

9. Income Statement

9.1 Operating revenues

The table below shows the breakdown of operating revenues for the years 2018 and 2017. 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.

In accordance with IFRS 15 - Revenue from contracts with customers, applied by SEA from January 1, 2018, the incentives to the airline carriers for the development of traffic (previously classified

in the account "Other operating costs") in 2018 were classified as a reduction of the account "Operating revenues". The figures in the 2017 accounts were reclassified for a correct comparability of the accounts in the financial statements.

OPERATING REVENUES

(Euro thousands)	2018	2017 restated
Commercial Aviation Operating Revenues	658,128	621,404
General Aviation Operating Revenues	11,344	12,128
Energy Operating Revenues	14,484	14,728
Total operating revenues	683,956	648,260

Commercial Aviation Operating Revenues

The breakdown of aviation operating revenues is reported below.

AVIATION OPERATING REVENUES

(Euro thousands)	2018	2017 restated
Fees and centralised infrastructure	357,438	335,516
Revenues from security controls management	44,622	45,598
Use of regulated spaces	13,669	12,938
Total Aviation operating revenues	415,729	394,052

Aviation revenue growth, amounting to Euro 21,677 thousand, is described in detail in the Directors' Report to which reference should

be made.

The breakdown of Non-Aviation operating revenues is reported below.

NON AVIATION OPERATING REVENUES

(Euro thousands)	2018	2017
Retail	97,753	95,429
Parking	68,119	64,259
Cargo	16,261	15,844
Advertising	11,529	10,500
Premium services	19,289	18,073
Real estate	8,988	2,459
Services and other revenues	20,460	20,788
Total Non Aviation operating revenues	242,399	227,352

“Services and other revenues” mainly relate to income from ticketing services, service activities and other income.

The breakdown of retail revenues is reported below.

RETAIL REVENUES

(Euro thousands)	2018	2017
Shops	50,704	49,530
Food & Beverage	21,702	20,060
Car Rental	17,192	16,385
Bank services	8,155	9,454
Total Retail	97,753	95,429

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 11,344 thousand registered a decrease (6% over the previous year). For further details reference should be made to the Directors’ Report.

Energy Operating Revenues

The breakdown of Energy operating revenues is reported below.

ENERGY OPERATING REVENUES

(Euro thousands)	2018	2017
Sale of Electricity	8,931	9,769
Sale of Thermal Energy	4,642	4,222
Other Revenues & Services	911	737
Total Energy operating revenues	14,484	14,728

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

9.2 Revenue for works on assets under concession

Revenues for works on assets under concession increased from Euro 28,281 thousand in 2017 to Euro 29,189 thousand in 2018.

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 Parent 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 invest-

ments, reference should be made to Note 8.1.

9.3 Personnel costs

The breakdown of personnel costs is as follows.

PERSONNEL COSTS

(Euro thousands)	2018	2017
Wages, salaries & social security charges	173,982	173,482
Post-employment benefits	7,676	7,881
Other personnel costs	7,758	29,380
Total	189,416	210,743

Group personnel costs in 2018 decreased Euro 21,327 thousand (-10.1%) compared to 2017, from Euro 210,743 thousand in 2017 to Euro 189,416 thousand in 2018.

The decrease is due to the ex-

traordinary provisions accrued in 2017 deriving from the leaving incentive plan agreed with the trade unions.

Passenger traffic growth impacted upon the increase in the average number of FTE employees,

which increased from 2,766 in 2017 to 2,782 in 2018.

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

AVERAGE FULL TIME EQUIVALENT

	January- December 2018	%	January- December 2017	%
Executives	56	2.0%	57	2.1%
Managers	280	10.1%	270	9.8%
White-collar	1,749	62.9%	1,754	63.4%
Blue-collar	650	23.4%	657	23.8%
Total full-time employees	2,735	98.3%	2,738	99.0%
Temporary workers	47	1.7%	28	1.0%
Total employees	2,782	100.0%	2,766	100.0%

9.4 Consumable materials

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

CONSUMABLE MATERIALS

(Euro thousands)	2018	2017
Raw materials, ancillaries, consumables and goods	34,783	32,250
Purchase of Co ₂ quotas ^(*)	3,280	836
Change in inventories	2,171	37
Total	40,234	33,123

^(*) From 2018 the costs relating to the Co₂ emission quotas are classified under consumable materials. In 2017, they were classified under Other operating costs. For comparability purposes, the 2017 figures were reclassified

Consumable materials increased from Euro 33,123 thousand in 2017 to Euro 40,234 thousand in 2018, an increase of Euro 7,111 thousand. The increase on the previous year is principally generated from

the higher inventory obsolescence provision, an increase in purchases held for stock and immediate utilisation among which fuel and spare parts and the disposal of spare part materials no longer utilisable.

