roads and buildings) and for €9,316 thousand to purchases of or upgrades to movable assets. Expenditure on infrastructure at Linate airport during 2010 amounted to €21,700 thousand, the largest items being the construction of the new passenger car park for €14,400 thousand, completed in December 2010, the renovation of the multi-storey passenger car park for €2,518 thousand and upgrades to the air conditioning system for €908 thousand.

Expenditure on infrastructure at Malpensa airport in 2010 was equal to €41,757 thousand, whereof €666 thousand financed by the State; the largest items were:

- Additional work on the third satellite of Terminal 1 for €11,710 thousand;
- Enlargement of existing structures and construction of new sections of the baggage handling system (BHS) for €1,376 thousand;

- Enlargement of the cargo area and roofing of the rail link for €9,757 thousand;
- Revamping of the aircraft apron of Terminal 2 for €7,044 thousand.

With regard to movable assets, the main items of expenditure were work on the BHS at Linate for €1,823 thousand, purchases of equipment for €2,250 thousand, and work on the corporate intranet for €1,068 thousand.

The column ‘Disposals / Scrapped or non-existent assets’ shows assets that were found no longer to exist or were sold or scrapped during the year. In June 2010 SEA made a sale and lease-back transaction involving eight x-ray scanners used in passenger security screening whose historical cost was €13,227 thousand. The selling price, equal to €6,400 thousand, generated a gain because the assets were already fully depreciated at the time of the sale. The gain on disposal was deferred over the tem of the sale and lease-back arrangement.

In the years 2007 and 2008, the Company posted impairment losses for a total of €58,015 thousand as a consequence of de-hubbing of Malpensa by Alitalia, the key carrier operating at Milan’s airports. In detail, €23,100 thousand was referred to the BHS and €34,915 thousand to Malpensa’s third satellite.
With reference to the outlook for air traffic, and to the absence of additional internal and external factors that may have a significant impact on Malpensa’s airport system, the impairment losses posted in previous years were substantially confirmed also in the 2010 financial statements.

Depreciation charges for the year were calculated at the following rates:

Proprietary civil buildings	1%
Assets operated under concession	
- Industrial buildings financed by SEA	Special depreciation of assets operated under concession
- Runways financed by SEA	Special depreciation of assets operated under concession
- Industrial buildings financed by the State	Not depreciated
- Runways financed by the State	Not depreciated
Plant and machinery	10%
Industrial and commercial equipment	
- Signals and other runway apparatus	31.5%
- Miscellaneous equipment	25%
Other assets	
- Furniture and fixtures	12%
- Trucks and service vehicles	20%
- Cars	25%
- Electrical and electronic machines	20%

The depreciation rate for assets put into use during the year was calculated on a pro rata temporis basis.

Assets purchased in 2010 and worth less than €516.46 each were fully expensed during the year. This accounting treatment does not generate any distortion on the financial statements.

Effective 1 January 2008, the Company ceased accounting for accelerated depreciation off balance sheet, for fiscal purposes, and recording the related deferred tax assets.

During the year 2010 gains of €837 thousand and losses of €789 thousand were recorded that are mainly attributable to movable assets that were scrapped.
Account transfers between asset categories originate from the reclassification of payments on account for asset purchases or performance of additional work and the completion of assets under construction which are then put into use.

LAND AND BUILDINGS

	Balance as of 31 Dec. 2009	Purchases	Disposals / Scrapped or non-existent assets	Adjust-ments	Account transfers (+)	Account transfers (-)	Depreciation / Write-downs	Balance as of 31 Dec. 2010
GROSS VALUES								
Proprietary assets	7,690,027	48,846	0	0	24,549	0	0	7,763,422
Assets operated under concession	1,400,573,904	0	-1,460,894	0	49,964,544	-1,088,967	0	1,447,988,587
TOTAL GROSS VALUES	**1,408,263,931**	**48,846**	**-1,460,894**	**0**	**49,989,093**	**-1,088,967**	**0**	**1,455,752,009**
ACCUMULATED DEPRECIATION								
Accumulated economic-technical depreciation								
Proprietary assets	-351,021	0	0	0	0	0	-23,335	-374,356
Assets operated under concession	-123,632,187	0	207,405	0	0	0	0	-123,424,782
Total Accumulated economic-technical depreciation	**-123,983,208**	0	**207,405**	**0**	**0**	**0**	**-23,335**	**-123,799,138**
Accumulated special depreciation of assets operated under concession								
Proprietary assets	0	0	0	0	0	0	0	0
Assets operated under concession	-230,778,350	0	377,853	0	0	0	-19,889,631	-250,290,128
Total Accumulated special depreciation of assets operated under concession	**-230,778,350**	0	**377,853**	**0**	**0**	**0**	**-19,889,631**	**-250,290,128**
TOTAL ACCUMULATED DEPRECIATION	**-354,761,558**	0	**585,258**	**0**	**0**	**0**	**-19,912,966**	**-374,089,266**
IMPAIRMENT LOSSES								
Proprietary assets	0	0	0	0	0	0	0	0
Assets operated under concession	-5,235,897	0	0	0	0	0	0	-5,235,897
TOTAL IMPAIRMENT LOSSES	**-5,235,897**	0	**0**	**0**	**0**	**0**	**0**	**-5,235,897**
NET BOOK VALUES								
Proprietary assets	7,339,006	48,846	0	0	24,549	0	-23,335	7,389,066
Assets operated under concession	1,040,927,470	0	-875,636	0	49,964,544	-1,088,967	-19,889,631	1,069,037,780
TOTAL NET BOOK VALUES	**1,048,266,476**	**48,846**	**-875,636**	**0**	**49,989,093**	**-1,088,967**	**-19,912,966**	**1,076,426,846**

PROPRIETARY ASSETS

	Balance as of 31 Dec. 2009	Purchases	Disposals / Scrapped or non-existent assets	Adjust-ments	Account transfers (+)	Account transfers (-)	Depreciation / Write-downs	Balance as of 31 Dec. 2010
GROSS VALUES								
Land	329,265	0	0	0	0	0	0	329,265
Expropriated areas	2,605,320	0	0	0	0	0	0	2,605,320
Civil buildings	4,755,442	48,846	0	0	24,549	0	0	4,828,837
TOTAL GROSS VALUES	**7,690,027**	**48,846**	**0**	**0**	**24,549**	**0**	**0**	**7,763,422**
ACCUMULATED ECONOMIC-TECHNICAL DEPRECIATION								
Civil buildings	-351,021	0	0	0	0	0	-23,335	-374,356
TOTAL ACCUMULATED ECONOMIC-TECHNICAL DEPRECIATION	**-351,021**	**0**	**0**	**0**	**0**	**0**	**-23,335**	**-374,356**
NET BOOK VALUES								
Land	329,265	0	0	0	0	0	0	329,265
Expropriated areas	2,605,320	0	0	0	0	0	0	2,605,320
Civil buildings	4,404,421	48,846	0	0	24,549	0	-23,335	4,454,481
TOTAL NET BOOK VALUES	**7,339,006**	**48,846**	**0**	**0**	**24,549**	**0**	**-23,335**	**7,389,066**

ASSETS OPERATED UNDER CONCESSION

	Balance as of 31 Dec. 2009	Purchases	Disposals / Scrapped or non-existent assets	Adjust-ments	Account transfers (+)	Account transfers (-)	Depreciation / Write-downs	Balance as of 31 Dec. 2010
GROSS VALUES								
1.2.a) financed by SEA	**960,459,981**	0	-1,269,695	0	48,875,577	-1,088,967	0	**1,006,976,896**
1.2.b) financed by the State:								
Pursuant to Laws No. 825/73 - 299/79	23,993,115	0	-139,843	0	0	0	0	23,853,272
Pursuant to Law No. 41/86	7,251,815	0	-36,532	0	207,668	0	0	7,422,951
Pursuant to Law No. 449/85	408,868,993	0	-14,824	0	881,299	0	0	409,735,468
Total	**440,113,923**	0	**-191,199**	**0**	**1,088,967**	**0**	**0**	**441,011,691**
TOTAL GROSS VALUES	**1,400,573,904**	**0**	**-1,460,894**	**0**	**49,964,544**	**-1,088,967**	**0**	**1,447,988,587**
ACCUMULATED DEPRECIATION								
Accumulated economic-technical depreciation								
1.2.a) financed by SEA	**-110,866,674**	0	**154,783**	**0**	**0**	**0**	0	**-110,711,891**
1.2.b) financed by the State								
Pursuant to Laws No. 825/73 - 299/79	-6,683,622	0	43,006	0	0	0	0	-6,640,616
Pursuant to Law No. 41/86	-1,701,815	0	9,498	0	0	0	0	-1,692,317
Pursuant to Law No. 449/85	-4,380,076	0	118	0	0	0	0	-4,379,958
Total	**-12,765,513**	**0**	**52,622**	**0**	**0**	**0**	**0**	**-12,712,891**
Total Accumulated economic-technical depreciation	**-123,632,187**	**0**	**207,405**	**0**	**0**	**0**	**0**	**-123,424,782**
Accumulated special depreciation of assets operated under concession								
1.2.a) financed by SEA	-230,778,350	0	377,853	0	0	0	-19,889,631	-250,290,128
1.2.b) financed by the State	0	0	0	0	0	0	0	0
Total Accumulated special depreciation of assets operated under concession	**-230,778,350**	**0**	**377,853**	**0**	**0**	**0**	**-19,889,631**	**-250,290,128**
TOTAL ACCUMULATED DEPRECIATION	**-354,410,537**	**0**	**585,258**	**0**	**0**	**0**	**-19,889,631**	**-373,714,910**
IMPAIRMENT LOSSES								
1.2.a) financed by SEA	-5,235,897	0	0	0	0	0	0	-5,235,897
1.2.b) financed by the State	0	0	0	0	0	0	0	0
TOTAL IMPAIRMENT LOSSES	**-5,235,897**	**0**	**0**	**0**	**0**	**0**	**0**	**-5,235,897**
NET BOOK VALUES								
1.2.a) financed by SEA	**613,579,059**	**0**	**-737,059**	**0**	**48,875,577**	**-1,088,967**	**-19,889,631**	**640,738,980**
1.2.b) financed by the State								
Pursuant to Laws No. 825/73 - 299/79	17,309,493	0	-96,837	0	0	0	0	17,212,656
Pursuant to Law No. 41/86	5,550,000	0	-27,034	0	207,668	0	0	5,730,634
Pursuant to Law No. 449/85	404,488,917	0	-14,706	0	881,299	0	0	405,355,510
Total	**427,348,410**	**0**	**-138,577**	**0**	**1,088,967**	**0**	**0**	**428,298,800**
TOTAL NET BOOK VALUES	**1,040,927,469**	**0**	**-875,636**	**0**	**49,964,544**	**-1,088,967**	**-19,889,631**	**1,069,037,780**

MOVABLE ASSETS

	Balance as of 31 Dec. 2009	Purchases	Disposals / Scrapped or non-existent assets	Account transfers (+)	Account transfers (-)	Depreciation / Write-downs	Balance as of 31 Dec. 2010
GROSS VALUES							
Plant and machinery	*223,628,757*	*2,560*	*-190,083*	*2,348,055*	*0*	*0*	*225,789,289*
Industrial and commercial equipment							
- Signals and other runway apparatus	17,714,549	200,100	0	0	0	0	17,914,649
- Miscellaneous equipment	47,808,293	2,522,768	-13,231,061	0	0	0	37,100,000
Total	***65,522,842***	***2,722,868***	***-13,231,061***	***0***	***0***	***0***	***55,014,649***
Other assets:							
- Furniture and fixtures	18,551,131	416,966	0	0	0	0	18,968,097
- Cars	6,987,409	128,292	-127,238	0	0	0	6,988,463
- Electrical and electronic machines	55,056,382	874,771	-270,400	2,675,385	0	0	58,336,138
Total	***80,594,922***	***1,420,029***	***-397,638***	***2,675,385***	***0***	***0***	***84,292,698***
TOTAL GROSS VALUES	**369,746,521**	**4,145,457**	**-13,818,782**	**5,023,440**	**0**	**0**	**365,096,636**
ACCUMULATED DEPRECIATION							
Accumulated depreciation							
Plant and machinery	*-144,480,939*	*0*	*190,083*	0	*0*	*-12,381,678*	*-156,672,534*
Industrial and commercial equipment							
- Signals and other runway apparatus	-17,276,562	0	0	0	0	-356,031	-17,632,593
- Miscellaneous equipment	-46,852,196	0	13,231,061	0	0	-939,149	-34,560,284
Total	***-64,128,758***	***0***	***13,231,061***	***0***	***0***	***-1,295,180***	***-52,192,877***
Other assets:							
- Furniture and fixtures	-16,041,331	0	0	0	0	-533,266	-16,574,597
- Cars	-6,422,421	0	73,866	0	0	-271,064	-6,619,619
- Electrical and electronic machines	-48,755,891	0	270,401	0	0	-2,871,348	-51,356,838
Total	***-71,219,643***	***0***	***344,267***	***0***	***0***	***-3,675,678***	***-74,551,054***
Total Accumulated depreciation	**-279,829,340**	**0**	**13,765,411**	**0**	**0**	**-17,352,536**	**-283,416,465**
Impairment losses							
Plant and machinery	*-16,670,055*	*0*	*0*	*0*	*0*	*1,718,131*	*-14,951,924*
Industrial and commercial equipment:							
- Signals and other runway apparatus	0	0	0	0	0	0	0
- Miscellaneous equipment	-160,214	0	0	0	0	0	-160,214
Total	***-160,214***	***0***	***0***	***0***	***0***	***0***	***-160,214***
Other assets:							
- Furniture and fixtures	0	0	0	0	0	0	0
- Cars	0	0	0	0	0	0	0
- Electrical and electronic machines	-44,005	0	0	0	0		-44,005
Total	***-44,005***	***0***	***0***	***0***	***0***	***0***	***-44,005***
Total Impairment losses	**-16,874,274**	**0**	**0**	**0**	**0**	**1,718,131**	**-15,156,143**
NET BOOK VALUES							
Plant and machinery	*62,477,763*	*2,560*	*0*	*2,348,055*	*0*	*-10,663,547*	*54,164,831*
Industrial and commercial equipment							
- Signals and other runway apparatus	437,987	200,100	0	0	0	-356,031	282,056
- Miscellaneous equipment	795,883	2,522,768	0	0	0	-939,149	2,379,502
Total	***1,233,870***	*2,722,868*	***0***	***0***	***0***	*-1,295,180*	***2,661,558***
Other assets:							
- Furniture and fixtures	2,509,800	416,966	0	0	0	-533,266	2,393,500
- Cars	564,988	128,292	-53,372	0	0	-271,064	368,844
- Electrical and electronic machines	6,256,486	874,771	1	2,675,385	0	-2,871,348	6,935,295
Total	***9,331,274***	***1,420,029***	***-53,371***	***2,675,385***	***0***	***-3,675,678***	***9,697,639***
TOTAL NET BOOK VALUES	**73,042,907**	**4,145,457**	**-53,371**	**5,023,440**	**0**	**-15,634,405**	**66,524,028**

