ANNUAL REPORT
2016

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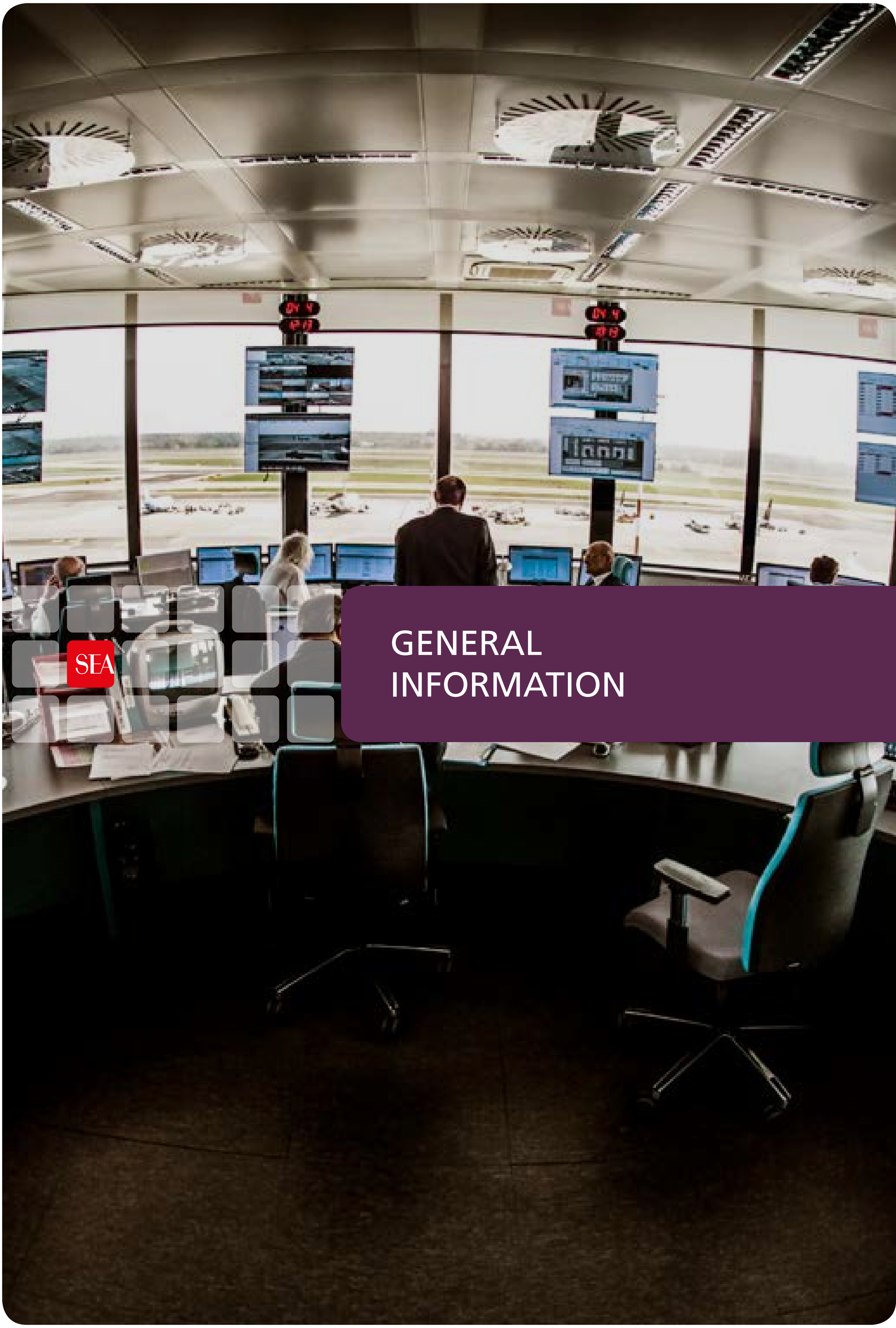
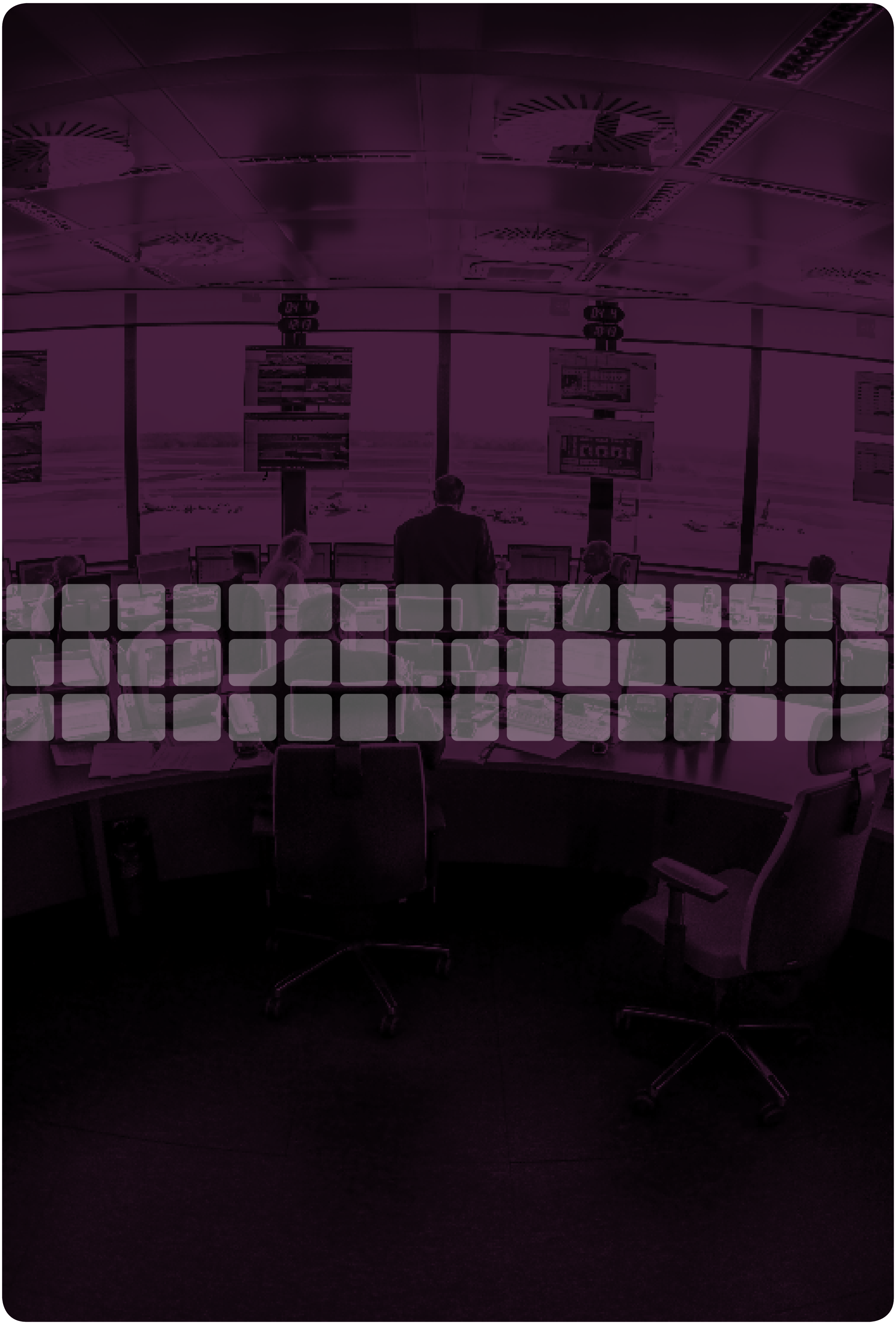


GENERAL INFORMATION



THE SEA GROUP

The SEA Group, based on the forty year Agreement signed between SEA and ENAC in 2001, manages the Malpensa and Linate airports which are ranked among the first ten airport systems in Europe for volume of traffic, in both the passenger and cargo segments.

The airport system managed by the SEA Group comprises:

- Milano Malpensa, dedicated to the development of intercontinental traffic, it reported an addition increase in passenger traffic compared to the previous year, achieving its best performance since 2007/2008 to date with 19.3 million passengers. The complete restyling of Terminal 1 has improved the functionality and aesthetic appeal of the check-in, boarding and security control areas and has seen the construction of a new commercial platform - one of the largest in Europe. At Terminal 2, projects to create new security filters, check-in desks and upgrading of the baggage delivery area, as well as the construction of the new railway station and extension of the railway from the current Terminal 1 station, will make it possible to adapt the offered services to the expected quality level.

- Milano Malpensa Cargo, a cargo transport support infrastructure, which in the coming years will see its capacity extended and plant development. The construction of new warehouses is scheduled, together with extensive areas for the parking and movement of vehicles. In 2016, thanks to its hi tech facilities and innovative IT systems, Milano Malpensa Cargo confirmed its role as a crucial centre for the distribution of imported and exported goods at a national level achieving an all time new record of 537,000 tons of transported goods.

- Milano Linate, which principally serves a frequent-flyer customer base on domestic and inter-EU routes. Just 8 km from Milan city centre, it is truly a city airport, with structures and areas dedicated to business and shopping. Restyling will start in 2017 and the airport will be completely renewed. At present the plan has been approved by ENAC and is waiting for approval for the commission to assess the environmental impact of the Ministry of the Environment.

- Milano Linate Prime, managed by SEA Prime SpA, a subsidiary of SEA SpA. Dedicated to general aviation, it offers services and facilities with a high added value. During 2015 the air terminal was thoroughly redesigned and new services were added.

Finally, through SEA Energia (wholly owned by SEA SpA), the Group owns two co-generation plants mainly dedicated to satisfying the energy needs of Linate and Malpensa, through the combined production of electricity, heat and cooling.

STRUCTURE OF THE SEA GROUP AND INVESTMENTS IN OTHER COMPANIES

Direct and indirect holdings of SEA SpA at December 31, 2016

SEA SpA

Airport management	Utilities	Commercial activities	Other activities	Handling
S.A.C.B.O. SpA Company for the civil airport of Bergamo - Orio al Serio **30.98%**	SEA Energia SpA **100%**	Dufrital SpA **40%**	Malpensa Construction Consortium** **51%**	Signature Flight Support Italy Srl*** **39.34%**
Aeropuertos Argentina 2000 SA* **8.5%**	Disma SpA **18.75%**	SEA Services Srl **40%**	Romairport SpA**** **0.23%**	Malpensa Logistica Europa SpA **25%**
SEA Prime SpA **98.34%**			SITA Società Cooperativa arl **6 shares**	

Controlling shareholding

Associated company

Investment in other companies

(*) For SEA's investment in AA2000 see Note 6.5 in the separate financial statements of SEA SpA.

(**) The Board of Directors of SEA SPA voted to authorise the winding up and liquidation of the Malpensa Construction Consortium on February 22, 2017. The Board of Directors voted on this on March 15, 2017, approving the winding up and liquidation of the Consortium.

(***) On April 1, 2016, 60% of the shares were sold by SEA Prime, which held 100% to Signature Flight Support UK Regions Limited. Following the loss of control of the company Signature Flight Support Italy Srl it was classified as an associated company. In February 2017 the company name and legal status changed from Prime AviationServices SpA to Signature Flight Support Italy Srl. For additional information see the paragraph "2016: Significant events".

(****) The Extraordinary Shareholders' Meeting of Romairport of February 23, 2017 voted to change the Company from SpA to Srl.

At December 31, 2016 the SEA Group included the following companies in liquidation:

- SEA Handling SpA in liquidation (100% SEA SpA)
- Consorzio Milano Sistema in liquidation (10% SEA SpA).

SHARE CAPITAL STRUCTURE

The share capital of SEA amounts to Euro 27,500,000, comprising 250 million shares of a par value of Euro 0.11, of which 137,023,805 Class A shares, 74,375,102 Class B shares and 38,601,093 other shares.

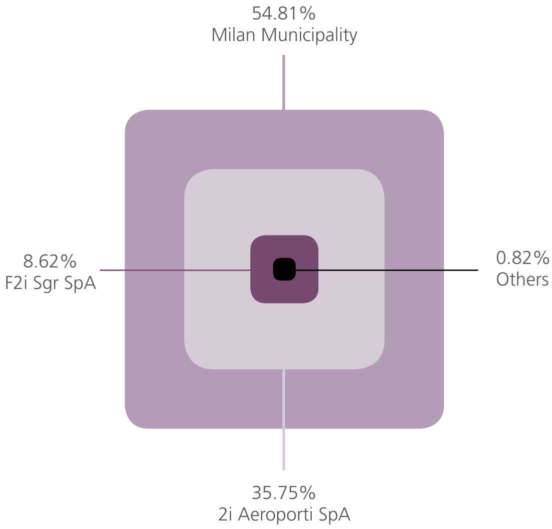
The Class A shareholders upon divestment resulting in the loss of control must guarantee Class B shareholders a right to co-sale. Class A shareholders have a pre-emption right on the sale of Class B shares.

At December 31, 2016, SEA did not hold treasury shares. The ownership structure was as follows:

Public shareholders	
9 entities/comp.	
Municipality of Milan(1)	54.81%
Province of Varese	0.64%
Municipality of Busto Arsizio	0.06%
Other public shareholders	0.08%
Total	**55.59%**

Private shareholders	
2i Aeroporti SpA	35.75%
F2i Sgr SpA(2)	8.62%
Other private shareholders	0.04%
Total	**44.41%**

(1) Holder of Class A shares.
(2) On behalf of F2i – second Italian Fund for infrastructure.



The Company, following the issue of a bond on April 17, 2014, called "SEA 3 1/8 2014-2021" and approval to trade securities on the regulated market organised and managed by the Irish Stock Exchange, obtained the qualification of Public Interest Entity (PIE) in accordance with article 16 paragraph 1 letter a) of Italian Legislative Decree no. 39/2010.

CORPORATE BOARDS

BOARD OF DIRECTORS

for the three-year period 2016/2018, appointed by the Shareholders' Meeting of May 4, 2016

Chairman
Pietro Vitale Antonio Modiano

Directors
Armando Brunini (1) (2)
Salvatore Bragantini (2) (4)
Stefano Mion (3)
Susanna Stefani (3)
Susanna Zucchelli (2)

BOARD OF STATUTORY AUDITORS

for the three-year period 2016/2018, appointed by the Shareholders' Meeting of May 4, 2016

Chairman
Rosalba Cotroneo
as of 16/11/2016
replacing Rita Cicchiello

Standing members
Rosalba Casiraghi
Andrea Galli
Paolo Giovanelli
Giacinto Gaetano Sarrubbi

Alternate members
Anna Maria Allievi
Andrea Cioccarelli

INDEPENDENT AUDIT FIRM

appointment changed by the Shareholders' Meeting of May 4, 2016

Deloitte & Touche SpA

(1) Vice Chairman
(2) Member of the Control and Risks Committee
(3) Member of the Remuneration and Appointments Committee
(4) Member of the Ethics Committee

N.B.: The Director Arabella Caporello handed in her resignation on 15/09/2016.

KEY FINANCIAL FIGURES AT DECEMBER 31, 2016 AND OTHER INDICATORS

The condensed consolidated figures taken from the financial statements are illustrated below.

Profit and Loss Figures

(In thousands of Euro)	2016	2015	Change
Revenue	700,134	694,792	5,342
EBITDA (1)	234,403	223,076	11,327
EBIT	149,999	146,065	3,934
Pre-tax profit	141,037	134,718	6,319
Discontinued Operations profit/(loss) (2)	(130)	3,238	(3,368)
Group Net Profit	93,619	83,850	9,769

1) EBITDA is calculated as the difference between total revenues and total costs, excluding provisions and write-downs. EBITDA in the comparative period, which also included provisions and write-downs with the exception of the restoration and replacement provision was therefore restated according to the new approach in order to ensure data comparability as shown in the Explanatory Notes paragraph 2.1 "Basis of preparation".

(2) The profit/loss of the company SEA Handling SpA in liquidation is reported in the "Discontinued operations profit/(loss)" line as required by IFRS 5.

Financial Figures

(In thousands of Euro)	At December 31, 2016	At December 31, 2015	Change
Fixed assets (A)	1,317,157	1,306,932	10,225
Working capital (B)	(188,683)	(197,299)	8,616
Provision for risks and charges (C)	(174,061)	(177,902)	3,841
Employee benefit provisions (D)	(49,220)	(48,239)	(981)
Net capital employed (A+B+C+D)	**905,193**	**883,492**	**21,701**
Group Shareholders' equity	375,264	344,668	30,596
Minority interests	566	541	25
Net Debt	529,363	538,283	(8,920)
Total sources of financing	**905,193**	**883,492**	**21,701**

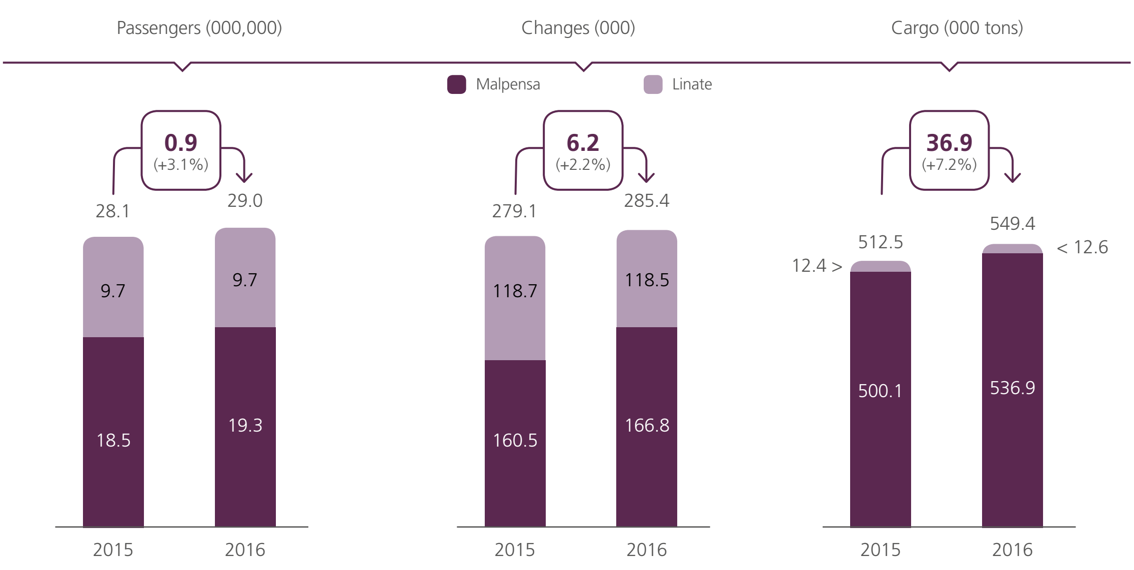
(A) Fixed assets, including those falling within IFRIC 12 scope, are shown net of fixed assets financed by State and European Community grants. At December 31, 2016 the latter amounted to Euro 503,601 thousand and Euro 5,517 thousand respectively and at December 31, 2015 they amounted to Euro 498,553 thousand and Euro 5,517 thousand respectively.

(in thousands of Euro)	At December 31, 2016	At December 31, 2015	Change
Investments in tangible and intangible assets	69,487	86,780	(17,293)

Other indicators

	At December 31, 2016	At December 31, 2015
NFP/EBITDA	2.26	2.41
Employees HDC	2,866	2,905

Traffic figures (Commercial aviation and General aviation)



2016 DIRECTORS' REPORT

2016: SIGNIFICANT EVENTS

Decision of the European Commission on the procedure undertaken to establish and capitalise Airport Handling

With its decision of July 5, 2016, transmitted to SEA by the Ministry of Transportation on July 19, 2016, the European Commission completed the investigation it had started in relation to the establishment and capitalisation of the Airport Handling company finding: i) the absence of economic continuity between SEA Handling and Airport Handling SpA, ii) the absence of transfer of the obligation to repay the incompatible state aid to Airport Handling SpA as well as iii) the lack of state aid in the establishment and capitalisation of the aforesaid company.

The Italian authorities transmitted the confidential information contained in the decision in order to prevent its publication in the OJEU, which at present has not yet occurred.

Sale of 30% of Airport Handling to dnata

Following the signing of the agreement in September 2015 between the Trustee and dnata for the sale of 30% of the Airport Handling SpA shares and the same percentage of Financial Instruments of Participations held by SEA and after the decision of the Anti-trust Authority, which ruled that the transaction did not result in the establishment of reinforcement of a dominant position on the market that eliminated or substantially and permanently reduced competition pursuant to article 6, paragraph 1 of Italian Law 287/90, the transaction was closed on March 23, 2016. As stated in the agreement, on the closing date dnata was assigned the majority of the members of the Board of Directors and therefore the governance of Airport Handling SpA. The agreement also includes an option for dnata to purchase, if certain conditions occur, an addition 40% of shares (call option) and a corresponding portion of FIPs.

Sale of 60% of Signature Flight Support Italy Srl share (previously Prime AviationServices SpA)

On April 1, 2016 the subsidiary SEA Prime SpA transferred 252 shares of Prime AviationServices SpA to Signature Flight Support Uk Regions Limited, keeping 40% of all the shares. Following the loss of control, the interest in Signature Flight Support Italy Srl was classified among associates and no longer subsidiaries and measured using the equity method rather than consolidated on a full line-by-line basis, as had been done until March 31, 2016. It should also be noted that on February 14, 2017 the shareholders' meeting of Prime AviationServices SpA decided to change its corporate status by changing from a joint stock company to a limited liability company and changing its name at the same time from Prime AviationServices SpA to Signature Flight Support Italy Srl.

Inauguration of the new railway station at Malpensa Terminal 2

On December 6, 2016 the new railway station was inaugurated at Malpensa Terminal 2, which completes the expansion project for the railway connection between Terminal 1 and Terminal 2 at the airport (a total of 3.6 km of double track), as an extension of the current railway connection from Milan. SEA's intervention was composed of the final design and construction of the station, which is developed on three levels: the lowest level corresponds to the platform level where the 4 tracks are; the intermediate level corresponds to the actual station which is connected to the other airport facilities such as the terminal, car park and bus stops; the highest level houses the new car parks in operation since August 2016.

Inclusion of Malpensa as one of the airports selected for "preclearance" controls

The government of the United States has selected Malpensa and 10 other airports in the world as those which can perform "*preclearance*" controls: passengers headed from Milan to the United States will go through *Immigration, customs and agriculture inspections* controls at Malpensa. The selection of Malpensa occurred following verification of the spaces of the infrastructure and assessment performed by a commission of specifically invited specialists on the management company's organisational capacity which supports the control operations of the American personnel. These meetings were followed by a preliminary approval by the Italian Ministry of the Interior.

Masterplan Linate and Masterplan Malpensa

Masterplan Linate

The Environmental Impact Study, correlated to the Linate 2030 Masterplan, was completed in December 2016, as planned. After technical approval from ENAC the Environmental Impact Assessment procedure was started by the Ministry of the Environment and is still in progress.

Masterplan Malpensa

Environmental type study and analysis continued for all of 2016 required to complete the documentation needed for a future Environmental Impact Assessment. A parallel programme continued at the same time to exchange the results of these studies and design guidelines will all local and national stakeholders. Activity also continued for in the field completion by a university group dedicated to naturalistic/fauna and noise and air pollution issues as well as those of the University of Pavia and Milan Politecnico University which respectively handle topics related to geology and water and the deep water table. The collaboration with CNR - IFC was completed and the Milan Clinica del Lavoro was involved on the "affects of the Master Plan on public health" issue, which is working positively in close collaboration with Bicocca University. Contacts with the Region of Lombardy are in place for maximum integration of data and social-health protections aimed at the current study.

Organisation of the masterplan airport technical project has been started and preliminary discussions with the reference authority (ENAC) have begun. The technical and environmental studies are expected to be completed in the first half of 2017.

SEA-SACBO Merger

In light of a possible merger between SEA and SACBO, the two companies signed a Memorandum of Understanding on November 27, 2015 where they mutually agreed, for the entire duration of the Memorandum, to refrain from starting any negotiations with third parties for the transfer, or concentration with others, of the assets included in the transaction.

The Memorandum of Understanding had established June 30, 2016 as the deadline for holding the Extraordinary Shareholders' Meetings of the two companies to vote on the merger transaction. The Boards of Directors of SEA and SACBO meeting on March 24, 2016 voted to extend the duration of the Memorandum of Understanding until October 31, 2016, therefore establishing within this deadline the date by which the Extraordinary Shareholders' Meetings of the two companies must meet to vote on the transaction. The Memorandum of Understanding was not extended when it expired.

ECONOMIC OVERVIEW

The worldwide economic conditions in 2016 improved slightly, even if prospects remain subject to various factors of uncertainty; those of the United States depend on the economic policies of the new administration, not yet defined in detail: an expansive impact, at this time difficult to quantify, may result from interventions announced in terms of budget policy, but unfavourable effects could result from the adoption and dissemination of restrictive trade measures.
Global growth could be hindered by the onset of turbulence in emerging economies associated with the normalisation of American monetary policy.

Consumer inflation has increased slightly in advanced economies, thanks to the attenuation of the price drop in energy products.
According to estimates from the International Monetary Fund (IMF) released in January, the world product increased by 3.1% in 2016; it is expected to increase by 3.4% in 2017 and 3.6% in 2018. The estimates were slightly revised last October in terms of the increase for almost all of the major advanced economies, with the exception of Italy.

In the euro area the growth of GDP continues at a moderate pace but is gradually stabilising, thanks to the boost from the internal demand components. The uncertainty on the world economic trend, partly affected by geopolitical tensions, represents the biggest risk factor for economic activity.
Inflation rose in December, starting to reflect expansive monetary conditions, but is still at low values.
The €-coin indicator prepared by the Bank of Italy, which estimates the underlying dynamics of GDP of the area, recorded a substantial increase in the autumn months, reaching 0.59% in December (from 0.45% in November). According to projections prepared by the Eurosystem central banks released in December, the overall increase in GDP should be 1.7% for 2017 (like in 2016).
Consumer inflation increased to 1.1% (from 0.6%) in December, but practically only due to the acceleration of the prices of fresh food products (2.1% from 0.7%) and energy products (2.6% from -1.1%).

The recovery of the Italian economy, after the acceleration of GDP in the summer quarter, according to available indicators, continued in autumn, although at a pace slightly less than the previous period - sustained by the increase in investments and increase in consumer spending. Forecast indicators are consistent with the continuation of a moderate expansion in economic activity for the first quarter of 2017 as well.
According to preliminary estimates, inflation, as measured by the annual change in the Harmonised Index of Consumer Prices (HICP), rose in December to 0.5% (from 0.1% in November). It is being driven up mainly by the acceleration of fresh food products and air transport services and attenuation of the fall in energy product prices. Inflation stood at -0.1% overall in 2016.

Air transport and airports

Global air transport performance

Global passenger traffic in 2016, based on a sample of 1,091 airports, reported over 5.5% growth on the previous year.

The Middle East recorded the highest growth in percentage terms (+9.4%), followed by Asia (+9%), Europe (+5%) and North America (+3.9%). Only Africa reported decreasing values (-1.9%) compared to 2015.

The cargo traffic also showed increases of more than 3.5 percentage points with 92.5 billion tonnes of handled cargo globally.

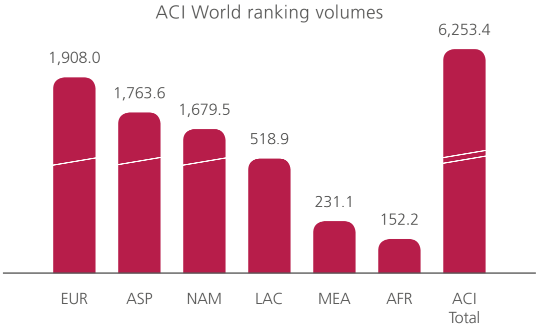
Out of a sample of 800 airports, the Middle East area showed the highest growth percentage, with about 6 points more than in 2015 and Asia, which had the largest cargo traffic worldwide with over 34 billion tonnes, and grew by +4.5% compared to 2015.

Malpensa was reconfirmed as one of the main airports in the world ranking 45th for the quantity of cargo handled according to the classification reported by ACI World of the most important airports of the cargo sector (83 airports that transport at least 200 thousand tonnes of cargo).

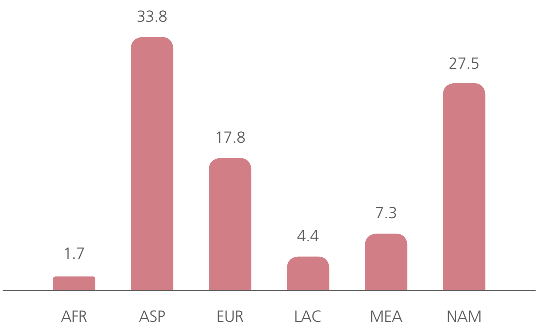
Global air traffic 2016[1]

Passengers - 6.253 bln

ACI World ranking volumes



Cargo - 92.5 mln tonnes



Key: AFR (Africa), ASP (Asia Pacific), EUR (Europe), LAC (Latin America), MEA (Middle East), NAM (North America). Source: ACI World (Pax Flash & Freight Flash)

European airport performances - 2016[2]

In the course of 2016, **passenger traffic** at the major **European airports** showed an overall increase of 5.6% with more than one billion passengers served. Hub airports witnessed a 3.5% growth; among these was the growth of Amsterdam (+9.2%) and Madrid (+7.7%). Other airports that stand out based on the dimensions of served passenger traffic include Barcelona (+11.2%), London Gatwick (+7.1%) and Paris Orly (+5.3%).

Cargo traffic reported an increase of 3.4% with a total of more than 11 million tonnes of cargo processed.

Among the main airports in terms of processed cargo, Frankfurt ranks first with more than 2 million tonnes, followed by Paris Charles de Gaulle with 1.9 million, Amsterdam with 1.7 million and London Heathrow with 1.5 million. **Malpensa** airport continues to rank fifth in terms of volumes of handled cargo (536.9 thousand tonnes) and is the second airport in terms of growth percentage (+7.4%) after Madrid airport (+9.1%).

2016 Italian airport traffic performance[3]

The performance of the 36 **Italian airports** that are members of Assaeroporti reported a positive trend compared to 2015 (+4.6%) for a total of 164.7 million passengers served. Aircraft movements also continued to increase reporting a rise of 2.6% for a total of 1.5 million. The top five airports in terms of number of passengers travelling were Rome Fiumicino, Malpensa, Bergamo, Linate and Venice.

The Rome airport system recorded more than 47 million passengers in transit while in Lombardy the 40 million passengers served were distributed at the Milan airports with more than 29 million and at the Orio al Serio airport with around 11.2 million. The north-east system composed of Venice and Treviso reported around 12.3 million passengers while the Pisa and Florence airports approximately 7.5 million. Apulia airports (including Bari, Brindisi, Foggia and Taranto) saw more than 6.6 in transit, in Sicily (Catania, Comiso, Lampedusa, Palermo and Trapani) around 14 million passengers while is Sardinia (Alghero, Cagliari and Olbia) 7.5 million passengers.

[1] Source: ACI World (Pax Flash & Freight Flash)

[2] Source ACI Europe

[3] Source Assaeroporti (commercial aviation + general aviation)

REGULATORY FRAMEWORK

Establishment of new fees

A consultation process was formally started with airport users in August 2016 to establish the new regulatory fees for 2017. During the consultation traffic trends, investments and service quality and environmental protection parameters as well as all of the other elements that contribute to the establishment of new values were presented to the users. No appeals were submitted to ENAC at the end of the consultations related to these fees.

ENAC published the new tariff fees during October 2016. They become effective January 1, 2017 and have an average increase of 0.8% compared to the fees in effect in 2016, basically in line with the programmed inflation rate (equal to 0.9% as reported in the 2016 Update Note to the Economy and Finance Document, published by the Ministry of the Economy and Finance in September 2016).

Revision of regulation models of airport charges - Call for Input

During the month of September the Transport Regulatory Authority (ART) stated a revision procedure for the regulation models of airport charges approved with resolution no. 64/2014, considering it opportune to make some changes to the models, in order to improve their operating effectiveness based on the experience obtained during the first two years of application.

The first phase of this revision was the approval of a "*call for input*", used to ask for the contribution of various stakeholders on specific issues deemed relevant by the ART in order to acquire elements to use as a guide for revision of the models. This phase was completed with the publication in December of the remarks received by the Authority in relation to the "call for input".

The contents of the remarks, based on the heterogeneous nature of the issues proposed in the "*call for input*" regarded various aspects: The structure of the regulation model (dual till or single till system), issues related to the remuneration rate (regulatory WACC), model technical elements Issues of elasticity of traffic development costs, cost efficiency measures, etc.), issues related to consultation procedures (transparency of the data supplied by the Operators, consultation process time frames and procedures, procedures for involving the airlines in the Master Plan and Investment Plan definition phases).

The Transport Regulatory Authority set a deadline for completion of the procedure for May 31, 2017.

Relevant new national and Community legislation

The new "Guidelines for the incentivised introduction and development of air routes by airlines" were published on August 13, 2016. Publication of the new guidelines of the Ministry for Infrastructure and Transport (MIT) became necessary to overcome the interpretative problems related to them, that occurred at the time of application, as well as in consideration of the needs to incentivise air traffic in regional airports to improvement the economic development of the involved areas.

Specifically, the New Guidelines govern:

1. incentivising for introduction and development of air routes by airlines;
2. regulations only applicable to incentives for introduction and development of a public origin that constitutes State aid;
3. the lack of mandatory requirements for airport operators to communication incentive contracts to the authorities that are beyond the application of the Second Guidelines;
4. lack of ART ownership in establishing additional operating instructions compared to those contained in the Second Guidelines, regarding incentivising.

The following provision was published on August 20, 2016: "Conversion into law, with amendments, of Italian Law Decree no. 113 of 06/24/2016, containing urgent financial measures for territorial entities and the territory", in effect as of 08/21/2016, which entails the suspension of an increase in the municipal surtax on airport landing fees from September 1, 2016 to December 31, 2016. Moreover, an increase of the surtax totalling Euro 0.32 is included for 2019 through the solidarity fund for the air transport and airport system sector. Subsequently the same topic was dealt with again in the 2017 Budget Law which calls for the permanent suspension, from January 1, 2017 of part of the municipal surtax (i.e. Euro 2.41 for 2017 and Euro 2.34 for 2018), introduced by Law Decree no 145/2013, also indicating that the Ministry of labour and social policies will take care of restoring the lower income for INPS.

On November 25, 2016 MIT adopted the Guidelines for designation of the airport networks, which will follow the designation act to issue pursuant to article 74 of the Italian Law Decree no. 1 of January 24, 2012, converted, with amendments, from Italian law no. 27 of March

24, 2012, subject to specific application to submit to MIT by the interested airports. The Guidelines call for compliance with the following requirements to be able to obtain the "airport network" designation:

(i) airports of the same network must have the same manager; this condition exists even in the case where a single manager exercises a control qualified as per article 2359 of the Italian Civil Code on the other network managers;

(ii) in the case of a corporate group, in order to ensure the transparency of economic transfers between companies of the same group, preparation of consolidated financial statements for the group companies is mandatory. The manager ensures transparency in the use of public funds and trade practices adopted within the network.

The Guidelines also require that MIT:

(i) includes the planning of necessary connections in the Infrastructures Annex of the Economy and Finance document (DEF), specifically railway ones, with the airports in the network, providing proof of the improvement in intermodal transport;

(ii) uses the effects of the establishment of airports in networks, for the purposes of assessing the achievement of economic-financial equilibrium and adequate capital ratios of each airport.

The Decree of November 18, 2016 of the Ministry for Infrastructure and Transport concerning the breakdown of air traffic in the Milan airport system (so-called Del Rio decree) was published in the Official Gazette of the Italian Republic no. 279 of 11/29/2016. It repeals and replaces the previous decree of October 1, 2014 (so-called Lupi Decree). The law, effective as of the publication date, closely follows what was contained in the previous decree: EU airlines may introduce "point to point" flights employing narrow body aircraft between Linate and all European cities within the hourly capacity limits of Linate airport (unchanged at 18 movements/hour).

Directive 2016/1148 was published on July 19, 2016 concerning measures for a high common level of security of network and information systems across the Union (so-called Cybersecurity Directive) to be adopted by May 9, 2018.

As of May 24, 2016 the General Data Protection Regulation has been in effect (EU) 679/2016 (so-called Europrivacy), which replaces most of the Privacy Law. Companies have until May 25, 2018 to adopt it. In this context SEA is working to identify the main legal requirements under the new regulation and proceed with the consequent updating of company procedures. For this purpose a specific activity plan has been established. The first phase, entailing updating of the mapping of personal data processing performed within the various company departments, was completed at the end of 2016. The next phases will be performed during 2017 until the procedures are actually updated and the privacy requirements pursuant to the new Regulation have been met.

Activities and initiatives in the international, Community and national arena regarding the Airport sector, the business of the SEA Group and its subsidiaries whose main regulatory developments are followed by SEA

The main regulatory developments in the international arena are related to:

- **negotiating mandate to the European Commission** for air transport agreements between the European Union and Turkey, Qatar, United Arab Emirates, ASEAN;
- **revision of the Schengen treaty**, i.e. the Regulation Proposal amending the EC regulation no. 562/2006 concerning reinforcement of verifications in databases pertaining to foreign borders. The proposal intends to change the obligations of Member States concerning document controls at the external borders of the European Union, including through the use of databases and implementation of new technological systems. Inter-institutional negotiations finished on December 7, 2016, the European Parliament is scheduled to vote in plenary session with the result to be published in the Official Journal of the European Union;
- **general revision of the European aviation safety system**: a proposal for revision is under way of the Regulation regarding the common rules of the Civil Aviation sector that establishes a European Aviation Safety Agency (EASA) and repeals the regulation (EC) no. 216/2008. On December 1, 2016 the Member States of the Union reached a joint proposal for modification and postponed negotiation with the European Parliament to 2017;
- **European Parliament proposal for a Directive on the harmonisation of legislative, regulatory and administrative provisions of the Member States concerning product and service accessibility requirements**: the proposal is aimed at the removal of barriers that hinder free circulation and accessibility to products and services in Europe for disabled in-

dividuals or with physical dysfunctions through harmonisation of the criteria governing the accessibility to products and services such as computers and operating systems, digital TVs, telephone services, self service terminals (including ticketing and check-in machines) and passenger transport services.

To implement EU Regulation 139/2014, in the final months of 2016 SEA completed all of the company activities aimed at obtaining the conversion of the airport certificates for Malpensa and Linate, pursuant to the new safety requirements introduced at European level by the new Regulation. These activities include the following: revision and update of the Airport Manuals and related to the company procedure system, with inclusion of the new necessary procedures; company organisational system with the new appointments for: *Compliance Manager* and *Training Manager*; inclusion of a new contractual clause on safety compliance in relations with the manager of third party contracting parties - contractors and not operating in the air side areas. For agreements with third parties and also aimed at conversion of the certificates, specific agreements have been signed with ENAV, as the institutional supplier of air navigation services at Linate and Malpensa, similar agreements are in the process of being finalised with the Provincial Headquarters of the respectively competent Fire Brigades, i.e. the Varese and Milan offices, to regulate their areas of competence in the airports. In this context new certificates were issued by ENAC pursuant to 139 respectively for Malpensa airport on December 29, 2016 and for Linate airport on January 26, 2017. All of the relative secondary technical regulations issued by ENAC, governing the conversion procedure, were examined and distributed in the company again in relation to the same subject, with specific focus on the reference Post Holders.

PERFORMANCE OF THE SEA GROUP

Quantitative traffic data

Milan Malpensa and Milan Linate airport traffic

	Movements		Passengers [1]		Cargo [2]	
	2016	% vs 2015	2016	% vs 2015	2016	% vs 2015
Malpensa	162,683	3.9%	19,311.6	4.7%	536,862	7.4%
Linate	97,828	1.9%	9,636.2	0.0%	12,553	1.0%
Total commercial traffic	**260,511**	**3.1%**	**28,947.8**	**3.1%**	**549,415**	**7.2%**
General Aviation Linate [3]	20,707	-8.4%	43.8	-9.9%	-	-
Airport system managed by the SEA Group	**281,218**	**2.2%**	**28,991.6**	**3.1%**	**549,415**	**7.2%**

(1) Arrived+departed passengers in thousands.
(2) Arrived+departed goods in tons.
(3) Source General Aviation: Linate-SEA Prime.

During 2016, more than 29 million passengers transited the Milan airport system managed by the SEA Group, with a 3.1% growth over the previous year. This performance is particularly significant considering that 2015 had benefited from extraordinary traffic generated by the EXPO event in the May-October period.

The increase in commercial aviation passengers reported in the system in 2016 (+864 thousand) was caused by an expansion of the available capacity (linked to the increase in movements and increase in the average dimension of the aircraft), only in part offset by a reduction in the average load factor of the aircraft.

General aviation at Linate in terms of movements decreased by 8.4% compared to 2015, which was characterised by extraordinary traffic connected to the EXPO event. On a yearly basis, there was a 5.0% decrease in aircraft tonnage, with a 3.6% increase in the average size of aircraft transiting at the airport (the average aircraft was 15.8 tonnes, compared to 15.3 the previous year).

Cargo traffic in the SEA system in 2016 grew by 7.2%, exceeding the 549 thousand tonnes managed.
This performance was driven by Malpensa, which for the third year in a row achieved a significant growth in the segment (between 2013 and 2016 the airport reported an average annual increase of 8.4%, with more than an additional 115 thousand tonnes), exceeding the 537 thousand tonnes of handled cargo (+7.4% compared to 2015) and confirming its status as a crucial centre for the distribution of imported (+5.4%) and exported (+8.7%) goods on a national level.

Income Statement

(In thousands of Euro)	2016	%	2015	%	Cge. % 2016/2015
Operating revenues	653,512	93.3%	642,408	92.5%	1.7%
Revenues for works on assets under concession	46,622	6.7%	52,384	7.5%	-11.0%
Total revenues	**700,134**	**100.0%**	**694,792**	**100.0%**	**0.8%**
Operating costs					
Personnel costs	(182,971)	-26.1%	(176,979)	-25.5%	3.4%
Misc. operating costs	(239,646)	-34.2%	(245,956)	-35.4%	-2.6%
Total operating costs	(422,617)	-60.4%	(422,935)	-60.9%	-0.1%
Costs for works on assets und. concession	(43,114)	-6.2%	(48,781)	-7.0%	-11.6%
Total costs	**(465,731)**	**-66.5%**	**(471,716)**	**-67.9%**	**-1.3%**
Gross Operating Margin / EBITDA (1)	**234,403**	**33.5%**	**223,076**	**32.1%**	**5.1%**
Provisions & write-downs	(5,497)	-0.8%	(3,245)	-0.5%	69.4%
Restoration & replacement provision	(17,193)	-2.5%	(14,242)	-2.0%	20.7%
Amortisation and Depreciation	(61,714)	-8.8%	(59,524)	-8.6%	3.7%
EBIT	**149,999**	**21.4%**	**146,065**	**21.0%**	**2.7%**
Investment income (charges)	9,842	1.4%	7,723	1.1%	27.4%
Financial charges	(18,940)	-2.7%	(19,929)	-2.9%	-5.0%
Financial income	136	0.0%	859	0.1%	-84.2%
Pre-tax profit	**141,037**	**20.1%**	**134,718**	**19.4%**	**4.7%**
Income taxes	(47,263)	-6.8%	(54,165)	-7.8%	-12.7%
Continuing operations profit	**93,774**	**13.4%**	**80,553**	**11.6%**	**16.4%**
Discontinued operations profit/(loss)	(130)	n.s.	3,238	n.s.	-104.0%
Minority interest profit	25	n.s.	(59)	n.s.	-142.4%
Group profit	**93,619**	**13.4%**	**83,850**	**12.1%**	**11.7%**

(1) EBITDA is calculated as the difference between total revenues and total costs, excluding provisions and write-downs. EBITDA in the comparative period, which also included provisions and write-downs with the exception of the restoration and replacement provision was therefore restated according to the new approach in order to ensure data comparability as shown in the Explanatory notes paragraph 2.1 "Basis of preparation".

The accounting standards used to prepare the 2016 consolidated financial statements are in line with those used to prepare the consolidated financial statements as at December 31, 2015. The scope of consolidation as at December 31, 2016 was different to at December 31, 2015, due to the sale on April 1, 2016 of 60% of SEA Prime SpA's equity interest in Signature Flight Support Italy Srl (formerly Prime AviationServices SpA) and of the refuelling business. Due to the loss of control, the interest in Signature Flight Support Italy Srl is now classified among associates instead of subsidiaries and is recognised using the equity method rather than consolidated on a full line-by-line basis.
Comments are provided below on the main captions of the income statement.

Revenue

In FY 2016, operating revenues (revenues net of the component for works on assets under concession), amount to Euro 653,512 thousand including Aviation operating revenues of Euro 408,970 thousand (Euro 395,877 thousand in 2015), Non Aviation operating revenues of Euro 216,900 thousand (Euro 214,864 thousand in 2015), General Aviation business revenues of Euro 11,750 thousand (Euro 16,179 thousand in 2015), and the Energy business revenues of Euro 15,892 thousand (Euro 15,488 thousand in 2015).
Operating revenues increased by Euro 11,104 compared to the previous year (+1.7%), which had benefited from Euro 4,010 thousand non-recurring revenues (Euro 1,810 thousand in Aviation business referred to a

transaction with a supplier and Euro 2,200 thousand in the Non Aviation business referred to enforcement of a guarantee. Net of these components and deducting the revenue of Signature Flight Support Italy (previously Prime AviationServices SpA) and the refuelling business (included for 12 months in 2015 and 3 months in 2016), revenues were up Euro 20,830 thousand (+3.3%). This performance was mainly driven by:

- the Aviation activity for Euro 14,903 thousand, net of non-recurring revenues of 2015, due to the effect of higher traffic volumes reported in both the passenger and cargo segments, which benefited from the additional capacity offered by airlines favoured by a steady fuel price during all of 2016 and availability of new fleets;
- Non Aviation activity for Euro 4,236 thousand, net of non-recurring revenues of 2015, which recorded increased results in the shops, food & beverage and car rental areas. The parking business also saw a significant increase in revenue, thanks to the return to full operation of the carparks closed in 2015 due to work on the train station. Advertising revenues dropped, compared with the higher income of 2015, favourably affected by the EXPO event;
- Energy business for Euro 404 thousand. A decrease in electricity sales revenues was reported in the period due to the increase in revenue for Green Certificates and White Certificates accrued in 2016 and a slight increase in revenue from the sale of thermal energy.
- General Aviation business with the same scope of Euro 1,287 thousand, then deducting the revenues of the company Signature Flight Support Italy Srl (previously Prime AviationServices SpA) and the *refuelling* business (12 months in 2015 and 3 months in 2016). Without considering the change in scope, revenues would decrease to Euro 4,429 thousand due to the effect of deconsolidation of the aforesaid businesses.

Revenues for works on assets under concession decreased from Euro 52,384 thousand in 2015 to Euro 46,622 thousand in 2016 with a drop of 11%. These revenues refer to construction work on assets under concession increased by a mark-up representing the best estimate of the remuneration of the internal cost for the management of the works and design activities undertaken, which corresponds to a mark-up which a third-party general constructor would request to undertake such activities. This account is strictly related to investment activities on assets under concession.

Operating costs

Operating costs for the year 2016 were Euro 422,617 thousand, in line with the previous year (-0.1%). Net of the non-recurring cost components, that regard incentives for leaving, Antitrust fine (2015) and the closing of litigation regarding State Aid (2016) and deducting the costs of the company Prime AviationServices and refuelling activity (12 months in 2015 and 3 months in 2016), the costs increased by Euro 4,056 thousand (+1.0).

This increase is mainly the result of:

- The Group's personnel costs, which increased by Euro 4,919 thousand (+2.8%) compared to 2015, rising from Euro 173,672 thousand in 2015 to Euro 178,592 thousand in 2016. The increase was primarily due to the adjustment to the National Labour Collective Contract signed in 2014, whose wage increase was divided into various tranches and the increase in personnel due to the expansion of the scope of the company's security business.
  The average Full Time Equivalent workforce was 2,801 in 2016 against 2,783 in 2015.
- Other operating costs decreased by Euro 863 thousand, the result of an increase of costs connected to traffic volumes for Euro 6,585 thousand (public bodies, commercial costs and carpark management fees), as well as the reduction of other operating costs for Euro 7,448 thousand (professional services, insurance costs, costs related to management of snow events and energy consumption).

Costs for works on assets under concession

Costs for works on assets under concession decreased from Euro 48,781 thousand in 2015 to Euro 43,114 thousand in 2016. These costs refer to the costs for the works undertaken on assets under concession. The changes in this item are strictly related to investment activities.

Due to the above dynamics, EBITDA amounted to Euro 234,403 thousand compared to Euro 223,076 thousand at December 31, 2015, up 5.1% (Euro +11,327 thousand). Net of non-recurring items and on a like-for-like basis, EBITDA was up 7.4% (Euro 16,615 thousand).

Provisions & write-downs

In 2016, provisions and write-downs increased by Euro 2,252 thousand, rising from Euro 3,245 thousand in 2015 to Euro 5,497 thousand.

This increase is mainly the result of:

- lower net provisions to the future charges provision for Euro 3,815 thousand (net provisions in 2016 total Euro 1,035 thousand while in 2015 they stood at Euro 4,850 thousand). This change is primarily due to lower tax related provisions (Euro 5,188 thousand) from net releases during 2016, lower labour related provisions and insurance excesses (totalling Euro 2,848 thousand), partly offset by the provision in 2016 of Euro 1,049 thousand related to the litigation with GSE, which disputed the procedure for determining the green certificated of SEA Energia for the 2010-2014 period, and lower net provisions for Euro 2,771 thousand related to various lawsuits (in 2015 a Court of Appeals verdict was handed down related to litigation with an airline for which an adjustment had been made to the provision);
- higher net provisions to the doubtful debt provision (trade and other receivables) for Euro 8,075 thousand (net provisions for trade receivables in 2016 total Euro 2,743 thousand while net releases in 2015 stood at Euro 5,456 thousand); net provisions of other receivables total in 2016 Euro 1,636 thousand versus Euro 1,760 thousand in 2015). In terms of trade receivables, releases in 2015 were related to the complete compliance with a repayment plan established with an airline therefore it was no longer necessary to maintain the previously allocated provisions;
- lower provisions for impairment of assets for Euro 2,008 thousand (Euro 84 thousand in 2016 and Euro 2,091 thousand in 2015). Last year was affected by impairment following a physical inventory of assets completed in the month of December.

For further information, reference should be made to *Note 7.6* of the consolidated financial statements.

Restoration & replacement provision

An increase of Euro 2,951 thousand was reported for 2016. The provision rose from Euro 14,242 thousand in 2015 to Euro 17,193 thousand in 2016, the result of updating of the long-term scheduled replacement and maintenance plan for assets that are part of the so-called "Concession Right".

Investment income and charges

Net income from investments increased by Euro 2,119 thousand in 2016, rising from Euro 7,723 thousand in 2015 to Euro 9,842 thousand in 2016 and include investments measured with the equity method and other income and charges.

The "equity valuation of investments" reflects the economic effects deriving from the measurement of the associated companies at equity, amounting to Euro 6,986 thousand in 2016 (Euro 7,723 thousand in 2015). The results of the associated companies were adjusted to take account of the Group accounting principles and the measurement of investments as per IAS 28. The decrease between the two years, totalling Euro 737 thousand, is mainly due to the slight worsening of the results achieved by some of the associated companies only partly offset by the results of the associated companies with increased results.

The other income, up Euro 2,856 thousand, include non-recurring items of 2016, related to the capital gain of SEA Prime for the sale of 60% of the investment in Signature Flight Support Italy Srl (previously Prime AviationServices SpA), totalling Euro 955 thousand and dividends for Euro 1,901 thousand, approved by the Shareholders' Meeting of Airport Handling SpA of May 6, 2016 on the allocation of profit for the year 2015, related to the Financial Instruments of Participation held by SEA.

Financial income and charges

In 2016, net financial charges decreased Euro 267 thousand, from Euro 19,070 thousand at December 31, 2015 to Euro 18,803 thousand at December 31, 2016.
Gross financial charges decreased by Euro 989 thousand, this reduction was mainly due to the following contrasting factors: i) lower interest expense for the period on medium-long term loans for Euro 932 thousand due to the decrease of gross debt and reduction of the average cost of debt; ii) lower fees on loans for Euro 818 thousand; iii) higher other interest expense for Euro 782 thousand, affected by the higher bank guarantees connected to distribution of the EIB loans in June 2015.
In the same period financial income decreased by Euro 723 thousand following the decrease in market rates and changes in cash flow occurring during the year.

Income taxes

Income taxes for the year 2016 total Euro 47,263 thousand versus Euro 54,165 thousand reported in 2015. The year 2015 was negatively affected at Group level due to the effects generated from realignment of deferred tax assets and liabilities to the new IRES rate of 24%, applicable starting with the 2017 tax period, and the non-deductible nature of some extraordinary items.
Reference should be made to *Note 7.12* of the consolidated financial statements for a detailed analysis of the profit and loss components which contributed to this result and comparison with 2015 figures.

Discontinued operations profit/(loss)

The discontinued operations net result, concerning the commercial aviation handling sector, reports a net loss totalling Euro 130 thousand compared to a net profit of Euro 3,238 thousand the previous year.
The item includes the result of the company SEA Handling SpA in liquidation, for which liquidation activities continued during 2016. The 2015 result had benefited from the rental and later sale of vehicles to the Airport Handling company.
Reference should be made to *Notes 5.2* and *7.13* of the consolidated financial statements for a detailed analysis of the items which contributed to this net result and comparison with 2015 in application of IFRS 5.

Group profit

As a result of the changes discussed above, the Group Net Profit for the year increased by Euro 9,769 thousand - from Euro 83,850 thousand in 2015 to Euro 93,619 thousand in 2016.

Reclassified balance sheet

(In thousands of Euro)	At December 31, 2016	At December 31, 2015	Change
Intangible assets	1,011,111	1,004,432	6,679
Tangible assets	190,276	190,925	(649)
Investment property	3,398	3,412	(14)
Investments in associates	51,597	47,387	4,210
Available-for-sale-investments	26	26	0
Deferred tax assets	43,665	42,282	1,383
Other non-current financial assets	16,776	16,776	0
Other non-current receivables	308	1,692	(1,384)
Fixed assets (A)	1,317,157	1,306,932	10,225
Inventories	4,141	4,865	(724)
Trade receivables	86,968	90,527	(3,559)
Tax receivables	14,800	12,751	2,049
Other receivables	18,563	13,286	5,277
Other current financial assets	7,190	7,190	0
Current assets	131,662	128,619	3,043
Discontinued operations	10,732	11,502	(770)
Trade payables	161,530	164,486	(2,956)
Other payables	160,327	145,131	15,196
Income tax payables	6,841	24,784	(17,943)
Current liabilities	328,698	334,401	(5,703)
Liabilities related to discontinued operations	2,379	3,019	(640)
Working capital (B)	(188,683)	(197,299)	8,616
Provision for risks and charges (C)	(174,061)	(177,902)	3,841
Employee provisions (D)	(49,220)	(48,239)	(981)
Net capital employed (A+B+C+D)	**905,193**	**883,492**	**21,701**
Group Shareholders' equity	(375,264)	(344,668)	(30,596)
Minority interests	(566)	(541)	(25)
Net Debt	(529,363)	(538,283)	8,920
Total sources of financing	**(905,193)**	**(883,492)**	**(21,701)**

All fixed assets, including those falling within IFRIC 12 scope, are shown net of fixed assets financed by State and European Community grants. At December 31, 2016 the latter amounted to Euro 503,601 thousand and Euro 5,517 thousand respectively (at December 31, 2015 they amounted to Euro 498,553 thousand and Euro 5,517 thousand respectively).

Net capital employed at December 31, 2016 amounted to Euro 905,193 thousand, an increase of Euro 21,701 thousand on December 31, 2015.

Fixed assets totalling Euro 1,317,157 thousand, reported an increase of Euro 10,225 thousand compared to December 31, 2015, mainly due to i) net investments for the year for Euro 69,487 thousand (net of use of the restoration provision), partly absorbed by amortisation for the year totalling Euro 61,714 thousand; ii) increase in net deferred tax assets of Euro 1,383 thousand; iii) increase in financial fixed assets following the equity valuation of the associated companies for Euro 4,210 thousand.

Net working capital, totalling Euro -188,683 thousand, increased by Euro 8,616 thousand compared to December 31, 2015. This change is primarily attributed to the other receivables/payables item which includes higher receivables due from GSE for green certificates and lower tax liabilities partly offset by higher liabilities for surtaxes.

The following table illustrates the main components of Net Working Capital:

Main components of Net Working Capital

(In thousands of Euro)	At December 31, 2016	At December 31, 2015	Change
Inventories	4,141	4,865	(724)
Trade receivables	86,968	90,527	(3,559)
Trade payables	(161,530)	(164,486)	2,956
Other receivables/(payables)	(133,805)	(143,878)	10,073
Other current financial assets	7,190	7,190	0
Discontinued operations	10,732	11,502	(770)
Liabilities related to discontinued operations	(2,379)	(3,019)	640
Total net working capital	**(188,683)**	**(197,299)**	**8,616**

Net financial position

The "Net financial position", totalling Euro 529,363 thousand, improved by Euro 8,920 thousand compared to December 31, 2015 (Euro 538,283 thousand) following a positive cash flow from operations, which made it possible to finance investing activities in property, plant and equipment and intangible assets for Euro 85,873 thousand (net of State grants for Euro 5,307 thousand and before IFRIC remuneration and financial charges) and the payment of dividends for Euro 62,817 thousand.

SEA GROUP INVESTMENTS

In 2016 the SEA Group continued its commitment to support investments in line with the programmed development plan. The following table shows the breakdown of the investments in 2016, amounting to Euro 85,873 thousand before advances to suppliers, between new constructions (Euro 69,487 thousand) and restoration work (Euro 16,386 thousand).

(In thousands of Euro)	New constructions	Restoration investments	Total
Flight infrastructure	9,386	6,449	15,835
Terminals	15,641	3,802	19,443
Cargo	12,175	0	12,175
Access systems, roads, carparks, various buildings	6,655	2,749	9,404
Plant and network	7,955	3,386	11,341
Ecology	60	0	60
ICT projects	9,604	0	9,604
Miscellaneous	8,011	0	8,011
Total investments	**69,487**	**16,386**	**85,873**

The amounts include the 6% remuneration according to IFRIC 12 (Euro 3.5 million) and the portion of financial charges (Euro 0.1 million).

Investments made in 2016 include expansion and restyling work at Milan Malpensa and Linate, work in the Malpensa Cargo area and construction of new hangars for general aviation.
Specifically, the most significant investment for Milan Malpensa Terminal 1 refers to work for the functional upgrading and restyling with construction of new retail areas and standardisation of the existing finishes with those of the newly built areas. Work to change the layout of the former security filter area was completed in the last quarter of 2016. In addition work is being completed for the new filters for staff as well as restyling work for the North Schengen Remote Gates.
In terms of Milan Malpensa Terminal 2, work has finished to build the new railway station and relative extension from Terminal 1, while work has been completed in Terminal 2 to build new security filters, new check-in desks and upgrading of the baggage delivery area. These projects will make it possible to adapt passenger services to expected quality levels.
At the Milan Malpensa Cargo area, building was completed on the first warehouse for use by a cargo carrier and work is now in progress on a second warehouse for other cargo operators.
Design activities have begun for function upgrading and restyling work for the Linate Terminal. The main goals of this work include improvement of the perceived quality and architectural image of the Airport façade, land side access viaduct, arrivals hall and the baggage delivery hall, as well as to increase the retail areas (both retail and Food & beverage) and Leonardo SEA and Welcome Alitalia VIP Rooms and to improve operating spaces, increasing the areas available for Gates A01 to A08 and the areas for security filters and relative access codes.
Construction work on General Aviation hangar 9 continued in 2016, with final delivery to the customer in February 2017, after completion of the work and attainment of approval for use without any hydro-geological restriction after partial testing of the regulations works for the Lambro river.
A number of flight infrastructure plant upgrades continued at Linate and Malpensa for the implementation of the ASMGCS (*Advanced Surface Movement Guidance and Control System*) systems, which will enable a clearer indication of paths to be followed by aircraft during the taxiing of aircraft, in addition to an improved use of lights on the taxiing runways, with a consequent reduction in the time in which lights are switched on, which will make it possible to limit light pollution and result in energy savings.
Significant design work continued aimed at developing new digital channels, from the new Apps to use to increase E-commerce functionalities. A focus on the Passenger Experience marked the main technological investments in the operating field, with both

Malpensa Terminals equipped with modern security filter systems with automatic turnstiles and automatic boarding card reading systems.
The migration project for SAP ERP (Enterprise Resource Planning) environment to Cloud environment based on the new HANA (High Performance Analytic Appliance technology of SAP with data-base "in memory") techniques continued for Management and Administration systems providing significant results in terms of processing speed. Lastly, major focus was given to "collaboration" projects connected to HCM-Human Capital Management processes with the development of a new Intranet and new Job-Posting and E-Learning functions.

SUBSEQUENT EVENTS

Update on the appeal to the Regional Administrative Court (TAR) filed by SEA against the provision of the Anti-trust Authority (AGCM)

The Anti-trust Authority started a proceeding on December 20, 2013 following a compliant by Cedicor Sociedad Anonima ("CEDICOR"), claiming SEA had abused its dominant position in violation of article 102 of the Treaty for the Functioning of the European Union ("TFUE") in the procedure for the tender called for the sale of ATA Ali Trasporti Aerei (currently SEA Prime SpA). The proceeding was closed on April 2, 2015 with the Anti-trust Authority upholding the claims against SEA and sentencing it to a fine of Euro 3,365 thousand. Despite paying the fine, SEA filed an appeal against this Provision at the Regional Administrative Court ("TAR"). The appeal challenged the legitimacy and correctness of the Provision. TAR's ruling was published in January 2017 partially granting SEA's appeal, referring the recalculation of the fine at a lower rate to the competent Authorities.

Updates on Judgement 7241/2015 issued by the Milan Court

On January 26, 2017 the Milan Court of Appeal confirmed the first instance sentence 7241/2015 of the Milan Court which sentenced the Ministry of Transport to pay damages of Euro 31,618 thousand to SEA as well as revaluation based on ISTAT indices and interest at the legal rate. The judgement was served at the Ministry and the Government Legal Service to be enforced on February 18 for the short deadline (60 days) for an appeal to the Cassation Court.

OUTLOOK

The worldwide macroeconomic picture for 2017, despite the forecast recovery estimated by the International Monetary Fund (IMF), shows risks and uncertainties due to the onset of turbulence in emerging economies due to normalisation of the American monetary policy.

ACI World (Airport Council International World) figures on the performance of the global air transport industry point out that in January 2017, passenger traffic grew by 7.7% over the same month of 2016.
According to reports from Aci Europe (Airport Council International Europe), passenger traffic in European airports in January increased by 8.9% compared to the same month of 2016, with a higher increase in EU countries (+10%) versus non-EU countries (+5.4%).

The airports managed by the SEA Group recorded an increase of +9.3% in the first two months of 2017, compared to an average growth of passenger traffic at Italian airports totalling 5.1%, this confirmed the Group's positive growth trend in the last part of 2016.

The year in progress will continue to be characterised by a positive passenger traffic development, thanks to consolidation of the Milan airport both of short-medium range traffic and intercontinental traffic. The Linate airport, with the exception of the effects resulting from restructuring of Alitalia, which could temporarily affect traffic at the airport, will maintain traffic levels basically in line with the previous year. The infrastructure development plan for 2017 includes, among other things, completion of the Terminal 1 Schengen area restyling and start of work for Linate's restyling, in order to further improve passenger experience and increase overall and unit revenues in the Non Aviation segment at the same time.

