SEA
MilanAirports

ANNUAL REPORT 2018

Annual Report

At December 31, 2018

SEA
MilanAirports

ANNUAL
REPORT
2018

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Key figures and general information

The SEA Group

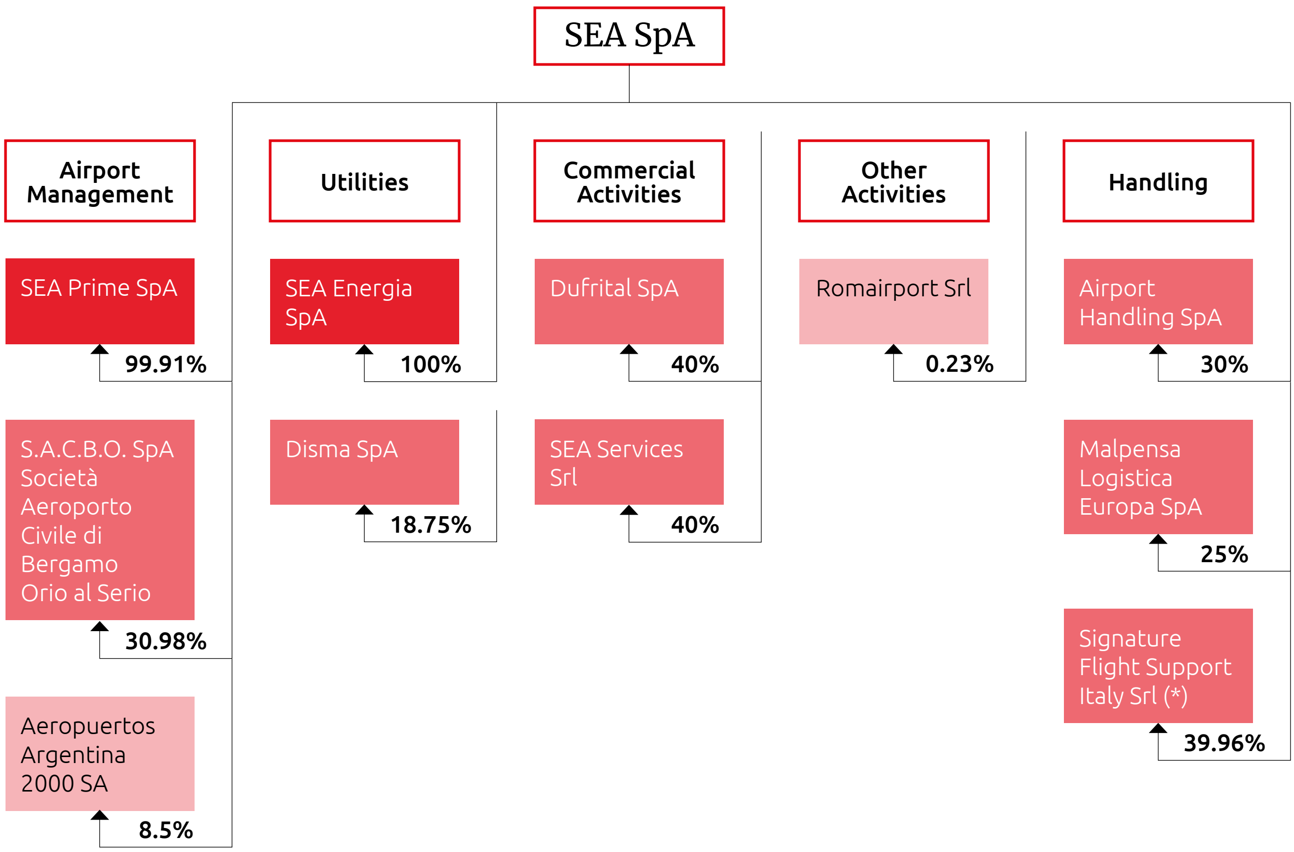
The SEA Group manages the Malpensa and Linate airports under a 40-year agreement signed by SEA and the Italian Civil Aviation Authority in 2001. The Milan airport system consists of the following airports:

- **Milan Malpensa**, Milan's intercontinental airport, consisting of two terminals. Terminal 1, which was fully renovated following the completion of the restyling of the Schengen area, serves a wide range of domestic, international and intercontinental destinations and offers a diverse assortment of services to meet the needs of all of the airport's passengers.
Terminal 2 is easyJet's main base of operations in Europe, serving a broad network of destinations. Both terminals can be reached by train.
- **Milan Malpensa Cargo**, is the nerve centre of inbound and outbound cargo distribution in Italy.
- **Milan Linate**, primarily serves frequent-flyers travelling to destinations in Italy and the EU. Just 8 KM from Milan city centre, Linate is truly a city airport, with structures and areas dedicated to business and shopping.
- **Milan Linate Prime**, an airport managed by SEA Prime S.p.A., a subsidiary of SEA S.p.A.. Dedicated to general aviation, it offers high added value services and facilities.

Finally, through **SEA Energia SpA** (a wholly-owned subsidiary of SEA S.p.A.), the Group owns two co-generation plant, mainly meeting the energy needs of the Linate and Malpensa airports, providing electricity, heat and district cooling.

SEA Group structure and investments in other companies

DIRECT AND INDIRECT INVESTMENTS OF SEA SPA AT DECEMBER 31, 2018



Controlling shareholding *Associate* *Investment in other companies*

(*) Company held indirectly through SEA Prime SpA.

It should be noted that:

- As a result of the sale of an additional 40% stake in Airport Handling and a corresponding share of the Financial Instruments of Participation to dnata (July 2018) and the resulting dissolution of the trust that held the interest, Airport Handling SpA once again became classified as an associated company measured according to the equity method in the consolidated financial statements.
- Consorzio Milano Sistema, of which SEA SpA holds 10%, is in liquidation.
- SEA SpA submitted a request for withdrawal from SITA SC which was effective as of February 28, 2018.

Share capital structure

The share capital of SEA SpA amounts to Euro 27,500,000, comprising 250 million shares of a par value of Euro 0.11, of which 137,023,805 Class A shares, 74,375,102 Class B shares and 38,601,093 other shares.

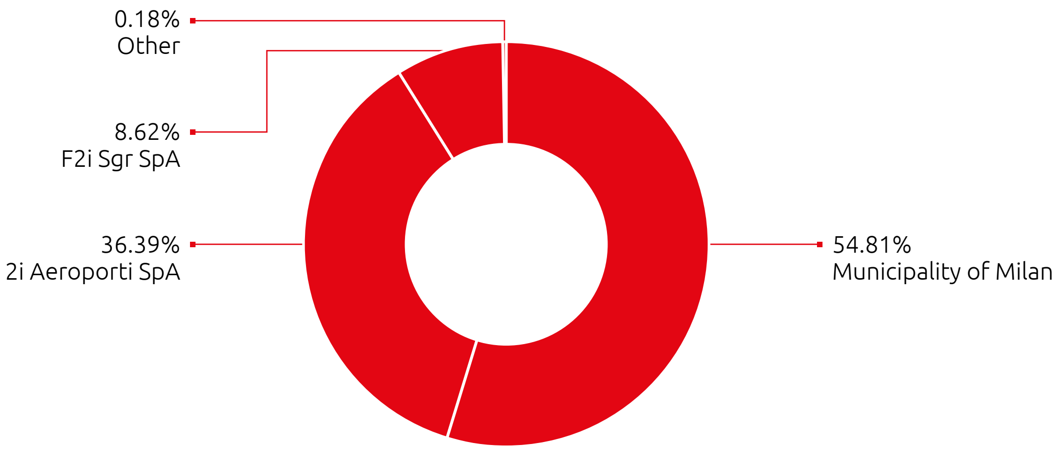
The Class A shareholders upon divestment resulting in the loss of control must guarantee Class B shareholders a right to co-sale. Class A shareholders have a pre-emption right on the sale of Class B shares.

At December 31, 2018, SEA does not hold treasury shares. The ownership structure is as follows:

PUBLIC SHAREHOLDERS 8 entities/companies	
Municipality of Milan(*)	54.81%
Municipality of Busto Arsizio	0.06%
Other public shareholders	0.08%
Total	**54.95%**

PRIVATE SHAREHOLDERS	
2i Aeroporti SpA	36.39%
F2i Sgr SpA (**)	8.62%
Other private shareholders	0.04%
Total	**45.05%**

(*) Holder of Class A shares
(**) On behalf F2i – second Italian Fund for infrastructure



On February 15, 2018, the shares held by the Province of Varese were purchased by 2i Aeroporti SpA.

Following the issuance of the bond designated “SEA 3 1/8 2014-2021” on April 17, 2014 and the admission to listing of the notes on the regulated market organised and managed by the Irish Stock Exchange, the Company qualified as a Public Interest Entity (PIE) as defined in Article 16, paragraph 1, letter a) of Legislative Decree No. 39/2010.

Corporate Boards

Board of Directors

(three-year period 2016/2018, appointed by the Shareholders' Meeting of May 4, 2016)

Chairperson	Michaela Castelli * [1]
Chief Executive Officer and General Manager	Armando Brunini**
Directors	Salvatore Bragantini [2] [3] Stefano Mion [2] Susanna Stefani [2] Susanna Zucchelli [1]

Board of Statutory Auditors

(three-year period 2016/2018, appointed by the Shareholders' Meeting of May 4, 2016)

Chairperson	Rosalba Cotroneo
Statutory Auditors	Rosalba Casiraghi Andrea Galli Paolo Giovanelli Giacinto Gaetano Sarubbi
Alternate Auditors	Anna Maria Allievi Andrea Cioccarelli

Independent Audit Firm

Deloitte & Touche SpA

** Following Chairperson Pietro Modiano's resignation on December 19, 2018, on December 20, 2018, the Board of Directors of SEA SpA appointed Michaela Castelli as the company's Chairperson.*
*** The Board of Directors of SEA SpA named Armando Brunini CEO on January 8, 2019 and then also appointed him General Manager on January 16, 2019. On January 8, 2019, Armando Brunini announced his resignation from the position of Vice Chairperson.*

[1] Member of the Control, Risks and Sustainability Committee
[2] Member of the Remuneration and Appointments Committee
[3] Member of the Ethics Committee

2018 Key Financial Highlights & other indicators

The key consolidated highlights from the financial statements are illustrated below.

The standard IFRS 15, which provides for the combined recognition of revenues from contracts with a single commercial objective, entered into effect from January 1, 2018. Application of this Standard entails that commercial incentives for airlines aimed at traffic development, previously classified as "other operating costs", are now classified as a reduction in revenues. For comparability purposes, the 2017 figures have been restated accordingly.

OPERATING RESULTS

(Euro thousands)	2018	2017 restated	Change
Revenues	713,145	676,541	36,604
EBITDA [(1)]	281,851	243,006	38,845
Operating Profit	189,469	127,890	61,579
Profit before taxes	187,396	118,116	69,280
Discontinued Operations profit/(loss) [(2)]	0	1,556	(1,556)
Group Net Profit	136,076	84,070	52,006

[(1)] EBITDA is calculated as the difference between total revenues and total costs, excluding provisions and write-downs.
[(2)] The line "Discontinued operations net result" from 2017 includes the net result of the company SEA Handling SpA in liquidation, as per IFRS 5.

FINANCIAL DATA

(Euro thousands)	December 31, 2018	December 31, 2017	Change
Fixed assets (A)	1,317,673	1,319,249	(1,576)
Net Working Capital (B)	(230,897)	(183,837)	(47,060)
Provisions for risks and charges (C)	(167,861)	(169,935)	2,074
Employee provisions (D)	(46,214)	(47,834)	1,620
Other non-current payables (E)	(13,964)	(17,588)	3,624
Net capital employed (A+B+C+D+E)	**858,737**	**900,055**	**(41,318)**
Group Net Equity	459,101	391,154	67,947
Minority interest net equity	25	23	2
Net financial debt	399,611	508,878	(109,267)
Total sources of financing	**858,737**	**900,055**	**(41,318)**

(A) Fixed assets, including those falling under IFRIC 12, are expressed net of State and European Union contributions. At December 31, 2018, they amounted to Euro 505,226 thousand and Euro 7,019 thousand respectively (Euro 504,383 thousand and Euro 7,019 thousand respectively at December 31, 2017).

