

## 7. Income Statement

### 7.1 Operating revenues

The table below shows the breakdown of operating revenues for the years 2016 and 2015. Such data, as

described in Note. 5.3 “Disclosure by operating segments” reflect the operational and managerial aspects of the businesses in which the Group is engaged. These data may therefore differ from those shown at the individual legal entity level.

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

#### Commercial Aviation operating revenues

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

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

The growth in Aviation revenues, totalling Euro 13,093 thousand, is mainly connected to higher revenues resulting from the effect of higher traffic volumes reported during the year in both the passenger and cargo segments thanks to the additional capacity offered by

the airlines favoured by a constant oil price for all of 2016 and the availability of new fleets.

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

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

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

The breakdown of retail revenues by segment is reported below.

### Retail Revenues

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

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

#### General Aviation operating revenues

The General Aviation business includes both General Aviation activities that provide the full range of services connected with business traffic at the West apron at Linate airport, and the handling activities related to this traffic. The General Aviation business revenues

totalling Euro 11,750 thousand reported a decrease (-27.38% compared to the previous year) mainly due to the lack of revenues from handling activities and refuelling activity, as reported in the Directors’ Report to which reference should be made.

#### Energy operating revenues

The breakdown of Energy operating revenues is reported below.

### Energy operating revenues

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

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

#### 7.2 Revenue for works on assets under concession

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

These revenues, as per IFRIC 12, refer to construction work on assets under concession increased by a mark-up of 6% representing the best estimate of the remuneration of the internal cost for the management

of the works and design activities undertaken by the Company, which corresponds to a mark-up which a general constructor would request to undertake such activities.

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

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

### 7.3 Personnel costs

The breakdown of personnel costs is as follows.

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

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

<b>Average number of employees (FTE)</b>				
	January - December 2016	%	January - December 2015	%
Executives	55	2.0%	56	2.0%
Middle Managers	267	9.5%	263	9.5%
White-collar	1,768	63.1%	1,743	62.6%
Blue-collar	688	24.6%	701	25.2%
<b>Total employees</b>	<b>2,778</b>	<b>99%</b>	<b>2,763</b>	<b>99%</b>
Agency employees	23	0.8%	20	0.7%
<b>Total employees</b>	<b>2,801</b>	<b>100%</b>	<b>2,783</b>	<b>100%</b>

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

The increase was the result of adjustment of the National Labour Collective Contract signed in 2014, where the wage increase was divided into various tranches, and signing of leaving incentive agreements (for additional information on the agreement see the “Human

resources” chapter in the Directors’ Report). This agreement has an impact on personnel costs for 2016 totaling Euro 3,666 thousand.

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

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

## 7.4 Consumable materials

The breakdown of the account “Consumable materials” is as follows.

<b>Consumable materials costs</b>		
<i>(In thousands of Euro)</i>	2016	2015
Raw materials, consumables and supplies	37,149	43,335
Changes in inventories	656	927
<b>Total</b>	<b>37,805</b>	<b>44,262</b>

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

thousand versus the previous year) and lower costs to purchase fuel by the subsidiary SEA Prime (Euro -2,933 thousand compared to the previous year) following the sale of the refuelling business.

## 7.5 Other operating costs

The breakdown of “Other operating costs” is as follows:

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

Despite in the presence of an increase in revenues of 1.7%, the other operating costs, totalling Euro

201,841 thousand are basically in line with the previous year (Euro -147 thousand).

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

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

On September 29, 2015 SEA and SEA Energia applied to the GSE in order to obtain the qualification as Existing Equivalent User Efficient Systems (SESEU). Obtaining the qualification as SEU or SESEU involves maintaining favourable tariff conditions on high efficiency self-produced electricity, not withdrawn from the grid, limited to the variable components of the system and grid general costs, as required by Legislative Decree no. 115/08 and Article 25-bis of Law Decree no. 91/14 converted into Law no.116/14.

On February 28, 2017, following a receipt of a notice of rejection, the additional documentation was sent to GSE to satisfy the requests received.

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

### 7.6 Provisions and write-downs

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

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

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

The provisions net of the provisions for credit risks total Euro 4,379 thousand (Euro -3,696 thousand in 2015) resulting from provisions related to trade receivables for Euro 2,743 thousand and other different receivables for Euro 1,635 thousand.

The higher provisions net of the provisions for credit risks mainly refer to two contrasting effects:

- higher net provisions, linked to some operators and other airlines for Euro 8,199 thousand (in 2016 the net provisions total Euro 2,743 thousand while in

2015 net releases of the provision were reported to Euro 5,456 thousand due to complete compliance with the repayment plan extended to an airline, so it was no longer necessary to maintain the risk provision previously allocated);

- lower provisions net of the other receivables doubtful debt provision for Euro 124 thousand: the ENAC receivable for Euro 1,329 thousand and the SEA Energia’s receivables for green certificates accruing in 2015 for Euro 307 thousand were written down in 2016; the receivable due from the Ministry of Transport for Euro 1,760 thousand was written down in 2015.

Provisions net of the future charges provision, totalling a value of Euro 1,035 thousand at December 31, 2016 (Euro 4,850 thousand at December 31, 2015).