Management will continue its commitment to further development of the various managed business areas and to pursue efficiency measures aimed at improving company processes.

Based on these assumptions, results for the year in progress are expected to confirm the positive growth trend reported in the past two years.

OPERATING PERFORMANCE - SEGMENT ANALYSIS

Commercial Aviation

The **Commercial Aviation business** includes the Aviation and Non Aviation activities: the former includes the management, development and maintenance of airport infrastructure and plant and the offer to SEA Group customers of services and activities related to the arrival and departure of aircraft, in addition to airport safety services. The revenues generated by these activities are established by a regulated tariff system and comprise airport fees, fees for the use of centralized infrastructure, in addition to security fees and tariffs for the use of check-in desks and spaces by airlines and handlers. The *Non Aviation* activity provides a wide and differentiated offer, managed both directly and under license to third parties, of commercial services for passengers, operators and visitors to the Milan Airports, in addition to real estate activities. The revenues from this area consist of the market fees for activities directly carried out by the Group and from activities carried out by third parties under license and of royalties based on a percentage of revenues generated by the licensee, usually with the provision of a guaranteed minimum.

This segment also includes income from rentals of warehouses, spaces and offices for Cargo business operators such as cargo handlers, freight forwarders and courier services.

General Aviation

The **General Aviation business** includes both General Aviation activities that provide the full range of services connected with business traffic at the West apron at Linate airport, and the handling activities related to this traffic. The General Aviation handling business includes activities performed at the Linate, Malpensa, Venice Tessera and Rome Ciampino airports. This business was consolidated with the full consolidation method until March 31, 2016, the date when the sale of 60% of the investment was finalised which had previously been held by the Group in that segment.

Energy

The **Energy business** includes the generation and sale of electric and thermal energy for the market and third parties.

The main results for each of the businesses described above are presented below.

(€/000)	Commercial Aviation		General Aviation		Energy		Consolidated data	
	2016	2015	2016	2015	2016	2015	2016	2015
Operating revenues	625,870	610,741	11,750	16,179	15,892	15,488	653,512	642,408
EBITDA	226,076	214,574	6,727	5,517	1,600	2,985	234,403	223,076
EBIT	144,873	140,028	4,907	3,546	219	2,491	149,999	146,065

The EBITDA reported above includes the IFRIC margin.

Commercial Aviation

Traffic data

Milan Malpensa e Milan Linate airport traffic

	Movements		Passengers [1]		Cargo (tonnes) [2]	
	2016	change % vs 2015	2016	change % vs 2015	2016	change % vs 2015
Malpensa	162,683	3.9%	19,311.6	4.7%	536,862	7.4%
Linate	97,828	1.9%	9,636.2	0.0%	12,553	1.0%
Total commercial traffic	**260,511**	**3.1%**	**28,947.8**	**3.1%**	**549,415**	**7.2%**

(1) Arriving + departing passengers (thousands).
(2) Cargo arriving + departing in tonnes.

During 2016, more than 28.9 million passengers transited the Milan airport system managed by the SEA Group, with a 3.1% growth over the previous year.
Linate airport reported a result basically in line with the previous year, while Malpensa posted a +4.7% growth over 2015.
Malpensa's result was mainly determined by an increase in Terminal 1 traffic totalling +7.0% and confirmation of passengers transiting at Terminal 2 where only the easyJet airline works (+0.6%).

The performance of Terminal 1 is mainly linked to the development of Ryanair (+630 thousand passengers compared to 2015) and the growth of other low cost airlines (+256 thousand equal to +17.2%, where Vueling contributed with +194 thousand passengers, totalling +41.1%) and a substantial consolidation of the intercontinental segment (-12 thousand passengers, equal to -0.2%) against a decreased result for other airlines (-61 thousand passengers, totalling -0.6%).

In terms of Malpensa's intercontinental traffic (5.5 million passengers served, a figure which also includes non-EU routes flown by easyJet at Terminal 2), it should be noted that the segment, which reported a -2% performance compared to 2015, was affected by the geopolitical instability of countries on the Middle Eastern part of the Mediterranean Sea and the Maghreb, and the events that involved Turkey. By excluding the Maghreb countries and analysing the performance of long-haul airlines to the remaining areas, a development of +1.6% was reported with 4.9 million passengers served in 2016.

The breakdown of passenger traffic on the Milan Airport System by main destinations and operating airlines is provided below.

Main destinations in terms of passengers served by the Milan airport system (000)

London was once again the number one European destination in terms of passenger traffic in 2016, with a traffic volume to its five airports exceeding 2 million, followed by Paris (Charles de Gaulle and Orly), Amsterdam and Madrid. New York and Dubai were again the first two destinations for intercontinental flights. On a national level traffic to Rome Fiumicino continued to fall, however it is still the number one destination, followed by Catania and Naples.

	Year 2016	Var %2015	Inc. % of the total
London	2,260.7	18.6%	8%
Paris	1,681.6	-0.9%	6%
Rome	1,480.3	-12.2%	5%
Catania	1,190.7	9.0%	4%
Amsterdam	1,115.0	10.7%	4%
Naples	877.1	-15.3%	3%
New York	841.0	1.3%	3%
Madrid	822.5	8.4%	3%
Frankfurt	767.3	0.4%	3%
Barcelona	752.7	5.0%	3%
Cagliari	719.9	10.5%	2%
Palermo	683.6	3.6%	2%
Olbia	617.8	8.2%	2%
Dubai	587.6	-2.9%	2%
Bari	562.4	3.4%	2%
Others	13,987.8	3.2%	48%
Total	**28,947.8**	**3.1%**	**100%**

London: Heathrow, Gatwick, City, Luton and Stansted; Paris: Charles de Gaulle and Orly; Rome: Fiumicino and Ciampino; New York: New York and Newark.

Main airlines in terms of passengers served by the Milan airport system (000)

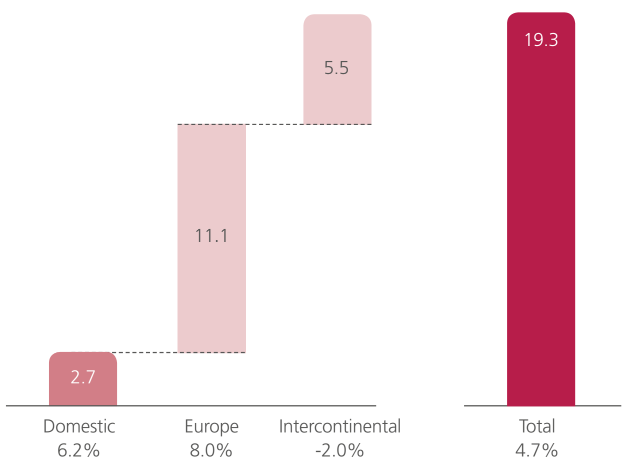
EasyJet is the main airline in terms of volume of traffic at the Milan airports (Linate and Malpensa), with a 26% incidence on total transited passengers (+1% over 2015) while Alitalia (the second airline, contributes 22% of passengers (with a 23% decrease compared to the previous year, due to the continual and progressive reduction of its operations). The full operation of Ryanair in 2016 should be noted, which with 665,000 passengers is the eighth airline operating at the Milan airports in terms of managed traffic.

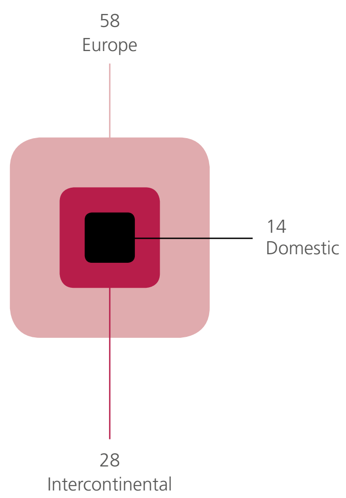
	Year 2016	Var %2015	Inc. % of the total
Easyjet	7,393.5	3.3%	26%
Alitalia	6,237.6	-2.8%	22%
Lufthansa	1,392.2	-2.4%	5%
Meridiana Fly	1,178.7	5.5%	4%
Emirates	845.4	1.9%	3%
British Airways	695.1	-6.3%	2%
Vueling Airlines S.a.	667.5	41.2%	2%
Ryanair	665.1	1772.1%	2%
Air France	510.1	-6.1%	2%
Neos	510.1	-3.2%	2%
Iberia	428.0	8.6%	1%
Turkish Airlines	401.5	-12.6%	1%
Klm	385.4	1.2%	1%
Qatar Airways	313,3	7.1%	1%
Aeroflot	311.7	7.9%	1%
Others	7,012.7	0.2%	24%
Total	**28,947.8**	**3.1%**	**100%**

Malpensa

Malpensa passenger traffic stood at 19.3 million, recording an increase compared to the previous year (+4.7%).

2016 Breakdown of passenger traffic at Malpensa Airport by region (000)





Domestic traffic reported an increase of +6.2% mainly due to the operations of Ryanair which, in addition to the flight to Comiso, started flights to Catania during the current winter season; Meridiana Fly is next in terms of total value growth compared to 2015, with flights to Olbia, Catania, Palermo and Naples.

European traffic reported a development of +8%; in addition to having consolidated flights started in winter 2015 to London Stansted, Bucharest and Seville, Ryanair later began flights to Sofia, Porto, Brussels and Las Palmas. EasyJet introduced eight new flights for Manchester, Krakow, Toulouse, Lille, Bilbao, Lanzarote, Alicante and Nantes, while Vueling started Amsterdam, Las Palmas and Alicante, in addition to Barcelona and Paris Orly, Ibiza and Bilbao, already in operation.

Intercontinental destinations have undergone a 2% reduction. By removing the destinations most affected by the geopolitical instability (mainly Egypt and Tunisia) from the figures, long-haul traffic reported a 1.6% growth, with 4.8 million passengers, as described in detail below:

i) Middle East (45% of the segment total, +1.9% compared to 2015): an increase in capacity contributed to this growth primarily determined by more movements and to a lesser extent the average dimensions of the aircraft, while a slight drop in aircraft load factor was reported. Among the main airlines that fly to destination of the area in question, only Emirates posted a slight drop against the increase in passengers of all the other players (Qatar Airways Etihad Airways, Oman Air, Mahan Air and Alitalia);

ii) North America (21% of the segment total, -0.9% compared to 2015): the substantial confirmation of the previous year result is the consequence of the contrasting effects of an increase in aircraft dimensions and the lowered number of movements and load factor;

iii) Far East (19% of the segment total, -2.6% compared to 2015): the reduction in passengers is connected to the lower number of movements to the area, against an increase in load factor with basically unchanged average dimension of the aircraft. Alitalia eliminated its flight to Shanghai which had been available during EXPO, against an increase of all the other players (Air India, Thai Airways, Neos and Singapore Airlines);

iv) Central/South America (11% of the segment total, +11.8% compared to 2015): the increase versus the previous year resulted from an increase in capacity (in particular an increase in the average dimension of aircraft and secondly, from a greater number of movements) with unchanged load factor. The number of transported passengers increase for the Latam, Neos and Meridiana airlines, while Blu Panorama reported a decrease;

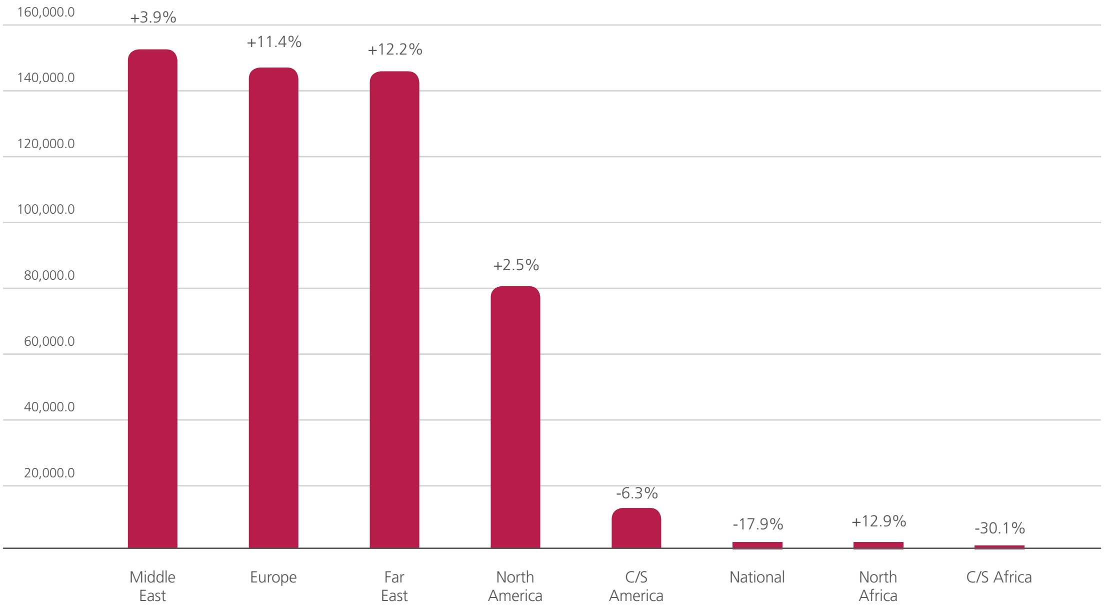
v) Central/South Africa (4% of the segment total, +7.4% compared to 2015): the increase versus the previous year is linked to the greater number of movements to the area and secondly to the increase in average dimensions of the aircraft, with unchanged load factor. Meridiana Fly represents the main player in the area, operating primarily in the leisure market.

Malpensa Cargo

Malpensa airport achieved a significant performance in cargo traffic for the third year in a row (between 2013 and 2016 the airport reported an average annual increase of 8.4%, with more than an additional 115 thousand tonnes), exceeding the 537 tonnes of handled cargo (+7.4% compared to 2015) and confirming its status as a crucial centre for the distribution of imported (+5.4%) and exported (+8.7%) goods on a national level.

Specialised airlines operating in the sector that invested in the airport, contributed to this result, mainly connecting the Asian, Middle East and North American markets. The contribution of passenger flights with mixed configuration was also important.
The all-cargo traffic recorded growth of +8.9%, reaching 387 thousand tonnes of cargo moved. The following contributed to the development in the year: Cargolux group (+18.4%), Air Bridge Cargo (+31.3%) and Etihad Airways (+26.2%).
The main courier airlines all-cargo transport (Federal Express, DHL, Aerologic Swift Air) represent around 18% of the processed cargo and moved more than 70 thousand tonnes basically aligned with 2015 levels.
The belly traffic grew by +3.5%, achieving 150 tonnes of cargo transported. For airlines with *mixed configuration* aircraft, Emirates was the main airline for quantity of cargo moved, while the main increases compared to last year were due to Alitalia, Oman Air, Qatar Airways, Latam and Singapore Airlines.

2016 Cargo traffic by region – Airports managed by SEA

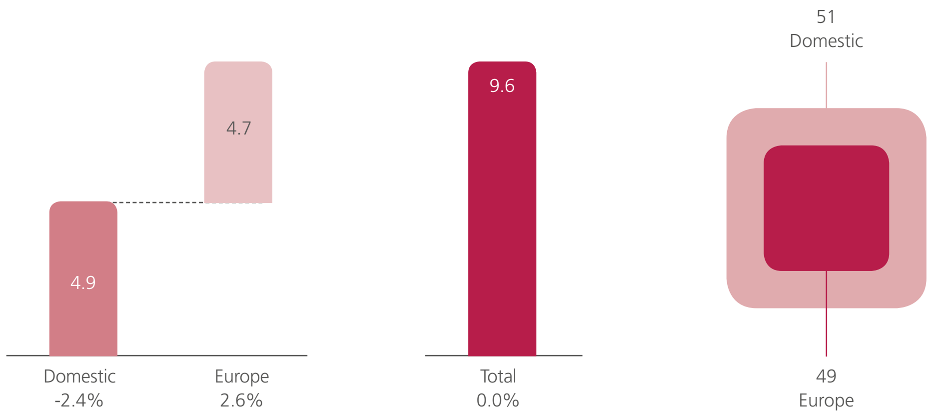


The % change refers to comparison with the previous year
Cargo (tonnes).

Linate

Linate airport stood at 9.6 million passengers reaching the same levels as 2015.

2016 Breakdown of passenger traffic at Linate Airport (000)



Alitalia, basically confirmed the share reported in the previous year (57%).
Alitalia's domestic traffic has increased towards Cagliari, Catania, Lamezia Terme, Alghero and Palermo, while it has dropped on the Linate-Fiumicino route, progressively penalised by high speed trains. Naples and Comiso have also decreased.

European traffic has dropped on all routes flown by the airline, with the exception of Barcelona, where it has remained the same. Frankfurt and London City has gone against this trend.

The **Linate-Fiumicino shuttle** stood at 1.2 million passengers with a decrease of -13% due almost exclusively to the decision by easyJet to permanently cancel the flight to the capital starting from winter 2015/2016. easyJet, after cancellation of its shuttle to Rome Fiumicino, redistributed its operations mainly towards London Gatwick, at the same time confirming flights to Paris Charles de Gaulle and Amsterdam started during the previous winter season. The number of passengers on the Paris Orly route has decreased slightly.

Of note are the growth results of Blue Air which operates a flight to the Romanian capital Bucharest, Iberia, Aer Lingus, KLM and Air Malta.

Revenue

In 2016, the Commercial Aviation business generated operating revenues of Euro 625,870 thousand, an increase of Euro 15,129 thousand (they totalled Euro 610,741 thousand in 2015).
Revenues in the previous year included *non-recurring* income totalling Euro 4,010 thousand related to the closing of a transaction with a supplier and enforcement of a guarantee, after these growth totals Euro 19,139 thousand.

This growth is primarily due to the Aviation business for Euro 14,903 thousand (after non-recurring revenue for 2015 totalling Euro 1,810 thousand). Higher traffic volumes contributed for Euro 11,186 thousand while the mist favourable traffic mix, determined by the increase in average aircraft dimension, together with the increase in tariffs, resulted in higher revenues for Euro 4,039 thousand. These increases were partly offset by the decrease in revenues generated from aircraft de-icing totalling Euro 322 thousand, due to the better weather conditions in 2016 compared to the previous year.

Non Aviation revenues totalled Euro 216,900 thousand, rising Euro 4,236 thousand (after non-recurring revenues of 2015 amounting to Euro 2,200 thousand). This performance was determined by the good results of the retail (Shop, Food & Beverage, Car Rental and Banks) and carparks businesses which achieved an overall increase of Euro 4,695 thousand. The contribution of the *Premium Services and Real Estate business* was also positive, their revenues increased by Euro 1,068 thousand and Euro 569 thousand, respectively. *Advertising revenues* dropped by Euro 1,686 thousand compared to the previous year, which had benefited from extraordinary investments connected with the EXPO event, particularly at Malpensa Terminal 1.
Revenues from the Cargo business stood at Euro 12,688 thousand, basically in line with the previous year. It should be noted that delivery of the new Fedex warehouse was postponed to January 2017; it was initially scheduled for October 2016 and the assignment of new spaces to DHL starting in the second half of 2016.
In terms of the *Retail* segment, which contributed to the growth for Euro 1,619 thousand, revenues from shops reported an increase of Euro 880 thousand with a Euro 1,113 thousand increase at Malpensa and a Euro 233 thousand decrease at Linate.
Malpensa's good performance is particularly significant, even more so considering the construction work in the Schengen Boarding area at Malpensa's Terminal 1, started in the second part of the year, which aside from making passengers' travel experience difficult, led to a series of closing and movements of stores at times with renegotiation of agreements.
Revenues from the *Food & Beverage* segment grew by Euro 828 thousand (rising from Euro 18,211 thousand in 2015 to Euro 19,039 thousand in 2016).
Linate, with a traffic context the same as the previous year, reported a 6% growth (Euro 304 thousand) thanks to the good performance of the various formats present, including Panino Giusto, Sweet & Bagel Factory and in particular the "Ferrari Spazio Bollicine" wine bar near the Milan-Rome boarding area and very popular with the business clientèle.
Malpensa reported an overall growth of 4% (Euro 524 thousand). Terminal 1 recorded a good performance sustained by an additional growth of the formats present in the check-in area on the mezzanine floor and the addition of new offer proposals. Use of the Terminal 2 offer in the check-in area has been affected by the construction areas to create the new security filters, which redefined the air side and land side boundaries.

Revenues from the *Car Rental* segment reported a growth of Euro 289 thousand compared to 2015 primarily due to the good performance of Malpensa operators and new operators (Gold Car and Car2Go) that began their businesses at Linate.
Banking services reported a decreased totalling Euro 378 thousand compared to last year, mainly the result in lower tax refund volumes. The foreign exchange business also posted a negative performance compared with 2015, when the exchange volumes were positively influenced by the EXPO event.
Revenues from the *Parking* sector grew by Euro 3,076 thousand (rising from Euro 57,150 thousand in 2015 to Euro 60,226 thousand in 2016).
Linate and Malpensa reported an 3.5% increase in reve-

nues (Euro 1,573 thousand) thanks to the return to full operation of the P5 carpark of terminal 2 and P4 of Terminal 1 at Malpensa, penalised last year by the construction for the railway station and the important recovery of market share at Terminal 2, which included the use of a promotional campaign on easyJet boarding cards.
In terms of the carpark management activity at the Bergamo Orio al Serio airport, revenues reached Euro 11,778 thousand, with an increase of 15% (Euro 1,503 thousand) compared to the same period the previous year.
These increases, in addition to connected with the good traffic performance especially at Malpensa and Bergamo, were supported by marketing activity and specific promotional campaigns in the most important season of the market.
Advertising revenues amounted to Euro 10,451 thousand, reporting a decrease over the previous year (Euro 12,137 thousand). If the positive effect generated by the 2015 EXPO event is removed from the analysis, a general good performance for the segment was confirmed, in particular, thanks to consolidation of luxury investments. Linate maintained its long-term investments and confirmed its appeal for media and telephone. In addition, major investments materialised in the last month aimed at completely upgrading the advertising offering along the roads, adding new latest generation digital products.

Operating costs

The overall operating costs of the **Commercial Aviation** business rose from Euro 399,769 thousand in 2015 to Euro 403,303 thousand in 2016, with an increase totalling Euro 3,534 thousand.
Personnel costs rose Euro 7,487 thousand, both due to hiring of personnel to expand the security area activities and remuneration increases linked to the National Labour Collective Contract.
Consumable materials dropped Euro 4,697 thousand. This change was mainly connected to the lower cost of natural gas totalling Euro 2,166 thousand (lowest purchase price compared to the previous year, with volumes basically aligned), lower consumption of de-icing and anti-icing chemical products for Euro 1,104 thousand, due to better weather conditions, and lower costs for spare parts and purchase of fuels totalling Euro 1,129 thousand.
The other operating costs increased by Euro 744 thousand based on the increase in direct costs directly connected to the rise in volumes, such as grants to develop traffic and fees due to the State for higher traffic generated by the airport system, against a reduction of costs mainly tied to professional services and security guard expenses.

EBITDA and EBIT

As a result of the changes discussed above, EBITDA for 2016 stood at Euro 226,076 thousand (Euro 214,574 thousand in 2015) and reported an increased compared to the following year of Euro 11,502 thousand, equal to 5.4%.
Amortisation and the restoration provision, risks and charges provision and doubtful debt provision are higher than the previous year and total Euro 6,657 thousand.
Consequently, EBIT of the *Commercial Aviation business* totals Euro 144,872 thousand, increasing Euro 4,844 thousand (+3.5%) compared to the previous year.

Other information

Investments/Aviation spaces development

The request for airport operating spaces in 2016 confirmed the trend of recent years, when a decrease in the demand for spaces designated for office use was reported, due a policy to reduce station costs for legacy airlines, while airline interest remains strong for business customers who are offered exclusive facilities including Fast track and lounges.
The main elements in space development in 2016 are listed below:

- Emirates inaugurated a 94 square meter lounge-reception at Malpensa Terminal 1 in February 2016, combine with eight parking spaces for the chauffeur-drive service reserved for first and business class passengers;
- Alitalia/Etihad inaugurated a new 495 square meter lounge called "Casa Alitalia" at the North satellite in May 2016;
- a new ten year agreement with finalised with Lufthansa in December to create a new lounge in the Schengen boarding area at Malpensa, to replace the one currently in use, with an increase in the area of 164 square meters.

Development of the retail sector

The year 2016 recorded in negative trend in passenger consumer spending, especially Chinese passengers, a phenomenon that characterised the performance of all European airports, with the exception of those in the United Kingdom.
This trend was caused both by oscillations in exchange rates and duties imposed by the Chinese authorities on

luxury goods at the beginning of the year, and lower propensity to visit Europe due to a fear of terrorist attacks.
This negative purchasing trend was also confirmed by the figures related to tax refund requests from passengers in Malpensa on purchases made in Italy, which reported a decrease of 11.6% compared to the previous year.
Reconstruction work continued at Malpensa Terminal 1 with the creation of a new shopping galleria accessible to passengers regardless of their destination, and organised with diversified "Squares" based on positioning and pricing. Worthy of mention is the opening of the Zara store in the "Piazza del Pop", a worldwide leading fast fashion brand, with an area of 700 square meters. Hudson, a large news-stand/convenience store opened in this square, and the Kiko brans and new Womo brand beauty store dedicated to a male target with adjacent Bullfrog barber were also repositioned. Redevelopment work will continue for all of 2017. A retail area with completely renovated terminal furniture and traffic layout is expected for the second part of the year.
The retail areas of the Hudson news-stands and last minute duty free shops have been increased in satellites B1 and B2, in order to propose a broader offer both for passengers coming from and going to non-Schengen destination and for passengers who cannot stop in the retail areas located before the passport controls.
The check-in area has been reorganised at Malpensa Terminal 2 with the creation of new security filters in June 2016; in addition the Hudson news-stand and My Chef Gran cafe bar have been repositioned in order to concentration all the services available for passengers checking in in a single area.
New openings at Linate regard the Yamamay shop in the air side area in May and the Benetton shop in the land side area in June, expanded in December with an area for children's products.

Self Service Bag Drop

The pilot project was started in October 2016 at Malpensa Terminal 2 and in November at Terminal 1 with the EasyJet and Aegean airlines. The service model to offer was defined with a careful comparison of what is present in major European airports and at present studies are under way to explore the possibility of delivering a single service to airlines belonging to the same alliance.

Intermodal transport

Various intermodal transport initiatives are in an analysis and development phase, their aim is to enlarge the airport catchment area and improve user services. The main ones include collaboration with various aviation and non aviation operators, both on road and rail and the distribution of connections on various sales channels.

Destination Management and Co-Marketing Activities

Collaboration continued in 2016 with MILLIBAR, MISE, Federturismo, Assolombardia, the Chamber of Commerce, Municipality of Milan and the Region of Lombardy as well as initiatives to promote the area abroad and familiarisation activities for travel agents, in particular when new destinations were inaugurated or there was an increase in flights to existing destination.

Bilateral Agreements

Two new bilateral agreements were signed with South Korea and Qatar in the first half of 2016. The former involves an increase in both passenger and cargo flights and an additional increase in destination, the latter, in addition to this also includes the stabilisation of fifth freedom traffic rights of Doha-Malpensa-Chicago flights.
A new agreement was signed with the Russian aviation authorities in July which entails an increase in flights on routes other than Moscow and new destinations.
The bilateral agreement with Hong Kong was revised in November to deregulate the number of flights and the stabilisation of fifth freedom traffic rights for cargo flights in the Hong Kong - India - Malpensa route.
Lastly, agreements were updated with Saudi Arabia, Australia, Cape Verde, Ivory Coast, Jamaica and New Zealand and agreements were stipulated for the first time with Bahamas, Benin and Curacao.

General Aviation

Traffic data

General Aviation traffic in Europe decreased by 0.3% in 2016 compared to the previous year. Among the top 20 European countries, Italy ranks fourth in terms of managed flights, a 0.2% decrease compared to 2015.
Traffic in terms of movements decreased by 8.4% compared to 2015, which was characterised by extraordinary traffic connected to the EXPO event. On a yearly basis, there was a 5.0% decrease in aircraft tonnage, with a 3.6% increase in the average size of aircraft transiting at the airport (the average aircraft was 15.8 tonnes, compared to 15.3 the previous year).
The results of the General Aviation business are not comparable due to the fact that on April 1, 2016 the Group lost control over the handling business and refuelling activity, with the transfer on that date of 60% of the shares of Signature Flight Support Italy Srl (previously Prime AviationServices SpA) to the Signature Group; following this transaction the company was fully consolidated in the SEA Group until March 31, 2016, will the 2015 financial statements included 12 months of Signature Flight Support Italy Srl. For the purposes of a better understanding of industrial changes, the results have been commented on removing the cost and revenue components from the sold activity.

Revenue

The **General Aviation** business revenues totalled Euro 11,750 thousand compared to Euro 16,179 thousand the previous year. On a like-for-like basis (entirely excluding the 2015 and 2016 revenues of the two aforesaid companies), 2016 revenues totalled Euro 10,475 thousand compared to Euro 9,188 thousand in 2015, with a growth of Euro 1,287 thousand due to the net effect of the following factors:

- start-up of follow-me and aircraft towing activities during the year, which generated revenues for Euro 356 thousand;
- increase in revenues from hangar rentals at Linate for Euro 323 thousand;
- increase of refuelling tank rental to Prime AviationServices starting in April 2016 for Euro 353 thousand;
- increase in advertising revenues at the Linate Terminal, both for more available spaces and more retail activities for Euro 167 thousand;
- increase in revenues for management of carparks outside the Linate Terminal, thanks to the new system started July 2016 for Euro 107 thousand;
- decrease in revenues from airport charges for Euro 196 thousand for fewer aircraft movements and lower tonnage.

Operating costs

Operating costs decreased by Euro 5,640 thousand, while on a like-for-like basis, excluding costs related to business handling and refuelling, they drop to Euro 805 thousand.
Personnel costs on a like-for-like basis are aligned with those of the previous year, while costs for consumable material dropped, especially to purchase fuel and other operating costs, mainly for savings obtained in commercial costs and professional services.

EBITDA and EBIT

EBITDA amounted to Euro 6,727 thousand, up by Euro 1,210 thousand (22%) over the previous year.
On a like-for-like basis EBITDA totalled Euro 6,589 thousand, for an increase of Euro 2,092 thousand (47%). The sharp increase in the profit level of the General Aviation business is due to both the growth in revenues and deconsolidation of the handling businesses.
EBIT rose compared to the previous year by Euro 1,361 thousand (Euro 2,242 thousand on a like-for-like basis) due to the phenomena described above.

Energy

Quantitative data

In 2016, electricity production increased 5.5% (17.7 million kWh) compared to 2015, amounting to 338.6 million kWh. This increase was the result of higher electricity production at both power plants.
Electricity intended for the Group's own use, including auxiliary services, losses and imbalances totalled 200.3 million kWh, while electricity for third parties was 138.3 million kWh.

Electricity for the Energy exchange reported an increase of 22.8% (+20.6 million kWh) compared to 2015, reaching 110.6 million kWh, while sales with bilateral contracts decreased (-12.4 million kWh).
In 2016, thermal energy production decreased by 0.7% on 2015 (-2.5 million kWh) to 364.4 million kWh - of which more than 73% serving the needs of Linate and Malpensa airports.
Sales to third party clients increased by over 15.8 million kWh (+19.9% on 2015) reaching 95.4 million kWh. The increase in production principally follows the consolidation of supply to civil users within the vi-

cinity of Linate airport (as from 2015 the station was connected to the "Canavese" station located at Viale Forlanini and owned by A2A in order to supply additional heat to the city of Milan).

Revenue

In 2016, the Energy business (production and sale of electric and thermal energy) reported consolidated net revenues of Euro 15,892 thousand (Euro 15,488 thousand in 2015), a slight increase over 2015 (Euro 404 thousand).
The growth in revenues was mainly due to higher revenues from environmental certificates for Euro 1,439 thousand, partly offset by lower revenues from electricity sales, resulting from the decrease of market prices. Thermal energy revenues were basically stable which, despite an increase in the quantity sold, were affected by the drop in commodity prices to which sales tariffs are indexed.

Operating costs

Operating costs show an increase of Euro 1,789 thousand compared to 2015.
Personnel costs were aligned with the previous year (increase of Euro 107 thousand), while costs for consumable materials increased (Euro 1,316 thousand), in particularly for the higher quantities of natural gas attributable to the production of electricity and heat for third parties, and other operating costs (Euro 366 thousand), mainly due to higher maintenance costs for the TGD turbine of the Malpensa power plant.

EBITDA and EBIT

Due to the changes described above, the Energy business EBITDA reported a decrease compared to the previous year totalling Euro 1,385 thousand, dropping from Euro 2,985 thousand in 2015 to Euro 1,600 thousand in 2016.
The further decrease of EBIT compared to EBITDA is tied to the higher risks and charges provisions for 2016 compared to 2015, due to Energy Services Operator's request to restitution of part of the green certificates recognised for the 2010-2014 period.

Green Certificates

Also in 2016 SEA Energia, at the production site of Linate and thanks to the co-generative production of thermal energy for heating in the locality of Santa Giulia and the airport, again fulfilled the requirements to obtain green certificates. Therefore, 47,000 green certificates will be requested to the Energy Services Operator, of which 34,169 SEA (equivalent of Euro 3,400 thousand) and 12,831 A2A, pursuant to the agreement in place with this company.

White Certificates

The Milan Malpensa station satisfies the requirements introduced by Ministerial Decree 5/9/2011 and subsequent amendments for the recognition by the Electricity Regulator of White Certificates to support high yield co-generative units. These certificates may be requested for a period of 5 years from the entry into force of Ministerial Decree of September 5, 2011, within the limit of 30% of the incentives recognised to newly-constructed high yield co-generation plant and may be requested from the 2012 data.
For the co-generation production in 2016 at the Malpensa station, the Electricity Service Operator recognised 5,516 white certificates, of which 2,757 combined cycle 1 (CC1) and 2,759 combined cycle 2 (CC2). The average unitary price is Euro 203 for white certificates.

Emission trading

In accordance with European Directive 2003/87/EC, from January 1, 2005, plant operators which emit CO_2 into the atmosphere must avail of an authorisation issued by the competent national authority. Each plant, in addition, must receive special "rights" permitting the emission of CO_2 into the atmosphere without payment. Where the rights allocated annually concerning the plant are not sufficient to cover emissions, these may be purchased on the market.
Conversely, where the rights allocated are in excess of the emissions produced, the rights not utilised may be sold.
For 2016, the overall production of CO_2 by the Group amounted to 181,900 tonnes, of which 120,400 tonnes generated by the Malpensa station and 61,500 tonnes produced by the Linate plant.
At December 31, 2016, SEA Energia had 166,015 tonnes of CO_2 on its account. Therefore, to compensate the Ministry of Environment for the 181,900 Tonnes produced, 15,885 CO_2 quotas must be purchased on the market.

Application by SEA and SEA Energia to qualify as Existing Equivalent User Efficient Systems (SEESEU)

On September 29, 2015 SEA and SEA Energia applied to the GSE in order to obtain the qualification as Existing Equivalent User Efficient Systems (SEESEU). Obtaining the qualification as SEU or SEESEU involves maintaining favourable tariff conditions on high effi-

ciency self-produced electricity, not withdrawn from the grid, limited to the variable components of the system and grid general costs, as required by Legislative Decree no. 115/08 and Article 25-bis of Law Decree no. 91/14 converted into Law no.116/14.
On February 28, 2017, following a receipt of a notice of rejection, the additional documentation was sent to GSE to satisfy the requests received.

On the basis of these considerations, despite the uncertainties related to the progress of the application and the fact that the SEESEU-C qualification for application of the preferential tariff system charges had not yet been obtained as at the reporting date, the Companies considered it reasonable to estimate the payment of system charges for the year 2015 and 2016 on favourable tariff conditions.

RISK MANAGEMENT FRAMEWORK

The SEA Group pays great attention to the proper management of risks associated with the performance of its business activities. For this purpose processes and procedures are in place to monitor and mitigate potential risks, ensure airport safety and the quality of offered services, protecting the property, plant and equipment and intangible assets in the interests of the stakeholders and ensure long-term creation of value.
The SEA Group stated an Enterprise Risk Management (ERM) programme in 2016 to provide more support and integrate existing systems. It is aimed at building a model to uniformly and thoroughly identify, classify, measure and assess the risks correlated with the performance of the company's business, as well as to continuously monitor the same, to back management's strategic choices and decisions and provide assurance for reference stakeholders. Thus a SEA risk model was established and an initial risk assessment conducted which involved management and which was completed with the identification and assessment of the main company risks and of the existing risk management systems.
The next phases of the project will involve definition of the ERM framework through representation of the company's Risk Appetite compared to the identified risks, definition of rules, instruments and procedures for risk measurement, control, monitoring and reporting.

SEA Group risk factors

The risks the SEA Group is exposed to fall into four macro categories: external context risks, operating and business risks, financial risks, legal and compliance risks.

External context risks

The SEA Group conducts its airport management activities under a regulated regime; however, the Group's financial results are largely influenced by socio-political, macroeconomic and competitive events occurring on a global scale.

The main strategic risks that may have a significant impact on the performance of the SEA Group are illustrated below.

Evolution of air traffic

The performance of the airport sector is highly influenced by the growth in overall air traffic, in turn linked to various factors including the economy. The trend in world, European and national GDP, oil price forecasts, any shocks arising from unforeseen events may significantly affect air traffic and thus the profitability of the Group.
Within this framework, The United Kingdom's departure from Europe (Brexit) is very relevant which, if structured in the so-called Hard Brexit model, will result in a redistribution of the routes between the Group's airports which could on the whole be damaging based on the reduction of UK traffic demand and limitations of English airlines on all EU routes and EC airlines on the UK-Milan route.
Moreover, in a regulated tariff context such as air traffic where the SEA Group works, any decreases in traffic may not be compensated by a change in tariffs.

Airline strategies

As for the other airport operators, the future development of activities depends significantly on the strategic choices of airlines, which are dependent also on the global economic-financial performance. In recent years a significant shift has also taken place in demand, generated by the increased presence of low cost airlines with a consequent increase in terminal competition, allowing the development of decentralised and smaller airports.
The volume of passenger traffic and cargo in transit at the Linate and Malpensa airports represents a key factor in the results achieved by the Group. Any decrease or reduction of flights by one or more airlines, operating at the airports managed by the SEA Group, could result in a decrease in this traffic with consequent negative effect on the Group's business and economic results.
In this context, the announced restructuring plan of Alitalia could cause a reduction of flights at the airports where the Group works.
Nevertheless SEA believes that it is able to offset the risk of a reduction or interruption in flights, through the redistribution of passenger traffic between airlines operating on the market and the capacity to attract new airlines. Any redistribution of traffic may require a certain period of time, temporarily influencing the Group's traffic performance.

Evolution of the regulatory and legal framework

SEA Group activities, as is the case for all Italian Airport Managers, are subject to a high level of regulation which impacts in particular the allocation of slots, the control of air traffic and the establishment of fees concerning the services provided (airport fees, security control fees, fees for the use of common use assets and centralised infrastructure for handling services). Any change in the regulatory framework could impact the Group's results.

Competition

The strategic choices of other operators which are an alternative to air transport, if not consistently coordinated within a broader vision of connectivity, may pose a threat to the development of domestic traffic at Milan airports. Specifically, the technological development of high speed and alternative railway transport, has made it possible to reduce travel times from Milan to Rome and Naples and made it easier to reach even farther destinations. The increase in the frequency of high speed trains along these routes could result in a reduction of air traffic from Linate airport.

Operating and business risks

The operating risk factors are strictly related to the carrying out of airport activities and may impact the short and long-term performances.

Safety & security

The occurrence of accidents would have consequent impacts on group activity and may also impact passengers, local residents and employees.
In order to monitor, mitigate and identify response plans in case of emergencies, the *Safety Management System* continued its activities, consolidating and improving the results obtained in previous years. The guideline principles of the SEA airport Safety policy have remained unaltered in their consistency and suitability:

- guarantee design and construction conformity and maintenance of flight infrastructure and plant and equipment satisfying the highest sector standards;
- ensure a review of operating processes to achieve the highest compliance possible with national and international regulations concerning Safety;
- monitor the maintenance of safety standards for all operators and external parties of any type within the airport sites;
- guarantee ongoing and appropriate training of personnel, with priority for operational staff, placing particular focus on the requirements and the consequent actions for an improved level of Safety;
- guarantee education and communication, so that all events which may affect Safety are flagged through the filling out of a Ground Safety Report.

To mitigate impacts that such events could have if they occur, the SEA Group possesses adequate insurance coverage.

Ground Safety Report

As in previous years, in 2016 the safety events highlighted during the year were appraised and classified, based on the rules defined and communicated also with other operators at the periodic meetings of the Safety Committee.
A new reporting system has been consolidated, which provides that these reports are sent online, via a dedicated link. The new mode is in addition to the traditional printed reports mode, which continues to be valid.

Emergency simulations

During the year, emergency air crash exercises were carried out both at Linate and Malpensa. The feedback received highlights an overall positive assessment in terms of the reaching of the prefixed objectives, both with regard to compliance with the procedures and in relation to the communication aspects. A group of emergency psychologists from the SIPEM association was set up for 2016 as in past years. In accordance with the ENAC GEN 05 circular letter, the establishment of contact teams intervening in the uninjured survivor and family area was tested during drills.

Airport Certification

- *Auditing activities*: for the first six months auditing activities followed the plan required for the previous ENAC certification. The second half of the year was dedicated to testing and implementation of the indications of the new European regulation with deadline move up one year for EASA conversion, scheduled for December 2017.
- *EU "EASA" Regulation No. 139 – New airport certification (EASA)*: the Airport Certificate conversion activities were completed for both airports managed by SEA. Airport manuals were prepared according to ENAC instructions and they were approved by ENAC. In order to convert the Airport Certificates and to align the two airports to the indications of the new EASA regulation, 16 new risk analyses were performed for Malpensa airport and 18 for Linate airport.

General Aviation Linate

Reporting of events related to Airport Safety continued constantly for General Aviation as well.

Interruption of activities/services
Group activities may be interrupted through: strikes by personnel, by those of the airlines, of personnel dedicated to air traffic control services and of the public emergency service operators; the incorrect and non-punctual provision of services by third parties; adverse weather conditions (snow, fog etc.).
Natural events (e.g. lightening) and/or short circuits from overloads, may for example cause blackouts with consequent shut-down of IT systems (shut down of displays, departure delays).
Company procedures have been prepared in order to better manage the aforementioned events. In addition, risk transfer measures were put in place where possible, including through insurance plans.

Human resources
The reaching of Group objectives depends on internal resources and relations with employees. The non-ethical or inappropriate behaviour of employees may have legal and financial consequences on company activities. The implemented set of procedures, also in *compliance* with the 231 model adopted by the Group, the Code of Ethics now Code of Conduct, training and internal education on these issues, together with talent development plans and cooperation and continuous dialogue with trade unions promote a business environment that minimizes the risks associated with human resources management.

Supplier reliability
The bankruptcy or operating difficulties of unique or hard to replace suppliers, could have an impact on the Group in operating and economic-financial terms.

Financial Risks
The management of financial risks is carried out by the Parent Company which identifies, evaluates and implements actions to prevent and limit the consequences of the occurrence of the above-stated risk factors. For further information, reference should be made to paragraph 4 "*Risk management*" of the Explanatory Notes to the Consolidated Financial Statements.

Commodity risks
The SEA Group is exposed to changes in prices, and the relative currencies, of the energy commodities handled, i.e. gas and minimally electricity. These risks, however contained due to the high level of self-consumption by the Group of energy produced by SEA Energia, are based on the acquisition of the above-stated energy commodities.

For further information, reference should be made to paragraph 4 "*Risk management*" of the Explanatory Notes to the Consolidated Financial Statements.

Legal and compliance risks
The Group operates in a sector regulated at a national, EU and international level.
A significant part of SEA Group revenues derives from the activities carried out based on the agreement signed between Società per Azioni Esercizi Aeroportuali SEA and ENAC, with duration until May 4, 2041. The Agreement provides for a series of obligations relating to the management and development of the Milan airport system, in addition to advanced withdrawal in the case of serious self-fulfilment by SEA and dissolution conditions in the case of a delay for more than 12 months in the payment of the fee due by SEA, or in the case of a declaration of bankruptcy by SEA. The conformity of the processes and procedures to national and international standards leads to the consideration that the risk of non-compliance with the concession rules is remote. In addition, at the conclusion of the Agreement SEA must return state assets forming part of the Malpensa and Linate airports and freely provide to the State all plant, works and infrastructure created by SEA through these assets. The application of IFRIC 12 in the recognition of investments and for the refurbishment obligation enables consideration of the overall charge for depreciation and refurbishment each year in the income statement, in view of the obligations undertaken by SEA under the concession.

Risk related to the European Commission Decision of December 19, 2012 concerning presumed State Aid to SEA Handling and the Decision of July 9, 2014 for the set-up of a new procedure on the incorporation and capitalisation of Airport Handling

(a) Proceeding related to the European Commission decision of December 19, 2012

With decision of December 19, 2012, the European Commission judged that the share capital increases carried out by SEA in favour of its subsidiary SEA Handling in the 2002-2010 period for approx. Euro 360 million, constituted State Aid incompatible with the internal market, and consequently imposed upon the Italian State the obligation to demand restitution of the presumed State Aid from SEA Handling.

As more extensively described in the 2015 Annual Report, for a formal 'alternative execution project' of the decision, undertook a series of actions including (i) liquidation of SEA Handling and its permanent departure from the market, (ii) establishment of Airport Handling in order to continue to offer ground assistance services in a context of complete competition conditions with the other handling companies and with complete economic discontinuation with SEA Handling, (iii) assignment of the entire investment in the share capital of Airport Handling in a trust called "Milan Airport Handling Trust", in order to exclude any form of SEA's control over Airport Handling and continuity between SEA Handling and the same Airport Handling, (iv) sale of 30% of the Airport Handling shares to a third party operator with the option, at certain conditions, of being able to purchase an additional 40% of the shares.

In relation to the above-mentioned decision three independent appeals were made before the European Union Court, by the Italian State, by SEA Handling and by the Milan Municipality.

These appeals are in an advanced state of negotiation, as the written procedure phase has concluded some months ago; a ruling is expected from the Court in 2017.

In the meantime a discussion phase was started - through the Italian Authorities - with the European Commission, in order to represent the incapacity of SEA Handling to completely face this restitution charge and, consequently, the impossibility of the Italian State to completely enforce the decision in it specific form.

With a letter sent to the Italian Authorities on July 20, 2016 and acknowledging the arguments put forth by SEA Handling, the European Commission asked for confirmation on the sale of the business, the progress of the liquidation and the procedures put in place to comply, within the limits of the sums from the liquidation, with the restitution obligations of SEA Handling.

In light of the above, in line with the criteria adopted in the previous annual report and interim financial reports to not recognise any accrual in the provision for risks and charges in the financial statements of SEA Handling in liquidation and/or receivables from the company in the financial statements of SEA, with reference to the restitution obligations of SEA Handling to SEA of presumed State Aid and/or the recording of a receivable for the restitution of State Aid by SEA. Indeed, apart from any assessment regarding whether the sums are due or not (including in relation to the outcome of pending appeals), if and to their extent that funds become available from liquidation of the SEA Handling assets, the consideration from this surplus must be in favour of SEA, the sole shareholder of the company in liquidation.

(b) Proceeding related to the in-depth investigation launched by the European Commission of July 9, 2014

On July 9, 2014 the European Commission decided to launch - within the framework of the powers granted it related to State aid - a formal investigation in order to better examine some aspects related to the economic discontinuation between SEA Handling and Airport Handling and the possible existence of (further) alleged State aid in SEA's capital injection in the new company.

With its decision of July 5, 2016, transmitted to SEA by the Ministry of Transportation on July 19, 2016, the European Commission completed the investigation it had started in relation to the establishment and capitalisation of the Airport Handling SpA company finding: i) the absence of economic continuity between SEA Handling SpA and Airport Handling SpA, ii) the absence of transfer of the obligation to repay the incompatible State aid to Airport Handling SpA as well as iii) the lack of State aid in the establishment and capitalisation of the aforesaid company.

In the meantime the disposal process of control of Airport Handling by SEA was finalised:

- in December 2014 SEA together with the Trustee of Milan Airport Handling Trust conferred the mandate to an independent financial advisor in order to identify potential investors for the acquisition of a shareholding in Airport Handling;
- in September 2015, the Trustee and dnata, a leading international company of the Emirates Group in the airport handling sector, signed a binding agreement for the sale of 30% of the Airport Handling shares

and the same percentage of FIP held by SEA in Airport Handling, with assignment to dnata at closing of the majority of the members of the board of directors and therefore the Governance of Airport Handling;

- the agreement also includes an option for dnata to purchase, if certain conditions occur, an addition 40% of shares (call option) and a corresponding portion of FIPs. The positive decision of the European Commission related to the July 2014 investigation resulted in dnata not being able to exercise a put option included in the event of an unfavourable decision - the closing of the transaction occurred on March 23, 2016, after the decision of the Anti-trust Authority which did not consider the transaction in question, pursuant to article 6, paragraph 1, of Law no. 287/90, to establish or reinforce a dominant position on the market able to eliminate or substantially reduce the competition in the long-term.. Following this the portion of other financial assets held by SEA and part of the future sale were reclassified as "current";
- following dnata investment in Airport Handling, the latter company is valued at Euro 25 million, such amount being in line with the carrying amount of the assets recognized in the accounts. The transaction involved the payment of Euro 7.5 million by dnata for the purchase of the first 30%, which will be subject to lien for a predefined period as guarantee by dnata and entails the payment of Euro 10 million for the additional 40% interest (amounts to be divided proportionally between stocks and FIPs respectively held by the Trustee and SEA).

Based on the above, with reference to the sums transferred by SEA to the share capital of Airport Handling and to the subscription of the Financial Instruments of Participation by SEA, it is considered that these may be recovered through the disposal of Airport Handling or in the participation in future profits of the same (for the residual holding) and which are considered realisable. Consequently, no specific entry or correction is necessary or opportune.

MAJOR ONGOING DISPUTES AS OF DECEMBER 31, 2016

Litigation commenced by ATA Handling

In May 2015, ATA Handling in liquidation and subject to administration notified SEA SpA and the Municipality of Milan of a citation, by which ATA Handling, referring to the decision of the European Commission of December 19, 2012 concerning alleged State Aid in favour of SEA Handling, requested compensation for damages suffered as a result of the above-stated aid, issued in the form of share capital increases, alleging that such gravely affected ATA Handling's operations: it was alleged in fact that SEA Handling through the systematic coverage of losses applied significantly lower tariffs than those which would have been applied in the absence of such aid. It was put forward that ATA Handling was forced also to apply lower tariffs than would have been applied in an undistorted market and on the other that ATA Handling was prevented from acquiring a greater market share. This situation, it was alleged, restricted ATA Handling from operating under balanced conditions and led to its liquidation. In September 2013 and, for a second time in July 2014, ATA Handling requested compensation for damages due to alleged State Aid, although both these requests did not receive a response and therefore ATA Handling notified the citation, quantifying damages, through a differential analysis of two situations (SEA Handling with share capital increases and SEA Handling without share capital increases), as Euro 93.1 million. SEA has already submitted documentation aimed at invalidating the supposition of a predatory price, moreover since the summoned parties had submitted an objection to lack of jurisdiction, ATA Handling had submitted to the Court of Cassation the Jurisdiction regulation, in order to ascertain if the jurisdiction on the litigation for damages was the jurisdiction of the Civil Judge or Administrative Judge. The Cassation Court confirmed the jurisdiction of the Ordinary court to which the case was referred for continuation on merit.

In line with the previously adopted approach to the closing of the accounts in relation to the European Commission decision of December 19, 2012, also for the dispute taken by ATA Handling – directly based on the above-stated decision and to which it explicitly refers – no risks and charges provisions were accrued in the SEA Financial Statements.

Litigation commenced by Emilio Noseda before the Buenos Aires court

In 2005 SEA was notified of an action brought by Mr. Emilio Noseda before the Buenos Aires court to seek enforcement of alleged commitments made in 1997 by SEA to Delta Group S.A., a Uruguayan company of which he was the legal representative and which supported SEA in the tender phase for the granting of the concession on the Argentine airports.

Mr. Noseda, as assignee of Delta Group's rights, requested that SEA be ordered:

- To transfer 2% of AA2000 shares against the payment of their current market value;
- pay damages for loss of opportunity relating to Delta Group losing the opportunity to sell the shares in the period in which were worth more than the price then agreed (2 million USD), damages not quantified;
- pay damages for loss of profit relating to the non-award to Delta Group of some concessions in three Argentine airports, damages not quantified.

At the end of the evidentiary phase and pending the judgement, taking also into account that the judge had been replaced in the meantime and that Noseda's request for legal aid had been upheld, SEA submitted a settlement proposal of USD 500,000 which was not accepted. Noseda requested a sum of USD 3.5 million, in addition to legal costs.

On December 30, 2016 the Commercial Court no. 2 of Buenos Aires filed the judgement, served on February 2, 2017, with which it rejected the application proposed by Mr. Noseda and aimed at obtaining the commitments undertaken in 1997 as mentioned above, sentencing him to pay the court costs. Mr. Noseda filed an appeal against the sentence.

In relation to this risk, SEA has set aside an appropriate amount in the provision for risks and charges.

Judgement 3553/2015 issued by the Milan Court

The Judgement of the Milan Court of Appeal, published in September 2015, refers to ongoing litigation with the Customs Agency for the non-payment of amounts for the use of space made available by SEA. This decision confirmed the grounds of the first instance judgement, which ordered the Customs Agency to pay SEA the sum of Euro 5,591 thousand. In December 2016 the Customs Agency challenged the judgement before the Supreme Cassation Court, objecting to the amount due established by the appeals judge. As not all jurisdictional degrees have been exhausted, no income was recognized in these financial statements.

SEA/ENAV civil litigation

This judgement refers to the action brought by SEA claiming assets erroneously transferred to ENAV with provisional delivery notes dated 1983/1984. The Court of Appeal, reversing the first instance judgement, upheld SEA appeal and ruled out the transfer to ENAV of the assets mentioned above. The appeal judgement, reversing the first instance decision, acknowledged that SEA has a right to build on state-owned areas of the airports of Milan Linate and Milan Malpensa under concession and therefore it has temporary ownership on constructed assets.

In February 2016 both the General Attorney's Office on behalf of the Ministries and ENAV, appealed to the Supreme Court against the Court of Appeal judgement 3406/2015 which entirely grants SEA's claims. The latter requested in April 2016 that a counterclaim with cross appeal be served on the Ministries and ENAV. A date for the hearing to discuss it has not yet been set.

Litigation is also pending before the Court of Milan related to a claim lodged by SEA against ENAV for the assets included in Ministerial Decree 11/14/2000; the case is in the preliminary phase.

Provisions concerning Firefighters' fees

Law 296 of December 27, 2006 (2007 Budget Law) art. 1, paragraph 1328, established the Fire Fighting Fund, funded by airport operators in proportion to the traffic generated for a yearly amount of Euro 30 million, in order to reduce the cost, borne by the state, of the fire protection service provided by the National Fire Corps at the airports. However, following the entry into force of the provisions of Article 4, paragraph 3 bis of Law Decree no. 185 of 11/29/2008, introduced with Conversion Law no. 2 of 01/28/2009, the fund's resources have also been allocated to purposes completely unrelated to those originally planned in the 2007 Budget Law.

SEA submitted a number of illegality objections and challenged the law both before the Administrative Court and the Civil Court of Rome.

Over the years, there have been positive and important rulings, some of which have become final, as a result of which it can be seen that all the courts involved have qualified "the levy established by the law as a purpose-related levy". Up to now the courts have also established that following the entry into force of Law 2/2009 all the amounts of the Fire Fighting Fund have been used to cover costs and purposes completely unrelated to those initially planned of a reduction in the costs incurred by the State for fire fighting services at the airports.

It should be noted that the following provision was added in the 2016 Stability Law, which took effect January 1, 2016:

"Article 39-bis, paragraph 1, of Decree-Law no. 159 of October 1, 2007, converted with amendments by Law no. 222 of November 29, 2007, after the words: "of Law no. 350 of December 24, 2003" the following words are inserted: "and of fees borne by airport management companies with regard to fire fighting services at the airports referred to in Article 1, paragraph 1328, of law no. 296 of December 25, 2006".

The article reclassifies the contribution to be paid to the Fund, as fee for the services rendered by the Fire Fighting Corps, in order to overcome the objections raised by Airport Managers on the nature of the levy and bring the issue back within the jurisdiction of the ordinary courts, in contrast to the previously issued rulings on the point. There were no updates to report as of the date of presentation of these financial statements.

The Cassation Court, with ruling no. 27074/16 returned it to the Constitutional Court for examination of the constitutionality of this law. The Company began negotiations with the Ministry of Transport in order to define the open position which is still in progress as of today's date.

Italian Tax Authority - notice of assessment regarding VAT and IRES (corporate tax) for the 2011 tax period

SEA was served two notices of assessment in December 2016 regarding VAT and IRES respectively both for the 2011 tax period. Objecting to the notice of assessment for VAT purposes, linked to the closing and definition of the audits notes of the Customs Agency related to the disputed sales activity of electricity at the Milan and Linate airports, the Company submitted an appeal before the competent Tax Commissions considering the findings in the act objectionable in terms of law and fact. In terms of the notice of assessment regarding IRES, consequent to receiving a Questionnaire and based on the alleged incorrect application of the PEX tax regime with reference to the capital gain resulting from the sale of the investment in Aeropuertos Argentina 2000, the Company submitted a specific request for internal review and, until settled, a tax settlement proposal not considering completely grounded the motivations adopted by the Italian Tax Authority in the assessment.

Report of the Energy Services Operator following auditing of the green certificated from district heating of the Linate power plant

In December 2016, the Energy Services Operator (GSE) sent a report to the subsidiary SEA Energia following inspections (made in March 2016) to verify the data provided for the request of green certificated from district heating for the Linate power plant. GSE asked for the restitution of 17,106 green certificates for the 2010-2014 period (of which 12,435 of the Company and 4,671 of A2A) which led to reporting a future charges provision totalling Euro 1,049 thousand, since such certificates had been collected at December 31, 2016. The Company, represented by its lawyers, submitted an appeal within the prescribed deadline.

OTHER INFORMATION

Customer Care

The SEA Group, always keenly aware of the opinion of its users – passengers, accompanying persons, visitors and employees – continued in 2016 to implement a monitoring and improvement policy of the quality level of services offered to the various parties which interact with the Group. The improvement of the "Passenger Experience" is assuming across the airport industry an increasingly significant role, in that Quality Perception, which is the principal measurement, is recognised as an essential element to support business profitability.

Therefore, in line with European best practice, the SEA Group has continued pursuing an approach which identifies and intervenes on the more crucial aspects in terms of passenger expectations.

Quality of airport services provided: European context and positioning of our airports

The 2016 punctuality figures gathered from the members of the ACI Europe- EAPN (*European Airport Punctuality Network*) work group are slightly worse than 2015 both for departures and arrivals. On average, the punctuality of departing flights in November was 77.9% against 79.4% recorded last year with significant monthly fluctuations ranging from 84% in February and April to 69% and 68% registered in June and July, respectively.

The first quarter of the year, characterised by a fairly mild climate, reported the highest punctuality values of the year. The summer months of June and July reported lower values both for arrivals and departures, due to poor weather conditions and problems caused by absenteeism of ATC personnel especially in France.

With regard to the airports managed by SEA, Linate, with about 85% of flights leaving on time, ranked first in terms of punctuality of departing flights among the airports included in this ranking, ahead of the other comparable Italian airports of Bologna and Naples, while the average value of Malpensa, confirmed at around 81%, was above the European average and in line with the European airports of similar size (including Vienna and Copenhagen). It is by far ahead of the major *hub*, or at least large size, airports such as Rome Fiumicino, Amsterdam, Zurich, Madrid and London Heathrow.

Detailed data are provided below for a performance analysis of the two airports related solely to passenger flights:

Malpensa

- At Malpensa, passenger departing flight punctuality for 2016, had a final balance of 82.8%, with an improvement (difference between arriving punctuality and departing punctuality) of 2.7%. The analysis by Terminal also highlights a similar performance: Terminal 1 reported departing punctuality of 82.3% (+ 2.6%), with Terminal 2 reporting 84% (+ 2.8%).
- The baggage delivery times reported were well ahead also for the year of those set by the Services Charter, which includes 90% of cases: at Terminal 1 the delivery of the first bag within 23 minutes was achieved for 93.9% of flights, while the delivery of the last bag within 36 minutes was achieved for 94.0%; at Terminal 2 the delivery of the first bag within 26 minutes was achieved for 97.8% of flights, while the delivery of the last bag within 37 minutes was reported for 99.3% of flights.
- In terms of the number of lost bags, 2.29 bags were reported lost at Terminal 1 for every 1000 departed passengers (2.1 in 2015) and, at Terminal 2, 0.48 bags lost for every 1000 departed passenger (0.47 in 2015).
- Hand baggage security screening waiting times were comfortably within those required by the Regulatory Agreement: 6'23" (weighted average of the two terminals) in 2016 against a required standard of 8'30". The breakdown of the values for the two terminals is as follows:
    - Terminal 1: 6'44" vs 7'00"
    - Terminal 2: 5'54" vs 8'00"

  The opening of new security filters also at Terminal 2, on June 8, 2016, made it possible to reduce the waiting times.

The first phase of the "Time to Gate" project was successfully completed. It provides a changing indication (including any waiting time at the passport control) of the minutes necessary to reach the gate.

Data on the waiting time at arriving passport control have been available since December at Terminal 1; they are detected with Blue-Fi technology, already in use for monitoring waiting time at departure security filters and passport control.

Linate

- At Linate, passenger flight punctuality in 2016 was 86.9%. The capacity to recover arriving delays was 0.6 points.
- The delivery of the first bag within 17 minutes and delivery of the last bag within 24 minutes was achieved for more than 92.7% of flights and 94.4% of flights in the second case. The percentage of baggage delivered after 45 minutes was 0.2%.
- The figures for mishandled baggage show 1.7 mishandled bags for every 1,000 departing passengers in 2016 (2.8 bags in 2015), while the percentage of mishandled baggage for issues related to the sorting system was 0.17% (0.18% in 2015).
- In terms of hand baggage security screening waiting times in 90% equal to 7’01” (7’40” is the value stated in the regulatory agreement and 2016 services charter).

Overall passenger satisfaction: assessment of perceived Quality

The perceived quality perception of passengers, Customer Satisfaction with the services provided at the SEA managed airports (assessed through CAPI interviews by a leading Market Research Institute). SEA uses an internationally utilised overall satisfaction index[4] – the CSI (ACSI model – American Customer Satisfaction Index), a sector and individual business level parameter. The CSI 2016 Customer Satisfaction index of our airports was:

CSI

	2016	2015
Malpensa Terminal 1	74.8	72.9
Malpensa Terminal 2	72.0	71.8
Linate	70.3	70.2

The results improved compared to 2015 on all terminals, benefiting from renovation works and SEA constant efforts in priority areas for passengers, such as comfort, security control, maintenance and retail.
A new perceived quality monitoring instrument continued to be used in 2016, introduced in May 2015, that detects passenger satisfaction on individual services 24 hours a day, in which passengers, through dedicated totems, can express their views immediately after using the service. This instrument is present in more than 50 airports in the world (e.g. Heathrow UK, Orlando US, Melbourne AU and Hong Kong) and provides daily and hourly results making it possible to promptly intervene and improve quality standard by avoiding medium-long term deviations.