ASSETS UNDER CONSTRUCTION AND PAYMENTS ON ACCOUNT

	Balance as of 31 Dec. 2009	Purchases / Work performed	Adjustments / Scrapped or non-existent assets	Account transfers and reclassifications (+)	Work completed/ Account transfers and reclassifications (-)	Write-downs	Balance as of 31 Dec. 2010
Proprietary assets	**1,250,483**	**5,170,209**	**-6,002**	**0**	**-5,023,439**	**0**	**1,391,251**
Assets operated under concession							
a) financed by SEA	55,667,363	61,990,505	-41	662,032	-49,564,030	0	68,755,829
b) financed by the State:							
- pursuant to Law No. 449/85 - Works	63,793,719	355,000	0	0		0	64,148,719
- pursuant to Law No. 449/85 - General expenses	0	310,567	0	0	0	0	310,567
Total	***63,793,719***	***665,567***	***0***	***0***	***0***	***0***	***64,459,286***
Assets to be handed over free of charge	**119,461,082**	**62,656,072**	**-41**	**662,032**	**-49,564,030**	**0**	**133,215,115**
Assets financed by the European Union							
General expenses	502,264	752,060	0	1,871	0	0	1,256,195
TOTAL ASSETS UNDER CONSTRUCTION	**121,213,829**	**68,578,341**	**-6,043**	**663,903**	**-54,587,469**	**0**	**135,862,561**
Payments on account	**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL	**121,213,829**	**68,578,341**	**-6,043**	**663,903**	**-54,587,469**	**0**	**135,862,561**

Assets under construction referred to the Company’s proprietary assets relates to complex items of plant and equipment that, when completed, will be reclassified in the respective assets categories.

Assets under construction referred to assets operated under concession, when completed, will be reclassified, respectively, in the item ‘Land and buildings under concession financed by SEA’ or ‘Land and buildings under concession financed by the State’.

‘Assets financed by the European Union’ relates to the engineering costs for the cargo logistics park and railway station to be built in the cargo area of Malpensa airport.

HISTORICAL VALUES AND REVALUATIONS OF TANGIBLE ASSETS AS OF 31 DECEMBER 2010

Asset category	Historical cost	Law No. 576/75	Law No. 72/83	Law No. 413/91	Balance as of 31 Dec. 2010
LAND AND BUILDINGS					
Proprietary assets:					
- Land	322,249	7,016	0	0	329,265
- Expropriated areas	2,094,187	0	130,310	380,822	2,605,319
- Buildings	4,147,726	19,979	0	661,131	4,828,836
Total Proprietary assets	**6,564,162**	**26,995**	**130,310**	**1,041,953**	**7,763,420**
Assets operated under concession					
Financed by SEA:					
- Linate	282,198,888	2,698,553	8,394,366	25,036,838	318,328,645
- Malpensa	662,515,220	2,422,363	6,397,122	17,313,547	688,648,252
Total assets under concession financed by SEA	**944,714,108**	**5,120,916**	**14,791,488**	**42,350,385**	**1,006,976,897**
Financed by the State:					
- Linate	13,305,365	0	0	2,251,099	15,556,464
Laws No. 825/73-299/79	*5,882,413*	*0*	*0*	*2,251,099*	*8,133,512*
Law No. 41/86	*7,422,952*	*0*	*0*	*0*	*7,422,952*
- Malpensa	421,911,494	0	0	3,543,734	425,455,228
Laws No. 825/73-299/79	*12,176,027*	*0*	*0*	*3,543,734*	*15,719,760*
Law No. 449/85	*409,735,467*	*0*	*0*	*0*	*408,868,992*
Total assets under concession financed by the State	**435,216,859**	**0**	**0**	**5,794,833**	**441,011,692**
Total Assets under concession	**1,379,930,967**	**5,120,916**	**14,791,488**	**48,145,218**	**1,447,988,589**
SUBTOTAL LAND AND BUILDINGS	**1,386,495,129**	**5,147,911**	**14,921,798**	**49,187,171**	**1,455,752,009**
PLANT AND MACHINERY	**225,741,817**	**47,472**	**0**	**0**	**225,789,289**
INDUSTRIAL AND COMMERCIAL EQUIPMENT					
- Signals and other runway apparatus	17,911,822	2,828	0	0	17,914,650
- Miscellaneous equipment	37,094,672	5,327	0	0	37,099,999
SUBTOTAL INDUSTRIAL AND COMMERCIAL EQUIPMENT	**55,006,494**	**8,155**	**0**	**0**	**55,014,649**
OTHER ASSETS					
- Furniture and fixtures	18,935,582	32,515	0	0	18,968,097
- Cars	6,988,015	448	0	0	6,988,463
- Electrical and electronic machines	58,335,467	671	0	0	58,336,138
SUBTOTAL OTHER ASSETS	**84,259,064**	**33,634**	**0**	**0**	**84,292,698**
GENERAL TOTAL	**1,751,502,504**	**5,237,172**	**14,921,798**	**49,187,171**	**1,820,848,645**

Financial assets

Balance as of 31 Dec. 2010	38,486,939
Balance as of 31 Dec. 2009	57,823,784
Change	19,336,845

Equity interests

Movements during the year in equity interests, all held directly, were the following:

	Carrying amount as of 31 December 2009	Increases/ Revaluations/ Reclassifications	Decreases/ Reclassifications	Write-downs/ Revaluations	Carrying amount as of 31 December 2010
Subsidiaries					
SEA Handling SpA	29,076,130	0	0	-13,380,021	15,696,109
Malpensa Energia Srl	7,025,868	0	0	0	7,025,868
Consorzio Malpensa Construction	21,691	0	0	0	21,691
Total	**36,123,689**	**0**	**0**	**-13,380,021**	**22,743,668**
Associates					
SACBO SpA	4,561,815	0	0	0	4,561,815
Dufrital SpA	3,284,397	0	0	0	3,284,397
Malpensa Logistica Europa S.p.A.	1,673,927	0	0	0	1,673,927
CID Italia SpA	538,002	0	0	0	538,002
Disma SpA	421,187	0	0	0	421,187
SEA Service Srl	120,000	0	0	0	120,000
Total	**10,599,328**	**0**	**0**	**0**	**10,599,328**
Other companies					
GESAC SpA	2,388,613	0	-2,388,613	0	0
Aeropuertos Argentina 2000 SA	1,111,111	0	0	0	1,111,111
Consorzio MilanoSistema	25,000	0	0	0	25,000
Romairport Srl	1,133	0	0	0	1,133
SITA - Soc. Intern. de Télécom. Aéronautiques (Belgium based cooperative)	5	0	0	0	5
Total	**3,525,862**	**0**	**-2,388,613**	**0**	**1,137,249**
Payments on account for equity interests	**0**	**0**	**0**	**0**	**0**
Total Equity interests	**50,248,879**	**0**	**-2,388,613**	**-13,380,021**	**34,480,245**

At an extraordinary general meeting on 14 October 2010 the shareholders of SEA Handling approved the trial balance as of 30 June 2010 and decided to postpone coverage of the losses of €17,404 thousand, whereof €8,974 thousand carried forward from the year 2009, within the term set by article 2446, paragraph 2, of the Civil Code.
Share capital as of 31 December 2010 comprises 38,050,394 shares of nominal euro 1 each. At the year end an impairment loss of €13,380 thousand was recognised due to the losses reported by SEA Handling.

On 3 March 2011 SEA made an agreement to sell its 5% interest in GE.S.A.C. SpA for €8,200 thousand. As of 31 December 2010, the equity interest was reclassified from fixed assets to available-for-sale investments in current assets.

Receivables

	31 Dec. 2010	31 Dec. 2009	Change
from subsidiaries	3,498,996	6,755,257	-3,256,261
from associates	0	0	0
from parent companies	0	0	0
from others	507,698	819,648	-311,950
Total	**4,006,694**	**7,574,905**	**-3,568,211**

The item **Receivables from subsidiaries** recorded in financial assets relates to the financing agreement between SEA and Malpensa Energia under which SEA granted the subsidiary a loan of €25,823 thousand, at a fixed interest rate of 7.98%,, drawing on funds disbursed by European Investment Bank (EIB) for construction of the technological station. During the year the balance decreased by €3,256 thousand as a result of principal repayment in accordance with the agreed repayment schedule.

Receivables from others relates to guarantee deposits for €138 thousand and other financing receivables for €370 thousand.

Current assets

Inventory

Balance as of 31 Dec. 2010	9,546,506
Balance as of 31 Dec. 2009	9,261,944
Change	284,562

Inventory comprises consumables in stock as of 31 December 2010.

Receivables

Balance as of 31 Dec. 2010	238,263,301
Balance as of 31 Dec. 2009	272,576,239
Change	-34,312,938

Receivables	31 Dec. 2009	Increases (Decreases) and reclassifications	(Charges to bad debt provision)	Utilisations/ Releases of provisions	31 Dec. 2010
1) Trade receivables:					
Trade receivables, invoices and credit notes to be issued	222,016,532	-26,404,270	0	0	195,612,262
Bad debt provision	-104,309,745	168,718	-3,940,382	37,457,685	-70,623,724
	117,706,787	**-26,235,552**	**-3,940,382**	**37,457,685**	**124,988,538**
2) Receivables from subsidiaries	**54,512,579**	**-7,053,162**	**0**	**0**	**47,459,417**
3) Receivables from associates	**10,611,577**	**-96,450**	**0**	**0**	**10,515,127**
4 bis) Tax receivables	**4,022,100**	**-1,031,657**	**0**	**0**	**2,990,443**
4 ter) Deferred tax assets	**47,725,186**	**-9,765,067**	**0**	**0**	**37,960,119**
5) Other receivables:					
Other receivables	39,699,997	-23,889,516	0	0	15,810,481
Bad debt provision	-1,701,987	-168,718	-173,489	583,370	-1,460,824
	37,998,010	**-24,058,234**	**-173,489**	**583,370**	**14,349,657**
Total Receivables	**272,576,239**	**-68,240,122**	**-4,113,871**	**38,041,055**	**238,263,301**

The methods of adjusting trade receivables to estimated realisable value vary depending on different estimates based on the status of litigation. Charges to the bad debt provision, equal to €3,940 thousand, were posted to reflect both the risk of deterioration of the financial condition of the key operators with which litigation is pending, and write-downs of accounts receivable from entities undergoing bankruptcy proceedings. The column ‘Utilisations/Releases of provisions’ is attributable to the settlement in the course of the year of litigation for which provision had been posted in prior years. The most important settlements made are illustrated below:

- *Litigation with Volare Airlines in extraordinary administration and Air Europe in extraordinary administration* – In 2010 a settlement was agreed that provided for the end of clawback suits, the waiver of receivables from the entities undergoing bankruptcy proceedings and the payment of a lump sum equal to €4.7 million;
- *Litigation concerning centralised infrastructure and other claims* – On 9 January 2011 the SEA Group and the Alitalia Group reached a settlement to end the litigation started in 2004 concerning fees for the centralised services provided by SEA to AirOne at Malpensa and Linate airports and other claims pending with the Alitalia Group. In exchange for the payment of the agreed amount to SEA, the respective claims were abandoned;
- *Litigation with caterers* - The settlement ended all claims arising in relation to activities carried out by caterers within the airport sites of Linate and Malpensa, with particular reference to the fees applied by the SEA Group.

Receivables from subsidiaries and associates relates mainly to services rendered by SEA and recharges of costs, and is detailed as follows:

SUBSIDIARIES	**31 Dec. 2010**	**31 Dec. 2009**	**Change**
Malpensa Energia	33,120,652	31,523,384	1,597,268
SEA Handling	13,717,289	22,264,581	-8,547,292
Consorzio Malpensa Construction	621,476	724,614	-103,138
Total	**47,459,417**	**54,512,579**	**-7,053,162**
ASSOCIATES	**31 Dec. 2010**	**31 Dec. 2009**	**Change**
Dufrital	6,908,755	6,079,380	829,375
Malpensa Logistica Europa	1,790,152	3,436,583	-1,646,431
CID Italia	1,035,209	871,926	163,283
SEA Services	622,988	139,105	483,883
Disma	152,340	57,836	94,504
SACBO	5,683	26,747	-21,064
Total	**10,515,127**	**10,611,577**	**-96,450**

With regard to subsidiaries, receivables from Malpensa Energia relate for €30,854 thousand to the cash pooling service and for the remainder to the fee for the exclusive right to operate the combined heat and power plants on the sites of Malpensa and Linate airports, recharges of costs and service for specific activities; receivables from Consorzio Malpensa Construction relate to engineering services.

Receivables from SEA Handling relates services rendered to the subsidiary, fees owed to SEA as airport operator and recharges of costs.
In detail:
- service for specific activities, withdrawals from inventory of SEA, use of the DCS ARCO system and facilities for carrying out the handling business, recharges of costs for €11,593 thousand;
- fees for the use of centralised infrastructure for €2,124 thousand.

