ANNUAL REPORT 2017

Annual Report

At December 31, 2017

ANNUAL REPORT 2017

Contents

Letter to the Shareholders

Dear Shareholders,

Our company enjoyed an excellent year in 2017, in terms of both traffic volumes - up by 9.0% for passengers and by 7.1% for cargo, compared to the Italian national averages of +6.4% and +9.2% respectively - and of operating results, with an increase in EBITDA from Euro 239.8 million to Euro 264.0 million (net of non-recurring revenues and costs), almost entirely offsetting the impact of the impairment of the Alitalia receivables and other non-recurring items.

The results for the year are also significant as marking a fundamental shift, the effects of which will persist for some time. They represent the end of a long period of difficulty that began in 2008 with the de-hubbing by Alitalia and the dawn of a new era in which the Milan airport system and its management company can legitimately aim to compete with Europe's foremost airports, in keeping with the renewed ambitions of the local community and its metropolitan centre.

Malpensa began a new chapter in its history in 2017, ending its traditional dualistic relationship with Linate and returning to its originally intended role as a crucial component of northern Italy's infrastructure serving both short and long-haul passenger and cargo routes. Malpensa reported for 2017 passenger number growth of 14.1%, a gain of more than twice the Italian national average and outperforming the European average by 7.9 percentage points, finally approaching the previous high reached in 2007 and 27% above the low of 2009, having succeeded in compensating for the structural loss of the portion of its short- and medium-haul traffic (over 7 million passengers in 2007) linked to Alitalia's previous role as hub carrier. The process took a decade to complete and was not an easy one. It was supported by efforts to promote Milan from 2015 and was also made possible by SEA's commitment to revamping its infrastructure - beginning with the radical restyling of Terminal 1 - by boosting operating efficiency and by cultivating relationships with new carriers and routes. Today Malpensa is well positioned to lay claim to being one of Europe's foremost "point-to-point" intercontinental airports. Its competitive strengths include the number of airlines serving it, the lower level of concentration of these airlines than at most competing airports (the main airline carries approximately one-third of its passengers), its extensive catalogue of routes and destinations and its significant potential for additional development before reaching the levels of saturation typical of many other large and mid-size European airports, which not infrequently prove highly constraining for growth. Malpensa is

Europe's fifth-largest cargo airport and in 2017 it accounted for 52% of the total volume of goods handled by Italian airports.

As Malpensa grows, Linate is consolidating its traffic volumes (while posting a 1.4% decline in passengers tied to the transfer of several Continental routes to Malpensa). It remains essential to business traffic and continues to rank among the best-connected city airports in Europe located in a major metropolitan centre.

Considerable investments continued to be rolled out in 2017, for a total spend of Euro 85.0 million, evenly divided between the two airports. Investments are set to proceed in the coming years in accordance with the company's strategic plans: the restyling of Linate has already begun and is scheduled for completion by 2020, Malpensa's Terminal 2 will be renovated and a further cycle of renovations will be carried out at Terminal 1, in addition to the initiatives essential to ensuring that flight and passenger accommodation infrastructure remains constantly up-to-date and the cargo business is able to continue to grow.

Such growth is entirely compatible with the company's financial situation. Our steadily rising operating revenues permit the self-funding of investments, while also paring back debt and without compromising dividend payouts. EBITDA was in fact driven by the rise in revenues generated by both aviation (+Euro 33.0 million) and non-aviation (+Euro 9.2 million) business, combined with a containment of operating costs. Operating costs - adjusting for components tied to the increase in volumes and public fees - were in line with 2016.

SEA is committed to building on its current success in pursuit of sustainable, high-quality development. The quality of growth is particularly focused on - as also shown by this Annual Report which for the first time includes, as required by law, a Non-Financial Report dedicated to social, environmental and governance sustainability, alongside the Financial Statements.

The aspects of sustainability considered extend to all of the crucial dimensions of an airport's existence, starting with the fundamental value of security. The company remains committed to refining its methods of measuring the actual and perceived quality of our infrastructure and the related services, while continuing to improve them. In 2017 progress was made on almost all indicators, but there is always room for further improvement.

Collaborative, concerted and motivated shareholders are also essential to sustainable growth. The company has set itself challenging organisational goals, based on investing in individual responsibility in view of trust, proactive collaboration and a result-oriented approach, which are expected to yield measurable results in terms of the quality of the overall performance and the sustainability of results over the medium term. Within the framework of constant, transparent dialogue with trade unions, SEA remains committed to training (dedicating over 57,000 hours, equivalent to training for 33 people every day), improving working conditions and safeguarding company welfare. The many facets of this commitment include measures aimed at meeting old and new needs and initiatives that seek to set a better work-life balance.

As part of this same process, dialogue with local communities continues, in constant pursuit of the best possible balance between opportunities for airport growth - a valuable means of connecting communities and providing employment - and strict compliance with environmental restrictions. The process of drafting and approving the Malpensa Master Plan is based on a transparent, participatory process that is destined to yield positive results.

The positive trends witnessed in 2017 continued in the first part of the new year. New domestic, European and intercontinental routes have been announced and the plan to develop Air Italy is soon to be launched, with the potential to propel Malpensa to regain its position as an intercontinental hub in the coming years - a phenomenon which could entail a significant rise in passenger numbers.

In conclusion, the efforts made by SEA - even in difficult years - to protect and develop a harmonious airport system with the capacity for sustainable growth, capable of living up to the ambitious goals and potential of its community, bore fruit in 2017 - in terms of both operating results and traffic growth. Now the challenge is to ensure excellence, to promote the development of the Milan metropolitan area and to provide Lombardy with increasingly efficient, accessible and well-connected airports, to help meet the challenges posed by globalisation and to boost the region's attractiveness and hospitality. SEA has prepared itself for this challenge above all through the dedication of its workers, who deserve the company's gratitude for the results that have been achieved thus far and that will certainly continue into the future.

Key figures and general information

The SEA Group

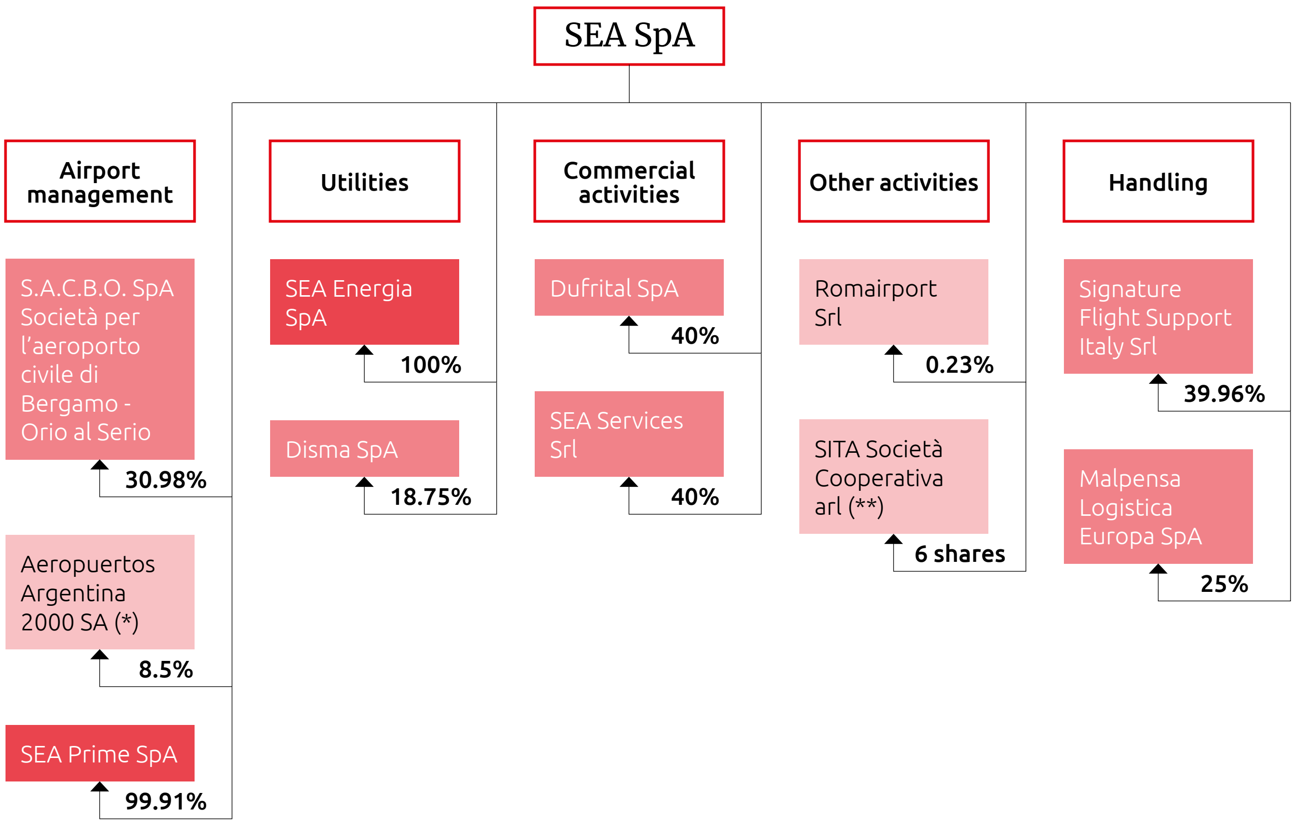
The SEA Group manages the Malpensa and Linate airports under a 40-year agreement signed by SEA and the Italian Civil Aviation Authority in 2001. The Milan airport system consists of the following airports:

- **Milan Malpensa**, Milan's intercontinental airport, consisting of two terminals. Terminal 1, which was fully renovated following the completion of the restyling of the Schengen area, serves a wide range of domestic, international and intercontinental destinations and is home to a diverse assortment of stores, restaurants and services which meet the needs of all of the airport's passengers.
- Terminal 2 is easyJet's main base of operations in Europe, serving a broad network of destinations. Following the extension of the rail network, which already connected Milan with Terminal 1, Terminal 2 can now also be reached by train.
- **Milan Malpensa Cargo** is the nerve centre of inbound and outbound cargo distribution in Italy. Nineteen all-cargo airlines operate out of Malpensa Cargo.
- **Milan Linate** primarily serves frequent-flyers travelling to destinations in Italy and the EU. Just 8 KM from Milan city centre, Linate is truly a city airport, with structures and areas dedicated to business and shopping. Ground was broken in 2017 on the restyling project, which is to involve thorough renovation of the entire airport.
- **Milan Linate Prime**, an airport managed by SEA Prime SpA, a subsidiary of SEA SpA. Dedicated to general aviation, its services and facilities provide significant added value.

Finally, through SEA Energia (a wholly-owned subsidiary of SEA SpA), the Group owns two co-generation plant, mainly meeting the energy needs of the Linate and Malpensa airports, providing electricity, heat and district cooling.

SEA Group structure and investments in other companies

DIRECT AND INDIRECT INVESTMENTS OF SEA SPA AT DECEMBER 31, 2017



■ *Controlling shareholding* ■ *Associate* ■ *Investment in other companies*

(*) With regards to SEA's investment in AA2000, reference should be made to Note 6.5 of the separate financial statements of SEA SpA.
(**) In February 2018, SEA SpA submitted a request for withdrawal from SITA SC.

The SEA Group included the following companies in liquidation at December 31, 2017:

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

It should be noted that:

- on July 10, 2017 the Shareholders' Meeting approved the liquidator's final statement of accounts and related distribution plan for the company SEA Handling, a wholly-owned subsidiary of SEA SpA. The company was removed from the Companies Register on July 25, 2017;
- the liquidation of Consorzio Malpensa Construction was concluded on October 31, 2017 with the presentation and approval of the liquidator's final statement of accounts and shareholders' distribution plan Malpensa Construction.

Share Capital structure

The share capital of SEA amounts to Euro 27,500,000, comprising 250 million shares of a par value of Euro 0.11, of which 137,023,805 Class A shares, 74,375,102 Class B shares and 38,601,093 other shares.
The Class A shareholders upon divestment resulting in the loss of control must guarantee Class B shareholders a right to co-sale. Class A shareholders have a pre-emption right on the sale of Class B shares.

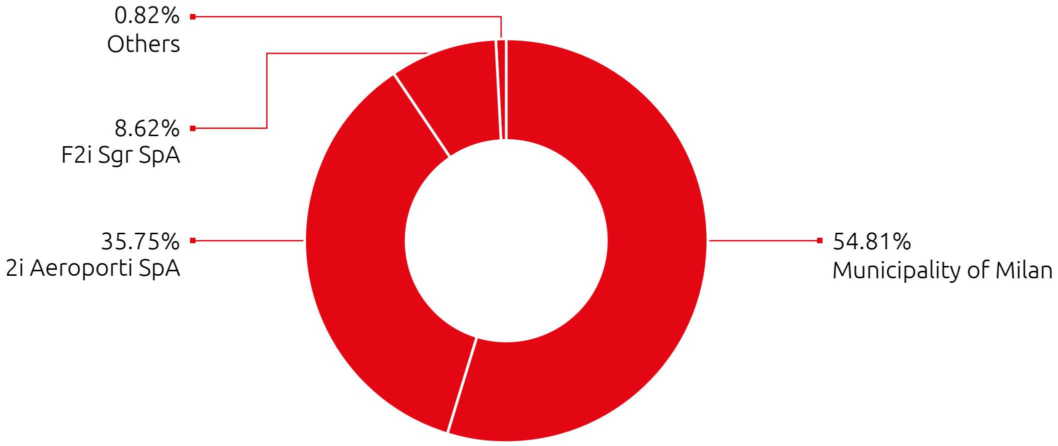
At December 31, 2017, SEA does not hold treasury shares. The ownership structure is as follows:

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.



On February 15, 2018, the shares held by the Province of Varese were purchased by 2i Aeroporti SpA Accordingly, as at the date of approval of this report, public shareholders held a 54.9% interest and private shareholders a 45.1% interest.

Following the issuance of the bond designated "SEA 3 1/8 2014-2021" on April 17, 2014 and the admission to listing of the notes on the regulated market organised and managed by the Irish Stock Exchange, the Company qualified as a Public Interest Entity (PIE) as defined in Article 16, paragraph 1, letter a) of Legislative Decree No. 39/2010.

Corporate Boards

Board of Directors

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

Chairperson	Pietro Vitale Antonio Modiano
Directors	Armando Brunini [1] [2] Salvatore Bragantini [3] [4] Michaela Castelli [2] [5] Stefano Mion [3] Susanna Stefani [3] Susanna Zucchelli [2]

Board of Statutory Auditors

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

Chairperson	Rosalba Cotroneo
Statutory Auditors	Rosalba Casiraghi Andrea Galli Paolo Giovanelli Giacinto Gaetano Sarubbi
Alternate Auditors	Anna Maria Allievi Andrea Cioccarelli

Independent Audit Firm

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 Board.

Note: The Shareholders' Meeting of May 3, 2017 appointed Michaela Castelli to the Board of Directors, replacing Arabella Caporello.
On September 21, 2017, the Board of Directors, following the resignation of Ms. Zucchelli from the role of Chairperson of the Control and Risk Committee, appointed Director Salvatore Bragantini as a member of the Remuneration and Appointments Committee, in replacement of the Director Michaela Castelli, appointing her as Chairperson of the Control and Risks Committ.

2017 Key Financial Highlights & other indicators

The key consolidated highlights from the financial statements are illustrated below.

OPERATING RESULTS

(Euro thousands)	2017	2016	Change
Revenues	725,979	700,134	25,845
EBITDA [1]	243,006	234,403	8,603
Operating Profit	127,890	149,999	(22,109)
Profit before taxes	118,116	141,037	(22,921)
Discontinued Operations profit/(loss) [2]	1,556	(130)	1,686
Group Net Profit	84,070	93,619	(9,549)

[1] EBITDA is calculated as the difference between total revenues and total costs, excluding provisions and write-downs.
[2] The "Discontinued operations net result" includes the net result of the company SEA Handling SpA in liquidation, as per IFRS 5.

FINANCIAL DATA

(Euro thousands)	at December 31, 2017	at December 31, 2016	Change
Fixed assets (A)	1,319,249	1,317,157	2,092
Net Working Capital (B)	(183,837)	(188,683)	4,846
Provisions for risks and charges (C)	(169,935)	(174,061)	4,126
Employee provisions (D)	(47,834)	(49,220)	1,386
Other non-current payables (E)	(17,588)		(17,588)
Net capital employed (A+B+C+D+E)	**900,055**	**905,193**	**(5,138)**
Group Net Equity	391,154	375,264	15,890
Minority interest net equity	23	566	(543)
Net financial debt	508,878	529,363	(20,485)
Total sources of financing	**900,055**	**905,193**	**(5,138)**

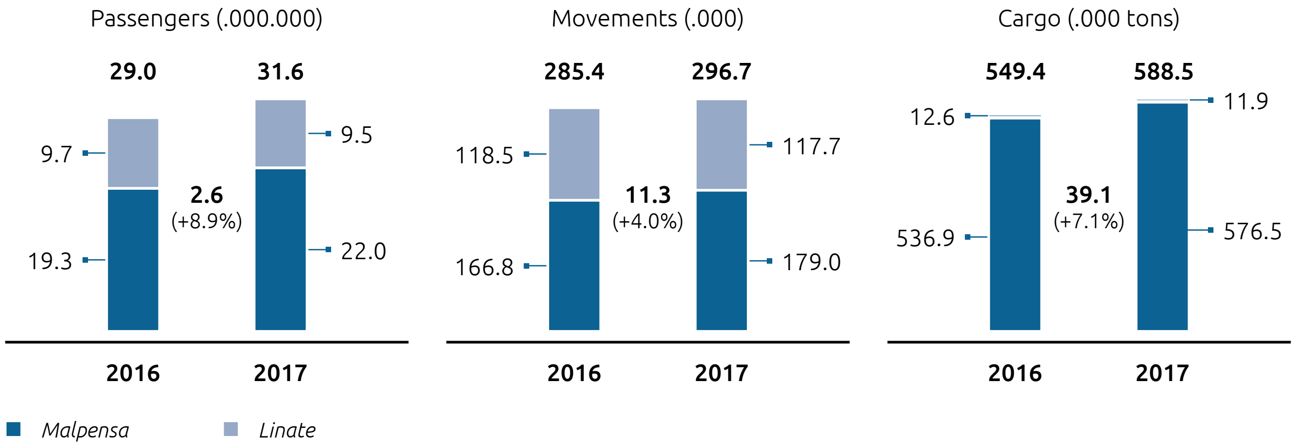
(A) Fixed assets, including those falling under IFRIC 12, are expressed net of those funded by State and European Union contributions. At December 31, 2017, they amounted to Euro 504,383 thousand and Euro 7,019 thousand respectively (at December 31, 2016, Euro 503,601 thousand and Euro 5,517 thousand respectively).

(Euro thousands)	at December 31, 2017	at December 31, 2016	Change
Tangible and intangible asset investments	72,140	69,487	2,653

OTHER INDICATORS

	at December 31, 2017	at December 31, 2016
NFP/EBITDA	2.09	2.26
HDC Employees	2,837	2,866

TRAFFIC (COMMERCIAL AND GENERAL AVIATION)



2017 Directors' Report

Significant events in 2017

Alitalia in Extraordinary Administration

The decree of the Minister of Economic Development of May 2, 2017 declared the opening of the Extraordinary Administration Procedure of Alitalia SAI SpA pursuant to Art. 2, paragraph 2 of Decree-Law No. 347/2003. Mr. Luigi Gubitosi, Prof. Enrico Laghi and Prof. Stefano Paleari were appointed as Extraordinary Administrators. A first interest-bearing loan of Euro 600 million and a second loan of Euro 300 million were granted with Decree No. 55 of May 2, 2017 laying down urgent measures to ensure the continuity of the service provided by Alitalia SpA. The full amount of sums lent must be repaid by September 30, 2018 in pre-deduction with priority over any other debt in the procedure as envisaged by the Decree-Law on tax approved in October 2017. SEA filed an application for admittance to liabilities within the deadlines set by the Court of Civitavecchia which, with the ruling of May 11, 2017, declared Alitalia in Extraordinary Administration's insolvency status.

Liquidation of Malpensa Construction Consortium

On February 22, 2017, the Board of Directors of SEA SpA resolved to authorise the dissolution and liquidation of the Malpensa Construction Consortium. On March 15, 2017, the Consortium's Board of Directors passed a resolution approving dissolution and liquidation. The liquidation of Consorzio Malpensa Construction was concluded on October 31, 2017 with the presentation and approval of the liquidator's final statement of accounts and shareholders' distribution plan.

Liquidation of SEA Handling SpA

With the Shareholders' Meeting of July 10, 2017, the liquidation of SEA Handling SpA, which started on July 1, 2014, was completed following the decision taken by the Extraordinary Shareholders' Meeting of SEA Handling held on June 9, 2014. The decision to liquidate the company was the alternative execution plan of the European Commission's Decision of December 19, 2012 concerning the alleged State aid granted to SEA Handling. The company's Shareholders' Meeting approved the liquidation financial statements at June 30, 2017 and the associated distribution plan, authorising the Liquidator to request that SEA Handling SpA in liquidation is removed from the competent Companies Register. The Liquidator was also given a mandate to sign all the necessary and resultant documents. The liquidator has arranged to pay the sole shareholder SEA SpA the sum of Euro 8,376,054 resulting from the distribution plan.

Acquisition of SEA Prime SpA shares

On September 7, 2017, SEA SpA acquired an additional 150,431 shares of SEA Prime SpA, which it already controlled, increasing its stake to 99.91%.

SEA's acquisition of the Sheraton Malpensa property

The transaction through which SEA acquired ownership of the Sheraton Malpensa building was finalised on December 18, 2017.

The property acquired by SEA was simultaneously leased to the company that manages the hotel, which was in turn acquired by a new entity in full operational continuity. With the proceeds of the sale and SEA's waiver of existing receivables amounting to Euro 6,287 thousand, together with other financial transactions, the management company was therefore able to pay (with the write-off of part of the initial debt) the four banks which had financed the construction of the building in 2007. For the transaction's conclusion, it was necessary to reach an agreement between all the numerous actors involved in the hotel's management, namely, the banks - which had financed the construction and accepted the writing off of the loan, the Proceedings in the Court of Bari - being the management company owned by an Apulian group that entered into an arrangement with creditors in 2010, the new operator which acquired the management company freed from the debt relating to the property's construction and which signed the lease contract with SEA, and Marriott/Starwood, the holder of the brand's contract of use and the associated hotel management contract signed with the Sheraton Malpensa's management company.

Restyling of Milan Linate Airport

Restyling works on the Milan Linate Airport commenced in July 2017. The project, which will be completed in 2022, envisages a diluted investment plan over the years for a total amount of Euro 60.3 million. The first phase was launched in the first half of the year and involved the redesign of the facade as the main intervention. Completion is scheduled for April 2018. The first phase also includes the complete renovation of the arrivals area and the baggage claim area through the installation of new false ceilings and stoneware lined walls to improve the perception of the air terminal's height and width. Works are carried out through micro-construction sites, with day and night activities for minimum impact on airport operations.

"Project of the Year" Award at the Global AirRail Awards 2017

SEA and Ferrovienord were awarded the Project of the Year Award in the "Travelport Project of the Year" category for the link between Terminal 1 and Terminal 2 and the railway station. The project, designed to improve Malpensa Terminal 2's connectivity with the centre of Milan saw the development of the Terminal station by SEA and the railway connection constructed by Ferrovienord. The T1-T2 railway link represents the project's first phase and connects Malpensa airport to the main railway network.

Economic overview

Economic growth re-emerged in 2017, although was not accompanied by significant inflation, which remains weak.

The short-term outlook is favourable, although risks remain for the global economy in view of possible increased volatility on the financial markets on the back of an unexpected heightening of geo-political tensions and uncertainty regarding economic policies which may impact household and business confidence.

Despite the reaching of an agreement during the first phase of the United Kingdom's negotiations for exiting the European Union, the uncertainty regarding future relations between the two economies remains heightened. The outcome of the latest meeting between the North American Free Trade Agreement members (NAFTA) for its review introduces a degree of unpredictability with regards to future international trade agreements. The effects of the United States tax reform approved on December 20 last (Tax Cuts And Jobs Act), reducing tax rates for households and businesses, may however act as a stimulus for global growth.

In the third quarter of the year, economic activity in the major advanced economies continued to expand, while the recovery in train from the first half of 2017 continued for the emerging economies. Global trade grew 3.5%, with strong imports in the Eurozone and the emerging economies of Asia (excluding China).

Inflation in the major advanced economies remains contained, while remaining moderate in the major emerging economies.

According to the OECD's November forecast, global GDP was 3.6% and is expected to grow slightly in 2018 (reaching 3.7%).

The pick up in global growth over the last two years appears to have been driven mainly by the advanced economies.

From the end of September 2017, the upward trend of oil prices continued, driven by buoyant global demand and the maintenance of the agreement to contain supply among the major oil producing countries. The gradual reabsorption of global oil stocks and geo-political tensions in the Middle East and in Venezuela also contributed to this rise. At the end of November last, OPEC and Russia announced a further extension of the agreement until 2018. Rising prices gave a fresh boost to US non-conventional energy production, increasing in November last to historic highs.

In the Eurozone, growth continued at a sustained pace, particularly driven by overseas demand. According to the latest Eurosystem GDP forecast, growth of 2.3% is indicated (2.4% in 2017).

Deflationary expectations have reduced, however inflation remains low (1.4% in December); the baseline component remains weak, slowed by still moderate salary growth for many zone economies. The Board of the ECB recalibrated its monetary policy instruments, while however maintaining highly expansive monetary conditions going forward which remain necessary for sustained inflation at levels lower than but close to 2%.

The Italian economy picked up in Q3 2017 on the back of both domestic and overseas demand. The most recent economic indicators point to continued GDP expansion of 0.4% in the fourth quarter, supported by an increase in the value added by industry and services. Manufacturing activity continued to grow in the fourth quarter of 2017, although to a lesser degree than the major expansion of the summer. Business confidence remained high across the main sectors of the economy, while the demand outlook of businesses further improved for industry and services, with investment conditions confirmed as highly favourable.

According to the workforce preliminary figures, the number of those employed rose slightly in the October-November period, while contractual salaries were still contained, although the first signs of a gradual improvement emerged.

Although producer prices increased and some favourable signs on salaries emerged, consumer inflation remains weak (1.0% in December).

Cargo business also performed well in each region analysed. Asia, which moves the greatest quantity of cargo (37 million tonnes), reports growth of 8.5 percentage points compared to 2016; Europe registered +8.7%, North America +7.3% and the Middle East +6.0%. Africa, while moving a modest quantity of cargo, shows signs of recovery with a growth of 12.4%. In the ranking reported by ACI World, Malpensa places 44th in terms of the quantity of cargo handled among the leading airports in the cargo sector (91 airports transporting at least 200 thousand tons of cargo).

Air transport and airports

Global air transport performance - 2017

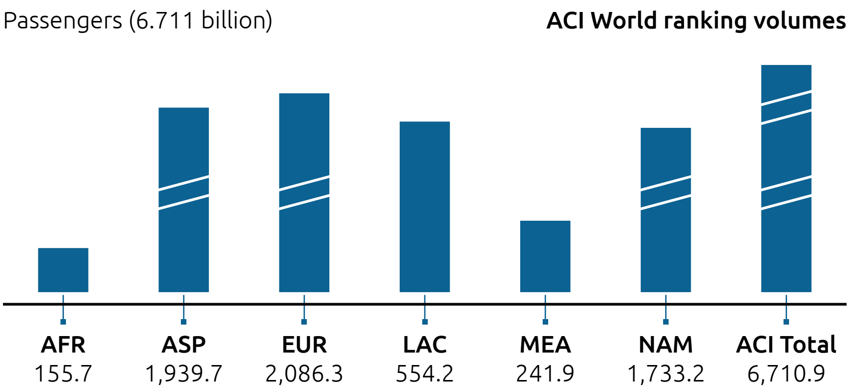
The global passenger traffic performance in 2017, on a sample of 1,056 airports, indicated growth of 6.4 points compared to 2016.

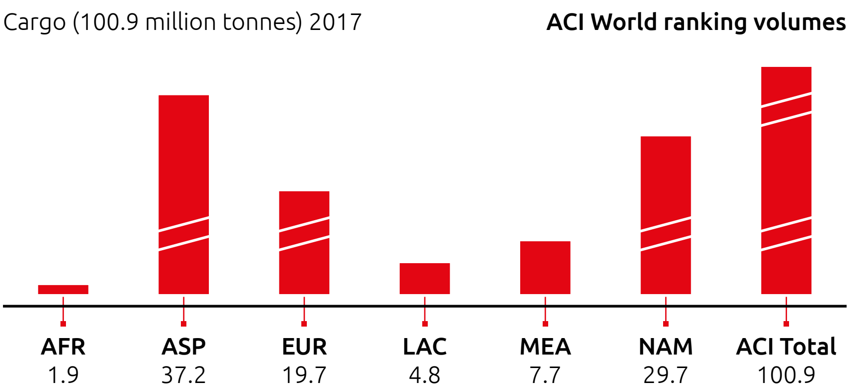
The market is growing in all areas; Europe registered the highest increase in percentage terms (+8.5%), followed by Asia (+7.8%), Africa (+5.9%) - recovering from last year, the Middle East (+4.7%), Central/South America (+4.3%) and North America (+3.5%).

The world rankings classify Atlanta in North America, an area that handles 1.7 billion passengers, as the top airport for passenger traffic served (104 million passengers, including 92 million linked to domestic traffic). In second place is Beijing (96 million passengers, including 74 million for domestic destinations) in Asia, an area that carries 1.9 billion passengers. In third place is Dubai (88 million passengers served), which represents the Middle East's main hub with a 36% market share on a total of 242 million passengers.

At global level (on a sample of 711 airports), cargo traffic increased 7.9 percentage points compared to 2016, with 100.9 million tonnes handled.

GLOBAL AIR TRAFFIC 2017 [1]





Key: AFR (Africa), ASP (Asia Pacific), EUR (Europe), LAC (Latin America), MEA (Middle East), NAM (North America).

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

European airport performances - 2017 [2]

Overall growth in passenger traffic for European airports associated with ACI Europe was 6.2% when compared to 2016, with 1.1 billion passengers served.

The main hubs[3], representing 36% of total passenger traffic in associated airports, grew 4.8% on last year; highlighted are Amsterdam (+7.7%), Zurich (+6.3%), Frankfurt (+6.1%) and Madrid (+5.9%). Malpensa, with a growth of 14.2% over the previous year, stands out among the airports that handle 'point-to-point' traffic, followed by Brussels (+13.6%), Manchester (+8.6%), Barcelona (+7.1%) and Dublin (+6.0%); Copenhagen re-confirmed last year's results, while Berlin registered a decline (-3.7%).

Cargo traffic increased 7.2%, with a total of 11.9 million tonnes handled.

Among the top five European airports[4] in terms of freight volumes, Frankfurt is first with over 2.1 million tonnes, followed by Paris Charles de Gaulle with 2.0 million tonnes, Amsterdam with 1.8 million and London Heathrow with 1.7 million. Malpensa airport ranks fifth in terms of cargo volumes handled (576.5 thousand tonnes) and in the top five, it ranks as second airport in terms of percentage growth (+7.4%) after London Heathrow (+10.2%).

2017 Italian airport traffic performance [5]

Air traffic for the 38 airports associated with Assaeroporti is in continuous growth; in fact, 175.4 million passengers (+6.4%) were reported for 2017 - 10.7 million more than the previous year. This result is due to growth in international traffic to both EU (+8.5%) and non-EU (+7.9%) countries and the increase in domestic traffic (+3.0%).

1.6 million aircraft movements (+3.2%) and 1.1 million tonnes of cargo (+9.2%) were achieved.

Rome Fiumicino, followed by Milan Malpensa and Bergamo, are listed in descending order in the ranking of Italian airports in terms of passenger numbers.

The Rome airport system reported a slight decrease (-0.6% compared to 2016), with 46.9 million passengers served. The Lombardy airport system saw growth of 9.4% to reach 44 million passengers, equal to 25% of the national total: Milan Malpensa contributed with 22.2 million, Linate 9.5 million and Orio al Serio airport 12.3 million.

In the north-east, Venice and Treviso carried 13.4 million passengers (8% of the national total) and in Central Italy, Pisa and Florence 7.9 million passengers (4% of the national total). In Apulia, the airport system (Bari, Brindisi, Foggia and Taranto) served 7 million (4% of the national total), while Sicily (Catania, Comiso, Lampedusa, Palermo and Trapani) and Sardinia (Alghero, Cagliari and Olbia) served 16.9 million (10% of the national total) and 8.3 million (5% of the national total), respectively.

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[2] Source ACI Europe Rapid Data Exchange Programme (42 associated airports), Passenger arrivals+departures+transits.
[3] Airport hubs: Frankfurt, Amsterdam, Paris Charles de Gaulle, Zurich, Rome Fiumicino, Madrid and London Heathrow.
[4] Excluded: Luxembourg, Cologne and Liege which generate higher volumes of cargo transport than Malpensa, since not included in ACI Europe's Rapid Data Exchange Programme.
[5] Source Assaeroporti (commercial aviation + general aviation).

Regulatory framework

Setting of new fees

The consultation process with airport users was formally launched in July 2017 for the setting of the new regulated fees for the year 2018. During the consultation, which also included two public hearings with Linate and Malpensa users in September, traffic trends, investment and service quality and environmental protection parameters - alongside all the other elements that contribute to the setting of new tariffs - were presented to users. No appeals with regard to the above fees were presented to ENAC (the Italian Civil Aviation Authority) on conclusion of the consultations.

In October 2017, ENAC published the new fee levels applicable from January 1, 2018, which indicate an average increase of 0.9% compared to those in effect in the year 2017 - under the forecast inflation rate (1.7%, as reported in the Update to the 2017 Economy and Finance Document published by the Ministry for the Economy and Finance in September 2017).

Revision of airport fee regulation models

On July 7, 2017, the Italian Transport Regulation Authority (ART) published the new airport fee regulation models. These models, which came into effect on publication, are the last act of a revision process that started with the "Call for input" in September 2016 and ended with the launch of the public consultation last April. The main changes contained in the new models drawn up by the ART at the end of the process and after having acquired the contributions of various stakeholders refer to: the representativeness and majority criteria within the consultation, operators and users' disclosure obligations and the rate of return calculation method (WACC).

The ART also proposed the start of a new additional procedure for the definition of an Innovative Regulatory Model, scheduled for implementation from 2019, which may entail more significant changes: in particular, the main regulatory issues may be addressed with this procedure, including the assessment of Airport Operators' market power, cost-efficiency factors and their elasticity levels, the determination of the rate of return on capital employed (WACC), the treatment of the margin of commercial activities and the development of the Operator/Users Negotiation Model.

SEA does not apply the ART's regulation models since it is regulated by the Supplementary Regulatory Agreement entered into with ENAC in 2011, pursuant to Article 17, paragraph 34-bis of Decree-Law No. 78/2009, as converted with amendments by Law 102 of August 3, 2009.

New significant domestic and EU regulations

As regards the EU regulatory framework, in 2016 the European Commission - DG MOVE - initiated an assessment phase for Directive 2009/12/EC of the European Parliament and of the Council of March 11, 2009 on airport fees, in order to verify the consistency of the Directive's application with its objectives and to consider whether the analysis requires the deployment of corrective measures.

As part of the Directive's assessment initiatives, the Commission appointed a consultancy firm (Steer Davies Gleave) to measure the effectiveness and suitability of the applicable provisions. The consultancy firm began an open consultation with airports, airlines and national regulators on certain relevant topics (tariffs, consultations, regulatory authorities/bodies, etc.), by sending a questionnaire in March to all European airports with traffic exceeding 5 million passengers, airlines and national regulators. SEA received the questionnaire and submitted its position to Steer Davies Gleave.

In December, the Commission announced that the decision on the possible amendment of the Directive will be postponed to a later period after the end of the current Commission's term (April 2019). In the meantime, it activated a new public consultation (Inception Impact Assessment - IIA), in view of the findings of Steer Davies Gleave's study to gather additional evidence concerning the Directive. SEA also participated in this consultation by sending its position on the matter, which is published alongside the other contributions on the Commission's website.

Pending the expected amendments to the Navigation Code for the full transposition of the provisions laid down by EU Regulation No. 139/2014, and Legislative Decree No. 173/2017, in force since December 20, 2017, it introduced a system of penalties for violations of EU Regulation No. 216/2008 and the related implementing rules, including Regulation 139. Therefore, any infringement of the obligations imposed by law will incur an administrative fine which will be determined by the Authority (ENAC) between a minimum and maximum amount established for the type of violation. Of particular interest for airport operators, Art. 10 concerns violations to the respective competences, linked both to the conditions of the Airport Certificate (in the case of expiry, suspension or revocation) and to infringements of other applicable provisions, such as regulatory provisions and/or requirements, and the procedures set out in the Airport Manual.

The company's progress on compliance audits continues as part of EU Regulation No. 139/2014's implementation in collaboration between the Legal and CMM (Compliance Monitoring Manager) Department, in view of the observations raised occasionally by the ENAC Inspection Team responsible for supervisory functions. In this regard, Airport Manuals are constantly updated, and SEA also introduced Airport Safety courses for third parties, specifically provided to all staff accessing airside areas.

New regulation concerning the takeover value at the end of the concession

Decree-Law No. 148 of October 16, 2017 (Decree Law on Tax), coordinated with converting Law No. 172 of December 4, 2017 and Law No. 205 of December 27, 2017 (Budget Law 2018) significantly innovated the regulation concerning the takeover value at the end of the concession, set at May 4, 2041 for SEA.

Prior to these measures, the takeover value was governed by two regulations, one of a general nature (Art. 703 of the Navigation Code - fifth paragraph) and one specifically related to SEA, the ENAC-SEA Agreement of 2001. The combined two regulations do not guarantee any reimbursement to SEA from the successor at the end of the concession as regards state-owned property forming part of the Linate and Malpensa airports or for works and the infrastructures that SEA built on them.

The above two December measures amended the fifth paragraph of Art. 703 of the Navigation Code, establishing the right of outgoing concession holders to obtain a takeover value from the incoming concession holder on the concession's natural expiry. It also established its calculation methods.

In particular, the amendments in question defined the scope for calculating the takeover value (buildings and fixed installations standing on the airport grounds), the reimbursement's valuation criteria (value of the works at the takeover date, net of depreciation and any public contributions resulting from regulatory cost accounting) and the requisites for inclusion in the calculation. In particular, assets attributable to regulated services must be included in the Regulatory Agreement and be approved by ENAC, while the construction or acquisition of assets destined for the provision of commercial activities, as such not subject to tariff regulation, must have been authorised by ENAC since they are functional to airport activities and the airport's development.

The measures in question also regulate reimbursements in cases where the concession is terminated before the expiry date.

Assessments on the new legislation's accounting impacts are currently being undertaken by the company.

SEA and SEA Energia's request for qualification as Existing Systems Equivalent to Efficient Systems for Users (SEESEU)

On September 29, 2015, SEA and SEA Energia's qualification as Existing Systems Equivalent to Efficient Systems for Users (SEESEU) was requested from GSE. Obtaining the SEU or SEESEU qualification entails maintaining favourable tariff conditions on self-produced electricity, with high efficiency and not drawn from the electricity grid and limited to the variable parts of the general system and network charges, as envisaged by Legislative Decree No. 115/08 and Article 25-bis of Decree-Law No. 91/14 converted with Law No.116/14.

In May 2017, the company received GSE's acceptance of its application and was, therefore, granted this qualification. In this regard, it should be noted that with the conversion of Decree-Law 244/2016 (commonly known as the "Milleproroghe Decree"), converted into Law 19/2017, the legislature decided to postpone the application of system charges starting from January 1, 2018. The annual report recognises the positive effect of Euro 1,298 thousand resulting from the application of the new Decree, in relation to the provisioned amounts in the financial years 2015 and 2016.

Following the abovementioned Decree-Law, the legislature implemented a regulatory change that sees the considerable reduction of economic advantages linked to obtaining the SEESEU qualification; currently, a further change in the legal framework is expected for the SEA Group in relation to airport electricity grids, with the need to arrive at an assessment on the possibility of qualifying as a CDS (Closed Distribution System). This system, while maintaining and improving the benefits and reducing SEESEU qualification obligations, would make it possible to operate as a "Distributor", under a simplified regulation and qualifying as a sole referent entity for any future airport development in terms of electricity grids.

All aspects arising from this possible choice in legal, economic and organisational terms are being examined.

Furthermore, it should be noted that with Resolution 894/2017/R/EEL of December 21, 2017, the Regulatory Authority for Electricity, Gas and Water made changes to the definition of the Consumption Unit for simple production and consumption systems and closed distribution systems which, in the case of SEA, concern the SEESEU and CDS structure, respectively.

The measure clarifies that, if on the same site next to an activity for the production of goods and/or services intended as the main or "core business", there are real estate units provided to third parties to carry out activities (secondary activities) primarily for the provision of goods or services to support the abovementioned main activity, it is possible to establish a single consumption unit that includes both the real estate units intended for the main activity and the real estate units intended for secondary activities, independently of the parties that manage them, notwithstanding the territorial proximity constraint. In these cases, the legal person performing the main ac-

tivity is classified as the electricity end user and provides services, not electricity, to the parties performing the secondary activities: therefore, an internal activity for the sale of electricity cannot be classified and there may not be any billing for electricity consumption.

In view of the abovementioned legislation, the Group is considering which of the options envisaged by the legislation it will implement, despite having commenced the technical and economic activities necessary to adapt to both options.

Operating and financial overview

Traffic data

MILAN MALPENSA AND MILAN LINATE AIRPORT TRAFFIC PERFORMANCE

	Movements		Passengers [1]		Cargo [2]	
	2017	% vs 2016	2017	% vs 2016	2017	% vs 2016
Malpensa	174,754	7.4%	22,037.2	14.1%	576,539	7.4%
Linate	96,467	-1.4%	9,503.1	-1.4%	11,937	-4.9%
Total commercial traffic	**271,221**	**4.1%**	**31,540.3**	**9.0%**	**588,476**	**7.1%**
Linate General Aviation [3]	21,263	2.7%	44.3	1.2%	-	-
SEA Group Airport System	**292,484**	**4.0%**	**31,584.6**	**8.9%**	**588,476**	**7.1%**

[1] *Arriving+departing passengers ('000).*
[2] *Arriving+departing cargo in tonnes.*
[3] *General Aviation Source: Linate-SEA Prime.*

The Milan Airport System in 2017 served a total of 31.6 million passengers, up 8.9% on 2016.

The significant increase in **commercial aviation** passengers (+2.6 million) was ahead of the national average (+6.4%) and entirely related to the strong performance of Malpensa which reported growth of 14.1% on the previous year. On the one hand this stems from greater capacity put on stream by carriers at the Varese-based airport, with more movements (+7.4%) and larger average aircraft size (+9.8% in seats offered), and on the other higher load factors (+3%).

Linate airport reported a slight increase in passenger numbers (+1.4%) on 2016. Despite a strong first quarter (+4.3%), with the beginning of the summer season the airport was impacted by the transfer of KLM and Air France flights to Malpensa, previously operated from Linate under a commercial agreement with Alitalia which permitted carriers to use the latter's slots. The contraction was further impacted by the cancellation of Air Berlin operations from the winter season.

Cargo traffic handled by the Milan Airport System exceeded 588 thousand tonnes (+7.1%). Malpensa reported an expansion of 7.4%, continuing the growth reported over the last five-year period (+8.2% annual average). Malpensa currently manages 52% of the total cargo moved in Italy and is therefore the country's leading airport.

General aviation traffic at Milan Linate grew 2.7% in 2017 on the previous year. The slight fall off in the first half of 2017 (-1.0%), attributable to the Champions League final in May 2016, was offset by a decisively positive performance in the second half of the year (+6.0%). The average size of aircraft transiting at the airport increased from 15 to 16 tons, resulting in a total +2.8% tonnage increase.

Milan Linate Airport confirmed

its sixth-place standing in Europe in terms of average daily takeoffs (29 departures), after the airports of Paris Le Bourget, Geneva, Nice, London Luton and Zurich.

Income Statement

The accounting policies applied in preparing the 2017 consolidated figures are in line with those utilised for the 2016 consolidated financial statements.

The consolidation scope at December 31, 2017 altered on December 31, 2016 with the acquisition by SEA SpA of an additional stake in SEA Prime SpA of 1.57% (of which SEA SpA already held control). The SEA Prime holding is currently 99.91%. With this acquisition, the holding in the associate Signature Flight Support Italy Srl therefore increased from 39.34% to 39.96% (in 2016 however fully consolidated until March 31). The liquidation of SEA Handling SpA in liquidazione and of Consorzio Malpensa Construction in liquidazione, SEA subsidiaries held respectively 100% and 51%, in addition concluded in 2017.

Operating revenues in 2017 grew 6.8%, mainly due to the strong passenger and cargo performance, in addition to the non-aviation activities, the contribution of commercial aviation - which on completion of the terminal restyling can provide exclusive and top quality services to customers - and the energy business which suc-

(Euro thousands)	2017	%	2016	%	Cge. 2017/2016
Operating revenues	697,698	96.1%	653,512	93.3%	6.8%
Revenue for works on assets under concession	28,281	3.9%	46,622	6.7%	-39.3%
Total revenues	**725,979**	**100.0%**	**700,134**	**100.0%**	**3.7%**
Operating costs					
Personnel costs	(210,743)	-29.0%	(182,971)	-26.1%	15.2%
Other operating costs	(246,224)	-33.9%	(239,646)	-34.2%	2.7%
Total operating costs	**(456,967)**	**-62.9%**	**(422,617)**	**-60.4%**	**8.1%**
Costs for works on assets under concession	(26,006)	-3.6%	(43,114)	-6.2%	-39.7%
Total costs	**(482,973)**	**-66.5%**	**(465,731)**	**-66.5%**	**3.7%**
EBITDA [1]	**243,006**	**33.5%**	**234,403**	**33.5%**	**3.7%**
Provisions & write-downs	(32,218)	-4.4%	(5,497)	-0.8%	486.1%
Restoration and replacement provision	(13,602)	-1.9%	(17,193)	-2.5%	-20.9%
Amortisation & Depreciation	(69,296)	-9.5%	(61,714)	-8.8%	12.3%
Operating profit	**127,890**	**17.6%**	**149,999**	**21.4%**	**-14.7%**
Investment income/(charges)	8,135	1.1%	9,842	1.4%	-17.3%
Financial charges	(18,167)	-2.5%	(18,940)	-2.7%	-4.1%
Financial income	258	0.0%	136	0.0%	89.7%
Profit before taxes	**118,116**	**16.3%**	**141,037**	**20.1%**	**-16.3%**
Income taxes	(35,667)	-4.9%	(47,263)	-6.8%	-24.5%
Continuing Operations profit	**82,449**	**11.4%**	**93,774**	**13.4%**	**-12.1%**
Discontinued Operations profit/(loss)	**1,556**	**0.2%**	**(130)**	**0.0%**	**-1296.9%**
Minority interest profit/(loss)	(65)	0.0%	25	0.0%	-360.0%
Group Net Profit	**84,070**	**11.6%**	**93,619**	**13.4%**	**-10.2%**

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

cessfully tapped into the market recovery, boosting energy sales to the market, while also contracting methane gas at the lows of 2016.

EBITDA was Euro 243,006 thousand, up 3.7% on 2016, although including Euro 23,923 thousand of non-recurring costs for post-employment benefits under the Framework Agreement signed on July 22, 2016 with the Trade Unions. Excluding these costs, and net of extraordinary revenue items of Euro 2,929 thousand, EBITDA was Euro 264,044 thousand, up 10.1% on 2016 (which also included non-recurring revenue and cost items and reported net EBITDA of Euro 5,392 thousand).

This good performance stems from strong revenue growth and prudent operating cost management.

EBIT of Euro 127,890 thousand was impacted by the Euro 25,252 thousand write-down of the Alitalia SAI receivable for unsettled invoices in the year before the company entered extraordinary administration (May 2, 2017).

Group Net Profit - benefitting Euro 1,556 thousand from the liquidation of SEA Handling and impacted by the extraordinary items indicated above - amounts to Euro 84,070 thousand, contracting Euro 9,549 million on the previous year.

The main income statement accounts are broken down as follows.

Revenues

Operating revenues in 2017 (revenues net of works on assets under concession) of Euro 697,698 thousand include Aviation revenues of Euro 443,593 thousand (Euro 408,970 thousand in 2016), Non Aviation revenues of Euro 227,263 thousand (Euro 216,900 thousand in 2016), General Aviation business revenues of Euro 12,124 thousand (Euro 11,750 thousand in 2016) and Energy business revenues of Euro 14,718 thousand (Euro 15,892 thousand in 2016).

The improvement of Euro 44,186 thousand on the previous year (+6.8%) was supported in 2017 by non-recurring revenues of Euro 2,929 thousand (Euro 2,429 thousand from the Anti-trust Authority review of the penalty imposed on SEA in 2015 following the acquisition of SEA Prime - previously ATA Ali Trasporti Aerei and Euro 500 thousand from the collection of a supplier penalty), while in 2016 including revenues from the company Signature Flight Support Italy Srl (previously Prime Aviation Services) and refuelling operations - no longer included in the Group consolidation scope - of Euro 1,274 thousand. Net of these items, revenues grew Euro 42,531 thousand (+6.5%).
This performance is principally based on:

- Aviation operations for Euro 32,910 thousand, mainly due to the boost in traffic volumes both in the passengers' segment - benefitting from additional airline capacity and load factor growth - and the cargo segment;
- Non Aviation operations for Euro 9,238 thousand, growing across all the main business segments, including Shops, Food & Beverage, Car Rental, Parking and Cargo;
- the Energy business, whose revenues contracted Euro 1,243 thousand. Despite good electric and thermal energy sales on the basis of favourable sales prices and increased volumes, revenues decreased with the conclusion of the Green certificates benefit at Linate;
- the General Aviation business - at like-for-like scope - for Euro 1,626 thousand, principally due to non-regulated operations (entry into use of the

new Hanger and better parking management), while regulated operation results were in line with the previous year.

Revenues for works on assets under concession decreased from Euro 46,622 thousand in 2016 to Euro 28,281 thousand in 2017 (-39.3%). These revenues refer to construction work on assets under concession increased by a mark-up representing the best estimate of the remuneration of the internal cost for the management of the works and design activities undertaken, which corresponds to a mark-up which a third-party general constructor would request to undertake such activities. This account is strictly related to investment activities on assets under concession.

Operating costs

Operating costs for the year amount to Euro 456,967 thousand, up Euro 34,350 thousand on the previous year (+8.1%). These include non-recurring costs of Euro 23,966 thousand (Euro 23,923 thousand of which leaving incentive payments). Therefore, net of these items, compared to the year 2016 which, in turn, incorporated non-recurring costs for a total of Euro 6,665 thousand, the increase amounts to Euro 17,048 thousand (4.1%).

Non-recurring items in 2017 mainly refer to leaving payments related to the Project Framework Agreement concluded with the Trade Unions on July 22, 2016. Euro 5,768 thousand were disbursed in 2017, while Euro 17,971 thousand relates to the early retirement incentive programme for a pre-defined maximum number of workers who will reach pensionable age by August 2023.

In 2016, Euro 4,019 thousand were earmarked for early retirement incentive payments, Euro 1,508 thousand for the closure of the litigation on State Aid, while the costs of Prime Aviation Services' refuelling activities amounting to Euro 1,138 were still present within the Group's consolidation scope.

Net of one-off items, the increase in costs of Euro 17,048 thousand mainly relates to:

- Group personnel costs, which increased Euro 8,229 thousand (+4.6%) compared to 2016, increasing from Euro 178,591 thousand in 2016 to Euro 186,820 thousand in 2017. The increase was mainly due to the introduction of a reward contribution linked to the achievement of company performance objectives. It also included the portion allocated for the National Collective Labour Agreement's renewal, which was signed in 2014 and expired at the end of 2016.
  On a like-for-like consolidation basis, thus excluding Prime Aviation Services' workforce from 2016, the workforce numbered 2,766 Full-Time Equivalents and compares with 2,792 units for 2016.
- Other operating costs increased by Euro 8,818 thousand (+3.7%) compared to 2016, increasing from Euro 237,362 thousand in 2016 to Euro 246,181 thousand in 2017. This was due to the increase in costs directly linked to revenues and traffic of Euro 14,501 thousand (public fees, commercial costs and parking management fees), partly offset by a reduction in other core costs of Euro 5,683 thousand, mainly as a result of lower energy costs following a careful procurement policy and the containment of other operating costs.

Costs for works on assets under concession

Costs for works on assets under concession decreased from Euro 43,114 thousand in 2016 to Euro 26,006 thousand in 2017. These costs refer to the costs for the works undertaken on assets under concession. This movement is strictly related to investment activities.

As a result of the above dynamics, **EBITDA** stood at Euro 243,006 thousand compared to Euro 234,403 thousand for 2016, up 3.7% (+Euro 8,603 thousand). Net of the non-recurring items highlighted above, EBITDA amounted to Euro 264,044 thousand, up 10.1% compared to 2016 (Euro 239,794 thousand).

Provisions and write-downs

In 2017, provisions and write-downs show an increase of Euro 26,721 thousand, from Euro 5,497 thousand in 2016 to Euro 32,218 thousand in the year under review. These relate to Euro 1,494 thousand in net provisions for future charges (Euro 1,035 thousand at December 31, 2016) and Euro 30,724 thousand in net provisions for doubtful debt (Euro 4,379 thousand at December 31, 2016).

"Provisions for future charges" include Euro 3,441 thousand in provisions relating to the current year for litigations with the GSE on the assignment of Green Certificates and White Certificates, provisions for employment, revocatory risks and insurance deductibles, partially offset by the release of pre-

vious years' provisions for risks and charges of Euro 1,947 thousand, as a result of the elimination of some ongoing disputes.
"Credit risk provisions" show a net effect of Euro 30,724 thousand (Euro 4,379 thousand at December 31, 2016), due to net provisions for trade receivables amounting to Euro 27,498 thousand (Euro 2,743 thousand in 2016), net releases of other receivables amounting to Euro 250 thousand (Euro 1,636 thousand in 2016) and net provisions for other financial assets amounting to Euro 3,476 thousand (item not present in 2016).

The total provision for trade receivables is almost all related to a past loan (prior to May 2, 2017) to Alitalia SAI in Extraordinary Administration, for an amount of Euro 25,252 thousand. There is currently no guarantee on its collection.

In relation to other receivables in 2016, a provision was made for Euro 307 thousand for receivables from SEA Energia's 2015 green certificates. Following the settlement of the dispute with GSE, Euro 57 thousand of the provision made in 2016 was used in 2017 and the remaining Euro 250 thousand released.

The year 2017 also includes the write-down of the financial receivable relating to equity financial instruments and Airport Handling's equity value transferred to the Trust and the subject of the contract with dnata for Euro 3,476 thousand, in anticipation of the probable review of the sale price on the expiry of the call option exercisable by dnata.

Further information is available in Note 9.6 of the Consolidated Financial Statements.

Restoration and replacement provision

During the year, the provision went from Euro 17,193 thousand in 2016 to Euro 13,602 thousand in 2017, with a decrease of Euro 3,591 thousand. In view of a provision of Euro 15,093 thousand in 2017 (Euro 17,193 thousand in 2016), a release of the provision amounting to Euro 1,491 thousand was recorded (nil in 2016), in order to adjust the provision to new industry regulations on x-ray equipment.

Amortisation & Depreciation

Amortisation and depreciation increased by Euro 7,582 thousand compared to 2016 (+12.3%), from Euro 61,714 thousand to Euro 69,296 thousand. Amortisation and depreciation movements in the periods reflect, on the one hand, the depreciation and amortisation of tangible and intangible fixed assets on the basis of the useful life estimated by the Group, however not exceeding the concession's duration and, on the other, the acceleration of depreciation on x-ray equipment which will be replaced in the coming years as required by the applicable legislation, and of the turbine located in the Malpensa cogeneration plant which will be replaced in 2019. The main investments that contributed to the increase in the above-mentioned amortisation and depreciation are those made on the Cargo City area, Terminal 1 and Terminal 2's railway station, in addition to more investment for the purchase of new de-icing machines.

Investment income and charges

In 2017, net income from investments decreased Euro 1,707 thousand, from Euro 9,842 thousand in 2016 to Euro 8,135 thousand in 2017. Equity-accounted investments and other income and charges are included.

The share of the result of Equity-accounted associates was positive at Euro 8,204 thousand in 2017 (Euro 6,986 thousand in 2016). The increase, amounting to Euro 1,218 thousand, is primarily attributable to the improvement of the results achieved by some associates.

Other income decreased Euro 2,925 thousand. This reduction is attributable to the presence of non-recurring revenues in 2016. These include SEA Prime capital gains on the sale of the 60% stake in Signature Flight Support Italy Srl (previously Prime Aviation Services SpA) amounting to Euro 955 thousand, and dividends for Euro 1,901 thousand, approved by the Shareholders' Meeting of Airport Handling SpA on May 6, 2016 for the allocation of net profit for the financial year 2015 in relation to the Financial Instruments of Participation held by SEA.

Financial income and charges

In 2017, net financial charges reduced to Euro 895 thousand, from Euro 18,803 thousand in 2016 to Euro 17,909 thousand in 2017.

This is mainly due to: *(i)* lower interest paid on medium/long-term loans for Euro 380 thousand, due to the reduction in the average gross debt and the contraction of the average cost of debt; *(ii)* lower commissions on loans for Euro 50 thousand; *(iii)* a reduction in other interest charges for Euro 429 thousand which mainly affect lower charges on derivatives for the continuation of the relative notional amount's repayment; *(iv)* an increase in financial income of Euro 122 thousand.

Income taxes

Taxes for the year 2017 amounted to Euro 35,667 thousand, down on 2016 (Euro 47,263 thousand), due to the effect of the reduction in pre-tax profit and the entry into force of the lower IRES rate of 24%.

A detailed analysis of the components that contributed to this net result and their comparison with 2016 is available in Note 9.12 of the Consolidated Financial Statements.

Discontinued Operations profit/(loss)

The net result from discontinued operations relating to the commercial aviation handling sector shows a net profit of Euro 1,556 thousand against a net loss of Euro 130 thousand in the previous year. The item includes the result of SEA Handling SpA, for which the liquidation procedure was concluded on June 30, 2017 leading to the settlement of payables and receivables that are still open. On July 10, 2017, the Shareholders' Meeting approved the final liquidation financial statements and the company's relative distribution plan, whose total shares were held by SEA SpA.

A detailed analysis of the components that contributed to this net result and their comparison with 2016 in the context of the application of IFRS 5 is available in the Explanatory Notes 7.2 and 9.13 to the Consolidated Financial Statements.

Group Net Result

As a result of the above movements, the Group's net profit decreased Euro 9,549 thousand - from Euro 93,619 thousand in 2016 to Euro 84,070 thousand in 2017.