The positive trend of the overall judgement expressed by passengers in the Milan airports has continued. In particular the judgements expressed for Malpensa Terminal 1 have positively increased for all available services. In addition to opening of new stores there are also new services to improve the efficiency of operators and for a better travel experience of passengers: e.g. *self-bag drop* (autonomous shipping of bag from the hold), *time-to-gate* (indication on displays of the time from the display to the gate, including indication of passport control waiting time), *sleeping–box* (simple devices for laying down in the airport for a longer wait for departure in a functional and protected space). Generally, the offer is renewed in a modern, spacious, comfortable and welcoming environment.
In the European area Malpensa Terminal 1 is marked by the high popularity of its food & beverage services and for the vast retail offers, the efficiency of its passport services and quality-price ratio of its carparks.
Malpensa is improving its position in the European ranking thanks to these positive results.

Relationships with customers and the development of B2C services

The SEA system for Customer Relationship Management

In 2016 users registered in SEA *Customer Relationship Management* platform (CRM) reached the figure of 1,400,000. This positive trend was mainly supported by the Wi-Fi system and the e-commerce. Over 950,000 subscribers have given consent to receiving newsletters and research questionnaires, designed to inform airport users and to learn about their expectations and assessments as guidance for the services to be offered at the airport.

Complaints

In 2016, 702 complaints were received and processed, a slight decrease (-3.8%) compared to 2015. The company also handles the complaints relating to parking in Orio al Serio.

Dedicated services: Family Friendly Airport

The SEA initiative aimed at travelling family is continu-

[4] The index is measured on a scale of 0-100, with 75 representing excellence and 60 indicating sufficiency.

ing with success and become consolidated.
All year long at Malpensa and during the summer and Christmas holidays at Linate, SEA proposed a series of services, offering passengers travelling with infants and children up to 12 a Family Friendly airport:

- Priority security passage through a "Family lane", used by approx. 180,000 passengers, with a very high satisfaction index level;
- Distribution of 85,000 illustrative brochures (with games for kids) featuring useful airport services and procedures;
- Games area with videos and interactive flooring.
- Special priced menus for children and dedicated shopping promotions.
- Web-page dedicated to the initiative and a mini-site with games.

During the Christmas holidays in 2016 SEA tried a new initiative as part of the Family *Friendly Airport* at Linate and Malpensa aimed at all passengers, by organising *Pet therapy in the boarding areas*, aimed at achieving positive effects on mood, self-control, reduction of anxiety, stress and insomnia to those getting ready to travel.

Information screen system

The airport assistance service using a video conference system became consolidated in 2016: passengers can receive assistance directly from a *Customer Service* operator who talks to them through one of the 16 videos located at the 2 airports.
A promotional campaign was held in the last two months of the year with the aim of making passengers aware of this new innovative way of helping them get around the airport, and the comparison with the previous year, for the months when the same number of stations was available, shows a 15% increase in use of the service.

Customer Service for e-commerce clients and assistance through social channels and apps

Pre and after sales assistance provided by the call centre for e-commerce services that can be purchased through a multi-site platform (mainly for carparks, as well as for fast track and vip sales) generated an increase in total calls in 2016 for 9% rising from 130,000 contacts to 142,000. Given the type of services sold online, the telephone service is increasingly set up a assistance to passengers already present in the airport in the phases before their trip.
Along with the development of e-commerce services assistance has also evolved thanks to the functions of new apps. Call centre operators are available to passenger through a web chat channel as well and they can directly call clients who activate a recall request.
Lastly, since December 2016 the call centre has responded promptly to passengers also via Facebook, the social channel adopted by SEA in the past few years and recently assigned to the Customer Care for operating assistance to passengers.

Volunteer service for directions and information for passengers: Airport Helper

Two informational meetings were organised again in 2016 with SEA personnel who take part in the *Airport Helper* project. SEA is part of the *Airport Helper* Community, a programme some of the major European airports participate in to develop together their common ideas and projects, aimed not at just welcoming passengers, but also an increasing involvement and promotion of all personnel who work in the airport.

The SEA Group Sustainable Development Policy

The SEA Group strategy in relation to sustainable development and the effective management of stakeholder relations is based on the sustainable creation of value principles, considered from a number of fronts (economic, environmental, social) with a view to strengthening synergies between the three components.
The Group therefore draws up its strategies in such a manner that the resources, actions and instruments deployed in the social and environmental areas are in the form of investments, which can therefore support the proper management of company risk and the growth of the Group.

The "Values in progress" project was started in the second half of 2016, aimed at promoting the distribution and exchange of contents regarding SEA's new ethics system approved by the Board of Directors at the end of 2015.

The "Social" dimension

The first edition of the "The Social Challenge" project ended in the first quarter of 2016; its objective is to encourage SEA employees to embrace the civic commitment undertaken by non-profit organisations in the regions surrounding the Linate and Malpensa airports.
"The Social Challenge" is a participatory process involving the identification and selection of social projects designed by non-profit organizations operating in the provinces of Milan and Varese, to which the Promoters (SEA SpA and the Association Noi SEA) provide 6 contributions of 10,000 euro each.
104 projects were submitted for a decision to the Evaluation Commission which selected 24 finalist projects that participated in the online referendum on the SEAnet platform.

A certification process was implemented in the second half of the year aimed at obtaining "*Family Audit*" certification. Family Audit is a managerial tool adopted voluntarily by organisations, including private companies, public entities and non-profit organisations, that intend to certify their constant commitment to a work-life balance. By adopting the Family Audit certification, SEA intends to trigger a virtuous cycle of continual improvement, by introducing innovative organisational solutions related to: job flexibility, smart working and a culture of reconciliation. A Three Year Company Plan has been prepared, composed of twenty-seven initiatives, to obtain the Basic Certification.

Management of relations with the stakeholders

In 2016, the Group's policies regarding relationships with stakeholders involved employing the usual tools through which the company systematically collects opinions, perceptions and evaluations regarding its perceived image and satisfaction for the services provided as well as the implementation of a specific *stakeholder engagement* project linked to the development of the new Malpensa 2015-2030 Master Plan.
The initiatives undertaken in this area in 2016 regarded the organisation of workshops dedicated to Malpensa's socio-economic impact and environmental impact studies, public meetings to disclose the contents of the Master Plan - organised in the municipalities of the Malpensa area by the respective municipal governments - and activation of a digital platform, containing all the project documentation and video recordings of the workshops.
In addition, the first opinion survey was created in the second half of the year aimed at employees and prepared by the CSR function and HR Department. The survey was created on a digital platform with the objective of obtaining the viewpoint of SEA personnel related to some major issues regarding their well-being at work: welfare, work organisation, identity and values. The questionnaire was filled in by 595 employees (21% of the company workforce). The results of the survey were used - in addition to obtaining an evaluation profile of the welfare offering currently provided and for a diagnosis of the current perceived level of application of company values - also to provide input to the internal Work Group which contributed to the Family Audit certification programme.

The "Environmental" dimension

The SEA Group is strongly committed to providing quality services in respect and protection of the environment, based on the following principles:

- Extensive compliance with regulatory requirements;
- An ongoing commitment to improving the environmental and energy performance;
- Education and involvement of all actors involved in the airport system for a commitment towards respecting and protecting our common environmental heritage;
- Priority given to the purchase of products and services which adopt similar environmental sustainability parameters, with particular attention to energy saving, the reduction of atmospheric and noise emissions and water conservation;
- Identification of sources and controls of CO2 emissions produced, both direct and indirect, through the involvement of the stakeholders, in order to reduce greenhouse gas emissions in line with the Kyoto protocol;
- A constant level of monitoring and verification of the processes related to the energy, atmospheric emission, noise and water cycle aspects, and in general the various phenomenon concerning interaction with the ecosystem;
- Highly developed system of listening and communication with a wide range of external actors to ensure transparency and sharing.

The introduction of the Group environmental policy is based on the commitment to a dedicated structure which ensures maximum attention to the principal strategic aspects and the operating implications, in addition to guaranteeing the daily inter-departmental involvement of all organisational units whose activities have a direct or indirect impact on the reaching of the environmental objectives.

Under this policy in 2004 an Environmental Management System was drawn up, which in 2006 achieved the ISO 14001 Certification, which was reconfirmed in 2009 and in 2012, and in May 2015 was renewed for the subsequent three-year period.

With a view to a constant and close monitoring of the environmental impact of its activities, the SEA Group works together with a number of external bodies with environmental and regional responsibilities.
The range of environmental aspects managed is particularly extensive: water, air, noise, climate change, energy, waste, electromagnetic fields, light pollution and landscape.

The extensive experience matured since 1998 with the incorporation of SEA Energia and its cogeneration (regeneration) plant has seen the formal consolidation in October 2013 of the *Energy Management System* of SEA and its ISO 50001 certification by *CertiQuality*. In the course of 2016, these activities continued and the system was further completed and strengthened.

Airport Carbon Accreditation and Carbon Neutrality of the Milan airports

The SEA Group in relation to CO_2 emissions has acted effectively in reducing emissions and in particular those from activities under its direct control or in which significant influence is exercised (scope 1 and 2). According to in depth analyses performed on the data and information for the year 2016, it is believed that renewal of the "*Neutrality*" level is possible for 2016.

Airport Carbon Accreditation offers four possible levels for accreditation:

- *Mapping* – checking of emissions under the direct control of the airport manager (scope 1 and scope 2 application field).
- Reduction – in addition to the level 1 (*Mapping*) requirements, creation of a plan designed to reduce emissions, focused on the continual minimisation of emission levels (scope 1 and scope 2 application field).
- Optimisation – in addition to the level 1 (*Mapping*) and 2 (Reduction) levels, the calculation of the airport emissions of the *stakeholders* and their involvement in the drawing up of an action plan (scope 3).
- Neutrality – in addition to levels 1, 2 and 3, the reaching of the "*Carbon Neutrality*" objective for emissions under the direct control of the airport manager (scope 1 and 2) with the acquisition of offsets.
  - > Scope 1 – Direct emissions – Emissions associated with sources owned or under the control of the company.
  - > Scope 2 - Indirect Emissions - Emissions associated with the generation of electricity or thermal energy acquired or consumed by the company, which is physically emitted within the corporate scope.

The European project

The involvement of the company in international research and innovation projects was further developed, principally focused on environmental and safety/security issues. A brief summary of the 2016 projects is presented below:

Projects that are part of the H2020 Programme:

- e-infrHealth: management of health safety connected to international flows;
- CAPP: protection of strategic infrastructures;
- TRANSURE: European ecosystems for cyber security and resilience.

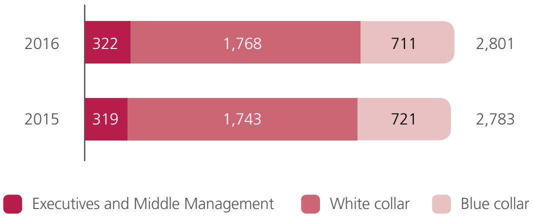
Projects that are part of the Interreg Central Europe Programme:

- DECIBEL.AIR: integration of solutions on noise abatement;
- NICNES: innovative interventions for energy insulation and soundproofing.

A brief description is provided below on projects started in previous years and still in progress or completed in 2016:
CASCADE: important energy management project completed in 2015.
DREAM: The project is in the completion phase and the activities are proceeding as per the programme. A project focuses on the issue of energy, principally involves Malpensa and was undertaken to optimise consumption and to involve the various sources, including also, naturally, SEA Energia.
WATERNOMICS: project started in 2014 and aimed at optimising the water cycle at Linate airport. The final activities for completion are in progress.
OCTAVE: project launched in June 2015, which focuses on security processes related to biometric recognition (voice). The activities are proceeding as per the programme.

Human resources

FTE Personnel
average data



At December 31, 2016, SEA Group employees numbered 2,866, decreasing 39 on the end of 2015 (-1.3%). The total number of Full time equivalent employees in 2016 compared to 2015 increased 18 from 2,783 to 2,801 (+0.6%).
Females at the SEA Group represented 29% of the Headcount at December 31, 2016, equally distributed across classifications.

Organisation

The organisational arrangement of some staff and line structures were revised during the year. Specifically, the organisation of the Aviation Business Development Department was changed in order to develop all the potential traffic segments and generate new passengers flows by promoting the areas served by the Linate and Malpensa airports; and, in order to optimise processes and pursue continual improvement, the organisation structure was changed for the Legal and Corporate Affairs and Real Estate Departments and the Customer Care function. In addition, to reinforce the *compliance monitoring* process and in line with the regulatory requirements for airport safety a *Safety Management System Compliance Monitoring* function was created which reports directly to the *Chief Operating Officer*.
In terms of information confidentiality and protection of the company's reputation, a Media Policy has been issued regarding conduct rules for an aware use of social media by SEA employees.
With regard to company projects, an Enterprise Risk Management project has been started reporting to the Chief Financial and Risk Officer aimed a structuring a new process for identifying any potential risks that could affect company results and to monitor the mitigation level of these risks, allowing the Board of Directors and company management to provide guidelines for managing them. In addition activity continued with the objective to optimise purchasing cycle management processes with a particular focus on investments.

A process digitalisation project was started at the same time in HR to create paperless offices and traceability of information.

Development and training

A new section dedicated to the SEA Professional System was published on SEAnet in the first quarter of 2016. This space is used to present the history of the project from 2008 - the year it was introduced - to the present, re proposing contents, images and videos that have characterised the programme. In addition, this new section hosts the results of the last areas of competence evaluation campaign conducted on all of the company workforce at the end of 2015.
Based on the outcomes of the areas of competence evaluation, in May a pilot programme was started to reinforce language competence of a small group of people whose activity requires a good level of *business English* knowledge. This initiative will be repeated and expanded to a larger number of people in 2017.
"The value of Security" training project was started in June dedicated to Security professional figures. One hundred and thirty people were involved including Shift Manager and Supervisors in two days of meetings plus a half day follow-up at the end of the intervention. Security employees have also been involved in a training programme since November in day long meetings. In 2016, 135 employees were involved in the project; subsequent editions will be held in 2017 in order to involve the entire group composed of 530 people.
The SEA - Smart in Everyday Action project started in the second have of 2016. The project is aimed at focusing attention towards reaching everyday excellence, i.e. the managerial capacity to effectively manage the three routine, unexpected and critical issue scenarios. The project entailed the participation of more than 200 employees in charge of resources or processes/activities at the plenary meeting held at the end of October.
"Yes I Care" was held in October and November, an intervention dedicated to a group of 50 people who perform customer care activity in the call centres and information booths. This training had a dual propose: on one hand to increase organisational well-being in performing their jobs, to develop a multicultural approach and acknowledge and disseminate best practices; on the other to develop the ability to let passengers experience a "value" relationship to improve their perception of the quality of the offered service and experience in the airport.

Technical Professional Training in 2016 once again placed maximum priority on compliance with a close focus on the governance and control of organizational processes across all activities relating to:
· *Mandatory Training*
· *Recurrent Training*.

a) Great efforts were devoted to the design and planning of Ground Safety training, in close relation with the implementation of the new EU Regulation 139/2014 laying down technical requirements and procedures for airport operators. Within this framework, Professional Training, through in-depth interventions to gain knowledge of new regulations, activated the content development lines related to the Safety Management System, with a view to spread knowledge about tools such as the Airport Manual, Airport Regulation, Emergency Plans and the support and fire-fighting services.
b) In terms of Airside *Safety Recurrent* training for the position of Specialised Driver was focussed on the comprehension of the management and operational side of the *Safety Management System*, knowledge and use of the GSR - Ground Safety Report – including through the introduction of Just Culture and Human Factor concepts, which recognise the central role of people in Apron activities for Safety and Security related aspects identifying the critical aspects and opportunities for improvement. 120 persons attended this course. Recurrent training for *de-icing/* anti-*icing* operations, in line with SEA Recommendations, involved the main figures of the Operations Department in the airports with 170 participants.
c) A category DPI III course, confined spaces and work at height was performed in the occupational safety area as per Legislative Decree 81/08, pursuant to Presidential Decree 177/11. 100 persons attended this course.
d) Firefighting activities were geared towards complete technical-practical training with 9 exam sessions for licensing for "Emergency management employee", with 78 new SEA employees certified in the Airport Security, Maintenance and Coordination areas. Training was also implemented for Apron Emergency Management specifically for the position of Specialist Driver.
e) An initial theoretical-practical course was activated for 14 new electricians and electromechanical maintenance personnel for the Standard CEI 11-27 "Works near electrical systems and Electrical works on live and disconnected systems in compliance with the Consolidated Act on Safety" which will give the possibility of assigning PES (expert person) and PAV (warned person) electrical jobs and in parallel the CEI 11-27 PES PAV refresher course that involved around 150 participants in the airports.
f) In terms of PRMs *Passengers Reduced Mobility Recurrent* courses were organised for Assistance employees in compliance with the reference standard ECAC, *European Civil Aviation Conference*. 110 persons attended this course. In compliance with the ENAC GEN 02A circular letter, PRM training courses were held at Linate and Malpensa for personnel in contact with travellers, dedicated to 660 people.
g) In order to observe the laws and *compliance*, specific remote training continued on the administrative responsibility of Entities, related to Legislative Decree no. 231/01 and on the Organisational and Management Model adopted by the Company. Initially started for administrative personnel, it later involved SEA operating figures. Over 1,000 employees completed this training during the year.
h) Lastly, at Linate and Malpensa in collaboration with the Infrastructure Department and Occupational and Infrastructure Safety Unit ongoing professional training programmes were organised, governed by Presidential Decree 137/2012 no. 137, to obtain Professional Training Credits (CFP), in order to permit updating and certification of the required knowledge and skills. Around 100 employees participated.

Welfare

Welfare activity in 2016 started at the beginning of the year by taking stock of the initiatives implemented in 2015 and with an analysis of the data which showed that 82% of SEA employees had benefited from at least one of the Welfare area services. This is demonstration of the great interest the employees have for the proposed services.
Along with planning of the traditional initiatives that are part of the annual welfare plan, particular focus was dedicated in 2016 to planning new initiatives in response to the current needs for employees with priority on the education and scholastic/work orientation of employees' children, with an increase and diversification of initiatives as described below:

- Intercultural scholarships, scholarships for living and studying abroad. Two scholarships were made available in 2016, one for China and one for Denmark; the initiative will be proposed for 2017 as well, with increase in the number of scholarships from 2 to 3;
- Push to Open, programme dedicated to young people in the final years of high school. The 2015/2016 edition ended in April, and was very popular with

the participants, therefore the company has reproposed the initiative, with a new programme made available in autumn for another 22 participants;

- HRC–Talent Days: career guidance classes dedicated to young college graduates or those about to graduate, now in its fourth edition at the company. The initiative lets the participants dialogue with company managers and acquire fundamental and concrete tools for taking their first steps in the job market. A total of 20 young people participated in the 2016 editions in May and October;
- Academic scholarships, dedicated to all young people enrolled in middle school and high school, professional schools and university programmes. New admittance requirements were established for the 2016 edition, with the aim of awarding those who obtained the best results and to represent a stimulus for a commitment and consistency in their studies. More than 480 middle school and high school students were awarded scholarships in October and November;
- Learn to study with SEA: in 2016, in collaboration with a centre specialised in Learning Assistance, SEA proposed a cycle of short courses where methods were presented to learn how to study effectively. These courses were aimed at employees' children who attend middle school and high school. The courses involved at total of more than 100 students;
- Work Experience Programmes: the Ministry of Education, University and Research (MUIR) has added a "work experience" programme to the education offering of high schools, starting from the 2016/2017 academic year. The project alternates classroom hours with hours working in companies. SEA participated in this initiative, designing an education programme at schools and training on the job (*summer job*) in the airport;
- Agreements: with the objective of offering assistance to middle school and high school students who are experiencing difficulties at school where agreements have been stipulated with Learning Assistance Centres.

A major commitment has also been dedicated to the activities included in SEA's participation in the "Family Audit" certification process, with the organisation of a work group that contributed to preparing a proposal of innovative solutions related to: job flexibility, smart working and a culture of reconciliation.

Comparison and benchmarking activities continued on company welfare and life-work reconciliation issues with external entities, both corporate and institutional, undertaken with Valore D, the "Imprese e Persone" network and Jointly.

Internal Communication

During 2016, in line with the programme over the past few years, activities linked to internal communication issues have been dedicated to the development of dialogue and communication models and tools in constant evolution between the company and people and between employees, with a special focus on the digital dimension. The programme in recent years has included preparation of a simple communication portal (electronic bulletin board) and creation of an environment - SEAnet - which integrates various utilities and then makes social functionalities available to listen and gather feedback, promotion sharing of knowledge and operating communication. The culmination of this experience is the creation of a full-fledged *digital workplace*, a unique digital interface to support communication, collaboration, *knowledge* and company processes.

Additional projects are planned which will cover the *Knowledge management* areas, particularly significant for a high *know how* context like the airport sector.

Industrial relations

Constant discussion continued with Trade Unions in the first half of 2016, regarding problems as they emerged in the single departments. For the Linate Airport these involved in particular: the Security department with the introduction of a new shift aligned with operating needs resulting from the management of new controls/traffic and with the definition of a new organisation to supervise quality; the Club Sea department with restructuring of the exposure to shifts; the Infrastructures and Roads department with definition of new procedures connected with the use of company equipment.

At Malpensa discussions primarily regarded the new organisational model of the Security department, with definition of equipped and autonomous controls used to increase the actual work provided and the Integrated Transport department, with the introduction of a new procedure to manage specific operating processes.

Along with the interventions on the single departments, the new *Job posting* process was presented to the Trade Unions. This is a search process where SEA informs its employees, through announcements published on SEAnet of open positions and then used to manage the candidate selection process.

Interventions continued to increase the productivity of the individual departments. These interventions also involved Malpensa's Security, with the introduction of independent remote work stations and the reduction of unproductive transfer times within working hours.

After specific agreements with the Trade Unions four financed training projects were started in the second half of 2016 for more than 650 people (Shift Managers, Supervisors, Security Employees, Call centre and Information Employees and Professional).

A Draft Framework Agreement Report was signed with the Trade Unions on July 22, 2016, with a 2016-2023 time frame, to support the company's development plans. This agreement includes, among other things: i) modification of the company scope - with particular focus on the disposal of the ticketing activities and outsourcing of the carpark operating activities with retraining of personnel of the affected departments or, alternatively, an incentive plan to leave; ii) planning, on one hand, of a incentive plan to leave on a voluntary basis addressed to all of the other employees; iii) planning of an employment termination agreement for people retiring in 2018-2022, to finalise in 2018; iv) planning of a generational turnover through qualified and targeted hiring from the market based on the number who actually leave; v) future introduction of a performance bonus to support quality improvement and recovery policies.

An agreement was signed on November 3, 2016 aimed at confirming the regulatory and economic treatments required in the event of a Snow Emergency for the 2016/2017 season.

A trade union agreement was stipulated on January 3, 2017 which formalises the positive completion of the unemployment benefit procedure started on November 22, 2016 to implement the first part of the draft framework agreement of July 22, 2016.

Workplace health and safety

In 2016 the SEA Group confirmed its commitment to workplace safety with a view to continual improvement of health and safety conditions of activities carried out within the airport, also through the promotion of a culture based on increased awareness and involvement of all parties, at all levels, on prevention issues.

In 2016, the SEA Group renewal of the certification of its Workplace Health and Safety Management System, issued in 2012 by TÜV Italia - Accredited in line with the BS OHSAS 18001/2007 regulation, as established by Article 30 of Legislative Decree 81/08 for effective organisational models in line with Legislative Decree 231/2001.

The SGSSL was monitored through:

- 8 internal *audit*, conducted by specifically trained and authorised company personnel, resulting in follow up interventions with the managers of the involved areas; through these activities the findings reported by the SEA auditors were resolved and improvement actions were identified to reduce and control risks in the OHSAS area;
- 5 days of surveillance *audit* conducted by TÜV Italia certifiers. The audit activity involved all company operating areas and resulted in the confirmation of the validity of the current Certificate, previously renewed in November 2015.

The process for the involvement and consultation introduced by the Workplace Health and Safety Management System encourages the active participation of workers and their managers, demonstrating that highly engaged collaboration is critical to the prevention and management of risks.

According to the audit outcomes the system is properly implemented and maintained active and is functionally useful to the pursuit of business objectives.

The maintenance of the certification according to the BS OHSAS 18001/2007 regulation will allow the SEA Group to reduce the annual INAIL insurance premium in 2016.

The occupational accident trend in 2016 was basically in line with the previous year, reporting the same number of accidents on the job in the presence of a slightly increased number of working hours (+1.3%) and an increase of three cases while in transit. It should also be noted that about 40% of accidents at work were related to situations that have little or nothing to do with the specific job, being directly linked to accidents occurred while walking (stumbling, slipping, sprains, etc.).

In relation to activities correlated with fire prevention and management, a system of specific internal audits were implemented in 2016 to verify the correctness of operation and compliance with the fire prevention standard of spaces assigned to retail operators present in the two Malpensa Terminals already defined by SEA in specific firefighting Regulations. The same activity is planned for the Linate Terminal in the first months of 2017.

Firefighting regulations have been prepared and distributed to non retail space licensees for operating the assigned spaces.

Thirteen drills were performed at the two airports in 2016 on implementation of the Emergency and Evacuation Plans and warning and fire detection systems, which involved the Emergency Management Employees (AGE) and personnel of the various involved buildings; the performed drills provided positive feedback on the managerial aspect and the measures implemented to date.

The internal staff of the Prevention and Protection Service updated the Risk Assessment Documents by performing:

- an analysis of actual 2015 data, relating to Work-Related Stress indicators, according to INAIL guidelines;
- updating of the noise risk assessment for workers working at the two company airports;
- updating of the "Vibrations - hand arm and whole body" risk assessment for users of vehicles and equipment at the two company airports;
- updating of the "Chemical" risk assessment for the operating functions of the two company airports;
- updating of the "Ionised Radiation" risk assessment for the two company airports;
- drafting of specific safety operating procedures and safety instructions to protect operators;
- updating of the mapping of low frequency electromagnetic fields on areas of both company airports.

In addition support was provided to the relevant functions for drawing up the DUVRI in order to ensure preventive management of interference risks resulting from the various activities carried out on airport areas by contracted third parties.
Management of relations with public Entities related to occupational safety problems (ATS, INAIL, DTL) continued, supported the involved company functions as needed.
In collaboration with qualified radiological protection experts, the monitoring activity in protection of workers safety continued, through specific environmental and personal dosimetries of ionised radiation, related to the transit of radioactive packages within the airports and the use of x-ray equipment.
Health surveillance activities on SEA workers exposed to special health risks continued, involving both medical examinations by qualified Company Doctors and inspections of workplaces at each airport. In addition, in order to implement the preventive management of risks associated with the use of equipment and machines introduced to support business activities, their preventive evaluation and analysis continued to be carried out at the time of purchase, as part of the internal testing Committee in which the Prevention and Protection Service of SEA is also involved.

In terms of SEA Prime and Signature Flight Support Italy Srl (previously Prime AviationServices), activities were completed to align documentation, training activities and operating practices to Group standards, related to regulatory requirements for occupational health and safety.

CORPORATE GOVERNANCE SYSTEM

This chapter contains the information required by art. 123-bis, paragraph 2, letter b), of Legislative Decree no. 58 of February 24, 1998 (Consolidated Finance Act "TUF"). Since the Company has not issued shares eligible for trading on regulated markets or in multilateral trading systems, it availed of the option contained in paragraph 5, art. 123-*bis* of the TUF to omit publication of the information as per paragraphs 1 and 2 of art. 123-*bis*, except that required by the aforesaid paragraph 2, letter b).

The *Corporate Governance* the joint stock Company Esercizi Aeroportuali S.E.A. ("SEA" or the "Company") consists of a set of rules in line with the laws and regulations applicable to it. The corporate governance system of the company is based on the traditional administration and control model as per Articles 2380-bis and subsequent of the Italian Civil Code, therefore with two corporate boards appointed by the Shareholders' Meeting – the Board of Directors, which undertakes the management of the Company, and the Board of Statutory Auditors, which is required to ensure financial control, together with the Shareholders' Meeting itself, which represents the common interests of shareholders.

Since June 27, 2001 SEA has complied with the Self-Governance Code for listed companies issued by the Committee for *Corporate Governance* of Borsa Italiana SpA (the "Self-Governance Code" or the "Code"). Although adherence to the Code is voluntary, SEA applies most of the recommendations contained in it, in order to implement an effective corporate governance system that appropriately allocates responsibilities and powers and promotes a correct balance between management and control.

For this purpose the Company prepares a corporate governance report on and annual basis along with the ownership structure which describes the corporate governance system adopted by SEA and provides information of the procedures for implementing the recommendations of the Self-Governance Code; the report is available on the website *www.seamilano.eu*.

The company is not subject to management and co-ordination pursuant to Article 2497 and subsequent of the Italian Civil Code.

The Board of Directors of SEA SpA has set up internally two Committees required by the Self-Governance Code undertaking proposing and consultation vis-a-vis the administrative body (i.e. the Control and Risks Committee and the Remuneration and Appointments Committee). The Committees comprise non-executive Directors. The prerogatives of the Committees are established by motions of the Board of Directors, based on the recommendations and principles of the Self-Governance Code; at the Committee meetings minutes are prepared and maintained by the Company.

The Shareholders' Meeting is the body that, through its resolutions, expresses the shareholders wishes. The Shareholders' Meetings approves the most important decisions of the Company, among which, the appointment of the Corporate Boards, the approval of the financial statements, and any changes to the Company By-laws.

The Board of Directors is invested with the broadest powers for managing the Company: it has the right to perform all acts it deems opportune for implementing and achieving the business purposes, except those which by law and the by-laws are reserved for the Shareholders' Meeting. The Board of Statutory Auditors is the Company's control body. The Board of Statutory Auditors in office at the date of the present report was appointed by the Shareholders' Meeting of May 4, 2016 in accordance with the Company By-laws and remains in office until the approval of the financial statements at December 31, 2018. The Board of Statutory Auditors monitors compliance with the law and the By-Laws, compliance with correct administration principles and, in particular, the adequacy of the organisation, administrative and accounting structure of the Company and its correct operation. Auditing functions are assigned to an independent Audit Firm by the Shareholders' Meeting.

The internal control and risk management system is based on the recommendations of the Self-Governance Code and applicable best practices; one of the instruments adopted by the Company for this purpose is the Organisational and Management Model pursuant to Legislative Decree 231/01. SEA and its subsidiaries have each prepared their own "Ask mapping" aimed at adopting their organisational, management and control models pursuant to Legislative Decree 231/2001 (individually, the "Model" and the "Models" collectively), effective and adequate to the specific company situation and nature of the business of each one, whose main purpose if to prevent the crimes contained in the reference laws. The Model is constantly updated based on changes in legislation with introduction of new crimes included in the legislation.

SEA's *Corporate Governance* system is also composed of procedures which govern the activities of the various company functions, also constantly verified and updated in line with the evolution of the regulatory context and changes in operating practices.

The share capital totals Euro 27,500,000.00 entirely paid in - divided into 250,000,000 shares - with a nominal value of Euro 0.11 each.. The shares are registered and indivisible. The shares are not traded on regulated markets. The Company did not hold treasury shares as of December 31, 2016 and the share capital is divided as described in the paragraph "Share capital structure".

Internal Control and Risk Management System

Background information

The Internal control and risk management system is represented by all of the instruments, rules, procedures and company organisational structures aimed at ensure compliance with legal and by-law requirements, reliable and accurate financial disclosures and protection of the company's assets in line with the company objectives established by the Board of Directors. The Board is responsible for the internal control and risk management system which, based on information provided by the functions/bodies assigned with company internal control and risk management to the Chairman and the Control and Risks Committee, establishes the guidelines, checks their adequacy and actual operation and ensure the identification and correct management of the main company risks.

The procedures and organisation subject to the internal control and risk management system is implemented in order to ensure:

- compliance with laws, regulations, the by-Laws and policy;
- the safeguarding of the company's assets;
- the efficiency and effectiveness of the business processes;
- the reliability of financial disclosure.

One of the tools implemented in order to reach the objectives of the Internal Control and Risk Management System is the Organisational and Management Model pursuant to Legislative Decree 231/01.

Main characteristics of the internal control and risk management systems in relation to the financial disclosure process contained in the financial statements and half year report

The Internal control system on SEA's financial disclosures ensures the exchange of data and information with its subsidiaries, implementing its coordination. Specifically, this activity is performed through the distribution, by the parent company SEA, of the laws governing application of the reference accounting standards for the purposes of preparing the SEA Group's consolidated financial statements and the procedures which govern the preparation of the yearly financial statements and consolidated financial statements as well as reports and half year report. Controls are established downstream from a process conducted by the parent company SEA according to an approach aimed at identifying the critical issues typical of the single organisational entities, which could have significant effects on financial disclosures.

Main characteristics of the internal control and risk management systems in relation to the financial disclosure process

The risk management system must not be considered separately from the internal control system in relation to the financial disclosure process. The System is aimed at ensuring the reliability, accuracy, dependability and timeliness of financial disclosures.

The monitoring process for the Internal control and risk management system on financial disclosures is structured in the following phases:

1) identification of the risks on financial disclosures: the activity is performed for the separate financial statements of SEA and the consolidated financial statements of the SEA Group, taking into consideration quality and quantity aspects first related to selection of the significant companies to include in the analysis and then the significant transactions.
2) Assessment of the risks on financial disclosures: the risks are assessed in terms of potential quality and quantity impact. The risk assessment is conducted at both individual company level and specific process level.
3) Identification of controls implemented to mitigate previously identified risks both at individual company and process level.
4) The SEA Group started an Enterprise Risk Management (ERM) programme in 2016 aimed at building a model to uniformly and thoroughly identify, classify, measure and assess the risks correlated with the performance of the company's business, as well as to continuously monitor the same, to back management's strategic choices and decisions and provide assurance for reference stakeholders. Thus a SEA risk model was established and an initial risk assessment conducted which involved management and which was completed with the identification and assessment of the main company risks and of the existing risk management systems.

The next phases of the project will involve definition of the ERM framework through representation of the company's Risk Appetite compared to the identified risks, definition of rules, instruments and procedures for risk measurement, control, monitoring and reporting.
The components of the Internal control and risk management system described above are coordinated and interdependent on each other and the System, in its entirety, involves - with different roles and based on collaboration and coordination logic - the administrative bodies, supervisory and control bodies and management of the Company and SEA Group. SEA's Board of Directors has not appointed an executive direction assigned to supervise the operations of the internal control and risk management system.

Functions of the Control and Risks Committee

The Committee provides consultation and proposals for the Board of Directors related to internal control and risk management issues. The CRC identifies the company risk and submits them to the Board of Directors for review and it implements the Board's guidelines through the definition, management and monitoring of the internal control system. The Control and Risks Committee also examines and approves the Annual Audit Plan.
The Committee also performs the functions of Related Parties Committee (with the exception of operations related to subjects reserved solely for the Remuneration and Appointments Committee).

Internal Audit function manager

Auditing of the adequacy and operation of the Internal control and risk management system is assigned to the Group's Audit Department. The Manager of the Auditing function refers to the Chairman and the Control and Risks Committee; he is not manager of any operating area and does not report to any operating area manager, including the administration and finance areas. The Auditing Manager verifies the operation and adequacy of the internal control and risk management system and compliance with the internal procedures issued for such purpose. The Auditing Manager has spending autonomy and extends his activity to all SEA Group companies. Likewise, SEA's Auditing Department reports hierarchically to the Chairman and functionally to the Board of Directors and Control and Risks Committee. The Auditing Department is assigned with auditing the effectiveness, adequacy and maintenance of the Organisational and Management Model pursuant to Legislative Decree no. 231/2001 on behalf of the supervisory bodies of SEA and its subsidiaries.

Independent Audit Firm

The Independent Audit firm appointed to audit the separate annual report and consolidated report, periodically audit the regular keeping of accounting records and limited review of SEA's consolidated half year report is Deloitte & Touche SpA. This assignment was conferred by the Shareholders' Meeting on June 24, 2013 and extended until 2022 by the Shareholders' Meeting of May 4, 2016. The Board of Statutory Auditors and Independent Audit Firm periodically exchange information and data on the audits they perform.

Supervisory Body pursuant to Legislative Decree 231/2001

The Supervisory Body in office at the date of this Report was appointed by the Board of Directors' meeting on May 4, 2016 and is composed of four members (two external independent members, Luigi Ferrara – Chairman - and Alberto Mattioli, Director of the *Auditing* function, Ahmed Laroussi, and a non-executive member of the Board of Directors, Arabella Caporello[5]).
The Supervisory Body periodically reports to the Board of Directors on the effectiveness, adequacy and maintenance of the Model and sends the Board a written report annually on the implementation status of Model 231 and, specifically on the controls and audits performed as well as any critical issued that emerged.
The Supervisory Body has autonomous initiative powers as well as spending powers.

Organisation, management and control model as per Legislative Decree 231/2001

SEA has adopted an Organisational and management model pursuant to Legislative Decree 231/2001 - the legislative decree containing "*provisions governing the administrative responsibility of legal entities, companies and associations including without legal status*" (the "Decree") (the "Model") to prevent commission of the crimes contained in the Decree. The Model is thus adopted in compliance with the provisions of the Decree. The Model was adopted by the Board of Directors of SEA with motion of December 18, 2003 and subsequently amended and supplemented, latterly through Board of Directors motion of October 29, 2015. The Model comprises a "General Part" and a "Special Part". The corporate boards of SEA subsidiaries have adopted their own Organisational and Management Model pursuant to Legislative Decree 231/2001.

[5] The Director Arabella Caporello resigned from office on September 15, 2016.

Transactions with Related Parties Procedure

The Board of Directors at the meetings of December 18, 2014 and January 29, 2015 approved the "Related Party Transactions Procedure" (the "RPT Procedure"), in force since February 2, 2015.

The RPT Procedure is also available on the company's website *www.seamilano.eu*.

The Board of Directors, in assessing the substantial and procedural correctness of the transactions with related parties, is assisted by the Related Parties Committee which is represented, according to the issues dealt with, by the Control and Risks Committee or the Remuneration and Appointments Committee.

Code of Conduct

The Code of Conduct currently in effect was approved by the Board of Directors' meeting of December 17, 2015 and is an integral part of the Organisational and Management Model pursuant to Legislative Decree 231/2001.

The Code of Conduct is part of the wider "Ethical System" adopted by the Board of Directors and provides a reference framework of values and principles that the SEA Group intends to adopt in its decision making process.

The main tasks of the Ethics Committee, made up of a SEA director and by the heads of the "Human Resources and Organisation", "Legal and Corporate Affairs" and "Auditing" departments, are the circulation and supervision of compliance with the Ethics Code.

Anti-Corruption Contact Person

The Company identified, with effect from January 31, 2014, an Anti-Corruption contact person, in the person of the Head of Legal and Corporate Affairs, also a member of the Ethics Committee.

The anti-corruption contact person is exclusively assigned with the task of handing anti-corruption communications, as established pursuant to Law 190/2012, including vis-à-vis third parties; the role, the prerogatives and responsibilities of the anti-corruption contact person are therefore not similar to those contained in the reference laws for the Anti-Corruption Manager (i.e. the manager pursuant to Law 190/2012).

BOARD OF DIRECTORS' PROPOSALS TO THE SHAREHOLDERS' MEETING

The Board of Directors approves the draft Financial Statements at December 31, 2016 of SEA SpA, prepared in accordance with IFRS, which show a net profit of Euro 87,856,117.38.

The Board of Directors proposes to the Shareholders' Meeting to allocate the profit for the year 2016 of Euro 87,856,117.38 as follows:

- Euro 70,300,000.00 as dividends to the Shareholders, amounting to Euro 0.2812 per share;
- Euro 17,556,117.38 to the extraordinary reserve.

The Chairman of the Board of Directors
Pietro Modiano

SHAREHOLDERS’ MEETING RESOLUTIONS

The ordinary Shareholders’ Meeting held on 3 May 2017 resolved:

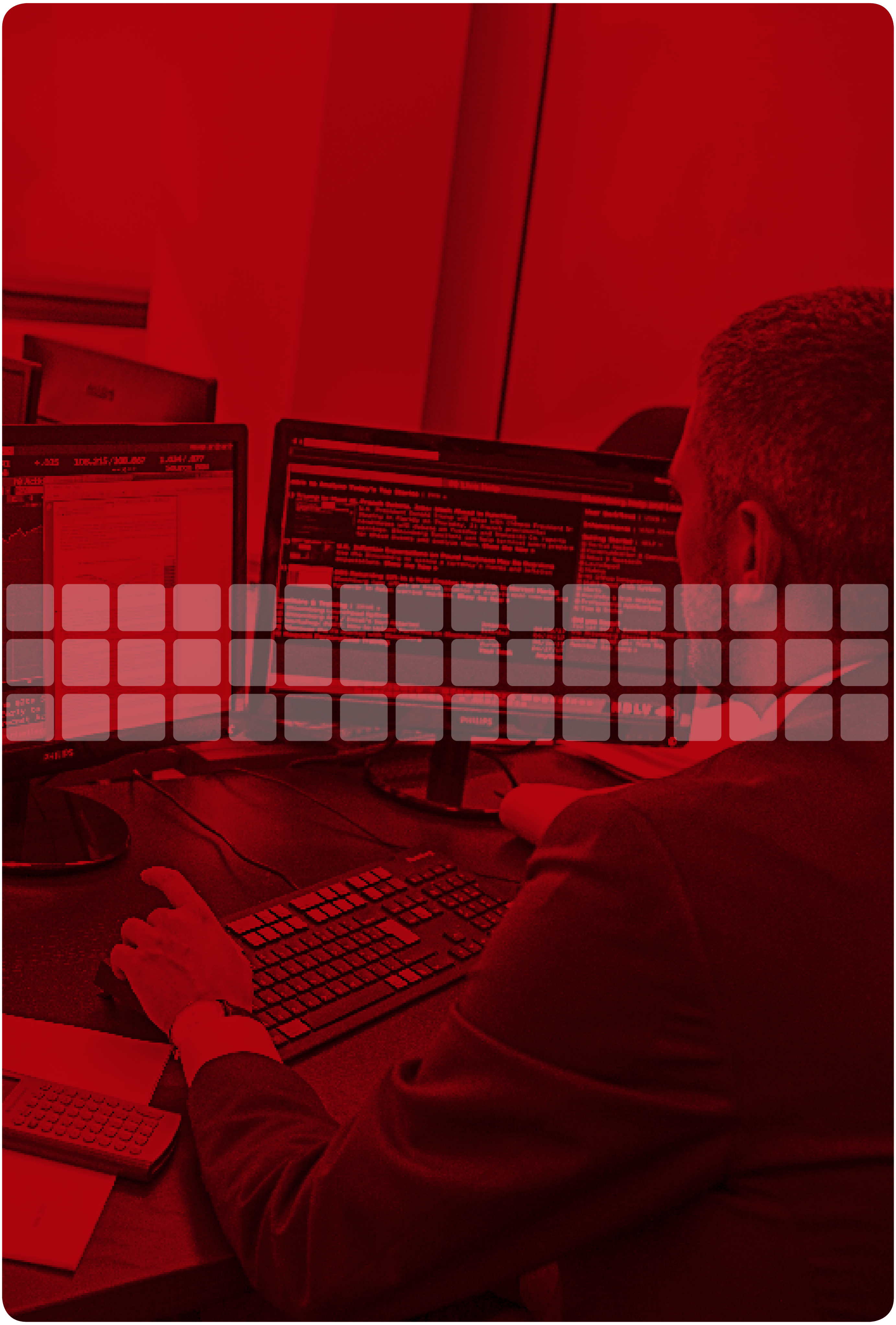
1) to approve the Directors’ report prepared by the Board of Directors and the Financial Statements at 31 December 2016 with the relevant Explanatory Notes, as proposed by the administrative body itself.

2) To approve the allocation of the net profit for 2016, amounting to Euro 87,856,117.38, as follows:
   - Euro 70,300,000.00 as dividends to Shareholders, amounting to Euro 0.2812 per share;
   - Euro 17,556,117.38 to the extraordinary reserve.

3) To set the deadline for the payment of the dividend at 26 June 2017, with any rounding on payment allocated to the extraordinary reserve.

The Chairman of the Board of Directors
Pietro Modiano

SEA GROUP CONSOLIDATED FINANCIAL STATEMENTS



FINANCIAL STATEMENTS

Consolidated Statement of Financial Position

(In thousands of Euro)

	Note	At December 31, 2016		At December 31, 2016	
		Total	of which Related Parties	Total	of which Related Parties
Intangible assets	6.1	1,011,111		1,004,432	
Tangible assets	6.2	190,276		190,925	
Investment property	6.3	3,398		3,412	
Investments in associates	6.4	51,597		47,387	
Available-for-sale-investments	6.5	26		26	
Deferred tax assets	6.6	43,665		42,282	
Other non-current financial assets	6.7	16,776		16,776	
Other non-current receivables	6.8	308		1,692	
Total non-current assets		1,317,157	0	1,306,932	0
Inventories	6.9	4,141		4,865	
Trade receivables	6.10	86,968	7,522	90,527	10,837
Tax receivables	6.11	14,800		12,751	
Other current receivables	6.11	18,563		13,286	
Other current financial assets	6.7	7,190		7,190	
Cash and cash equivalent	6.12	47,236		55,502	
Total current assets		178,898	7,522	184,121	10,837
Discontinued operation	5.2	10,732		11,502	
Elimination of receivables and payables from/to discontinued operations		(1,091)		(2,015)	
TOTAL ASSET		**1,505,696**	**7,522**	**1,500,540**	**10,837**
Share capital	6.13	27,500		27,500	
Other reserve	6.13	254,145		233,318	
Net profit	6.13	93,619		83,850	
Group Shareholders' equity		375,264		344,668	
Minority interests	6.13	566		541	
GROUP & MINORITY INTEREST SHAREHOLDERS' EQUITY		**375,830**		**345,209**	
Provision for risks & charges	6.14	174,061		177,902	
Employee provisions	6.15	49,220		48,239	
Non-current financial liabilities	6.16	549,069		569,806	
Total non-current liabilities		772,350		795,947	
Trade payables	6.17	161,530	3,465	164,486	2,945
Income tax payables	6.18	6,841		24,784	
Other payables	6.19	160,327		145,131	
Current financial liabilities	6.16	27,530		23,979	
Total current liabilities		356,228	3,465	358,380	2,945
Liabilities related to discontinued operations	5.2	2,379		3,019	
Elimination of receivables and payables from/to discontinued operations		(1,091)		(2,015)	
TOTAL LIABILITIES		**1,129,866**	**3,465**	**1,155,331**	**2,945**
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY		**1,505,696**	**3,465**	**1,500,540**	**2,945**

Consolidated Income Statement

(In thousands of Euro)

		2016		2015	
	Note	Total	of which Related Parties	Total	of which Related Parties
Operating revenues	7.1	653,512	37,834	642,408	36,979
Revenues for works on assets under concession	7.2	46,622		52,384	
Total revenues		**700,134**	**37,834**	**694,792**	**36,979**
Operating costs					
Personnel costs	7.3	(182,971)		(176,979)	
Consumable Materials	7.4	(37,805)		(44,262)	
Other operating costs	7.5	(201,841)		(201,694)	
Costs for works on assets und. concession	7.7	(43,114)		(48,781)	
Total operating costs		**(465,731)**	**(12,241)**	**(471,716)**	**(10,656)**
Gross Operating margin / EBITDA (*)		**234,403**	**25,593**	**223,076**	**26,323**
Provisions and write-downs	7.6	(5,497)		(3,245)	
Restoration & replacement provision	7.8	(17,193)		(14,242)	
Amortisation and Depreciation	7.9	(61,714)		(59,524)	
EBIT		**149,999**	**25,593**	**146,065**	**26,323**
Investment income (charges)	7.10	9,842	9,842	7,723	7,723
Financial charges	7.11	(18,940)		(19,929)	
Financial income	7.11	136		859	
Pre-tax profit		**141,037**	**35,435**	**134,718**	**34,046**
Income taxes	7.12	(47,263)		(54,165)	
Continuing operations profit		93,774	35,435	80,553	34,046
Discontinued operations profit/(loss)	5.2/7.13	(130)		3,238	
Minority interest profit		25		(59)	
Group profit		**93,619**	**35,435**	**83,850**	**34,046**
Basic earnings per share (in Euro)	7.14	0.37		0.34	
Diluted earnings per share (in Euro)	7.14	0.37		0.34	

** EBITDA is calculated as the difference between total revenues and total costs excluding provisions and write-downs. EBITDA for the comparison period, which included provisions and write-downs with the exception of the restoration and replacement provision, was therefore restated according to the new approach in order to ensure data comparability, as shown in the Explanatory notes paragraph 2.1 "Basis of preparation".*

Consolidated Comprehensive Income Statement

(In thousands of Euro)	2016		2015	
	Total	of which Related Parties	Total	of which Related Parties
Group profit	93,619	35,435	83,850	34,046
- Items reclassifiable in future periods to the net result				
Fair value measurement of derivative financial instruments	1,425		2,012	
Tax effect from fair value measurement of derivate financial instruments	(438)		(820)	
Total items reclassifiable, net of the tax effect	**987**		**1,192**	
- Items not reclassifiable in future periods to the net result				
Tax effect on actuarial profit/(loss) on Employee Leaving Indemnity	(1,813)		1,864	
Tax effect from Actuarial Profit/(Loss) on Employee Leaving Indemnity	653		(513)	
Total items not reclassifiable, net of the tax effect	(1,160)		1,351	
Total other comprehensive income items	(173)		2,543	
Total comprehensive profit	**93,471**		**86,334**	
Attributable to:				
- Parent Company Shareholders	93,446		86,393	
- Minority interest	25		(59)	

Consolidated Cash Flow Statement

(In thousands of Euro)

	2016 Total	2016 of which Related Parties	2015 Total	2015 of which Related Parties
Cash flow from operating activities				
Pre-tax profit	141,037		134,718	
Adjustments:				
Amortisation & depreciation of tangible & intangible assets	61,803		61,615	
Net change in provisions (ex. employee provisions)	(2,721)		4,027	
Net employee provisions	(1,079)		(1,202)	
Net change in doubtful debt provision	4,378		(3,696)	
Net financial charges	18,804		19,073	
Investment income	(9,842)		(7,723)	
AGCM penalty payment (excluding interest)			3,365	
Enforcement of contract guarantees			(2,200)	
Other changes in non-cash items	(3,547)		(4,870)	
Cash generated/(absorbed) from operating activities before working capital changes of Discontinued Operations	(622)		(210)	
Cash flow generated from operating activities before changes in working capital	**208,211**		**202,897**	
Change in inventories	465		628	
Change in trade receivables & other receivables	(5,461)	3,315	37,393	(1,302)
Change in other non-current assets	33		(1)	
Change in trade payables & other payables	14,519	520	(6,339)	389
Cash generated/(absorbed) from changes in working capital of Discontinued Operations	2,151		(19,239)	
Cash flow generated from changes in working capital	**11,707**	**3,835**	**12,442**	**(913)**
Income taxes paid	(68,050)		(37,987)	
AGCM penalty payment (including interest)			(3,368)	
Enforcement of contract guarantees			2,200	
Cash generated/(absorbed) of operating activities from Discontinued Operations	849		5,206	
Cash flow generated from operating activities	**152,717**	**3,835**	**181,390**	**(913)**
Investment in fixed assets:				
-intangible (*)	(47,138)		(65,775)	
-tangible	(19,523)		(17,557)	
Divestments of fixed assets:				
-tangible	1,647			
-financial			70	
Dividends received	2,935	2,935	2,337	2,337
Cash generated/(absorbed) from investing activities of Discontinued Operations	301		5,414	
Cash flow absorbed by investing activities	**(61,778)**	**2,935**	**(75,511)**	**2,337**
Inventory	9			
Current trade and other receivables	644			
Current trade and other payables	(842)			
RISK AND POST-EMPLOYMENT PROVISIONS	(592)			
Intangible assets	2			
Tangible assets	122			
Non-current assets net of non-current liabilities	23			
Deferred tax assets	150			
Financial debt	767			
Added value collected compared to shareholders' equity	872			
Cash flow from the sales transaction of 60% of Prime AviationServices SpA	**1,155**	**0**	**0**	**0**
Change in gross financial debt				
- increases / (decreases) in short-term and medium/long-term debt	(16,122)		(3,814)	
Changes in financial assets/liabilities	(1,587)		(2,439)	
Dividends distributed	(62,817)		(50,916)	
Interest and commissions paid	(17,188)		(18,707)	
Interest paid	33		484	
Cash generated/(absorbed) from financing activities of Discontinued Operations				
Cash flow absorbed by financing activities	**(97,681)**		**(75,392)**	
Increase/(decrease) in cash and cash equivalents	(5,587)	6,770	30,487	1,424
Cash and cash equivalents at beginning of period	62,001		31,514	
Cash and cash equivalents at period-end	56,414		62,001	
- of which, cash and cash equivalents included under Discontinued Operations	9,178		6,499	
Cash and cash equivalents at year-end reported in the accounts	47,236		55,502	

* *The investments in intangible assets are net of the utilisation of the restoration provision, which in 2016 amounted to Euro 16,386 thousand (Euro 12,218 thousand in 2015).*

Consolidated Statement of Changes in Shareholders' Equity

(In thousands of Euro)	Share Capital	Legal reserve	Other reserves & retained earnings	Actuarial profit / (losses) reserve	Derivative contracts hedge accounting reserve	Net Result	Consolidated Share-holders' Equity	Minority interest capital & reserves	Group & minority interest shareholders' equity
Balance at December 31, 2014	**27,500**	**5,500**	**236,721**	**(6,396)**	**(8,983)**	**54,858**	**309,200**	**600**	**309,800**
Transactions with shareholders									
Allocation of net profit for 2014			54,858			(54,858)	0		0
Dividends distributed			(50,925)				(50,925)		(50,925)
Other movements									
Other comprehensive income				1,351	1,192		2,543		2,543
Net Result						83,850	83,850	(59)	83,791
Balance at December 31, 2015	**27,500**	**5,500**	**240,654**	**(5,045)**	**(7,791)**	**83,850**	**344,668**	**541**	**345,209**
Transactions with shareholders									
Allocation of 2015 net profit			83,850			(83,850)	0		0
Dividends distributed			(62,850)				(62,850)		(62,850)
Other movements									
Other comprehensive income				(1,160)	987		(173)		(173)
Reclassification of reserve before first time application of IFRS			(4,947)	4,947			0		0
Net Result						93,619	93,619	25	93,644
Balance at December 31, 2016	**27,500**	**5,500**	**256,707**	**(1,258)**	**(6,804)**	**93,619**	**375,264**	**566**	**375,830**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Società per Azioni Esercizi Aeroportuali SEA is a limited liability company, incorporated and domiciled in Italy according to Italian Law (the "Company").

The Company's headquarters are located at Milan Linate Airport in Segrate (Milan).

The Company and its subsidiaries (jointly the "**Group**" or the "**SEA Group**") manages Milan Malpensa Airport and Milan Linate Airport under the 2001 Agreement signed between SEA and ENAC with a forty year duration (renewing the previous agreement of May 7, 1962).

SEA and the Group companies, in the running of the airports, are involved in the management, development and maintenance of the infrastructure and plant at the airports and offer customers all flight related services and activities, such as the landing and departure of aircraft and the airport security services (Aviation business); these companies in addition provide a wide and specialised range of commercial services for passengers, operators and visitors, both managed directly and outsourced (Non-Aviation business).

The SEA Group, through the company SEA Energia, produces electric and thermal energy both to serve the requirements of its airports and for sale on the external market.

In addition, through SEA Handling (in liquidation), a subsidiary of SEA, the SEA Group provided also land-side assistance services for aircraft, passengers, baggage, cargo and mail (commercial aviation handling business) until August 31, 2014. In particular, as described in the Directors' Report in relation to the negotiations with the European Union in the section "*Risk Factors of the SEA Group*", SEA took the decision in 2014 to discontinue of the commercial aviation Handling business, proceeding on the one hand with the liquidation of SEA Handling SpA - on July 1, 2014 (with provisional operations until August 31, 2014) - and on the other assigning on August 27, 2014 the investment in Airport Handling Srl to the Milan Airport Handling Trust.

The above-mentioned decisions therefore resulted in the exit from the consolidation scope of Airport Handling, as the assignment to the Trust resulted in the loss of control of SEA on the company and, pursuant to IFRS 5, the inclusion of the commercial aviation handling sector under discontinued operations.

Consequently, in 2016 handling activities only refer to general aviation handling activities connected with operations of the associate Signature Flight Support Italy Srl (previously Prime AviationServices SpA, held indirectly by SEA for 39.34%) and the associate Malpensa Logistica Europa SpA (held for 25%) which thus operate outside of the commercial aviation handling business.

At the preparation date of the present document, SEA has a 51% holding in Malpensa Construction Consortium, which provides engineering services and airport construction and infrastructure works. The Board of Directors voted to authorise the winding up and liquidation of the Malpensa Construction Consortium on February 22, 2017.

Lastly, it should be noted that the Group holds the following investments in associates measured under the equity method: (i) Dufrital (40% holding) which manages and supplies retail activities in other Italian airports, including Bergamo, Genoa and Verona; (ii) Malpensa Logistica Europa (in which SEA held 25% of the share capital at December 31, 2016) undertakes integrated logistics activities; (iii) SEA Services (40% of the share capital at December 31, 2016) which operates in the catering sector for the Milan airports and (iv) Disma (18.75% of the share capital) which manages a plant for the storage and distribution of aviation fuel at Milan Malpensa Airport.

The Company has a shareholding of 30.98% of the share capital of SACBO, which manages the Bergamo airport, Orio al Serio.

The activities carried out by the SEA Group, previously outlined above are therefore structured into the following major areas, with the Group sourcing revenues from each as follows:

- The Commercial Aviation business comprising the Aviation activities ("core" passenger and cargo aviation activities) and the Non Aviation activities (commercial services offered to passengers and users of the Milan Airports). The revenues generated by Aviation activities are established by a regulated tariff system and comprise airport fees, fees for the use of centralised infrastructure and shared assets and security fees and tariffs for the exclusive use of spaces by airlines and handlers. The rights and fees for security are set by Ministerial Decrees, while the fees for the use of centralised infrastructure and shared assets are monitored and verified by ENAC. The revenues from the Non Aviation activities consist of market fees and, with respect to activities carried out by third parties under license, of royalties based on a percentage of revenues generated by the licensee, usually with the provision of a guaranteed minimum. The General Aviation business includes both the General Aviation activities that provide the full range of services connected with business traffic at the West apron at Linate airport and General Aviation handling activities.

- The Energy business activities include the generation and sale of electric and thermal energy, providing coverage of the Milan Malpensa and Milan Linate energy requirements and which is also sold on the external market.

2. Summary of accounting principles adopted

The main accounting principles adopted in the preparation of the consolidated financial statements at December 31, 2016 are reported below.
The consolidated financial statements at December 31, 2016 and the tables included in the explanatory notes are prepared in thousands of Euro.

2.1 Basis of preparation

The Consolidated Financial Statements include the Consolidated Statement of Financial Position, the Consolidated Income Statement, the Consolidated Comprehensive Income Statement, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Shareholders' Equity and the Explanatory Notes.
It should be noted that the following restatements have been made for a better representation of the financial statement figures: i) EBITDA was calculated in 2016 as the difference between total operating revenues and total operating costs, excluding provisions and write-downs.. Consequently it was restated for the previous year in order to make the figures comparable; ii) the payable for a surtax on landing fees has been reclassified from "Income tax payables" to "Other payables", with consequent reclassification of the previous year values, for comparison purposes.

As in the 2015 financial statements, IFRS 5 has been applied to the commercial aviation handling sector, its income statement does not contribute to the results of 2016 on every type of cost and revenue line, but is reported in a specific separate line of the income statement called "Discontinued Operations profit/(loss)"; the same treatment is applied to the assets and liabilities connected with the commercial aviation *handling* sector, reported in specific asset and liability items.
A specific paragraph of these Explanatory Notes, to which reference should be made (Paragraph 5.2 "*Discontinued Operations assets, liabilities and profit/(loss)*), illustrates the Discontinued Operations' accounts presented in the Consolidated Income Statement, the Consolidated Statement of Financial Position and the Consolidated Cash Flow Statement.

The Consolidated Financial Statements at December 31, 2016 were prepared in accordance with IFRS in force at the approval date of the financial statements and the provisions of Article 9 of Legislative Decree 38/2005. The term IFRS includes all of the International Financial Reporting Standards, all of the International Accounting Standards and all of the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) previously called the Standing Interpretations Committee (SIC) approved and adopted by the European Union.
In relation to the presentation method of the financial statements "the current/non-current" criterion was adopted for the statement of financial position while the classification by nature was utilised for the comprehensive income statement and the indirect method for the cash flow statement.

The consolidated financial statements were prepared in accordance with the historical cost convention, except for the measurement of financial assets and liabilities, including derivative instruments, where the obligatory application of the fair value criterion is required.

The Consolidated Financial Statements were prepared in accordance with the going concern concept, therefore utilising the accounting principles of an operating business. Company Management evaluated that, although within a difficult economic and financial environment, there are no uncertainties on the going concern of the business, considering the existent capitalisation levels and there are no financial, operational, management or other indicators which could indicate difficulty in the capacity of the company to meet its obligations in the foreseeable future, and in particular in the next 12 months. In the preparation of the Consolidated Financial Statements at December 31, 2016, the same accounting principles were adopted as in the preparation of the Consolidated Financial Statements at December 31, 2015 as

indicated below. Following the issue on a regulated market of the "SEA 3 1/8 2014-2021" bond, IFRS 8 and IAS 33 concerning segment reporting and earnings per share were utilised.
For a better presentation of the financial statements, the income statement was presented in two separate tables: a) the Consolidated Income Statement and b) the Comprehensive Consolidated Income Statement.
The Consolidated Financial Statements were audited by the audit firm Deloitte & Touche SpA, the auditor appointed by the SEA SpA Company and the Group.

2.2 IFRS accounting standards, amendments and interpretations applied from January 1, 2016

The International Accounting Standards, the amendments and the interpretations for which application is mandatory as of January 1, 2016, following completion of the relative approval process by the relevant authorities, are illustrated below. The adoption of these amendments and interpretations has not had any impact on the financial position or on the result of the Company.

	Date approved	Publication in the Official Gazette	Effective date as per the standard	Effective date applied by SEA
Amendment to IAS 19 Employee benefits	Dec 17, 14	Jan 09, 15	Periods beginning Feb 01, 15	Jan 01, 16
Annual improvements cycles 2010-2012	Dec 17, 14	Jan 09, 15	Periods beginning Feb 01, 15	Jan 01, 16
Amendment to IFRS 11 Joint arrangements on acquisition of an interest in a joint operation	Nov 24, 15	Nov 25, 15	Periods which begin from Jan 01, 16	Jan 01, 16
Amendment to IAS 16 Property, plant and equipment and IAS 38 Intangible assets on depreciation and amortisation	Dec 02, 15	Dec 03, 15	Periods which begin from Jan 01, 16	Jan 01, 16
Annual improvements cycles 2012-2014	Dec 15, 15	Dec 16, 15	Periods which begin from Jan 01, 16	Jan 01, 16
Amendment to IAS 1 Presentation of financial statements on the disclosure initiative	Dec 18, 15	Dec 19, 15	Periods which begin from Jan 01, 16	Jan 01, 16
Amendment to IAS 27 Separate financial statements on the equity method	Dec 18, 15	Dec 23, 15	Periods which begin from Jan 01, 16	Jan 01, 16

2.3 Accounting standards, amendments and interpretations not yet applicable and not adopted in advance by the Group

Below we report the International Accounting Standards, interpretations and amendments to existing accounting standards and interpretations, or specific provisions within the standards and interpretations approved by the IASB which have already been endorsed by the European Union, which are not yet applicable on a compulsory basis and which are not adopted in advance by the Company:

	Approved at the date of the present document	Effective date as per the standard
Amendment to IAS 12 Recognition of deferred tax assets for unrealized losses	NO	Periods which begin from Jan 01, 2017
Amendment to IAS 7 Disclosure initiative	NO	Periods which begin from Jan 01, 2017
IFRS 9 Financial instruments	YES	Periods which begin from Jan 01, 2018
IFRS 15 Revenue from contracts with customers	YES	Periods which begin from Jan 01, 2018
Amendment to IFRS 2 Clarification and measurement of share based payment transactions	NO	Periods which begin from Jan 01, 2018
Annual improvements cycles 2014-2016	NO	Periods which begin from Jan 01, 2018
IFRIC 22 Foreign currency transactions and advance consideration	NO	Periods which begin from Jan 01, 2018
Amendment to IAS 40 Transfers of investment property	NO	Periods which begin from Jan 01, 2018
IFRS 16 Leases	NO	Periods which begin from Jan 01, 2019

No accounting standards and/or interpretations were applied in advance, whose application is obligatory for periods commencing after December 31, 2016.
The potential impact that the accounting standards, amendments and interpretations applicable in future periods may have on the financial reporting of Group companies are currently being examined and assessed.