The lower provisions net of the future charges provision compared to 2015 are mainly the result of:

- higher releases of Euro 5,188 thousand in 2016 following closing of the litigation with the Customs Agency on Malpensa and Linate (release of Euro 1,617 thousand in 2016 compared to a provision of Euro 3,571 thousand in 2015);
- provision of Euro 1,049 thousand for litigation opened with GSE on the green certificates of the subsidiary SEA Energia;
- lower provisions for insurance excesses for Euro 455 thousand;
- lower provision releases for Euro 2,771 thousand (in 2015 an Appeals judgement was issued related to litigation opened with Livingston in Extraordinary Administration, for which an adjustment was made to the provision);
- lower provisions for labour related issues for Euro 2,393 thousand;
- provisions for new minor litigation for Euro 310

thousand.

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

### 7.7 Costs for works on assets under concession

Revenues for works on assets under concession decreased from Euro 48,781 thousand in 2015 to Euro 43,114 thousand in 2016. This movement is strictly related to investment activities, for which reference should be made to *Notes 6.1* and *6.2*.

These costs refer to the costs for the works undertaken on assets under concession. The margin for works on assets under concession is included in the Commercial Aviation Business.

### 7.8 Restoration and replacement provision

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

#### Restoration & replacement provision

(In thousands of Euro)

	2016	2015
Restoration & replacement provision	17,193	14,242

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

The account increased Euro 2,951 thousand in 2016, from Euro 14,242 thousand in 2015 to Euro 17,193 thousand in 2016, following the updating of the long-

term scheduled replacement and maintenance plan of the assets within the so-called "Concession Right".

### 7.9 Amortisation and depreciation

The account "Amortisation & depreciation" is comprised of:

#### Amortisation and depreciation

(In thousands of Euro)

	2016	2015
Amortisation of intangible assets	45,397	42,641
Depreciation of property, plant & equipment & investment property	16,317	16,883
<b>Total amortisation and depreciation</b>	<b>61,714</b>	<b>59,524</b>

The depreciation of property, plant and equipment reflects the estimated useful life made by the Group while, for the intangible assets within the "Conces-

sion Right", consideration is taken of the concession duration.

## 7.10 Investment income and charges

The breakdown of investment income and charges is as follows:

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

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

Income resulting from the measurement of associated companies at equity decreased by Euro 579 thousand dropping from Euro 7,723 thousand at December 31, 2015 to Euro 6,986 thousand at December 31, 2016. Other income is related to the sale of 60% of the investment in Prime AviationServices for Euro 955 thou-

sand and dividends from Airport Handling SpA for Euro 1,901 thousand, approved by the Shareholders' Meeting of Airport Handling SpA on May 6, 2016 on the allocation of profit for 2015. SEA SpA, as holder of Financial Instruments of Participation, is entitled to receive the dividend approved by the Shareholders' meeting.

## 7.11 Financial income and charges

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

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

Net financial charges for the year 2016 total Euro 18,804 thousand, down Euro 266 thousand compared to the previous year, against a reduction of gross financial charges of Euro 989 thousand.

The following factors affected this reduction differently: (i) lower interest expense for the period on medium-long term loans for Euro 932 thousand due to the decrease of gross debt and reduction of the average cost of debt; (ii) lower fees on loans for Euro 818 thousand; (iii) higher

other interest expense for Euro 782 thousand, affected by the higher bank guarantees connected to distribution of the EIB loans in June 2015.

In the same period financial income decreased by Euro 723 thousand following the decrease in market rates and changes in cash flow occurring during the year.

## 7.12 Income taxes

The breakdown of the account is as follows:

<b>Income tax</b>		
<i>(In thousands of Euro)</i>	2016	2015
Current income taxes	48,574	51,222
Deferred income taxes	(1,311)	2,943
<b>Total</b>	<b>47,263</b>	<b>54,165</b>

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

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

Income taxes for 2016 total Euro 47,263 thousand versus Euro 54,165 thousand reported in 2015. The year 2015 was negatively affected at Group level due to the effects generated from realignment of deferred

tax assets and liabilities to the new IRES rate of 24%, applicable starting with the 2017 tax period, and the non-deductible nature of some extraordinary items.



### 7.13 Discontinued Operations profit/(loss)

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

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

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

### 7.14 Earnings per share

The basic earnings per share is calculated by dividing the Group net profit by the weighted average number of ordinary shares outstanding in the year. For the diluted earnings per share, as no equity instruments were issued by the parent company, the weighted average of the shares in circulation is the same as that utilised for the establishment of the basic earnings per share. Therefore, the basic earnings per share at December 31, 2016 was Euro 0.37 (net profit for the year of

Euro 93,619 thousand/number of shares in circulation 250,000,000).

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

## 8. Transactions with Related Parties

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

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

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

### Group transaction with Related Parties at December 31, 2016

(In thousands of Euro)

	Trade receivables	Trade payables	Operating revenues	Operating costs (excluding costs for work on assets under concession)
<i>Investments in associated companies</i>				
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
<b>Total related parties</b>	<b>7,522</b>	<b>3,465</b>	<b>37,834</b>	<b>12,241</b>
Total financial statements	86,968	161,530	653,512	422,617
<b>% of total financial statements</b>	<b>8.65%</b>	<b>2.15%</b>	<b>5.79%</b>	<b>2.90%</b>

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