With regard to associates, receivables from Dufrital and CID Italia relate mainly to royalties from commercial operations at Malpensa and Linate; receivables from Malpensa Logistica Europa relate to fees for the cargo handling concession At Malpensa and Linate airports, recharges of costs and service for specific activities; receivables from SEA Services relate mainly to the fees for the catering concession; receivables from Disma relates to concession fees, recharges of costs for general services and service for specific activities; receivables from SACBO relate to service activities.

Tax receivables as of 31 December 2010 was equal to €2,990 thousand. The balance relates mainly to the claim for refund of 10% of the IRAP (trade income tax) paid in previous years, for €2,233 thousand, IRAP advances for €269 thousand and VAT receivables for €134 thousand.

Deferred tax assets, equal to €37,960 thousand, relates to the recognition of taxed provisions and write-downs. Deferred tax assets were calculated applying the tax rates in force as of 31 December 2010. The Company has no tax losses carried forward from previous years. For an analysis of the balance reference is made to the schedule ‘Recognition of deferred tax assets and liabilities and related effects’ in the comments to the income statement.

Other receivables comprises the following items:

	31 Dec. 2010	31 Dec. 2009	Change	% change
Receivables from the Treasury for government grants pursuant to Law No. 449/85	9,409,101	22,585,799	-13,176,698	-58.3
Receivables from the Treasury for litigation between SEA and the Ministry of Infrastructure and Transport	3,195,087	3,021,598	173,489	5.7
Sundry receivables	2,117,821	10,328,665	-8,210,844	-79.5
Receivables from employees and social security institutions	877,599	3,086,845	-2,209,246	-71.6
Receivables from the Ministry of Communications for radio links	210,871	262,438	-51,567	-19.6
Receivables from Aeropuertos Argentina 2000 SA	0	414,652	-414,652	n.s.
	15,810,479	**39,699,997**	**-23,889,518**	**-60.2**
Provision for impairment	-1,460,822	-1,701,987	241,165	-14.2
Total	**14,349,657**	**37,998,010**	**-23,648,353**	**-62.2**

'Receivables from the Treasury for government grants pursuant to Law No. 449/85', equal to €9,409 thousand, whereof €105 thousand arising in 2010, decreased by €13,177 thousand following receipt of receivables arising in the years 2008 and 2009.

'Sundry receivables', equal to €2,118 thousand, comprises receivables for ticket sales, a business transferred from SEA Handling to SEA in 2009, and other receivables of miscellaneous nature (refunds, advances to suppliers, receivables from insurers and other minor items).

'Receivables from the Ministry of Communications', equal to €211 thousand, relates to excess payments of fees for radio links made provisionally in prior years that will be offset against fees payable in future.

Short-term investments

	31 Dec. 2010	31 Dec. 2009	Change
Investments in subsidiaries	0	0	0
Investments in associates	0	0	0
Other investments	2,388,613	0	2,388,613
Own shares	0	0	0
Other securities	0	0	0
Total	**2,388,613**	**0**	**2,388,613**

Other investments, equal to €2,389 thousand, relates to the reclassification from financial assets of the 5% interest in GE.S.A.C SpA.

Cash and bank

Balance as of 31 Dec. 2010	22,667,349
Balance as of 31 Dec. 2009	25,562,319
Change	-2,894,970

Cash and bank comprises cash in hand and cash equivalents for €91 thousand and bank and postal deposits for €22,576 thousand, whereof €9,662 thousand relates to current accounts securing repayment of the EIB loans.

Accrued income and prepayments

Balance as of 31 Dec. 2010	2,945,383
Balance as of 31 Dec. 2009	2,808,655
Change	136,728

Accrued income and prepayments	**31 Dec. 2010**	**31 Dec. 2009**	**Change**
Accrued income from investments	398,571	496,550	-97,979
Total accrued income	**398,571**	**496,550**	**-97,979**
Prepayment of contracts	1,375,306	965,879	409,427
Prepaid insurance premiums	827,594	874,041	-46,447
Sundry prepayments	343,912	472,185	-128,273
Total prepayments	**2,546,812**	**2,312,105**	**234,707**
Total Accrued income and prepayments	**2,945,383**	**2,808,655**	**136,728**

Accrued income from investments relates for €317 thousand to interest generated from cash pooling with Malpensa Energia and for €81 thousand to interest income on the loan to Malpensa Energia.

Prepaid insurance premiums relates to premiums paid for war risks and third party liability.

Prepayment of contracts and **Sundry prepayments** relate mainly to amounts paid in connection with credit facilities and contracts with suppliers.

LIABILITIES

Shareholders' equity

Balance as of 31 Dec. 2010	328,609,281
Balance as of 31 Dec. 2009	268,829,272
Change	59,780,009

	31 Dec. 2008	Appropriation of profit: dividend distribution	Other appropriation of profit for 2008	Other move-ments	31 Dec. 2009	Appropriation of profit: dividend distribution	Other appropriation of profit for 2009	Other move-ments	31 Dec. 2010
I) Share capital	27,500,000				27,500,000				27,500,000
II) Share premium reserve	21,467,911				21,467,911				21,467,911
III) Revaluation reserves:									
- pursuant to Law No. 576/75	3,648,591				3,648,591				3,648,591
- pursuant to Law No. 72/83	13,556,994				13,556,994				13,556,994
- pursuant to Law No. 413/91	43,082,589				43,082,589				43,082,589
IV) Legal reserve	5,500,000				5,500,000				5,500,000
V) Reserve for own shares	0				0				0
VI) Reserves required by company by-laws	0				0				0
VII) Other reserves:									
Extraordinary reserve	74,376,916		12,058,124	94,201	86,529,241		67,543,946		154,073,187
Reserve from unrealised exchange gains	0		94,201	-94,201	0				0
VIII) Profit/(Loss) carried forward	0				0				0
IX) Profit/(Loss) for the year									
2008	12,152,325		-12,152,325		0				0
2009	0				67,543,946		-67,543,946		0
2010									59,780,009
TOTAL SHAREHOLDERS' EQUITY	**201,285,326**	**0**	**0**	**0**	**268,829,272**	**0**	**0**	**0**	**328,609,281**

At the AGM of 28 April 2010 the shareholders of SEA decided to appropriate the profit for the year 2009, equal to €67,544 thousand, to reserves.

An analysis of shareholders’ equity with regard to the available and distributable portion is as follows:

Nature/Description	31 Dec. 2010	Possible use	Distributable amount	Summary of past utilisations
Capital	27,500,000			
Capital reserves:				
Share premium reserve	21,467,911	A, B, C	21,467,911	
Revaluation reserves (*):				
- pursuant to Law No. 576/75	3,648,591			
- pursuant to Law No. 72/83	13,556,994			
- pursuant to Law No. 413/91	43,082,589			
Earnings reserves:				
Legal reserve	5,500,000	B		
Extraordinary reserve	154,073,187	A, B, C	154,073,187	
Profit for the year 2010	59,780,010			
Total	**328,609,282**		**175,541,098**	
Non distributable amount		**153,068,184**		

Utilisations are reported from the year 2007

(*) Non-distributable reserves on which taxation is suspended

Legend:
A: Capital increase
B: Loss coverage
C: Distribution to shareholders

Share capital as of 31 December 2010 is analysed as follows:

	No. of shares	%
Municipality of Milan	211,398,622	84.56
ASAM SpA	36,394,210	14.56
Other shareholders	2,207,168	0.88
Total	**250,000,000**	**100.00**

The nominal value of share capital is €27,500,000 and each share is worth nominal €0.11.

Provisions for risks and charges

Balance as of 31 Dec. 2010	571,371,922
Balance as of 31 Dec. 2009	578,398,837
Change	-7,026,915

	31 Dec. 2009	Charges/ Increases	Utilisations/ Releases/ Decreases	31 Dec. 2010
1) Provision for pensions and similar obligations	0	0	0	0
2) Provision for deferred taxes	9,224,637	0	-1,120,249	8,104,388
3) Other provisions:				
Provision for renovation and replacement	12,550,597	0	0	12,550,597
Provision for government grants				
pursuant to Laws No. 825/73 and 299/79 - Linate/Malpensa	*18,031,204*	*27,236*	*0*	*18,058,440*
pursuant to Law No. 449/85 - Malpensa 2000	*473,439,197*	*104,814*	*-14,823*	*473,529,188*
pursuant to Law No. 41/86 - Special projects Linate	*7,459,483*	*0*	*-36,532*	*7,422,951*
Total Provision for government grants	498,929,884	132,050	-51,355	499,010,579
Provision for grants from the European Union	502,265	0	0	502,265
Provision for future liabilities	57,191,454	12,433,843	-18,421,204	51,204,093
Total Provisions for risks and charges	**578,398,837**	**12,565,893**	**-19,592,808**	**571,371,922**

The **Provision for deferred taxes**, equal to €8,104 thousand, was calculated applying the tax rates that will be in force when the liabilities arise. For an analysis of the balance reference is made to the schedule ‘Recognition of deferred tax assets and liabilities and related effects’ in the comments to the income statement.

The **Provision for renovation and replacement** was posted in the years 1996 and 1997, following enactment of Law Decree No. 669 of 31 December 1996, for the estimated charges to be incurred on the assets operated under concession that are to be handed over on expiry of the Convention.

The **Provision for government grants pursuant to Law No. 449/85 - Malpensa 2000** increased by €105 thousand following approval of grants related to work performed on Malpensa 2000.

Movements in the **provision for future liabilities** are detailed as follows:

Provision for future liabilities	31 Dec. 2009	Charges/ Increases	Utilisations/ Releases/	31 Dec. 2010
Provision for sundry risks	24,040,334	1,556,979	-2,275,330	23,321,983
Labour-related provisions	16,248,757	3,716,864	-6,300,822	13,664,799
Provision for scheduled maintenance	7,744,856	4,500,000	-5,810,545	6,434,311
Provision for litigation with contractors	6,234,507	2,600,000	-4,034,507	4,800,000
Provision for fiscal risks	2,923,000	60,000	0	2,983,000
TOTAL	**57,191,454**	**12,433,843**	**-18,421,204**	**51,204,093**

The main components of the provision for future liabilities are the following:

- Provisions for labour-related litigation and termination incentives for €13,665 thousand;
- Provision for sundry risks of €23,322 thousand, detailed as follows:
    - €9,350 thousand for litigation concerning the operation of the airports;
    - €8,282 thousand for litigation pending concerning clawback claims against the Company from airlines that have been declared bankrupt;

- €5,000 thousand for the charges arising from the noise zoning plans for areas adjoining Linate and Malpensa airports under Law No. 447/95 and subsequent ministerial decrees. It should be noted that Malpensa's Airport Commission, unlike Linate's, has not yet given its final approval of areas of intervention;
- €690 thousand for litigation with ENAV;

- Provision for scheduled maintenance of €6,434 thousand, relating to scheduled work at Linate and Malpensa airports;
- Provision for litigation with contractors arising during the performance of tender contracts for €4,800 thousand;
- Provision for fiscal risks arising from litigation pending for €2,983 thousand.

In June 2010 the European Commission started an inquiry into the measures adopted since 2002 to cover the losses reported by SEA Handling, considering them to be in breach of EU rules on state aid. In covering those losses SEA believes to have acted as a private investor in a market economy. Following publication of the inquiry in the OJEC, the parties involved, including SEA and SEA Handling, have been preparing the relevant remarks. At the date of preparation of these financial statements no information is available that can lead one to expect an unfavourable outcome for SEA of the formal inquiry by the Commission.

At the date of preparation of these draft financial statements, SEA is aware of the intention of the extraordinary commissioner appointed in the Alitalia procedure to file clawback claims as this has been expressed in the commissioner's report prepared pursuant to article 61, paragraph 3, of Legislative Decree No. 270 of 1999.
In connection with the possibility that clawback actions may be actually be instituted and in consideration of the available information, the SEA Group, supported by the advice of its legal counsels, did not post any provisions for risks, also in view of the possibility to invoke the general or particular exemptions allowed by law.

Employees' severance entitlement (TFR)

Balance as of 31 Dec. 2010	52,327,852
Balance as of 31 Dec. 2009	54,756,856
Change	-2,429,004

The change in the provision for the employees' severance entitlement (TFR) in the course of 2010 was the balance of an increase of €9,284 thousand, whereof €8,340 thousand due to the charge and revaluation for the year and €943 thousand following the transfer of personnel from SEA Handling to SEA, and a decrease of €11,713 thousand attributable for €4,889 thousand to termination payments, advances to employees and application of substitute tax at 11%, and for €6,824 thousand to transfers to supplementary pension funds and to the treasury fund operated by INPS, national social security.

Payables

Balance as of 31 Dec. 2010	620,819,411
Balance as of 31 Dec. 2009	696,116,515
Change	-75,297,104

	31 Dec. 2010	31 Dec. 2009	Change
Bank loans and overdrafts	341,997,546	373,223,882	-31,226,336
Payables to other lenders	1,713,301	0	1,713,301
Payments on account	3,580,903	4,603,261	-1,022,358
Trade payables	124,180,474	124,739,155	-558,681
Payables to subsidiaries	60,929,357	100,150,866	-39,221,509
Payables to associated companies	293,102	2,734,709	-2,441,607
Tax payables	38,665,486	42,718,432	-4,052,946
Special security payables	11,580,203	12,068,805	-488,602
Other payables	37,879,039	35,877,405	2,001,634
Total	**620,819,411**	**696,116,515**	**-75,297,104**

Bank loans and overdrafts, equal to €341,997 thousand, comprises a short-term potion of €9,276 thousand relating to amounts drawn down from credit facilities made available against receivables from the Treasury originating from payments for the work required by the Outline Agreement between ENAC and SEA, new short-term borrowings equal to €20,494 thousand, and loans and funds disbursed by banks, including the portion falling due within one year equal to €312,227 thousand, as detailed in the following table. The reasons for the decrease of €31,226 thousand in bank loans and overdrafts are illustrated in the comments to the financial position in the directors' report on operations.

