HALF-YEAR REPORT
AT JUNE 30, 2017

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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.

contents

GENERAL INFORMATION

STRUCTURE OF THE SEA GROUP AND INVESTMENTS IN OTHER COMPANIES

SEA SpA direct and indirect investments in other companies at June 30, 2017

SEA SpA

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

Controlling shareholding

Associated company

Investments in other companies

(*) In terms of the investment of SEA in AA2000 see note 9.5 of the Condensed Consolidated Half Year Financial Statements.

(**) On February 22, 2017 the Board of Directors of SEA SpA voted to authorise the winding up and liquidation of the Malpensa Construction Consortium. On March 15, 2017 the Consortium's Board of Directors voted in the same manner, approving the winding up and liquidation of the Consortium.

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

The SEA Group at June 30, 2017 includes the following companies in liquidation:

- SEA Handling SpA in liquidation (100% SEA SpA). On July 10, 2017 the Shareholders' Meeting approved the final liquidation financial statements and relative distribution plan.
- Consorzio Milano Sistema in liquidation (10% SEA SpA).

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)
Michaela Castelli (3) (5)
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

Standing members
Rosalba Casiraghi
Andrea Galli
Paolo Giovanelli
Giacinto Gaetano Sarrubbi

Alternate members
Anna Maria Allievi
Andrea Cioccarelli

INDEPENDENT AUDIT

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
(5) Member of the Supervisory Body
Note: the Shareholders' Meeting held May 3, 2017 appointed Michaela Castelli as Director replacing Arabella Caporello, who had handed in her resignation on September 15, 2016.

SEA GROUP NUMBERS

Introduction

The present Half-Year Report at June 30, 2017 comprises the Directors' Report and the Condensed Consolidated Half-Year Financial Statements at June 30, 2017; the Condensed Consolidated Half-Year Financial Statements, prepared in thousands of Euro, is compared with the Condensed Consolidated Half-Year Financial Statements of the previous year and Consolidated Annual Accounts of the previous year and comprises the Financial Statements (Consolidated Statement of Financial Position, Consolidated Income Statement, the Consolidated Comprehensive Income Statement, the Statement of changes in Shareholders' Equity and the Consolidated Cash Flow Statement) and the Explanatory Notes.

The Half-Year Report at June 30, 2017 was prepared in accordance with International Accounting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB"), approved by the European Union and in particular according to IAS 34 – Interim Financial Reporting; in accordance with paragraphs 15 and 16 of this standard, such Condensed Consolidated Half-Year Financial Statements do not require the extent of disclosure necessary for the Annual Financial Statements and must be read together with the 2016 Annual Financial Statements. In their preparation, the same accounting principles were adopted as in the preparation of the Consolidated Financial Statements at December 31, 2016.

CONSOLIDATED FINANCIAL HIGHLIGHTS

The consolidated financial highlights are described below, taken from the financial statements.

Profit and Loss Figures

(in thousands of Euro)	H1 2017	H1 2016	Change
Revenue	343,534	333,737	9,797
EBITDA [1]	118,752	104,872	13,880
EBIT	76,075	69,258	6,817
Pre-tax profit	71,370	65,342	6,028
Discontinued Operations profit/(loss) [2]	1,556	(8)	1,564
Group Net Profit	52,638	44,173	8,465

(1) EBITDA is calculated as the difference between total revenues and total costs, excluding provisions and write-downs.
(2) The "Discontinued operations" line shows the net result of the company SEA Handling SpA in liquidation as required by IFRS 5.

Financial Figures

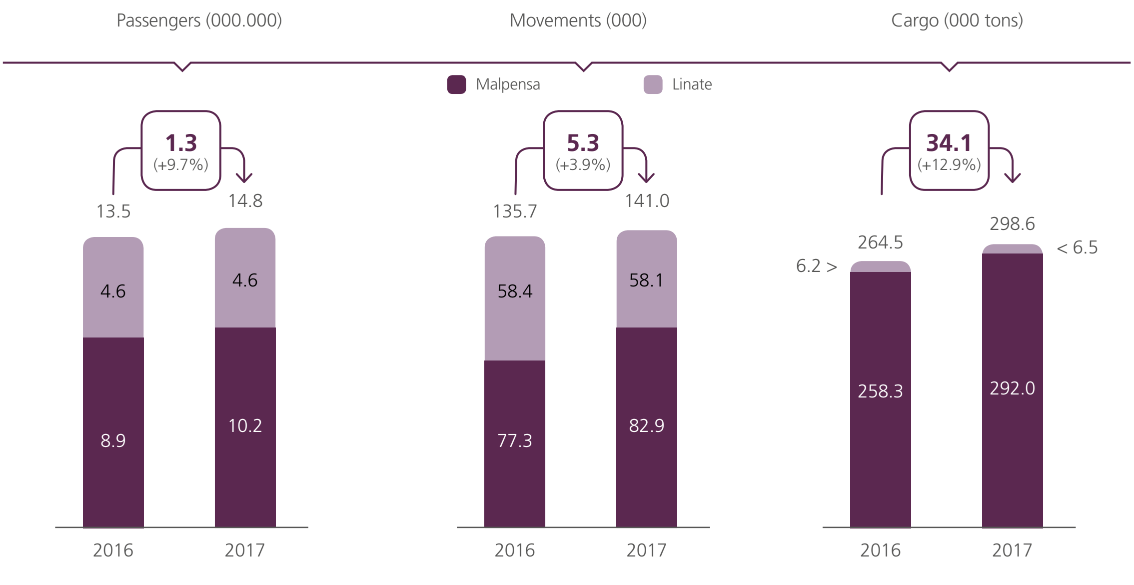
(in thousands of Euro)	At June 30, 2017	At December 31, 2016	Change
Fixed assets (A)	1,304,904	1,317,157	(12,253)
Working capital (B)	(123,298)	(188,683)	65,385
Provision for risks and charges (C)	(172,098)	(174,061)	1,963
Employee benefit provisions (D)	(46,606)	(49,220)	2,614
Net capital employed (A+B+C+D)	**962,902**	**905,193**	**57,709**
Group Shareholders' equity	359,821	375,264	(15,443)
Minority interests	584	566	18
Net Debt	602,497	529,363	73,134
Total sources of financing	**962,902**	**905,193**	**57,709**

(in thousands of Euro)	At June 30, 2017	At December 31, 2016	Change
Investments in tangible and intangible assets	22,180	69,487	(47,307)

Other indicators

	At June 30, 2017	At December 31, 2016
Employees HDC (at period end)	2,805	2,866

Traffic figures of the first half of 2017 versus the first half of 2016 (Commercial Aviation and General Aviation)



The 2016 values do not include Malpensa's General Aviation, but only the traffic of Linate's SEA Prime.

DIRECTORS' REPORT

H1 2017: SIGNIFICANT EVENTS

Alitalia in Extraordinary Administration

With a Decree of the Ministry for Economic Development of May 2, 2017 an Extraordinary Administration Procedure was declared open for Alitalia SAI SpA pursuant to article 2, paragraph 2 of Italian Decree-Law no. 347/2003 and Mr. Luigi Gubitosi, Mr. Enrico Laghi and Mr. Stefano Paleari were appointed as Extraordinary Receivers.

With the decree no. 55 of May 2, 2017, containing urgent measures to ensure continuation of the service performed by Alitalia S.p.A. an interest-bearing loan was granted for Euro 600 million, with a six-month duration, to pay out within five days from opening of the Alitalia Extraordinary Administration Procedure.

The loan must be repaid within six months from its payout, with priority payment compared to all other debts of the procedure.

A first tranche of the granted temporary loan of Euro 600 million was already paid out to the Alitalia Extraordinary Administration Procedure.

The Court of Civitavecchia, with its May 11, 2017 judgment, declared the insolvency of 2017 Alitalia in Extraordinary Administration and set the deadline for filing petitions for proof of bankruptcy.

Malpensa Masterplan

On April 20, 2017 the last progress meeting of the stakeholder engagement was held and the reference technical documentation was officially submitted to ENAC. Work to complete the Environmental Impact Study (EIS) continued at the same time in order to start the Environmental Impact Assessment once technical approval is received from ENAC.

Recognition for services to Chinese passengers awarded to SEA

In compliance with the assessment parameters defined by the QSC Program (China Outbound Tourism Quality Service Certification), the airports managed by the SEA Group received the Quality Service Certification award, a quality certification for the services offered to passengers from China. This QSC certification follows the "China Award", awarded to SEA in 2014 and the "CTW Award", awarded in 2015: recognitions awarding the program long undertaken to make the airports increasingly welcoming and "Chinese Friendly".

ECONOMIC OVERVIEW AND 2017 FORECAST

The worldwide economic recovery underway in 2017 is on the path to strengthening and medium term growth prospects are favourable for the most part, even if significant risks of a downturn remain, tied to uncertainties about economic policies and continued geopolitical tensions.
The worldwide economic expansion has benefited from the positive effects of the end of recessionary periods in Russia and Brazil, as well as the reinforcement of investments and employment in advanced economies (OECD forecasts). The uncertainty on economic policies, and specifically the entity, composition and time frames of fiscal expansion measures foreseen by the American government, is a risk factor for global economic growth prospects. The expansion of trade protection initiatives could negatively affect international trade. Moreover, geopolitical tensions continue in various areas.

In the euro area favourable signs of a growth in economic activity have increased, mainly sustained by investments. In contrast, there have been no improvements in inflation prospects, lower than expected in the past months. The Governing Council of the European Central Bank (ECB) believes that it is necessary to maintain a high level of monetary accommodation to ensure the adjustment of inflation.
Economic activity in Italy accelerated in the initial months of 2017, mainly driven by the sharp increase in consumer spending and by reinforcement of the services sector on the supply side. GDP in the second quarter should continue to grow around 0.4% over the previous period. Based on Bank of Italy estimates the growth of GDP in Italy, considering as rising by ISTAT in the first quarter, continued in the spring months, reaching around 0.4%. The gross domestic product should have benefited from the favourable performance of the services sector, in line with the indications from enterprises, and the recovery of added value of industry, after the temporary drop reported at the beginning of the year.

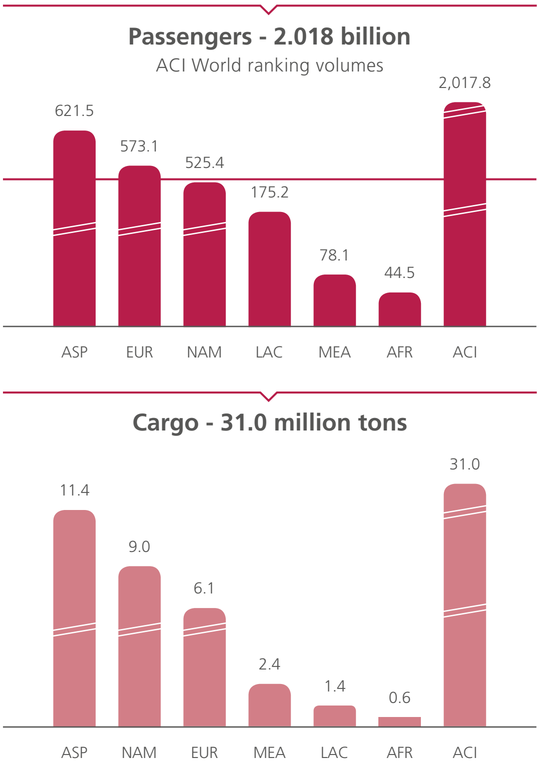
Air transport and airports

Global air transport market performance in the first four months of 2017

Global passenger traffic in the January-April 2017 period, based on a sample of 983 airports, reported 6.7% growth on the previous year, with more than 2 billion passengers served.
Europe registered the greatest growth (+9.1%), followed by the Middle East (+8.9%), Asia (+8.3%), Central/South America (+4.7%), North America (+3.4%) and Africa (+1.9%).

Cargo traffic reports an increase of 7.7% with 31 million tons of cargo processed at a worldwide level.
A sample of 639 Asian airports, which handles the largest quantity of cargo in the world with 11 million tons, grew 10.1% compared to the same 2016 period. Europe and North American grew by 7.7% and 5.2%, respectively.
The classification reported by ACI World, among the most important airports of the cargo sector (83 airports that transport at least 200 thousand tons of cargo), Malpensa has been reconfirmed among the main worldwide airports ranking 45th for the quantity of cargo processed.

Global air traffic 2017[1]



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

Legenda: 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 January - May 2017

Passenger traffic managed by the main European airports in the January-May 2017 period involved more than 400 million passengers, and reported a 7.4% growth compared to the same period of the previous year. Specifically, the airport hubs reported a 6.2% increase in passengers, with Amsterdam and Madrid registering an increase of 9.1% and 7.5%, respectively. Other European airports that stood out due to their growth in passengers served included London Gatwick (+10.3%), Barcelona (+8.4%), and Munich (+6.6%).
Cargo traffic recorded a 7.5% increase with a total of 4.8 million tons of goods processed.

Among the main airports for volume of goods, Frankfurt ranked first with more than 861.5 thousand tons, followed by Paris Charles de Gaulle with 798.4 thousand, Amsterdam with 717.9 thousand and London Heathrow with 681 thousand. Malpensa continued to hold the fifth place for volumes of goods processed (242 thousand tons) and is the third airport in terms of percentage growth (+13.9%) after Brussels (+20.8%) and Zürich (+14.4%).

January-May 2017 Italian airport traffic performance

In the January-May 2017 period the performance of the 37 Italian Assaeroporti member airports reported a positive trend compared to the same 2016 period (+6.4%) for a total of 63.5 million passengers served.

Rome Fiumicino, Milan Malpensa, Bergamo, Milan Linate and Venice were the first five airports for the number of transiting passengers.
Airplane movements also increased 1.5% for a total of 510 thousand movements.

The Rome airport system registered 17.7 million passengers served (+0.8%) while in Lombardy 16.6 million passengers were served (+9.9%) distributed between the Milan airports for 12 million and at Orio al Serio airport for around 4.6 million.

REGULATORY FRAMEWORK

Definition of new regulatory fees for 2017

The new fees regulated by the ENAC-SEA regulatory contract became effective as of January 1, 2017. They refer to the second period of the 2016-2020 tariff sub-period. These fees were determined by SEA and approved by ENAC based on the tariff plan of the second regulatory sub-period, at the time defined with ENAC after a long consultation process with the users of the Linate and Malpensa airports. To approve and publish the 2017 tariffs a consultation process was also started on August 30, 2016 with the publication of the documentation on the company's website. It was completed at the end of October after having listened to the users of the Linate and Malpensa airports at meetings.

Regulatory framework

There were developments in H1 related to changes in the regulatory framework both at EU and national level.

In terms of the EU regulatory framework, the European Commission - DG MOVE - started an assessment phase on Directive 2009/12/EC of the European Parliament and Council of March 11, 2009 concerning airport fees. This activity could result in possible changes to the Directive if the analysis considers them necessary. For these Directive assessment initiatives, which should be completed by year end, a consultation company engaged by the Commission (Steer Davies Gleave) sent a questionnaire in March to all European airports with traffic greater than 5 million passengers, as well as to airlines and national regulatory bodies. SEA received the questionnaire and transmitted its position to Steer Davies Gleave.

At a national level the Transportation Regulatory Authority (ART) published the new airport tariff regulatory models on July 7, 2017 (Model 1 for airports with traffic greater than 5 million passengers annually, Model 2 for airports with traffic between 3 and 5 million passengers and Model 3 for airports with traffic less than 3 million passengers). These models, which became effective when they were published, are the last act of a revision process notified with the "call for input" of September 2016, and completed with the start of public consultation last April. The main changes contained in the new models prepared by ART, at the end of the procedure and after having received contributions of various stakeholders (Ryanair, easyJet, Assaereo, IATA-IBAR-A4E, Assaeroporti), refer to: representation and majority criteria for consultations, operator and user disclosure obligations, introduction of a new dispute resolution procedure and remuneration rate calculation procedure (WACC).

SEA does not apply the ART regulatory models, since it is governed by a regulatory contract exempting it stipulated with ENAC, in 2011, based on article 17, paragraph 34-bis, of Law Decree 78/2009, as converted with amendments, from Law 102 of August 3, 2009.

ART is also planning to start a new procedure for the definition of an innovative regulatory Model, expected to start in 2019, which could result in more significant changes, possibly adopting possible evolutions of EU regulations. Specifically, with this procedure the main problems of a regulatory nature could be dealt with, including an assessment of the market power of airport operators, efficiency measure factors of costs and their levels of elasticity, the determination of the rate of return on invested capital (WACC), treatment of profit from commercial activities and the evolution of the Operator/User negotiation model.

ENAC issued new Guidelines – no. 3/2017 during the period under review - concerning EU Reg. 139/2014, formally adopting a series of documents and making them obligatory regarding the conversion of the Airport Certificate, including: the Airport Manual index layout; the Form of the Nominated Persons to notify to the Authority; and application procedure of EU regulations on so-called "Less Complex" organisations.

The Council of Ministers approved Legislative Decree no. 254 of December 30, 2016 implementing Directive 2014/95/EU of the European Parliament and Council of October 22, 2014, on the disclosure of non-financial and diversity information - related to social and environmental impact of their action, respect for human rights and their policies in their fields and regarding diversity in Board of Directors - by certain large undertakings and groups.
The Legislative Decree no. 254 of December 30, 2016, published in the General Series OG on January 10, 2017, became effective January 25, 2017 for financial years starting from January 1, 2017.
Specifically, the Legislative Decree must be applied to public-interest entities and undertakings with more than 500 employees and which have exceeded at least

one of the two dimension limits:

- balance sheet total: Euro 20,000,000;
- total net turnover from sales and services: Euro 40,000,000.

The decree establishes the competence profiles of Consob in charge of the penalty procedure for lack of compliance or false declarations. In the event of incomplete or non-compliant declarations, Consob may ask the interested company for the necessary additional information to avoid penalties.

Activities and initiatives in the international, EU and national field connected to the airport sector, the SEA Group's business and that of investees

The European Commission for the European Aviation Strategy published a new packet of initiatives, "*Open and Connected Europe package for aviation*" at the beginning of June, containing a series of measures aimed at further sustaining EU aviation markets, safeguarding competition and connectivity in aviation, facilitating investments in European airlines and improving the efficiency and connectivity of European skies. The initiatives are listed below:

- **Regulation Proposal related to competition in the air transport sector which repeals Reg. 868/2004.** With the new proposal the Commission intends to protect EU airlines from unfair tariff practices in providing air transport services by non-member countries. The proposal aims to define equal competition conditions between EU airlines and third party country airlines. The Commission intends to create a regulatory framework that will make it possible to act and investigate a third party country airline or group of airlines considered responsible for unfair practices (subsidies and government aid) to the detriment of EU airlines.

- **Interpretative guidelines concerning the provisions of EU Regulation no. 1008/2008 regarding the ownership and control of EU airlines.**
  The Commission has provided the criteria to adopt to verify the control and actual management of European airlines. In terms of ownership, the guidelines support the need to control the nationality of the ownership chain, to the source. In terms of control, the guidelines provide details on the criteria used by the Commission to assess: the corporate governance, shareholder voting rights, financial connections and the trade relations of non-EU investors with European airlines.

- **Interpretative guidelines concerning the provisions of EU Regulation no. 1008/2008 regarding public service obligations (PSO).** The Commission proposes rationalising the use of public service obligations and asks national authorities for greater clarity in granting the same. The guidelines also clarify the requirements for the use of so-called emergency procedures, the relationship between PSOs and the directives on public procurements as well as the interaction between PSOs and the regulation of state aid.

- **The practices aimed at promoting continuous operation within the EU in the event of ATM (Air Traffic Management) services strikes.** The Commission intends to define an action plan to mitigate the impact of such actions on the EU airplane system and maintain the air connectivity of the EU. These are best practices established to ensure continued airline service in the event of strikes. These practices do not question the fundamental right to strike, but rather are aimed at improving continuous service and reducing disturbance to a minimum of the European network for airlines and passengers.

- **The Regulation proposal regards common rules for civil aviation, establishes the European Air Safety Agency (EASA) and repeals EU regulation No 216/2008.** The proposal is aimed at performing a general revision of the European safety system. It also contributes to defining a regulatory framework for implementing a drone system. A Progress Report was submitted in June 2017.

- **The Directive proposal for harmonising laws, regulations and administrative procedures of Member States concerning accessibility criteria for products and services.** The proposal intends to remove and prevent free trade barriers and access to products and services in Europe to people who are disabled or have physical limitations, by harmonising the accessibility criteria to products and services such as: computers and operating systems, digital TVs, telephone services, e-books, self-service terminals (including ticketing and check-in machines), eCommerce, bank services, passenger transport services and hospitality services.

In implementing the EU Regulation no. 139/2014, after the conversion of SEA's Airport Certificate for both managed airports (Malpensa in December 2016 and Linate in January 2017), a new company programme was started to verify compliance. For this purpose, the new structure of CMM (Compliance Monitoring Manager) started internal audits with the collaboration of the Legal Department aimed at checking the actual correspondence of the company organisation to the requirements requested by the law. This was also aimed at preceding the external audits which will later be conducted by the Authority (ENAC's Supervisory Team) on SEA on the issue, to prevent and solve any problems. The new Airport Manuals are also in the process of being checked and corrected, including following remarks made by the Team on the question.

On a national level a new draft of the Civil Protection Directive is being prepared on the management of emergencies and airplane accidents. Through Assaeroporti and in coordination with ENAC, the managers actively participate in the dialogue in progress, in particular to confirm the competences required by current regulations of the various involved subjects, especially regarding the general coordination role of rescue workers in the operating phase.

PERFORMANCE OF THE SEA GROUP

Traffic data

Milan Malpensa and Milan Linate airport traffic

	Movements H1		Passengers (1) H1		Cargo (2) H1	
	2017	% vs 2016	2017	% vs 2016	2017	% vs 2016
Malpensa	82,944	7.3%	10,193.0	14.8%	292,045	13.1%
Linate	47,521	-0.5%	4,599.1	0.0%	6,543	5.4%
Total commercial traffic	**130,465**	**4.3%**	**14,792.1**	**9.7%**	**298,588**	**12.9%**
General Aviation Linate (3)	10,468	-0.6%	21.3	5.7%	-	-
Airport system managed by the SEA Group	**140,933**	**3.9%**	**14,813.4**	**9.7%**	**298,588**	**12.9%**

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

A total of 14.8 million passengers transited through the Milan airport system managed by the SEA Group in H1 2017 for a 9.7% growth compared to the first six months of the previous year.

The increase in commercial aviation passengers totalling 1.3 million in H1 2017 benefited from a higher number of airplane movements at Malpensa airport, presence of larger airplanes on average and the increase of the average airplane load factor percentage.
General aviation traffic at Linate instead decreased in terms of movements by 0.6% compared to H1 2016, characterised by the positive effect of the final match of the Champions League played in Milan. A decrease of 1.1% in tonnage was reported due to airplanes with a smaller average dimension compared to 2016.

The growth in cargo traffic continued which reported an increase of 12.9%, reaching 299 thousand tons handled.

The growth in the cargo area is due exclusively to Malpensa airport, which continues to grow with an additional 34 thousand tons, exceeding the 292 thousand tons of goods handled (+13.1% compared to 2016). Thus Malpensa ranked fifth in 2017 among European airports in terms of transported cargo, with a positive contribution from both imports (+13.3%) and exports (+12.9%).

Income statement

(In thousands of Euro)	H1 2017	%	H1 2016	%	Change % 2017/2016
Operating revenues	334,248	97.3%	310,557	93.1%	7.6%
Revenues for works on assets under concession	9,286	2.7%	23,180	6.9%	-59.9%
Total revenues	**343,534**	**100.0%**	**333,737**	**100.0%**	**2.9%**
Operating costs					
Personnel costs	(98,919)	-28.8%	(89,679)	-26.9%	10.3%
Misc. operating costs	(117,266)	-34.1%	(117,545)	-35.2%	-0.2%
Total operating costs	(216,185)	-62.9%	(207,224)	-62.1%	4.3%
Costs for works on assets und. concession	(8,597)	-2.5%	(21,641)	-6.5%	-60.3%
Total costs	**(224,782)**	**-65.4%**	**(228,865)**	**-68.6%**	**-1.8%**
Gross Operating Margin / EBITDA (1)	**118,752**	**34.6%**	**104,872**	**31.4%**	**13.2%**
Provisions & write-downs	(2,488)	-0.7%	1,546	0.5%	-260.9%
Restoration & replacement provision	(6,055)	-1.8%	(7,048)	-2.1%	-14.1%
Amortisation and Depreciation	(34,134)	-9.9%	(30,112)	-9.0%	13.4%
EBIT	**76,075**	**22.1%**	**69,258**	**20.8%**	**9.8%**
Investment income (charges)	4,080	1.2%	5,512	1.7%	-26.0%
Financial charges	(9,036)	-2.6%	(9,627)	-2.9%	-6.1%
Financial income	251	0.1%	199	0.1%	25.8%
Pre-tax profit	**71,370**	**20.8%**	**65,342**	**19.6%**	**9.2%**
Income taxes	(20,270)	-5.9%	(21,139)	-6.3%	-4.1%
Discontinued operation profit (loss)	1,556		(8)		
Net profit	**52,656**	**15.3%**	**44,195**	**13.2%**	**19.1%**
Minority interest profit	18	n.s.	22	n.s.	n.s.
Group profit	**52,638**	**15.3%**	**44,173**	**13.2%**	**19.2%**

(1) L'EBITDA is calculated as the difference between total revenues and total costs. excluding provisions and write-downs.