Reclassified balance sheet

(Euro thousands)	at December 31, 2017	at December 31, 2016	Change
Intangible assets	998,182	1,011,111	(12,929)
Property, plant & equipment	204,971	190,276	14,695
Investment property	3,394	3,398	(4)
Investments in associates	54,054	51,597	2,457
AFS Investments	26	26	0
Deferred tax assets	51,152	43,665	7,487
Other non-current financial assets	7,190	16,776	(9,586)
Other non-current receivables	280	308	(28)
Fixed assets (A)	**1,319,249**	**1,317,157**	**2,092**
Inventories	4,104	4,141	(37)
Trade receivables	111,077	86,968	24,109
Tax receivables	14,941	14,800	141
Other receivables	9,200	18,563	(9,363)
Other current financial assets	13,300	7,190	6,110
Current assets	**152,622**	**131,662**	**20,960**
Assets-held-for-sale	**-**	**10,732**	**(10,732)**
Trade payables	153,497	161,530	(8,033)
Other payables	174,592	160,327	14,265
Tax payables	8,370	6,841	1,529
Current liabilities	**336,459**	**328,698**	**7,761**
Liabilities related to Assets-held-for-sale	**-**	**2,379**	**(2,379)**
Net Working Capital (B)	**(183,837)**	**(188,683)**	**4,846**
Provisions for risks and charges (C)	(169,935)	(174,061)	4,126
Employee provisions (D)	(47,834)	(49,220)	1,386
Other non-current payables (E)	(17,588)	-	(17,588)
Net capital employed (A+B+C+D+E)	**900,055**	**905,193**	**(5,138)**
Group Net Equity	(391,154)	(375,264)	(15,890)
Minority interest net equity	(23)	(566)	543
Net financial debt	(508,878)	(529,363)	20,485
Total sources of financing	**(900,055)**	**(905,193)**	**5,138**

All fixed assets, including those falling under IFRIC 12, are expressed net of those funded by State and European Union contributions. At December 31, 2016, these amounted to Euro 504,383 thousand and Euro 7,019 thousand respectively (at December 31, 2016, amounting to Euro 503,601 thousand and Euro 5,517 thousand respectively).

Net capital employed at December 31, 2017 amounted to Euro 900,055 thousand, with a decrease of Euro 5,138 thousand over December 31, 2016. This reduction is linked, in addition to the performance of non-current assets and net working capital described below, to the entry of the item "Other non-current payables", with reference to payables to employees and associated social security contributions, recorded as a result of the mobility procedure's commencement on December 27, 2017. Through the mobility procedure, early retirement incentive payments were established for a pre-determined number of workers who will qualify for pension benefits by August 2023 (early retirement or old age pension). The agreement with Trade Unions covering this procedure was signed on January 15, 2018.

Non-current assets of Euro 1,319,249 thousand increased Euro 2,092 thousand compared to December 31, 2016, mainly due to *i)* net investments for the year of Euro 72,130 thousand (net of the use of the recovery provision), partially offset by the depreciation for the year amounting to Euro 69,296 thousand; *ii)* the increase in net deferred tax assets of Euro 7,487 thousand; *iii)* the increase in financial assets as a result of the equity valuation of investments in associates for Euro 2,457 thousand; *iv)* the reclassification from non-current to current of 40% of other financial assets, the sale of which is regulated by the call option, in anticipation of the conclusion of negotiations with dnata by 2018.

Net working capital of -Euro 183,837 thousand, increased by Euro 4,846 thousand over December 31, 2016. This trend is mainly attributable to *i)* the increase in other receivables/payables which include lower receivables from GSE for green and white certificates, higher tax payables and higher payables for fire-fighting services, *ii)* the increase in trade receivables mainly as a result of higher revenues in the year under review, *iii)* the decrease in trade payables, almost completely offset by the change in assets/liabilities connected to assets that are to be sold and the exit of SEA Handling SpA from the consolidation scope following its liquidation; *iv)* the increase in other current financial assets following the reclassification of the 40% share, net of the write-down in 2017 amounting to Euro 3,476 thousand, and to be sold to dnata.

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

(Euro thousands)	**at December 31, 2017**	**at December 31, 2016**	**Change**
Inventories	4,104	4,141	(37)
Trade receivables	111,077	86,968	24,109
Trade payables	(153,497)	(161,530)	8,033
Other receivables/(payables)	(158,821)	(133,805)	(25,016)
Other current financial assets	13,300	7,190	6,110
Assets-held-for-sale	-	10,732	(10,732)
Liabilities related to Assets-held-for-sale	-	(2,379)	2,379
Total net working capital	**(183,837)**	**(188,683)**	**4,846**

Net financial position

The "Net financial position" amounting to Euro 508,878 thousand improved by Euro 20,485 thousand over December 31, 2016 (Euro 529,363 thousand). The positive cash flow generated by current operations also made it possible to finance investment in tangible and intangible fixed assets for Euro 84,995 thousand (net of contributions amounting to Euro 2,848 thousand and gross of IFRIC remuneration and financial charges) and the payment of dividends of Euro 70,304 thousand.

Reconciliation between equity of the Parent and consolidated equity

The reconciliation between the net equity of the Parent Company SEA SpA and the consolidated net equity is shown below.

(Euro thousands)	Shareholders' equity at December 31, 2016	Equity movements	OCI Reserve	Net profit / (loss)	Shareholders' equity at December 31, 2017
Parent Company Financial Statements	**326,689**	**(70,300)**	**1,893**	**76,946**	**335,228**
Share of net equity and net profit of the consolidated subsidiaries attributable to the Group, net of the carrying amount of the relative investments	14,955	(250)	-	4,215	18,920
Adjustments for measurement at equity of associates	40,696	-	-	2,533	43,229
Other consolidation adjustments	(6,510)	-	-	311	(6,199)
Consolidated Financial Statements	**375,830**	**(70,550)**	**1,893**	**84,004**	**391,177**

SEA Group investments

The SEA Group in 2017 continued its commitment to support investments in line with the programmed development plan. The following table details the investments made in 2017 of Euro 84,995 thousand, net of advances to suppliers, with evidence of new investment (Euro 72,140 thousand) and recovery actions (Euro 12,855 thousand). It should be noted that no research and development activities were carried out in 2017.

(Euro thousands)	New installations	Restoration investments	Total
Flight infrastructure	9,178	3,189	12,367
Air terminals	15,763	4,604	20,367
Cargo	5,457	180	5,637
Misc. buildings, roadways, parking	18,378	1,585	19,963
Networks & plant	5,233	3,297	8,530
Ecology	5	-	5
ICT Systems / Projects	10,677	-	10,677
Other equipment	7,449	-	7,449
Total investments	**72,140**	**12,855**	**84,995**

Amounts are inclusive of the 6% remuneration in accordance with IFRIC 12 (Euro 2.3 million) and the share of financial charges (Euro 0.04 million).

Investments made in 2017 include the expansion and restyling operations at Milan Malpensa and Linate, works in the Malpensa cargo area and the construction of the new hangar in Linate for general aviation.

More significant investments in Milan Malpensa were **Terminal 1**'s functional upgrading and restyling with the construction of new commercial areas, the homogenisation of the existing finishes, and the acquisition of the Sheraton Hotel property which took place in the second half of December.

During the year, works were concluded on the installation of new controlled access for staff passage, the restyling of the Remote North Schengen gates and the reconfiguration of the South Commercial area with the construction of new shops. Fittings for the Lufthansa VIP hall and works for the conversion of the former south Dufry store in the commercial areas were also completed.

The restyling of the Satellite B Arrivals Level was also finished, while the restyling works on the Schengen Baggage Claim area are still in the start-up phase.

As regards Milan Malpensa **Terminal 2**, the design for the construction of new departure gates concluded, while the design for the construction of a new building in the Departure Terminal's internal courtyard which will accommodate new shops and restaurants is in progress. This was designed as the routing hub for departure passengers.

Works for the construction of a second warehouse to be used by Cargo operators are underway in the Milan Malpensa Cargo area. The warehouse will consist of an area of about 15,000 sq. m.

For **Linate** airport, the most significant investment is related to works on the Terminal's functional upgrading and restyling. The main objectives of operations consist in improving the perceived quality and architectural image of the Air Terminal's facade, land side access, the arrivals hall, the baggage claim hall and the Leonardo SEA and Welcome Alitalia VIP Lounges. Expansion works are under design for the improvement of operational spaces for the gates and the enlargement of commercial areas (for retail and food & beverage).

At both Malpensa and Linate flight infrastructure plant upgrades continued for the implementation of the ASMGCS (Advanced Surface Movement Guidance and Control System) systems, which will enable a clearer indication of paths to be followed by aircraft during the taxiing of aircraft, in addition to an improved use of lights on the taxiing runways, with a consequent reduction in the time in which lights are switched on, limiting therefore light pollution and resulting in further energy savings.

At Linate, an important project was the North apron area which provides an extension of the aircraft apron by about 22,000 sq. m, making it possible to use three new aprons for contemporary de-icing operations, rationalising the current layout of the area south of the apron and improving the areas available for the parking and movement of aircraft, vehicles and equipment.

Information Technology investment was focused on setting up the Digital Transformation. The commencement of projects and experiments in IOT - Internet of Things with regard to the Passenger Experience, ever-increasing dematerialisation in support of corporate operating and administrative processes, the launch of a multi-year plan for the adoption of BIM - Building Information Modelling methodologies in design and maintenance and the increasing use of Cloud Solutions, are only some examples of the ongoing investment in innovation.

The development of Web environments also continued through important advances in Internet Sites and Mobile Apps, providing new e-commerce features and new mobility services through innovative and modern payment systems.

Great attention was also paid to the resilience and operational continuity of systems, through the now consolidated set-up of a real infrastructural "campus", consisting of three internal Data Centres (one at Linate and two at Malpensa) and two external IBM Data Centres dedicated to Management and Administrative systems (SAP ERP - Enterprise Resource Application in a HANA - High Performance Analytic Appliance environment) and application systems in a virtualised environment. This brings the Milan Airports' Information Technology in line with the most modern adoptions of the Cloud paradigm combined with virtualisation.

Also highlighted is the attention and commitment given to the priority issue of Cyber Security, through the definition of a Reference Framework which enabled a holistic approach to the issue. This was accompanied by investment and actions targeted to increase protection levels and overall internal awareness on Cyber risk.

Finally, the SEA020 project, which is the result of the experience gained during the EXPO 2015 with the E015 ecosystem, initiated an information management process through ecosystem concepts and API - Application Programming Interface to optimise data management both internally and towards stakeholders.

Subsequent events

Meridiana establishes its Hub at Malpensa

Following the acquisition of 49% of its shares by Qatar Airways, Meridiana, now Air Italy, announced that it is to establish its hub at Malpensa. It also presented a plan to expand its fleet with 50 new aircraft and increase its passengers from 2.5 to 10 million over 5 years. The network will also expand gradually, through destinations that will support new long-haul routes from Milan Malpensa to New York and Miami. These two new routes which will be launched next June will be preceded by new domestic routes operated in connection with intercontinental flights from Milan Malpensa and departing from Rome, Naples, Palermo, Catania and Lamezia Terme as from May 1. Next September, Air Italy will begin the Milan-Bangkok connection with four flights a week and three additional long-haul connections will be announced before the end of the year. The strategic plan also includes the increasing of short-haul flights and the reaching of 50 destinations served in a year by 2022.

Top Employers Italy 2018 Certification

The annual research conducted by Top Employers Institute certifies the best companies in the world in the area of Human Resources and, particularly, those which constantly strive to improve and optimise their Human Resource processes. SEA's certification process commenced in 2017 through a strict and thorough audit process - the HR Best Practices Survey - in which SEA reached the required standard levels to obtain the recognition of Top Employer and which was officially recognised in 2018.

Certification of the Management System for Preventing Corruption

The certification process of SEA's Management System for Preventing Corruption concluded positively, pursuant to the UNI ISO 37001:2016 "Antibribery Management Systems" Standard, with the issue of the certificate by TUV Italia Srl on March 8, 2018. The certificate is valid for three years and is subject to an annual monitoring audit.

Outlook

In the first two months of 2018, passenger traffic continued to grow, rising by 6.9% at the airports managed by the SEA Group, compared with average growth for Italian airports of 6.2%[6].

The current year will continue to see passenger traffic growth, driven by the consolidation of both short-to-medium-haul and intercontinental traffic at Malpensa airport, owing in part to the gradual positioning of Air Italy, which will shift from primarily focusing on tourism to operating exclusively full-service flights to southern Italy among short-haul destinations, to Cairo and Moscow among medium-haul destinations and to New York, Miami, Bangkok, Shenzen and Lagos/Accra among intercontinental destinations.

With regard to the possible outcome of the process of selling Alitalia, which could temporarily affect traffic at Linate airport, no significant impacts are expected in 2018, also considering the airline's plans, which essentially represent the continuation of its operations in 2017.

The infrastructure development plan for 2018 includes the completion of the work begun in 2017 to restyle the Linate Terminal, further progress on the project to expand and renovate commercial areas in Malpensa Terminal 2 to include two additional gates, the continuing restyling of Malpensa Terminal 1 (arrivals floor satellite B and Schengen baggage return area), the completion of the e-Gates project involving new passport-reading equipment in the three terminals and breaking ground on construction of a new General Aviation terminal in Malpensa.

Management remains committed to further developing the various business areas and to pursuing operating efficiency with the aim of improving company processes.

On this basis, operating results in 2018 are expected to continue the positive trend of recent years.

[6] *Source: Assaeroporti.*

Operating performance – Sector analysis

Commercial Aviation

The Commercial Aviation business includes Aviation and Non Aviation operations: 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 centralised 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 segment. 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 includes also income from warehouse, space and office rental to Cargo business operators, such as cargo handlers, transport companies and couriers.

General Aviation

The General Aviation business includes the full range of services relating to business traffic at the western apron of Linate airport. The comparative figures from 2016 also include the results of the handling and general aviation business, consolidated line-by-line until March 31, 2016.

Energy

The energy business includes the generation and sale of electricity and heat to the market and third parties.

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

(Euro thousands)	Commercial Aviation		General Aviation		Energy		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016
OPERATING REVENUES	670,856	625,870	12,124	11,750	14,718	15,892	697,698	653,512
EBITDA	233,435	226,076	7,867	6,727	1,704	1,600	243,006	234,403
EBIT	121,800	144,873	5,481	4,907	609	219	127,890	149,999

The EBITDA shown above includes the IFRIC margin.

Commercial Aviation

Traffic data

MILAN MALPENSA AND MILAN LINATE AIRPORT TRAFFIC

	Movements		Passengers [1]		Cargo (tonnes) [2]	
	2017	cge. % vs 2016	2017	cge. % vs 2016	2017	cge. % vs 2016
Malpensa	174,754	7.4%	22,037.2	14.1%	576,539	7.4%
Linate	96,467	-1.4%	9,503.1	-1.4%	11,937	-4.9%
Total commercial traffic	**271,221**	**4.1%**	**31,540.3**	**9.0%**	**588.476**	**7.1%**

[1] *Arriving+departing passengers ('000).*
[2] *Arriving+departing cargo in tonnes.*

The Milan airport system managed by the SEA Group enjoyed a significant increase in volumes in 2017 to 31.5 million passengers, an improvement of 9.0% on the previous year.

This performance was due entirely to Malpensa airport, which exceeded 22 million passengers, an increase of 14.1% compared with 2016, whereas Linate posted a decline of 1.4% in terms of both passengers and flights.

The growth at Malpensa was driven by the rise in traffic at Terminal 1 (+18.4%), which served 2.3 million additional passengers, and the growth recorded by easyJet in Terminal 2 (+6.1%), which reached 7.2 million passengers.

All traffic segments grew at Terminal 1: Ryanair contributed 813 thousand more passengers than in 2016, whereas the transfer of KLM and Air France from Linate brought an increase of 517 thousand passengers.

Together, the other low-cost carriers recorded growth of 306

	Year 2017	cge. % 2016	% of total
1 LONDON	2,423.2	7.2%	8%
2 PARIS	1,871.9	11.3%	6%
3 CATANIA	1,542.8	29.6%	5%
4 ROME	1,265.3	-14.5%	4%
5 AMSTERDAM	1,195.3	7.2%	4%
6 NAPLES	864.7	-1.4%	3%
7 MADRID	829.8	0.9%	3%
8 FRANKFURT	826.1	7.7%	3%
9 BARCELONA	825.5	9.7%	3%
10 NEW YORK	818.7	-2.7%	3%
11 CAGLIARI	810.0	12.5%	3%
12 PALERMO	764.0	11.8%	2%
13 DUBAI	660.8	12.5%	2%
14 OLBIA	647.9	4.9%	2%
15 BRUSSELS	644.4	31.0%	2%
Others	15,549.9	10.6%	49%
Total	**31,540.3**	**9.0%**	**100%**

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

thousand passengers (+17.6%), of which Vueling contributed 140 thousand passengers (+20.9%). The intercontinental segment added 311 thousand passengers (+5.7%) and the other legacy carriers also grew (+677 thousand passengers, +6.7%).

There were 5.8 million total intercontinental passengers at Malpensa airport. Airlines serving long-haul areas other than North Africa carried 5.1 million passengers in 2017, an increase of 4.3%.

The decline in traffic volumes at Linate was chiefly due to the transfer of the KLM and Air France flights to Malpensa starting in the summer (-440 thousand passengers compared with the previous year), in addition to the cancellation of flight operations by Air Berlin starting in the winter.

The following is a breakdown of passenger traffic within the Milan airport system by major destinations served and the main airlines present.

Major destinations by number of passengers served by the Milan airport system (thousands)

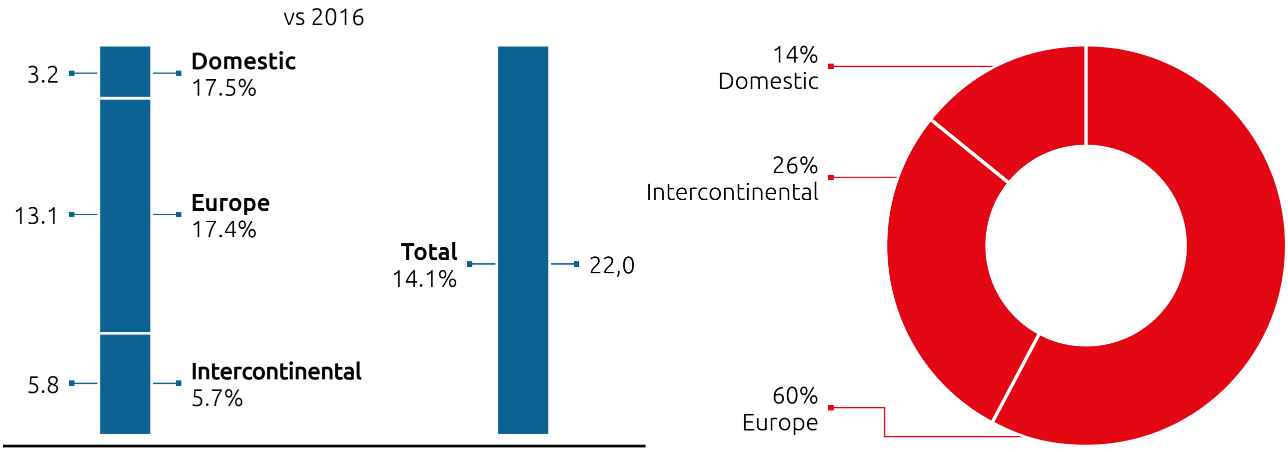
In 2017 London remained the number-one destination in Europe, with over 2.4 million passengers served. Paris (Charles de Gaulle and Orly) was in second place, followed by Amsterdam and Madrid. New York and Dubai remained the top two intercontinental destinations. At the domestic level, Catania pulled ahead of Rome, which continued to account for a declining share of traffic, to become the top destination served from Milan, while Naples remained number-three.

Main airlines by passengers served by the Milan airport system (thousands)

easyJet remained the number-one carrier in terms of traffic volume served at the Milan airports (Linate and Malpensa), with market share of 24.9% of total passengers served (compared with 25.5% in 2016). Alitalia, the number-two carrier, had market share of 19.2% (down from 21.5% in the previous year). Lufthansa remained in third place, followed by Ryanair in fourth place, with 1.5 million passengers served at Malpensa only (up from eighth place in 2016).

	Year 2017	cge. % 2016	% of total
1 Easyjet	7,869.3	6.4%	25%
2 Alitalia	6,054.1	-2.9%	19%
3 Lufthansa	1,519.6	9.1%	5%
4 Ryanair	1,477.7	122.2%	5%
5 Meridiana Fly	1,224.2	3.9%	4%
6 Emirates	918.2	8.6%	3%
7 British Airways	815.0	17.3%	3%
8 Vueling Airlines S.A.	806.9	20.9%	3%
9 Neos	604.8	18.6%	2%
10 Air France	559.7	9.7%	2%
11 Iberia	437.4	2.2%	1%
12 Turkish Airlines	427.9	6.6%	1%
13 Blue Panorama	422.8	37.1%	1%
14 Klm	415.0	7.7%	1%
15 Aeroflot	373.5	19.8%	1%
Others	7,614.3	8.5%	24%
Total	**31,540.3**	**9.0%**	**100%**

COMPOSITION OF PASSENGER TRAFFIC IN 2017 AT MALPENSA AIRPORT BY GEOGRAPHICAL AREA (THOUSANDS)



Malpensa

In 2017, Malpensa served more than 22 million passengers, an increase of 14.1%.

Domestic traffic increased by 17.5%, due almost entirely to Ryanair, which in November 2017 added services to Palermo and Lamezia Terme, in addition to Comiso (December 2015) and Catania (November 2016). Air Italy (formerly Meridiana Fly) increased by 58%, contributing 51 thousand passengers, making it the number-two carrier by number of passengers served, with increases in service to Cagliari and Olbia.

European traffic increased by 17.4%. In addition to consolidating services to previous destinations, Ryanair expanded its network in November 2017, adding flights to Valencia, Liverpool, Alicante and Katowice. European traffic growth was significantly influenced by the transfer from Linate to Malpensa of flights to Amsterdam and Paris Charles de Gaulle operated by KLM and Air France. EasyJet introduced services to six new destinations - Stockholm, Granada, Santiago de Compostela, Zadar, Lublino and Fuerteventura - recording a significant increase in European traffic of 5.7%, due to the increase in the average size of the aircraft and a higher load factor, as the number of flights remained unchanged.

Vueling increased the number of flights to Barcelona and enhanced service to Paris Orly and Amsterdam.

In 2017 a total of 5.8 million passengers travelled to *intercontinental destinations*, an increase of 5.7% or 311 thousand more passengers than in 2016.

Long-haul traffic (North Africa not included) stood at 5.1 million passengers served, +4.3% on the previous year. A breakdown of passengers by geographical area is provided below:

i) Middle East (45% of the total segment, +4.8% on 2016): this result was driven by an increase in the average load factor of the aircraft from 68% to 72%. The capacity available fell, in terms of both the average size of the aircraft and the number of flights. All players who serve destinations in the area (Emirates, Turkish Airways, Atlas Global, EasyJet, Elal and Oman Air) reported increases, whereas the traffic generated by Qatar Airways and Etihad Airways remained essentially unchanged and Alitalia cancelled its flight to Abu Dhabi starting in September.

ii) Far East (20% of the total segment, +9.0% on 2016): this result was driven by both an increase in capacity and the number of flights, in addition to a higher load factor. For China, Neos added three destinations in summer 2017, and Air Italy (formerly Meridiana Fly) one in August. Air China, Air India and Cathay reported positive results. Alitalia posted a decline (Tokyo Narita).

iii) North America (20% of the total segment, +1.5% on 2016): this result was shaped by the greater number of flights and seats available, while the load factor fell. Delta Airlines registered growth, moving up the launch of summer services to Atlanta by one month, as did American Airlines and Air Canada, which increased the size of the aircraft used for flights to

Miami and Toronto, respectively, during the summer. United Airlines declined due to a lower load factor.

iv) Central/South America (10% of the segment total, -5.3% on 2016): passengers fell due to a decline in flights and seats available, while the load factor remained largely unchanged. TAM served fewer passengers due to a reduction in the capacity offered, with a decrease by Blue Panorama as well, whereas Neos increased passengers carried to destinations in the Caribbean.

v) Central/South Africa (5% of the segment total, +16.8% on 2016): this result was shaped by the increase in the number flights and larger average aircraft, whereas the load factor fell. Air Italy (formerly Meridiana Fly) remained the major player in the area, primarily serving the leisure segment.

North Africa (12% of the intercontinental segment, +17% on 2016), which had suffered from geopolitical instability in the previous year, reversed the trend in 2017, with an increase of 100 thousand passengers to almost 700 thousand served. Air Italy (formerly Meridiana Fly) contributed significantly to this result, doubling the number of passengers carried to Egypt.

Malpensa Cargo

In 2017, cargo traffic through Malpensa Airport, the confirmed nerve centre for goods distribution in Italy, once again demonstrates the positive trend of recent years with an increase of 7.4%, moving 577 thousand tons of processed cargo - import growth of 9.3% and an export growth of 6.1%.

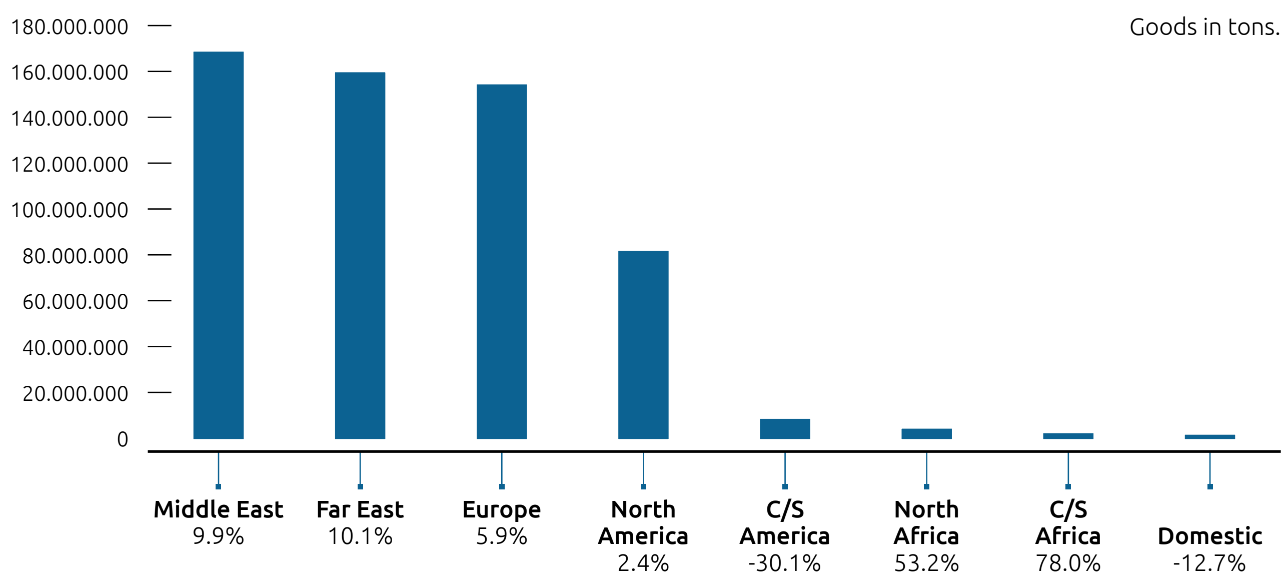
Geographical distribution showed greater traffic to Asian regions, the Middle East and Europe.

All-cargo traffic processed 421 thousand tons of goods, registering a growth of 8.8% compared to 2016, with the main contributions coming from companies such as Cargolux Group (+12.6%), Turkish Cargo (+64.7%) and Saudi Airlines Cargo (+ 54.4%).

Within the all-cargo segment, the main courier carriers (Federal Express, DHL and Aerologic) handled 72 thousand tons of goods (+2.2%), representing about 17% of processed cargo.

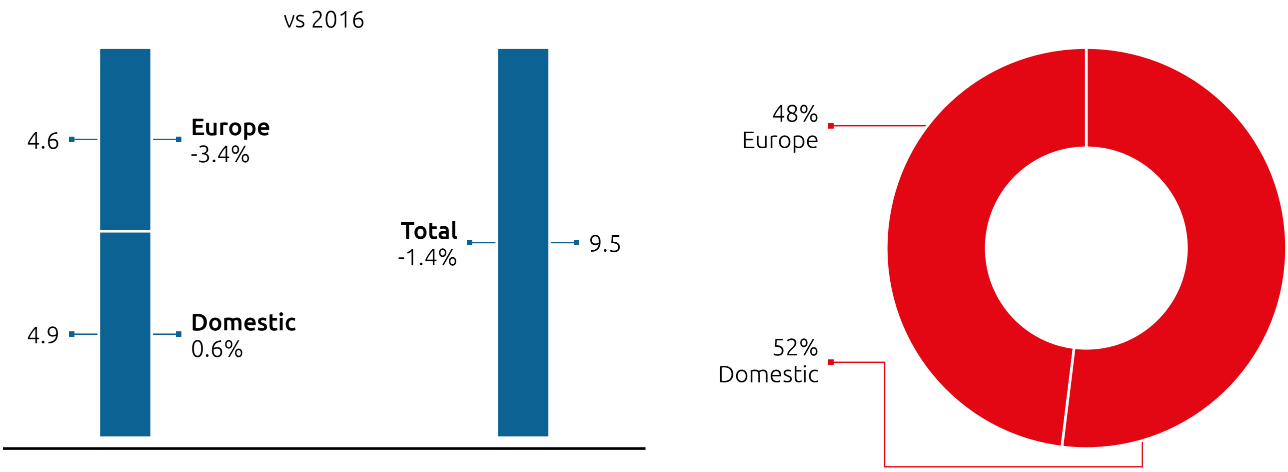
Belly traffic, with 155 thousand tons of transported goods, grew by 3.8%. Emirates confirmed itself as the main carrier by quantity of goods handled, while, considering the growth in absolute values the main contributions came from Qatar Airways, American Airlines, Oman Air, Air India, Air China and Etihad.

2017 FREIGHT TRAFFIC BY GEOGRAPHICAL AREA - SEA MANAGED AIRPORTS



The % change refers to a comparison with the previous year.

2017 TRAFFIC COMPOSITION FOR LINATE AIRPORT (THOUSANDS)



Linate

Linate airport handled 9.5 million passengers, down on the previous year (-1.4%).

Domestic traffic was substantially in line with 2016 (+0.6%). Alitalia recorded a 2.9% growth from the destinations of Cagliari, Bari, Palermo, Alghero and Pescara, making up for a fall in traffic from Reggio Calabria and Comiso.

The Linate-Fiumicino shuttle service retained substantially the same traffic as the previous year, once again achieving around 1.2 million passengers (-0.4%). The result recorded by Air Italy (formerly Meridiana Fly), down 21.1%, was mainly due to the cancellation of flights to Catania from September on.

European traffic decreased by 3.4%, mainly due to the transfer of Air France and KLM to Malpensa beginning in summer 2017 (down 440 thousand passengers, from 822 thousand passengers in 2016 to 382 thousand in 2017). The result was also affected by the winding down of Air Berlin in November.

In contrast, Alitalia saw a growth of 2.7% to Paris Charles de Gaulle, Amsterdam and Brussels, slightly offset by the cancellation to flights to Berlin from November. EasyJet increased load factors on all routes served (Paris Charles de Gaulle, London Gatwick, Paris Orly and Amsterdam). British Airways increased passenger numbers on all three connections to London, mainly London City and London Stansted, which started running in April. Growth was also seen by Lufthansa to Frankfurt and Brussels Airlines to Brussels.

Revenues

In the year 2017, the Commercial Aviation business generated a total operating income of Euro 670,856 thousand, up by Euro 44,986 thousand over the previous year (Euro 625,870 thousand) corresponding to +7.2%.

The financial year 2017 includes non-recurring revenues for a total of Euro 2,837 thousand, mainly due to the partial reimbursement of the fine imposed by the Italian Competition Authority (AGCM) relating to proceedings initiated following the acquisition of SEA Prime amounting to Euro 2,337 thousand. Moreover, a penalty of Euro 500 thousand was enforced in the year under review for late delivery by a supplier. Net of these items, revenue growth compared to the previous year was Euro 42,148 thousand (+6.7%). This growth mainly results from:

- Aviation activities for Euro 32,910 thousand (from Euro 408,970 thousand in 2016 to Euro 441,880 thousand in 2017). Higher traffic volumes of Euro 30,300 thousand primarily contributed to this increase (+7.4%) (including higher revenues from de-icing services), together with the increase in airport tariffs of Euro 2,524 thousand and higher revenues from regulated spaces for Euro 95 thousand.
- Non-Aviation activities for Euro 9,239 thousand (from Euro 216,900 thousand in 2016 to Euro 226,139 thousand in 2017). This performance was mainly due to good results in the Retail divisions (Shops, Food & Beverage, Car Rentals and Banks) for Euro 5,042 thousand (+5.6%) and Parking for Euro 3,832 thousand (+6.4%). Revenues were in line with the previous year, +Euro 158 thousand as regards

the Premium Services division (VIP lounges and Fast Track) and Advertising, while the Real Estate business decreased over 2016 by Euro 727 thousand. This was mainly due to the re-negotiation of some contracts with State Bodies. Revenues from the Cargo division amounted to Euro 15,295 thousand, an increase of Euro 2,606 thousand compared to 2016 (+20.5%) due to the entry into service of the new FedEx and DHL warehouses. On the other hand, revenues from services fell by Euro 1,672 thousand over 2016, due to the closure of ticketing services and the end of the agreement with "Puerta del Sur" airport.

In the Retail division, revenues from Shops registered growth of Euro 2,440 thousand (+5.2%). The improvement of the commercial offer in Terminal 1, through the optimised positioning of shops and the opening of new sales outlets, contributed to this result. Revenues from the Food & Beverage segment grew by Euro 1,013 thousand (+5.3%). In particular, good performances were returned by "Ferrari Spazio Bollicine" and the adjacent Panino Giusto. The excellent general catering performance at Malpensa Terminal 1 is worth noting. This was further strengthened by the reconversion of an area of approximately 1,000 sq. m in the Schengen boarding area. Revenues from the Car Rental division returned growth of Euro 1,618 thousand over 2016 (+11.0%), mainly due to the good performance of Malpensa operators through the creation of new parking spaces and the opening of new spaces inside Terminal 2's railway station, thus making the entry of new operators possible. Revenues from Banking Services grew Euro 233 thousand over the previous year (+2.5%), mainly attributable to favourable Tax Refunds and bureaux de change activities. In general, Linate and Malpensa recorded an increase in revenues from commercial activities to the B2B and B2C markets despite the impact of subway line 4's construction site on Linate. The performance of parking management at the Bergamo Orio al Serio airport was also strong, driven by the increase in online sales.

Operating costs

Operating costs for the Commercial Aviation business rose from Euro 403,303 thousand in 2016 to Euro 439,696 thousand in 2017, an increase of Euro 36,393 thousand (+9.0%).

Net of non-recurring cost items amounting to Euro 23,912 thousand in 2017 and Euro 5,459 thousand in 2016, operating costs increased by Euro 17,940 thousand (+4.5%).

Personnel costs, excluding non-recurring items (Euro 23,716 thousand in 2017 and Euro 4,019 thousand in 2016 related to staff mobility incentives), were up Euro 8,629 thousand (+4.9%), due to the recognition of a reward contribution linked to the achievement of company performance objectives. It also included the relative allocation for the National Collective Labour Agreement's renewal signed in 2014 and which expired at the end of 2016.

Operating and material costs, net of non-recurring items, increased overall by Euro 9,311 thousand. This was caused by the reduction in methane costs due to lower unit prices compared to the previous year (-Euro 5,720 thousand) and the decrease in operating costs of Euro 1,756 thousand (and, in particular, maintenance and entertainment costs). These were partially offset by higher costs of Euro 470 thousand related to security activities, Euro 1,103 thousand in chemical products for the de-icing service and snow management services and Euro 714 thousand in costs to public bodies.

Costs directly linked to revenues and traffic, amounting to Euro 14,500 thousand, rose on the previous year.

EBITDA and EBIT

As a result of the trends outlined above, EBITDA was Euro 233,435 thousand (Euro 226,076 in 2016) and registered an increase of Euro 7,359 thousand over the previous year, equivalent to 3.3%.

Net of non-recurring items, the 2017 EBITDA stood at Euro 254,510 thousand (Euro 231,535 thousand in 2016), up Euro 22,975 thousand over 2016 (+9.9%).

Amortisation and depreciation, and net provisions for recovery, risks and charges and doubtful debt, are higher than the previous year by Euro 30,432 thousand, mainly as a result of the provisions related to the past loan (prior to May 2, 2017) to Alitalia SAI in Extraordinary Administration, for an amount of Euro 25,252 thousand. There is currently no guarantee on its collection.

A write-down of Euro 3,476 thousand was recognised in order to adjust the assets related to Airport Handling.

As a result, EBIT for the Commercial Aviation business amounts to

Euro 121,800 thousand, down by Euro 23,073 thousand (-15.9%) over the previous year and equivalent to Euro 144,873 thousand.

Not considering non-recurring items which at the EBIT level in 2017, in addition to the items mentioned above, also include Euro 25,252 thousand related to Alitalia doubtful debt provisions, the 2017 EBIT stands at Euro 171,605 thousand, up Euro 21,273 thousand or 14.2%, while in 2016 amounting to Euro 150,332 thousand.

Other information

Investments/Aviation Spaces Development

The trend in the demand for premises at the airport that began in recent years continued in 2017, with a decline in demand for spaces zoned for office use, as forecast in the budget.

A summary of major events relating to the development of airport premises in 2017 is provided below:

- in July 2017, premises located in the Malpensa T1 Schengen boarding area were handed over to Lufthansa to build a new lounge, which will replace the current facility;
- new premises were acquired by Ernest for use as offices and ticketing desks and by Neos for use as a new Crew Briefing Centre.

Retail development

Retail traffic development benefited from the increase in passenger traffic. The most noteworthy event in 2017 from a commercial standpoint was the gradual transformation of the passenger foot traffic layout and retail stores in the Malpensa Terminal 1 Schengen boarding areas, a project that represented the culmination of the restructuring process that had begun in 2013.

The retail profile of Terminal 1 was completely redesigned to suit the various segments of demand created by the shared use of the same passenger boarding areas by low-cost airlines and legacy short, medium and long-haul carriers, for example by increasing food and beverage offerings rather than shops, similar to recent trends in travel retail and shopping centres, in pursuit of increasingly varied, diversified, modern and international offerings.

The construction work focused on the Schengen boarding area, where the commercial plaza was fully renovated in the second half of the year, installing new furnishings and changing the foot traffic layout. In 2017 some stores such as Moleskine, Mandarina Duck, Venchi, Unieuro and Coccinelle moved to bigger new locations, whereas Boggi completely restyled its shop.

The completion of the restyling project also brought in new brands such as Blue Spirit/Morellato, Benetton, Bottega Verde, Nau Ottica, Daniel Wellington and, most recently, Carpisa Go.

In the non-Schengen boarding area, an agreement was reached late in the year with Loro Piana, a part of the LVMH Group, which will open a shop in early 2018, and in November DoDo - a Kering Group brand - opened a kiosk. In addition, the Gucci brand watch and jewellery kiosk doubled its floor space and updated its image in October.

New store openings at Linate included DoDo in February and the Tumi/Samsonite store in September, in the airside area.

Self-service bag drop

All airlines operating at the airports have been presented with various options for adopting the technology at the Linate and Malpensa airports, with the aim of obtaining feedback as to their preferences in the matter, on the basis of which SEA will design a project to introduce a self-service bag drop that is as suited to the airlines' needs as possible.

Ground travel connections
Various ground transport initiatives are currently being analysed and developed with the aim of broadening the airport's catchment area and improving customer service. The main such initiatives include collaboration with various airlines and other road and rail transport providers and the distribution of connecting flights on the various sales channels. Another such initiative is the project involving Busitalia, a company owned by Ferrovie dello Stato that in February 2018 began to offer bus services on the routes Liguria-Malpensa and Trieste-Malpensa-Turin.

Destination management and co-marketing activity
Collaborative efforts with the Ministry of Cultural Heritage and Activities and Tourism, Ministry for Economic Development, Federturismo, Assolombarda, the Chamber of Commerce, the Municipality of Milan and the Region of Lombardy continued in 2017 with the aim of increasing the international visibility of Milan's airports and the local area. The initiatives related to Citi2City projects, candidacy for international events, planning and circulation of the Destination Newsletter (B2C and B2B) to promote Milan and Lombardy and organisation of events at Malpensa to introduce new airlines.

Bilateral Agreements
In May negotiations were conducted with Russian aviation authorities, resulting in the signing of a new agreement that calls for greater frequency of service to Moscow and trans-Siberian routes, in addition to an increase in destinations.

In June the bilateral agreement with Australia was revised to include the new option of operating all-cargo flights and the partial deregulation of the capacity of flights operated in codesharing via third countries and with the Russian authorities for the increase of flights on various routes from Moscow and the expansion of destinations.

In December twelve new bilateral agreements were signed, some with countries with which there was no prior aviation agreement, others involving an increase in flights and destinations.

General Aviation

Traffic data

General aviation traffic in Europe recorded 3.9% growth in 2017 over the previous year. Milan Linate Airport confirmed its sixth-place standing in Europe in terms of average daily takeoffs (29 departures), after the airports of Paris Le Bourget, Geneva, Nice, London Luton and Zurich.

General aviation traffic at Milan Linate grew 2.7% in 2017 on the previous year. The slight fall off in the first half of 2017 (-1.0%), attributable to the Champions League final in May 2016, was offset by a decisively positive performance in the second half of the year (+6.0%). The average size of aircraft transiting at the airport increased from 15 to 16 tons, resulting in a total +2.8% tonnage increase.

General aviation business results are not comparable, due, on April 1, 2016, to the group's loss of con-

trol of business handling and refueling activities with the transfer of 60% of the shares of Signature Flight Support Italy Srl (formerly Prime Aviation Services SpA) to the Signature Group. The company was fully deconsolidated from April 1, 2016. In order to better illustrate the industrial trend, results are commented on without the cost and revenue components of discontinued operations and non-recurring items.

Revenues

General Aviation business revenues amounted to Euro 12,124 thousand, an increase of Euro 374 thousand (+3.2%) compared to Euro 11,750 thousand in the previous year.

On a like-for-like basis (thus excluding the 2016 revenues of Signature Flight Support Italy Srl - formerly First Aviation Services, which is excluded from the Group's consolidation scope, and the portion of the Anti-trust Authority repayment in 2017 of Euro

23 thousand), revenues are up Euro 1,626 thousand (from Euro 10,475 thousand in 2016 to Euro 12,101 thousand in 2017).

This mainly follows higher commercial revenues, including the leasing of the new hangar in Linate, the start of operations of the parking system in front of the Linate terminal, and increased "follow-me" and aircraft towing activities. These have more than compensated for lower revenues from regulated activities caused by the decline in traffic.

Operating costs

In 2017, operating costs fell Euro 765 thousand (-15.2%) while, net of non-recurring activities, increasing Euro 204 thousand (+5.3%) compared to 2016.

Non-recurring items in 2017 are attributable to mobility incentives for Euro 186 thousand, while in 2016, they were due to Prime Aviation Services activities for Euro 1,137 thousand and legal fees for Euro 18 thousand.

EBITDA e EBIT

EBITDA amounted to Euro 7,867 thousand, up Euro 1,140 thousand (+16.9%) over the previous year (+Euro 1,422 thousand, +21.5% on a like-for-like basis and excluding non-recurring items).

EBIT is up by Euro 574 thousand (+11.7%) due to the developments described above.
Net of non-recurring activities and on a like-for-like basis, the 2017 EBIT stood at Euro 5,644 thousand, with an increase of Euro 855 thousand over 2016 (+17.9%) where it amounted to Euro 4,788 thousand.

Energy

Quantitative data

In 2017, electricity production grew by 6.7% (22.6 million kWh) over 2016 up to 361.2 million kWh. This increase was due to a greater electricity production of both plants.

Electricity production for the group's own uses, including ancillary services, losses and imbalances, amounted to 204.9 million kWh, while that destined to third parties came in at 156.3 million kWh.

Electricity allocated to the Energy Exchange recorded an increase of 17% (+18.8 million kWh) compared to 2016, achieving a total of 129.3 million kWh, while sales through bilateral contracts decreased (-0.8 million kWh).

In 2017, thermal energy production increased by 10.5% on 2016 (+38.1 million kWh) to 402.5 million kWh - of which over 73% serving the needs of Linate and Malpensa airports.

Sales to third-party customers increased by more than 10.1 million kWh (+10.6% on 2016), up to 105.5 million kWh. This increase in production resulted from the consolidation of supplies to civilian users adjacent to the Linate airport area. Indeed, from the beginning of 2015, the power plant was connected to the A2A-owned Canavese plant, near to the Viale Forlanini road, in order to provide supplementary heat energy to the city of Milan.

Revenues

In 2017, the Energy business returned revenues of Euro 14,718 thousand (Euro 15,892 thousand in 2016), down Euro 1,174 thousand (-7.4%).

Net of non-recurring items (amounting to Euro 69 thousand in 2017), revenues fell by Euro 1,243 thousand.

This reduction is mainly due to the loss in revenues of Green Certificates, related to the Linate cogeneration plant following the end of the incentive period, amounting to Euro 4,698 thousand. This was partially offset by the positive trend in electric and thermal energy sales of Euro 5,941 thousand.

Operating costs

Operating costs amounted to Euro 13,014 thousand and are down when compared to the previous year (Euro 14,293 thousand in 2016, -8.9%).

Non-recurring costs in 2017 stood at -Euro 132 thousand and refer to mobility incentives for Euro 21 thousand and the write-off of system charges for Euro 153 thousand.

In 2016, non-recurring costs stood at Euro 51 thousand and relate to legal fees.

EBITDA and EBIT

As a result of the above trends, EBITDA registered an increase over the previous year amounting to Euro 104 thousand, from a value of Euro 1,600 thousand in 2016 to Euro 1,704 thousand in 2017. EBITDA net of non-recurring items decreased by Euro 147 thousand.

EBIT improved by Euro 391 thousand when compared to the previous year. EBIT amounted to Euro 609 thousand due to lower provisions for risks and charges related to disputes over white certificates.

EBIT stood at Euro 409 thousand when excluding non-recurring amounts, an increase of Euro 139 thousand compared to 2016.

Green Certificates

In 2017, the company did not accrue the envisaged incentives for 'district heating green certificates', as the recognition period came to a close in 2016.

Regarding legal proceedings for green certificates assigned from 2010 to 2014, it should be noted that the 17,106 green certificates requested by the Italian grid operator, Energy Services Manager (Gestore dei Servizi Energetici - GSE), of which 12,435 came under the responsibility of the company and 4,671 under that of A2A, were offset with green certificates allocated for the year 2015. SEA Energia, through its legal team, filed an opportune appeal within the legal deadline.

The incentive for the year 2016 was regularly assigned and collected. The amount, just as the amount received for 2015, is not considered definitive, since GSE, in line with assessments for the period 2010-2014, may request the return of a portion. Consequently, a provision was allocated for future charges of Euro 490 thousand, given that the certificates were already collected at the reporting date.

White Certificates

In 2013, the Italian grid operator (Gestore dei Servizi Energetici - GSE) awarded the Malpensa plant the 'High Energy Cogeneration' (HEC) (Cogenerazione Alto Rendimento - CAR) industrial combined heat and power qualification that exempts it from the obligation to acquire green certificates.

The HEC qualification process progressed regularly in 2017 also for the Linate cogeneration plant.

In March 2017, an addendum was signed to the contract with A2A Calore e Servizi relating to the heat supply of the Linate cogeneration plant.

Through this addendum, SEA Energia committed to qualifying and maintaining its cogeneration units as HEC, in all cases except for force majeure, for the entire duration of the contract (i.e. until September 30, 2020). Furthermore, SEA Energia undertook to guarantee a cogeneration energy production quota to the specif-

ic requirements of A2A Calore e Servizi, through an annual program with intra-year adjustments in relation to the overall operation of the East Milan district heating system.

In 2017, SEA Energia did not accrue the envisaged incentives for 'white certificates', as the recognition period came to a close in 2016.

To date, 2,915 white certificates, for 2016, have been assigned for the Combined Cycle 2 H_2O segment, with white certificates for the other Combined Cycle 1 segment still pending.

Emission trading

In accordance with European Directive 2003/87/EC, from January 1, 2005, plant operators which emit CO_2 into the atmosphere must avail of an authorisation issued by the competent national authority. Each plant, in addition, must receive special "rights" permitting the emission of CO_2 into the atmosphere without payment.

Where the rights allocated annually concerning the plant are not sufficient to cover emissions, these may be purchased on the market.

Conversely, where the rights allocated are in excess of the emissions produced, the rights not utilised may be sold.

For 2017, the overall production of CO_2 by the company amounted to 192,190 tonnes, of which 127,073 tonnes generated by the Malpensa station and 65,117 tonnes produced by the Linate plant.

SEA Energia in 2017 produced, on its own account, 156,515 tonnes of CO_2. Therefore, to offset the Ministry of Environment for the 192,190 tonnes produced, 35,675 CO_2 quotas must be purchased on the market.

Risk Management Framework

The SEA Group pays utmost attention to risk management in its business activities and has adopted specific monitoring and mitigation processes and procedures aimed at guaranteeing airport safety and service quality, protecting tangible and intangible assets of interest to stakeholders and creating value over the long term.

In 2016, in order to support existing measures, management decision-making processes and stakeholder assurance, the SEA Group initiated an Enterprise Risk Management (ERM) project designed to build a model for the identification, classification, measurement, monitoring and homogeneous and transversal assessment of operational risks.

The SEA Risk Model was thus defined as an annual assessment to involve management and area-specific risk specialists and ensure compliance with regulations and applicable reference standards.

This model aims to identify and assess the main business risks and define specific mitigation plans as required. The result of this activity provides the Board of Directors, the Control and Risk Committee and management with an overview of the main risks SEA is exposed to, facilitating mitigation, monitoring and the definition of actions to be implemented rapidly should risk events occur.

On September 21, 2017, the Board of Directors approved the Enterprise Risk Management Policy, which defined an ERM division, under the responsibility of the Chief Financial and Risk Officer, as a second level of risk management control to support corporate structures in the identification and management of business risks, through the development of tools, frameworks and methodologies, and to guarantee periodic reporting to middle and top management on the evolution of the risk profile.

This means that, with the support of risk specialists and the ERM division, corporate and line managements are the primary owners of the identification, assessment and management of the risks for which they are responsible. Top management then periodically reviews the overall company risk profile and opportunely orients the management of the main emerging risks, approving proposed response plans in line with the strategic objectives and corporate risk propensity defined by the Board of Directors. Finally, the Internal Audit team independently verifies the effectiveness and effective implementation of the complete risk management system.

SEA Group risk factors

The risks to which SEA Group is exposed can be grouped into four main categories: external risks, operational risks, financial risks and legal and compliance risks.

External Risks

SEA Group operates as an airport manager under a fully regulated regime, however, the Group's earnings and financial results are significantly influenced by worldwide socio-political, macroeconomic and competitive dynamics.

The following are the main strategic risks that can have particularly significant effects on SEA Group performance.

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. Over 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.

The volume of passenger traffic and cargo in transit at the Linate and Malpensa airports represents a key factor in the results achieved by the Group. Any reduction or interruption to flights by one or more airlines operating out of the airports may result in a reduction in such traffic, with consequent impacts on activities and Group results.

In this context, the restructuring/ sale of Alitalia may result in a reduction in flights at the Group's airports, although SEA expects this risk to be mitigated by the probable 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 Group results.

Development of SEA's regulatory framework and of the airport sector

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

Competition

The strategic choices of other operators representing an alternative to air transport, if not coherently integrated into a broader connectivity vision, may pose a threat to the domestic development of traffic at the Milan airports.

In particular, the technological development of fast rail transport has made it possible to reduce travel times from Milan to Rome and Naples, and has made it easier to reach even more distant destinations by rail. The increase in frequency of high-speed trains along these routes may lead to a reduction in air traffic through Linate airport.

Operating and business risks

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

Safety & security

The occurrence of accidents would have consequent impacts on group activity and may also impact passengers, local residents and employees.

In order to monitor, mitigate and identify the action plans in the case of emergencies, theSafety Management System continues to operate, consolidating and further improving the results achieved 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.

Ground Safety Report e Safety Key Performance Indicators

As in previous years, in 2017 the safety events highlighted during the year were appraised and classified, based on the rules defined and communicated also with other operators at the periodic meetings of the Safety Committee.
The main event indicators, as per guidelines for aeronautical events classification, did not highlight any particular criticality in terms of maintaining good levels of aeronautical safety.

Activity and Service Interruptions

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, such as lightning, and overload short circuits may, for example, cause electrical blackouts with the consequent shutdown of information systems, affecting displays and leading to departure delays.

Corporate procedures have been readied to optimize the management of such events. In addition, risk transfer actions have been activated where possible, through opportune insurance plans.

Supplier Reliability

Any bankruptcy or operational difficulties of individual or difficult-to-replace suppliers may have an impact on the Group in operational and economic-financial terms.

In order to minimize exposure to

such risk, the company is implementing a structured supplier qualification and performance monitoring system.

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 body of procedures, also in compliance with the 231 Model adopted by the Group, the Ethics Code (now the Conduct Code), training and in-house education on these issues, together with the talent development plans and the ongoing cooperation and dialogue with the trade unions, support an organisation which minimises the risks related to human resource management.

Information Technology

The increasing aggressiveness and pervasiveness of cyber attacks on a global level and new Digital Transformation technology initiatives involving the SEA Group may, by their particularly critical nature, increase the risk of vulnerability of airport information and technology systems.

SEA pays great attention to the protection of its IT systems and telecommunications infrastructure from unauthorized access and cyber attacks that may cause the temporary suspension or hindering of operational services. Periodic vulnerability assessments and penetration testing are performed on systems using the most advanced technologies and methodologies, and a dedicated information security division has been established within the ICT Department. Activities are underway for obtaining ISO 27001 certification and a Cyber Risk framework is being defined to monitor all corporate technical and conduct requirements.

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.

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 guarantees issued by primary credit institutions or deposit guarantees.

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

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

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 2017, the market risks to which the SEA Group were subject were:

a. Interest rate risk

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

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

Variable interest loans expose the SEA Group to a risk originating from the volatility of 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 December 31, 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 (exclusively the medium/long-term portion of loans maturing within 12 months. At this date SEA did not make recourse to short-term debt).

b. Currency risk

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

c. Commodity risk

The SEA Group is exposed to price variations, relative exchange rates and energy commodities (gas and marginally, electricity). In this respect, it should be noted that the Group's electricity production is predominantly intended for internal needs (56.7% of energy sold), while the heat produced is partly intended for airport uses (73.8%) and partly transferred to third parties (26.2%). The Group mainly procures gas in order to feed the two cogeneration plants for the production of electricity, heat and cooling. 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. At the SEA Group, these fluctuations are absorbed through formulas and indexing for the pricing structures adopted under the sales contracts.

In 2017, the SEA Group did not undertake any hedging of this risk, although not excluding the possibility in the future.

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;
- monitors the liquidity position, in relation to the business planning.

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

Legal and compliance risks

The Group operates in a sector regulated at a national, EU and international level.

A significant part of SEA Group revenues derives from the activities carried out based on the agreement signed between Società per Azioni Esercizi Aeroportuali SEA and ENAC, with duration until May 4, 2041. The Agreement provides for a series of obligations relating to the management and development of the Milan airport system, in addition to advanced withdrawal in the case of serious non-fulfilment by SEA and dissolution conditions in the case of a delay for more than 12 months in the payment of the fee due by SEA, or in the case of a declaration of bankruptcy by SEA. The conformity of the processes and procedures to national and international standards leads to the consideration that the risk of non-compliance with the concession rules is remote.

In this regard, European certification for adjustment to EU Regulation 139/2014 establishing the technical requirements and administrative procedures for EU airports was obtained.

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 to explore the establishment of a newly incorporated and capitalised company Airport Handling

(a) Proceedings regarding the European Commission decision of December 19, 2012

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

As more fully described in the Annual Financial Report 2016, SEA, in the context of a formal 'alternative execution' project of the decision, without prejudice to any reservations and objections on the decision's unlawfulness, has taken a series of measures - in the framework of the discussions between the Italian authorities and the European Commission - including: *i)* SEA Handling's liquidation and definitive exit from the market, *ii)* the incorporation of Airport Handling to continue offering ground handling services at arm's length, with other handling companies and in absolute economic discontinuity with SEA Handling, *iii)* the assignment of the entire stake in the share capital of Airport Handling into a trust called the "Milan Airport Handling Trust", in order to exclude any form of SEA control over Airport Handling and continuity between SEA Handling and Airport Handling, *iv)* the sale of 30% of Airport Handling shares to a third operator with the option, under certain conditions, 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.

However, with the liquidation of SEA Handling having been concluded in the meantime and the company having sold all remaining assets and defined all its assets and liabilities, following the approval of the final liquidation financial statements by the shareholders' meeting on July 10, 2017, the company filed an application to be removed from the Companies Register.

By reason of the changed de facto and de jure situations relating to SEA Handling, the Court of the European Union, at the request of the European Commission and SEA Handling, ascertained by Order of January 22, 2018 that the matter of the dispute concerning SEA Handling's appeal has ceased to exist since the appellant company was dissolved. As a result, the Court found that there was no longer a need to adjudicate on the appeal brought by SEA Handling.

In parallel, having taken note of the Italian Government's observations regarding SEA Handling's dissolution, it ordered the cancellation of the case relating to the appeal brought by the Government against the Commission's decision.

Given the above, the only appeal currently pending against the Commission's decision is that brought by the Municipality of Milan. The hearing was held on February 28, 2018. A decision is expected during the current financial year.

(b) Proceedings relating to the commencement of the European Commission's preliminary investigation of July 9, 2014
On July 9, 2014, the European Commission launched a formal investigation, under the powers conferred upon it with regard to State aid, to get a better insight on certain aspects concerning the economic discontinuity relationship between SEA Handling and Airport Handling, and the possible existence of (additional) alleged State aid in SEA's capitalisation of the new company.

By decision of July 5, 2016, sent to SEA by the Ministry of Transport on July 19, 2016, the European Commission concluded the investigation proceedings initiated in relation to the incorporation and capitalisation of Airport Handling SpA, noting: *i)* the absence of economic continuity between SEA Handling SpA and Airport Handling SpA, *ii)* the absence of the transfer to Airport Handling SpA of the obligation to repay the incompatible State aid, and *iii)* the absence of State aid in the incorporation and capitalisation of this company.

The decision was published in the Official Journal of the European Communities dated December 1, 2017.

In the absence of appeals within the time limits envisaged by EU law, the Commission's decision became res judicata and final.

Meanwhile, the process of SEA's divestment of control over Airport Handling was completed:

- In December 2014, jointly with the Milan Airport Handling Trust's Trustee, SEA conferred a mandate to an independent financial advisor in order to identify potential investors interested in acquiring a stake in Airport Handling;
- In September 2015, the Trustee signed a binding agreement with dnata, a leading international company in the Emirates Group active in the airport handling sector, for the sale of 30% of the Airport Handling shares, and a similar percentage of the Financial Instruments of Participation (FIPs) held by SEA in Airport Handling, with the assignment to dnata, on closing, of the majority of members of the board of directors and, therefore, of Airport Handling's Governance;
- The agreement also provides for an option in favour of dnata for the purchase of an additional 40% of shares (call option) and a corresponding share of EFIs, upon the occurrence of certain conditions. The European Commission's positive decision with regard to the July 2014 investigation no longer made it possible for dnata to exercise a put option provided in the event of an unfavourable decision;
- The closing of the transaction took place on March 23, 2016, after the decision of the Anti-trust Authority which, in the transaction in question and pursuant to Article 6, paragraph 1 of Law No. 287/90, did not recognise the establishment or strengthening of a dominant market position such as to eliminate or substantially and indefinitely reduce competition. As a result of this, it reclassified the portion of other financial assets held by SEA under the proposed sale as "current";
- Dnata's investment in Airport Handling led to the company's valuation of Euro 25 million. The amount confirmed the assets recorded in the Balance Sheet up to the previous half-year report. The transaction, in view of the sale of the first 30%, led to the payment of Euro 7.5 million by dnata as a lien for a predetermined period of time, and provided for the additional payment of Euro 10 million for the acquisition of the additional 40% stake (amounts to be divided proportionally between shares and FIPs respectively, held by the Trustee and SEA).