9.5 Other operating costs

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

OTHER OPERATING COSTS

(Euro thousands)	2018	2017 restated
Public fees	34,602	31,868
Ordinary maintenance costs	27,851	26,956
Terminal services provided by handling company	23,255	22,609
Cleaning	14,207	13,898
Other costs	13,067	10,508
Parking management	15,149	14,572
Professional services	8,247	8,813
Utilities & security expenses	9,691	8,438
Tax charges	8,354	7,451
Hardware and software fees & rental	5,366	4,654
Commercial costs ^(*)	5,067	4,070
Disabled assistance	3,600	3,608
Hire of equipment & vehicles	3,737	3,626
Insurance	1,412	1,710
Emoluments & costs of Board of Statutory Auditors & BoD	838	819
Losses on disposal of assets	473	63
Total other operating costs	174,916	163,663

^(*) In accordance with IFRS 15 – Revenue from contracts with customers, applied by the Group from January 1, 2018, the incentives to the airline carriers for the development of traffic, previously classified in the account “Other operating costs”, and shown under commercial costs, in 2018 are classified as a direct reduction of “Operating revenues”. The figures in the 2017 accounts were reclassified for a correct comparability of the accounts in the financial statements.

Other operating costs, amounting to Euro 174,916 thousand in 2018, increased Euro 11,253 thousand on the previous year, mainly due to higher commercial costs for public fees (+Euro 2,734 thousand), utilities and security (+Euro 1,253 thousand) and tax charges (+Euro 903 thousand).

The increase in “Other costs” is mainly attributable to higher accessory costs for electricity.

The Public fees include: *i*) concession fees to the State for Euro 27,226 thousand (Euro 24,648 thousand in 2017); *ii*) costs for fire-fighting services at the air-

ports for Euro 6,073 thousand (Euro 5,951 thousand in 2017); *iii*) concession fees to the tax authorities for security services of Euro 1,137 thousand (Euro 1,064 thousand in 2017); other fees to various entities for Euro 166 thousand (Euro 205 thousand in 2017).

9.6 Costs for works on assets under concession

Costs for works on assets under concession increased from Euro 26,006 thousand in 2017 to Euro 26,728 thousand in 2018. 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.

9.7 Provisions and write-downs

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

PROVISIONS AND WRITE-DOWNS

(Euro thousands)	2018	2017
Write-downs / (releases) of current receivables & cash and cash equivalents	817	27,248
Write-down of other financial assets	-	3,476
Provisions/(releases) for future charges	2,887	1,494
Total provisions and write-downs	3,704	32,218

In 2018 the provisions and write-downs amount to Euro 3,704 thousand.

The doubtful debt provisions were recorded in line with IFRS 9.

The higher provisions in 2017 mainly refer to past due receivables (prior to administration on May 2, 2017) from Alitalia SAI in Extraordinary Administration, for an amount of Euro 25,252 thousand, included under unsecured debtors.

The write-down of other financial

receivables, amounting to Euro 3,476 thousand, included the write-down of the financial receivable relating to the Financial Instruments of Participation 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 2,887 thousand at December 31, 2018 (Euro 1,494 thousand at December 31, 2017), principally refer

to adjustments on valuations related to legal disputes with employees and operational activities of the Milan Airports. For further information reference should be made to Note 8.14.

9.8 Restoration and replacement provision

The breakdown of the restoration and replacement provision is as follows:

RESTORATION AND REPLACEMENT PROVISION

(Euro thousands)	2018	2017
Restoration and replacement provision	15,077	13,602

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 provision increased from Euro 13,602 thousand in 2017 to Euro 15,077 thousand in 2018,

with an increase of Euro 1,475 thousand.

While in 2017 the provision increased Euro 15,093 thousand and a release recorded of Euro 1,491 thousand in order to adjust the provision to new indus-

try regulations, in 2018 there were no releases.