The main items of the income statement are commented below.

Revenues

Operating revenues at June 30, 2017 totalled Euro 334,248 thousand and include revenues from Aviation activities for Euro 210,238 thousand (Euro 192,459 thousand in 2016), revenues from Non-Aviation activities for Euro 110,084 thousand (Euro 104,492 thousand in 2016), revenues from the General Aviation business for Euro 6,141 thousand (Euro 6,367 thousand in 2016) and revenues from the Energy business for Euro 7,785 thousand (Euro 7,239 thousand in 2016).

Operating revenues increased by Euro 23,691 thousand compared to the previous year thanks to non-recurring revenues in 2017 totalling Euro 2,429 thousand related to the return of a portion of the fine issued to SEA by AGCM in 2015 following the acquisition of SEA Prime - previously ATA Ali Trasporti Aerei. H1 2016 also included the revenues of the company Signature Flight Support Italy S.r.l. (previously Prime AviationServices) and refueling activity no longer included within the Group's consolidation, totalling Euro 1,274 thousand. Net of these amounts, revenues increased by Euro 22,536 thousand (+7.3%). This performance was primarily determined by:

- Aviation activity for Euro 16,049 thousand, basically due to the higher volumes of traffic reported in the passenger segment, which benefited from the increased capacity offered by the carriers and the growth of the load factor, and the cargo segment;

- Non Aviation activity, for Euro 4,983 thousand, which reported increased results in the Shops, Food & Beverage, Car Rental and Banks areas. The car park activity also registered a significant increase in revenues thanks to the return of full operational capacity at Malpensa Terminal 2. A positive contribution was also reported by the concessions of spaces to Cargo operators following the start of operation of a new warehouse used by Fedex;

- The Energy business, for Euro 462 thousand, due to the good performance of electricity and thermal energy sales, thanks to both favourable sales prices and higher volumes sold, that more than compensated the lack of revenues from green certificates since the incentive period ended at the end of 2016;

- The General Aviation business on a like-for-like basis (thus excluding the 2016 revenues of the company Signature Flight Support Italy S.r.l. - previously Prime Aviation Services) for Euro 1,083 thousand, mainly due to the start of operation of the new hangar and improvement of car park management at Linate.

Revenues for works on assets under concession decreased from Euro 23,180 thousand in H1 2016 to Euro 9,286 thousand in H1 2017, with a drop of 59.9%. These revenues refer to construction work on assets under concession increased by a mark-up representing the best estimate of 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.
The reduction of investments is attributable to fewer constructions compared to the 2017 investment plan and completion of some important works in 2016 such as the Fedex warehouse, Railway Station and Terminal 2 renovation.

Operating costs

Operating costs at June 30, 2017 totalled Euro 216,185 thousand, with a growth of Euro 8,961 thousand (+4.3%) compared to the previous year.

This increase includes Euro 3,310 thousand of non-recurring costs compared to H1 2016. Specifically for the half year in review higher costs were reported for leaving incentive for Euro 5,848 thousand while in H1 2016 there were costs for settling a dispute regarding State Aid totalling Euro 1,400 thousand. The costs of the company Prime AviationServices and the refueling activity, still within the Group's consolidation area in H1 2016, totalled Euro 1,138 thousand. If these components are not considered, operating costs increased by Euro 5,651 thousand (+2.7%) mainly determined by:

- the Group's personnel cost, up Euro 3,753 thousand (+4.2%) compared to 2016, which rose from Euro 89,114 thousand in 2016 to Euro 92,867 thousand in 2017. The increase was mainly due to the increase in average personnel costs, partly offset by a reduction in the workforce.
  At June 30, 2017 the average Full Time Equivalent workforce was 2,758 employees versus 2,792 in 2016 with the same consolidation area (thus excluding from 2016 the workforce for the company Prime AviationServices);

- other operating costs, which increased Euro 1,898 thousand (+1.7%) compared to 2016, rising from Euro 115,368 thousand in 2016 to Euro 117,266 thousand in 2017, due to an increase in costs related to traffic volumes for Euro 7,041 thousand (public charges, commercial costs and fees to manage the car parks) and a reduction of other core business costs for Euro 5,143 thousand (professional services, insurance costs, costs related to the management of snow and energy costs).

Costs for works on assets under concession

Costs for works on assets under concession decreased from Euro 21,641 thousand in H1 2016 to Euro 8,597 thousand in H1 2017. These costs refer to the costs for the works undertaken on assets under concession. This movement is strictly related to investment activities.

Due to the above dynamics, EBITDA reached Euro 118,752 thousand at June 30, 2017 against Euro 104,872 thousand at June 30, 2016, for a growth of 13.2% (+ Euro 13,880 thousand). After the previously reported non-recurring components and on a like-for-like basis, EBITDA rose 15.1% (+ Euro 16,037 thousand).

Provisions and write-downs

Provisions and net write-downs in H1 2017 increased Euro 4,034 thousand compared to the same period of the previous year, due to the release of Euro 1,546 thousand at June 30, 2016 and the net provision totalling Euro 2,488 thousand at June 30, 2017.

Net provisions on the provision for risks for future expenses increased Euro 1,401 compared to the previous year, changing from -2,240 thousand of Euro to -839 thousand of Euro. This change is mainly due to fewer releases of provisions compared to H1 2016. In 2016 provisions were released for tax and revocatory risks for a total of Euro 2,475 thousand following the closing of a dispute with the Customs Agency at Malpensa in the first case and settlement of the revocatory Livingston in Extraordinary Administration in the second. Net releases for Euro 1,282 thousand were reported in H1 2017 following the redefinition of the insurance excess risk, while higher provisions were made for labour disputes. Potential expenses were also set aside resulting from an audit in progress by the Energy Service Operator, related to white certificates assigned for the 2012-2015 period.

Net provisions to the doubtful debt provision increased compared to H1 2016 for Euro 2,633 thousand. The provisions for the period mainly refer to the component of previous receivables (before May 2, 2017) due from Alitalia SAI in Extraordinary Administration, for an amount totalling Euro 3,404 thousand, included in unsecured receivables. This effect is partly offset by releases made following collections in 2017 related to receivables considered difficult to collect and for which a provision for doubtful debts had been set aside in previous years.

Restoration and replacement provision

The net provision to the restoration and replacement provision decreased Euro 993 thousand in H1 2017. Against a provision of Euro 7,546 thousand in H1 2017 (Euro 7,048 thousand in H1 2016) a release of the provision was reported for Euro 1,491 thousand (zero in H1 2016), in order to adjust the provision to the new industry regulations on x-ray equipment.

Amortisation & Depreciation

In the first half of 2017 amortisation and depreciation increased Euro 4.022 thousand compared to the same period of 2016 (+13.4%), from Euro 30,112 thousand to Euro 34,134 thousand. The trend of amortisation and depreciation for the considered periods reflects both the amortisation/depreciation process of property, plant and equipment and intangible assets based on the useful life estimated by the Group, not longer than the duration of the concession and the acceleration of depreciation of screening equipment which will be replaced in coming years, as required by the reference regulations.

Due to the above dynamics **EBIT** totals Euro 76,075 thousand, for a growth of 9.8% compared to the first half of the previous year (Euro 69,258 thousand).

Investment income and charges

In H1 2017 net investment income reported a reduction totalling Euro 1,432 thousand, dropping from Euro 5,512 thousand in 2016 to Euro 4,080 thousand in 2017 and includes the measurement at equity of investments in associated companies for Euro 4,080 thousand (Euro 2,656 thousand in 2016).

Compared to the previous year an increase in investment income totalling Euro 1,424 thousand was reported due to the results achieved by the associated companies in H1 2017.

This increase was more than offset by the presence in H1 2016 of other investment income that regarded the capital gain of SEA Prime for the 60% transfer of the investment in Prime AviationServices SpA (now Signature Flight Support Italy Srl), totalling Euro 955 thousand and the dividends of Airport Handling SpA related to the Equity Financial Instruments held by SEA for Euro 1,901 thousand.

Financial income and charges

Net financial charges at June 30, 2017 totalled Euro 8,785 thousand, decreasing Euro 643 thousand on the previous year.

Financial charges decreased Euro 591 thousand mainly due to lower interest expense on medium-long terms loans, due to the decrease in gross debt and the reduction of the average cost of debt, lower factoring costs, as well as the positive impact of the fair value variation of derivatives in the period. Financial income for the period increased Euro 52 thousand.

Income taxes

Income taxes in H1 2017 totalled Euro 20,270 thousand down from the previous year, despite the increase in earnings before taxes totalling Euro 6,028 thousand (Euro 71,370 thousand in H1 2017 and Euro 65,342 thousand in H1 2016).

This change was mainly due to the reduction of the nominal IRES rate which dropped from 27.5% to 24% and resulted in a theoretical profit for the period of Euro 2,498 thousand.

Discontinued Operations profit/(loss)

Discontinued operations for the commercial aviation handling sector, reported a net profit of Euro 1,556 thousand against a net loss of Euro 8 thousand during the same period of the previous year.

The item includes the result of the company SEA Handling SpA in liquidation, for which, at June 30, 2017, the liquidation procedure activities had been completed, leading to settlement of receivable and payable positions that were still open.

Reference should be made to notes 7 and 11 of the Condensed Consolidated Half Year Financial Statements for a detailed analysis of the items which contributed to this result and comparison with 2016 in application of IFRS 5.

Group profit

Due to the above dynamics, the Group's net profit shows an increase of Euro 8,465 thousand, rising from Euro 44,173 thousand at June 30, 2016 to Euro 52,638 thousand at June 30, 2017.

Reclassified Group statement of financial position

(In thousands of Euro)	At June 30, 2017	At December 31, 2016	Change
Intangible assets	1,003,507	1,011,111	(7,604)
Tangible assets	184,906	190,276	(5,370)
Investment property	3,395	3,398	(3)
Investments in associates	51,637	51,597	40
Available-for-sale-investments	26	26	0
Deferred tax assets	44,367	43,665	702
Other non-current financial assets	16,776	16,776	0
Other non-current receivables	290	308	(18)
Fixed assets (A)	1,304,904	1,317,157	(12,253)
Inventories	4,058	4,141	(83)
Trade receivables	134,393	86,968	47,425
Tax receivables	11,360	14,800	(3,440)
Other current receivables	21,095	18,563	2,532
Other current financial assets	7,190	7,190	0
Current assets	178,096	131,662	46,434
Discontinued operations	10,051	10,732	(681)
Trade payables	125,122	161,530	(36,408)
Other payables	173,542	160,327	13,215
Income tax payables	12,639	6,841	5,798
Current liabilities	311,303	328,698	(17,395)
Liabilities related to discontinued operations	142	2,379	(2,237)
Working capital (B)	(123,298)	(188,683)	65,385
Provision for risks and charges (C)	(172,098)	(174,061)	1,963
Employee provisions (D)	(46,606)	(49,220)	2,614
Net capital employed (A+B+C+D)	**962,902**	**905,193**	**57,709**
Group Shareholders' equity	(359,821)	(375,264)	15,443
Minority interests	(584)	(566)	(18)
Net Debt	(602,497)	(529,363)	(73,134)
Total sources of financing	**(962,902)**	**(905,193)**	**(57,709)**

Net capital employed at June 30, 2017 amounted to Euro 962,902 thousand, an increase of Euro 57,709 thousand on December 31, 2016.

Fixed assets at June 30, 2017 totalled Euro 1,304,904 thousand, reporting a decrease, totalling Euro 12,253 thousand, compared to December 31, 2016 mainly due to net investments for the period of Euro 22,180 thousand (net of the use of the restoration provision) minus amortisation and depreciation of the period totalling Euro 34,134 thousand.

Net working capital totalling Euro 123,298 thousand increased Euro 65,385 thousand compared to December 31, 2016. This change is primarily due to the increase in trade receivables for Euro 47,425 thousand, which includes receivables due from Alitalia SAI S.p.A. totalling Euro 28,009 thousand, due before the date of May 2, 2017 when the company was admitted to the extraordinary administration procedure, net of the relative doubtful debt provision.

The following table illustrates the principle components of Net Working Capital.

Main components of Net Working Capital

(In thousands of Euro)	At June 30, 2017	At December 31, 2016	Change
Inventories	4,058	4,141	(83)
Trade receivables	134,393	86,968	47,425
Trade payables	(125,122)	(161,530)	36,408
Other receivables/(payables)	(153,726)	(133,805)	(19,921)
Other current financial assets	7,190	7,190	0
Discontinued operations	10,051	10,732	(681)
Liabilities related to discontinued operations	(142)	(2,379)	2,237
Total net working capital	**(123,298)**	**(188,683)**	**65,385**

Net financial position

The "Net financial position" totalling Euro 602,497 euro at June 30, 2017 increased Euro 73,134 thousand compared to the value at December 31, 2016 (Euro 529,363 thousand). This increase is mainly due to the payment of dividends for Euro 70,300 thousand during the period. The positive generation of cash flow of the period made it possible to almost entirely cover needs for reinvestments and to finance net working capital.

SIGNIFICANT EVENTS AFTER JUNE 30, 2017

Liquidation of SEA Handling SpA

On July 10, 2017 with the Shareholders' Meeting the liquidation activities of the company SEA Handling Spa were completed. They had started on July 1st, 2014 following a decision made by the Extraordinary Shareholders' Meeting of SEA Handling held on June 9, 2014. The decision to liquidate the company represented the project for alternative execution of the decision of the European Commission of December 19, 2012 concerning the alleged State Aid granted to SEA Handling.

The Shareholders' Meeting voted to approve the liquidation financial statements for the year closed June 30, 2017 and the relative distribution plan and to authorise the Liquidator to request the cancellation of SEA Handling SpA in liquidation from the pertinent Company Register, giving authorisation to the same to sign all the necessary and consequent acts.

The Liquidator ordered payment of Euro 8,376,054 to the sole shareholder SEA SpA, which resulted from the aforesaid distribution plan.

Restyling of Milan Linate Airport

The restyling works for the Milan Linate Airport started in July 2017. The project includes an investment plan diluted over the years which will be completed in 2022 for a total amount of Euro 60.3 million. The first phase was started in the half year which entails the redesign of the facade as the main job. It is scheduled to be completed by April next year. The first phase also includes the complete renovation of the arrivals area and bag pick-up area, thanks to the installation of new false ceilings and walls in sandstone to improve the perception of height and size of the airport. The work will be performed using micro construction sites, with daytime and nighttime activity in order to interfere as little as possible with airport operations.

OUTLOOK

The worldwide economic recovery and prospects for medium term growth are positive overall, even if some significant risks persist of a slowdown, tied to economic policies and the continuation of geopolitical tensions.

International trade has continued to produce earnings due to the effect of the cyclic recovery of the global economy and the development of international trade has generated a significant growth in air cargo volumes.

Based on the positive trend of traffic reported in the first six months of the year and the efficiency measure programme and rationalisation of operating processes that are underway, the results for the year are expected to confirm the positive growth trend registered in recent years.

OPERATING PERFORMANCE - SEGMENT ANALYSES

Commercial Aviation

The Commercial Aviation business includes 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 business however provides a wide and segregated offer, managed both directly and under license to third parties, of commercial services for passengers, operators and visitors to the airports, in addition to the real estate area. 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 the rental of warehouses, spaces and offices to Cargo business operators including cargo handlers, freight forwarders and couriers.

General Aviation

The General Aviation business includes the General Aviation activities which are comprised of the entire range of services connected to business traffic at the Linate West apron. The 2016 comparative figures also include the results of the general aviation handling business, consolidated with the line-by-line method until March 31, 2016.

Energy

The Energy business includes the generation and sale of electricity and thermal energy to third parties.

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

(thousands of Euro)	Commercial Aviation H1		General Aviation H1		Energy H1		Consolidated data H1	
	2017	2016	2017	2016	2017	2016	2017	2016
Operating revenues	320,322	296,951	6,141	6,367	7,785	7,239	334,248	310,557
EBITDA	114,836	101,977	3,552	3,157	364	(262)	118,752	104,872
EBIT	73,357	67,364	2,799	2,336	(81)	(442)	76,075	69,258

The EBITDA reported above includes the IFRIC margin and the breakdown of staff revenues and costs.

Commercial Aviation

Traffic data

H1 2017 - SEA Group traffic performance in Milano Malpensa and Milano Linate airports

	Movements H1		Passengers (1) H1		Cargo (2) H1	
	2017	% vs 2016	2017	% vs 2016	2017	% vs 2016
Malpensa	82,944	7.3%	10,193.0	14.8%	292,045	13.1%
Linate	47,521	-0.5%	4,599.1	0.0%	6,543	5.4%
Total commercial traffic	**130,465**	**4.3%**	**14,792.1**	**9.7%**	**298,588**	**12.9%**

(1) Arrived + departed passengers in thousands
(2) Arrived + departed goods in tons

A total of 14.8 million passengers transited through the Milan airport system managed by the SEA Group in H1 2017 for a 9.7% growth compared to the same period of the previous year. While Linate airport reported passenger traffic in line with the previous year, Malpensa registered a 14.8% growth. Both Terminal 1 (+19.8%) and Terminal 2 dedicated to easyJet (+5.7%) contributed to this positive performance.

The result of Terminal 1 benefited from an organic growth of all traffic segments. Worthy of mention is the development of Ryanair (+465 thousand passengers compared to H1 2016), growth of the other low cost airlines (+ 174 thousand totalling +22.1, to which Vueling contributed with +74 thousand passengers, +25.3%), the transfer of KLM (+95 thousand passengers) and Air France (+91 thousand passengers) from Linate to Malpensa, the increases of Blue Panorama (+81 thousand passengers, +84%) and the positive performance of the other legacy and leisure carriers (for a total of +232 thousand passengers, +3.1%).

The intercontinental traffic at Malpensa during the half year in question reached 2.7 million passengers, with a growth of 5.7% compared to 2016.

Excluding the Maghreb countries, which during H1 2017 showed signs of recovery (especially to Egypt and to a lesser extent to Morocco and Tunisia), a development of 4.6% was attained, equal to 2.4 million passengers.

The breakdown of passenger traffic at the Milan Airport System by main destinations served and main airlines in operation is provided below.

Main destinations for passengers served by the Milan Airport System (000)

London was confirmed as the first European destination in terms of passenger traffic again for H1 2017, with a volume of traffic flying to its five airports of more than 1 million passengers, followed by Paris, Catania, Rome (the only airport among the top five to decrease against the previous year) and Amsterdam. Among the Italian destinations Rome and Naples reported a decrease in traffic of 14.2% and 2.0%, respectively. New York and Dubai were confirmed as the first two cities served among international destinations.

	H1 2017	% change from H1 2016	% of total
Londra	1,166.1	8.9%	8%
Paris	932.1	9.6%	6%
Catania	742.7	40.1%	5%
Roma	672.1	-14.2%	5%
Amsterdam	588.6	6.6%	4%
Naples	455.3	-2.0%	3%
Barcelona	413.9	12.2%	3%
Madrid	411.7	-3.1%	3%
Frankfurt	402.8	6.5%	3%
New York	385.9	-1.3%	3%
Cagliari	329.3	16.4%	2%
Palermo	324.1	2.6%	2%
Dubai	319.2	13.5%	2%
Bruxelles	317.1	51.3%	2%
Bari	294.7	9.5%	2%
Others	7,036.5	11.6%	48%
Total	**14,792.1**	**9.7%**	**100%**

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

Main airlines for passengers served by the Milan Airport System (000)

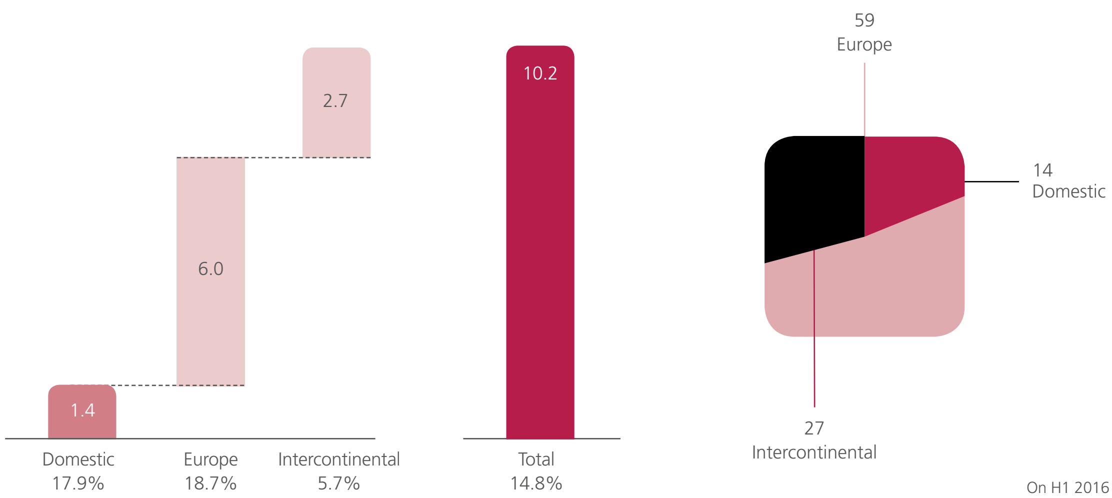
In the classification of the main airlines operating in the Milan system (Linate and Malpensa) easyJet is the leading carrier for served traffic volume, with a weight of 25% of total passengers. Alitalia, which contributes with 19% of passengers, confirmed the number two spot despite a 4.9% reduction compared to H1 2016 due to the continual and progressive decrease in its operations. Ryanair, which has almost tripled the number of passengers served, with almost 700 thousand passengers is the fourth airlines working at the Milan airports (it was eighth in 2016).

	H1 2017	% change from H1 2016	% of total
Easyjet	3,673.8	6.4%	25%
Alitalia	2,874.4	-4.9%	19%
Lufthansa	744.4	8.5%	5%
Ryanair	698.5	199.3%	5%
Meridiana Fly	539.0	8.5%	4%
Emirates	443.2	10.7%	3%
British Airways	372.9	14.7%	3%
Vueling Airlines S.a.	362.6	25.3%	2%
Air France	273.1	7.7%	2%
Neos	248.8	12.7%	2%
Blue Panorama	215.6	73.9%	1%
Iberia	214.4	0.6%	1%
Klm	202.9	8.4%	1%
Air Berlin	200.3	65.7%	1%
Turkish Airlines	191.4	-4.9%	1%
Others	3,536.8	8.7%	24%
Total	**14,792.1**	**9.7%**	**100%**

Malpensa

Malpensa airport passenger traffic reached 10.2 million for a 14.8% increase compared to the previous year.

H1 2017 - Composition of passenger traffic for Malpensa airport by geographic area (000)



Domestic traffic reported a 17.9% increase due to the operations of Ryanair which, in addition to Comiso (started in December 2015) in the 2016 winter season it introduced flights for Catania, the new flights started by easyJet to Catania, Naples, Olbia, Lamezia Terme, Brindisi, Bari and the new Meridiana Fly connections to Cagliari, Olbia and Palermo.

European traffic reported a development totalling 18.7%. Ryanair reinforced the destinations of London Stansted, Bucharest and Seville already started in December 2015 and expanded its network by adding Sofia, Oporto, Brussels and Las Palmas. easyJet began eight new connections in 2016 to Manchester, Krakow, Toulouse, Lille, Lanzarote, Nantes, Alicante Bilbao and an additional three starting in the 2017 summer season (Granada, Santiago de Compostela and Stockholm). The partial transfers of KLM and Air France from Linate to Malpensa starting from the 2017 summer season also positively affected the result; Vueling also witnessed a good performance with flights to Barcelona, Paris Orly and Amsterdam.