On the basis of current forecasts regarding the negotiations underway for the sale of the further share in Airport Handling through the Trust, the directors considered it appropriate to reduce the value of the assets recorded in the balance sheet for Euro 3,476 thousand. Moreover, estimating that these negotiations will be concluded by 2018, the 40% share of other financial assets under negotiation were reclassified from "non-current" to "current".

Risk connected to the Extraordinary Administration Procedure of Alitalia SAI SpA

pursuant to Art. 2, paragraph 2 of Decree-Law No. 347/2003

The decree of the Ministry of Economic Development of May 2, 2017 declared the opening of Alitalia SAI SpA's extraordinary administration procedure pursuant to Art. 2, paragraph 2 of Decree-Law No. 347/2003 ("Alitalia in Extraordinary Administration Procedure 2017" or "Alitalia Procedure").

Status of the Procedure

Applications for admittance to liabilities - general terms

Applications for admittance to liabilities in the Alitalia in Extraordinary Administration Procedure 2017, pursuant to Art. 93 of the Insolvency Law, must be submitted by all Alitalia creditors: workers, suppliers and anyone having a claim against Alitalia, accrued prior to May 2, 2017.

Applications for admittance to liabilities in the Alitalia in Extraordinary Administration Procedure 2017 must contain the requirements referred to in Art. 93 of the Insolvency Law and must cover all "insolvency" claims accrued prior to May 2, 2017.

Secured creditors must indicate the type of right in their application, the applicable rule and any assets on which the right is to be exercised. Recognition of the right entails a preference in the percentage and payment order of claims admitted to the statement of liabilities.

In the absence of an indication and recognition of the right, the debt is admitted to the unsecured creditors' list. It will then be settled proportionally to the receivable admitted and on the basis of the remaining assets.

Claims accrued post-May 2, 2017 are paid in pre-deduction by the Extraordinary Administration Procedure 2017.

An appeal may be presented pursuant to Art. 111-bis of the Insolvency Law only in the event of the debt's non-admission or in the case of a dispute on the quantification or recognition of the right by the Procedure.

Pending legal proceedings

All legal proceedings pending at the date of the opening of the Procedure to which Alitalia is a Party will be declared interrupted, pursuant to Art. 43 of the Insolvency Law and, therefore, may be resumed within 90 days from the date of May 2, 2017.

Contracts in progress

All contracts that are unexecuted or not fully executed by both parties at the time of the opening of the Alitalia in Extraordinary Administration Procedure 2017 will continue, but the extraordinary administrators ("Administrators") may dissolve any contracts not deemed necessary.

Contracts in progress will continue to be executed until such time as the dissolution right is exercised.

Only after the Alitalia Procedure's execution programme is authorised can the contracting party give written notice to the Administrators to make their decisions on the contract known within thirty days from receipt of the notice; the contract is considered to be dissolved should the time limit pass.

In the case of dissolution, or should the Administrators take over the contracts that are in progress at the date of the Alitalia in Extraordinary Administration Procedure 2017's opening (May 2, 2017), the rights of the other contracting party are regulated by the provisions of Section IV, Chapter III, Title II of the Insolvency Law.

The SEA Group has receivables arising prior to May 2, 2017 ("Existing Receivables") for: *i)* landing and take-off fees and apron and hangar fees; **ii)** duties on the loading and unloading of air cargo; *iii)* passenger fees; *iv)* fees for security services and control; *v)* surtax and charges; *vi)* space and parking fees; *vii)* sundry fees.

With particular reference to the Existing Receivables,

a) In the event of takeover by the Administrators (which must be expressly declared), the company, also on the basis of legal advice obtained by SEA, believes that they must be fully paid pursuant to Art. 74 of the Insolvency Law by treating them as Current Receivables;

b) Should the Administrators fail to takeover, insolvency rules will follow, through which SEA may invoke the recognition of a special chattel lien referred to in Art. 1023 of the Navigation Code with reference to the secured receivables.

With the application for admittance to liabilities sent to the Administrators on December 5, 2017 (Registry No. 06275), SEA requested admittance to Alitalia's liabilities for the total amount of Euro 41,050,979.58, of which:

- Euro 6,294,881.49 in addition to the interest accrued and matured up to the sale of the aircraft (including related appurtenances and separable parts pursuant to Art. 1023 of the Navigation Code) on a preferential basis pursuant to Art. 1023 of the Navigation Code;
- Euro 25,133,700.27 (Euro 2,527.77 of which are for interest accrued up to May 2, 2017) as an unsecured debt, formulating an express application to pre-deduction admission for the amount of Euro 1,562,565.78 (Euro 1,131.68 of which are for interest accrued up to May 2, 2017), should the Extraordinary Administrators decide to takeover the Service Contracts;
- Euro 9,622,397.82, in pre-deduction for the supply of services and activities in favour of the A.S. Procedure (between May 2 and October 31, 2017).

Following admittance to liabilities, SEA SpA received payments from Alitalia in Extraordinary Administration amounting to a total of Euro 4,592,611.44 relating to pre-deducted receivables post-May 2 (originally amounting to Euro 9,622,397.82). Thus, the receivables admitted to pre-deduction amounted to Euro 5,029,786.38 at March 16, 2018, of which Euro 4,592,529 for additional rights and Euro 437,257.38 for various invoices.

By means of the certified email communication of February 7, 2018, the Administrators informed creditors that they had filed a request with the Court of Civitavecchia to split the statement of liabilities, starting with an examination of the section for workers and, at the same time, scheduling a series of hearings (starting with the one already set for February 21, 2018) in which to verify the proof of debt.

Given that the Administrators stated that they intend to first address the workers' applications, SEA's application, registered under No. 06275, could therefore be included in the expected "fourth partial project of the statement of liabilities", to be filed by October 22, 2018.

At the same time, however, the Administrators have announced that, in any case, they want to reserve the right to assess whether to split the statement

of liabilities project further "to enable them to more efficiently examine homogeneous classes of creditors (e.g.: passengers and airports, suppliers, institutions and banks)". It follows that SEA's application could again be postponed to a date later than October 22, 2018.

It should also be noted that claims arising post-May 2, 2017 and up to June 30, 2017 have been fully paid to-date, save for the amount of Euro 513,362 in relation to which an analysis is underway between the parties, and the amount of Euro 1,804,346 for unpaid surtax.
With regard to the valuation of receivables, it should be considered, however, that - in view of current circumstances - there are no recorded defaults or non-payments by Alitalia in relation to Current Receivables that are pre-deductible and holding preferential claims. In view of the overall behaviour and statements made by the Administrators, there are no elements suggesting that these will not take over the current contracts with SEA once the Administrators' programme is approved. The treatment of existing receivables depends on this decision and it should be noted that a substantial part of these receivables hold preferential claims.

In the current state, taking into account the uncertainties related to *i)* the fact that the Administrators' Programme has not yet been approved and its implementation methods are not known *ii)* the Administrators have not yet declared the takeover of current contracts with SEA, with the consequent equalisation of the Existing Receivables to Current Receivables, it is believed, in view of present circumstances and on the basis of information currently available, that the current uncertainty and risk profiles have been assessed in the broader context of the overall assessment of trade receivables. The update of estimates has been provided to obtain more complete information, even ahead of the abovementioned events.

Public information on Alitalia's economic and financial context does not exclude the possibility of losses of a significant extent emerging in relation to the receivables registered.

SEA set aside Euro 25,252 thousand as doubtful debt provision (referring to the existing receivables prior to May 2, 2017), for which there is currently no guarantee on collection.

It should be noted that lodged claims also include surtax on boarding fees amounting to Euro 6,173 thousand for which SEA acts as a withholding agent. These have a corresponding debt entered as a liability toward Institutions (INPS and Ministry of the Interior) for which the carrier is the debtor. No specific doubtful debt provision has been set up.

Main disputes outstanding at December 31, 2017

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

On December 20, 2013, the Anti-trust Authority initiated proceedings in response to the complaint by Cedicor Sociedad Anonima ("CEDICOR"), charging SEA with abusing its dominant position in breach of article 102 of the Treaty on the Functioning of the European Union ("TFEU") in the course of tendering for the acquisition of ATA (Ali Trasporti Aerei SpA - now SEA Prime SpA).

On April 2, 2015, the Authority concluded the proceedings by upholding the complaint against SEA and imposed a fine of Euro 3,365,000. Although it paid the fine, SEA filed an appeal against the ruling with the Regional Administrative Court ("TAR"). The above-stated appeal cites the legitimacy and correctness of the Provision.

By means of judgment no. 1188 of January 23, 2017, the Regional Administrative Court of Lazio upheld the appeal of SEA in part, striking down the part of the ruling that imposes the fine and directing the Authority to reassess its amount based on the new parameters indicated by the administrative court. Through an order dated April 27, 2017, the Authority reassessed the amount of the fine and set its new total amount at Euro 936,320.

On July 8, 2015, while the proceedings before the Regional Administrative Court of Lazio were still pending, SEA paid the fine in full, in addition to Euro 2,535.27 in default interest. Then on May 9, 2017, it asked the Authority to refund the amount of Euro 2,428,680 that had been unduly paid, in addition to reimbursing the portion of interest that had been charged based on a capital whose amount was restated by the Regional Administrative Court of Lazio and is now known to have been overpaid. Moreover, SEA requested payment of the legal interest accrued on the amount paid. On May 30, 2017, the Authority confirmed the reassessment of the fine in the amount of Euro 936,320. It also reported that it had informed the Ministry of the Economy and Finance that it had no objection to refunding the total sum of Euro 2,430,343 (of which Euro 2,428,680 in fines and Euro 1,663 for default interest). We are now awaiting receipt of the larger amounts paid.

Action brought by ATA Handling

In May 2015, ATA Handling in liquidation and subject to administration notified SEA SpA and the Municipality of Milan of a citation, by which ATA Handling, referring to the decision of the European Commission of December 19, 2012 concerning alleged State Aid in favour of SEA Handling, requested compensation for damages suffered as a result of the above-stated aid, issued in the form of share capital increases, alleging that such gravely affected ATA Handling's operations: it was alleged in fact that SEA Handling through the systematic coverage of losses applied significantly lower tariffs than those which would have been applied in the absence of such aid. It was put forward that ATA Handling was forced also to apply lower tariffs than would have been applied in an undistorted market and on the other that ATA Handling was prevented from acquiring a greater market share. This situation, it was alleged, restricted ATA Handling from operating under balanced conditions and led to its liquidation. In September 2013 and, for a second time in July 2014, ATA Handling requested compensation for damages due to alleged State Aid, although both these requests did not receive a response and therefore ATA Handling notified the citation, quantifying damages, through a differential analysis of two situations (SEA Handling with share capital increases and SEA Handling without share capital increases), as Euro 93.1 million. SEA has already produced the documentary evidence disproving the charge of predatory pricing. ATA Handling then challenged jurisdiction before the Supreme Court of

Appeal, asking the latter to rule on whether jurisdiction for damages pertained to the regular courts or to the administrative courts. The Supreme Court of Appeal ruled that the regular courts had jurisdiction, and the case was then referred to the regular courts for a decision on the merits.

Once jurisdiction of the regular courts had been ruled, ATA Handling moved for resumption of trial before the court, which adjourned the case until April 2018 as it still had no decision from the Court of the European Union.

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.

Action brought by Emilio Noseda before the Court of Buenos Aires

In 2005, an action was filed against SEA by Mr. Emilio Noseda before the Court of Buenos Aires to compel fulfilment of alleged commitments made in 1997 by SEA to Delta Group S.A., a Uruguayan company of which Mr. Noseda had been legal representative. Delta Group S.A. supported SEA's tender for the Argentine airports concession.

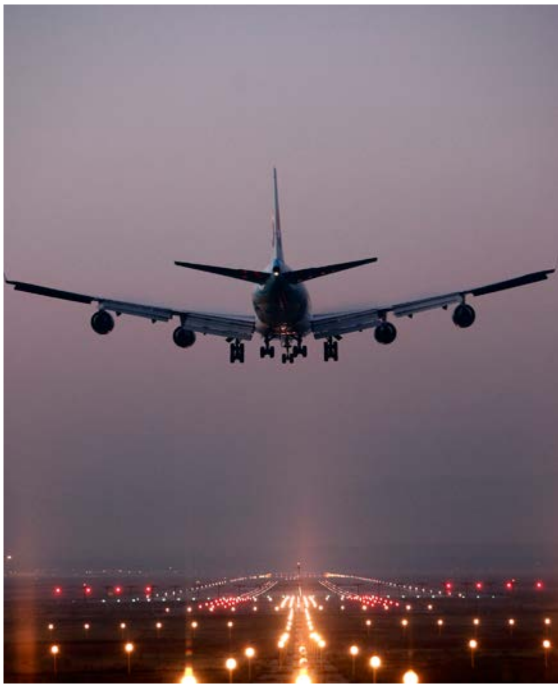
Mr. Noseda, as assignee of Delta Group's rights, sought a judgment ordering SEA to:

- transfer 2% of the shares of AA2000 against payment of their current market value;
- compensate Delta Group for the loss of chance it sustained because it was unable to resell the shares during the time when their value was greater than the price then paid (USD 2 million). No damage amount was specified;
- compensate Delta Group for the expected profit that failed to materialise because Delta Group was not awarded concessions at three Argentine airports. No damage amount was specified.

Once the evidentiary stage of the trial had ended, we awaited the announcement of the judgment. A new judge was appointed. Noseda requested legal aid, which was granted. SEA then proposed a settlement in the amount of USD 500,000 which was rejected. Noseda demanded the amount of USD 3.5 million plus court costs.

On December 30, 2016 Commercial Court No. 2 of Buenos Aires entered judgment, which was served on February 2, 2017, dismissing Mr. Noseda's action to compel fulfilment of the aforesaid commitments made in 1997, and ordering him to pay court costs. Mr. Noseda appealed against the judgment. Currently the case is stayed at the Commercial Court pending appearance in court of the heirs of a third party whom the court summoned as the assignees of some of Delta Group's rights.

In its financial statements, SEA posted an adequate amount to cover the risk in a provision for contingent liabilities.



Judgment 3553/2015 entered by the Milan Court of Appeal

The decision by the Milan Court of Appeal published in September 2015 relates to the ongoing dispute with customs for non-payment of fees for the use of space made available to SEA. This decision confirms the grounds cited in the judgment at trial, which ordered customs to pay SEA the sum of Euro 5,591,000. In December 2016 customs appealed the aforementioned judgment to the Supreme Court of Appeal, disputing the amount set by the appeal court. Since not all levels of judgment have been completed, no revenue has been posted in the present financial statements.

Civil litigation between SEA and ENAV

1. These proceedings concern SEA's claim to assets mistakenly assigned to ENAV by means of provisional delivery memoranda

in the course of 1983 and 1984. By overturning the judgment entered at trial, the Court of Appeal granted SEA's motion and voided the transfer of the aforementioned assets to ENAV. Judgment 3406/2015 acknowledges SEA's right to use the state-owned premises under concession at the airports of Milan Linate and Milan Malpensa, and therefore temporary ownership of the goods produced/benefits obtained. In February 2016, both the Prosecutor's Office on behalf of the Ministries and ENAV appealed to the Supreme Court of Appeal against judgment on appeal 3406/2015, which granted SEA's claims in full. In April 2016 SEA moved for service of the counter-appeal with contingent cross-claims against both the Ministries and ENAV. Currently the dispute is pending before the Supreme Court of Appeal, awaiting scheduling of the hearing on the merits.

2. In addition a lawsuit is pending before the Court of Milan on SEA's claim against ENAV for the assets covered by Ministry Decree 14/11/2000; the hearing for final argument had been scheduled for December 5, 2017 but was postponed to May 29, 2018.

Ruling on fees for fire-fighting services

The law of 27/12/2006 no. 296 (2007 Finance Act) article 1, paragraph 1328, established a fire-fighting fund financed by airport companies in proportion to the traffic generated by each, in the amount of Euro 30 million a year, in order to reduce the State's expenses for the fire-fighting service provided at airports by the National Fire-Fighting Service. However, as a result of the entry into force of the provisions of paragraph 3 bis of article 4 of Legislative Decree 185 of 29.11.2008, introduced with the Conversion Act of 28/1/2009 no. 2, the resources of the fund were also allocated to purposes completely unrelated to those initially envisaged by the 2007 Budget.

SEA objected, alleging unlawfulness, and challenged the law both before the Regional Administrative Court and before the regular Court of Rome.

Over the years considerable case law has accumulated, some of which has become final. All judgments have found that "the tax was instituted by the law as a tax earmarked for a specific purpose". Until now the courts have also observed that ever since law no. 2/2009 entered into force, all monies in the fire-fighting fund have been allocated to cover costs and purposes totally unrelated to those initially intended, namely that of reducing the costs incurred by the State for firefighting services at airports.

It should be noted that the following provision was added to the Stability Act of 2016, which came into force on January 1, 2016:

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

The amended law redefines the contribution to be paid to the fund as consideration for the service rendered by the fire brigade, in order to eliminate the objections concerning the nature of the tax that were raised by airport operators and to return the matter to the jurisdiction of the regular courts, notwithstanding the judgments previously entered on this issue. By a judgment published on January 26, 2018, the Court of Rome ruled that the regular courts have no jurisdiction and that the case must revert to the Tax Commission.

The Supreme Court of Appeal, by order 27074/16, applied to the Constitutional Court for review of the constitutionality of this provision.

Report from the Energy Services Operator as a result of an audit of the green certificates for district heating at the Linate power plant

In December 2016, the Energy Services Operator (GSE) sent to SEA's energy subsidiary a report on its audit (carried out in March 2016) to verify the information provided for an application for green certification of the district heating supplied by Linate power plant. The GSE demanded the return of 17,106 green certificates for the period 2010-2014 (of which 12,435 for the Company and 4,671 for A2A), as a result of which a provision for future charges in the amount of Euro 1,049 thousand was recognised, since those certificates were paid at December 31, 2016. The Company, assisted by its lawyers, lodged an appeal in timely fashion. Nonetheless in May 2017 it returned the green certificates requested by the agency and recognised an additional provision to cover the green certificates for the period 2015-2016, which had been fully paid at the end of the 2017 financial year.

Audit by the Energy Services Operator on the assignment of white certificates for the period 2012-2015

During 2017 the Energy Services Operator audited white certificates assigned for the period 2012-2015. The GSE assessed that no subsidies should be paid for heating and cooling energy used by certain internal departments; as a result, a provision for future charges of Euro 500 thousand was recognised, since such certificates had been fully collected at the end of the 2017 financial year.

Update on judgment 7241/2015 of the regular Court of Milan

On January 26, 2017, the Milan Court of Appeal upheld trial court ruling 7241/2015 of the Court of Milan ordering the Ministry of Transport to compensate SEA for Euro 31,618 thousand in addition to revaluations according to the ISTAT [cost of living] indices and interest at the legal rate. An enforceable copy of the judgment was served on the Ministry and the Prosecutor's Office in February 2017. On April 14 2017 the Ministry of Transport appealed to the Supreme Court of Appeal, reiterating the grounds stated in the appeal without any substantial change.

On June 9, 2017 SEA filed a response and a cross-appeal at the Supreme Court of Appeal.

Tax Agency - VAT assessment notices

The local customs office at Linate and Malpensa airports audited SEA to ascertain whether excise duty had been correctly paid on the electricity used to operate Linate and Malpensa airports. As a result of this audit and of the notes, on November 16, 2016, SEA received service of an assessment notice for 2011 concerning the VAT profiles in the matter. An appeal was filed against the assessment at the Provincial Tax Commission of Milan, which ruled in favour of the Tax Agency on December 11, 2017 in judgment no. 6835/2017, against which an appeal was lodged with the Regional Tax Commission. We expect to be informed of a hearing date. On August 8 2017, the Tax Agency served four more assessment notices for the subsequent years from 2012 to 2015. The Company filed separate appeals against each of them with the Provincial Tax Commission for Milan, once again stating that the underlying tax claim was void. We expect to be informed of a hearing date.

Tax Agency - Notice of assessment for registration tax

Several assessments were received for registration tax relating to the refund of sums as ordered in the judgments entered by the regular Court of Milan. The Company objected to the Tax Agency that the tax had been mistakenly calculated as a proportional tax instead of at a flat rate. The first appeal filed and argued at the Provincial Tax Commission of Milan was granted. The Company's request was deemed reasonable and the Tax Agency was ordered to reimburse the expenses. On December 28, 2017, the Tax Agency lodged an appeal with the Regional Tax Commission, whereupon the Company joined the proceedings. Regarding the other notices of assessment challenged by the Company, we expect to be informed of the dates for both the first and second level hearings.

Tax Agency - Corporate income tax assessment notice

In December 2016, as is known, SEA received a corporate income tax assessment notice for the 2011 tax year, concerning the allegedly incorrect application of the PEX tax scheme [tax exemption of capital gains] with specific reference to the capital gains that accrued from the sale of the equity holding in Aeropuertos Argentina 2000.

In 2017, the Company requested an internal review. While awaiting its outcome, and solely in order not to miss the deadline for an amicable resolution before going to trial, the Company also submitted a tax settlement proposal, since it did not consider the grounds adduced by Inland Revenue as completely cogent. In May 2017 the tax settlement proceedings concluded with a favourable outcome for the Company, since the initial tax claim was substantially reduced in view of the persuasive arguments that the Company had submitted, even in a situation where both the law and the standard procedures were ambivalent.

The sum total of the aforesaid contingencies and those relating to the disputes with the Tax Agency were fully reflected in the provision for tax risks set aside for these items.

Other information

Consolidated Non-Financial Report

The consolidated non-financial report ("Consolidated NFR") of Società per Azioni Esercizi Aeroportuali - SEA SpA, drawn up as per Legislative Decree 254/16, is a separate report to this Directors' Report, pursuant to art. 5, paragraph 3(b) of Legislative Decree 254/16, and it is available on the website www.seamilano.eu in the "Sustainability" session.

Customer Care

The SEA Group, always keenly aware of the opinion of its users - passengers, accompanying persons, visitors and employees - continued in 2017 to implement a monitoring and improvement policy of the quality level of services offered to the various parties which interact with the Group. The improvement of the "Passenger Experience" is assuming across the airport industry an increasingly significant role, in that Quality Perception, which is the principal measurement, is recognised as an essential element to support business profitability.

The SEA Group has therefore followed, in line with European best practice, an approach which identifies and intervenes on the more crucial aspects in relation to passenger expectations, introducing new services which improve the passenger experience at Group managed airports.

Quality of airport services delivered: European context and ranking of our airports

Data on punctuality 2017 collected from the members of the working group ACI Europe-EAPN (*European Airport Punctuality Network*) highlight a slight deterioration in punctuality both for departures and arrivals compared to 2016. On average, the punctuality of departing flights in November was 75.7% compared to 77.9% recorded in the previous year, with significant monthly fluctuations ranging from 83% in March and November, to 66% in July. Arriving flights recorded average punctuality of 78.6%, slightly reducing on last year (80.6%), with monthly fluctuations similar to those for departing flights.

The first quarter of the year saw the highest yearly values recorded per airport category, whilst the third quarter, characterised by an overall increase in summer traffic, on the contrary, recorded the lowest yearly values both for arriving and departing flights, highlighting airport capacity problems or difficulties experienced by the European airport traffic controllers in managing system capacity.

Average European departure delays increased in comparison to arrivals (downturn in punctuality), except for Malpensa, London Heathrow and London Gatwick.

The European segment with the greatest delays in the first quarter (average delays in minutes per departing flight), was Amsterdam-London Heathrow, significantly impacted by winter weather conditions; the European segment with the highest delays in the second quarter (average delays in minutes per departing flight) was Palma di Majorca-Cologne, due to internal airline problems; the European segment with the highest delays in the third quarter (average delays in minutes per departing flight) was London Gatwick-Barcelona followed by Palma di Majorca - Cologne due to intense traffic occurring over Spain.

Linate, with 86%[7] of punctual departing flights, ranks as the leader in terms of punctuality across all the airports in this category, ahead of the other comparable Italian airports of Bologna and Naples.

With departure punctuality confirmed at around 80.3%[8], Malpensa ranks above the average European and is the best amongst the European airports of similar size within its group (15-to 25 million passengers) (including Vienna and Athens). It is also far ahead in

[7] *Source EAPN.*
[8] *Source EAPN.*

comparison to the main larger airport hubs such as Rome Fiumicino, Munich and Frankfurt.

Detailed data from a performance analysis of both airports, solely for passenger flights, is shown below:

Malpensa

- At Malpensa, **departing flight punctuality** for 2017 was 82%[9] with a recovery of punctuality (difference between arrival punctuality and departure punctuality) of 3.1%. The analysis by Terminals also shows a similar trend: Terminal 1 reports departing punctuality of 81.8% (+2.9% recovery), with Terminal 2 indicating a year to date value of 82.6% (+3.6% recovery).
- Performance in terms of **baggage delivery times** confirms, for this year also, values well ahead of the values set out in the Service Charter, which covers 90% of cases: in Terminal 1 delivery of the first bag within 22'50" was achieved for 95.2% of the flights, whereas the delivery of the last bag within 35'50" was achieved in 94.5% of cases; in Terminal 2, the delivery of the 1st bag within 26 minutes was achieved for 97.6% of the flights, whereas the delivery of the last bag within 37 minutes was achieved in 99.2% of the cases.
- Regarding **misdirected luggage**, Terminal 1 recorded a value of 2.19 misdirected bags for every 1000 departing passengers (2.29 in 2016), whilst Terminal 2 recorded 0.33 misdirected bags for every 1000 departing passengers (0.48 in 2016).
- **The hand baggage security screening waiting times** were comfortably within that required by the Regulatory Agreement: 7'32" (weighted average of the two terminals) in 2017 against a required standard of 7'50". Breakdown of the values for both Terminals is as follows:
  - Terminal 1: 8'19'' vs 7'00''
  - Terminal 2: 6'05" vs 8'00"

Linate

- Linate airport closes 2017 with **punctuality values for passenger flights** at 86.8%[10], compared to punctuality for arrivals at 87%.
- **Delivery of the 1st bag** within 17 minutes and the last bag within 24 minutes was achieved for 93.9% of the flights, with 95.4% of the flights in the second case. Bags delivered after 45 minutes were 0.2%.
- Data on **misdirected luggage** indicates 1.8 pieces of luggage misdirected for every 1000 passengers departing in 2017 (1.7 bags in 2016).

Overall passenger satisfaction: assessment of perceived Quality

The perceived quality perception of passengers, Customer Satisfaction with the services provided at the SEA managed airports (assessed through CAPI interviews by a leading Market Research Institute). SEA used an internationally utilised overall satisfaction index[11] - the CSI (ACSI model - American Customer Satisfaction Index), a sector and individual business level parameter. The CSI 2016 Customer Satisfaction index of our airports was:

CSI	2017	2016
Malpensa Terminal 1	75	75
Malpensa Terminal 2	72	72
Linate	68	70

Results are stable compared to 2016 at the Malpensa Terminals and could be considered positive taking into account a robust increase in traffic to the airport. The negative data for Linate is justifiable due to the disruptions caused by the launch of the 1st phase of facade restructuring works.
2017 also saw the continued use of the new perceived-quality monitoring instrument, introduced in 2015 and which collects information on passenger satisfaction for individual services 24/7, giving them the opportunity to express their opinions, through dedicated totems, immediately after using the service. There are 30 totems spread across the 3 Terminals, monitoring security areas, sanitary services, commercial businesses and general maintenance areas and recorded 2,215,000 clicks in 2017.

Customer relationship and the development of B2C services

SEA's customer relationship management system

In 2017, more than 2,110,000 users were registered at the Customer Relationship Management (CRM) platform, a 50% growth rate from the previous year. This very encouraging trend was main-

[9] Source: Services Charter/Masterplan.
[10] Source: Services Charter/Masterplan.
[11] The index is measured on a scale of 0-100, with 75 representing excellence and 60 indicating sufficiency.

ly attributable to the Wi-Fi system and e-commerce. More than 1,485,000 subscribers agreed to receive newsletters and survey questionnaires intended to keep airport users informed and to survey customer expectations and opinions so as to guide our provision of airport services.

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

SEA continues taking part in the ACI ASQ (Airport Service Quality) programme that involves some 320 airports worldwide and about 110 in Europe, each of which supplies the interviews it conducts of departing passengers using a uniform questionnaire. This enables setting a single benchmark for the degree of satisfaction expressed regarding the services received at different airports worldwide, to identify the highlights and the most significant experiences (best practice).

In the data available for the third quarter of 2017, Malpensa Terminal 1 stood out among European airports for the satisfaction expressed with its catering services, for its wide variety of shops and for the efficiency of its passport inspection. This last item is due to the efficiency achieved thanks to SEA's smooth cooperation with the border police to ease passenger flow. Another factor is the adoption of the new passport inspection procedures as required by the European Regulation starting from April 7, 2017.

The rank of Malpensa Terminal 2 is improving in passengers' estimations regarding transport to and from the airport, thanks to the new railway station at Terminal 2 which opened in December 2016.

Complaints

In 2017, 742 complaints were received and processed. The number of complaints increased 5.7% compared to 2016. It should be noted that the Company also handles complaints about the Orio al Serio car parks.

Dedicated services

Family Friendly Airport

SEA's initiative focused on families travelling together continued and was consolidated.

Throughout the year at Malpensa and during the summer and Christmas holidays at Linate, SEA again proposed various services offering passengers travelling with children aged up to 12 years a Family Friendly airport:

- priority security passage through a "Family lane", used by approx. 1,060,000 passengers at Malpensa and 270,000 at Linate with a very high satisfaction index level.
- distribution of 90,000 illustrative brochures (with games for kids) featuring useful airport services and procedures;
- games area with videos and interactive flooring;
- special priced menus for children and dedicated shopping promotions;
- webpage dedicated to the initiative and a mini-site with games;
- Pet Therapy.

Autism project, a journey through the airport

This project was designed by ENAC to assist travellers with autism. It allows them to make a virtual visit to the airport before they travel, so they know what to expect. SEA began offering this service in July 2017, after it had completed the requirements. It is intended to protect the rights of passengers and of people with disabilities.

Information screen system

During the year 2017 the airport assistance service was strengthened by adding a video conference system: passengers can receive assistance directly from a customer service employee who talks to them from one of the 16 video screens in the two airports. Comparing September 2015, the month in which the installation of all totems at the 2 airports was completed, with the same month of 2017, video conference calls increased 20%.

Customer Service for e-commerce customers and assistance through the social media channels and apps

The call centre service in 2017 reported a 20% increase in calls, indicating in percentage terms a link with the general increase in traffic.

Specifically, requests increased for information on flights (33%) and on parking (26%); the remaining 40% is broken down between airport services and commercial, check-in and boarding information, Lost & Found and baggage.

From August, a daily transfer of calls was introduced to the outsourced call centre company for those concerning the lost and found service and connections to and from the airport (from 800 to more than 1000 calls a month), in order to recover the operating capacity of the call centre staff.

In fact, the success of SEA's social media space saw development of the channels managed by our call centre (currently Twitter, Facebook and the chat and recall service which may be activated by app), requiring the continued presence of a dedicated operator: the opening of a chat bot platform and the WhatsApp channel are currently in progress.

Contingency Plan and Airport Helper service

Again in 2017, 2 informational meetings were organised with SEA personnel involved in the Airport Helper project and those taking part in the Contingency Plan (APCP), a position united by a single objective i.e. to offer assistance to passengers in difficulty. In particular, the Contingency structure (introduced by the company in 2010) also demonstrated in 2017 its usefulness in intervening also in emergency situations due both to a regulatory change, e.g. changes to the Schengen code, and the higher than expected traffic levels and particular events, such as the visit of the Pope which required significant levels of organisation and security.

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;
- a highly developed system of listening and communication with a wide range of external actors to ensure transparency and sharing.

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

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

In July 2017, SEA passed the TUV

Italia test, maintaining therefore its certification.

With a view to a constant and close monitoring of the environmental impact of its activities, the SEA Group works together with a number of external bodies with environmental and regional responsibilities.

The range of environmental aspects managed is particularly extensive: water, air, noise, climate change, energy, waste, electromagnetic fields, light pollution and landscape.

The extensive experience matured since 1998 with the incorporation of SEA Energia and its cogeneration (regeneration) plant has seen the formal consolidation in October 2013 of the Energy Management System of SEA and its ISO 50001 certification by CertiQuality. The current action is undertaken for improved integration between the different certification systems.

Airport Carbon Accreditation and Carbon Neutrality of the Milan airports

SEA in relation to CO_2 emissions has acted effectively in reducing emissions and in particular those from activities under its direct control or in which significant influence is exercised (scope 1 and 2). This is confirmed by the 2017 renewal of SEA's classification of "Neutrality" level with regards to Airport Carbon Accreditation.

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 level 1 (Mapping) and 2 (Reduction) requirements, the calculation of the airport emissions of the stakeholders and their involvement in the drawing up of an action plan (scope 3).
- Neutrality - in addition to levels 1, 2 and 3, the reaching of the "Carbon Neutrality" objective for emissions under the direct control of the airport manager (scope 1 and 2) with the acquisition of offsets.

  - Scope 1 - Direct emissions - Emissions associated with sources owned or under the control of the company.
  - Scope 2 - Indirect Emissions - Emissions associated with the generation of electricity or thermal energy acquired or consumed by the company, which is physically emitted within the corporate scope.

European project

The involvement of the company in the international research and innovation project environment was further developed, principally focused on environmental and safety/security issues. The projects introduced in 2017 are summarised below:

- TRANSFORMING TRANSPORT is a project where the Kick-off Meeting took place in Madrid in the first six months of 2017.
- DS-08 is a proposal regarding cyber security, safety and the environment.
- TALOS, focuses on issues of future safety/security (in conjunction with the Milan Polytechnic Foundation).
- THESEUS is an innovative risk-based model to minimise vulnerabilities as well as a new method for monitoring safety/security (in conjunction with the Milan Polytechnic Foundation).
- Further research was carried out to draft new proposals concerning territorial engagement and the management of an environmentally sustainable plan

for handling the transport of goods.

Outlined below is a summary of the projects launched in the previous years which are still ongoing, or projects which ended in 2017:

CASCADE:
an important energy-management project, completed in 2015.

DREAM:
The project was completed in 2017. The project focuses on the issue of energy, principally involves Malpensa and was undertaken to optimise consumption and to involve the various sources, including also, naturally, SEA Energia.

WATERNOMICS:
a project launched in 2014 to improve the water cycle in Linate airport and which recently came to a close.

OCTAVE:
a project launched in June 2015 focusing on the security processes in biometric screening (vocal). This project is in its final phase.

Environmental management process

Master Plan Linate 2030: December 2016 saw the completion of the SIA (Environmental Impact Study) and also the preparation of the documentation to include voluntary additions by the SEA formally delivered to ENAC (National Civil Aviation Authority), who subsequently forwarded it to the Ministry of the Environment.

Master Plan Malpensa: all the activities on topics concerning nature/fauna, noise and air pollution, in addition to activities managed by the appointed bodies to conduct research on hydrogeological-and aquifer topics have now ended.

Human resources

At December 31, 2017, SEA Group employees numbered 2,837, decreasing by 29 on the end of 2016 (-1.0%).

The Full Time Equivalent total for 2017, compared to 2016, saw a decrease of 35 from 2,801 to 2,766 employees (-1.2%).

Females at the SEA Group represented 28% of the Headcount at December 31, equally distributed across classifications.

Organisation

During the period, the organizational structuring of personnel and lines was revised. This particularly concerned the Planning and Control Department, the Legal and Corporate Affairs Department, the Non-Aviation Sales Department, the Aviation Business Development Department and the Operations Department. A Compliance Monitoring Department was also introduced to guarantee compliance with EU Regulation No. 139. In 2017, the process for the divestment of airport ticketing activities was completed and the parking operational management outsourcing was finalized.

Regarding internal processes, to keep in line with regulatory developments, operating plans and methods governing goods and services procurement were also revised. In addition, consistent with the defined self-regulatory principles of corporate conduct and ethics, the procedure for reporting improper conduct (e.g. whistle-blowing) was fully formalized.
In line with and in support of the Industrial Plan objectives, SEA launched a Business Process Innovation Project to give continuity to the operational excellence already achieved in previous years.
A Europrivacy Project was also launched in order to set out an effective and timely action to adapt to the new European regulatory developments expected in 2018.

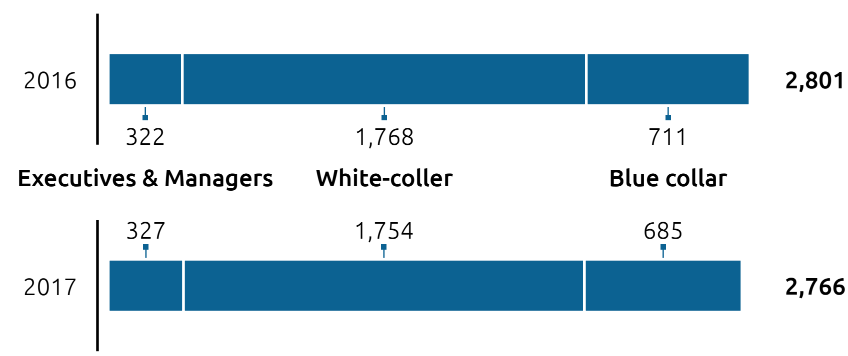
Development and training

During 2017, SEA continued to present a full program of intense training initiatives, with particular regard given to managerial skills and the strengthening of professional skills for the main passenger-customer front-end roles.

Front-end initiatives included:

1. "The Value of Security", addressed to Security Officers, begun in 2016 and having

FTE PERSONNEL (AVERAGES)



among its main objectives the improvement of role supervision and customer relations, in line with total compliance. The initiative promoted a growth in awareness of the value of the profession and in good teamwork and involved approximately 500 employees in a total of over 2,800 training hours.
2. PRM Service staff training, to improve integrated transport assistance to passengers with reduced mobility at Linate and Malpensa, through an effective approach to customer care-oriented role supervision, team integration and personnel motivation.
3. Training action for employees in the Customer Care Airport Information Area of Linate and Malpensa airports. The course, of one-day duration on 5 occasions, involved approx. 50 persons, including the new Shift Managers.

Management oriented initiatives focused on:

1. "Daily excellence" for personnel managers and project managers concerning the daily management of operations. 80 staff were involved in 2017, for a total of more than 1,000 training hours.
2. "Effective and Inclusive Leadership", aimed at developing and promoting a culture of diversity and gender integration, new leadership paradigms and the enhancement of development tracks.
3. "Alzare lo sguardo", or "Look up", an innovative initiative aimed at SEA's young professionals.

During the second half of 2017, several Team Building exercises were carried out across various company departments. The goal of each experience was to organize an outdoor day that would encourage informal communication and interaction in work group development.

Making good on progress made in 2016, April saw the continuation of linguistic skills initiatives for personnel requiring a good level of knowledge of business English. Two project initiatives involved the Group HR team in elaborating Talent Management and Acquisition processes. The first project defined the characteristics and skills of today's talents, and imagined and defined those of tomorrow's talents, in order to place value on existing skills resources and develop those still lacking. The second project was aimed at facilitating the entry and integration of new hires, both from universities and from the general labour market.
Professional Training and Technical Training initiatives in 2017 confirmed the group's utmost attention to compliance with a focus on the control and governance of organizational processes consistent with all activities of:

- *Mandatory Training*
- *Recurrent Training.*

a. Particular focus was given to the planning and scheduling of ground safety training interventions in close relation to the implementation of new EU Regulation No.139/2014, establishing aerodrome operator technical requirements and procedures. This Professional Training and Education, with initiatives to promote knowledge of the new legislation, was aimed at developing Safety Management System content for the dissemination and communication of instruments such as the Airport Manual, Airport Regulation, Emergency Plan and the assistance and fire services.
b. In this context, initial and recurrent courses were given to Linate and Malpensa airport maintenance personnel dedicated to the ENAC APT-10A circular dealing with criteria for assessing runway surface conditions during periodic checks as part of maintenance plans and dur-

ing operations in the case of wet or contaminated grounds.

c. Numerous practical training sessions, involving a total of 89 participants, were administered on the use of Vetter bags and Goldhofer Aircraft Recovery Transport Systems for the removal of damaged aircraft, with the exceptional possibility of using a Meridian MD80 made available by Volandia.
d. A theoretical confined space and work at altitude Personal Protective Equipment (PPE) Category III course was administered, involving 27 participants, in relation to Italian Legislative Decree 81/08 on Work Safety, pursuant to Italian Presidential Decree 177/11.
e. Regarding Winter Operations, recurrent training was given on de-icing and anti-icing operations, in line with Association of European Airlines (AEA) Training Recommendations, involving over 300 Operations Department personnel. In addition, initial and recurrent training courses were given to 190 Integrated Transport and Airport Maintenance personnel dedicated to Snow Emergency Management and the use of various types of snow removal vehicles.
f. Firefighting training included four exam sessions, preceded by a complete theoretical-practical course, in line with current legislation, given to more than 43 new SEA employees certified for Security, Maintenance and Airport Coordination emergency plans. Concurrently, numerous updating sessions were programmed and dedicated to personnel already certified as firefighters, involving a total of 173 participants. In addition, Apron Fire Emergency Management training, involving 110 participants, was aimed at Specialist Drivers dedicated to awareness of the risks of use of specific means and equipment, to knowledge of procedures in Airport Regulations and to main invention methodologies.
g. In 2017, in collaboration with Area Security managers, redeployment continued of several SEA professional roles from Airport Handling, through the Sworn Security Guard (Guardia Particolare Giurata) qualification procedure. In addition to professional assessments and sector-specific theoretical-practical technical training, sessions were administered, involving 105 participants, in English for Security, Work Safety, Radiation Protection, Airside Safety, Firefighting, Dangerous Goods Regulations and Persons with Reduced Mobility (PRM) assistance.
h. Regarding the topic of Passengers with Reduced Mobility (PRM), in addition to recurrent courses, in line with current legislation, regulations and standards, Italian Consolidated Law 81/2008, EC Regulation 1107/06 and European Civil Aviation Conference guidelines, training courses were administered for the first time to new SEA PRM Assistance personnel. The aim was to provide basic skills and knowledge in mobility methods, for application in the professional context with responsibility and awareness, and effective tools for communication and the management of interpersonal relationships, in line with the conduct guidelines indicated in ECAC Document 30 Annex 5C - Part I - Section 5/2014. 18 participants took part in this initial training. Over 190 participants took part in recurrent training.
i. In compliance with the ENAC circular GEN 02A, PRM Training courses were held at Linate and Malpensa for personnel in contact with the traveling public, involving professional figures, of which 130 personnel from Security, Airport Information and Coordination, and employees of commercial operators present at the airport terminals.
j. Again with a view to legislative, regulatory and standards compliance, specific distance training continued on the administrative responsibility of legal entities, in relation to Italian Legislative Decree 231/01 and the Organizational, Management and Control Model adopted by the company, initially for administrative staff, followed by SEA operational roles, completed by a total of 250 participants over the year.
k. At Linate and Malpensa, in collaboration with the Infrastructure Department and the Work Safety and Infrastructures Unit, continuous professional training courses were administered, in line with Italian Presidential Decree 137/2012, for the achievement of Professional Training Credits (Crediti Formativi Professionali - CFP) aimed at updating and certifying the knowledge and skills of 146 SEA professionals. Two 'Project Manager' courses were also organized, divided into 4 meetings totalling 32 hours of training.

Welfare

Corporate welfare, increasingly focusing, in 2017, on the needs of individuals, saw the introduction of new initiatives and activities dedicated to employees and their families. The main objective was to provide support in family care situations, to offer new skills acquisition opportunities in the educational orientation of dependent children and to promote guidelines for a healthy lifestyle and well-being.

Alongside the programming of the usual initiatives included in the annual welfare plan (e.g. home-work mobility, health, risk prevention, social services and initiatives organized with the NoiSea association, such as summer activities and camps and the Bono Befana scheme), various new projects were proposed in 2017, including the 'Fragibilità' service, offering support in the care of elderly and disabled family members, and the 'Word from a Nutritionist' initiative, aimed at promoting well-being through guidelines for a healthy nutrition and lifestyle.

Adding to initiatives for the education and employability development of employee's children, as part of the 'Future Lab' project, was the implementation of a new service aimed at twelve to fourteen-year-old school pupils, the 'Push to Open Junior' orientation course for parents and children on making a conscious and appropriate choice of secondary school. Other initiatives dedicated to the children of employees continued in 2017, including scholarships rewarding exemplary class examination passes and 'Learn to study with SEA' study methodology courses dedicated to middle and high school children. The 'Push to Open' initiative for the orientation of high-school students continued, as did the 'Talent Days' laboratory classes for recent graduates. 'Intercultura' study abroad scholarships were increased, with the addition of a further summer scholarship for Finland. The 'Work-Study Alternation' project, launched the previous year, also continued with the involvement of 29 young people in a three-week 'Summer Job' experience.

Finally, comparison and benchmarking activities continued on corporate welfare and work-life balance with external companies and institutions, in collaboration with Valore D, the IEP 'Enterprises and People' Network and Jointly.

Industrial relations

In the first six months of 2017, discussions with the Trade Unions regarding both macro procedures at Company level as well as specific Division-level issues were ongoing.

These discussions specifically led to the signing, on January 3, 2017 of a voluntary redundancy agreement, in accordance with Legislation 223/91, aimed at reducing employee numbers. The agreement formalised the positive outcome of the mobility procedure launched in November 22, 2016, implementing the first part of the Draft Framework Agreement of July 22, 2016.

On March 6, 2017, an agreement was reached regarding multi-skill training for Linate and Malpensa Airport Coordination staff. As a result of changes in the operational and technological events recorded over the years, the role of the Apron Operator, Terminal Operator and Driver Coordinator were incorporated into the new multi-skilled role of Airport Specialist.

On June 12, 2017, following the rationale of improving efficiencies

and increasing productivity, the SEA and the Trade Unions signed an agreement to redefine the role of the PRM assistant, who in addition to managing passengers with reduced mobility carried out BHS-related tasks, and who would be in a position to assist Drivers by driving certain vehicles, e.g. ambulifts, ambulances etc.).

It was also agreed to relocate the clock-in units, used by the drivers and the PRM operators at the Linate and Malpensa Airports, close to their workstations, as well as agreeing to establish 15-minute shifts to maximise work efficiencies. SEA also committed to assessing and to potentially redesigning the current configuration of changing-rooms, car parks, and break rooms.

Following specific agreements with the Trade Unions, again in the first half of 2017, funding was provided for several training projects for approximatively 400 employees, with the aim of developing a culture of gender integration ("the other side of the coin"); to improve the management of the client relations role as well as client relations ("the value of security/taking care of the people who take care"); to create a community that could reinstate the corporate value of continuous innovation ("blue sky vision"/"innovate the world").

On October 30, 2017, again with the purpose of improving efficiencies and increasing productivity, the SEA and the Trade Unions signed an agreement to redefine the Security organisational structure by introducing new roles (Security Coordinator, Security and On-site Monitoring Managers, Security compliance Operator). It was also agreed to relocate the staff clock-in units in Linate close to the workstations (similar to the lay-out in Malpensa), as well as planning new 30-minute shifts with 15-minute frequencies to maximise work efficiencies. SEA also agreed here to assessing and to potentially redesigning the current configuration of changing-rooms, car parks, and break rooms.

On December 4, 2017, an agreement was signed between the SEA and the Trade Unions to introduce new welfare initiatives by establishing a "welfare bonus" as well as by introducing new innovative "work life balance" tools. This "welfare bonus" specifically related to 2017 as a one-off bonus awarded at the end of a number of shared efficiency initiatives, in terms of aspirational principles under the Draft Framework Agreement of July 22, 2016 and was effectively implemented in that year. The welfare bonus is implemented through our IT platform, a platform which provides a range of welfare services. With regard to the work-life balance, the following arrangements were introduced to improve the balance between private life and work: helping shift-workers use their holidays, management of per hour ROLs (Reduced working hours), flexible hours for non-shift workers, facilitation of part-time demands, parental supports, the consistent allocation of ROL hours and holidays by inputting them into a time database to support staff with specific problems.

Again within the scope of the direction taken under the Draft Framework Agreement signed with the Trade Unions on July 22, 2016, regarding restructuring initiatives to support the SEA's Industrial Plan, on January 15, 2018 an Agreement was signed to end the mobility procedure launched on December 27, 2017 which established early-leave incentives for a maximum of 235 employees, who, by August 2023, will have acquired pensionable status (early retirement or old age pension).

Workplace health and safety

In 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.

In 2017, the SEA Group maintained the certification of its Workplace Health and Safety Management System, issued in 2012 by TÜV Italia - Accredited in line with the BS OHSAS 18001/2007 regulation, as established by Article 30 of Legislative Decree 81/08 for effective organisational models in line with Legislative Decree 231/2001.

The SGSSL (Integrated Environmental and Safety Management System) was monitored by:

- 10 internal audits carried out by specifically trained and authorised company employees, resulting in follow-up interventions with the relevant Managers of the audited areas; by virtue of this process, issues highlighted by the SEA auditors were solved and some improvements were identified to reduce and control OSH risks;
- a 5-day audit carried out by certified TUV Italia auditors. The audit covered all the operational areas of the Company, confirming the validity of the current certificates, renewed in November 2015.

In particular, the reports confirmed that the System is correctly implemented, maintained operational and is functional in achieving the corporate objectives.

The process of consultation and participation, launched by the SGSSL, allowed for the active involvement of employees and their Managers and proved that effective collaboration is crucial in preventing and managing risks in the workplace environment.

Maintaining the BS OHSAS 1801/2007 standard will also provide, for 2017, immediate entitlement to the annual reduction of the INAIL insurance premium.

Workplace accidents and on commute accidents registered a slight increase compared to the previous year. It is important to highlight that only 40% of workplace accidents are directly linked to specific work activities, whereas the remainder are related to general scenarios which have very little or nothing to do with the work carried out by the operators/employees, and which are predominantly related to walking about (trips, slips, sprains, bumps, etc..).

In relation to the Fire Prevention and Emergency management activities, in 2017, specific internal audits were carried out to verify the correct implementation of and compliance with Fire Prevention Standards already described by the SEA in its Fire Prevention Regulations, for the spaces allocated to commercial retail operators (shops, depots) located inside the terminal. Similar to the audits carried out in the Malpensa Terminals T1 and T2, these audits were carried out in the spaces allocated in the Linate Terminal.

To facilitate the dissemination and improve the awareness across all the retail and non-retail Operators of the Fire Prevention Documentation drafted by the SEA in association with the Non-Aviation Commercial Board and the Aviation Business Development Board, a specific area (workplace safety and fire prevention) was set up on-site with all the individual documents (regulations, emergency plans) which are also available in English. Furthermore, there is a mandatory requirement in the contractual clauses for all the retail-space concessionaires to send to SEA, every 6-months, a declaration signed by the Business Manager and by their Health and Safety Manager declaring compliance with the Fire Prevention Regulations. The Company's Prevention and Protection Service collects, verifies and stores these documents.

In 2017, in 2 airports, 25 Emergency and Evacuation Plan drills were carried out, in addition to alarm and fire detection drills, involving the Emergency Management Staff (AG) as well as employees from the various relevant buildings. The outcomes of the drills were positive both from a drill handling point of view as well as in terms of the measures implemented to date. Again in terms of emergency evacuation, 28 "evacuation chairs" were purchased and placed in the main ancillary buildings in Linate and Malpensa to assist the evacuation of persons with motor or mobility difficulties.

The internal staff for the Prevention and Protection Service updated the Risk Evaluation Documents through:

- analysing the conclusive data from 2016 regarding work-related stress indicators in accordance with INAIL guidelines. From this, substantial evidence emerged of an insignificant level of risk relating to Company roles;
- conducting temporary assessments of noise-induced risks regarding individual tasks due to changes in the organisational/work process or due to the introduction of new equipment;
- updating the risk-assessment for several Company Divisions where new chemical products had been introduced;

- updating the risk assessment of "ionising radiation" for the 2 Company Terminals;
- drafting appropriate operational safety procedures as well safety operation instructions for worker health and safety, for example, following the introduction of new equipment/ work installations;
- updating the mapping of the electromagnetic fields with compliance to the new standard introduced into Legislative Decree 81/08. Moreover, specific risk assessments were conducted in relation to all Company equipment (welding equipment, fixed installations, mobile devices, radio transmitters, etc.) used by Company employees, especially for employees with implanted medical devices. The data collected confirms full compliance with the standards indicated in the reference standards.

In addition to the above, support is also given to the functions responsible for drafting the DUVRIs for preventative interference risk-management inherent to the various activities conducted by third-party contractors in the airports. Particular emphasis was placed on activities carried out in confined environments or environments presenting a potential pollution risk under the provisions of Legislative Decree 177/11.

Relations continue with the public entities on issues of occupational safety (ATS (Health and Safety Authority), INAIL, (National Institute for the prevention of workplace accidents), DTL (Local Directorate of Labour), and from time to time they support the corporate functions involved.

Assisted by Certified Radioprotection Experts, employee safety monitoring activities were continued with the use of specific environmental and personal dosimeters, to monitor ionising radiation related to the transit of radioactive packages through the Airports as well as the use of x-ray equipment. Still within the scope of radioprotection, a significant number of environmental dosimeters were put in place to detect the potential presence of radon gas in underground and basement work areas. This monitoring continues for long periods (up to 12 months), although results within the regulatory limits are expected to be confirmed.

The monitoring of the Occupational Health & Safety of specific

SEA employees exposed to health risks with visits to the Company-appointed doctors also continued, in addition to inspections of the workplace environments in each airport. In addition, in order to offset the risks related to the use of equipment and machines introduced to support workplace activities, the preventative evaluation and analysis on their acquisition continued, carried out within the internal testing commission which the SEA Prevention and Protection Service participates.

In order to improve the manner in which we communicate and inform employees on Occupational Health & Safety topics, a function was set up on the Company Intranet (Occupational Safety) to provide a number of documents (safety procedures, safety instructions, individual protection devices etc.), that can be read and downloaded and which relate to the various company roles and workplace environments, as well as providing reporting modules and related guidelines. This information was used by an increasing number of employees, contributing to an increased awareness and knowledge of the topics.

As for SEA Prime, risk assessment documents and several safety operational procedures were updated in order to redefine and implement, for every company role, standard and revision health and safety training programmes, with topic-based content, as well as organising the duration and the frequency of the programmes, to redefine and implement some of the Emergency Evacuation Plans, to support the competent functions in the drafting the DUVRIs for the preventative management of interference risks inherent in the various tasks carried out by third-party contractors and to conduct regular Company Health and Safety meetings pursuant to Legislative Decree 81/08.

Corporate Governance System

This section contains, among other issues, the information required by Article 123-bis, paragraph 2, letter b) of Legislative Decree No. 58 of February 24, 1998 ("CFA"). The company, not having issued shares admitted to trading on regulated markets or on multilateral trading systems, avails of the option under paragraph 5 of Article 123-bis of the CFA to not publish the information required of paragraphs 1 and 2 of Article 123-bis of the law, except for that required by the above-stated paragraph 2, letter b).

The Corporate Governance System of Società per azioni Esercizi Aeroportuali S.E.A. ("SEA" or the "Company") involves a set of rules which meet applicable legal and regulatory requirements. 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.

SEA has complied with since June 27, 2001 the Self-Governance Code for listed companies issued by the Corporate Governance Committee of Borsa Italiana SpA (the "Self-Governance Code" or the "Code"). Although compliance with the Code is voluntary, SEA applies a significant portion of the recommendations in order to ensure an effective corporate governance system which appropriately assigns responsibilities and powers and supports a correct balance between management and control.

The Company therefore annually prepares on a voluntary basis 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 and Appointments Committee).

The Committees comprise non-executive Directors, the majority of whom independent. 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' Meeting 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 shall have the widest powers of administration over the company: it in particular may carry out any and all acts it deems appropriate for attaining the corporate scope, with the sole exclusion of those attributed by law and the by-laws exclusively to the shareholders' meeting. The Board of Statutory Auditors is the company's Control Board. The Board of Statutory Auditors verifies compliance with law and the By-Laws and the principles of correct administration and in particular on the adequacy of the administration and accounting organisation adopted by the Company and on its correct functioning. The accounting control functions are assigned to the

Independent Audit Firm appointed by the Shareholders' Meeting.
The Board of Directors and the Board of Statutory Auditors in office at the date of the present report were appointed by the Shareholders' Meeting of May 4, 2016 in accordance with the Company By-laws and remain in office until the approval of the 2018 Annual Accounts.

The Internal Control and Risk Management System is based on the recommendations of the Self-Governance Code and applicable best practice. Therefore, one of the instruments adopted by the company is the Organisation and Control Model as per Legislative Decree 231/01. SEA and its subsidiaries have therefore each drawn up a "Mapping of risks" in order to adopt organisation, management and control models as per Legislative Decree 231/2001 (separately the "Model" and collectively the "Models"), effective and adequate in view of the specific needs of the respective companies and the particular nature of their business, with the principal aim of preventing the offenses set out by the applicable regulation. The Model is constantly updated in line with legislative amendments regarding the introduction of new offenses.
The Corporate Governance System of SEA also involves procedures governing the activities of the various company departments, which are consistently subject to verification and updating in line with regulatory developments and altered operating practices.

The share capital amounts to Euro 27,500,000.00 fully paid-in, consisting of 250,000,000 shares - of a nominal value of Euro 0.11 each. The shares are nominative and indivisible. The shares are not traded on the regulated markets. At December 31, 2017, the company did not hold treasury shares and the share capital was broken down as reported in the "Share capital structure" paragraph.

Internal Control and Risk Management System

Introduction

The Internal Control and Risk Management System is represented by the set of instruments, rules, procedures and corporate organisational structures to ensure compliance with regulatory provisions, the By-Laws, reliable and accurate financial reporting and the safeguarding of corporate assets in line with the corporate objectives defined by the Board of Directors. The latter is responsible for the internal control and risk management system which, on the basis of information provided to the Chairman and to the Control and Risk Committee by the departments/bodies responsible for internal control and the management of business risks, establishes the guidelines, verifies their suitability and effective functioning and ensures the identification and correct management of the main business risks.

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

- compliance with the laws, regulations, By-Laws and policies;
- 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 to achieve the Internal Control and Risk Management System's objectives is the Organisation and Management Model pursuant to Legislative Decree 231/01.

Main features of the risk management and internal control systems in relation to the financial reporting process contained in the financial statements and in the half-year report

SEA's Internal Control System on financial reporting ensures the exchange of data and information with its subsidiary companies and implements its coordination. In particular, this activity is carried out through the dissemination, by the SEA parent company, of regulations on the application of the accounting policies for the preparation of the SEA Group consolidated financial statements and the procedures regulating the drafting of annual and consolidated financial statements and half-year financial statements and reports. The setting of controls occurs at the end of a process carried out by the SEA parent company according to a targeted approach to identify the individual organisational entities' typical critical issues that could have significant impacts on financial reporting.

Description of the risk management and internal control systems' main features in relation to the financial reporting process

As regards the financial reporting process, the risk management system should not be considered as distinct from the internal control system. The System is intended to ensure the trustworthiness, accuracy, reliability and timeliness of financial reporting.

The Risk Management and Internal Control System's monitoring process over financial reporting is divided into the following phases:

1. Identification of risks on financial reporting: the activity is carried out with reference to the SEA separate financial statements and the SEA Group consolidated financial statements, taking qualitative and quantitative aspects into account primarily for the selection of the relevant companies to be included in the analysis and, thereafter, of significant transactions.
2. Assessment of risks on financial reporting: risks are assessed in terms of the potential qualitative and quantitative impact. Risk assessment is carried out at both the individual company and specific process levels.
3. Identification of controls implemented to mitigate previously-identified risks, both at the individual company and process levels.

In 2017, the Board of Directors approved the Enterprise Risk Management Policy, which defined an ERM division, under the responsibility of the Chief Financial and Risk Officer, as a second level of risk management control to support corporate structures in the identification and management of business risks, through the development of tools, frameworks and methodologies, and to guarantee periodic reporting to middle and top management on the evolution of the risk profile.