LENDER	Outstanding balance as of 31 Dec. 2010	ORIGINAL AMOUNT	Interest rate	(*)	Year of maturity
EIB - 1st tranche 17.12.1996	3,498,995	25,822,845	7.70%	F*	2011
EIB - 2nd tranche 24.07.1998	7,687,461	25,822,845	5.27%	F*	2013
EIB - 2nd tranche 24.07.1998	6,455,711	25,822,845	1.43%	V*	2013
BIIS - ex Comit - 1st tranche 26.08.1999	7,000,000	20,000,000	3.14%	F	2014
BNL - 1st tranche 22.11.1999	8,000,000	20,000,000	1.05%	V	2014
BNL - 2nd tranche 11.08.2000	4,500,000	10,000,000	1.31%	V	2015
BIIS - ex Comit - 2nd tranche 30.11.2000	5,000,000	10,000,000	1.36%	V	2015
BIIS - ex Comit - 3rd tranche 17.03.2003	16,210,526	22,000,000	1.36%	V	2017
BNL - 4th tranche 08.05.2003	8,733,750	11,645,000	1.31%	V	2018
POOL - 1st tranche 17.12.1996	1,549,371	15,493,707	1.41%	V	2011
POOL - 2nd tranche 20.06.1997	3,116,525	15,493,707	7.57%	V	2012
POOL - 2nd tranche 20.06.1997	2,324,056	15,493,707	1.41%	F	2012
POOL - 3rd tranche 08.08.1997	6,036,607	30,987,414	6.67%	F	2012
POOL - 4th tranche 08.04.1998	15,613,917	51,645,690	5.44%	F	2013
Bullet facility Unicredit - Mediobanca – 1st tranche	102,500,000	200,000,000	1.51%	V	2013
BNL EIB 2006 - 1st tranche 04.09.2006	11,000,000	11,000,000	1.36%	V	2026
BNL EIB 2006 - 2nd tranche 04.09.2006	11,000,000	11,000,000	1.36%	V	2026
BNL EIB 2006 - 3rd tranche 04.09.2006	11,000,000	11,000,000	1.36%	V	2026
BNL EIB 2006 - 4th tranche 04.09.2006	12,000,000	12,000,000	1.36%	V	2026
BNL EIB 2006 - 5th tranche 04.09.2006	12,000,000	12,000,000	1.36%	V	2026
BNL EIB 2007 - 1st tranche 07.03.2007	11,000,000	11,000,000	1.36%	V	2027
BNL EIB 2007 - 2nd tranche 07.03.2007	11,000,000	11,000,000	1.36%	V	2027
UNICREDIT EIB - 1st tranche 08.09.2007	10,000,000	10,000,000	1.47%	V	2027
UNICREDIT EIB - 2nd tranche 08.09.2007	10,000,000	10,000,000	1.47%	V	2027
UNICREDIT EIB - 3rd tranche 07.09.2009	15,000,000	15,000,000	1.70%	V	2028
TOTAL	**312,226,919**	**614,227,760**			

None of the above borrowings is secured by real guarantees.

Certain financing arrangements provide for compliance with specific financial ratios (covenants), referred to the ability of the SEA Group to meet its annual or half-yearly financial requirements (net of available funds and government grants receivable) through profit from ordinary operations. Exceeding predefined covenants triggers the application of a spread in addition to the contractually defined interest rate.

The derivative instruments in place at the end of 2010 are IRSs (Interest Rate Swaps) entered into in 2006 with prime financial counterparties to hedge interest rate risk on a portion of the variable-rate debt. Some of the IRSs (step up collar knock out swap and collar) reached maturity during the year. The fair value of contracts in place as of 31 December 2010 was a negative €1,141.9 thousand, an improvement on 31 December 2009 as a result of the significant reduction of the notional amount hedged.

INTEREST RATE HEDGING INSTRUMENTS (amounts in thousands of euro)							
	Notional amount on inception	Balance outstanding as of 31 Dec. 2010	Date of instrument	Inception date	Maturity date	Fair value as of 31 Dec. 2010	Fair value as of 31 Dec. 2009
Step up collar knock out swap	30,729	0	25/6/2004	15/3/2005	15/9/2010	0.0	-321.2
Plain vanilla	50,000	50,000	8/5/2006	13/9/2006	13/3/2011	-704.2	-1,966.8
	22,000	16,211	31/5/2006	15/3/2007	15/3/2011	-212.0	-637.7
Collar swap	11,645	8,734	7/6/2006	15/9/2006	15/3/2011	-108.9	-323.8
	17,500	9,500	7/6/2006	15/9/2006	15/3/2011	-116.8	-360.8
	12,000	0	11/7/2007	17/9/2007	15/9/2010	0.0	-381.6
	12,000	0	20/7/2007	17/9/2007	15/9/2010	0.0	-383.1
	11,000	0	4/9/2007	17/9/2007	15/9/2010	0.0	-323.4
Total		84,444				-1,142.9	-4,698.4

A minus sign indicates the cost to the SEA Group of extinguishing the existing instrument early
A minus sign indicates the premium to the SEA Group of extinguishing the existing instrument early

With reference to the 6-month Euribor rate, the following should be noted:

- The collar swaps set a cap of 4.30%;
- The plain vanilla contracts entail a passage to a fixed rate of 3.878% and 3.925%, respectively

Bank borrowings at the balance sheet date are analysed by repayment schedule as follows:

Year of maturity	**Principal amount**
2011	33,612
2012	130,653
2013	21,087
2014	15,874
2015	12,892
2016 and later	98,109
	312,227

Payables to other lenders, equal to €1,713 thousand, relates to advances obtained from factor against the transfer of trade receivables on a recourse basis.

Payments on account, equal to €3,581 thousand, relates mainly to funds received from the European Union towards the engineering costs for the cargo logistics park and railway station to be built in the cargo area of Malpensa airport and advances from customers.

Trade payables, equal to €124,180 thousand, relates to purchases of goods and services relevant to airport operation and the Company's capital expenditure.

Subsidiaries	31 Dec. 2010	31 Dec. 2009	Change
SEA Handling	51,372,572	88,582,776	-37,210,204
Malpensa Energia	8,900,874	10,642,877	-1,742,003
Consorzio Malpensa Construction	655,911	925,213	-269,302
Total	**60,929,357**	**100,150,866**	**-39,221,509**
Associates	**31 Dec. 2010**	**31 Dec. 2009**	**Change**
Sea Services	282,777	66,529	216,248
CID Italia	10,325	14,922	-4,597
Malpensa Logistica Europa	0	2,653,215	-2,653,215
Dufrital	0	43	-43
Total	**293,102**	**2,734,709**	**-2,441,607**

Payables to subsidiaries as of 31 December 2010 amounted to €60,929 thousand.

The amount payable to SEA Handling, equal to €51,373 thousand, is detailed as follows:

- The remaining balance owed for the transfer of the handling business, equal to €27,016 thousand including interest;
- Payables originating from the cash pooling service for €13,001 thousand;
- Payables for operating services for recurring assistance and emergency contingencies, vehicle maintenance and recharges of personnel costs for €6,986 thousand;
- Payables originating from the tax consolidation for €2,185 thousand, equal to 50% of the tax benefit of consolidating the tax losses of SEA Handling;
- Sundry operating costs and recharges for €2,185 thousand.

The change in the amount payable to SEA Handling, equal to €37,210 thousand, was the balance of a reduction in the cash pooling balance payable for €22,203 thousand, a reduction in payables for €12,530 thousand and a reduction in tax consolidation payables for €2,477 thousand.

The amount payable to Malpensa Energia, equal to €8,901 thousand, relates mainly to the provision of electricity and heating/air conditioning; the amount payable to Consorzio Malpensa Construction, equal to €656 thousand, originates from engineering and construction management services provided at Malpensa.

Payables to associates originate from services rendered and other charges. The amount payable to SEA Services, equal to €283 thousand, relates mainly to catering services. The reduction of the amount payable to Malpensa Logistica Europa, for €2,653 thousand, was due to the settlement of the cash pooling balance payable as of 31 December 2009.

Tax payables comprise mainly the surcharge on departing passenger charges introduced by Laws No. 350 of 24 December 2003, No. 43 of 31 March 2005, No. 296 of 27 December 2006 and No. 166 of 27 October 2008. The remainder relates to IRPEF (personal income tax) payable on the remuneration of employees and self-employed workers, VAT, and IRES (corporation tax).

Other payables are analysed as follows:

Other payables	31 Dec. 2010	31 Dec. 2009	Change
- Payables to employees for salaries and sundry withholdings	**9,516,977**	**13,643,438**	**-4,126,461**
- Payables to employees for holiday pay	**6,424,242**	**5,713,130**	**711,112**
- Other:			
Miscellaneous	16,946,049	12,438,757	4,507,292
Concession fee payable to the Treasury	2,631,625	1,966,865	664,760
Payables to third parties for ticket sales receipts	1,682,398	1,474,724	207,674
Third party liability damages	605,848	574,354	31,494
Concession fee payable to the Treasury for security services	71,900	66,137	5,763
	21,937,820	**16,520,837**	**5,416,983**
Total Other payables	**37,879,039**	**35,877,405**	**2,001,634**

The item 'Miscellaneous' includes SEA's contribution to a fund for airport fire-fighting services established by Law No. 296 of 27 December 2006, equal to €15,826 thousand as of 31 December 2010. This amount, which also includes the contribution payable in respect of 2009 and a portion of that for 2008, has not yet been paid as a result of the litigation pending between airport operators and ENAC about the subsequent use of the funds, established by Law Decree No. 185 of 29 November 2008 converted into Law No. 2 of 28 January 2009.

Accrued expenses and deferred income

Balance as of 31 Dec. 2010	26,190,547
Balance as of 31 Dec. 2009	17,492,733
Change	8,697,814

Accrued expenses and deferred income	31 Dec. 2010	31 Dec. 2009	Change
Accrued interest expense on loans and other financial charges	2,591,728	3,388,608	-796,880
Accrued insurance premiums	81,970	58,032	23,938
Accrued liabilities to investees	75,795	47,143	28,652
Other accrued expenses	25,479	24,009	1,470
Total accrued expenses	**2,774,972**	**3,517,792**	**-744,290**
Deferred income from services rendered to customers paid for in advance	17,537,462	13,032,855	4,504,607
Other deferred income	4,266,667	0	4,266,667
Deferred income from investees	1,611,446	942,086	669,360
Total deferred income	**23,415,575**	**13,974,941**	**9,440,634**
Total Accrued expenses and deferred income	**26,190,547**	**17,492,733**	**8,697,814**

Accrued interest expense on loans and other financial charges relates to interest expense on borrowings and IRSs.

Accrued liabilities to investees relates to the interest expense originating from cash pooling and the transfer of the business from the subsidiary SEA Handling.

Deferred income from services, which increased by €4,505 thousand, relates mostly to advance billing of advance billing of revenues from airport operations, car parks, concessions for catering services, other concessions, banking activities and retail sales.

Other deferred income relates to the gain on disposal realised on the sale and lease-back of x-ray scanners.

List of equity interests

Legal name and registered office	Share capital	Net equity	Profit/(Loss) per latest F/S	% held	Nominal value of shares /quotas	Carrying amount	Net equity held
A) SUBSIDIARIES pursuant to article 2359 of the Civil Code							
SEA HANDLING S.p.A. (1)							
Aeroporto di Malpensa Terminal 2 - Somma Lombardo (VA)	38,050,394	15,696,109	-13,380,020	100.00	38,050,394	15,696,109	15,696,109
MALPENSA ENERGIA S.p.A. (1)							
Aeroporto di Milano Linate Segrate (MI)	5,200,000	8,223,823	3,178,297	100.00	5,200,000	7,025,868	8,223,823
CONSORZIO MALPENSA CONSTRUCTION (1)							
Via of Vecchio Politecnico, 8 Milano	51,646	163,661	4,341	51.00	26,339	21,691	83,467
TOTAL SUBSIDIARIES						**22,743,668**	
B) ASSOCIATED COMPANIES pursuant to article 2359 of the Civil Code							
SACBO S.p.A.- c/o C.C.I.A.A. (2)							
Largo Belotti, 16 Bergamo	17,010,000	71,701,927	10,801,978	30.979	5,269,528	4,561,815	22,212,540
DUFRITAL S.p.A. (2)							
Via Lancetti, 43 - Milano	258,250	16,360,697	3,726,632	40.00	103,300	3,284,397	6,544,279
MALPENSA LOGISTICA EUROPA S.p.A. (2)							
Aeroporto di Milano Linate Segrate (MI)	6,000,000	6,774,321	-9,391	25.00	1,500,000	1,673,927	1,693,580
CID ITALIA S.p.A. (2) (3)							
Via Lancetti, 43 - Milano	208,000	883,401	396,708	40.00	83,200	538,002	353,360
DISMA S.p.A. (1)							
Aeroporto di Milano Linate Segrate (Mi)	2,600,000	9,967,324	1,013,922	18.75	487,500	421,187	1,868,873
SEA Services S.r.l. (1)							
Via Val Formazza, 10 - Milano	105,000	671,892	259,769	30.00	31,500	120,000	201,568
TOTAL ASSOCIATED COMPANIES						**10,479,328**	
C) OTHER COMPANIES							
Via of Vecchio Politecnico, 8 Milano	15,600,000	18,481,081	209,483	0.07	10,452	0	12,382
AEROPUERTOS ARGENTINA 2000 S.A. (1) Aeropuerto Internacional de Ezeiza – Ministro Pistarino – Terminal B - 1er Piso (1802) Ezeiza – Buenos Aires – Argentina	41,382,289	238,222,260	58,620,748	10.00	4,138,229	1,111,111	23,822,226
CONSORZIO MILANOSISTEMA in liquidazione (2)							
Corso di Porta Vittoria, 4 Milano	100,000	100,000	0	10.00	10,000	25,000	10,000
ROMAIRPORT S.r.l. (2)							
Via G.V. Bona, 65 – Roma	500,000	1,284,075	779,339	0.2266	1,133	1,133	2,910
SITA Soc. Coop. a.r.l. Société Internationale de Télécommunications Aéronautiques (2)							
14 av. Henri Matisse, 1140 Bruxelles, Belgium				1 quota	5 USD	5	
TOTAL OTHER COMPANIES						**1,137,249**	
Payment on account for equity interests						**0**	
TOTAL EQUITY INTERESTS						**34,360,245**	