Intercontinental destinations reported a +5.7% growth. Traffic to Egypt, Morocco and Tunisia is recovering. The following should be noted:

i) Middle East (40% of the total segment, +6.6% compared to H1 2016): despite the reduction in airplane movements, an increase was registered in the average airplane dimension and a significant increase in load factors. Among the main airlines that operate on destinations in the area under review, Emirates, Oman Air, Elal, easyJet, Blue Panorama and Ethiad Airways reported an increase in passengers, against a slight drop for Turkish, Alitalia and Neos;

ii) Far East (17% of the total segment, +6.0% compared to H1 2016): the growth in passengers is linked to the increase in load factor, with a slight reduction in the average aircraft dimension and a substantial alignment of movements. Air India, Neos, Thai Airways, and Cathay Pacific airlines all reported growth;

iii) North America (17% of the total segment, +1.8% compared to H1 2016): the positive result was determined by the increase in the number of movements, growth in average airplane dimension and a positive load factor trend. All of the airlines working in the area (Emirates, Delta, Alitalia and Air Canada) reported growth with the exception of United Airlines;

iv) North Africa (11% of the total segment, +14.7% compared to H1 2016): the good performance was determined by the positive trend of all variables (movements, airplane dimensions and load factor); Egypt Air operates in this sector and Meridiana Fly, Neos and Jetairfly are leisure carriers;

v) Central/South America (11% of the total segment, -2.8% compared to H1 2016): the drop in passengers is primarily due to the lower capacity offered, partly offset by the growth of load factors. Neos reported an increase in passengers, while Blu Panorama, Alitalia and Meridiana reported a decrease;

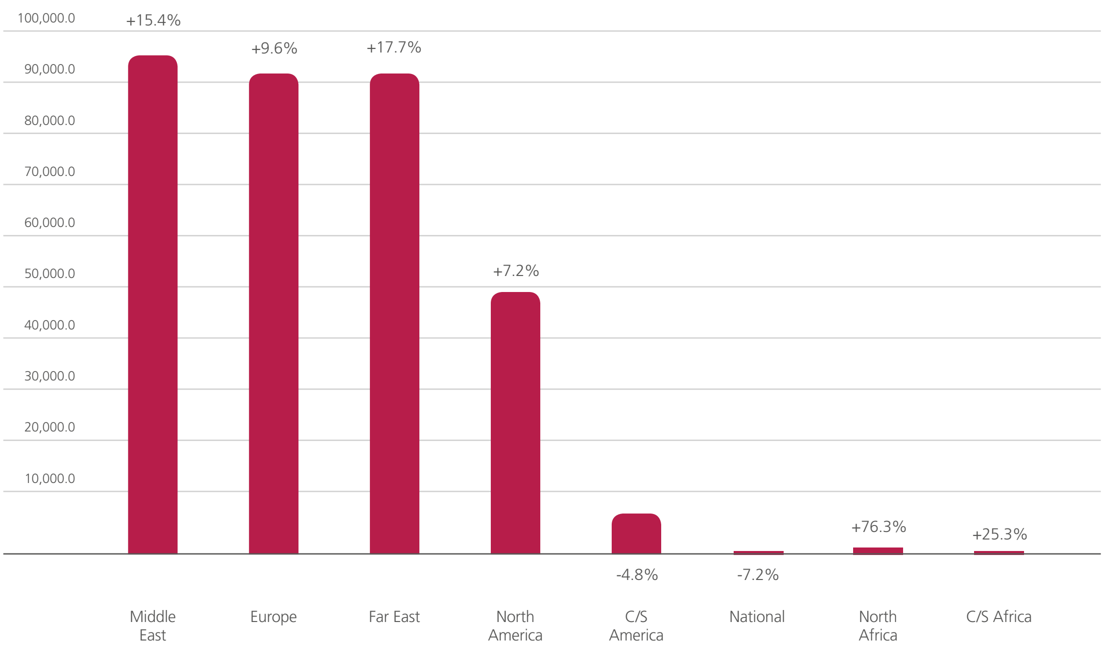
vi) Central/South Africa (4% of the total segment, +14.2% compared to H1 2016): the increase compared to the previous year is linked to greater movements to the area. Meridiana Fly represents the main player in the area, working primarily in the leisure sector.

Malpensa Cargo

Malpensa airport reached 292 thousand tons of processed cargo reporting a 13.1% increase.
The all-cargo (+16.0%) airplanes that work at the airport contributed to the result by connecting all of the sector markets and mainly the Asian, Middle Eastern and American continent areas. The contribution of passenger flights with mixed configuration was also important which increased the amount transported by 4.9 %.
All-cargo traffic reached 215 thousand tons moved; the Cargolux Group (+19.3%), Qatar Airways (+21.3%), Nippon Cargo (+36.6%) and Air Bridge Cargo (+13.0%) contributed to the development for the half year. In the courier segment both Fedex (+3.7%) and TNT (3.5%) reported growth against a reduction of DHL totalling 11.3%.

Belly traffic reported 77 thousand tons of transported cargo. Among the carriers with airplanes with mixed configuration, Emirates was confirmed as the main airline for quantity of moved cargo, while the main increases compared to H1 2016 were due to Oman Air and Qatar Airways.

1H 2017 - Cargo traffic by geographic area – Airports managed by SEA

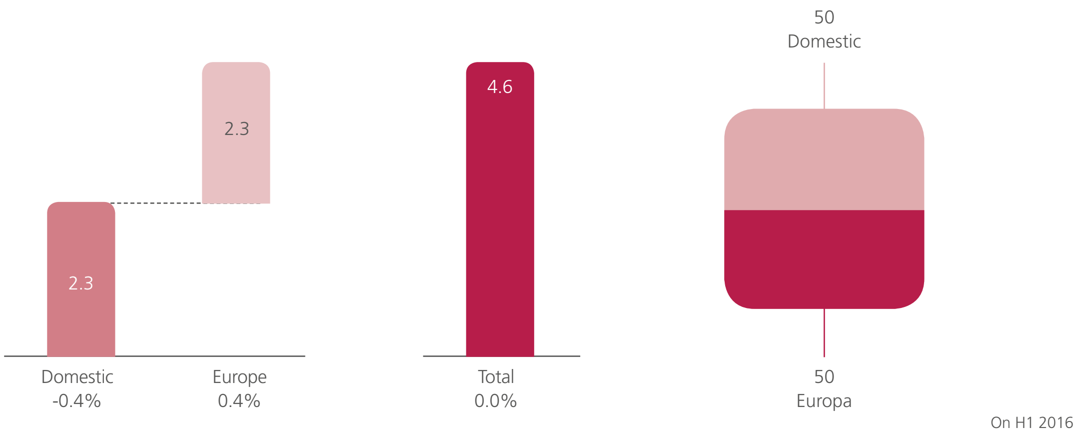


Cargo in tons.
The percentage change is referred to the comparison with the previous period

Linate

Linate airport served 4.6 million passengers during the half year under review, in line with half year of the previous year.

1H 2017 - Linate airport traffic composition (000)



Traffic at Linate is equally divided between domestic (50%) and European (50%). The main dynamics with reference to the airlines working at the airport are provided below.

Alitalia increased its market share by one percentage point compared to H1 2016 (58% vs 57%). This increase (which in the month of June reached 61%) is due to the transfer of Air France and KLM airlines from Linate to Malpensa. They had operated at the airport with airline ownership slots and started to operate them mainly with company-owned aircraft.

Alitalia's domestic traffic increased by 1.4% due to the effect of the positive trend of flights to Cagliari, Bari, Alghero, Palermo and Pescara, while the destinations of Rome and Naples decreased affected by the constant competition from high speed trains and the flights towards Brindisi and Comiso, the latter suspended for most of the half year.

European traffic was basically aligned to the values of H1 2016 (-0.3%): flights for Paris Charles de Gaulle, Amsterdam, London City and Brussels had a positive performance while those for Berlin and Bucharest were canceled, both had been in operation in H1 2016.

The Linate-Fiumicino shuttle reached 616 thousand passengers with a drop of -1.8%, even if a progressive recovery was reported thanks to the use of slots recovered by Alitalia from its former partners KLM and Air France.

In terms of the other major airlines Air Berlin added flights to Berlin no longer flown by Alitalia (+44 thousand passengers, +76.7%), while easyJet reported good performance to Paris Charles de Gaulle (+28.9%), Paris Orly (+13.4%) and London Gatwick (+7.4%). British Airways to London Heathrow (+9.9%) also grew as well as SN Brussels to Brussels (+35.1%). Meridiana Fly (-9.1%) decreased due to the cancellation in March of the flights to Catania (-63.4%) and reduction of traffic to Naples (-10.1%, despite an increase in the number of movements).

Revenues

In H1 2017 ***Commercial Aviation*** business generated operating revenue for a total of Euro 320,322 thousand, for an increase of Euro 23,371 thousand compared to Euro 296,951 thousand of 2016 (+7.9%).
The year 2017 includes non-recurring revenues for a total of Euro 2,317 thousand related to the partial reimbursement of the fine issued in 2015 by AGCM following the acquisition of SEA Prime, net of these the growth compared to H1 2016 would total Euro 21,054 thousand (+7.1%). This growth was primarily determined by:

1) ***Aviation activity***, for Euro 17,779 thousand (+9.2%) up from Euro 192,459 thousand in 2016 to Euro 210,238 thousand in 2017). This increase was due to Euro 16,879 thousand from higher traffic volumes and Euro 900 thousand from a better traffic mix, combined with the average increase in tariffs due to the updates included in the regulatory contract;
2) ***Non Aviation activity***, for Euro 5,592 thousand (+5.4%) up from Euro 104,492 thousand in 2016 to Euro 110,084 thousand in 2017. This performance was determined by the good results of the Retail (Shops, Food & Beverage, Car Rental and Banks) area for Euro 3,212 thousand (+7.5%) and Parking for Euro 2,134 thousand (+7.4%). In terms of the Premium Services (Sale VIP and Fast Track), Real Estate and Advertising areas revenues are in line with the previous year.

Revenues related to the Cargo area reached Euro 7,589 thousand with an increase totalling Euro 1,277 thousand compared to 2016 (+20.2%) due to start of operation of the new Fedex warehouse.

In the Retail area the revenues from Shops reported a growth of Euro 1,356 thousand (+5.9%). The improvement of the commercial offer at Terminal 1 contributed to this performance, due to better positioning of shops and opening of new retail outlets. The revenues from the Food & Beverage segment grew Euro 358 thousand (+3.9%). In particular, at Linate both "Ferrari Spazio Bollicine" and the adjacent "Panino Giusto" reported excellent performance. The "Rosso Pomodoro" pizzeria restaurant reported an excellent performance at Malpensa Terminal 1. The T1 Schengen boarding area witnessed the opening of high impact spaces including "Venchi", followed by the "Cioccolati Italiani" concept store; in H2 they will be joined by a healthy food restaurant called "Ingredienti".
Revenues of the Car Rental area reported a growth of Euro 577 thousand compared to 2016 (+8.4%) mainly due to the good performance of the Malpensa operators and start-up of activity of a new operator (Sixt).
Revenues from Banking Services registered a growth totalling Euro 921 thousand compared to last year (+23%) primarily attributable to the good performance of the Tax Refund activity as well and foreign exchange activity.
The Parking area reported a growth in revenues of Euro 2,134 thousand (+7.4%). Malpensa and Linate reported an increase in overall revenues due to commercial activities, dedicated to the B2B and B2C markets, despite the penalising impact of the Metro line 4 construction site. The performance of parking management was also positive at Bergamo Orio al Serio airport, mainly due to the increase in online sales.

Operating costs

Overall the operating costs of the ***Commercial Aviation*** business rose from Euro 196,513 thousand in 2016 to Euro 206,174 thousand in 2017, with an increase totalling Euro 9,661 thousand (+4.9%).
The Personnel Cost increased Euro 8,934 thousand (+10.2%) both due to the effect of hiring related to the expansion of security related activities, and for increases in remuneration connected to the Collective National Labour Contract, as well as amounts regarding costs for layoff benefits of personnel totalling Euro 5,800 thousand.

Consumable materials decreased Euro 2,037 thousand (-15.5%). This change is mainly explained by the lower cost of methane totalling Euro 3,022 thousand (the significant benefit resulting from lower purchase prices is partly offset by the higher volumes purchased) against the higher consumption of de-icing and anti-icing chemical products for Euro 695 thousand and higher purchases of fuel for Euro 254 thousand.

The other operating costs increased Euro 2,764 thousand (+2.9%) due to the growth of costs directly connected to the increase in volumes, such as contributions for the development of traffic and fees paid to the State for the higher traffic generated by the airport system, against a reduction of costs connected in particular to professional services and maintenance.

EBITDA and EBIT

Due to the above dynamics, EBITDA reached Euro 114,836 thousand for 2017 (Euro 101,977 thousand in 2016) and reported an increase compared to the previous year of Euro 12,859 thousand, equal to 12.6%.
Amortisation, depreciation and provisions net of the restoration provision, provision for risks and charges and doubtful debt provision, are higher than the previous year for a total of Euro 6,866 thousand.
Consequently, EBIT for the Commercial Aviation business totals Euro 73,357 thousand, for a growth of Euro 5,993 thousand (+8.9%) compared to the previous year.

Other information

Development of the retail area

The marketing approach remained consistent during H1 2017 aimed at meeting the evolution of demand, in part in relation to the strong traffic growth generated at Malpensa by low cost carriers.
Specifically, for the Fast fashion segment completion of the Piazza del Pop continues at Malpensa Terminal 1 with the new layout in the Schengen area and expansion of the retail offer. The gourmet food offer has been enhanced at the same time, including the new Cioccolati Italiani store format. In general the healthy food proposal present both at Terminal 2 with Deli&Cia and at Linate with Sweet & Bagel Factory, continues to meet with much success, as well as the significant formats for the target business (Ferrari spazio Bollicine).
The good performance of the ViaMilano Parking system is supported by initiatives to fight off-airport competitors, based on revenue management policies, in a context characterised by an increase in the offer of airport access vehicles (in particular the connection between Malpensa Terminal 2 and Milan).
The positive trend of the e-commerce channel was confirmed, backed by specific marketing campaigns above all for the B2C channel.
In the B2B area the ViaMilano Parking powered by Parking platform was launched, exploiting the channel created to market the official car parks of Italian airports.
The new environment functionalities dedicated to Travel Agents and Participating Companies were promoted through ad hoc trade campaigns, participation at events and road shows.

Bilateral Agreements

Negotiations were held with the Russian aviation authorities in May 2017 for the purposes of signing a new agreement which entails an increase in the frequencies of flights for Moscow and other destinations, introduction of a codesharing system and increase in frequencies on transiberian flights and destination spots.
A bilateral agreement with Australia was revised in June 2017. It entails the option, not previously included, to make all-cargo flights, as well as a partial deregularisation of operating capacity with codesharing flights via third party countries.

Self Bag Drop

The pilot phase of the project has been completed at the two Malpensa terminals, a procedure is currently being defined to adopt Self Service bag drop technology in the near future. The adoption of two parallel business models (technology and equipment supplied by the carrier and creation of a common technological island) is planned to meet the various needs expressed by the airlines. Adoption of the same technology for Linate is under consideration.

Intermodal transport

In an attempt to expand Malpensa's catchment area leveraging on the intermodal offer present, SEA is promoting the development of trade agreements with road transport companies, airlines and distribution platforms. Specifically schedules and frequencies have been defined for bus services for airport arrivals and departures. The evolution of the project includes the creation of a platform that can be used for integrated booking of the two transport means.

Development of the destination and Co-Marketing activities

Destination development initiatives that have been undertaken are aimed at increasing the international visibility of the Milan airports and also the Milan/Lombardy destination. For this purpose, work has been carried out in collaboration with institutions including MIBACT, MISE, Federturismo, Assolombarda, Chamber of Commerce, Municipality of Milan, Region of Lombardy, etc. The main activities performed are summarised below:

- City2City projects developed: Milan2Stocholm, Milan2Nanchino, Milan2Southend, Milan2Mosca;
- Attendance at major tourism trade shows: ITB Shangai, World Travel Market-Londra, Borsa del Turismo-Milano;
- Activation of Milan's candidacy at World Routes 2020;
- Request to participate in the "Joint Promotion Platform" EU project to finance tourism promotion activity.

Various events were created in H1 2017 to support the airlines to promote new routes or new services that they offer. These include those organised for the presentation of the Dreamliner Air France/KLM, for launch of the new airline Ernest Airlines, for Neos' entrance in the Chinese market and for the new Albastar airplane and Singapore Airlines' new A350. All of the co-marketing activities continued through the use of social media such as Newsletters and banners.

General Aviation

Revenues

The revenues of the General Aviation business total Euro 6,141 thousand, with a decrease of Euro 226 thousand (-3.5%) compared to Euro 6,367 thousand the previous year, that included Euro 1,274 thousand of non-recurring revenues.
On a like-for-like basis (thus excluding the non-recurring revenues in 2016 of the company Signature Flight Support Italy Srl – previously Prime AviationServices) revenues in 2017 would have increased Euro 1,048 thousand.
This phenomenon is mainly due to higher commercial revenues, including rental of the new hangar at Linate and start of operation of the parking system outside the Linate terminal, as well as more follow-me and airplane movement, which more than offset the lower revenues from regulated activities resulting from the drop in traffic.

Operating costs

Operating costs decreased Euro 621 thousand. On a like-for-like basis, i.e. without considering the 2016 costs of the company Signature Flight Support Italy Srl, they would have increased Euro 517 thousand (+24.9%). This increase is primarily due to charging back of security costs for SEA's handling of the general aviation departures.

EBITDA and EBIT

EBITDA totals Euro 3,552 thousand and grew Euro 395 thousand (+12.5%) compared to the previous year (+ Euro 531 thousand, +17.6% on a like-for-like basis). EBIT rose Euro 463 thousand (+19.8%) due to the phenomena described above.

Energy

Figures

In the first half of 2017 the production of electricity for sale increased 11.5% (+ 18,8 million kWh) compared to the same period of 2016 to 182.8 million kWh, of which around 54% allocated to serve the needs of the airports managed by the SEA Group.
The production of electricity held for sale at the Electricity Exchange (Borsa Elettrica) increased 27.4% on the first half of 2016. This increase was determined by the increase of the National Single Price (PUN) whose performance in H1 2017 was at higher levels than those of 2016 and made it advantageous to produce electricity in excess of the Group's needs.
The production of electricity held for sale under bilateral contracts decreased 3.3% (-0.5 million kWh) compared to H1 2016 to 13.3 million kWh.
In the period under review, the sales of electricity to third parties totalled 84.4 million kWh and increased 21.1% on the same period of 2016 (+14.7 million kWh).
In the first six months of 2017 electricity production increased by 10.7% on the same period of 2016 (+19.8 million kWh) to 205.1 million kWh, of which approx. 71% serving the needs of Linate and Malpensa airports. This increase in production was due to the consolida-

tion of supplies of civil users within the vicinity of Linate airport via interconnection to Milan's district heating network.
The revenues and costs commented on below refer to the Energy business related to the sale of electricity and heat to third parties.

Revenues

The Energy business reported consolidated net revenues for Euro 7,785 thousand in 2017 (Euro 7,239 thousand in 2016), for an increase of Euro 546 thousand (+7.5%).
This growth is primarily due to the good performance of electricity and thermal energy sales and favourable market prices which thanks to the higher volumes sold, more than offset the lack of revenues from environmental certificates. The year 2016 was the last year to benefit from the 8-year incentive period.

Operating costs

Operating costs total Euro 7,420 thousand and dropped compared to the previous year (Euro 7,501 thousand in 2016, -1.1%), despite the greater quantity of gas purchased to handle higher energy sales. Against the greater quantity of gas purchased the half year in question benefited for lower unit costs due to renegotiation of the supply contract.

EBITDA and EBIT

Due to the above dynamics, EBITDA reported an increase compared to the previous year totalling Euro 626 thousand, rising from a negative value of Euro 262 thousand in 2016 to a positive value of Euro 364 thousand in 2017.

EBIT improved compared to the previous year by Euro 361 thousand reaching a negative value of Euro 81 thousand, due to the effect of provisions to the Provision for risks and charges related to potential charges regarding an audit by GSE on the white certificates recognised for the district heating production of the Linate plant.

Emission trading

In accordance with European Directive 2003/87/EC, from January 1, 2005, plant operators which emit CO2 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 CO2 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.
In H1 2017 the Group's total production of CO2 totalled around 99,400 tons, of which around 63,500 tons generated by the Malpensa plant and more than 35,900 tons produced by the Linate plant.

Request for SEA Energia qualification as Existing Equivalent User Efficient System (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 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.
In May 2017 the company received notice from GSE that its application had been granted and thus it had obtained the qualification.

It should be noted that with the conversion of the so-called "Milleproroghe decree" the government decided to defer application of system charges to January 1, 2018. The Half-Year Report contains the positive effects from the application of the new Decree for Euro 1,298 thousand, related to amounts allocated in 2015 and 2016.

RISK MANAGEMENT FRAMEWORK

The SEA Group focuses greatly upon the correct management of the risks related to corporate activities. For this purpose it has adopted processes and procedures aimed at monitoring and mitigating potential risks, to ensure airport safety and the quality of offered services, protect property, plant and equipment and intangible assets of interest to the stakeholders and guarantee the long term creation of value.

To better support and integrate existing systems, in 2016 the SEA Group started an Enterprise Risk Management (ERM) project specifically aimed at creating a model for the identification, classification, measurement and uniform and transversal assessment of risks related to performance of company activities, as well as continuous monitoring of such risks, to back the strategic and decisional choices of management and assurance for the reference stakeholders.

A SEA risk model was defined in 2016 and a first risk assessment was performed with the involvement of company management. This assessment was completed with the identification and assessment of the main company risks and existing risk management systems as well as the consequent positioning of single identified risks on the Group's heat map which represents the risk scenarios on two axes equal to the severity (probability of occurrence by impact) and maturity of the risk management system.

Based on the position of such risks on the map, some top priority risks have been identified for further study, identifying precise mitigation and monitoring actions through the involvement of specific competences within the organisation. Each risk is described on a chart that contains the assessment in terms of Probability of occurrence, Impact and Maturity of the existing management system, as well as any actions to take/set up by the Company in order to decrease the probability and/or impact and to improve the individual components of the management system.
The frequency of assessments, further studies and monitoring of the mitigation actions, will allow the Company to monitor the evolution of the positioning of risks on the heat map, i.e. to identify changes in the exposure to perceived risk and contributing to the promptness of preventive actions.

SEA Group risk factors

The risks the SEA Group is exposed to can be classified in four macro categories: external context risks, operating and business risks, financial risks and legal and compliance risks.
Risks that may have particularly significant effects on the SEA Group's performance are described below. For some specific risks, see the specific section in the document.

External context risks

The SEA Group performs its airport management activity under a regulated system, however the Group's financial results are greatly influenced by socio-political, macroeconomic and competition dynamics on a worldwide basis.

Air traffic evolution

The performance of the airport sector is strongly influenced by the overall volume growth of air traffic, which in turn is related to a number of factors such as, for example, the performance of the economy. The changes in worldwide, European and national GDP, forecasts on oil prices and any shocks resulting from unpredictable events can significantly affect air traffic and thus the Group's earnings.
In this framework the United Kingdom's departure from Europe (Brexit) is of current relevance. If they chose the so-called Hard Brexit model, it will result in a redistribution of the flights among the Group's airports which overall could cause problems considering the reduction in UK traffic demand and limitations placed on English airlines on EU routes and EU airlines on the UK-Milan routes.

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. The possible decrease or interruption of flights by one or more airlines,

operating at airports managed by the SEA Group, could result in a decrease in such traffic, with consequent negative effect on the Group's activities and economic results.

In this context, the Alitalia situation could lead to a reduction of flights at the airports managed by SEA.
Despite this, SEA believes it can 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 these results.

Evolution of the regulatory and normative framework

SEA Group activities, as is the case for all Italian Airport Operators, 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 services offered (airport fees, security control fees, fees for the use of common use assets and centralised infrastructure for handling services). Any changes in the regulatory framework could have an impact on the Group's results.

Competition

The strategic decisions of other operators, which represent an alternative to air transport, if not consistently coordinated in a wider vision of connectivity, may represent a threat to the domestic development of traffic at Milan airports.

Specifically, the technological development of fast and alternative rail travel has made it possible to reduce the time to travel from Milan to Rome and Naples and has made it easier to reach even farther destinations. An increase in the frequency of high speed trains along these routes could lead to a reduction of air traffic at 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 safety of passengers and employees is of prime importance for the Group which focuses greatly on it in its operating and management activities.
In order to monitor, mitigate and identify action plans in the event of an emergency the existing Safety Management System has continued its activity, reinforcing and further 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 compliance, the construction 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.

The SEA Group has adequate insurance to mitigate the impacts that these events could have if they occur.

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 (i.e. lightening) and/or short circuits due to overloads could cause a blackout with consequent shutdown of IT systems (shutdown of displays and delayed departures).
Company procedures have been set up to best manage these events. Risk transfer action plans have been activated where possible, 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 body of procedures, including in compliance with model 231 which the Group has adopted, the Ethics Code now the Code of Conduction, the internal training and education regarding these subjects, along with the talent development plan and continuous cooperation and dialogue with trade union representatives promotes a company context which minimises risks related to the management of human resources.

Supplier reliability

Bankruptcy or operating difficulties of single suppliers or those that are difficult to replace, could have an impact on the Group in operating and 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 section 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 incidence 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 section 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.

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.

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 described at length in the 2016 Annual Report, in the context of a formal "alternative execution" project of the decision, without prejudice to any reserves and disputes related to the alleged unlawfulness of the decision, SEA has undertaken - within the framework of discussions between the Italian authorities and the European Commission - a series of actions including (i) the liquidation and definitive exit from the SEA Handling market, (ii) the establishment of Airport Handling in order to continue to offer ground assistance services in a context of total competition conditions with the other handling companies and in a system of complete economic discontinuation from SEA Handling, (iii) the assignment of the entire investment in the share capital of Airport Handling to a trust called "Milan Airport Handling Trust", in order to exclude any type of control by SEA over Airport Handling and the continuation between SEA Handling and the same Airport Handling, (iv) sale of 30% of the shares in Airport Handling to a third party operator with the option, at certain conditions, to be 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.