The described Internal Control and Risk Management System's components are mutually coordinated and interdependent and the System as a whole involves - with different roles and according to a rationale of collaboration and coordination - administrative bodies, supervisory and control bodies, and the company and SEA Group management. The SEA Board of Directors has not appointed an executive director responsible for overseeing the functionality of the internal control and risk management system.

Control and Risks Committee Functions

The Committee performs advisory and recommendation functions to the Board of Directors on internal control and risk management. The CRC identifies business risks and submits them for examination by the Board of Directors, and finally implements the Board's guidelines through the internal control system's definition, management and monitoring. The Control and Risk Committee also examines and approves the Annual Audit Plan.

The Committee also fulfils the functions of Related Parties Committee (except for transactions concerning matters that are the exclusive prerogative of the Remuneration and Appointments Committee).

Internal Audit Manager

The audit on the suitability and functionality of the Internal Control and Risk Management System is entrusted to the Internal Audit Department. The Internal Audit Manager reports to the Chairman and to the Control and Risk Committee; he/she is not responsible for any operational area and does not hierarchically report to any manager responsible for operational areas, including the administration and finance areas. The Internal Audit Manager audits the functionality and suitability of the internal control and risk management system and compliance with internal procedures issued for this purpose. The Internal Audit Manager has autonomy in expenditure and extends his/her activities to all the companies in the SEA Group through specific service contracts. Similarly, the SEA Internal Audit Department reports hierarchically to the Chairman and functionally, to the Board of Directors. The Internal Audit Department is entrusted with auditing the effectiveness, suitability and upkeep of the Organisation and Management Model pursuant to Legislative Decree No. 231/2001, on the instructions of the SEA Supervisory Boards and the subsidiary companies.

In accordance with "Standards for the Professional Practice of Internal Auditing" requirements as defined by the "Institute of Internal Auditors", the Internal Audit Department has completed the "Quality Assurance Review" process for its activities (renewal of the "Independent External Validation" obtained in 2011) for the development and implementation of a "Quality Assurance and Improvement Programme".

The process ended in February 2017 with the issue of an independent external endorsement by a qualified company on the internal self-assessment carried out by the Internal Audit Department. This assessed general compliance with the Standards and Ethics Code issued by the "Institute of Internal Auditors".

Independent Audit Firm

Deloitte & Touche SpA is the Independent Audit Firm appointed to audit the separate and consolidated annual financial report, to periodically verify corporate accounting practices and to carry out the limited audit of the SEA consolidated half-year financial report. The appointment was conferred by the Shareholders' Meeting on June 24, 2013 and extended to financial year 2022 by the Shareholders' Meeting of May 4, 2016. The Board of Statutory Auditors and the Independent Audit Firm regularly exchange information and data in relation to the controls carried out.

Supervisory Board as per Legislative Decree 231/2001

The Supervisory Board in office at December 31, 2017 is composed of four members, three of whom were appointed by the Board of Directors on May 4, 2016 (two external independent members, Luigi Ferrara - Chairman - and Alberto Mattioli, and the Director of the Internal Audit Department, Ahmed Laroussi) and a non-executive member of the Board of Directors, Michaela Castelli, appointed by the Board of Directors on May 25, 2017.

On January 25, 2018, the Board of Directors appointed, in place of Luigi Ferrara, an independent external member, Giovanni Maria Garegnani, who was subsequently appointed as Chairman of the Supervisory Board on February 8, 2018.

The Supervisory Board regularly reports to the Board of Directors on the Model's effectiveness, its suitability and upkeep. It sends a written report to the Board of Directors every six months on the 231 Model's implementation status and, in particular, on controls and audits performed and on any critical issues that emerged.

The Supervisory Board has autonomous powers of initiative, control and expenditure.

Organisation, Management and Control Model pursuant to Legislative Decree 231/2001

SEA has adopted an Organisation and Management Model pursuant to Legislative Decree 231/2001 - which lays down the "Rules on the administrative liability of legal persons, companies and associations, including those without legal status" (the "Decree") to prevent the offences envisaged by the Decree. The Model is, therefore, adopted in compliance with the Decree's provisions. The Model was adopted by the SEA Board of Directors by resolution of December 18, 2003 and more recently amended and supplemented by the resolution of the Board of Directors of September 21, 2017. The Model is currently being updated with respect to the amendments introduced in the Decree in November and December 2017. The Model consists of a "General Section" and a "Special Section". The administrative bodies of SEA's subsidiary companies have adopted their own Organisation and Management Model pursuant to Legislative Decree 231/2001.

Related Party Transactions Policy

The company has adopted a Related Parties Transactions Policy (the "RPT Policy") in effect since February 2, 2015.

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

In assessing the substantial and procedural correctness of transactions with related parties, the Board of Directors is assisted by the Related Parties Committee which is identical to the Control and Risk Committee or the Remuneration and Appointments Committee, depending on the matters dealt with from time to time.

Code of Conduct

The applicable Code of Conduct was approved by the Board of Directors on December 17, 2015 and is an integral part of the Organisation and Management Model pursuant to Legislative Decree 231/2001.

The Code of Conduct forms part of the broader "Ethics System" adopted by the Board and defines the framework of the reference values and principles which the SEA Group proposes to adopt in the corporate decision-making process.

The main duties of the Ethics Committee, composed of a member of the SEA Board of Directors and the "Human Resources and Organisation", "Legal and Corporate Affairs" and "Audit" departmental managers, is to promote the Code of Conduct's dissemination and to monitor compliance thereof.

Anti-Corruption Focal Point

With effect from January 31, 2014, the company identified an anti-corruption focal point in the person of the Legal & Corporate Affairs Director who is also a member of the Ethics Committee.

The anti-corruption focal point deals with **any communication on corruption, including toward third parties**; the role, prerogatives and responsibilities are therefore not comparable with those provided for by applicable legislation in relation to the Anti-Corruption Manager (namely, the person in charge pursuant to Law 190/2012).

Diversity policies

The obligations of article 123(a), paragraph 2 of Legislative Decree No. 58/1998 require a description of the Company's policies on the composition of the administrative, management and governing bodies taking into account aspects such as age, gender, professional and educational background. For cases where no policy has been adopted, there is a requirement to explain this decision which we now outline below.

SEA's By-Laws, in compliance with the legislative provisions, comprehensively cover gender diversity within the Board of Directors and Board of Statutory Auditors; no policy on diversity was adopted with regard to the two aforementioned aspects of age and professional and educational background.

Adopting a diversity policy could however be reviewed given that the SEA corporate bodies are subject to renewal for the 2019 financial year with the approval of the financial statements at December 31, 2018. This is also the first renewal taking place after the implementation of the aforementioned legal provision.

The Board of Directors, therefore at its Board meeting of February 22, 2018 decided to research the option of adopting a policy on diversity based the above conditions.

Board of Directors' proposals to the Shareholders' meeting

The Board of Directors approves the 2017 Financial Statements of SEA SpA, prepared in accordance with IFRS, which report a net profit of Euro 76,945,174.47.

The Board of Directors proposes to the Shareholders' Meeting to allocate the 2017 net profit of Euro 76,945,174.47 as follows:

- Euro 70,300,000 as dividend to Shareholders, in the amount of Euro 0.2812 per share;
- Euro 6,645,174.47 to the extraordinary reserve.

The Chairman
of the Board of Directors

Pietro Modiano

Shareholders' Meeting motions

The Shareholders' Meeting, held on May 3, 2018:

1. Approved the Directors' Report prepared by the Board of Directors, the Financial Statements at December 31, 2017 and the explanatory notes thereto, as proposed by the Board of Directors.
2. Approved the allocation of the 2017 net profit of a total amount of Euro 76,945,174.47, as follows:
   - Euro 70,300,000.00 as dividend to Shareholders, in the amount of Euro 0.2812 per share;
   - Euro 6,645,174.47 to the extraordinary reserve.
3. Fixed the dividend payment deadline as June 21, 2018, with any rounding on payment allocated to the extraordinary reserve.

The Chairman
of the Board of Directors

Pietro Modiano

SEA Group Consolidated Financial Statements

Financial Statements

Consolidated Statement of Financial Position

		at December 31, 2017		at December 31, 2016	
(Euro thousands)	Note	Total	of which related parties	Total	of which related parties
Intangible assets	8.1	998,182		1,011,111	
Property, plant & equipment	8.2	204,971		190,276	
Investment property	8.3	3,394		3,398	
Investments in associates	8.4	54,054		51,597	
AFS Investments	8.5	26		26	
Deferred tax assets	8.6	51,152		43,665	
Other non-current financial assets	8.7	7,190		16,776	
Other non-current receivables	8.8	280		308	
Total non-current assets		**1,319,249**	**0**	**1,317,157**	**0**
Inventories	8.9	4,104		4,141	
Trade receivables	8.10	111,077	9,419	86,968	7,522
Tax receivables	8.11	14,941		14,800	
Other current receivables	8.11	9,200		18,563	
Other current financial assets	8.7	13,300		7,190	
Cash and cash equivalents	8.12	67,194		47,236	
Total current assets		**219,816**	**9,419**	**178,898**	**7,522**
Assets held-for-sale	**6**			**10,732**	
Elimination of discontinued receivables and payables				**(1,091)**	
TOTAL ASSETS		**1,539,065**	**9,419**	**1,505,696**	**7,522**
Share capital	8.13	27,500		27,500	
Other reserves	8.13	279,584		254,145	
Net Profit	8.13	84,070		93,619	
Group Shareholders' equity		**391,154**		**375,264**	
Minority interest shareholders' equity	**8.13**	**23**		**566**	
Group & Minority interest shareholders' equity		**391,177**		**375,830**	
Provision for risks and charges	8.14	169,935		174,061	
Employee provisions	8.15	47,834		49,220	
Non-current financial liabilities	8.16	546,289		549,069	
Other non-current payables	8.17	17,588			
Total non-current liabilities		**781,646**		**772,350**	
Trade payables	**8.18**	**153,497**	**4,519**	**161,530**	**3,465**
Income tax payables	**8.19**	**8,370**		**6,841**	
Other payables	**8.20**	**174,592**		**160,327**	
Current financial liabilities	8.16	29,783		27,530	
Total Current Liabilities		**366,242**	**4,519**	**356,228**	**3,465**
Liabilities related to assets held-for-sale	**6**			**2,379**	
Elimination of discontinued receivables and payables				**(1,091)**	
TOTAL LIABILITIES		**1,147,888**	**4,519**	**1,129,866**	**3,465**
TOTAL LIAIBILITIES & SHAREHOLDERS' EQUITY		**1,539,065**	**4,519**	**1,505,696**	**3,465**

Consolidated Income Statement

		2017		2016	
(Euro thousands)	Note	Total	of which related parties	Total	of which related parties
Operating revenues	9.1	697,698	40,493	653,512	37,834
Revenue for works on assets under concession	9.2	28,281		46,622	
Total revenues		725,979	40,493	700,134	37,834
Operating costs					
Personnel costs	9.3	(210,743)		(182,971)	
Consumable materials	9.4	(32,287)		(37,805)	
Other operating costs	9.5	(213,937)		(201,841)	
Costs for works on assets under concession	9.7	(26,006)		(43,114)	
Total operating costs		**(482,973)**	**(13,858)**	**(465,731)**	**(12,241)**
EBITDA		**243,006**	**26,635**	**234,403**	**25,593**
Provisions & write-downs	9.6	(32,218)		(5,497)	
Restoration and replacement provision	9.8	(13,602)		(17,193)	
Amortisation & Depreciation	9.9	(69,296)		(61,714)	
EBIT		**127,890**	**26,635**	**149,999**	**25,593**
Investment income/(charges)	9.10	8,135	8,135	9,842	9,842
Financial charges	9.11	(18,167)		(18,940)	
Financial income	9.11	258		136	
Pre-tax profit		118,116	34,770	141,037	35,435
Income taxes	9.12	(35,667)		(47,263)	
Continuing Operations profit		**82,449**	**34,770**	**93,774**	**35,435**
Discontinued Operations profit/(loss)	6/9.13	1,556	0	(130)	0
Minority interest profit/(loss)		(65)		25	
Group Net Profit		**84,070**	**34,770**	**93,619**	**35,435**
Basic net result per share (in Euro)	9.14	0.34		0.37	
Diluted net result per share (in Euro)	9.14	0.34		0.37	

Consolidated Comprehensive Income Statement

(Euro thousands)	2017 Total	2017 of which related parties	2016 Total	2016 of which related parties
Group Net Profit	**84,070**	**34,770**	**93,619**	**35,435**
- Items reclassifiable in future periods to the net result:				
Fair value measurement of derivative financial instruments	2,435		1,425	
Tax effect from fair value measurement of derivative financial instruments	(584)		(438)	
Total items reclassifiable, net of tax effect	**1,851**		**987**	
- Items not reclassifiable in future periods to the net result:				
Actuarial gains/(losses) on post-employment benefits	56		(1,813)	
Tax effect on actuarial gains/(losses) on post-employment benefits	(13)		653	
Total items not reclassifiable, net of tax effect	**43**		**(1,160)**	
Total other comprehensive income items	**1,894**		**(173)**	
Total comprehensive profit	**85,899**		**93,471**	
Attributable to:				
- Parent company shareholders	85,964		93,446	
- Minority interest	(65)		25	

Consolidated Cash Flow Statement

(Euro thousands)	2017	2017 of which related parties	2016	2016 of which related parties
Cash flow from operating activities				
Pre-tax profit	118,116		141,037	
Adjustments:				
Amortisation, depreciation and write-downs	69,296		61,803	
Net change in provisions (excl. employee provision)	(2,557)		(2,721)	
Changes in employee provisions	(2,016)		(1,079)	
Net changes in doubtful debt provision	27,248		4,378	
Write-down of other financial assets	3,476		-	
Net financial charges	17,909		18,804	
Investment income/charges	(8,135)		(9,842)	
Anti-trust penalty (exc. interest portion)	(2,429)		-	
Other non-cash items	15,289		(3,547)	
Cash generated (absorbed) from operating activities before changes in working capital of discontinued operations	1,556		(622)	
Cash flow from operating activities before changes in working capital	**237,753**		**208,211**	
Change in inventories	(102)		465	
Change in trade and other receivables	(42,579)	(1,897)	(5,461)	3,315
Change in other non-current assets	28		33	
Change in trade and other payables	5,614	1,054	14,519	520
Cash generated (absorbed) from changes in working capital of discontinued operations			2,151	
Cash flow from changes in working capital	**(37,039)**	**(843)**	**11,707**	**3,835**
Income taxes paid	(39,307)		(68,050)	
Cash generated (absorbed) from operating activities of discontinued operations			849	
Cash flow from operating activities	**161,407**	**(843)**	**152,717**	**3,835**
Investments in fixed assets:				
- intangible assets [(*)]	(34,772)		(47,138)	
- tangible assets	(35,770)		(19,523)	
Divestments from fixed assets:				
- tangible assets	107		1,647	
Dividends received	7,801	7,801	2,935	2,935
Cash generated (absorbed) from investing activities of discontinued operations	(798)		301	
Cash flow absorbed from investing activities	**(63,432)**	**7,801**	**(61,778)**	**2,935**
Inventories			9	
Trade receivables and other current assets			644	
Trade payables and other current liabilities			(842)	
Risk provisions and post-employment benefits			(592)	
Intangible assets			2	
Property, plant & equipment			122	
Non-current assets, net of non-current liabilities			23	
Deferred tax assets			150	
Financial debt			767	
Gain on amount collected over net equity			872	
Cash flow from operation for sale of 60% of Prime AviationServices SpA	**0**	**0**	**1,155**	**0**
Change in gross financial debt				
- increase/(decrease) of short & medium-term debt	289		(16,122)	
Changes in other financial assets/liabilities	(28)		(1,587)	
Change in shareholders' equity	(250)			
Dividends distributed	(70,307)		(62,817)	
Interest and commissions paid	(16,908)		(17,188)	
Interest received	9		33	
Cash generated (absorbed) from financing activities of discontinued operations	-		-	
Cash flow absorbed from financing activities	**(87,195)**		**(97,681)**	
Increase/(decrease) in cash and cash equivalents	**10,780**	**6,958**	**(5,587)**	**6,770**
Opening cash and cash equivalents	56,414		62,001	
Closing cash and cash equivalents	67,194		56,414	
- of which cash and cash equivalents of discontinued operations	0		9,178	
Cash and cash equivalents at year-end reported in financial statements	67,194		47,236	

[(*)] The investments in intangible assets are net of the utilisation of the restoration provision, which in 2017 amounted to Euro 12,855 thousand (Euro 16,386 thousand in 2016).

Statement of changes in consolidated shareholders' equity

(Euro thousands)	Share capital	Legal reserve	Other reserves and retained earnings (accumulated losses)	Actuarial gains/ (losses) reserve	Derivative contracts hedge accounting reserve	Net profit	Consolidated shareholders' equity	Minority interest capital & reserves	Group & Minority int. share. 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)			**0**
Dividend approved			(62,850)				**(62,850)**		**(62,850)**
Other movements									
Other comprehensive income statement items result				(1,160)	987		**(173)**		**(173)**
IFRS initial conversion reclassification reserve			(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)			**0**
Dividend approved			(70,300)				**(70,300)**		**(70,300)**
Acquisition SEA Prime shares			228				**228**	(478)	**(250)**
Other movements									
Other comprehensive income statement items result				42	1,850		**1,892**		**1,892**
Net profit						84,070	**84,070**	(65)	**84,005**
Balance at December 31, 2017	**27,500**	**5,500**	**280,254**	**(1,216)**	**(4,954)**	**84,070**	**391,154**	**23**	**391,177**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Notes to the Consolidated Financial Statements

1 General information

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

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

The Company and its subsidiaries (jointly the "**Group**" or the "**SEA Group**") manage 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.

Through SEA Handling SpA, a subsidiary of SEA and liquidated in 2017, 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 dispose 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, as illustrated in the comparative figures for 2016. On July 10, 2017, the Shareholders' Meeting of SEA Handling approved the final liquidation financial statements at June 30, 2017 and the relative distribution plan.
Consequently, in 2016 and 2017 the Handling business only concerned the general aviation handling of the associated company Signature Flight Support Italy Srl (held indirectly 39.96% by SEA) and of the associated company Malpensa Logistica Europa SpA (held 25%), which operates outside of the commercial aviation handling business.

On February 22, 2017, the Board of Directors of SEA SpA resolved to authorise the dissolution and liquidation of the Malpensa Construction Consortium, in which SEA held 51% of the share capital. On March 15, 2017, the Consortium's Board of Directors passed a resolution approving dissolution and liquidation. The liquidation of Malpensa Construction Consortium was concluded on October 31, 2017 with the presentation and approval of the liquidator's final statement of accounts and shareholders' distribution plan.

The Group also holds the following investments in associates and measured under the equity method: (i) Dufrital (held 40%) which undertakes commercial activities at other Italian airports, including Bergamo, Florence, Genoa and Verona; (ii) Malpensa Logistica Europa (held 25%) which undertakes integrated logistics activities; (iii) SEA Services (held 40%) which operates in the catering sector for the Milan airports and

(iv) Disma (held 18.75%) which manages a plant for the storage and distribution of aviation fuel at Milan Malpensa Airport.

The Company has a shareholding of 30.98% in 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 business units Commercial Aviation, General Aviation and Energy, with the Group sourcing revenues as illustrated in paragraph 7 "Operating segments".

2 Summary of accounting principles adopted

The main accounting principles adopted in the preparation of the consolidated financial statements at December 31, 2017 are reported below.

The consolidated financial statements at December 31, 2017 and the tables included in the explanatory notes are prepared in thousands of Euro.

2.1 Basis of preparation

The Consolidated Financial Statements includes the Consolidated Statement of Financial Position, the Consolidated Income Statement, the Consolidated Comprehensive Income Statement, the Consolidated Cash Flow Statement, the Statement of Changes in Consolidated Shareholders' Equity and the relative Explanatory Notes.

Similar to the financial statements for the year 2016, IFRS 5 is applied to the commercial aviation handling sector which is not included in the 2017 results line-by-line for each cost and revenue item, but the total result of the business is recorded on a separate line in the account "Discontinued Operations profit/(loss)"; the same treatment is applied to the assets and liabilities related to the commercial aviation handling sector, recorded in separate accounts under assets and liabilities at December 31, 2016. No Statement of Financial Position amounts are present at December 31, 2017 as the company SEA Handling was liquidated during 2017.

A specific paragraph of the present Explanatory Notes, to which reference should be made (Paragraph 6 *Assets and liabilities held-for-sale and Discontinued Operations profit/(loss)*), illustrates the Discontinued Operations' accounts presented in the consolidated income statement, the consolidated Statement of Financial Position and the consolidated cash flow statement.

The consolidated financial statements at December 31, 2017 were prepared in accordance with IFRS in force at the approval date of the financial statements and the provisions enacted as per Article 9 of Leg. Decree No. 38/2005. The term IFRS includes all of the International Financial Reporting Standards, all of the International Accounting Standards and all of the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) previously called the Standing Interpretations Committee (SIC) approved and adopted by the European Union.

In relation to the presentation method of the financial statements "the current/non-current" criterion was adopted for the Statement of Financial Position while the classification by nature was utilised for the comprehensive income statement and the indirect method for the cash flow statement.

The consolidated financial statements were prepared in accordance with the historical cost convention, except for the measurement of financial assets and

liabilities, including derivative instruments, where the obligatory application of the fair value criterion is required.

The Consolidated Financial Statements were prepared in accordance with the going concern concept, therefore utilising the accounting principles of an operating business. Company Management evaluated that, although within a difficult economic and financial environment, there are no uncertainties on the going concern of the business, considering the existent capitalisation levels and there are no financial, operational, management or other indicators which could indicate difficulty in the capacity of the company to meet its obligations in the foreseeable future, and in particular in the next 12 months. In the preparation of the Consolidated Financial Statements at December 31, 2017, the same accounting principles were adopted as in the preparation of the Consolidated Financial Statements at December 31, 2016. Following the issue on a regulated market of the "SEA 3 1/8 2014-2021" bond, IFRS 8 and IAS 33 concerning segment reporting and earnings per share were utilised.

For a better presentation of the financial statements, the income statement was presented in two separate statements: a) the consolidated income statement and b) the consolidated comprehensive income statement.

The Consolidated Financial Statements were audited by the audit firm Deloitte & Touche SpA, the auditor appointed by the Company SEA SpA and the Group.

2.2 IFRS accounting standards, amendments and interpretations applied from January 1, 2017

The international accounting standards, amendments and interpretations which must be obligatory applied from January 1, 2017, following completion of the relative approval process by the relevant authorities, are illustrated below. The adoption of these amendments and interpretations has not had any impact on the financial position or on the result of the companies of the Group.

Description	Date approved	Publication in the Official Gazette	Effective date as per the standard	Effective date applied by SEA
Amendment to IAS 7 Disclosure initiative	Nov. 6, 2017	Nov. 9, 2017	Periods which begin from Jan 1, 2017	Jan 1, 2017
Amendment to IAS 12 Recognition of deferred tax assets for unrealized losses	Nov. 6, 2017	Nov. 9, 2017	Periods which begin from Jan 1, 2017	Jan 1, 2017

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

Below we report the international accounting standards, interpretations and amendments to existing accounting standards and interpretations, or specific provisions within the standards and interpretations approved by the ISAB and already endorsed by the European Union, but not mandatory and not adopted in advance by the companies of the Group:

Description	Approved at the date of the present document	Effective date as per the standard
IFRS 9 Financial instruments	YES	Periods which begin from Jan 1, 2018
IFRS 15 Revenue from contracts with customers	YES	Periods which begin from Jan 1, 2018
IFRS 16 Leases	YES	Periods which begin from Jan 1, 2019
Amendment to IFRS 2 Clarification and measurement of share-based payment transactions	NO	Periods which begin from Jan 1, 2018
Annual improvements cycles 2014-2016	NO	Periods which begin from Jan 1, 2018
IFRIC 22 Foreign currency transactions and advance consideration	NO	Periods which begin from Jan 1, 2018
Amendment to IAS 40 Transfers of investment property	NO	Periods which begin from Jan 1, 2018
IFRIC 23 Uncertainty over income tax treatments	NO	Periods which begin from Jan 1, 2019
IFRS 9 Prepayment features with negative compensation	NO	Periods which begin from Jan 1, 2019
IAS 28 Long term interests in associates and joint ventures	NO	Periods which begin from Jan 1, 2019
Annual improvements cycles 2015-2017	NO	Periods which begin from Jan 1, 2019
IFRS 17 Insurance Contracts	NO	Periods which begin from Jan 1, 2021

No accounting standards and/or interpretations were applied in advance whose application is obligatory for periods commencing after December 31, 2017.
Any effects that the new accounting standards, amendments and interpretations to be applied may have on the financial disclosure of the companies of the Group are illustrated below.

IFRS 9

The new IFRS 9 standard, in effect since January 1, 2018 includes the rules relating to the 3 accounting phases: classification and measurement, impairment and Hedge Accounting. The SEA Group adopted the full application of the standard as of January 1, 2018, despite the fact that the standard provides for the possibility of applying the new rules for Hedge Accounting as of January 1, 2019. The three IFRS 9 application areas are analysed below, highlighting the impact on the SEA Group:

a. Classification and measurement: assets currently classified as "Financial assets available for sale" must be reclassified as "Financial assets/liabilities measured at FV through Profit or Loss", and assets relating to Equity Financial Instruments currently classified as assets measured at amortised cost as "Financial assets/liabilities measured at FV through Profit or Loss", since they do not conform to the SPPI test, which requires that for an asset to be recorded at amortised cost, it should only provide for the repayment of the capital and interest and with fixed time limits for the capital's repayment;

b. Impairment of trade receivables: a key element of the new standard is the transition from the concept of 'Incurred Loss' to that of 'Expected Loss': the doubtful debt provision must be determined by taking into account the risks of non-collection related not only to past-due receivables but also on those falling due. There is, therefore, a need to determine a 'risk ratio', representative of the riskiness of commercial counterparties, which varies according to the credit position (performing or expired, with different bands for those that expired based on overdue days). There is also the need to include forward-looking elements when determining the 'risk ratio'. The analysis for the purposes of the IFRS 9 standard was based on the results of a previous project, which also took place in the year 2017 with the aim of splitting clients up into rating classes and covering 98% of SEA's turnover with this classification. A provision matrix was therefore constructed for the write-down of trade receivables. This matrix provides rating classes in rows and the different bands of past-due or falling due in columns. The calculated risk ratio represents the probability that the client does not honour its debt and the percentage of credit, obtained from a historical analysis, with the possibility of the client being in default. The above matrix was created during the analysis phase, and the difference calculated on the write-down provision by applying the method currently used in the Group.

The matrix is immaterial. This result is justified by the fact that the current evaluation model in use also includes forward-looking elements that allow management to value the expected loss.

c. Hedge Accounting: according to the rules laid down by IAS 39, derivative instruments in hedge accounting are to be accounted for by specifically applying the cash flow hedge model (hedging expected cash flows). As a result of the application of this accounting treatment, derivatives' intrinsic value variations are recorded in a Shareholders' Equity reserve (cash flow hedge reserve) and time value variations are simultaneously recorded in the Income Statement. Hedging treatment is supported by the preparation of special hedging documentation (Hedging Relationship Documentation) and the implementation of 'effectiveness tests' as required by IAS 39. According to IFRS 9, the accounting treatment to be used is that which follows hedge accounting criteria as defined for the cash flow hedge model, but both the intrinsic value variations and the time value variations must be recorded in two different Shareholders' Equity reserves. At the date of first application, the derivative's time value should therefore be recognised within a special OCI reserve and the amount from the extraordinary reserve reclassified. It is calculated that as at January 1, 2018, reclassification for the SEA Group will amount to Euro 720. At subsequent reporting dates, time value variations should continue to be recognised in the same OCI reserve.

IFRS 15

In the year 2017, the company implemented an analysis project to identify the impacts of the new obligatory standard's application as from January 1, 2018. Different types of contracts from the Group's various business sectors were analysed in order to identify specific cases requiring management, according to IFRS 15 requirements, that is different to the one currently being applied.

The main issues envisaged by the standard that could have potential impacts on the SEA Group are listed below:

- Combination of contracts: according to paragraph IFRS 15.17 "the entity must group two or more contracts concluded simultaneously (or almost) with the same client and record them as a single contract in the accounts, if one or more of the following criteria are met:
  - **a.** Contracts are negotiated for a single commercial objective;
  - **b.** The amount of fees payable under one of the contracts is dependent on the price or performance of the other contract;
  - **c.** The goods or services promised in the contracts are a single "obligation to act".
- Transaction price: IFRS-15.47 defines the "Transaction Price" as the payment amount which the entity considers it is entitled to in exchange for transferring the promised goods or services to the client. The payment promised in the contract with the client may include fixed amounts, variable amounts or both.
- Collectability: according to paragraph 9 of IFRS 15, the entity shall account for the client contract falling within the scope of this Standard's application only if all the following criteria are met:
  - **a.** The contracting parties ap-

proved the contract and are committed to fulfil their respective obligations;

b. The entity may identify the rights of each of the parties with respect to the goods or services to be transferred;

c. The entity can identify the payment conditions for the goods or services to be transferred;

d. The contract has commercial substance (that is, the entity's risk, timing or amount of future cash flows will change as a result of the contract);

e. It is likely that the entity will receive the fees to which it is entitled in exchange for the goods or services that will be transferred to the client.

- Principal vs Agent: the standard requires the evaluation of transactions between the parties if the entity acts as the "Principal" and is therefore responsible for the service rendered or as the "Agent" in the event that the performance obligation to which the party is held consists in making arrangements for a third party to provide the promised goods or services.

The project's conclusions showed that the current structure of active contracts linked to various SEA Group businesses and associated accounting are compliant with the changes introduced by the new accounting standard. The only change is related to the reclassification of some commercial costs, which will be subjected to a direct reduction in revenues as from the financial year 2018.

IFRS 16

As of January 1, 2019, the new IFRS 16 standard will replace IAS 17. Each contract for finance lease payables, including those now considered as operating (for example, rentals), will be classified as finance leases. Only finance lease payables whose duration is of less than 12 months or which refer to goods whose individual value is less than US Dollars 5,000 can be excluded from the application of the new standard. The Group has identified all the long-term contracts in effect to-date and involving the payment of a fee for the use of assets of a various nature, excluding those classifiable as "low value" or "short-term lease", and assets involving the payment of a fee for the use of software licences and has defined the duration of the " lease" on the basis of the contractual terms. As a result of this analysis, these contracts were valued through an "overall recalculation" that would determine a value of 'Right of Use" and "Liability". Since the company opted to adopt the standard as of January 1, 2019 and opted out of early adoption, the analyses will be updated in 2018 in order to define the re-opening values that are to be recorded in the financial statements on January 1, 2019.

2.4 Consolidated method and principles

The financial statements of the companies included in the consolidation scope were prepared as at December 31, 2017 and were appropriately adjusted, where necessary, in line with Group accounting principles.

The consolidation scope includes the financial statements at December 31, 2017 of SEA, of its subsidiaries, and of those subsidiaries upon which it exercises a significant influence.

In accordance with IFRS 10, companies are considered subsidiaries when the Group simultaneously holds the following three elements:

a. power over the entity;

b. exposure, or rights, to variable returns deriving from involvement with the same;

c. the capacity to utilise its power to influence the amount of these variable returns.

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

- the assets and liabilities and the charges and income of the companies fully consolidated are recorded line-by-line, attributing to the minority shareholders, where applicable, the share of net equity and net result for the period pertaining to them; this share is recorded separately in the net equity and in the consolidated income statement;
- business combinations are recognised according to the acquisition method. According to this method, the amount transferred in a business combination is valued at fair value, cal-

culated as the sum of the fair value of the assets transferred and the liabilities assumed by the Group at the acquisition date and of the equity instruments issued in exchange for control of the company acquired. Accessory charges to the transaction are generally recorded to the income statement at the moment in which they are incurred. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recorded at fair value at the acquisition date; the following items form an exception, which are instead valued according to the applicable standard:

- deferred tax assets and liabilities;
- employee benefit assets and liabilities;
- liability or equity instruments relating to share-based payments of the company acquired or share-based payments relating to the Group issued in substitution of contracts of the entity acquired;
- assets held-for-sale and discontinued operations;

- the acquisition of minority shareholdings relating to entities in which control already exists are not considered as such, but rather operations with shareholders; the Group records under equity any difference between the acquisition cost and the relative share of the net equity acquired;
- the significant gains and losses, with the relative fiscal effect, deriving from operations between fully consolidated companies and not yet realised with third parties, are eliminated, except for the losses not realised and which are not eliminated, where the transaction indicates a reduction in the value of the asset transferred. The effects deriving from reciprocal payables and receivables, costs and revenues, as well as financial income and charges are also eliminated if significant;
- the gains and losses deriving from the sale of a share of the investment in a consolidated company which results in the loss of control are recorded in the income statement for the amount corresponding to the difference between the sales price and the corresponding fraction of the consolidated net equity sold.

Associated Companies

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

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

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

- the significant gains and losses not realised generated on operations between the Parent Company and subsidiary companies and investments valued under the equity method are eliminated based on the share pertaining to the Group in the investee; the losses not realised are eliminated, except when they represent a reduction in value.

2.5 Consolidation scope and changes in the year

The registered office and the share capital (at December 31, 2017 and December 31, 2016) of the companies included in the consolidation scope under the full consolidation method and equity method are reported below:

Company	Registered office	Share capital at 12/31/2017 (Euro)	Share capital at 12/31/2016 (Euro)
SEA Handling S.p.A. - Liquidated (1)	Malpensa Airport - Terminal 2 - Somma Lombardo (VA)	-	10,304,659
SEA Energia S.p.A.	Milan Linate Airport - Segrate (MI)	5,200,000	5,200,000
SEA Prime S.p.A. (2)	Viale dell'Aviazione, 65 - Milan	2,976,000	2,976,000
Signature Flight Support Italy S.r.l. (3)	Viale dell'Aviazione, 65 - Milan	420,000	420,000
Consorzio Malpensa Construction - Liquidated (4)	Via del Vecchio Politecnico, 8 - Milan	-	51,646
Dufrital S.p.A.	Via Lancetti, 43 - Milan	466,250	466,250
SACBO S.p.A.	Via Orio Al Serio, 49/51 - Grassobbio (BG)	17,010,000	17,010,000
SEA Services S.r.l.	Via Caldera, 21 - Milan	105,000	105,000
Malpensa Logistica Europa S.p.A.	Milan Linate Airport - Segrate (MI)	6,000,000	6,000,000
Disma S.p.A.	Milan Linate Airport - Segrate (MI)	2,600,000	2,600,000

The companies included in the consolidation scope at December 31, 2017 and the respective consolidation methods are reported below:

Company	Consolidation Method at 12/31/2017	Group % holding at 12/31/2017	Group % holding at 12/31/2016
SEA Handling S.p.A. - Liquidated (1)	Liquidated	0%	100%
SEA Energia S.p.A.	Line-by-line	100%	100%
SEA Prime S.p.A. (2)	Line-by-line	99.91%	98.34%
Consorzio Malpensa Construction - Liquidated (4)	Liquidated	0%	51%
Signature Flight Support Italy S.r.l. (3)	Net Equity	39.96%	39.34%
Dufrital S.p.A.	Net Equity	40%	40%
SACBO S.p.A.	Net Equity	30.979%	30.979%
SEA Services S.r.l.	Net Equity	40%	40%
Malpensa Logistica Europa S.p.A.	Net Equity	25%	25%
Disma S.p.A.	Net Equity	18.75%	18.75%

(1) SEA Handling SpA was liquidated on June 30, 2017. The Extraordinary Shareholders' Meeting of SEA Handling S.p.A. 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 dispose 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 as discontinued operations.
(2) On September 7, 2017, SEA SpA acquired 150,431 ordinary shares of SEA Prime SpA from third parties for the amount of Euro 250 thousand and with a nominal value of Euro 0.31 each.
(3) Associate company of SEA Prime SpA (60% of the shares were sold on April 1, 2016).
(4) The liquidation of Malpensa Construction Consortium was concluded on October 31, 2017 with the presentation and approval of the liquidator's final statement of accounts and shareholders' distribution plan.

2.6 Translation of foreign currency transactions

The transactions in currencies other than the operational currency of the company are converted into Euro using the exchange rate at the transaction date.

The foreign currency gains and losses generated from the closure of the transaction or from the translation at the Statement of Financial Position date of the assets and liabilities in foreign currencies are recognised in the income statement.

2.7 Accounting policies

Intangible assets

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

(a) Rights on assets under concession

The "Rights on assets under concession" represent the right of the Lessee to utilise the asset under concession (so-called intangible asset method) in consideration of the costs incurred for the design and construction of the asset with the obligation to return the asset at the end of the concession. The value corresponds to the "fair value" of the design and construction assets increased by the financial charges capitalised, in accordance with IAS 23, during the construction phase. The fair value of the construction work is based on the costs actually incurred increased by a mark-up of 6% representing the best estimate of the remuneration of the internal costs for the management of the works and design activities undertaken by the group which is a mark-up a third party general contractor would request for undertaking the same activities, in accordance with IFRIC 12. The determination of the fair value results from the fact that the lessee must apply paragraph 12 of IAS 18 and therefore if the fair value of the services received (specifically the right to utilise the asset) cannot be determined reliably, the revenue is calculated based on the fair value of the construction work undertaken.

The construction work in progress at the Statement of Financial Position date is measured based on the state of advancement of the work in accordance with IAS 11 and this amount is reported in the income statement line "Revenues for works on assets under concession".

Restoration or replacement works are not capitalised and are included in the estimate of the restoration and replacement provision as outlined below.

Assets under concession are amortised over the duration of the concession, as it is expected that the future economic benefits of the asset will be utilised by the lessee.

The accumulated amortisation provision and the restoration and replacement provision ensure the adequate coverage of the following charges:

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

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

(b) Industrial patents and intellectual property rights

<u>Patents, concessions, licenses, trademarks and similar rights</u>

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

<u>Computer software</u>

Software costs are amortised on a straight-line basis over three years, while software programme maintenance costs are charged to the income statement when incurred.

Intangible assets with definite useful life are annually tested for losses in value or where there is an indication that the asset may have incurred a loss in value. Reference should be made to the paragraph below "Impairments".

Property, plant & equipment

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

Property

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

Depreciation of property is charged based on the number of months held on a straight-line basis, which depreciates the asset over its estimated useful life. Where this latter is beyond the date of the end of the concession, the amount is depreciated on a straight-line basis until the expiry of the concession. Applying the principle of the component approach, when the asset to be depreciated is composed of separately identifiable elements whose useful life differs significantly from the other parts of the asset, the depreciation is calculated separately for each part of the asset.

For land, a distinction is made between land owned by the Group, classified under property, plant and equipment and not subject to depreciation and expropriated areas necessary for the extension of the Malpensa Terminal, classified under "Assets under concession" and amortised over the duration of the concession.

The free granting of assets is recognised at market value, according to independent technical expert opinions.

Plant & Equipment
These are represented by tangible fixed assets acquired by the Group which are not subject to the obligation of free devolution.

Plant and equipment are recorded at purchase or production cost and, only with reference to owned assets, net of accumulated depreciation and any loss in value. The cost includes charges directly incurred for bringing the asset to their condition for use, as well as dismantling and removal charges which will be incurred consequent of contractual obligations, which require the asset to be returned to its original condition.

The expenses incurred for the maintenance and repairs of an ordinary and/or cyclical nature are directly charged to the income statement when they are incurred. The capitalisation of the costs relating to the expansion, modernisation or improvement of owned tangible assets or of those held in leasing, is made only when they satisfy the requirements to be separately classified as an asset or part of an asset in accordance with the component approach, in which case the useful life and the relative value of each component is measured separately.

Depreciation is charged to the income statement based on the number of months held on a straight-line basis, which depreciates the asset over its estimated useful life. Where this latter is beyond the date of the end of the concession, the amount is depreciated on a straight-line basis until the expiry of the concession. Applying the principle of the component approach, when the asset to be depreciated is composed of separately identifiable elements whose useful life differs significantly from the other parts of the asset, the depreciation is calculated separately for each part of the asset.

The depreciation rates for owned assets, where no separate specific components are identified are reported below:

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

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

Investment property
This account includes owned buildings not for operational use. Investment property is initially recognised at cost and subsequently measured utilising the amortised cost criteria, net of accumulated depreciation and loss in value.

Depreciation is calculated on a straight-line basis over the useful life of the building.

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

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

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

The financial assets are recorded under assets when the company becomes contractually party to the assets. The financial assets sold are derecognised when the right to receive the cash flow is transferred together with all the risks and benefits associated with ownership.

Purchases and sales of financial assets are recognised at the valuation date of the relative transaction. Financial assets are measured as follows:

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

(b) Loans and receivables
Loans and receivables are financial instruments, principally relating to trade receivables,

non-derivative, not listed on an active market, from which fixed or determinable payments are expected. Loans and receivables are stated as current assets, except for amounts due beyond 12 months from the Statement of Financial Position date, which are classified as non-current. These assets are measured at amortised cost, on the basis of the effective interest rate.

When there is an indication of a reduction in value, the asset is reduced to the value of the discounted future cash flows obtainable. The losses in value are recognised in the income statement. When, in subsequent periods, the reasons for the write-down no longer exist, the value of the assets are restated up to the value deriving from the application of the amortised cost.

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

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

Derivative financial instruments
Derivative financial instruments are classified as hedging instruments when the relation between the derivative and the hedged item is formally documented and the effectiveness of the hedge, periodically verified, is high. When the hedged derivatives cover the risk of change of the fair value of the instruments hedged (fair value hedge; e.g. hedge in the variability of the fair value of asset/liabilities at fixed rate), these are recorded at fair value through the income statement; therefore, the hedging instruments are adjusted to reflect the changes in fair value associated to the risk covered. When the derivatives hedge a risk of changes in the cash flows of the instruments hedged (cash flow hedge), the hedging is designated against the exposure to changes in the cash flows attributable to the risks which may in the future impact on the income statement. The effective part of the change in fair value of the part of the derivative contracts which are designated as hedges in accordance with IAS 39 is recorded in an equity account (and in particular "other items of the comprehensive income statement"); this reserve is subsequently transferred to the income statement in the period in which the transaction hedged impacts the income statement. The ineffective part of the change in the fair value of the part of the derivative contracts, as indeed the entire change in the fair value of the derivatives which are not designated as hedges or which do not comply with the requirements of the above-mentioned IAS 39, are recognised directly in the income statement in the account "financial income/charges."

The fair value of traded financial instruments is based on the listed price at the Statement of Financial Position date. Where the market for a financial asset is not active (or refers to non-listed securities), the Group determines fair value utilising valuation techniques which include: reference to advanced negotiations in course, references to securities which have the same characteristics, analyses based on cash flows, price models based on the use of market indicators and aligned, as far as possible, to the assets to be valued.

Trade and other receivables
Trade and other receivables are initially recognised at fair value and subsequently measured based on the amortised cost method net of the doubtful debt provision. When there is an indication of a reduction in value, the asset is reduced to the value of the discounted future cash flows obtainable.

Indicators of loss in value include, among others, significant contractual non-compliance, significant financial difficulties, insolvency risk of the counterparty. Receivables are reported net of the provision for doubtful debts. When in subsequent periods the reduction in the value of the asset is confirmed, the doubtful debt provision is utilised; otherwise, where the reasons for the previous write-down no longer exist, the value of the asset is reversed up to the recoverable amount derived from applying the amortised cost method where no write down had been made. For further information, reference should be made to Note 4.1.

Inventories
Inventories are measured at the lower of average weighted purchase and/or production cost and

net realisable value or replacement cost. The valuation of inventories does not include financial charges.

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

Provisions for risks and charges
The provisions for risks and charges are recorded to cover known or likely losses or liabilities, the timing and extent of which are not known with certainty at the Statement of Financial Position date. They are recorded only when there exists a current obligation (legal or implicit) for a future payment resulting from past events and it is probable that the obligation will be settled. This amount represents the best estimate less the expenses required to settle the obligation.

Possible risks that may result in a liability are disclosed in the notes under the section on commitments and risks without any provision.

Restoration and replacement provision of assets under concession
The accounting treatment of the works undertaken by the lessee on the assets under concession, as per IFRIC 12, varies depending on the nature of the work: normal maintenance on the asset is considered ordinary maintenance and therefore recognised in the income statement; replacement work and programmed maintenance of the asset at a future date, considering that IFRIC 12 does not provide for the recognition of a physical asset but a right, must be recognised in accordance with IAS 37 - "Provisions and potential liabilities" – which establishes recognition to the income statement of a provision and the recording of a provision for charges in the balance sheet.

The restoration and replacement provision of the assets under concession include, therefore, the best estimate of the present value of the charges matured at the Statement of Financial Position date for the programmed maintenance in the coming years and undertaken in order to ensure the functionality, operations and security of the assets under concession.

It should be noted that the restoration and replacement provision of the assets refers only to fixed assets within the scope of IFRIC 12 (assets under concession classified to intangible assets).

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

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

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

We report that, following amend-

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

Post-employment benefits

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

Financial liabilities

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

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

Financial liabilities are derecognised from the Statement of Financial Position when they are settled and the Group has transferred all the risks and rewards relating to the instrument.

Trade and other payables

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

Reverse factoring transactions - indirect factoring

In order to ensure easy access to credit for its suppliers, the Group has entered into reverse factoring or indirect factoring agreements (with recourse). Based on the contractual structures in place, the supplier has the possibility to assign the receivables claimed from the Group at its own discretion to a lending institution and cash in the amount before maturity.

Invoice payment terms are non-interest bearing as they do not involve further extensions agreed upon between the supplier and the Group.

In this context, the relationships for which the primary obligation is maintained with the supplier and any extension, where granted, do not involve a change in payment terms, retain their nature and therefore remain classified as commercial liabilities.

Revenue recognition

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

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

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

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

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

Green certificates, white certificates and emission quotas

The companies which produce electricity from renewable sources receive green certificates from

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

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

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

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

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

Operating grants
Operating grants are recorded directly in the income statement.

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

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

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

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

Income taxes
Current income taxes are calculated based on the assessable income for the year, applying the current tax rates at the Statement of Financial Position date.

Deferred taxes are calculated on all differences between the assessable income of an asset or liability and the relative book value, with the exception of goodwill. Deferred tax assets for the portion not compensated by deferred tax liabilities are recognised only for those amounts for which it is probable there will be future assessable income to recover the amounts. The deferred taxes are calculated utilising the tax rates which are expected to be applied in the years when the temporary differences will be realised or settled. Deferred tax assets are recorded when their recovery is considered probable.

Current and deferred income taxes are recorded in the income statement, except those relating to accounts directly credited or debited to equity, in which case the fiscal effect is recognised directly to equity and to the Comprehensive Income Statement. Taxes are compensated when applied by the same fiscal authority, there is a legal right of compensation and the payment of the net balance is expected.

Other taxes not related to income, such as taxes on property, are included under “Other operating costs”.

Within the fiscal consolidation, each company transfers to the consolidating company the tax income or loss; the consolidating company records a receivable with the company that contributes assessable income equal to the income tax to be paid. For companies contributing a tax loss, the parent company recognises a payable.

Dividends
Payables for dividends to shareholders are recorded in the year in which the distribution is approved by the Shareholders’ Meeting.

The dividends distributed between Group companies are eliminated in the income statement.

3 Estimates and assumptions

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

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

(a) Impairments
The tangible and intangible assets and investments in associated companies and property investments are verified to ascertain if there has been a loss in value which is recorded by means of a write-down, when it is considered there will be difficulties in the recovery of the relative net book value through use. The verification of the existence of the above-mentioned indicators requires the Directors to make valuations based on the information available within the Group and from the market, as well as historical experience. In addition, when it is determined that there may be a potential reduction in

value, the Group determines this through using the most appropriate technical valuation methods available. The correct identification of the indicators of the existence of a potential reduction in value as well as the estimates for their determination depends on factors which may vary over time impacting upon the valuations and estimates made by the Directors.

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

(c) Provisions for risks and charges
The Group companies may be subject to legal disputes, in relation to taxation or employment issues, based on particularly complex circumstances of varying degrees of uncertainty, according to the facts and circumstances, jurisdiction and laws applicable to each case.

Considering the inexact nature of these issues, it is difficult to predict with certainty any future payments required.

Therefore, Management, having consulted with its legal and tax advisers, recognises a liability against these disputes when a financial payment is considered probable and the amount of the losses arising may be reasonably estimated. In the case in which a payment is considered possible, but is not yet determinable, such is reported in the explanatory notes.

Provisions are recorded against risks of a legal and tax nature and employee disputes. The amount of the provisions recorded in the financial statements relating to these risks therefore represents the best estimate at that date made by the Directors. This estimate results in the adoption of assumptions concerning factors which may change over time and which may, therefore, have significant effects compared to the present estimates made by the Directors for the preparation of the separate financial statements. In addition, the restoration and replacement provision of the assets under concession, recorded in accordance with IFRIC 12, includes the best estimate of the charges matured at the Statement of Financial Position date for scheduled maintenance in future years in order to ensure the functionality, operations and security of the assets under concession.

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

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

4 Risk Management

The risk management strategy of the Group is based on minimising potential negative effects related to the 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 ex-

posure of the SEA Group to potential losses deriving from the non-compliance of obligations by trading and financial partners.

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

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

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

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

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

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

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

TRADE RECEIVABLES

(Euro thousands)	at December 31, 2017	at December 31, 2016
Trade receivables - customers	203,516	159,619
- of which overdue	121,048	80,991
Doubtful debt provision - customers	(101,858)	(80,173)
Trade receivables - associates	9,815	7,612
Doubtful debt provision - associates	(396)	(90)
Total net trade receivables	**111,077**	**86,968**

The aging of the overdue receivables is as follows:

TRADE RECEIVABLES - CUSTOMERS

(Euro thousands)	at December 31, 2017	at December 31, 2016
less than 180 days	22,661	6,015
more than 180 days	98,387	74,976
Total trade receivables overdue	**121,048**	**80,991**

The table below illustrates the gross trade receivables at December 31, 2017 and 2016, as well as the breakdown of receivables from counterparties under administration and in dispute, with indication of the bank and insurance sureties and deposit guarantees provided.

TRADE RECEIVABLES

(Euro thousands)	at December 31, 2017	at December 31, 2016
Trade receivables - customers & associates	213,331	167,231
(i) receivables from parties subject to administration procedures	95,965	44,573
(ii) receivables subject to dispute	21,098	23,327
Total trade receivables, net of the receivables at points (i) and (ii)	**96,268**	**99,331**
Overdue receivables, other than at points (i) and (ii)	3,985	13,091
Sureties and deposits	74,177	74,274
% of receivables guaranteed by sureties and deposits vs total trade receivables, net of the receivables at points (i) and (ii)	77.1%	74.8%

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 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.

Variable interest loans expose 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 December 31, 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 (exclusively the medium/long-term portion of loans maturing within 12 months. At this date SEA did not make recourse to short-term debt).

The medium/long term financial debt at December 31, 2017 is reported in the following table, which shows each loan at the nominal value (which includes a spread of between 0.20% and 1.62%, not considering the hedging operations and any accessory guarantees):

MEDIUM/LONG TERM LOANS

		at December 31, 2017		at December 31, 2016	
(Euro thousands)	Maturity	Amount	Average rate	Amount	Average rate
Bonds	**2021**	**300,000**	**3.125%**	**300,000**	**3.125%**
Bank loans - EIB funding	**from 2017 to 2037**	**261,849**	**1.08%**	**261,538**	**1.22%**
o/w at Fixed Rate		51,557	3.89%	57,895	3.89%
o/w at Variable Rate(*)		210,292	0.39%	203,643	0.45%
Other bank loans	**2020**	**154**	**0.50%**	**176**	**0.50%**
o/w at Fixed Rate		154	0.50%	176	0.50%
o/w at Variable Rate					
Medium/long-term gross financial debt		**562,003**	**2.17%**	**561,714**	**2.24%**

(*) Includes: (i) variable rate tranche subject to interest rate hedge (ca. 32% at 31.12.2017 & 36% at 31.12.2016);
(ii) Euro 80 million of EIB loans with specific bank guarantee

The total value of medium/long-term financial debt at December 31, 2017 amounts to Euro 562,003 thousand, almost unchanged when compared to December 31, 2016. This is due to the combined effect of the disbursement of Euro 20 million EIB lines at the end of June 2017, offset by the continuation of the repayment process of other loans for Euro 19,710 thousand. The average cost of this debt was reduced by 7 basis points, reaching 2.17% at December 31, 2017. Also considering the hedging transactions against the interest rate risk and the cost of bank guarantees on EIB loans, the average cost of debt amounts to 2.78%, down from 2.83% at the end of December 2016 (-5 basis points).

At December 31, 2017 the Group has the following bond issue with a total nominal value of Euro 300 million.

Description	Issuer	Listing market	ISIN Code	Term (years)	Maturity	Par value (in million of Euro)	Coupon	Annual rate
SEA SpA 3 1/8 04/17/21	SEA SpA	Irish Stock Exchange	XS 1053334373	7	04/17/2021	300	Fixed annual	3.125%

The fair value of the Group bank and bond medium/long-term debt at December 31, 2017 amounted to Euro 593,482 thousand (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, reference was made to the market value at December 31, 2017;
- 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).

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

b) Currency risk

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

c) Commodity 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. In the SEA Group, these fluctuations are absorbed through formulas and indexations utilised in the pricing structures adopted in sales contracts.

In 2017, the SEA Group did not undertake any hedging of this risk, although not excluding the possibility in the future.

INTEREST RATE HEDGES

(Euro thousands)	Notional at signing date	Residual Notional at 12/31/2017	Date of signing	Start	Maturity	Fair value at 12/31/2017	Fair value at 12/31/2016
IRS	10,000	8,387	5/18/2011	9/15/2012	9/15/2021	(1,020.4)	(1,351.4)
	5,000	4,194	5/18/2011	9/15/2012	9/15/2021	(510.2)	(675.7)
	15.000	11,379	5/18/2011	9/15/2012	9/15/2021	(1,342.3)	(1,793.5)
	10,000	6,786	6/6/2011	9/15/2012	9/15/2021	(751.5)	(1,014.2)
	11,000	7,207	6/6/2011	9/15/2012	9/15/2021	(796.9)	(1,075.6)
	12,000	7,448	6/6/2011	9/15/2012	9/15/2021	(811.7)	(1,099.9)
	12,000	7,448	6/6/2011	9/15/2012	9/15/2021	(811.7)	(1,099.9)
Collar	10,000	6,786	6/6/2011	9/15/2011	9/15/2021	(596.6)	(810.3)
	11,000	6,828	6/6/2011	9/15/2011	9/15/2021	(586.8)	(800.3)
Total		**66,462**				**(7,228.0)**	**(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.

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;
- monitors the liquidity position, in relation to the business planning.

At December 31, 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 EIB line, of which utilisation is expected by December 2018, for duration until December 2037. At December 31, 2017, the SEA Group also had a further Euro 158 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. If the bond loan is excluded, the remaining debt has a maturity of approximately 7 years (19% over 10 years).

The tables below illustrate for the SEA Group the breakdown and maturity of the financial debt (capital, medium/long-term interest, financial charges on derivative instruments and leasing) and trade payables at December 31, 2017 and December 31, 2016:

LIABILITIES AT DECEMBER 31, 2017

(Euro millions)	< 1 year	>1 year < 3 years	>3 years < 5 years	> 5 years	Total
Gross financial debt	35.4	75.0	368.0	169.1	647.5
Trade payables	153.5				153.5
Total payables	**188.9**	**75.0**	**368.0**	**169.1**	**801.0**

LIABILITIES AT DECEMBER 31, 2016

(Euro millions)	< 1 year	>1 year < 3 years	>3 years < 5 years	> 5 years	Total
Gross financial debt	35.4	70.9	375.0	170.0	651.3
Trade payables	161.5				161.5
Total payables	**196.9**	**70.9**	**375.0**	**170.0**	**812.8**

At December 31, 2017, loans due within one year relate to the capital portion to be paid on some of the EIB loans and interest due on the total debt. The loan repayment scheduling reflects the capacity of the SEA Group funding to cover medium/long-term needs.

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 Statement of Financial Position 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 for 2017 and 2016 of a change in market rates of +50 or of 50 basis points.

b. Calculation method:

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

The results of the sensitivity analysis are reported below:

	December 31, 2017		December 31, 2016	
(Euro thousands)	-50 bp	+50 bp	-50 bp	+50 bp
Current accounts (interest income)	-8.73	302.57	-31.37	336.79
Loans (interest charges)(1)	394.50	-1,039.74	677.69	-1,085.99
Derivative hedging instruments (flows)(2)	-361.96	361.96	-439.92	439.92
Derivative hedging instruments (fair value)(3)	-1,012.61	984.17	-1,398.54	1,342.50

(1) *+ = lower interest charges; - = higher interest charges*
(2) *+ = revenue from hedge; - = cost of hedge*
(3) *amount entirely allocated to net equity given full efficacy of hedges*

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 variation of -50 basis points to the current market interest rate curve, the cash flow corresponding to current accounts and loans would be opposite to those provided for by the related types of contracts; in these cases, these cash flows are set at zero.

In addition, 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. For some loans, non-compliance of the covenant terms results in, for the following half-year period, the application of a correlated predetermined spread (in accordance with a contractually defined pricing grid).

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

5 Classification of the financial instruments

The following tables provide a breakdown of the financial assets and liabilities by category at December 31, 2017 and at December 31, 2016 of the Group.

	at December 31, 2017					
(Euro thousands)	Financial assets and liabilities at fair value	Investments held to maturity	Loans and receivables	AFS financial assets	Financial liabilities at amortised cost	Total
AFS Investments				26		26
Other non-current financial assets			16,776			16,776
Other non-current receivables			280			280
Trade receivables			111,077			111,077
Tax receivables			14,941			14,941
Other current receivables			9,200			9,200
Other current financial assets			7,190			7,190
Cash and cash equivalents			67,194			67,194
Total	**-**	**-**	**226,658**	**26**	**-**	**226,684**
Non-current financial liabilities	7,228				539,061	546,289
-of which payables to bondholders					298,441	298,441
Other non-current payables					17,588	17,588
Trade payables					153,497	153,497
Tax payables					8,370	8,370
Other current payables					174,591	174,591
Current financial liabilities excl. leasing					29,781	29,781
Current financial liabilities for leasing					3	3
Total	**7,228**	**-**	**-**	**-**	**922,891**	**930,119**

(Euro thousands)	at December 31, 2016 Financial assets and liabilities at fair value	Invest-ments held to maturity	Loans and receiva-bles	AFS finan-cial assets	Financial liabilities at amor-tised cost	Total
AFS 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 payables to bondholders					298,008	298,008
Trade payables					161,530	161,530
Tax payables					6,841	6,841
Other current payables					160,327	160,327
Current financial liabilities excl. leasing					27,499	27,499
Current financial liabilities for leasing					31	31
Totale	**9,721**	**-**	**-**	**-**	**895,576**	**905,297**

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

5.1 Disclosure on fair value

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

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

The following table shows the Group assets and liabilities measured at fair value at December 31, 2017 and at December 31, 2016:

(Euro thousands)	at December 31, 2017 Level 1	Level 2	Level 3
AFS Investments			26
Derivative financial instruments		7,228	
Total		**7,228**	**26**

(Euro thousands)	at December 31, 2016 Level 1	Level 2	Level 3
AFS Investments			26
Derivative financial instruments		9,721	
Total		**9,721**	**26**

6 Assets and liabilities held-for-sale 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.

With the application of IFRS 5, the income statement of the commercial aviation handling sector is not included in the 2016 and 2017 results line-by-line for each cost and revenue item, but the total result of the business is recorded on a separate line in the account "Discontinued Operations profit/(loss)". The same treatment is applied to the assets and liabilities related to the commercial aviation handling sector at December 31, 2016, recorded in separate accounts under assets and liabilities.