2.3.1 IFRS standards, amendments and interpretations not yet approved by the European Union

At the date of the present Consolidated Financial Statements, the relevant bodies of the European Union have not yet concluded the process necessary for the implementation of the amendments and standards described below.
On January 30, 2014, the IASB issued IFRS 14 - Regulatory Deferral Accounts that allows first time adopters of IFRS to continue recognizing the amounts of "Rate Regulation Activities" in accordance with previously adopted accounting standards. The Company/Group not being a first-time adopter, this standard is not applicable.
On January 13, 2016, the IASB issued IFRS 16 - Leases which is intended to replace IAS 17 - Leases, and IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The new standard provides a new definition of *lease* and introduces a model based on control (*right of use*) of an asset to distinguish between lease contracts and contracts for services, identifying the following differences: identification of the asset, right to substitute it, right to substantially obtain all of the economic benefits from use of the asset and right to manage use of the asset underlying the contract.
The standard establishes a single lease recognition and measurement model for the lessee which entails recognizing the leased asset, including under an operating lease, as asset in the balance sheet with a financial payable as contra entry, while also providing for the option to not recognize as leases contracts covering "*low-val-*

ue assets" and those with a term equal to or less than 12 months. By contrast, the Standard does not include significant changes for lessors.
The standard is applicable from January 1, 2019, but early application is permitted only for companies that opt for early adoption of IFRS 15 - Revenue from Contracts with Customers.
On January 19, 2016 an amendment was issued to IAS 12 "*Recognition of Deferred Tax Assets for Unrealised Losses*". The document aims to provide clarifications on the recognition of deferred tax assets on unrealized losses upon the occurrence of certain circumstances and on the estimate of taxable income for future years. The amendments are applicable as of January 1, 2017, although early application is permitted.

On January 29, 2016 an amendment was issued to IAS 7 "*Disclosure Initiative*". The document aims to provide clarifications to improve disclosures on financial liabilities. Specifically, the amendments require to disclose information that enables users of financial statements to understand the changes in liabilities arising from financing operations. The amendments are applicable as of January 1, 2017, although early application is permitted. It is not required to present comparative information relating to prior years.
On June 20, 2016 an amendment was issued to IFRS 2 "*Classification and measurement of share-based payment transactions*" which contains some clarification regarding accounting for the effects of *vesting conditions* in the presence of *cash-settled share-based payments*, classification of *share-based payments* with *net settlement* characteristics and reporting of changes to the terms and conditions of a *share-based payment* which change its classification from *cash-settled* to *equity-settled*. The amendments are applicable as of January 1, 2018, although early application is permitted.
On September 12, 2016 IASB published "*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*": for enterprises whose business is primarily composed of insurance activities, the amendments are aimed at clarifying concerns resulting from application of the new IFRS 9 standard to financial assets, before the current IFRS 4 standard is replaced by IASB with a new standard in the process of being prepared, used as a basis to measure financial liabilities.
On December 8, 2016, the IASB published the "Annual Improvements to IFRSs: 2014-2016 Cycle" (including IFRS 1 *First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters, IAS 28 Investments in Associates and Joint Ventures – Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice, IFRS 12 Disclosure of Interests in Other Entities – Clarification of the scope of the Standard*), which partly supplements the existing standards.
On December 8, 2016 IASB issued the interpretation IFRIC 22 "*Foreign Currency Transactions and Advance Consideration*" with the aim of providing guidelines for transactions in foreign currency where advance consideration is reported in the financial statements, before reporting of the relative asset, cost or revenue. This document provides instruction on how an enterprise must determine the transaction date and consequently the spot exchange rate to use for transactions in foreign currency where the payment is made or received in advance. IFRIC 22 is applicable as of January 1, 2018, although early application is permitted.
On December 8, 2016 an amendment was issued to IAS 40 "*Transfers of Investment Property*". These amendments clarify transfers of property to or from investment property. Specifically, an enterprise must reclassify property to or from investment property only when there is evidence that a change in the property's use has occurred. Such change must be related to a specific event that occurred and not just be limited to a change in the intentions of the enterprise's Management. These amendments are applicable as of January 1, 2018, although early application is permitted.

On September 11, 2014 an amendment was issued to IFRS 10 and IAS 28 "*Sales or Contribution of Assets between an Investor and its Associate or Joint Venture*" in order to resolve the current conflict between IAS 28 and IFRS 10 related to the measurement of profit or loss resulting from the sale or contribution of a *non-monetary asset* to a joint venture or associate in exchange for a portion of share capital of the latter. The IASB has currently suspended the application of this amendment.

2.4 Consolidation methods and principles

The financial statements of the companies included in the consolidation scope were prepared as at December 31, 2016 and were appropriately adjusted, where necessary, in line with Group accounting principles.
The consolidation scope includes the financial statements at December 31, 2016 of SEA, of its subsidiaries, and of those subsidiaries upon which it exercises a significant influence.
In accordance with IFRS 10, companies are considered subsidiaries when the Group simultaneously holds the following three elements:

(a) power over the entity;
(b) exposure, or rights, to variable returns deriving from involvement with the same;
(c) the capacity to utilise its power to influence the amount of these variable returns.

The subsidiary companies are consolidated using the line-by-line method. The criteria adopted for the line-by-line consolidation were as follows:

- the assets and liabilities and the charges and income of the companies fully consolidated are recorded line-by-line, attributing to the minority shareholders, where applicable, the share of net equity and net result for the period pertaining to them; this share is recorded separately in the net equity and in the consolidated income statement;
- business combinations are recognised according to the acquisition method. According to this method, the amount transferred in a business combination is valued at fair value, calculated as the sum of the fair value of the assets transferred and the liabilities assumed by the Group at the acquisition date and of the equity instruments issued in exchange for control of the company acquired. Accessory charges to the transaction are generally recorded to the income statement at the moment in which they are incurred. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recorded at fair value at the acquisition date; the following items form an exception, which are instead valued according to the applicable standard:
    - deferred tax assets and liabilities;
    - employee benefit assets and liabilities;
    - liability or equity instruments relating to share-based payments of the company acquired or share-based payments relating to the Group issued in substitution of contracts of the entity acquired;
    - assets held-for-sale and discontinued operations;
- the acquisition of minority shareholdings relating to entities in which control already exists are not considered as such, but rather operations with shareholders; the Group records under equity any difference between the acquisition cost and the relative share of the net equity acquired;
- the significant gains and losses, with the relative fiscal effect, deriving from operations between fully consolidated companies and not yet realised with third parties, are eliminated, except for the losses not realised and which are not eliminated, where the transaction indicates a reduction in the value of the asset transferred. The effects deriving from reciprocal payables and receivables, costs and revenues, as well as financial income and charges are also eliminated if significant;
- the gains and losses deriving from the sale of a share of the investment in a consolidated company which results in the loss of control are recorded in the income statement for the amount corresponding to the difference between the sales price and the corresponding fraction of the consolidated net equity sold.

Associated Companies

Associated companies are companies in which the Group has a significant influence, which is alleged to exist when the percentage held is between 20% and 50% of the voting rights.

The investments in associated companies are measured under the equity method. The equity method is as described below:

- the book value of these investments are in line with the adjusted net equity, where necessary, to reflect the application of IFRS and includes the recording of the higher value attributed to the assets and liabilities and to any goodwill identified at the moment of the acquisition;
- the Group gains and losses are recorded at the date in which the significant influence begins and until the significant influence terminates; in the case where, due to losses, the company valued under this method indicates a negative net equity, the carrying value of the investment is written down and any excess pertaining to the Group, where this latter is committed to comply with legal or implicit obligations of the investee, or in any case to cover the losses, is recorded in a specific provision; the equity changes of the companies valued under the equity method not recognised through the income statement are recorded directly as an adjustment to equity reserves;
- the significant gains and losses not realised generated on operations between the Parent Company and subsidiary companies and investments valued under the equity method are eliminated based on the share pertaining to the Group in the investee; the losses not realised are eliminated, except when they represent a reduction in value.

2.5 Consolidation scope and changes in the year

The registered office and the share capital (at December 31, 2016 and December 31, 2015) of the companies included in the consolidation scope under the full consolidation method and equity method are reported below:

Company	Registered Office	Share capital at 31/12/2016 (Euro)	Share capital at 31/12/2015 (Euro)
SEA Handling SpA (in liquidation) (1)	Malpensa Airport - Terminal - Somma Lombardo (VA)	10,304,659	10,304,659
SEA Energia SpA	Milan Linate Airport - Segrate (MI)	5,200,000	5,200,000
SEA Prime SpA	Viale dell'Aviazione, 65 - Milan	2,976,000	2,976,000
Signature Flight Support Italy Srl (previously Prime AviationServices SpA) (2)	Viale dell'Aviazione, 65 - Milan	420,000	420,000
Consorzio Malpensa Construction	Via del Vecchio Politecnico, 8 - Milan	51,646	51,646
Dufrital SpA	Via Lancetti, 43 - Milan	466,250	466,250
SACBO SpA	Via Orio Al Serio, 49/51 - Grassobbio (BG)	17,010,000	17,010,000
SEA Services Srl	Via Caldera, 21 - Milan	105,000	105,000
Malpensa Logistica Europa SpA	Milan Linate Airport - Segrate (MI)	6,000,000	6,000,000
Disma SpA	Milan Linate Airport - Segrate (MI)	2,600,000	2,600,000

The companies included in the consolidation scope at December 31, 2016 and the respective consolidation methods are reported below:

Company	Consolidation Method at 31/12/2016	% Held at 31/12/2016	% Held at 31/12/2015
SEA Handling SpA (in liquidation) (1)	(1)	100%	100%
SEA Energia SpA	line-by-line	100%	100%
SEA Prime SpA	line-by-line	98,34%	98,34%
Consorzio Malpensa Construction	line-by-line	51%	51%
Signature Flight Support Italy Srl (previously Prime AviationServices SpA (2)	Equity	39,34%	98,34%
Dufrital SpA	Equity	40%	40%
SACBO SpA	Equity	30,979%	30,979%
SEA Services Srl	Equity	40%	40%
Malpensa Logistica Europa SpA	Equity	25%	25%
Disma SpA	Equity	18,75%	18,75%

(1) The Extraordinary Shareholders' Meeting of SEA Handling SpA in liquidation on June 9, 2014 approved the advance winding up of the Company and its placement into liquidation from July 1, 2014, while also authorising the provisional exercise of operations after July 1, for the minimum period necessary (the provisional exercise was confirmed in the Shareholders' Meeting of SEA Handling in liquidation of July 30, 2014 for the period July 1 - August 31, 2014). The decision to discontinue of the commercial aviation handling business did not result in the exit from the consolidation scope of the Group but the application of IFRS 5 for the discontinued operations.

(2) Indirectly through SEA Prime SpA. On April 1, 2016 SEA Prime SpA transferred 252 shares, representing 60% of share capital of the company Signature Flight Support Italy Srl. (previously Prime AviationServices SpA), to a third party company. Therefore, since the company was a subsidiary until March 31, 2016, it was consolidated under the full consolidation method in the consolidated financial statements of the SEA Group. Starting on April 1, 2016, the date when the Group lost control the company was classified as an associate and measured with the equity method. On February 14, 2017 the shareholder's meeting voted to transform the company from a Joint Stock Company to a Limited Liability Company and to change the company name from "Prime AviationServices" to "Signature Flight Support Italy".

2.6 Conversion of foreign currency transactions

The transactions in currencies other than the operational currency of the company are converted into Euro using the exchange rate at the transaction date. The foreign currency gains and losses generated from the closure of the transaction or from the translation at the balance sheet date of the assets and liabilities in foreign currencies are recognised in the income statement.

2.7 Accounting policies

Intangible Assets

An intangible asset is a non-monetary asset, identifiable and without physical substance, controllable and capable of generating future economic benefits. These assets are recorded at purchase and/or production cost, including the costs of bringing the asset to its current use, net of accumulated amortisation, and any loss in value. The intangible assets are as follows:

(a) Rights on assets under concession

The "Rights on assets under concession" represent the right of the Lessee to utilise the asset under concession (so-called intangible asset method) in consideration of the costs incurred for the design and construction of the asset with the obligation to return the asset at the end of the concession. The value corresponds to the "fair value" of the design and construction assets increased by the financial charges capitalised, in accordance with IAS 23, during the construction phase. The fair value of the construction work is based on the costs actually incurred increased by a mark-up of 6% representing the best estimate of the remuneration of the internal costs for the management of the works and design activities undertaken by the group which is a mark-up a third party general contractor would request for undertaking the same activities, in accordance with IFRIC 12. The determination of the fair value results from the fact that the lessee must apply paragraph 12 of IAS 18 and therefore if the fair value of the services received (specifically the right to utilise the asset) cannot be determined reliably, the revenue is calculated based on the fair value of the construction work undertaken.
The construction work in progress at the balance sheet date is measured based on the state of advancement of the work in accordance with IAS 11 and this amount is reported in the income statement line "Revenues for works on assets under concession'.
Restoration or replacement works are not capitalised and are included in the estimate of the restoration and replacement provision as outlined below.

Assets under concession are amortised over the duration of the concession, as it is expected that the future economic benefits of the asset will be utilised by the lessee.
The accumulated amortisation provision and the restoration and replacement provision ensure the adequate coverage of the following charges:

- free devolution to the State at the expiry of the concession of the assets devolved freely with useful life above the duration of the concession;
- restoration and replacement of the components subject to wear and tear of the assets under concession.

Where events arise which indicate a reduction in the value of these intangible assets, the difference between the present value and the recovery value is recognised in the income statement.

(b) Industrial patents and intellectual property rights

Patents, concessions, licenses, trademarks and similar rights

Trademarks and licenses are amortised on a straight-line basis over the estimated useful life.

Computer software

Software costs are amortised on a straight-line basis over three years, while software programme maintenance costs are charged to the income statement when incurred.
Intangible assets with definite useful life are annually tested for losses in value or where there is an indication that the asset may have incurred a loss in value. Reference should be made to the paragraph below "Impairments".

Tangible assets

Tangible fixed assets includes property, part of which under the scope of IFRIC 12, and plant and equipment.

Land and Buildings

Property, in part financed by the State, relates to tangible assets acquired by the Group in accordance with the 2001 Agreement (which renewed the previous concession of May 7, 1962). The 2001 Agreement provides for the obligation of SEA to maintain and manage airport assets for the undertaking of such activities and the right to undertake structural airport works, which remain the property of SEA until the expiry of the 2001 Agreement, i.e. May 4, 2041. The

fixed assets in the financial statements are reported net of State grants.
Depreciation of property is charged based on the number of months held on a straight-line basis, which depreciates the asset over its estimated useful life. Where this latter is beyond the date of the end of the concession, the amount is amortised on a straight-line basis until the expiry of the concession. Applying the principle of the component approach, when the asset to be depreciated is composed of separately identifiable elements whose useful life differs significantly from the other parts of the asset, the depreciation is calculated separately for each part of the asset.
For land, a distinction is made between land owned by the Group, classified under property, plant and equipment and not subject to depreciation and expropriated areas necessary for the extension of the Malpensa Terminal, classified under "Assets under concession" and amortised over the duration of the concession.
The free granting of assets is recognised at market value, according to independent technical expert opinions.

Plant & Equipment

These are represented by tangible fixed assets acquired by the Group which are not subject to the obligation of free devolution.
Plant and equipment are recorded at purchase or production cost and, only with reference to owned assets, net of accumulated depreciation and any loss in value. The cost includes charges directly incurred for bringing the asset to their condition for use, as well as dismantling and removal charges which will be incurred consequent of contractual obligations, which require the asset to be returned to its original condition.

The expenses incurred for the maintenance and repairs of an ordinary and/or cyclical nature are directly charged to the income statement when they are incurred. The capitalisation of the costs relating to the expansion, modernisation or improvement of owned tangible assets or of those held in leasing, is made only when they satisfy the requirements to be separately classified as an asset or part of an asset in accordance with the component approach, in which case the useful life and the relative value of each component is measured separately.
Depreciation is charged to the income statement based on the number of months held on a straight-line basis, which depreciates the asset over its estimated useful life. Where this latter is beyond the date of the end of the concession, the amount is amortised on a straight-line basis until the expiry of the concession. Applying the principle of the component approach, when the asset to be depreciated is composed of separately identifiable elements whose useful life differs significantly from the other parts of the asset, the depreciation is calculated separately for each part of the asset.
The depreciation rates for owned assets, where no separate specific components are identified are reported below:

Loading and unloading vehicles	10.0%
Runway equipment	31.5%
Various equipment	25.0%
Furniture and fittings	12.0%
Transport vehicles	20.0%
Motor vehicles	25.0%
EDP	20.0%

The useful life of property, plant and equipment and their residual value are reviewed and updated, where necessary, at least at the end of each year.

Investment property

This account includes owned buildings not for operational use. Investment property is initially recognised at cost and subsequently measured utilising the amortised cost criteria, net of accumulated depreciation and loss in value.
Depreciation is calculated on a straight-line basis over the useful life of the building.

Impairments

At each balance sheet date, the property, plant and machinery, intangible assets and investments in subsidiaries and associated companies are analysed in order to identify any indications of a reduction in value. Where these indications exist, an estimate of the recoverable value of the above-mentioned assets is made, recording any write down compared to the relative book value in the income statement. The recoverable value of an asset is the higher between the fair value less costs to sell and its value in use, where this latter is the fair value of the estimated future cash flows for this asset. For an asset that does not generate sufficient independent cash flows, the realisable value is determined in relation to the cash-generating unit to which the asset belongs. In determining the fair value consideration is taken of the purchase cost of a specific asset which takes into account a depreciation coefficient (this coefficient takes into account the effective conditions of the asset). In defining the value in use, the expected future cash flows are discounted utilising a discount rate that reflects the current market assessment of the time value of money, and the specific risks of the activity. A reduction in value is recognised in the income statement when the carrying value of the asset is higher than the recoverable amount. When the reasons for the write-down no longer exist, the book value of the asset (or of the cash-generating unit) is restated through the income statement, up to the value at which the asset would be recorded if no write-down had taken place and amortisation and depreciation had been recorded.

Financial assets

On initial recognition, the financial assets are classified in one of the following categories based on the relative nature and purpose for which they were acquired:

- financial assets at fair value through profit or loss;
- loans and receivables;
- available for sale financial assets.

The financial assets are recorded under assets when the company becomes contractually party to the assets. The financial assets sold are de-recognised when the right to receive the cash flow is transferred together with all the risks and benefits associated with ownership.
Purchases and sales of financial assets are recognised at the valuation date of the relative transaction. Financial assets are measured as follows:

(a) Financial assets at fair value through profit or loss

Financial assets are classified in this category if acquired for the purposes to be sold in the short term period. The assets in this category are classified as current and measured at fair value; the changes in fair value are recognised in the income statement in the period in which they arise, if significant.

(b) Loans and receivables

Loans and receivables are financial instruments, principally relating to trade receivables, non-derivative, not listed on an active market, from which fixed or determinable payments are expected. Loans and receivables are stated as current assets, except for amounts due beyond 12 months from the balance sheet date, which are classified as non-current. These assets are measured at amortised cost, on the basis of the effective interest rate.
When there is an indication of a reduction in value, the asset is reduced to the value of the discounted future cash flows obtainable. The losses in value are recognised in the income statement. When, in subsequent periods, the reasons for the write-down no longer exist, the value of the assets are restated up to the value deriving from the application of the amortised cost.

(c) AFS financial assets

The AFS assets are non-derivative financial instruments explicitly designated in this category, or are not classified in any of the previous categories and are classified under non-current assets unless management has the intention to sell them within 12 months from the balance sheet date. These financial assets are measured at fair value and the valuation gains or losses are allocated to an equity reserve under "Other comprehensive income". They are recognised in the income statement only when the financial asset is sold, or, in the case of negative cumulative changes, when it is considered that the reduction in value already recorded under equity cannot be recovered.

In the case of investments classified as Available-for-sale investments, a prolonged or significant decline in the fair value of the investment below the initial cost is considered an indicator of loss in value.

Derivative financial Instruments

Derivative financial instruments are classified as hedging instruments when the relation between the derivative and the hedged item is formally documented and the effectiveness of the hedge, periodically verified, is high. When the hedged derivatives cover the risk of change of the fair value of the instruments hedged (fair value hedge; e.g. hedge in the variability of the fair value of asset/liabilities at fixed rate), these are recorded at fair value through the income statement; therefore, the hedging instruments are adjusted to reflect the changes in fair value associated to the risk covered. When the derivatives hedge a risk of changes in the cash flows of the instruments hedged (cash flow hedge), the hedging is designated against the exposure to changes in the cash flows attributable to the risks which may in the future impact on the income statement. The effective part of the change in fair value of the part of the derivative contracts which are designated as hedges in accordance with IAS 39 is recorded in an equity account (and in

particular "other items of the comprehensive income statement"); this reserve is subsequently transferred to the income statement in the period in which the transaction hedged impacts the income statement. The ineffective part of the change in the fair value of the part of the derivative contracts, as indeed the entire change in the fair value of the derivatives which are not designated as hedges or which do not comply with the requirements of the above-mentioned IAS 39, are recognised directly in the income statement in the account "financial income/charges".
The fair value of traded financial instruments is based on the listed price at the balance sheet date. Where the market for a financial asset is not active (or refers to non-listed securities), the Group determines fair value utilising valuation techniques which include: reference to advanced negotiations in course, references to securities which have the same characteristics, analyses based on cash flows, price models based on the use of market indicators and aligned, as far as possible, to the assets to be valued.

Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured based on the amortised cost method net of the doubtful debt provision. When there is an indication of a reduction in value, the asset is reduced to the value of the discounted future cash flows obtainable.
Indicators of loss in value include, among others, significant contractual non-compliance, significant financial difficulties, insolvency risk of the counterparty. Receivables are reported net of the provision for doubtful debts. When in subsequent periods the reduction in the value of the asset is confirmed, the doubtful debt provision is utilised; otherwise, where the reasons for the previous write-down no longer exist, the value of the asset is reversed up to the recoverable amount derived from applying the amortised cost method where no write down had been made. For further information, reference should be made to *Note 4.1*.

Inventories

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

Cash

Cash and cash equivalents includes cash, bank deposits, and other short-term forms of investment, due within three months. At the balance sheet date, bank overdrafts are classified as financial payables under current liabilities in the balance sheet. Cash and cash equivalents are recorded at fair value.

Provisions for risks and charges

The provisions for risks and charges are recorded to cover known or likely losses or liabilities, the timing and extent of which are not known with certainty at the balance sheet date. They are recorded only when there exists a current obligation (legal or implicit) for a future payment resulting from past events and it is probable that the obligation will be settled. This amount represents the best estimate less the expenses required to settle the obligation.
Possible risks that may result in a liability are disclosed in the notes under the section on commitments and risks without any provision.

Restoration and replacement provision of assets under concession

The accounting treatment of the works undertaken by the lessee on the assets under concession, as per IFRIC 12, varies depending on the nature of the work: normal maintenance on the asset is considered ordinary maintenance and therefore recognised in the income statement; replacement work and programmed maintenance of the asset at a future date, considering that IFRIC 12 does not provide for the recognition of a physical asset but a right, must be recognised in accordance with IAS 37 - "Provisions and potential liabilities" – which establishes recognition to the income statement of a provision and the recording of a provision for charges in the balance sheet.
The restoration and replacement provision of the assets under concession include, therefore, the best estimate of the present value of the charges matured at the balance sheet date for the programmed maintenance in the coming years and undertaken in order to ensure the functionality, operations and security of the assets under concession.
It should be noted that the restoration and replacement provision of the assets refers only to fixed assets within the scope of IFRIC 12 (assets under concession classified to intangible assets).

Employee benefit provisions

Pension provisions

The Companies of the Group have both defined contribution plans (National Health Service contributions and INPS pension plan contributions) and defined benefit plans (Post-Employment Benefits).

A defined contribution plan is a plan in which the Group participates through fixed payments to third party fund operators, and in relation to which there are no legal or other obligation to pay further contributions where the fund does not have sufficient assets to meet the obligations of the employees for the period in course and previous periods. For the defined contribution plans, the Group pays contributions, voluntary or established contractually, to public and private pension funds. The contributions are recorded as personnel costs in accordance with the accruals principle. The advanced contributions are recorded as an asset which will be repaid or offset against future payments where due.

A defined benefit plan is a plan not classified as a contribution plan. In the defined benefit programmes, the amount of the benefit to be paid to the employee is quantifiable only after the termination of the employment service period, and is related to one or more factors such as age, years of service and remuneration; therefore the relative charge is recognised to the income statement based on actuarial calculations. The liability recorded in the accounts for defined benefit plans corresponds to the present value of the obligation at the balance sheet date, net, where applicable, of the fair value of the plan assets. The obligations for the defined benefit plans are determined annually by an independent actuary utilising the projected unit credit method. The present value of the defined benefit plan is determined discounting the future cash flows at an interest rate equal to the obligations (high-quality corporate) issued in the currency in which the liabilities will be settled and takes into account the duration of the relative pension plan. The Group already adopted at December 31, 2012 the accounting choice within IAS 19 which provides for actuarial gains/losses to be recorded directly in equity and consequently, the entry into force of IAS 19 Revised which eliminates alternative treatments to those already adopted by the Group does not have any impact on the comparative classification of the accounts.

We report that, following amendments made to the leaving indemnity regulations by Law No. 296 of December 27, 2006 and subsequent Decrees and Regulations issued in the first half of 2007, the leaving indemnity provision due to employees in accordance with Article 2120 Civil Code is classified as defined benefit plans for the part matured before application of the new legislation and as defined contribution plans for the part matured after the application of the new regulation.

Post-employment benefits

Post-employment benefits are paid to employees when the employee terminates his employment service before the normal pension date, or when an employee accepts voluntary termination of the contract. The Group records post-employment benefits when it is demonstrated that the termination of the employment contract is in line with a formal plan which determines the termination of the employment service, or when the provision of the benefit is a result of a leaving indemnity programme.

Financial liabilities

Financial liabilities and other commitments to be paid are initially measured at fair value, net of directly allocated accessory costs, and subsequently at amortised cost, using the effective interest rate. When there is a change in the expected cash flows and it is possible to estimate them reliably, the value of the payables is recalculated to reflect this change, based on the new present value of the expected cash flows and on the internal yield initially determined. The financial liabilities are classified under current liabilities, except when the Group has an unconditional right to defer their payment for at least 12 months after the balance sheet date.

Purchases and sales of financial liabilities are recognised at the valuation date of the relative transaction.

Financial liabilities are de-recognised from the balance sheet when they are settled and the Group has transferred all the risks and rewards relating to the instrument.

Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured based on the amortised cost method.

Reverse factoring transactions

In order to facilitate credit access to its suppliers, the Group has entered into reverse factoring or indirect factoring agreements (with recourse). On the basis of contractual arrangements in place, suppliers may, at their discretion, sell the amounts due from the Group to a financing institution and cash in the amount before maturity.

The payment terms provided on the invoice are not subject to further delays agreed between the supplier and the Group and therefore no charges are applied.

Within this framework, the relationships for which the primary obligation with the supplier is maintained and a payment extension, if granted, does not entail a change in payment terms, retain their nature and are therefore classified as trade payables.

Revenue recognition

Revenues are recognised at fair value of the amount received for the services from the ordinary activities. They are calculated following the deduction of VAT and discounts.

The revenues, principally relating to the provision of services, are recognised in the accounting period in which they are provided.

Rental income and royalties are recognised in the period they mature, based on the contractual agreements underwritten.

Handling activity revenues are recognised on an accruals basis, according to the number of passengers in the year.

Revenues from electric and thermal energy production are recognised on an accruals basis, according to the effective quantity produced in kWh. The tariffs are based on the contracts in force - both those at fixed prices and indexed prices.

Green certificates, white certificates and emission quotas

The companies which produce electricity from renewable sources receive green certificates from the Energy Service Operator (GSE). Revenues are recognised on an accruals basis, both in relation to certificates issued on a preliminary basis and final certificates issued. On the recognition of the revenues a receivable is recorded from the GSE and on the sale of the certificates this is then recorded as a customer receivable.

White certificates allocated by the GSE are handled in a similar manner (for the first time in 2013, for the years 2012 and 2013), following the recognition of the Malpensa station as a high yield cogeneration plant.

Revenues for works on assets under concession

Revenues on construction work are recognised in relation to the state of advancement of works in accordance with the percentage of completion method and on the basis of the costs incurred for these activities increased by a mark-up of 6% representing the remuneration of the internal costs of the management of the works and design activities undertaken by the SEA Group, the mark-up which would be applied by a general contractor (as established by IFRIC 12).

Government Grants

Public grants, in the presence of a formal resolution, are recorded on an accrual basis in direct correlation to the costs incurred (IAS 20).

Capital grants

Capital public grants relating to property, plant and equipment are recorded as a reduction in the acquisition value of the assets to which they refer.

Operating grants

Operating grants are recorded directly in the income statement.

Recognition of costs

Costs are recognised when relating to assets or services acquired or consumed in the year or by systematic allocation.

The incentives granted to airlines, and based on the number of passengers transported, invoiced by the airlines to the Company for (i) the maintenance of traffic at the airport or (ii) the development of traffic through increasing existing routes or launching new routes, are considered commercial costs and, as such, classified under "Operating costs" and recognised in correlation to the revenues to which they refer. In particular, in the opinion of management which monitors the effectiveness of these commercial initiatives together with other marketing initiatives classified under commercial costs, although these incentives are allocated to specific revenue accounts proportionally, because of their contribution to traffic and to the growth of the airport, from an operating viewpoint they must be considered together with all costs incurred by the Company through commercial and marketing activities and are therefore reported in the Management Accounts and valued in the company KPI together with marketing costs. Therefore, the decision was taken to classify these incentives in the annual financial reporting in line with their operating objectives.

Financial income

Financial income is recognised on an accruals basis and includes interest income on funds invested, foreign currency gains and income deriving from financial instruments, when not offset by hedging operations. Interest income is recorded in the income statement at the moment of maturity, considering the effective yield.

Financial charges

Financial charges are recorded on an accrual basis and include interest on financial payables calculated using the effective interest method and currency losses. The financial charges incurred on investments in assets for which a significant period of time is usually needed to render the assets available for use or sale (qualifying assets) are capitalised and amortised over the useful life of the class of the assets to which they refer in accordance with the provisions of the new version of IAS 23.

Income taxes

Current income taxes are calculated based on the assessable income for the year, applying the current tax rates at the balance sheet date.
Deferred taxes are calculated on all differences between the assessable income of an asset or liability and the relative book value, with the exception of goodwill. Deferred tax assets for the portion not compensated by deferred tax liabilities are recognised only for those amounts for which it is probable there will be future assessable income to recover the amounts. The deferred taxes are calculated utilising the tax rates which are expected to be applied in the years when the temporary differences will be realised or settled. Deferred tax assets are recorded when their recovery is considered probable.
Current and deferred income taxes are recorded in the income statement, except those relating to accounts directly credited or debited to equity, in which case the fiscal effect is recognised directly to equity and to the Comprehensive Income Statement. Taxes are compensated when applied by the same fiscal authority, there is a legal right of compensation and the payment of the net balance is expected.
Other taxes not related to income, such as taxes on property, are included under "Other operating costs".
Within the fiscal consolidation, each company transfers to the consolidating company the tax income or loss; the consolidating company records a receivable with the company that contributes assessable income equal to the income tax to be paid. Vice versa, for companies that contribute tax losses, the consolidating company reports a liability.

Dividends

Payables for dividends to shareholders are recorded in the year in which the distribution is approved by the Shareholders' Meeting.
The dividends distributed between Group companies are eliminated in the income statement.

3. Estimates and assumptions

The preparation of the financial statements requires the directors to apply accounting principles and methods that, in some circumstances, are based on difficulties and subjective valuations and estimates based on the historical experience and assumptions which are from time to time considered reasonable and realistic under the relative circumstances. The application of these estimates and assumptions impact upon the amounts reported in the financial statements, such as the statement of financial position, the income statement and the cash flow statement, and on the disclosures in the notes to the accounts.

The accounting principles which relating to the Group, require greater subjectivity by the Directors in the preparation of the estimates and for which a change in the underlying conditions or the assumptions may have a significant impact on the consolidated financial statements are briefly described below.

(a) Impairments

The tangible and intangible assets and investments in associated companies and investment property are verified to ascertain if there has been a loss in value which is recorded by means of a write-down, when it is considered there will be difficulties in the recovery of the relative net book value through use. The verification of the existence of the above-mentioned indicators requires the Directors to make valuations based on the information available within the Group and from the market, as well as historical experience. In addition, when it is determined that there may be a potential reduction in value, the Group determines this through using the most appropriate technical valuation methods available. The correct identification of the indicators of the existence of a potential reduction in value as well as the estimates for their determination depends on factors which may vary over time impacting upon the valuations and estimates made by the Directors.

(b) Amortisation and Depreciation

Depreciation represents a significant cost for the Group. The cost of property, plant and equipment is depreciated on a straight-line basis over the estimated useful life of the relative assets and components. The useful life of the fixed assets of the Group is determined by the Directors when the fixed assets are purchased. This is based on the historical experiences for similar fixed assets, market conditions and considerations relating to future events which could have an impact on the useful life, such as changes in technology. Therefore, the effective useful life may be different from the estimated useful life. The Group periodically evaluates technological and sector changes to update the residual useful life. Any update in the remaining useful life could result in a change in the depreciation period and therefore in the depreciation charge in future years.

(c) Provisions for risks and charges

The Group companies may be subject to legal disputes, in relation to taxation or employment issues, based on particularly complex circumstances of varying degrees of uncertainty, according to the facts and circumstances, jurisdiction and laws applicable to each case.
Considering the inexact nature of these issues, it is difficult to predict with certainty any future payments required.
Consequently, the management after consultation with its legal advisors and legal and tax experts, recognises a liability for such litigation when it considers that a cash outlay is likely to occur and the amount of the resulting losses can be reasonably estimated. In the case in which a payment is considered possible, but is not yet determinable, such is reported in the explanatory notes.
Provisions are recorded against risks of a legal and tax nature and employee disputes. The amount of the provisions recorded in the financial statements relating to these risks therefore represents the best estimate at that date made by the Directors. This estimate results in the adoption of assumptions concerning factors which may change over time and which may, therefore, have significant effects compared to the present estimates made by the Directors for the preparation of the separate financial statements. In addition, the restoration and replacement provision of the assets under concession, recorded in accordance with IFRIC 12, includes the best estimate of the charges matured at the balance sheet date for scheduled maintenance in future years in order to ensure the functionality, operations and security of the assets under concession.

(d) Trade receivables

Where there are indications of a reduction in value of trade receivables these are reduced to their estimated realisable value through a doubtful debt provision. The doubtful debt provision represents the best estimate at the reporting date made by the Directors. This estimate is based on facts and expectations which may change over time and which may, therefore, have significant effects compared to the present estimates made by the Directives for the preparation of the Group consolidated financial statements.

(e) Financial assets

The valuation of the recoverability of the financial receivable from the Milan Airport Handling Trust arising from the assignment of the investment Airport Handling to the above-mentioned Trust and the subscription of equity financial instruments issued by Airport Handling subsequent to the assignment to the Trust is made on the basis of the best estimates of the outcome of the sales operations of the company by the Trust, with the valuation of the residual interest after the above-mentioned sale and is therefore subject to the normal uncertainties of negotiating processes in the disposal of financial investments, as well as the future profitability potential of the investment.

4. Risk Management

The risk management strategy of the Group is based on minimising potential negative effects related to the Group's financial and operating performance. Some types of risk are offset through recourse to derivative instruments.

The management of the above-mentioned risks is undertaken by the parent company which identifies, evaluates and undertakes hedging of financial risks, in close collaboration with other entities of the Group.

4.1 Credit risk

Credit risks represent the exposure of the SEA Group to potential losses deriving from the non-compliance of obligations by trading and financial partners.

This risk is primarily of an economic/financial nature, or rather the possibility of the default of a counterparty, and also factors of a technical/commercial or administrative/legal nature.

For the SEA Group the credit risk exposure is largely related to the deterioration of a financial nature of the principle airline companies which incur on the one hand the effects of the seasonality related to aviation operations, and on the other consequences of geopolitical events which impact upon the air transport sector (wars, epidemics, atmospheric events, rise in oil prices and economic/financial crises).

In order to control this risk, the SEA Group has implemented procedures and actions to monitor the expected cash flows and recovery actions.

In accordance with the internal policy on receivables the client is required to provide guarantees: this typically relates to bank guarantees issued by primary credit institutions or deposit guarantees.

In relation to the payment terms applied for the majority of the clients, credit terms are largely concentrated within 30 days from the relative invoicing.

Trade receivables are reported in the financial statements net of doubtful debt provisions, which are prudently made based on the underlying disputes at the balance sheet date. The doubtful debt provision necessary to adjust the nominal value to the realisable value is determined analysing all receivables and utilising all available information on the debtor. The SEA Group, against overdue receivables, receivables in dispute, or for which there is a legal or administrative procedure, utilises the same write-down percentages.

A summary of the trade receivables and the relative doubtful debt provisions is reported below:

Trade receivables

(In thousands of Euro)	At December 31, 2016	At December 31, 2015
Customer receivables	159,619	163,309
- of which overdue	80,991	95,466
Doubtful debt provision	(80,173)	(83,586)
Trade receivables from associated companies	7,612	10,837
Provision for doubtful debt with associates	(90)	(33)
Total trade receivables	**86,968**	**90,527**

The ageing of the overdue receivables is as follows:

Trade receivables

(In thousands of Euro)	At December 31, 2016	At December 31, 2015
overdue less than days	6,015	17,594
overdue more than 180 days	74,976	77,872
Total trade receivables past due	**80,991**	**95,466**

The table below illustrates the gross trade receivables at December 31, 2016 and 2015, as well as the breakdown of receivables from counterparties under administration and in dispute, with indication of the bank sureties and deposit guarantees provided.

Trade receivables

(In thousands of Euro)	At December 31, 2016	At December 31, 2015
Customer receivables	167,231	174,146
(i) receivables from parties in administration	44,573	44,493
(ii) disputed receivables	23,327	25,462
Total trade receivables net of receivables (i) and (ii)	**99,331**	**104,191**
Receivables due other than receivables at (i) and (ii)	13,091	25,511
Sureties and guarantee deposits	74,274	73,606
Percentage of receivables guaranteed by sureties and guarantee deposits compared to the total trade receivables net of receivables at (i) and (ii)	74.8%	70.6%

4.2 Market risks

The market risk to which the SEA Group is exposed comprises all types of risks directly and indirectly related to market prices. In 2016, the market risks to which the SEA Group were subject were:

a) interest rate risk;
b) currency risk;
c) commodity risk, related to the volatility of energy commodity prices, in SEA Energia.

a) Interest rate risk

The SEA Group is exposed to the risk of changes in interest rates in relation to the necessity to finance its operating activities and the use of available liquidity. The changes in interest rates may impact positively or negatively on the results of the SEA Group, modifying the costs and returns on financial and investment operations.

The SEA Group manages this risk through an appropriate mixture between fixed and variable rate loans, with the objective to mitigate the economic effect of the volatility of the interest rates.

Variable interest loans expose the SEA Group to a risk originating from the volatility of interest rates (cash flow risk). Relating to this risk, for the purposes of the relative hedging, the SEA Group makes recourse to derivative contracts, which converts the variable rate to a fixed rate or limits the fluctuations in variable rates over a range, in this manner reducing the risk originating from the volatility of the rates. We highlight that these derivative contracts, underwritten exclusively for the purpose of hedging market rate volatility, are recorded through the cash flow hedge method.

At December 31, 2016 the gross financial debt of the SEA Group was comprised of medium/long-term loans

(medium/long term portions of loans) and short-term loans (the medium/long-term portion of loans maturing within 12 months. At this date SEA did not make recourse to short-term debt).
The medium/long-term debt at December 31, 2016, is reported in the following table, which shows the interest rate of each loan at the nominal value (which includes a spread of between 0.20% and 1.62%, not considering the effect of hedging operations and any additional guarantees):

Medium/long-term loans at December 31, 2016 and 2015

(In thousands of Euro)		At December 31, 2016		At December 31, 2015	
	Maturity	Amount	Average rate	Amount	Average rate
Bonds	2021	300,000	3.125%	300,000	3.125%
EIB funded bank loans	from 2017 to 2035	261,538	1.22%	276,994	1.37%
at fixed rate		57,895	3.89%	60,000	3.90%
at variable rate (*)		203,643	0.45%	216,994	0.67%
Other Bank loans	2020	176	0.50%	85	0.50%
at fixed rate		176	0.50%	85	0.50%
at variable rate		-	-	-	-
Gross medium/long-term financial debt		**561,714**	**2.24%**	**577,079**	**2.28%**

(*) Includes: (i) tranche at variable rate with interest rate hedge (approx. 36% at 31.12.2016 and 41% at 31.12.2015.
(ii) Euro 60 million of EIB loans with specific loans with specific bank guarantee.

The total medium/long-term debt at December 31, 2016 amounted to Euro 561,714 thousand, a decrease of Euro 15,365 thousand compared to December 31, 2015, with the average cost reducing 4 basis points to 2.24% at the reporting date. The cost of this debt, after interest hedging operations and the cost of bank guarantees on EIB loans, amounts to 2.83%, a reduction on 2.92% at the end of December 2015 (-9 basis points).

At December 31, 2016 the Group has the following bond issue with a total nominal value of Euro 300 million.

Description	Issuer	Listing market	ISIN Code	Term (years)	Maturity	Par value (in Million of Euro)	Coupon	Annual rate
SEA SpA 3 1/8 04/17/21	SEA SpA	Irish Stock Exchange	XS1053334373	7	04/17/21	300	Fixed, annual	3.125%

The fair value of the overall bank and bond medium/long term Group debt at December 31, 2016 amounted to Euro 596,283 thousand (down from Euro 591,660 thousand at December 31, 2015, mainly due to the trend in market rates). This value was calculated as follows:

- for the loans at fixed interest rates the capital portion and interest were discounted utilising the spot rates for each contractual maturity, extrapolated from the market rates;
- for the bond listed on a regulated market, reference was made to the market value at December 31, 2016;
- for the loans at variable interest rates, the interest portion was calculated utilising the estimate of the expected rates at the end of each contractual maturity, increased by the spread defined contractually. The interest portion defined as outlined above and the capital on maturity was discounted utilising the spot rate for each contractual maturity, extrapolated from the market rate.

The following table reports the derivative instruments utilised by the SEA Group to cover the interest rate risk (measured based on the cash flow hedge method).

Interest Rate Hedges

(€/000)	Notional on signing	Residual Notional at 12/31/2016	Date stipulated	Start Date	Maturity	Fair value at December 31, 2016	Fair value at December 31, 2016
IRS	10,000	9,032	5/18/2011	9/15/2012	9/15/2012	(1,351.4)	(1,512.5)
	5,000	4,516	5/18/2011	9/15/2012	9/15/2012	(675.7)	(756.3)
	15,000	12,414	5/18/2011	9/15/2012	9/15/2012	(1,793.5)	(2,028.0)
	11,000		5/18/2011	9/15/2011	9/15/2016		(258.5)
	10,000	7,500	6/6/2011	9/15/2012	9/15/2021	(1,014.2)	(1,155.6)
	11,000	7,966	6/6/2011	9/15/2012	9/15/2021	(1,075.6)	(1,225.3)
	12,000	8,276	6/6/2011	9/15/2012	9/15/2021	(1,099.9)	(1,258.5)
	12,000	8,276	6/6/2011	9/15/2012	9/15/2021	(1,099.9)	(1,258.5)
COLLAR	10,000	7,500	6/6/2011	9/15/2011	9/15/2021	(810.3)	(905.6)
	11,000	7,586	6/6/2011	9/15/2011	9/15/2021	(800.3)	(897.9)
Total		**73,066**				**(9,720.8)**	**(11,256.7)**

"-" indicates the cost for the SEA Group for advance settlement of the operation.
"+" indicates the benefit for the SEA Group for advance settlement of the operation.

The fair value of the derivative financial instruments at December 31, 2016 and at December 31, 2015 was determined in accordance with IFRS 13.

b) Currency risk

The SEA Group, with the exception of the currency risk related to the commodity risk, is subject to a low currency fluctuation risk as, although operating in an international environment, the transactions are principally in Euro. Therefore, the SEA Group does not consider it necessary to implement specific hedging against this risk as the amounts in currencies other than the Euro are insignificant and the relative receipts and payments generally offset one another.

c) Commodity risky

The SEA Group, limited to only SEA Energia, is exposed to changes in prices, and the relative currency fluctuations, of the energy commodities utilised i.e. gas. These risks derive from the purchase of the above-mentioned energy commodities, which are principally impacted by fluctuations in the prices of the underlying fuels, denominated in US Dollars. These fluctuations arise both directly and indirectly, through formulas and indexations utilised in the pricing structures. The risks also arise in the sales phase, in relation to the fluctuations in the electricity market prices sold to third parties.
In 2016, the SEA Group did not undertake any hedging of this risk, although not excluding the possibility in the future.

4.3 Liquidity risk

The liquidity risk for the SEA Group may arise where the financial resources available are not sufficient to meet the financial and commercial commitments within the agreed terms and conditions.
The liquidity, cash flows and financial needs of the SEA Group are managed through policies and processes with the objective to minimise the liquidity risk. Specifically, the SEA Group:

- centrally monitors and manages, under the control of the Group Treasury, the financial resources available, in order to ensure an efficient management of these resources, also in forward budgeting terms;
- maintains adequate liquidity in treasury current accounts;
- obtains committed credit lines (revolving and non-revolving), which covers the financial commitments of the Group in the coming 12 months deriving from

the investment plan and contractually agreed debt repayments;
- monitors the prospective liquidity position, in relation to the business planning.

At the end of 2016, the SEA Group had irrevocable unutilised credit lines of Euro 200 million, of which Euro 120 million relating to a revolving line available until April 2020 and Euro 80 million relating to a new EIB loan, of which utilization is expected by December 2017, with maturities comprised between 15 and 20 years. At December 31, 2016, the SEA Group also had a further Euro 187,317 thousand of uncommitted credit lines available for immediate cash requirements. The SEA Group has available committed and uncommitted credit lines which guarantee the covering of future financial needs and current operational needs, with an average maturity of medium/long-term debt just under 6 years, including the bond issued in 2014. Not considering the bonds, the remaining debt matures in 7 years (and of this 19% over 10 years).
The coverage of trade payables is guaranteed by the SEA Group through a careful management of working capital which includes trade receivables and the related conditions governing contracts.
The tables below illustrate for the SEA Group the breakdown and maturity of the financial debt (capital, medium/long-term interest, financial charges on derivative instruments and leasing) and trade payables at December 31, 2016 and December 31, 2015:

Liabilities at December 31, 2016

(In millions of Euro)	< 1 year	> 1 year < 3 years	> 3 years < 5 years	> 5 years	Total
Gross debt	35,4	70,9	375,0	170,0	**651,3**
Trade payables	161,5				**161,5**
Total debt	**196,9**	**70,9**	375,0	170,0	812,8

Liabilities at December 31, 2015

(In millions of Euro)	< 1 year	> 1 year < 3 years	> 3 years < 5 years	> 5 years	Total
Gross debt	32,0	69,7	73,4	524,6	**699,7**
Trade payables	164,5				**164,5**
Total debt	**196,5**	**69,7**	73,4	524,6	864,2

At year-end 2016, loans due within one year almost entirely relate to the capital portion to be paid on some of the EIB loans and interest due on the total debt. The loan repayment scheduling reflects the capacity of the SEA Group funding to cover medium/long-term needs as well.

4.4 Sensitivity

In consideration of the fact that for the SEA Group the currency risk is almost non-existent, the sensitivity analysis refers to balance sheet accounts which could incur changes in value due to changes in interest rates.

In particular, the analysis considered:
- bank deposits;
- loans;
- interest risk derivative hedge instruments.

The assumptions and calculation methods utilised in the sensitivity analysis undertaken by the SEA Group were as follows:

a) Assumptions:
   > the effect was analysed on the SEA Group income statement at December 31, 2016 and December 31, 2015 of a change in market rates of +50 or of -50 basis points.

b) Calculation method:
   > the remuneration of the bank deposits is related to the interbank rates. In order to estimate the increase/decrease of interest income to changes in market conditions, the change was assumed as per point a) on the average annual balance of bank deposits of the SEA Group;
   > the loans measured were those at variable interest rates, which incur interest payable linked to the Euribor at 6 months. The increase/decrease of the interest payable to changes in market conditions was estimated applying the changes assumed as per point a) on the capital portion of the loans held during the year;
   > the interest risk derivative hedge instruments were measured both in terms of cash flows and fair value (in terms of changes compared to the same period of the previous year). In both cases, the values were estimated applying the changes as per point a) to the forward curve expected for the period.

The results of the sensitivity analysis are reported below:

(In thousands of Euro)	December 31, 2016		December 31, 2015	
	-50 bp	+50 bp	-50 bp	+50 bp
Current account (interest income)	-31.37	336.79	-299.25	389.59
Loans account (interest expense) (1)	677.69	-1,085.99	984.52	-1,091.93
Derivative hedging instruments (cash flow) (2)	-439.92	439.92	-136.37	474.83
Derivative hedging instruments (fair value)(3)	-1,398.54	1,342.50	-1,627.42	1,729.20

(1) + = lower interest expense; = higher interest expense.
(2) + = hedging income; = hedging cost.
(3) Amount entirely allocated to equity as hedges are fully effective.

It should be noted that the results of the *sensitivity analysis* conducted on some items of the above tables were affected by the low level of market interest rates. By applying a change of -50 *basis points* to the current curve of market interest rates, the flows related to current accounts and loans would be the opposite sign of those forecast by the relative loan types; in such cases, these flows have been entered at zero.

Some loans include covenant conditions, relating to the capacity of the SEA Group to meet annual and/or half year financial commitments (net of financial resources available and receivables from the State) from operating activities. It should be noted that, for some loans, non-compliance of the covenant terms results in, for the following half-year period, the application of a correlated predetermined spread (in accordance with a contractually defined pricing grid).

At the present moment the SEA Group is not aware of any default situations related to the loans held or violations of any of the above-mentioned covenants.

5. Classification of the financial instruments

The following tables provide a breakdown of the financial assets and liabilities by category at December 31, 2016 and at December 31, 2015 of the Group.

(In thousands of Euro)	At December 31, 2016					
	Financial assets and liabilities valued at fair value	Investments held-to-maturity	Loans and receivables	Available -for-sale financial assets	Financial liabilities at amortized cost	Total
Available-for-sale-investments				26		26
Other non-current financial assets			16,776			16,776
Other non-current receivables			308			308
Trade receivables			86,968			86,968
Tax receivables			14,800			14,800
Other current receivables			18,563			18,563
Other current financial assets			7,190			7,190
Cash and cash equivalents			47,236			47,236
Total	**-**	**-**	**191,841**	**26**	**-**	**191,867**
Non-current financial liabilities excl. leasing	9,721				539,348	549,069
- of which bond payables					298,008	298,008
Trade payables					161,530	161,530
Tax payables					6,841	6,841
Other current payables					160,327	160,327
Current financial liabilities excl. leasing					27,499	27,499
Current financial liabilities for leasing					31	31
Total	**9,721**	**-**	**-**	**-**	**895,576**	**905,297**

(In thousands of Euro)	At December 31, 2015					
	Financial assets and liabilities valued at fair value	Investments held-to-maturity	Loans and receivables	Available -for-sale financial assets	Financial liabilities at amortized cost	Total
Available-for-sale-investments				26		26
Other non-current financial assets			16,776			16,776
Other non-current receivables			1,692			1,692
Trade receivables			90,527			90,527
Tax receivables			12,751			12,751
Other current receivables			13,286			13,286
Other current financial assets			7,190			7,190
Cash and cash equivalents			55,502			55,502
Total	**-**	**-**	**197,724**	**26**	**-**	**197,750**
Non-current financial liabilities excl. leasing	11,257				558,518	569,775
- of which bond payables					297,580	297,580
Non-current fin. liabilities for leasing					31	31
Trade payables					164,486	164,486
Tax payables					24,784	24,784
Other current payables					145,131	145,131
Current financial liabilities excl. leasing					23,431	23,431
Current financial liabilities for leasing					548	548
Total	**11,257**	**-**	**-**	**-**	**916,929**	**928,186**

The values resulting from the utilisation of the amortised cost method approximates the fair value of the category.

5.1 Disclosure on fair value

In relation to financial instruments measured at fair value, the table below reports information on the method chosen by the Group to measure the fair value. The methods applied are broken down into the following levels, based on the information available, as follows:

- level 1: prices practiced in active markets;
- level 2: valuation techniques based on observable market information, both directly and indirectly;
- level 3: other information.

The following table shows the Group assets and liabilities measured at fair value at December 31, 2016 and at December 31, 2015:

(In thousands of Euro)	At December 31, 2016		
	Level 1	Level 2	Level 3
Available-for-sale-investments			26
Derivative financial Instruments		9,721	
Total		**9,721**	**26**

(In thousands of Euro)	At December 31, 2015		
	Level 1	Level 2	Level 3
Available-for-sale-investments			26
Derivative financial Instruments		11,257	
Total		**11,257**	**26**

5.2 Discontinued Operations assets, liabilities and profit/(loss)

The present section reports a breakdown of the *Discontinued Operations'* accounts presented in the Income Statement, the Balance Sheet and the Consolidated Cash Flow Statement.

In terms of methodology, with application IFRS 5 to the commercial aviation handling sector, its income statement does not contribute to the results of 2016 on every type of cost and revenue line, but is reported in a specific separate line of the income statement called "Discontinued Operations profit/(loss)"; the same treatment is applied to the assets and liabilities connected with the commercial aviation handling sector, reported in specific asset and liability items.

In relation to the cash flow statement, all cash flows concerning *Discontinued Operations* are presented under the operating activities, investing activities and financing activities of the consolidated cash flow statement.

It is recalled that at December 31, 2016 and at December 31, 2015, the assets and liabilities and net result of the discontinued operations concern SEA Handling in liquidation, given that Airport Handling is not included in the consolidation scope due to the allocation to the Milan Airport Handling Trust occurred on August 26, 2014. There are no comparability limits of the two years as SEA Handling in liquidation was a discontinued operation in both years.

The breakdown of the Discontinued Operations results is presented below:

Discontinued Operations' Income Statement

(In thousands of Euro)	2016	2015	Delta	Delta %
Operating revenues	383	4,946	(4,563)	-92.3%
Total revenues	383	4,946	(4,563)	-92.3%
Operating costs				
Personnel costs	(120)	(316)	196	-62.0%
Misc. operating costs	(547)	(944)	397	-42.1%
Total operating costs	(667)	(1,260)	593	-47.1%
Gross Operating margin/EBITDA	(284)	3,686	(3,970)	-107.7%
Provisions & write-downs	194	447	(253)	-56.6%
Amortisation and Depreciation	0	(458)	458	-100.0%
EBIT	(90)	3,675	(3,765)	-102.4%
Financial income	2	2	0	0.0%
Pre-tax profit	(88)	3,677	(3,765)	-102.4%
Income taxes	(42)	(439)	397	-90.4%
Discontinued Operations profit/(loss)	**(130)**	**3,238**	**(3,368)**	**-104.0%**

Operating revenues for 2016 total Euro 383 thousand and are the result of the continuation of the company's liquidation activities; specifically, they mainly refer to other revenues for non-recurring income related to the reversal of invoices to receive and credit notes to issue reported in previous years following the settlement of litigation with suppliers and customers when the Company was a going concern.
Operating costs incurred in 2016 amounted to Euro 667 thousand and include personnel costs, administrative costs and industrial costs.
In 2016 personnel costs principally refer to SEA personnel seconded to SEA Handling and legal expenses in relation to labour disputes.
In 2016, administrative and industrial costs amounted to Euro 547 thousand and mainly refer to the costs for professional and legal advice, the fees of Statutory Auditors and administrative services provided by SEA SpA.
Provisions and write-downs have a positive impact on the income statement and include: i) Euro 131 thousand related to the release of the provision for future charges, excessive compared to actual needs following the favourable conclusion of some labour disputes, arising when the company was a going concern; ii) Euro 31 thousand related to reinstatement of the value of receivables considered non-collectable in the past and collected during 2016; iii) Euro 32 thousand reported for the value of the sale of tools sold during the month of January 2017.
No amortisation was reported in 2016. Amortisation for 2015, totalling Euro 458 thousand, was calculated despite the liquidation of the company, due to the lease of intangible assets.
Taxes totalling Euro 42 thousand, refers to the effect of the reversal of deferred tax assets reported at December 31, 2015. It should be noted that the option for fiscal consolidation for the 2016-2018 three year period was not renewed in 2016, therefore no "tax benefits" were reported.

The sold assets and liabilities related to the Discontinued Operations at December 31, 2016 and December 31, 2015 are reported below:

Discontinued Operations' Statement of Financial Position

(In thousands of Euro)	At December 31, 2016	At December 31, 2015
ASSETS		
Tangible assets	32	8
Deferred tax assets	0	41
Total non-current assets	32	49
Trade receivables	0	374
Other receivables	1,522	4,580
Cash and cash equivalents	9,178	6,499
Total current assets	10,700	11,453
TOTAL ASSETS of Discontinued Operations	**10,732**	**11,502**
LIABILITIES		
Share capital	10,305	10,305
Other reserve	(1,822)	(5,060)
Net profit/(ioss)	(130)	3,238
Shareholders' equity	8,353	8,483
Provision for risks & charges	1,704	1,877
Total non-current liabilities	1,704	1,877
Trade payables	645	1,065
Tax payables	7	3
Other payables	23	74
Total current liabilities	675	1,142
TOTAL LIABILITIES related to Discontinued Operations	**2,379**	**3,019**
TOTAL LIABILITIES related to Discontinued Operations and SHAREHOLDERS' EQUITY	**10,732**	**11,502**

Tangible assets show a balance at December 31, 2016 totalling Euro 32 thousand. This value is representative of the market value of the assets. For the liquidation procedure for SEA Handling SpA, the trade receivables decreased primarily following collections related to the sale of vehicles made in 2015. The reduction of other receivables is mainly due to the collection of the receivable for the tax benefit from the fiscal consolidation option in place between SEA Handling and SEA SpA until 2015 and collection of the receivable due from Aviation Fund (Euro 2,325 thousand).

Compared to December 31, 2015, the risks and charges provisions decreased by Euro 173 thousand due to releases totalling Euro 131 thousand, and uses totalling Euro 42 thousand, following the settlement of disputes with personnel in previous years and for payment of damages caused to third parties in previous years.

The cash flows relating to the Discontinued Operations were as follows:

Cash Flow Statement of Discontinued Operations

(In thousands of Euro)	2016	2015
Cash flow from operating activities		
Discontinued Operations pre-tax profit/(loss)	(88)	3,677
Adjustments:		
Amortisation and Depreciation	0	458
Net change in provisions (ex. employee provisions)	(131)	222
Net employee provisions	0	(15)
Net change in doubtful debt provision	(31)	(653)
Net financial charges	(1)	(2)
Other changes in non-cash items	(372)	(3,897)
Cash generated/(absorbed) from operating activities before working capital changes of Discontinued Operations	(623)	(210)
Change in trade receivables & other receivables	2,309	3,658
Change in trade payables & other payables	(157)	(24,945)
Cash generated/(absorbed) from changes in working capital of Discontinued Operations	2,152	(21,287)
Receipt of tax benefit net of income taxes paid	848	5,204
Cash flow generated (absorbed) from operating activities of Discontinued Operations	**2,377**	**(16,293)**
Disposal of fixed assets	301	4,988
Disposal of intangible assets	0	426
Cash generated/(absorbed) from investing activities of Discontinued Operations	**301**	**5,414**
Share capital increase and equity reserves	0	16,448
Interest paid	1	2
Cash flow deriving from financing activities of Discontinued Operations	**1**	**16,450**
Increase / (Decrease) in cash and cash equivalent	2,679	5,571
Cash and cash equivalents at beginning of period	6,499	928
Cash and cash equivalents at period-end	9,178	6,499

The operating activity from Discontinued Operations generated cash for Euro 2,377 thousand in 2016, mainly following collection of the receivables still due from the Aviation Fund. The tax receivable recognized by SEA as part of the 2015 fiscal consolidation, amounting to Euro 848 thousand was collected in June 2016.

The "*Cash flow generated by investing activities*" in 2016 totals Euro 301 thousand which decreased following collections related to vehicle sales made in 2015.

The "*Cash flow from financing activities of the Discontinued Operations*" of 2016 is close to zero while in 2015 it amounted to Euro 16,450 thousand and was almost totally determined by payments made by the shareholder SEA in order to financially endow the Company for the liquidation process and to face the commitments made with the letter of March 25, 2014.

5.3 Disclosure by operating segment

Following the issue of the fixed rate bond of Euro 300 million in April 2014, the Parent Company falls within the category of companies with listed securities on regulated markets required to provide disclosure as per IFRS 8. Therefore, the present Annual Report includes the figures for the operating segment at December 31, 2016 and the relative comparative figures for December 31, 2015. It is important to highlight that due to the type of activities undertaken by the Group, "traffic" is conditioned by the results of all activities. The SEA Group has identified three operating businesses, as further described in the Directors' Report and specifically: (i) *Commercial* Aviation, (ii) General Aviation, (iii) Energy. These data may therefore differ from those shown at the individual legal entity level. The information currently available concerning the principal operating businesses identified is presented below.

Commercial Aviation: includes the Aviation and Non Aviation activities: the former concerns the management, development and maintenance of airport infrastructure and plant and the offer to SEA Group customers of services and activities related to the arrival and departure of aircraft, in addition to airport safety services. The revenues generated by these activities are established by a regulated tariff system and comprise airport fees, fees for the use of centralized infrastructure, in addition to security fees and tariffs for the use of check-in desks and spaces by airlines and handlers. The Non Aviation activities provides a wide and differentiated offer, managed both directly and under license to third parties, of commercial services for passengers, operators and visitors to the Milan Airports, in addition to real estate activities. The revenues from this area consist of the market fees for activities directly carried out by the Group and from activities carried out by third parties under license and of royalties based on a percentage of revenues generated by the licensee, usually with the provision of a guaranteed minimum.

General Aviation: includes both General Aviation activities that provide the full range of services connected with *business* traffic at the West apron at Linate airport, and the handling activities related to this traffic. The General Aviation handling business includes activities performed at the Linate, Malpensa, Venice Teasers and Rome Ciampino airports. This business was consolidated with the full consolidation method until March 31, 2016, the date when the sale of 60% of the investment was finalised which had previously been held by the Group in that segment.

Energy: includes the generation and sale of electric and thermal energy for the external market.

The main results for each of the businesses described above are presented below.

The following tables present the segment income statements and balance sheets, reconciled with the figures presented in the Directors' Report.