(1) Financial statements as of 31 December 2010
(2) Financial statements as of 31 December 2009
(3) The higher carrying amount compared with the proportionate share of the entity's equity is justified by the entity's expected future profits

Key figures of subsidiaries and associates

BALANCE SHEET

(amounts in thousands of euro)

Legal name	Unpaid share capital	Fixed assets	Current assets	Accrued income and prepayments	Equity incl. net profit/(loss) for the year	Provisions for risks and charges	Employees' severance entitlement (TFR)	Trade payables and financial debts	Accrued expenses and deferred income
A) SUBSIDIARIES (pursuant to article 2359 of the Civil Code)									
SEA HANDLING S.p.A. (1)	0	3,733	99,525	441	15,696	7,178	32,120	48,692	13
MALPENSA ENERGIA S.p.A. (1)	0	61,769	20,108	174	8,224	749	280	72,395	403
CONSORZIO MALPENSA CONSTRUCTION (1)	0	0	1,781	0	164	0	0	1,617	0
B) ASSOCIATED COMPANIES (pursuant to article 2359 of the Civil Code)									
SACBO S.p.A. (2)	0	75,741	49,801	242	71,702	19,873	3,591	30,109	509
DUFRITAL S.p.A. (2)	0	18,914	29,453	83	16,361	191	2,902	28,794	202
MALPENSA LOGISTICA EUROPA S.p.A. (2)	0	5,339	12,147	81	6,774	83	1,667	9,043	0
CID ITALIA S.p.A. (2)	0	2,105	5,712	54	883	215	1,076	5,689	8
DISMA S.p.A. (1)	0	17,410	5,000	311	9,967	496	140	12,112	6
SEA SERVICES Srl (1)	0	338	1,689	104	672	15	42	1,301	101
C) OTHER COMPANIES									
GESAC S.p.A. (2)	0	81,321	23,688	144	61,835	2,266	3,076	37,792	184
AEROPUERTOS ARGENTINA 2000 S.A. (1)	0	356,983	284,811	0	238,222	0	0	403,572	0
CONSORZIO MILANOSISTEMA in liquidazione (2)	0	0	164	0	100	0	0	64	0
ROMAIRPORT S.r.l. (2)	0	1,184	20,854	0	1,284	0	152	20,602	0

(1) Financial statements as of 31 December 2010
(2) Financial statements as of 31 December 2009

INCOME STATEMENT

(amounts in thousands of euro)

Legal name	Value of production	Cost of production	Financial income/ (expenses)	Value adjustments to financial assets	Extraordinary income/ (expenses)	Taxes	Net profit/ (loss) for the year
A) SUBSIDIARIES (pursuant to article 2359 of the Civil Code)							
SEA HANDLING S.p.A. (1)	132,189	-145,898	304	0	-74	99	-13,380
MALPENSA ENERGIA S.p.A. (1)	53,161	-45,608	-2,321	0	-492	-1,562	3,178
CONSORZIO MALPENSA CONSTRUCTION (1)	412	-406	-1	0	0	-1	4
B) ASSOCIATED COMPANIES (pursuant to article 2359 of the Civil Code)							
SACBO S.p.A. (2)	88,642	-72,156	398	0	-65	-6,017	10,802
DUFRITAL S.p.A. (2)	78,429	-72,580	-99	0	-97	-1,926	3,727
MALPENSA LOGISTICA EUROPA S.p.A. (2)	28,094	-27,895	8	0	118	-334	-9
CID ITALIA S.p.A. (2)	34,960	-34,082	-4	-15	-174	-288	397
DISMA S.p.A. (1)	5,674	-3,988	-144	0	0	-528	1,014
SEA SERVICES S.r.l. (1)	4,592	-4,154	1	0	0	-179	260
C) OTHER COMPANIES							
GESAC S.p.A. (2)	54,259	-45,855	-716	0	1,381	-4,075	4,994
AEROPUERTOS ARGENTINA 2000 S.A. (1)	329,738	-211,559	-24,613	0	-1,148	-33,797	58,621
CONSORZIO MILANOSISTEMA in liquidazione (2)	10	-10	0	0	0	0	0
ROMAIRPORT S.r.l. (2)	17,367	-16,384	174	0	0	-378	779

(1) Financial statements as of 31 December 2010
(2) Financial statements as of 31 December 2009

Receivables and payables falling due after five years

There are no receivables or payables falling due after five years from the balance sheet date.
Financing payables falling due after five years amounted to €98,109 thousand.
A breakdown of the Company's receivables and payables by geographical area is not meaningful.

Memorandum accounts and other commitments

Guarantees received from subsidiaries relate to the cash pooling service and are divided as follows: €16,000 thousand from SEA Handling and €1,500 thousand from Malpensa Energia. The guarantee issued by SEA to Banca Popolare di Milano securing the credit facilities received by the subsidiaries that participate in the cash pooling service is equal to €25,000 thousand. Therefore, SEA's direct exposure is equal to €7,500 thousand, the indirect exposure is equal to €17,500 thousand.

Guarantees in favour of third parties comprises a guarantee of €17,642 thousand issued by the European Investment Fund to secure the EIB loan; a guarantee of €25,000 thousand issued to Banca Popolare di Milano to secure the credit facilities received by the subsidiaries that participate in the cash pooling service; a guarantee of €5,400 thousand issued by Banca Popolare di Lodi to ENAC securing the payment of the concession fee. The remaining guarantee, equal to €6,657 thousand, are detailed as follows:

- A guarantee of €4,000 thousand in favour of the Ministry of Defence for the use by SEA of land owned by the Ministry following modifications of existing roads in relation to the opening of the new multi-storey car park at Linate. This guarantee falls into the scope of the technical agreement that SEA made on 4 June 2009 with the Ministry of Defence and ENAC that stipulates the transfer by the Ministry of Defence to ENAC of certain state properties no longer of interest to the military and bordering the sites of Linate and Malpensa airports. SEA, which needs to use those properties to develop and enhance infrastructure at the airports, acquires a concession to use the properties until 2041 in exchange for construction of a series of structures for the benefit of the Ministry of Defence, for an amount equal to €25,900 thousand;
- A guarantee of €1,602 thousand in favour of Consorzio Parco Lombardo Valle del Ticino, the Ticino valley regional park authority, for the correct execution of compensatory afforestation performed in connection with the transformation of a portion of woodland into the airport site of Malpensa and in the municipality of Lonate Pozzolo;
- A guarantee of €342 thousand in favour of the supplier Contract GmbH for the rental of airside transfer buses;
- Other minor guarantees for €713 thousand.

Real guarantees, equal to €8,057 thousand, relate to a pledge on receivables to secure loans disbursed by banks drawing on funds from the EIB.

Other **memorandum accounts** are illustrated below.

The key commitments under long-term tenders comprise commitments to contractors for €53,185 thousand, reported net of works already built and billed to SEA. Commitments originating from tender contracts are detailed as follows:

Agreement SEA /Ministry of Defence / ENAC	25,773,447	Engineering and construction of works for Ministry of Defence
Codelfa	3,661,118	Malpensa – Roofing of FNM rail trench
Taddei	1,323,915	Malpensa – Completion of passenger terminal 3°/3°
Consorzio Stabile Edimo	624,798	Linate – Civil and structural works for new multi-storey car park North
ATI (jointly controlled operation) Cotea/Gemmo	861,962	Linate and Malpensa – Engineering and extraordinary maintenance of infrastructure
R.T.I. (jointly controlled operation) CCC/Cile/Oanzeri/Boffetti imp/STS	13,885,959	Linate and Malpensa - Engineering and extraordinary maintenance of infrastructure and plants
R.T.I. (jointly controlled operation) C.I.C./Sirti/Centroedile/Econord	7,053,848	Malpensa – Revamping of T2 aircraft apron
TOTAL	**53,185,047**	

Analysis of income statement items

The following tables provide details of income statement items; the most significant fluctuations are analysed in detail in the directors' report on operations, to which reference is made.

Value of production

Balance as of 31 Dec. 2010	454,859,463
Balance as of 31 Dec. 2009	450,658,431
Change	4,201,032

Revenue from sales and services

AVIATION REVENUE	31 Dec. 2010	31 Dec. 2009	Change	% change
Airport user charges				
Departing passenger charges	79,079,637	74,044,631	5,035,006	6.8
Aircraft landing, take-off and parking charges	49,026,241	46,439,571	2,586,670	5.6
Cargo loading and unloading charges	7,616,874	5,397,264	2,219,610	41.1
Total Airport user charges	**135,722,752**	**125,881,466**	**9,841,286**	**7.8**
Fees for security services	53,674,701	50,726,668	2,948,033	5.8
Total	**189,397,453**	**176,608,134**	**12,789,319**	**7.2**
Centralised infrastructure and access fee	**56,494,556**	**62,679,199**	**-6,184,643**	**-9.9**
TOTAL AVIATION REVENUE	**245,892,009**	**239,287,333**	**6,604,676**	**2.8**

The increase in airport user charges, equal to €9,841 thousand, was generated both by the growth of passenger and cargo traffic compared with 2009 and by the decree of the Ministry of Transport that starting from 21 January 2010 adjusted the values of airport charges to planned inflation.
The reduction of revenue from centralised infrastructure and access fee, equal to €6,185 thousand, was caused by the coming into force of a new fee system for de-icing operations.

NON-AVIATION REVENUE	31 Dec. 2010	31 Dec. 2009	Change	% change
Commercial activities				
Retail	21,929,048	22,796,432	-867,384	-3.8
Food & beverage	16,001,954	15,060,015	941,939	6.3
Car rental	12,185,384	11,811,721	373,663	3.2
Duty paid and duty free	11,071,594	9,954,594	1,117,000	11.2
Banking	5,947,429	7,280,602	-1,333,173	-18.3
Total Commercial activities	**67,135,409**	**66,903,364**	**232,045**	**0.3**
Third party handling operations				
Aircraft refuelling	7,363,312	9,265,510	-1,902,198	-20.5
Catering	1,532,054	2,447,107	-915,053	-37.4
General aviation support	1,167,441	1,219,104	-51,663	-4.2
Total Third party handling operations	**10,062,807**	**12,931,721**	**-2,868,914**	**-22.2**
Car parks				
Directly operated car parks	22,038,651	24,017,337	-1,978,686	-8.2
Car parks operated under concession	18,608,980	18,888,222	-279,242	-1.5
Total Car parks	**40,647,631**	**42,905,559**	**-2,257,928**	**-5.3**
Cargo				
Cargo storage/portering and handling	9,100,969	8,924,217	176,752	2.0
Concession of operating spaces to freight forwarders	1,326,697	1,718,066	-391,369	-22.8
Total Cargo	**10,427,666**	**10,642,283**	**-214,617**	**-2.0**
Advertising	**10,169,348**	**10,129,424**	**39,924**	**0.4**
Other non-aviation revenue				
Concession of operating spaces to carriers, handlers and agents	16,479,161	18,434,636	-1,955,475	-10.6
Service for specific activities	11,440,392	10,047,830	1,392,562	13.9
Other services	5,452,773	3,435,549	2,017,224	58.7
Other concessions	4,761,666	4,864,695	-103,029	-2.1
Engineering and technical services	3,629,183	3,706,701	-77,518	-2.1
Ticket sales	2,764,011	642,536	2,121,475	n.s.
Rent income	605,285	508,932	96,353	18.9
Total Other non-aviation revenue	**45,132,471**	**41,640,879**	**3,491,592**	**8.4**
TOTAL NON-AVIATION REVENUE	**183,575,332**	**185,153,230**	**-1,577,898**	**-0.9**
TOTAL REVENUE FROM SALES AND SERVICES	**429,467,341**	**424,440,563**	**5,026,778**	**1.2**

Revenue from the baggage wrapping service for 2009, amounting to €1,731 thousand, was reclassified from ‘Other concessions’ to ‘Retail’.

Other income

Description	31 Dec. 2010	31 Dec. 2009	Change	% change
Costs and expenses recharged	12,607,597	13,332,971	-725,374	-5.4
Miscellaneous income	8,167,332	5,927,575	2,239,757	37.8
Asset revaluations	2,555,106	148,785	2,406,321	n.s.
Sales of materials to subsidiaries	679,088	1,117,271	-438,183	-39.2
Fee for ARCO system	652,653	515,771	136,882	26.5
Grants related to income	721,656	5,160,773	-4,439,117	-86.0
Sales of materials to third parties	8,690	14,722	-6,032	-41.0
Total Other income	**25,392,122**	**26,217,868**	**-825,746**	**-3.1**
Total Value of production	**454,859,463**	**450,658,431**	**4,201,032**	**0.9**

The increase in **miscellaneous income**, equal to €2,240 thousand, was caused mainly by the release of provisions following settlement of litigation.