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

It is recalled that the net result of the discontinued operations in 2016 and 2017 and the assets and liabilities of the discontinued operations in 2016 concern SEA Handling liquidated on June 30, 2017, given that Airport Handling is not included in the consolidation scope due to the allocation to the Milan Airport Handling Trust on August 26, 2014. There are no limits on the comparability of the two financial years since SEA Handling was a non-operating company in both years.

The breakdown of the *Discontinued Operations* results is presented below:

DISCONTINUED OPERATIONS INCOME STATEMENT

	2017	2016		
(Euro thousands)	Total	Total	Change	Change %
Operating revenues	299	383	(84)	-21.9%
Total revenues	**299**	**383**	**(84)**	**-21.9%**
Operating costs				
Personnel costs	(10)	(120)	110	-91.7%
Other operating costs	(369)	(547)	178	-32.5%
Total operating costs	**(379)**	**(667)**	**288**	**-43.2%**
EBITDA	**(80)**	**(284)**	**204**	**-71.8%**
Provisions & write-downs	1,636	194	1,442	743.3%
EBIT	**1,556**	**(90)**	**1,646**	**-1828.9%**
Financial income		2	(2)	-100.0%
Pre-tax result	**1,556**	**(88)**	**1,644**	**-1868.2%**
Income tax		(42)	42	-100.0%
Discontinued Operations profit/(loss)	**1,556**	**(130)**	**1,686**	**-1296.9%**

Operating income for the year 2017 amounts to a total of Euro 299 thousand and mainly includes prior year income generated from the liquidation of the payables.

Operating costs incurred in the year 2017 amount to Euro 379 thousand and include: i) **Personnel costs** for Euro 10 thousand, associated with legal costs linked to the settlement of disputes relating to employment contracts; ii) **Other operating costs** for Euro 369 thousand related mainly to costs for professional and legal consultancy services, remuneration for the Board of Statutory Auditors and the administrative service provided by SEA S.p.A.. Furthermore, losses incurred due to the closure of irrecoverable credit positions were recorded.

Provisions and write-downs positively impacted the income statement for Euro 1,636 thousand and include: i) the release of the future charges provision and the release of the deductibles provision due to having reached the periods of limitation, also considering that the loss of the seizable asset by the party that suffered the damage, cancels the risk of a request for compensation (Euro 1,511 thousand); ii) the recognition of impairment losses reversals for receivables of Euro 125 thousand, considered to be irrecoverable in the past, as a result of their collection in 2017.

Taxes, amounting to Euro 42 thousand at December 31, 2016, refer to the reversal effect of deferred tax assets recorded at December 31, 2015.

The assets and liabilities related to the discontinued Operations at December 31, 2017 and December 31, 2016 are reported below:

DISCONTINUED OPERATIONS BALANCE SHEET

	at December 31, 2017	at December 31, 2016
(Euro thousands)	**Total**	**Total**
ASSETS		
Property, plant & equipment		32
Deferred tax assets		0
Total non-current assets	**0**	**32**
Trade receivables		0
Other receivables		1,522
Cash and cash equivalents		9,178
Total current assets	**0**	**10,700**
Total assets held-for-sale	**0**	**10,732**
LIABILITIES		
Share capital		10,305
Other reserves		(1,822)
Net loss		(130)
Shareholders' Equity	**0**	**8,353**
Provision for risks and charges		1,704
Total non-current liabilities	**0**	**1,704**
Trade payables		645
Income tax payables		7
Other payables		23
Total current liabilities	**0**	**675**
Total liabilities related to assets held-for-sale	**0**	**2,379**
Total liabilities related to assets held-for-sale & shareholders' equity	**0**	**10,732**

"Total assets held-for-sale" and "Total liabilities related to assets held-for-sale" at December 31, 2017 amount to zero as a result of the liquidation that took place on June 30, 2017.

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

DISCONTINUED OPERATIONS CASH FLOW STATEMENT

(Euro thousands)	**2017**	**2016**
Cash flow from operating activities		
Pre-tax profit/(loss) of discontinued operations	1,556	(88)
Adjustments:		
Net change in provisions (excl. employee provision)	(1,636)	(131)
Net changes in doubtful debt provision	0	(31)
Net financial charges	0	(1)
Other non-cash items	(137)	(372)
Cash generated (absorbed) from operating activities before changes in working capital of discontinued operations	**(217)**	**(623)**
Change in trade and other receivables	(195)	2,309
Change in trade and other payables	(418)	(157)
Cash generated (absorbed) from changes in working capital of discontinued operations	**(613)**	**2,152**
Receipt of tax benefit, net of income taxes paid	0	848
Cash flow generated (absorbed) from operating activities of discontinued operations	**(830)**	**2,377**
Divestments from property, plant & equipment	32	301
Divestments from intangible assets	0	0
Divestments from financial assets		
Cash generated (absorbed) from investing activities of discontinued operations	**32**	**301**
Repayment final settlement to shareholder SEA	(8,380)	0
Interest received	0	1
Cash flow from financing activities of discontinued operations	**(8,380)**	**1**
Increase/(decrease) in cash and cash equivalents	**(9,178)**	**2,679**
Opening cash and cash equivalents	9,178	6,499
Closing cash and cash equivalents	0	9,178

In 2017, operating activities of discontinued operations absorbed liquidity for Euro 830 thousand, mainly for payments to suppliers and for disbursements resulting from the settlement of civil disputes.

In 2017, *"Cash flows generated from investing activities"* reflect the income collected in March 2017 for assets sold by SEA Handling to SEA S.p.A. in January 2017 and are identified in the contract signed in December 2016 for a total value of Euro 32 thousand.

"Cash flows from financing activities of discontinued operations" were virtually nil in 2016, while in 2017 they amounted to Euro 8,380 thousand and are related to the final liquidation repayment in favour of the sole shareholder SEA S.p.A..

7 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 Annual Report includes the figures for the operating segment in 2017 and the relative comparative figures for 2016. Due to the type of activities undertaken by the Group, the factor "traffic" effects the results of all activities. The SEA Group has identified three operating segments, as further described in the Directors' Report and specifically: *(i)* Commercial Aviation, *(ii)* General Aviation, *(iii)* Energy. This representation may differ at individual legal entity level. The information currently available concerning the principal business operating sectors identified is presented below.

Commercial Aviation: this includes Aviation and Non Aviation: the former concerns the management, development and maintenance of 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 centralised 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 segment. 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: the business includes the full range of services relating to business traffic at the western apron of Linate airport. The General Aviation business included the handling activity carried out at the Linate, Malpensa, Venice Tessera and Rome Ciampino airports up to March 31, 2016. This business was consolidated on a line-by-line basis up to March 31, 2016, the date on which the sale of the 60% stake previously held by the Group in this segment was finalised.

Energy: the business includes the generation and sale of electricity and heat on the market.

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

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

SEGMENT DISCLOSURE: INCOME STATEMENT & BALANCE SHEET AT DECEMBER 31, 2017

(Euro thousands)	Commercial Aviation	General Aviation	Energy	IC Eliminations	Consolidated Financial Statements
Revenues	678,826	16,231	37,597	(34,956)	697,698
of which Intercompany	(7,970)	(4,107)	(22,879)	34,956	
Total operating revenues (third parties)	**670,856**	**12,124**	**14,718**	**0**	**697,698**
EBITDA	**233,435**	**7,867**	**1,704**		**243,006**
EBIT	**121,800**	**5,481**	**609**		**127,890**
Investment income/(charges)					8,135
Financial charges					(18,167)
Financial income					258
Pre-tax result					**118,116**
Fixed asset investments	**64,729**	**5,964**	**1,447**		**72,140**
Tangible assets	32,273	2,054	1,447		35,774
Intangible assets	32,456	3,910	0		36,366

SEGMENT DISCLOSURE: INCOME STATEMENT & BALANCE SHEET AT DECEMBER 31, 2016

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

More information on operating business activities is available in the “Operating Performance - Sector Analysis” section in the Directors’ Report.

8 Notes to the Balance Sheet

8.1 Intangible assets

The following tables illustrate the changes for the years ended December 31, 2017 and 2016 relating to intangible assets.

(Euro thousands)	at December 31, 2016	Increases in the period	Reclassifications/ transfers	Destruct./ sales	Amort. & deprec./ write-downs	at December 31, 2017
Gross value						
Rights on assets under concession	1,447,809	1,059	29,131	(50)		1,477,949
Rights on assets under concess. in prog. & advances	33,614	25,625	(25,750)	(1,003)		32,486
Patents and right to use intellectual property & others	63,543		9,338			72,881
Assets in progress and advances	7,993	9,596	(8,837)			8,752
Other	18,744	86	(1,885)			16,945
Total Gross Value	**1,571,703**	**36,366**	**1,997**	**(1,053)**	**0**	**1,609,013**
Accumulated amortisation						
Rights on assets under concession	(488,341)			13	(45,012)	(533,340)
Rights on assets under concess. in prog. & advances						
Patents and right to use intellectual property & others	(55,609)				(6,554)	(62,163)
Assets in progress and advances						
Other	(16,642)		1,380		(66)	(15,328)
Total accumulated amortisation	**(560,592)**	**0**	**1,380**	**13**	**(51,632)**	**(610,831)**
Net value						
Rights on assets under concession	959,468	1,059	29,131	(37)	(45,012)	944,609
Rights on assets under concess. in prog. & advances	33,614	25,625	(25,750)	(1,003)		32,486
Patents and right to use intellectual property & others	7,934		9,338		(6,554)	10,718
Assets in progress and advances	7,993	9,596	(8,837)			8,752
Other	2,102	86	(505)		(66)	1,617
Total net value	**1,011,111**	**36,366**	**3,377**	**(1,040)**	**(51,632)**	**998,182**

As per IFRIC 12, rights on assets under concession amount to Euro 944,609 thousand at December 31, 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. The amortisation for the year 2017 amounts to Euro 45,012 thousand. The increases in the year of Euro 30,190 thousand mainly derive from the entry into use of investments made in previous years and recorded under "Assets under concession in progress and advances" and from reclassifications and transfers between intangible and tangible fixed assets.

For assets under concession, SEA has the obligation to record a restoration and replacement provision, in relation to which reference should be made to Note 8.14.

The account "Assets under concession in progress and advances", amounting to Euro 32,486 thousand, refers to the work in progress on concession assets, not yet completed at December 31, 2017. The increase of Euro 25,625 thousand is expressed net of the State contribution amounting to Euro 2,364 thousand, collected in 2017, for the construction of the Malpensa Terminal 2 railway station.

The main works carried out during the year at Malpensa amounted to Euro 13,415 thousand and are mainly related to: (i) the continuation of restyling works at Airport Terminal 1, with the construction of new commercial areas, remote Schengen boarding areas in the north zone, the shifting of gate counters to create pre-boarding areas, the completion of the south commercial area's reconfiguration with the construction of new commercial areas and the fitting out of a new VIP area to be dedicated to an operator; (ii) the construction of a second warehouse in the Cargo area (with a surface area of about 15,000 sq. m) to be allocated to Cargo operators. In Linate, works amounted to Euro 12,203 thousand and are mainly related to the commencement of functional upgrading works, the Terminal's restyling and the construction of a new de-icing area in the North Apron which envisages the aircraft apron's extension by about 22.000 sq. m. A number of flight infrastructure plant upgrades continued at both Malpensa and Linate for the implementation of the Advanced Surface Movement Guidance and Control System, which will enable a clearer indication of paths to be followed by aircraft during the taxiing of aircraft, in addition to an improved use of lights on the taxiing runways. The reclassifications to assets under concession, principally relate to the gradual entry into service of the works on Terminal 1 and the baggage reclamation area at Terminal 2.

Industrial patents and intellectual property rights and other intangible assets, amounting to Euro 10,718 thousand at December 31, 2017 (Euro 7,934 thousand at December 31, 2016), relate to the purchase of software components for the airport and operating IT systems. Specifically, the investments in 2017 principally related to the development and implementation of the administrative and airport management systems, of which Euro 8,837 thousand principally relating to previous years and recorded in the account "Assets in progress and advances" which at December 31, 2017 record a residual amount of Euro 8,752 thousand and, relating to software developments in progress.

In consideration of the results reported and the business outlook, as well as the definition of the airport tariffs contained in the Regulatory Agreement, at December 31, 2017 the Group did not identify any impairment indicators.

The changes in intangible assets during 2016 were as follows:

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

The movement relating to the change in the consolidation scope refers to the loss of control over the investee company Signature Flight Support Italy Srl (formerly, Prime AviationServices SpA), following the sale of the 60% stake previously held by SEA Prime SpA to the Signature Group.

8.2 Property, plant & equipment

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

(Euro thousands)	at December 31, 2016	Increases in the period	Reclassi-fications/ transfers	Destruct./ sales	Amort. & deprec./ write-downs	at December 31, 2017
Gross value						
Property	206,872	14,955	2,871	(179)		224,519
Plant and machinery	107,510	306	358	(4)		108,170
Industrial and commercial equipment	38,690	5,828	2	(331)		44,189
Other assets	62,521	2,612	4,200	(23)		69,310
Assets in progress and advances	8,489	12,073	(10,808)			9,754
Total Gross Value	**424,082**	**35,774**	**(3,377)**	**(537)**		**455,942**
Accumulated depreciation & write-downs						
Property	(88,386)			142	(6,213)	(94,457)
Plant and machinery	(65,362)			4	(2,556)	(67,914)
Industrial and commercial equipment	(31,600)			330	(3,403)	(34,673)
Other assets	(48,458)			22	(5,490)	(53,926)
Assets in progress and advances						
Total accumulated depreciation & write-downs	**(233,806)**			**498**	**(17,662)**	**(250,970)**
Net value						
Property	118,486	14,955	2,871	(37)	(6,213)	130,062
Plant and machinery	42,148	306	358		(2,556)	40,256
Industrial and commercial equipment	7,090	5,828	2	(1)	(3,403)	9,516
Other assets	14,063	2,612	4,200	(2)	(5,490)	15,383
Assets in progress and advances	8,489	12,073	(10,808)			9,754
Total net value	**190,276**	**35,774**	**(3,377)**	**(40)**	**(17,662)**	**204,971**

The investments relate to the development of the Aviation sector which, as already reported, in accordance with IFRIC 12 are classified as assets under concession and current airport concessions and those in the Non Aviation sector, amounting to Euro 2,871 thousand at December 31, 2017, principally related to the restyling work at Terminal 1 of Malpensa. Finally, increases in the item "*property*" include the acquisition of ownership of the Sheraton Malpensa building, finalised on December 18, 2017.

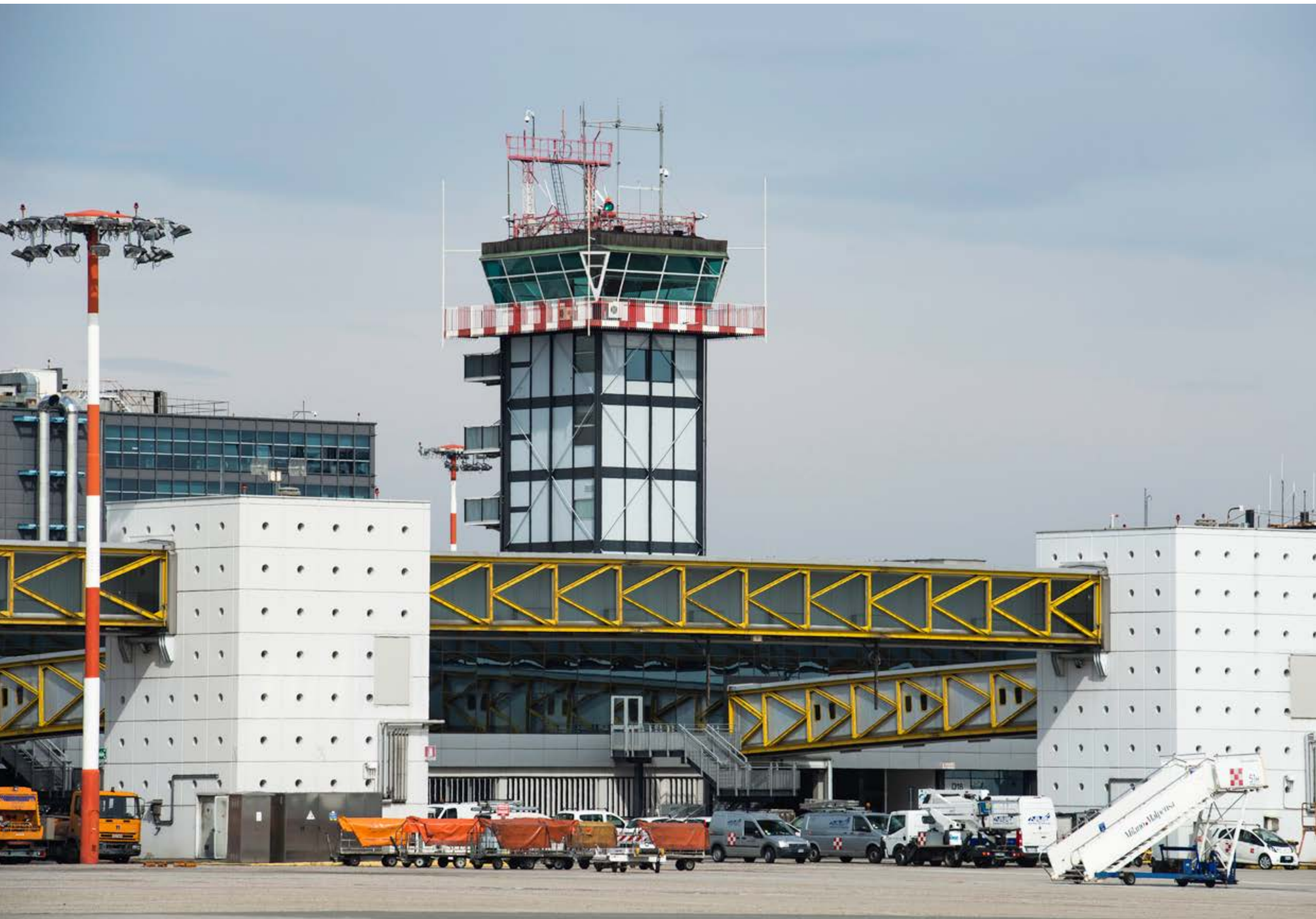
Increments in "Tangible fixed assets" also include the purchase of new de-icer equipment and snow ploughs for Euro 5,149 thousand, gate counters and control stations for Euro 205 thousand, new aircraft towing tractors for Euro 1,235 thousand and new video terminals for Euro 380 thousand.

On November 22, 2017, the Board of Directors of SEA Energia SpA approved the purchase of a new turbine with the simultaneous disposal of the current TGC turbine in early 2019. Following this decision, the depreciation of the Malpensa plant's turbine was recalculated with an assumption for this turbine's recovery value amounting to Euro 1 million.

In consideration of the results reported and the business outlook, as well as the definition of the airport tariffs contained in the Regulatory Agreement, at December 31, 2017 the SEA Group did not identify any impairment indicators.

All fixed assets, including those falling under IFRIC 12, are expressed net of those funded by State and European Union contributions. These latter at December 31, 2017 amounted to Euro 504,868 thousand and Euro 7,019 thousand respectively.

The changes in tangible fixed assets during 2016 were as follows:



(Euro thousands)	at December 31, 2015	Change consol. scope	Increases in the period	Reclassi-fications/ Internal Transfers	Destruc-tions / Sales	Amorti-zation/ write-downs	at December 31, 2016
Gross Value							
Land and Buildings	201,565		661	4,792	(151)	5	206,872
Plant ad machinery	111,590	(753)	782	(13)	(4,096)		107,510
Industrial and commercial equipment	37,728	(36)	6,265	19	(5,286)		38,690
Other assets	107,932	(260)	1,876	2,373	(49,400)		62,521
Assets in progress and advances	8,411		9,953	(9,875)			8,489
Total Gross Value	**467,226**	**(1,049)**	**19,537**	**(2,704)**	**(58,933)**	**5**	**424,082**
Accumulated depreciation and write-downs							
Land and Buildings	(82,221)				125	(6,290)	(88,386)
Plant ad machinery	(67,392)	708		73	3,848	(2,599)	(65,362)
Industrial and commercial equipment	(35,089)	17		(22)	5,200	(1,706)	(31,600)
Other assets	(91,599)	207		23	48,723	(5,812)	(48,458)
Assets in progress and advances							
Total accumulated depreciation and write-downs	**(276,301)**	**932**	**0**	**74**	**57,896**	**(16,407)**	**(233,806)**
Net value							
Land and Buildings	119,344		661	4,792	(26)	(6,285)	118,486
Plant ad machinery	44,198	(45)	782	60	(248)	(2,599)	42,148
Industrial and commercial equipment	2,639	(19)	6,265	(3)	(86)	(1,706)	7,090
Other assets	16,333	(53)	1,876	2,396	(677)	(5,812)	14,063
Assets in progress and advances	8,411		9,953	(9,875)			8,489
Total net value	**190,925**	**(117)**	**19,537**	**(2,630)**	**(1,037)**	**(16,402)**	**190,276**

8.3 Investment property

Information on investment property is provided below:

INVESTMENT PROPERTY

(Euro thousands)	at December 31, 2017	at December 31, 2016
Gross value	4,118	4,125
Accumulated depreciation	(724)	(727)
Net total investment property	**3,394**	**3,398**

MOVEMENT ACCUMULATED DEPRECIATION

(Euro thousands)	at December 31, 2017	at December 31, 2016
Opening balance	(727)	(736)
Decreases	5	11
Depreciation	(2)	(2)
Closing balance	**(724)**	**(727)**

The account includes buildings not utilised in the operated activities of the Group (apartments and garages).

Against the backdrop of uncertainty related to the real estate market there was no loss in value of real estate investments at December 31, 2017.

8.4 Investments in associates

The changes in the account "investments in associates" at December 31, 2017 and December 31, 2016 are shown below.

INVESTMENTS IN ASSOCIATES

		Movements			
(Euro thousands)	at December 31, 2016	future charges on investments provision	increases / revaluations	decreases/ write-downs	at December 31, 2017
SACBO SpA	33,839		4,915	(2,128)	36,626
Dufrital SpA	12,034		2,056	(1,679)	12,411
Disma SpA	2,605		262	(234)	2,633
Malpensa Logistica Europa SpA	2,682		477	(1,236)	1,923
SEA Services Srl	381		704	(624)	461
Signature Flight Support Italy Srl	56	152		(208)	
Total	**51,597**	**152**	**8,414**	**(6,109)**	**54,054**

The companies held are all resident in Italy.

The net equity of the associates was adjusted to take account of the Group accounting principles and the measurement of investments as per IAS 28.

The SEA Group share of adjusted net equity at December 31, 2017 amounts to Euro 54,054 thousand (Euro 51,597 thousand at December 31, 2016).

8.5 AFS Investments

The investments available-for-sale are listed below:

AFS INVESTMENTS

	% Holding	
Company	**at December 31, 2017**	**at December 31, 2016**
Consorzio Milano Sistema in liquidation	10%	10%
Romairport Srl	0.227%	0.227%
Aereopuertos Argentina 2000 SA	8.500%	8.500%
Sita Soc. Intern. De Telecom.Aereneonautiques (Belgian reg. company) (*)	6 shares	6 shares

(*) *The Board of Directors of SEA SpA, in the meeting of January 25, 2018, authorised the formalisation of the request for withdrawal from SITA SC.*

The tables below report the changes in the investments available for sale during 2017:

AFS INVESTMENTS

		Movements		
(Euro thousands)	**at December 31, 2016**	**increases / revaluations / reclassifications**	**decreases/ write-downs**	**at December 31, 2017**
Consorzio Milano Sistema in liquidation	25			25
Romairport Srl	1			1
Aereopuertos Argentina 2000 SA	0			0
Sita Soc. Intern. De Telecom. Aereneonautiques (Belgian reg. company) (*)	0			0
Total	**26**	**-**	**-**	**26**

(*) *The Board of Directors of SEA SpA, in the meeting of January 25, 2018, authorised the formalisation of the request for withdrawal from SITA SC.*

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

8.6 Deferred tax assets

The changes in the net deferred tax assets for the year 2017 are shown below:

NET DEFERRED TAX ASSETS

(Euro thousands)	at December 31, 2016	Released / allocated to P&L	Released / allocated to Equity	at December 31, 2017
Restoration prov. as per IFRIC 12	33,802	803		34,605
Write-downs tan. assets (impairment test)	14,288	14		14,302
Provisions for risks and charges	10,172	3,665		13,837
Non-deductible doubtful debt provision	8,657	(1,058)		7,599
Labour dispute	3,320	1,749		5,069
Fair value measurement of derivatives	2,149		(584)	1,565
Post-em. bens. prov. discounting (IAS 19)	945	(15)	(13)	917
Ord. main. on assets under concession	2,921			2,921
Amortisation & Depreciation	1,665	180		1,845
Other	3,890	(65)		3,825
Total deferred tax assets	**81,808**	**5,273**	**(597)**	**86,484**
Amortisation & Depreciation	(32,912)	2,488		(30,424)
Allocation gain acquisition SEA Prime	(5,337)	218		(5,119)
Other	106	106		211
Total deferred tax liabilities	**(38,143)**	**2,812**	**0**	**(35,332)**
Total deferred tax assets, net of liabilities	**43,665**	**8,085**	**(597)**	**51,152**

The IRAP tax rate for the Parent Company SEA SpA is equivalent to 4.2%, while for the other companies fully consolidated by the Group this is 3.9%. The IRES rate for Group companies is 24%.

8.7 Other current and non-current financial assets

Other current and non-current financial assets are shown in the table below:

OTHER CURRENT AND NON-CURRENT FINANCIAL ASSETS

(Euro thousands)	at December 31, 2017	at December 31, 2016
Other non-current financial assets	7,190	16,776
Other current financial assets	13,300	7,190
Other current and non-current financial assets	**20,490**	**23,966**

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

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

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

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

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

Dnata's investment in Airport Handling led to the company's valuation of Euro 25 million. The amount confirmed the assets recorded in the Statement of Financial Position up to the previous half-year report. The transaction, in view of the sale of the first 30%, led to the payment of Euro 7.5 million by dnata as a lien for a predetermined period of time, and provided for the additional payment of Euro 10 million for the acquisition of the additional 40% stake (amounts to be divided proportionally between shares and FIPs respectively, held by the Trustee and SEA). On the basis of current forecasts regarding the negotiations underway for the sale of the further share in Airport Handling through the Trust, the directors considered it appropriate to reduce the value of the assets recorded in the Statement of Financial Position for Euro 3,476 thousand. Moreover, estimating that these negotiations will be concluded by 2018, the 40% share of other financial assets under negotiation were reclassified from "non-current" to "current".

8.8 Other non-current receivables

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

OTHER NON-CURRENT RECEIVABLES

(Euro thousands)	at December 31, 2017	at December 31, 2016
Other receivables	280	308
Total other non-current receivables	**280**	**308**

Other receivables, amounting to Euro 280 thousand at December 31, 2017 (Euro 308 thousand at December 31, 2016) did not change significantly and mainly relates to employee receivables and deposit guarantees.

8.9 Inventories

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

INVENTORIES

(Euro thousands)	at December 31, 2017	at December 31, 2016
Row material, ancillaries and consumables	4,607	4,585
Inventory obsolescence provision	(503)	(444)
Total Inventories	**4,104**	**4,141**

The account includes consumable materials for airport activities; no goods held in inventories comprised guarantees on loans or concerning other commitments.

The comparison of inventories with the realisable value or replacement necessitated an obsolescence inventory provision amounting to Euro 503 thousand at December 31, 2017 (Euro 444 thousand at December 31, 2016). The amounts are reported net of the relative provision.

The changes in the obsolescence provision in 2017 are shown below:

MOVEMENTNS IN INVENTORY OBSOLESCENCE PROVISION

(Euro thousands)	at December 31, 2017
Opening balance	(444)
Provisions	(139)
Utilisations	80
Final value inventory obsolescence provision	**(503)**

8.10 Trade receivables

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

TRADE RECEIVABLES

(Euro thousands)	at December 31, 2017	at December 31, 2016
Trade receivables - customers	101,658	79,446
Trade receivables - associates	9,419	7,522
Total net trade receivables	**111,077**	**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 realisable value takes account of valuations regarding the state of the dispute and are subject to estimates which are described in the previous paragraphs 2.7 and 4.1, to which reference should be made.
The changes in the doubtful debt provision were as follows:

DOUBTFUL DEBT PROVISION

(Euro thousands)	at December 31, 2017	at December 31, 2016
Opening provision	(80,263)	(83,619)
(Increases)/releases	(27,248)	(2,744)
Utilisations	5,257	6,022
Change in scope	-	78
Total doubtful debt provision	**(102,254)**	**(80,263)**

Allocation provisions are shown net of reversals and amount to Euro 27,248 thousand in 2017 (Euro 2,744 thousand at December 31, 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. These provisions mainly refer to the full write-down of existing receivables, prior to May 2, 2017, claimed from Alitalia SAI in Extraordinary Administration. The utilisations refer to the closure during the year of disputes in which the provisions were accrued to cover such risks in previous years. "Change in scope" refers to the deconsolidation which occurred as of April 1, 2016 following the loss of control over the investee company Signature Flight Support Italy S.r.l. (formerly, Prime AviationServices S.p.A.).

8.11 Tax receivables and other current receivables

The following table provides the breakdown of other current receivables:

TAX RECEIVABLES AND OTHER CURRENT RECEIVABLES

(Euro thousands)	at December 31, 2017	at December 31, 2016
Tax receivables	14,941	14,800
Other current receivables	9,200	18,563
Total tax receivables and other current receivables	**24,141**	**33,363**

Tax receivables of Euro 14,941 thousand at December 31, 2017 mainly refers to:

- for Euro 10,402 thousand (Euro 10,414 thousand at December 31, 2016) the recalculation of IRES income tax for the years 2007-2011 following the recognition of the deductibility for IRES purposes of IRAP regional tax relating to personnel costs in accordance with Article 2, Paragraph 1, of Legislative Decree No. 201/2011 (converted into Law No. 214/2011) with consequent presentation of the request for reimbursement;
- for Euro 873 thousand (Euro 2,873 thousand at December 31, 2016) current income tax receivables;
- for Euro 2,902 thousand (Euro 909 thousand at December 31, 2016) VAT receivables;
- for Euro 764 thousand (Euro 604 thousand at December 31, 2016) other tax credits.

On March 27, 2018, the Tax Agency communicated to SEA SpA that submissions were being accepted for issue of the IRES receivable concerning the deduction of IRAP from IRES for the financial years from 2007 to 2011 ("click day").

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

OTHER CURRENT RECEIVABLES

(Euro thousands)	at December 31, 2017	at December 31, 2016
Receivables from GSE for white & green certs.	1,120	9,530
Other receivables	6,813	6,391
Misc. receivables	821	278
Receivables from insurance companies	206	232
Employee & soc. sec. receivables	236	203
Post & tax stamps	4	25
Receivables for dividends		1,901
Receivables from Ministry for Communications for radio bridge		3
Total other current receivables	**9,200**	**18,563**

"Other current receivables" amount to Euro 9,200 thousand at December 31, 2017 (Euro 18,563 thousand at December 31, 2016) and is comprised of the accounts outlined below.

Receivables from GSE, claimed by the SEA Group for white and green certificates, amount to Euro 1,120 thousand. At December 31, 2017, this amount included the receivables claimed by SEA Energia from the Energy Service Operator relating to the estimate of 2016 "white certificates". As commented upon in the Directors' Report to which reference should be made, in 2017 the company did not accrue the envisaged incentives for 'green certificates', as the recognition period came to a close in 2016. At the date of the financial statements, the company had not yet received the white certificates accrued in 2016 and was subjected to an audit by the Energy Service Operator in respect of white certificates assigned for the period 2012 - 2015. At December 31, 2017, receivables from the Energy Service Operator for green certificates were collected in full (Euro 8,717 thousand at December 31, 2016). Euro 57 thousand from the corresponding write-down provision was utilised while the surplus amounting to Euro 249 thousand was released. In 2017, the company did not accrue the envisaged incentives for 'district heating green certificates', as the recognition period came to a close in 2016.

Receivables from the State under SEA/Ministry for Infrastructure and Transport case, following the judgement of the Court of Cassation, which recognised 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 December 31, 2017 and entirely covered by the doubtful debt provision. This receivable was related to the residual credit position that was not collected from the Ministry of Infrastructure and Transport, in addition to interest up to December 31, 2014.

Receivables for sundry income amounting to Euro 821 thousand at December 31, 2017 mainly refer to receivables from payments by Telepass, credit card and POS which have not yet been credited in the bank account.

Other receivables principally concern accrued income related to revenues accrued in the year and costs relating to future years. The balance as at December 31, 2017 includes Euro 2,429 thousand relating to the reimbursement of a portion of the penalty imposed on SEA by the Anti-Trust Authority (AGCM) in 2015 following the acquisition of SEA Prime – formerly, ATA Ali Trasporti Aerei. The account also includes supplier advances, operating grants and other minor positions.

The change in the other current receivables doubtful debt provision is as follows:

OTHER RECEIVABLES DOUBTFUL DEBT PROVISION

(Euro thousands)	at December 31, 2017	at December 31, 2016
Opening provision	(4,196)	(4,045)
(Increases)/releases	307	(307)
Change in scope		156
Total other receivables doubtful debt provision	**(3,889)**	**(4,196)**

The "Change in scope" item refers to the loss of control over the investee company Signature Flight Support Italy Srl (formerly, Prime AviationServices SpA).

8.12 Cash and cash equivalents

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

CASH AND CASH EQUIVALENTS

(Euro thousands)	at December 31, 2017	at December 31, 2016
Bank and postal deposits	67,120	47,178
Cash in hand and similar	74	58
Total	**67,194**	**47,236**

Cash and cash equivalents at December 31, 2017 increased Euro 19,958 thousand compared to the previous year. The account at year end comprises bank and postal deposits on demand for Euro 64,667 thousand (Euro 45,558 thousand at December 31, 2016), restricted bank deposits of Euro 2,453 thousand, principally to cover the quota of European Investment Bank loans due in the coming 12 months (Euro 1,620 thousand at December 31, 2016) and cash amounts for Euro 74 thousand (Euro 58 thousand at December 31, 2016). For further information on the movements to cash and cash equivalents, reference should be made to the Cash Flow Statement.

It should be noted that at December 31, 2017 and December 31, 2016, liquidity does not include the escrow account in which Euro 6,000 thousand are deposited in respect of income from the sale price of 30% of the Equity Financial Instruments held by the SEA Group in Airport Handling.

8.13 Shareholders' Equity

At December 31, 2017, the share capital of the Company amounted to Euro 27,500 thousand.

The par value of each share was Euro 0.11.

The changes in shareholders' equity in the year are shown in the statement of financial position.

The reconciliation between the net equity of the Parent Company SEA SpA and the consolidated net equity is shown below.

(Euro thousands)	Shareholders' equity at December 31, 2016	Equity movements	OCI Reserve	Net profit / (loss)	Shareholders' equity at December 31, 2017
Parent Company Financial Statements	**326,689**	**(70,300)**	**1,893**	**76,946**	**335,228**
Share of net equity and net profit of the consolidated subsidiaries attributable to the Group, net of the carrying amount of the relative investments	14,955	(250)		4,215	18,920
Adjustments for measurement at equity of associates	40,696			2,533	43,229
Other consolidation adjustments	(6,510)			311	(6,199)
Consolidated Financial Statements	**375,830**	**(70,550)**	**1,893**	**84,004**	**391,177**

8.14 Provision for risks and charges

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

PROVISIONS FOR RISKS AND CHARGES

(Euro thousands)	at December 31, 2016	Provisions/ Increases	Utilisations / reclassifications	Releases	at December 31, 2017
Restoration and replacement provision	136,966	15,093	(12,855)	(1,491)	137,713
Provision for future charges	37,095	3,441	(6,367)	(1,947)	32,222
Total provision for risks and charges	**174,061**	**18,534**	**(19,222)**	**(3,438)**	**169,935**

The restoration and replacement provision on assets under concession, created in accordance with IFRIC 12, amounting to Euro 137,713 thousand at December 31, 2017 (Euro 136,966 thousand at December 31, 2016), refers to the estimate of the amount matured relating to the maintenance on assets under concession from the State which will be undertaken in future years. The provision for the year takes into account the updated long-term scheduled maintenance and replacement plans on these assets, while the utilisations in the year refer to the restoration works carried out covered by the provisions made in previous years.

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

PROVISION FOR FUTURE CHARGES

(Euro thousands)	at December 31, 2016	Provisions/ Increases	Utilisations / reclassifications	Releases	at December 31, 2017
Labour provisions	6,895	366	(2,453)	(100)	4,708
Insurance excesses	3,136	355	(390)	(1,591)	1,510
Tax risks	2,500		(324)	(193)	1,983
Green & white certificates	1,049	990	(1,049)		990
Future charges on investments provision			152		152
Other provisions	23,515	1,730	(2,303)	(63)	22,879
Total provision for future charges	**37,095**	**3,441**	**(6,367)**	**(1,947)**	**32,222**

The employee provisions relate to the expected streamlining actions to be undertaken on operations. The utilisations in the year are related to the incentivised departures for which a specific provision was made in the accounts in 2016.

The "Tax risk" account mainly includes:

- Euro 483 thousand is related to the provision for disputes currently underway with the competent tax judicial bodies over VAT resulting from the tax audit by the Customs Agency in respect of the resale of electricity and registration tax applied on the transactions in accordance with a number of civil judgments;
- Euro 1,500 thousand for the amount allocated by SEA Prime SpA, to cover liabilities related to the non-payment of Group VAT by the former parent company for the years 2011 and 2012.

The item "Green and white certificates" amounting to Euro 990 thousand at December 31, 2017 refers to SEA Energia. The amount allocated for the dispute with the Energy Service Operator over green certificates is of Euro 490 thousand. In May 2017, the company refunded 17,106 green certificates for the period 2010 - 2014 (of which 12,435 pertained to the company and 4,671 pertained to A2A) as requested by the GSE on December 19, 2016; the company, assisted by its legal advisers, filed an appeal within the prescriptive deadlines. The allocation refers to a provision for incentives accrued during the period 2015-2016, already collected but provisionally allocated by the GSE. In 2017, an amount of Euro 500 thousand was also allocated for the dispute with the Energy Service Operator over white certificates since an audit is underway in relation to white certificates assigned for the period 2012-2015.

The "Future charges on investments provision" of Euro 152 thousand at December 31, 2017 was allocated against the valuation of the stake in Signature Flight Support Italy Srl, which has a negative shareholder' equity at the same date. In this regard, it should be noted that in its meeting of February 26, 2018, the shareholders' meeting of Signature Flight Support Italy S.r.l., resolved to cover losses of Euro 923 thousand and to recapitalise the company as follows:

- To cover losses by cancelling the share capital of Euro 420 thousand and reserves - net of losses carried forward - of a total Euro 240 thousand.
- To recapitalise the share capital through an increase up to a nominal Euro 420 thousand, with a total share premium of Euro 263 thousand, equivalent to the residual losses, to be offered for subscription to all shareholders in proportion to the shares held.

The account "Other provisions" for Euro 22,879 thousand at December 31, 2017 is mainly composed of the following items:

- Euro 10,509 thousand for legal disputes related to the operational management of the airports;
- Euro 8,000 thousand relating to charges from the acoustic zoning of the peripheral areas to the Milan Airports (Law No.

447/95 and subsequent Ministerial Decrees). It is reported that the Airport Commission of Malpensa has not yet given the final approval, unlike the Airport Commission of Linate;
- Euro 847 thousand for disputes with ENAV;
- Euro 3,000 thousand for various legal disputes;
- Euro 523 thousand for risks relating to revocatory actions taken against the Group and relating to airline companies declared bankrupt.

8.15 Employee provisions

The changes in the employee provisions are shown below:

EMPLOYEE PROVISIONS

(Euro thousands)	at December 31, 2017	at December 31, 2016
Opening provision	49,220	48,239
Change in scope		(399)
Financial (income)/charges	686	645
Utilisations	(2,016)	(1,079)
Actuarial losses/(profits)	(56)	1,814
Total employee provisions	**47,834**	**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 item "Change in scope" refers to the effects resulting from the deconsolidation of Signature Flight Support Italy Srl (formerly, Prime AviationServices SpA) as of April 1, 2016, the date of loss of control and the transition from full consolidation to equity valuation.

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

ECONOMIC-FINANCIAL TECHNICAL PARAMETERS

	at December 31, 2017
Annual discount rate	1.30%
Annual inflation rate	1.50%
Annual increase in employee leaving indemnity	2.63%

The annual discount rate, utilised for the present value of the bond, was based on the Iboxx Eurozone Corporate A index.

The sensitivity analysis for each of the significant assumptions at December 31, 2017 is shown below, indicating the effects that would arise on the post-employment benefit provision.

CHANGE

(Euro thousands)	at December 31, 2017
+ 1 % on turnover rate	46,485
- 1 % on turnover rate	47,014
+ 1/4 % on annual inflation rate	47,437
- 1/4 % on annual inflation rate	46,048
+ 1/4 % on annual discount rate	45,634
- 1/4 % on annual discount rate	47,878

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

AVERAGE DURATION OF THE OBLIGATION

(in years)	at December 31, 2017
Duration of the plan	10.3

EXPECTED DISBURSEMENTS

(Euro thousands)	at December 31, 2017
Year 1	2,224
Year 2	1,887
Year 3	2,488
Year 4	2,755
Year 5	3,713

8.16 Current and non-current financial liabilities

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

	at December 31, 2017		at December 31, 2016	
(Euro thousands)	**Current portion**	**Non-current portion**	**Current portion**	**Non-current portion**
Long-term loans	19,766	240,532	19,688	241,207
Loan charges payable	1,153		1,140	
Derivatives fair value		7,228		9,721
Bank payables	**20,919**	**247,760**	**20,828**	**250,928**
Payables to bondholders		298,441		298,009
Payables for charges on bonds	6,627		6,627	
Lease payables	3		31	
Payables for subsidised loans	66	88	44	132
Other financial payables	2,169			
Payables to other lenders	**8,865**	**298,529**	**6,702**	**298,141**
Total current and non-current liabilities	**29,784**	**546,289**	**27,530**	**549,069**

The financial debt of the Group at year-end, as illustrated in the table below, is almost exclusively comprised of medium/long-term debt - of which over half concerning the “SEA 3 1/8 2014 -2021” bond issue (expressed at amortised cost). The remainder of the debt is comprised of Euro 154 thousand EIB subsidised loans (of which 56% with maturity beyond 5 years and 8% due in the next 12 months).

At the Statement of Financial Position date, a debt of Euro 2,169 thousand is recorded toward A2A Calore & Servizi. This is equivalent to the value of the incentives for green certificates generated by the management of the Linate plant in 2015 and 2016, provisionally allocated in 2017 by the GSE and regularly collected by SEA Energia SpA. This debt is recorded on the basis of a contract that permits SEA Energia to transfer a part of the incentives to A2A Calore & Servizi, since the investment linked to the heat distribution network was fully carried out at the expense and responsibility of A2A.

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

NET FINANCIAL DEBT

	(Euro thousands)	at December 31, 2017	at December 31, 2016
A.	Cash and Cash Equivalents	(67,194)	(47,236)
B.	Other cash equivalents		
C.	Securities held for trading		
D.	**Liquidity (A)+(B)+ (C)**	**(67,194)**	**(47,236)**
E.	**Financial receivables**		
F.	Current financial payables	7,780	7,767
G.	Current portion of medium/long-term bank payables	19,832	19,732
H.	Other current financial payables	2,172	31
I.	**Payables and other current financial liabilities (F) + (G) + (H)**	**29,784**	**27,530**
J.	**Net current financial debt (D) + (E) + (I)**	**(37,410)**	**(19,706)**
K.	Non-current portion of medium/long-term bank payables	240,531	241,207
L.	Bonds issued	298,441	298,008
M.	Other non-current financial payables	7,316	9,854
N.	**Payables and other non-current financial liabilities (K) + (L) + (M)**	**546,288**	**549,069**
O.	**Net Financial Debt (J) + (N)**	**508,878**	**529,363**

At the end of December 2017, the net debt of Euro 508,878 thousand decreased Euro 20,485 thousand on the end of 2016 (Euro 529,363 thousand).

The 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 the year totalling Euro 19,689 thousand);
c. greater liquidity of Euro 19,958 thousand deriving from the favourable cash flows from current operations which also made it possible to cover investment needs;
d. lower IAS adjustments of Euro 2,984 thousand primarily due to: *i)* the improvement of the fair value of derivatives for Euro 2,493 thousand, *ii)* the amortised cost's positive impact of Euro 478 thousand, connected to the EIB disbursement of June 2017 and *iii)* lower payables for leasing amounting to Euro 28 thousand.

The following is a breakdown of the variations of current and non-current financial assets and liabilities, with a separate indication of cash flows recorded in the year 2017 and other variations.

	Loans	Bond loans	Derivative liabilities	Lease payables	Other liabilities	Total
Balance at Dec. 31, 2016	**268,838**	**298,009**	**9,721**	**31**	**0**	**576,599**
Cash flows	289			(28)		261
Other changes:						
- Amortised cost	(910)	432				(478)
- Fair value change			(2,493)			(2,493)
- Accruals	14					14
- Payable to A2A for green certs. 2015 & 2016					2,169	2,169
Balance at Dec. 31, 2016	**268,231**	**298,441**	**7,228**	**3**	**2,169**	**576,072**

The table below shows the reconciliation between the finance lease payables and the future lease instalments at December 31, 2017.

(Euro thousands)	at December 31, 2017
Future lease instalments until contract maturity	3
Implied interest	(1)
Current value of lease instalments until contract maturity	**2**
Amounts for invoices not paid	1
Total leasing payables (current and non-current)	**3**

8.17 Other non-current payables

The table below reports the breakdown of the account “Other non-current payables”.

OTHER NON-CURRENT PAYABLES

(Euro thousands)	at December 31, 2017	at December 31, 2016
Employee payables	14,946	
Social security institutions	2,642	
Total	**17,588**	**-**

The item includes payables to employees and the corresponding obligation due to the INPS resulting from the signing of early retirement agreements in the context of the Personnel Restructuring Industrial Plan 2018-2023.

"Other non-current payables" refers to payables to employees and associated social security contributions, recorded as a result of the mobility procedure's commencement on December 27, 2017. Through the mobility procedure, early retirement incentive payments were established for a pre-determined number of workers who will qualify for pension benefits by August 2023 (early retirement or old age pension). The agreement with Trade Unions covering this procedure was signed on January 15, 2018.

8.18 Trade payables

The breakdown of trade payables is follows.

TRADE PAYABLES

(Euro thousands)	at December 31, 2017	at December 31, 2016
Trade payables	141,353	151,042
Advances	7,625	7,023
Payables to associates	4,519	3,465
Total trade payables	**153,497**	**161,530**

Trade payables (which includes invoices to be received of Euro 109,445 thousand at December 31, 2017 and Euro 83,154 thousand at December 31, 2016) refers to the purchase of goods and services relating to operations and Group investments.

The payables for advances at December 31, 2017 amounting to Euro 7,625 thousand (Euro 7,023 thousand at December 31, 2016) principally refer to advances from clients and the balance is in line with the previous year.

With regard to payments received in the year 2014 and classified under payables for advances following Judgment No. 12778/2013 of the Court of Milan (confirmed by the Court of Appeal of Milan with Judgment No. 3553/2015) with which the Customs Agency was ordered to pay a total of Euro 5,631 thousand in relation to disputes relating to the occupation of spaces located in the Linate and Malpensa airport grounds, it should be noted that in December 2016, the Customs Agency challenged this judgement before the Cassation Court and contested the ruling of the Court of Appeal. Since not all levels of judgment have been completed, no revenue has been posted in the present consolidated financial statements.

Payables to associated companies relate to services and other charges; reference should be made to Note 10.

8.19 Income tax payables

Payables for income taxes amounting to Euro 8,370 thousand at December 31, 2017 (Euro 6,841 thousand at December 31, 2016), mainly relate to employee and consultant's withholding taxes for Euro 5,626 thousand (Euro 5,095 thousand at December 31, 2016), IRAP payables for Euro 1,306 thousand (Euro 1,034 thousand at December 31, 2016), IRES tax payables for Euro 697 thousand, VAT payables for Euro 709 thousand (Euro 686 thousand at December 31, 2016) and other taxes for Euro 32 thousand (Euro 26 thousand at December 31, 2016).

8.20 Other payables

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

OTHER PAYABLES

(Euro thousands)	at December 31, 2017	at December 31, 2016
Airport fire service	59,040	53,088
Payables for additional landing rights	46,131	46,011
Other payables	21,845	15,768
Employee payables for amounts matured	16,179	13,632
Payables to the state for concession fee	13,634	12,198
Payables to social security institutions	12,968	12,039
Employee payables for vacations not taken	2,625	2,881
Third party guarantee deposits	1,179	1,277
Payables to ministry CO_2 quotas	301	81
Payables to others post-em. ben.	253	265
Payables to BoD & Boards of Statutory Auditors	207	197
Payables to the state for concession fee security service	83	85
Payables to shareholders for dividends	77	95
Payables to third parties for ticketing collections	70	414
Payables to A2A for Green Certificates	-	2,296
Total	**174,592**	**160,327**

In relation to the SEA Group's payables 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 further details, reference should be made to the Directors' Report in the section "Risk factors of the SEA Group".

"Payables for additional landing rights" represent the additional charges created by Laws No. 166/2008, No. 350/2003, No. 43/2005 and No. 296/2006.

The account "Other payables", amounting to Euro 21,845 thousand at December 31, 2017 (Euro 15,768 thousand at December 31, 2016), mainly relates to deferred income from clients for future periods and other minor payables.

The payables to A2A for green certificates amounting to Euro 2,296 thousand in 2016 and zero in 2017 related to the estimate of the value of the green certificates matured in 2015 at the Linate plant. As already described, in 2017 SEA Energia SpA did not accrue the envisaged incentives for 'district heating green certificates', as the recognition period came to a close in 2016.

9 Income Statement

9.1 Operating revenues

The table below shows the breakdown of operating revenues for the years 2017 and 2016. These data, as shown in Note No. 7 “Disclosure by operating segment” reflect the operational and managerial view of the businesses in which the Group operates. Therefore, these data differ with respect to those presented at the level of the individual legal entity.

OPERATING REVENUES

(Euro thousands)	2017	2016
Commercial Aviation Operating Revenues	670,856	625,870
General Aviation Operating Revenues	12,124	11,750
Energy Operating Revenues	14,718	15,892
Total operating revenues	**697,698**	**653,512**

Commercial Aviation Operating Revenues

The breakdown of aviation operating revenues is reported below.

AVIATION OPERATING REVENUES

(Euro thousands)	2017	2016
Fees and centralised infrastructure	385,043	351,088
Revenues from security controls management	45,609	45,150
Use of regulated spaces	12,941	12,732
Total Aviation operating revenues	**443,593**	**408,970**

Aviation operations growth, amounting to Euro 34,623 thousand, is mainly due to the boost in traffic volumes both in the passengers’ segment - benefitting from additional airline capacity and load factor growth - and the cargo segment.

The breakdown of Non Aviation operating revenues is reported below.

NON AVIATION OPERATING REVENUES

(Euro thousands)	2017	2016
Retail	95,392	90,088
Parking	64,234	60,226
Cargo	15,838	12,688
Advertising	10,495	10,451
Premium services	18,066	17,874
Real estate	2,458	3,179
Services and other revenues	20,780	22,394
Total Non Aviation operating revenues	**227,263**	**216,900**

"Services and other revenues" mainly relate to income from the design services, ticketing services, service activities and other income. The breakdown of retail revenues is reported below.

RETAIL REVENUES

(Euro thousands)	2017	2016
Shops	49,510	47,070
Food & Beverage	20,052	19,039
Car Rental	16,379	14,761
Bank services	9,451	9,218
Total Retail	**95,392**	**90,088**

For further information, reference should be made to the Operating Segments section of the Directors' Report.

General Aviation Operating Revenues

The General Aviation business includes the full range of services relating to business traffic at the western apron of Linate airport and the handling activities related to this traffic. Revenues from the General Aviation business amounting to Euro 12,124 thousand registered an increase (3.2% over the previous year).

Energy Operating Revenues

The breakdown of Energy operating revenues is reported below.

ENERGY OPERATING REVENUES

(Euro thousands)	2017	2016
Sale of Electricity	9,769	7,599
Sale of Thermal Energy	4,222	2,986
Other Revenues & Services	727	5,307
Total Energy operating revenues	**14,718**	**15,892**

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

9.2 Revenue for works on assets under concession

Costs for works on assets under concession decreased from Euro 46,662 thousand in 2016 to Euro 28,281 thousand in 2017.

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

This account is strictly related to investment and infrastructure upgrading activities. For further information on the principal investments, reference should be made to Note 8.1.

In the account "Costs for works on assets under concession" (Note 9.7), a decrease was reported due to lesser work on assets under concession.

9.3 Personnel costs

The breakdown of personnel costs is as follows.

PERSONNEL COSTS

(Euro thousands)	2017	2016
Wages, salaries & social security charges	171,061	163,041
Post-employment benefits	7,881	7,888
Other personnel costs	31,801	12,042
Total	**210,743**	**182,971**

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

AVERAGE FULL TIME EQUIVALENT

	January-December 2017	%	January-December 2016	%
Executives	57	2.1%	55	2.0%
Managers	270	9.8%	267	9.5%
White-collar	1,754	63.4%	1,768	63.1%
Blue-collar	657	23.8%	688	24.6%
Total full-time employees	**2,738**	**99%**	**2,778**	**99%**
Temporary workers	28	1.0%	23	0.8%
Total employees	**2,766**	**100%**	**2,801**	**100%**

Group personnel costs, which increased Euro 27,772 thousand (+13.2%) compared to 2016, increased from Euro 182,971 thousand in 2016 to Euro 210,743 thousand in 2017.

The increase is a result of the signing of early retirement agreements under the Personnel Restructuring Industrial Plan 2018-2023. The increase also includes the recognition of a reward contribution linked to the achievement of corporate performance objectives and the partial allocation of the National Collective Labour Agreement's renewal signed in 2014 and which expired at the end of 2016 (further information on the agreements may be viewed in the Directors' Report, "Human Resources" section); this resulted in higher costs of Euro 24,986 thousand.

Average Full-Time Equivalent staff numbered 2,766 in 2017 as opposed to 2,801 in 2016.

The net decrease in staff is attributable to terminations generated by the voluntary early retirement procedure, partially offset by recruitment in operations due to the increase in passenger traffic.

9.4 Consumable materials

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

CONSUMABLE MATERIALS

(Euro thousands)	2017	2016
Raw materials, ancillaries, consumables and goods	32,250	37,149
Change in inventories	37	656
Total	**32,287**	**37,805**

Consumable materials decreased from Euro 37,805 thousand in 2016 to Euro 32,287 thousand in 2017, a decrease of Euro 5,518 thousand (-14.6%). The reduction mainly relates to lower costs incurred for the purchase of methane and electricity from third parties (-Euro 6,220 thousand compared to the previous year), in part offset by higher costs for the purchase of de-icing and anti-icing chemical products utilised in the event of snow and/or ice formation (+Euro 1,341 thousand compared to the previous year).

9.5 Other operating costs

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

OTHER OPERATING COSTS

(Euro thousands)	2017	2016
Commercial costs	53,508	44,458
Public fees	31,868	31,134
Ordinary maintenance costs	26,956	27,832
Terminal services provided by handling company	22,609	22,985
Cleaning	13,898	13,414
Other costs	11,344	11,801
Parking management	14,572	11,737
Professional services	8,813	9,318
Utilities & security expenses	8,438	7,243
Tax charges	7,451	7,134
Hardware and software fees & rental	4,654	4,763
Disabled assistance	3,608	3,633
Hire of equipment & vehicles	3,626	3,418
Insurance	1,710	1,671
Emoluments & costs of Board of Statutory Auditors & BoD	819	898
Losses on disposal of assets	63	402
Total other operating costs	**213,937**	**201,841**

Other operating costs, amounting to Euro 213,937 thousand in 2017, increased Euro 12,096 thousand on the previous year mainly due to higher commercial costs for Euro 9,050 thousand, related to higher incentive charges to carriers. In addition, against: higher costs related to the management of passenger services (parking fees) for Euro 2,835 thousand, higher security costs (+Euro 472 thousand) and higher utility costs (+Euro 723 thousand), lower costs were recorded in the year for ordinary maintenance (-Euro 876 thousand), professional service fees (-Euro 505 thousand) and costs for the management of snow emergencies.

The Public fees include: i) concession fees to the State for Euro 24,648 thousand (Euro 23,538 thousand in 2016); ii) costs for fire-fighting services at the airports for Euro 5,951 thousand (Euro 6,374 thousand in 2016); iii) concession fees to the tax authorities for security services of Euro 1,064 thousand (Euro 975 thousand in 2016); other fees to various entities for Euro 205 thousand (Euro 247 thousand in 2016).

In May 2017 SEA Energia SpA obtained the SEU qualification for the Linate and Malpensa plant. Obtaining the SEU qualification entails maintaining favourable tariff conditions on self-produced electricity, with high efficiency and not drawn from the electricity grid and limited to the variable parts of the general system and network charges, as envisaged by Legislative Decree No. 115/08 and Article 25-bis of Decree-Law No. 91/14 converted with Law No.116/14.

With the conversion of Decree-Law 244/2016 (commonly known as the “Milleproroghe Decree”), the legislature decided to postpone the application of system charges starting from January 1, 2018. Moreover, as regards the application of system charges, and by virtue of the abovementioned decree, associated fees will again be applied to energy drawn from the grid based on consumption.

9.6 Provisions and write-downs

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

PROVISIONS AND WRITE-DOWNS

(Euro thousands)	2017	2016
Write-downs / (releases) of current receivables & cash and cash equivalents	27,248	4,379
Write-downs of financial assets	3,476	
Provisions/(releases) for future charges	1,494	1,035
Write down of fixed assets		83
Total provisions and write-downs	**32,218**	**5,497**

Provisions and write-downs increased Euro 26,721 thousand from Euro 5,497 thousand in 2016 to Euro 32,218 thousand in 2017.

The doubtful debt provision in the year was calculated to take into account the risk in deterioration of the financial positions of the principle operators with which disputes exist and write-downs for receivables under administration.

The higher doubtful debt provision is almost all related to past receivables (prior to May 2, 2017) from Alitalia SAI in Extraordinary Administration, for an amount of Euro 25,252 thousand. There is currently no guarantee on its collection.

The write-down of other financial receivables, amounting to Euro 3,476 thousand, includes the write-down of the financial receivable relating to the equity financial instruments and the Airport Handling shares transferred to the Trust and subject of the contract with dnata, in anticipation of the probable review of the sale price on the expiry of the call option exercisable by dnata.

The net provisions for future risks and charges, amounting to Euro 1,494 thousand (Euro 1,035 thousand at December 31, 2016), refers principally to adjustments on valuations related to legal disputes concerning the operational management of the Milan Airports. For further information reference should be made to Note 8.14.

9.7 Costs for works on assets under concession

Costs for works on assets under concession decreased from Euro 43,114 thousand in 2016 to Euro 26,006 thousand in 2017. This movement is strictly related to investment activities, for which reference should be made to Notes 8.1 and 8.2.

These costs refer to the costs for the works undertaken on assets under concession. The margin for work on assets under concession are included in the Commercial Aviation business.

9.8 Restoration and replacement provision

The breakdown of the restoration and replacement provision is as follows:

RESTORATION AND REPLACEMENT PROVISION

(Euro thousands)	2017	2016
Refurbishment and replacement provision	13,602	17,193

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

A decrease of Euro 3,591 thousand is reported, from Euro 17,193 thousand in 2017 to Euro 13,602 thousand in 2017, following the updating of the long-term scheduled replacement and maintenance plan of the assets within the so-called "Concession Right".