Segment disclosure: Income Statement & Balance Sheet at December 31, 2016

(In thousands of Euro)	Commercial Aviation	General Aviation	Energy	IC eliminations	Consolidated financial statements
Revenue	634,109	15,891	41,897	(38,385)	653,512
of which Intercompany	(8,239)	(4,141)	(26,005)	38,385	
Total operating revenues (from third parties)	**625,870**	**11,750**	**15,892**	**0**	**653,512**
EBITDA	**226,076**	**6,727**	**1,600**		**234,403**
EBIT	**144,873**	**4,907**	**219**		**149,999**
Investment income (changes)					9,842
Financial charges					(18,940)
Financial income					136
Pre-tax profit					**141,037**
Investment in fixad assets	**62,663**	**5,647**	**1,177**		**69,487**
Tangible	14,931	3,429	1,177		19,537
Intangible	47,732	2,218	-		49,950

Segment disclosure: Income Statement & Balance Sheet at December 31, 2015

(In thousands of Euro)	Commercial Aviation	General Aviation	Energy	IC eliminations	Consolidated financial statements
Revenue	614,793	16,829	43,364	(32,578)	642,408
of which Intercompany	(4,052)	(650)	(27,876)	32,578	
Total operating revenues (from third parties)	**610,741**	**16,179**	**15,488**	**0**	**642,408**
EBITDA	**214,683**	**5,396**	**2,997**		**223,076**
EBIT	**140,028**	**3,546**	**2,491**		**146,065**
Investment income (changes)					7,723
Financial charges					(19,929)
Financial income					859
Pre-tax profit					**134,718**
Investment in fixad assets	**80,821**	**3,110**	**2,849**		**86,780**
Tangible	11,957	2,783	2,849		17,589
Intangible	68,864	327	-		69,191

EBITDA is calculated as the difference between total operating revenues and total operating costs, excluding provisions and write-downs.
EBITDA in the comparative period was therefore restated according to the new approach in order to ensure data comparability.

6. Notes to the Statement of Financial Position

6.1 Intangible assets

The following tables illustrate the changes for the years ended December 31, 2016 and 2015 relating to intangible assets.

(In thousands of Euro)	At December 31, 2015	Change consol. scope	Increases in the period	Reclassifications /internal transfers	Destructions /Sales	Amortization /writed-owns	At December 31, 2016
Gross Value							
Assets under concession	1,385,102		896	63,435	(1,624)		1,447,809
Assets under concession in progress & advances	54,044		40,301	(60,731)			33,614
Industrial patents and intellectual property rights	54,910			8,633			63,543
Assets in progress and advances	7,898		8,753	(8,658)			7,993
Others	19,090	(9)		25	(362)		18,744
Gross Value	**1,521,044**	**(9)**	**49,950**	**2,704**	**(1,986)**	**0**	**1,571,703**
Accumulated amortisation							
Assets under concession	(451,198)			(74)	1,122	(38,191)	(488,341)
Assets under concession in progress & advances							
Industrial patents and intellectual property rights	(48,537)	1				(7,073)	(55,609)
Assets in progress and advances							
Others	(16,877)	6			362	(133)	(16,642)
Accumulated amortisation	**(516,612)**	**7**	**0**	**(74)**	**1,484**	**(45,397)**	**(560,592)**
Net value							
Assets under concession	933,904		896	63,361	(502)	(38,191)	959,468
Assets under concession in progress & advances	54,044		40,301	(60,731)			33,614
Industrial patents and intellectual property rights	6,373	1		8,633		(7,073)	7,934
Assets in progress and advances	7,898		8,753	(8,658)			7,993
Others	2,213	(3)		25		(133)	2,102
Net value	**1,004,432**	**(2)**	**49,950**	**2,630**	**(502)**	**(45,397)**	**1,011,111**

The change related to modification in the consolidation scope refers to the loss of control of the investee Signature Flight Support Italy Srl (previously Prime AviationServices SpA), following the sale of 60% of the investment, previously held by SEA Prime SpA, to the Signature Group.

As per IFRIC 12, rights on assets under concession amount to Euro 959,468 thousand at December 31, 2016 and Euro 933,904 thousand at December 31, 2015. These rights are amortised on a straight-line basis over the duration of the concession from the State, as they will be returned to the grantor at the end of the concession. The amortisation for the year 2016 amounts to Euro 38,191 thousand.

The increases result, for Euro 63,435 thousand, mainly from the entry into operation of the investments made in previous years and recognized under "Rights on assets under concession and advances" and from reclassifications and transfers between intangible and tangible assets accounts.

For assets under concession, SEA has the obligation to record a restoration and replacement provision, in relation to which reference should be made to *Note 7.8*.

The account "Assets under concession in progress and advances", amounting to Euro 33,614 thousand, refers to the work in progress on concession assets, not yet completed at 2016 reporting date. The increase, totalling Euro 40,301 thousand, is stated net of the government grant totalling Euro 5,307 thousand, collected in December 2016, to build the Malpensa Terminal 2 railway station. The main works performed during the year at Malpensa amount to Euro 32,700 thousand and regard: i) continuation of the restyling work on Terminal 1, with the creation of new retail areas, Schengen remote boarding areas, in the north area and renewal of the firefighting system; ii) completion of the new cargo building (intended for a cargo carrier) in the Cargo area and construction of a second warehouse for cargo operators; iii) completion of the works to create new security filters, new check-in desks and upgrading of the baggage delivery area at Terminal 2; iv) completion of the works to build the new railway station, with relative railway connection. The value of the works performed at Linate totals Euro 7,601 thousand and mainly refer to expansion of the west apron and restyling work for the Terminal, its design activity is currently in the completion phase.

Lastly, in terms of flight infrastructures, plant upgrading work continued at both Malpensa and Linate aimed at setting up the Advanced Surface Movement Guidance and Control System systems which will allow a clearer and unequivocal indication of the routes to follow during aircraft taxiing as well as an improvement and more efficient management of the lights on taxiing runways. The reclassifications to assets under concession, principally relate to the gradual entry into service of the works on Terminal 1 and completion of the Malpensa cargo warehouse.

The industrial patents and intellectual property rights and other intangible assets, amounting to Euro 7,934 thousand at December 31, 2016 (Euro 6,373 thousand at December 31, 2015), relate to the purchase of software components for the company, airport and operating IT systems. Specifically, the investments principally related to the development and implementation of the administrative and airport management systems, of which Euro 8,658 thousand relating to previous years and recorded in the account "Fixed assets in progress and payments on account" which at December 31, 2016 record a total residual amount of Euro 7,993 thousand, relating to software developments in progress.

In consideration of the results reported and the business outlook, as well as the definition of the airport tariffs contained in the Regulatory Agreement, at December 31, 2016 the Company did not identify any impairment indicators.

The changes in intangible assets during 2015 were as follows:

(In thousands of Euro)	At December 31, 2014	Increased in the period	Reclassifications /Internal transfers	Destructions /sales	Amortization /write-downs	At December 31, 2015
Gross Value						
Assets under concession	1,331,788		56,003	(598)	(2,091)	1,385,102
Assets under concession in progress & advances	45,497	62,089	(53,542)			54,044
Industrial patents and intellectual property rights	54,838		348	(276)		54,910
Assets in progress and advances	1,258	7,050	(410)			7,898
Others	17,583	52	1,455			19,090
Gross Value	**1,450,964**	**69,191**	**3,854**	**(874)**	**(2,091)**	**1,521,044**
Accumulated amortisation						
Assets under concession	(415,458)		(20)	235	(35,955)	(451,198)
Assets under concession in progress & advances						
Industrial patents and intellectual property rights	(41,979)				(6,558)	(48,537)
Assets in progress and advances						
Others	(15,356)		(1,393)		(128)	(16,877)
Accumulated amortisation	**(472,793)**	**0**	**(1,413)**	**235**	**(42,641)**	**(516,612)**
Net Value						
Assets under concession	916,330		55,983	(363)	(38,046)	933,904
Assets under concession in progress & advances	45,497	62,089	(53,542)			54,044
Industrial patents and intellectual property rights	12,859		348	(276)	(6,558)	6,373
Assets in progress and advances	1,258	7,050	(410)			7,898
Others	2,227	52	62		(128)	2,213
Net value	**978,171**	**69,191**	**2,441**	**(639)**	**(44,732)**	**1,004,432**

6.2 Tangible assets

The following tables summarises the movements in tangible assets between December 31, 2015 and December 31, 2016.

(In thousands of Euro)	At December 31, 2015	Change consol. scope	Increases in the period	Reclassifications /Internal Transfers	Destructions /Sales	Deprecation /write-downs	At December 31, 2016
Gross Value							
Land and Buildings	201,565		661	4,792	(151)	5	206,872
Plant and machinery	111,590	(753)	782	(13)	(4,096)		107,510
Industrial and commercial equipment	37,728	(36)	6,265	19	(5,286)		38,690
Other assets	107,932	(260)	1,876	2,373	(49,400)		62,521
Assets in progress and advances	8,411		9,953	(9,875)			8,489
Gross Value	**467,226**	**(1,049)**	**19,537**	**(2,704)**	**(58,933)**	**5**	**424,082**
Accumulated depreciation & write-downs							
Land and Buildings	(82,221)				125	(6,290)	(88,386)
Plant and machinery	(67,392)	708		73	3,848	(2,599)	(65,362)
Industrial and commercial equipment	(35,089)	17		(22)	5,200	(1,706)	(31,600)
Other assets	(91,599)	207		23	48,723	(5,812)	(48,458)
Assets in progress and advances							
Accumulated depreciation & write-downs	**(276,301)**	**932**		**74**	**57,896**	**(16,407)**	**(233,806)**
Net Value							
Land and Buildings	119,344		661	4,792	(26)	(6,285)	118,486
Plant and machinery	44,198	(45)	782	60	(248)	(2,599)	42,148
Industrial and commercial equipment	2,639	(19)	6,265	(3)	(86)	(1,706)	7,090
Other assets	16,333	(53)	1,876	2,396	(677)	(5,812)	14,063
Assets in progress and advances	8,411		9,953	(9,875)			8,489
Net Value	**190,925**	**(117)**	**19,537**	**(2,630)**	**(1,037)**	**(16,402)**	**190,276**

The investments related to the development of the Commercial Aviation business and those related to Aviation activities (which, as already reported, in accordance with IFRIC 12 are classified as assets under concession and current airport concessions) as well as those related to Non Aviation activities principally related to the redesign of Malpensa Terminal 1.

The increases of "tangible assets" also include the purchase of new de-icer equipment and snowploughs for Euro 3,793 thousand, as well as new video terminals for Euro 940 thousand. In consideration of the results reported and the business outlook, as well as the definition of the airport tariffs contained in the Regulatory Agreement, at December 31, 2016 the Company did not identify any impairment indicators.

All fixed assets, including those falling within IFRIC 12 scope, are shown net of fixed assets financed by State and European Community grants. The latter amounted to Euro 503,601 thousand and Euro 5,517 thousand respectively at December 31, 2016.

The changes in tangible fixed assets during 2015 were as follows:

(In thousands of Euro)	At December 31, 2014	Increases in the period	Reclassifications /Internal transfers	Distribution /Sales	Depreciation/ write-downs	At December 31, 2015
Gross Value						
Land and Buildings	194,797	437	6,402	(71)		201,565
Plant and machinery	108,719	3,047	(51)	(125)		111,590
Industrial and commercial equipment	35,642	2,181		(95)		37,728
Other assets	102,846	2,479	4,057	(1,450)		107,932
Assets in progress and advances	11,662	9,445	(12,695)	(1)		8,411
Gross Value	**453,666**	**17,589**	**(2,287)**	**(1,742)**		**467,226**
Accumulated depreciation & write-downs						
Land and Buildings	(75,816)		(152)	38	(6,291)	(82,221)
Plant and machinery	(64,808)		(2)	119	(2,701)	(67,392)
Industrial and commercial equipment	(33,529)			95	(1,655)	(35,089)
Other assets	(86,780)			1,417	(6,236)	(91,599)
Assets in progress and advances						
Accumulated depreciation & write-downs	**(260,933)**		**(154)**	**1,669**	**(16,883)**	**(276,301)**
Net Value						
Land and Buildings	118,981	437	6,250	(33)	(6,291)	119,344
Plant and machinery	43,911	3,047	(53)	(6)	(2,701)	44,198
Industrial and commercial equipment	2,113	2,181			(1,655)	2,639
Other assets	16,066	2,479	4,057	(33)	(6,236)	16,333
Assets in progress and advances	11,662	9,445	(12,695)	(1)		8,411
Net Value	**192,733**	**17,589**	**(2,441)**	**(73)**	**(16,883)**	**190,925**

6.3 Investment property

Information on investment property is provided below:

Investment property

(In thousands of Euro)	At December 31, 2016	At December 31, 2015
Gross Value	4,125	4,148
Accumulated depreciation	(727)	(736)
Total net investment property	**3,398**	**3,412**

Movements in Accumulated Depreciation

(In thousands of Euro)	At December 31, 2016	At December 31, 2015
Opening Value	(736)	(734)
Decreases	11	-
Amortisation and Depreciation	(2)	(2)
Closing value	**(727)**	**(736)**

The account includes buildings not utilised in the operated activities of the Group (apartments and garages). Despite uncertainty related to the real estate market there was no loss in value of investment property at December 31, 2016.

6.4 Investments in associates

The changes in the account "investments in associates" at December 31, 2016 and December 31, 2015 are shown below.

Investments in associates

(In thousands of Euro)		Changes				
	At December 31, 2015	Change consol. scope	reversal of capital gains on assets	increases / revaluations	decreases / write-downs	At December 31, 2016
SACBO SpA	30,647			4,992	(1,800)	33,839
Dufrital SpA	10,835			1,199	0	12,034
Disma SpA	2,642			244	(281)	2,605
Malpensa Logistica Europa SpA	2,560			295	(173)	2,682
SEA Services Srl	703			358	(680)	381
Signature Flight Support Italy Srl (previously Prime AviationServices SpA)	0	233	(75)		(102)	56
Total	**47,387**	**233**	**(75)**	**7,088**	**(3,036)**	**51,597**

The companies held are all resident in Italy.
The net equity of the associated companies was adjusted to take account of the Group accounting principles and the measurement of investments as per IAS 28.
The adjusted net equity share of the SEA Group at December 31, 2016 amounted to Euro 51,597 thousand compared to Euro 47,387 thousand at December 31, 2015.
The "change in consolidation scope" column refers to the reporting of the company Signature Flight Support Italy Srl in the associated companies following the sale (on April 1, 2016) of 60% of its share capital to the third party company by SEA Prime SpA, which had held 100% of it until March 31, 2016.
The "reversal of capital gains on assets" column refers to the entry made at consolidated level related to the capital gain realised by SEA Prime SpA following the sale of assets to Signature Flight Support Italy Srl (previously Prime AviationServices Spa).
It should also be noted that in December 2016 the Shareholders" Meeting of SACBO approved the proposal to purchase the treasury shares held by the Province of Bergamo, corresponding to 3% of share capital for a value equal to Euro 6,804,000. The transaction did not have any impacts on the company's share capital, or dilutive effects on the stake held by SEA, therefore it was not included in the measurement of the investment in the Consolidated financial statements of the SEA Group, postponing recognition of the effects to when allocation of the shares is voted on as required by the reference Accounting standards.

6.5 AFS Investments

The investments available-for-sale are listed below:

Company	% Held At December 31, 2016	% Held At December 31, 2015
Consorzio Milano Malpensa in liquidation	10%	10%
Romairport SpA	0.227%	0.227%
Aereopuertos Argentina 2000 SA	8.5%	8.5%
Sita Soc. Intern. De Telecom. Aereneonautiques (Belgian company)	6 shares	12 shares

The table below reports the changes in the investments available for sale during 2016:

(In thousands of Euro)

Company	At December 31, 2015	Changes increases/ revaluation/ reclass.	Changes decreases /write-downs	At December 31, 2016
Consorzio Milano Malpensa in liquidation	25			25
Romairport SpA	1			1
Aereopuertos Argentina 2000 SA				
Sita Soc. Intern. De Telecom. Aereneonautiques (Belgian company)	0			0
Total	**26**	**-**	**-**	**26**

For the investment in Aeropuertos Argentina 2000 SA, reference should be made to the separate financial statements of SEA.

6.6 Deferred tax assets

The breakdown of the deferred tax assets is reported below:

Net deferred tax assets

(In thousands of Euro)	At December 31, 2016	At December 31, 2015
Deferred tax assets	81,808	83,291
Deferred tax liabilities	(38,143)	(41,009)
Total net deferred tax assets	**43,665**	**42,282**

The changes in the net deferred tax assets for the year 2016 are shown below:

Net deferred tax assets

(In thousands of Euro)	At December 31, 2015	Change consol. scope	Release / recognition to P&L	Release / recognition to equity	At December 31, 2016
Restoration provision as per IFRIC 12	34,566		(764)		33,802
Impairment test	14,399		(111)		14,288
Provision for risks & charges	11,759		(1,587)		10,172
Non-deductible doubtful debt provision	9,155	(6)	(492)		8,657
Labour disputes			3,320		3,320
Fair value measurement of derivates	2,587			(438)	2,149
Discounting Employee Leaving Indemnity (IAS 19)	2,522		(677)	(900)	945
Normal maintenance on assets under concession	2,921				2,921
Expected tax losses of SEA Handling in liquidation net of benefit	42		(42)		0
Tax loss Prime AviationServices	135	(135)			0
Amortisation and Depreciation	1,510		155		1,665
Others	3,695	(1)	197		3,890
Total deferred tax assets	**83,291**	**(143)**	**(2)**	**(1,339)**	**81,808**
Amortisation and Depreciation	(33,997)		1,085		(32,912)
Allocation of surplus from Prime AviationServices acquisition	(5,582)		245		(5,337)
Discounting Employee Leaving Indemnity (IAS 19)	(1,554)			1,554	0
Others	124		(17)		106
Total deferred tax liabilities	**(41,009)**	**0**	**1,313**	**1,554**	**(38,143)**
Total net deferred tax assets	**42,282**	**(143)**	**1,311**	**215**	**43,665**

The item "change in consolidation scope" refers to the loss of control over the investee Signature Flight Support Italy Srl (previously Prime AviationServices SpA).
It should be noted that the item "discounting post-employment benefits (IAS19)" reported in deferred tax liabilities for Euro 1,554 thousand was reclassified by nature in the corresponding item of deferred tax assets.
The IRAP tax rate for the parent company SEA SpA amounted to 4.2%, while for the other fully consolidated companies of the Group it was 3.9%.

6.7 Other current and non-current financial assets

The table below shows the other current and non-current financial assets;

(In thousands of Euro)	At December 31, 2016	At December 31, 2015
Current and non-current financial assets	16,776	16,776
Other current financial assets	7,190	7,190
Total other current and non-current financial assets	**23,966**	**23,966**

The balance of current and non-current financial assets relates to the capital paid in favour of Airport Handling less write-downs made in 2013 and 2014 totalling Euro 1,034 thousand, against the losses generated before the disposal to the trust.

The company was incorporated on September 9, 2013 with a share capital of Euro 10 thousand, fully paid-in by the sole shareholder SEA on September 27, 2013. On October 30, 2013, the Extraordinary Shareholders' Meeting of Airport Handling approved the share capital increase up to a maximum of Euro 90 thousand, to be offered as options to the shareholder SEA - entirely subscribed with the payments in November 2013 and February 2014.

On April 3, 2014, the Ordinary Shareholders' Meeting of Airport Handling approved the share capital increase up to a maximum of Euro 2,500 thousand to be offered as options to the shareholder SEA. The first tranche of Euro 500 thousand was subscribed in the shareholders' meeting and paid-in simultaneously by the shareholder SEA. The two subsequent tranches were paid by SEA in June 2014 (Euro 710 thousand) and July 2014 (Euro 1,290 thousand) on the request of the Board of Directors of Airport Handling.

On June 30, 2014, the Board of Directors of SEA SpA approved the incorporation of the Trust "Milan Airport Handling Trust", registered in Jersey, Channel Islands, in order to adopt the best possible procedure to implement the discontinuation with the handling activity, previously undertaken by SEA Handling SpA, in accordance with the terms and conditions of the incorporation deed of the Milan Airport Handling Trust.

On August 27, 2014, the Shareholders' Meeting of Airport Handling Srl approved the share capital increase to Euro 5,000 thousand through the use of future share capital payments. On the same date, SEA, the sole shareholder of Airport Handling, with the signing of the Trust Deed transferred to the "Milan Airport Handling Trust": (i) the entire nominal investment of Euro 5,000 thousand; (ii) all rights to this latter relating to the share capital increase of Airport Handling. This was undertaken without any consideration and in accordance with the Trust Deed. Subsequent to this transfer of ownership, on August 27, 2014, Airport Handling Srl was converted into a limited liability company, with the appointment of new corporate boards and the issue of 20,000 Financial Instruments of Participation (FIP) of a value of Euro 1 thousand each, subscribed by SEA SpA, with the approval of the sole shareholder Milan Airport Handling Trust. These instruments are equity-based (therefore not subject to any repayment obligation of the amount contributed), without administrative rights but similar to shares in terms of equity rights; in particular these instruments provide profit-sharing and reserve rights and rights to other equity items, also on the winding up of the company. On August 28, 2014, SEA executed the payment of Euro 20,000 thousand. On March 23, 2016 the transfer transaction of 30% of the Airport Handling shares, and the same percentage of FIPs held by SEA in Airport Handling was completed, with assignment to dnata at the *closing*, of the majority of the members of the Board of Directors and thus the *Governance* of Airport Handling. Following the transfer the portion of other financial assets involved in the transfer were reclassified as "current".

Following dnata investment in Airport Handling, the latter company is valued at Euro 25 million, such amount being in line with the carrying amount of the assets recognized in the accounts. The transaction involved the payment of Euro 7.5 million by dnata for the purchase of the first 30%, which will be subject to lien for a predefined period as guarantee by dnata and entails the payment of Euro 10 million for the additional 40% interest (amounts to be divided proportionally between stocks and FIPs respectively held by the Trustee and SEA).

6.8 Other non-current receivables

The table below shows the breakdown of other non-current receivables:

Other non-current receivables

(In thousands of Euro)	At December 31, 2016	At December 31, 2015
Other receivables	308	363
Receivables from the State for grants under Law 449/85	-	1,329
Total non-current receivables	**308**	**1,692**

Receivables from the State for grants under Law 449/85, amounting to Euro 1,328 thousand (Euro 1,329 thousand at December 31, 2015), are entirely covered by the doubtful debt provision and concern receivables based on the "Regulatory Agreement" between ENAC and SEA in January 1995 and revised in December 2004, which establishes the partial funding, pursuant to Law 449/85, of some infrastructure projects at Malpensa Airport.

Other receivables, amounting to Euro 308 thousand at December 31, 2016 (Euro 363 thousand at December 31, 2015) do not show a significant change and mainly relate to employee receivables and deposit guarantees.

6.9 Inventories

The following table reports the breakdown of the account "Inventories":

Inventories

(In thousands of Euro)	At December 31, 2016	At December 31, 2015
Raw materials, consumables and supplies	4,585	5,165
Provision for inventory obsolescence	(444)	(300)
Total Inventories	**4,141**	**4,865**

The account includes consumable materials for airport activities; no goods held in inventories comprised guarantees on loans or concerning other commitments.
As a result of the comparison of inventories with the realisable or replacement value, an obsolescence inventory provision of Euro 444 thousand was recognized at December 31, 2016 (Euro 300 thousand at December 31, 2015). The amounts are stated net of the related provision.

The following changes were reported for the obsolescence inventory provision during 2016:

Change in the provision for inventory obsolescence

(In thousands of Euro)	At December 31, 2016
Initial value	(300)
Provision	(250)
Use	106
Final value of provision for inventory obsolescence	**(444)**

6.10 Trade receivables

The breakdown of the trade receivables is reported in the table below:

Trade receivables

(In thousands of Euro)	At December 31, 2016	At December 31, 2015
Customer receivables	79,446	79,690
Trade receivables from associated companies	7,522	10,837
Total trade receivables	**86,968**	**90,527**

Trade receivables, shown net of the doubtful debt provision, mainly include receivables from clients and provisions for invoices and credit notes to be issued.
The criteria for the adjustment of receivables to their realisable value takes account of valuations regarding the state of the dispute and are subject to estimates which are described in the previous paragraphs 2.7 and 4.1, to which reference should be made.
The reduction of trade receivables due from associated companies is basically due to the due dates and relative collection of invoices.
Management of receivables using factoring transaction continued in 2016. Receivables sold through factoring transactions are de-recognized only if the risks and rewards associated with their ownership have been substantially transferred to the transferee. The receivables sold which do not satisfy this condition remain on the balance sheet of the Company although they have been legally sold. In this case a financial liability of the same amount is recorded under liabilities to represent the advance received.

The changes in the doubtful debt provision were as follows:

Doubtful debt provision

(In thousands of Euro)	At December 31, 2016	At December 31, 2015
Opening provision	(83,619)	(89,742)
(Increases) / reversals	(2,744)	5,456
Utilisation	6,022	667
Change consol. scope	78	-
Total doubtful debt provision	**(80,263)**	**(83,619)**

The provisions net of releases amounted to Euro 2,744 thousand for 2016 (Euro 5,456 thousand net releases in 2015). The doubtful debt provision was calculated to take into account the risk in deterioration of the financial positions of the principle operators with which disputes exist and write-downs for receivables under administration. The utilizations refer to the closure during the year of disputes for which the provisions were accrued to cover such risks in previous years. The item "change in consolidation scope" refers to the deconsolidation as of April 1, 2016 following the loss of control over the investee Signature Flight Support Italy Srl (previously Prime AviationServices SpA).

6.11 Tax receivables and other current receivables

The following table provides the breakdown of other current receivables:

Tax receivables and other current receivables

(In thousands of Euro)	At December 31, 2016	At December 31, 2015
Tax receivables	14,800	12,751
Other current receivables	18,563	13,286
Total tax receivables and other current receivables	**33,363**	**26,037**

Tax receivables, amounting to Euro 14,800 thousand at December 31, 2016, principally refer to:

- for Euro 10,414 thousand (Euro 10,414 thousand at December 31, 2015) to the recalculation of IRES income tax for the years 2007-2011 following the recognition of the deductibility for IRES purposes of IRAP regional tax relating to personnel costs in accordance with Article 2, Paragraph 1, of Legislative Decree No. 201/2011 (converted into Law No. 214/2011) with consequent presentation of the request for reimbursement;
- for Euro 2,873 thousand (Euro 1,293 thousand at December 31, 2015) to current tax receivables;
- for Euro 909 thousand (Euro 394 thousand at December 31, 2015) to VAT receivables;
- and for Euro 604 thousand (Euro 634 thousand at December 31, 2015) to other tax receivables.

The account "Other current receivables", reported net of the relative provision, is broken down as follows:

Other current receivables

(In thousands of Euro)	At December 31, 2016	At December 31, 2015
Receivables from Energy Regulator for white and green certificates	9,530	4,780
Receivables for dividends to collect	1,901	-
Receivables for various payments	278	279
Insurance company receivables	232	406
Receivables from employees and social security institutions	203	245
Stamps and duties	25	-
Receivables from the Ministry for Communications for radio bridge	3	3
Other receivables	6,391	7,573
Total other current receivables	**18,563**	**13,286**

The account "Other current receivables" amounts to Euro 18,563 thousand at December 31, 2016 (Euro 13,286 thousand at December 31, 2015) and is comprised of the accounts outlined below.

The receivables due from GSE to the SEA Group for white and green certificates total Euro 9,530 thousand. This amount includes the receivables due to SEA Energia from the Energy Service Operator related to the estimate of the 2015 "green certificates" (totalling Euro 3,733 thousand net of the relative doubtful debt provision) and the estimate of the 2016 "green certificates" and "white certificates" (totalling Euro 4,677 and 1,120 thousand, respectively). It should be noted that on December 31, 2016 a doubtful debt provision was established for the 2015 green certificates, totalling Euro 307 thousand, following the inspection in March 2016, to verify the figures provided for the request for green certificates from district heating for the Linate power plant, for the years 2010-2014 GSE asked for the restitution of 17,106 green certificates already collected by the SEA Group, which therefore adjusted the existing receivable for the 2015 green certificates within the calculation range identified by GSE.

Receivables from the State under SEA/Ministry for Infrastructure and Transport case, for Euro 3,889 thousand at

December 31, 2016, following the judgement of the Court of Cassation, which recognized to the Company the non-adjustment of handling tariffs for the period 1974-1981, in addition to interest and expenses incurred by the Company, are entirely covered by the doubtful debt provision. This receivable is related to the remaining credit position not yet collected by the Ministry for Infrastructure and Transport, as well as interest until December 31, 2014.

The receivables for dividends to collect refer, for an amount totalled Euro 1,901 thousand to dividends approved by the shareholders' meeting of Airport Handling SpA: on May 6, 2016 on the allocation of profit from 2015. SEA SpA, as holder of Financial Instruments of Participation, is entitled to receive the dividend approved by the Shareholders' meeting.

The receivables for various collections, totalling Euro 278 thousand at December 31, 2016 are mainly related to receivables resulting from collections paid by credit card, POS and telepass not yet credited to the current account.

Other receivables principally concerns accrued income related to revenues accrued in the year and costs relating to future years. The account also includes reimbursements, supplier advances, arbitration with sub-contractors and other minor positions.

The changes in the doubtful debt provision for other current receivables are provided below.

Doubtful debt provision

(In thousands of Euro)	At December 31, 2016	At December 31, 2015
Opening provision	(4,045)	(2,285)
(Increases) / reversals	(307)	(1,760)
Change consol. scope	156	
Provision for other doubtful receivables	**(4,196)**	**(4,045)**

The item "change in consolidation scope" refers to the loss of control over the investee Signature Flight Support Italy Srl (previously Prime AviationServices SpA).

6.12 Cash and cash equivalents

The breakdown of the account "Cash and cash equivalents" is shown in the table below.

Cash and cash equivalents

(In thousands of Euro)	At December 31, 2016	At December 31, 2015
Bank and postal deposits	47,178	55,422
Cash in hand and at bank	58	80
Total	**47,236**	**55,502**

The available liquidity at December 31, 2016 decreased by Euro 8,266 thousand compared to the previous year. The breakdown of liquidity at year-end follows: bank and postal deposits on demand for Euro 45,558 thousand (Euro 53,398 thousand at December 31, 2015), restricted bank deposits for Euro 1,620 thousand, mainly to cover the quota of European Investment Bank loans due in the coming 12 months (Euro 2,024 thousand at December 31, 2015) and cash amounts for Euro 58 thousand (Euro 80 thousand at December 31, 2015). For further information on changes in cash and cash equivalents, please refer to the Consolidated Cash Flow Statement.

It should be noted that liquidity at December 31, 2016 does not include the escrow account; Euro 6,000 thousand are deposited to this account which result from collection of the price from the sale of 30% of the Financial Instruments of Participation held by SEA Group in Airport Handling.

6.13 Shareholders' Equity

At December 31, 2016, the share capital of the Company amounted to Euro 27,500 thousand.
The par value of each share was Euro 0.11.
The changes in shareholders' equity in the year are shown in the statement of changes in shareholders' equity.
The reconciliation between the net equity of the Parent Company SEA SpA and the consolidated net equity is shown below.

(In thousands of Euro)	Shareholders' equity at December 31, 2015	Change in equity	CIS Reserve	Net Profit	Shareholders' equity at December 31, 2016
Financial statements of the Parent Company	301,854	(62,850)	(173)	87,856	326,687
Share of equity and result of the consolidated subsidiaries attributable to the Group, net of the carrying value of the relative investments	13,428			1,527	14,955
Equity method valuation of associates	36,608			4,088	40,696
Other consolidation adjustments	(6,681)			173	(6,508)
Consolidated financial statements	**345,209**	**(62,850)**	**(173)**	**93,644**	**375,830**

6.14 Provision for risks & charges

The breakdown of the account "Provisions for risks and charges" is shown in the table below:

Provision for risks & charges

(In thousands of Euro)	At December 31, 2015	Change Scope	Provisions /Increases	reclassi-fication	Releases	At December 31, 2016
Provision for restoration & replacement	136,160		17,193	(16,387)		136,966
Provision for future charges	41,742	(193)	3,902	(5,489)	(2,867)	37,095
Total provision for risks & charges	**177,902**	**(193)**	**21,095**	**(21,876)**	**(2,867)**	**174,061**

The restoration and replacement provision on assets under concession, created in accordance with IFRIC 12, amounting to Euro 136,966 thousand at December 31, 2016 (Euro 136,160 thousand at December 31, 2015), refers to the estimate of the amount matured relating to the maintenance on assets under concession from the State which will be undertaken in future years. The provision for the year takes into account the long-term updating of the scheduled replacement and maintenance plan of such assets, while the uses for the period refer to restoration interventions covered by provisions of previous years.
The item "change in consolidation scope" refers to the departure of the investee Signature Flight Support Italy Srl (previously Prime AviationServices SpA) from the consolidation scope following the loss of control on April 1, 2016 with the sale of 60% of the investment held by SEA Prime SpA.

The breakdown of the provision for future charges is shown in the table below:

Prevision for future charges

(In thousands of Euro)	At December 31, 2015	Change cons. scope	Provisions / increases	Utilisations / reclassifications	Releases	At December 31, 2016
Employment provisions	8,261		250	(1,614)	(2)	6,895
Disputes with contractors	550			(550)		-
Insurance excess	3,356	(145)	629	(598)	(106)	3,136
Tax risks	6,119	(48)	268	(1,954)	(1,885)	2,500
Green Certificates			1,049			1,049
Other provisions	23,456		1,706	(773)	(874)	23,515
Total provision for future charges	**41,742**	**(193)**	**3,902**	**(5,489)**	**(2,867)**	**37,095**

The employee provisions relate to the expected streamlining actions to be undertaken on operations. Uses for the year are connected to incentivised departures for which a specific provision was created in the 2015 financial statements.

The item "Tax risks" mainly refers to:

- Euro 1,000 thousand to the amount allocated by SEA SpA to cover litigation of a tax nature for which the Company is being audited by the competent authorities. It should be noted that in 2016, SEA settled litigation started in 2015 by the Customs Agency for the Malpensa and Linate airports, for the electricity business, related to regularity of compliance with excise related requirements pursuant to Legislative Decree no. 504/1995 (Consolidated Excise Act). The established amounts were fully covered by the provision allocated in 2015 (for additional information see the Directors' Report in the paragraph Main ongoing disputes as of December 31, 2016);
- the provisions of Euro 1,500 thousand set aside by SEA Prime SpA, to meet the liabilities related to the non-payment of Group VAT by the former parent in the years 2011 and 2012.

"Green certificates" for Euro 1,049 thousand at December 31, 2016 refer to the company SEA Energia. On December 19, 2016, the Energy Services Operator sent the company a report prepared following an inspection to verify the reliability of the figures provided for issue of green certificates requested for the Linate power plant. GSE asked for the restitution of 17,106 green certificates for the 2010-2014 period (of which 12,435 of the Company and 4,671 of A2A) which led to reporting a future charges provision totalling Euro 1,049 thousand.

The account "Other provisions" for Euro 23,515 thousand at December 31, 2016 is mainly composed of the following items:

- Euro 11,611 thousand for legal disputes related to the operational management of the airports;
- Euro 8,000 thousand relating to charges arising from the acoustic zoning plan of the Milan Airports peripheral areas (Law No. 447/95 and subsequent Ministerial Decrees);
- Euro 881 thousand for disputes with ENAV;
- Euro 3,000 thousand for litigation of a different nature;
- Euro 23 thousand for risks relating to revocatory actions taken against the Group and relating to airline companies declared bankrupt.

6.15 Employee provisions

The changes in the employee provisions are shown below:

Employee provision

(In thousands of Euro)	At December 31, 2016	At December 31, 2015
Opening provision	48,239	50,505
Change consol. scope	(399)	
Financial (income)/charges	645	801
Utilisation	(1,079)	(1,203)
Actuarial profit /(losses)	1,814	(1,864)
Total employee provision	**49,220**	**48,239**

The actuarial calculation of the employee leaving indemnity takes into account the effects of the reform of Law No. 296 of December 27, 2006 and subsequent decrees and regulations.
The item "change in consolidation scope" refers to the effects resulting from deconsolidation of Signature Flight Support Italy Srl (previously Prime AviationServices SpA) starting from April 1, 2016, the date of loss of control and change from full consolidation to measurement at equity.

The principal actuarial assumptions, utilised for the determination of the pension obligations, are reported below:

Financial assumptions

	At December 31, 2016
Annual discount rate	1.31%
Annual inflation rate	1.50%
Annual post-employment benefit increase	2.63%

The annual discount rate, utilised for the establishment of the present value of the bond, was based on the Iboxx Eurozone Corporate A index.
The sensitivity analysis for each of the significant assumptions at December 31, 2016 is shown below, indicating the effects that would arise on the post-employment benefit provision.

Change in assumptions

(In thousands of Euro)	At December 31, 2016
+ 1 % on turnover	47,816
- 1 % on turnover	48,407
+ 1/4 % on the annual inflation rate	48,855
- 1/4 % on the annual inflation rate	47,351
+ 1/4 % on the annual discount rate	46,902
- 1/4 % on the annual discount rate	49,334

The average duration of the financial obligation and scheduled payments of the benefits are reported in the following tables:

Average financial duration of the obligation

(in years)	At December 31, 2016
Duration of the plan	10.8

Scheduled disbursements

(In thousands of Euro)	At December 31, 2016
Year 1	2,100
Year 2	2,116
Year 3	1,892
Year 4	2,550
Year 5	2,837

6.16 Current and non-current financial liabilities

The table below provides a breakdown of current and non-current financial liabilities at December 31, 2016 and December 31, 2015.
The breakdown of the accounts is shown below.

(In thousands of Euro)	At December 31, 2016		At December 31, 2015	
	Current portion	Non-current portion	Current portion	Non-current portion
Long-term loans	19,688	241,207	15,456	260,853
Loan charges payables	1,140		1,366	
Fair value derivatives		9,721		11,257
Bank payables	**20,828**	**250,928**	**16,822**	**272,110**
Bond payables		298,009		297,580
Bond charge payables	6,627		6,609	
Leasing payables	31		548	31
Subsidised loan payables	44	132		85
Payables to other lenders	**6,702**	**298,141**	**7,157**	**297,696**
Total current and non-curr. liabilities	**27,530**	**549,069**	**23,979**	**569,806**

The financial debt of the Group at year-end, as illustrated in the table below, is exclusively comprised of medium/long-term debt - of which over half concerning the "SEA 3 1/8 2014 -2021" bond issue (expressed at amortised cost). The remainder of the debt is comprised of Euro 176 thousand EIB subsidised loans (of which 59% with maturity beyond 5 years and only 8% due in the next 12 months).

The breakdown of the Group net debt at December 31, 2016 and December 31, 2015 is reported below:

Group Net Debt

(In thousands of Euro)	At December 31, 2016	At December 31, 2015
A. Cash	(47,236)	(55,502)
B. Other Liquidity		
C. Held-for-trading securities		
D. Liquidity (A)+(B)+(C)	(47,236)	(55,502)
E. Financial receivables		
F. Current financial payables	7,767	7,975
G. Current portion of medium/long-term bank loans	19,732	15,456
H. Other current financial payables	31	548
I. Payables and other current financial liabilities (F) + (G) + (H)	27,530	23,979
J. Net current financial debt (D) + (E) + (I)	(19,706)	(31,523)
K. Non-current portion of medium/long-term bank loans	241,207	260,853
L. Bonds issued	298,008	297,580
M. Other non-current financial payables	9,854	11,373
N. Payables & other non-current financial liabilities (K) + (L) + (M)	549,069	569,806
O. Net Debt (J) + (N)	529,363	538,283

At the end of December 2016, net debt amounted to Euro 529,363 thousand, decreasing Euro 8,920 thousand compared to the end 2015 (Euro 538,283 thousand).
The composition of net debt was affected by a number of factors, including:

a) the continuation of the repayment of part of the EIB loans (principal repaid in 2016 totalling Euro 15,456 thousand);
b) lower liquidity for Euro 8,266 thousand (Euro 47,236 thousand at the end of 2016 against Euro 55,502 in 2015);
c) fewer IAS adjustments for Euro 1,831 thousand mainly due to (i) an improvement in the fair value of derivatives for Euro 1,447 thousand (ii) lower accrued liabilities on loans and derivatives for Euro 372 thousand and (iii) lower debt for leasing for Euro 548 thousand.

Some loans include covenant conditions, relating to the capacity of the SEA Group to meet annual and/or half year financial commitments (net of financial resources available) with cash flows from operating activities.
At present, the SEA Group is not aware of any default situations related to the loans held or of violations of any of the above-mentioned covenants.

The table below shows the reconciliation between the finance lease payables and the future lease instalments at December 31, 2016.

(In thousands of Euro)	At December 31, 2016
Future lease instalments until contract maturity	32
Implied interest	(2)
Present value of instalments until contract maturity	**30**
Amounts for unpaid invoices	1
Total payables for leasing (current and non-current)	**31**

6.17 Trade payables

The breakdown of trade payables is follows.

Trade payables

(In thousands of Euro)	At December 31, 2016	At December 31, 2015
Supplier payables	151,042	154,520
Advances	7,023	7,021
Payables to associated companies	3,465	2,945
Total trade payables	**161,530**	**164,486**

Trade payables (which includes invoices to be received of Euro 83,154 thousand at December 31, 2016 and Euro 94,730 thousand at December 31, 2015) refer to the purchase of goods and services relating to operations and Group investments.
The payables for advances at December 31, 2016 amounting to Euro 7,023 thousand (Euro 7,021 thousand at December 31, 2015) principally refer to advances from clients.
In terms of the collection received in 2014 and, classified in payables for advances, following the Judgement no. 12778/2013 of the Court of Milan (upheld by the Milan Court of Appeals with judgement no. 3553/2015) with which the Customs Agency was sentenced to pay a total of Euro 5,631 thousand for litigation related to the occupation of spaces in the Linate and Malpensa airports, in December 2016 the Customs Agency challenged this judgement before the Supreme Cassation Court, disputing the amount due established by the appeals judge. It should be noted that as not all jurisdictional degrees have been exhausted, no income was recognized in these financial statements.
Payables to associated companies relate to services and other charges; reference should be made to *Note 8*.

6.18 Income tax payables

Income tax payables amounted to Euro 6,841 thousand at December 31, 2016 (Euro 24,784 thousand at December 31, 2015); they mainly consist of withholding taxes on employees and self-employed staff for Euro 5,095 thousand (Euro 4,778 thousand at December 31, 2015), IRAP regional tax payable for Euro 1,034 thousand (Euro 1,101 thousand at December 31, 2015), VAT payable for Euro 686 thousand at December 31, 2016 (Euro 1,003 thousand at December 31, 2015) and other tax payables for Euro 26 thousand (Euro 14 thousand at December 31, 2015).

In order to improve presentation, the item "Surtaxes payable on landing rights charges", has been reclassified from the item "Income tax payable" to the item "Payables to other lenders" for both the reporting and the comparative period.

6.19 Other payables

The table below reports the breakdown of the account "other payables".

Other payables

(In thousands of Euro)	At December 31, 2016	At December 31, 2015
Airport fire protection service	53,088	46,714
Payables for surtaxes on landing rights charges	46,011	38,233
Other miscellaneous payables	15,768	17,150
Payables due to employees for amounts accrued	13,632	11,340
Payables due to the State for concession charges	12,198	11,504
Payable to social security institutions	12,039	12,527
Payables due to employees for holidays not taken	2,881	3,311
Payables due to A2A for green certificates	2,296	1,134
Third party guarantee deposits	1,277	1,604
Payables due to third parties for ticket collection	414	925
Other payables for employee provisions	265	268
Payables to the BoD and Board of Statutory Auditors	197	262
Payables to shareholders for dividends	95	63
Payables due to the State for security concession services	85	70
Payables to the Ministry for $C0_2$ allowances	81	26
Total other payables	**160,327**	**145,131**

In relation to the payables of the SEA Group for airport fire protection services the appeal made before the Rome Civil Court by the Parent Company against the payment of this contribution is still pending. For more details, please refer to comments in the Directors' Report in the "SEA Group Risk Factors" section.

In order to improve presentation, the item "Additional landing rights charges", relating to the surtax established by Laws no. 166/2008, no. 350/2003, no. 43/2005 and no. 296/2006, has been reclassified from "Income tax payables" to "Payables to other lenders" for both the reporting and the comparative period.

The account "Other payables", amounting to Euro 15,768 thousand at December 31, 2016 (Euro 17,150 thousand at December 31, 2015), mainly relates to deferred income from clients for future periods and other minor payables.

The payables to A2A for green certificates amounting to Euro 2,296 thousand refer to the estimate of the value of the green certificates matured in 2015 and 2016 at the Linate plant.

7. Income Statement

7.1 Operating revenues

The table below shows the breakdown of operating revenues for the years 2016 and 2015. Such data, as described in *Note. 5.3 "Disclosure by operating segments"* reflect the operational and managerial aspects of the businesses in which the Group is engaged. These data may therefore differ from those shown at the individual legal entity level.

Operating revenues

(In thousands of Euro)	2016	2015
Commercial Aviation operating revenues	625,870	610,741
General Aviation operating revenues	11,750	16,179
Energy operating revenues	15,892	15,488
Total Operating revenues	**653,512**	**642,408**

Commercial Aviation operating revenues

The breakdown of Aviation operating revenues by segment is reported below.

Aviation operating revenues

(In thousands of Euro)	2016	2015
Centralised infrastructure and rights	351,088	333,923
Operating revenues from security controls	45,150	48,833
Use of regulated spaces	12,732	13,121
Total Aviation operating revenues	**408,970**	**395,877**

The growth in Aviation revenues, totalling Euro 13,093 thousand, is mainly connected to higher revenues resulting from the effect of higher traffic volumes reported during the year in both the passenger and cargo segments thanks to the additional capacity offered by the airlines favoured by a constant oil price for all of 2016 and the availability of new fleets.

The breakdown of Non Aviation operating revenues by sector is reported below.

Non Aviation operating revenues

(In thousands of Euro)	2016	2015
Retail	90,088	88,468
Parking	60,226	57,150
Cargo	12,688	12,572
Advertising	10,451	12,137
Premium service	17,874	16,806
Real estate	3,179	2,610
Other revenues and services	22,394	25,121
Total Non Aviation operating revenues	**216,900**	**214,864**

The item "services and other revenues" is primarily composed of income from designing activity, ticket services, service activity and other income.

The breakdown of retail revenues by segment is reported below.

Retail Revenues

(In thousands of Euro)	2016	2015
Shops	47,070	46,190
Food & Beverage	19,039	18,211
Car rental	14,761	14,472
Bank services	9,218	9,596
Total Retail	**90,088**	**88,468**

For additional information refer to the Directors' Report in the Operating Performance - Segment Analysis paragraph.

General Aviation operating revenues

The General Aviation business includes both General Aviation activities that provide the full range of services connected with business traffic at the West apron at Linate airport, and the handling activities related to this traffic. The General Aviation business revenues totalling Euro 11,750 thousand reported a decrease (-27.38% compared to the previous year)mainly due to the lack of revenues from handling activities and refuelling activity, as reported in the Directors' Report to which reference should be made.

Energy operating revenues

The breakdown of Energy operating revenues is reported below.

Energy operating revenues

(In thousands of Euro)	2016	2015
Sale of electric energy	7,599	8,433
Sale of thermal energy	2,986	2,917
Other revenues and services	5,307	4,138
Total Energy operating revenues	**15,892**	**15,488**

For an analysis of revenues, reference should be made to the Directors' Report.

7.2 Revenue for works on assets under concession

Revenues for works on assets under concession decreased from Euro 52,384 thousand in 2015 to Euro 46,662 thousand in 2016.

These revenues, as per IFRIC 12, refer to construction work on assets under concession increased by a mark-up of 6% representing the best estimate of the remuneration of the internal cost for the management of the works and design activities undertaken by the Company, which corresponds to a mark-up which a general constructor would request to undertake such activities.

This account is strictly related to investment and infrastructure upgrading activities. For further information on the main investments in the period, reference is made to *Note 6.1*.

In the account "Costs for works on assets under concession" (*Note 7.7*), a decrease was reported due to lesser work on assets under concession.

7.3 Personnel costs

The breakdown of personnel costs is as follows.

Personnel costs

(In thousands of Euro)	2016	2015
Wages, salaries and social security charges	163,041	159,834
Employee Leaving Indemnity	7,888	7,731
Other personnel costs	12,042	9,414
Total	**182,971**	**176,979**

The average number of employees by category in the two-year period (Full-Time Equivalent) is as follows.

Average number of employees (FTE)

	January - December 2016	%	January - December 2015	%
Executives	55	2.0%	56	2.0%
Middle Managers	267	9.5%	263	9.5%
White-collar	1,768	63.1%	1,743	62.6%
Blue-collar	688	24.6%	701	25.2%
Total employees	**2,778**	**99%**	**2,763**	**99%**
Agency employees	23	0.8%	20	0.7%
Total employees	**2,801**	**100%**	**2,783**	**100%**

Group personnel costs in 2016 increased by Euro 5,992 thousand (+3.4%) on the 2015 figures, from Euro 176,979 thousand in 2015 to Euro 182,971 thousand in 2016.

The increase was the result of adjustment of the National Labour Collective Contract signed in 2014, where the wage increase was divided into various tranches, and signing of leaving incentive agreements (for additional information on the agreement see the "Human resources" chapter in the Directors' Report). This agreement has an impact on personnel costs for 2016 totalling Euro 3,666 thousand.

The average Full-Time Equivalent workforce was 2,801 in 2016 against 2,783 in 2015.

The net increase in personnel is due to increase in the scope of security activities, partly offset by the departure of Prime AviationServices resources from the Group.

7.4 Consumable materials

The breakdown of the account "Consumable materials" is as follows.

Consumable materials costs

(In thousands of Euro)	2016	2015
Raw materials, consumables and supplies	37,149	43,335
Changes in inventories	656	927
Total	**37,805**	**44,262**

The costs for consumable materials dropped from Euro 44,262 thousand in 2015 to Euro 37,805 thousand in 2016 with a reduction of Euro 6,457 thousand (-14.6%). The reduction is primarily due to the lower costs incurred for the purchase of methane and electricity from third parties (Euro -585 thousand compared to the previous year), de-icing and anti-icing chemicals used in case of snow and/or ice formation (Euro -1,167 thousand versus the previous year) and lower costs to purchase fuel by the subsidiary SEA Prime (Euro -2,933 thousand compared to the previous year) following the sale of the refuelling business.

7.5 Other operating costs

The breakdown of "Other operating costs" is as follows:

Other Operating Costs

(In thousands of Euro)	2016	2015
Commercial costs	44,458	40,786
Public charges	31,134	29,672
Ordinary maintenance costs	27,832	26,642
Airport services supplied by handling companies	22,985	23,896
Cleaning	13,414	13,383
Other costs	11,801	15,184
Use of car parking spaces	11,737	10,770
Professional services	9,318	12,160
Utilities and security	7,243	6,544
Tax charges	7,134	7,278
Hardware and software charges and rent	4,763	4,789
Disabled assistance service	3,633	3,600
Rental of equipment and vehicles	3,418	3,265
Insurance	1,671	2,248
Board of Statutory Auditors & BoD fees	898	1,114
Losses on assets	402	363
Total other operating costs	**201,841**	**201,694**

Despite in the presence of an increase in revenues of 1.7%, the other operating costs, totalling Euro 201,841 thousand are basically in line with the previous year (Euro -147 thousand).

Against higher variable costs linked to traffic volumes and management of services for passengers (carpark fee) for a total of Euro 6,585 thousand, in the year in question lower insurance costs following renegotiation of expiring policies, lower costs for professional services and lower costs related to snow emergency management were reported. These decreases were partly offset by higher costs for scheduled maintenance of the Malpensa power plant TGD turbine and security services due to the increased number of security filters and managed customs areas. It should be noted that in the comparison with the previous year, in 2015 the costs were recognised for the fine issued to SEA by AGCM for Euro 3,365 thousand (for additional information see the paragraph *"Subsequent events"* of the Directors' Report).

The *Public charges* include: i) concession fees to the state for Euro 23,538 thousand (Euro 22,458 thousand at December 31, 2015); ii) costs for fire-fighting services at the airports for Euro 6,374 thousand (Euro 6,162 thousand at December 31, 2015); iii) concession fees to the tax authorities for security services of Euro 975 thousand (Euro 939 thousand at December 31, 2015); other fees to various entities for Euro 247 thousand (Euro 113 thousand at December 31, 2015).

On September 29, 2015 SEA and SEA Energia applied to the GSE in order to obtain the qualification as Existing Equivalent User Efficient Systems (SEESEU). Obtaining the qualification as SEU or SEESEU involves maintaining favourable tariff conditions on high efficiency self-produced electricity, not withdrawn from the grid, limited to the variable components of the system and grid general costs, as required by Legislative Decree no. 115/08 and Article 25-bis of Law Decree no. 91/14 converted into Law no.116/14.
On February 28, 2017, following a receipt of a notice of rejection, the additional documentation was sent to GSE to satisfy the requests received.
On the basis of these considerations, despite the uncertainties related to the progress of the application and the fact that the SEESEU-C qualification for application of the preferential tariff system charges had not yet been obtained as at the reporting date, the Companies considered it reasonable to estimate the payment of system charges for the year and 2016 on favourable tariff conditions.

7.6 Provisions and write-downs

The breakdown of "Provisions and write-downs" is as follows:

Provisions & write-downs

(In thousands of Euro)	2016	2015
Write-downs of current assets and cash and cash equivalent	4,379	(3,696)
Provisions for future charges	1,035	4,850
Fixed assets write-downs	83	2,091
Total provisions and write-downs	**5,497**	**3,245**

In 2016, provisions and write-downs increased by Euro 2,252 thousand, rising from Euro 3,245 thousand in 2015 to Euro 5,497 thousand.
The provisions net of the provisions for credit risks total Euro 4,379 thousand (Euro -3,696 thousand in 2015) resulting from provisions related to trade receivables for Euro 2,743 thousand and other different receivables for Euro 1,635 thousand.
The higher provisions net of the provisions for credit risks mainly refer to two contrasting effects:
- higher net provisions, linked to some operators and other airlines for Euro 8,199 thousand (in 2016 the net provisions total Euro 2,743 thousand while in 2015 net releases of the provision were reported to Euro 5,456 thousand due to complete compliance with the repayment plan extended to an airline, so it was no longer necessary to maintain the risk provision previously allocated);
- lower provisions net of the other receivables doubtful debt provision for Euro 124 thousand: the ENAC receivable for Euro 1,329 thousand and the SEA Energia's receivables for green certificates accruing in 2015 for Euro 307 thousand were written down in 2016; the receivable due from the Ministry of Transport for Euro 1,760 thousand was written down in 2015.

Provisions net of the future charges provision, totalling a value of Euro 1,035 thousand at December 31, 2016 (Euro 4,850 thousand at December 31, 2015).
The lower provisions net of the future charges provision compared to 2015 are mainly the result of:
- higher releases of Euro 5,188 thousand in 2016 following closing of the litigation with the Customs Agency on Malpensa and Linate (release of Euro 1,617 thousand in 2016 compared to a provision of Euro 3,571 thousand in 2015);
- provision of Euro 1,049 thousand for litigation opened with GSE on the green certificates of the subsidiary SEA Energia;
- lower provisions for insurance excesses for Euro 455 thousand;
- lower provision releases for Euro 2,771 thousand (in 2015 an Appeals judgement was issued related to litigation opened with Livingston in Extraordinary Administration, for which an adjustment was made to the provision);
- lower provisions for labour related issues for Euro 2,393 thousand;
- provisions for new minor litigation for Euro 310 thousand.

Provisions for impairment of asset reported a sharp drop (Euro 83 thousand in 2016 and Euro 2,091 thousand in 2015). Last year was affected by impairment following a physical inventory of assets closed in the month of December.

7.7 Costs for works on assets under concession

Revenues for works on assets under concession decreased from Euro 48,781 thousand in 2015 to Euro 43,114 thousand in 2016. This movement is strictly related to investment activities, for which reference should be made to *Notes 6.1* and *6.2*.
These costs refer to the costs for the works undertaken on assets under concession. The margin for works on assets under concession is included in the Commercial Aviation Business.

7.8 Restoration and replacement provision

The breakdown of the "Restoration and replacement provision" is as follows:

Restoration & replacement provision

(In thousands of Euro)	2016	2015
Restoration & replacement provision	17,193	14,242

This account includes the provision for the year relating to the scheduled replacement and maintenance of the assets within the so-called "Concession Right".

The account increased Euro 2,951 thousand in 2016, from Euro 14,242 thousand in 2015 to Euro 17,193 thousand in 2016, following the updating of the long-term scheduled replacement and maintenance plan of the assets within the so-called "Concession Right".

7.9 Amortisation and depreciation

The account "Amortisation & depreciation" is comprised of:

Amortisation and depreciation

(In thousands of Euro)	2016	2015
Amortisation of intangible assets	45,397	42,641
Depreciation of property, plant & equipment & investment property	16,317	16,883
Total amortisation and depreciation	**61,714**	**59,524**

The depreciation of property, plant and equipment reflects the estimated useful life made by the Group while, for the intangible assets within the "Concession Right", consideration is taken of the concession duration.

7.10 Investment income and charges

The breakdown of investment income and charges is as follows:

Investment income (charges)

(In thousands of Euro)	2016	2015
SACBO SpA	4,992	4,222
Dufrital SpA	1,199	2,276
Disma SpA	244	431
Malpensa Logistica Europa SpA	294	458
Sea Services Srl	359	336
Signature Flight Support Italy Srl (previously Prime AviationServices SpA)	(102)	-
Investment valued at equity	6,986	7,723
Other income	2,856	-
Total investment income (charges)	**9,842**	**7,723**

Income net of investments shows an increase of Euro 2,119 thousand, from Euro 7,723 thousand at December 31, 2015 to Euro 9,842 thousand at December 31, 2016.

Income resulting from the measurement of associated companies at equity decreased by Euro 579 thousand dropping from Euro 7,723 thousand at December 31, 2015 to Euro 6,986 thousand at December 31, 2016. Other income is related to the sale of 60% of the investment in Prime AviationServices for Euro 955 thousand and dividends from Airport Handling SpA for Euro 1,901 thousand, approved by the Shareholders' Meeting of Airport Handling SpA on May 6, 2016 on the allocation of profit for 2015. SEA SpA, as holder of Financial Instruments of Participation, is entitled to receive the dividend approved by the Shareholders' meeting.

7.11 Financial income and charges

The breakdown of the account "Financial income and charges" is as follows:

Financial income (charges)

(In thousands of Euro)	2016	2015
Currency gains	103	8
Other financial income	33	851
Total financial income	**136**	**859**
Interest expense on medium/long-term loans	(12,793)	(13,725)
Loan commissions	(1,553)	(1,726)
Currency losses	(28)	(42)
Other interest expenses:	(4,566)	(4,436)
- financial charges on Leaving indemnity	(645)	(801)
- financial charges on Leasing	(13)	(142)
- financial charges on Derivatives	(2,820)	(2,956)
Others	(1,088)	(537)
Total financial charges	**(18,940)**	**(19,929)**
Total financial income (charges)	**(18,804)**	**(19,070)**

Net financial charges for the year 2016 total Euro 18,804 thousand, down Euro 266 thousand compared to the previous year, against a reduction of gross financial charges of Euro 989 thousand.
The following factors affected this reduction differently: (i) lower interest expense for the period on medium-long term loans for Euro 932 thousand due to the decrease of gross debt and reduction of the average cost of debt; (ii) lower fees on loans for Euro 818 thousand; (iii) higher other interest expense for Euro 782 thousand, affected by the higher bank guarantees connected to distribution of the EIB loans in June 2015.
In the same period financial income decreased by Euro 723 thousand following the decrease in market rates and changes in cash flow occurring during the year.

7.12 Income taxes

The breakdown of the account is as follows:

Income taxex

(In thousands of Euro)	2016	2015
Current income taxes	48,574	51,222
Deferred income taxes	(1,311)	2,943
Total	**47,263**	**54,165**

The following table provides a reconciliation of the statutory and effective tax rate.

(In thousands of Euro)	2016	%	2015	%
Continuing operations' pre-tax profit	141,037		134,718	
Discontinued operations' pre-tax profit(loss)	(89)		3,677	
Pre-tax profit	140,948		138,395	
Theoretical income taxes	38,761	27.5%	38,056	27.5%
Tax effect of permanent differences	(131)	-0.1%	1,271	0.9%
IRAP	7,154	5.1%	6,020	4.3%
Others	1,521	1.1%	9,257	6.7%
Total	**47,305**	**33.6%**	**54,604**	**39.5%**
Income taxes on continuing operations	(47,263)		(54,165)	
Income taxes on discontinued operations	(42)		(439)	
Total Group income taxes	(47,305)		(54,604)	

Income taxes for 2016 total Euro 47,263 thousand versus Euro 54,165 thousand reported in 2015. The year 2015 was negatively affected at Group level due to the effects generated from realignment of deferred tax assets and liabilities to the new IRES rate of 24%, applicable starting with the 2017 tax period, and the non-deductible nature of some extraordinary items.

7.13 Discontinued Operations profit/(loss)

The Discontinued Operations report a loss of Euro 130 thousand, against a profit of Euro 3,238 thousand for 2015.

The account includes the result of the company SEA Handling SpA in liquidation, following its classification as discontinued operations during 2014.

For further information, reference should be made to the *Note 5.2*.

7.14 Earnings per share

The basic earnings per share is calculated by dividing the Group net profit by the weighted average number of ordinary shares outstanding in the year. For the diluted earnings per share, as no equity instruments were issued by the parent company, the weighted average of the shares in circulation is the same as that utilised for the establishment of the basic earnings per share.

Therefore, the basic earnings per share at December 31, 2016 was Euro 0.37 (net profit for the year of Euro 93,619 thousand/number of shares in circulation 250,000,000).

The basic earnings per share at December 31, 2015 was Euro 0.34 (net profit for the year of Euro 83,850 thousand/number of shares in circulation 250,000,000).

8. Transactions with Related Parties

The transactions with Related Parties are not atypical or unusual and form part of the ordinary business activities of the companies of the Group.

These operations are regulated at market conditions and take account of the characteristics of the goods and services provided.

The following tables show the balances with related parties at December 31, 2016 and December 31, 2015 and the income statement amounts for the years 2016 and 2015, with indication of the percentage of the relative account.

Group transaction with Related Parties at December 31, 2016

(In thousands of Euro)	Trade receivables	Trade payables	Operating revenues	Operating costs (excluding costs for work on assets under concession)
Investments in associated companies				
SACBO(*)	138	342	866	9,518
Dufrital	5,469	1,173	29,297	19
Malpensa Logistica Europa	1,029	986	4,116	0
SEA Services	354	834	2,548	2,569
Disma	130	98	230	0
Signature Flight Support Italy	402	32	777	135
Total related parties	**7,522**	**3,465**	**37,834**	**12,241**
Total financial statements	86,968	161,530	653,512	422,617
% of total financial statements	**8.65%**	**2.15%**	**5.79%**	**2.90%**

(*) The item "Operating costs" regarding relations with SACBO, of Euro 9,518 thousand, does not include the portion billed by SEA to end customers and transferred to the associate.

Group transaction with Related Parties at December 31, 2015

(In thousands of Euro)	Trade receivables	Trade payables	Operating revenues	Operating costs (excluding costs for work on assets under concession)
Investments in associated companies				
SACBO(*)	209	419	738	8,030
Dufrital	8,901	1,000	29,037	22
Malpensa Logistica Europa	1,157	987	4,131	0
SEA Services	443	440	2,841	2,604
Disma	127	99	232	0
Total related parties	**10,837**	**2,945**	**36,979**	**10,656**
Total financial statements	90,527	164,486	642,408	425,180
% of total financial statements	**11.97%**	**1.79%**	**5.76%**	**2.51%**

(*) The item "Operating costs" regarding relations with SACBO, of Euro 8,030 thousand, does not include the portion billed by SEA to end customers and transferred to the associate.