After 4 years from the submission of these appeals against the decision of the European Commission and with the written phase of the challenge long over, the European Union Court:

- ordered, with the approval of the appealing parties, a combination of the cases filed by SEA Handling (with the intervention of SEA), Italian Government and the Municipality of Milan;
- notification to the appealing parties of the establishment of a hearing on the merits for July 14, 2017;
- ordered that the issue, due to its importance, be referred to an expanded board (5 judges against 3 members).

However, in the meantime the liquidation of SEA Handling was completed since it had sold all remaining assets and settled all asset and liability positions, following the approval of the final liquidation financial statements by the shareholders' meeting on July 10, 2017, the company filed to be cancelled from the Company Register.

The liquidation and cancellation of SEA Handling - as also requested by the European Commission within the framework of the settlement procedure described above - is a necessary element to that, based on EU law, in this specific case the procedure for recovering the claimed received aim can be validly settled, including in the absence of a complete reimbursement of such aid.

Based on the modified de facto and legal situations related to SEA Handling, the European Union Court, upon request from the European Commission and same SEA

Handling, is now asked to assess the effects of the cancellation of SEA Handling for the various pending appeals (which although still combined maintain their individual nature) and if, even without any acquiescence, a substantial termination of the issue can be considered. It should be noted that the hearing set for July 14, 2017 has been cancelled for now without setting a new hearing, with the prospect that the Court will rule that it ascertains the termination of the dispute and thus, declares the cancellation of the case brought by SEA Handling.

In light of the above, in keeping with the policy adopted in previous annual reports and interim reports, a decision was made not to report any receivables due from SEA Handling in the SEA financial statements in reference to SEA Handling's obligation of complete reimbursement to SEA of the alleged State Aid and/or reporting of the entire receivable for reimbursement of the State Aid by SEA. Indeed, aside from any assessment on the merits of whether the sums in question are due (also because the possible settlement of the appeals for discontinuation of the matter in issue is not related to the objections raised by the parties against the European Commission decision), it should be noted that the payment of the liquidation surplus included in the approved distribution plan, along with the final liquidation financial statements, by the shareholders' meeting of July 10, 2017, is in favour of SEA, the sole shareholder of the company in liquidation.

(b) Proceeding related to the start of the European Commission investigation of July 9, 2014

On July 9, 2014 the European Commission decided to commence - in relation to the powers conferred to them concerning State Aid – a formal investigation, in order to best appreciate some aspects concerning the economic discontinuation between SEA Handling and Airport Handling and the possible occurrence of (further) presumed State Aid in the capitalisation of the new company by SEA.

With the decision of July 5, 2016, transmitted to SEA by the Ministry of Transportation on July 19, 2016, the European Commission completed the investigation proceeding started in relation to the establishment and capitalisation of the company Airport Handling S.p.A: finding: (i) the absence of economic continuance between SEA Handling S.p.A. and Airport Handling S.p.A., (ii) the absence of transfer of the obligation to reimburse the State Aid incompatible with Airport Handling S.p.A. as well as (iii) the non-existence of State Aid in the establishment and capitalisation of the aforesaid company.

In the meantime the transfer process of SEA's control of Airport Handling 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 signed with dnata, a major international company of the Emirates Group active in the airport handling sector, a binding agreement for the transfer of 30% of the Airport Handling shares, and a similar percentage of FIPs held by SEA in Airport Handling, with attribution to dnata at the closing of the majority of the board of directors' members and therefore the governance of Airport Handling;
- the agreement also includes an option for dnata for the purchase, if certain conditions are met, of any additional 40% of the shares (call option) and a corresponding stake of FIPs. The positive decision of the European Commission compared to the July 2014 investigation means that dnata can no longer exercise the put option envisaged in the event of an unfavorable decision;
- the closing of the operation occurred on March 23, 2016, after the decision of the Anti-trust Authority which did not consider the establishment or reinforcement of a dominant position on the market that could substantially or in the long-term eliminate or reduce competition in the sense of article 6, paragraph 1 of Law no. 287/90. Following this the amount of other financial assets under SEA, part of the planned transfer, were reclassified as "current";
- dnata's investment in Airport Handling brings the measurement of the company to Euro 25 million, an amount which confirms the assets reported in the financial statements. The transaction, against the transfer of the first 30%, entailed the payment of Euro 7.5 million by dnata, a restricted sum to guarantee dnata for a set time, and entails an additional payment of Euro 10 million for purchase of the additional 40% stake (amounts to divide proportionally between shares and FIPs held respectively by the Trustee and SEA).

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 company (for the residual holding) and which are considered realisable.

Risk connected with the Extraordinary Administration Procedure of Alitalia SAI S.p.A, pursuant to article 2, paragraph 2 of the Italian Decree-Law no. 347/2003

A decree for the Italian Ministry for Economic Development of May 2, 2017 declared the opening of the extraordinary administration procedure of Alitalia SAI S.p.A., pursuant to article 2, paragraph 2, of the Italian Decree-Law no. 347/2003 ("Alitalia in Extraordinary Administration 2017" Procedure or "Alitalia Procedure").

Status of the Procedure

Petitions for proof of bankruptcy - general rules

The petitions for proof of bankruptcy as per article 93 of the Bankruptcy Law of the Alitalia in Extraordinary Administration 2017 Procedure must be submitted by all Alitalia creditors: workers, suppliers and anyone who has a receivable due from Alitalia due before the date of May 2, 2017.

The petitions for proof of bankruptcy of the Alitalia in Extraordinary Administration 2017 Procedure must contain the requirements as per article 93 of the Bankruptcy Law and must regard receivables "under administration" due before the date of May 2, 2017.

Preferential creditors will indicate the type of preference they have on the application, the reference law and any assets on which the preference must be exercised. Recognition of the preference entails a preference in the percentage and the order of payments of receivables eligible as liabilities.

If the preference is not indicated or recognised, the receivable will be classified as an unsecured liability, thus it will be paid proportionally to the eligible receivable and based on the residual assets.

Receivables due after May 2, 2017 will be paid before the 2017 Extraordinary Administration Procedure.

Appeals as per article 111 bis of the Bankruptcy Law should only be made if the receivable is determined ineligible or there is a dispute over the qualification or recognition of preference by the Procedure.

Ongoing disputes

All ongoing disputes at the date of the Procedure Opening where Alitalia is a Party will be declared suspended as per article 43 of the Bankruptcy Law and therefore, may be resumed within 90 days from May 2, 2017.

Contracts in progress

All contracts which have not been performed or not completely performed by the parties at the time the 2017 Extraordinary Administration Alitalia Procedure is opened will continue, but the extraordinary receivers ("Receivers") may terminate contracts not considered necessary. Until the right to terminate has been exercised, the contract in progress will continue to be performed.

After execution of the Alitalia Procedure programme has been authorised, the contractor may write the Receivers to ask to learn their determinations regarding the contract within thirty days from receipt of the letter; if such period elapses with no response, the contract shall be considered terminated.

In the event of termination or take over by the Receivers of the contracts in progress on the date the 2017 Extraordinary Administration Alitalia Procedure is opened (May 2, 2017), the rights of the other contractor are governed by the provisions of section IV, part III of title II of the Bankruptcy Law.

The SEA Group has receivables occurring prior to the date of May 2, 2017 ("Previous Receivables") for Euro 31,413,371.24 for the provision of services for: i) fees for arrival, departure, parking and storage of aircraft; ii) landing and take-off taxes for air cargo; iii) passenger fees; iv) payments for services and security control; v) surtaxes and fees; vi) payments for spaces and parking; vii) various payments.

Airport fees totalling Euro 21,836,033.94 euro due to SEA for the provision of services performed for Alitalia are part of the category of preferential receivables as per article 1023 of Royal Decree no. 327 of March 30, 1942 as amended (Navigation Code) based on which all airport fees benefit from preference on the airplane. SEA therefore shall prepare the petition for proof of bankruptcy, indicating its total receivables and specifying the preferential receivables (airport fees).

Specifically, with reference to Previous Receivables,

a) if the Receivers take over (which must be expressly declared), the Company, including based on legal advice that SEA has obtained, believes that it must be completely paid according to article 74 of the Bankruptcy Law and therefore considering them equivalent to Current Receivables;
b) if the Receivers do not take over the settlement rules will be followed, for which SEA can request recognition of special asset preference as per article 1023 of the Navigation Code with reference to preferential receivables.

It should also be noted that the receivables occurring after May 2, 2017 and until June 30, 2017 have been paid to date, with the exception of the amount of Euro 513,362, in relation to which an analysis is in progress between the parties and the amount of Euro 1,804,346 for surtaxes not paid. During July 2017 Alitalia notified the Italian Airport Operators' Association of the payment plan for airport operators located within Italy. For this agreement, Alitalia has established the payment for airport fees, handling and other services for the period between June 1, 2017 and September 15, 2017.

However, in terms of the measurement of the receivables, it should be considered that currently no breaches or failure to pay by Alitalia have been reported in terms of Current Receivables, which are paid first and secured by preference and, based on the overall conduct and comments made by the Receivers, elements do not exist that lead to believe that they will not declare, once the Receivers' Programme is approved, to take over the contracts in progress with SEA, a decision on which the treatment of the Previous Receivables depends, a significant part of which is secured by special preference.

As it stands, taking into account the uncertainties connected with (i) the fact that the Receivers' Programme has not been approved yet and the procedures for implementing it are not known (ii) the Receivers have not yet stated that they will take over the contracts in progress with SEA with consequent making Previous Receivables equal to Current Receivables, the company believes, currently and based on currently available information, to have assessed the current uncertainty and risk profiles in the broadest contest of an overall assessment of trade receivables and will update the estimates when more complete information is obtained including while waiting for the aforesaid events.
The public information on Alitalia's economic and financial context, does not make it possible to exclude that losses, including significant, may emerge in relation to the reported receivables.

MAIN DISPUTES PENDING AT JUNE 30, 2017

Update on the litigation for alleged abuse in the ATA acquisition procedure

On December 20, 2013 AGCM started the Procedure following the claim by Cedicor Sociedad Anonima ("CEDICOR"), claiming that SEA had taken advantage of its dominant position in violation of article 102 of the Treaty of the Functioning of the European Union ("TFEU") for the call for tenders procedure for the disposal of ATA Ali Trasporti Aerei SpA (now SEA Prime SpA). On April 2, 2015 AGCM closing the Procedure, confirmed the claim against SEA, issuing a pecuniary fine for the amount of Euro 3,365,000. Despite paying the fine, SEA filed an appeal against this Provision at the Regional Administrative Court ("TAR"). The above-stated appeal cites the legitimacy and correctness of the Provision.

With judgement no. 1188 of January 23, 2017 the Lazio Regional Administrative Court partly granted SEA's appeal, cancelling the Provision in the part that determines the fine and asking the Authority to recalculate the fine based on the new parameters indicated by the judge. The Authority recalculated the fine with a provision on April 27, 2017, establishing the total new amount as Euro 936,320.

SEA, on July 8, 2015, while the proceeding was pending before the court, had paid the entire fine, as well as Euro 2,535.27 for interest on arrears and thus requested the Authority, on May 9, 2017, to repay what had been incorrectly paid totalling Euro 2,428,680 euro, in addition to repayment of a portion of the interest which - having been calculated on the principal recalculated by the Court, has to date been paid in excess. SEA also requested payment of legal interest, matured on the paid amount. On May 30, 2017, the Authority confirmed the recalculation of the fine as Euro 936,320 and the notice to the Ministry of the Economy and Finance, approval of the repayment of the total sum of Euro 2,430,343 (of which Euro 2,428,680 as fine and Euro 1,663 as interest on arrears). The company is now waiting to collect these sums.

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 hand 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 closings in terms of 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.

Litigation undertaken by SEA against the Customs Agency - 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

1. 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 judgement 3406/2015 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.

2. 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 hearing for establishing the conclusions is scheduled for December 5, 2017.

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 this Directors' Report.
The Cassation Court, with ruling no. 27074/16 returned it to the Constitutional Court for examination of the constitutionality of this law.

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. The audit was closed in May 2017 with a proposal for settlement and payment of the amount of Euro 75 thousand to the Italian Tax Authority.

Report of the Energy Services Operator following auditing of the green certificates 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 certificates 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, however returning the green certificates requested by the authority in May 2017.

Audit by energy services operator on the assignment of white certificates for the 2012/2015 period

An audit is currently underway by the Energy Services Operator related to white certificates assigned for the 2012 – 2015 period. GSE has assessed that the thermal-cooling energy used for some internal services are not covered by incentives; consequently a future charges provision was reported for Euro 200 thousand, since these certificates were already collected on June 30, 2017.

OTHER INFORMATION

Customer care

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

The 2017 punctuality figures available (latest update January- May 2017) indicate a slight decrease in performance compared to the same period of the previous year. The European average of arriving and departing punctual flights was 81% and 80% respectively, 2 percentage points lower than the same period last year.
Linate, with around 87% of punctual departures confirmed, along with Naples airport, the top punctuality obtained last year, among the airports in this classification. Malpensa, with around 84% punctual departures, decreased slightly compared to last year's values (86% in 2016), but maintains punctuality values higher than the European average and airports of similar dimensions (including Düsseldorf, Manchester and Dublin). This number is significantly better than the major Hubs and larger airports, such as Amsterdam, Zurich, Munich, London Heathrow and Rome Fiumicino.
At Malpensa, passenger flights departing punctuality for the first half of the year improved 3.2% to 84.4% (85% in 2016). The analysis by Terminal also highlights a similar performance: Terminal 1 reported departing punctuality of 84.3% (+3.3%), with Terminal 2 reporting 84.6% (+3.0%).

The figures reported for lost bags updated to May is as follows:
Malpensa Terminal 1 = 1.99 lost bags/1,000 departed passengers;
Malpensa Terminal 2 = 0.34 lost bags/1,000 departed passengers.

The performance related to baggage delivery times, to comply with in 90% of cases, is at a value higher than that stated in the Services Charter at Terminal 1 the delivery of the first bag within the required standard (23 minutes) was achieved for 96.2% of flights, while the delivery of the last bag within 36 minutes was achieved for 95.1%; at Terminal 2 the delivery of the first bag within the required standard (26 minutes) was achieved for 97.7% of flights, while the delivery of the last bag within 37 minutes was achieved for 99.4%.

The hand baggage security screening waiting times were comfortably within the values of the Regulatory Agreement: the weighted time between T1 and T2 is 6 minutes and 56 seconds less than the 2017 Regulatory Agreement which states 7 minutes and 50 seconds.
The values are as follows for the single terminals:
- Terminal 1: 7'41" vs 7'00";
- Terminal 2: 5'32" vs 8'00".

At Linate, passenger flight punctuality on departures in the first half was 88.2%. The capacity to recover arriving delays was 0.2 points.
The delivery of the first bag within the required standards, 17 minutes, was achieved for 93.9% of flights, while the delivery of the last bag within 24 minutes was achieved for 95.9% of flights.
The figures for the number of lost bags updated to May are: 1.4 lost bags/1,000 departed passengers.
In relation to hand baggage screening waiting times, the numbers for the first six months totals 90% of cases at 7'50" (7'30" is the value stated in the Regulatory Agreement and in the 2017 Services Charter).

Overall passenger satisfaction

The perceived quality perception of passengers, Customer Satisfaction with the services provided at the SEA managed airports continues to be assessed through CAPI (Computer Assisted Personal Interview) by a leading Market Research Institute. SEA has been using the CSI value ([1]ASCI model - American Customer Satisfaction Index) since 2014 as an overall satisfaction index. It is a benchmark parameter at industrial sector and single company level, used on an international level and has been confirmed as an excellent monitoring and assessment tool for passenger opinions.
The values of the CSI Customer Satisfaction index of H1 2017 are shown below measured at various terminals and compared with the percentage trends compared to H1 2016:

CSI

	2017	% 2016
Malpensa Terminal 1	75.2	+ 0.7 %
Malpensa Terminal 2	72.6	+ 1.5 %
Linate	66.8	- 4.5 %

[2] *The index is measured on a scale of 0 - 100, with 75 representing excellence and 60 indicating an adequate assessment.*

The negative results, particularly at Linate, are due to the construction sites which involved the security filters at the beginning of the year, with additional problems due to the changing characteristics of the customers who use Linate airport, composed of many business travelers and frequent users, normally more sensitive to quality issues. The instant feedback system introduced two years ago, which continuously measures customer satisfaction through emoticons, continues to be used at the two airports.

Perceived quality: satisfaction expressed by passengers and the positioning of our airports internationally

Again in the first half of 2017, SEA along with over 300 airports globally and over 90 in Europe participated in the ACI ASQ (Airport Service Quality) survey programme. The programme is based on the results of interviews with departing passengers at the participating airports. A common questionnaire is used for all airports, enabling a uniform benchmark in terms of satisfaction expressed for the services received at the various airports throughout the world and the identification of excellence and Best Practice – of which SEA is increasingly cognisant in order to introduce new services and improve the passenger travel experience at the Milan airports.
In 2017 (based on figures available in the 1st quarter) passengers transiting in Malpensa Terminal 1 confirmed what was expressed in the last two quarters of 2016, positively evaluating both the new services and the renovated areas of the terminal.
In the European context Malpensa Terminal 1 stands out for the popularity of its commercial offer better than the European average, and the environment which met with higher success than reference benchmarks.
Even at Linate the environment where the passengers move significantly impacts traveller satisfaction; the evaluations are still much lower than the Benchmark; the works planned at Linate starting in July 2017 are expected to positively influence the opinions of passengers.

The Quality of Airport Services at SEA in its normative dimension and certified management

Services Charter

The 2017 edition of the Services Charter was prepared and published in compliance with the new indications of GEN-06 and GEN-02A. The following documents were prepared and approved by ENAC:

- Table of 62 indicators with the values set for the goals for 2016, results achieved in 2015 and the proposal for 2017 goals.
- 2017 Services Charter: the document is available online on the website and in printed version at info points.

ISO 27001

The certification process based on the ISO 27001 standard (process data security) has started, beginning from the areas linked to the recent airport certification, obtained according to the new European requirements defined by ECAC 139, i.e. related to aviation data published by the Operator. This first phase will be the basis for expanding this certification to other areas of company interest regarding certification of process data management.

Relations with customers and the development of B2C services

Dedicated services: Family Friendly Airport

SEA's initiative focused on travelling families successfully continued and was consolidated.
The Family Lane is in operation as of this year at all three Terminals including Linate. SEA, with the aim of offering passengers travelling with children under 12 a Family Friendly airport has reproposed some services, including:

- priority security passage through a "Family lane";
- distribution of brochures describing useful airport procedures and services;
- Games area with videos and interactive flooring;
- Pet Therapy: after the positive experience in December 2016, this service will be scheduled on certain days from July until December.

Information screen system

In terms of the information screen service installed in December 2013 where Customer Care operators can help passengers at Malpensa T1 and T2 and Linate airports, there has been a 9% increase in the use of the system by passengers during the period between January and June 2017 compared to H1 2016.

The SEA Group Sustainable Development Policy

Strategy

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 Corporate Social Responsibility department was created in order to introduce and consolidate an increasingly integrated management of relations with stakeholders in the business options. Projects and initiatives are shared on an ongoing basis with top management through the Sustainability Committee, which handles the conceptual and decision-making governance in relation to sustainable development.

The economic dimension

An update (with reference to 2016) of the economic footprint generated by Malpensa airport was created in H1 2017 in collaboration with the University of Castellanza. The study showed how the economic activities counted within the area rose from 482 in 2014 to 546 at the end of 2016. Moreover direct employment activated by the airport rose from 16,800 to 18,800 employees, while the operating revenue increased from Euro 3,173 to 3,660 million.

A study was also started dedicated to measurement of the catalytic impact of the airport, aimed at highlighting the roles performed by the airport to the benefit of the Lombard and Northern Italy production system in terms of export capacity, attractiveness of production investments, increase in the number of tourists and productivity.

The "Social" dimension

The second edition of "The Social Challenge" project ended in the first quarter of 2017. 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, involving them in the identification and selection of social projects designed by non-profit organizations operating in the provinces of Milan and Varese, to which SEA provides 7 contributions of 10,000 euro each. 87 projects were submitted for the second edition, 75 were admitted to the evaluation phase. The short list of 24 finalist projects was voted on by referendum on the company intranet.

SEA obtained the Family Audit certification in February 2017, issued by the Autonomous Province of Trento. Family Audit is a managerial tool adopted voluntarily by organisations on the issue of work-life balance, with the aim of introducing innovative organisational solutions for flextime, smart working and a culture of reconciliation.

Management of relations with the stakeholders

The stakeholder engagement phase ended in April 2017 on the Malpensa Master Plan guidelines. During the 18 months of the project SEA started various education, dialogue and discussion initiatives. Specifically 500 copies of a printed booklet on the Master Plan guidelines were distributed; 6 in-depth workshops were created on various project aspects, 5 public meetings promoted by the Municipalities of CUV and 5 closed-door technical meetings; lastly an online platform was activated, acting as a repository for the documentation regarding the workshops and meetings and acquisition of stakeholder comments.

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 CO_2 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 and energy 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, in 2012 and in May 2015 for the subsequent three-year period.
SEA passed the TUV Italia audit in July 2017 thus maintaining the certification.

Airport Carbon Accreditation and Carbon Neutrality of the Milan airports

The SEA Group in relation to $C0_2$ 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[3]).
The SEA classification in the Airport Carbon Accreditation context at “Neutrality” level was confirmed (2017 renewal).
The **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 requirements regarding 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.

The European project

The involvement of the company in the international research and innovation project environment was confirmed in H1 2017, principally focused on environmental and safety/security issues. The main projects undertaken included:

- The recently concluded DREAM project, focused on the issue of energy, principally involving Malpensa and was undertaken to optimise consumption and to involve the various sources, including also, naturally, SEA Energia.
- WATERNOMICS project, aimed at optimising the water cycle at Linate airport and recently completed.
- OCTAVE project launched in June 2015, which focuses on security processes related to biometric recognition (voice) in close collaboration with FUB (Rome). The activities proceeded as per the programme in 2017.

Activities were started in H1 2017 to take part in the following new projects:

- TRANSFORMING TRANSPORT, project which had its Kick Off Meeting in Madrid during H1 2017.
- DS-08 proposal, related to cyber security and safety and environmental implications.
- TALOS focusing on safety/security issued of the future (with the Fondazione Politecnico of Milan).
- THESEUS, related to an innovative risk-based model to minimise vulnerability and for a new management procedure for safety/security controls (with the Fondazione Politecnico of Milan).
- In-depth studies have been undertaken to prepare two new proposals regarding the issues of territorial involvement and management of an environmentally friendly approach in cargo management and transport processes.

[3] 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.

Human Resources Management

Workforce

At June 30, 2017, SEA Group employees (HDC) numbered 2,805, decreasing 61 on the end of 2016 (-2.1%). The number of Full Time Equivalent during the H1 totalled 2,758, 43 less than H1 2016.

Females at the SEA Group represent 29% of the Headcount at June 30, 2017, equally distributed across classifications.

Organisation

For the purposes of continual improvement, optimisation interventions have been undertaken for the Group's Steering Process, in order for Management to promote a coordination action of processes and relative monitoring.

In keeping with the Business Plan and to support its objectives, SEA has started a Business Process Innovation project, continuing the programme of operating excellence already undertaken in previous years; A Europrivacy project has also been started in order to define effective and timely actions to adapt to the introductions planned in 2018 based on the European Privacy Regulation.

Development and training

The editions of the "Value of Security" project, aimed at Security professional figures, were resumed in the early months of 2017. The main objectives of this intervention are to improve control of the figure and the relationship with the customer in complete observance of compliance. The initiative made it possible to increase the awareness of the value of the profession and a better ability for teamwork. The programme involved 500 Employees for a total of more than 2,800 hours.

For the Smart in Everyday Action, SEA project, launched in 2016, the "Daily excellence" training programme was carried out during the first quarter of the year. It was aimed at supporting human resource and project managers in daily management of work activities through discussion and sharing, times of integration and development of core competences to improve managerial efficiency. The 2017 intervention involved around 80 people for a total of over 1,000 hours.

The "Effective and Inclusive Leadership" programme was started in the second quarter of 2017 which resumed part of the work started on female leadership, involving both men and women in order to work together to find a new inclusive managerial style.

The first phase of the intervention was dedicated to a group of around 50 employees, it was conceived with the intent of developing and promoting a culture of interaction between genders, making it possible to work on new ways of acting on leadership and reinforce development programmes, thanks to a contribution from outside partners.

The "Look Up" training programme was started in May, aimed at the population of young professionals at SEA. The project was created from a desire to expand the innovative potential of the youngest employees to help them to integrate in an organisation with a high average age.

SEA felt it was important to create a reference community that feels recognised and empowered to be proactive and promote internal and transversal growth programmes, allowing "under 35" employees to master all basic competences for a future professional evolution.

The programme, aimed at around 40 people, includes different steps, each with a different aim:

- *enjoy the stories*, to learn about working situations other than one's own
- *build the base*, to acquire and strengthen competences
- *discover new job*, to learn about and explore SEA jobs
- *innovate the world*, to promote change
- *experience the world around you*, to experience the creation and innovation process by spending a day "outdoors"
- *support your vision* – coaching, to work on personal goals.