INVESTMENTS

(Euro thousand)	December 31, 2018	December 31, 2017	Change
Tangible and intangible asset investments	63,980	72,140	(8,160)

OTHER INDICATORS

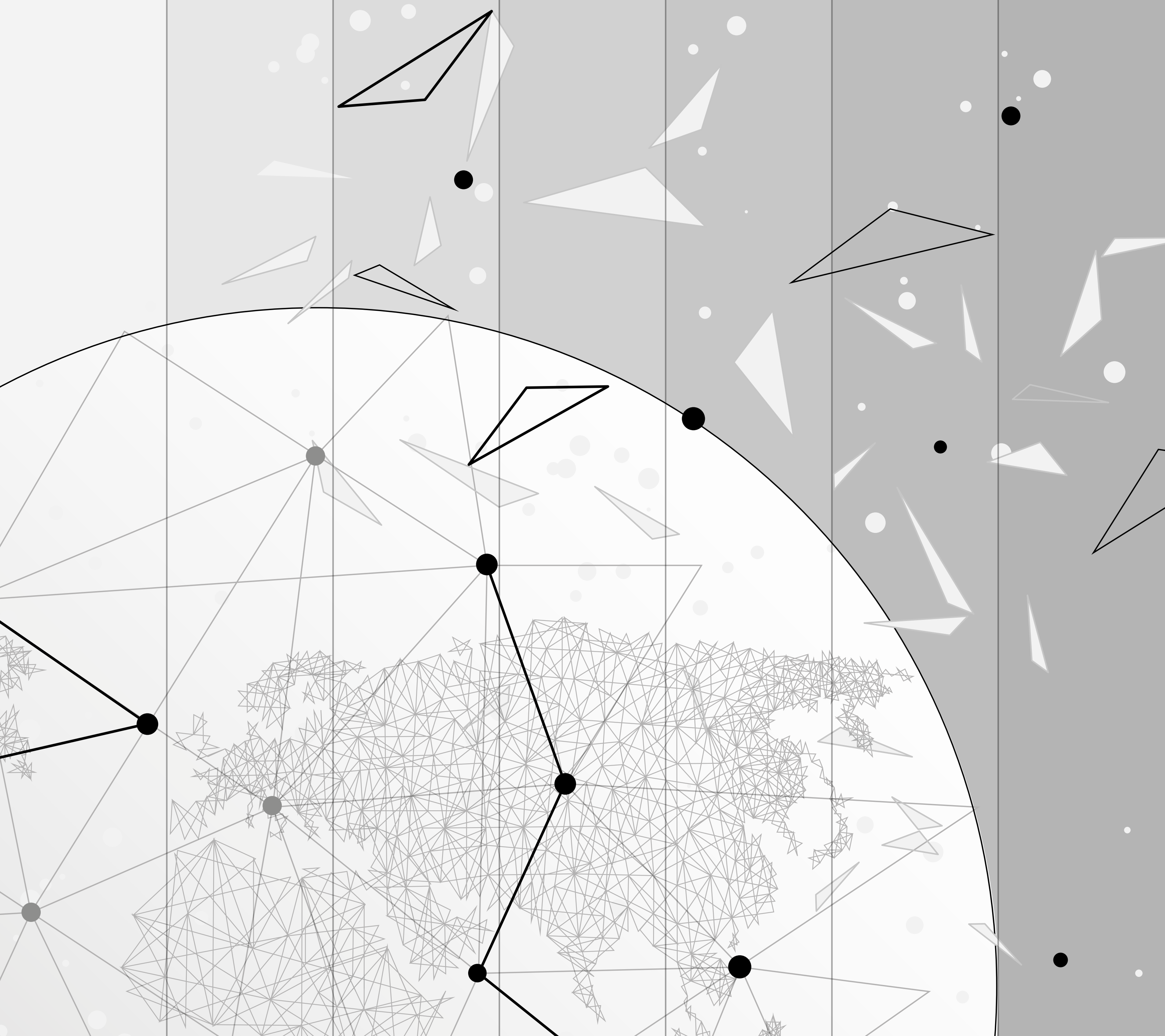
	December 31, 2018	December 31, 2017
NFP/EBITDA	1.42	2.09
Employees at December 31 (HDC)	2,847	2,837

TRAFFIC (COMMERCIAL AND GENERAL AVIATION)

	Movements		Passengers [1]		Cargo [2]	
	2018	% vs 2017	2018	% vs 2017	2018	% vs 2017
Malpensa	189,910	8.7%	24,561,7	11.5%	558,218	-3.2%
Linate	93,987	-2.6%	9,187,1	-3.3%	10,827	-9.3%
Total commercial traffic	**283,897**	**4.7%**	**33,748,8**	**7.0%**	**569,045**	**-3.3%**
General Aviation [3]	25,920	2.5%	54,3	2.7%		
SEA Group Airport System	**309,817**	**4.5%**	**33,803,1**	**7.0%**	**569,045**	**-3.3%**

(1) *Arriving+departing passengers ('000)*
(2) *Arriving+departing cargo in tonnes*
(3) *General Aviation Source: SEA Prime*

Directors’ Report 2018



Significant events in 2018

SEA's Board of Directors appoints a new Chairperson

Following the resignation of Chairperson Pietro Modiano, SEA's Board of Directors on December 20, 2018 appointed as its new Chairperson Director Michaela Castelli, granting her all the powers previously held by the outgoing Chairperson.

Airport Handling: exercise of option by dnata for 40% and transfer to SEA of the residual 30%

On June 30, 2018, dnata exercised the option to purchase an additional 40% of Airport Handling and a corresponding portion of Financial Instruments of Participation, increasing its holding in the company to 70% and maintaining the majority on the Board of Directors, held since March 2016 on completion of the acquisition of the initial 30% of the company from the Trustee (whole-owner of Airport Handling) and of 30% of the Financial Instruments of Participation held by SEA.

Exercise of this option resulted in a series of events in July: the winding up of the trust on completion of its mission and the ensuing transfer to SEA of the residual 30% equity interest; the collection by SEA of Euro 13.3 million (of which Euro 10.6 million for the sale of 70% of the Financial Instruments of Participation and Euro 2.7 million for the sale of 70% of the shares), the share of which relating to the sale of 30% by the trust to dnata was conditional on the completion of the transaction; and the receipt of the dividends of Euro 0.4 million approved by Airport Handling in 2016.

Opening of the new facade of to Linate airport

On May 3, 2018, the new facade of to Linate airport was opened. The main works of the first phase of Linate's restyling beginning in July 2017 concluded and a diluted investment plan shall be rolled out until 2022 for a total amount of Euro 66.4 million.

Milan to host World Routes 2020, the world's foremost air transport trade event

The assignment of World Routes 2020 to Milan was officially announced in July 2018. World Routes – among the biggest events in the aviation industry – will be held from September 5 to 8, 2020 in Milan at the Mi.Co convention centre, bringing together airlines, airports, aviation stakeholders, the tourist industry and tourism bureaus from all corners of the globe, under the auspices of UBM.

The winning application that resulted in the decision to hold this important event in Milan was prepared by SEA, Mi.Co, the Region of Lombardy and the Municipality of Milan.

SEA views World Routes as an opportunity to consolidate the growth of Milan's airports by launching new routes, particularly to connect Milan with cities in Asia and America, and to reinforce the perception of the airport and destination among representatives of the foremost organisations in the global aviation industry and the decision-makers responsible for development of the network.

In view of World Routes 2020, in September 2018 SEA also participated in the World Routes held in Guangzhou, China, with the aim of promoting Milan as a destination and meeting with representatives of the world's leading airlines.

Management system for the prevention of corruption

In March 2018, SEA was awarded certification for its management system for the prevention of corruption pursuant to the UNI ISO 37001:2016 standard.

New lines of credit

In 2018 and early 2019 the existing committed lines of credit were renegotiated and new facilities contracted with the aim of reinforcing the SEA Group's financial structure. At the end of this process, the SEA Group will have committed RCF's of Euro 260 million, available to be drawn down until 2023, and a new line of EIB funding of Euro 130 million partially covering SEA's investments plan for the coming years.

The new structure of the committed facilities, for a total of Euro 390 million, will ensure that the SEA Group has adequate financial flexibility in the coming years, at continued favourable cost conditions, during a period also characterized by the commitments associated with the upcoming maturities of its outstanding medium-/long-term lines of financing.

Subsequent events

Appointment of Chief Executive Officer and General Manager

At its meeting on January 8, 2019, the Board of Directors of SEA SpA created the position of Chief Executive Officer and appointed Armando Brunini to the role; the latter concurrently resigned from the position of Vice Chairperson. Along with the appointment of the Chief Executive Officer, the Board also introduced a new organizational and governance structure more consistent with industry practices and compliant with the new, increasingly competitive marketplace. In fact, the Chief Executive Officer has been assigned the powers of legal and institutional representation, guidance and strategic control of the Company, together with the resulting preparation of the annual and long-term planning documents, as well as the powers to submit draft motions to the Board of Directors, to ensure the coordination and supervision of equity investments and to make urgent decisions within the Board of Directors' purview with separate authority up to predefined amounts or with joint authority together with the Chairperson in excess of the said limits.

On January 16, 2019, the Board of Directors of SEA SpA also named Armando Brunini as General Manager. In keeping with these appointments, SEA's Board of Directors concurrently approved the Company's new organizational model, which introduces the position of General Manager, while eliminating the positions of Chief Operating Officer and Chief Corporate Officer and reallocating the organizational units reporting to them accordingly. The Chief Financial and Risk Officer reports directly to the General Manager, together with the main organizational units previously reporting to the Chief Corporate Officer.

Economic overview

In 2018 the world economy continued to grow, although the outlook for global trade deteriorated. International economic growth is exposed to numerous of risk factors: the repercussions of a negative outcome to the trade negotiations between the United States and China giving rise to the introduction of new protectionist measures, the rekindling of financial tensions in emerging nations and the conditions in which the United Kingdom's departure from the European Union (Brexit) will be concluded, following the vote by the British Parliament rejecting the ratification of the agreement negotiated by the government in November.

According to projections published by the OECD last November, in 2018 global economic growth came to 3.7%, one-tenth of a point more than in the previous year.

In 2019 global GDP is expected to rise by 3.5%, two-tenths of a point less than projected in September: the revision reflects a slight worsening of the outlook in the Eurozone, Japan and the major emerging economies, accompanied by the already expected slowdown in the United States, due in part to the gradual abatement of the expansionary effects of the tax stimulus.

In the third quarter of 2018, economic performances differed among the main advanced economies. According to the most recent indicators, in the final part of the year growth remained robust in the United States and returned to positive territory in Japan, following the sharp decline in GDP witnessed in the third quarter due to the natural disasters that struck the country. In the United Kingdom growth was consistent with the average for the first half of the year. Among the main emerging economies, in China the slowdown in economic activity that began in early 2018 continued in the final months of the year, despite the tax stimulus measures enacted by the government. By contrast, the expansionary phase remained robust in India, albeit at more moderate rates than in the first half of the year, whereas the macroeconomic scenario in Brazil is still fragile.

Consumer inflation weakened in the United States and the United Kingdom, while fluctuating around 1% in Japan, although the fundamental component remains near zero.

Crude oil prices have fallen sharply since early October, due above all to supply-side factors, such as the increase in output in the United States, Saudi Arabia and Russia, together with the stability of Iranian exports, following the temporary loosening of the sanctions imposed by the United States. The agreement on the new production cuts reached in early December between OPEC members and other producing nations (OPEC+) was not enough to stop prices from falling.

Economic activity slowed in the Eurozone, due in part to temporary factors, but also to deteriorating expectations amongst businesses and weak foreign demand. In November, industrial output declined considerably across all the main economies. In the autumn inflation slowed due to the performance of energy prices. In the third quarter the zone's GDP increased by 0.2% on the previous period, a sharp slowdown compared to the spring. Essentially stagnant exports held back growth. Domestic demand continued to contribute 0.5% to GDP, driven by the change in inventories and, to a lesser extent, investments. In the final months of the year, the industrial output fell faster than expected in Germany, France and Italy. In December, the Bank of Italy's €-coin indicator, which estimates the baseline performance of Eurozone GDP, continued to decline to 0.42%, its lowest level since the end of 2016.

Inflation fell in the autumn, amounting to 1.6% at the end of the year, due to the slowdown of energy prices. Average inflation for the year was 1.7% (1.5% in 2017).

In Italy, after growth came to an

end in the third quarter, the available economic indicators suggest that economic activity may have continued to slow in the fourth quarter. The weakening seen in the summer was fuelled by declining domestic demand, particularly from investments and, to a lesser degree, household spending. According to the Bank of Italy, the investment plans of industrial and service firms are believed to have been reduced in the light of the political and economic uncertainty coupled with trade tensions.

Italian export performance remained positive in the second half of the year. However, slowing global trade influenced the foreign order outlook for companies.

In the summer quarter, hours worked rose while the number of job-holders fell slightly. According to the first available data, in the autumn employment is believed to have remained essentially stable.

Overall inflation fell to 1.2% in December, due above all to slowing energy prices. Companies' price expectations were revised slightly downwards.