Cost of production

Balance as of 31 Dec. 2010	366,401,514
Balance as of 31 Dec. 2009	358,628,342
Change	7,773,172

Cost of raw materials, consumables and goods

Description	31 Dec. 2010	31 Dec. 2009	Change	% change
Materials for stocking	11,963,651	10,435,992	1,527,659	14.6
Materials for ready use	1,288,988	1,216,194	72,794	6.0
Consumables	1,414,839	1,437,431	-22,592	-1.6
Total	**14,667,478**	**13,089,617**	**1,577,861**	**12.1**

Cost of services

Industrial services

Description	31 Dec. 2010	31 Dec. 2009	Change	% change
Ordinary maintenance	29,148,014	27,759,600	1,388,414	5.0
Electricity	16,674,748	15,531,515	1,143,233	7.4
Cleaning	14,086,870	13,864,555	222,315	1.6
Services rendered by SEA Handling	13,349,399	12,054,510	1,294,889	10.7
Heating and air conditioning	12,553,363	13,108,596	-555,233	-4.2
Airport fire-fighting service	6,462,438	6,433,511	28,927	0.4
Insurance	3,930,649	4,922,164	-991,515	-20.1
Other industrial costs	2,192,787	1,531,163	661,624	43.2
Telephone	2,085,951	2,162,785	-76,834	-3.6
Assistance to passengers with reduced mobility	1,883,160	2,573,740	-690,580	-26.8
Company canteen	1,878,359	1,759,909	118,450	6.7
Security	1,335,681	1,125,312	210,369	18.7
Training	1,084,774	1,072,328	12,446	1.2
Commercial and marketing services	1,000,000	0	1,000,000	n.s.
Water	802,634	848,875	-46,241	-5.4
Passenger transport	623,652	659,995	-36,343	-5.5
Employees’ expenses refunded	470,513	437,306	33,207	7.6
Authorisations from health and safety at work institutions (ASL, ISPESL, etc.)	69,735	57,669	12,066	20.9
Employee transport	53,044	100,943	-47,899	-47.5
Services related to baggage	3,340	0	3,340	n.s.
Services rendered by Malpensa Logistica Europa and other charges	928	3,503	-2,575	-73.5
Total	**109,690,039**	**106,007,979**	**3,682,060**	**3.5**

Administrative and general services

Description	31 Dec. 2010	31 Dec. 2009	Change	% change
Legal and administrative services	4,112,119	3,294,040	818,079	24.8
Strategic consulting	2,968,896	3,511,184	-542,288	-15.4
Technical professional services	2,654,482	3,362,896	-708,414	-21.1
Advertising and promotion	2,181,254	1,186,660	994,594	83.8
Medical services	757,038	753,520	3,518	0.5
Directors' remuneration and expenses	498,487	502,026	-3,539	-0.7
Statutory auditors' remuneration	399,798	314,057	85,741	27.3
Credit card costs and commissions	300,429	405,121	-104,692	-25.8
Postage and telegraph	159,962	165,675	-5,713	-3.4
Bank commission and charges	122,102	146,313	-24,211	-16.5
Other administrative expenses	34,659	88,713	-54,054	-60.9
Bank charges on guarantees	25,954	20,471	5,483	26.8
Total	**14,215,180**	**13,750,676**	**464,504**	**3.4**
Total Services	**123,905,219**	**119,758,655**	**4,146,564**	**3.5**

Rental and leasing charges

Description	31 Dec. 2010	31 Dec. 2009	Change	% change
Concession fee	5,806,393	7,817,497	-2,011,104	-25.7
Hardware and software licence fees	5,696,718	5,528,090	168,628	3.1
Car and equipment rentals	4,813,162	2,226,600	2,586,562	n.s.
Rent expense	1,102,070	1,323,092	-221,022	-16.7
Concession fees to various institutions	320,031	304,186	15,845	5.2
Other rental and leasing charges	13,869	11,753	2,116	18.0
Total	**17,752,243**	**17,211,218**	**541,025**	**3.1**

The decrease of the **concession fee**, equal to €2,011 thousand, was caused by the fact that in 2010 the increase in the concession fee established by article 1 of Law No. 296 of 27 December 2006 for the three years 2007-2009 was not applied.
The increase in **car and equipment rentals**, equal to €2,587 thousand, is mainly attributable to the sale and lease-back of x-ray scanners.

Personnel costs

Description	31 Dec. 2010	31 Dec. 2009	Change	% change
Wages and salaries	102,550,862	86,680,367	15,870,495	18.3
Social charges	31,122,910	26,775,745	4,347,165	16.2
Employees' severance entitlement (TFR)	8,340,320	6,952,302	1,388,018	20.0
Pension and similar obligations	2,215,094	1,899,655	315,439	16.6
Other personnel costs	2,460,094	12,958,384	-10,498,290	-81.0
Total	**146,689,280**	**135,266,453**	**11,422,827**	**8.4**

The increase in **Personnel costs**, equal to €11,423 thousand, is mainly attributable to the transfer of personnel of the subsidiary Sea Handling, during 2009, following the transfer of the ticket sales and workshop maintenance businesses, and to higher charges due to the renegotiation of the national collective labour agreement. During the year 2010 SEA continued using the special redundancy benefit scheme *Cassa Integrazione Guadagni Straordinaria*.

Depreciation/amortisation and write-downs

a) Amortisation of intangible assets

Description	31 Dec. 2010	31 Dec. 2009	Change	% change
Industrial and other patent rights	2,302,372	1,946,796	355,576	18.3
Total	**2,302,372**	**1,946,796**	**355,576**	**18.3**

b) Depreciation of tangible assets

Description	31 Dec. 2010	31 Dec. 2009	Change	% change
Runways and buildings operated under concession	19,889,631	19,200,522	689,109	3.6
Plant and machinery	12,381,678	12,489,454	-107,776	-0.9
Other assets	3,675,677	4,027,335	-351,658	-8.7
Industrial equipment	1,295,180	1,427,574	-132,394	-9.3
Proprietary civil buildings	23,335	23,335	0	0.0
Total	**37,265,501**	**37,168,220**	**97,281**	**0.3**

d) Write-downs of receivables recorded in current assets

Description	31 Dec. 2010	31 Dec. 2009	Change	% change
Charge to provision for bad debts	3,940,382	19,368,212	-15,427,830	-79.7
Charge to provision for impairment of other receivables	173,489	173,489	0	0.0
Total	**4,113,871**	**19,541,701**	**-15,427,830**	**-78.9**
Total Depreciation/amortisation and write-downs	**43,681,744**	**58,656,717**	**-14,974,973**	**-25.5**

Changes in stocks of raw materials, consumables, spare parts and other goods

Description	31 Dec. 2010	31 Dec. 2009	Change	% change
Opening inventory	9,261,944	8,332,111	929,833	11.2
Closing inventory	-9,546,506	-9,261,944	-284,562	3.1
Total changes	**-284,562**	**-929,833**	**645,271**	**-69.4**

Other provisions

Description	31 Dec. 2010	31 Dec. 2009	Change
Charge to provision for future liabilities	7,903,843	7,099,269	804,574
Charge to provision for scheduled maintenance	4,500,000	0	4,500,000
Total	**12,403,843**	**7,099,269**	**5,304,574**

Other operating costs

Description	**31 Dec. 2010**	**31 Dec. 2009**	**Change**	**% change**
Taxes	2,207,333	1,363,518	843,815	61.9
Urban solid waste tax	972,939	961,639	11,300	1.2
Association dues	887,709	804,575	83,134	10.3
Write-offs of assets	789,528	2,126,022	-1,336,494	-62.9
Gifts	710,895	755,623	-44,728	-5.9
Office operating expenses	675,096	608,713	66,383	10.9
Entertaining expenses	662,733	338,508	324,225	95.8
Miscellaneous charges	303,043	4,782	298,261	n.s.
Ordinary non-recurring expenses	189,688	1,325,714	-1,136,026	-85.7
Purchases of books and magazines and subscriptions	141,669	136,965	4,704	3.4
Expenses relating to civil buildings	34,983	30,155	4,828	16.0
Administrative penalties	6,173	16,848	-10,675	-63.4
Bad debt losses	4,480	3,184	1,296	40.7
Total	**7,586,269**	**8,476,246**	**-889,977**	**-10.5**
Total Cost of production	**366,401,514**	**358,628,342**	**7,773,172**	**2.2**

Write-offs of assets, equal to €789 thousand, originates mainly from demolition of properties during the year 2010. The item ‘Gifts’ comprises €520 thousand given to Fondazione Teatro alla Scala di Milano.

Financial income and charges

Balance as of 31 Dec. 2010	-3,056,201
Balance as of 31 Dec. 2009	30,940,099
Change	-33,996,300

Description	31 Dec. 2010	31 Dec. 2009	Change	% change
Income from equity interests	6,053,140	43,262,018	-37,208,878	n.s.
Other financial income	2,079,841	3,249,758	-1,169,917	-36.0
Interest and other financial charges	-11,221,272	-16,467,609	5,246,337	-31.9
Exchange gains/(losses)	32,090	895,932	-863,842	n.s.
Total	**-3,056,201**	**30,940,099**	**-33,996,300**	**n.s.**

The decrease in 'Income from equity interests', equal to €37,209 thousand, is mainly attributable to the gains realised during the year 2009 following the sale of 75% of Malpensa Logistica Europa and 19% of SACBO.

Financial income

Income from equity interests	31 Dec. 2010	31 Dec. 2009	Change	% change
Dividends from subsidiaries:				
- Malpensa Energia	0	156,123	-156,123	n.s.
Total	**0**	**156,123**	**-156,123**	**n.s.**
Gains on equity interests in subsidiaries:				
- Sale of 75% of Malpensa Logistica Europa	0	5,503,741	-5,503,741	n.s.
Total	**0**	**5,503,741**	**-5,503,741**	**n.s.**
Dividends from associates:				
- Dufrital	6,000,000	0	6,000,000	n.s.
- Disma	0	187,500	0	n.s.
Total	**6,000,000**	**187,500**	**6,000,000**	**n.s.**
Gains on equity interests in associates:				
Sale of 19% of SACBO	0	37,202,154	-37,202,154	n.s.
Total	**0**	**37,202,154**	**-37,202,154**	**n.s.**
Dividends from other companies:				
- Aeropuertos Argentina 2000 S.A.	53,140	0	53,140	n.s.
- GESAC	0	212,500	-212,500	n.s.
Total	**53,140**	**212,500**	**-212,500**	**n.s.**
Total	**6,053,140**	**43,262,018**	**-37,074,518**	**n.s.**

Other financial income	31 Dec. 2010	31 Dec. 2009	Change	% change
From receivables recorded as fixed assets:				
Interest income on loans to subsidiaries:				
- Malpensa Energia	399,502	650,938	-251,436	-38.6
Total	**399,502**	**650,938**	**-251,436**	**-38.6**
Financial income other than the above:				
from subsidiaries:				
Interest income from cash pooling	1,293,105	1,709,794	-416,689	-24.4
Total	**1,293,105**	**1,709,794**	**-416,689**	**-24.4**
from others:				
Sundry interest income	186,060	188,014	-1,954	-1.0
Interest income on current accounts	155,153	347,983	-192,830	-55.4
Interest income on other receivables	46,021	87,286	-41,265	-47.3
Interest income on derivatives	0	265,743	-265,743	n.s.
Total	**387,234**	**889,026**	**-501,792**	**-56.4**
Total Financial income other than the above	**1,680,339**	**2,598,820**	**-918,481**	**-35.3**
Total Other financial income	**2,079,841**	**3,249,758**	**-1,169,917**	**-36.0**

Interest and other financial charges

Description	31 Dec. 2010	31 Dec. 2009	Change	% change
from subsidiaries:				
Interest expense on liability to SEA Handling	136,678	504,600	-367,922	-72.9
Interest expense from cash pooling service	105,751	205,066	-99,315	-48.4
Total	**242,429**	**709,666**	**-467,237**	**-65.8**
from others:				
Interest expense on medium-/long-term loan	6,600,969	10,400,078	-3,799,109	-36.5
Interest expense on derivatives	3,485,851	2,836,034	649,817	n.s.
Other interest expense and charges	818,669	2,518,506	-1,699,837	-67.5
Cost of EIF guarantee	73,354	3,325	70,029	n.s.
Total	**10,978,843**	**15,757,943**	**-4,779,100**	**-30.3**
Total Interest and other financial charges	**11,221,272**	**16,467,609**	**-5,246,337**	**-31.9**

Exchange gains/(losses)

Description	31 Dec. 2010	31 Dec. 2009	Change	% change
Exchange losses	-38,548	-14,921	-23,627	n.s.
Exchange gains	70,638	910,853	-840,215	-92.2
Exchange gains/(losses), net	**32,090**	**895,932**	**-863,842**	**-96.4**

Exchange gains comprises adjustments to the exchange rates of 31 December 2010 of receivables and cash items denominated in foreign currencies for €1 thousand.
Exchange losses comprises adjustments to the exchange rates of 31 December 2010 of payables denominated in foreign currencies for €36 thousand.

Adjustments to the value of financial assets

Balance as of 31 Dec. 2010	-13,380,020
Balance as of 31 Dec. 2009	-29,625,455
Change	16,245,435

‘Adjustments to the value of financial assets’, equal to €13,380 thousand, relates to the impairment loss of the subsidiary SEA Handling posted as a result of the losses reported by the latter in the year 2010.

Extraordinary income and expenses

Balance as of 31 Dec. 2010	24,544,109
Balance as of 31 Dec. 2009	3,410,936
Change	21,133,173

Description	31 Dec. 2010	31 Dec. 2009	Change
Income	33,784,365	7,090,366	26,693,999
Expenses	-9,240,256	-3,679,430	-5,560,826
Total	**24,544,109**	**3,410,936**	**21,133,173**

Extraordinary income is detailed as follows:

- €27,339 thousand relates to the positive effect of the refund received following the ruling by the TAR (regional administrative court) of Lombardia that ordered the Ministry of Infrastructure and Transport to refund SEA for the damage caused by the illegitimate reduction by the Ministry of Transport of handling fees defined for the years 1987, 1989 and 1990. The Ministry of Infrastructure and Transport filed an appeal with the Council of State against the TAR’s ruling but this was rejected in May 2009. As a consequence, on 8 January 2010 the Ministry of Transport paid a total of €27,339 thousand (€8,106 thousand plus legal interest and monetary revaluation) by virtue of the enforceability of the decision, whose final confirmation is referred to the relevant decision of the Council of State. A decision on the merits of the case is still pending but SEA, supported also by the opinion of its legal counsels, considers the risk that the dispute may have an unfavourable outcome remote;
- €3,441 thousand relates to the settlement of positions with suppliers, carriers and operators at the airports;
- €3,004 thousand relates to other non-recurring income.

