

7 Income Statement

enues by business unit is reported below:

7.1 Operating revenues

The breakdown of operating rev-

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 ex-

cellent 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 com-

bined 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 Industri-

al 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-

- elite;
- 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 passen-

gers 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 decid-

ed 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 re-

fers 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 2016 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 investors 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 Oc-

tober 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 Han-

dling 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.