Risk premia on government bonds fell due to the agreement between the Italian government and the European Commission on budget planning. The spread between the yields on Italian and German government bonds stood at approximately 260 basis points in mid-January, 65 points below the November high. However, overall financial market conditions remain tenser than before the summer.

Air transport and airports

Global air transport performance (to October 2018)

In October 2018, global passenger traffic, measured on a sample of over one thousand airports, increased by 6.1 percentage points on the same period of 2017, amounting to 5.981 billion passengers.

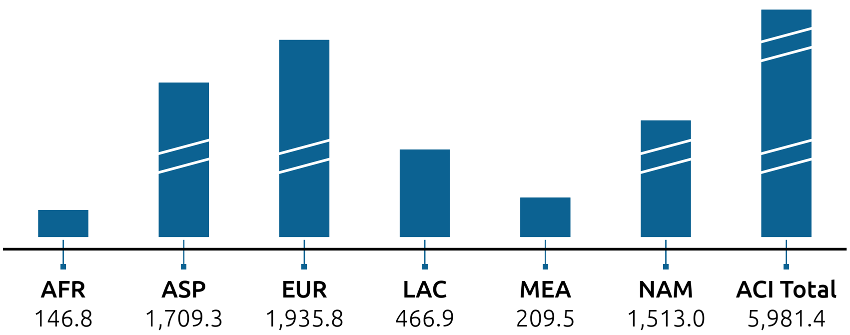
There was growth across all continents, and in particular:

- Europe (which has 32% market share) posted gains of +6.2%;
- Asia (29% market share) posted gains of +7.3%;
- North America (25% market share) posted gains of +5.2%;
- Central/South America (8% market share) posted gains of +4.8%;
- the Middle East (4% market share) posted gains of +2.3%;
- Africa (2% market share) posted gains of +10.1%.

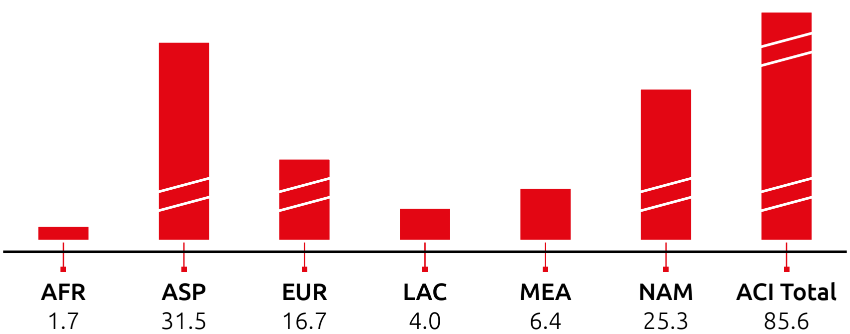
In the global rankings, the number-one airport by passenger traffic was Atlanta (89.8 million passengers served, of which 79.2 for domestic traffic), followed by Beijing (84.4 million passengers served, of which 64.6 for domestic traffic), and Dubai (74.5 million passengers served).

GLOBAL AIR TRAFFIC [1]

Passengers in October 2018 (5.981 billion) **ACI World ranking volumes**



Total cargo in October 2018 (85.6 million tons) **ACI World ranking volumes**



Key: AFR (Africa), ASP (Asia Pacific), EUR (Europe), LAC (Latin America), MEA (Middle East), NAM (North America). Source: ACI World (Pax Flash & Freight Flash)
[1] Source: ACI World (Pax Flash & Freight Flash)

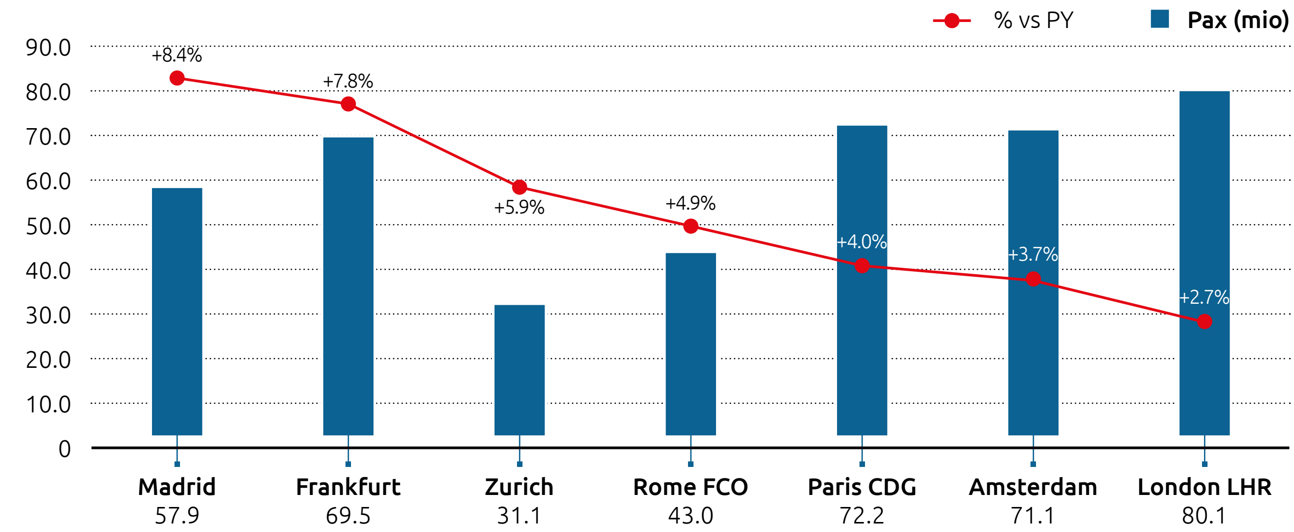
Cargo traffic also increased across all areas at an average rate of 4.2 percentage points, with 85.6 million tons of cargo processed at a sample of 681 airports. Asia – the leader in terms of cargo handled – was up by +3.3%, North America by +6.1%, Europe by +2.8%, the Middle East by +0.4%, Central/South America by +8.7% and Africa by +11.6%.

European airport performances in 2018[2]

The ACI Europe associated European airports reported passenger growth of 4.8% to 1166.2 million passengers served.

The main European hubs[3] (representing 36% of total associated airport traffic) and their percentage growth on the previous year are shown below.

EUROPEAN AIR TRAFFIC – THE MAIN HUBS

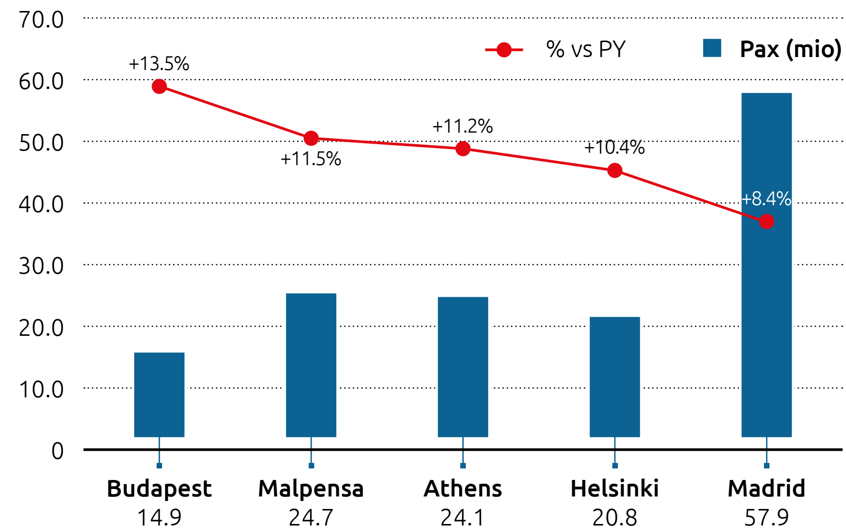


If the 42 ACI Europe member airports are included in the analysis, Malpensa ranks second by percentage growth (+11.5%), between Budapest (+13.5%) and Athens (+11.2%), as shown below.

Cargo traffic was stable on the previous year (-0.2%), with a total of over 12.0 million tons handled.

In terms of goods handled, in the rankings of the main ACI Europe member airports, Malpensa comes fifth (558.2 thousand tons), after Frankfurt at 2.1 million tons, Paris Charles de Gaulle at 2.0 million tons and London Heathrow and Amsterdam at 1.7 million tons each.

RANKING FOR PERCENTAGE GROWTH



[2] *ACI EUROPE: Rapid Exchange*

[3] *Airport hubs: Frankfurt, Amsterdam, Paris Charles de Gaulle, Zurich, Rome Fiumicino, Madrid and London Heathrow.*


Emirates

Italian airport traffic performance in 2018 [4]

Passenger traffic at the Italian Assaeroporti member airports was up 5.9%. In 2018 185.4 million passengers were served, an increase of 10.3 million on 2017. International traffic was up by 7.2% and domestic traffic by 3.3%.

There were 1.4 million flights during the year (+3.6%), whereas the cargo carried was essentially in line with the previous year (1,056.6 thousand tons, -0.4%).

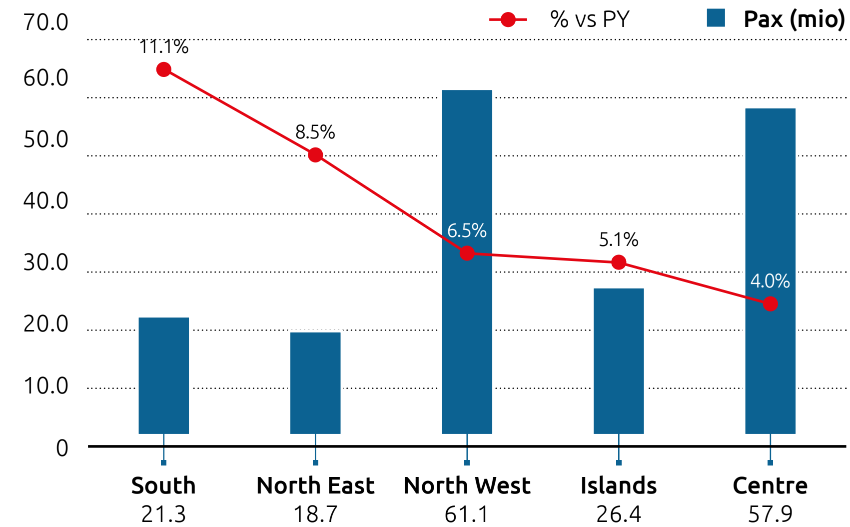
As may be seen from the following chart, the area* with the greatest passenger growth in percentage terms was the South, followed by the North-Eastern and North-Western areas of the country.

Among the North-Western airports, the Lombardy airport system (25% of total italian traffic) served 46.8 million passengers (+6.5%); Milan Malpensa contributed with 24.7 million (+11.5%), Milan Linate with 9.2 million (-3.3%) and Bergamo Orio al Serio with 12.9 million (+4.9%).

In Central Italy, the Rome airport system (26% of total italian traffic) hit 48.8 million passengers (+4.2%); Rome Fiumicino served 43.0 million (+4.9%), while Rome Ciampino with 5.8 million contracted (-0.7%).

Among the North-Eastern airports, Venice reached 11.2 million passengers carried (+7.9%), while in the South Catania and Naples grew by 8.9% and 15.8% each, serving 9.9 million passengers each.

ITALIAN AIR TRAFFIC



North West: Bergamo, Bologna, Genoa, Linate, Malpensa, Turin, others; North East: Treviso, Venice, Verona, others; Centre: Ancona, Rome Ciampino, Rome Fiumicino, others; South: Bari, Brindisi, Lamezia Terme, Naples, Pescara, Reggio Calabria, others; Islands: Alghero, Cagliari, Lampedusa, Olbia, Palermo, others.

General Aviation

In 2018, **Business and General Aviation** in Europe recorded a 1.8% growth in flights, reaching pre-crisis figures of 2008. Italy, where flights were in line with FY 2017 (+0.1%), is the fourth market in Europe with a 7% market share (source: Wingx). General Aviation at the Milan Linate and Malpensa Prime airports, with 25.9 thousand flights, grew by 2.5% and ranks in the fifth place in Europe in terms of traffic served (after London, Paris, Nice and Geneva) and in the first place in Italy, where it holds a 40% market share.

[4] Source: Assaeroporti's 39 associated airports; the figures include commercial aviation inclusive of direct transits

Regulatory framework

Establishment of new aviation fees

The Italian Civil Aviation Authority published the new regulated fees for 2019 in October, following the conclusion of the airport user consultation process launched in July 2018.

The new rates entered into effect on January 1, 2019 and represent an average increase of 0.2% compared to 2018, below the inflation rate planned of 1.2%, as stated in the Update to the 2018 Economy and Finance Document, published by the Italian Ministry of the Economy and Finance in September 2018).