9.9 Amortisation & Depreciation

The account "Amortisation & depreciation" is comprised of:

AMORTISATION & DEPRECIATION

(Euro thousands)	2017	2016
Amortisation of intangible assets	51,632	45,397
Depreciation of tangible assets & investment property	17,664	16,317
Total amortisation & depreciation	**69,296**	**61,714**

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

9.10 Investment income and charges

The breakdown of investment income and charges is as follows:

INVESTMENT INCOME (CHARGES)

(Euro thousands)	2017	2016
SACBO SpA	4,915	4,992
Dufrital SpA	2,056	1,199
Disma SpA	262	244
Malpensa Logistica Europa SpA	477	294
SEA Services Srl	702	359
Signature Flight Support Italy Srl	(208)	(102)
Valuation at equity of investments	**8,204**	**6,986**
Other income (charges)	**(69)**	**2,856**
Total income (charges) from investments	**8,135**	**9,842**

Net investment income decreased from Euro 9,842 thousand in 2016 to Euro 8,135 thousand in 2017 (-Euro 1,707 thousand).

Income from the measurement of associates at equity increased Euro 1,218 thousand from Euro 6,986 thousand in 2016 to Euro 8,204 thousand in 2017.

In 2017 the account "Other income/(charges)" derives from the net effect between: *i)* charges (attributable to third parties) for the liquidation of the Malpensa Construction Consortium for Euro 92 thousand, *ii)* income deriving from SEA Handling following the liquidation of this latter for Euro 23 thousand.

In 2016 other income derives the sale of the 60% stake in Signature Flight Support Italy Srl amounting to Euro 955 thousand, and dividends for Euro 1,901 thousand, approved by the Shareholders' Meeting of Airport Handling SpA on May 6, 2016 for the allocation of net profit for the financial year 2015. SEA SpA holds the right to receive the dividend approved by the Shareholders' Meeting as holder of the Equity Financial Instruments. The amount was received in 2017.

9.11 Financial income and charges

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

FINANCIAL INCOME (CHARGES)

(Euro thousands)	2017	2016
Exchange gains	11	103
Other financial income	247	33
Total financial income	**258**	**136**
Interest on medium/long term loans	(12,413)	(12,793)
Commissions on loans	(1,603)	(1,553)
Exchange losses	(14)	(28)
Other interest charges:	**(4,137)**	**(4,566)**
- financial charges on post-em. bens.	(686)	(645)
- financial charges on Leasing	(1)	(13)
- financial charges on Derivatives	(2,505)	(2,820)
- Other	(945)	(1,088)
Total financial charges	**(18,167)**	**(18,940)**
Total financial income (charges)	**(17,909)**	**(18,804)**

Net financial charges in 2017 amount to Euro 17,909 thousand, a decrease of Euro 895 thousand on the previous year, against a decrease in gross financial charges of Euro 773 thousand.

This is mainly due to: (i) lower interest paid on medium/long-term loans for Euro 380 thousand, due to the reduction in the average gross debt and the contraction of the average cost of debt; (ii) lower commissions on loans for Euro 50 thousand; (iii) a reduction in other interest charges for Euro 429 thousand which mainly affect lower charges on derivatives for the continuation of the relative notional amount's repayment.

In the same period financial income increased by Euro 122 thousand.

9.12 Income taxes

The breakdown of the account is as follows:

INCOME TAXES

(Euro thousands)	2017	2016
Current income taxes	43,752	48,574
Deferred income taxes	(8,085)	(1,311)
Total	**35,667**	**47,263**

Reconciliation between theoretical income tax rate and effective income tax rate is shown in the table below:

(Euro thousands)	2017	%	2016	%
Continuing operations profit before taxes	**118,116**		**141,037**	
Discontinued operations profit (loss) before taxes	**1,556**		**(89)**	
Profit before taxes	**119,672**		**140,948**	
Theoretical income taxes	29,555	24.0%	38,761	27.5%
Permanent tax differences effect	(1,016)	-0.2%	(131)	-0.1%
IRAP	7,378	6.2%	7,154	5.1%
Others	(250)	-0.2%	1,521	1.1%
Total	**35,667**	**29.8%**	**47,305**	**33.6%**
Income taxes on continuing operations	(35,667)		(47,263)	
Income taxes on discontinued operations	0		(42)	
Total Group income taxes	**(35,667)**		**(47,305)**	

Income taxes in 2017 amount to Euro 35,667 thousand compared to Euro 47,263 thousand in 2016. The main reasons for the difference in income taxes in the two periods is due to the significant reduction in the pre-tax profit in 2017 and the effects arising from the reduction in the nominal IRES rate from 27.5% in 2016 to the current 24%.

9.13 Discontinued Operations profit/(loss)

The net result from discontinued operations relating to the commercial aviation handling sector shows a net profit of Euro 1,556 thousand against a net loss of Euro 130 thousand in the previous year.

The item includes the result of SEA Handling SpA, for which the liquidation procedure was concluded on June 30, 2017 leading to the settlement of payables and receivables that are still open.

For further details, reference should be made to Note 6.

9.14 Earnings per share

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

Therefore, the basic earnings per share in 2017 was Euro 0.34 (net profit for the year of Euro 84,069 thousand/number of shares in circulation 250,000,000).

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

10 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.

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

The following tables show the balances with related parties at December 31, 2017 and at December 31, 2016 and the income statement amounts for the years 2017 and 2016, with indication of the percentage of the relative account.

GROUP TRANSACTIONS WITH RELATED PARTIES

	at December 31, 2017			
(Euro thousands)	Trade Receivables	Trade payables	Operating revenues	Operating costs (excl. costs for works on assets under concession)
Investments in associates				
SACBO(*)	276	510	838	10,496
Dufrital	5,542	1,149	31,103	21
Malpensa Logistica Europa	1,840	1,046	4,277	10
SEA Services	1,137	1,714	3,115	3,331
Disma	117	99	215	0
Signature Flight Support Italy	507	1	944	0
Total related parties	**9,419**	**4,519**	**40,492**	**13,858**
Total book value	111,078	153,497	697,698	456,968
% on total book value	**8.48%**	**2.94%**	**5.80%**	**3.03%**

(*) The account "Operating costs" relating to transactions with SACBO, equivalent to Euro 10,496 thousand, does not include that invoiced by SEA to the final clients and transferred to the associate.

	at December 31, 2016			
(Euro thousands)	Trade Receivables	Trade payables	Operating revenues	Operating costs (excl. costs for works on assets under concession)
Investments in associates				
SACBO (*)	138	342	866	9,518
Dufrital	5,469	1,173	29,297	19
Malpensa Logistica Europa	1,029	986	4,116	0
SEA Services	354	834	2,548	2,569
Disma	130	98	230	0
Signature Flight Support Italy	402	32	777	135
Total related parties	**7,522**	**3,465**	**37,834**	**12,241**
Total book value	86,968	161,530	653,512	422,617
% on total book value	**8.65%**	**2.15%**	**5.79%**	**2.90%**

(*) The account "Operating costs" relating to transactions with SACBO, equivalent to Euro 9,518 thousand, does not include that invoiced by SEA to the final clients and transferred to the associate.

The table below shows the cash flows from the transactions of the Group with related parties for the years ended December 31, 2017 and December 31, 2016, with indication of the percentage of the relative account:

GROUP CASH FLOWS WITH RELATED PARTIES

	at December 31, 2017				
(Euro thousands)	Investments in associates	Investments in other companies	Total transactions with related entities	Consolidated balance	%
A) Cash flow from operating activities	(843)		(843)	161,407	-0.5%
B) Cash flow from investing activities	7,552		7,552	(63,432)	-11.9%
C) Cash flow from financing activities				(87,195)	0.0%

	at December 31, 2016				
(Euro thousands)	Investments in associates	Investments in other companies	Total transactions with related entities	Consolidated balance	%
A) Cash flow from operating activities	3,835		3,835	152,717	2.5%
B) Cash flow from investing activities	2,935		2,935	(61,778)	-4.8%
C) Cash flow from financing activities				(97,681)	0.0%

The transactions between the Group and related parties for the year ended December 31, 2017 mainly related to:

- parking management transactions at 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;
- revenue for administration services, as well as payments and concessions issued by SEA Prime for the supply of fuel; push back costs (Signature Flight Support Italy).

Other transactions with related parties

SACBO SpA
In 2017, SACBO distributed dividends to SEA for Euro 2,128 thousand.

Dufrital SpA
In 2017, Dufrital distributed dividends to SEA for Euro 1,679 thousand.

Malpensa Logistica Europa SpA
In 2017, Malpensa Logistics distributed dividends to SEA for Euro 1,236 thousand.

Disma SpA
In 2017, Disma distributed dividends to SEA for Euro 234 thousand.

SEA Services Srl
In 2017, SEA Services distributed dividends to SEA for Euro 624 thousand.

11 Directors' fees

In 2017, the remuneration for the Board of Directors, including welfare and accessory charges, amounted to Euro 529 thousand (Euro 603 thousand in 2016).

12 Statutory auditors' fees

In 2017, the remuneration for the Board of Statutory Auditors, including welfare and accessory charges, amounted to Euro 290 thousand (Euro 295 thousand in 2016).

13 Independent Audit Firm fees

The audit fees recognised by the company SEA SpA and its subsidiaries to the audit firm Deloitte & Touche SpA for the year 2017 amounted to Euro 191 thousand for audit services and Euro 88 thousand for other services.

14 Commitments and guarantees

14.1 Investment commitments

The Group has investment contract commitments of Euro 36,315 thousand at December 31, 2017 (Euro 22,433 thousand at December 31, 2016), which are reported net of the works already realised and invoiced to the Group, as follows.

BREAKDOWN PROJECT COMMITMENTS

(Euro thousands)	at December 31, 2017	at December 31, 2016
Design and extraordinary maintenance civil works and plant at Linate & Malpensa	21,532	6,403
Design and construction of new warehouse at Cargo City of Malpensa	4,006	7,582
Redesign of land side frontage and new shelters Linate	3,381	
Executive design and extraordinary maintenance telecommunications and AVL	3,466	
Extraordinary maintenance for civil works and general aviation plant	1,480	2,212
Design and extraordinary maintenance flight infrastructure and roadways at Linate and Malpensa	1,148	3,201
New de-icing area at north apron Linate	777	
Design and works Lambro general aviation	400	1,542
Final phase new changing rooms, air side area general aviation	100	
Hangar general aviation	25	1,270
Runway vehicles		104
Framework agreement for design support of general aviation plant		100
Framework agreement security co-ordination general aviation		20
Total	**36,315**	**22,434**

14.2 Commitments for rental contracts

At December 31, 2017, the SEA Group has commitments on rental contracts totalling Euro 24,592 thousand, principally relating to software and hardware components for the airport IT system, the rental of airport buses and the motor vehicles fleet.

The breakdown of the minimum payments on the contracts of the Group at December 31, 2017 is as follows:

(Euro thousands)	at December 31, 2017
Within 12 month	7,088
Between 1 and 5 years	17,504
Total	**24,592**

14.3 Guarantees

The secured guarantees, amounting to Euro 2,348 thousand at December 31, 2017, relate to the lien on receivables against loans provided by credit institutions on European Investment Bank funds.

At December 31, 2017, the sureties in favour of third parties were as follows:

- two bank sureties, equal respectively to Euro 42,000 thousand and Euro 46,000 thousand, as guarantee on funds drawn down in June 2015 and June 2017 on the EIB line subscribed 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 3,500 thousand in favour of A2A Trading Srl as guarantee of the obligations under the provision of the natural gas contract signed between A2A Trading Srl and SEA Energia SpA;
- surety of Euro 2,000 thousand in favour of SACBO as guarantee for the parking management at Bergamo airport;
- surety of Euro 2,000 thousand in favour of the Ministry of Defence as guarantee of the obligations pursuant to the technical agreement of June 4, 2009 following the advance delivery of the "Cascina Malpensa" area;
- surety by Banca Popolare di Milano to Terna (National Electricity Grid) as guarantee of the provision of electricity for Euro 1,214 thousand;
- guarantee by Banca Popolare di Milano to ENAL Distribution for the transport of energy for Euro 902 thousand:
- guarantee by Banca Popolare di Milano to GESAC for the supply of electricity to the Naples airport for Euro 228 thousand;
- guarantee by Banca Popolare di Milano to GESAC for the participation in a tender for the supply of electricity to the Naples, Turin and Algeria airports for Euro 210 thousand. In February 2018, a part of the commitment equal to Euro 112 thousand expired;
- guarantee by Banca Popolare di Milano to SAGAT for the supply of electricity to the Turin airport for Euro 210 thousand;
- guarantee by Banca Popolare di Milano to Unareti for the transport of energy for Euro 173 thousand;
- surety of Euro 102 thousand in favour of the supplier Contract GmbH for the rental of airport buses;
- surety by Banca Popolare di Milano in favour of the Milan Customs Agency as guarantee of the correct payment of consumption taxes for Euro 69 thousand;
- surety of Euro 75 thousand in favour of the Milan 3 Customs Office (General aviation);
- surety by Banca Popolare di Sondrio in favour of UTF as guarantee of the correct payment of consumption taxes for Euro 52 thousand;
- Euro 420 thousand for other minor sureties.

15 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.

16 Contingent liabilities

Reference should be made to the explanatory notes in relation to receivables (Note 8.10) and operating risks (Note 8.14).

17 Contingent assets

With reference to Judgment 7241/2015 of the Milan Court, confirmed by the Milan Court of Appeal with Judgment No. 331/2017, as not all appeals have been made this contingent asset was not recognised in the income statement as per IAS 37.

For further information reference should be made to "Subsequent events to the year-end" in the directors' report.

18 Transactions relating to atypical or unusual operations

In accordance with Consob Communication of July 28, 2006, the Company did not undertake any transactions deriving from atypical or unusual operations, as set out in the communication.

19 Significant non-recurring events and transactions

Pursuant to CONSOB Communication of July 28, 2006, in the view of Directors, in 2017 the companies of the Group undertook the following non-recurring significant operations:

- On May 30, 2017, the Authority confirmed the re-assessment of the fine, issued by AGCM on the conclusion of the procedure following the claim brought by Cedicor Sociedad Anonima ("CEDICOR"), contesting that SEA abused its dominant position in violation of Article 102 of the Treaty on the functioning of the European Union ("TFUE") in relation to the tender procedures for the disposal of ATA Ali Trasporti Aerei SpA (now SEA Prime SpA), for the amount of Euro 936,320 and the communication to the Ministry for the Economy and Finance of the approval of the refunding of the total amount of Euro 2,430,343 (of which Euro 2,428,680 in fines and Euro 1,663 for default interest). While awaiting payment of this amount the company recorded income amounting to Euro 2,430,343.
- With the conversion of Decree-Law 244/2016 (commonly known as the "Milleproroghe Decree"), the legislature decided to postpone the application of system charges starting from January 1, 2018. Therefore, the amounts accrued in the years 2015 and 2016 were reversed.
- On July 10, 2017, the Ordinary Shareholders' Meeting of SEA Handling SpA in liquidation approved the final liquidators accounts at June 30, 2017 and the relative division plans, authorising the Liquidator to request the cancellation of the company (cancellation on July 25, 2017). The liquidator has arranged to pay the sole shareholder SEA SpA the sum of Euro 8,376 thousand resulting from the distribution plan. The company SEA SpA recorded in the separate financial statements income under "Investment Income and Charges" of Euro 1,705 thousand as the difference between the carrying amount of the subsidiary at December 31, 2016 and the value of the assets liquidated. In the Consolidated Financial Statements, a net profit of Euro 1,556 thousand in the discontinued operations net result and Euro 23 thousand of other investment income for payments received concerning SEA Handling following liquidation were recorded.

20 Subsequent events

Reference should be made to the Directors' Report.

The Chairman of the Board of Directors

Pietro Modiano

Auditors' Report

Deloitte.

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
SOCIETÀ PER AZIONI ESERCIZI AEROPORTUALI - SEA S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of Società per Azioni Esercizi Aeroportuali – SEA and its subsidiaries (the "Società per Azioni Esercizi Aeroportuali – SEA Group"), which comprise the Consolidated Statement of Financial Position as at December 31, 2017, the Consolidated Income Statement, the Consolidated Comprehensive Income Statement, Consolidated Statement of Changes in Consolidated Shareholders' Equity and Consolidated Cash Flow Statement for the year then ended, and explanatory notes, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Società per Azioni Esercizi Aeroportuali – SEA Group as at December 31, 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Società per Azioni Esercizi Aeroportuali - SEA S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Procedure concerning presumed State Aid to SEA Handling

Description of the key audit matter

As indicated in the 2017 Directors' Report, and in particular in the paragraph "SEA Group Risk Factors – Risk related to the European Commission Decision of December 19, 2012 concerning presumed State Aid to SEA Handling and the Decision of July 9, 2014 for the set-up of a new procedure on the incorporation and capitalisation of Airport Handling", 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.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine 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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The Board of Directors highlights that, in the context of a formal 'alternative execution' project of the decision, the Company has put in place a series of actions – in the framework of the discussions between the Italian authorities and the European Commission – including: *(i)* liquidation of SEA Handling and its permanent departure from the market, *(ii)* establishment of Airport Handling in order to continue to offer ground assistance services in a context of complete competition conditions with the other handling companies and with complete economic discontinuation with SEA Handling, *(iii)* investment in the share capital of Airport Handling in a trust called "Milan Airport Handling Trust", in order to exclude any form of SEA's control over Airport Handling and continuity between SEA Handling and the same Airport Handling, *(iv)* sale of 30% of the Airport Handling shares to a third party operator with the option, at certain conditions, of being able to purchase an additional 40% of the shares.

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

With the conclusion of the liquidation of SEA Handling and its removal from the Companies Register, the Board of Directors reports that by the reason of the changed *de facto* and *de jure* situation relating to SEA Handling, at the request of the European Commission and SEA Handling, the European Union Court by Order of January 22, 2018 ascertained that the matter of dispute concerning SEA Handling's appeal has ceased to exist since the appellant company was dissolved. As a result, the Court found that there was no longer a need to adjudicate on the appeal brought by SEA Handling. In parallel, having taken note of the Italian Government's observations regarding SEA Handling's dissolution, it ordered the cancellation of the case relating to the appeal brought by the Government against the Commission's decision.

Given the above, the Board of Directors highlights that the only appeal currently pending against the Commission's decision is the one conducted by the Municipality of Milan. The hearing was held on February 28, 2018 and a decision is expected during the current financial year.

Due to the legal complexity of the situation and to the fact that the European Union Court will adjudicate on the last pending appeal, we considered this aspect a key Group audit matter.

Audit procedures performed

The procedures we carried out to control this matter included the following:

- Understanding of the key controls that the Group sets to monitor the legal path of the Procedure stated above;
- Enquiry of the external Group legal advisors and the internal Corporate and Legal affairs office;
- Rationality analysis of the conclusions drawn by the Corporate and Legal affairs office;
- Analysis of the relevant documentations concerning the Procedure, including the minutes of the Board of Directors and of the Control and Risks Committee;
- Subsequent events analysis;
- Exam of the disclosure reported in the notes to the consolidated financial statements and its compliance with the relevant accounting standards.

Restoration and replacement provision

Description of the key audit matter

The consolidated financial statements as at December 31, 2017 include the "Restoration and replacement provision" for Euro 137.7 million. The provision includes the best estimate of the present value of the charges the Company will bear to meet its contractual obligations with the Italian Civil Aviation Authority to ensure the functionality, operations and security of the assets under concession.

The estimation process of the "Restoration and replacement provision" appears articulate and difficult and it is composed of different phases and based on different variables and assumptions that include the planning of the restoration and replacement operations. In particular, the main assumptions are about the assets deterioration, the useful life of the restoration and the charge estimates for operation category.

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Given the above, we considered the estimation process of this provision as a key Group audit matter as at December 31, 2017.

The notes 2.7 and 8.14 of the consolidated financial statements as at December 31, 2017 highlight the accounting policies and the 2017 changes of the provision, respectively.

Audit procedures performed

The procedures we carried out to control this matter included the following:

- Understanding of the process carried out by the Company to estimate and update the provision;
- Understanding of the key controls that the Company carries out to monitor this area and testing of their actual implementation;
- Obtaining and analysing the reports drawn by the Operations and Maintenance Division of the Company about the planning of the restoration and replacement operations. In particular, we analysed the assumptions underlying the charges computation model and the timing planning of the restoration and replacement operations;
- Sample testing of the allocation criteria underlying the restoration percentages by discussion with the business units in-charge of the activity, in order to verify the rationality of the criteria;
- Sample testing of the accuracy and completeness of the data used to estimate the provision;
- Understanding of any change in the regulatory framework that could impact the estimate of the provision value;
- Retrospective analysis of the previous year estimation process, including a variation analysis between the actual charges borne compared to previous estimates, with reference to a sample of works completed during 2017 , in order to verify the reasons of the variance and the reliability of the estimation process implemented by the Company;
- Exam of the disclosure reported in the financial statements notes and its compliance with the relevant accounting standards.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or for the termination of the operations or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Società per Azioni Esercizi Aeroportuali - SEA S.p.A. has appointed us on May 4, 2016 as auditors of the Company to December 31, 2022.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

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REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Società per Azioni Esercizi Aeroportuali - SEA S.p.A. are responsible for the preparation of the report on operations including the information required by art. 123-bis, paragraph 2 (b) of SEA Group as at December 31, 2017, including its consistency with the related consolidated financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations including the information required by art. 123-bis, paragraph. 2 (b) of Legislative Decree 58/98, with the consolidated financial statements of Società per Azioni Esercizi Aeroportuali – SEA Group as at December 31, 2017 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations including the information required by art. 123-bis, paragraph 2 (b) is consistent with the consolidated financial statements of Società per Azioni Esercizi Aeroportuali – SEA Group as at December 31, 2017 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the Group and of the related context acquired during the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 254

The Directors of the Company are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Marco Pessina
Partner

Milan, Italy
April 12, 2018

This report has been translated into the English language solely for the convenience of international readers.

SEA SpA Separate Financial Statements

Financial Statements

Statement of Financial Position

(Euro)	Note	at December 31, 2017 Total	at December 31, 2017 of which related parties	at December 31, 2016 Total	at December 31, 2016 of which related parties
Intangible assets	6.1	971,029,047		989,635,259	
Property, plant & equipment	6.2	152,090,253		135,320,523	
Investment property	6.3	3,394,393		3,398,255	
Investments in subsidiaries and associates	6.4	43,255,694		51,252,774	
AFS Investments	6.5	26,164		26,164	
Deferred tax assets	6.6	52,271,311		45,172,548	
Other non-current financial assets	6.7	7,189,871		16,776,367	
Other non-current receivables	6.8	212,302		240,268	
Total non-current assets		**1,229,469,035**	**0**	**1,241,822,158**	**0**
Inventories	6.9	4,090,966		4,129,886	
Trade receivables	6.10	108,611,501	12,168,396	82,964,904	10,259,311
Current financial receivables	6.11	20,630,136	20,630,136	43,532,446	43,532,446
Tax receivables	6.12	12,405,721		14,173,775	
Other current financial assets	6.7	13,300,000		7,189,871	
Other current receivables	6.13	7,646,227		8,111,205	
Cash and cash equivalents	6.14	67,128,750		46,997,934	
Total current assets		**233,813,301**	**32,798,532**	**207,100,021**	**53,791,757**
Assets held-for-sale		**0**	**0**	**0**	**0**
TOTAL ASSETS		**1,463,282,336**	**32,798,532**	**1,448,922,179**	**53,791,757**
Share capital	6.15	27,500,000		27,500,000	
Other reserves	6.15	230,782,330		211,333,111	
Net Profit	6.15	76,945,175		87,856,117	
SHAREHOLDERS' EQUITY		**335,227,505**	**0**	**326,689,228**	**0**
Provision for risks and charges	6.16	166,110,866		170,173,114	
Employee provisions	6.17	46,735,743		48,095,310	
Other non-current payables	6.21	17,588,430			
Non-current financial liabilities	6.18	546,289,193		549,068,737	
Total non-current liabilities		**776,724,232**	**0**	**767,337,161**	**0**
Trade payables	6.19	146,833,655	8,890,142	161,771,089	18,815,005
Income tax payables	6.20	7,227,118	41,010	6,045,654	1,069,028
Other current payables	6.21	169,657,859		155,002,525	
Current financial liabilities	6.18	27,611,967		32,076,522	4,577,217
Total Current Liabilities		**351,330,599**	**8,931,152**	**354,895,790**	**24,461,250**
Liabilities related to assets held-for-sale		**0**	**0**	**0**	**0**
TOTAL LIABILITIES		**1,128,054,831**	**8,931,152**	**1,122,232,951**	**24,461,250**
TOTAL LIAIBILITIES & SHAREHOLDRS' EQUITY		**1,463,282,336**	**8,931,152**	**1,448,922,179**	**24,461,250**

Income Statement

		2017		2016	
(Euro)	Note	Total	of which related parties	Total	of which related parties
Operating revenues	7.1	676,167,121	47,390,858	632,013,412	44,918,346
Revenue for works on assets under concession	7.2	28,280,955		46,622,015	
Total revenues		**704,448,076**	**47,390,858**	**678,635,427**	**44,918,346**
Personnel costs	7.3	(205,347,807)	687,815	(177,478,415)	656,718
Consumable materials	7.4	(10,219,347)		(9,010,735)	
Other operating costs	7.5	(233,551,601)	(39,522,977)	(223,013,053)	(43,435,980)
Costs for works on assets under concession	7.6	(26,005,801)		(43,113,724)	
Total operating costs		**(475,124,556)**	**(38,835,162)**	**(452,615,927)**	**(42,779,262)**
EBITDA		**229,323,520**	**8,555,696**	**226,019,500**	**2,139,084**
Provisions & write-downs	7.7	(30,616,367)		(3,444,241)	
Restoration and replacement provision	7.8	(13,509,000)		(17,100,000)	
Amortisation & Depreciation	7.9	(65,480,105)		(58,054,753)	
EBIT		**119,718,048**	**8,555,696**	**147,420,506**	**2,139,084**
Investment income/(charges)	7.10	7,680,099	7,680,099	4,587,127	2,686,347
Financial charges	7.11	(18,160,321)		(18,911,083)	
Financial income	7.11	1,084,763	839,215	1,132,435	1,090,467
Pre-tax profit		**110,322,589**	**17,075,010**	**134,228,985**	**5,915,898**
Income taxes	7.12	(33,377,414)		(46,372,868)	
Continuing Operations profit		**76,945,175**	**17,075,010**	**87,856,117**	**5,915,898**
Discontinued Operations profit/(loss)		**0**	**0**	**0**	**0**
Net Profit		**76,945,175**	**17,075,010**	**87,856,117**	**5,915,898**

Comprehensive Income Statement

(Euro)	2017	2016
Net Profit	**76,945,175**	**87,856,117**
- Items reclassifiable in future periods to the net result		
Profit/(Loss) on fair value measurement of derivative financial instruments cash flow hedge	2,434,925	1,425,627
Tax effect relating to profit/(loss) on fair value measurement of derivative financial instruments cash flow hedge	(584,382)	(438,139)
Total items reclassifiable, net of tax effect	**1,850,543**	**987,488**
- Items not reclassifiable in future periods to the net result:		
Actuarial gains/(losses) on post-employment benefits	55,998	(1,813,454)
Tax effect relating to actuarial gains/(losses) on post-employment benefits	(13,439)	653,389
Total items not reclassifiable, net of tax effect	**42,559**	**(1,160,065)**
Total other comprehensive income statement items	**1,893,102**	**(172,577)**
Total comprehensive income	**78,838,277**	**87,683,540**

Cash Flow Statement

(Euro)	2017	2016
Pre-tax profit	110,322,589	134,228,985
Adjustments:		
Amortisation, depreciation and write-downs	65,480,105	58,054,753
Net accruals to provisions & write-downs (including personnel provision)	22,568,726	(1,386,811)
Write-down of other financial assets	3,476,367	
Net financial charges	17,075,558	17,778,648
Investment charges (income)	(7,680,099)	(4,587,127)
Repay. Anti-trust (exc. interest portion)	(2,428,680)	
Other non-cash items	15,381,230	(3,583,839)
Cash flow from operating activities before changes in working capital	**224,195,796**	**200,504,609**
Change in inventories	(99,925)	419,804
Change in trade and other receivables	(51,336,019)	(2,867,411)
Change in trade and other payables	731,083	17,448,057
Cash flow from changes in working capital	**(50,704,861)**	**15,000,450**
Income taxes paid	(37,963,420)	(66,121,028)
Cash flow from operating activities	**135,527,515**	**149,384,031**
Investments in fixed assets:		
- intangible assets (*)	(30,843,852)	(44,920,502)
- tangible assets	(32,268,400)	(14,926,236)
- financial assets	(250,500)	
Divestments from fixed assets:		
- tangible assets	98,479	1,647,454
- financial assets		30
Dividends received	7,801,363	2,934,878
Receipt from liquidation of SEA Handling SpA in liquidation	8,405,236	
Receipt from liquidation of Consorzio Malpensa Construction in liquidation	93,196	
Cash flow from investing activities	**(46,964,478)**	**(55,264,376)**
Change in gross financial debt		
- net increase short & medium-long term debt	288,394	(14,894,526)
Net increase / (decrease) in other financial assets and liabilities	18,325,093	(6,841,200)
Dividends distributed	(70,307,263)	(62,816,559)
Interest and commissions paid	(16,747,163)	(17,871,600)
Interest received	8,718	31,658
Cash flow from financing activities	**(68,432,221)**	**(102,392,227)**
Increase/(decrease) in cash and cash equivalents	**20,130,816**	**(8,272,572)**
Opening cash and cash equivalents	46,997,934	55,270,506
Closing cash and cash equivalents	67,128,750	46,997,934

(*) The investments in intangible assets are net of the utilisation of the restoration provision, which in 2017 amounted to Euro 12,808 thousand (Euro 16,386 thousand in 2016).

Statement of Changes in Shareholders' Equity

(Euro)	Share capital	IFRS initial conversion reserve (exc. OCI)	AFS reserve	Cash Flow Hedge reserve	Actuarial gains/ (losses) reserve	Extraordinary reserve	Legal reserve	Other reserves	Total reserves	Net profit	Total Shareholders' Equity
At January 1, 2016	**27,500,000**	**23,686,390**	**1**	**(7,791,210)**	**(5,044,705)**	**119,163,773**	**5,500,000**	**60,288,176**	**195,802,425**	**78,553,263**	**301,855,688**
Transactions with shareholders											
Allocation of 2015 net profit & distrib. of dividends						15,703,263			15,703,263	(78,553,263)	(62,850,000)
Other movements											
Other comprehensive income statement items result				987,488	(1,160,065)				(172,577)		(172,577)
IFRS initial conversion reclassification reserve		(8,872,439)			4,947,427	3,925,012			0		0
Net profit										87,856,117	87,856,117
At December 31, 2016	**27,500,000**	**14,813,951**	**1**	**(6,803,722)**	**(1,257,343)**	**138,792,048**	**5,500,000**	**60,288,176**	**211,333,111**	**87,856,117**	**326,689,228**
Transactions with shareholders											
Allocation of 2016 net profit & distrib. of dividends						17,556,117			17,556,117	(87,856,117)	(70,300,000)
Other movements											
Other comprehensive income statement items result				1,850,543	42,559				1,893,102		1,893,102
Net profit										76,945,175	76,945,175
At December 31, 2017	**27,500,000**	**14,813,951**	**1**	**(4,953,179)**	**(1,214,784)**	**156,348,165**	**5,500,000**	**60,288,176**	**230,782,330**	**76,945,175**	**335,227,505**


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Notes to the Separate Financial Statements

1 General information

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

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

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

At December 31, 2017, SEA does not hold treasury shares. The ownership structure is reported below.

On February 15, 2018, the shares held by the Province of Varese were purchased by 2i Aeroporti SpA. Accordingly, as at the date of approval of this report, public shareholders held a 54.9% interest and private shareholders a 45.1% interest.

Following the issuance of the bond designated "SEA 3 1/8 2014-2021" on April 17, 2014 and the admission to listing of the notes on the regulated market organised and managed by the Irish Stock Exchange, the Company qualified as a Public Interest Entity (PIE) as defined in Article 16, paragraph 1, letter a) of Legislative Decree No. 39/2010.

	Holding
Municipality of Milan	54.81%
Province of Varese	0.64%
Municipality of Busto Arsizio	0.06%
Other public shareholders	0.08%
Total public shareholders	**55.59%**
2i-Aeroporti SpA	35.75%
F2i Sgr SpA	8.62%
Other private shareholders	0.04%
Total private shareholders	**44.41%**
Total	**100.00%**

2 Summary of accounting principles adopted

The main accounting principles adopted in the preparation of the separate financial statements of SEA for the year ended December 31, 2017 are reported below. The financial statements are presented in Euro while the tables included in the explanatory notes are presented in thousands of Euro.

2.1 Basis of preparation

European Regulation (EU) No. 1606/2002 of July 19, 2002 introduced the obligation, from the year 2005, to apply International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and adopted by the European Union for the preparation of the consolidated financial statements of companies listed on regulated European markets. Following the above-mentioned European Regulation, Legislative Decree No. 38 was enacted on February 28, 2005 which governs the option to apply IFRS for the preparation of the consolidated financial statements of non-listed companies. SEA decided to apply this option for the preparation of the consolidated financial statements for the year end December 31, 2006. The same Legislative Decree (fourth paragraph of Article 4) also governs the option to apply IFRS for the preparation of standalone statutory financial statements included in the consolidated financial statements in accordance with IFRS. SEA decided to apply this option from the financial statements for the year ended December 31, 2011. For these separate financial statements, the transition date to IFRS was identified as January 1, 2010.

"IFRS" refers to the International Accounting Standards ("IAS") in force, as well as those of the IFRS Interpretation Committee, previously known as the International Financial Reporting Interpretations Committee ("IFRIC"), and before that the Standing Interpretations Committee ("SIC").

The financial statements were prepared in accordance with IFRS in force at the approval date of the financial statements and the provisions enacted as per Article 9 of Leg. Decree No. 38/2005.

In particular the IFRS were applied in a consistent manner for the periods presented in the document. The financial statements were prepared on the basis of the best information on the IFRS and taking into account best practice; any further orientations and interpretative updates will be reflected in subsequent years, in accordance with the provisions of the accounting standards, as detailed below.

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

In relation to the presentation method of the financial statements "the current/non-current" criterion was adopted for the statement of financial position while the classification by nature was utilised for the income statement and the indirect method for the cash flow statement. Where present the balances and transactions with related parties are reported.

The financial statement presentations utilised, as outlined above, are those which best represent the equity and financial position of the company.

For a better presentation of the financial statements, the income statement was presented in two separate statements: a) the income statement and b) the comprehensive income statement.

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

The Company, following the "SEA 3 1/8 2014-2021" bond issue on the market, adopted the accounting standards IFRS 8 "Operating Segments" and IAS 33 "Earnings per share", to which reference should be made to the Consolidated Financial Statements Notes 7 and 9.14.

The present financial statements were audited by the independent audit firm Deloitte & Touche S.p.A..

2.2 Accounting standards, amendments and interpretations adopted from January 1, 2017

The International Accounting Standards and amendments which must be obligatory applied from January 1, 2017, following completion of the relative approval process by the relevant authorities, are illustrated below. The adoption of these amendments and interpretations, where applicable, has not had any impact on the statement of financial position or on the result of the Company.

Description	Date approved	Publication in the Official Gazette	Effective date as per the standard	Effective date applied by SEA
Amendment to IAS 7 Disclosure initiative	Nov. 6, 2017	Nov. 9, 2017	Periods which begin from Jan 1, 2017	Jan 1, 2017
Amendment to IAS 12 Recognition of deferred tax assets for unrealized losses	Nov. 6, 2017	Nov. 9, 2017	Periods which begin from Jan 1, 2017	Jan 1, 2017

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

Below we report the International Accounting Standards, interpretations and amendments to existing accounting standards and interpretations, or specific provisions within the standards and interpretations approved by the IASB which have not yet been approved for adoption in Europe, or where adopted in Europe, at the approval date of the present document were not adopted in advance by the Company:

Description	Approved at the date of the present document	Effective date as per the standard
IFRS 9 Financial instruments	YES	Periods which begin from Jan 1, 2018
IFRS 15 Revenue from contracts with customers	YES	Periods which begin from Jan 1, 2018
IFRS 16 Leases	YES	Periods which begin from Jan 1, 2019
Amendment to IFRS 2 Clarification and measurement of share-based payment transactions	NO	Periods which begin from Jan 1, 2018
Annual improvements cycles 2014-2016	NO	Periods which begin from Jan 1, 2018
IFRIC 22 Foreign currency transactions and advance consideration	NO	Periods which begin from Jan 1, 2018
Amendment to IAS 40 Transfers of investment property	NO	Periods which begin from Jan 1, 2018
IFRIC 23 Uncertainty over income tax treatments	NO	Periods which begin from Jan 1, 2019
IFRS 9 Prepayment features with negative compensation	NO	Periods which begin from Jan 1, 2019
IAS 28 Long term interests in associates and joint ventures	NO	Periods which begin from Jan 1, 2019
Annual improvements cycles 2015-2017	NO	Periods which begin from Jan 1, 2019
IFRS 17 Insurance Contracts	NO	Periods which begin from Jan 1, 2021

No accounting standards and/or interpretations were applied in advance whose application is obligatory for periods commencing after December 31, 2017.

IFRS 15 - Revenue from contracts with customers

In the year 2017, the company implemented an analysis project to identify the impacts of the new obligatory standard's application as from January 1, 2018. Different types of contracts from the Company's various business sectors were analysed in order to identify specific cases requiring management, according to IFRS 15 requirements, that is different to the one currently being applied.

The main issues envisaged by the standard that could have potential impacts on SEA are listed below:

- ***Combination of contracts:*** according to paragraph IFRS 15.17 "the entity must group two or more contracts concluded simultaneously (or almost) with the same client and record them as a single contract in the accounts, if one or more of the following criteria are met:
  - **a.** Contracts are negotiated for a single commercial objective;
  - **b.** The amount of fees payable under one of the contracts is dependent on the price or performance of the other contract;

c. The goods or services promised in the contracts are a single "obligation to act".

- ***Transaction price:*** IFRS-15.47 defines the "Transaction Price" as the payment amount which the entity considers it is entitled to in exchange for transferring the promised goods or services to the client. The payment promised in the contract with the client may include fixed amounts, variable amounts or both.
- ***Collectability:*** according to paragraph 9 of IFRS 15, the entity shall account for the client contract falling within the scope of this Standard's application only if all the following criteria are met:
  a. The contracting parties approved the contract and are committed to fulfil their respective obligations;
  b. The entity may identify the rights of each of the parties with respect to the goods or services to be transferred;
  c. The entity can identify the payment conditions for the goods or services to be transferred;
  d. The contract has commercial substance (that is, the entity's risk, timing or amount of future cash flows will change as a result of the contract);
  e. It is likely that the entity will receive the fees to which it is entitled in exchange for the goods or services that will be transferred to the client.
- ***Principal vs Agent:*** the standard requires the evaluation of transactions between the parties if the entity acts as the "Principal" and is therefore responsible for the service rendered or as the "Agent" in the event that the performance obligation to which the party is held consists in making arrangements for a third party to provide the promised goods or services.

The project's conclusions showed that the current structure of active contracts linked to various SEA businesses and associated accounting are compliant with the changes introduced by the new accounting standard. The only change is related to the reclassification of some commercial costs, which will be subjected to a direct reduction in revenues as from the financial year 2018.

IFRS 9 - Financial instruments

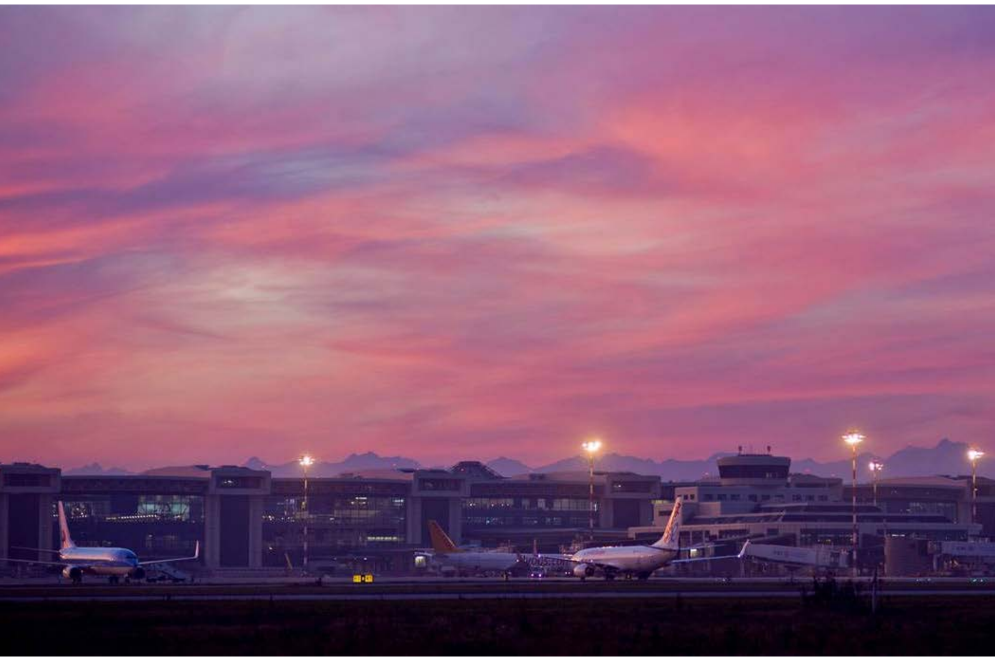
The new IFRS 9 standard, in effect since January 1, 2018 includes the rules relating to the 3 accounting phases: classification and measurement, impairment and Hedge Accounting. The Company adopted the full application of the standard as of January 1, 2018, despite the fact that the standard provides for the possibility of applying the new rules for Hedge Accounting as of January 1, 2019. The three IFRS 9 application areas are analysed below, highlighting the impact on the SEA Group:

a. Classification and measurement: assets currently classified as "financial assets available for sale" must be reclassified as "Financial assets/liabilities measured at FV through Profit or Loss", and assets relating to Equity Financial Instruments currently classified as assets measured at amortised cost as "Financial assets/liabilities measured at FV through Profit or Loss", since they do not conform to the SPPI test, which requires that for an asset to be recorded at amortised cost, it should only provide for the repayment of the capital and interest and with fixed time limits for the capital's repayment;
b. Impairment of trade receivables: a key element of the new standard is the transition from the concept of 'Incurred Loss' to that of 'Expected Loss': the doubtful debt provision must be determined by taking into account the risks of non-collection related not only to past-due receivables but also on those falling due. There is, therefore, a need to determine a 'risk ratio', representative of the riskiness of commercial counterparties, which varies according to the credit position (performing or expired, with different bands for those that expired based on overdue days). There is also the need to include forward-looking elements when determining the 'risk ratio'. The analysis for the purposes of the IFRS 9 standard was based on the results of a previous project, which also took place in the year 2017 with the aim of splitting clients up into rating classes and covering 98% of SEA's turnover with this classification. A provision matrix was therefore constructed for the write-down of trade receivables. This matrix provides rating classes in rows and the different bands of past-due or falling due in columns. The calculated risk ratio represents the probability that the client does not honour its debt and the percentage of credit, obtained from a historical analysis, with the possibility of the client being in default. The above matrix was created during the analysis phase, and the difference calculated on the write-down provision by applying the method currently used in the Group. The matrix is immaterial. This result is justified by the fact that the current evaluation model in use also includes forward-looking elements that allow management to value the expected loss.

c. Hedge Accounting: according to the rules laid down by IAS 39, derivative instruments in hedge accounting are to be accounted for by specifically applying the cash flow hedge model (hedging expected cash flows). As a result of the application of this accounting treatment, derivatives' intrinsic value variations are recorded in a Shareholders' Equity reserve (cash flow hedge reserve) and time value variations are simultaneously recorded in the Income Statement. Hedging treatment is supported by the preparation of special hedging documentation (Hedging Relationship Documentation) and the implementation of 'effectiveness tests' as required by IAS 39. According to IFRS 9, the accounting treatment to be used is that which follows hedge accounting criteria as defined for the cash flow hedge model, but both the intrinsic value variations and the time value variations must be recorded in two different Shareholders' Equity reserves. At the date of first application, the derivative's time value should therefore be recognised within a special OCI reserve and the amount from the extraordinary reserve reclassified. It is calculated that as at January 1, 2018, reclassification for the Company will amount to Euro 720. At subsequent reporting dates, time value variations should continue to be recognised in the same OCI reserve.

IFRS 16 - Leasing

As of January 1, 2019, the new IFRS 16 standard will replace IAS 17. Each contract for finance lease payables, including those now considered as operating (for example, rentals), will be classified as finance leases. Only finance lease payables whose duration is of less than 12 months or which refer to goods whose individual value is less than US Dollars 5,000 can be excluded from the application of the new standard. The Company has identified all the long-term contracts in effect to-date and involving the payment of a fee for the use of assets of a various nature, excluding those classifiable as "low value" or "short-term lease", and assets involving the payment of a fee for the use of software licences and has defined the duration of the " lease" on the basis of the contractual terms. As a result of this analysis, these contracts were valued through an "overall recalculation" that would determine a value of 'Right of Use" and "Liability". Since the company opted to adopt the standard as of January 1, 2019 and opted out of early adoption, the analyses will be updated in 2018 in order to define the re-opening values that are to be recorded in the financial statements on January 1, 2019.



2.4 Accounting policies

Business combinations and goodwill

In the case of the acquisition from third parties of businesses or business combinations, the assets, the liabilities and the contingent liabilities acquired and identifiable are recorded at their fair value at the date of acquisition.

The positive difference between the acquisition cost and the present value of these assets and liabilities are recognised as goodwill and classified in the financial statements as an intangible asset with indefinite life.

Any negative difference ("badwill") is recognised in the income statement at the date of acquisition.

The costs related to business combinations are recognised in the income statement.

Goodwill is initially recorded at cost and subsequently reduced only for loss in value.

Annually, or more frequently if specific events or circumstances indicate the possibility of having incurred a loss in value, the goodwill is subject to an impairment test to identify any loss in value, in accordance with IAS 36 (Impairments); the original value is however not restored if the reasons for the write-down no longer exist.

The goodwill is not revalued, even in application of specific legislation.

Any liabilities related to business combinations for payments subject to conditions are recognised at the acquisition date of the businesses and business units relating to the business combination.
Where all or part of a previously acquired company (whose acquisition produced goodwill) is sold, the corresponding residual value of goodwill is considered when calculating the capital gains or losses generated by such sale.

Intangible assets

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

(a) Rights on assets under concession

The "Rights on assets under concession" represent the right of the Lessee to utilise the asset under concession (so-called intangible asset method) in consideration of the costs incurred for the design and construction of the asset with the obligation to return the asset at the end of the concession. The value corresponds to the "fair value" of the design and construction assets increased by the financial charges capitalised, in accordance with IAS 23, during the construction phase. The fair value of the construction work is based on the costs actually incurred increased by 6%, representing the remuneration of the internal costs for the management of the works and design activities undertaken by the Company which is a mark-up a third party general contractor would request for undertaking the same activities, in accordance with IFRIC 12. The determination of the fair value results from the fact that the lessee must apply paragraph 12 of IAS 18 and therefore if the fair value of the services received (specifically the right to utilise the asset) cannot be determined reliably, the revenue is calculated based on the fair value of the construction work undertaken.

The construction work in progress at the statement of financial position date is measured based on the state of advancement of the work in accordance with IAS 11 and this amount is reported in the income statement line "Revenues for works on assets under concession".

Restoration or replacement works are not capitalised and are included in the estimate of the restoration and replacement provision as outlined below.

Assets under concession are amortised over the duration of the concession on a straight-line basis in accordance with the expiry of the concession, as it is expected that the future economic benefits of the asset will be utilised by the lessee. Amortisation begins where the rights in question begin to produce the relative economic benefits.

The accumulated amortisation provision and the restoration and replacement provision ensure the adequate coverage of the following charges:

- complete amortisation of the assets under concession at the end of the concession;
- restoration and replacement of the components subject to wear and tear of the assets under concession.

Reference should be made to the subsequent paragraph *"Provision for risks and charges - Restoration and replacement provision of assets under concession".*

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

(b) Industrial patents and intellectual property rights

Patents, concessions, licenses, trademarks and similar rights
Trademarks and licenses are amortised on a straight-line basis over the estimated useful life.

Computer software
Software costs are amortised on a straight-line basis over three years, while software programme maintenance costs are charged to the income statement when incurred.

Intangible assets with definite useful life are annually tested for losses in value or where there is an indication that the asset may have incurred a loss in value. Reference should be made to the paragraph below "Impairments".

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

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

Depreciation of property is charged based on the number of months held on a straight-line basis, which depreciates the asset over its estimated useful life. Where this latter is beyond the date of the end of the concession, the amount is depreciated on a straight-line basis until the expiry of the concession. Applying the principle of the component approach, when the asset to be depreciated is composed of separately identifiable elements whose useful life differs significantly from the other parts of the asset, the depreciation is calculated separately for each part of the asset.

For land, a distinction is made between land owned by the Company, classified under property, plant and equipment and not subject to depreciation and expropriated areas necessary for the extension of the Malpensa Terminal, classified under "Assets under concession" and amortised over the duration of the concession.

The free granting of assets is recognised at market value, according to independent technical expert opinions.

Plant & Equipment
These are represented by tangible fixed assets acquired by the Company which are not subject to the obligation of free devolution.

Plant and equipment are recorded at purchase or production cost and, only with reference to owned assets, net of accumulated depreciation and any loss in value. The cost includes charges directly incurred for bringing the asset to their condition for use, as well as dismantling and removal charges which will be incurred consequent of contractual obligations, which require the asset to be returned to its original condition.

The expenses incurred for the

maintenance and repairs of an ordinary and/or cyclical nature are directly charged to the income statement when they are incurred. The capitalisation of the costs relating to the expansion, modernisation or improvement of owned tangible assets or of those held in leasing, is made only when they satisfy the requirements to be separately classified as an asset or part of an asset in accordance with the component approach, in which case the useful life and the relative value of each component is measured separately.

Depreciation is charged to the income statement based on the number of months held on a straight-line basis, which depreciates the asset over its estimated useful life. Where this latter is beyond the date of the end of the concession, the amount is depreciated on a straight-line basis until the expiry of the concession. Applying the principle of the component approach, when the asset to be depreciated is composed of separately identifiable elements whose useful life differs significantly from the other parts of the asset, the depreciation is calculated separately for each part of the asset.

The depreciation rates for owned assets, where no separate specific components are identified are reported below.

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

They are annually tested for losses in value or where there is an indication that the asset may have incurred a loss in value. Reference should be made to the paragraph below "Impairments".

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

Investment property

This account includes owned buildings not for operational use. Investment property is initially recognised at cost and subsequently measured utilising the amortised cost criteria, net of accumulated depreciation and loss in value.

Depreciation is calculated on a straight-line basis over the useful life of the building.

Investments in subsidiaries and associates

The investments in subsidiaries and associates are measured at purchase cost (including any direct accessory costs), reduced for impairments in accordance with IAS 36.

Any positive difference, arising on acquisition from third parties, between the purchase cost and fair value of net assets acquired in an investee company is included in the carrying amount of the investment.

Investments in subsidiaries and associates are tested annually for impairment or more frequently if evidence of impairment exists. Where an impairment loss exists, it is recognised immediately through the income statement. Where the share of losses pertaining to the company in the investment exceeds the carrying value of the investment, and the company has an obligation to cover such losses, the investment is written down and the share of further losses is recorded as a provision for risks and charges under liabilities in the statement of financial position. If an impairment loss is subsequently reversed, the increase in carrying amount (up to a maximum of purchase cost) is recognised through the income statement.

Impairments

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

Financial assets

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

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

The financial assets are recorded under assets when the company becomes contractually party to the assets. The financial assets sold are derecognised when the right to receive the cash flow is transferred together with all the risks and benefits associated with ownership.

Purchases and sales of financial assets are recognised at the valuation date of the relative transaction. Financial assets are measured as follows:

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

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

(b) Loans and receivables

Loans and receivables are financial instruments, principally relating to trade receivables, non-derivative, not listed on an active market, from which fixed or determinable payments are expected. Loans and receivables are stated as current assets, except for amounts due beyond 12 months from the statement of financial position date, which are classified as non-current. These assets are measured at amortised cost, on the basis of the effective interest rate.

When there is an indication of a reduction in value, the asset is reduced to the value of the discounted future cash flows obtainable. The losses in value are recognised in the income statement. When, in subsequent periods, the reasons for the write-down no longer exist, the value of the assets are restated up to the value deriving from the application of the amortised cost.

(c) AFS financial assets

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

ready recorded under equity cannot be recovered.

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

Derivative financial instruments

Derivative financial instruments are classified as hedging instruments when the relation between the derivative and the hedged item is formally documented and the effectiveness of the hedge, periodically verified, is high. When the hedged derivatives cover the risk of change of the fair value of the instruments hedged (fair value hedge; e.g. hedge in the variability of the fair value of asset/liabilities at fixed rate), these are recorded at fair value through the income statement; therefore, the hedging instruments are adjusted to reflect the changes in fair value associated to the risk covered. When the derivatives hedge a risk of changes in the cash flows of the instruments hedged (cash flow hedge), the hedging is designated against the exposure to changes in the cash flows attributable to the risks which may in the future impact on the income statement. The effective part of the change in fair value of the part of the derivative contracts which are designated as hedges in accordance with IAS 39 is recorded in an equity account (and in particular "other items of the comprehensive income statement"); this reserve is subsequently transferred to the income statement in the period in which the transaction hedged impacts the income statement. The ineffective part of the change in the fair value of the part of the derivative contracts, as indeed the entire change in the fair value of the derivatives which are not designated as hedges or which do not comply with the requirements of the above-mentioned IAS 39, are recognised directly in the income statement in the account "financial income/charges."

The fair value of traded financial instruments is based on the listed price at the statement of financial position date. Where the market for a financial asset is not active (or refers to non-listed securities), the Group determines fair value utilising valuation techniques which include: reference to advanced negotiations in course, references to securities which have the same characteristics, analyses based on cash flows, price models based on the use of market indicators and aligned, as far as possible, to the assets to be valued.

Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured based on the amortised cost method net of the doubtful debt provision. When there is an indication of a reduction in value, the asset is reduced to the value of the discounted future cash flows obtainable.

Indicators of loss in value include, among others, significant contractual non-compliance, significant financial difficulties, insolvency risk of the counterparty. Receivables are reported net of the provision for doubtful debts. When in subsequent periods the reduction in the value of the asset is confirmed, the doubtful debt provision is utilised against charges; otherwise, where the reasons for the previous write-down no longer exist, the value of the asset is reversed up to the recoverable amount derived from applying the amortised cost method where no write down had been made. For further information, reference should be made to Note 4.1.

Inventories

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

Inventories are shown net of the obsolescence provision to adjust inventories to their realisable or replacement value.

Cash and cash equivalents

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

Provisions for risks and charges

The provisions for risks and charges are recorded to cover known or likely losses or liabilities, the timing and extent of which are not known with certainty at the statement of financial position date. They are recorded only when there exists a current obligation (legal or implicit) for a future payment resulting from past events and it is probable that the obligation will be settled. This amount represents the best estimate less the expenses required to settle the obligation.

Possible risks that may result in a liability are disclosed in the notes under the section on commitments and risks without any provision.

Restoration and replacement provision of assets under concession

The accounting treatment of the works undertaken by the lessee on the assets under concession, as per IFRIC 12, varies depending on the nature of the work: normal maintenance on the asset is considered ordinary maintenance and therefore recognised in the income statement; replacement work and programmed maintenance of the asset at a future date, considering that IFRIC 12 does not provide for the recognition of a physical asset but a right, must be recognised in accordance with IAS 37 - "Provisions and potential liabilities" – which establishes recognition to the income statement of a provision and the recording of a provision for charges in the statement of financial position.

The restoration and replacement provision of the assets under concession include, therefore, the best estimate of the present value of the charges matured at the statement of financial position date for the programmed maintenance in the coming years and until the end of the concession and undertaken in order to ensure the functionality, operations and security of the assets under concession.

It should be noted that the restoration and replacement provision of the assets refers only to fixed assets within the scope of IFRIC 12 (assets under concession classified to intangible assets).

Employee provisions

Pension provisions

The company has both defined contribution plans (National Health Service Contributions and INPS pension plan contributions) and defined benefit plans.

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

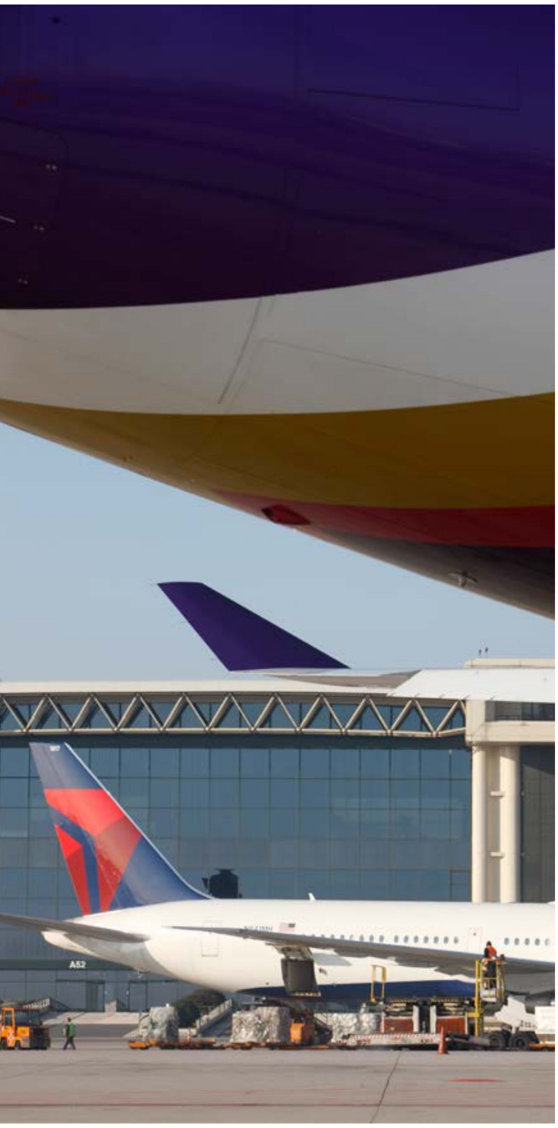
A defined benefit plan is a plan not classified as a contribution plan. In the defined benefit programmes, the amount of the benefit to be paid to the employee is quantifiable only after the termination of the employment service period, and is related to one or more factors such as age, years of service and remuneration; therefore, the relative charge is recognised to the income statement based on actuarial calculations.

The liability recorded in the accounts for defined benefit plans corresponds to the present value of the obligation at the statement of financial position date, net, where applicable, of the fair value of the plan assets. The obligations for the defined benefit plans are determined annually by an independent actuary utilising the projected unit credit method. The present value of the defined benefit plan is determined discounting the future cash flows at an interest rate equal to the obligations (high-quality corporate) issued in the currency in which the liabilities will be settled and takes into account the duration of the relative pension plan.

The actuarial gains and losses, in accordance with IAS 19R, are recorded directly under equity in a specific reserve account "Reserve for actuarial gains/loss".

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

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



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

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

Financial liabilities are derecognised from the statement of financial position when they expire and the Company has transferred all the risks and rewards relating to the instrument.

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

Reverse factoring transactions - indirect factoring
In order to ensure easy access to credit for its suppliers, the Company has entered into reverse factoring or indirect factoring agreements (with recourse). Based on the contractual structures in place, the supplier has the possibility to assign the receivables claimed from the Company at its own discretion to a lending institution and cash in the amount before maturity.