9.9 Amortisation and depreciation

The account "Amortisation & depreciation" is comprised of:

AMORTISATION & DEPRECIATION

(Euro thousands)	2018	2017
Amortisation of intangible assets	53,706	51,632
Depreciation of tangible assets & investment property	19,895	17,664
Total amortisation & depreciation	73,601	69,296

Amortisation and depreciation in the period relate to tangible and intangible assets held based on the estimated useful life by the Group, which however does not

exceed the duration of the concession and the depreciation of new assets entering into service in the year.

9.10 Investment income (charges)

The breakdown of investment income and charges is as follows:

INVESTMENT INCOME (CHARGES)

(Euro thousands)	2018	2017
SACBO SpA	4,380	4,915
Dufrital SpA	3,776	2,056
Disma SpA	244	262
Malpensa Logistica Europa SpA	1,799	477
Sea Services Srl	851	702
Signature Flight Support Italy Srl	(81)	(208)
Airport Handling SpA	3,208	
Valuation at equity of investments	14,177	8,204
Other income (charges)	391	(69)
Total income (charges) from investments	14,568	8,135

Net investment income increased from Euro 8,135 thousand in 2017 to Euro 14,568 thousand in 2018 (+Euro 6,433 thousand).

Income from the measurement of associated companies at equity increased Euro 5,973 thousand. The increase is primarily attributable to the improvement in the results achieved by some associates, in addition to the inclusion, with ef-

fect from July 2018, in the scope of companies measured at equity of Airport Handling SpA.

In 2018 "Other income/(charges)" includes dividends from Airport Handling SpA collected for a net amount of Euro 387 thousand, approved by the Shareholders' Meeting of the company on May 6, 2016, drawing on the profit from FY 2015, when Airport Han-

dling was not included in the consolidation scope.

9.11 Financial income (charges)

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

FINANCIAL INCOME (CHARGES)

(Euro thousands)	2018	2017
Exchange gains	5	11
Other financial income	1,016	247
Total financial income	1,021	258
Interest on medium/long term loans	(12,038)	(12,413)
Commissions on loans	(1,628)	(1,603)
Exchange losses	(23)	(14)
Other interest charges:	(3,973)	(4,137)
- financial charges on post-em. bens.	(652)	(686)
- financial charges on Leasing	(1)	(1)
- financial charges on derivatives	(2,290)	(2,505)
- Others	(1,030)	(945)
Total financial charges	(17,662)	(18,167)
Total financial income (charges)	(16,641)	(17,909)

Net financial charges in 2018 amount to Euro 16,641 thousand, a decrease of Euro 1,268 thousand on the previous year, against a decrease in gross financial charges of Euro 505 thousand.

This decrease mainly derives from varying effects: (i) lesser interest expense during the period on medium-/long-term loans, driven

by the decrease in gross debt, (ii) lower charges on derivatives due to the continuing amortization of the relevant notional amount, (iii) greater guarantee fees on the EIB disbursement of late June 2017.

In the same period, financial income increased Euro 763 thousand mainly due to the impact of interest income of Euro 976 thou-

sand matured on the IRES receivable and collected in April 2018 simultaneous to the nominal receivable paid.

9.12 Income taxes

The breakdown of the account "Income taxes" is as follows:

INCOME TAXES

(Euro thousands)	2018	2017
Current income taxes	55,037	43,752
Deferred income taxes	(3,719)	(8,085)
Total	51,318	35,667

Reconciliation between theoretical income tax rate and effective income tax rate is shown in the table below:

(Euro thousands)	2018	%	2017	%
Continuing operations profit before taxes	187,396		118,116	
Discontinued operations profit/loss before taxes	0		1,556	
Profit before taxes	187,396		119,672	
Theoretical income taxes	44,975	24.0%	29,555	24.0%
Permanent tax differences effect	(109)	-0.1%	(1,016)	-0.2%
IRAP	8,549	4.6%	7,378	6.2%
Other	(2,097)	-1.1%	(250)	-0.2%
Total	51,318	27.4%	35,667	29.8%
Income taxes on continuing operations	(51,318)		(35,667)	
Income taxes on discontinued operations	0		0	
Total Group income taxes	(51,318)		(35,667)	

Income taxes in 2018 amount to Euro 51,318 thousand compared to Euro 35,667 thousand in 2017. The main reasons for the difference in income taxes in the two periods is due to the significant increase in the pre-tax profit in 2018.

9.13 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 2018 was Euro 0.54 (net profit for the year of Euro 136,076 thousand/number of shares in circulation 250,000,000).

The basic earnings per share in 2017 was Euro 0.34 (net profit for the year of Euro 84,070 thousand/number of shares in circulation 250,000,000).