Revision of airport fee regulation models

On September 13, 2018 the Transport Regulation Authority (ART) published Resolution No. 84, announcing the launch of the procedure for revising the current airport fee regulation models (approved by resolution no. 92/2017). Through this procedure, the Authority aims to assess whether it is advisable to make changes to regulatory parameters governing: (i) the efficiency and elasticity of operating costs; (ii) the optimal use of airport capacity; (iii) the treatment of commercial margins; (iv) the tariff consequences of incentives for flight operations; (v) the definition of the plans relating to new airport infrastructure projects; (vi) airports with traffic of less than one million annual passengers and airport networks; (vii) the rate of return on invested capital; and (viii) regulatory accounting.

In this regard, the Authority has asked all Italian airport management companies, SEA included, for a series of historical economic and technical data (traffic figures, operating and infrastructure information and details of the quality of service provided), with the aim of assessing any regulatory changes in application of the regulation impact assessment method employed by the Authority.

Consultation on the new regulatory models is expected to begin in the spring and the deadline for the conclusion of the procedure has been set as September 30, 2019.

SEA does not apply the ART's regulation models since it is regulated by the Supplementary Regulatory Agreement entered into with ENAC in 2011, pursuant to Article 17, paragraph 34-bis of Decree-Law No. 78/2009, as converted with amendments by Law 102 of August 3, 2009.

New significant domestic and EU regulations

At the level of the Community regulatory framework, the European Commission - DG MOVE - continued the process of assessing Directive 2009/12/EC of the European Parliament and of the Council of March 11, 2009 on airport charges, which had been ongoing since 2016.

In the first half of 2018, the Commission launched a public consultation addressed to all European citizens generally and logically aimed at completing the process (of a more technical nature and more specifically targeted at industry operators) already begun with the Inception Impact Assessment (IIA). Additional phases of the Impact Assessment process proper are expected for early 2019. On the basis of the most recent available information, DG MOVE decided to publish a package on aviation that will include the final report on the assessment of the directive on airport charges, the study of "Taxes in the Aviation Industry and their Impact" and the report on social questions in air transport. During the same period, the Commission is expected to verify possible approaches to intervention by the European Union, which could lay the groundwork for future economic regulations for airports. SEA will continue to monitor this process, both directly and through Italian and European industry associations.

The New Decree of the President of the Council of Ministers No. 76/2018, "Regulation on the execution, types and size thresholds for works subject to public debate", which entered into force on August 24, identifies the types of works for which it will be mandatory to involve citizens in public debate – a form of consultation that occurs before projects assume their definitive form. The following are subject to public debate, subject to precise size and financial limits: motorways and intercity roadways, railway lines, airports, commercial seaports, navigable waterways and freshwater ports, shipping terminals, work to protect the sea and coasts, intermodal freight hubs, overhead power lines, long-term water retention, regulation or storage facilities and systems for transferring water between regions.

In the case of airports, such works must involve new passenger or cargo terminals, new runways with a length of over 1,500 m and an overall investment of more than Euro 200 million, net of VAT, associated with all planned contracts. Public debate, which lasts four months (but in cases of demonstrated need may be extended by an additional two months), occurs in the initial phases of planning of the technical and economic feasibility plan or the feasibility document for project alternatives. If debate is launched at the specific request of the administrations or citizens involved, or occurs at the specific behest of the awarding administration or authority, public debate may not be held after the commencement of definitive planning.

Legislative Decree No. 65/2018, "Implementation of Directive (EU) No 2016/1148 of the European Parliament and of the Council of July 6, 2016 concerning measures for a high common level of security of network and information systems across the Union" transposing Directive (EU) No 2016/1148 (known as the "Network and Information Security Directive" or "NIS Directive") concerning the security of network and information systems in the Union entered into effect on last June 24. The Decree has three main goals:

- promoting a culture of risk management and reporting of incidents among the main economic actors, and in particular operators that provide services essential to the maintenance of economic and social activities and providers of digital services;
- improving cyber-security capabilities;
- enhancing cooperation at the national and EU level.

With the aim of ensuring the continuity of essential services (energy, transport, health, finance,...) and digital services (search engines, cloud services, e-commerce platforms), the Decree provides for technical and organisational measures intended to reduce risk and limit the impact of information technology incidents and the obligation to report incidents with a significant impact on the provision of services. The text also identifies the responsible "NIS" authorities and their duties, carried out in cooperation with the equivalent authorities in the other Member States, as well as the Italian national Computer Security Incident Response Team (CSIRT), which has duties of a technical nature relating to preventing and responding to information technology incidents, carried out in cooperation with the other European CSIRTs. Annex II to the Decree identifies essential service providers, which also include airport managers.

SEA and SEA Energia's qualification as Existing Systems Equivalent to Efficient Systems for Users (SEESEU)

Efficient Systems for Users (SEU or SEESEU) are simple production and consumption systems consisting of a production facility and a consumption unit that are directly linked by a private connection, without an obligation to connect third parties, in which the producer and end client are the same legal entity or legal entities belonging to the same corporate group.

On May 8, 2017 GSE (the Electricity Services Operator) definitively issued SEESEU certification for both the Linate and Malpensa airports.

Obtaining the SEU or SEESEU 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.

By ARERA resolution no. 680/2018 of December 18, 2018, the deadline for opting for CDS or SEESEU status (previously set at December 31, 2018) was extended to July 1, 2019. Accordingly, the SEA Group must make its decision by the above deadline.

At the reporting date, SEA had yet to make a final decision.

Operating and financial overview

Traffic data

MILAN MALPENSA AND LINATE AIRPORT TRAFFIC PERFORMANCE (COMMERCIAL AND GENERAL AVIATION)

	Movements		Passengers [1]		Cargo [2]	
	2018	**% vs 2017**	**2018**	**% vs 2017**	**2018**	**% vs 2017**
Malpensa	189,910	8.7%	24,561.7	11.5%	558,218	-3.2%
Linate	93,987	-2.6%	9,187.1	-3.3%	10,827	-9.3%
Total commercial traffic	**283,897**	**4.7%**	**33,748.8**	**7.0%**	**569,045**	**-3.3%**
General Aviation [3]	25,920	2.5%	54.3	2.7%		
SEA Group Airport System	**309,817**	**4.5%**	**33,803.1**	**7.0%**	**569,045**	**-3.3%**

[1] *Arriving+departing passengers ('000)*
[2] *Arriving+departing cargo in tonnes*
[3] *General Aviation Source: SEA Prime*

In 2018 the Milan Airport System managed by the SEA Group served a total of 33.8 million passengers, 2.2 million passengers more (+7.0%) than in FY 2017.

This performance was attributable solely to Malpensa airport, which with 2.5 million additional passengers posted a gain of 11.5% on the previous year. This outcome was due to the increase in capacity in terms of both seats offered (+11.7%) and flights (+8.7%), with an equivalent load factor (77%). Domestic and European destinations contributed significantly, with increases in passengers of 29.4% and 8.6% respectively. Intercontinental routes in turn posted double-digit growth of 18.8% for North America and of 10.7% for the Far East.

By contrast, Linate airport reported a decline in passenger traffic of 3.3%, principally due to the discontinuation of operations by Air Berlin (still operating in early 2017) and Air Italy (former Meridiana), with the exception of service to Olbia (part of the local public transport service program), together with the transfer to Malpensa of Air France and KLM with effect from the April 2017. There was a further 7.4% contraction in the Milan – Rome route and a 5% decline in European routes due to the aforementioned transfer of airlines to Malpensa.

General Aviation activity at the Linate and Malpensa airports generated 25.9 thousand flights, with an increase of 2.5% on 2017.

In terms of tons, the volumes handled at Linate and Malpensa were up by 3.3% and 17.7% respectively on 2017, with the average equipment passing through the two airports rising from 15.9 to 16.4 tons (+3.0%).

The cargo traffic handled by the Milan Airport System amounted to 569 thousand tons, down by 3.3% on FY 2017. This decline was primarily due to exports (-4.8%), and in particular to the negative performance of all-cargo carriers (-6.0%), following the decline in average cargo volume per flight (from 38 to 34 tons), despite an increase in flights (+3.4%).

Income Statement

The accounting policies applied in preparing the 2018 consolidated figures are in line with those utilised for the 2017 consolidated financial statements. In accordance with IFRS 15, from FY 2018 commercial traffic development agreements are recognized as a reduction in revenues, rather than as operating costs. In order to facilitate like-for-like comparison with the previous year, the 2017 values have been restated.

The consolidation scope at December 31, 2018 differs from December 31, 2017 due to the inclusion of the associate Airport Handling SpA (30%), measured according to the equity method.

(Euro thousands)	2018	2017	Change	C.ge % 2018/2017
Operating revenues	683,956	648,260	35,696	5.5%
Revenue for works on assets under concession	29,189	28,281	908	3.2%
Total revenues	**713,145**	**676,541**	**36,604**	**5.4%**
Operating costs				
Personnel costs	189,416	210,743	(21,327)	(10.1%)
Other operating costs	215,150	196,786	18,364	9.3%
Total operating costs	**404,566**	**407,529**	**(2,963)**	**(0.7%)**
Costs for works on assets under concession	26,728	26,006	722	2.8%
Total costs	**431,294**	**433,535**	**(2,241)**	**(0.5%)**
EBITDA [1]	**281,851**	**243,006**	**38,845**	**16.0%**
Provisions & write-downs	3,704	32,218	(28,514)	(88.5%)
Restoration and replacement provision	15,077	13,602	1,475	10.8%
Amortisation & Depreciation	73,601	69,296	4,305	6.2%
Operating profit	**189,469**	**127,890**	**61,579**	**48.1%**
Investment income	14,568	8,135	6,433	79.1%
Net financial charges	16,641	17,909	(1,268)	(7.1%)
Profit before taxes	**187,396**	**118,116**	**69,280**	**58.7%**
Income taxes	51,318	35,667	15,651	43.9%
Continuing Operations profit	**136,078**	**82,449**	**53,629**	**65.0%**
Discontinued Operations profit/(loss) [2]	**0**	**1,556**	**(1,556)**	**(100.0%)**
Minority interest profit/(loss)	2	(65)	67	(103.1%)
Group Net Profit	**136,076**	**84,070**	**52,006**	**61.9%**

[1] *EBITDA is calculated as the difference between total revenues and total costs, excluding provisions and write-downs.*
[2] *The line "Discontinued operations profit/(loss)" from 2017 includes the net result of the company SEA Handling SpA in liquidation, as per IFRS 5. The liquidation process was concluded in 2017.*

Operating revenues amounted to Euro 683,956 thousand in FY 2018, up Euro 35,696 thousand (+5.5%). This strong performance was mainly due to traffic development, which drove increases in both aviation revenues and non-aviation passenger service revenues of Euro 21,677 thousand and Euro 15,047 thousand, respectively, against a decline in the other General Aviation and Energy businesses of a total of Euro 1,028 thousand.

EBITDA was Euro 281,851 thousand, up 16% on 2017, which had been influenced by the inclusion among personnel costs of Euro 23,923 thousand relating to the leaving incentives provided for in the Framework Agreement signed on July 22, 2016 with the trade unions.

EBIT of Euro 189,469 thousand was up significantly on the previous year, which included the accrual of Euro 25,252 thousand on the Alitalia SAI receivable for unsettled invoices in the period before the company entered extraordinary administration (May 2, 2017), in addition to the aforementioned impact on personnel costs.

Net profit amounted Euro 136,076 thousand, an increase of Euro 52,006 thousand on the previous year.

The main income statement accounts are broken down as follows.

Revenues

Operating revenues for the period ended December 31, 2018 (net of work on assets under concession and traffic development incentives) amounted to Euro 683,956 thousand and include Aviation revenues of Euro 415,729 thousand (Euro 394,052 thousand in 2017), Non-Aviation revenues of Euro 242,399 thousand (Euro 227,352 thousand in 2017), General Aviation revenues of Euro 11,344 thousand (Euro 12,128 thousand in 2017) and Energy revenues of Euro 14,484 thousand (Euro 14,728 thousand in 2017).

Operating revenues increased by Euro 35,696 thousand on the previous year (+5.5%), supported in 2018 by non-recurring revenues of Euro 5,591 thousand due to the conclusion of the legal proceedings in which SEA was recognized as entitled to the fees for the premises occupied in previous years by the Italian Customs Authority. 2017 was supported by non-recurring revenues of Euro 2,929 thousand (Euro 2,429 thousand from the Anti-trust Authority review of the penalty imposed on SEA in 2015 following the acquisition of SEA Prime - previously ATA Ali Trasporti Aerei and Euro 500 thousand from the collection of a supplier penalty). Net of these items, revenues grew Euro 33,034 thousand (+5.1%). This performance is principally based on [5]:

- *Aviation* for Euro +23,289 thousand, mainly due to the boost in traffic volumes in the period.
- *Non-Aviation* for Euro +10,668 thousand, with organic growth across all the main business segments (Shops, Food & Beverage, Car Rental, Parking and Cargo), despite the decline in the Bank Services segment (-13.5%).
- *Energy* for Euro (165) thousand, mainly due to lower volumes of electricity sales to third parties.
- *General Aviation* for Euro (758) thousand, mainly due to lower revenues as a result of the discontinuation of the "into-plane" refuelling service in 2018 and the presence of non-recurring revenues in 2017.