In terms of Professional Training in January an important organisational and training commitment resumed in collaboration with the contacts from the Security function for the placement of certain SEA professional figures by implementing a qualifying programme for the job of Security Guard. In addition to the assessment of professional skills and the theoretical practical technical sector training, English for Security, Workplace safety, Radio-protection, Airside Safety, Fire Protection training, Dangerous Goods Regulations and PRM courses were scheduled. There were 64 participants.

Fire Protection training involved 2 exam sessions, proceeded by a theoretical-practical programme required by current regulations for a total of 28 new SEA employ-

ees certified for emergencies belonging to the Security and Airport Coordination areas. Refresher sessions were also scheduled for personnel already certified as "Fire Protection Employee". There were 111 participants.
In close connection with implementation of the EU regulation no. 139/2014, which establishes the technical requirements and procedures related to airport operators, Initial and Recurrent courses were held for the Airport Maintenance personnel of Linate and Malpensa based on the ENAC APT-10A circular letter, which deals with the criteria for assessing the surface conditions of a runway, both for periodically conducted functional tests for maintenance plans and operational testing for wet or contaminated flooring. There were 65 participants.
Numerous practical training sessions were also planned for Maintenance personnel with a focus on Air Safety. They involved the use of Vetter and Goldhofer ARTS bags to remove disabled aircraft, with the exceptional possibility of using an MD80 Meridiana aircraft made available by Volandia. There were 69 participants.

PRM training continued for personnel in contact with the travelling public in compliance with the requirements of circular letter ENAC GEN 02A. This was performed by e-learning dedicated to the Club SEA, Security and Airport Information employees, for more than 100 participants.
The Linate and Milan Training Centres continued to constantly focus on planning training courses for issuing an Airport License for driving electric and motor vehicles inside the airport and courses connected to the National Safety Programme necessary for issuing an airport license.

Welfare

Welfare activity in 2017 started at the beginning of the year by taking stock of the initiatives implemented in the previous year. The 2016 data which showed that the percentage of people that had benefited from at least one of the Welfare area services rose to 82.8%.
If the 2016 focus revolved around the employability of employees' children, with the expansion and completion of initiatives connected to education for the Future Lab project, the early months of the new year witnessed the development of new activities which intend to provide an answer to the real needs of people and which were identified based on an analysis of the results of a survey distributed on Welfare services.

The "Fragibility" project, focused on during the early months of the year, started in March and is dedicated to people who in addition to their work take care of disabled, elderly or dependent family members on a daily basis. The service includes 3 initiatives: a dedicated telephone service that can be used to receive an initial response from a specialised operator on problems related to managing a dependent family member; a portal composed of a network of more than 200 social operators who offer different support services for the disabled and dependents, and lastly a series of educational meetings with specialists and professionals. Around 120 employees took part in the first two meetings.

The new initiative "Advice from the Nutritionist" regarding a balanced diet, was published on SEAnet in April. The initiative is part of a project to renew the company Canteen service and promote a healthy eating style, with the aim of promoting the well-being of people.

For the Future Labs initiatives, the orientation project Push to Open 2016 edition was completed with a day where SEA met young people at the Linate Center space where 40 students participated, both children of SEA employees and other companies that took part in the project.
In May three Interculture scholarships were awarded to the young people who won them (one annual in Europe, one summer in China and one summer in Ireland) to live and study abroad; this concluded the initiative dedicated to the brightest university students, who were able to take advantage of a scholarship based on merit, with a contribution based on their average grades in exams or their degree.
Lastly, 2017 Summer Centres and Camps were organised as usual in collaboration with the NoiSEA Association.

Industrial relations

Constant discussions continued in H1 2017 with trade unions related to company macro processes and specific department problems.

Specifically, these discussions led to signing an agreement as per Law 223/91 on January 3, 2017 to reduce personnel through a programme to leave on a voluntary basis. This agreement formalises the positive completion of the unemployment benefit procedure started November 22, 2016 implementing the first part of the project framework agreement of July 22, 2016.

An agreement was reached on March 6, 2017 related to the multi-skill development for the Linate and Malpensa

Airport Coordination personnel. Due to changes in the operating and technological scenario recorded over the years, the qualifications of Apron Operator, Terminal Operator and Driver Coordinator have been combined into the new multi-purpose figure of Airport Specialist.

On June 12, 2017, again aimed at recovering efficiency and increasing productivity, SEA and the trade unions signed an agreement aimed at redefining the qualification of the PRM employees who, in addition to the duties of managing passengers with reduced mobility and activities connected to the BHS system, may drive, assisted by Drivers, some special vehicles (e.g. ambulift, ambulances, etc.). Repositioning of the clock-in/out points for Drivers and PRM employees at Linate and Malpensa was also established with this agreement, positioning them near work stations, as well as creating shifts with a 15 minute frequency to maximise job effectiveness. SEA is committed to assessing and possibly redesigning the current layout of the locker rooms, car parks and break rooms.

Various financed training programmes were started in H1 2017 based on specific agreements with trade unions for around 400 people aimed at developing a culture of interaction between genders ("The flip side of the coin"); monitoring of the role and relationship with customers' needs to be improved ("The value of Security" and "Taking care of people who take care of others"); to create a reference community that can restore a professional value in terms of continual innovation ("Look up" and "Innovate the world").

Workplace health and safety

In H1 2017 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.
Activities continued to maintain the Workplace Health and Safety Management System (SGS&SL) certificate, certified according to the OHSAS 18001:2007 standard. This system was regularly monitored by performing internal audits and follow-up activity. Any findings were analysed and resolved by adopting adequate corrective measures in order to reduce and control OHSAS related risks.

Educational activities continued related to reporting "near miss" events; instruments were made available for reporting and later investigating these events and a section dedicated to near misses was introduced to all OHSAS related training courses.

The training activity programme for Emergency management employees at the fire protection field of Malpensa and the Emergency and evacuation drill plan required for all buildings was complied with. The internal audit system to check the correct performance and compliance with fire prevention regulations in the spaces provided to retail operators was also extended to the Linate terminal.

The Protection and Prevention Service also:

- updated the Risk Assessment from work related stress, for SEA personnel, through an analysis of the final 2016 figures, in accordance with the INAIL guidelines;
- instrumental measurements were completed aimed at updating the electromagnetic field mapping for Linate airport;
- chemical risk assessments were updated following the introduction of new products used at the maintenance units;
- technical support was provided to the company functions that manage contract related activities for preparing DURVI in accordance with article 26 of Italian Legislative Decree 81/08;
- the Human Resources and Organisation Department was provided with support for technical aspects for preparing the documentation required by control bodies related to investigations on specific cases of occupational diseases;
- inspections were performed at work environments in collaboration with company doctors both for the Malpensa and Linate airports;
- safety documentation was published on the company intranet prepared to protect the health and safety of all employees;
- emergency and evacuation posters were installed at the airports and buildings of the two airports, following restyling to structural modifications.

In collaboration with qualified radiological protection experts, the monitoring activity in protection of workers safety continued, through specific environmental and personal dosimeters of ionised radiation, related to the transit of radioactive packages within the airports and the use of x-ray equipment held and used by personnel.
With the intention of anticipating risk management correlated to the use of equipment and machines introduced to support work activities, work continued to assess them and perform a preventive analysis

at the time of their purchase, performed during the internal test commission with the participation of the Prevention and Protection Service.

Periodic meetings were held in June 2017 in accordance with article 35 of Legislative Decree 81/08 for the company airports with the SEA Worker Safety Representatives, with the presence of the Employer, Company Doctor and Prevention and Protection Service Manager and Employees.

With reference to SEA Prime, for the activities aimed at complying with the requirements of Legislative Decree 81/08 and in general the protection of occupational health and safety, the following was performed:

- Review and update of Emergency and Evacuation Plans for the airport, office building and hangars in hours when not monitored. In addition an E.E.P. was created and shared with the client for the new hangar no. 9;
- Updated the Risk Assessment from work related stress, through an analysis of the final 2016 figures, in accordance with the INAIL guidelines;
- Review and update of the lists of Individual Protection Equipment to provide to workers;
- Redistribute to all personnel the documentation prepared for each professional figure related to 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 of Società per Azioni 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 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 S.p.A. (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.

The Company annually prepares the corporate governance and ownership structure report, which outlines the corporate governance structure adopted by SEA and provides information on the means for the implementation of 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 has set up internally two Committees established under the Self-Governance Code undertaking proposing and consultation functions for the Board of Directors (the Control and Risks Committee and the Remuneration 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 December 31, 2018 Annual Accounts. 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 practice. 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 "Risk 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 is 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 June 30, 2017 and the share capital is divided as described in the paragraph "Share capital structure".

Internal Control and Risk Management System

Introduction

The Internal control and risk management system is represented by all of the instruments, rules, procedures and company organisational structures aimed at ensuring 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 law, 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 reports. 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 terms of 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) To better support and integrate existing systems, in 2016 the SEA Group started an Enterprise Risk Management (ERM) project aimed at creating a model for the identification, classification, measurement and uniform and transversal assessment of risks related to performance of company activities, as well as continuous monitoring of such risks, to back the strategic and decisional choices of management and assurance for the reference stakeholders. Then 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 Committeei

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 Boards of SEA and its subsidiaries.
In compliance with the requirements of the "Standard for the Professional Internal Auditing Practice" defined by the "Institute of Internal Auditors", the Auditing Department has completed the "Quality Assurance Review" process of its activities (to renew the "Independent External Validation" obtained in 2011) for the development and implementation of a "Quality Assurance and Improvement Program".
The process was completed with the issue in February 2017, of the independent external convalidation - by a qualified Company - of the internal self-evaluation performed by the Auditing Department, with the assessment of general compliance with the Standards and Ethics Code issued by the "Institute of Internal Auditors".

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 S.p.A. 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, Michaela Castelli, appointed by the Board of Directors' meeting on May 25, 2017.
The Supervisory Body periodically reports to the Board of Directors on the effectiveness, adequacy and maintenance of the Organisation and Management Model pursuant to Legislative Decree no. 231/2001 (the "Model") and sends the Board a written report every six months and annually on the implementation status of the Model and, specifically on the controls and audits performed as well as any critical issues 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 containing "provisions governing the administrative responsibility of legal entities, companies and associations including without legal status" (the "Decree") to prevent the commission of the crimes contained in the Decree. The Model is thus adopted in compliance with the provisions of the Decree, also taking into account the "The guidelines for the construction of organisation, management and control models, as per Legislative Decree no. 231/2001" published by Confindustria. 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 is currently being updated for the crimes introduced in the Decree from November 2016 to June 2017. The Model is composed of a "General Part" and a "Special Part" and single components. The corporate boards of SEA subsidiaries have adopted their own Organisational and Management Model pursuant to Legislative Decree 231/2001.

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 a component 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 Code of Conduct.

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 handling 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).

SEA GROUP - CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Financial Position

(In thousands of Euro)		At June 30, 2017		At December 31, 2016	
	Note	Total	of which Related Parties	Total	of which Related Parties
Intangible assets	9.1	1,003,507		1,011,111	
Tangible assets	9.2	184,906		190,276	
Investment property	9.3	3,395		3,398	
Investments in associated companies	9.4	51,637		51,597	
Available-for-sale-investments	9.5	26		26	
Deferred tax assets	9.6	44,367		43,665	
Other non-current financial assets	9.7	16,776		16,776	
Other non-current receivables	9.8	290		308	
Total non-current assets		1,304,904	0	1,317,157	0
Inventories	9.9	4,058		4,141	
Trade receivables	9.10	134,393	9,868	86,968	7,522
Tax receivables	9.11	11,360		14,800	
Other current receivables	9.11	21,095	1,772	18,563	
Other current financial assets	9.7	7,190		7,190	
Cash and cash equivalent	9.12	37,265		47,236	
Total current assets		215,361	11,640	178,898	7,522
Discontinued operation	7	10,051		10,732	
Elimination of receivables and payables from/to discontinued operations		(1,100)		(1,091)	
TOTAL ASSET		**1,529,216**	**11,640**	**1,505,696**	**7,522**
Share capital	9.13	27,500		27,500	
Other reserve	9.13	279,683		254,145	
Net profit	9.13	52,638		93,619	
Group Shareholders' equity		359,821		375,264	
Minority interests	9.13	584		566	
GROUP & MINORITY INTEREST SHAREHOLDERS' EQUITY		**360,405**		**375,830**	
Provision for risks & charges	9.14	172,098		174,061	
Employee provisions	9.15	46,606		49,220	
Non-current financial liabilities	9.16	556,671		549,069	
Total non-current liabilities		775,375	0	772,350	0
Trade payables	9.17	125,122	5,429	161,530	3,465
Income tax payables	9.18	12,639		6,841	
Other payables	9.19	173,542		160,327	
Current financial liabilities	9.16	83,091		27,530	
Total current liabilities		394,394	5,429	356,228	3,465
Liabilities related to discontinued operations	7	142		2,379	
Elimination of receivables and payables from/to discontinued operations		(1,100)		(1,091)	
TOTAL LIABILITIES		**1,168,811**	**5,429**	**1,129,866**	**3,465**
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY		**1,529,216**	**5,429**	**1,505,696**	**3,465**

Consolidated Income Statement

(In thousands of Euro)	Note	H1 2017 Total	H1 2017 of which Related Parties	H1 2016 Total	H1 2016 of which Related Parties
Operating revenues	10.1	334,248	19,544	310,557	20,399
Revenues for works on assets under concession	10.2	9,286		23,180	
Total revenues		**343,534**	**19,544**	**333,737**	**20,399**
Operating costs					
Personnel costs	10.3	(98,919)		(89,679)	
Consumable materials	10.4	(16,442)		(19,133)	
Other operating costs	10.5	(100,824)		(98,412)	
Costs for works on assets under concession	10.7	(8,597)		(21,641)	
Total operating costs		**(224,782)**	**(6,502)**	**(228,865)**	**(6,385)**
Gross Operating margin / EBITDA (*)		**118,752**	**13,042**	**104,872**	**14,014**
Provisions and write-downs	10.6	(2,488)		1,546	
Restoration & replacement provision	10.8	(6,055)		(7,048)	
Amortisation and depreciation	10.9	(34,134)		(30,112)	
EBIT		**76,075**	**13,042**	**69,258**	**14,014**
Investment income (charges)	10.10	4,080	4,080	5,512	3,611
Financial charges	10.11	(9,036)		(9,627)	
Financial income	10.11	251		199	
Pre-tax profit		**71,370**	**17,122**	**65,342**	**17,625**
Income taxes	10.12	(20,270)		(21,139)	
Continuing operations profit		51,100	17,122	44,203	17,625
Discontinued operations profit/(loss)	11	1,556	0	(8)	0
Net Profit		52,656		44,195	
Minority interest profit		18		22	
Group profit		**52,638**	**17,122**	**44,173**	**17,625**
Basic earnings per share (in Euro)	12	0.21		0.18	
Diluted earnings per share (in Euro)	12	0.21		0.18	

** EBITDA is calculated as the difference between total revenues and total costs, excluding provisions and write-downs.*

Consolidated Comprehensive Income Statement

(In thousands of Euro)	H1 2017		H1 2016	
	Total	of which Related Parties	Total	of which Related Parties
Group profit	52,638	17,122	44,173	17,625
- Items reclassifiable in future periods to the net result				
Fair value measurement of derivative financial instruments	1,435		(124)	
Tax effect from fair value measurement of derivate financial instruments	(344)		30	
Total items reclassifiable, net of the tax effect	**1,091**		**(94)**	
- Items not reclassifiable in future periods to the net result				
Tax effect on actuarial profit/(loss) on Employee Leaving Indemnity	1,484		(4,633)	
Tax effect from actuarial profit/(loss) on Employee Leaving Indemnity	(356)		879	
Total items not reclassifiable, net of the tax effect	1,128		(3,754)	
Total other comprehensive income items	2,219		(3,848)	
Total comprehensive profit	**54,875**		**40,347**	
Attributable to:				
- Parent Company Shareholders	54,857		40,325	
- Minority interest	18		22	

Consolidated Cash Flow Statement

(In thousands of Euro)	H1 2017		H1 2016	
	Total	of which Related Parties	Total	of which Related Parties
Cash flow from operating activities				
Pre-tax profit	71,370		65,342	
Adjustments:				
Amortisation & depreciation of tangible & intangible assets	34,134		30,112	
Net change in provisions (ex. employee provisions)	(1,789)		(2,377)	
Net employee provisions	(1,450)		(769)	
Net change in doubtful debt provision	3,327		694	
Net financial charges	8,786		9,428	
Investment income	(4,080)		(5,511)	
Income for penalty restitution - AGCM penalty (ex. interest)	(2,429)			
Other changes in non-cash items	(769)		(1,350)	
Cash generated/(absorbed) from operating activities before working capital changes of Discontinued Operations	(217)		(166)	
Cash flow generated from operating activities before changes in working capital	**106,883**		**95,403**	
Change in inventories	83		(311)	
Change in trade receivables & other receivables	(48,520)	(4,119)	(12,425)	3,567
Change in other non-current assets	18		21	
Change in trade payables & other payables	(22,741)	1,964	(1,641)	(599)
Cash generated/(absorbed) from changes in working capital of Discontinued Operations	(475)		1,859	
Cash flow generated from changes in working capital	**(71,635)**	**(2,155)**	**(12,497)**	**2,968**
Income taxes paid	(16,324)		(36,702)	
Cash generated/(absorbed) of operating activities from Discontinued Operations			849	
Cash flow generated from operating activities	**18,924**	**(2,155)**	**47,053**	**2,968**
Investment in fixed assets:				
-intangible (*)	(14,136)		(26,274)	
-tangible	(7,510)		(9,971)	
Divestments of fixed assets:				
-tangible	1,101			
-financial			343	
Dividends received	4,169	4,169	2,116	2,116
Cash generated/(absorbed) from investing activities of Discontinued Operations	32		300	
Cash flow absorbed by investing activities	**(16,344)**	**4,169**	**(33,486)**	**2,116**
Change in gross financial debt				
- increases / (decreases) in short-term and medium/long-term debt	71,139		28,373	
Changes in financial assets/liabilities	(899)		(458)	
Dividends distributed	(70,304)		(62,780)	
Interest and commissions paid	(13,153)		(13,829)	
Interest paid	6		26	
Cash generated/(absorbed) from financing activities of Discontinued Operations				
Cash flow absorbed by financing activities	**(13,211)**		**(48,668)**	
Increase/(decrease) in cash and cash equivalents	(10,631)	2,014	(35,101)	5,084
Cash and cash equivalents at beginning of period	56,414		62,001	
Cash and cash equivalents at period-end	45,783		26,900	
- of which, cash and cash equivalents included under Discontinued Operations	8,518		9,341	
Cash and cash equivalents at year-end reported in the accounts	37,265		17,559	

** The investments in intangible assets are net of the utilisation of the restoration provision, which in H1 2017 amounted to Euro 3,217 thousand against Euro 4,299 thousand in H1 2016.*

Statement of changes in Consolidated 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, 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)			
Dividends distributed			(62,850)				(62,850)		(62,850)
Other movements									
Result of comprehensive income items				(1,160)	987		(173)		(173)
Reclassification of reserve before first time application of IFRS			(4,947)	4,947			0		0
Net Profit						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**
Transactions with shareholders									
Allocation of 2016 net profit			93,619			(93,619)			
Dividends distributed			(70,300)				(70,300)		(70,300)
Other movements									
Result of comprehensive income items				1,128	1,091		2,219		2,219
Net Profit						52,638	52,638	18	52,656
Balance at June 30, 2017	**27,500**	**5,500**	**280,026**	**(130)**	**(5,713)**	**52,638**	**359,821**	**584**	**360,405**

NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR 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 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 SpA (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 Management Framework", 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. On 10 July 2017 the Shareholders' Meeting of SEA Handling approved the final liquidation financial statements at June 30, 2017 and relative distribution plan.

At the preparation date of the present document, the Company has a 51% holding in Malpensa Construction Consortium, which provides engineering services and airport construction and infrastructure works.

On February 22, 2017 the Board of Directors voted to authorise the winding up and liquidation of the Malpensa Construction Consortium.

Lastly, it should be noted that the Group holds the following investments in associated companies measured using the equity method: (i) Dufrital (40% holding) that manages and supplies commercial activities at other Italian airports, including Bergamo, Genoa and Verona; (ii) Malpensa Logistica Europa (in which SEA holds 25% of the share capital) undertakes integrated logistics activities; (iii) SEA Services (40% holding of share capital) which works in the food and beverage sector at the Milan airports; (iv) Disma (the investment in the share capital of Disma totals 18.75%) which manages a plant for storing and distributing fuel for aviation use at the Milan Malpensa airport and (v) Signature Flight Support Italy Srl (indirect investment of 39.34%) involved in the general aviation handling business. The Company, with a shareholding of 30.98%, is also the largest shareholder of SACBO, which manages the Bergamo airport, Orio al Serio.

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

- The Commercial Aviation business which includes Aviation activities ("core" airport activities that support passenger and cargo aviation) and Non Aviation activities (commercial services offers to passengers and airport users in 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 as well as 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 Non Aviation activities consist of the market fees 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.

- The General Aviation business includes the General Aviation activities which provide the entire range of services connected to passenger traffic at the Linate West apron.
- The Energy business activities concern the generation and sale of electric and thermal energy, providing coverage of the Milan Malpensa and Milano Linate energy requirements and which is also sold on the external market.

At the preparation date of the present document, the shareholder structure was as follows:

Public Shareholders		
9 entities/comp.	Municipality of Milan (*)	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 (**)	8.62%
	Other private shareholders	0.04%
Total		44.41%

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

2. Compliance with International Accounting Standards

The present Condensed Consolidated Half-Year Financial Statements were prepared in accordance with the IFRS in force, issued by the International Accounting Standards Board and approved by the European Union. Account was also taken of the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously the Standing Interpretations Committee ("SIC"). In particular, the present Condensed Consolidated Half-Year Financial Statements were prepared in accordance with IAS 34 Interim Financial Reporting; in accordance with paragraphs 15 and 16 of the standard, these Condensed Consolidated Half-Year Financial Statements therefore do not include all the information published in the annual report and must be read together with the consolidated financial statements at December 31, 2016, with particular reference to the analysis of the individual accounts, with the disclosure in the present Half-Year Report, as per IAS 34, and the explanations for the changes to the comparative accounts. In the preparation of the condensed financial statements at June 30, 2017, the same accounting principles were adopted as in the preparation of the Consolidated Financial Statements at December 31, 2016, updated as indicated below to take account of those issued recently.

The preparation of the Condensed Consolidated Half-Year Financial Statements and the relative notes in application of IFRS require that the Directors make estimates and assumptions on the values of revenues, costs, assets and liabilities in the half-year report and on the disclosures relating to the assets and contingent liabilities at June 30, 2017. If in the future, these estimates and assumptions, which are based on the best valuations made by the Directors, should be different from the actual results recorded, they will be modified appropriately in the period in which the circumstances occur. The estimates and assumptions are reviewed periodically and the effects of all variations are immediately recognized in the income statement.

It should also be noted that some valuation processes, in particular the most complex, such as the determination of any loss in value of non-current assets, are generally made on a complete basis on the preparation of the annual accounts, when all the necessary information is available, except where there are specific indications of impairment which require an immediate valuation of any loss in value.
For the present Half-Year Report, indicators of impairment requiring advanced testing from the usual year-end test did not emerge.

2.1 Recently issued accounting standards

Accounting standards, amendments and IFRS interpretations applicable from January 1, 2017

Since no new accounting standards, amendments and IFRS interpretations were expected to become effective starting January 1, 2017, the Group prepared the Half-Year Report and the Interim Consolidated Financial Statements using the same accounting standards adopted for the Consolidated Financial Statements closed at December 31, 2016.

IFRS and IFRIC accounting standards, amendments and interpretations approved by the EU, not yet mandatory and not adopted in advance by the Group at June 30, 2017

- Standard IFRS 15 Revenue from Contracts with Customers (published on May 28, 2014 and supplemented with additional clarifications published on April 12, 2016) which will replace IAS 18 Revenue and IAS 11 Construction Contracts, in addition to the interpretations IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenues-Barter Transactions Involving Advertising Services. The standard establishes a new revenue recognition model, which will apply to all contracts signed with clients, with the exception of those falling under the application of other IAS/IFRS such as leasing, insurance contracts and financial instruments. The essential issues for the recognition of revenues according to the new model are:
  - the identification of the contract with the client;
  - the identification of the performance obligations of the contract;
  - the establishment of the price;
  - the allocation of the price to the performance obligations of the contract;
  - the recognition criteria of the revenues when the entity satisfies each of the performance obligations.