Invoice payment terms are non-interest bearing as they do not involve further extensions agreed upon between the supplier and the Company.

In this context, the relationships for which the primary obligation is maintained with the supplier and any extension, where granted, do not involve a change in payment terms, retain their nature and therefore remain classified as commercial liabilities.

Revenue recognition
Revenues are recognised at fair value of the amount received for the services from the ordinary activities, in accordance with the accruals principle. They are calculated following the deduction of VAT and discounts.

The revenues, principally relating to the provision of services, are recognised in the accounting period in which they are provided.
Rental income and royalties are recognised in the year of maturity, based on the underlying contractual agreements while the payments for green certificates are recognised annually in accordance with the long-term contracts and refer to the remuneration of the internal networks within the airport.

Revenue for works on assets under concession
Revenues on construction work are recognised in relation to the state of advancement of works in accordance with the percentage of completion method and on the basis of the costs incurred for these activities increased by a mark-up of 6% representing the best estimate of the remunera-

tion of the internal costs of the management of the works and design activities undertaken by SEA, the mark-up which would be applied by a general contractor (as established by IFRIC 12).

Government Grants

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

Capital grants

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

Operating grants

Operating grants are recorded in the income statement in the account "Operating income".

Recognition of costs

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

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

Financial charges

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

Income taxes

Current IRES and IRAP income taxes are calculated based on the assessable income for the year, applying the current tax rates at the statement of financial position date.

Deferred taxes are calculated on all differences between the assessable income of an asset or liability and the relative book value, with the exception of goodwill. Deferred tax assets for the portion not compensated by deferred tax liabilities are recognised only for those amounts for which it is probable there will be future assessable income to recover the amounts. The deferred taxes are calculated utilising the tax rates which are expected to be applied in the years when the temporary differences will be realised or settled. Deferred tax assets are recorded when their recovery is considered probable. These assets and liabilities are not recognised if the temporary differences deriving from the goodwill or the initial recognition (not in business combination) of other assets or liabilities in operations do not have an impact on the accounting result or on the assessable fiscal result.

The carrying value of deferred tax assets is revised at the end of the year and reduced to the extent that it is no longer likely that there will be sufficient taxable income against which to recover all or part of the assets.

Current and deferred income taxes are recorded in the income statement, except those relating to accounts directly credited or debited to equity, in which case the fiscal effect is recognised directly to equity and to the Comprehensive Income Statement. Taxes are compensated when applied by the same fiscal authority, there is a legal right of compensation and the payment of the net balance is expected.

Other taxes not related to income, such as taxes on property, are included under "Other operating costs".

Dividends

Payables for dividends to shareholders are recorded in the year in which the distribution is approved by the Shareholders' Meeting.

3 Estimates and assumptions

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

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

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

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

(c) Provisions for risks and charges
The Company may be subject to legal disputes, in relation to taxation or employment issues, based on particularly complex circumstances of varying degrees of uncertainty, according to the facts and circumstances, jurisdiction and laws applicable to each case.
Considering the inexact nature of these issues, it is difficult to predict with certainty any future payments required.
Therefore, Management, having consulted with its legal and tax advisers, recognises a liability against these disputes when a financial payment is considered probable and the amount of the losses arising may be reasonably estimated. In the case in which a payment is considered possible, but is not yet determinable, such is reported in the explanatory notes.

Provisions are recorded against risks of a legal and tax nature and employee disputes. The amount of the provisions recorded in the financial statements relating to these risks therefore represents the best estimate at that date made by the Directors. This estimate results in the adoption of assumptions concerning factors which may change over time and which may, therefore, have significant effects compared to the present estimates made by the Directors for the preparation of the financial statements. In addition, the restoration and replacement provision of the assets under concession, recorded in accordance with IFRIC 12, includes the best estimate of the charges matured at the statement of financial position date for scheduled maintenance in future years in order to ensure the functionality, operations and security of the assets under concession.

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

for the preparation of the separate financial statements.

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

4 Risk Management

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

The management of the above-mentioned risks is undertaken through identifying, evaluating and undertaking the hedging of financial risks.

4.1 Credit risk

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

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

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

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

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

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

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

A summary of trade receivables with third parties and the relative doubtful debt provisions is reported below.

(Euro thousands)	at December 31, 2017	at December 31, 2016
Trade receivables - customers, gross of doubtful debt provision	196,242	151,066
- of which overdue	119,956	79,003
Doubtful debt provision - customers	(99,799)	(78,360)
Total trade receivables - customers	**96,443**	**72,706**

The increase in trade receivables at December 31, 2017 is strictly related to the conclusion of the factoring operation in the first half of 2017 which the company commenced in the second half of 2015 and the extraordinary administration procedure of the carrier Alitalia SAI on May 2, 2017, which resulted in a significant increase in the doubtful debt provision.

Receivables transferred following factoring operations are eliminated from the statement of financial position only when the related risks and benefits of ownership have been substantially transferred. Non-recourse receivables which do not satisfy these requisites remain on the statement of financial position of the company, even if legally transferred. In this case a financial liability of a similar amount is recorded under liabilities against advances received.

The breakdown of overdue receivables at December 31, 2017 and the previous year is shown below:

TRADE RECEIVABLES - CUSTOMERS

(Euro thousands)	at December 31, 2017	at December 31, 2016
Trade receivables - customers	196,242	151,066
Of which overdue	119,956	79,003
less than 180 days	23,505	5,908
over 180 days	96,451	73,095
% of overdue receivables	61.1%	52.3%
% overdue less than 180 days	12.0%	3.9%
% overdue over 180 days	49.1%	48.4%

The table below illustrates the gross trade receivables at December 31, 2017 and 2016, as well as the breakdown of receivables from counterparties under administration and in dispute, with indication of the bank and insurance sureties and deposit guarantees provided.

TRADE RECEIVABLES - CUSTOMERS

(Euro thousands)	**at December 31, 2017**	**at December 31, 2016**
Trade receivables - customers	196,242	151,066
(i) receivables from parties subject to administration procedures	94,715	43,347
(ii) receivables subject to dispute	20,625	22,814
Total trade receivables, net of the receivables at points (i) and (ii)	**80,902**	**84,905**
Overdue receivables, other than at points (i) and (ii)	4,616	12,842
Sureties and deposits	55,143	55,199
% of receivables guaranteed by sureties and deposits vs total trade receivables, net of the receivables at points (i) and (ii)	68.2%	65.0%

4.2 Market risks

The market risk to which SEA is exposed comprises all types of risks directly and indirectly related to market prices. In 2017, the market risks to which SEA were subject were:

a. interest rate risk;
b. currency risk;
c. price risk of commodities.

a) Interest rate risk

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

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

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

At December 31, 2017 the gross financial debt of SEA was comprised of medium/long-term loans (medium/long term portions of loans) and short-term loans (the medium/long-term portion of loans maturing within 12 months. At the reporting date, the company does not hold any short-term debt.

The medium/long term debt at December 31, 2017 is reported in the following table, which shows 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 the cost of the relative guarantees):

MEDIUM/LONG-TERM LOANS AT DECEMBER 31, 2017 AND 2016

		at December 31, 2017		at December 31, 2016	
(Euro thousands)	Maturity	Amount	Average rate	Amount	Average rate
Bonds	**2021**	**300,000**	**3.125%**	**300,000**	**3.125%**
Bank loans - EIB funding	**from 2017 to 2037**	**261,849**	**1.08%**	**261,538**	**1.22%**
o/w at Fixed Rate		51,557	3.89%	57,895	3.89%
o/w at Variable Rate(*)		210,292	0.39%	203,643	0.45%
Other bank loans	**2020**	**154**	**0.50%**	**176**	**0.50%**
o/w at Fixed Rate		154	0.50%	176	0.50%
o/w at Variable Rate		-	-	-	-
Medium/long-term gross financial debt		**562,003**	**2.17%**	**561,714**	**2.24%**

(*) Includes: (i) variable rate tranche subject to interest rate hedge (ca. 32% at 31.12.2017 & 36% at 31.12.2016);
(ii) Euro 60 million of EIB loans with specific bank guarantee.

The total value of medium/long-term financial debt at December 31, 2017 amounts to Euro 562,003 thousand, almost unchanged when compared to December 31, 2016. This is due to the combined effect of the disbursement of Euro 20 million EIB lines at the end of June 2017, offset by the continuation of the repayment process of other loans for Euro 19,710 thousand.

The average cost of this debt was reduced by 7 basis points, reaching 2.17% at December 31, 2017. Also considering the hedging transactions against the interest rate risk and the cost of bank guarantees on EIB loans, the average cost of debt amounts to 2.78%, down from 2.83% at the end of December 2016 (-5 basis points).

Overall, the total medium/long-term debt at a variable rate not hedged by the Company at December 31, 2017 was approx. 25.6% of total debt. There was therefore no excess coverage on future cash flows subject to hedging ("overhedging").

At December 31, 2017, SEA has the following bond issue with a total nominal value of Euro 300.000 thousand.

Description	Issuer	Listing market	ISIN Code	Term (Year)	Maturity	Par Value (in million of euro)	Coupon	Annual rate
SEA SpA 3 1/8 04/17/21	SEA SpA	Irish Stock Exchange	XS 1053334373	7	04/17/2021	300	Fixed annual	3.125%

The fair value of the overall bank and bond medium/long-term SEA debt at December 31, 2017 amounted to Euro 593,482 thousand (Euro 596,283 thousand at December 31, 2016) and was calculated as follows:

- for the loans at fixed interest rates, the capital portion and interest were discounted utilising the spot rates for each contractual maturity, extrapolated from the market rates;
- for the bond listed on a regulated market, reference was made to the market value at December 31, 2017;
- for the loans at variable interest rates, the interest portion was calculated utilising the estimate of the expected rates at the end of each contractual maturity, increased by the spread defined contractually. The interest portion defined as outlined above and the capital on maturity was discounted utilising the spot rate for each contractual maturity, extrapolated from the market rate.

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

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

INTEREST RATE HEDGES

(Euro thousands)	Notional at signing date	Residual Notional at December 31, 2017	Date of signing	Start	Maturity	Fair value at December 31, 2017	Fair value at December 31, 2016
IRS	10,000	8,387	May 18, 2011	September 15, 2012	September 15, 2021	(1,020.4)	(1,351.4)
	5,000	4,194	May 18, 2011	September 15, 2012	September 15, 2021	(510.2)	(675.7)
	15,000	11,379	May 18, 2011	September 15, 2012	September 15, 2021	(1,342.3)	(1,793.5)
	10,000	6,786	June 6, 2011	September 15, 2012	September 15, 2021	(751.5)	(1,014.2)
	11,000	7,207	June 6, 2011	September 15, 2012	September 15, 2021	(796.9)	(1,075.6)
	12,000	7,448	June 6, 2011	September 15, 2012	September 15, 2021	(811.7)	(1,099.9)
	12,000	7,448	June 6, 2011	September 15, 2012	September 15, 2021	(811.7)	(1,099.9)
Collar	10,000	6,786	June 6, 2011	September 15, 2011	September 15, 2021	(596.6)	(810.3)
	11,000	6,828	June 6, 2011	September 15, 2011	September 15, 2021	(586.8)	(800.3)
Total		**66,463**				**(7,228.1)**	**(9,720.8)**

"-" indicates cost for the SEA Group of any early closure of the operation
"+" indicates gain for the SEA Group of any early closure of the operation

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

c) Commodity risk
SEA is exposed to the changes of the prices and the relative exchange rates of the energy commodities (gas) utilised by SEA Energia for the procurement of the electricity, heating and air-conditioning service on behalf of the parent company. These variations directly impact on the final price which SEA pays for the supply from the subsidiary SEA Energia. These risks derive from the purchase of the above-mentioned energy commodities, which are principally impacted by fluctuations in the prices of the underlying fuels, denominated in US Dollars. These fluctuations are absorbed through formulas and indexations utilised in the pricing structures adopted in sales contracts.

In 2017, SEA did not undertake any hedging of this risk, although not excluding the possibility in the future.

4.3 Liquidity risk
The liquidity risk for SEA may arise where the financial resources available are not sufficient to meet the financial and commercial commitments within the agreed terms and conditions.

The liquidity, cash flows and financial needs of SEA are managed through policies and processes with the objective to minimise the liquidity risk. In particular SEA:

- centrally monitors and manages, under the control of the Group Treasury, the financial resources available, in order to ensure an efficient management of these resources, also in

forward budgeting terms;
- maintains adequate liquidity in treasury current accounts;
- obtains committed credit lines (revolving and non), which covers the financial commitments in the coming 12 months deriving from the investment plan and debt repayments;
- monitors the liquidity position, in relation to the business planning.

At December 31, 2017, SEA 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 EIB line, of which utilisation is expected by December 2018, for duration until December 2037. At December 31, 2017, SEA also had a further Euro 158 million of uncommitted credit lines available for immediate cash requirements.

SEA 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. If the bond loan is excluded, the remaining debt has a maturity of approximately 7 years (19% over 10 years).

Trade payables are guaranteed by SEA through careful working capital management which largely concerns trade receivables and the relative contractual conditions established. We highlight that the indirect factoring operations, as previously described in detail, does not change the contractual payment conditions and therefore does not result in dilution effects on the working capital.

The tables below illustrate for SEA the breakdown and maturity of the financial debt (capital, medium/long-term interest, financial charges on derivative instruments and leasing) and trade payables at December 31, 2017 and December 31, 2016:

LIABILITIES AT DECEMBER 31, 2017

(millions of Euro)	< 1 year	>1 year < 3 years	>3 years < 5 years	> 5 years	Total
Gross financial debt	35.4	75.0	368.0	169.1	647.5
Trade payables	146.8				146.8
Total payables	**182.2**	**75.0**	**368.0**	**169.1**	**794.3**

LIABILITIES AT DECEMBER 31, 2016

(millions of Euro)	< 1 year	>1 year < 3 years	>3 years < 5 years	> 5anni	Total
Gross financial debt	35.4	70.9	375.0	170.0	651.3
Trade payables	161.8				161.8
Total payables	**197.2**	**70.9**	**375.0**	**170.0**	**813.1**

The table does not include the short-term Group cash pooling debt, amounting to Euro 4.6 million at the end of 2016, against which a receivable of a similar nature existed of Euro 43.5 million.

At the end of 2017 loans due within one year mainly relate to the capital portion to be paid on some of the EIB loans and interest due on the total debt. The loan repayment scheduling reflects the capacity of SEA funding to cover medium/long-term needs.

4.4 Sensitivity

In consideration of the fact that for the Company the currency risk is almost non-existent, the sensitivity analysis refers to statement of financial position accounts which could incur changes in value due to changes in interest rates.

In particular, the analysis considered:

- bank debt and cash pooling position;

- loans;
- interest risk derivative hedge instruments.

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

(a) Assumptions:

- the effect was analysed on the SEA income statement for the years 2017 and 2016 of a change in market rates of +50 or of -50 basis points.

(b) Calculation method:

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

The results of the sensitivity analysis are reported below:

	December 31, 2017		December 31, 2016	
(Euro thousands)	**-50 bp**	**+50 bp**	**-50 bp**	**+50 bp**
Current accounts (interest income)	-8.72	302.27	-31.36	336.43
Cash pooling position (interest income)	-159.03	159.03	-200.09	200.09
Loans (interest charges)(1)	394.50	-1,039.74	677.69	-1,085.99
Cash pooling position (interest charges)		-11.66		-15.58
Fin. debt vs. subsidiaries (int. charges)(1)				
Derivative hedging instruments (flows)(2)	-361.96	361.96	-439.92	439.92
Derivative hedging instruments (fair value)(3)	-1,012.61	984.17	-1,398.54	1,342.50

(1) *+ = lower interest charges; - = higher interest charges*
(2) *+ = revenue from hedge; - = cost of hedge*
(3) *amount entirely allocated to net equity given full efficacy of hedges*

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 variation of -50 basis points to the current market interest rate curve, the cash flow corresponding to current accounts and loans would be opposite to those provided for by the related types of contracts; in these cases, these cash flows are set at zero.

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

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

5 Classification of the financial instruments

The following tables provides a breakdown of the financial assets and liabilities by category at December 31, 2017 and at December 31, 2016:

	at December 31, 2017					
(Euro thousands)	Financial assets and liabilities at fair value	Investments held to maturity	Loans and receivables	AFS financial assets	Financial liabilities at amortised cost	Total
AFS Investments				26		26
Other non-current financial assets			7,190			7,190
Other non-current receivables			212			212
Trade receivables			108,612			108,612
Current financial receivables			20,630			20,630
Tax receivables			12,406			12,406
Other current financial assets			13,300			13,300
Other current receivables			7,646			7,646
Cash and cash equivalents			67,129			67,129
Total	**-**	**-**	**237,125**	**26**	**-**	**237,151**
Non-current financial liabilities exc. leasing	7,228				539,061	546,289
- of which payables to bondholders					298,441	298,441
Trade payables					146,834	146,834
Income tax payables					7,227	7,227
Other current and non-current payables					187,246	187,246
Current financial liabilities excl. leasing					27,612	27,612
Current financial liabilities for leasing					-	-
Total	**7,228**	**-**	**-**	**-**	**907,980**	**915,208**

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

(Euro thousands)	at December 31, 2016					
	Financial assets and liabilities at fair value	Invest-ments held to maturity	Loans and receivables	AFS financial assets	Financial liabilities at amortised cost	Total
AFS Investments				26		26
Other non-current financial assets			16,776			16,776
Other non-current receivables			240			240
Trade receivables			82,965			82,965
Current financial receivables			43,532			43,532
Tax receivables			14,174			14,174
Other current financial assets			7,190			7,190
Other current receivables			8,111			8,111
Cash and cash equivalents			46,998			46,998
Total	**-**	**-**	**219,986**	**26**	**-**	**220,012**
Non-current financial liabilities exc. leasing	9,721				539,348	549,069
- of which payables to bondholders					298,008	298,008
Trade payables					161,771	161,771
Income tax payables					6,046	6,046
Other current and non-current paya-bles					155,003	155,003
Current financial liabilities excl. leasing					32,077	32,077
Current financial liabilities for leasing					-	-
Total	**9,721**	**-**	**-**	**-**	**894,245**	**903,966**

5.1 Disclosure on fair value

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

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

The following table shows the Company assets and liabilities measured at fair value at December 31, 2017 and at December 31, 2016:

	at December 31, 2017		
(Euro thousands)	Level 1	Level 2	Level 3
AFS Investments			26
Derivative financial instruments		7,228	
Total	**-**	**7,228**	**26**

	at December 31, 2016		
(Euro thousands)	Level 1	Level 2	Level 3
AFS Investments			26
Derivative financial instruments		9,721	
Total	**-**	**9,721**	**26**

6 Notes to the Statement of financial position

6.1 Intangible assets

The table below reports the changes in the year in intangible assets:

INTANGIBLE ASSETS

(Euro thousands)	at December 31, 2016	Increases in the year	Reclassifications/ transfers	Destruct./ sales	Amort.	Write-downs	at December 31, 2017
Gross value							
Rights on assets under concession	1,419,510		26,573	(50)			1,446,033
Rights on assets under concess. in prog. & advances	33,897	25,619	(26,024)	(1,006)			32,486
Patents and right to use intellectual property & others	62,030		7,243				69,273
Assets in progress and advances	5,766	6,829	(7,243)				5,352
Gross value	**1,521,203**	**32,448**	**549**	**(1,056)**	**-**	**-**	**1,553,144**
Accumulated amortisation							
Rights on assets under concession	(477,589)			23	(44,003)		(521,569)
Rights on assets under concess. in prog. & advances							
Patents and right to use intellectual property & others	(53,979)				(6,567)		(60,546)
Assets in progress and advances							
Accumulated amortisation	**(531,568)**	**-**	**-**	**23**	**(50,570)**	**-**	**(582,115)**
Net value							
Rights on assets under concession	941,921		26,573	(27)	(44,003)		924,464
Rights on assets under concess. in prog. & advances	33,897	25,619	(26,024)	(1,006)			32,486
Patents and right to use intellectual property & others	8,051		7,243		(6,567)		8,727
Assets in progress and advances	5,766	6,829	(7,243)				5,352
Net value	**989,635**	**32,448**	**549**	**(1,033)**	**(50,570)**	**-**	**971,029**

As per IFRIC 12, rights on assets under concession amount to Euro 924,464 thousand at December 31, 2017 and Euro 941,921 thousand at December 31, 2016. These assets are amortised on a straight-line basis over the duration of the concession from the State. The amortisation for the year 2017 amounts to Euro 44,003 thousand. The increases in the year, amounting to Euro 26,573 thousand, derive from the entry into use of investments made in previous years and recorded under "Assets under concession".

For assets under concession, SEA has the obligation to record a restoration and replacement provision, in relation to which reference should be made to Note 6.16.

The account "Assets under concession in progress and advances", amounting to Euro 32,486 thousand, refers to the work in progress on concession assets, not yet completed at December 31, 2017. The increase of Euro 25,619 thousand is expressed net of State and EU contributions amounting to Euro 2,364 thousand, collected in 2017, for the construction of the Malpensa Terminal 2 railway station.

The main works carried out during the year at Malpensa amounted to Euro 13,416 thousand and are mainly related to: *(i)* the continuation of restyling works at Airport Terminal 1, with the construction of new commercial areas, remote Schengen boarding areas in the north zone, the shifting of gate counters to create pre-boarding areas, the completion of the south commercial area's reconfiguration with the construction of new commercial areas and the fitting out of a new VIP area to be dedicated to an operator; *(ii)* the construction of a second warehouse in the Cargo area (with a surface area of about 15,000 sq. m) to be allocated to Cargo operators.

In Linate, works amounted to Euro 12,203 thousand and are mainly related to the commencement of functional upgrading works, the Terminal's restyling and the construction of a new de-icing area in the North Apron which envisages the aircraft apron's extension by about 22.000 sq. m. A number of flight infrastructure plant upgrades continued at both Malpensa and Linate for the implementation of the Advanced Surface Movement Guidance and Control System, which will enable a clearer indication of paths to be followed by aircraft during the taxiing of aircraft, in addition to an improved use of lights on the taxiing runways. The reclassifications to assets under concession, principally relate to the gradual entry into service of the works on Terminal 1 and the baggage reclamation area at Terminal 2.

Industrial patents and intellectual property rights and other intangible assets, amounting to Euro 8,727 thousand at December 31, 2017 (Euro 8,051 thousand at December 31, 2016), relate to the purchase of software components for the airport and operating IT systems. Specifically, the investments in 2017 principally related to the development and implementation of the administrative and airport management systems, of which Euro 7,243 thousand principally relating to previous years and recorded in the account "Assets in progress and advances" which at December 31, 2017 record a residual amount of Euro 5,352 thousand, relating to software developments in progress.

In consideration of the results reported and the business outlook, as well as the definition of the airport tariffs contained in the Regulatory Agreement, at December 31, 2017 the Company did not identify any impairment indicators.

The changes in intangible assets during 2016 were as follows:

INTANGIBLE ASSETS

(Euro thousands)	at December 31, 2015	Increases in the year	Reclassi-fications/ transfers	De-struct./ sales	Amorti-sation	Write-downs	at December 31, 2016
Gross value							
Rights on assets under concession	1,357,235	550	63,239	(1,514)			1,419,510
Rights on assets under concess. in prog. & advances	54,327	40,301	(60,731)				33,897
Patents and right to use intellectual property & others	53,397		8,633				62,030
Assets in progress and advances	7,519	6,880	(8,633)				5,766
Gross value	**1,472,478**	**47,731**	**2,508**	**(1,514)**	**-**	**-**	**1,521,203**
Accumulated amortisation							
Rights on assets under concession	(441,392)			1,104	(37,301)		(477,589)
Rights on assets under concess. in prog. & advances							
Patents and right to use intellectual property & others	(46,764)				(7,215)		(53,979)
Assets in progress and advances							
Accumulated amortisation	**(488,156)**	**-**	**-**	**1,104**	**(44,516)**	**-**	**(531,568)**
Net value							
Rights on assets under concession	915,843	550	63,239	(410)	(37,301)	-	941,921
Rights on assets under concess. in prog. & advances	54,327	40,301	(60,731)			-	33,897
Patents and right to use intellectual property & others	6,633		8,633		(7,215)	-	8,051
Assets in progress and advances	7,519	6,880	(8,633)			-	5,766
Net value	**984,322**	**47,731**	**2,508**	**(410)**	**(44,516)**	**-**	**989,635**

6.2 Property, plant & equipment

The table below reports the changes in the year in tangible fixed assets:

PROPERTY, PLANT & EQUIPMENT

(Euro thousands)	at December 31, 2016	Increases in the year	Reclassi-fications/ transfers	Destruct./ sales	Deprecia-tion	at December 31, 2017
Gross value						
Property	193,165	15,611	2,340	(179)		210,937
Plant and machinery	4,509	146				4,655
Industrial and commercial equipment	38,511	5,793		(330)		43,974
Other assets	61,239	2,454	4,200	(22)		67,871
Assets in progress and advances	5,190	8,270	(7,099)			6,361
Gross value	**302,614**	**32,274**	**(559)**	**(531)**	**-**	**333,798**
Depreciation & write-downs						
Property	(84,945)			142	(5,903)	(90,706)
Plant and machinery	(3,381)				(187)	(3,568)
Industrial and commercial equipment	(31,494)			330	(3,386)	(34,550)
Other assets	(47,473)			22	(5,433)	(52,884)
Assets in progress and advances						
Depreciation & write-downs	**(167,293)**	**-**	**-**	**494**	**(14,909)**	**(181,708)**
Net value						
Property	108,220	15,611	2,340	(37)	(5,903)	120,231
Plant and machinery	1,128	146		-	(187)	1,087
Industrial and commercial equipment	7,017	5,793			(3,386)	9,424
Other assets	13,766	2,454	4,200	-	(5,433)	14,987
Assets in progress and advances	5,190	8,270	(7,099)			6,361
Net value	**135,321**	**32,274**	**(559)**	**(37)**	**(14,909)**	**152,090**

The investments relate to the development of the Aviation sector which, as already reported, in accordance with IFRIC 12 are classified as assets under concession and current airport concessions and those in the Non Aviation sector, amounting to Euro 2,340 thousand at December 31, 2017, principally related to the restyling work at Terminal 1 of Malpensa. Finally, increases in the item "property" include the acquisition of ownership of the Sheraton Malpensa building, finalised on December 18, 2017. For further information, reference should be made to the Directors' Report.

Increments in "Tangible fixed assets" also include the purchase of new de-icer equipment and snow ploughs for Euro 5,149 thousand, gate counters and control stations for Euro 205 thousand, new aircraft towing tractors for Euro 1,235 thousand and new video terminals for Euro 380 thousand.

In consideration of the results reported and the business outlook, as well as the definition of the airport tariffs contained in the Regulatory Agreement, at December 31, 2017 the Company did not identify any impairment indicators.

All fixed assets, including those falling under IFRIC 12, are expressed net of those funded by State and European Union contributions. These latter at December 31, 2017 amounted to Euro 504,383 thousand and Euro 7,019 thousand respectively.

The changes in tangible fixed assets during 2016 were as follows:

PROPERTY, PLANT & EQUIPMENT

(Euro thousands)	at December 31, 2015	Increases in the year	Reclassifications/ transfers	Destruct./ sales	Depreciation	at December 31, 2016
Gross value						
Property	188,542		4,775	(152)		193,165
Plant and machinery	7,760	12		(3,263)		4,509
Industrial and commercial equipment	37,384	6,222		(5,095)		38,511
Other assets	105,170	1,760	2,379	(48,070)		61,239
Assets in progress and advances	7,916	6,936	(9,662)			5,190
Gross value	**346,772**	**14,930**	**(2.508)**	**(56,580)**	**-**	**302,614**
Depreciation & write-downs						
Property	(79,196)			127	(5,876)	(84,945)
Plant and machinery	(6,173)			3,027	(235)	(3,381)
Industrial and commercial equipment	(34,895)			5,095	(1,694)	(31,494)
Other assets	(89,174)			47,433	(5,732)	(47,473)
Assets in progress and advances						
Depreciation & write-downs	**(209,438)**	**-**	**-**	**55,682**	**(13,537)**	**(167,293)**
Net value						
Property	109,346		4,775	(25)	(5,876)	108,220
Plant and machinery	1,587	12		(236)	(235)	1,128
Industrial and commercial equipment	2,489	6,222			(1,694)	7,017
Other assets	15,996	1,760	2,379	(637)	(5,732)	13,766
Assets in progress and advances	7,916	6,936	(9,662)			5,190
Net value	**137,334**	**14,930**	**(2,508)**	**(898)**	**(13,537)**	**135,321**

6.3 Investment property

The breakdown of investment property at December 31, 2017 is shown below:

INVESTMENT PROPERTY

(Euro thousands)	at December 31, 2017	at December 31, 2016
Gross value	4,118	4,125
Accumulated depreciation	(724)	(727)
Total investment property	**3,394**	**3,398**

The changes in the accumulated depreciation provision of the property investments in 2017 is shown below:

MOVEMENT ACCUMULATED DEPRECIATION INVESTMENT PROPERTY

(Euro thousands)	at December 31, 2017
Opening balance	(727)
Decreases	4
Depreciation	(1)
Final value accumulated depreciation investment property	**(724)**

The account includes buildings not utilised in the operated activities (apartments and garages).

Against the backdrop of uncertainty related to the real estate market there was no loss in value of real estate investments at December 31, 2017.

6.4 Investments in subsidiaries and associates

The breakdown of the account "Investments in subsidiaries and associates" at December 31, 2017 and at December 31, 2016 are shown below:

INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

(Euro thousands)	at December 31, 2017	at December 31, 2016
Sea Handling SpA in liquidation		8,226
SEA Energia SpA	7,026	7,026
SEA Prime SpA	25,451	25,200
Consorzio Malpensa Contruction		22
Investments in subsidiaries	**32,477**	**40,474**
SACBO SpA	4,562	4,562
Dufrital SpA	3,822	3,822
Malpensa Logistica Europa SpA	1,674	1,674
Disma SpA	421	421
SEA Services Srl	300	300
Investments in associates	**10,779**	**10,779**
Investments in subsidiaries and associates	**43,256**	**51,253**

On July 10, 2017, the Ordinary Shareholders' Meeting of SEA Handling SpA in liquidation approved the final liquidators accounts at June 30, 2017 and the relative division plans, authorising the Liquidator to request the cancellation of the company (cancellation on July 25, 2017). The liquidator has arranged to pay the sole shareholder SEA SpA the sum of Euro 8,376 thousand resulting from the distribution plan. For the economic effects deriving from the liquidation of SEA Handling SpA in liquidation reference should be made to Note 7.10.

On November 23, 2017, the Board of Directors of SEA SpA noted and approved the proposal of the Liquidator of the Malpensa Construction Consortium (which was also approved by the shareholder MM SpA), contained in the liquidators' final accounts prepared at October 31, 2017. The liquidator has arranged to pay the shareholder SEA SpA the sum of Euro 93 thousand resulting from the above-mentioned distribution plan and the completion of all the activities necessary for the cancellation of the Malpensa Construction Consortium from the company's registrar (on December 14, 2017).

On September 7, 2017, the investment held by the company in SEA Prime SpA increased to 99.91% following the further acquisition of 1.57% of the share capital against a payment of Euro 251 thousand.

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 to explore the establishment of a newly incorporated and capitalised company Airport Handling

(a) Proceedings regarding the European Commission decision of December 19, 2012

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

As more fully described in the Annual Financial Report 2016, SEA, in the context of a formal 'alternative execution' project of the decision, without prejudice to any reservations and objections on the decision's unlawfulness, has taken a series of measures - in the framework of the discussions between the Italian authorities and the European Commission - including: *i)* SEA Handling's liquidation and definitive exit from the market, *ii)* the incorporation of Airport Handling to continue offering ground handling services at arm's length, with other handling companies and in absolute economic discontinuity with SEA Handling, *iii)* the assignment of the entire stake in the share capital of Airport Handling into a trust called the "Milan Airport Handling Trust", in order to exclude any form of SEA control over Airport Handling and continuity between SEA Handling and Airport Handling, *iv)* the sale of 30% of Airport Handling shares to a third operator with the option, under certain conditions, 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.

However, with the liquidation of SEA Handling having been concluded in the meantime and the company having sold all remaining assets and defined all its assets and liabilities, following the approval of the final liquidation financial statements by the shareholders' meeting on July 10, 2017, the company filed an application to be removed from the Companies Register.

By reason of the changed *de facto* and *de jure* situations relating to SEA Handling, the Court of the European Union, at the request of the European Commission and SEA Handling, ascertained by Order of January 22, 2018 that the matter of the dispute concerning SEA Handling's appeal has ceased to exist since the appellant company was dissolved. As a result, the Court found that there was no longer a need to adjudicate on the appeal brought by SEA Handling.

In parallel, having taken note of the Italian Government's observations regarding SEA Handling's dissolution, it ordered the cancellation of the case relating to the appeal brought by the Government against the Commission's decision.

Given the above, the only appeal currently pending against the Commission's decision is that brought by the Municipality of Milan. The hearing was held on February 28, 2018. A decision is expected during the current financial year.

(b) Proceedings relating to the commencement of the European Commission's preliminary investigation of July 9, 2014

On July 9, 2014, the European Commission launched a formal investigation, under the powers conferred upon it with regard to State aid, to get a better insight on certain aspects concerning the economic discontinuity relationship between SEA Handling and Airport Handling, and the possible existence of (additional) alleged State aid in SEA's capitalisation of the new company.

By decision of July 5, 2016, sent to SEA by the Ministry of Transport on July 19, 2016, the European Commission concluded the investigation proceedings initiated in relation to the incorporation and capitalisation of Airport Handling S.p.A., noting: *i)* the absence of economic continuity between SEA Handling S.p.A. and Airport Handling S.p.A., *ii)* the absence of the transfer to Airport Handling S.p.A. of the obligation to repay the incompatible State aid, and *iii)* the absence of State aid in the incorporation and capitalisation of this company.

The decision was published in the Official Journal of the European Communities dated December 1, 2017.

In the absence of appeals within the time limits envisaged by EU law, the Commission's decision became *res judicata* and final.

Meanwhile, the process of SEA's divestment of control over Airport Handling was completed:

- In December 2014, jointly with the Milan Airport Handling Trust's Trustee, SEA conferred a mandate to an independent financial advisor in order to identify potential investors interested in acquiring a stake in Airport Handling;
- In September 2015, the Trustee signed a binding agreement with dnata, a leading international company in the Emirates Group active in the airport handling sector, for the sale of 30% of the Airport Handling shares, and a similar percentage of the Financial Instruments of Participation (FIPs) held by SEA in Airport Handling, with the assignment to dnata, on closing, of the majority of members of the board of directors and, therefore, of Airport Handling's Governance;
- The agreement also provides for an option in favour of dnata for the purchase of an additional 40% of shares (call option) and a corresponding share of FIPs, upon the occurrence of certain conditions.

The European Commission's positive decision with regard to the July 2014 investigation no longer made it possible for dnata to exercise a put option provided in the event of an unfavourable decision;

- The closing of the transaction took place on March 23, 2016, after the decision of the Anti-trust Authority which, in the transaction in question and pursuant to Article 6, paragraph 1 of Law No. 287/90, did not recognise the establishment or strengthening of a dominant market position such as to eliminate or substantially and indefinitely reduce competition. As a result of this, it reclassified the portion of other financial assets held by SEA under the proposed sale as "current";
- Dnata's investment in Airport Handling led to the company's valuation of Euro 25 million. The amount confirmed the assets recorded in the Statement of financial position up to the previous half-year report. The transaction, in view of the sale of the first 30%, led to the payment of Euro 7.5 million by dnata as a lien for a predetermined period of time, and provided for the additional payment of Euro 10 million for the acquisition of the additional 40% stake (amounts to be divided proportionally between shares and FIPs respectively, held by the Trustee and SEA).

On the basis of current forecasts regarding the negotiations underway for the sale of the further share in Airport Handling through the Trust, the directors considered it appropriate to reduce the value of the assets recorded in the statement of financial position for Euro 3,476 thousand.

The key financial highlights at December 31, 2017 and for the previous year of the subsidiaries and associated companies prepared in accordance with Italian GAAP are shown below.

AT DECEMBER 31, 2017 AND FOR YEAR ENDED DECEMBER 31, 2017

(Euro thousands)	Assets	Liabilities	Revenues	Profit/ (loss)	Share. Equity	Pro-quota Share. Equity	% held
Subsidiaries							
SEA Handling SpA in liquidation (*)	10,051	142	1,965	1,683	9,909	9,909	100.00%
SEA Energia SpA	56,357	35,420	40,487	2,876	20,937	20,937	100.00%
SEA Prime SpA	26,456	15,170	12,334	2,321	11,286	11,276	99.91%
Consorzio Malpensa Contruction (**)	190	2	4	-	188	96	51.00%
Associates							
Dufrital SpA	76,315	45,378	162,405	5,185	30,937	12,375	40.00%
SACBO SpA	238,185	107,811	119,537	12,722	130,374	40,389	30.979%
SEA Services Srl (***)	5,873	3,544	14,660	1,564	2,329	932	40.00%
Malpensa Logistica Europa SpA	23,221	12,956	43,649	3,823	10,265	2,566	25.00%
Disma SpA	10,644	5,035	6,364	712	5,609	1,052	18.75%

(*) *Final liquidation accounts at 30/06/2017*
(**) *Final liquidation accounts at 31/10/2017*
(***) *Financial Statements at 30/09/2017*

	AT DECEMBER 31, 2016 AND FOR YEAR ENDED AT DECEMBER 31, 2016						
(Euro thousands)	**Assets**	**Liabilities**	**Revenues**	**Profit/ (loss)**	**Share. Equity**	**Pro-quota Share. Equity**	**% held**
Subsidiaries							
SEA Handling SpA in liquidation	10,732	2,506	587	(125)	8,226	8,226	100.00%
SEA Energia SpA	79,295	61,234	46,267	627	18,061	18,061	100.00%
SEA Prime SpA	25,950	16,984	11,373	2,105	8,966	8,817	98.34%
Consorzio Malpensa Contruction	415	227	1	-	188	96	51.00%
Associates							
Dufrital SpA	78,382	48,434	151,502	4,220	29,948	11,979	40.00%
SACBO SpA	228,329	104,015	125,167	13,343	124,314	38,511	30.979%
SEA Services Srl (*)	6,470	4,005	12,484	830	2,465	986	40.00%
Malpensa Logistica Europa SpA	21,684	10,299	37,360	2,028	11,385	2,846	25.00%
Disma SpA	12,144	5,998	6,072	601	6,146	1,152	18.75%

(*) *Financial Statements at 30/09/2016*

6.5 AFS Investments

The breakdown of the "AFS investments" at December 31, 2017 and at December 31, 2016 are shown below:

Company	**% Held at December 31, 2017**	**% Held at December 31, 2016**
Aereopuertos Argentina 2000 SA	8.5%	8.5%
Consorzio Milano Sistema in liquidation	10%	10%
Romairport Srl	0.227%	0.227%
Sita Soc. Intern. De Telecom.Aereneonautiques (Belgian reg. company)	6 shares	12 shares

The following table reports the changes for the years 2017 and 2016 of the AFS investments:

AFS INVESTMENTS

(Euro thousands)	at December 31, 2017	at December 31, 2016
Aereopuertos Argentina 2000 SA	0	0
Consorzio Milano Sistema	25	25
Romairport Srl	1	1
Sita Soc. Intern. De Telecom.Aereneonautiques (Belgian reg. company)	0	0
Total AFS Investments	**26**	**26**

AA2000

The investment of SEA in the share capital of Aeropuertos Argentina 2000 (hereafter AA2000) amounted to 8.5% following the conversion, by the Argentinian government, of the bonds issued in 2008 by AA2000 into shares.

On June 30, 2011, an agreement was signed with CEDICOR for the sale of 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 the present 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 2017 financial statements.

6.6 Deferred tax assets

The changes in the net deferred tax assets for the year 2017 are shown below:

NET DEFERRED TAX ASSETS

(Euro thousands)	at December 31, 2016	Released / allocated to P&L	Released / allocated to Equity	at December 31, 2017
Restoration prov. as per IFRIC 12	33,750	790		34,540
Write-downs Tan. assets (impairment test)	14,101			14,101
Provisions for risks and charges	9,416	3,724		13,140
Non-deductible doubtful debt provision	8,281	(1,114)		7,167
Other receivables provision	319			319
Inventory obsolescence provision	125	17		142
Fair value measurement of derivatives	2,149		(585)	1,564
Post-em. bens. prov. discounting (IAS 19)	944	(14)	(13)	917
Ord. main. on assets under concession	6,241	1,749		7,990
Other	132	(8)		124
Total deferred tax assets	**75,458**	**5,144**	**(598)**	**80,004**
Accel. amort. & deprec. & lower amort. & deprec. from initial app. IFRS	30,263	(2,530)		27,733
Other	23	(23)		0
Total deferred tax liabilities	**30,86**	**(2,553)**	**0**	**27,733**
Total deferred tax assets, net of liabilities	**45,172**	**7,697**	**(598)**	**52,271**

6.7 Other current and non-current financial assets

The breakdown of current and non-current financial assets at December 31, 2017 and at the end of the previous year is reported below:

OTHER FINANCIAL ASSETS

	at December 31, 2017		at December 31, 2016	
(Euro thousands)	Current portion	Non-current portion	Current portion	Non-current portion
Other financial assets	13,300	7,190	7,190	16,776
Total other financial assets	**13,300**	**7,190**	**7,190**	**16,776**

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 totalling Euro 1,034 thousand, against the losses generated before the disposal to the Trust and the write-down in 2017 of Euro 3,476 thousand in order to align the value of the assets recorded in the accounts.

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

On April 3, 2014, the Ordinary Shareholders' Meeting of Airport Handling approved the share capital increase up to a maximum of Euro 2,500 thousand to be offered as options to the shareholder SEA. The first tranche of Euro 500 thousand was subscribed at the shareholders meeting and paid-in simultaneously by the shareholder SEA.

The two subsequent tranches were paid by SEA in June 2014 (Euro 710 thousand) and July 2014 (Euro 1,290 thousand), on the request of the Board of Directors of Airport Handling.

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

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

Dnata's investment in Airport Handling led to the company's valuation of Euro 25 million. The amount confirmed the assets recorded in the Statement of financial position up to the previous half-year report. The transaction, in view of the sale of the first 30%, led to the payment of Euro 7.5 million by dnata, as a lien for a predetermined period of time, and provided for the additional payment of Euro 10 million for the acquisition of an additional 40% stake (amounts to be divided proportionally between shares and FIPs respectively, held by the Trustee and SEA). The directors, on the basis of current forecasts concerning the ongoing negotiations for the sale of a further holding in Airport Handling through the Trust, considered it appropriate to reduce the value of the asset recorded in the accounts for Euro 3,476 thousand. Moreover, estimating that these negotiations will be concluded by 2018, the 40% share of other financial assets under negotiation were reclassified from "Non-current" to "current".

6.8 Other non-current receivables

The breakdown of the "Other non-current receivables" is shown below:

OTHER NON-CURRENT RECEIVABLES

(Euro thousands)	at December 31, 2017	at December 31, 2016
Receivables from the state for contributions as per Law 449/85	-	-
Other receivables	212	240
Total other non-current receivables	**212**	**240**

"Other non-current receivables" amount to Euro 212 thousand at December 31, 2017 (Euro 240 thousand at December 31, 2016) and is comprised of the accounts outlined below.

Receivables from the State for grants under Law 449/85, equal to Euro 1,328 thousand (Euro 1,328 thousand at December 31, 2016), are entirely covered by the doubtful debt provision and concern receivables based on the "Regulatory Agreement" between ENAC and SEA in January 1995 and revised in December 2004, which establishes the partial funding, pursuant to Law 449/85, of some infrastructure projects at Malpensa Airport.

Other receivables principally refer to receivables from employees and guarantee deposits.

6.9 Inventories

The table below reports the breakdown of "Inventories":

INVENTORIES

(Euro thousands)	at December 31, 2017	at December 31, 2016
Raw material, ancillaries and consumables	4,594	4,574
Inventory obsolescence provision	(503)	(444)
Total inventories	**4,091**	**4,130**

The account includes consumable materials for airport activities; no goods held in inventories comprised guarantees on loans or concerning other commitments.

Inventories were adjusted to their realisable or replacement value through an obsolescence provision which at December 31, 2017 amounts to Euro 503 thousand.

The changes in the obsolescence provision in 2017 is shown below:

MOVEMENTS IN INVENTORY OBSOLESCENCE PROVISION

(Euro thousands)	at December 31, 2017
Opening balance	(444)
Provisions	(139)
Utilisations	80
Final value inventory obsolescence provision	**(503)**

6.10 Trade receivables

The breakdown of "Trade receivables" at December 31, 2017 and for the previous year are shown below:

TRADE RECEIVABLES

(Euro thousands)	at December 31, 2017	at December 31, 2016
Trade receivables - customers	96,443	72,706
Trade receivables - subsidiaries	3,306	3,227
Trade receivables - associates	8,863	7,032
Total trade receivables	**108,612**	**82,965**

Trade receivables, shown net of the doubtful debt provision, mainly include receivables from clients and provisions for invoices and credit notes to be issued.

The criteria for the adjustment of receivables to their realisable value take account of valuations regarding the state of the dispute and are subject to estimates which are described in the previous paragraph 3, to which reference should be made.

The changes in the doubtful debt provision were as follows:

DOUBTFUL DEBT PROVISION

(Euro thousands)	at December 31, 2017	at December 31, 2016
Opening provision	78,450	81,891
Net increases (decreases)	26,897	2,581
Utilisations	(5,506)	(6,022)
Final value doubtful debt provision	**99,841**	**78,450**

The net increase in the provision in the year amounted to Euro 26,897 thousand (Euro 2,581 thousand in 2016) and was calculated to take into account the risk in deterioration of the financial positions of the principle operators with which disputes exist and write-downs for receivables under administration. This increase, amounting to Euro 24,316 thousand, mainly refer to the full write-down of existing receivables, prior to May 2, 2017, claimed from Alitalia SAI in Extraordinary Administration. For further details, reference should be made to the Directors' Report.

The utilisations relating to the year 2017, amounting to Euro 5,506 thousand, refer to the closure during the year of disputes in which the provisions were accrued to cover such risks in previous years.

For details on the aging of the receivables reference should be made to Note 4.1.

The increase in trade receivables from related companies on the other hand is substantially due to invoicing maturity periods and relative timing on collection of invoices.

For receivables from subsidiaries and associated companies reference should be made to Note 8, relating to transactions with related parties.

6.11 Current financial receivables

The account "Current financial receivables" amounts to Euro 20,630 thousand at December 31, 2017 (Euro 43,532 thousand at December 31, 2016) and relates entirely to financial receivables from subsidiaries. In particular the balance at December 31, 2017 is comprised of cash pooling receivables from SEA Energia SpA and SEA Prime SpA. Reference should be made to Note 8 relating to transactions with related parties.

6.12 Tax receivables

The account "Tax receivables" amounts to Euro 12,406 thousand at December 31, 2017 (Euro 14,174 thousand at December 31, 2016) and refers for Euro 10,384 thousand to reimbursement requests made in March 2013 for higher IRES paid against the non-deductibility of IRAP regional tax on personnel costs for the years 2007/2011 (Euro 10,384 thousand at December 31, 2016), for Euro 873 thousand the IRES credit deriving from the higher payments on account paid in June and November compared to the 2017 charge (Euro 2,631 thousand at December 31, 2016), Euro 439 thousand to the VAT receivable deriving from the payment on account in December (Euro 782 thousand at December 31, 2016) and Euro 452 thousand of tax receivables recorded following the liquidators distribution plan of the subsidiary SEA Handling SpA in liquidation.

On March 27, 2018, the Tax Agency communicated to SEA SpA that submissions were being accepted for issue of the IRES receivable concerning the deduction of IRAP from IRES for the financial years from 2007 to 2011 ("click day").

6.13 Other current receivables

The breakdown of "Other current receivables" is shown below:

OTHER CURRENT RECEIVABLES

(Euro thousands)	at December 31, 2017	at December 31, 2016
Other receivables	6,380	5,490
Misc. receivables	822	277
Employee & soc. sec. receivables	238	208
Receivables from insurance companies	206	232
Receivables for dividends	-	1,901
Receivables from Ministry for Communications for radio bridge	-	3
Receivables from the State for SEA / Ministry for Infrastructure and Transport case	-	-
Total other current receivables	**7,646**	**8,111**

"Other current receivables" amount to Euro 7,646 thousand at December 31, 2017 (Euro 8,111 thousand at December 31, 2016) and is comprised of the accounts outlined below.

Other receivables, amounting to Euro 6,380 thousand at December 31, 2017 (Euro 5,490 thousand at December 31, 2016), includes miscellaneous receivables (reimbursements, supplier advances, arbitrations with subcontractors and other minor positions). The balance at the end of 2017 includes in addition receivables of Euro 2,430 thousand relating to the reimbursement of a portion of the penalty imposed on SEA by the Antitrust Authority (AGCM) in 2015 following the acquisition of SEA Prime SpA (formerly ATA Ali Trasporti Aerei SpA); on May 30, 2017, the Authority confirmed the reassessment of the penalties and communication to the Ministry for the Economy and Finance of the approval for the reimbursement of the amounts.

Miscellaneous receivables amounting to Euro 822 thousand at December 31, 2017 (Euro 277 thousand at December 31, 2016) mainly refer to receivables from payments by Telepass, credit card and POS which have not yet been credited in the bank account.

Employee and social security receivables, amounting to Euro 238 thousand at December 31, 2017 (Euro 208 thousand at December 31, 2016), mainly refer to the receivable from INPS and the "Fondo Volo per la Cassa Integrazione Guadagni Straordinaria" paid to employees on behalf of the institution and receivables from INAIL.

Receivables from insurance companies, amounting to Euro 206 thousand at December 31, 2017 (Euro 232 thousand at December 31, 2016) relates to amounts paid on insurance policies in advance of the period to which the cost refers.

Receivables from the State under SEA/Ministry Infrastructure and Transport case which amounts to Euro 3,889 thousand, following the judgement of the Cassation Court, which recognised to the Company the non adjustment of handling tariffs for the period 1974-1981, in addition to interest and expenses incurred, is entirely covered by the doubtful debt provision and relates to the residual amount not yet received from the Ministry for Infrastructure and Transport, in addition to interest matured up to December 31, 2014.

The receivable recorded in the financial statements in 2016 relating to the dividends approved by the Shareholders' Meeting of Airport Handling SpA on May 6, 2016 and amounting to Euro 1,901 thousand, was received by the company in April 2017.

6.14 Cash and cash equivalents

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

CASH AND CASH EQUIVALENTS

(Euro thousands)	at December 31, 2017	at December 31, 2016
Bank and postal deposits	67,069	46,954
Cash in hand and similar	60	44
Total	**67,129**	**46,998**

The account at year end comprises bank and postal deposits on demand for Euro 64,721 thousand (Euro 45,438 thousand at December 31, 2016), restricted bank deposits to cover the quota of European Investment Bank loans due in the coming 12 months of Euro 2,348 thousand (Euro 1,516 thousand at December 31, 2016) and cash amounts for Euro 60 thousand (Euro 44 thousand at December 31, 2016). For further information on the movements to cash and cash equivalents, reference should be made to the Cash Flow Statement.

It should be noted that at December 31, 2017 liquidity does not include the escrow account in which Euro 6,000 thousand are deposited in respect of income from the sale price of 30% of the Equity Financial Instruments held by SEA in Airport Handling.

6.15 Shareholders' Equity

Share capital

At December 31, 2017, the share capital of SEA is comprised of 250,000,000 shares of a value of Euro 0.11 each, with a total value of Euro 27,500 thousand.

Legal and extraordinary reserve

At December 31, 2017 the legal reserve of SEA amounts to Euro 5,500 thousand while the extraordinary reserve amounts to Euro 156,348 thousand (Euro 138,792 thousand at December 31, 2016), with the increase of Euro 17,556 thousand following the allocation of the profit for the year 2016.

AFS reserve (Available for sale)

The AFS reserve at December 31, 2017, equal to Euro 1, represents the investment held by SEA in AA2000 based on the agreement with Cedicor as described in Note 6.5.

Cash Flow Hedge Reserve

The balance of the reserve at December 31, 2017, amounting to Euro -4,953 thousand (Euro -6,804 at December 31, 2016), relates to the change in the fair value of the effective part of the derivative hedge contracts listed at Note 4.2.

Actuarial gain/loss reserve

The balance of the reserve at December 31, 2017, equal to Euro -1,215 thousand (Euro -1,257 thousand at December 31, 2016), represents the actuarial losses matured at the statement of financial position date on the Post-Employment Benefits provision.

Other reserves
The other reserves, amounting to Euro 60,288 thousand at December 31, 2017, refer entirely to the reserves recorded in accordance with the revaluation laws 576/75, 72/83 and 413/91.

Distribution of dividends
On May 3, 2017, the Shareholders' Meeting approved the distribution of dividends of Euro 70,300 thousand and the carrying forward to reserves of Euro 17,556 thousand, relating to the allocation of the 2016 net profit, amounting to Euro 87,856 thousand.

For the net equity movements, reference is made to the "Statement of changes in Shareholders' Equity".

Available reserves
In accordance with Article 2427, No. 7-bis of the Civil Code, the equity accounts and their availability and possibility for distribution are reported below.

(Euro thousands)	at December 31, 2017	Possibility of use(*)	Quota available	Summary of utilisations over last 3 years
Share capital	27,500			
Legal reserve	5,500		B	
Extraordinary reserve	156,348		A,B,C	156,348
IFRS initial conversion reserve	14,814			-
AFS reserve	0			
Cash Flow Hedge Reserve	(4,953)			
Actuarial gain/loss reserve	(1,215)			
Other Reserves [(1)]:				
- as per revaluation law 576/76	3,649		A,B,C	3,649
- as per revaluation law 72/83	13,557		A,B,C	13,557
- as per revaluation law 413/91	43,082		A,B,C	43,082
Total	**258,282**		**216,636**	**-**
Total non-distributable amount		**41,646**		

Key:
(*) A: for share capital increase; B: for coverage of losses; C: for distribution to shareholders
(1) Suspension of taxes reserve

6.16 Provision for risks and charges

The changes in the "Provisions for risks and charges" in the year are reported below:

PROVISION FOR RISKS AND CHARGES

(Euro thousands)	at December 31, 2016	Provisions/ Increases	Utilisations/ Decreases	Releases	at December 31, 2017
Restoration and replacement provision	136,782	15,000	(12,808)	(1,491)	137,483
Provision for future charges	33,391	2,083	(5,006)	(1,840)	28,628
Total provision for risks and charges	**170,173**	**17,083**	**(17,814)**	**(3,331)**	**166,111**

The restoration and replacement provision on assets under concession, created in accordance with IFRIC 12, amounting to Euro 137,483 thousand at December 31, 2017 (Euro 136,782 thousand at December 31, 2016), refers to the estimate of the amount matured relating to the maintenance on assets under concession from the State which will be undertaken in future years. The provision for the year takes into account the updated long-term scheduled maintenance and replacement plans on these assets, while the utilisations in the year refer to the restoration works carried out covered by the provisions made in previous years.

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

PROVISION FOR FUTURE CHARGES

(Euro thousands)	at December 31, 2016	Provisions/ Increases	Utilisations/ Decreases	Releases	at December 31, 2017
Personnel provisions	6,584	171	(2,143)		4,612
Tax risks	1,000		(324)	(193)	483
Other provisions	25,807	1,912	(2,539)	(1,647)	23,533
Total provision for future charges	**33,391**	**2,083**	**(5,006)**	**(1,840)**	**28,628**

The personnel provisions relate to the expected streamlining actions to be undertaken on operations. The utilisations in the year are related to the incentivised departures for which a specific provision was made in the accounts in 2016.

The "Tax risks" provision of Euro 483 thousand is related to the provision for disputes currently underway with the competent tax judicial bodies over VAT resulting from the tax audit by the Customs Agency in respect of the resale of electricity and registration tax applied on the transactions in accordance with a number of civil judgments.

The account "Other provisions" for Euro 23,533 thousand at December 31, 2017 (Euro 25,807 thousand at December 31, 2016) is mainly composed of the following items:

- Euro 9,281 thousand for legal disputes related to the operational management of the Milan Airports;
- Euro 2,405 thousand relating to disputes with insurance companies for requests for indemnities;
- Euro 8,000 thousand relating

to charges from the acoustic zoning of the peripheral areas to the Milan Airports (Law No. 447/95 and subsequent Ministerial Decrees). It is reported that the Airport Commission of Malpensa has not yet given the final approval, unlike the Airport Commission of Linate;

- Euro 847 thousand for disputes with ENAV;
- Euro 3,000 thousand for various legal disputes.

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

6.17 Employee provisions

The changes in the employee provisions in 2017 are shown below:

EMPLOYEE PROVISIONS

(Euro thousands)	at December 31, 2017
Opening provision	48,095
Financial (income)/charges	686
Utilisations	(1,989)
Actuarial losses / (profits) rec. to equity reserve	(56)
Total employee provisions	**46,736**

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:

ECONOMIC-FINANCIAL TECHNICAL PARAMETERS

	at December 31, 2017
Annual discount rate	1.30%
Annual inflation rate	1.50%
Annual increase in employee leaving indemnity	2.63%

The annual discount rate, utilised for the present value of the bond, was based on the Iboxx Eurozone Corporate A index.

The sensitivity analysis for each of the significant assumptions at December 31, 2017 is shown below, indicating the effects that would arise on the post-employment benefit provision.

CHANGE

(Euro thousands)	at December 31, 2017
+ 1 % on turnover rate	46,485
- 1 % on turnover rate	47,014
+ 1/4 % on annual inflation rate	47,437
- 1/4 % on annual inflation rate	46,048
+ 1/4 % on annual discount rate	45,634
- 1/4 % on annual discount rate	47,878

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

AVERAGE DURATION OF THE OBLIGATION

(in years)	at December 31, 2017
Duration of the plan	10.3

EXPECTED DISBURSEMENTS

(Euro thousands)	at December 31, 2017
Year 1	2,224
Year 2	1,887
Year 3	2,488
Year 4	2,755
Year 5	3,713

6.18 Current and non-current financial liabilities

The breakdown of current and non-current financial liabilities at December 31, 2017 and at the end of the previous year is reported below:

	at December 31, 2017		at December 31, 2016	
(Euro thousands)	Current	Non-Current	Current	Non-Current
Bank payables	20,919	247,760	20,829	250,929
Payables to other lenders	6,693	298,529	11,248	298,140
Total financial liabilities	**27,612**	**546,289**	**32,077**	**549,069**

The breakdown of the accounts is shown below:

	at December 31, 2017		at December 31, 2016	
(Euro thousands)	Current portion	Non-current portion	Current portion	Non-current portion
Long-term loans	19,766	240,532	19,689	241,208
Loan charges payable	1,153		1,140	
Derivatives fair value		7,228		9,721
Bank payables	**20,919**	**247,760**	**20,829**	**250,929**
Payables to bondholders		298,441		298,008
Payables for charges on bonds	6,627		6,627	
Subsidised rate loans	66	88	44	132
Financial payable to subsidiaries			4,577	
Payables to other lenders	**6,693**	**298,529**	**11,248**	**298,140**
Total current and non-current liabilities	**27,612**	**546,289**	**32,077**	**549,069**

As illustrated in the table above, the Company debt primary consists of medium/long term bank loans and the bond issued on April 17, 2014, the "SEA 3 1/B 2014-2021".