Revenues for works on assets under concession rose from Euro 28,281 thousand in 2017 to Euro 29,189 thousand in 2018, marking an increase of 3.2%. These revenues refer to construction work on assets under concession increased by a mark-up representing the best estimate of the remuneration of the internal cost for the management of the works and design activities undertaken, which corresponds to a mark-up which a third-party general constructor would request to undertake such activities.

This account is strictly related to investment activities on assets under concession.

[5] *In this document, the 2017 figures for Aviation and Non-Aviation activities and the Energy and General Aviation businesses have been restated according to the allocation criteria used for FY 2018.*

Operating costs

Operating costs for the year ended December 31, 2018, net of costs for works on assets under concession, amounted to Euro 404,566 thousand, falling Euro 2,963 thousand on the previous year (-0.7%). Costs in 2018 included non-recurring items for Euro 2,073 thousand, consisting solely of leaving incentives. Therefore, comparison with 2017 - which in turn included non-recurring components for Euro 23,966 thousand (of which leaving incentives of Euro 23,923 thousand Euro) - shows a net increase of Euro 18,930 thousand (+4.9%).

This cost increase is mainly due to:

- Group personnel costs, which increased Euro 523 thousand (+0.3%) compared to the same period of 2017, climbing from Euro 186,820 thousand in 2017 to Euro 187,343 thousand in 2018. The increase was primarily driven by a slight rise in the workforce to 2,782 full-time equivalents in 2018 compared with 2,766 in 2017;
- Other operating costs, which increased by Euro 18,407 thousand (+9.4%) compared to the same period of 2017, rising from Euro 196,743 thousand in 2017 to Euro 215,150 thousand in 2018. This growth was due to the increase in costs tied to volumes of Euro 5,307 thousand (for security, public fees, fees associated with the management of parking and commercial costs), the increase in the unit costs of energy – methane and CO_2 – of Euro 3,830 thousand and higher operating costs (maintenance, tools and hardware/software fees) of Euro 9,270 thousand.

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. These costs refer to the costs for the works undertaken on assets under concession. This movement is strictly related to investment activities.

As a result of the above dynamics, EBITDA stood at Euro 281,851 thousand compared to Euro 243,006 thousand for 2017, up 16% (+Euro 38,845 thousand). Excluding the non-recurring items outlined above and at like-for-like consolidation scope, EBITDA was up by 5.4% (+Euro 14,290 thousand).

Provisions & write-downs

In FY 2018 provisions and write-downs amounted to Euro 3,704 thousand and consisted of Euro 2,887 thousand in net provisions for future charges (Euro 1,494 thousand for the period ended December 31, 2017) and Euro 817 thousand in net provisions for doubtful debt (Euro 30,724 thousand for the period ended December 31, 2017).

Provisions for future charges include Euro 4,375 thousand in provisions relating to the current year for provisions for employment, revocatory risks and insurance deductibles, partially offset by the release of previous years' provisions for risks and charges of Euro 1,488 thousand, as a result of the elimination of some ongoing disputes.

Credit risk provisions refer to net provisions for trade receivables (Euro 27,498 thousand in 2017).

In 2017 almost all of the provision for trade receivables was related to the credit exposure dating to the period (prior to placement in administration on May 2, 2017) to Alitalia SAI in Extraordinary Administration, for an amount of Euro 25,252 thousand. There was no guarantee of the collection of this loan either at the time of the provision or at the time of writing.

Further information is available in Note 9.7 of the Consolidated Financial Statements.

Restoration and replacement provision

During the reporting year, the net provision amounted to Euro 15,077 thousand (Euro 13,602 thousand in 2017) and includes the expected maintenance of the plant in the course of its useful life. In 2017 the net effect was due to a provision of Euro 15,093 thousand and the release of Euro 1,491 thousand.

Amortization & Depreciation

Amortization and depreciation increased by Euro 4,305 thousand compared to 2017 (+6.2%), from Euro 69,296 thousand to Euro 73,601 thousand. The movements reflect the amortization and depreciation process for tangible and intangible assets based on estimated useful life, which never exceeds the duration of the concession, together with the increase in fixed assets the depreciation of which began after the first half of 2017, such as the Sheraton hotel in Malpensa, the investments in terminal restyling and the investments in Cargo City.

Investment income and charges

In the reporting year net income from investments increased by Euro 6,433 thousand, rising from Euro 8,135 thousand in 2017 to Euro 14,568 thousand in 2018. Equity-accounted investments and other income and charges are included.

The share of the result of Equity-accounted associates was positive at Euro 14,177 thousand in 2018 (Euro 8,204 thousand in 2017). The increase, amounting to Euro 5,973 thousand, is primarily attributable to the improvement in the results achieved by some associates, in addition to the inclusion, with effect from July 2018, in the scope of companies measured at equity of Airport Handling SpA due to the 30% share owned by SEA SpA.

Other income increased by Euro 460 thousand. This increase was chiefly due to dividends, which amounted to Euro 387 thousand, as approved by the Shareholders' Meeting of Airport Handling SpA on May 6, 2016, drawing on the profit from FY 2015, paid on the shares held by SEA, collected directly by SEA in July 2018 following the dissolution of the trust.

Financial income and charges

In 2018, net financial charges reduced Euro 1,268 thousand, from Euro 17,909 thousand in 2017 to Euro 16,641 thousand in 2018.

This outcome was primarily due to the lesser interest expense during the period on medium-/long-term loans, driven by the decrease in gross debt, lower charges on derivatives due to the continuing amortization of the relevant notional amount, greater guarantee fees on the EIB disbursement of late June 2017 and an increase in financial income of Euro 763 thousand following the recognition of interest income accrued on the IRES receivable collected in April 2018 concurrently with the corresponding nominal tax receivable.

Income taxes

Income taxes for FY 2018 amounted to Euro 51,318 thousand, up on 2017 (Euro 35,667 thousand), mainly due to the increase in profit before taxes.

A detailed analysis of the components that contributed to this net result and their comparison with 2017 is available in Note 9.12 of the Consolidated Financial Statements.

Discontinued Operations profit/(loss)

The profit on discontinued operations was nil following the liquidation on July 10, 2017 of SEA Handling SpA, against a net profit of Euro 1,556 thousand in the previous year, relating to the conclusion of the liquidation process which resulted in the settlement of credit and debit positions.

Group Net Result

As a result of the trends outlined above, the Group's net profit amounted to Euro 136,076 thousand, up Euro 52,006 thousand over the previous year (Euro 84,070 thousand).

Reclassified statement of financial position

(Euro thousands)	December 31, 2018	December 31, 2017	Change
Intangible assets	986,469	998,182	(11,713)
Property, plant & equipment	205,483	204,971	512
Investment property	3,408	3,394	14
Investments in associates	67,914	54,054	13,860
Other investments	26	26	0
Deferred tax assets	54,185	51,152	3,033
Other non-current financial assets	0	7,190	(7,190)
Other non-current receivables	188	280	(92)
Fixed assets (A)	**1,317,673**	**1,319,249**	**(1,576)**
Inventories	1,934	4,104	(2,170)
Trade receivables	121,005	111,077	9,928
Tax receivables	1,048	14,941	(13,893)
Other receivables	9,527	9,200	327
Other current financial assets	0	13,300	(13,300)
Current assets	**133,514**	**152,622**	**(19,108)**
Trade payables	153,394	153,497	(103)
Other payables	192,476	174,592	17,884
Tax payables	18,541	8,370	10,171
Current liabilities	**364,411**	**336,459**	**27,952**
Net Working Capital (B)	**(230,897)**	**(183,837)**	**(47,060)**
Provisions for risks and charges (C)	(167,861)	(169,935)	2,074
Employee provisions (D)	(46,214)	(47,834)	1,620
Other non-current payables (E)	(13,964)	(17,588)	3,624
Net capital employed (A+B+C+D+E)	**858,737**	**900,055**	**(41,318)**
Group Net Equity	(459,101)	(391,154)	(67,947)
Minority interest net equity	(25)	(23)	(2)
Net financial debt	(399,611)	(508,878)	109,267
Total sources of financing	**(858,737)**	**(900,055)**	**41,318**

All fixed assets, including those falling under IFRIC 12, are expressed net of those funded by State and European Union contributions. At December 31, 2018, they amounted to Euro 505,226 thousand and Euro 7,019 thousand respectively (at December 31, 2017, Euro 504,383 thousand and Euro 7,019 thousand respectively).

Fixed assets of Euro 1,317,673 thousand decreased by Euro 1,576 thousand over December 31, 2017.

This was primarily due to net investments for the year of Euro 63,980 thousand (net of the use of the restoration provision), which were more than offset by depreciation and amortization of Euro 73,601 thousand; the increase in the value of equity investments in associated companies (Euro 13,860 thousand), which includes the measurement at equity of associated companies and the reclassification of the instruments representing 30% of the capital of Airport Handling SpA, previously classified among other non-current financial assets and, finally, the increase in net deferred tax assets of Euro 3,033 thousand.

Net working capital of Euro -230,897 thousand decreased Euro 47,060 thousand over December 31, 2017.

This movement is mainly due to the decrease in short-term assets, as a result of the increase in trade receivables, principally as a result of higher revenues in the reporting period, more than offset by the reduction in tax receivables following the collection in April 2018 of the IRES receivable relating to the deductibility of IRAP from IRES for annual periods 2007 to 2011 ("click day") and the reduction in other current financial assets following the elimination of the financial receivable associated with the sale of 40% of the equity investment held by the trust in Airport Handling SpA, already subject to an impairment loss of Euro 3,476 thousand in 2017.

Current liabilities also contributed positively to working capital dynamics as a result of the increase in tax payables, surtaxes payable in connection with the increase in turnover and the increase in the amount payable for fire prevention services.

Other non-current payables refer mainly to payables to employees recorded as a result of the mobility procedure's commencement on December 27, 2017. Through the mobility procedure, leaving incentive payments were established for a pre-determined number of workers who will qualify for pension benefits by August 2023 (early retirement or old age pension). Such payables decreased on December 31, 2017 due to the achievement by some workers of the requirements for the settlement of the payable or the reclassification from non-current to current payables.

Net capital employed at December 31, 2018 amounted to Euro 858,737 thousand, with a decrease of Euro 41,318 thousand over December 31, 2017.

The following table illustrates the principal components of Net Working Capital:

(Euro thousands)	December 31, 2018	December 31, 2017	Change
Inventories	1,934	4,104	(2,170)
Trade receivables	121,005	111,077	9,928
Trade payables	(153,394)	(153,497)	103
Other receivables/(payables)	(200,442)	(158,821)	(41,621)
Other current financial assets	0	13,300	(13,300)
Total net working capital	**(230,897)**	**(183,837)**	**(47,060)**

Net financial position

The "Net financial position" amounting to Euro 399,611 thousand improved by Euro 109,267 thousand over December 31, 2017 (Euro 508,878 thousand).

The positive cash flow generated by current operations made it possible to finance investment in tangible and intangible fixed assets for Euro 79,185 thousand (net of contributions and gross of IFRIC remuneration and financial charges) and the payment of dividends of Euro 70,288 thousand.

Reconciliation between equity of SEA SpA and consolidated equity

The reconciliation between the net equity of the Parent Company SEA SpA and the consolidated net equity is shown below.