Extraordinary expenses relates for €7,242 thousand to negative items arising from the outcome of litigation and from new agreements with carriers and operators at the airports, and for €1,998 thousand to other non-recurring expenses.

Income taxes

Description	31 Dec. 2010	31 Dec. 2009	Change
Current taxes			
IRES, corporation tax	19,428,268	19,274,578	153,690
IRAP, regional trade income tax	8,712,742	9,033,882	-321,140
Total	**28,141,010**	**28,308,460**	**-167,450**
Deferred taxes			
IRES/IRAP	8,644,818	903,263	7,741,555
Total	**8,644,818**	**903,263**	**7,741,555**
TOTAL INCOME TAXES	**36,785,828**	**29,211,723**	**7,574,105**

For the year 2010 SEA has applied a consolidated tax regime with its subsidiaries SEA Handling and Malpensa Energia. IRES, equal to €19,428 thousand, includes the remuneration of the tax benefits from the subsidiary SEA Handling, equal to €2,185 thousand, whereas IRAP, which benefited from the so-called ‘tax wedge’, is equal to €8,713 thousand.
Deferred tax liabilities for IRES and IRAP, equal to €8,645 thousand, were determined by a decrease in deferred tax assets of €9,765 thousand and a decrease in deferred tax liabilities of €1,120 thousand.

Recognition of deferred tax assets and liabilities and related effects

	FY 2009		FY 2010	
DEFERRED TAX ASSETS	**Amount**	**Tax effect**	**Amount**	**Tax effect**
Write-downs of intangible assets	0	31.40%	0	31.40%
Write-downs of tangible assets (impairment losses)	18,216,722	31.40%	15,481,649	27.50%
Provisions for risks and charges	11,595,442	31.40%	11,045,380	31.40%
Non deductible depreciation (accelerated depreciation exceeding special depreciation applicable to assets operated under concession)	0	27.50%	158,368	27.50%
Labour litigation	4,468,408	27.50%	3,757,819	27.50%
Directors’ remuneration	0	27.50%	0	27.50%
Taxed bad debt provision	13,440,608	27.50%	7,507,103	27.50%
Unrealised exchange losses	4,007	27.50%	9,799	27.50%
Total deferred tax assets	47,725,186		37,960,119	

DEFERRED TAX LIABILITIES	**Amount**	**Tax effect**	**Amount**	**Tax effect**
Accelerated depreciation subject to IRES	7,989,460	27.50%	7,122,894	27.50%
Accelerated depreciation subject to IRAP	923,983	3.90%	313,601	3.90%
Excess depreciation posted for fiscal purposes	263,708	31.40%	442,356	27.50%
Gains subject to IRES	44,342	27.50%	224,707	27.50%
Gains subject to IRAP	1,002	3.90%	501	3.90%
Unrealised exchange gains	2,142	27.50%	329	27.50%
Total deferred tax liabilities	9,224,637		8,104,388	
Deferred tax assets, net	38,500,548		29,855,731	

Reconciliation of ordinary to effective tax rate

	FY 2009			FY 2010		
	Tax base	Tax charge	Tax rate	Tax base	Tax charge	Tax rate
Profit before tax	96,755,668	26,607,809	27.5%	96,565,837	26,555,605	27.5%
Tax-exempt income	-	-	-	-	-	-
Increases						
Dividends	27,806	7,647	27.5%	302,657	83,231	27.5%
Charges to provisions	18,483,418	5,082,940	27.5%	13,235,408	3,639,737	27.5%
Non-deductible expenses	10,445,842	2,872,607	27.5%	8,100,907	2,227,750	27.5%
Write-downs of assets (impairment losses)	0	0	27.5%	0	0	27.5%
Other permanent differences	29,667,550	8,158,576	27.5%	13,380,020	3,679,506	27.5%
Decreases						
Dividends	556,122	152,934	27.5%	6,053,140	1,664,613	27.5%
Utilisations of provisions	20,013,097	5,503,602	27.5%	41,672,549	11,459,951	27.5%
Deductible expenses	47,601,583	13,090,435	27.5%	5,093,128	1,400,610	27.5%
Other permanent differences	0	0	27.5%	0	0	27.5%
Tax base	87,209,483		27.5%	78,766,013		27.5%
IRES payable		23,982,608			21,660,653	
	Theoretical tax	**Effective tax**	**Diff. +**	**Theoretical tax**	**Effective tax**	**Diff. +**
IRES, corporation tax at 27.5%	26,607,809	23,982,608	-2,625,201	26,555,605	21,660,653	-4,894,952
IRES rate %	27.5	24.79	-2.71	27.5	22.43	-5.07
Consolidated IRES with Sea Handling and Malpensa Energia	26,607,809	14,566,547	-12,041,262	26,555,605	18,385,839	-8,169,766
Consolidated IRES rate %	27.5	15.05	-12.45	27.5	19.04	-8.46
IRAP, regional trade income tax, at 3.9%		9,033,882			8,712,742	
Total IRES-IRAP tax paid		23,600,429			27,098,581	
IRES - IRAP rate%	31.40	24.39	-7.01	31.40	28.06	-3.34

Average headcount in 2010

The following table shows the number of employees at the close of each quarter of 2010 and the annual average.

Grade	Headcount at 31 March 2010	Headcount at 30 June 2010	Headcount at 30 Sept. 2010	Headcount at 31 Dec. 2010	Average headcount in 2010
Executive managers	45	47	49	48	47
Middle managers	248	244	249	256	249
Clerical staff	1,711	1,704	1,699	1,683	1,699
Workers	785	786	794	783	787
TOTAL	**2,789**	**2,781**	**2,791**	**2,770**	**2,783**

The following table shows the average number of employees for each quarter and for the year 2010 on the basis of hours paid and personnel hired and terminated in 2010.

Grade	Average full-time equivalents 1st quarter of 2010	Average full-time equivalents 2nd quarter of 2010	Average full-time equivalents 3rd quarter of 2010	Average full-time equivalents 4th quarter of 2010	Average full-time equivalents in 2010
Executive managers	46	46	48	49	47
Middle managers	248	246	246	256	249
Clerical staff	1,675	1,669	1,664	1,661	1,667
Workers	775	774	770	774	773
TOTAL	**2,744**	**2,735**	**2,728**	**2,740**	**2,737**

Director's and statutory auditors' remuneration
The remuneration paid to the members of the board of directors was equal to €498 thousand, the remuneration paid to the members of the board of statutory auditors (*Collegio Sindacale*) was equal to €400 thousand.

External auditors' fees
Pursuant to article 2427, paragraph 16bis, of the Civil Code, we report the fees paid to the external auditors PricewaterhouseCoopers SpA in respect of the year 2010:

1. Fees for statutory audit of the annual financial statements of SEA SpA and the consolidated financial statements of the SEA Group, for €98 thousand;
2. Fees for other procedures performed in the framework of the audit for €96 thousand;
3. Fees for non-audit services for €48 thousand.

Company shares
In the course of 2010 the Company did not increase its share capital, therefore, as at 31 December 2010 there were 250,000,000 ordinary shares outstanding of nominal €0.11 each.

Shares, bonds and securities
At the reporting date the Company had not issued any dividend-right shares, bonds convertible into shares or other similar securities.

Giuseppe Bonomi

Chairman of the Board

REPORT OF THE BOARD OF STATUTORY AUDITORS
TO THE SHAREHOLDERS IN GENERAL MEETING
PURSUANT TO ARTICLE 2429, SECOND PARAGRAPH, OF THE CIVIL CODE
ON THE ACTIVITY PERFORMED DURING
THE FINANCIAL YEAR ENDED 31 DECEMBER 2010
OF SEA – SOCIETA' ESERCIZI AEROPORTUALI S. p. A.

Dear Shareholders,
In the course of the financial year ended 31 December 2010, the Board of statutory auditors carried out the oversight activities prescribed by law pursuant to article 2429, second paragraph, of the Civil Code on the following aspects: compliance with the law and the Company's memorandum of association; compliance with the principles of correct administration; the adequacy and correct operation of the organisation structure, for the relevant aspects; the adequacy and correct operation of the system of internal controls; the adequacy and correct operation of the administrative-accounting system, and its suitability to present fairly the Company's operations and transactions in the financial statements; and the manner of implementation of corporate governance rules.

With regard to the engagement to carry out a statutory audit of the Company's accounts, we note that by a resolution taken by the Shareholders in general meeting on 28 April 2010, it was assigned to the external auditors PricewaterhouseCoopers S.p.A., pursuant to article 37 of Legislative Decree No. 39 of 27 January 2010, for the three years 2010 - 2012.

We therefore make reference to the external auditors' report dated 8 April 2011.

1. Work performed

Our work during the year was based on the law and the rules of conduct for boards of statutory auditors recommended by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili.

During the year 2010, we attended meetings of the Board of directors and Shareholders' meetings and found that the law and the Company's articles of association were complied with also in terms of the correct exercise of the powers assigned to the directors.

The Board of directors met 14 times, to report on the activity performed and to take the relevant resolutions; the Shareholders met once.

In detail, in the course of the meetings of the Board of directors we were provided with periodic and timely information about the Company's operations and the key ordinary and extraordinary transactions effected, also through subsidiaries, and we were able to verify that operations took place in line with the Company's business purpose; specifically, the decision-making process adopted by the Board of directors appeared correctly based on the principle of informed .

The Board of statutory auditors met six times to carry out periodical inspections, during which we exchanged information with the heads of corporate functions and the external auditors; no significant matters emerged from the meeting concerning the Company's operations or aspects relating to conflicts of interest.

We maintained ongoing and appropriate communication with the Internal Audit function and found that it meets the requirements of competency, autonomy and independence; we also found that there were both suitable co-operation and exchanges of all information useful to discharge the respective duties between all of the Company's bodies and functions with control responsibilities.

Also, information was exchanged with the boards of statutory auditors of the key subsidiaries and associated companies.

In detail:

- We oversaw compliance with the law and the Company's memorandum of association, and with the principles of correct administration;
- We attended meetings of the Shareholders and of the Board of directors, and found that they took place in accordance with the articles of association, laws and regulations governing their operation; we can also reasonably assure that the resolutions adopted were in compliance with the law and the Company's articles of association;
- We assessed the actions of the Board of directors as not manifestly imprudent or risky, or potentially giving rise to conflicts of interest, or such as to jeopardise corporate assets;
- During the meetings we obtained from the directors information on the general performance of operations and the business outlook, and on the most significant transactions effected by the Company and its subsidiaries, and we can reasonably assure that transactions were in compliance with the law and the Company's articles of association and were not manifestly imprudent or risky, or potentially giving rise to conflicts of interest or in contrast with the resolutions passed by the Shareholders in general meeting, or such as to jeopardise corporate assets;
- As far as we are aware, the Company did not carry out unusual transactions with Group entities, related parties or third parties; transactions with entities of the SEA Group are of a trading of financial nature, and were effected in accordance with the procedures adopted by the Board of directors that assessed their adequacy and that they were in the Company's interests;

- We analysed in depth and oversaw, for the aspects in our remit, the adequacy and correct operation of the organisation structure, also by collecting information from the heads of the organisation function; we have nothing to report in this respect;
- We oversaw the adequacy and correct operation of the system of internal controls, meaning the sum of the activities whose purpose is to verify that internal operating and administrative procedures are actually applied, in order to ensure the safety of corporate assets, correct and efficient management, and the identification, prevention and management of financial and operating risks, and business risks, though constant risk monitoring and correct risk management; this activity also involved discussion with the external auditors;
- We analysed in depth and oversaw the adequacy of the administrative-accounting system, and its reliability, to verify whether it is suitable to present fairly the Company’s operations and transactions in the financial statements; in this context we sought and obtained all necessary information from the heads of the respective functions, and carried out such controls as we considered necessary through direct examination of corporate documents; we have nothing to report in this respect;
- We maintained an ongoing exchange of information with the external auditors PricewaterhouseCoopers S.p.A. appointed to carry out the periodical controls of the accounts, and no significant facts or information emerged that should be mentioned in this report;
- We attended the meetings during the year of the Internal Control committee and Ethics committee;
- We examined the quarterly reports, the 2010 annual report and the 2010 plan of tests prepared by the Internal Audit function, with which we had constant exchanges of information;
- We inform you that during the year 2010 we did not receive any complaints pursuant to article 2408 of the Civil Code, and during our oversight activity, as described above, no omissions or additional significant facts emerged that should be mentioned in this report.

The statutory audit of the Company’s financial statements as of 31 December 2010 was performed by PricewaterhouseCoopers S.p.A.; in their report dated 8 April 2011, drawn up in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010, the external auditors did not include any qualification or emphasis of matter;

With reference to the accounting policies applied in the measurement of financial statements items, with regard to the balance sheet and income statement, we make reference to the auditors’ report;

The notes to the financial statements report the type and extension of the engagements assigned to the appointed external auditors; for the year 2010, additional engagements were assigned concerning other audit services carried out in the framework of the audit of the interim financial statements for € 28.6 thousand, the audit of the regulatory accounts for € 67 thousand and other services (referred to the application of new financial reporting principles in the consolidated financial statements) for € 48 thousand For the year 2010, moreover, no engagement were assigned to entities related by ongoing equity relationships to the network of the entity appointed to perform the statutory audit.

Significant transactions

- During the year the Company, which in 2009 sold 75% of the subsidiary Malpensa Logistica Europa S.p.A. to Argol S.p.A., completed the transaction by collecting the last two tranches of the sales consideration;
- During the period under consideration the Company started negotiations to sell its investment in GESAC, equal to 5% of the operator of Naples Capodichino airport; at the end of the negotiations, in March 2011 SEA sold its stake to F2i, an infrastructure fund that already owned 65% of GESAC;
- During the year the Company continued and consolidated the process of reorganisation of the subsidiary SEA Handling S.p.A. that was started in 2009; this strategy had a favourable impact on the subsidiary' results of operations for the year 2010.