The principal features of the bond are as follows:

- **Type of bond:** Senior, unsecured, non-convertible, in minimum denominations of Euro 100 thousand and exclusively targeting qualified and institutional investors;
- **Issue price**: at par;
- **Value:** Euro 300 million;
- **Interest rate:** fixed annual coupon of 3.125%;
- **Duration:** 7 years, with single repayment on maturity, except for advanced repayment possibilities established under the Loan regulation and in line with market practices;
- **Listing:** Regulated market managed by the Irish Stock Exchange;
- **Covenant:** typical international practice for the issue of such bonds, such as the Limitation of Indebtedness or rather to maintain a Net Financial Position/ EBITDA maximum of 3.8. The covenant has been complied with to date.

For further information on bank loans and derivative contracts underwritten reference should be made to Note 4.

For further information on loans received in 2017, the principal features of these loans and Company repayment schedules reference should be made to Note 4.

The breakdown of the Company net financial debt at December 31, 2017 and December 31, 2016, in accordance with CONSOB Communication of July 28, 2006 and ESMA/2012/81 recommendations are reported below:

	(Euro thousands)	at December 31, 2017	at December 31, 2016
A.	Cash and Cash Equivalents	(67,129)	(46,998)
B.	Other cash equivalents	-	-
C.	Securities held for trading	-	-
D.	**Liquidity (A) + (B) + (C)**	**(67,129)**	**(46,998)**
E.	**Financial receivables**	**(20,630)**	**(43,532)**
F.	Current financial payables	-	4,577
G.	Current portion of medium/long-term bank payables	19,766	19,689
H.	Other current financial payables	7,846	7,811
I.	**Payables and other current financial liabilities (F) + (G) + (H)**	**27,612**	**32,077**
J.	**Net current financial debt (D) + (E) + (I)**	**(60,147)**	**(58,453)**
K.	Non-current portion of medium/long-term bank payables	240,532	241,208
L.	Bonds issued	298,441	298,008
M.	Other non-current financial payables	7,316	9,853
N.	**Payables & other non-current financial liabilities (K) + (L) + (M)**	**546,289**	**549,069**
O.	**Net Financial Debt (J) + (N)**	**486,142**	**490,616**

At the end of December 2017, the net financial debt amounted to Euro 486,142 thousand, decreasing by Euro 4,474 thousand compared to the end of 2016 (Euro 490,616 thousand).

As illustrated in the cash flow statement, the level of net financial debt was impacted by the fact that the cash flow generated from the operating activity of Euro 135,528 thousand was sufficient to offset the cash flow absorbed by investing activity (Euro 46,964 thousand) and that absorbed from financing activity for the payment of dividends and interest and commissions (respectively of Euro 70,307 thousand and Euro 16,747 thousand); financing activities were impacted by the following factors: *i)* increase in cash and cash equivalents by Euro 20,131 thousand (Euro 67,129 thousand at the end of 2017 compared to Euro 46,998 thousand at the end of 2016), ***ii)*** the disbursement at the end of June 2017 of new medium/long-term loans of Euro 20 millions from the EIB at variable interest rates for a period of twenty years; ***iii)*** the continuation of the repayment of loans in place amounting to Euro 19,711 thousand.

The following is a breakdown of the variations of current and non-current financial assets and liabilities, with a separate indication of cash flows recorded in the year 2017 and other variations.

CURRENT & NON-CURRENT FINANCIAL ASSETS & LIABILITIES

(Euro thousands)	Current & non-current portion of medium/long-term bank loans	Bond loans	Subsidised loans (current and non-current)	Payables for charges on loans & bond loans	Derivative liabilities	Financial payables/ receiv. to subsid.e	Total
At December 31, 2016						**(38,955)**	**537,614**
Cash flows:							
Issue new tranche of EIB loans	20,000						20,000
Repayments (capital portion)	(19,689)		(22)				(19,711)
Cash pooling changes						18,325	18,325
Payment interest charges on bank loans & bond loans in FY 2016				(7,767)			(7,767)
Total cash flows	**311**		**(22)**	**(7,767)**		**18,325**	**10,847**
Other changes:							
Amortised cost effect	(910)	433					(477)
Fair value change					(2,493)		(2,493)
Accrual on interest charges on loan& bond loan				7,780			7,780
Total other changes	**(910)**	**433**		**7,780**	**(2,493)**		**4,810**
At December 31, 2017	**260,298**	**298,441**	**154**	**7,780**	**7,228**	**(20,630)**	**553,271**

6.19 Trade payables

The breakdown of the "Trade payables" is shown below:

TRADE PAYABLES

(Euro thousands)	at December 31, 2017	at December 31, 2016
Trade payables	130,362	135,537
Advances	7,582	7,419
Payable to subsidiaries	4,371	15,381
Payables to associates	4,519	3,434
Total trade payables	**146,834**	**161,771**

Trade payables of Euro 146,834 thousand at December 31, 2017 refers to the purchase of goods and services relating to the operating activity and investments. In order to optimise operations with suppliers, trade payables at December 31, 2017 include sums ceded under indirect factoring contracts for Euro 4,218 thousand (Euro 12,279 at December 31, 2016).

The payables for advances at December 31, 2017 amounting to Euro 7,582 thousand principally refer to advances from clients and the balance is in line with the previous year.

With regard to payments received in the year 2014 and classified under payables for advances following Judgment No. 12778/2013 of the Court of Milan (confirmed by the Court of Appeal of Milan with Judgment No. 3553/2015) with which the Customs Agency was ordered to pay a total of Euro 5,631 thousand in relation to disputes relating to the occupation of spaces located in the Linate and Malpensa airport grounds, it should be noted that in December 2016, the Customs Agency challenged this judgement before the Cassation Court and contested the ruling of the Court of Appeal. Since not all levels of judgment have been completed, no revenue has been posted in the present separate financial statements.

The remainder of payables on account mainly relate to payments on account by clients.

For payables from subsidiaries and associated companies reference should be made to Note 8, relating to transactions with related parties.

6.20 Income tax payables

Payables for income taxes amounting to Euro 7,227 thousand at December 31, 2017 (Euro 6,046 thousand at December 31, 2016), mainly relate to direct taxes for Euro 1,142 thousand, employee and consultant's withholding taxes for Euro 5,520 thousand (Euro 4,972 thousand at December 31, 2016) and VAT "split payables" for Euro 504 thousand.

The balance at December 31, 2016 included payables relating to higher IRES income tax paid by the Subsidiaries (within the Tax Consolidation) and requests for reimbursement in March 2013 through the consolidating company, against the non-deductibility from IRES of the IRAP regional tax on personnel costs relating to the years 2007/2011, for Euro 1,028 thousand.

6.21 Other current and non-current payables

The breakdown of the account "Other current and non-current payables" at December 31, 2017 is shown below:

OTHER CURRENT PAYABLES

(Euro thousands)	at December 31, 2017	at December 31, 2016
Payables to social security institutions	12,714	11,760
Employee payables for amounts matured	15,979	13,522
Employee payables for vacations not taken	2,536	2,749
Payables to the State for airport fire services	59,040	53,088
Payables to the State for concession fee	13,634	12,198
Payables to the state for concession fee security service	83	81
Payables for additional landing rights	46,131	46,011
Payables to third parties for ticketing collections	70	414
Third party guarantee deposits	968	1,110
Payables to the Board of Directors and Board of Statutory Auditors	190	187
Payables to shareholders for dividends	77	88
Payables to others employee withholdings	251	265
Other	17,985	13,530
Total other current liabilities	**169,658**	**155,003**

"Other current liabilities" increased by Euro 14,655 thousand, from Euro 155,003 thousand at December 31, 2016 to Euro 169,658 thousand at December 31, 2017.

This increase is mainly due to the offsetting of the following items: *i)* higher charges of Euro 5,952 thousand for the contribution of the Company to the airport fire protection service under Law No. 296 of December 27, 2006 *ii)* higher employee payables for services matured, for Euro 2,457 thousand, principally due to the recognition, for the year 2017, of a bonus based on the results of the company, related to the achievement of company performances; *iii)* increase in payables to the State relating to the payment of concession fees, for Euro 1,436 thousand, following the change in the traffic data; *iv)* increase in the account "Others" for Euro 4,455 thousand. The account "Other payables", amounting to Euro 17,985 thousand at December 31, 2017 (Euro 13,530 thousand at December 31, 2016), mainly relates to deferred income from clients for future periods and other minor payables. The increase of Euro 4,455 thousand is principally due to the timing of invoicing by the company.

In relation to the payable to the State for airport fire services, in judgment No. 1870/2018, the Court of Rome ruled that the regular courts have no jurisdiction and that the case must revert to the Tax Commission.

The breakdown of the account "Other non-current payables" at December 31, 2017 is shown below:

OTHER NON-CURRENT PAYABLES

(Euro thousands)	at December 31, 2017	at December 31, 2016
Employee payables	14,946	
Payables to social security institutions	2,642	
Total other non-current liabilities	**17,588**	**-**

"Other non-current payables" refers to payables to employees and associated social security contributions, recorded as a result of the mobility procedure's commencement on December 27, 2017. Through the mobility procedure, early retirement incentive payments were established for a pre-determined number of workers who will qualify for pension benefits by August 2023 (early retirement or old age pension). The agreement with Trade Unions covering this procedure was signed on January 15, 2018.

6.22 Payables and receivables beyond five years

There are no receivables over five years.

Financial payables above five years amount to Euro 147,670 thousand relating to the repayment of principal on medium/long-term loans at December 31, 2017.

7 Income Statement

7.1 Operating revenues

The breakdown of operating revenues by business unit is reported below:

OPERATING REVENUES BY BUSINESS UNIT

(Euro thousands)	2017	2016
Aviation	448,688	415,942
Non-Aviation	227,479	216,071
Total operating revenues	**676,167**	**632,013**

The breakdown of Aviation operating revenues is reported below.

AVIATION OPERATING REVENUES

(Euro thousands)	2017	2016
Fees and centralised infrastructure	387,272	355,149
Security management revenues	45,495	45,209
Use of regulated spaces	15,921	15,584
Total Aviation operating revenues	**448,688**	**415,942**

Aviation revenue in 2017 increased Euro 32,746 thousand compared to the previous year, from Euro 415,942 thousand in 2016 to Euro 448,688 thousand in 2017. This growth was supported by the tariff adjustment defined in the Master Contract and the increase in passenger and cargo traffic thanks to: *i)* the activation of thirteen new routes and increased frequencies on many existing routes, both on European and non-European routes; *ii)* the attraction of six new carriers; *iii)* increase in seats offered by carriers both at Malpensa and Linate with total growth of approx. 6.8% and, *iv)* signing of new bilateral agreements and updating of some agreements already in place. Passenger traffic recorded increased movements of 4.1% and passengers of 9%. Goods traffic continued its strong growth with revenue up 7.1% thanks to the excellent performance of Malpensa (+7.4%) beating its historic record in the previous year in terms of movements which amounted to 577 tonnes of goods transported. Reference should be made to the Directors' Report for further details.

The breakdown of Non Aviation operating revenues is reported below.

NON AVIATION OPERATING REVENUES

(Euro thousands)	2017	2016
Retail	91,988	86,476
Parking	64,123	60,322
Cargo spaces	13,969	11,696
Advertising	10,328	10,316
Premium services	13,885	13,789
Real Estate	1,422	1,608
Services and other revenues	31,764	31,864
Total Non Aviation operating revenues	**227,479**	**216,071**

The breakdown of retail revenues is reported below.

RETAIL REVENUES

(Euro thousands)	2017	2016
Shops	47,610	45,174
Food & beverage	18,809	17,485
Car rental	16,204	14,652
Banking activities	9,365	9,165
Total Retail	**91,988**	**86,476**

Non-Aviation revenues grew Euro 11,408 thousand compared to the previous year, from Euro 216,071 thousand in 2016 to Euro 227,479 thousand in 2017. This increase is mainly attributable to the following factors: *i)* retail revenues grew Euro 5,512 thousand thanks to higher royalties on the concessions for sales directly to the public. In particular these revenues grew thanks to the increase in passenger traffic and the gradual completion of the restyling project of the commercial offer at Malpensa Terminal 1, based on a single commercial gallery accessible to passengers of any destination with areas differentiated by positioning and pricing. The retail profile of Malpensa Terminal 1 was in fact completely resigned to better service the various market segments resulting from their compression in the same departure area of low cost and short, medium and long-range legacy carriers; *ii)* parking revenues grew Euro 3,801 thousand due to a very intense commercial policy, featuring an extremely strong management drive combining marketing and revenue management strategies based on continual communication to differentiate tariffs based on customer needs and seasonality and ongoing renewal of the sales channels; *iii)* revenues from cargo concessions grew Euro 2,273 thousand benefitting from the revenue deriving from the new warehouse in the Malpensa cargo area and those relating to an area assigned to another cargo operator for the construction of a new warehouse.

"Services and other revenues" mainly relate to income from the design services, service activities and other income. The amount in 2017 is substantially in line with the previous year due to the combined effect of: *i)* non-recurring income of Euro 2,429 thousand relating to the reimbursement of a portion of the penalty imposed on SEA by the Anti-Trust Authority (AGCM) in 2015 following the acquisition of SEA Prime – formerly, ATA Ali Trasporti Aerei. On May 30, 2017, the Authority confirmed the reassessment of the penalties as Euro 936 thousand (compared to penalties paid in 2015 of Euro 3,365 thousand) and communication to the Ministry of Economy and Finance of the approval of reimbursement of the total sums; *ii)* reduction in revenues deriving from design activities for Euro 1,268 thousand following the termination of the contracts; *iii)* lower gains deriving from the sale of fixed assets for Euro 400 thousand and iv) reduction in revenues related to the sale of green certificates for Euro 450 thousand as the recognition period terminated in 2016.

7.2 Revenue for works on assets under concession

Costs for works on assets under concession decreased from Euro 46,622 thousand in 2016 to Euro 28,281 thousand in 2017.

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

This account is strictly related to investment and infrastructure upgrading activities. For further information on the principal investments, reference should be made to Note 6.1.

The account "Costs for work on assets under concession" (Note 7.6) reflects the decrease in the year due to lower work on assets under concession.

7.3 Personnel costs

The breakdown of personnel costs is as follows:

PERSONNEL COSTS

(Euro thousands)	2017	2016
Wages and salaries	131,507	124,137
Social security charges	37,281	36,452
Post-employment benefits	7,649	7,642
Other personnel costs	28,911	9,247
Personnel costs	**205,348**	**177,478**

Personnel costs increased by Euro 27,870 thousand (+15.7%), from Euro 177,478 thousand in 2016 to Euro 205,348 thousand in 2017.

The increase is mainly related to the leaving incentive plan agreed with the trade unions under the Personnel Restructuring Industrial Plan 2018-2023. The increase also includes the recognition of a reward contribution linked to the achievement of corporate performance objectives and the allocation of the National Collective Labour Agreement's renewal signed in 2014 and which expired at the end of 2016; this resulted in higher costs of Euro 24,707 thousand. For further information on the leaving incentive plan reference should be made to the Directors' Report.

The average number of FTE employees by category compared to the previous year is reported below:

AVERAGE FULL TIME EQUIVALENT

	January - December			
	2017	**%**	**2016**	**%**
Executives	54	2%	52	2%
Managers	264	10%	261	10%
White-collar	1,712	63%	1,720	63%
Blue-collar	636	24%	660	24%
Total full-time employees	**2,666**	**99%**	**2,693**	**99%**
Temporary workers	28	1%	23	1%
Total employees	**2,694**	**100%**	**2,716**	**100%**

The decrease in staff is attributable to terminations generated by the voluntary early retirement procedure, partially offset by recruitment in operations due to the increase in passenger traffic.

The employee Headcount (HDC) at year-end in the parent company was as follows:

No. HDC (HEADCOUNT) EMPLOYEES (AT PERIOD END)

	at December 31, 2017	at December 31, 2016	change
HDC Employees (at period end)	2.771	2.792	(21)

7.4 Consumable materials

The breakdown of "Consumable materials" is as follows:

CONSUMABLE MATERIALS

(Euro thousands)	**2017**	**2016**
Raw materials, ancillaries, consumables and goods	10,180	8,341
Change in inventories	39	670
Total consumable materials	**10,219**	**9,011**

The account "Consumable materials" mainly includes the purchase of goods for airport activities (chemical products for de-icing and de-snowing, clothing, spare parts, etc). The increase of Euro 1,208 thousand compared to the previous year is principally due to the increase in the purchases for inventories of chemical products for de-icing and anti-icing utilised in the case of snow and/or ice.

7.5 Other operating costs

The table below reports the breakdown of the account "Other operating costs":

OTHER OPERATING COSTS

(Euro thousands)	2017	2016
Commercial costs	53,302	44,251
Public entity fees	31,848	31,132
Utilities & security expenses	29,840	34,059
Ordinary maintenance costs	24,629	24,224
Terminal services provided by handling company	22,546	22,899
Parking management	15,298	12,072
Cleaning	13,686	13,221
Professional legal, administrative and strategic services	8,282	8,784
Tax charges	6,671	6,459
Hardware & software use licenses	4,112	4,206
Disabled assistance	3,608	3,633
Hire of equipment & vehicles	3,540	3,326
Insurance	1,285	1,277
Emoluments & costs of Board of Stat. Auditors & BoD	650	701
Losses on disposal of assets	63	170
Rental charges	138	156
Other costs	14,054	12,443
Total other operating costs	**233,552**	**223,013**

In 2017, the account "Other operating costs" increased by Euro 10,539 thousand compared to the previous year. This increase was principally due to the following factors:

- higher commercial costs of Euro 9,051 thousand, related principally to the increase in traffic incentive charges;
- increase in concession fees to Public Entities for Euro 716 thousand following the higher concession fee which SEA must pay for the year 2017 to ENAC. This increase is strictly correlated to the traffic numbers;
- lower utility costs due to lower consumption of heating and air-conditioning for Euro 5,399 thousand against an increase in electricity costs of Euro 425 thousand. This change is strictly correlated to movements in the price of the raw materials. It is also highlighted that the increase in electricity costs benefitted from the positive effect, amounting to Euro 1,298 thousand, deriving from the cancellation of the costs for system charges accrued in 2015 and 2016 following the conversion of the so- called "Milleproroghe" Decree in which the legislator decided to delay the application from January 1, 2018. Security costs increased Euro 471 thousand following the increase in security filter control activities;
- higher ordinary maintenance costs of Euro 405 thousand, relating to programmed maintenance on property, plant and equipment;
- lower airport service costs by handling companies for Euro 353 thousand mainly related to emergency/contingency services, snow emergency services and de-icing services;
- increase in parking management costs for Euro 3,226 thousand following the outsourcing of activities which in the previous year were directly undertaken by the Company;
- increase in cleaning costs of Euro 465 thousand following the entry into service of new areas in the third Malpensa sat-

ellite;

- lower costs for professional legal, administrative and strategic services of Euro 502 thousand following the efficiency actions implemented by the Company;
- increase in the residual account "Other costs" for Euro 1,611 thousand, principally related to higher costs for catering services in the VIP lounges and the write-off of receivables of non-aviation operators following settlements.

The residual account "Other costs" includes fees recognised by SEA for the collection of airport rights related to general aviation for Euro 4,088 thousand (Euro 4,088 thousand in 2016), catering service costs for the VIP lounges of Euro 3,104 thousand (Euro 2,550 thousand in 2016), commission and brokerage costs of Euro 1,428 thousand (Euro 1,374 thousand in 2016), other industrial costs (principally certification and authorisation charges, reception and welcoming passengers etc.) of Euro 392 thousand (Euro 550 thousand in 2016), landside transportation services of Euro 846 thousand (Euro 846 thousand in 2016), association contributions paid by the Company of Euro 1,065 thousand (Euro 932 thousand in 2016), purchase and subscription of newspapers and magazines of Euro 440 thousand (Euro 467 thousand in 2016) and office running expenses.

The subsidiary SEA Energia SpA presented a request to GSE on September 29, 2015 to qualify as a SEESEU system contributor which would permit subsidised tariffs on the electricity consumed and not taken from the grid equal to 5% of the unitary amounts due and recharged to SEA.

In May 2017, the subsidiary SEA Energia SpA received GSE's acceptance of its application and was, therefore, granted this qualification. With the conversion of Decree-Law 244/2016 (commonly known as the "Milleproroghe Decree"), the legislature decided to postpone the application of system charges starting from January 1, 2018.

Therefore, in the account "Utilities and security expenses" the electricity cost includes the positive effect of Euro 1,298 thousand resulting from the application of the new Decree, in relation to the amounts accrued in 2015 and 2016.

7.6 Costs for works on assets under concession

Costs for works on assets under concession decreased from Euro 43,114 thousand in 2016 to Euro 26,006 thousand in 2017. The change in the account is related to the investment activities (Note 7.2).

These costs refer to the costs for the works undertaken on assets under concession and concern the Aviation business unit.

7.7 Provisions and write-downs

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

PROVISIONS AND WRITE-DOWNS

(Euro thousands)	2017	2016
Provisions / (releases) of current receivables & cash and cash equivalents	26,897	3,908
Write-down of other financial assets	3,476	
Provisions/(releases) to provisions for future charges	243	(464)
Total provisions and write-downs	**30,616**	**3,444**

In 2017 "Provisions and write-downs" increased Euro 27,172 thousand on the previous year (from Euro 3,444 thousand in 2016 to Euro 30,616 thousand in 2017).

The doubtful debt provision in the year was calculated to take into account the risk in deterioration of the financial positions of the principle operators with which disputes exist and write-downs for receivables under administration. This increase, amounting to Euro 22,989 thousand, mainly refer to the full write-down of past-due receivables, prior to May 2, 2017, claimed from Alitalia SAI in Extraordinary Administration. For further information, reference should be made to the Directors' Report.

The write-down of other financial assets, amounting to Euro 3,476 thousand, relates to the realignment of the assets recorded in the accounts on the measurement of the shares held in Airport Handling through the Trust. For further information, reference should be made to Note 6.7.

The net provisions for future risks and charges, amounting to Euro 243 thousand refers principally to adjustments on valuations related to legal disputes concerning the operational management of the Milan Airports.

7.8 Restoration and replacement provision

The breakdown of the restoration and replacement provision is as follows:

RESTORATION AND REPLACEMENT PROVISION

(Euro thousands)	2017	2016
Accrual/(release) restoration and replacement provision	13,509	17,100
Total accrual to restoration and replacement provision	**13,509**	**17,100**

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

A decrease of Euro 3,591 thousand is reported, from Euro 17,100 thousand in 2017 to Euro 13,509 thousand in 2017, following the updating of the long-term scheduled replacement and maintenance plan of the assets within the so-called "Concession Right".

7.9 Amortisation & Depreciation

The account "Amortisation & depreciation" is comprised of:

AMORTISATION & DEPRECIATION

(Euro thousands)	2017	2016
Amortisation of intangible assets	50,570	44,516
Depreciation of property, plant and equipment	14,909	13,537
Depreciation of real estate investments	1	2
Total amortisation & depreciation	**65,480**	**58,055**

The depreciation of tangible fixed assets reflects the estimated useful life made by the company while, for the intangible assets within the "Concession Right", consideration is taken of the concession duration.

7.10 Investment income and charges

The breakdown of investment income and charges is as follows:

INVESTMENT INCOME (CHARGES)

(Euro thousands)	2017	2016
Revaluation (Write-down) SEA Handling SpA in liquidation	1,705	(249)
Revaluation (Write-down) Consorzio Malpensa Construction in liquidation	74	
Dividends from SACBO SpA	2,128	1,801
Dividends from Dufrital SpA	1,679	
Dividends from Malpensa Logistica Europa SpA	1,236	173
Dividends from SEA Services Srl	624	680
Dividends from Disma SpA	234	281
Other income		1,901
Total income (charges) from investments	**7,680**	**4,587**

Investment income amounts to Euro 7,680 thousand in 2017 compared to net investment income of Euro 4,587 thousand in the previous year.

Investment income concerning dividends distributed by investees increased Euro 2,966 thousand on the previous year (from Euro 2,935 thousand in 2016 to Euro 5,901 thousand in 2017).

The account "Revaluation (Write-down) SEA Handling SpA in liquidation", amounting to Euro 1,705 thousand, relates to the positive effect deriving from the difference between the value of the investment held in SEA Handling SpA in liquidation and the value of the assets liquidated to SEA following the approval of the final liquidators accounts of the subsidiary at June 30, 2017 and the relative distribution plan; on July 25, 2017 the Liquidator of SEA Handling SpA cancelled the company from the companies register.

The account “Revaluation (Write-down) Consorzio Malpensa Construction in liquidation”, amounting to Euro 74 thousand, relates to the positive effect deriving from the difference between the value of the investment held in Malpensa Construction in liquidation and the value of the assets liquidated to SEA following the approval of the final liquidators accounts of the subsidiary at October 31, 2017 and the relative distribution plan; on December 14, 2017 the Liquidator of Malpensa Construction in liquidation cancelled the company from the companies register.

The previous year benefitted from other income of Euro 1,901 thousand concerning income matured on the Equity Financial Instruments held in Airport Handling SpA.

For further information, reference should be made to Note 6.4.

7.11 Financial income and charges

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

FINANCIAL INCOME (CHARGES)

(Euro thousands)	2017	2016
Exchange gains	4	12
Other financial income	1,081	1,120
Total financial income	**1,085**	**1,132**
Interest charges on medium/long-term loans	(12,413)	(12,793)
Exchange losses	(10)	(2)
Other interest charges	(5,737)	(6,116)
Total financial charges	**(18,160)**	**(18,911)**
Total financial income (charges)	**(17,075)**	**(17,779)**

Net financial charges reduced Euro 704 thousand (from Euro 17,779 thousand in 2016 to Euro 17,075 thousand in 2017). Against substantially unchanged financial income, the financial charges reduced with a reduction in costs of Euro 751 thousand.

The reduction in financial charges of Euro 751 thousand is mainly due to: *i)* decrease in the average cost of the medium/long-term debt, based on interest rate movements, and the decrease in the gross debt, with lower interest expense of Euro 380 thousand; and *ii)* reduction in other interest expenses of Euro 379 thousand. The positive effect related to the decrease in interest expense on derivatives for Euro 315 thousand and on the commissions related to the factoring operations for Euro 310 thousand, in fact, is only partially offset by the increase in expenses related to bank guarantees on the EIB loans on the line subscribed in December 2014.

For further information on the change in the financial liabilities, reference should be made to Note 6.18.

7.12 Income taxes

The breakdown of the account “income taxes” is shown below:

INCOME TAXES

(Euro thousands)	2017	2016
Current income taxes	41,074	47,013
Deferred tax charge/(income)	(7,697)	(640)
Total income taxes	**33,377**	**46,373**

The reconciliation between the theoretical and effective tax rate for 2017 is shown below:

(Euro thousands)	2017	%
Profit before taxes	**110,323**	
Theoretical income taxes	26,477	24.0%
Permanent tax differences effect	(28)	0.0%
IRAP	6,961	6.3%
Other	(33)	0.0%
Effective taxes	**33,377**	**30.3%**

The "Other" account principally includes tax adjustments concerning both current and deferred taxes of previous years.

The principal permanent tax differences concern dividends from investees under the pex legislation received in 2017, the write-down of other financial assets held in Airport Handling and the recording of the income relating to the recognition of the higher amount paid in 2015 following the penalties issued by AGCM and reassessed in 2017, for which reference should be made for further details to Note 7.1 and the Directors' Report.

8 Transactions with Related Parties

The table below shows the balances and transactions of the company with related parties for the years 2017 and 2016 and an indication of the percentage of the relative account:

TRANSACTIONS WITH RELATED PARTIES

(Euro thousands)	at December 31, 2017 Trade Receivables	Current financial receivables	Trade Payables	Income tax payables
Subsidiaries				
SEA Energia SpA	409	20,253	3,201	41
SEA Prime SpA	2,897	377	1,170	
Associates				
SACBO SpA	276		510	
Dufrital SpA	5,430		1,149	
Malpensa Logistica Europa SpA	1,840		1,046	
SEA Services Srl	1,137		1,714	
Signature Flight Support Italy Srl	63		1	
Disma SpA	116		99	
Total related parties	**12,168**	**20,630**	**8,890**	**41**
Total book value	108,612	20,630	146,834	7,227
% on total book value	**11.20%**	**100.00%**	**6.05%**	**0.57%**

(Euro thousands)	Year ended December 31, 2017 Operating revenues	Other operating costs	Personnel costs	Net financial income (charges)	Investment income (charges)
Subsidiaries					
SEA Handling SpA in liquidation (*)	10	8			1,705
SEA Energia SpA	440	21,822	(80)	839	
Consorzio Malpensa Contruction (*)	(8)	4			74
SEA Prime SpA	7,581	4,105	(566)		
Associates					
SACBO SpA (**)	921	10,440	(4)		2,128
Dufrital SpA	30,541	21			1,679
Malpensa Logistica Europa SpA	4,239	10	(38)		1,236
SEA Services Srl	3,331	3,113			624
Disma SpA	215				234
Signature Flight Support Italy Srl	121				
Total related parties	**47,391**	**39,523**	**(688)**	**839**	**7,680**
Total book value	676,167	233,552	205,348	(17,075)	7,680
% on total book value	**7.01%**	**16.92%**	**-0.34%**	**-4.91%**	**100.00%**

(*) In 2017 SEA Handling SpA in liquidation and Malpensa Construction Consortium were removed from the companies register following the approval of the final liquidators' accounts and the distribution plan. For further information, reference should be made to Notes 6.4 and 7.10.
(**) The account "Other operating costs" relating to transactions with SACBO, equivalent to Euro 10,440 thousand, does not include that invoiced by SEA to the final clients and transferred to the associate.

(Euro thousands)	at December 31, 2016					
	Trade Receivables	**Current financial receivables**	**Tax receivables**	**Trade Payables**	**Current and non-current financial liabilities**	**Income tax payables**
Subsidiaries						
SEA Handling SpA in liquidation	63					1,028
SEA Energia SpA	731	43,532		14,092		41
Consorzio Malpensa Contruction	156			248		
SEA Prime SpA	2,277			1,041	4,577	
Associates						
SACBO SpA	138			342		
Dufrital SpA	5,350			1,173		
Malpensa Logistica Europa SpA	1,029			986		
SEA Services Srl	354			834		
Signature Flight Support Italy Srl	30			1		
Disma SpA	131			98		
Total related parties	**10,259**	**43,532**	**-**	**18,815**	**4,577**	**1,069**
Total book value	82,965	43,532		161,771	581,145	6,046
% on total book value	**12.37%**	**100.00%**	**0.00%**	**11.63%**	**0.79%**	**17.68%**

(Euro thousands)	Year ended December 31, 2016				
	Operating revenues	**Other operating costs**	**Personnel costs**	**Net financial income (charges)**	**Investment income (charges)**
Subsidiaries					
SEA Handling SpA in liquidation	30	(2)	(79)		(249)
SEA Energia SpA	803	27,244	(80)	1,090	
Consorzio Malpensa Contruction					
SEA Prime SpA	7,607	4,088	(428)		
Associates					
SACBO SpA (*)	860	9,518	(6)		1,801
Dufrital SpA	28,695	19			
Malpensa Logistica Europa SpA	4,076		(40)		173
SEA Services Srl	2,547	2,569			680
Disma SpA	230				281
Signature Flight Support Italy Srl	70		(24)		
Total related parties	**44,918**	**43,436**	**(657)**	**1,090**	**2,686**
Total book value	632,013	223,013	177,478	(17,779)	4,587
% on total book value	**7.11%**	**19.48%**	**-0.37%**	**-6.13%**	**58.56%**

(*) *The account "Other operating costs" relating to transactions with SACBO, equivalent to Euro 9,518 thousand, does not include that invoiced by SEA to the final clients and transferred to the associate.*

Transactions with subsidiary companies

Commercial transactions between SEA and subsidiary companies are as follows:

i. the transactions between SEA and SEA Handling SpA in liquidation concern the provision to the subsidiary SEA Handling SpA in liquidation of some administration services (among which legal and administration). These services were terminated with the removal from the companies register of SEA Handling SpA in liquidation, on July 25, 2017, following the completion of the liquidation procedure;

ii. the transactions with SEA Energia SpA concern the supply to the Milan Airports, of electric and thermal energy produced by the Co-generation plants, located at the afore-mentioned airports, for its energy requirements, the agreements relating to the division of the Green Certificates generated by the Co-generation plants at the Milan Linate Airport, as well as the agreement for the provision, by the Company in favour of SEA Energia, of administrative services (among which legal, fiscal, planning and control);

iii. the transactions between the Company and the Malpensa Construction Consortium relate to the provision of management services of the works for the expansion and improvement of the Milan Airports which the Consortium undertakes on behalf of SEA. These services were terminated with the removal from the companies register of Malpensa Consorzio Malpensa Construction in liquidation, on December 14, 2017, following the completion of the liquidation procedure;

iv. the transactions with SEA Prime SpA concern the sub-concession contract for the General Aviation management operations, at Linate airport, granted by SEA on May 26, 2008 and expiring on April 30, 2041. The contract concerns, specifically, the utilisation of the general aviation infrastructure and the verification and collection, on behalf of SEA, of airport and security fees. An agreement is also in place between the company and SEA Prime SpA for administration services (including legal, tax and accounting services).

Financial receivables and payables relate to centralised treasury services (cash pooling) which SEA undertakes on behalf of the subsidiaries.

Transactions with associated companies

The transactions between the Company and the associated companies, in the periods indicated below:

- commercial parking management transactions at Orio al Serio-Bergamo (SACBO) airport;
- commercial transactions with reference to the recognition to SEA of royalties on sales (Dufrital);
- rental of premises (Malpensa Logistica Europa);

- supply to SEA of catering services (SEA Services);
- commercial transactions deriving from the concession for the distribution of fuel (Disma).

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

Other transactions with Related Parties

SACBO SpA
In 2017, SACBO distributed dividends to SEA for Euro 2,128 thousand.

DUFRITAL SpA
In 2017, Dufrital distributed dividends to SEA for Euro 1,679 thousand.

MALPENSA LOGISTICA EUROPA SpA
In 2017, Malpensa Logistica Europa SpA distributed dividends to SEA for Euro 1,236 thousand.

SEA SERVICES Srl
In 2017, SEA Services distributed dividends to SEA for Euro 624 thousand.

DISMA SpA
In 2017, Disma distributed dividends to SEA for Euro 234 thousand.

9 Directors' fees

In 2017, the remuneration for the Board of Directors, including social security contributions and accessory charges, amounted to Euro 428 thousand (Euro 481 thousand in 2016).

10 Statutory auditors' fees

In 2017, the remuneration for the Board of Statutory Auditors, including welfare and accessory charges, amounted to Euro 222 thousand (Euro 220 thousand in 2016).

11 Independent Audit Firm fees

The fees for the audit of the statutory financial statements of SEA recognised to the independent audit firm Deloitte & Touche SpA for the year 2017 amounted to Euro 102 thousand and Euro 53 thousand for other activities.

12 Commitments and guarantees

12.1 Investment commitments

The principal commitments for investment contracts under Consortium Regroupings are shown below net of works already realised:

BREAKDOWN PROJECT COMMITMENTS

(Euro thousands)	at December 31, 2017	at December 31, 2016
Design and extraordinary maintenance civil works and plant at Linate & Malpensa	21,532	6,403
Design and construction of new warehouses at Cargo City of Malpensa	4,006	7,582
Design and extraordinary maintenance of Linate & Malpensa AVL plant	3,465	
Construction of new frontage at Linate	3,381	
Design and extraordinary maintenance flight infrastructure and roadways at Linate and Malpensa	1,148	3,201
Construction of new de-icing area at Linate	777	
Total project commitments	**34,309**	**17,186**

12.2 Commitments for rental contracts

At December 31, 2017, SEA has commitments on rental contracts totalling Euro 24,526 thousand, principally relating to software and hardware components for the airport IT system, the rental of airport buses and the motor vehicles fleet.

The breakdown of the minimum payments on the contracts of the Company at December 31, 2017 is as follows:

(Euro thousands)	at December 31, 2017
Within 12 months	7,060
Between 1 and 5 years	17,466
Total	**24,526**

12.3 Guarantees

The secured guarantees, amounting to Euro 2,348 thousand at December 31, 2017, relate to the lien on receivables against loans provided by credit institutions on European Investment Bank funds.

At December 31, 2017, the sureties in favour of third parties were as follows:

- two bank sureties, equal respectively to Euro 42,000 thousand and Euro 46,000 thousand, as guarantee on funds drawn down in June 2015 and June 2017 on the EIB line subscribed 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 3,500 thousand in favour of A2A Trading Srl as guarantee of the obligations under the provision of the natural gas contract signed between A2A Trading Srl and SEA Energia SpA;
- surety of Euro 2,000 thousand in favour of SACBO as guarantee for the parking management at Bergamo airport;
- surety of Euro 2,000 thousand in favour of the Ministry of Defence as guarantee of the obligations pursuant to the technical agreement of June 4, 2009 following the advance delivery of the "Cascina Malpensa" area;
- surety of Euro 102 thousand in favour of the supplier Contract GmbH for the rental of airport buses;
- Euro 370 thousand for other minor sureties.

13 Contingent liabilities and disputes

Reference should be made to the explanatory notes in relation to disputes on investments (Note 6.4 and Note 6.5), receivables (Note 6.10) and operating risks (Note 6.16).

14 Contingent assets

With reference to Judgment 7241/2015 of the Milan Court, confirmed by the Milan Court of Appeal with Judgment No. 331/2017, as not all appeals have been made this contingent asset was not recognised in the income statement as per IAS 37.

For further information reference should be made to "Subsequent events to the year-end" in the Directors' Report.

15 Transactions relating to atypical or unusual operations

In accordance with Consob Communication of July 28, 2006, the Company did not undertake any transactions deriving from atypical or unusual operations, as set out in the communication.

16 Significant non-recurring events and transactions

Pursuant to CONSOB Communication of July 28, 2006, in the view of Directors, in 2017 the Company undertook the following non-recurring significant operations:

- On May 30, 2017, the Authority confirmed the re-assessment of the fine, issued by AGCM in 2015 (totalling Euro 3,365 thousand) on the conclusion of the Procedure contesting its dominant position in relation to the tender procedures for the disposal of SEA Prime SpA (formerly ATA Ali Trasporti Aerei SpA), for the amount of Euro 936 thousand and the communication to the Ministry for the Economy and Finance of the approval of the refunding of the total amount of Euro 2,430 thousand (of which Euro 1 thousand for default interest). This income was recorded in the account "Operating Revenues" and under receivables until the actual collection;

- With the conversion of Decree-Law 244/2016 (commonly known as the "Milleproroghe Decree"), the legislature decided to postpone the application of system charges starting from January 1, 2018. Therefore, the amounts accrued in the years 2015 and 2016 were reversed;
- On July 10, 2017, the Ordinary Shareholders' Meeting of SEA Handling SpA in liquidation approved the final liquidators accounts at June 30, 2017 and the relative division plans, authorising the Liquidator to request the cancellation of the company (cancellation on July 25, 2017). The liquidator has arranged to pay the sole shareholder SEA SpA the sum of Euro 8,376 thousand resulting from the distribution plan. The company recorded income under "Investment Income and Charges" of Euro 1,705 thousand as the difference between the carrying amount of the subsidiary at December 31, 2016 and the value of the assets liquidated.

17 Subsequent events to 2017

Reference should be made to the Directors' Report.

The Chairman of the Board of Directors

Pietro Modiano

Board of statutory auditors' report to the shareholders' meeting of SEA – Società Esercizi Aeroportuali S.p.A.

as per Article 2429, second paragraph, of the Civil Code

Dear Shareholders,

during the year ended December 31, 2017, the Board of Statutory Auditors performed the supervisory activities required by law, in accordance with the Conduct rules for Boards of Statutory Auditors endorsed by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili).

The Board of Statutory Auditors also executed the role set out under Article 19 of Legislative Decree No. 39 of January 27, 2010, as the Internal Control and Audit Committee, with SEA qualifying as an Entity of Public Interest (EIP), as per Article 16, paragraph 1, letter a) of the stated Legislative Decree No. 39/2010, as an issuer of securities, i.e. the "SEA 3 1/8 2014-2021" bond listed on the market regulated and managed by the Irish Stock Exchange and as a company adopting a traditional governance model.

The Board of Statutory Auditors in this Report outlines the activities carried out during the year, broken down by each category of oversight under the applicable rules for Boards of Statutory Auditors, and also regarding the result for the year ended December 31, 2017.

Oversight upon legal, regulatory and By-Law compliance

The Board of Statutory Auditors oversaw compliance with law and the By-Laws, maintaining constant and adequate liaison with the Internal Audit Department and verified that this department has the required capacity, autonomy and independence. It also verified that adequate collaboration and exchange of information took place between the bodies and departments undertaking control functions. Reciprocal exchange of information also took place with the Board of Statutory Auditors of the principle subsidiaries and associated companies.

The Board of Statutory Auditors met during the year 12 times to carry out periodic verifications, during which information was exchanged on a regular basis with the heads of the company departments and the Independent Audit Firm.

It attended the Shareholders' Meeting of May 3, 2017 and the meetings of the Board of Directors, which met on 13 occasions, noting that they were held in compliance with the By-Laws and the applicable legislative and regulatory provisions governing their functioning.

In addition, the Board of Statutory Auditors ensured the presence of at least one of its members at the meetings of the committees established within the Board.

Oversight upon compliance with the principles of correct administration and regarding related party transactions

In order to oversee compliance with the principles of correct administration, in addition to attending, as stated above, all meetings of the Board of Directors, the Board of Statutory Auditors:

- received at its meetings information from the Directors on the general performance and on the outlook, as well as on the most significant transactions, in terms of size or nature, carried out by the company and its subsidiaries. This information is exhaustively outlined in the Directors' Report, to which reference should be made. On the basis of the information made available, the Board of Statutory Auditors may reasonably consider that these transactions carried out by the company comply with law and the By-Laws, and were not manifestly imprudent, in potential conflict of interest, hazardous or against the motions undertaken by the Shareholders' Meeting, or such as to compromise the integrity of the company's assets;

- did not note any atypical or unusual transactions with Group companies, related parties or third parties. The company does not hold treasury shares;
- assessed the compliance of the related party transactions with the policy adopted by the company. The Board of Directors in the Annual Report provided exhaustive disclosure upon the transactions executed with subsidiaries and with other related parties, outlining the economic, equity and financial effects.

Oversight on the auditing of accounts and the independence of the Audit Firm

The Board of Statutory Auditors held meetings with the managers of the Independent Audit Firm, also as per Article 19, paragraph 1 of Legislative Decree No. 39/2010, during which it reviewed the work plan adopted, received information on the accounting policies utilised, on the accounting representation of the main transactions carried out in the year, in addition to the outcome of the audit. It did not note any events or situations requiring indication in this Report.

The Independent Audit Firm, Deloitte & Touche S.p.A, issued on April 12, 2018 the reports as per Article 14 of Legislative Decree 39/2010 and Article 10 of Regulation (EC) No. 537/2014, respectively for the statutory financial statements and for the consolidated financial statements at December 31, 2017, prepared as per International Financial Reporting Standards - IFRS – adopted by the European Union. These reports indicate that the statutory financial statements and the consolidated financial statements of SEA provide a true and fair view of the statement of financial position of SEA S.p.A. and of the SEA Group at December 31, 2017 and of the result and of the cash flows for the year ending at the same date. With regards to the statutory financial statements and the consolidated financial statements, the independent audit firm stated that the Directors' Report and the Corporate Governance and Ownership Structure Report, limited to the disclosure indicated at Article 123-bis, paragraph 4 of Legislative Decree No. 58 of February 24, 1998, are consistent with the financial statements and were prepared in compliance with law.

In addition, the Independent Audit Firm, with regards to the statement as per Article 14, paragraph 2, letter e) of Legislative Decree No. 39 of January 27, 2010, concerning the identification of significant errors in the Directors' Report, on the basis of its knowledge and understanding of the company and the relative overview acquired during the audit activities, declared to not having any matters to report. It indicated, as key aspects of the audit, the procedure concerning the alleged State aid in favour of Sea Handling and regarding the Restoration Provision for works under concession.

The Independent Audit Firm issued, finally, the Additional Report for the Internal Control and Audit Committee as per Article 11 of Regulation (EC) No. 537/2014.

The Board of Statutory Auditors oversaw compliance with the provisions of Legislative Decree No. 254 of December 30, 2016 concerning non-financial disclosure and information upon diversity, while the Independent Audit Firm verified the preparation of the non-financial disclosure and issued a limited assurance with regards to the consistency of the information provided against that required by the Decree and against the reporting standards/guidelines utilised for such disclosure.

The notes to the financial statements of the company indicate the amount of fees accruing in the year to the independent audit firm and the amount regarding its network, including other services.

Taking account of the independence declarations issued by Deloitte & Touche S.p.A. and the transparency report produced by the former in accordance with Article 18 of Legislative Decree 39/2010 and published on its website, in addition to the assignments awarded to the company and the companies belonging to its network by SEA S.p.A. and by the Group companies, the Board of Statutory Auditors does not indicate any critical aspects with regards to the independence of the Audit Firm.

Oversight of the internal control and risk management system and of the administrative and accounting system

The Board of Statutory Auditors, also as the Internal Control and Audit Committee, as per Article 19 of Legislative Decree No. 39 of

27.01.2010, oversaw the adequacy of the internal control and risk management system and of the administrative-accounting system, in addition to the appropriateness of this latter to correctly reflect operating events.

In this context, it requested and obtained all necessary information from the Managers of the respective Departments, undertaking all verifications considered necessary through the direct examination of company documents.

In particular:

- it carried out investigations in order to assess whether the administrative-accounting system of the company is appropriate to permit the presentation of a true and fair view in the financial statements of the operating events; it periodically oversaw the correct functioning of the system through meetings with the managers of the Administration, Finance and Control Department;
- it examined the audit plans, the periodic reports and the annual report prepared by the Auditing Department. These reports do not indicate any critical issues and confirmed that the at risk areas with regards to internal control have been recorded and monitored;
- it examined the periodic report of the Supervisory Board, set up as per Legislative Decree No. 231/2001, which does not indicate events or situations which require highlighting in this Report;
- it monitored the project activities carried out in terms of risks, in particular the Enterprise Risk Management (ERM) project designed to build a model for the identification, classification, measurement, monitoring and homogeneous and transversal assessment of operational risks, in addition to their continuous monitoring, in support of the strategic choices and decisions of management and for stakeholder assurance.

Oversight of the adequacy of the organisational structure

The Board of Statutory Auditors acquired knowledge upon and oversaw, to the extent of its remit, the adequacy of the organisational structure of the company, reviewing and obtaining information of an organisational and procedural nature, through:

- the acquisition of information from the managers of the competent company departments;
- meetings and exchanges of information with the Board of Statutory Auditors of the subsidiaries for the reciprocal exchange of data and information;
- meetings with the Independent Audit Firm and the results of specific audit activities carried out by the former;
- meetings with the Supervisory Board set up as per Legislative Decree No. 231/2001.

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Other information

The Board of Statutory Auditors declares in addition to not having received requests for the issue of opinions and was not required to issue opinions on the basis of specific regulations.

In 2017, no petitions or notices were made to the Board of Statutory Auditors as per Article 2408 of the Civil Code.

During the verifications, as described above, there were no more significant facts meriting mention in this Report.

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Observations and proposals with regard to the financial statements and their approval

In relation to that stated above, on the basis of the activities carried out in the year, the Board of Statutory Auditors does not indicate any reasons preventing approval of the financial statements at December 31, 2017, as prepared by the Board of Directors and with regards to the motions proposed regarding the allocation of the net profit.

Milan, April 13, 2018
THE BOARD OF STATUTORY AUDITORS

Rosalba Cotroneo
(Chairman)
Rosalba Casiraghi
(Statutory Auditor)
Andrea Galli
(Statutory Auditor)
Paolo Giovanelli
(Statutory Auditor)
Giacinto Sarubbi
(Statutory Auditor)

Auditors' Report

Deloitte.

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
SOCIETÀ PER AZIONI ESERCIZI AEROPORTUALI – SEA S.p.A.

REPORT ON THE AUDIT OF THE SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying separate financial statements of Società per Azioni Esercizi Aeroportuali - SEA S.p.A. (the "Company"), which comprise the Statement of Financial Position as at December 31, 2017, the Income Statement, the Comprehensive Income Statement, Statement of Changes in Shareholders' Equity, Cash Flows Statement for the year then ended, and the explanatory notes, including a summary of significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of the Company as at December 31, 2017, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Procedure concerning presumed State Aid to SEA Handling

Description of the key audit matter

As indicated in the 2017 Directors' Report, and in particular in the paragraph "SEA Group Risk Factors – Risk related to the European Commission Decision of December 19, 2012 concerning presumed State Aid to SEA Handling and the Decision of July 9, 2014 for the set-up of a new procedure on the incorporation and capitalisation of Airport Handling", 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.

Deloitte.

The Board of Directors highlights that, in the context of a formal 'alternative execution' project of the decision, the Company has put in place a series of actions – in the framework of the discussions between the Italian authorities and the European Commission – including: *(i)* liquidation of SEA Handling and its permanent departure from the market , *(ii)* establishment of Airport Handling in order to continue to offer ground assistance services in a context of complete competition conditions with the other handling companies and with complete economic discontinuation with SEA Handling, *(iii)* investment in the share capital of Airport Handling in a trust called "Milan Airport Handling Trust", in order to exclude any form of SEA's control over Airport Handling and continuity between SEA Handling and the same Airport Handling, *(iv)* sale of 30% of the Airport Handling shares to a third party operator with the option, at certain conditions, of being able to purchase an additional 40% of the shares.

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

With the conclusion of the liquidation of SEA Handling and its removal from the Companies Register, the Board of Directors reports that by the reason of the changed *de facto* and *de jure* situation relating to SEA Handling, at the request of the European Commission and SEA Handling, the European Union Court by Order of January 22, 2018 ascertained that the matter of dispute concerning SEA Handling's appeal has ceased to exist since the appellant company was dissolved. As a result, the Court found that there was no longer a need to adjudicate on the appeal brought by SEA Handling. In parallel, having taken note of the Italian Government's observations regarding SEA Handling's dissolution, it ordered the cancellation of the case relating to the appeal brought by the Government against the Commission's decision.

Given the above, the Board of Directors highlights that the only appeal currently pending against the Commission's decision is the one conducted by the Municipality of Milan. The hearing was held on February 28, 2018 and a decision is expected during the current financial year.

Due to the legal complexity of the situation and to the fact that the European Union Court will adjudicate on the last pending appeal, we considered this aspect a key Group audit matter.

Audit procedures performed

The procedures we carried out to control this matter included the following:

- Understanding of the key controls that the Group sets to monitor the legal path of the Procedure stated above;
- Enquiry of the external Group legal advisors and the internal Corporate and Legal affairs office;
- Rationality analysis of the conclusions drawn by the Corporate and Legal affairs office;
- Analysis of the relevant documentations concerning the Procedure, including the minutes of the Board of Directors and of the Control and Risks Committee;
- Subsequent events analysis;
- Exam of the disclosure reported in the notes to the separate financial statements and its compliance with the relevant accounting standards.

Restoration and replacement provision

Description of the key audit matter

The separate financial statements as at December 31, 2017 include the "Restoration and replacement provision" for Euro 137.5 million. The provision includes the best estimate of the present value of the charges the Company will bear to meet its contractual obligations with the Italian Civil Aviation Authority to ensure the functionality, operations and security of the assets under concession.

Deloitte.

The estimation process of the "Restoration and replacement provision" appears articulate and difficult and it is composed of different phases and based on different variables and assumptions that include the planning of the restoration and replacement operations. In particular, the main assumptions are about the assets deterioration, the useful life of the restoration and the charge estimates for operation category.

Given the above, we considered the estimation process of this provision as a key audit matter as at December 31, 2017.

The notes 2.4 and 6.16 of the separate financial statements as at December 31, 2017 highlight the accounting policies and the 2017 changes of the provision, respectively.

Audit procedures performed

The procedures we carried out to control this matter included the following:

- Understanding of the process carried out by the Company to estimate and update the provision;
- Understanding of the key controls that the Company carries out to monitor this area and testing of their actual implementation;
- Obtaining and analysing the reports drawn by the Operations and Maintenance Division of the Company about the planning of the restoration and replacement operations. In particular, we analysed the assumptions underlying the charges computation model and the timing planning of the restoration and replacement operations;
- Sample testing of the allocation criteria underlying the restoration percentages by discussion with the business units in-charge of the activity, in order to verify the rationality of the criteria;
- Sample testing of the accuracy and completeness of the data used to estimate the provision;
- Understanding of any change in the regulatory framework that could impact the estimate of the provision value;
- Retrospective analysis of the previous year estimation process, including a variation analysis between the actual charges borne compared to previous estimates, with reference to a sample of works completed during 2017, in order to verify the reasons of the variance and the reliability of the estimation process implemented by the Company;
- Exam of the disclosure reported in the financial statements notes and its compliance with the relevant accounting standards.

Responsibilities of the Directors and the Board of Statutory Auditors for the Separate Financial Statements

The Directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or for the termination of the operations or have no realistic alternatives to such choices.

Deloitte.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Deloitte.

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Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Società per Azioni Esercizi Aeroportuali – SEA S.p.A. has appointed us on May 4, 2016 as auditors of the Company to December 31, 2022.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the separate financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Società per Azioni Esercizi Aeroportuali – SEA S.p.A. are responsible for the preparation of the report on operations, including the information required by art. 123-bis, paragraph 2 (b) of Società per Azioni Esercizi Aeroportuali - SEA S.p.A. as at December 31, 2017, including its consistency with the related separate financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations including the information required by art. 123-bis, paragraph 2 (b) of Legislative Decree 58/98 with the separate financial statements of Società per Azioni Esercizi Aeroportuali – SEA S.p.A. as at December 31, 2017 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations including the information required by art. 123-bis, paragraph 2 (b) is consistent with the separate financial statements of Società per Azioni Esercizi Aeroportuali - S.p.A. as at December 31, 2017 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Marco Pessina
Partner

Milan, Italy
April 12, 2018

This report has been translated into the English language solely for the convenience of international readers.

Glossary

Glossary

Bilateral Agreements
Agreements which govern air traffic between two states, for destinations outside the European Union, established as fixed arrangements and based on the principle of reciprocity. Through the signing of a bilateral agreement, the maximum operable capacity (in terms of flights and places offered), the number of airlines permitted to operate and the access points (in terms of operable destinations) of the respective countries are established.

ACI
Airports Council International. International association of airport managers. The European headquarters are in Brussels.
Airport Carbon Accreditation
Certification promoted by ACI Europe with the technical support of WSP Environmental (a leading London company involved in environmental consultancy), which establishes the introduction of a series of actions for the control and reduction of CO2 emissions by airport managers, operators, of aircraft and of those who work at the airport.

A-SMGCS
Advanced Surface Movement Guidance and Control System: the system of ground guiding lights which automatically bring aircraft from a pre-established point of entry to an expected point for take-off.

Schengen Area
Airport area in which direct flights to countries adhering to the Schengen Agreement operate, in which systematic border controls have been abolished.

Currently the countries adhering to the Schengen agreements are: Belgium, France, Germany, Luxembourg, Netherlands, Italy, Portugal, Spain, Austria, Greece, Denmark, Finland, Sweden, Iceland, Norway, Slovenia, Estonia, Latvia, Lithuania, Poland, Czech Republic, Slovakia, Hungary, Malta, Switzerland and Liechtenstein.

Business
Sectors in which the SEA Group operates: Commercial Aviation, General Aviation, Energy.

The various businesses are also further divided by segment areas.

Services Charter
Document containing information concerning the quality of services offered by airport managers and by airlines, which each management company must prepare according to Presidential Decree of December 30, 1998 and the guidelines of ENAC in circular of May 2, 2002 (ENAC Circular APT-12).

White Certificates
White certificates, or more precisely Energy Efficiency Securities, are securities which certify energy savings achieved by various parties through specific actions (introduction of energy efficiencies for example) and which receive an economic benefit, therefore incentivising the reduction of energy in relation to the asset distributed.

Green Certificates
Incentive structure for the use of renewable energy based on traded securities representing set quantities of CO_2 emissions. The certificates are thereafter exchanged on the market by electricity producers in order to correct imbalances in terms of authorised carbon dioxide emissions.

Dual Till
Tariff principle according to which fees are calculated, taking account only of Aviation activities, without therefore considering Non-Aviation activities.

EBITDA
Earnings Before Interest, Taxes, Depreciation and Amortisation, equivalent to Gross Operating Margin.

It is calculated as the difference between total revenues and total costs, including provisions and write-downs.

ENAC
The National Civil Aviation Authority, the only Authority for technical, certification, oversight and control regulation in the civ-

il aviation sector in Italy, created under Legislative Decree of July 25, 1997, No. 250. ENAC's remit concerns the regulation of civil aviation, of control and oversight of the application of regulations and governs the administrative-economic aspects of the air transport system.

FTE (Full Time Equivalent)
The FTE is the monthly average of all personnel administrated and seconded, re-proportioned according to category (part-time) and monthly hiring/departures movements.

HDC (Headcount)
HDC includes all personnel at year-end.

HDE (Headcount Equivalent)
The HDE is the monthly average of all personnel administrated and seconded, re-proportioned according to category (full-time or part-time) and monthly hiring/departures movements.

Handler
The operator that undertakes handling services, or rather all those ground assistance services to carriers governed and listed in Attachment A of Legislative Decree No. 18 of January 13, 1999 – which enacts EU Directive 96/67/EU of October 15, 1996 – such as *i)* ramp handling services (Airside services among which passenger boarding and disembarking, luggage and goods, aircraft balancing and luggage distribution and reconciliation) and *ii)* passenger handling (Landside services, including Check-in and Lost&found) as well as *iii)* administration, refuelling and catering, aircraft maintenance, goods and postal sorting.

IATA
International Air Transport Association. International Organisation which represents international airlines.

Fifth freedom traffic rights
Rights for an airline from a country (for example "A"), which flies from that country ("A") to a third country (for example "B") and from there undertakes a further flight to another country (for example "C"), to carry passengers and cargo, in addition from "A" to "B" and from "A" to "C", also from "B" to "C" and therefore between two countries outside of its own country.

Single till
Tariff principle which determines the regulated tariff based on both Aviation and Non Aviation activities.

Slot
Permission, given by an airline, to use the entire range of airport infrastructure necessary to operate an air service, in a coordinated airport, at a date and a time assigned to the same airline for landing and take-off.

Principal Cargo airlines
Airlines whose aircraft exclusively transport cargo.

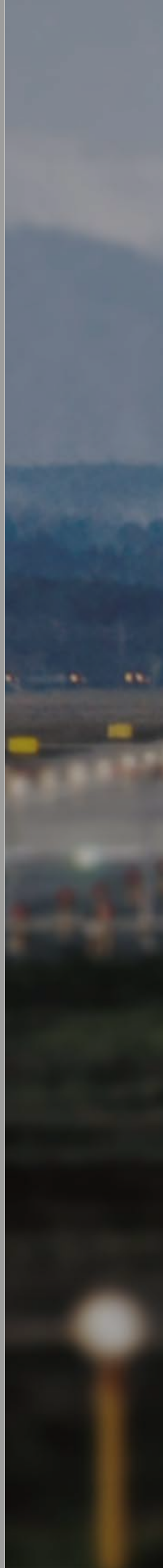
Belly carrier
Airline company with mixed transport configuration.

The SEA Group's focus on environmental protection, through the adoption of targeted initiatives, has significantly reduced CO_2 emissions.

Milan Malpensa and Milan Linate once again confirmed their exceptional record at European level, achieving "Neutrality" under the Airport Carbon Accreditation Initiative.

SEA - Società per Azioni Esercizi Aeroportuali

Milan Linate Airport - 20090 Segrate, Milan
Tax Code and Milan Companies
Registration Office No. 00826040156
Milan REA No. 472807 - Share Capital Euro 27,500,000 fully paid-in
www.seamilano.eu



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