

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 pas-

sengers' 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 in-

cludes 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 invest-

ments, 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 achieve-

ment 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 op-

posed 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 meth-

ane 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 forma-

tion (+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 thou-

sand 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

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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)

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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 in-

come 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).

