4.4 Sensitivity

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

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

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

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

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

The results of the sensitivity analysis are reported below:

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

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

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

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

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

5. Classification of the financial instruments

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

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

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

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

5.1 Disclosure on fair value

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

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

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

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

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

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

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

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

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

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

The breakdown of the Discontinued Operations results is presented below:

Discontinued Operations' Income Statement

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

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

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

Discontinued Operations' Statement of Financial Position

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

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

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

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

Cash Flow Statement of Discontinued Operations

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

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

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

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

5.3 Disclosure by operating segment

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

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

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

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

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

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

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

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

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

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

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