The table below shows the cash flows from the transactions of the Group with related parties for the years ended December 31, 2016 and December 31, 2015, with indication of the percentage of the relative account:

Cash flow generated from Group transactions with Related Parties at December 31, 2016

(In thousands of Euro)	Investments in associated companies	Investments in other companies	Total transactions with related parties	Consolidated balance	%
A) Cash flow generated from operating activities	3,835		3,835	152,717	2.5%
B) Cash flow generated from investing activities	2,935		2,935	(61,778)	-4.8%
C) Cash flow generated from financing activities				(97,681)	0.0%

Cash flow generated from Group transactions with Related Parties at December 31, 2015

(In thousands of Euro)	Investments in associated companies	Investments in other companies	Total transactions with related parties	Consolidated balance	%
A) Cash flow generated from operating activities	(913)		(913)	181,390	-0.5%
B) Cash flow generated from investing activities	2,337		2,337	(75,511)	-3.1%
C) Cash flow generated from financing activities				(75,392)	0.0%

The transactions between the Group and related parties for the year ended December 31, 2016 mainly related to:

- relationships related to the management of parking at the Orio al Serio-Bergamo airport (SACBO);
- commercial transactions with reference to the recognition to SEA of royalties on sales (Dufrital and SEA Services);
- rental of premises (Malpensa Logistica Europa);
- supply to SEA of catering services (SEA Services);
- commercial transactions deriving from the concession for the distribution of fuel (Disma);
- supply by SEA Energia of electricity to Dufrital;
- revenues for administrative service, as well as relative to payments and the concession issued by SEA Prime for fuel supply; costs for *push-back* (Signature Flight Support Italy).

Other transactions with Related Parties

SACBO SpA

In 2016, SACBO distributed dividends to SEA for Euro 1,800 thousand.

SEA Services Srl

In 2016, SEA Services distributed dividends to SEA for Euro 680 thousand.

Disma SpA

In 2016, Disma distributed dividends to SEA for Euro 281 thousand.

Malpensa Logistica Europa SpA

In 2016, Malpensa Logistica distributed dividends to SEA for Euro 173 thousand.

9. Directors' fees

In 2016, the remuneration for the Board of Directors, including welfare and accessory charges, amounted to Euro 603 thousand (Euro 799 thousand in 2015).

10. Statutory auditors' fees

In 2016, the remuneration for the Board of Statutory Auditors, including welfare and accessory charges, amounted to Euro 295 thousand (Euro 315 thousand in 2015).

11. Independent Audit Firm fees

The fees for the audit of Statutory Financial Statements of SEA SpA and subsidiaries recognised to the independent audit firm Deloitte & Touche SpA for the year 2016 amounted to 159 thousand Euro in addition to 107 thousand Euro for other activities.

12. Commitments and guarantees

12.1 Investment commitments

The Group has investment contract commitments of Euro 22,433 thousand at December 31, 2016 (Euro 64,068 thousand at December 31, 2015), which is reported net of the works already realized and invoiced to the Group, as follows.

Breakdown of Commitments by project

(In thousands of Euro)	At December 31, 2016	At December 31, 2015
Design and construction of a new warehouse at Malpensa Cargo City	7,582	9,688
Design and extraordinary maintenance civil works and installations at Linate and Malpensa	6,403	21,797
Design and extraordinary maintenance of airport infrastructure and roads at Linate and Malpensa	3,201	9,283
Extraordinary maintenance for general aviation civil works and installations	2,212	3,000
General Aviation Lambro river design and restructuring works	1,542	2,889
General Aviation Hangar	1,270	26
Runway motor vehicles	104	
Framework Agreement for activities supporting the design of plants	100	
Security coordination framework agreement	20	
Design and construction of new building for Malpensa T2 railway station		12,608
Design and extraordinary maintenance Linate infrastructure		2,043
Complementary construction works for Malpensa T1 Passengers area		949
Internal architectural and structural completion works at Malpensa		731
Complementary construction works - mechanical systems of Malpensa passengers Terminal T1 and third satellite		462
Redesign of arrivals and check-in floors at Malpensa T1		331
Redesign of general aviation external and eating areas		110
Automatic system for managing general aviation parking		100
R.T.I. Consorzio Costruzioni infrastrutture		51
Total	**22,433**	**64,068**

12.2 Commitments for rental contracts

At December 31, 2016, the SEA Group has commitments on rental contracts totalling Euro 19,187 thousand, principally relating to the rental of airport buses and motor vehicles.

The breakdown of the minimum payments on the contracts of the Group at December 31, 2016 is as follows:

(In thousands of Euro)	At December 31, 2016
Within 12 months	5,760
Between 1 & 5 years	13,427
Total	**19,187**

12.3 Commitments and guarantees

The secured guarantees, amounting to Euro 2,033 thousand at December 31, 2016, relate to the lien on receivables against loans provided by credit institutions on European Investment Bank funds.

At December 31, 2016, the guarantees in favour of third parties were as follows:

- two Bank Guarantees on the first two tranches drawn down in June 2015 on the EIB line entered into in December 2014 of respectively Euro 31,500 thousand and Euro 34,500 thousand;
- guarantee of Euro 25,000 thousand to Banca Popolare di Milano to guarantee credit lines received from companies within the centralised treasury system;
- guarantee of Euro 22,930 thousand in favour of ENAC, as guarantee of the concession fee;
- guarantee of Euro 4 million in favour of the Ministry for Defence for utilisation by SEA of land owned by the Ministry following the road access works undertaken for the opening of the new multi-storey parking at Milan Linate Airport, for the realisation of works at Ghedi which began in 2015. This guarantee is within the technical agreement which SEA signed on June 4, 2009 with the Defence Ministry and with ENAC which establishes that the Ministry of Defence transfers to ENAC some state buildings no longer of military interest adjacent to the Milan Airport. SEA, having the necessity to utilise these assets to improve and develop the airport infrastructures, acquired the concession to utilise these assets until 2041 against the realisation of a series of works in favour of the Ministry of Defence for a total amount of Euro 25,900 thousand, including works against the availability of land at Linate. In relation to the areas of Malpensa negotiations are in course with the Ministry for the definition of the land to be transferred to SEA and the relative works which they will be requested to undertake;
- guarantee of Euro 2,000 thousand in favour of Sacbo as guarantee for the parking management at Bergamo airport;
- guarantee of Euro 2,000 thousand in favour of the Ministry of Defence to secure the obligations under the technical agreement of 04/06/2009 following the advanced delivery of an area comprised in "Cascina Malpensa";
- guarantee provided by Banca Popolare di Milano to Enel Distribuzione for electricity transport amounting to Euro 902 thousand;
- guarantee issued by Banca Popolare di Milano to Terna (Rete elettrica nazionale SpA) as security for the dispatch of electricity of Euro 1,214 thousand;
- guarantee provided by Banca Popolare di Milano to GESAC for the supply of electricity to the Naples and Turin airports for Euro 112 thousand;
- guarantee provided by Banca Popolare di Milano to Unareti for electricity transport amounting to Euro 173 thousand;
- guarantee provided by Banca Popolare di Milano to SACBO for participation in a call for tenders for the supply of electricity to the Bergamo airport for Euro 96 thousand. The commitment was extinguished in January 2017;
- guarantee of Euro 102 thousand in favour of the supplier Contract GmbH for the rental of airport buses;
- guarantee provided by Banca Popolare di Milano in favour of the Milan Customs Agency as guarantee for the proper payment of consumption taxes for Euro 69 thousand;
- guarantee provided by Banca Popolare di Sondrio in favour of UTF as guarantee for the proper payment of consumption taxes for Euro 52 thousand and other guarantees of Euro 30 thousand;
- guarantee of Euro 75 thousand in favour of Milan 3 Customs Office Department (General Aviation);
- Euro 376 thousand for other minor guarantees.

12.4 Contingent liabilities and other commitments

Reference should be made to the explanatory notes in relation to receivables (*Note 6.10*) and operating risks (*Note 6.14*).

13. Seasonality

The Group business is characterised by revenue seasonality, which are normally higher in the periods of August and December due to increased flights by the airlines at its airports. It should be noted that the airports of Milan Malpensa and Milan Linate are to a certain degree complementary from a seasonality viewpoint, in view of the different profile of the indirect customers (i.e. leisure vs. *business*). This feature limits the seasonal peaks from an overall consolidated operational and financial viewpoint.

14. Contingent assets

With reference to judgement 7241/2015 of the Milan Court, as not all appeals have been made this contingent asset was not recognized in the income statement as per IAS 37.

For more details, please refer to the comments in the section "*Subsequent events*" of the Directors' Report.

15. Transactions relating to atypical or unusual operations

In accordance with CONSOB Communication of July 28, 2006, in 2016 the Company did not undertake any transactions deriving from atypical or unusual operations, as set out in the communication.

16. Significant non-recurring events and operations

Pursuant to CONSOB Communication of July 28, 2006, in the view of Directors, in 2016, the Group did not undertake non-recurring significant operations.

17. Significant events after year end

Reference should be made to the Directors' Report.

The Chairman of the Board of Directors
Pietro Modiano

AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT PURSUANT TO ARTT. 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
SOCIETÀ PER AZIONI ESERCIZI AEROPORTUALI – SEA S.p.A.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Società per Azioni Esercizi Aeroportuali – SEA and its subsidiaries (the "Società per Azioni Esercizi Aeroportuali – SEA Group"), which comprise the Consolidated Statement of Financial Position as at December 31, 2016, the Consolidated Income Statement, the Consolidated Comprehensive Income Statement, Consolidated Statement of Changes in Shareholders' Equity and Consolidated Cash Flow Statement for the year then ended and the explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

The Company's Directors are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/05.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) issued pursuant to art. 11 of Italian Legislative Decree 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation that give a true and fair view of consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Società per Azioni Esercizi Aeroportuali – SEA Group as at December 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/05.

Emphasis of matter

Without qualifying our opinion, for a better understanding of the consolidated financial statements, reference should be made to the 2016 Directors' Report, and in particular to paragraph "SEA Group Risk Factors – Risk related to the European Commission Decision of December 19, 2012 concerning presumed State Aid to SEA Handling and the Decision of July 9, 2014 for the set-up of a new procedure on the incorporation and capitalisation of Airport Handling" for the Directors' considerations *(i)* on the status of the legal and extra-judicial initiatives undertaken against the European Commission with reference to the investigation procedures of December 19, 2012 on alleged State Aid in favour of SEA Handling S.p.A. with particular reference to liquidation of the subsidiary SEA Handling S.p.A. and to the initiatives carried out by Trustee regarding the transfer of a quota of the shares of Airport Handling S.p.A. completed on March 23, 2016, and *(ii)* on the future developments related to the European Commission decision of July 9, 2014, published on February 6, 2015, concerning the incorporation and capitalization of Airport Handling S.p.A., which investigation procedures has been concluded with the European Commission decision of July 5, 2016.

Report on Other Legal and Regulatory Requirements

Opinion on the consistency of the report on operations and of certain information included in the report on corporate governance with the consolidated financial statements

We have performed the procedures indicated in the Auditing Standard (SA Italia) n° 720B in order to express, as required by law, an opinion on the consistency of the report on operations and of certain information included in the report on corporate governance required by art. 123-bis (2)(b), of Italian Legislative Decree n° 58/98, which are the responsibility of the Directors of Società per Azioni Esercizi Aeroportuali – SEA S.p.A., with the consolidated financial statements of Società per Azioni Esercizi Aeroportuali – SEA Group as at December 31, 2016. In our opinion the report on operations and the information included in the report on corporate governance referred to above are consistent with the consolidated financial statements of Società per Azioni Esercizi Aeroportuali – SEA Group as at December 31, 2016.

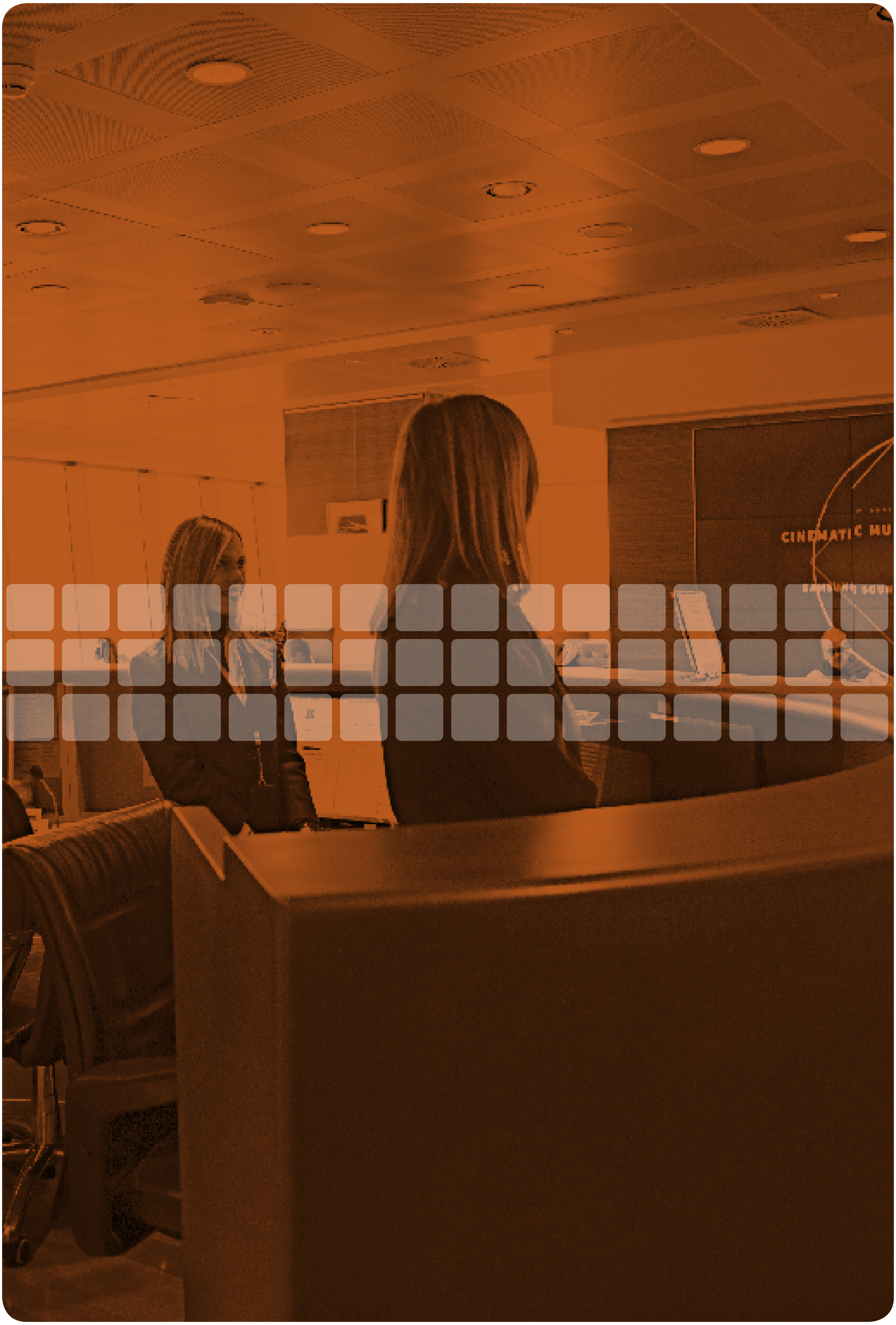
DELOITTE & TOUCHE S.p.A.

Signed by
Marco Pessina
Partner

Milan, Italy
April 12, 2017

This report has been translated into the English language solely for the convenience of international readers.

SEA SPA - SEPARATE FINANCIAL STATEMENTS



FINANCIAL STATEMENTS

Statement of Financial Position

(In Euro)	Note	At December 31, 2016 Total	At December 31, 2016 of which Related Parties	At December 31, 2015 Total	At December 31, 2015 of which Related Parties
Intangible Assets	6.1	989,635,259		984,322,135	
Tangible assets	6.2	135,320,523		137,334,338	
Investment property	6.3	3,398,255		3,412,075	
Investments in subsidiaries and associates	6.4	51,252,774		51,501,305	
Available-for-sale-investments	6.5	26,164		26,194	
Deferred tax assets	6.6	45,172,548		44,317,229	
Other non-current financial assets	6.7	16,776,367		16,776,367	
Other non-current receivables	6.8	240,268		1,596,648	
Total non-current assets		1,241,822,158	0	1,239,286,291	0
Inventories	6.9	4,129,886		4,800,305	
Trade receivables	6.10	82,964,904	10,259,311	85,473,477	13,227,593
Current financial receivables	6.11	43,532,446	43,532,446	36,306,390	36,306,390
Tax receivables	6.12	14,173,775		11,666,110	
Other current financial assets	6.7	7,189,871		7,189,871	
Other current receivables	6.13	8,111,205		7,047,101	
Cash and cash equivalents	6.14	46,997,934		55,270,506	
Total current assets		207,100,021	53,791,757	207,753,760	49,533,983
Discontinued operations		0	0	0	0
TOTAL ASSETS		**1,448,922,179**	**53,791,757**	**1,447,040,051**	**49,533,983**
Share capital	6.15	27,500,000		27,500,000	
Other reserve	6.15	211,333,111		195,802,425	
Net profit	6.15	87,856,117		78,553,263	
SHAREHOLDERS' EQUITY		**326,689,228**	**0**	**301,855,688**	**0**
Provision for risks & charges	6.16	170,173,114		175,244,828	
Employee provisions	6.17	48,095,310		46,787,493	
Non-current financial liabilities	6.18	549,068,737		569,775,302	
Total non-current liabilities		767,337,161	0	791,807,623	0
Trade payables	6.19	161,771,089	18,815,005	160,207,907	11,177,773
Income tax paybles	6.20	6,045,654	1,069,028	24,024,746	1,916,741
Other payables	6.21	155,002,525		141,212,619	
Current financial liabilities	6.18	32,076,522	4,577,217	27,931,468	4,011,774
Total current liabilities		354,895,790	24,461,250	353,376,740	17,106,288
Liabilities related to discontinued operations		0	0	0	0
TOTAL LIABILITIES		**1,122,232,951**	**24,461,250**	**1,145,184,363**	**17,106,288**
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY		**1,448,922,179**	**24,461,250**	**1,447,040,051**	**17,106,288**

Income Statement

(In Euro)

	Note	2016 Total	2016 of which Related Parties	2015 Total	2015 of which Related Parties
Operating revenues	7.1	632,013,412	44,918,346	612,988,712	40,678,475
Revenues for works on assets under concession	7.2	46,622,015		52,383,624	
Total revenues		**678,635,427**	**44,918,346**	**665,372,336**	**40,678,475**
Personnel costs	7.3	(177,478,415)	656,718	(170,264,156)	882,579
Consumable Materials	7.4	(9,010,735)		(11,418,361)	
Other operating costs	7.5	(223,013,053)	(43,435,980)	(221,208,435)	(39,449,304)
Costs for works on assets und. concession	7.6	(43,113,724)		(48,780,915)	
Total operating costs		**(452,615,927)**	**(42,779,262)**	**(451,671,867)**	**(38,566,725)**
Gross Operating margin / EBITDA (*)		**226,019,500**	**2,139,084**	**213,700,469**	**2,111,750**
Provisions and write-downs	7.7	(3,444,241)		(3,032,379)	
Restoration & replacement provision	7.8	(17,100,000)		(14,149,526)	
Amortisation and Depreciation	7.9	(58,054,753)		(55,757,170)	
EBIT		**147,420,506**	**2,139,084**	**140,761,394**	**2,111,750**
Investment income (charges)	7.10	4,587,127	2,686,347	5,566,474	5,566,474
Financial charges	7.11	(18,911,083)		(19,849,238)	
Financial income	7.11	1,132,435	1,090,467	1,535,772	1,016,199
Pre-tax profit		**134,228,985**	**5,915,898**	**128,014,402**	**8,694,423**
Income taxes	7.12	(46,372,868)		(49,461,139)	(843,268)
Continuing operations profit		87,856,117	5,915,898	78,553,263	7,851,155
Discontinued operations profit		0	0	0	0
Net profit		**87,856,117**	**5,915,898**	**78,553,263**	**7,851,155**

(*) EBITDA is calculated as the difference between total revenues and total costs excluding provisions and write-downs. EBITDA for the comparison period, which included provisions and write-downs with the exception of the restoration and replacement provision, was therefore restated according to the new approach in order to ensure data comparability, as shown in the Explanatory notes paragraph 2.1 "Basis of preparation".

Comprehensive Income Statement

(In Euro)	2016	2015
Net profit	87,856,117	78,553,263
Other comprehensive income items		
- Items reclassifiable in future periods to the net result:		
Profit/(loss) on fair value measurement of cash flow hedge derivative financial instruments	1,425,627	2,011,547
Tax effect of profit/(loss) on fair value measurement of cash flow hedge derivative financial instruments	(438,139)	(820,413)
Total items reclassifiable, net of the tax effect	987,488	1,191,134
- Items not reclassifiable in future periods to the net result:		
Actuarial profit/(loss) on Employment Leaving Indemnity	(1,813,454)	1,865,105
Tax effect on actuarial profit/(loss) on Employee Leaving Indemnity	653,389	(512,904)
Total items not reclassifiable, net of the tax effect	(1,160,065)	1,352,201
Total other comprehensive income items	(172,577)	2,543,335
Total comprehensive profit	**87,683,540**	**81,096,598**

Cash Flow Statement

(In Euro)	2016	2015
Pre-tax profit	134,228,985	128,014,402
Adjustments:		
Amortisation & depreciation of tangible & intangible assets	58,054,753	57,847,787
Net provisions (including employee provision)	(1,386,811)	(822,692)
Net financial charges	17,778,648	18,313,466
Investment income (charges)	(4,587,127)	(5,566,474)
AGCM penalty payment (excluding interest)		3,365,000
Enforcement of contract guarantees		(2,200,000)
Other changes in non-cash items	(3,583,839)	(4,750,356)
Cash flow generated from operating activities before work. cap. changes	**200,504,609**	**194,201,133**
Change in inventories	419,804	600,719
Change in trade receivables & other receivables	(2,867,411)	33,680,011
Change in trade payables & other payables	17,448,057	(4,867,384)
Cash flow generated from changes in working capital	**15,000,450**	**29,413,346**
Income taxes paid	(66,121,028)	(36,849,209)
AGCM penalty payment (including interest)		(3,367,535)
Enforcement of contract guarantees		2,200,000
Cash flow generated from operating activities	**149,384,031**	**185,597,735**
Investment in fixed assets:		
-intangible (*)	(44,920,502)	(65,912,880)
-tangible	(14,926,236)	(11,932,460)
-financial		(10)
Divestments of fixed assets:		
-tangible	1,647,454	70,238
-financial	30	
Dividends received	2,934,878	2,337,441
Capital contribution to SEA Handling in liquidation		(16,448,274)
Cash flow absorbed from investing activity	**(55,264,376)**	**(91,885,945)**
Change in gross financial debt		
Net increases/(decreases) in short-term & medium/long-term debt	(14,894,526)	(4,023,181)
Increases/(decreases) in other financial liabilities	(6,841,200)	4,416,241
Dividends distributed	(62,816,559)	(50,915,940)
Interest & commissions paid	(17,871,600)	(18,723,454)
Interest paid	31,658	479,527
Cash flow absorbed from financing activity	**(102,392,227)**	**(68,766,807)**
Increase/(Decrease) in cash and cash equivalents	(8,272,572)	24,944,983
Cash and cash equivalents at beginning of year	55,270,506	30,325,523
Cash and cash equivalents at end of year	46,997,934	55,270,506

(*) The investments in intangible assets are net of the utilisation of the restoration provision, which in 2016 amounted to Euro 16,386 thousand (Euro 12,218 thousand in 2015).

Statement of Changes in Shareholders' Equity

(In Euro)	Share Capital	First time app. IFRS reserve (excl. OCI)	AFS reserve	Cash flow hedge reserve	Actuarial profit/ (losses) reserve	Extraordinary reserve	Legal reserve	Other reserve	Total reserves	Net Result	Total Shareholders' equity
Balance at January 1, 2015	27,500,000	23,686,390	1	(8,982,344)	(6,396,906)	113,706,371	5,500,000	60,288,176	187,801,688	56,382,402	271,684,090
Transactions with shareholders											
Allocation of 2014 net profit & dividends distributed						5,457,402			5,457,402	(56,382,402)	(50,925,000)
Other movements											
Other comprehensive income				1,191,134	1,352,201				2,543,335		2,543,335
Net Result										78,553,263	78,553,263
At December 31, 2015	27,500,000	23,686,390	1	(7,791,210)	(5,044,705)	119,163,773	5,500,000	60,288,176	195,802,425	78,553,263	301,855,688
Transactions with shareholders											
Allocation of 2015 net profit & dividends distributed						15,703,263			15,703,263	(78,553,263)	(62,850,000)
Other movements											
Other comprehensive income				987,488	(1,160,065)				(172,577)		(172,577)
Reclassification of reserve before first time application of IFRS		(8,872,439)			4,947,427	3,925,012			0		0
Net Result										87,856,117	87,856,117
At December 31, 2016	27,500,000	14,813,951	1	(6,803,722)	(1,257,343)	138,792,048	5,500,000	60,288,176	211,333,111	87,856,117	326,689,228

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1.General information

Società per Azioni Esercizi Aeroportuali SEA (the "Company" or "SEA") is a limited liability company, incorporated and domiciled in Italy according to Italian Law.
The Company's headquarters are located at Milan Linate Airport in Segrate (Milan).

The Company manages Milan Malpensa Airport and Milan Linate Airport under the 2001 Agreement signed between SEA and ENAC with a forty-year duration (renewing the previous agreement of May 7, 1962).
At the preparation date of the present document the shareholders were as follows:

	% holding
Milan Municipality	54.81%
Province of Varese	0.64%
Municipality of Busto Arsizio	0.06%
Other public shareholders	0.08%
Total public shareholder	**55.59%**
2i-Aeroporti SpA	35.75%
F2i Sgr SpA	8.62%
Other private shareholders	0.04%
Total private shareholder	**44.41%**
Total	**100.00%**

The Company, following the issue of a bond on April 17, 2014, called "SEA 3 1/8 2014-2021" and approval to trade securities on the regulated market organised and managed by the Irish Stock Exchange, obtained the qualification of Public Interest Entity (PIE) in accordance with article 16 paragraph 1 letter a) of Italian Legislative Decree no. 39/2010.

2. Summary of accounting principles adopted

The main accounting principles adopted in the preparation of the separate financial statements of SEA for the year ended December 31, 2016 are reported below.
The financial statements are presented in Euro while the tables included in the explanatory notes are presented in thousands of Euro.

2.1 Basis of preparation

European Regulation (EU) No. 1606/2002 of July 19, 2002 introduced the obligation, from the year 2005, to apply International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and adopted by the European Union for the preparation of the consolidated financial statements of companies listed on regulated European markets. Following the above-mentioned European Regulation, Legislative Decree No. 38 was enacted on February 28, 2005 which governs the option to apply IFRS for the preparation of the consolidated financial statements of non-listed companies. SEA decided to apply this option for the preparation of the consolidated financial statements for the year end December 31, 2006. The same Legislative Decree (fourth paragraph of Article 4) also governs the option to apply IFRS for the preparation of separate statutory financial statements included in the consolidated financial statements in accordance with IFRS. SEA decided to apply this option from the financial statements for the year ended December 31, 2011. For these separate financial statements the transition date to IFRS was identified as January 1, 2010.
"IFRS" refers to the *International Accounting Standards* ("IAS") in force, as well as those of the IFRS *Interpretation Committee*, previously known as the *International Financial Reporting Interpretations Committee* ("IFRIC"), and before that the Standing Interpretations Committee ("SIC").
The financial statements were prepared in accordance with IFRS in force at the approval date of the financial statements and the provisions of Article 9 of Leg. Decree 38/2005.
In particular the IFRS were applied in a consistent man-

ner for the periods presented in the document. The financial statements were prepared on the basis of the best information on the IFRS and taking into account best practice; any further orientations and interpretative updates will be reflected in subsequent years, in accordance with the provisions of the accounting standards, as detailed below.
The separate Financial Statements were prepared in accordance with the going concern concept, therefore utilising the accounting principles of an operating business. Company Management evaluated that, although within a difficult economic and financial environment, there are no uncertainties on the going concern of the business, considering the existent capitalisation levels and there are no financial, operational, management or other indicators which could indicate difficulty in the capacity of the company to meet its obligations in the foreseeable future, and in particular in the next 12 months.
In relation to the presentation method of the financial statements "the current/non-current" criterion was adopted for the balance sheet while the classification by nature was utilised for the income statement and the indirect method for the cash flow statement. The amounts of positions or transactions with related parties where also disclosed, if any.
The financial statement presentations utilised, as outlined above, are those which best represent the equity and financial position of the Company.
For a better presentation of the financial statements, the income statement was presented in two separate tables: a) the Income Statement and b) the Comprehensive Income Statement.
The financial statements were prepared in accordance with the historical cost convention, except for the measurement of financial assets and liabilities, including derivative instruments, where the obligatory application of the fair value criterion is required.
It should be noted that the following restatements have been made for a better representation of the financial statement figures: i) EBITDA was calculated in 2016 as the difference between total operating revenues and total operating costs, excluding provisions and write-downs.. Consequently it was restated for the previous year in order to make the figures comparable; ii) the payable for a surtax on landing fees has been reclassified from "Income tax payables" to "Other payables", with consequent reclassification of the previous year values, for comparison purposes.

Following the issue on a regulated market of the "SEA 3 1/8 2014-2021" bond, the Company has adopted IFRS 8 "Operating Segments" and IAS 33 "Earnings per share"; the related disclosures are presented in *Note 5.3* and *7.14* of the Consolidated Financial Statements.
The present financial statements were audited by the independent audit firm Deloitte & Touche SpA.

2.2 Accounting standards, amendments and interpretations adopted from January 1, 2016

The International Accounting Standards and amendments which must be obligatorily applied from January 1, 2016, following completion of the relative approval process by the relevant authorities, are illustrated below. The adoption of these amendments and interpretations, where applicable, had no impact on the balance sheet or on the result of the Company.

	Date approved	Publication in the Official Gazette	Effective date as per the standard	Effective date applied by SEA
Amendment to IAS 19 Employee benefits	Dec 17, 14	Jan 09, 15	Periods beginning Feb 01, 15	Jan 01, 16
Annual improvements cycles 2010-2012	Dec 17, 14	Jan 09, 15	Periods beginning Feb 01, 15	Jan 01, 16
Amendment to IFRS 11 Joint arrangements on acquisition of an interest in a joint operation	Nov 24, 15	Nov 25, 15	Periods which begin from Jan 01, 16	Jan 01, 16
Amendment to IAS 16 Property, plant and equipment and IAS 38 Intangible assets on depreciation and amortisation	Dec 02, 15	Dec 03, 15	Periods which begin from Jan 01, 16	Jan 01, 16
Annual improvements cycles 2012-2014	Dec 15, 15	Dec 16, 15	Periods which begin from Jan 01, 16	Jan 01, 16
Amendment to IAS 1 Presentation of financial statements on the disclosure initiative	Dec 18, 15	Dec 19, 15	Periods which begin from Jan 01, 16	Jan 01, 16
Amendment to IAS 27 Separate financial statements on the equity method	Dec 18, 15	Dec 23, 15	Periods which begin from Jan 01, 16	Jan 01, 16

2.3 Accounting standards, amendments and interpretations not yet applicable and not adopted in advance by the Company

Below we report the International Accounting Standards, interpretations and amendments to existing accounting standards and interpretations, or specific provisions within the standards and interpretations approved by the IASB which have not yet been approved for adoption in Europe, or which, even if approved for adoption in Europe, at the approval date of the present document were not yet applicable and were not early adopted by the Company:

	Approved at the date of the present document	Effective date as per the standard
Amendment to IAS 12 Recognition of deferred tax assets for unrealized losses	NO	Periods which begin from Jan 01, 2017
Amendment to IAS 7 Disclosure initiative	NO	Periods which begin from Jan 01, 2017
IFRS 9 Financial instruments	YES	Periods which begin from Jan 01, 2018
IFRS 15 Revenue from contracts with customers	YES	Periods which begin from Jan 01, 2018
Amendment to IFRS 2 Clarification and measurement of share based payment transactions	NO	Periods which begin from Jan 01, 2018
Annual improvements cycles 2014-2016	NO	Periods which begin from Jan 01, 2018
IFRIC 22 Foreign currency transactions and advance consideration	NO	Periods which begin from Jan 01, 2018
Amendment to IAS 40 Transfers of investment property	NO	Periods which begin from Jan 01, 2018
IFRS 16 Leases	NO	Periods which begin from Jan 01, 2019

No accounting standards and/or interpretations were applied in advance, whose application is obligatory for periods commencing after December 31, 2016.
The potential impact that the accounting standards, amendments and interpretations applicable in future periods may have on the financial reporting of the Company are currently being examined and assessed.

2.4 Accounting policies

Business combinations and goodwill

In the case of the acquisition from third parties of businesses or business combinations, the assets, the liabilities and the contingent liabilities acquired and identifiable are recorded at their fair value at the date of acquisition.
The positive difference between the acquisition cost and the present value of these assets and liabilities are recognised as goodwill and classified in the financial statements as an intangible asset with indefinite life.
Any negative difference ("Negative goodwill") is recognised in the income statement at the date of acquisition.
The costs related to business combinations are recognised in the income statement.
Goodwill is initially recorded at cost and subsequently reduced only for loss in value.
Annually, or more frequently if specific events or circumstances indicate the possibility of having incurred a loss in value, the goodwill is subject to an impairment test to identify any loss in value, in accordance with IAS 36 (Impairments); the original value is however not restored if the reasons for the write-down no longer exist.
The goodwill is not revalued, even in application of specific legislation.
Any liabilities related to business combinations for payments subject to conditions are recognised at the acquisition date of the businesses and business units relating to the business combination.
Where all or part of a previously acquired company (whose acquisition produced goodwill) is sold, the corresponding residual value of goodwill is considered when calculating the capital gains or losses generated by such sale.

Intangible Assets

An intangible asset is a non-monetary asset, identifiable and without physical substance, controllable and capable of generating future economic benefits. With the exception of "Rights on assets under concession", intangible assets are recorded at purchase and/or production cost, including the costs of bringing the asset to its current use, net of accumulated amortisation, and any loss in value. The intangible assets are as follows:

(a) Rights on assets under concession

The "Rights on assets under concession" represent the right of the Lessee to utilise the asset under concession (so-called intangible asset method) in consideration of the costs incurred for the design and construction of the asset with the obligation to return the asset at the end of the concession. The value corresponds to the "fair value" of the design and construction assets increased by the financial charges capitalised, in accordance with IAS 23, during the construction phase. The fair value of the construction work is based on the costs actually incurred increased by 6%, representing the remuneration of the internal costs for the management of the works and design activities undertaken by the Company and a mark-up a third party general contractor would request for undertaking the same activities, in accordance with IFRIC 12. The determination of the fair value results from the fact that the lessee must apply paragraph 12 of IAS 18 and therefore if the fair value of the services received (specifically the right to utilise the asset) cannot be determined reliably, the revenue is calculated based on the fair value of the construction work undertaken.

The construction work in progress at the balance sheet date is measured based on the state of advancement of the work in accordance with IAS 11 and this amount is reported in the income statement line "Revenues for works on assets under concession'.

Restoration or replacement works are not capitalised and are included in the estimate of the restoration and replacement provision as outlined below.

Assets under concession are amortised over the duration of the concession on a straight-line basis in accordance with the expiry of the concession, as it is expected that the future economic benefits of the asset will be utilised by the lessee. Amortisation begins where the rights in question begin to produce the relative economic benefits.

The accumulated amortisation provision and the restoration and replacement provision ensure the adequate coverage of the following charges:

- complete amortisation of the assets under concession at the end of the concession;
- restoration and replacement of the components subject to wear and tear of the assets under concession.

Reference should be made to the subsequent paragraph "Provision for risks and charges – *Restoration and replacement provision of assets under concession*".

Where events arise which indicate a reduction in the value of these intangible assets, the difference between the present value and the recovery value is recognised in the income statement.

(b) Industrial patents and intellectual property rights

Patents, concessions, licenses, trademarks and similar rights

Trademarks and licenses are amortised on a straight-line basis over the estimated useful life.

Computer software

Software costs are amortised on a straight-line basis over three years, while software programme maintenance costs are charged to the income statement when incurred.

Intangible assets with definite useful life are annually tested for losses in value or where there is an indication that the asset may have incurred a loss in value. Reference should be made to the paragraph below "Impairments".

Tangible assets

Tangible fixed assets includes property, part of which under the scope of IFRIC 12, and plant and equipment.

Land and Buildings

Property, in part financed by the State, relates to tangible assets acquired by the Company in accordance with the 2001 Agreement (which renewed the previous concession of May 7, 1962). The 2001 Agreement provides for the obligation of SEA to maintain and manage airport assets for the undertaking of such activities and the right to undertake structural airport works, which remain the property of SEA until the expiry of the 2001 Agreement, i.e. May 4, 2041. The fixed assets in the financial statements are reported net of State grants.

Depreciation of property is charged based on the number of months held on a straight-line basis, which depreciates the asset over its estimated useful life. Where this latter is beyond the date of the end of the concession, the amount is amortised on a straight-line basis until the expiry of the concession. Applying the princi-

ple of the component approach, when the asset to be depreciated is composed of separately identifiable elements whose useful life differs significantly from the other parts of the asset, the depreciation is calculated separately for each part of the asset.
For land, a distinction is made between land owned by the Company, classified under property, plant and equipment and not subject to depreciation and expropriated areas necessary for the extension of the Malpensa Terminal, classified under "Assets under concession" and amortised over the duration of the concession.
The free granting of assets is recognised at market value, according to independent technical expert opinions.

Plant & Equipment

These are represented by tangible fixed assets acquired by the Company which are not subject to the obligation of free devolution.
Plant and equipment are recorded at purchase or production cost and, only with reference to owned assets, net of accumulated depreciation and any loss in value. The cost includes charges directly incurred for bringing the asset to their condition for use, as well as dismantling and removal charges which will be incurred consequent of contractual obligations, which require the asset to be returned to its original condition.
The expenses incurred for the maintenance and repairs of an ordinary and/or cyclical nature are directly charged to the income statement when they are incurred. The capitalisation of the costs relating to the expansion, modernisation or improvement of owned tangible assets or of those held in leasing, is made only when they satisfy the requirements to be separately classified as an asset or part of an asset in accordance with the component approach, in which case the useful life and the relative value of each component is measured separately.

Depreciation is charged to the income statement based on the number of months held on a straight-line basis, which depreciates the asset over its estimated useful life. Where this latter is beyond the date of the end of the concession, the amount is amortised on a straight-line basis until the expiry of the concession. Applying the principle of the component approach, when the asset to be depreciated is composed of separately identifiable elements whose useful life differs significantly from the other parts of the asset, the depreciation is calculated separately for each part of the asset.
The depreciation rates for owned assets, where no separate specific components are identified are reported below:

Loading and unloading vehicles	10.0%
Runway equipment	31.5%
Various equipment	25.0%
Furniture and fittings	12.0%
Transport vehicles	20.0%
Motor vehicles	25.0%
EDP	20.0%

The useful life of property, plant and equipment and their residual value are reviewed and updated, where necessary, or at least at the end of each year.
Tangible assets are annually tested for losses in value or where there is an indication that the asset may have incurred a loss in value. Reference should be made to the paragraph below "Impairments".

Investment property

This account includes owned buildings not for operational use. Investment property is initially recognised at cost and subsequently measured utilising the amortised cost criteria, net of accumulated depreciation and loss in value.
Depreciation is calculated on a straight-line basis over the useful life of the building.

Investments in subsidiaries and associates

The investments in subsidiaries and associated companies are measured at purchase cost (including any direct accessory costs), reduced for impairments in accordance with IAS 36.
Any positive difference, arising on acquisition from third parties, between the purchase cost and fair value of net assets acquired in an investee company is included in the carrying amount of the investment.
Investments in subsidiaries and associates are tested annually for impairment or more frequently if evidence of impairment exists. Where an impairment loss exists, it is recognised immediately through the income statement. Where the share of losses pertaining to the company in the investment exceeds the carrying value of the investment, and the company has an obligation to cover such losses, the investment is written down and the share of further losses is recorded as a provision for risks and charges under liabilities in the balance sheet. If an impairment loss is subsequently reversed, the increase in carrying amount (up to a maximum of purchase cost) is recognised through the income statement.

Impairments

At each balance sheet date, the property, plant and machinery, intangible assets and investments in subsidiaries and associated companies are analysed in order to identify any indications of a reduction in value. Where these indications exist, an estimate of the recoverable value of the above-mentioned assets is made, recording any write down compared to the relative book value in the income statement. The recoverable value of an asset is the higher between the fair value less costs to sell and its value in use, where this latter is the fair value of the estimated future cash flows for this asset. For an asset that does not generate sufficient independent cash flows, the realisable value is determined in relation to the cash-generating unit to which the asset belongs. In determining the fair value consideration is taken of the purchase cost of a specific asset which takes into account a depreciation coefficient (this coefficient takes into account the effective conditions of the asset). In defining the value in use, the expected future cash flows are discounted utilising a discount rate that reflects the current market assessment of the time value of money, and the specific risks of the activity. A reduction in value is recognised in the income statement when the carrying value of the asset is higher than the recoverable amount. When the reasons for the write-down no longer exist, the book value of the asset (or of the cash-generating unit) is restated through the income statement, up to the value at which the asset would be recorded if no write-down had taken place and amortisation and depreciation had been recorded.

Financial assets

On initial recognition, the financial assets are classified in one of the following categories based on the relative nature and purpose for which they were acquired:

- financial assets at fair value through profit or loss;
- loans and receivables;
- available for sale financial assets.

The financial assets are recorded under assets when the company becomes contractually party to the assets. The financial assets sold are de-recognised when the right to receive the cash flow is transferred together with all the risks and benefits associated with ownership.
Purchases and sales of financial assets are recognised at the valuation date of the relative transaction. Financial assets are measured as follows:

(a) Financial assets at fair value through profit or loss

Financial assets are classified in this category if acquired for the purposes to be sold in the short term period. The assets in this category are classified as current and measured at fair value; the changes in fair value are recognised in the income statement in the period in which they arise, if significant.

(b) Loans and receivables

Loans and receivables are financial instruments, principally relating to trade receivables, non-derivative, not listed on an active market, from which fixed or determinable payments are expected. Loans and receivables are stated as current assets, except for amounts due beyond 12 months from the balance sheet date, which are classified as non-current. These assets are measured at amortised cost, on the basis of the effective interest rate.
When there is an indication of a reduction in value, the asset is reduced to the value of the discounted future cash flows obtainable. The losses in value are recognised in the income statement. When, in subsequent periods, the reasons for the write-down no longer exist, the value of the assets are restated up to the value deriving from the application of the amortised cost.

(c) AFS financial assets

The AFS assets are non-derivative financial instruments explicitly designated in this category, or are not classified in any of the previous categories and are classified under non-current assets unless management has the intention to sell them within 12 months from the balance sheet date. These financial assets are measured at fair value and the valuation gains or losses are allocated to an equity reserve under "Other comprehensive income". They are recognised in the income statement only when the financial asset is sold, or, in the case of negative cumulative changes, when it is considered that the reduction in value already recorded under equity cannot be recovered.
In the case of investments classified as Available-for-sale investments, a prolonged or significant decline in the fair value of the investment below the initial cost is considered an indicator of impairment.

Derivative financial Instruments

Derivative financial instruments are classified as hedging instruments when the relation between the derivative and the hedged item is formally documented and the effectiveness of the hedge, periodically verified, is high. When the hedged derivatives cover the risk of change of the fair value of the instruments hedged (fair value hedge; e.g. hedge in the variability of the fair value of asset/liabilities at fixed rate), these are recorded at fair value through the income statement; therefore, the hedging instruments are adjusted to reflect the changes in fair value associated to the risk covered. When the derivatives hedge a risk of changes in the cash flows of the instruments hedged (cash flow hedge), the hedging is designated against the exposure to changes in the cash flows attributable to the risks which may in the future impact on the income statement. The effective part of the change in fair value of the part of the derivative contracts which are designated as hedges in accordance with IAS 39 is recorded in an equity account (and in particular "other items of the comprehensive income statement"); this reserve is subsequently transferred to the income statement in the period in which the transaction hedged impacts the income statement. The ineffective part of the change in the fair value of the part of the derivative contracts, as indeed the entire change in the fair value of the derivatives which are not designated as hedges or which do not comply with the requirements of the above-mentioned IAS 39, are recognised directly in the income statement in the account "financial income/charges".

The fair value of traded financial instruments is based on the listed price at the balance sheet date. If the market for a financial asset is not active (or refers to non-listed securities), the Group determines fair value utilising valuation techniques which include: reference to advanced negotiations in course, references to securities which have the same characteristics, analyses based on cash flows, price models based on the use of market indicators and aligned, as far as possible, to the assets to be valued.

Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured based on the amortised cost method net of the doubtful debt provision. When there is an indication of a reduction in value, the asset is reduced to the value of the discounted future cash flows obtainable.
Indicators of loss in value include, among others, significant contractual non-compliance, significant financial difficulties, insolvency risk of the counterparty. Receivables are reported net of the provision for doubtful debts. If in subsequent periods the reduction in the value of the asset is confirmed, the doubtful debt provision is utilised against charges; otherwise, where the reasons for the previous write-down no longer exist, the value of the asset is reversed up to the recoverable amount derived from applying the amortised cost method where no write down had been made. For further information, reference should be made to *Note* 4.1.

Inventories

Inventories are measured at the lower of average weighted purchase and/or production cost and net realisable value or replacement cost. The valuation of inventories does not include financial charges.
Inventories are stated net of write-downs in order to adjust the value of inventories to their estimated realizable or replacement value.

Cash

Cash and cash equivalents includes cash, bank deposits, and other readily marketable short-term forms of investment, due within three months. Any bank overdrafts are classified as financial payables under current liabilities in the balance sheet. Cash and cash equivalents are recorded at fair value.

Provisions for risks and charges

The provisions for risks and charges are recorded to cover known or likely losses or liabilities, the timing and extent of which are not known with certainty at the balance sheet date. They are recorded only when there exists a current obligation (legal or implicit) for a future payment resulting from past events and it is probable that the obligation will be settled. This amount represents the best estimate less the expenses required to settle the obligation.
Possible risks that may result in a liability are disclosed in the notes under the section on commitments and risks, without any provision.

Restoration and replacement provision of assets under concession

The accounting treatment of the works undertaken by the lessee on the assets under concession, as per IFRIC 12, varies depending on the nature of the work: normal maintenance on the asset is considered ordinary maintenance and therefore recognised in the income statement; replacement work and programmed maintenance of the asset at a future date, considering that IFRIC 12 does not provide for the recognition of a physical asset but a right, must be recognised in accordance with IAS 37 - "Provisions and potential liabilities" – which establishes recognition to the income statement of a provision and the recording of a provision for charges in the balance sheet.
The restoration and replacement provision of the assets under concession include, therefore, the best estimate of the present value of the charges matured

at the balance sheet date for the programmed maintenance in the coming years and until the end of the concession and undertaken in order to ensure the functionality, operations and security of the assets under concession.
It should be noted that the restoration and replacement provision of the assets refers only to fixed assets within the scope of IFRIC 12 (assets under concession classified to intangible assets).

Employee benefit provisions

Pension provisions

The company has both defined contribution plans (National Health Service Contributions and INPS pension plan contributions) and defined benefit plans.
A defined contribution plan is a plan in which SEA participates through fixed payments to third party fund operators, and in relation to which there are no legal or other obligation to pay further contributions where the fund does not have sufficient assets to meet the obligations of the employees for the period in course and previous periods. For the defined contribution plans, SEA pays contributions, voluntary or established contractually, to public and private pension funds. The contributions are recorded as personnel costs in accordance with the accruals principle. The advanced contributions are recorded as an asset which will be repaid or offset against future payments where due.
A defined benefit plan is a plan not classified as a contribution plan. In the defined benefit programmes, the amount of the benefit to be paid to the employee is quantifiable only after the termination of the employment service period, and is related to one or more factors such as age, years of service and remuneration; therefore the relative charge is recognised to the income statement based on actuarial calculations. The liability recorded in the accounts for defined benefit plans corresponds to the present value of the obligation at the balance sheet date, net, where applicable, of the fair value of the plan assets. The obligations for the defined benefit plans are determined annually by an independent actuary utilising the projected unit credit method. The present value of the defined benefit plan is determined discounting the future cash flows at an interest rate equal to the obligations (high-quality corporate) issued in the currency in which the liabilities will be settled and takes into account the duration of the relative pension plan.
The actuarial gains and losses, in accordance with IAS 19R, are recorded directly under equity in a specific reserve account "Reserve for actuarial gains/loss".
We report that, following amendments made to the leaving indemnity regulations by Law No. 296 of December 27, 2006 and subsequent Decrees and Regulations issued in the first half of 2007, the leaving indemnity provision due to employees in accordance with Article 2120 Civil Code is classified as defined benefit plans for the part matured before application of the new legislation and as defined contribution plans for the part matured after the application of the new regulation.

Post-employment benefits

Post-employment benefits are paid to employees when the employee terminates his employment service before the normal pension date, or when an employee accepts voluntary termination of the contract. The Company records post-employment benefits when it is demonstrated that the termination of the employment contract is in line with a formal plan which determines the termination of the employment service, or when the provision of the benefit is a result of a leaving indemnity programme.

Financial liabilities

Financial liabilities and other commitments to be paid are initially measured at fair value, net of directly allocated accessory costs, and subsequently at amortised cost, using the effective interest rate. When there is a change in the expected cash flows and it is possible to estimate them reliably, the value of the payables are recalculated to reflect this change, based on the new present value of the expected cash flows and on the internal yield initially determined. The financial liabilities are classified under current liabilities, except when the Company has an unconditional right to defer their payment for at least 12 months after the balance sheet date.
Purchases and sales of financial liabilities are recognised at the valuation date of the relative transaction.
Financial liabilities are de-recognised from the balance sheet when they expire and the Company has transferred all the risks and rewards relating to the instrument.

Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured based on the amortised cost method.

Reverse factoring transactions

In order to facilitate credit access to its suppliers, the Company has entered into reverse factoring or indirect factoring agreements (with recourse). On the basis of contractual arrangements in place, suppliers may, at their discretion, sell the amounts due from the Com-

pany to a financing institution and cash in the amount before maturity.
The payment terms provided on the invoice are not subject to further delays agreed between the supplier and the Company and therefore no charges are applied.
Within this framework, the relationships for which the primary obligation with the supplier is maintained and a payment extension, if granted, does not entail a change in payment terms, retain their nature and are therefore classified as trade payables.

Revenue recognition

Revenues are recognised at *fair value* of the amount received for the services from the ordinary activities, on an accrual basis. They are calculated following the deduction of VAT and discounts.
The revenues, principally relating to the provision of services, are recognised in the accounting period in which they are provided.
Rental income and royalties are recognised in the year of maturity, based on the underlying contractual agreements while the payments for green certificates are recognised annually in accordance with the long-term contracts and refer to the remuneration of the internal networks within the airport.

Revenues for works on assets under concession

Revenues on construction work are recognised in relation to the state of advancement of works in accordance with the percentage of completion method and on the basis of the costs incurred for these activities increased by a mark-up of 6% representing the best estimate of the remuneration of the internal costs of the management of the works and design activities undertaken by SEA, the mark-up which would be applied by a general contractor (as established by IFRIC 12).

Government Grants

Public grants, in the presence of a formal resolution by the grantor, are recorded on an accrual basis in direct correlation to the costs incurred (IAS 20).

Capital grants

Capital public grants relating to property, plant and equipment are recorded as a reduction in the acquisition value of the assets to which they refer.

Operating grants

Operating grants are recorded directly in the income statement under "Operating revenues".

Recognition of costs

Costs are recognised when relating to assets or services acquired or consumed in the year or by systematic allocation.
The incentives granted to airlines, and based on the number of passengers transported, invoiced by the airlines to the Company for (i) the maintenance of traffic at the airport or (ii) the development of traffic through increasing existing routes or launching new routes, are considered commercial costs and, as such, classified under "Operating costs" and recognised in correlation to the revenues to which they refer. In particular, in the opinion of management which monitors the effectiveness of these commercial initiatives together with other marketing initiatives classified under commercial costs, although these incentives are allocated to specific revenue accounts proportionally, because of their contribution to traffic and to the growth of the airport, from an operating viewpoint they must be considered together with all costs incurred by the Company through commercial and marketing activities and are therefore reported in the Management Accounts and valued in the company KPI together with marketing costs. Therefore, the decision was taken to classify these incentives in the annual financial reporting in line with their operating objectives.

Financial charges

Financial charges are recorded on an accrual basis and include interest on financial payables calculated using the effective interest method and currency losses. The financial charges incurred on investments in assets for which a significant period of time is usually needed to render the assets available for use or sale (qualifying assets) are capitalised and amortised over the useful life of the class of the assets to which they refer in accordance with the provisions of the new version of IAS 23.

Income taxes

Current IRES and IRAP income taxes are calculated based on the assessable income for the year, applying the current tax rates at the balance sheet date.
Deferred taxes are calculated on all differences between the assessable income of an asset or liability and the relative book value, with the exception of goodwill. Deferred tax assets for the portion not compensated by deferred tax liabilities are recognised only for those amounts for which it is probable there will be future assessable income to recover the amounts. The deferred taxes are calculated utilising the tax rates which are expected to be applied in the years when the temporary differences will be realised or settled. Deferred

tax assets are recorded when their recovery is considered probable. These assets and liabilities are not recognised if the temporary differences deriving from the goodwill or the initial recognition (not in business combination) of other assets or liabilities in operations do not have an impact on the accounting result or on the assessable fiscal result.
The carrying value of deferred tax assets is revised at the end of the year and reduced to the extent that it is no longer likely that there will be sufficient taxable income against which to recover all or part of the assets.
Current and deferred income taxes are recorded in the income statement, except those relating to accounts directly credited or debited to equity, in which case the fiscal effect is recognised directly to equity and to the Comprehensive Income Statement. Taxes are compensated when applied by the same fiscal authority, there is a legal right of compensation and the payment of the net balance is expected.
Other taxes not related to income, such as taxes on property, are included under "Other operating costs".

Dividends

Payables for dividends to shareholders are recorded in the year in which the distribution is approved by the Shareholders' Meeting.

3. Estimates and assumptions

The preparation of the financial statements require the Directors to apply accounting principles and methods that, in some circumstances, are based on difficulties and subjective valuations and estimates based on the historical experience and assumptions which are from time to time considered reasonable and realistic under the relative circumstances. The application of these estimates and assumptions impact upon the amounts reported in the financial statements, such as the statement of financial position, the income statement and the cash flow statement, and on the disclosures in the notes to the accounts.
The accounting principles which, relating to the Company, require greater subjectivity by the Directors in the preparation of the estimates and for which a change in the underlying conditions or the assumptions may have a significant impact on the financial statements are briefly described below:

(a) Impairments

The tangible and intangible assets and investments in subsidiaries and associated companies and investment property are verified to ascertain if there has been a loss in value which is recorded by means of a write-down, when it is considered there will be difficulties in the recovery of the relative net book value through use. The verification of the existence of the above-mentioned indicators requires the Directors to make valuations based on the information available internally and from the market, as well as historical experience. In addition, when it is determined that there may be a potential reduction in value, the Company determines this through using the most appropriate technical valuation methods available. The correct identification of the indicators of the existence of a potential reduction in value as well as the estimates for their determination depends on factors which may vary over time impacting upon the valuations and estimates made by the Directors. Reference should be made in addition to the paragraph below "Impairments".

(b) Amortisation and Depreciation

Depreciation represents a significant cost for the Company. The cost of property, plant and equipment is depreciated on a straight-line basis over the estimated useful life of the relative assets and components. The useful life of the fixed assets is determined by the Directors when the fixed assets are purchased. This is based on the historical experiences for similar fixed assets, market conditions and considerations relating to future events which could have an impact on the useful life, such as changes in technology. Therefore, the effective useful life may be different from the estimated useful life. The Company periodically evaluates technological and sector changes to update the residual useful life. This periodic update could result in a change in the depreciation period and therefore in the depreciation charge in future years.

(c) Provisions for risks and charges

The Company may be subject to legal disputes, in relation to taxation or employment issues, based on particularly complex circumstances of varying degrees of uncertainty, according to the facts and circumstances, jurisdiction and laws applicable to each case.
Considering the inexact nature of these issues, it is difficult to predict with certainty any future payments required.
Consequently, the management after consultation with its legal advisors and legal and tax experts, recognises a liability for such litigation when it considers that a cash outlay is likely to occur and the amount of the resulting losses can be reasonably estimated. In the case in which a payment is considered possible, but is not yet determinable, such is reported in the explanatory notes.

Provisions are recorded against risks of a legal and tax nature and employee disputes. The amount of the provisions recorded in the financial statements relating to these risks therefore represents the best estimate at that date made by the Directors. This estimate results in the adoption of assumptions concerning factors which may change over time and which may, therefore, have significant effects compared to the present estimates made by the Directors for the preparation of the financial statements. In addition, the restoration and replacement provision of the assets under concession, recorded in accordance with IFRIC 12, includes the best estimate of the charges matured at the balance sheet date for scheduled maintenance in future years in order to ensure the functionality, operations and security of the assets under concession.

(d) Trade receivables

Where there are indications of a reduction in value of trade receivables these are reduced to their estimated realisable value through a doubtful debt provision. The doubtful debt provision represents the best estimate at the reporting date made by the Directors. This estimate is based on facts and expectations which may change over time and which may, therefore, have significant effects compared to the present estimates made by the Directives for the preparation of the separate financial statements.

(e) Financial assets

The valuation of the recoverability of the financial receivable from the Milan Airport Handling Trust arising from the assignment of the investment Airport Handling to the above-mentioned Trust and the subscription of equity financial instruments issued by Airport Handling subsequent to the assignment to the Trust is made on the basis of the best estimates of the outcome of the sales operations of the company by the Trust, with the valuation of the residual interest after the above-mentioned sale and is therefore subject to the normal uncertainties of negotiating processes in the disposal of financial investments, as well as the future profitability potential of the investment.

4. Risk Management

The risk management strategy of the Company is based on minimising potential negative effects related to the Company's financial and operating performance. Some types of risk are offset through recourse to derivative instruments.

The management of the above-mentioned risks is undertaken through identifying, evaluating and undertaking the hedging of financial risks.

4.1 Credit risk

The credit risks represent the exposure of SEA to potential losses deriving from the non-compliance of obligations by trading and financial partners.

This risk is primarily of an economic/financial nature, or rather the possibility of the default of a counterparty, and also factors of a technical/commercial or administrative/legal nature.

For SEA the credit risk exposure is largely related to the deterioration of a financial nature of the principle airline companies which incur on the one hand the effects of the seasonality related to aviation operations, and on the other consequences of geopolitical events which impact upon the air transport sector (wars, epidemics, atmospheric events, rise in oil prices and economic/financial crises).

In order to control this risk, SEA has implemented procedures and actions to monitor the expected cash flows and recovery actions.

In accordance with the internal policy on receivables the client is required to provide guarantees: this typically relates to bank guarantees issued by primary credit institutions or deposit guarantees.

In relation to the payment terms applied for the majority of the clients, credit terms are largely concentrated within 30 days from the relative invoicing.

Trade receivables are reported in the financial statements net of doubtful debt provisions, which are prudently made based on the underlying disputes at the balance sheet date. The doubtful debt provision necessary to adjust the nominal value to the realisable value is determined analysing all receivables and utilising all available information on the debtor. SEA utilises the same write-down percentages with respect to overdue receivables, receivables in dispute, or for which legal or insolvency proceedings are ongoing.

A summary of trade receivables with third parties and the relative doubtful debt provisions is reported below.

(In thousands of Euro)	At December 31, 2016	At December 31, 2015
Customer receivables gross of the related doubtful debt provision	151,066	154,104
- of which overdue	79,003	93,068
Doubtful debt provision	(78,360)	(81,859)
Total net trade receivables	**72,706**	**72,245**

Management of receivables using factoring transaction continued in 2016. Receivables sold through factoring transactions are de-recognized only if the risks and rewards associated with their ownership have been substantially transferred to the transferee. The receivables sold which do not satisfy this condition remain on the balance sheet of the Company although they have been legally sold. In this case a financial liability of the same amount is recorded under liabilities to represent the advance received.

The breakdown of overdue receivables at December 31, 2016 and comparative figure is shown below:

Trade receivables

(In thousands of Euro)	At December 31, 2016	At December 31, 2015
Customer receivables	151,066	154,104
of which overdue	79,003	93,068
overdue less than 180 days	5,908	17,051
overdue more than 180 days	73,095	76,017
% of overdue receivables	52.3%	60.4%
% of receivables overdue less than 180 days	3.9%	11.1%
% of receivables overdue more than 180 days	48.4%	49.3%

The table below illustrates the gross trade receivables at December 31, 2016 and relative comparative figure, as well as the breakdown of receivables from counterparties under administration and in dispute, with indication of the bank sureties and deposit guarantees provided.

Trade receivables

(In thousands of Euro)	At December 31, 2016	At December 31, 2015
Customer receivables	151,066	154,104
(i) receivables from parties in administration	43,347	44,322
(ii) disputed receivables	22,814	24,666
Total trade receivables net of receivables at (i) and (ii)	84,905	85,116
Receivables due other than receivables at (i) and (ii)	12,842	24,080
Sureties and guarantee deposits	55,199	55,673
Percentage of receivables guaranteed by sureties and guarantee deposits compared to the total trade receivables net of receivables at (i) and (ii)	65.0%	65.4%

4.2 Market risks

The market risk to which SEA is exposed comprises all types of risks directly and indirectly related to market prices. In 2016, the market risks to which SEA were subject were:

a) interest rate risk;
b) currency risk;
c) price risk of commodities.

a) Interest rate risk

SEA is exposed to the risk of changes in interest rates in relation to the necessity to finance its operating activities and the use of available liquidity. The changes in interest rates may impact positively or negatively on the results of the Company, modifying the costs and returns on financial and investment operations.

SEA manages this risk through an appropriate mixture between fixed and variable rate loans, with the objective to mitigate the economic effect of the volatility of the interest rates.

Variable interest loans expose the Company to a risk originating from the volatility of the interest rates (cash flow risk). Relating to this risk, for the purposes of the relative hedging, SEA makes recourse to derivative contracts, which converts the variable rate to a fixed rate or limits the fluctuations in variable rates over a range, in this manner reducing the risk originating from the volatility of the rates. We highlight that these derivative contracts, underwritten exclusively for the purposes of hedging market rate volatility, are recorded through the cash flow hedge method.

At December 31, 2016 the gross financial debt of the SEA was comprised of medium/long-term loans (medium/long term portions of loans) and short-term loans (the medium/long-term portion of loans maturing within 12 months). The Company had no short-term debt at the reporting date.

The medium/long-term debt at December 31, 2016, is reported in the following table, which shows the interest rate of each loan at the nominal value (which includes a spread of between 0.20% and 1.62%, not considering the effect of hedging operations and the cost of any additional guarantees):

Medium/long-term loans at December 31, 2016 and 2015

(In thousands of Euro)		At December 31, 2016		At December 31, 2015	
	Maturity	Amount	Average rate	Amount	Average rate
Bonds	2021	300,000	3,125%	300,000	3.125%
EIB funded bank loans	from 2017 to 2035	261,538	1,22%	276,994	1.37%
at fixed rate		57,895	3,89%	60,000	3.90%
at variable rate (*)		203,643	0,45%	216,994	0.67%
Other Bank loans	2020	176	0,50%	85	0.50%
at fixed rate		176	0,50%	85	0.50%
at variable rate		-	-	-	-
Gross medium/long-term financial debt		**561,714**	**2,24%**	**577,079**	**2.28%**

(*) Includes: (i) tranche at variable rate with interest rate hedge (approx. 36% at 12/31/2016 and 41% at 12/31/2015).
(ii) Euro 60 million of EIB loans with specific bank guarantee.