  The standard is applied from January 1, 2018, although advance application is permitted. The amendments to IFRS 15, Clarifications to IFRS 15 – Revenue from Contracts with Customers, published on April 12, 2016, have not yet been endorsed by the European Union.
  The application of IFRS 15 may have an impact on the amounts reported under revenues and the relative disclosure in the Group's consolidated financial statements. However, it is not possible to provide a reasonable estimate of the effects until the Group completes a detailed analysis of contracts with customers.
- Final version of IFRS 9 – Financial Instruments (published on July 24, 2014). The document contains the results of the IASB project aimed at replacing IAS 39:
  - it introduces new criteria for the classification and measurement of financial assets and liabilities;
  - with reference to the impairment model, the new standard requires that the estimate of losses on receivables be performed based on the expected losses model (and not on the incurred losses model used by IAS 39) using supportable information, available without unreasonable costs or efforts that include historic, current and forecast data;
  - it introduces a new model of hedge accounting (increasing the type of transactions eligible for hedge accounting, change in the procedure for reporting forward contracts and options when includes in a hedge accounting relation and changes to the effectiveness test).

  The new standard, which replaces the previous version of IFRS 9, must be applied for financial statements beginning January 1, 2018 or subsequently.
  The application of IFRS 9 may have an impact on the amounts and the relative disclosure in the Group's consolidated financial statements. However, if is not possible to provide a reasonable estimate of the effects until the Group completes a detailed analysis.

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

At the date of the present Half-Year Report, the European Union have not yet concluded the endorsment process for the amendments and standards described below.

- Standard IFRS 16 – Leases (published on January 13, 2016) intended to replace standard IAS 17 – Leases, as well as the interpretations 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 for leases and introduces a method based on testing the right of use of an asset to distinguish between lease contracts and contracts for services, identifying the determining factors: identification of the asset, the right to replace it, the right to substantially obtain all the economic benefits from use of the asset and the right to manage the use of the asset underlying the contract.

The standard establishes a single model for recognising and measuring lease contracts for the lessee that entail reporting the leased asset (including under an operating lease) in assets with an equivalent entry of a financial payable, also providing the possibility of not recognising contracts for low value assets and leases with a contract duration equal to or less than 12 months as leases. The Standard, on the contrary, does not include significant changes for lessors.

The standard is applicable from January 1, 2019 but advance application is permitted, only for companies that have applied IFRS 15 - Revenue from Contracts with Customers in advance.

The application of IFRS 16 may have an impact on the reporting of lease contracts and the relative disclosure in the Group's consolidated financial statements. However, if is not possible to provide a reasonable estimate of the effects until the Group completes a detailed analysis of the relative contracts.

- IASB published the standard IFRS 17 – Insurance Contracts on May 18, 2017 which is intended to replace the standard IFRS 4 – Insurance Contracts. The aim of the new standard is to ensure that an entity provides pertinent disclosures that faithfully represent the rights and obligations resulting from issued insurance contracts. IASB developed the standard to eliminate inconsistencies and weaknesses of existing accounting policies, by providing a single principle-based framework to take into account all types of insurance contracts, including reinsurance contracts that an insurer holds.

  The standard is applicable from January 1, 2021 but advance application is permitted, only for companies that have applied IFRS 9 - Financial Instruments and IFRS 15 - Revenue from Contracts with Customers in advance.

  A significant effect on the Group's consolidated financial statements is not expected from adoption of this standard.
- Document "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts" (published on September 12, 2016). For entities whose business is primarily composed of insurance activities, the changes are aimed at clarifying the concerns resulting from application of the new standard IFRS 9 (as of January 1, 2018) to financial assets, before IASB replaces the current standard IFRS 4 with the new standard currently being prepared, based on which financial liabilities are measured.
- Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses" (published on January 19, 2016). The document is aimed at providing clarifications on reporting deferred tax assets for unrealised losses when certain circumstances occur and on the estimate of taxable income for future years. These changes, published by IASB in January 2016 and applicable starting January 1, 2017 have not been adopted by the European Union and thus were not adopted by the Group at June 30, 2017.
- Amendment to IAS 7 "Disclosure Initiative" (published on January 29, 2016). The document is aimed at providing clarifications to improve disclosures on financial liabilities. Specifically, the changes require providing disclosures to allow financial statement users to understand the changes in liabilities resulting from financial transactions. These changes, published by IASB in January 2016 and applicable starting January 1, 2017 have not been adopted by the European Union and thus were not adopted by the Group at June 30, 2017.
- Amendment to IFRS 2 "Classification and measurement of share-based payment transactions" (published on June 20, 2016), which contains clarifications in relation to reporting 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 modifications to the terms and conditions of a share-based payment which changes the classification from cash-settled to equity-settled. They are applied from January 1, 2018, although advance application is permitted.
- Document "Annual Improvements to IFRSs: 2014-2016 Cycle", published on December 8, 2016 (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) that partly integrates the existing standards.
- Interpretation IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (published on December 8, 2016). The interpretation is aimed at providing guidelines for transactions made in foreign currency where non-monetary advances or payments on account are reported in the financial statements before reporting the relative asset, cost or revenue. This document provides guidelines on how an entity must determine the date of a trans-

action and consequently, the forward exchange rate to use when transactions in foreign currency occur where the payment is made or received in advance. IFRIC 22 is applied from January 1, 2018, although advance application is permitted.

- Amendment to IAS 40 "Transfers of Investment Property" (published on December 8, 2016). These changes clarify transfers of property to or from investment property. Specifically, an entity must reclassify property as or from property investments only when there is evidence that a change in the use of the investment has occurred. This change needs to be related to a specific event that occurred and thus must not be limited to a change in the intentions of a company's Management. These changes are applied from January 1, 2018, although advance application is permitted.
- IASB published the interpretative document IFRIC 23 – Uncertainty over Income Tax Treatments on June 7, 2017. The document deals with uncertainties related to tax treatments to adopt for income taxes.
  The document states that the uncertainties in determining tax liabilities or assets need to be reported in the financial statements only when it is probable that the entity will pay or recover the amount in question. Moreover, the document does not contain any new disclosure obligation, but underlines that the entity will have to establish whether it will be necessary to provide disclosures on the considerations made by management and the relative uncertainties regarding the reporting of taxes, in compliance with IAS 1.
  The new interpretation is applied from January 1, 2019, although advance application is permitted.
- Amendment to IFRS 10 and IAS 28 "Sales or Contribution of Assets between an Investor and its Associate or Joint Venture" (published on September 11, 2014). The document was published to resolve the current conflict between IAS 28 and IFRS 10 related to the measurement of profit or loss resulting from disposal or conferral of a non-monetary asset to a joint venture or associate in exchange for a holding in the share capital of the latter. At present IASB has suspended the application of this amendment.

2.2 Financial Statements

The present Condensed Consolidated Half-Year Financial Statements, as part of the Half-Year Report, include the consolidated statement of financial position at June 30, 2017 and at December 31, 2016, the Consolidated Income Statement, the Comprehensive Consolidated Income Statement, the Consolidated Cash Flow Statement, the change in Consolidated Shareholders' equity at June 30, 2017 and December 31, 2016 and the relative Explanatory notes.

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 comprehensive income statement and the indirect method for the cash flow statement.

The Condensed Consolidated Half-Year 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 Condensed Consolidated Half-Year Financial Statements were prepared in accordance with the going concern concept, as the Directors verified the non-existence of financial, operational or other indicators which could indicate difficulties in the capacity of the Group to meet its obligations in the foreseeable future and in particular in the next 12 months.

The Half-Year Report at June 30, 2017 was prepared in thousands of Euro, as were the tables reported in the Explanatory notes.

The Half-Year Report at June 30, 2017 was subject to limited audit by the Independent Audit Firm Deloitte & Touche SpA, the Auditor of the Company and of the Group and approved by the Board of Directors of the Parent company SEA SpA on July 27, 2017.

2.3 Consolidation scope and changes in the year

The registered office and the share capital of the companies included in the consolidation scope at June 30, 2017 under the full consolidation method and equity method are reported below:

Company	Registered Office	Share capital at 30/06/2017 (Euro)	Share capital at 31/12/2016 (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 (in liquidation)	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 June 30, 2017 and the respective consolidation methods are reported below:

Company	Consolidation Method at 30/06/2017	% Held at 30/06/2017	% Held at 31/12/2016
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 (in liquidation)	line-by-line	51%	51%
Signature Flight Support Italy Srl (previously Prime AviationServices SpA (2)	Equity	39.34%	39.34%
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. On July 10, 2017 the Shareholders' Meeting approved the company's final liquidation financial statements at June 30, 2017 and relative distribution plan.*

(2) *Associated company of SEA Prime SpA (60% of the shares were sold on April 1, 2016).*

3. Accounting policies and consolidation methods

In the preparation of the present Condensed Half-Year Report, the same accounting policies and consolidation methods adopted for the preparation of the December 31, 2016 Consolidated Financial Statements were applied.

4. Risk Management

The risk management strategy of the Group is based on minimizing potential negative effects related to the 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

The 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 or 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 realizable value is determined analyzing all receivables and utilizing all available information on the debtor.

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

Trade receivables

(In thousands of Euro)	At June 30, 2017	At December 31, 2016
Customer receivables	208,135	159,619
- of which overdue	115,388	80,991
Doubtful debt provision	(83,610)	(80,173)
Trade receivables from associated companies	9,900	7,612
Provision for doubtful debt with associates	(32)	(90)
Total trade receivables	**134,393**	**86,968**

The aging of the overdue receivables is as follows:

Trade receivables

(In thousands of Euro)	At June 30, 2017	At December 31, 2016
overdue less than 180 days	40,102	6,015
overdue more than 180 days	75,285	74,976
Total trade receivables (overdue)	**115,388**	**80,991**

See the Director' Report for comments on the performance of trade receivables in H1 2017.

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 H1 2017, 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 the 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.

The use of variable interest loans exposes the SEA Group 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, 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 purposes of hedging market rate volatility, are recorded through the cash flow hedge method.

At June 30, 2017 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/longterm portion of loans maturing within 12 months and hot money to cover cash needs).

The medium/long-term debt at June 30, 2017 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 the hedging operations and any additional guarantees).

Medium /long term loan agreements

(In thousands of Euro)		At June 30, 2017		At December 31, 2016	
	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	271,724	1.10%	261,538	1.22%
at fixed rate		54,756	3.89%	57,895	3.89%
at variable rate (*)		216,968	0.39%	203,643	0.45%
Other Bank loans	2020	165	0.50%	176	0.50%
at fixed rate		165	0.50%	176	0.50%
at variable rate		-	-	-	-
Gross medium/long-term financial debt		**571,889**	**2.16%**	**561,714**	**2.24%**

(*) Includes: (i) tranche at variable rate with interest rate hedge (approx. 32% at 06.30.2017 and 36% at 31.12.2016..
(ii) Euro 80 million of EIB loans with specific bank guarantee.

The total value of medium-long term debt at June 30, 2017 stood at Euro 571,889 thousand, an increase of Euro 10,176 thousand compared to December 31, 2016, due to the impact of distribution of Euro 20 million of EIB lines at the end of June 2017, partly offset by the amortisation process of other loans. The average cost of this debt decreased 8 basis points reaching 2.16% at June 30, 2017. Considering interest hedging operations and cost of the bank guarantees on the EIB loans, the average cost of the debt amounts to 2.78%, a reduction

of 2.83% at the end of December 2016 (-5 basis points).
At June 30, 2017 the Group had 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	04/17/2021	300	Fixed, Annual	3.125%

The fair value of the overall bank and bond medium/long-term Group debt at June 30, 2017 amounted to Euro 597,767 thousand (up compared to Euro 596,283 thousand at December 31, 2016). 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 the market value at June 30, 2017 was used as a reference;
- 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

(In thousands of Euro)	Notional on signing	Residual Notional at June 30, 2017	Date stipulated	Start Date	Maturity	Fair value at June 30, 2016	Fair value at December 31, 2016
IRS	10,000	8,710	18/5/2011	15/9/2012	15/9/2021	(1,157.5)	(1,351.4)
	5,000	4,355	18/5/2011	15/9/2012	15/9/2021	(578.7)	(675.7)
	15,000	11,897	18/5/2011	15/9/2012	15/9/2021	(1,530.1)	(1,793.5)
	10,000	7,143	6/6/2011	15/9/2012	15/9/2021	(860.8)	(1,014.2)
	11,000	7,586	6/6/2011	15/9/2012	15/9/2021	(912.9)	(1,075.6)
	12,000	7,862	6/6/2011	15/9/2012	15/9/2021	(931.8)	(1,099.9)
	12,000	7,862	6/6/2011	15/9/2012	15/9/2021	(931.8)	(1,099.9)
COLLAR	10,000	7,143	6/6/2011	15/9/2011	15/9/2021	(681.8)	(810.3)
	11,000	7,207	6/6/2011	15/9/2011	15/9/2021	(672.0)	(800.3)
Totale		**69,764**				**(8,257.4)**	**(9,720.7)**

"-" 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.

Fair value of the derivative financial instruments at June 30, 2017 and December 31, 2016 was determined in accordance with IFRS 13.

b) Currency risk

The SEA Group, with the exception of the foreign exchange risk connected to 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 risk

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 the first half of 2017, 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), which covers the financial commitments of the Group in the coming 12 months deriving from the investment plan and debt repayments as per contracts;
- monitors the liquidity position, in relation to the business planning.

At June 30, 2017, the SEA Group had irrevocable unutilised credit lines of Euro 180 million, of which Euro 120 million relating to a revolving line available until April 2020 and Euro 60 million relating to a new EIB loan, of which utilization is expected by December 2017, for a total duration between 15 and 20 years. At June 30, 2017, the SEA Group also had a further Euro 127 million 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 above 5 years, including the bond issued in 2014. Not considering the bond, the remaining debt has a maturity over 7 years (and of this 20% over 10 years).

Trade payables are guaranteed by the SEA Group through careful working capital management which largely concerns trade receivables and the relative contractual conditions for settlement.

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 June 30, 2017 and December 31, 2016:

Liabilities at June 30, 2017

(In millions of Euro)	< 1 year	> 1 year < 3 years	> 3 years < 5 years	> 5 years	Total
Gross debt	95.8	73.3	368.1	183.4	**720.6**
Trade payables	125.1				**125.1**
Total debt	**220.9**	**73.3**	**368.1**	**183.4**	**845.7**

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**

Loans with a maturity less than 1 year at June 30, 2017 were composed of (i) short-term loans (uses of hot cash), (ii) portions of principal to repay to continue the amortisation of some tranches of EIB loans and (iii) interest due on the total financial debt. The loan repayment scheduling reflects the capacity of the SEA Group funding to also cover medium/long-term needs.

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 June 30, 2017 and June 30, 2016 of a hypothetical change in market rates of +50 or –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 thousand of Euro)

	June 30, 2017		June 30, 2016	
	-50 bp	+50 bp	-50 bp	+50 bp
Current account (interest income)	-6.25	130.44	-29.17	192.52
Loans account (interest expense) (1)	211.98	-511.94	407.34	- 548.51
Derivative hedging instruments (cash flow) (2)	-183.68	183.68	-223.44	223.44
Derivative hedging instruments (fair value)(3)	-1,193.89	1,155.43	-1,610.99	1,553.40

(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 undertaken on some accounts of the previous tables are impacted by the low level of the 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 included in the relative loan types; in such cases, these flows would be set 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 time 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 June 30, 2017 and at December 31, 2016 of the Group.

(In thousand of Euro)	At June 30, 2017					
	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			290			290
Trade receivables			134,393			134,393
Tax receivables			11,360			11,360
Other current receivables			21,095			21,095
Other current financial assets			7,190			7,190
Cash and cash equivalents			37,265			37,265
Total	**-**	**-**	**228,369**	**26**	**-**	**228,395**
Non-current financial liabilities	8,257				548,414	556,671
- of which bond payables					298,221	298,221
Trade payables					125,122	125,122
Tax payables					12,639	12,639
Other current payables					173,544	173,544
Current financial liabilities excl. leasing					83,084	83,084
Current financial liabilities for leasing					7	7
Total	**8,257**	**-**	**-**	**-**	**942,810**	**951,067**

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

(In thousand 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	9,721				539,348	549,069
- of which bond payables					298,008	298,008
Trade payables					161,530	161,530
Income 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**

6. 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 June 30, 2017 and at December 31, 2016:

(In thousand of Euro)	At June 30, 2017		
	Level 1	Level 2	Level 3
Available-for-sale-investments			26
Derivative financial Instruments		8,257	
Total		**8,257**	**26**
	At December 31, 2016		
	Level 1	Level 2	Level 3
Available-for-sale-investments			26
Derivative financial Instruments		9,721	
Total		**9,721**	**26**

7. Discontinued assets and liabilities and discontinued operations profit/(loss)

The present section reports a breakdown of the Discontinued Operations accounts presented in the Income Statement, the Statement of Financial Position and the Consolidated Cash Flow Statement.

It should be noted that from a method standpoint, with application of IFRS 5, the income statement of the commercial aviation handling sector does not contribute to the result of H1 2017 on each cost and revenue line by type, but is reported in a separate line of the income statement called "Discontinued operations profit/(loss)". The same treatment is applied to the assets and liabilities connected to the commercial aviation handling sector, reported concisely 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 should be noted that both in 2017 and 2016 discontinued assets and liabilities connected with the discontinued operations and the net profit of the discontinued operations are those related to SEA Handling, whose liquidation process concluded with the shareholders' meeting of July 10, 2017, given that Airport Handling, due to the effect of assignment to Milan Airport Handling Trust, on August 26, 2014, is not part of the scope of consolidation. There are no comparability limits of the two years since SEA Handling in liquidation was already an inoperative company in both years.

The breakdown of the Discontinued Operations results is presented below:

Discontinued Operations' Income Statement

(In thousand of Euro)	H1 2017	H1 2016	Change
Operating revenues	299	34	265
Total revenues	299	34	265
Operating costs			
Personnel costs	(10)	(82)	72
Other operating costs	(369)	(118)	(251)
Total operating costs	(379)	(200)	(179)
EBITDA	(80)	(166)	86
Provisions & write-downs	1,636	156	1,480
Amortisation and Depreciation	0	0	0
EBIT	1,556	(10)	1,566
Financial income	0	1	(1)
Pre-tax profit	1,556	(9)	1,565
Income taxes	0	1	(1)
Discontinued Operations profit/(loss)	**1,556**	**(8)**	**1,564**

The revenues from the liquidation for the January 1, 2017 - June 30, 2017 period total Euro 299 thousand and mainly refer to non-recurring income generated by the liquidation activity of payables.
The liquidation costs incurred in 2017 total Euro 379 thousand and include personnel costs and administrative costs.
The personnel costs in 2017 refer to legal expenses related to settlement of labour related litigation.
In H1 2017 administrative costs amounted to Euro 369 thousand and mainly refer to costs for professional consultancy and legal fees, Board of Statutory Auditor fees and the administrative service provided by SEA SpA. In addition, losses were reported linked to the closing of credit positions that the Liquidator did not consider collectible and thus not assignable in a distribution plan.

Net provisions have a positive impact on the income statement and total Euro 1,511 thousand and refer to the release of the provision for future charges and release of the provision for excess due to reaching the statute of limitation, also considering the lack of the seizable subject by the subject that sustained the damages, cancels the risk of a claim for damages.
The net write-downs (Euro 125 thousand) related to reporting of reinstatement of the value of receivables considered non-collectible in the past, following their collection in 2017.

The tax item is zero because both IRAP taxable income and IRES taxable income are negative. It should be noted that in 2016 the tax consolidation option was not renewed for the 2016-2018 three-year period and thus no "tax benefits" were reported.

Discontinued Operations' Statement of Financial Position

(In thousand of Euro)	At June 30, 2017	At December 31, 2016
ASSETS		
Tangible assets	0	32
Deferred tax assets	0	0
Total non-current assets	0	32
Trade receivables	0	0
Other receivables	1,533	1,522
Cash and cash equivalents	8,518	9,178
Total current assets	10,051	10,700
TOTAL ASSETS of Discontinued Operations	**10,051**	**10,732**
LIABILITIES		
Share capital	10,305	10,305
Other reserve	(1,951)	(1,822)
Net profit/(loss)	1,556	(130)
Group Shareholders' Equity	9,910	8,353
Provision for risks & charges	0	1,704
Total non-current liabilities	0	1,704
Trade payables	119	645
Income tax payables	18	7
Other payables	4	23
Total current liabilities	141	675
TOTAL LIABILITIES related to Discontinued Operations	**141**	**2,379**
TOTAL LIABILITIES related to Discontinued Operations and SHAREHOLDERS' EQUITY	**10,051**	**10,732**

The accounting and administrative operations connected to the liquidation activity were completed on June 30, 2017. Following the disposal of the last assets by the parent company for an amount of Euro 32 thousand, the fixed asset was equal to zero. The remaining asset entries from this activity were assigned to the sole shareholder SEA SpA, in the distribution plan, net of payables not yet paid off on June 30, 2017.
Reference should be made to the paragraph "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" in the section "Legal and Compliance Risks".

8. Disclosure by operating segment

Following the issue of the fixed rate bond of Euro 300 million in April 2014, the Parent Company joins the category of companies with listed securities on regulated markets required to provide disclosure as per IFRS 8. Therefore, the present half-year report includes the figures for the operating segment at June 30, 2017 and the relative comparative figures at June 30, 2016 and December 31, 2016. 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. Therefore these figures may differ compared to those presented a single legal entity level. The information currently available concerning the principal operating businesses identified is presented below.

Commercial Aviation: includes 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 business however provides a wide and segregated offer, managed both directly and under license to third parties, of commercial services for passengers, operators and visitors to the airports, in addition to the real estate area. 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 the General Aviation activities which are comprised of the entire range of services connected to business traffic at the Linate West apron. The 2016 comparative figures also include the results of the general aviation handling business, consolidated with the line-by-line method until March 31, 2016.

Energy: cincludes the generation and sale of electricity and thermal energy for the external market.

The main results for each of the operating 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, to be consulted for further details.

Segment disclosure: Income Statement & Balance Sheet at June 30, 2017

(In thousand of Euro)	Commercial Aviation	General Aviation	Energy	IC eliminations	Consolidated financial statements
Revenue	324,234	8,171	20,940	(19,098)	334,248
of which Intercompany	(3,912)	(2,030)	(13,156)	19,098	
Total operating revenues (from third parties)	**320,322**	**6,141**	**7,785**	**0**	**334,248**
EBITDA	**114,836**	**3,552**	**364**		**118,752**
EBIT	**73,357**	**2,799**	**(81)**		**76,075**
Investment income (charges)					4,080
Financial charges					(9,036)
Financial income					251
Pre-tax profit					**71,370**
Investment in fixad assets	**18,222**	**3,620**	**338**		**22,180**
Tangible	4,181	1,939	338		6,458
Intangible	14,041	1,681	0		15,722

Segment disclosure: Income Statement at June 30, 2016 and balance sheet figures at December 31, 2016

(In thousand of Euro)	Commercial Aviation	General Aviation	Energy	IC eliminations	Consolidated financial statements
Revenue	301,113	8,553	17,322	(16,432)	310,557
of which Intercompany	(4,162)	(2,186)	(10,083)	16,432	
Total operating revenues (from third parties)	**296,951**	**6,367**	**7,239**	**0**	**310,557**
EBITDA	**101,977**	**3,157**	**(262)**		**104,872**
EBIT	**67,364**	**2,336**	**(442)**		**69,258**
Investment income (charges)					5,512
Financial charges					(9,627)
Financial income					199
Pre-tax profit					**65,342**
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	0		49,950

9. Notes to the Statement of Financial Position

9.1 Intangible assets

The following table summarises the movements in intangible fixed assets between December 31, 2016 and June 30, 2017.

(In thousand of Euro)	At December 31, 2016	Increases in the period	Reclass. /transfer	Destructions /Sales	Amortisation /writed-owns	At June 30, 2017
Gross value						
Assets under concession	1,447,809		7,762			1,455,571
Assets under concession in progress & advances	33,614	9,769	(3,595)	(1,006)		38,782
Industrial patents and intellectual property rights	63,543		8,140			71,683
Assets in progress and advances	7,993	4,896	(6,046)			6,843
Others	18,744	0	(2,060)			16,684
Total Gross value	**1,571,703**	**14,665**	**4,201**	**(1,006)**	**0**	**1,589,563**
Accumulated amortisation						
Assets under concession	(488,341)		(2)		(22,318)	(510,661)
Assets under concession in progress & advances						
Industrial patents and intellectual property rights	(55,609)				(3,107)	(58,716)
Assets in progress and advances						
Others	(16,642)		(33)		(4)	(16,679)
Total Accumulated amortisation	**(560,592)**	**0**	**(35)**	**0**	**(25,429)**	**(586,056)**
Net value						
Assets under concession	959,468		7,760		(22,318)	944,910
Assets under concession in progress & advances	33,614	9,769	(3,595)	(1,006)		38,782
Industrial patents and intellectual property rights	7,934		8,140		(3,107)	12,967
Assets in progress & advances	7,993	4,896	(6,046)			6,843
Others	2,102		(2,093)		(4)	5
Total Net value	**1,011,111**	**14,665**	**4,166**	**(1,006)**	**(25,429)**	**1,003,507**

As per IFRIC 12, rights on assets under concession amount to Euro 944,910 thousand at June 30, 2017 and Euro 959,468 thousand at December 31, 2016. 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. Amortisation in the first six months of 2017 amounted to Euro 22,318 thousand.