(Euro thousands)	Shareholders' Equity at December 31, 2017	Equity movements	OCI Reserve	Net profit / (loss)	Share, Equity at December 31, 2018
Parent Company Financial Statements	**335,228**	**(70,300)**	**2,174**	**123,489**	**390,591**
Share of net equity and net profit of the consolidated subsidiaries attributable to the Group, net of the carrying amount of the relative investments	18,920			5,791	24,711
Adjustments for measurement at equity of associates	43,229	(2)		6,551	49,778
Other consolidation adjustments	(6,199)			247	(5,952)
Consolidated Financial Statements	**391,177**	**(70,302)**	**2,174**	**136,078**	**459,126**

Alternative performance indicators

The SEA Group uses alternative performance indicators (API's) in order to provide information on the profitability of the business in which it operates and its financial situation more effectively. In accordance with the guidelines published on October 5, 2015 by the European Securities and Markets Authority (ESMA/2015/1415), and pursuant to Consob communication 92543 of December 3, 2015, the content and criteria for determining the APM's used in the present financial statements are set out below:

- EBITDA, gross operating margin or gross operating result is calculated as the difference between total revenues and total costs, excluding provisions and write-downs.
- EBIT or operating result is calculated as the difference between total revenues and total costs, including provisions and write-downs.
- The line "Discontinued operations profit/(loss)" from FY 2017 includes the net result of the company SEA Handling SpA in liquidation, as per IFRS 5.
- "Profit / (loss) before taxes" means the result before the discontinued operations net result and before taxes.
- "Net financial debt" or "Net financial position" means liquidity, financial receivables and current securities, net of financial payables (current and non-current) and the fair value of financial debt hedging derivatives.
- "NFP/EBITDA" means the ratio of Net financial debt to EBITDA, as defined above.
- "Working capital" means the sum of inventories, trade receivables, other current receivables, other current financial receivables, tax receivables, other payables, trade payables and tax payables.
- "Net capital employed" means the sum of working capital, as defined above, and fixed assets, net of the personnel provisions, other non-current payables and provision for contingencies and charges.
- "Investments in tangible and intangible assets" means investments in tangible and intangible assets based on the information presented in the SEA Group's notes, net of uses of the restoration provision.
- "Non-recurring components" means items arising from non-recurring transactions. Such items, in the management's opinion and where specified, may be excluded in the interest of better comparability and assessment of financial performance results. In this Directors' Report, some of the measures listed above are presented and described net of non-recurring components.

Finally, it should be noted that API's have been calculated uniformly across all periods and are not to be considered as replacing the conventional measures prescribed in IASs/IFRSs.

SEA Group investments

The SEA Group in 2018 continued its commitment to support investments in line with its development plan. The following table details the investments made in 2018 of Euro 79,185 thousand, net of advances to suppliers, with evidence of new investment (Euro 63,980 thousand) and recovery actions (Euro 15,205 thousand). It should be noted that no research and development activities were carried out in 2018.

(Euro thousands)	New installations	Restoration investments	Total
Flight infrastructure	7,985	6,055	14,040
Air terminals	13,886	3,551	17,437
Cargo	4,665	95	4,760
Misc. buildings	4,610	1,659	6,269
Roadways and parking	2,122	318	2,440
Networks & plant	8,395	3,527	11,922
Ecology	12	0	12
ICT Systems / Projects	15,703	0	15,703
Other equipment	6,602	0	6,602
Total investments	**63,980**	**15,205**	**79,185**

Amounts are inclusive of the 6% remuneration in accordance with IFRIC 12 (Euro 2.5 million) and the share of financial charges (Euro 0.03 million).

Flight infrastructure primarily includes safety measures, coordination, planning and regimentation works on the Lambro river and extraordinary maintenance on AVL (remote control and transport systems) at Linate and Malpensa airports.

In addition, further renovation and revamping work was carried out at Linate and Malpensa airports, affecting the loading docks, de-icing water treatment system and handler vehicle storage.

The most significant **investments** in the terminals were the functional upgrading and restyling of Malpensa Terminal 1, with new commercial areas, the standardization of existing finishings and the restyling of the Schengen Baggage Claim area.

Similarly, at Linate airport, the main work involved functional upgrading and restyling aimed at improving the perceived quality and architectural image of the terminal. In particular, in 2018 the work concerned the terminal's facade, land side access, the arrivals hall, the baggage claim hall and the Leonardo SEA and Welcome Alitalia VIP Lounges.

Construction was completed on a second warehouse in the Milan Malpensa **Cargo** area with an area of approximately 15,000 sq. m. to be used by cargo operators.

The item **"Misc. buildings"** is primarily composed of work carried out under the agreement with the Italian Air Force and supporting work for the construction of the

new general aviation base located at Malpensa Terminal 2.

The work done on the **roadways and parking** system largely referred to the upgrading of the southern rental car parking area at Malpensa and the parking area at Linate airport, together with the supply and installation of the new bollards for the Linate and Malpensa checkpoints.

The most significant investments made in the **networks and plant** category included work to upgrade and revamp the lighting and mechanical systems in Malpensa Terminal 1 and 2, as well as the cogeneration systems, replacing the engine supervision system in Linate, and the installation of a second generator system at the Malpensa power station.

Investments in **information and communication technology** related to digital innovation, the consolidation and modernization of airport application infrastructure and cyber-security. In particular, attention should be drawn to the activation of the E-Gates stations in the Malpensa and Linate terminals, which use biometric technology for passenger passport control, increasing overall airport security while also reducing waiting times.

The item "**Other equipment**" is primarily composed of new apron equipment such as de-icers, pushback tractors, plows, and ambulifts at the Linate and Malpensa airports.

Outlook

The current year will continue to see passenger traffic growth, driven by the consolidation of both short-to-medium-haul and intercontinental traffic at Malpensa airport, owing in part to the additional new routes announced by Air Italy, in particular with North America (Los Angeles, San Francisco, Toronto).

Another notable aspect of 2019 will be the closure of Linate airport for three months (from July 27 to October 27) for repairs on the runway and taxiway T and the upgrade of the BHS system to the new Standard 3. A part of the terminal (known as "lot F") will also be fully renovated as part of a long-term airport restyling project, expected to be concluded in early 2021. The purpose of these initiatives is to increase security at the airport and improve the passenger experience in terms of comfort and quality of service.

During the three months in which Linate will be closed, most flights will be transferred to Malpensa airport, where SEA will focus its commitment to ensuring adequate standards of service during the summer, a period with significant traffic peaks.

This process will entail reduced revenues for the SEA Group due to the suspension of operations at Linate, partially offset by greater revenues at Malpensa, in addition to net non-recurring costs arising from the transfer of operations from Linate to Malpensa, together with greater communication and passenger support costs.

For the reasons stated, performance in 2019 is expected to be weaker than in 2018, while confirming the uptrend witnessed over the past three years, net of the non-recurring effects indicated above.

In addition to the work on Linate, the 2019 infrastructure development plan calls for, inter alia, a series of initiatives at Malpensa (including the creation of new check-in islands, the upgrading of the piers of the South and Central satellites and an increase in BHS carousels for the management of short connections) aimed at expanding the airport's capacity and functionality in view of the traffic peak coinciding with the closure of Linate, moving forward some measures included in the Group's Investment Plan. The new General Aviation Terminal is also expected to be opened in Malpensa in time to handle the business traffic managed at Linate by SEA Prime during the period in which the airport is closed.

Management remains committed to further developing the various business areas and to pursuing operating efficiency with the aim of maximising results and company processes.

Operating performance – Sector analysis

Commercial Aviation

The Commercial Aviation business includes Aviation and Non-Aviation operations: the former regards 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 centralised infrastructure, in addition to security fees and tariffs for the use of check-in desks and spaces by airlines and handlers.

The Non-Aviation business however provides a wide and segregated offer, managed both directly and under license to third parties, of commercial services for passengers, operators and visitors to the Airports, in addition to the real estate segment. 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.

This segment includes also income from warehouse, space and office rental to Cargo business operators, such as cargo handlers, transport companies and couriers.

General Aviation

The General Aviation business includes the full range of services relating to business traffic at the western apron of Linate airport.

Energy

The energy business includes the generation and sale of electricity and heat to third parties.

The results of each of the above businesses are presented below.

	Commercial Aviation		General Aviation		Energy		Consolidated	
(Euro thousands)	2018	2017	2018	2017	2018	2017	2018	2017
OPERATING REVENUES	658,128	621,404	11,344	12,128	14,484	14,728	683,956	648,260
EBITDA	273,622	233,710	7,488	7,799	741	1,497	281,851	243,006
EBIT	183,869	122,100	5,577	5,406	23	384	189,469	127,890

The EBITDA shown above includes the IFRIC margin.
The costs regarding incentives to the airlines for the development of traffic are stated as a reduction of revenues in accordance with IFRS 15.

Commercial Aviation

Traffic data

MILAN MALPENSA AND MILAN LINATE AIRPORT TRAFFIC

	Movements		Passengers [1]		Cargo [2]	
	2018	% vs 2017	2018	% vs 2017	2018	% vs 2017
Malpensa	189,910	8.7%	24,561.7	11.5%	558,218	-3.2%
Linate	93,987	-2.6%	9,187.1	-3.3%	10,827	-9.3%
Total commercial traffic	**283,897**	**4.7%**	**33,748.8**	**7.0%**	**569,045**	**-3.3%**

[1] *Arriving+departing passengers ('000)*
[2] *Arriving+departing cargo in tonnes*

In 2018 the Milan Airport System managed by the SEA Group served a total of 33.7 million passengers, up 7.0% on FY 2017 (2.2 million passengers).

The increase in the number of passengers (+2.2 million) was attributable solely to Malpensa airport, which with 2.5 million additional passengers posted a gain of 11.5% on the previous year.

Since 2008, the year of the Alitalia de-hubbing and the beginning of the global recession, Malpensa has gradually reacquired 5.5 million passengers, closing 2018 with nearly one million more passengers than in 2007, the year in which the previous record had been set.

Malpensa's strong performance was driven by Terminal 2, which is home solely to easyJet (+402.8 thousand passengers, +5.6%), and by Terminal 1 (+2.1 million passengers, +14.3%), where all traffic segments contributed to growth. In particular, legacy carriers contributed 1.3 million passengers (+11.9%), low-cost carriers 731.9 thousand passengers (+28.1%) and the leisure and charter segment 71.7 thousand passengers (+6.2%).

Passengers on intercontinental flights at Malpensa amounted to 6.3 million, an increase of 468.4 thousand passengers (+8.1%) on 2017.

Linate airport recorded a 3.3% decline on FY 2017 due to the cancellation of operations by Air Berlin (with effect from November 2017), the relocation to Malpensa of all Air Italy (former Meridiana) traffic, with the exception of service to Olbia (part of the local public transport service program), and the shift of flights to Malpensa by KLM and Air France in April 2017.

The following is a breakdown of passenger traffic within the Milan airport system by major destinations served and the main airlines present.

Major destinations by number of passengers served by the Milan airport system (thousands)

The number-one European destination was London, with its five airports and over 2.5 million passengers served, followed by Paris with 1.9 million passengers and then Catania, the number-one domestic destination served, with 1.6 million passengers. Rome posted 1.3 million passengers, marking a recovery on 2017 due to the new flights that began to be operated from Malpensa in 2018. New York and Dubai (in the 8th and 14th spots, respectively) were the leading intercontinental destinations.

London: Heathrow, Gatwick, City, Luton and Stansted; Paris: Charles de Gaulle, Orly; Rome: Fiumicino, Ciampino; New York: New York and Newark

	Year 2018	cge % 2017	% of total
1 LONDON	2,562.4	5.7%	7.6%
2 PARIS	1,935.8	3.4%	5.7%
3 CATANIA	1,600.7	3.8%	4.7%
4 ROME	1,337.5	5.7%	4.0%
5 AMSTERDAM	1,221.3	2.2%	3.6%
6 PALERMO	1,073.6	40.5%	3.2%
7 MADRID	1,001.6	20.7%	3.0%
8 NEW YORK	937.4	14.5%	2.8%
9 NAPLES	877.5	1.5%	2.6%
10 FRANKFURT	854.3	3.4%	2.5%
11 CAGLIARI	849.7	4.9%	2.5%
12 BARCELONA	831.9	0.8%	2.5%
13 LAMEZIA TERME	719.8	47.6%	2.1%
14 DUBAI	681.8	3.2%	2.0%
15 OLBIA	667.2	3.0%	2.0%
Others	16,596.3	5.7%	49.2%
Total	**33,748.8**	**7.0%**	**100.0%**

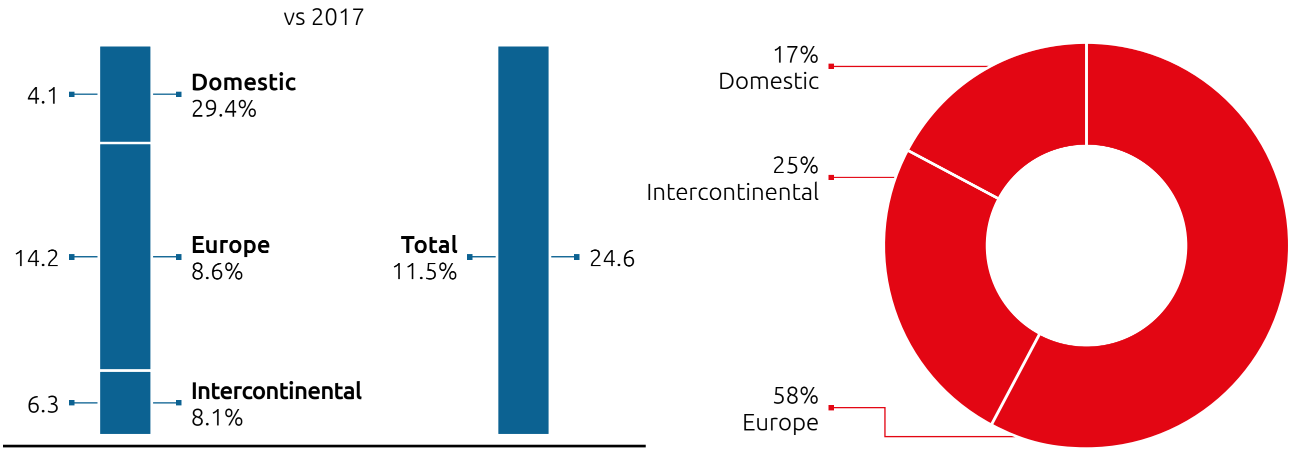
Main airlines by passengers served by the Milan airport system (thousands)

easyJet was again the number-one carrier in terms of traffic volumes at the Milan airports, with a market share of 24.6% of total passengers (30.8% share at Malpensa). Alitalia, the number-two carrier, had a market share of 18.3% (62.2% at Linate). Ryanair, fourth in 2017 with over 2 million passengers managed exclusively at Malpensa, became the number-three airline, overtaking Lufthansa.