The total medium/long-term debt at December 31, 2016 amounted to Euro 561,714 thousand, a decrease of Euro 15,365 thousand compared to December 31, 2015, with the average cost reducing 4 basis points to 2.24% at the reporting date. The cost of this debt, after interest hedging operations and the cost of bank guarantees on EIB loans, amounts to 2.83%, a reduction on 2.92% at the end of December 2015 (-9 basis points).

Overall the total medium-long term debt at variable rate not hedged by the Company at December 31, 2016 stood at approximately 23.3% of the total of this debt. There was therefore no excess hedging on future cash flows subject to hedging (“overhedging”).

At December 31, 2016 SEA had the following bond issue outstanding with a total nominal value of Euro 300,000 thousand.

Description	Issuer	Listing market	ISIN Code	Term (years)	Maturity	Par value (in million of Euros)	Coupon	Annual rate
SEA SpA 3 1/8 04/17/21	SEA SpA	Irish Stock Exchange	XS1053334373	7	04/17/21	300	Fixed, annual	3.125%

The fair value of the overall bank and bond medium/long term debt of SEA at December 31, 2016 amounted to Euro 596,283 thousand (down from Euro 591,660 thousand at December 31, 2015, mainly due to the trend in market rates); it was calculated as follows:

- for the loans at fixed interest rates the capital portion and interest were discounted utilising the spot rates for each contractual maturity, extrapolated from the market rates;
- for the bond listed on a regulated market, reference was made to the market value at December 31, 2016;
- for the loans at variable interest rates, the interest portion was calculated utilising the estimate of the expected rates at the end of each contractual maturity, increased by the spread defined contractually. The interest portion defined as outlined above and the capital on maturity was discounted utilising the spot rate for each contractual maturity, extrapolated from the market rate.

The following table reports the derivative instruments utilised by SEA to hedge the interest rate risk (measured based on the cash flow hedge method).

Interest Rate Hedges

(€/000)	Notional on signing	Residual Notional at 12/31/2016	Signing Date	Start Date	Maturity	Fair value at 12/31/2016	Fair value at 12/31/2016
IRS	10,000	9,032	5/18/2011	9/15/2012	9/15/2021	(1,351.4)	(1,512.5)
	5,000	4,516	5/18/2011	9/15/2012	9/15/2021	(675.7)	(756.3)
	15,000	12,414	5/18/2011	9/15/2012	9/15/2021	(1,793.5)	(2,028.0)
	11,000		5/18/2011	9/15/2011	9/15/2016		(258.5)
	10,000	7,500	6/6/2011	9/15/2012	9/15/2021	(1,014.2)	(1,155.6)
	11,000	7,966	6/6/2011	9/15/2012	9/15/2021	(1,075.6)	(1,225.3)
	12,000	8,276	6/6/2011	9/15/2012	9/15/2021	(1,099.9)	(1,258.5)
	12,000	8,276	6/6/2011	9/15/2012	9/15/2021	(1,099.9)	(1,258.5)
COLLAR	10,000	7,500	6/6/2011	9/15/2011	9/15/2021	(810.3)	(905.6)
	11,000	7,586	6/6/2011	9/15/2011	9/15/2021	(800.3)	(897.9)
Total		**73,066**				**(9,720.8)**	**(11,256.7)**

"-" indicates the cost for the SEA Group for advance settlement of the operation.
"+" indicates the benefit for the SEA Group for advance settlement of the operation.

The fair value of the derivative financial instruments at December 31, 2016 and at December 31, 2015 was determined in accordance with IFRS 13.

b) Currency risk

SEA is subject to a low currency fluctuation risk as, although operating in an international environment, the transactions are principally in Euro. Therefore, SEA does not consider it necessary to implement specific hedging against this risk as the amounts in currencies other than the Euro are insignificant and the relative receipts and payments generally offset one another.

c) Commodity risk

SEA is exposed to the changes of the prices and the relative exchange rates of the energy commodities, namely gas, utilised by SEA Energia for the procurement of the electricity, heating and air-conditioning service on behalf of the parent company. These variations directly impact on the final price which SEA pays for the supply from the subsidiary SEA Energia. These risks derive from the purchase of the above-mentioned energy commodities, which are principally impacted by fluctuations in the prices of the underlying fuels, denominated in US Dollars. These fluctuations arise both directly and indirectly, through formulas and indexations utilised in the pricing structures. The risks also arise in the sales phase, in relation to the fluctuations in the electricity market prices sold to third parties.
In 2016, SEA did not undertake any hedging of this risk, although not excluding the possibility in the future.

4.3 Liquidity risk

The liquidity risk for SEA may arise where the financial resources available are not sufficient to meet the financial and commercial commitments within the agreed terms and conditions.
The liquidity, cash flows and financial needs of SEA are managed through policies and processes with the objective to minimise the liquidity risk. In particular SEA:

- centrally monitors and manages, under the control of the Group Treasury, the financial resources available, in order to ensure an efficient management of these resources, also in forward budgeting terms;
- maintains adequate liquidity in treasury current accounts;
- obtains committed credit lines (revolving and non-revolving), which cover the financial commitments in the coming 12 months deriving from the investment plan and debt repayments as contractually envisaged;
- monitors the prospective liquidity position, in relation to the business planning.

At the end of 2016, SEA had irrevocable unutilised credit lines of Euro 200 million, of which Euro 120 million relating to a revolving line available until April 2020 and Euro 80 million relating to a new EIB loan, of which utilization is expected by December 2017, with maturities comprised between 15 and 20 years. At December 31, 2016, SEA also had a further Euro 187,317 thousand of uncommitted credit lines available for immediate cash requirements.
The SEA Group has available committed and uncommitted credit lines which guarantee the covering of future financial needs and current operational needs, with an average maturity of medium/long-term debt just under 6 years, including the bond issued in 2014. Considering only bank loans the debt matures in 7 years (and of this 19% over 10 years).

The coverage of trade payables is guaranteed by the SEA through a careful management of working capital which includes trade receivables and the related conditions governing contracts. In should be noted that the indirect factoring transactions, as amply detailed above, do not change contractual payment condition and, therefore, they do not generate dilutive effects on working capital.

The following tables show the breakdown and maturity (up to expiry date) of financial debt (principal, interest on medium/long-term debt, financial charges on derivative instruments and leasing, financial payables to subsidiaries, which, in accordance with contractual terms, are payable on demand) and trade payables at December 31, 2016 and 2015.

Liabilities at December 31, 2016

(millions in Euro)	Total debt	> 1 year < 3 years	> 3 years < 5 years	> 5 years	Total
Gross debt	35.4	70.9	375.0	170.0	651.3
Trade payables	161.8				161.8
Total debt	**197.2**	**70.9**	**375.0**	**170.0**	**813.1**

The table does not include the short-term Group cash pooling debt, amounting to Euro 4.6 million at the end of 2016, against which a receivable of a similar nature existed of Euro 43.5 million.

Liabilities at December 31, 2015

(millions in Euro)	Total debt	> 1 year < 3 years	> 3 years < 5 years	> 5 years	Total
Gross debt	32.0	69.7	73.4	524.6	699.7
Trade payables	160.2				160.2
Total debt	**192.2**	**69.7**	**73.4**	**524.6**	**859.9**

The table does not include the short-term Group cash pooling debt, amounting to Euro 4 million at the end of 2015, against which a receivable of a similar nature existed of Euro 36.3 million.

At year-end 2016, loans due within one year mainly relate to the capital portion to be paid on some of the EIB loans and interest due on the total debt. The loan repayment scheduling reflects the capacity of the SEA funding to cover medium/long-term needs as well.

4.4 Sensitivity

In consideration of the fact that for the Company the currency risk is almost non-existent, the sensitivity analysis refers to balance sheet accounts which could incur changes in value due to changes in interest rates. In particular, the analysis considered:

- bank debt and cash pooling position;
- loans;
- interest risk derivative hedge instruments.

The assumptions and calculation methods utilised in the sensitivity analysis undertaken by SEA were as follows:

a) Assumptions:

> the effect was analysed on the SEA income statement for the years 2016 and 2015 of a change in market rates of +50 or of -50 basis points.

b) Calculation method:

> the remuneration of the bank deposits and the cash pooling positions is related to the interbank rates. In order to estimate the increase/decrease of interest income to changes in market conditions, the change was assumed as per point a) on the average annual balance of bank deposits of SEA;

> the loans measured were those at variable interest rates, which incur interest payable linked to the Euribor at 6 months. The increase/decrease of the interest payable to changes in market conditions was estimated applying the changes assumed as per point a) on the capital portion of the loans held during the year;

> the interest risk derivative hedge instruments were measured both in terms of cash flows and fair value (in terms of changes compared to the same period of the previous year). In both cases, the values were estimated applying the changes as per point a) to the forward curve expected for the period.

The results of the sensitivity analysis are reported below:

(In thousands of Euro)	At December 31, 2016		At December 31, 2015	
	-50 bp	+50 bp	-50 bp	+50 bp
Current account (interest income)	-31.36	336.43	-299.24	389.30
Cash pooling positive balance (interest income)	-200.09	200.09	-183.40	183.40
Loans (interest expense)(1)	677.69	-1,085.99	984.52	-1,091.93
Cash pooling negative balance (interest expense)(1)	0.00	-15.58	0,00	-19.99
Fin. debt to subsidiaries (interest expense)(1)	0.00	0.00	0,00	0.00
Derivative hedging instruments (cash flow)(2)	-439.92	439.92	-136.37	474.83
Derivative hedging instruments (fair value)(3)	-1,398.54	1,342.50	-1,627.42	1,729.20

(1) + = lower interest expense; = higher interest expense.
(2) + = hedging income; = hedging cost.
(3) Amount entirely allocated to equity as hedges are fully effective.

It should be noted that the results of the *sensitivity analysis* conducted on some items of the above tables were affected by the low level of market interest rates. By applying a change of -50 *basis points* to the current curve of market interest rates, the flows related to current accounts and loans would be the opposite sign of those forecast by the relative loan types; in such cases, these flows have been entered at zero.
It should be noted that some loans include covenant conditions, relating to the capacity of SEA to meet annual and/or half year financial commitments (net of financial resources available and receivables from the State) from operating activities. For some loans, non-compliance of the covenant terms results in, for the following half-year period, the application of a correlated predetermined spread (in accordance with a contractually defined pricing grid).
At the present moment, SEA is not aware of any default situations related to the loans held or violations of any of the above-mentioned covenants.

5. Classification of the financial instruments

The following table provides a breakdown of the financial assets and liabilities by category at December 31, 2016 and at December 31, 2015:

(In thousands of Euro)	At December 31, 2016					
	Financial assets and liabilities valued at fair value	Investments held-to-maturity	Loans and receivables	Available -for-sale financial assets	Financial liabilities at amortized cost	Total
Available-for-sale-investments				26		26
Other non-current financial assets			16,776			16,776
Other non-current receivables			240			240
Trade receivables			82,965			82,965
Current financial receivables			43,532			43,532
Tax receivables			14,174			14,174
Other current financial assets			7,190			7,190
Other current receivables			8,111			8,111
Cash and cash equivalents			46,998			46,998
Total	**-**	**-**	**219,986**	**26**	**-**	**220,012**
Non-current financial liabilities excl. leasing	9,721				539,348	549,069
- of which bond payables					298,008	298,008
Trade payables					161,771	161,771
Income tax payables					6,046	6,046
Other current & non-current payables					155,003	155,003
Current financial liabilities excl. leasing					32,077	32,077
Current financial liabilities for leasing					-	-
Total	**9,721**	**-**	**-**	**-**	**894,245**	**903,966**

The values resulting from the utilisation of the amortised cost method approximates the fair value of the category.

(In thousands of Euro)	At December 31, 2015					
	Financial assets and liabilities valued at fair value	Investments held-to-maturity	Loans and receivables	Available -for-sale financial assets	Financial liabilities at amortized cost	Total
Available-for-sale-investments				26		26
Other non-current financial assets			16,776			16,776
Other non-current receivables			1,597			1,597
Trade receivables			85,473			85,473
Current financial receivables			36,306			36,306
Tax receivables			11,666			11,666
Other current financial assets			7,190			7,190
Other current receivables			7,047			7,047
Cash and cash equivalents			55,271			55,271
Total	**-**	**-**	**221,326**	**26**	**-**	**221,352**
Non-current financial liabilities excl. leasing	11,257				558,518	569,775
- of which bond payables					297,580	297,580
Trade payables					160,208	160,208
Income tax payables					24,025	24,025
Other current & non-current payables					141,213	141,213
Current financial liabilities excl. leasing					27,442	27,442
Current financial liabilities for leasing					489	489
Total	**11,257**	**-**	**-**	**-**	**911,895**	**923,152**

5.1 Disclosure on fair value

In relation to financial instruments measured at fair value, the table below reports information on the method chosen to measure the fair value. The methods applied are broken down into the following levels, based on the information available, as follows:

- level 1: prices practiced in active markets;
- level 2: valuation techniques based on observable market information, both directly and indirectly;
- level 3: other information.

The following table shows the Company assets and liabilities measured at fair value at December 31, 2016 and at December 31, 2015:

(In thousands of Euro)	At December 31, 2016		
	Level 1	Level 2	Level 3
Available-for-sale-investments			26
Derivative financial Instruments		9,721	
Total		**9,721**	**26**

(In thousands of Euro)	At December 31, 2015		
	Level 1	Level 2	Level 3
Available-for-sale-investments			26
Derivative financial Instruments		11,257	
Total		**11,257**	**26**

6. Notes to the Statement of Financial Position

6.1 Intangible assets

The table below reports the changes in the year 2016 in intangible assets:

Intangible Assets

(In thousands of Euro)	At December 31, 2015	Increases in the year	Reclass. /Transfers	Destructions /Sales	Amortisation and Depreciation	Write-downs	At December 31, 2016
Gross Value							
Assets under concession	1,357,235	550	63,239	(1,514)			1,419,510
Assets under concession in progress & advances	54,327	40,301	(60,731)				33,897
Industrial patents and intellectual property rights	53,397		8,633				62,030
Assets in progress and advances	7,519	6,880	(8,633)				5,766
Gross Value	**1,472,478**	**47,731**	**2,508**	**(1,514)**	**-**	**-**	**1,521,203**
Accumulated amortisation							
Assets under concession	(441,392)			1,104	(37,301)		(477,589)
Assets under concession in progress & advances							
Industrial patents and intellectual property rights	(46,764)				(7,215)		(53,979)
Assets in progress and advances							
Accumulated amortisation	**(488,156)**	**-**	**-**	**1,104**	**(44,516)**	**-**	**(531,568)**
Net value							
Assets under concession	915,843	550	63,239	(410)	(37,301)	-	941,921
Assets under concession in progress & advances	54,327	40,301	(60,731)			-	33,897
Industrial patents and intellectual property rights	6,633		8,633		(7,215)	-	8,051
Assets in progress and advances	7,519	6,880	(8,633)			-	5,766
Net value	**984,322**	**47,731**	**2,508**	**(410)**	**(44,516)**	**-**	**989,635**

As per IFRIC 12, assets under concession amount to Euro 941,921 thousand at December 31, 2016 and Euro 915,843 thousand at December 31, 2015. These assets are amortised on a straight-line basis over the duration of the concession from the State.

The amortisation for the year 2016 amounts to Euro 37,301 thousand.

The increases result, for Euro 63,239 thousand, mainly from the entry into operation of the investments made in previous years and recognized under "Rights on assets under concession and advances".

For assets within the concession right, SEA has the obligation to record a restoration and replacement provision, in relation to which reference should be made to *Note 6.16*.

The account "Assets under concession in progress and advances", amounting to Euro 33,897 thousand, refers to the work in progress on concession assets, not yet completed at 2016 reporting date. The increase, totalling Euro 40,301 thousand, is stated net of the government grant totalling Euro 5,307 thousand, collected in December 2016, to build the Malpensa Terminal 2 railway station.

The main projects completed during the year at Malpensa total Euro 32,700 thousand and primarily regard i) continuation of the *restyling* work on Terminal 1, with the creation of new retail areas, Schengen remote boarding areas, in the north area and renewal of the firefighting system; ii) in the Cargo area, completion of the new cargo building (for a Cargo airline) and creation of a second warehouse for use by Cargo operators and iii) completion of construction work for

new security filters, new check-in desks and upgrading of the baggage delivery area at Terminal 2, as well as the completion of construction work for the new railway station with relative railway connection. The work at Linate totals Euro 7,601 thousand and mainly refer to expansion of the west apron and restyling work for the Terminal, its design activity is currently in the completion phase. Lastly, in terms of flight infrastructures, plant upgrading work continued at both Malpensa and Linate aimed at setting up the *Advanced Surface Movement Guidance and Control System* systems which will allow a clearer and unequivocal indication of the routes to follow during aircraft taxiing as well as an improvement and more efficient management of the lights on taxiing runways. The reclassifications to assets under concession, principally relate to the gradual entry into service of the works on Terminal 1 and completion of the Malpensa cargo warehouse.
The industrial patents and intellectual property rights and other intangible assets, amounting to Euro 8,051 thousand at December 31, 2016 (Euro 6,633 thousand at December 31, 2015), relate to the purchase of software components for the airport and operating IT systems. Specifically, the investments principally related to the development and implementation of the administrative and airport management systems in 2016, of which Euro 8,633 thousand mainly relating to previous years and recorded in the account "Fixed assets in progress and payments on account" which at December 31, 2016 record a total residual amount of Euro 5,766 thousand, relating to software developments in progress.
In consideration of the results reported and the business outlook, as well as the definition of the airport tariffs contained in the Regulatory Agreement, at December 31, 2016 the Company did not identify any impairment indicators.

The changes in intangible assets during 2015 were as follows:

Intangible Assets

(In thousands of Euro)	At December 31, 2014	Increases in the year	Reclass. / Transfers	Destructions / Sales	Amortisation and Depreciation	Write-downs	At December 31, 2015
Gross Value							
Assets under concession	1,305,443		54,481	(598)		(2,091)	1,357,235
Assets under concession in progress & advances	46,529	62,279	(54,481)				54,327
Industrial patents and intellectual property rights	53,049		348				53,397
Assets in progress and advances	1,092	6,775	(348)				7,519
Gross Value	**1,406,113**	**69,054**	-	**(598)**	-	**(2,091)**	**1,472,478**
Accumulated amortisation							
Assets under concession	(406,471)			235	(35,156)		(441,392)
Assets under concession in progress & advances							
Industrial patents and intellectual property rights	(40,065)				(6,699)		(46,764)
Assets in progress and advances							
Accumulated amortisation	**(446,536)**	-	-	**235**	**(41,855)**	-	**(488,156)**
Net value							
Assets under concession	898,972	-	54,481	(363)	(35,156)	(2,091)	915,843
Assets under concession in progress & advances	46,529	62,279	(54,481)			-	54,327
Industrial patents and intellectual property rights	12,984		348		(6,699)	-	6,633
Assets in progress and advances	1,092	6,775	(348)			-	7,519
Net value	**959,577**	**69,054**	-	**(363)**	**(41,855)**	**(2,091)**	**984,322**

6.2 Tangible assets

The table below reports the changes in the year 2016 in Tangible assets:

Tangible assets

(In thousands of Euro)	At December 31, 2015	Increases in the year	Reclass./ Transfers	Destructions / Sales	Amortisation and Depreciation	At December 31, 2016
Gross Value						
Land and Buildings	188,542		4,775	(152)		193,165
Plant and machinery	7,760	12		(3,263)		4,509
Industrial and commercial equipment	37,384	6,222		(5,095)		38,511
Other assets	105,170	1,760	2,379	(48,070)		61,239
Assets in progress and advances	7,916	6,936	(9,662)			5,190
Gross Value	**346,772**	**14,930**	**(2,508)**	**(56,580)**	**-**	**302,614**
Accumulated depreciation & write-downs						
Land and Buildings	(79,196)			127	(5,876)	(84,945)
Plant and machinery	(6,173)			3,027	(235)	(3,381)
Industrial and commercial equipment	(34,895)			5,095	(1,694)	(31,494)
Other assets	(89,174)			47,433	(5,732)	(47,473)
Assets in progress and advances						
Accumulated depreciation & write-down	**(209,438)**	**-**	**-**	**55,682**	**(13,537)**	**(167,293)**
Net value						
Land and Buildings	109,346		4,775	(25)	(5,876)	108,220
Plant and machinery	1,587	12		(236)	(235)	1,128
Industrial and commercial equipment	2,489	6,222			(1,694)	7,017
Other assets	15,996	1,760	2,379	(637)	(5,732)	13,766
Assets in progress and advances	7,916	6,936	(9,662)			5,190
Net value	**137,334**	**14,930**	**(2,508)**	**(898)**	**(13,537)**	**135,321**

The investments related to the development of the Commercial Aviation sector (which, as already reported, in accordance with IFRIC 12 are classified as assets under concession and current airport concessions) as well as those related to the Non Aviation sector, totalling Euro 4,775 thousand at December 31, 2016 principally related to the redesign of Malpensa Terminal 1. The increases of "Tangible assets" also include the purchase of new de-icer equipment and snowploughs for Euro 3,793 thousand, as well as new video terminals for Euro 940 thousand.

In consideration of the results reported and the business outlook, as well as the definition of the airport tariffs contained in the Regulatory Agreement, at December 31, 2016 the Company did not identify any impairment indicators.

All fixed assets, including those falling within IFRIC 12 scope, are shown net of fixed assets financed by State and European Community grants. The latter amounted to Euro 503,601 thousand and Euro 5,517 thousand respectively at December 31, 2016.

The changes in tangible fixed assets during 2015 were as follows:

Tangible assets

(In thousands of Euro)	At December 31, 2014	Increases in the year	Reclass./ Transfers	Destructions / Sales	Amortisation and Depreciation	At December 31, 2015
Gross Value						
Land and Buildings	182,320		6,293	(71)		188,542
Plant and machinery	7,486	368		(94)		7,760
Industrial and commercial equipment	35,314	2,165		(95)		37,384
Other assets	100,204	2,340	4,056	(1,430)		105,170
Assets in progress and advances	11,181	7,084	(10,349)			7,916
Gross Value	**336,505**	**11,957**	**-**	**(1,690)**	**-**	**346,772**
Accumulated depreciation & write-downs						
Land and Buildings	(73,242)			38	(5,992)	(79,196)
Plant and machinery	(6,019)			91	(245)	(6,173)
Industrial and commercial equipment	(33,366)			95	(1,624)	(34,895)
Other assets	(84,531)			1,396	(6,039)	(89,174)
Assets in progress and advances						
Accumulated depreciation & write-down	**(197,158)**	**-**	**-**	**1,620**	**(13,900)**	**(209,438)**
Net value						
Land and Buildings	109,078		6,293	(33)	(5,992)	109,346
Plant and machinery	1,467	368		(3)	(245)	1,587
Industrial and commercial equipment	1,948	2,165			(1,624)	2,489
Other assets	15,673	2,340	4,056	(34)	(6,039)	15,996
Assets in progress and advances	11,181	7,084	(10,349)			7,916
Net value	**139,347**	**11,957**	**-**	**(70)**	**(13,900)**	**137,334**

6.3 Investment property

The breakdown of investment property at December 31, 2016 and relative comparative figure are shown below:

Investment property

(In thousands of Euro)	At December 31, 2016	At December 31, 2015
Gross Value	4,125	4,148
Accumulated amortisation	(727)	(736)
Total net investment property	**3,398**	**3,412**

The changes in investment property accumulated depreciation in 2016 is shown below:

Movements in Accumulated Depreciation

(In thousands of Euro)	At December 31, 2016
Initial value	(736)
Decreases	11
Amortisation and Depreciation	(2)
Closing value	**(727)**

The account includes buildings not utilised in the operated activities (apartments and garages).
Despite uncertainty related to the real estate market there was no loss in value of investment property at December 31, 2016.

6.4 Investments in subsidiaries and associates

The breakdown of the account "Investments in subsidiaries and associates" at December 31, 2016 and at December 31, 2015 are shown below:

Investments in subsidiaries and associates

(In thousands of Euro)	At December 31, 2016	At December 31, 2015
Sea Handling SpA in liquidation	8,226	8,474
SEA Energia SpA	7,026	7,026
SEA Prime SpA	25,200	25,200
Consorzio Malpensa Construction	22	22
Investments in subsidiaries	**40,474**	**40,722**
SACBO SpA	4,562	4,562
Dufrital SpA	3,822	3,822
Malpensa Logistica Europa SpA	1,674	1,674
Disma SpA	421	421
SEA Services Srl	300	300
Investments in associates	**10,779**	**10,779**
Investments in subsidiaries and associates	**51,253**	**51,501**

The change in the balance of investments in subsidiaries and associates is due to the write-down reported in 2016, for Euro 249 thousand, of the investment held in SEA Handling SpA in liquidation, in order to align the value to shareholders' equity, as the estimated value of assets that can be liquidated to SEA.
It should be noted that the Board of Directors meeting on February 22, 2017 voted to authorise the winding up and liquidation of the Malpensa Construction Consortium.

It should also be noted that in December 2016 the Shareholders' Meeting of SACBO approved the proposal to purchase the treasury shares held by the Province of Bergamo, corresponding to 3% of the share capital, for a value equal to Euro 6,804,000. The transaction did not have impacts on the company's share capital or dilutive effects related to the stake held by SEA.

Risk related to the European Commission Decision of December 19, 2012 concerning presumed State Aid to SEA Handling and the Decision of July 9, 2014 for the set-up of a new procedure on the incorporation and capitalisation of Airport Handling

(a) Proceeding related to the European Commission decision of December 19, 2012

With decision of December 19, 2012, the European

Commission judged that the share capital increases carried out by SEA in favour of its subsidiary SEA Handling in the 2002-2010 period for approx. Euro 360 million, constituted State Aid incompatible with the internal market, and consequently imposed upon the Italian State the obligation to demand restitution of the presumed State Aid from SEA Handling.

As more extensively described in the 2015 Annual Report, for a formal 'alternative execution project' of the decision, undertook a series of actions including (i) liquidation of SEA Handling and its permanent departure from the market, (ii) establishment of Airport Handling in order to continue to offer ground assistance services in a context of complete competition conditions with the other handling companies and with complete economic discontinuation with SEA Handling, (iii) assignment of the entire investment in the share capital of Airport Handling in a trust called "Milan Airport Handling Trust", in order to exclude any form of SEA's control over Airport Handling and continuity between SEA Handling and the same Airport Handling, (iv) sale of 30% of the Airport Handling shares to a third party operator with the option, at certain conditions, of being able to purchase an additional 40% of the shares.

In relation to the above-mentioned decision three independent appeals were made before the European Union Court, by the Italian State, by SEA Handling and by the Milan Municipality.

These appeals are in an advanced state of negotiation, as the written procedure phase has concluded some months ago; a ruling is expected from the Court in 2017.

In the meantime a discussion phase was started - through the Italian Authorities - with the European Commission, in order to represent the incapacity of SEA Handling to completely face this restitution charge and, consequently, the impossibility of the Italian State to completely enforce the decision in it specific form.

With a letter sent to the Italian Authorities on July 20, 2016 and acknowledging the arguments put forth by SEA Handling, the European Commission asked for confirmation on the sale of the business, the progress of the liquidation and the procedures put in place to comply, within the limits of the sums from the liquidation, with the restitution obligations of SEA Handling.

In light of the above, in line with the criteria adopted in the previous annual report and interim financial reports to not recognise any accrual in the provision for risks and charges in the financial statements of SEA Handling SpA in liquidation and/or receivables from the company in the financial statements of SEA, with reference to the restitution obligations of SEA Handling to SEA of presumed State Aid and/or the recording of a receivable for the restitution of State Aid by SEA. Indeed, apart from any assessment regarding whether the sums are due or not (including in relation to the outcome of pending appeals), if and to their extent that funds become available from liquidation of the SEA Handling assets, the consideration from this surplus must be in favour of SEA, the sole shareholder of the company in liquidation.

(b) Proceeding related to the in-depth investigation launched by the European Commission of July 9, 2014

On July 9, 2014 the European Commission decided to launch - within the framework of the powers granted it related to State aid - a formal investigation in order to better examine some aspects related to the economic discontinuation between SEA Handling and Airport Handling and the possible existence of (further) alleged State aid in SEA's capital injection in the new company.

With its decision of July 5, 2016, transmitted to SEA by the Ministry of Transportation on July 19, 2016, the European Commission completed the investigation it had started in relation to the establishment and capitalisation of the Airport Handling SpA company finding: i) the absence of economic continuity between SEA Handling SpA and Airport Handling SpA, ii) the absence of transfer of the obligation to repay the incompatible State aid to Airport Handling SpA as well as iii) the lack of State aid in the establishment and capitalisation of the aforesaid company.

In the meantime the disposal process of control of Airport Handling by SEA was finalised:

- in December 2014 SEA together with the Trustee of Milan Airport Handling Trust conferred the mandate to an independent financial advisor in order to identify potential investors for the acquisition of a shareholding in Airport Handling;
- in September 2015, the Trustee and dnata, a leading international company of the Emirates Group in the airport handling sector, signed a binding agreement for the sale of 30% of the Airport Handling shares and the same percentage of FIP held by SEA in Airport Handling, with assignment to dnata at closing of the majority of the members of the board of directors and therefore the Governance of Airport Handling;
- the agreement also includes an option for dnata to purchase, if certain conditions occur, an addition 40% of shares (call option) and a corresponding portion of FIPs. The positive decision of the European

Commission related to the July 2014 investigation resulted in dnata not being able to exercise a put option included in the event of an unfavourable decision;

- the closing of the transaction occurred on March 23, 2016, after the decision of the Anti-trust Authority which did not consider the transaction in question, pursuant to article 6, paragraph 1, of Law no. 287/90, to establish or reinforce a dominant position on the market able to eliminate or substantially reduce the competition in the long-term. Following this the portion of other financial assets held by SEA and part of the sale were reclassified as "current";
- following dnata investment in Airport Handling, the latter company is valued at Euro 25 million, such amount being in line with the carrying amount of the assets recognized in the accounts. The transaction involved the payment of Euro 7.5 million by dnata for the purchase of the first 30%, which will be subject to lien for a predefined period as guarantee by dnata and entails the payment of Euro 10 million for the additional 40% interest (amounts to be divided proportionally between stocks and FIPs respectively held by the Trustee and SEA).

Based on the above, with reference to the sums transferred by SEA to the share capital of Airport Handling and to the subscription of the Financial Instruments of Participation by SEA, it is considered that these may be recovered through the disposal of Airport Handling or in the participation in future profits of the same (for the residual holding) and which are considered realisable. Consequently, no specific entry or correction is necessary or opportune.

Risk related to litigation for alleged abuse of dominant position in the acquisition of ATA Ali Trasporti Aerei - proceedings A474 brought by the Anti-trust Authority (AGCM)

The Anti-trust Authority started a proceeding on December 20, 2013 following a compliant by Cedicor Sociedad Anonima ("CEDICOR"), claiming SEA had abused its dominant position in violation of article 102 of the Treaty for the Functioning of the European Union ("TFUE") in the procedure for the tender called for the sale of SEA Prime SpA (previously ATA Ali Trasporti Aerei). The proceeding was closed on April 2, 2015 with the Anti-trust Authority upholding the claims against SEA and sentencing it to a fine of Euro 3,365 thousand. Despite paying the fine, SEA filed an appeal against this Provision at the Regional Administrative Court ("TAR"). The appeal challenged the legitimacy and correctness of the Provision. TAR's ruling was published in January 2017 partially granting SEA's appeal, referring the recalculation of the fine at a lower rate to the competent Authorities.

The key financial highlights at December 31, 2016 and for the previous year of the subsidiaries and associated companies prepared in accordance with Italian GAAP are shown below.

(In thousands of Euro)	As at December 31, 2016 and for the year ended December 31, 2016						
	Assets	Liabilities	Revenue	Profit/(loss)	Net Equity	Pro-quota net equity	% holding
Subsidiaries							
SEA Handling in liquidation SpA	10,732	2,506	587	(125)	8,226	8,226	100.00%
SEA Energia SpA	79,295	61,234	46,267	627	18,061	18,061	100.00%
SEA Prime SpA	25,950	16,984	11,373	2,105	8,966	8,817	98.34%
Consorzio Malpensa Construction	415	227	1	-	188	96	51.00%
Associates							
Dufrital SpA	78,382	48,434	151,502	4,220	29,948	11,979	40.00%
SACBO SpA	228,329	104,015	125,167	13,343	124,314	38,511	30.979%
SEA Services Srl (*)	6,470	4,005	12,484	830	2,465	986	40.00%
Malpensa Logistica Europa SpA	21,684	10,299	37,360	2,028	11,385	2,846	25.00%
Disma SpA	12,144	5,998	6,072	601	6,146	1,152	18.75%

(*) Financial Statements for the year ended 30/09/2016.

(In thousands of Euro)

	As at December 31, 2015 and for the year ended December 31, 2015						
Subsidiaries	Assets	Liabilities	Revenue	Profit/(loss)	Net Equity	Pro-quota net equity	% holding
SEA Handling in liquidation SpA	11,502	3,028	5,022	3,238	8,474	8,474	100.00%
SEA Energia SpA	69,385	51,951	49,336	635	17,434	17,434	100.00%
SEA Prime SpA	17,735	10,874	13,931	1,757	6,861	6,747	98.34%
Consorzio Malpensa Construction	414	226	299	3	188	96	51.00%
Associates							
Dufrital SpA	76,573	50,845	149,342	4,226	25,728	10,291	40.00%
SACBO SpA	225,760	102,174	119,181	12,387	123,586	38,286	30.979%
SEA Services Srl (*)	5,486	3,170	9,669	687	2,316	926	40.00%
Malpensa Logistica Europa SpA	19,969	9,919	34,097	1,459	10,050	2,513	25.00%
Disma SpA	14,146	7,101	6,392	884	7,045	1,321	18.75%

(*) Financial Statements for the year ended 30/09/2015.

6.5 AFS Investments

The breakdown of the "AFS investments" at December 31, 2016 and at December 31, 2015 is shown below:

	% Held	
Company	At December 31, 2016	At December 31, 2015
Aereopuertos Argentina 2000 SA	8.5%	8.5%
Consorzio Milano Sistema in liquidation	10%	10%
Romairport SpA	0.227%	0.227%
Sita Soc. Intern. De Telecom. Aereneonautiques (Belgian company)	6 quote	12 quote

The following table reports the changes for the years 2016 and 2015 of the AFS investments:

(In thousands of Euro)

Company	At December 31, 2016	At December 31, 2015
Aereopuertos Argentina 2000 SA	0	0
Consorzio Milano Sistema in liquidation	25	25
Romairport SpA	1	1
Sita Soc. Intern. De Telecom. Aereneonautiques (Belgian company)	0	0
Total available-for-sale investments	**26**	**26**

AA2000

The investment of SEA in the share capital of Aeropuertos Argentina 2000 (hereafter AA2000) amounted to 8.5% following the conversion, by the Argentinian government, of the bonds issued in 2008 by AA2000 into shares.

On June 30, 2011, an agreement was signed with CEDICOR for the sale of the entire investment held by SEA in the share capital of AA2000, equal to 21,973,747 ordinary Class A shares with 1 vote for each share.

The consideration paid was Euro 14,000,000 entirely received in 2011.

The transfer of the shares will only be completed with authorisation by the ORSNA regulator (Organismo Regulador del Sistema Nacional de Aeropuertos).

As of the date of this document, ORSNA had not yet formalised the authorisation of the sale of the investment in favour of Cedicor and, therefore, still holds 8.5% of the share capital of AA2000; therefore the investment of 1 Euro was maintained in the 2016 financial statements.

6.6 Deferred tax assets

The changes in the net deferred tax assets for the year 2016 are shown below:

Net deferred tax assets

(In thousands of Euro)	At December 31, 2015	Release / recognition to P&L	Release / recognition to equity	At December 31, 2016
Restoration provision as per IFRIC 12	34,540	(790)		33,750
Impairment test	14,333	(232)		14,101
Provision for risks & charges	11,351	(1,935)		9,416
Non-deductible doubtful debt provision	8,840	(559)		8,281
Other receivables provision	0	319		319
Obsolescence inventory provision	0	125		125
Fair value measurement of derivatives	2,587		(438)	2,149
Discounting Employee Leaving Indemnity (IAS 19)	2,522	(677)	(901)	944
Normal maintenance on assets under concession	2,921	3,320		6,241
Expected tax losses of SEA Handling in liquidation net of benefit	42	(42)		0
Others	132	0		132
Total deferred tax assets	**77,268**	**(471)**	**(1,339)**	**75,458**
Accelerated deprec. & lower deprec. from first time application of IFRS	31,396	(1,133)		30,263
Discounting Employee Leaving Indemnity (IAS 19)	1,554		(1,554)	0
Others	1	22		23
Total deferred tax liabilities	**32,951**	**(1,111)**	**(1,554)**	**30,286**
Total net deferred tax assets	**44,317**	**640**	**215**	**45,172**

It should be noted that the item "Discounting post-employment benefits (IAS19)" reported in deferred tax liabilities for Euro 1,554 thousand was reclassified by nature in the corresponding item of deferred tax assets.

6.7 Other current and non-current financial assets

The breakdown of current and non-current financial assets at December 31, 2016 and at the end of the previous year is reported below:

Other financial assets

(In thousands of Euro)	At December 31, 2016		At December 31, 2015	
	Current portion	Non-current portion	Current portion	Non-current portion
Other financial assets	7,190	16,776	7,190	16,776
Total other financial assets	**7,190**	**16,776**	**7,190**	**16,776**

The balance of current and non-current financial assets relates to the capital paid in favour of Airport Handling less write-downs made in 2013 and 2014 totalling Euro 1,034 thousand, against the losses generated before the disposal to the trust.
The company was incorporated on September 9, 2013 with a share capital of Euro 10 thousand, fully paid-in by the sole shareholder SEA on September 27, 2013. On October 30, 2013, the Extraordinary Shareholders' Meeting of Airport Handling approved the share capital increase up to a maximum of Euro 90 thousand, to be offered as options to the shareholder SEA - entirely subscribed with the payments in November 2013 and February 2014.
On April 3, 2014, the Ordinary Shareholders' Meeting of Airport Handling approved the share capital increase up to a maximum of Euro 2,500 thousand to be offered as options to the shareholder SEA. The first tranche of Euro 500 thousand was subscribed in the shareholders' meeting and paid-in simultaneously by the shareholder SEA. The two subsequent tranches were paid by SEA in June 2014 (Euro 710 thousand) and July 2014 (Euro 1,290 thousand) on the request of the Board of Directors of Airport Handling.

On June 30, 2014, the Board of Directors of SEA SpA approved the incorporation of the Trust "Milan Airport Handling Trust", registered in Jersey, Channel Islands, in order to adopt the best possible procedure to implement the discontinuation with the handling activity, previously undertaken by SEA Handling SpA, in accordance with the terms and conditions of the incorporation deed of the Milan Airport Handling Trust.
On August 27, 2014, the Shareholders' Meeting of Airport Handling Srl approved the share capital increase to Euro 5,000 thousand through the use of future share capital payments. On the same date, SEA, the sole shareholder of Airport Handling, with the signing of the Trust Deed transferred to the "Milan Airport Handling Trust": (i) the entire nominal investment of Euro 5,000 thousand; (ii) all rights to this latter relating to the share capital increase of Airport Handling. This was undertaken without any consideration and in accordance with the Trust Deed. Subsequent to this transfer of ownership, on August 27, 2014, Airport Handling Srl was converted into a limited liability company, with the appointment of new corporate boards and the issue of 20,000 of Financial Istruments of Pariticipation (FIP) of a value of Euro 1 thousand each, subscribed by SEA SpA, with the approval of the sole shareholder Milan Airport Handling Trust. These instruments are equity-based (therefore not subject to any repayment obligation of the amount contributed), without administrative rights but similar to shares in terms of equity rights; in particular these instruments provide profit-sharing and reserve rights and rights to other equity items, also on the winding up of the company. On August 28, 2014, SEA executed the payment of Euro 20,000 thousand. On March 23, 2016 the transfer transaction of 30% of the Airport Handling shares, and the same percentage of FIPs held by SEA in Airport Handling was completed, with assignment to dnata at the closing, of the majority of the members of the Board of Directors and thus the Governance of Airport Handling. Following the transfer the portion of other financial assets involved in the transfer were reclassified as "current".

Following dnata investment in Airport Handling, the latter company is valued at Euro 25 million, such amount being in line with the carrying amount of the assets recognized in the accounts. The transaction involved the payment of Euro 7.5 million by dnata for the purchase of the first 30%, which will be subject to lien for a predefined period as guarantee by dnata and entails the payment of Euro 10 million for the additional 40% interest (amounts to be divided proportionally between stocks and FIPs respectively held by the Trustee and SEA).

6.8 Other non-current receivables

The breakdown of the "Other non-current receivables" is shown below:

Other non-current receivables

(In thousands of Euro)	At December 31, 2016	At December 31, 2015
Receivables from the State for grants under Law 449/85	-	1,329
Other receivables	240	268
Total non-current receivables	**240**	**1,597**

The account "Other non-current receivables" amounts to Euro 240 thousand at December 31, 2016 (Euro 1,597 thousand at December 31, 2015) and is comprised of the accounts outlined below.

Receivables from the State for grants under Law 449/85, amounting to Euro 1,328 thousand (Euro 1,329 thousand at December 31, 2015), are entirely covered by the doubtful debt provision and concern receivables based on the "Regulatory Agreement" between ENAC and SEA in January 1995 and revised in December 2004, which establishes the partial funding, pursuant to Law 449/85, of some infrastructure projects at Malpensa Airport.

The Other receivables do not show a significant change and principally refer to receivables from employees and guarantee deposits.

6.9 Inventories

The table below reports the breakdown of "Inventories":

Inventories

(In thousands of Euro)	At December 31, 2016	At December 31, 2015
Raw materials, consumables and supplies	4,574	5,100
Provision for inventory obsolescence	(444)	(300)
Total Inventories	**4,130**	**4,800**

The account includes consumable materials for airport activities; no goods held in inventories comprised guarantees on loans or concerning other commitments.

Inventories at the end of the year were adjusted to their estimated realizable or replacement value via a special obsolescence provision which at December 31, 2016 totalled Euro 444 thousand.

The following changes were reported for the obsolescence inventory provision during 2016:

Change in the provision for inventory obsolescence

(In thousands of Euro)	At December 31, 2016
Initial value	(300)
Provision	(250)
Use	106
Final value of provision for inventory obsolescence	**(444)**

6.10 Trade receivables

The breakdown of "Trade receivables" at December 31, 2016 and for the previous year are shown below:

Trade receivables

(In thousands of Euro)	At December 31, 2016	At December 31, 2015
Customer receivables	72,706	72,245
Trade receivables from subsidiaries	3,227	2,447
Trade receivables from associated companies	7,032	10,781
Total trade receivables	**82,965**	**85,473**

Trade receivables, shown net of the doubtful debt provision, mainly include receivables from clients and provisions for invoices and credit notes to be issued.
The criteria for the adjustment of receivables to their realisable value will take account of valuations regarding the state of the dispute and are subject to estimates which are described in the previous paragraph 3, to which reference should be made.
The changes in the doubtful debt provision were as follows:

Doubtful debt provision

(In thousands of Euro)	At December 31, 2016	At December 31, 2015
Opening provision	81,891	88,051
Net Increases/(decreases)	2,581	(5,542)
Utilisation	(6,022)	(618)
Closing doubtful debt provision	**78,450**	**81,891**

The net increases of provisions in 2016 amounted to Euro 2,581 thousand (against net releases of Euro 5,542 thousand in 2015) and was calculated to take into account the risk in deterioration of the financial positions of the principle operators with which disputes exist and write-downs for receivables under administration.
The utilisations relating to the year 2016, amounting to Euro 6,022 thousand, refer to the closure during the year of disputes in which the provisions were accrued to cover such risks in previous years.
For details on the ageing of the receivables reference should be made to *Note 4.1*.
The reduction of trade receivables due from associated companies, instead, is basically due to the due dates and relative collection of invoices.
For receivables from subsidiaries and associated companies reference should be made to *Note 8*, relating to transactions with related parties.

6.11 Current financial receivables

The account "Current financial receivables" amounts to Euro 43,532 thousand at December 31, 2016 (Euro 36,306 thousand at December 31, 2015) and relates entirely to financial receivables from subsidiaries. In particular the balance at December 31, 2016 is comprised of cash pooling receivables from SEA Energia. Reference should be made to *Note 8* relating to transactions with related parties.

6.12 Tax receivables

The account "Tax receivables" amounts to Euro 14,174 thousand at December 31, 2016 (Euro 11,666 thousand at December 31, 2015) and refers for Euro 10,384 thousand to reimbursement requests made in March 2013 for higher IRES paid against the non-deductibility of IRAP regional tax on personnel costs for the years 2007/2011 (Euro 10,384 thousand at December 31, 2015), for Euro 2,631 thousand the IRES credit deriving from the higher payments on account paid in June and November compared to the 2016 IRES payable and Euro 782 thousand to the VAT receivable deriving from the December payment on account.

6.13 Other current receivables

The breakdown of the "Other current receivables" is shown below:

Other current receivables

(In thousands of Euro)	At December 31, 2016	At December 31, 2015
Other receivables	5,490	6,145
Receivables for dividends to collect	1,901	
Insurance company receivables	232	406
Receivables for various payments	277	246
Receivables from employees and social security institutions	208	247
Receivables from the Ministry for Communications for radio bridge	3	3
Receivables from the State under SEA/ Min. Infras. & Transp. case	-	-
Total other current receivables	**8,111**	**7,047**

The account "Other current receivables" amounts to Euro 8,111 thousand at December 31, 2016 (Euro 7,047 thousand at December 31, 2015) and is comprised of the accounts outlined below.

Other receivables, amounting to Euro 5,490 thousand at December 31, 2016 (Euro 6,145 thousand at December 31, 2015) refer to miscellaneous receivables (reimbursements, advances to suppliers, arbitration with sub-contractors and other minor items). The change for the year, totalling Euro 655 thousand, is mainly due to the decrease in advances to suppliers for Euro 609 thousand.

Receivables for dividends to collect, totalling Euro 1,901 thousand, refers to reporting of dividends approved by the Shareholders' Meeting of Airport Handling SpA on May 6, 2016. SEA SpA is entitled to receive the dividends related to its share of the Financial Instruments of Participation. For further information, reference should be made to *Note 6.7*.

The receivables due from insurance companies, totalling Euro 232 thousand at December 31, 2016 (Euro 406 thousand at December 31, 2015) represent the portion of charges for insurance policies paid in advance during the year but accruing in the following year.

The receivables for various collections, totalling Euro 277 thousand at December 31, 2016 (Euro 246 thousand at December 31, 2015) are mainly related to receivables resulting from collections paid by credit card, POS and telepass not yet credited to the current account.

Employee and social security receivables, amounting to Euro 208 thousand at December 31, 2016 (Euro 247 thousand at December 31, 2015), mainly refer to the receivable from INPS and the "Solidarity Contract Aviation Fund" (expired in 2014) paid to employees on behalf of those institutions.

The receivable from the Ministry for Communications amounting to Euro 3 thousand at December 31, 2016 (Euro 3 thousand at December 31, 2015) relates to higher provisional payments made in previous years for fees related to the radio bridges, offset by fees paid in January 2017.

Receivables from the State under SEA/Ministry for Infrastructure and Transport case, which totalled Euro 3,889 thousand, reported following the judgement of the Court of Cassation, which recognized to the Company the non-adjustment of handling tariffs for the period 1974-1981, in addition to interest and expenses incurred by the Company, are entirely covered by the doubtful debt provision and relate to the residual amount not yet received from the Ministry for Infrastructure and Transport, in addition to interest accrued up to December 31, 2014.

6.14 Cash and cash equivalents

The breakdown of the account "Cash and cash equivalents" is shown in the table below:

Cash and cash equivalents

(In thousands of Euro)	At December 31, 2016	At December 31, 2015
Bank and postal deposits	46,954	55,197
Cash in hand and at bank	44	74
Total	**46,998**	**55,271**

The available liquidity at December 31, 2016 is comprised of the following assets: bank and postal deposits on demand for Euro 45,438 thousand (Euro 53,173 thousand at December 31, 2015), restricted bank deposits, to cover the quota of European Investment Bank loans due in the coming 12 months, for Euro 1,516 thousand (Euro 2,024 thousand at December 31, 2015) and cash amounts for Euro 44 thousand (Euro 74 thousand at December 31, 2015). For further information on changes in cash and cash equivalents, please refer to the Cash Flow Statement. It should be noted that liquidity at December 31, 2016 does not include the escrow account; Euro 6,000 thousand are deposited to this account which result from collection of the price from the sale of 30% of the Financial Instruments of Participation held by SEA in Airport Handling.

6.15 Shareholders' Equity

Share capital

At December 31, 2016, the share capital of SEA is comprised of 250,000,000 shares of a value of Euro 0.11 each, with a total value of Euro 27,500 thousand.

Legal and extraordinary reserve

At December 31, 2016 the legal reserve of SEA amounts to Euro 5,500 thousand while the extraordinary reserve amounts to Euro 138,792 thousand (Euro 119,164 thousand at December 31, 2015), with the increase of Euro 19,628 thousand following the allocation of the profit for the year 2015 for Euro 15,703 thousand and reclassification of part of the First time application of IFRS reserve for Euro 3,925 thousand.

AFS reserve (Available for sale)

The AFS reserve at December 31, 2016, equal to Euro 1, represents the investment held by SEA in AA2000 based on the agreement with CEDICOR as described in *Note 6.5*.

Cash flow hedge reserve

The balance of the reserve at December 31, 2016, amounting to Euro -6,804 thousand (Euro -7,791 at December 31, 2015), relates to the change in the fair value of the effective part of the derivative hedge contracts listed at *Note 4.2*.

Actuarial profit/loss reserve

The balance of the reserve at December 31, 2016 equal to Euro -1,257 thousand (Euro -5,045 thousand at December 31, 2015), represents the actuarial losses matured at the balance sheet date on the Post-Employment Benefits provision. It should be noted that in 2016 the amount of Euro 4,947 thousand, representing the application of the IAS 19 international accounting standard for transition to the IFRS, was reclassified from the first application of IFRS reserve.

Other reserve

The other reserves, amounting to Euro 60,288 thousand at December 31, 2016, refer entirely to the reserves recorded in accordance with the revaluation laws 576/75, 72/83 and 413/91.

Distribution of dividends

On May 4, 2016, the Shareholders' Meeting approved the distribution of dividends of Euro 62,850 thousand and the carrying forward to reserves of Euro 15,703 thousand, relating to the allocation of the 2015 net profit, amounting to Euro 78,553 thousand.

For the details on the changes in shareholders' equity in the past two years, see the "Statement of changes in Shareholders' Equity".

Available reserves

In accordance with Article 2427, No. 7-bis of the Civil Code, the equity accounts and their availability and possibility for distribution are reported below.

(In thousands of Euro) Nature/Description	Amount at 12/31/2016	Possibility for utilisation (*)	Portion available	Utilisations in last three years
Share capital	27,500			
Legal reserve	5,500	B		
Extraordinary reserve	138,792	A, B, C	138,792	
First time application of IFRS reserve	14,814			
AFS reserve	0			
Cash flow hedge reserve	(6,804)			
Actuarial profit/loss reserve	(1,257)			
Other reserves [(1)]:				
- Revaluation under Law 576/76	3,649	A, B, C	3,649	
- Revaluation under Law 72/83	13,557	A, B, C	13,557	
- Revaluation under Law 413/91	43,082	A, B, C	43,082	
Total	**238,833**		**199,080**	**-**
Total non-distributable portion		**39,753**		

(*) A: for share capital increase B: to cover losses C: for distribution to shareholders.
(1) Reserves for suspension of taxes.

6.16 Provision for risks & charges

The changes in the "Provisions for risks and charges" in the year are reported below:

Provision for risks & charges

(In thousands of Euro)	At December 31, 2015	Provisions / increases	Uses / Decreases	Releases	At December 31, 2016
Provision for restoration & replacement	136,068	17,100	(16,386)		136,782
Provision for future charges	39,177	3,527	(6,799)	(2,514)	33,391
Total provision for risks & charges	**175,245**	**20,627**	**(23,185)**	**(2,514)**	**170,173**

The restoration and replacement provision on assets under concession, created in accordance with IFRIC 12, amounting to Euro 136,782 thousand at December 31, 2016 (Euro 136,068 thousand at December 31, 2015), refers to the estimate of the amount matured relating to the maintenance on assets under concession from the State which will be undertaken in future years. The provision for the year takes into account the long-term updating of the scheduled replacement and maintenance plan of such assets, while the uses for the period refer to restoration interventions covered by provisions of previous years.

The breakdown of the provision for future charges is shown in the table below:

Provision for future charges

(In thousands of Euro)	At December 31, 2015	Provisions / increases	Uses / Decreases	Releases	At December 31, 2016
Employment provisions	8,032		(1,445)	(3)	6,584
Disputes with contractors	550		(550)		-
Tax risks	4,571		(1,954)	(1,617)	1,000
Other provisions	26,024	3,527	(2,850)	(894)	25,807
Total provisions for future charges	**39,177**	**3,527**	**(6,799)**	**(2,514)**	**33,391**

The employee provisions relate to the expected streamlining actions to be undertaken on operations. Uses for the year are connected to incentivised departures for which a specific provision was created in the 2015 financial statements.

The "Tax risks" provision totalling Euro 1,000 thousand is related to coverage of litigation of a tax nature for which the Company is being audited by the competent authorities. It should be noted that in 2016, SEA settled litigation started in 2015 by the Customs Agency for the Malpensa and Linate airports, for the electricity business, related to regularity of compliance with excise related requirements pursuant to Legislative Decree no. 504/1995 (Consolidated Excise Act). The established amounts were fully covered by the provision allocated in 2015.

The account "other provisions" for Euro 25,807 thousand at December 31, 2016 (Euro 26,024 thousand at December 31, 2015) is mainly composed of the following items:

- Euro 9,893 thousand for legal disputes related to the operational management of the Milan Airports;
- Euro 4,033 thousand referred to litigation of an insurance nature for claims for damages;
- Euro 8,000 thousand relating to charges from the acoustic zoning of the peripheral areas to the Milan Airports (Law No. 447/95 and subsequent Ministerial Decrees). It is reported that the Airport Commission of Malpensa has not yet given the final approval, unlike the Airport Commission of Linate;
- Euro 881 thousand for disputes with ENAV;
- Euro 3,000 thousand for litigation of a different nature.

On the basis of the progress of disputes at the preparation date of these separate financial statements, and also based on the opinion of the consultants representing the Company in the disputes, the Directors believe that the provisions are sufficient to cover potential liabilities.

6.17 Employee provisions

The changes in the employee provisions in 2016 are shown below:

Employee provisions

(In thousands of Euro)	At December 31, 2016
Opening provision	46,788
Financial (income) / charges	645
Utilisation	(1,151)
Actuarial (Gains) / Losses directly recognized in equity	1,813
Total Employee Provisions	**48,095**

The actuarial calculation of the employee leaving indemnity takes into account the effects of the reform of Law No. 296 of December 27, 2006 and subsequent decrees and regulations.

The principal actuarial assumptions, utilised for the determination of the pension obligations, are reported below:

Financial assumption

	At December 31, 2016
Annual discount rate	1.31%
Annual inflation rate	1.50%
Annual post-employment benefit increase	2.63%

The annual discount rate, utilised for the establishment of the present value of the bond, was based on the Iboxx Eurozone Corporate A index.
The sensitivity analysis for each of the significant assumptions at December 31, 2016 is shown below, indicating the effects that would arise on the post-employment benefit provision.

Change in assumption

(In thousands of Euro)	At December 31, 2016
+ 1 % on turnover	47,816
- 1 % on di turnover	48,407
+ 1/4 % on the annual inflation rate	48,855
- 1/4 % on the annual inflation rate	47,351
+ 1/4 % on the annual discount rate	46,902
- 1/4 % on the annual discount rate	49,334

The average duration of the financial obligation and scheduled payments of the benefits are reported in the following tables:

Average financial duration of the obligation

(In years)	At December 31, 2016
Duration of the plan	10.8

Scheduled disbursements

(In thousands of Euro)	At December 31, 2016
Year 1	2,100
Year 2	2,116
Year 3	1,892
Year 4	2,550
Year 5	2,837

6.18 Current and non-current financial liabilities

The breakdown of current and non-current financial liabilities at December 31, 2016 and at the end of the previous year is reported below:

(In thousands of Euro)	At December 31, 2016		At December 31, 2015	
	Current portion	Non-current portion	Current portion	Non-current portion
Bank payables	20,829	250,929	16,821	272,110
Payables to other lenders	11,248	298,140	11,110	297,665
Total financial liabilities	**32,077**	**549,069**	**27,931**	**569,775**

The breakdown of the accounts is shown below:

(In thousands of Euro)	At December 31, 2016		At December 31, 2015	
	Current portion	Non-current portion	Current portion	Non-current portion
Long-term loans	19,689	241,208	15,456	260,853
Loan charges payables	1,140		1,365	
Fair value derivatives		9,721		11,257
Bank payables	**20,829**	**250,929**	**16,821**	**272,110**
Bond payables		298,008		297,580
Bond charge payables	6,627		6,609	
Subsidised loans	44	132		85
Financial payables to subsidiaries	4,577		4,012	
Leasing payables			489	
Payables to other lenders	**11,248**	**298,140**	**11,110**	**297,665**
Total current and non-current liabilities	**32,077**	**549,069**	**27,931**	**569,775**

As illustrated in the table above, the Company debt primary consists of medium/long term bank loans and the bond issued on April 17, 2014, the "SEA 3 1/8 2014-2021".

The principal features of the bond are as follows:

- Type of bond: Senior, unsecured, non-convertible, in minimum denominations of Euro 100 thousand and exclusively targeting qualified and institutional investors;
- Issue price: at par;
- Value: Euro 300 million;
- Interest rate: fixed annual coupon of 3.125%;
- Duration: 7 years, with single repayment on maturity, except for advanced repayment possibilities established under the Loan regulation and in line with market practices;
- Listing: Regulated market managed by the Irish Stock Exchange;
- Covenant: typical international practice for the issue of such bonds, such as the Limitation of Indebtedness or rather to maintain a Net Financial Position/EBITDA maximum of 3.8. The covenant has been complied with to date.

It should be noted that the finance lease existing at December 31, 2015 was terminated on April 30, 2016. For further information on bank loans and derivative contracts underwritten reference should be made to *Note 4*.

For further information on loans received in 2016, the principal features of these loans and Company repay-

ment schedules reference should be made to *Note 4*.
The breakdown of the Company net financial debt at December 31, 2015 and December 31, 2016, in accordance with CONSOB Communication of July 28, 2006 and ESMA/2011/81 recommendations are reported below:

(In thousands of Euro)	At December 31, 2016	At December 31, 2015
A. Cash	(46,998)	(55,271)
B. Other Liquidity	-	-
C. Held-for-trading securities	-	-
D. Liquidity (A)+(B)+ (C)	(46,998)	(55,271)
E. Financial receivables	(43,532)	(36,306)
F. Current financial payables	4,577	4,012
G. Current portion of medium/long-term bank loans	19,689	15,456
H. Other current financial payables	7,811	8,463
I. Payables and other current financial liabilities (F) + (G) + (H)	32,077	27,931
J. Net current financial debt (D) + (E) + (I)	(58,453)	(63,646)
K. Non-current portion of medium/long-term bank loans	241,208	260,853
L. Bonds issued	298,008	297,580
M. Other non-current financial payables	9,853	11,342
N. Payables & other non-current financial liabilities (K) + (L) + (M)	549,069	569,775
O. Net Debt (J) + (N)	490,616	506,129

At the end of December 2016, the net financial position amounted to Euro 490,616 thousand, improving by Euro 15,513 thousand compared to the end of 2015 (Euro 506,129 thousand).
As illustrated in the cash flow statement, the level of net financial debt was impacted by the fact that the cash flow generated from the operating activity of Euro 149,384 thousand was sufficient to offset the cash flow absorbed by investing activity (Euro 55,264 thousand) and that absorbed by financing activity for the payment of dividends and interest and commissions (respectively of Euro 62,817 thousand and Euro 17,872 thousand); the following events affected financing activities: i) the reduction of cash and cash equivalents for Euro 8,273 thousand (Euro 46,998 thousand at the end of 2016 versus Euro 55,271 in 2015); ii) the continuation of the repayment of loans in place amounted to Euro 15,456 thousand.

6.19 Trade payables

The breakdown of the "Trade payables" is shown below:

Trade payables

(In thousands of Euro)	At December 31, 2016	At December 31, 2015
Supplier payables	135,537	141,686
Advances	7,419	7,344
Payables to subsidiaries	15,381	8,233
Payables to associated companies	3,434	2,945
Total trade payables	**161,771**	**160,208**

Trade payables of Euro 161,771 thousand at December 31, 2016 refer to the purchase of goods and services relating to the operating activity and investments. In order to optimise operations with suppliers, trade payables at December 31, 2016 include sums ceded by suppliers under indirect factoring contracts

for Euro 12,279 thousand (Euro 12,975 thousand at December 31, 2015).
Payables for advances at December 31, 2016, totalling Euro 7,419 thousand, have a balance basically in line with the values of the previous year.
In terms of the collection received in 2014 and, classified in payables for advances, following the Judgement no. 12778/2013 of the Court of Milan (upheld by the Milan Court of Appeals with judgement no. 3553/2015) with which the Customs Agency was sentenced to pay a total of Euro 5,631 thousand for litigation related to the occupation of spaces in the Linate and Malpensa airports, in December 2016 the Customs Agency challenged this judgement before the Supreme Cassation Court, disputing the amount due established by the appeals judge. It should be noted that as not all jurisdictional degrees have been exhausted, no income was recognized in these separate financial statements.
The remainder of payables on account mainly relate to payments on account by clients.
For payables from subsidiaries and associated companies reference should be made to *Note 8*, relating to transactions with related parties.

6.20 Income tax payables

Tax payables, totalling Euro 6,046 thousand at December 31, 2016 (Euro 24,025 thousand at December 31, 2015) are mainly composed of the payable related to the higher IRES paid by the Subsidiaries (who were part of the fiscal consolidation) and requested as a refund with specific applications in March 2013 by the consolidating company, against the failure to deduct IRAP from IRES on the cost of personnel related to the years 2007/2011, for Euro 1,069 thousand (Euro 1,069 thousand at December 31, 2015), withholding taxes on employees and self-employed staff for Euro 4,972 thousand (Euro 4,611 thousand at December 31, 2015) and miscellaneous tax payables for Euro 5 thousand (Euro 2 thousand at December 31, 2015).
It should be noted that the balance at December 31, 2015 also included the payable for direct taxes for a total of Euro 16,663 thousand, payables for the fiscal consolidation for Euro 848 thousand and VAT payable for Euro 832 thousand.

For a better presentation of the financial statements, the payable for surtaxes on landing rights was restated in this item to the "Other payables" item with consequent reclassification of the previous year values, for the purposes of comparison.
Lastly it should be noted that in 2016 SEA did not renew participation in the national fiscal consolidation programme, which expired with the year closed at December 31, 2015, with the subsidiary SEA Handling SpA in liquidation.