On these assets, as per IFRIC 12, the SEA Group has the obligation to record a restoration and replacement provision.
The investments related to the application of IFRIC 12, which are classified as assets under concession and current airport concessions, principally related to:

- Malpensa Terminal 1 where works continued for the functional upgrade for the creation of new commercial areas and restyling of the existing areas. A new VIP hall for Lufthansa is also in the process of being created;
- Activities continued in the Cargo City area to build and complete the areas for the various operators;
- Terminal upgrading work is in progress at Linate airport as well as plant technical upgrading of certain transformer rooms.

The intellectual property rights, with a net residual value of Euro 12,967 thousand at June 30, 2017, principally relate to company software licenses concerning both airport and operational management and to the purchase of software components. The amortisation amounts to Euro 3,107 thousand.

9.2 Tangible assets

The following tables summarises the movements in property, plant and equipment between December 31, 2016 and June 30, 2017:

	At December 31, 2016	Increased in the period	Reclass. /transfers	Destructions /sales	Amortisation /write-downs	At June 30, 2017
Gross value						
Land and Buildings	206,872	31	148	(106)		206,945
Plant and machinery	107,510	315	304	(4)		108,125
Industrial and commercial equipment	38,690	1,661	2	(181)		40,172
Other assets	62,521	624	3,118	(18)		66,245
Assets in progress and advances	8,489	4,884	(7,737)			5,636
Total Gross value	**424,082**	**7,515**	**(4,165)**	**(309)**	**0**	**427,123**
Accumulated depreciation & write-downs						
Land and Buildings	(88,386)		206	98	(3,110)	(91,192)
Plant and machinery	(65,362)		(205)	4	(1,272)	(66,835)
Industrial and commercial equipment	(31,600)		(2)	180	(1,633)	(33,055)
Other assets	(48,458)			14	(2,690)	(51,134)
Assets in progress and advances						
Total Accumulated depreciation & write-downs	**(233,806)**	**0**	**(1)**	**296**	**(8,705)**	**(242,216)**
Net value						
Land and Buildings	118,486	31	354	(8)	(3,110)	115,753
Plant and machinery	42,148	315	99		(1,272)	41,290
Industrial and commercial equipment	7,090	1,661		(1)	(1,633)	7,117
Other assets	14,063	624	3,118	(5)	(2,690)	15,110
Assets in progress and advances	8,489	4,884	(7,737)			5,636
Total Net value	**190,276**	**7,515**	**(4,166)**	**(14)**	**(8,705)**	**184,906**

The investments mainly regarded restyling work on Malpensa Terminal 1 for the parts that are not assets under concession.

9.3 Investment property

The account includes buildings not utilised in the operating activities of the Group.

9.4 Investments in associated companies

The change in the account "Investments in associated companies" from December 31, 2016 to June 30, 2017 is shown below:

Investments in associates companies

(In thousand of Euro)		Movements		
	At December 31, 2016	increases / revaluations	decreases / write-downs	At June 30, 2017
SACBO SpA	33,839	2,350	(2,064)	34,125
Dufrital SpA	12,034	822	(1,679)	11,177
Disma SpA	2,605	123	(234)	2,494
Malpensa Logistica Europa SpA	2,682	322		3,004
SEA Services Srl	381	451		832
Signature Flight Support Italy Srl	56		(52)	4
Total	**51,597**	**4,068**	**(4,029)**	**51,637**

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 June 30, 2017 amounts to Euro 51,637 thousand compared to Euro 51,597 thousand at December 31, 2016.

9.5 AFS Investments

The investments available for sale are listed below:

	% Held	
Company	At June 30, 2017	At December 31, 2016
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	6 shares

The following table summarises the movements in AFS investments between December 31, 2016 and June 30, 2017:

(In thousand of Euro)		Movements		
Company	At December 31, 2016	increases/ revaluation/ reclass.	decreases /write-downs	At June 30, 2017
Consorzio Milano Malpensa in liquidation	25			25
Romairport SpA	1			1
Aereopuertos Argentina 2000 SA	-			-
Sita Soc. Intern. De Telecom. Aereneonautiques (Belgian company)	-			-
Total	**26**	**-**	**-**	**26**

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 all the 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).
At 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 half-year financial statements.

9.6 Deferred tax assets

The breakdown of the net deferred tax assets is reported below:

Net deferred tax assets

(In thousand of Euro)	At June 30, 2017	At December 31, 2016
Deferred tax assets	88,881	81,808
Deferred tax liabilities	(44,514)	(38,143)
Total net deferred tax assets	**44,367**	**43,665**

The movement in net deferred tax assets in the first six months of 2017 was as follows:

(In thousand of Euro)	At December 31, 2016	Release /recognition to P&L	Release /recognition to Equity	At June 30, 2017
Deferred tax assets	81,808	7,773	(700)	88,881
Deferred tax liabilities	(38,143)	(6,371)		(44,514)
Total net deferred tax assets	**43,665**	**1,402**	**(700)**	**44,367**

9.7 Other current and non-current financial assets

The account "Other current and non-current financial assets" relates to the capital paid in favour of Airport Handling less write-downs made in 2013 and 2014.

Following the closing of the transaction with dnata on March 23, 2016, for the sale of 30% of the Airport Handling shares and the FIPs held by SEA, the portion of the other financial assets related to the forecast sale was reclassified as current.

(In thousand of Euro)	At June 30, 2017	At December 31, 2016
Other 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**

No events occurred in H1 2017 that require a change in the considerations made in the separate financial statements at 31 December 2016 (please refer to it for additional information) on the possibility of recovering the assets in question.

9.8 Other non-current receivables

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

Other non-current receivables

(In thousand of Euro)	At June 30, 2017	At December 31, 2016
Other receivables	290	308
Total other non-current receivables	**290**	**308**

Other receivables, amounting to Euro 290 thousand at June 30, 2017 (Euro 308 thousand at December 31, 2016) do not show a significant change and mainly relate to employee receivables and deposit guarantees.

9.9 Inventories

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

Inventories

(In thousand of Euro)	At June 30, 2017	At December 31, 2016
Raw materials, consumables and supplies	4,461	4,585
Provision for inventory obsolescence	(403)	(444)
Total Inventories	**4,058**	**4,141**

The account principally comprises consumable goods held for airport activities.
At June 30, 2017 no goods held in inventories comprised guarantees on loans or other transactions existing on those dates.
The comparison of inventories with the realisable or replacement values determined the need to report an obsolescence inventory provision totalling Euro 403 thousand at June 30, 2017 (Euro 444 thousand at December 31, 2016). The values are reported net of this provision.
The obsolescence inventory provision was used during H1 2017 for Euro 41 thousand.

9.10 Trade receivables

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

Trade receivables

(In thousand of Euro)	At June 30, 2017	At December 31, 2016
Customer receivables	124,525	79,446
Trade receivables from associated	9,868	7,522
Total net trade receivables	**134,393**	**86,968**

"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 realizable value takes account of evaluations regarding the state of the dispute.

Factoring transactions continued in H1 2017 until May 2017 when the last assignment was made. Receivables assigned following factoring transactions are eliminated from the balance sheet assets only if the risks and benefits related to their ownership are substantially transferred to the assignee. Assigned receivables that do not meet this requirement remain reported in the Group's financial statements even if they have been legally assigned. 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 thousand of Euro)	At June 30, 2017	At December 31, 2016
Opening provision	(80,263)	(83,619)
(Increases) / reversals	(3,327)	(2,744)
Utilisation	(52)	6,022
Change in consolidation scope		78
Total doubtful debt provision	**(83,642)**	**(80,263)**

The provision is reported net of releases and amounted to Euro 3,327 thousand for the first six months of 2017 (Euro 2,744 thousand net of releases in 2016). 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 releases and uses refer to the closure during the year of disputes in which the provisions were accrued to cover such risks in previous years. The change related to the variation of the scope of consolidation in 2016 refers to the loss of control over the investee Signature Flight Support Italy Srl.
See the Director' Report for comments on the performance of trade receivables in H1 2017.

9.11 Tax receivables and other current receivables

The following table provides the breakdown of other current receivables:

Tax receivables and other current receivables

(In thousand of Euro)	At June 30, 2017	At December 31, 2016
Tax receivables	11,360	14,800
Other current receivables	21,095	18,563
Total tax receivables and other current receivables	**32,455**	**33,363**

Tax receivables, amounting to Euro 11,360 thousand at June 30, 2017, principally refer to:

- Euro 10,401 thousand (Euro 10,414 thousand at December 31, 2016) 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;
- Euro 417 thousand receivables for current income taxes (Euro 2,873 thousand at December 31, 2016);
- Euro 126 thousand (Euro 909 thousand at December 31, 2016) VAT receivables;
- Euro 416 thousand (Euro 604 thousand at December 31, 2016) other tax receivables.

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

Other current receivables

(In thousand of Euro)	At June 30, 2017	At December 31, 2016
Receivables from Energy Regulator for white and green certificates	8,087	9,530
Receivables for dividends to collect	1,772	1,901
Receivables for employees and social security institution	689	278
Insurance company receivables	1,144	232
Receivables for various payments	632	203
Stamps and duties	53	25
Receivables from the Ministry for Communications for radio bridge	0	3
Other receivables	8,718	6,391
Total	**21,095**	**18,563**

The account "Other current receivables" amounts to Euro 21,095 thousand at June 30, 2017 (Euro 18,563 thousand at December 31, 2016) and is comprised of the accounts outlined below.
Receivables due from GSE for white and green certificates total Euro 8,087 thousand. This amount includes receivables due to SEA Energia by the Energy Service Operator related to the estimate of "green certificates" and "white certificates" for 2016 and not yet assigned by GSE (totalling Euro 4,677 thousand and 1,120 thousand, respectively) and the remaining "green certificates" for 2015 (totalling Euro 2,290 thousand, net of the doubtful debt provision) for a decrease of Euro 1,443 thousand compared to December 31, 2016 since green certificates to return were used as compensation in relation to a dispute for the years 2010-2014.

Receivables from the State under SEA/Ministry for Infrastructure and Transport case, 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, for Euro 3,889 thousand at June 30, 2017 (Euro 3,889 thousand at December 31, 2016), entirely covered by the doubtful debt provisions, relate to the residual amount not yet received from the Ministry for Infrastructure and Transport, in addition to interest up to December 31, 2014.
Receivables for dividends to collect, for a total of Euro 1,772 thousand, refer to receivables for dividends approved by associated companies. Specifically receivables for dividends are due from Disma for Euro 94 thousand and from Dufrital for Euro 1,678 thousand are due.
Other receivables principally concern accrued income related to revenues accrued in the year and costs relating to future years. The item also includes repayments, advances to suppliers and other minor positions.
The changes in the doubtful debt provision were as follows:

Provision for other doubtful receivables

(In thousand of Euro)	At June 30, 2017	At December 31, 2016
Opening provision	(4,196)	(4,045)
(Increases) / reversals		(307)
Change in consolidation scope		156
Total rovision for other doubtful receivables	**(4,196)**	**(4,196)**

The item "Change in consolidation scope" in 2016 refers to the departure of Signature Flight Support Italy Srl from the scope following disposal of 60% of the investment.

9.12 Cash and cash equivalents

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

Cash and cash equivalents

(In thousand of Euro)	At June 30, 2017	At December 31, 2016
Bank and postal deposits	37,199	47,178
Cash in hand and at bank	66	58
Total	**37,265**	**47,236**

The available liquidity at June 30, 2017 decreased by Euro 9,971 thousand compared to the previous year. The breakdown of liquidity at June 30, 2017 was as follows: bank and postal deposits on demand for Euro 34,931 thousand (Euro 45,558 thousand at December 31, 2016), restricted bank deposits of Euro 2,268 thousand, of which Euro thousand mainly to cover the instalments of European Investment Bank loans due in the coming 12 months (Euro 1,620 thousand at December 31, 2016) and cash amounts for Euro 66 thousand (Euro 58 thousand at December 31, 2016).
It should be noted that available liquidity at June 30, 2017 does not include the escrow account where Euro 6,000 thousand are deposited against the collection of the sales price of 30% of the Financial Instruments of Participation held by the SEA Group in Airport Handling.

9.13 Share capital and reserves

At June 30, 2017, the share capital of SEA SpA totaled Euro 27,500 thousand, comprising 250,000,000 shares of Euro 0.11 each.
The changes in shareholders' equity in the year are shown in the balance sheet.

9.14 Provision for risks & charges

The account "Provision for risks and charges" is broken down as follows:

Provision for risks & charges

(In thousand of Euro)	At December 31, 2016	Provisions /Increases	Utilisations /reclass.	Relases	At June 30, 2017
Provision for restoration & replacement	136,966	7,546	(3,217)	(1,491)	139,804
Provision for future charges	37,095	666	(3,962)	(1,505)	32,294
Total provision for risks & charges	**174,061**	**8,212**	**(7,179)**	**(2,996)**	**172,098**

The provision for restoration & replacement on assets under concession, created in accordance with IFRIC 12, amounting to Euro 139,804 thousand at June 30, 2017 (Euro 136,966 thousand at December 31, 2016), refers to the best estimate of the amount matured relating to the maintenance on assets under concession from the State which will be undertaken in future years. A release of the provision was reported in 2017 totalling Euro 1,491 thousand, in order to adjust the provision to new industry regulations on screening equipment.
The amount accrued until December 31, 2016 was released related to restoration of the screening equipment which will instead have to be replaced in compliance with the requirements of the reference regulations.
The breakdown of the provision for future charges is shown in the table below:

Prevision for future charges

(In thousand of Euro)	At December 31, 2016	Provisions /Increases	Utilisations /reclass.	Relases	At June 30, 2017
Employment provisions	6,895	258	(798)		6,355
Insurance excesses	3,136	201	(357)	(1,483)	1,497
Tax risks	2,500		(465)		2,035
Green Certificates	1,049		(1,049)		
White Certificates		200			200
Other provisions	23,515	7	(1,293)	(22)	22,207
Total provision for future charges	**37,095**	**666**	**(3,962)**	**(1,505)**	**32,294**

The item "Tax risks" refers to:

- Euro 1,500 thousand for the amount accrued by SEA prime to pay liabilities related with the Group's failure to pay VAT by the former parent company for the years 2011 and 2012;
- Euro 535 thousand for the amount accrued by SEA SpA for disputes of a tax nature for which the company is currently being audited by the competent authorities. During H1 2017 SEA defined a tax settlement proposal related to IRES 2011. The defined amounts are completely covered in the provision allocated in previous years.

The item "Insurance excesses" totaling Euro 1,497 thousand refers to charges to the SEA Group for damages related to civil liability.

The item "Green Certificates" for Euro 1,049 thousand at December 31, 2016 refers to the company SEA Energia: on December 19, 2016 the Energy Services Operator (GSE) sent a report to the company following inspections to verify the data provided for the 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 which had already been collected by the company. In H1 2017, following a notice from GSE, the aforesaid certificates were compensated with green certificates assigned for 2015. The company, advised by its lawyers, submitted an appeal within the legal deadline.

The item "White Certificates" refers to a provision accrued following an audit by GSE, still in progress, on white certificates assigned for the 2012-2015 period and already collected by June 30, 2017.

The account "Other provisions" for Euro 22,207 thousand at June 30, 2017 is composed of the following items:

- Euro 10,303 thousand for legal disputes related to the operational management of the airports;
- Euro 8,000 thousand relating to charges from the acoustic zoning plan of the peripheral areas to the Milan Airports (Law No. 447/95 and subsequent Ministerial Decrees);
- Euro 881 thousand for disputes with ENAV;
- Euro 3,000 thousand for legal disputes of various nature;
- Euro 23 thousand for risks relating to revocatory actions taken against the Group and relating to airline companies declared bankrupt.

Based on the updated state of advancement of disputes at the preparation date of the present interim report, and also based on the opinion of the consultants representing the Group in the disputes, the provisions are considered sufficient to cover potential liabilities.

9.15 Employee provisions

The changes in the employee provisions are shown below:

(In thousand of Euro)

Employee provision

	At June 30, 2017	At December 31, 2016
Opening provision	49,220	48,239
Change in consolidation scope		(399)
Financial (income)/charges	319	645
Utilisation	(1,449)	(1,079)
Actuarial profit /(losses)	(1,484)	1,814
Total employee provision	**46,606**	**49,220**

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 assumptions

	At June 30, 2017	At December 31, 2016
Annual discount rate	1.67%	1.31%
Annual inflation rate	1.50%	1.50%
Annual employee leaving indemnity increase	2.63%	2.63%

Assumptions undertaken in the Actuarial Report.
The annual discount rate, utilised for the establishment of the present value of the bond, was based on the Iboxx 10+ Eurozone Corporate index.

9.16 Current and non-current financial liabilities

The table below provides a breakdown of current and non-current financial liabilities at June 30, 2017 and December 31, 2016:

(In thousand of Euro)	At June 30, 2017		At December 31, 2016	
	Current portion	Non-current portion	Current portion	Non-current portion
Long-term loans	20,017	250,082	19,688	241,207
Loan charges payables	1,122		1,140	
Hot money	60,000			
Fair value derivatives		8,257		9,721
Bank payables	**81,139**	**258,339**	**20,828**	**250,928**
Bond payables		298,221		298,009
Bond charge payables	1,901		6,627	
Leasing payables	7		31	
Subsidised loans payables	44	111	44	132
Payables to other lenders	**1,952**	**298,332**	**6,702**	**298,141**
Total current and non-curr. liabilities	**83,091**	**556,671**	**27,530**	**549,069**

The financial debt of the Group at the end of June 2017 as illustrated in the table below, is comprised for more than 90% 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 medium/long term debt is comprised of less than Euro 155 thousand EIB subsidised loans (of which 59% with maturity beyond 5 years and only 7% due in the next 12 months). The residual quota of the debt comprises short-term loans (uses of hot money lines) to cover operating needs at the end of June 2017.

The breakdown of the Group net debt at June 30, 2017 and December 31, 2016 is reported below:

Group Net Debt

(In thousand of Euro)	At June 30, 2017	At December 31, 2016
A. Cash	(37,265)	(47,236)
B. Other Liquidity		
C. Held-for-trading securities		
D. Liquidity (A)+(B)+(C)	(37,265)	(47,236)
E. Financial receivables		
F. Current financial payables	63,023	7,767
G. Current portion of medium/long-term bank loans	20,061	19,732
H. Other current financial payables	7	31
I. Payables and other current financial liabilities (F) + (G) + (H)	83,091	27,530
J. Net current financial debt (D) + (E) + (I)	45,826	(19,706)
K. Non-current portion of medium/long-term bank loans	250,082	241,207
L. Bonds issued	298,221	298,008
M. Other non-current financial payables	8,368	9,854
N. Payables & other non-current financial liabilities (K) + (L) + (M)	556,671	549,069
O. Net Debt (J) + (N)	602,497	529,363

At the end of June 2017, the net debt amounted to Euro 602,497 thousand, increasing Euro 73,134 thousand compared to the end of 2016, when it reached Euro 529,363 thousand.

The composition of net debt was affected by a number of factors, including:

a) the drawdown at the end of June 2017 of new medium/ long-term loans of Euro 20 million from the EIB at variable interest rates and for duration of twenty years (grace period 4 years);
b) the continuation of the repayment of part of the EIB loans (principal repaid in 2017 totaling Euro 9,814 thousand);
c) lower liquidity for Euro 9,971 thousand and higher use of short-term loans (hot money) for Euro 60,000 thousand, necessary to cover operating needs and payment of 2016 dividends (occurring at the end of June);
d) lower IAS adjustments for Euro 7,002 thousand mainly determined by (i) lower accruals on loans for Euro 4,774 thousand, due to effect of payment of the annual bond coupon due in April (ii) improvement of the fair value of derivatives for Euro 1,438 thousand for closing of the contractual terms of a hedge contract and continuation of the notional amortisation process (iii) positive impact for Euro 770 thousand of the amortised cost connected with the EIB payment of June 2017 (iv) lower lease related debt for Euro 24 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) from operating activities.
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.
The table below shows the reconciliation between the finance lease payables and the future lease installments at June 30, 2017:

(In thousand of Euro)	At June 30, 2017
Future lease instalments until contract maturity	7
Implied interest	-
Present value of instalments until contract maturity	**7**
Amounts for unpaid invoices	-
Total payables for leasing (current and non-current)	**7**

9.17 Trade payables

The breakdown of trade payables is follows:

Trade payables

(In thousand of Euro)	At June 30, 2017	At December 31, 2017
Supplier payables	112,346	151,042
Advances	7,347	7,023
Payables to associated companies	5,429	3,465
Total trade payables	**125,122**	**161,530**

Trade payables (which includes invoices to be received of Euro 61,530 thousand at June 30, 2017 and Euro 83,154 thousand at December 31, 2016) refer to the purchase of goods and services relating to operations and Group investments.
The payables for advances at June 30, 2017 amounting to Euro 7,347 thousand (Euro 7,023 thousand at December 31, 2016) principally refer to advances from clients.
Payables to associated companies relate to services and charges.

9.18 Income tax payables

Income tax payables, totalling Euro 12,639 thousand at June 30, 2017 (Euro 6,841 thousand at December 31, 2016), are mainly composed of an IRPEF payable on employee and freelance work for Euro 3,984 thousand (Euro 5,095 thousand at December 31, 2016), IRES payable for Euro 1,938 thousand (zero at December 31, 2016), IRAP payable for Euro 1,848 thousand (Euro 1,034 thousand at December 31, 2016), VAT payable for Euro 4,417 thousand at June 30, 2017 (Euro 686 thousand at December 31, 2016) and other payables of a tax nature for Euro 449 thousand (Euro 26 thousand at December 31, 2016).

9.19 Other payables

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

Other payables

(In thousand of Euro)	At June 30, 2017	At December 31, 2016
Airport fire protection service	56,063	53,088
Surtaxes	47,221	46,011
Other miscellaneous payables	26,407	15,768
Payables due to employees for amounts accrued	12,529	13,632
Payables due to the State for concession charges	12,436	12,198
Payable to social security institutions	11,147	12,039
Payables due to employees for holidays not taken	3,261	2,881
Payables due to A2A for green certificates	1,902	2,296
Third party guarantee deposits	1,166	1,277
Payables to the Ministry for $C0_2$ allowances	445	81
Other payables for employee provisions	295	265
Payables to the BoD and Board of Statutory Auditors	271	197
Payables due to the State for security concession services	189	85
Payables due to third parties for ticket collection	126	414
Payables to shareholders for dividends	84	95
Total other payables	**173,542**	**160,327**

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 additional details see the Directors' Report in the section "Main disputes pending at June 30, 2017".
The item "Surtaxes" is represented by the surtax on landing rights established by Laws no. 166/2008, no. 350/2003, no. 43/2005 and no. 296/2006.
The account "Other miscellaneous payables", amounting to Euro 26,407 thousand at June 30, 2017 (Euro 15,768 thousand at December 31, 2016), mainly relates to deferred income from clients for future periods and other minor payables.

10. Notes to the Income Statement

10.1 Operating revenues

The table below shows the breakdown of operating revenues for H1 2017 and 2016. These figures reflect the operating and managerial view of the businesses where the Group works. Therefore these figures may differ compared to those presented at single legal entity level.

Operating revenues

(In thousand of Euro)	H1 2017	H1 2016
Commercial Aviation	320,322	296,951
General Aviation	6,141	6,367
Energy	7,785	7,239
Total	**334,248**	**310,557**

In the first six months of 2017 operating revenues totaled Euro 334,248 thousand, increasing 7.6% on the first six months of 2016. Operating revenues include Commercial Aviation revenues, General Aviation revenues and Energy business revenues.

Commercial Aviation operating revenues

The breakdown of Aviation operating revenues is reported below.

Aviation operating revenues

(In thousand of Euro)	H1 2017	H1 2016
Centralised infrastructure and rights	182,430	164,985
Operating revenues from security controls	21,393	20,918
Use of regulated spaces	6,415	6,556
Total Aviation operating revenues	**210,238**	**192,459**

Aviation revenues in H1 2017 reported an increase of Euro 17,779 thousand (+9.24%) compared to the same period of the previous year. Specifically, revenues for centralised infrastructure and rights increased Euro 17,445 thousand (+10.57%), mainly due to higher traffic volumes and tariff changes related to the Regulatory Agreement.

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

Non Aviation operating revenues

(In thousand of Euro)	H1 2017	H1 2016
Retail	46,048	42,836
Parking	31,134	29,000
Cargo	7,589	6,312
Advertising	5,273	5,195
Premium service	8,902	8,977
Real estate	1,235	1,216
Other revenues and services	9,903	10,956
Total Non Aviation operating revenues	**110,084**	**104,492**

Retail revenues reported an increase of Euro 3,212 thousand (7.5%) primarily as the net effect between: i) increase in food & beverage revenues for Euro 358 thousand (3.92%); ii) increase in store revenues for Euro 1,357 thousand (5.94%); iii) increase in car rental revenues for Euro 577 thousand (8.43%); iv) increase in banking activities revenues for Euro 921 thousand (22.98%);
The breakdown of retail revenues by segment is reported below.