Lufthansa: Lufthansa + Eurowings + Air Dolomiti

	Year 2018	cge % 2017	% of total
1 Easyjet	8,294.7	5.4%	24.6%
2 Alitalia	6,169.9	1.9%	18.3%
3 Ryanair	2,082.8	40.9%	6.2%
4 Lufthansa	1,659.1	8.8%	4.9%
5 Air Italy	1,317.6	7.6%	3.9%
6 British Airways	935.9	14.8%	2.8%
7 Emirates	930.7	1.4%	2.8%
8 Vueling Airlines S.A.	837.3	3.8%	2.5%
9 Neos	665.9	10.1%	2.0%
10 Air France	563.8	0.7%	1.7%
11 Iberia	519.2	18.7%	1.5%
12 Turkish Airlines	486.6	13.7%	1.4%
13 Klm	438.1	5.6%	1.3%
14 Blue Panorama	438.0	3.6%	1.3%
15 Tap Air Portugal	431.1	32.3%	1.3%
Others	7,978.1	4.2%	23.6%
Total	**33,748.8**	**7.0%**	**100.0%**

COMPOSITION OF PASSENGER TRAFFIC IN 2018 AT MALPENSA AIRPORT BY GEOGRAPHICAL AREA (THOUSANDS)



Malpensa

In 2018 Malpensa served 24.6 million passengers, an increase of 11.5% (2.5 million additional passengers).

Domestic traffic was up 29.4% to 4.1 million passengers, an increase of 929.9 thousand passengers. This result was due to:

- **Ryanair** (+65.6%, +406.2 thousand passengers), with progressive consolidation of service to Catania and Comiso and the flights to Palermo and Lamezia Terme that began to be operated in November 2017.
- **Air Italy** (+201.8%, +281.0 thousand passengers), which in the 2018 summer season began to shift the service previously offered from Linate to Malpensa, offering new flights to Rome Fiumicino, Naples, Palermo, Catania and Lamezia Terme.
- **Alitalia** (+774.3%, +140.5 thousand passengers), which is Italy's number-three domestic carrier, with renewed service to Rome Fiumicino since the 2018 summer season (previously operated until February 2017).
- **easyJet** (+3.5%, +79.9 thousand passengers), whose growth is primarily attributable to the service to Catania.

European traffic was up 8.6% to 14.2 million passengers, an increase of 1.1 million passengers. This result was primarily due to:

- **easyJet** (+6.6%, +311.3 thousand passengers), which during the year began to offer service to Berlin and consolidated the flights it began to operate in 2017 to Lublin, Fuerteventura, Vienna and Faro (+65.6 thousand total passengers).
- **Ryanair** (+23.2%, +198.9 thousand passengers) expanded its network in November 2017 to include Valencia, Liverpool, Alicante and Katowice, and then added Kaunas and Tenerife in the 2018 winter season.

Intercontinental destinations registered 6.3 million passengers served, with an increase of 8.1% on 2017, equivalent to 468.4 thousand passengers. The breakdown by region is reported below:

The geographical areas that contributed to these results are the Middle East with Turkish Airways, Qatar Airways and Emirates, North America with Air Italy, American Airlines, Delta Airlines and Air Canada and the Far East with Thai Airways, Air China and Singapore Airlines.

Malpensa Cargo

Cargo traffic at Malpensa airport amounted to Euro 558.2 thousand tons in 2018, a decrease of 3.2%. This result was due solely to export traffic (-4.8%). There were increases in both all-cargo flights (+3.4%) and mixed flights (+9.0%).

The decline in cargo traffic was solely due to the negative performance of all-cargo carriers (-6.0%), following the decline in average cargo volume per flight from 38 to 34 tons. By contrast, airlines that use aircraft in mixed configuration posted growth of 4.5%.

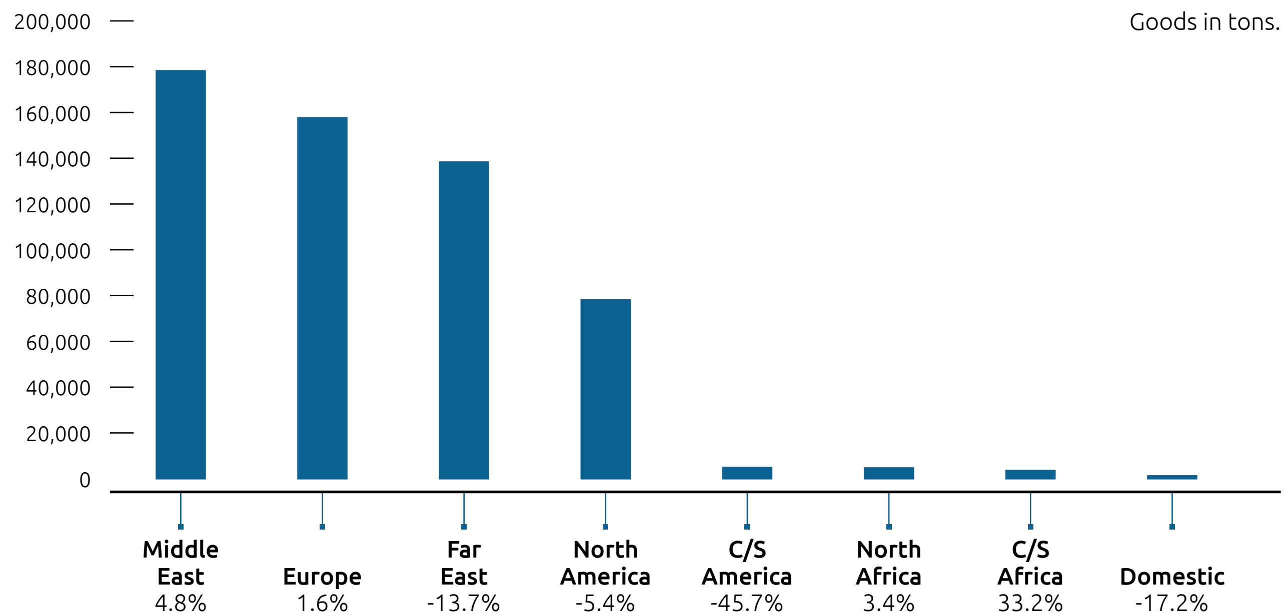
The distribution by geographical area shows that the destinations with the highest growth rates were the Middle East and Europe, at 4.8% and 2.4%, respectively. The Far East and North America – the number-three and number-four destinations by volume of cargo carried – declined by 13.7% and 5.4%, respectively.

The decrease in all-cargo traffic, which amounted to 395.8 thousand tons, was primarily due to the reduced flights by Cargolux (-15.8%) and Etihad Airways, which suspended flights in the first three months of 2018 and reduced the number of flights operated for the rest of the year (-86.8%).

In the all-cargo segment, the main courier carriers (Federal Express, DHL and Southern Air) handled 70.6 thousand tons of cargo (+1.9%), accounting for 17.8% of this type of cargo.

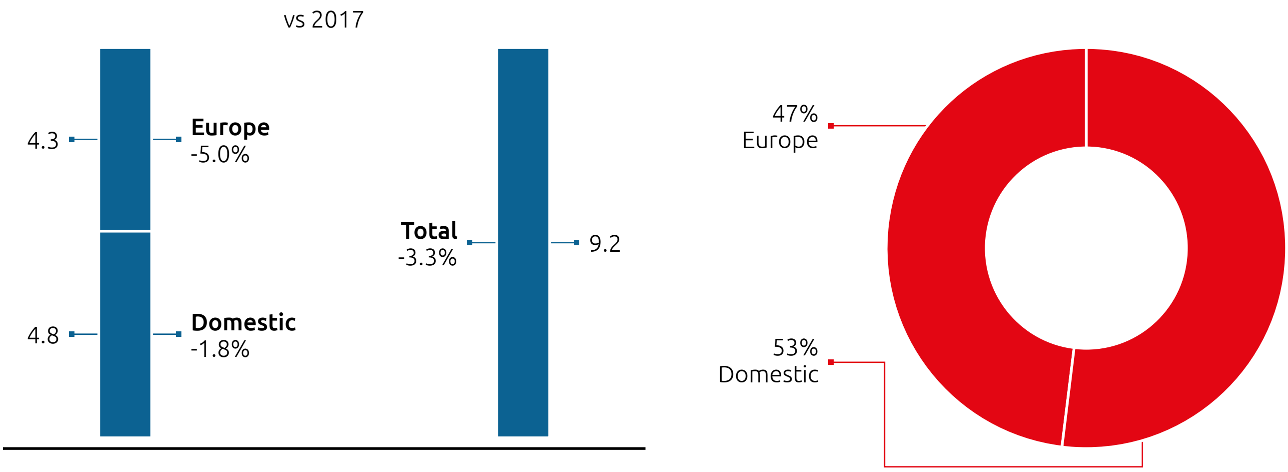
Belly traffic, at 162.4 thousand tons of cargo, was up on the previous year. Among the main carriers, Emirates and Air China – in first and third place, respectively, by amount of cargo handled – were down by approximately 7.6% and 7.9%, respectively. Qatar, the number-two carrier, was up by 36.8%, with 5.8 thousand additional tons of cargo, whereas Air Italy handled 4.2 thousand tons due to the new flights that began to be operated in 2018, making it the number-two carrier by incremental cargo volume.

2018 FREIGHT TRAFFIC BY GEOGRAPHICAL AREA - SEA MANAGED AIRPORTS



The % change refers to a comparison with the previous year
Cargo refers to the flight's final destination

2018 TRAFFIC COMPOSITION FOR LINATE AIRPORT (THOUSANDS)



Linate

Linate airport handled 9.2 million passengers, down 3.3% on the previous year. Alitalia, with 5.7 million passengers served, accounts for 62% of total traffic.

In comparison to 2017, *domestic traffic* was down (-1.8%), due to the discontinuation of service from Linate by Air Italy (with the exception of flights to Olbia), which focused its operations at Malpensa airport.

European traffic was down by 5%, principally due to the discontinuation of operations by Air Berlin (still operating in early 2017) and Air Italy, together with the transfer to Malpensa of Air France and KLM with effect from the 2017 summer season.

This reduction was partially offset by the transfer to Malpensa of the daily service to Madrid by Iberia (+178.9 thousand passengers with effect from February) and by the increase in the passengers served by British Airways with flights to the British capital, consolidating the service to London City and London Stansted that began to be operated in April 2017. The passengers carried by Alitalia were in line with 2017 (+0.3%). In 2018 the carrier began to offer service to Madrid and Luxembourg in April and to Geneva in September.

EasyJet also reported an increase in load factor on all routes served (Paris Charles de Gaulle and Orly, London Gatwick and Amsterdam), alongside that of Lufthansa to Frankfurt.

Revenues

In accordance with IFRS 15, from FY 2018 commercial incentives to airlines in support of traffic development are recognised as a deduction to revenues, rather than as operating costs. In order to facilitate like-for-like comparison with the previous year, the 2017 results were restated as per the new accounting standard.

Commercial Aviation revenues for the period January-December 2018 amount to Euro 658,128 thousand, up Euro 36,724 thousand on the previous year (+5.9%).