Direction and co-ordination

The Company is not subject to direction and co-ordination by its shareholder, the Municipality of Milan, pursuant to article 2497 of the Civil Code, while it exercises direction and co-ordination, pursuant to article 2497 of the Civil Code, on its 100% held subsidiaries SEA Handling S.p.A. and Malpensa Energia S.p.A..

During the year 2010, the fees approved for the Board of directors did not exceed the amount referred to in article 1, paragraphs 725 ff, of Law No. 296/2006.

During the entire year the Company, in accordance with the agreements made with the trade unions, used the special and long-term redundancy benefit schemes ('CIGS' and 'mobilità') approved following the crisis caused by de-hubbing by Alitalia.

During the Board of directors' meeting of 25 October 2010, we issued our opinion, required by law, on the payment of compensation to a director, pursuant to article 2389, paragraph 3, of the Civil Code.

During 2010, following the expiration of the engagement of PricewaterhouseCoopers S.p.A. to audit the Company's separate financial statements, consolidated financial statements and half-yearly reports and to perform the periodical controls of the accounting records, we prepared and submitted to the Shareholders, convened in general meeting to approve the financial statements as of 31 December 2009, our proposal to appoint the Board of statutory auditors for the three years 2010-2012, as required by recent legislation (Legislative Decree No. 39 of 27 January 2010).

We found that during the year 2010 the Company:

- confirmed the extension for the three years 2009/2011 of the ISO 14001 Environmental Certificate issued by TUV on 14 April 2006 on the Environmental Management System;
- achieved an internationally recognised target in terms of environmental management; as a result of the efforts by the entire SEA Group to reduce direct and indirect CO_2 emissions, Linate and Malpensa airports achieved the highest level of accreditation, 3+ ‘Neutrality’ under the European Airport Carbon Accreditation project promoted by ACI Europe;
- maintained the Corporate Governance system introduced in 2003, based on the recommendations of the ‘Code of Self-discipline of Listed Companies’, even though this is not a mandatory requirement, through an Internal Audit committee, an Ethics committee and a Remuneration committee;
- maintained the Ethics code that defines the Company’s ethics and moral values, indicating the behaviour to be adopted by employees and members of corporate bodies in relationships within the Company and with third parties; also with the aim of confirming that, in carrying out its operations, the Company acts on the basis of the principles of transparency and correctness, in compliance with the law and respecting the interests of the community;
- maintained and revised its ‘Organisation and Management Model’ pursuant to Legislative Decree No. 231/2001, approved by the Board of directors on 18 December 2003 and then revised in 2005, 2008 and 2010; it should be noted that verifying the effectiveness and adequacy of the ‘Organisation and Management Model’ is the responsibility of the Supervisory Board set up pursuant to Legislative Decree No. 231/2001 and that no violations were reported during our meetings with the Supervisory Board;
- revised the ‘Security planning document’, concerning the protection of personal data, pursuant to Legislative Decree No. 196/2003.

During our oversight activity, as described above, no additional significant facts emerged that should be mentioned in this report.

We examined the draft financial statements as of 31 December 2010 and we report as follows:

2. Draft financial statements as of 31 December 2010

The Company's draft financial statements as of 31 December 2010 show a net profit of € 59,780,009 versus a net profit of € 67,543,946 for the year ended 31 December 2009

Not being required to analyse in detail the contents of the financial statements, we oversaw its general presentation and its general compliance with the law in terms of preparation and structure; we have nothing to report in this respect.

The directors' report on operations for the year ended 31 December 2010 is exhaustive and complete for the purposes required by law, containing the main facts that characterised operations during the financial year; the report is exhaustive in terms of the information provided about operating activities and development, strategies and transactions, and the description of the key risks and uncertainties to which the Company is exposed and indicates the elements that may affect the development of operations.

Our examination of the directors' report found that it is consistent with the information provided in the consolidated financial statements, as also stated in the report of the external auditors PricewaterhouseCoopers S.p.A.

In the years 2007 and 2008, the Company posted the Company posted impairment losses for a total of € 58,015 thousand as a consequence of de-hubbing of Malpensa by Alitalia, the key carrier operating at Milan's airports. In detail, € 23,100 thousand was referred to the baggage handling system (BHS) and € 34,915 thousand to Malpensa's third satellite. The impairment losses posted in previous years were substantially confirmed also in the 2010 financial statements, in light of the outlook for air traffic, and the absence of of additional internal and external factors that may have a significant impact on Malpensa's airport system. The notes to the financial statements illustrate the accounting policies applied which are appropriate in relation to the Company's business and transactions, and provide the other disclosure required by law.

The Board of directors illustrated at length the individual financial statements items, the changes compared with the previous year and their causes, and the accounting principles and policies applied, which conform to applicable legislation and take into account the documents issued by the Organismo Italiano di Contabilità.

The Board of directors complied with the provisions of article 10, first paragraph, of Law No. 72 of 19 March 1983 and specified the composition of the reserves and provisions in the financial statements.

As far as we are aware, in the preparation of the financial statements the directors did not use the departures allowed by article 2423, fourth paragraph.

We verified that prepayments, accruals and deferrals were calculated in accordance with the accrual basis of accounting.

We verified that the financial statements correspond to the facts and information of which we are aware as a result of exercising our oversight duties and we have nothing to report in this respect.

3. Conclusion

In relation to the above, based on the controls performed directly and the information exchange with the external auditors and having considered the report issued by them on 8 April 2011, which expresses an unqualified opinion on the financial statements without emphasis of matter, the results of the aforementioned report drawn up in accordance with article 14 of Legislative Decree No. 39/2010 accompanying the financial statements, we have not objections to approval of the financial statements as of 31 December 2010, as prepared by the directors.

Milan, 8 April 2011

THE BOARD OF STATUTORY AUDITORS

Giancarlo Giordano	President
Aldo Londei	Acting auditor
Fabio Malcovati	Acting auditor
Maria Luisa Mosconi	Acting auditor
Raffaella Pagani	Acting auditor

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010

To the shareholders of
S.E.A. - SOCIETÀ ESERCIZI AEROPORTUALI SpA

1 We have audited the financial statements of S.E.A. - Società Esercizi Aeroportuali SpA as of 31 December 2010. The directors of S.E.A. - Società Esercizi Aeroportuali SpA are responsible for the preparation of these financial statements in compliance with the laws governing the criteria for their preparation. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards issued by the Italian accounting profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by CONSOB, the national stock exchange commission. Those standards require that we plan and perform the audit to obtain the necessary assurance about whether the financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the financial statements of the prior period, which are presented for comparative purposes as required by law, reference is made to our report dated 12 April 2010.

3 In our opinion, the financial statements of S.E.A. - Società Esercizi Aeroportuali SpA as of 31 December 2010 comply with the laws governing the criteria for their preparation; accordingly, they have been prepared clearly and give a true and fair view of the financial position and result of operations of the company.

4 The directors of S.E.A. - Società Esercizi Aeroportuali SpA. are responsible for the preparation of a report on operations in compliance with the applicable laws. Our responsibility is to express an opinion on the consistency of the report on operations with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard No. 001 issued by Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili and recommended by CONSOB. In our opinion, the report on operations is consistent with the financial statements of S.E.A. - Società Esercizi Aeroportuali SpA as of 31 December 2010.

Milan, 8 April 2011

PricewaterhouseCoopers SpA

signed by
Sergio Pizzarelli
(Partner)

This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers

GLOSSARY

ACI Europe — *Airports Council International*, an international trade association of airport operators, whose European base is in Brussels.

Airport Carbon Accreditation — A programme, implemented by ACI Europe with the technical support of WSP Environmental (a London-based company that is leader in environmental consulting), for reducing CO_2 emissions by airports. The Airport Carbon Accreditation project sets four levels of accreditation: 1 Mapping; 2 Reduction; 3 Optimisation; 3+ Neutrality.

Airport Commission — The Airport Commission's members are representatives of ENAC, SEA, the Region Lombardia, the Province of Milan, ARPA, ENAV, carriers, the Ministry of the Environment and all municipalities involved, i.e. those in whose territory the airports are located and more generally all the municipalities that are at least in part located in the area surrounding the airport.
The Commission approves the noise zoning plan for areas adjoining the airport and defines the related intervention plans to mitigate or reduce noise.

All cargo carrier — An airline flying aircraft carrying only cargo.

A-SMGCS — *Advanced Surface Movement Guidance and Control System*: a system of surface lights that automatically guides aircraft from a predefined entry point to their positions waiting for take-off.

AUA — *Agente Unico Aeroportuale*: a job description typical of airport handling services.

AVL — Light-emitting visual aids: lighting installations for runways, taxiways and aircraft apron.

BHS — *Baggage Handling System*: the automated system for baggage handling.

Bilateral agreements — Air transport to destinations outside the European Union is governed by bilateral agreements.
These agreements, which regulate scheduled flight traffic between two countries, are documents following a fixed template and based on the reciprocity principle.
Through bilateral agreement two countries define the quantity of flights on offer (in terms of frequencies, fares and number of seats), the number of carriers approved for operation and the access points (destinations) in the respective countries.
The routes identified in the agreements do not belong to the carriers designed to operate them, but if a bilateral agreement designates a single carrier for €country, only the carrier identified for each country will be entitled to operate that route.

BOT — (*Build – Operate – Transfer)* A business model where infrastructure is built, then operated and finally transferred to the grantor of the relevant concession.

Brand portfolio — The sum of the brands present within the commercial areas of the airports operated.

Budget hotel — Low-cost hotel offering basic services for low prices.

Chart of services — The chart of services is the document where SEA illustrates its activities and presents the annual quality standards applicable to services offered to customers of Malpensa and Linate airports. The figures illustrate objectively the degree of customer satisfaction for airport services, such as comfort, cleanliness, information to the public and security.

CIGS	*Cassa Integrazione Guadagni Straordinaria*, a special temporary redundancy benefit scheme.
Code sharing	Agreement between airlines whereby a flight is sold by an airline but operated by aircraft belonging to another carrier, which expands its network of destinations served.
Corporate intranet	A company-wide communication system based on the technology standards used in the Internet. The peculiar feature of an intranet is that access to posted information is restricted to authorised users.
Courier transport	Type of transport of mail or cargo characterised by speed of service and guarantees in terms of delivery times, integrity and traceability of the goods.
Dual till	A method of setting airport user charges whereby Aviation operations are remunerated by regulated charges, whereas profits on Non Aviation operations are freely set by airport operators.
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization, equivalent to Gross Operating Margin (GOM) It is calculated as the difference between revenues and operating costs.
e-commerce	Trade in goods and services through the use of an electronic trading platform, accessed through the Internet.
ENAC	*Ente Nazionale per l'Aviazione Civile*, the Italian civil aviation authority. The authority responsible for issuing technical regulations and certificates, overseeing and controlling the civil aviation business in Italy, was set up on 25 July 1997 with Legislative Decree No. 250/97. ENAC deals with the several aspects of regulation of civil aviation, controlling and monitoring compliance with the rules adopted, and regulating the administrative-financial aspects of the air transport system.
Environmental management system (EMS)	The part of the general operation system that comprises the organisation structure, planning, responsibilities, practices, procedures, processes and resources necessary to develop, implement, achieve, review and maintain active an environmental policy.
Fast track	Preferential track for passengers using the service, designed to achieve a considerable reduction of waiting times for security screening.
FOD	*Foreign Object Damage*. In air travel this refers both to inert and unattended material that may cause damage to aircraft, and to the damage itself.
Green certificates	An incentive system for the use of renewable energy sources, consisting of negotiable instruments representing predefined quantities of CO_2 emissions. These certificates are traded in the market by electricity producers so as to correct imbalances in terms of authorised emissions of carbon dioxide.
Hub & spoke network	A model of airline network development in which an airport is used as a hub to/from which most flights are operated.
IATA	*International Air Transport Association*, an international trade organisation representing airlines, based in Montreal.

ISO 14001 Environmental Certificate	«ISO 14001» identifies a standard that sets the requirements of an «environmental management system» for any organisation. Achieving an ISO 14001 certificate is not mandatory, but is the result of a company's voluntary decision to establish, implement, maintain and improve its own environmental management system. It is important to note that an ISO 14001 certificate does not certify any specific environmental performance, or prove a particularly low impact, but rather demonstrates that the certified organisation has a management system in place that is suitable to limit the environmental impact of its operations, and systematically tries to improve it in a consistent, effective and above all sustainable manner.
Loyalty Award 2010	Annual international competition that awards prizes for innovations in loyalty programmes of the travel industry.
Masterplan	A tool designed to coordinate strategies for airport development in the territory, which makes it possible to define construction of infrastructure in the long term in agreement with the aviation authority.
Mishandled baggage	Baggage that is not delivered to the passenger on arrival at destination.
OJEC	The Official Journal of the European Communities, the official source of documents for the European Union.
Outline Agreement	Outline Agreements (*Contratti di programma*) are made between ENAC and the airport operators and govern airport user charges and fees, the implementation of the capex programme and compliance with quality and environmental protection targets.
Schengen area	Part of the airport where flights to the countries that signed up to the Schengen Accord are operated, where customs checks on passengers have been abolished. As of 31 December 2010 the countries that have signed up to the Schengen Accord are: Belgium, France, Germany, Luxembourg, the Netherlands, Italy, Portugal, Spain, Austria, Greece, Denmark, Finland, Sweden, Iceland, Norway, Slovenia, Estonia, Latvia, Lithuania, Poland, the Czech Republic, Slovakia, Hungary, Malta, Switzerland, Liechtenstein.
SLA	Service Level Agreement – Agreement concerning levels of service quality and efficiency.
Slot	A permit allocated to a carrier to land and take off from an airport at a specified date and time.
TEN-t	*Trans-European Transport Network*, defined by the European Union to facilitate the movement of people and goods within the EU.
TÜV	TÜV Italia is an independent certification and inspection body present in Italy since 1987 and belonging to the TÜV SÜD Group.