Retail Revenues

(In thousand of Euro)	H1 2017	H1 2016
Shops	24,207	22,851
Food & Beverage	9,491	9,133
Car rental	7,422	6,845
Bank services	4,928	4,007
Total Retail	**46,048**	**42,836**

General Aviation operating revenues

The General Aviation business includes the General Aviation activities which are comprised of the entire range of services connected to business traffic at the Linate West apron. The 2016 comparative figures also include the results of the general aviation handling business, consolidated with the line-by-line method until March 31, 2016. General Aviation business revenues, totalling Euro 6,141 thousand reported a decrease, totalling 3.54%, compared to the previous period. Reference should be made to the Directors' Report for changes in operations.

Energy operating revenues

The breakdown of Energy operating revenues by type is reported below.

Energy operating revenues

(In thousand of Euro)	H1 2017	H1 2016
Sale of electric energy	5,066	3,302
Sale of thermal energy	2,412	1,711
Other revenues and services	307	2,226
Total Energy operating revenues	**7,785**	**7,239**

For additional details on revenues see the contents of the report in the section "Operating performance - Segment analyses".

10.2 Revenue for works on assets under concession

Revenues for works on assets under concession decreased from Euro 23,180 thousand at June 30, 2016 to Euro 9,286 thousand at June 30, 2017, with a drop of 59.9%. These revenues refer to construction work on assets under concession increased by a mark-up of 6% representing 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 business unit aviation. This account is strictly related to investment and infrastructure upgrading activities.

10.3 Personnel cost

The breakdown of personnel costs is as follows:

Personnel costs

(In thousand of Euro)	H1 2017	H1 2016
Wages, salaries and social security charges	86,541	83,110
Employee Leaving Indemnity	3,897	3,897
Other personnel costs	8,481	2,672
Total	**98,919**	**89,679**

In H1 2017, Group personnel costs increased Euro 9,240 thousand (10.3%) compared to H1 2016.

The increase is the result of adjustment to the Collective National Labour Contract signed in 2014 (with remuneration increase broken down into various tranches) and leaving incentive plans established with trade unions, whose impacts were reported in "Other personnel costs".

The unemployment benefit procedure affected the average number of FTE employees, dropping from 2,810 in H1 2016 to 2,758 in H1 2017.

The average number of FTE employees by category in the periods is as follows: January-June 2017 and January-June 2016.

Average number of employees (FTE)

	H1 2017	%	H1 2016	%
Senior/middle Managers	326	12%	321	11%
White-collar	1,747	63%	1,774	63%
Blue-collar	666	24%	694	25%
Total	**2,739**	**99%**	**2,789**	**99%**
Agency employees	19	1%	21	1%
Total employees	**2,758**	**100%**	**2,810**	**100%**

10.4 Consumable materials

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

Consumable materials costs

(In thousand of Euro)	H1 2017	H1 2016
Raw materials, consumables and supplies	16,359	19,503
Changes in inventories	83	(370)
Total	**16,442**	**19,133**

At June 30, 2017, the costs for consumable materials reported a decrease of Euro 2,691 thousand (14.1%) compared to the corresponding 2016 period, dropping from Euro 19,133 thousand to Euro 16,442 thousand, mainly due to: i) lower costs for methane and electricity; ii) lower fuel costs; iii) partly offset by the increase in costs for deicing fluid.

10.5 Other operating costs

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

Other Operating Costs

(In thousand of Euro)	H1 2017	H1 2016
Commercial costs & traffic development contributions	25,347	20,437
Airport services	13,648	13,777
Public charges	15,132	14,678
Ordinary maintenance costs	13,506	14,333
Cleaning	6,903	6,662
Miscellaneous operating costs	9,550	9,511
Professional services	3,203	4,760
Tax charges	3,778	3,888
Utilities and security	3,676	3,478
Hardware and software charges and rent	2,501	2,266
Insurance	738	923
Board of Statutory Auditors & BoD fees	473	432
Other administrative costs	2,250	2,529
Other costs	119	738
Total other operating costs	**100,824**	**98,412**

In the first half of 2017 these costs increased Euro 2,412 thousand compared to the first half of 2016 (-2.45%), from Euro 98,412 thousand to Euro 100,824 thousand.

The higher variable costs linked to traffic volumes and management of passenger services (packing fees) in the period in question were partly offset by the cancellation of costs for system charges allocated in 2015 and 2016 (following conversion of the so-called "Milleproroghe decree", with which the government decided to defer application of the system charges until January 1, 2018) and a decrease in costs for insurance and professional services.

The item "Public charges" includes i) concession charge due to the State for Euro 11,575 thousand (Euro 11,007 thousand at June 2016); ii) costs for fire-fighting services at the airports for Euro 2,974 thousand (Euro 3,160 thousand at June 2016); iii) concession fees to the tax authorities for security services of Euro 497 thousand (Euro 451 thousand at June 2016); iv) fees and concessions to various entities for Euro 86 thousand (Euro 58 thousand at June 2016).

10.6 Provisions and write-downs

The breakdown of provisions and write-downs is as follows:

Provisions & write-downs

(In thousand of Euro)	H1 2017	H1 2016
Write-downs/(releases) of current assets and cash & cash equivalents	3,327	694
Provisions/(releases) for future charges provisions	(839)	(2,240)
Total provision and write-downs	**2,488**	**(1,546)**

In the first six months of 2017 net provisions and write-downs increased Euro 4,034 thousand compared to the same period of the previous year, changing from a release of Euro 1,546 thousand at June 30, 2016 to a provision of Euro 2,488 thousand at June 30, 2017.
For additional details see the contents of the Directors' Report in the section "provisions and write-downs”.

10.7 Costs for works on assets under concession

Costs for works on assets under concession decreased from Euro 21,641 thousand in the first half of 2016 to Euro 8,597 thousand in the first half of 2017.
These refer to, in accordance with IFRIC 12, the costs for the works undertaken on assets under concession. This movement is strictly related to investment activities.

10.8 Restoration & replacement provision

Restoration & replacement provision

(In thousand of Euro)	H1 2017	H1 2016
Restoration & replacement provision	6,055	7,048

The restoration and replacement provision amounting to Euro 6,055 thousand at June 30, 2017 and Euro 7,048 thousand at June 30, 2016 include provisions for maintenance and replacements in order to ensure the functioning of the infrastructure held under concession. A release of the provision was reported in 2017 for Euro 1,491 thousand, against a provision totalling Euro 7,546 thousand, in order to adjust the provision to new industry regulations on screening equipment.

10.9 Amortisation and depreciation

The account “Amortisation & depreciation” is comprised of:

Amortisation and depreciation

(In thousand of Euro)	H1 2017	H1 2016
Amortisation of intangible assets	25,429	22,112
Depreciation of property, plant & equipment & investment property	8,705	8,000
Total amortisation and depreciation	**34,134**	**30,112**

In the first half of 2017 amortisation and depreciation increased Euro 4.022 thousand compared to the same period of 2016 (+13.4%), from Euro 30,112 thousand to Euro 34,134 thousand. The trend of amortisation and depreciation for the considered periods reflects both the amortisation/depreciation process of property, plant and equipment and intangible assets based on the useful life estimated by the Group, not longer than the duration of the concession and the acceleration of depreciation of screening equipment which will be replaced by 2020, as required by the reference regulations.

10.10 Investment income/(charges)

The breakdown of investment income and charges is as follows:

Investment income (charges)

(In thousand of Euro)	H1 2017	H1 2016
SACBO SpA	2,414	2,149
Dufrital SpA	822	133
Malpensa Logistica Europa SpA	322	134
Disma SpA	123	159
SEA Services Srl	451	152
Signature Flight Support Italy Srl	(52)	(71)
Investment valued at equity	4,080	2,656
Other income from investments	-	2,856
Total investment income (charges)	**4,080**	**5,512**

In H1 2017 investment income reported a decrease totalling Euro 1,432 thousand, dropping from Euro 5,512 thousand in 2016 to Euro 4,080 thousand in 2017 and including investments measured with the equity method and the 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 4,080 thousand in 2017 (Euro 2,656 thousand in 2016). 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 increase resulting from the comparison between the two periods, totalling Euro 1,424 thousand contains the net effect of the profits achieved by the associated companies in H1 2017.

Other income is zero in H1 2017. In H1 2016 non-recurring items were reported related to: i) the capital gain of SEA Prime for the disposal of 60% of the investment in Prime AviationServices SpA (now Signature Flight Support Italy Srl), totalling Euro 955 thousand and ii) dividends for Euro 1,901 thousand approved by the Shareholders' Meeting of Airport Handling SpA on May 6, 2016 for the allocation of the 2015 profit, related to the Financial Instruments of Participation held by SEA.

10.11 Financial income/(charges)

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

Financial income (charges)

(In thousand of Euro)	H1 2017	H1 2016
Currency gains	9	86
Other financial income	242	113
Total financial income	**251**	**199**
Interest expense on medium/long-term loans	(6,222)	(6,451)
Loan commissions	(786)	(743)
Currency losses	(11)	(27)
Other interest expenses:	(2,017)	(2,406)
- financial charges on Leaving indemnity	(319)	(407)
- financial charges on Leasing	(1)	(13)
- financial charges on Derivatives	(1,265)	(1,438)
Others	(432)	(548)
Total financial charges	**(9,036)**	**(9,627)**
Total financial income (charges)	**(8,785)**	**(9,428)**

Net financial charges at June 30, 2017 totalled Euro 8,785 thousand, decreasing Euro 643 thousand on the previous year, versus a reduction of gross financial charges of Euro 591 thousand.
The following main factors had different effects on this reduction: (i) lower interest expense on medium/long term loans for Euro 229 thousand due to the decrease of gross debt and the reduction of the average cost of the debt; (ii) lower other interest expense for Euro 389 thousand, affected by lower charges on derivatives.
Financial income for the same period increased Euro 52 thousand.

10.12 Income taxes

The breakdown of the account is as follows:

Income taxes

(In thousand of Euro)	H1 2017	H1 2016
Current income taxes	21,672	24,127
Deferred income taxes	(1,402)	(2,988)
Total	**20,270**	**21,139**

In the first six months of 2017 income taxes decreased Euro 871 thousand, from Euro 21,139 thousand in H1 2016 to Euro 20,270 thousand in H1 2017.

The reconciliation between the theoretical and effective tax rate is shown below:

(In thousand of Euro)	H1 2017	%	H1 2016	%
Continuing operations' pre-tax profit	71,371		65,342	
Discontinued operations' pre-tax profit(loss)	1,556		(8)	
Pre-tax profit	72,926		65,333	
Theoretical income taxes	17,502	24.0%	17,967	27.5%
Tax effect of permanent differences	(532)	-0.7%	(1,477)	-2.3%
IRAP	3,199	4.4%	3,048	4.7%
Others	99	0.1%	1,602	2.5%
Total	**20,270**	**27.8%**	**21,139**	**32.4%**
Income taxes on continuing operations	(20,270)		(21,140)	
Income taxes on discontinued operations	0		1	
Total Group income taxes	(20,270)		(21,139)	

11. Discontinued Operations profit/(loss)

The Discontinued Operations report a profit of Euro 1,556 thousand. 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 "Discontinued assets and liabilities and discontinued operations profit/(loss)" in the Explanatory notes.

12. 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 period. 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 earnings per share in the first half of 2017 was Euro 0.21 (net profit for the period of Euro 52,638 thousand/number of shares in circulation 250,000,000).

The earnings per share in the first half of 2016 was Euro 0.18 (net profit for the period of Euro 44,173 thousand/number of shares in circulation 250,000,000).

13. 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 table reports the income statement and statement of financial position values with related parties at June 30, 2017 and for the first half of the year, with indication of the percentage of the relative account:

Group transaction with Related Parties at June 30, 2017

(In thousand of Euro)	Trade receivables	Other receivables	Trade payables	Operating revenues	Operating costs (excluding costs for work on assets under concession)
Investments in associated companies					
SACBO(*)	194		1.319	334	5.018
Dufrital	6,354	1,678	1,140	15,060	8
Malpensa Logistica Europa	1,282		1,047	2,106	10
SEA Services	1,325		1,806	1,461	1,371
Disma	72	94	86	105	0
Signature Flight Support Italy	641		31	478	95
Total related parties	**9,868**	**1,772**	**5,429**	**19,544**	**6,502**
Total financial statements	134,393	21,095	125,122	334,248	216,185
% of total financial statements	**7.34%**	**8.40%**	**4.34%**	**5.85%**	**3.01%**

(*) The item "Operating costs" regarding relations with SACBO, of Euro 5,018 thousand, does not include the portion invoiced by SEA to end customers and transferred to the associated company.

The table below shows the cash flows from the transactions of the Group with related parties for the period ended June 30, 2017, with indication of the percentage of the relative account:

Cash flow generated from Group transactions with Related Parties at June 30, 2017

(In thousand of Euro)	Investments in associated companies	Investments in other companies	Total transactions with related parties	Consolidated balance	%
A) Cash flow generated from operating activities	(2,155)		(2,155)	18,924	-11.4%
B) Cash flow generated from investing activities	4,169		4,169	(16,344)	-25.5%
C) Cash flow generated from financing activities				(13,211)	0.0%

Transactions with Related Parties in the period to June 30, 2017 principally concern:

- transactions related to the management of parking located 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 services, as well as those related to payments and the concession issued by SEA Prime for fuel supply; costs for push-back (Signature Flight Support Italy).

The above-mentioned transactions were within the ordinary activities of the Group and undertaken at market values.

The comparative data is reported below:

Group transaction with Related Parties at June 30, 2016

(In thousand of Euro)	Trade receivables	Other receivables	Trade payables	Operating revenues	Operating costs (excluding costs for work on assets under concession)
Investments in associated companies					
SACBO(*)	153		431	2,278	4,846
Dufrital	5,732		771	14,050	9
Malpensa Logistica Europa	330		35	2,231	0
SEA Services	478		959	1,290	1,288
Disma	54	140	32	416	0
Signature Flight Support Italy	385		118	134	242
Total related parties	**7,132**	**140**	**2,346**	**20,399**	**6,385**
Total financial statements	98,052	20,024	136,740	310,557	207,224
% of total financial statements	**7.27%**	**0.70%**	**1.72%**	**6.57%**	**3.08%**

(*) The item "Operating costs" related to transactions with SACBO, totalling Euro 4,846 thousand, does not include the portion invoiced by SEA to end customers and transferred to the associated company.

Cash flow generated from Group transactions with Related Parties at June 30, 2016

(In thousand of Euro)	Investments in associated companies	Investments in other companies	Total transactions with related parties	Consolidated balance	%
A) Cash flow generated from operating activities	2,968		2,968	46,773	6.3%
B) Cash flow generated from investing activities	2,116		2,116	(33,549)	-6.3%
C) Cash flow generated from financing activities				(49,435)	0.0%

14. Other transactions with Related Parties

No other transactions with related parties are reported for the first six months of 2017.

15. Directors' fees

Fees paid by the Company and/or by other Group companies, of any type and in any form, for the first six months of 2017 to the Board of Directors totaled Euro 328 thousand.

16. Statutory auditors' fees

In the first half of 2017 the remuneration for the Board of Statutory Auditors, including welfare and accessory charges, amounted to Euro 144 thousand.

17. Commitments and guarantees

17.1 Investment commitments

The Group has investment contract commitments of Euro 18,100 thousand at June 30, 2017 (Euro 22,433 thousand at December 31, 2016), which is reported net of the works already realised and invoiced to the Group, as follows:

Breakdown of Commitments by project

(In thousand of Euro)	At June 30, 2017	At December 31, 2016
Design and construction of a new warehouse at Malpensa Cargo City	5,057	7,582
Design and extraordinary maintenance civil works and installations at Linate and Malpensa	5,041	6,403
Design and extraordinary maintenance of airport infrastructure and roads at Linate and Malpensa	3,922	3,201
Extraordinary maintenance for general aviation civil works and installations	1,896	2,212
General Aviation Lambro river design and restructuring works	1,329	1,542
General Aviation Hangar	740	1,270
Runway motor vehicles		104
Framework Agreement for activities supporting the design of plants	97	100
General aviation security coordination framework agreement	18	20
Total	**18,100**	**22,433**

17.2 Guarantees

The secured guarantees, amounting to Euro 2,033 thousand at June 30, 2017, relate to the lien on receivables against loans provided by credit institutions on European Investment Bank funds.

At June 30, 2017, the sureties in favour of third parties were as follows:

- two Bank Sureties, of respectively Euro 42,000 thousand and Euro 46,000 thousand, to guarantee the June 2015 and June 2017 payments drawn down on the EIB line signed in December 2014;
- surety of Euro 25,000 thousand to Banca Popolare di Milano to guarantee credit lines received from companies within the centralised treasury system;
- surety of Euro 24,096 thousand in favour of ENAC, as guarantee of the concession fee;
- surety of Euro 4,000 thousand 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 started 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;
- surety of Euro 2,000 thousand in favour of Sacbo in guarantee of the parking management at Bergamo airport;
- surety of Euro 2,000 thousand in favour of the Ministry of Defence to guarantee the obligations in the technical agreement of 04/06/2009 following the early delivery of an area of the "Cascina Malpensa" property;
- guarantee issued by Banca Popolare di Milano to Enel Distribuzione for provision of electricity for Euro 902 thousand;

- surety issued by Banca Popolare di Milano to Terna (Rete elettrica nazionale SpA) to guarantee electricity dispatch for Euro 1,214 thousand;
- guarantee issued by Banca Popolare di Milano to GESAC to supply electricity to the Naples and Turin airports for Euro 112 thousand;
- guarantee issued by Banca Popolare di Milano to Unareti for provision of electricity for Euro 173 thousand;
- surety of Euro 102 thousand in favour of the supplier Contract GmbH for the rental of airport buses;
- surety issued by Banca Popolare di Milano in favour of the Milan Customs Agency to guarantee the correct payment of excise taxes for Euro 69 thousand;
- surety of Euro 75 thousand in favour of the Milan 3 Customs Office (General Aviation);
- Euro 451 thousand for other minor sureties.

18. 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.

19. Non-recurring transactions

The following non-recurring transactions were undertaken in the first six months of 2017:

- On May 30, 2017, the Authority confirmed the recalculation of the fine, issued by ACCM at the end of the Procedure following the claim by Cedicor Sociedad Anonima ("CEDICOR"), claiming that SEA had taken advantage of its dominant position in violation of article 102 of the Treaty of the Functioning of the European Union ("TFEU") for the call for tenders procedure for the disposal of ATA Ali Trasporti Aerei SpA (now SEA Prime SpA), for Euro 936,320 and the notice to the Ministry of the Economy and Finance, of the approval to return the total sum of Euro 2,430,343 (of which Euro 2,428,680 euro for the fine and Euro 1,663 for interest on arrears). While waiting for the actual payment, income totalling Euro 2,430,343 has been reported in the company's accounts.
- With the conversion of the so-called "Milleproroghe decree" the government decided to defer application of system charges to January 1, 2018. Therefore, the amounts allocated for the years 2015 and 2016 were reversed.

The Group did not report any non-recurring transactions in the same period of the previous year.

20. Transactions relating to atypical or unusual operations

In accordance with CONSOB Communication of July 28, 2006, the Company did not undertake for the period ended June 30, 2017 any transactions relating to atypical or unusual operations, as set out in the communication.

21. Other information

On May 3, 2017, the Shareholders' Meeting of the Parent Company SEA approved the distribution of dividends of Euro 70,300 thousand relating to the 2016 net profit, which was paid out in June 2017.

22. Contingent liabilities and disputes

See the contents of the Directors' Report sections "Risk management framework" and "Main disputes pending at June 30, 2017"

23. Contingent assets

There are no updates compared to what was reported in the Annual Report at December 31, 2016.

24. Significant events after the period end

Reference should be made to the Directors' Report.

The Chairman of the Board of Directors
Pietro Modiano

AUDITORS' REPORT

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RELAZIONE DI REVISIONE CONTABILE LIMITATA SUL BILANCIO CONSOLIDATO SEMESTRALE ABBREVIATO

Agli Azionisti di
SOCIETÀ PER AZIONI ESERCIZI AEROPORTUALI – SEA S.p.A.

Introduzione

Abbiamo svolto la revisione contabile limitata del bilancio consolidato semestrale abbreviato, costituito dai prospetti della situazione patrimoniale e finanziaria consolidata, del conto economico consolidato, del conto economico consolidato complessivo, del rendiconto finanziario consolidato, dal prospetto delle variazioni del patrimonio netto consolidato e dalle relative note esplicative di Società per Azioni Esercizi Aeroportuali – SEA S.p.A. ("Società" o "SEA S.p.A.") e controllate ("Gruppo SEA") al 30 giugno 2017. Gli Amministratori sono responsabili per la redazione del bilancio consolidato semestrale abbreviato in conformità al principio contabile internazionale applicabile per l'informativa finanziaria infrannuale (IAS 34) adottato dall'Unione Europea. È nostra la responsabilità di esprimere una conclusione sul bilancio consolidato semestrale abbreviato sulla base della revisione contabile limitata svolta.

Portata della revisione contabile limitata

Il nostro lavoro è stato svolto secondo i criteri per la revisione contabile limitata raccomandati dalla CONSOB con Delibera n. 10867 del 31 luglio 1997. La revisione contabile limitata del bilancio consolidato semestrale abbreviato consiste nell'effettuare colloqui, prevalentemente con il personale della Società responsabile degli aspetti finanziari e contabili, analisi di bilancio ed altre procedure di revisione contabile limitata. La portata di una revisione contabile limitata è sostanzialmente inferiore rispetto a quella di una revisione contabile completa svolta in conformità ai principi di revisione internazionali (ISA Italia) e, conseguentemente, non ci consente di avere la sicurezza di essere venuti a conoscenza di tutti i fatti significativi che potrebbero essere identificati con lo svolgimento di una revisione contabile completa. Pertanto, non esprimiamo un giudizio sul bilancio consolidato semestrale abbreviato.

Conclusioni

Sulla base della revisione contabile limitata svolta, non sono pervenuti alla nostra attenzione elementi che ci facciano ritenere che il bilancio consolidato semestrale abbreviato del Gruppo SEA al 30 giugno 2017 non sia stato redatto, in tutti gli aspetti significativi, in conformità al principio contabile internazionale applicabile per l'informativa finanziaria infrannuale (IAS 34) adottato dall'Unione Europea.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Verona

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Codice Fiscale/Registro delle Imprese Milano n. 03049560166 - R.E.A. Milano n. 1720239 | Partita IVA: IT 03049560166

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Richiamo d'informativa

Senza modificare il nostro giudizio e per una migliore comprensione del bilancio, richiamiamo l'attenzione sui seguenti due aspetti:

- Nel bilancio consolidato semestrale abbreviato al 30 giugno 2017 sono iscritti Euro 31,4 milioni di crediti verso Alitalia SAI S.p.A. ("Alitalia") sorti antecedentemente alla data del 2 maggio 2017 ("Crediti Pregressi") – data di apertura della Procedura di Amministrazione Straordinaria di Alitalia ai sensi dell'art. 2, comma 2, del Decreto-Legge n. 347/2003. Come riportato al paragrafo "Rischio connesso alla Procedura di Amministrazione Straordinaria di Alitalia SAI S.p.A, ai sensi dell'art. 2, comma 2, del decreto-legge n. 347/2003" gli Amministratori ritengono, allo stato e sulla base delle informazioni attualmente disponibili, di aver considerato gli attuali profili di incertezza e di rischio nel più ampio contesto della valutazione complessiva dei crediti commerciali e prevedono di aggiornare le stime all'ottenimento di più compiute informazioni anche in attesa dei sopracitati eventi.

  Gli Amministratori precisano inoltre che le informazioni pubbliche circa il contesto economico e finanziario di Alitalia, tuttavia, non consentono di escludere che possano emergere perdite di entità anche rilevante in relazione ai crediti iscritti.

- Nella relazione sulla gestione, ed in particolare al paragrafo "Rischio connesso alla decisione della Commissione Europea del 19 dicembre 2012 concernente gli asseriti Aiuti di Stato concessi a favore di SEA Handling e alla Decisione del 9 luglio 2014 di avvio di nuova istruttoria sulla costituzione e capitalizzazione di Airport Handling" sono evidenziate le considerazioni svolte dagli Amministratori *(i)* sullo stato delle iniziative giudiziali e stragiudiziali in essere con la Commissione Europea in relazione alla procedura di indagine del 19 dicembre 2012 concernente gli asseriti Aiuti di Stato concessi a favore di Sea Handling S.p.A., con particolare riferimento alla liquidazione della controllata Sea Handling S.p.A. e alle iniziative poste in essere dal Trustee circa la cessione di una quota del capitale di Airport Handling S.p.A. perfezionatasi in data 23 marzo 2016, e *(ii)* sulle evoluzioni determinate dalla Decisione del 9 luglio 2014 della Commissione Europea resa pubblica in data 6 febbraio 2015 circa la costituzione e capitalizzazione di Airport Handling S.p.A., il cui procedimento di indagine si è concluso con la Decisione del 5 luglio 2016 della Commissione Europea.

DELOITTE & TOUCHE S.p.A.

Marco Pessina
Marco Pessina
Socio

Milano, 31 luglio 2017

SEA - Società per Azioni Esercizi Aeroportuali

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