6.21 Other payables

The breakdown of the account "Other payables" at 2016 and 2015 reporting dates is shown below:

Other payables

(In thousands of Euro)	At December 31, 2016	At December 31, 2015
Payable to social security institutions	11,760	12,198
Payables due to employees for amounts accrued	13,522	11,148
Payables due to employees for holidays not taken	2,749	3,146
Payable to the State for firefighting services at the airports	53,088	46,714
Payables due to the State for concession charges	12,198	11,504
Payables due to the State for security concession services	81	70
Payables for surtaxes on landing rights charges	46,011	38,233
Payables due to third parties for ticket collection	414	925
Third party guarantee deposits	1,110	1,303
Payables to Directors and Statutory Auditors	187	187
Payables to shareholders for dividends	88	57
Payables due to others for employee withholdings	265	267
Others	13,530	15,461
Total other payables	**155,003**	**141,213**

For a better presentation of the financial statements, the payable for surtaxes on landing rights was restated from "Income tax payables" to this item with consequent reclassification of the previous year values, for the purposes of comparison.
The balance of current "Other payables" shows an increase of Euro 13,790 thousand, from Euro 141,213 thousand at December 31, 2015 to Euro 155,003 thousand at December 31, 2016.
This increase is related to the contrasting effect of the following items: i) higher charges of Euro 6,374 thousand for the contribution of the Company to the airport fire protection service under Law No. 296 of December 27, 2006; ii) increase of payables for Euro 7,778 thousand related to the surtax on landing rights established by Laws no. 166/2008, no. 350/2003, no. 43/2005, no. 296/2006 and no. 92/2012; iii) higher employee payables for services matured, for Euro 2,374 thousand, mainly due to the leaving incentive agreement signed; iv) decrease in the account "Others" for Euro 1,931 thousand. The account "others", amounting to Euro 13,530 thousand at December 31, 2016 (Euro 15,461 thousand at December 31, 2015), mainly relates to deferred income from clients for future periods and other minor payables. The change, totalling Euro 1,931 thousand, is basically attributable to the timing of the establishment of tariffs connected to the regulatory agreement and signing of trade agreements which affect billing time frames.
In relation to the payables to the State for airport fire protection services the lawsuit before the Rome Civil Court against the payment of this contribution is still pending.

At December 31, 2016, as in the previous year, the Company had no other non-current payables.

6.22 Payables and receivables beyond five years

There are no receivables over five years.
Payables of a financial nature beyond five years total Euro 153,571 thousand, related to the repayment of the principal of medium/long-term loans as of December 31, 2016.

7. Income Statement

7.1 Operating revenues

The breakdown of operating revenues by business unit is reported below:

Operating revenues by Business Unit

(In thousands of Euro)	2016	2015
Aviation	415,942	395,891
Non Aviation	216,071	217,098
Total Operating revenues	**632,013**	**612,989**

The breakdown of aviation operating revenues is reported below.

Aviation operating revenues

(In thousands of Euro)	2016	2015
Centralised infrastructure and rights	355,149	332,147
Operating revenues from security controls	45,209	48,832
Use of regulated spaces	15,584	14,912
Total Aviation operating revenues	**415,942**	**395,891**

Aviation revenue in 2016 increased Euro 20,051 thousand compared to the previous year, from Euro 395,891 thousand in 2015 to Euro 415,942 thousand in 2016. This growth was supported by the tariff adjustment defined in the Regulatory Agreement and the increase in passenger and cargo traffic resulting from: i) activation of thirteen new flights and increase of various flights on existing routes; ii) the interest of new airlines; iii) increase of places offered by Airlines; and, iv) signing of new bilateral agreements with South Korea and Qatar and updating of some existing agreements. Passenger traffic reported an increase in movements of 3.1% and passengers of 3.1%. Cargo traffic continued the positive trend (with a 7.2% growth), beating the historic record of the previous year in terms of movements which stood at 549 tonnes of handled cargo. For additional information see the Directors' Report.

The breakdown of Non Aviation operating revenues is reported below

Non Aviation operating revenues

(In thousands of Euro)	2016	2015
Retail	86,476	85,239
Parking	60,322	57,160
Cargo spaces	11,696	11,699
Advertising	10,316	12,005
Premium services	13,789	13,239
Real estate	1,608	1,578
Services and other revenues	31,864	36,178
Total Non Aviation operating revenues	**216,071**	**217,098**

It should be noted that for a better presentation of the financial statement figures, the breakdown of this item has been expanded, compared to the previous year, with the indication of revenues from "Premium services" and "Real estate", with consequent reclassification of the values from "Services and other revenues" for comparative purposes.
The breakdown of retail revenues is reported below.

Retail Revenues

(In thousands of Euro)	2016	2015
Shops	45,174	44,603
Food & Beverage	17,485	16,730
Car rental	14,652	14,364
Banking	9,165	9,542
Total Retail	**86,476**	**85,239**

The change in Non Aviation operating revenues shows a reduction of Euro 1,027 thousand for the following contrasting effects: i) Retail Revenues, with growth of Euro 1,237 thousand following the higher royalties accrued on concessions for shops. Specifically, this income was positively effected by the increase of passenger traffic, development of the retail offer at Malpensa Terminal 1 with its restyling including the opening of important brands in the "Piazza del Pop" and positive trend in the food & beverage offering in both airports; ii) Revenues from carparks with an increase of Euro 3,162 thousand thanks to an intense sales policy, characterised by a constant communication activity, differentiation of rates based on customer needs and season and continual renewal of the sales channels. This trend also benefited from the progressive restoration during the year of the parking spaces affected by the railway station construction work at Malpensa Terminal 2; iii) Revenues from advertising with a reduction of Euro 1,689 thousand since the previous year had benefited from promotional investments of an exceptional nature linked to EXPO; iv) Premium Services with an increase of Euro 550 thousand, mainly due to on demand services (security services, access to Vip room, and hospitality related services); v) Services and other revenues with a decrease of Euro 4,314 thousand since the previous year had been affected by other income of a non-recurring nature linked to the settlement of payable bonds.
The item "Services and other revenues" is primarily composed of income from designing activity, ticket services, service activity and other income.

7.2 Revenue for works on assets under concession

Revenues for works on assets under concession decreased from Euro 52,384 thousand in 2015 to Euro 46,622 thousand in 2016.

These revenues, as per IFRIC 12, refer to construction work on assets under concession increased by a mark-up of 6%, representing the best estimate of the remuneration of the internal cost for the management of the works and design activities undertaken by the Company, which corresponds to a mark-up which a general constructor would request to undertake such activities and are included in the Aviation business unit.

This account is strictly related to investment and infrastructure upgrading activities. For further information on the main investments in the period, reference is made to *Note 6.1*.

The account "Costs for work on assets under concession" (*Note 7.6*) reflects the decrease in the year due to lower work on assets under concession.

7.3 Personnel costs

The breakdown of personnel costs is as follows:

Personnel costs

(In thousands of Euro)	2016	2015
Wages and Salaries	124,137	120,226
Social security charges	36,452	35,677
Employee Leaving Indemnity	7,642	7,441
Other personnel costs	9,247	6,920
Total	**177,478**	**170,264**

Personnel costs increased by Euro 7,214 thousand, from Euro 170,264 thousand in 2015 to Euro 177,478 thousand in 2016 (+4.2%).

This change is primarily related to the effect of the renewal of the National Collective Labour Contract singed in the second half of 2014 with a wage increase divided into various tranches including the last one scheduled for July 1, 2016 and the incentive plans to leave established with the trade unions, phenomena that together results in a 3.5% increase in costs. For more information on the incentive plan to leave see the Directors' Report in the "Human resources" section.

The table below shows the average number of FTE (Full Time Equivalent) employees by category, compared with the previous year:

Average number of employees (FTE)

	January - December			
	2016	%	2015	%
Executives	52	2%	53	2%
Middle Managers	261	10%	257	10%
White-collar	1,720	63%	1,681	62%
Blue-collar	660	24%	658	25%
Total employees	**2,693**	**99%**	**2,649**	**99%**
Agency employees	23	1%	20	1%
Total employees	**2,716**	**100%**	**2,669**	**100%**

The increase in personnel is due to the expansion of the security activities, created from personnel for the airport handling businesses.

Finally, the total number of employees in terms of HDC (Head-count) at the reporting date is also provided.

Head Count at period-end

	At December 31		
	2016	2015	delta
Employees HDC (at year-end)	2,792	2,795	(3)

7.4 Consumable materials

The breakdown of "Consumable materials" is as follows:

Consumable Materials

(In thousands of Euro)	2016	2015
Raw materials, consumables and supplies	8,341	10,517
Changes in inventories	670	901
Total consumable Materials	**9,011**	**11,418**

The account "Consumable materials" mainly includes the purchase of goods for airport activities (chemical products for de-icing and de-snowing, clothing, spare parts, etc.). The change of Euro 2,407 thousand compared to the previous year is principally due to reduced purchases for inventories of chemical products for de-icing and anti-icing utilised in the case of snow and/or ice and fuel.

7.5 Other operating costs

The table below reports the breakdown of the account "Other operating costs":

Other operating costs

(In thousands of Euro)	2016	2015
Commercial costs	44,251	40,513
Utilities and security	34,059	34,507
Public bodies	31,132	29,662
Ordinary maintenance costs	24,224	24,418
Airport handling services costs	22,899	23,896
Cleaning	13,221	13,194
Use of car parking spaces	12,072	11,164
Professional services	8,784	11,331
Tax charges	6,459	6,464
Hardware & software charges & rent	4,206	4,194
Disabled assistance service	3,633	3,600
Rental of equipment and vehicles	3,326	3,118
Insurance	1,277	1,680
Board of Statutory Auditors & BoD fees	701	867
Losses on assets	170	363
Premises rental	156	178
Other costs	12,443	12,059
Total other operating costs	**223,013**	**221,208**

In 2016, the account "Other operating costs" increased by Euro 1,805 thousand compared to the previous year. This increase was principally due to the following factors:

- higher commercial costs of Euro 3,738 thousand related principally to the increase in traffic incentive charges;
- increase in concession fees to Public Entities for Euro 1,470 thousand following the higher concession fee which SEA must pay for the year 2016 to ENAC. This increase is strictly correlated to the traffic numbers;
- lower costs for airport services provided by handling companies for Euro 997 thousand mainly connected to emergency/contingency services, snow emergency services and de-icing services;
- increase in costs for management of on-line sales for the Orio al Serio carparks for Euro 908 thousand;
- reduction of costs related to professional services for legal, administrative and strategic services for Euro 2,547 thousand since the previous year was affected by charges for transactions of an extraordinary nature;
- reduction in insurance costs of Euro 403 thousand, following the renegotiation of expiring insurance policies.

The residual account "Other costs" includes, principally, the remuneration to SEA for airport charges collection activity connected to general aviation totalling Euro 4,088 thousand (Euro 291 thousand in 2015), catering costs for the VIP lounge of Euro 2,550 thousand (Euro 2,579 thousand in 2015), commission and brokerage costs of Euro 1,374 thousand (Euro 1,273 thousand in 2015), other industrial costs (mainly certification and authorisation charges, reception and welcoming passengers etc.) of Euro 550 thousand (Euro 564 thousand in 2015), landside transportation services of Euro 846 thousand (Euro 981 thousand in 2015), association contributions paid by the Company of Euro

932 thousand (Euro 833 thousand in 2015), purchase and subscription of newspapers and magazines of Euro 467 thousand (Euro 411 thousand in 2015) and office running expenses. It should be noted that this item in 2015 also included the cost, for Euro 3,365 thousand, related to the payment of the administrative fine issued by the Anti-trust Authority (AGCM) following the conclusion of the Proceeding related to the allegation of abuse of the dominant position in the called for tenders procedure for ATA Ali Trasporti Aerei SpA (now SEA Prime SpA) and ATA Ali Servizi SpA (now Flight Signature Support Italy Srl).

The subsidiary SEA Energia SpA submitted an application to the GSE on September 29, 2015, to obtain the SEESEU qualification which would enable it to obtain preferential tariff conditions on the electricity consumed and not withdrawn from the grid to the extent of 5% of the corresponding unit amounts payable and charged back to SEA.
On February 28, 2017, following a receipt of a notice of rejection, the subsidiary SEA Energia SpA sent the additional documentation to GSE to satisfy the requests received.
Despite the uncertainties related to the progress of the application and the fact that the SEESEU-C qualification for application of the preferential tariff system charges had not yet been obtained as at the reporting date, the Directors of the subsidiary considered it reasonable to estimate the payment of system charges for the years 2015 and 2016 on favourable tariff conditions, supported by their technical management regarding the objective evidence in support of the application and on the basis of the progress in the application process.
Therefore the cost of energy under "Utilities and Security" is increased by system charges estimated at the preferential 5% rate.

7.6 Costs for works on assets under concession

Revenues for works on assets under concession decreased from Euro 48,781 thousand in 2015 to Euro 43,114 thousand in 2016. The change in the account is related to the investment activities (*Note 7.2*).

These costs refer to the costs for the works undertaken on assets under concession and concern the Aviation business unit.

7.7 Provisions and write-downs

The breakdown of provisions and write-downs is as follows:

Provisions & write-downs

(In thousands of Euro)	2016	2015
Provisions / (releases) of receivables of current assets and cash and cash equivalents	3,908	(3,808)
Fixed assets write-downs	-	2,091
Provisions for future charges	(464)	4,749
Total provisions and write-downs	**3,444**	**3,032**

In 2016, "Provisions and write-downs" increased by Euro 412 thousand compared to the previous year, from Euro 3,032 thousand in 2015 to Euro 3,444 thousand in 2016.
The doubtful debt provision in the year was calculated to take into account the risk in deterioration of the financial positions of the principle operators with which disputes exist and write-downs for receivables under administration.

The net releases for future risks and charges, amounting to Euro 464 thousand in 2016 (net provisions totalling Euro 4,749 thousand in 2015), have higher releases, only partly offset by provisions, performed consistent with previous years and refer principally to adjustments on valuations related to legal disputes concerning the operational management of the Milan Airports.

7.8 Restoration and replacement provision

The breakdown of the restoration and replacement provision is as follows:

Restoration & replacement provision

(In thousands of Euro)	2016	2015
Restoration & replacement provision	17,100	14,150
Total restoration & replacement provision	**17,100**	**14,150**

This account includes the provision for the year relating to the scheduled replacement and maintenance of the assets within the so-called "Concession Right". The account increased Euro 2,950 thousand in 2016, from Euro 14,150 thousand in 2015 to Euro 17,100 thousand in 2016, following the updating of the long-term scheduled replacement and maintenance plan of the assets within the so-called "Concession Right".

7.9 Amortisation and depreciation

The account "Amortisation & depreciation" is comprised of:

Amortisation and Depreciation

(In thousands of Euro)	2016	2015
Amortisation of intangible assets	44,516	41,855
Depreciation of property, plant & equipment	13,537	13,900
Depreciation of investment property	2	2
Total amortisation and depreciation	**58,055**	**55,757**

The depreciation of tangible fixed assets reflects the estimated useful life made by the company while, for the intangible assets within the "Concession Right", consideration is taken of the concession duration.

7.10 Investment income and charges

The breakdown of investment income and charges is as follows:

Investment income (charges)

(In thousands of Euro)	2016	2015
SEA Handling SpA Revaluation (write-down)	(249)	3,229
Dividends from SACBO SpA	1,801	1,361
Dividends from SEA Services Srl	680	528
Dividends from Disma SpA	281	328
Dividends from Malpensa Logistica Europa SpA	173	
Other income	1,901	
Dividends from Dufrital SpA		120
Total investment income (charges)	**4,587**	**5,566**

The item balance shows investment income of Euro 4,587 thousand at December 31, 2016, compared with investment income of Euro 5,566 thousand in the previous year.
Investment income increased by Euro 598 thousand compared to the previous year, increasing from Euro 2,337 thousand in 2015 to Euro 2,935 thousand in 2016. These amounts concern dividends received from investees.
The other income, totalling Euro 1,901 thousand, refers to the income matured on the Financial Instruments of Participation in Airport Handling SpA.
The item "Revaluation (Write-down) of SEA Handling SpA in liquidation", totalling Euro -249 thousand in 2016 (Euro 3,229 thousand in 2015), refers to the write-down of the value of the investment held in SEA Handling in liquidation with the aim of realigning the value of the investment to the estimated value of assets that can be liquidated to SEA.
For further information, reference should be made to *Note 6.4*.

7.11 Financial income and charges

The breakdown of the account "Financial income and charges" is as follows:

Financial income (charges)

(In thousands of Euro)	2016	2015
Currency gains	12	8
Other financial income	1,120	1,528
Total financial income	1,132	1,536
Interest expense on medium/long-term loans	(12,793)	(13,725)
Currency losses	(2)	(5)
Other interest expenses	(6,116)	(6,119)
Total financial charges	(18,911)	(19,849)
Total financial income (charges)	**(17,779)**	**(18,313)**

Net financial charges decreased by Euro 534 thousand, from Euro 18,313 thousand in 2015 to Euro 17,779 thousand in 2016. While financial income decreased by Euro 404 thousand, financial charges recorded a positive trend with a decrease in costs of Euro 938 thousands.
The reduction in financial charges of Euro 938 thousand is mainly due to the decrease in the average cost of medium/long term debt, based on the trend of interest rates, and decrease of gross debt, with lower interest expense.
It should also be noted that the positive effect related to the decrease of interest expense for the finance lease, expired April 30, 2016, for Euro 125 thousand (dropping from Euro 136 thousand in 2015 to Euro 11 thousand in 2016), post-employment benefits for Euro 156 thousand (dropping from Euro 801 thousand in 2015 to Euro 645 thousand in 2016), fees on loans for Euro 173 thousand, is basically offset by the increase, totalling Euro 390 thousand, of the expenses related to bank guarantees linked to the distribution of EIB loans in June 2015.
For further information on the change in the financial liabilities, reference should be made to *Note 6.18*.
Finally the decrease in financial income of Euro 404 thousand was mostly influenced by the combined effect of reduced average cash balance on bank current accounts and the trend in interest rates.

7.12 Income taxes

The breakdown of the account "income taxes" is shown below:

Income taxes

(In thousands of Euro)	2016	2015
Current income taxes	47,013	49,230
Deferred income taxes	(640)	231
Total	**46,373**	**49,461**

The reconciliation between the theoretical and effective IRES tax rate for 2016 is shown below:

(In thousands of Euro)	2016	%
Pre-tax profit	134,229	
Theoretical income taxes	36,913	27.5%
Tax effect of permanent differences	(153)	-0.1%
IRAP	7,069	5.3%
Others	2,544	1.9%
Actual taxes	**46,373**	**34.5%**

The amount of the "Other" item is mainly composed of, i) Euro 900 thousand for the remaining deduction of the net balance between deferred tax assets and liabilities following the reduction (starting with the years after the one closed at December 31, 2016 of the IRES rate from 27.5% to 24%, (included in the so-called 2016 *Stability Law*), ii) Euro 522 thousand for adjustments on deferred taxation recalculated for submission of the 2016 Modello Unico tax return, and iii) Euro 558 thousand for deduction of the higher deferred tax assets connected with the portion of the post-employment benefits provision, exceeding the annual deductible limit.

8. Transactions with Related Parties

The table below shows the balances and transactions of the company with Related Parties for the years 2016 and 2015 and an indication of the percentage of the relative account:

Transactions with Related Parties

(In thousands of Euro)	At December 31, 2016					
	Trade receivables	Current financial receiv.	Income tax receivables	Trade payables	Current & non-current fin. liabilities	Tax payables
Subsidiaries						
SEA Handling SpA in liquidation	63					1,028
SEA Energia SpA	731	43,532		14,092		41
Consorzio Malpensa Construction	156			248		
SEA Prime SpA	2,277			1,041	4,577	
Associates						
SACBO SpA	138			342		
Dufrital SpA	5,350			1,173		
Malpensa Logistica Europa SpA	1,029			986		
SEA Services Srl	354			834		
Signature Flight Support Italy Srl	30			1		
Disma SpA	131			98		
Total Related Parties	**10,259**	**43,532**	**-**	**18,815**	**4,577**	**1,069**
Total financial statements	82,965	43,532		161,771	581,145	6,046
% of total financial statements	**12.37%**	**100.00%**	**0.00%**	**11.63%**	**0.79%**	**17.68%**

Transactions with Related Parties

(In thousands of Euro)	Year ended December 31, 2016					
	Operating revenues	Misc. operating costs (*)	Personnel costs	Net financial income/ (charges)	Investment income/ (charges)	Income taxes
Subsidiaries						
SEA Handling SpA in liquidation		30	(2)	(79)		(249)
SEA Energia SpA		803	27,244	(80)	1,090	
Consorzio Malpensa Contruction						
SEA Prime SpA		7,607	4,088	(428)		
Associates						
SACBO SpA (*)		860	9,518	(6)		1,801
Dufrital SpA		28,695	19			
Malpensa Logistica Europa SpA		4,076		(40)		173
SEA Services Srl		2,547	2,569			680
Disma SpA		230				281
Signature Flight Support Italy Srl		70		(24)		
Total Related Parties		**44,918**	**43,436**	**(657)**	**1,090**	**2,686**
Total financial statements		632,013	223,013	177,478	(17,779)	4,587
% of total financial statements		**7.11%**	**19.48%**	**-0.37%**	**-6.13%**	**58.56%**

(*) The item "Operating costs" regarding relations with SACBO, of Euro 9,518 thousand, does not include the portion billed by SEA to end customers and transferred to the associate.

Transactions with Related Parties

(In thousands of Euro)	At December 31, 2015					
	Trade receivables	Current financial receiv.	Income tax receivables	Trade payables	Current & non-current fin. liabilities	Tax payables
Subsidiaries						
SEA Handling SpA in liquidation	112			27		1,876
SEA Energia SpA	862	36,306		7,988		41
Consorzio Malpensa Construction	156			81		
SEA Prime SpA	1,244			136	3,246	
Signature Flight Support Italy Srl	73			1	766	
Associates						
SACBO SpA	209			419		
Dufrital SpA	8,845			1,000		
Malpensa Logistica Europa SpA	1,157			987		
SEA Services Srl	443			440		
Disma SpA	127			99		
Total Related Parties	**13,228**	**36,306**	**-**	**11,178**	**4,012**	**1,917**
Total financial statements	85,473	36,306	11,666	160,208	597,707	24,025
% of total financial statements	**15.48%**	**100.00%**	**0.00%**	**6.98%**	**0.67%**	**7.98%**

Transactions with Related Parties

(In thousands of Euro)	Year ended December 31, 2015					
	Operating revenues	Misc. operating costs (*)	Personnel costs	Net financial income/ (charges)	Investment income/ (charges)	Income taxes
Subsidiaries						
SEA Handling SpA in liquidation	68	2	(111)		3,229	843
SEA Energia SpA	900	28,500	(123)	1,016		
Consorzio Malpensa Construction	190					
Railink Srl						
SEA Prime SpA	3,164	291	(507)			
Signature Flight Support Italy Srl	67		(96)			
Associates						
SACBO SpA (*)	732	8,030	(6)		1,361	
Dufrital SpA	28,393	22			120	
Malpensa Logistica Europa SpA	4,091		(40)			
SEA Services Srl	2,841	2,604			528	
Disma SpA	232				328	
Romairport SpA						
Total Related Parties	**40,678**	**39,449**	**(883)**	**1,016**	**5,566**	**843**
Total financial statements	612,989	221,208	170,264	(18,313)	5,566	49,461
% of total financial statements	**6.64%**	**17.83%**	**-0.52%**	**-5.55%**	**100.00%**	**1.70%**

(*) The item "Operating costs" regarding relations with SACBO, of Euro 8,030 thousand, does not include the portion billed by SEA to end customers and transferred to the associate.

Transactions with subsidiary companies

Commercial transactions between SEA and subsidiary companies are as follows:

i) With regard to relationships between SEA and SEA Handling SpA in liquidation, the Company has provided to the subsidiary SEA Handling SpA in liquidation with a number of administrative services (including legal affairs and administrative services);
ii) the transactions with SEA Energia concern the supply at the Milan Airports, of electric and thermal energy produced by the Co-generation plants, located at the afore-mentioned airports, for their energy requirements, the agreements relating to the division of the Green Certificates generated by the Co-generation plants at the Milan Linate Airport, as well as the agreement for the provision, by the Company in favour of SEA Energia, of administrative services (among which legal, fiscal, planning and control);
iii) the transactions between the Company and the Malpensa Construction Consortium relate to the provision of management services of the works for the expansion and improvement of the Milan Airports which the Consortium undertakes on behalf of SEA;
iv) the transactions with SEA Prime concern the sub-concession contract for the General Aviation management operations, at Linate airport, granted by SEA on May 26, 2008 and expiring on April 30, 2041. The contract concerns, specifically, the utilisation of the general aviation infrastructure and the verification and collection, on behalf of SEA, of airport and security fees.

Financial receivables and payables relate to centralised treasury services (cash pooling) which SEA undertakes on behalf of the subsidiaries.

Transactions with associated companies

The transactions between the Company and the associated companies, in the periods indicated below, mainly concerned:

- relationships related to the commercial management of parking at the Orio al Serio-Bergamo airport (SACBO);
- commercial transactions with reference to the recognition to SEA of royalties on sales (Dufrital);
- rental of premises (Malpensa Logistica Europa);
- supply to SEA of catering services (SEA Services);
- commercial transactions deriving from the concession for the distribution of fuel (DISMA).

The above-mentioned transactions were within the ordinary activities of the Group and undertaken at market values.

Other transactions with Related Parties

SACBO SpA

In 2016, SACBO distributed dividends to SEA for Euro 1,801 thousand.

DISMA SpA

In 2016, Disma distributed dividends to SEA for Euro 281 thousand.

SEA SERVICES Srl

In 2016, SEA Services distributed dividends to SEA for Euro 680 thousand.

Malpensa Logistica Europa SpA

In 2016, MLE distributed dividends to SEA for Euro 173 thousand.

9. Directors' fees

In 2016, the remuneration for the Board of Directors, including social security contributions and accessory charges, amounted to Euro 481 thousand (Euro 646 thousand at December 31, 2015).

10. Statutory auditors' fees

In 2016, the remuneration of the Board of Statutory Auditors, including social security contributions and accessory charges, amounted to Euro 220 thousand (Euro 221 thousand at December 31, 2015).

11. Independent Audit Firm fees

The fees for the audit of the statutory financial statements of SEA recognised to the independent audit firm Deloitte & Touche SpA for the year 2016 amounted to Euro 102 thousand in addition to Euro 83 thousand for other activities.

12. Commitments and guarantees

12.1 Investment commitments

The principal commitments for investment contracts under Consortium Regroupings are shown below net of works already realised:

Dettaglio impegni per progetto

(In thousands of Euro)	At December 31, 2016	At December 31, 2015
Design and construction of a new warehouses at Malpensa Cargo City	7,582	9,688
Design and extraordinary maintenance civil works and installations at Linate and Malpensa	6,403	21,797
Design and extraordinary maintenance of airport infrastructure and roads at Linate and Malpensa	3,201	9,283
Design and construction of new building for Malpensa T2 railway station	-	12,608
Design and extraordinary maintenance Linate infrastructure	-	2,043
Complementary construction works for Malpensa T1 Passengers area	-	949
Internal architectural and structural completion works at Malpensa	-	731
Complementary construction works - mechanical systems of Malpensa passengers terminal T1 and third satellite	-	462
Redesign of arrivals and check-in floors at Malpensa T1	-	331
R.T.I. Consorzio Costruzioni Infrastrutture	-	51
Total	**17,186**	**57,943**

12.2 Commitments for rental contracts

At December 31, 2016, the SEA Group has commitments on rental contracts totalling Euro 19,123 thousand, principally relating to hardware and software components for the airport IT system, the rental of airport buses and motor vehicles.

The breakdown of the minimum payments on the contracts of the Company at December 31, 2016 is as follows:

(In thousands of Euro)	At December 31, 2016
Within 12 months	5,728
Between 1 & 5 years	13,395
Total	**19,123**

12.3 Guarantees

The secured guarantees, amounting to Euro 2,033 thousand at December 31, 2016, relate to the lien on receivables against loans provided by credit institutions on European Investment Bank funds.

At December 31, 2016, the guarantees in favour of third parties were as follows:

- two Bank Guarantees on the first two tranches drawn down in June 2015 on the EIB line entered into in December 2014 of respectively Euro 31,500 thousand and Euro 34,500 thousand;
- guarantee of Euro 25,000 thousand issued to Banca Popolare di Milano to guarantee credit lines received from companies within the centralised treasury system;
- guarantee of Euro 22,930 thousand in favour of ENAC, as guarantee of the concession fee;
- guarantee of Euro 4 million in favour of the Ministry for Defence for utilisation by SEA of land owned by the Ministry following the road access works undertaken for the opening of the new multi-storey parking at Milan Linate Airport, for the realisation of works at Ghedi which began in 2015. This guarantee is within the technical agreement which SEA signed on June 4, 2009 with the Defence Ministry and with ENAC which establishes that the Ministry of Defence transfers to ENAC some state buildings no longer of military interest adjacent to the Milan Airport. SEA, having the necessity to utilise these assets to improve and develop the airport infrastructures, acquired the concession to utilise these assets until 2041 against the realisation of a series of works in favour of the Ministry of Defence for a total amount of Euro 25,900 thousand, including works against the availability of land at Linate. In relation to the areas of Malpensa negotiations are in course with the Ministry for the definition of the land to be transferred to SEA and the relative works which they will be requested to undertake;
- guarantee of Euro 2,000 thousand in favour of Sacbo as guarantee for the parking management at Bergamo airport;
- guarantee of Euro 2,000 thousand in favour of the Ministry of Defence to secure the obligations under the technical agreement of 04/06/2009 following the advanced delivery of an area comprised in "Cascina Malpensa";
- guarantee of Euro 102 thousand in favour of the supplier Contract GmbH for the rental of airport buses;
- Euro 376 thousand for other minor guarantees.

13. Contingent liabilities and disputes

Reference should be made to the explanatory notes in relation to disputes on investments (*Note 6.4* and *Note 6.5*), receivables (*Note 6.10*) and operating risks (*Note 6.16*).

14. Contingent assets

With reference to judgement 7241/2015 of the Milan Court, upheld by the Milan Court of Appeals with judgements no, 331/2017, as not all appeals have been made this contingent asset was not recognized in the income statement as per IAS 37.
For more details, please refer to the comments in the chapter "Subsequent events" of the Directors' Report.

15. Transactions relating to atypical or unusual operations

In accordance with CONSOB Communication of July 28, 2006, in 2016 the Company did not undertake any transactions deriving from atypical or unusual operations, as set out in the communication.

16. Significant non-recurring events and operations

Pursuant to CONSOB Communication of July 28, 2006, in the view of Directors, in 2016, the Company did not undertake non-recurring significant operations.

17. Significant events after year end

Reference should be made to the Directors' Report.

The Chairman of the Board of Directors
Pietro Modiano

REPORT OF BOARD OF STATUTORY AUDITORS TO THE MEETING OF SHAREHOLDERS ON ACTIVITIES DURING THE YEAR ENDING 12.31.2016 SEA – SOCIETÀ ESERCIZI AEROPORTUALI SPA

Art. 2429, paragraph 2 of Civil Code

Shareholders,

As required by Art. 2429(2) civil code, the Board of Statutory Auditors has reported to the Meeting of Shareholders on its supervisory activities during the year ended December 31, 2016. Its activities were carried out in accordance with the legal obligations, in compliance with the law and the bylaws, and in accordance with the principles of sound administration, and they related to the adequacy and functioning of the organisation in terms of the internal control system, the accounting and administration system and its ability to provide a correct representation of the operational events, and the methods by which the corporate governance rules are implemented.

In order to fully understand this report and its content, please note that the current Board of Statutory Auditors was appointed for the three-year period 2016-2018 by a resolution of the Meeting of Shareholders on 4 May 2016, replacing the Board that had fulfilled the mandate previously. In November 2016, on the instructions of and in accordance with the communications of the Ministry of the Economy and Finance, the previous Chair of the Board of Statutory Auditors, Ms Rita Cicchiello, (who was also its Chair during the Board's previous term of office) was replaced by Ms Rosalba Cotroneo, who was appointed the new Chair.

The legal accounts audit was awarded to Deloitte & Touche SpA, following another resolution of the Meeting of Shareholders on 4 May 2016, which was passed as a result of the motion raised by the previous Board of Statutory Auditors in accordance with Articles 13 and 16 of Legislative Decree 39/2010 when the Company acquired the status of Public Interest Entity (PIE), as the issuer of securities such as the "SEA 3 1/8 2014-2021" bond, which is listed on the market regulated by the Irish Stock Exchange (Art. 16(1)(a) of Legislative Decree 39/2010). The auditing mandate was granted for a 9-year period, as provided for by law. However, taking into account the interpretational differences resulting from the change of status, the 9-year period included the time of acquisition of the new status, which resulted in the mandate being granted for the residual period for the financial years 2016 until 2022.

With regard to the legal accounts audit, please refer to the report of the auditing firm issued on 12 April 2017.

1. Activities

Our activities during the year were based on the provisions of law and the code of conduct for statutory auditors, as recommended by the National Council of Accountants and Tax Consultants.

During 2016, the Board attended the meetings of the Board of Directors and the Meeting of Shareholders, compatibly with the mandate of the previous Board and its current formation.

The Board of Statutory Auditors met 12 times during 2016, to report on the activities performed and to take the necessary decisions. The Meeting of Shareholders only met once, on 4 May 2016, in ordinary session.

As the Board of Statutory Auditors was newly appointed on 4 May 2016, as mentioned above, it attended the Board of Directors' meetings after that date. During those meetings, which were frequently attended by the Company's three top executives, periodic reports on operations were given together with information on the ordinary and extraordinary transactions, including those involving subsidiaries, and this gave us an understanding of how the company's business was conducted in relation to its corporate object. We consider that the decision-making process of the Board of Directors was correctly based on the principle of informed action. From reading the company reports on the previous meetings of the Board of Directors and the Board of Statutory Auditors, it is apparent that the comprehensive information provided is a result of the Company's system of procedures, which is intended to provide full transparency of company events.

The previous Board of Statutory Auditors and the existing board met 7 times during the year, to carry out the procedural audits; from reading the minutes of the previous Board, and from the audits carried out by the new Board, it was found that there has been a periodic exchange of information with the managers of the company departments and with the auditing firm; no material findings about the management of the company, nor any aspects relating to conflict of interest emerged from the meetings during the course of our mandate, or from reading the minutes of the meetings of the previous Board.

We have maintained regular contact with the Internal Audit department, and found that this was the case also previously. We have verified that the Internal Audit department meets the requirements of competence, autonomy and independence; we also found that there has been adequate collaboration between all the organs and departments with control functions, and all the information necessary for the fulfilment of the respective duties has been exchanged. There was also an exchange of information with the Board of Statutory Auditors of the principal affiliates and subsidiaries.

Specifically:

- we supervised compliance with the law and with the bylaws, and with the principles of sound administration;
- the Board of Statutory Auditors, both in its previous formation and as to the work carried out by this Board after it was elected, has attended the meetings of shareholders and the meetings of the Board of Directors and has found that those meetings have been conducted in accordance with the statutory, legislative and regulatory provisions governing their functioning; we can also provide reasonable assurance that the decisions taken comply with the law and with the bylaws;
- based on the information obtained during our supervisory activities, we did not become aware of any operations carried out by the executive body that may be considered reckless or imprudent, nor any were there any potential conflicts of interest or those that would compromise the integrity of the company's assets;
- during the meetings, we obtained from the Directors information about the business trends and outlook, and on the significant transactions (in terms of size or profile) carried out by the company and by its subsidiaries. We can provide reasonable assurance that the operations carried out by the Company comply with the law and the bylaws and are not manifestly imprudent or reckless, do not constitute a potential conflict of interest and do not conflict with the resolutions passed by the meeting of shareholders, nor do they comprise the integrity of the company's assets;
- to the extent of our knowledge and according to the information received from the auditing firm and the head of the Auditing department, the Company has not carried out any atypical or unusual operations with Group companies, related parties or third parties; the operations carried out with the companies of the SEA Group are commercial or financial and were carried out in accordance with the procedures adopted by the Board of Directors which verified that they were fair, and corresponded to a real interest of the company;
- in accordance with the provisions of Article 19 of legislative decree 39/2010, which gives the Board of Statutory Auditors the role of "Committee for internal auditing and account auditing", we audited: a) the financial reporting process; b) the efficiency of the internal auditing, internal control and risk management systems; c) the legal auditing of the annual and consolidated accounts; d) the independence of the auditing firm. In this respect the Board, also during the meeting held with the auditing firm and by attending the meetings of the Risks & Control Committee: read the action plan, received information about the accounting standards and the accounting representation of key operations during the year in question, and on the outcome of the auditing activities and the fundamental issues that arose during the legal audit. The auditing firm did not highlight any significant shortcomings in the internal control system, regarding the financial reporting process;
- in accordance with Article 17 (9) (a) of legislative decree 39/2010, we received the necessary confirmation of independence confirming that there were no situations that may compromise the independence of the auditing firm, or may have rendered it incompatible with its activities:
- we have investigated the knowledge and supervised, within our remit, the adequacy of the Company's organisational structure. This also involved gathering information from the managers of the Organisation department; in this regard we have no specific observations to make;
- we have supervised the adequacy and functioning of the internal control system, which is a series of activities aimed at verifying compliance with the internal operational and administrative procedures adopted to safeguard the Company's assets, sound and efficient management, and the identification, prevention and management of financial, operational and business risks, through constant monitoring and proper management of risk; that activity also involved a discussion with the auditing firm;

- we have investigated the knowledge of, and supervised the adequacy of the Company's administration and accounting system, and its reliability, in order to verify whether it provides a true and accurate representation of the management events. In that context, we requested and obtained all the necessary information from the managers of the respective departments, and therefore all the necessary audits were carried out by means of a direct examination of company documents. We have periodically supervised the correct functioning of the current system, through meetings with the Directors of the Administration, Finance & Control area, and we have no specific observations to make in that regard;
- we have maintained a regular exchange of information with the auditing firm, Deloitte & Touche SpA, which is responsible for the legal accounts audit. No significant data or information emerged that needs to be highlighted in this report;
- the Board of Statutory Auditors attended the meetings held during the year, of the Risks & Control Committee of the SEA Group, the Ethics Committee and the Remuneration & Appointments Committee (which, following a resolution of the Directors on 20 December 2016, was changed compared to its previous function that was limited to Remuneration, in order to comply with the recommendations of the Code of Self-Governance for listed companies, issued by Borsa Italiana SpA);
- the Board of Statutory Auditors has examined the quarterly reports and the annual report 2016 as well as the audit plan prepared by the Internal Audit Department, with whom the Board maintained regular exchanges of information;
- we can inform you that during 2016 no reports or complaints were received by the Board of Statutory Auditors (Article 2408 civil code) and during the course of our supervisory activities as described above, no omissions or other significant events emerged that would require a mention in this report.

The legal audit of the annual accounts for the year ending 31.12. 2016 was performed by Deloitte & Touche SpA which, in its report of 12 April 2017 drafted in accordance with Articles 14 and 16 of Legislative Decree 39 of 27.01.2010, issued a positive opinion of the financial statements, and made the following comment which we consider to be relevant:
"Without qualifying our opinion, for a better understanding of the separate financial statements, reference should be made to the 2016 Directors' Report, and in particular to paragraph "SEA Group Risk Factors – Risk related to the European Commission Decision of December 19, 2012 concerning presumed State Aid to SEA Handling and the Decision of July 9, 2014 for the set-up of a new procedure on the incorporation and capitalisation of Airport Handling", as well as the note 6.4. "Investments in subsidiaries and associates" of the notes to the separate financial statements for the Directors' considerations (i) on the status of the legal and extra-judicial initiatives undertaken against the European Commission with reference to the investigation procedures of December 19, 2012 on alleged State Aid in favour of SEA Handling S.p.A. with particular reference to liquidation of the subsidiary SEA Handling S.p.A. and to the initiatives carried out by Trustee regarding the transfer of a quota of the shares of Airport Handling S.p.A. completed on March 23, 2016, and (ii) on the future developments related to the European Commission decision of July 9, 2014, published on February 6, 2015, concerning the incorporation and capitalization of Airport Handling S.p.A., which investigation procedures has been concluded with the European Commission decision of July 5, 2016".

In relation to the evaluation criteria followed when evaluating the items on the financial statements with regard to the balance sheet and income statement items as well as the schedule of changes in net equity and cash flow statement, please refer to the comments made in that regard by the auditing firm, in its report.
The firm responsible for the legal auditing of the accounts also prepared a report on the consolidated accounts of the SEA Group for the year ending 31 December, from which it can be seen that there is the same comment as the one mentioned above, regarding the report on the separate financial statements for the year ended 31 December 2016.
The Notes to the accounts contain details of the fees paid to the auditing firm; in 2016, the fees for the legal auditing of the financial statements of SEA SpA and of the consolidated accounts of the SEA Group were €102,000, plus € 83,000 for other services. From the information we have obtained, it appears that during the year the auditing firm and the companies within its network were not granted any other mandates, apart from the one for the legal auditing of the financial statements of the Company and of its subsidiaries. The Board of Statutory Auditors has evaluated the independence of the auditing firm and does not have any issues to raise in that regard.

Significant transactions to report

In the management report and the Notes to the accounts, to which please refer for more detail, the Board of Directors provided information about the significant operations carried out during 2016. Among these, we have highlighted the following below:

- **Sea Handling (in liquidation) and Airport Handling**

  We refer to the extensive information already given in the reports on previous years with regard to this issue, and note that 2015 saw the signature of a sale agreement by the Trustee and DNATA (Dubai National Air Travel Agency), a leading international company from the Emirates Group operating in the airport handling sector. This occurred following the approval of the Anti-Trust Authority which ruled, in accordance with Article 6(1) of 287/90, that there was no establishment or strengthening of a dominant market position that would eliminate or substantially or permanently reduce competition during the year in question and therefore the operation was completed on 23 March 2016, with the sale of an initial 30% of the shares. A call option was provided to DNATA, should certain conditions be fulfilled, for the acquisition of a further 40% of shares, and the corresponding share of FIP.

  It should also be noted that following the implementation of the plan for "alternative execution" of the European Commission decision of 19 December 2012 regarding the restitution of the alleged State aid, which in any event is the subject of an independent appeal by the Italian government, to the subsidiary SEA Handling (in liquidation) which is still pending before the European Court of Justice, on 9 July 2014 the European Commission decided (within the scope of its powers in regard to State aid) to launch a formal procedure in order to further investigate certain aspects relating to the economic discontinuity between SEA Handling and Airport Handling, and the possible existence of (additional) alleged State aid in SEA's capitalisation of the new company.

  During the year, and in the decision of 5 July 2016, transmitted to SEA, the European Commission completed the investigation it had started in relation to the incorporation and capitalisation of Airport Handling SpA, finding: i) that there was no economic continuity between SEA Handling SpA and Airport Handling S.p.A, ii) there was no transfer of the obligation to repay the incompatible State aid to Airport Handling S.p.A and iii) there was no State aid in the incorporation and capitalisation of the above company.

  This conclusion appears to be entirely obvious, as it has now established the legitimacy of the Company's actions regarding Airport Handling SpA, and also allows positive forecasts to be made about the potential outcome of the issue that is still pending in reference to the subsidiary SEA Handling S.p.A in liquidation, in reference to which the liquidation operations continued routinely during 2016.

- **Sale of 60% of the shares in Signature Flight Support Italy Srl (previously Prime Aviation Services SpA)**

  With a view to achieving cohesion in a process that can be said to be one of operational restructuring within the Group's activities, on 1 April 2016 the subsidiary SEA Prime SpA transferred 60% of the shares in Prime Aviation Services SpA (a company that mainly provides handling services for general aviation), to Signature Flight Support UK Regions Ltd. It maintained 40% of the total shares. Following the loss of control, the interest in Signature Flight Support Italy Srl was classified among associates and no longer subsidiaries and measured using the equity method rather than consolidated on a full line-by-line basis, as had been done until 31 March 2016.

- **Inauguration of the new railway station at Malpensa Terminal 2**

  The new railway station at Malpensa Terminal 2 was inaugurated on 6 December 2016. This phase completes the plans to extend the rail link between Terminal 1 and Terminal 2 of the airport (a double track system of 3.6 km), which extends the current rail link from Milan. SEA's intervention consisted of the executive plan and the construction of the station which has been built on three levels: the lowest level is the platform level, where there are 4 tracks; the intermediate level is the station itself, which is linked to the other airport facilities such as the terminal, car park and bus stops; the highest level is home to the new car parks, which have been in operation since August 2016.

During the year the Board of Directors approved the 2017 budget, and the Industrial Plan 2016-2021, which in summary opens the way for a gradual improvement in profitability with moderate downside risks, although prudence is required in the macroeconomic forecasts for stability and moderate growth, while the probable upsides relate to the implementation of a policy of improving the efficiency of resources and cutting costs.

Direction and coordination

The Company is not subject to Direction and Coordination by the shareholder the Municipality of Milan (Article 2497 civil code et seq), while it exercises direction and coordination (again within the meaning of Article 2497) over the 100% subsidiaries: SEA Handling SpA in liquidation and SEA Energia SpA and on SEA Prime S.p.A (formerly Ali Trasporti Aerei ATA SpA), which it owns as to 98.34%, while as described in the previous section, following the above-mentioned sale it lost the indirect controlling relationship, and the position of direction and coordination, over Signature Flight Support Italy Srl (formerly Prime Aviation Services SpA formerly ATA Ali Servizi SpA).

All the SEA Group companies undergo legal auditing by Deloitte & Touche SpA, also for the purposes of better integration and comparability of data, in preparing the consolidated accounts.

Other information

With regard to the composition of the Board of Directors, please note that Ms Arabella Caporello, the Director appointed from the list of the majority shareholder after being elected as director-general of the municipality of Milan, promptly resigned from the mandate and from all other roles within SEA SpA, and therefore the necessary preparations have begun for a possible replacement.

During the 2016 financial year, the Directors was not paid any remuneration that exceeded the amount provided for in Article 1 (75) et seq of Law 296/2006, and this applies both to the publicly-appointed directors and to the privately-appointed ones.

During the year, the Board of Statutory Auditors did not receive any requests for opinions and did not have to issue any opinions under any specific regulations.

We found that during the financial year 2016, the Company:

- carried out the required periodic monitoring involving all the company departments, with the aim of improving the financial reporting and also of providing ongoing structured control of the main risk areas and factors, also for the purposes of Article 19 (1) (C) of Legislative Decree 39/2010. The SEA Group has started an Enterprise Risk Management (ERM) programme aimed at building a model to identify, classify, measure and assess the risks correlated with the performance of the company's business, and for the purposes of continuous monitoring, in order to support Management's strategic choices and decisions and provide assurance for key stakeholders. A SEA risk model was defined, and an initial risk assessment was carried out, involving Management. This concluded with the identification and assessment of the main company risks and of the existing risk management systems. As in previous years, the management report contains a classification and description of the main risk factors to which the Group is exposed. In the 2016 budget and industrial plan for 2016-2021, and the planning of the Internal Audit department, due consideration was also given to the main risk factors and mitigating actions.
- Maintained the Corporate Governance system introduced in 2003, which is based on the recommendations of the "Code of Self-Governance for listed companies", although this is not a mandatory requirement. The Company relied on the Group Risks & Control Committee, the Ethics Committee, Remuneration & Appointments Committee (with its new name and functions); with regard to these Committees, the Board of Statutory Auditors attends either collectively or is represented by its Chair, or by a standing auditor, as instructed.
- Maintained the Code of Conduct (previously the Ethics Code). This defines the ethical and moral values of the company and indicates the actions to be taken by personnel, and members of the executive bodies in internal and external relations – this is partly to highlight that the Company bases itself on the principles of transparency and fairness, compliance with the law, and the interests of the public, when carrying out its activities. The Company therefore appointed an "Ethics Committee" which promotes disclosure and supervises compliance with the Code of Conduct.
- Maintained the "Organisation & Management Model" (Legislative decree 231/2001), approved by the Directors on 18 December 2003 and subsequently updated. In this regard it should be remembered that the control of the effectiveness and adequacy of the "Organisation & Management Model" was entrusted to the Supervisory Committee set up in accordance with Legislative decree 231/2001. During the meetings between this Board and the Supervisory Committee, no violations were reported. Following the re-election of the executive bodies, the Supervisory Committee was appointed during the year. It has two external members, one of whom is the Chair, and an internal member, who is the Auditing Director, and also has a member of the Board of Directors.
- With regard to the Internal Audit department, during the regular meetings held with this department, the Board was able to verify that it is actively involved in identifying any issues in the internal control system. The manager of this department, who is the

Auditing Director, reports to the Board of Directors and director to the Chair, and reports frequently to the Risks & Control Committee, to whom it submits the annual report on auditing, and periodic reports. The Board, also in its capacity as the Internal Control and Accounts Auditing Committee, set up in accordance with Article 19 of Legislative decree 39/2010, maintains regular contact with the manager of the department, and verifies that its work is effective.

- During the above-mentioned supervisory activities, no additional significant findings emerged that would require a mention in this report.

We have examined the draft financial statements for the year ending 31 December 2016, and can report as follows.

2. Draft financial statements for the year ending 31 December 2016

The draft financial statements of your Company for the year ending 31 December 2016 show a net profit of € 87,856,117, against a net profit of € 78,553,263 in the previous year, and the financial statements were prepared in accordance with the international accounting standards.
EBITDA amounted to € 226,019,500, while amortisation and depreciation amounted to € 58,054,753. The taxes for the year amounted to € 46,372,868.
As we are not responsible for a detailed analysis of the content of the financial statements, we checked their overall layout, their overall compliance with the law as regards formation and structure, and we have no specific observations to make in this regard.
The report of the Directors on business performance as at 31 December 2016 was exhaustive and complete, for all legal purposes. The report indicated the principal factors that characterised the year; the report is exhaustive in terms of the information provided about the operations and development of the Company, its strategies and relations, and the description of the main risks and uncertainties to which the Company is exposed. It also contains details of any factors that may influence the business outlook.
The examination of the management report also highlighted that it was consistent with the financial statement dated, as was also highlighted in the report by the auditing firm, Deloitte & Touche SpA.
The Company has taken up the option available under Legislative decree 38 of 28/02/2005, to apply the IFRS principles when drafting the natural statements included in consolidated accounts, prepared in accordance with the IFRS, starting from the financial year ending 31.12.2011.
With reference to the SEA Handling affair, which is closely related to the matter of Airport Handling, the Board of Statutory Auditors supports and expresses its appreciation to the Directors for the regular, extensive monitoring of the developments in this matter. It approves this, and invites the Directors to continue this activity so that the appropriate measures can be taken promptly, as necessary.
The Board of Directors has provided you with an extensive illustration of the individual balance sheet items, the changes compared to the previous year and the reasons for those changes, and the evaluation criteria and accounting standards used. These appear to conform to the IFRS used by the European Union.
The Board of Directors has fulfilled the requirements of Article 10(1) of Law No. 72 of 19 March 1983 and has also indicated the composition of the reserves and provisions entered on the financial statements.
To the extent of our knowledge, in preparing the financial statements the Directors did not depart from the provisions of Article 2423(4) civil code, or of Article 5 of Legislative Decree 38 of 28/02/2005.
We have checked that the financial statements correspond to the events and information that we have had knowledge of, after completing our duties and we have no observations to make in this regard.

3. Final considerations regarding the audit activities and the financial statements

With regard to the above, based on the checks carried out directly, on the information exchanged with the auditing firm and also taking into account the report issued by that firm on 12 April 2017, which expressed an unconditional opinion on the annual financial statements and on the cohesion of the management report, findings which were contained in the above-mentioned Report (Articles 14 and 16 of Legislative decree 39/2010 accompanying the financial statements), the Board has no objections to the approval of the financial statements for the year ended 31 December 2016 as drafted by the Directors and therefore has no objections to the proposal regarding the appropriation of the annual profits.

Milan, April 13, 2017

THE BOARD OF STATUTORY AUDITORS

Rosalba Cotroneo	(Chairman)
Rosalba Casiraghi	(Standing Member)
Andrea Galli	(Standing Member)
Paolo Giovanelli	(Standing Member)
Giacinto Sarubbi	(Standing Member)

AUDITORS' REPORT

Deloitte.

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INDEPENDENT AUDITORS' REPORT PURSUANT TO ARTT. 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
SOCIETÀ PER AZIONI ESERCIZI AEROPORTUALI – SEA S.p.A.

Report on the Separate Financial Statements

We have audited the accompanying separate financial statements of Società per Azioni Esercizi Aeroportuali – SEA S.p.A., which comprise the Statement of Financial Position as at December 31, 2016, the Income Statement, the Comprehensive Income Statement, Statement of Changes in Shareholders' Equity and Cash Flow Statement for the year then ended and the explanatory notes.

Management's Responsibility for the Separate Financial Statements

The Company's Directors are responsible for the preparation of these separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/05.

Auditor's Responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) issued pursuant to art. 11 of Italian Legislative Decree 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation that give a true and fair view of separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the separate financial statements give a true and fair view of the financial position of Società per Azioni Esercizi Aeroportuali – SEA S.p.A. as at December 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/05.

Deloitte.

Emphasis of matter

Without qualifying our opinion, for a better understanding of the separate financial statements, reference should be made to the 2016 Directors' Report, and in particular to paragraph "SEA Group Risk Factors – Risk related to the European Commission Decision of December 19, 2012 concerning presumed State Aid to SEA Handling and the Decision of July 9, 2014 for the set-up of a new procedure on the incorporation and capitalisation of Airport Handling", as well as the note 6.4. "Investments in subsidiaries and associates" of the notes to the separate financial statements for the Directors' considerations *(i)* on the status of the legal and extra-judicial initiatives undertaken against the European Commission with reference to the investigation procedures of December 19, 2012 on alleged State Aid in favour of SEA Handling S.p.A. with particular reference to liquidation of the subsidiary SEA Handling S.p.A. and to the initiatives carried out by Trustee regarding the transfer of a quota of the shares of Airport Handling S.p.A. completed on March 23, 2016, and *(ii)* on the future developments related to the European Commission decision of July 9, 2014, published on February 6, 2015, concerning the incorporation and capitalization of Airport Handling S.p.A., which investigation procedures has been concluded with the European Commission decision of July 5, 2016.

Report on Other Legal and Regulatory Requirements

Opinion on the consistency of the report on operations and of certain information included in the report on corporate governance with the separate financial statements

We have performed the procedures indicated in the Auditing Standard (SA Italia) n° 720B in order to express, as required by law, an opinion on the consistency of the report on operations and of certain information included in the report on corporate governance required by art. 123-bis (2)(b), of Italian Legislative Decree n° 58/98, which are the responsibility of the Directors of Società per Azioni Esercizi Aeroportuali – SEA S.p.A., with the separate financial statements of Società per Azioni Esercizi Aeroportuali – SEA S.p.A. as at December 31, 2016. In our opinion the report on operations and the information included in the report on corporate governance referred to above are consistent with the separate financial statements of Società per Azioni Esercizi Aeroportuali – SEA S.p.A. as at December 31, 2016.

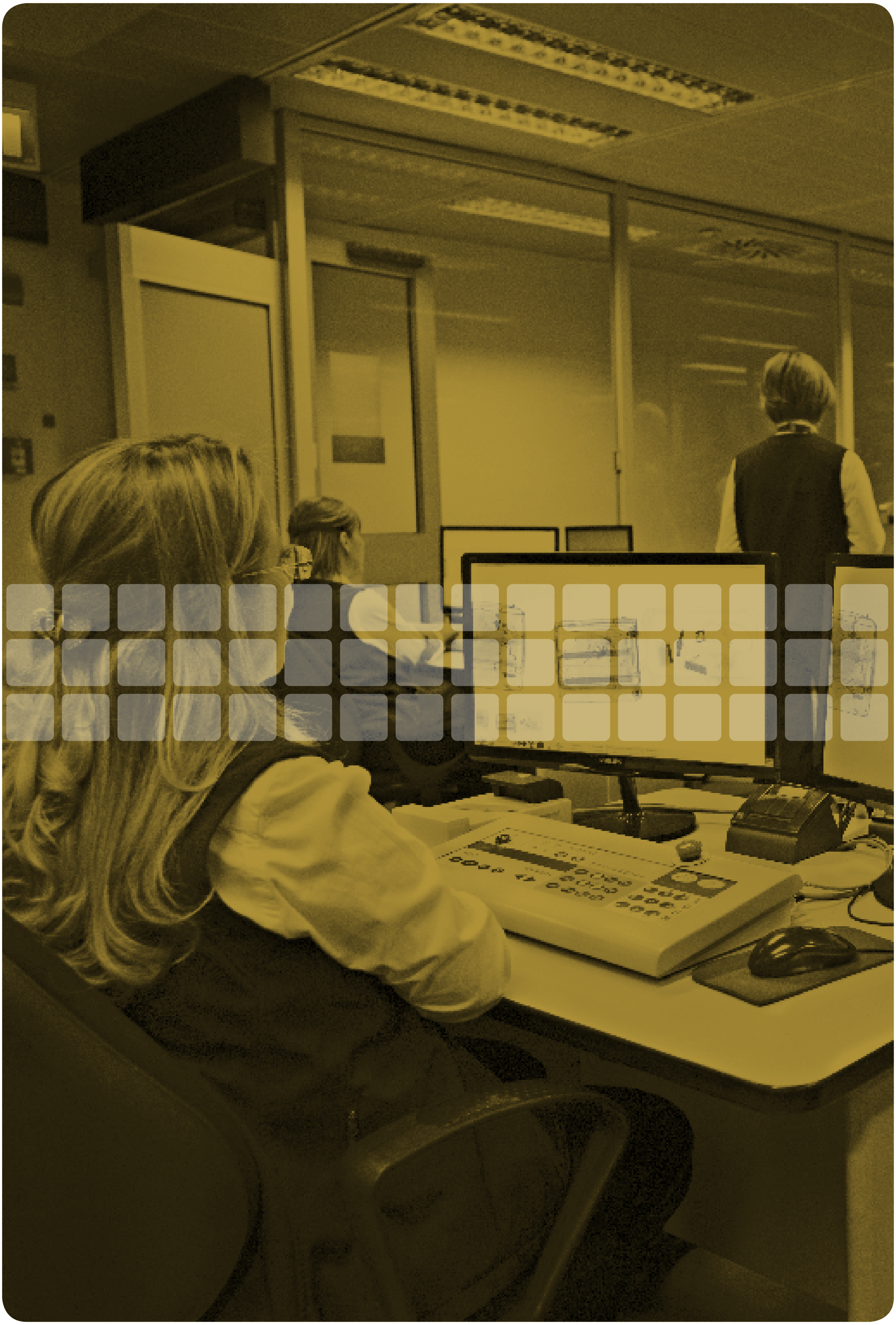
DELOITTE & TOUCHE S.p.A.

Signed by
Marco Pessina
Partner

Milan, Italy
April 12, 2017

This report has been translated into the English language solely for the convenience of international readers.

GLOSSARY



GLOSSARY

BILATERAL AGREEMENTS
Agreements which govern air traffic between two states, for destinations outside the European Union, established as fixed arrangements and based on the principle of reciprocity. Through the signing of a bilateral agreement, the maximum operable capacity (in terms of flights and places offered), the number of airlines permitted to operate and the access points (in terms of operable destinations) of the respective countries are established.

ACI
Airports Council International. International association of airport managers. The European headquarters are in Brussels.

AIRPORT CARBON ACCREDITATION
Certification promoted by ACI Europe with the technical support of *WSP Environmental* (a leading London company involved in environmental consultancy), which establishes the introduction of a series of actions for the control and reduction of CO_2 emissions by airport managers, operators, of aircraft and of those who work at the airport.

A-SMGCS
Advanced Surface Movement Guidance and Control System: the system of ground guiding lights which automatically bring aircraft from a pre-established point of entry to an expected point for take-off.

SCHENGEN AREA
Airport area in which direct flights to countries adhering to the Schengen Agreement operate, in which systematic border controls have been abolished.
Currently the countries adhering to the Schengen agreements are: Belgium, France, Germany, Luxembourg, Netherlands, Italy, Portugal, Spain, Austria, Greece, Denmark, Finland, Sweden, Iceland, Norway, Slovenia, Estonia, Latvia, Lithuania, Poland, Czech Republic, Slovakia, Hungary, Malta, Switzerland and Liechtenstein.

BUSINESS
Sectors where the SEA Group works: Commercial Aviation, General Aviation and Energy.
The *businesses* are divided into activities, in turn organised into areas, and further broken down into segments.

SERVICES CHARTER
Document containing information concerning the quality of services offered by airport managers and by airlines, which each management company must prepare according to Presidential Decree of December 30, 1998 and the guidelines of ENAC in circular of May 2, 2002 (ENAC Circular APT-12).

WHITE CERTIFICATES
White certificates, or more precisely Energy Efficiency Securities, are securities which certify energy savings achieved by various parties through specific actions (introduction of energy efficiencies for example) and which receive an economic benefit, therefore incentivising the reduction of energy in relation to the asset distributed.

GREEN CERTIFICATES
Incentive structure for the use of renewable energy based on traded securities representing set quantities of CO_2 emissions. The certificates are thereafter exchanged on the market by electricity producers in order to correct imbalances in terms of authorised carbon dioxide emissions.

DUAL TILL
Tariff principle according to which fees are calculated, taking account only of Aviation activities, without therefore considering Non-Aviation activities.

EBITDA
Earnings Before Interest, Taxes, Depreciation and Amortisation, equivalent to Gross Operating Margin. This is calculated as the difference between total revenues and total costs, excluding provisions and write-downs.

ENAC
The National Civil Aviation Authority, the only Authority for technical, certification, oversight and control regulation in the civil aviation sector in Italy, created under Legislative Decree of July 25, 1997, No. 250. ENAC's remit concerns the regulation of civil aviation, of control and oversight of the application of regulations and governs the administrative-economic aspects of the air transport system.

FTE (Full Time Equivalent)

The Headcount Equivalent (HDE) is the monthly average of all personnel administrated and seconded, re-proportioned according to category (part-time) and monthly hiring/departures movements.

HDC (Headcount)

HTC includes all personnel at year-end.

HDE (Headcount Equivalent)

The Headcount Equivalent (HDE) is the monthly average of all personnel administrated and seconded, re-proportioned according to category (full-time or part-time) and monthly hiring/departures movements.

Handler

The operator that undertakes handling services, or rather all those ground assistance services to carriers governed and listed in Attachment A of Legislative Decree No. 18 of January 13, 1999 – which enacts EU Directive 96/67/EU of October 15, 1996 – such as (i) ramp handling services (Airside services among which passenger boarding and disembarking, luggage and goods, aircraft balancing and luggage distribution and reconciliation) and (ii) passenger handling (Landside services, including Check-in and Lost&found) as well as (iii) administration, refuelling and catering, aircraft maintenance, goods and postal sorting.

IATA

International Air Transport Association. International Organisation which represents international airlines.

FIFTH FREEDOM TRAFFIC RIGHTS

Rights for an airline from a country (for example "A"), which flies from that country ("A") to a third country (for example "B") and from there undertakes a further flight to another country (for example "C"), to carry passengers and cargo, in addition from "A" to "B" and from "A" to "C", also from "B" to "C" and therefore between two countries outside of its own country.

SINGLE TILL

Tariff principle according which determines the regulated tariff based on both Aviation activities and non-Aviation activities.

SLOT

Permission, given by an airline, to use the entire range of airport infrastructure necessary to operate an air service, in a coordinated airport, at a date and a time assigned to the same airline for landing and take-off.

ALL CARGO AIRLINES

Airlines whose aircraft exclusively transport cargo.

BELLY AIRLINE

Airline with aircraft with mixed configuration aircraft.

The SEA Group's focus on environmental protection, through the adoption of targeted initiatives, has significantly reduced CO_2 emissions.

Malpensa and Linate confirm their exceptional record at European level, achieving "Neutrality" under the Airport Carbon Accreditation Initiative.

SEA - Società per Azioni Esercizi Aeroportuali

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