FY 2018 includes non-recurring revenues for a total of Euro 5,591 thousand compared to Euro 2,824 thousand in FY 2017. Net of these items, revenue growth on the previous year was Euro **33,956** thousand (+5.5%). This growth mainly results from:

- **Aviation** activities for Euro **23,289** thousand (from Euro 392,440 thousand in 2017 to Euro 415,729 thousand in 2018). Contributing to this increase is higher traffic volumes of Euro 17,924 thousand (+5.6%), the increase in airport tariffs for Euro 4,527 thousand and higher revenues from regulated spaces for Euro 838 thousand.
- **Non-Aviation** activities for Euro 10,668 thousand (from Euro 226,140 thousand in 2017 to Euro 236,808 thousand in 2018). This performance was mainly due to good results in the Retail divisions (Shops, Food & Beverage, Car Rentals and Banks) for Euro 2,622 thousand (+2.8%) and Parking for Euro 4,061 thousand (+6.3%). Against the same period of the previous year, the Premium Services segment (VIP Lounges and Fast Track services) increased

for Euro 1,272 thousand and Real Estate for Euro 946 thousand. Cargo revenues amounted to Euro 16,261 thousand, up Euro 966 thousand on 2017 (+6.3%), following the renewal of certain contracts and the extension of spaces utilised by new tenants. Advertising revenues of Euro 1,062 thousand also increased, confirming the consolidation of investment in the luxury division, especially at Malpensa.

In the Retail division, revenues from Shops registered growth of Euro 1,329 thousand (+2.7%). Increases in revenues from the non-Schengen boarding areas at Terminal 1 contributed to this performance with the opening of new luxury brands, including Loro Piana and Rolex.

Revenues from the Food & Beverage segment grew by Euro 1,705 thousand (+8.5%), better growth in percentage terms than passenger traffic improvements. At Linate, the catering service confirmed the previous year's revenues despite the 3.3% decrease in traffic. Due to the increase in traffic and new store openings, the catering service at Malpensa Terminal 1 returned a good performance supported by the lay-outs present in both landside and airside areas.

Revenues from the Car Rental division returned growth of Euro 858 thousand over 2017 (+5.3%), mainly due to the good performance of Malpensa operators through the creation of new parking spaces and the opening of new spaces inside Terminal 2's railway station, thus making the entry of new operators possible. Revenues from Banking Services fell by Euro 1,270 thousand, principally due to a reduction in the VAT refund.

Operating costs

Operating costs for the **Commercial Aviation** business decreased from Euro 389,969 thousand in 2017 to Euro 386,967 thousand in 2018, reducing Euro 3,002 thousand (-0.8%).

Net of non-recurring cost items mainly relating to the mentioned voluntary leaving incentive plans amounting to Euro 2,046 thousand in 2018 and Euro 23,912 thousand in 2017, operating costs increased by Euro 18,864 thousand (+5.2%). This is due to:

- Personnel costs, up Euro 468 thousand (+0.3%), which incorporates the net effect of the planned departures and recruitment for the year;
- The increase in operating and material costs for a total of Euro 18,396 thousand compared to FY 2017, mainly due to rising unitary costs of raw materials and CO_2 certificates for 3,437 and higher costs incurred to meet increased traffic or costs offset against revenues (parking, Telepass and VIP lounges) amounting to a total of Euro 14,959 thousand.

  Among these, there is an increase in costs to public bodies for Euro 2,752 thousand, airport services costs for Euro 2,096 thousand, security activities for Euro 1,221 thousand, parking management costs for Euro 541 thousand, VIP lounge catering for Euro 1,061 thousand, maintenance and spare parts for Euro 2,541 thousand and chemical products relating to the deicing service and snow management for Euro 239 thousand.

EBITDA and EBIT

As a result of the trends outlined above, EBITDA in 2018 stood at Euro 273,622 thousand (Euro 233,710 in 2017), up Euro 39,912 thousand over the previous year (+17.1%). Excluding the non recurring items mentioned above, the increase amounted to Euro 15,093 thousand (+5.9%).

Amortisation and depreciation and net provisions for recovery, risks and charges and doubtful debt are lower than 2017 by Euro 21,857 thousand, mainly as a result of the 2017 provisions for Alitalia's losses on receivables of Euro 25,255 thousand.

Consequently, Commercial Aviation EBIT in 2018 was Euro 183,869 thousand, up Euro 61,769 thousand (+50.6%) on the same period of the previous year. Excluding non-recurring items, EBIT in 2018 was Euro 180,324 thousand, an increase of Euro 8,405 thousand (+4.9%) on 2017.

Investments

The main Commercial Aviation business investments were:

- the functional upgrading and restyling of Terminal 1 at Malpensa and at Linate;
- the construction of a second Cargo operator warehouse;
- upgrading works in the Malpensa and Linate car parks;
- the purchase of new equipment for the Linate and Malpensa airport aprons.

Other information

Investments/Aviation Spaces Development

A summary of major events relating to the development of airport premises in 2018 is provided below:

- the opening of the new Lufthansa lounge;
- the renewal of the contract with EMIRATES for a second five-year contractual period (2018-2022).

Retail development

The year was marked by the completion of the Schengen boarding area's commercialisation, where all the spaces were steadily occupied and where the majority recorded double-digit revenue growth on the previous year. All brands present in the area are consistent with the original plan of also having an attractive offer for passengers of low-cost airlines or, in any case, having an affordable price positioning.

Renovation work in the non-Schengen boarding luxury area also continued with the opening of a temporary Loro Piana store in April which will move to a larger space in 2019, and Rolex in December, both with excellent sales performances.

In Linate's airside area, worth mentioning is the opening in August of the new temporary Timebox/Sun Catcher shop under the management of Dufrital, and the expansion of Gallo in September.

With regard to Food & Beverage, the catering service at Terminal 1 recorded a good performance as a result of traffic growth and the new openings, also supported by further expansion in the existing landside lay-out (Briciole Bar, McDonald's, Rosso Pomodoro at check-in, Juice Bar and Gourmè in the arrivals area) and the boarding area lay-out, particularly in the Schengen area.

In order to convert the space freed up by the former SEA ticketing desks, the food offering was extended through the opening of "Pan Brioche", an innovative approach managed by Autogrill, with strong specialisation in baked goods and gourmet snacks.

It should be noted that in October, Autogrill completed the renovation of the "Puro Gusto" cafeteria in the Linate Arrivals area, based on a more modern version of the original idea and in collaboration with Gambero Rosso.

Destination management and co-marketing activities

Collaborative efforts with the Chamber of Commerce, the Municipality of Milan and the Region of Lombardy also continued in 2018 with the aim of increasing the international visibility of Milan's airports and the local area. Passenger loyalty activities continued through the launch and publicization of the "Russian friendly airport" project. Furthermore, the planning of the first activities for the World Routes 2020 commenced.

Communication activities were undertaken to support airlines through social media, newsletters and online banners, and various launch events for new flights were hosted for Kuwait City, Air Italy, Air China and Ernest Airlines.

Analyses carried out in support of the development of destination management activities identified the opportunity to participate in the City Pulse project launched by the Municipality of Milan's Metropolitan Marketing Department. This initiative aims to acquire know-how on the behaviour of "city users" arriving in Milan, with particular reference to information on presence, origin, consumption habits and spending.

Bilateral Agreements

A major agreement was signed in 2018 with the Sultanate of Oman enabling the increase of flight frequencies operated by Oman Air on the Muscat-Milan route. Agreements with Colombia, Congo, Ghana, Kenya, Luxembourg, Senegal and South Africa were also updated and extended, while a bilateral aeronautical agreement was signed for the first time with the Comoro Islands, Mongolia and Mozambique.

Finally, EU negotiating activity continued, under the auspices of the European Commission, which is negotiating vertical agreements between Europe and ASEAN, Azerbaijan, Armenia, UAE, Qatar, Tunisia and Turkey.

The outcome of Brexit, which to-date is unknown, will be significant in terms of traffic rights. While a broad agreement between the European Union and the United Kingdom ("soft Brexit") would not affect the use of traffic rights by both parties' airlines, with highly similar terms to the current ones, and presumably giving rise to an association agreement that is comparable to those defined by the European Union with Norway and Switzerland, the continental market's scenario in the case of a "hard Brexit" could be somewhat different.

In the latter event and subject to a freezing period of 12 months for mutual prerogatives, in the best-case scenario individual Member States could re-negotiate new bilateral agreements with the United Kingdom. These outcomes are not currently readily foreseeable and, in any case, are such as to create a period of considerable uncertainty in relation to airlines' investment choices and, more generally, the market development context.

General Aviation

Traffic data

In 2018, Business and General Aviation in Europe recorded a 1.8% growth in movements, reaching pre-crisis figures of 2008. Italy, with movements in line with FY 2017 (+0.1%), is the fourth market in Europe with a 7% market share (source: Wingx). General Aviation at the Milan Linate and Malpensa Prime airports, with 25.9 thousand movements, grew by 2.5% and ranks fifth in Europe in terms of traffic served (after London, Paris, Nice and Geneva). It is ranked first in Italy where it holds a 40% market share.

Revenues

General Aviation revenues amount to Euro 11,344 thousand, reducing Euro 784 thousand (-6.5%) on the same period of the previous year.

The decrease in revenues is mainly due to a reduction of Euro 266 thousand in fuelling income and various income recorded in 2017 arising from time-barred claims, amounting to Euro -514 thousand.

Operating costs decreased to Euro 473 thousand (-10.9%) principally as a result of the reorganisation involving the centralisation of administrative operations at the parent company, with the consequent creation of efficiencies at business unit level.

EBITDA ed EBIT

As a result of the developments outlined above, EBITDA for the year 2018 was Euro 7,488 thousand, down by Euro 311 thousand (-4.0%) over the previous year.

EBIT is up by Euro 171 thousand (+3.2%) due to the presence of doubtful debt provisions.

Investments

The General Aviation business' principal investments are related to the Lambro River water management works, for which the completion of works and consequent testing are planned for the first months of 2019, and the commencement of works for the construction of the new general aviation terminal at Malpensa.

Energy

Quantitative data

In 2018, electricity production from both stations registered a decrease of 9.3% (-33.6 million kWh) compared to 2017, amounting to 327.7 million kWh. This decrease was due to lower electricity production from both stations.

Electricity production for the Group's own uses, including ancillary services, losses and imbalances, amounted to 204 million kWh, while that destined to third parties came in at 123.7 million kWh.

Electricity sold to the Energy Exchange recorded a decrease of 54.1% (-70 million kWh) compared to 2017, amounting to 59.4 million kWh. The reduction was mainly due to the lower quantity of energy available at the stations as a result of the increase in sales under bilateral contracts and the less favourable financial conditions on the electricity market compared to 2017.

Following the initiation of new supplies to the airports of Naples, Alghero and Turin, electricity production for sale under bilateral contracts (self-produced) increased by 138% (+37.3 million kWh compared to 2017), amounting to 64.3 million kWh.

In 2018, heat production increased by 2% on 2017 (+8.2 million kWh) to 410.7 million kWh - of which over 74% serving the needs of Linate and Malpensa airports.

Sales to third-party customers did not change significantly, amounting to 104.1 million kWh, down by 1.3% on 2017 (-1.4 million kWh).

Revenues

In 2018, the Energy business reported revenues of Euro 14,484 thousand, decreasing by Euro 244 thousand on the same period of 2017 (-1.7%). Net of non-recurring items (zero in 2018 and Euro 79 thousand in 2017), revenues fell by Euro 165 thousand.

This reduction is due to Euro 328 thousand in lower sales volumes of electricity and heat production to third parties as a result of market conditions characterised by less favourable prices. This was partially offset by a settlement of Euro 317 thousand concerning a reconciliation of white and green certificates granted to the Malpensa co-generation station in the years prior to 2018 and Euro 154 thousand for lower other income.

Operating costs in FY 2018 amount to Euro 13,717 thousand, up by Euro 354 thousand. This increase is principally due to the purchase costs of CO_2 for Euro 721 thousand (linked to the unitary price increase which rose from Euro 5.3 to Euro 20.8 in the period), while methane gas registered a lower cost at Euro 345 thousand. This was determined by the reduction in electricity volumes sold to third parties; other operating costs were down by Euro 22 thousand.

EBITDA ed EBIT

As a result of the developments outlined above, 2018 EBITDA was Euro 741 thousand, decreasing by Euro 756 thousand on 2017 (and Euro 520 thousand net of non-recurring items).

EBIT in 2018 was Euro 23 thousand, down Euro 361 thousand on the previous year (and by Euro 125 thousand net of non-recurring items).

Investments

The main Energy business investments are linked to the works in the Malpensa station for the installation of a second 7 MWf electric-refrigeration group with its cooling tower and the revamping of the Linate station's motor control system.

Green Certificates

The benefit for the award of incentives provided for "district heating green certificates" ended from January 2017.

With reference to the legal proceedings for green certificates assigned from 2010 to 2014, it should be noted that the 17,106 green certificates requested by the Italian grid operator, Energy Services Manager (Gestore dei Servizi Energetici - GSE), of which 12,435 came under the responsibility of the Group and 4,671 under that of a2a, were offset with green certificates allocated for the year 2015. SEA Energia, through its legal team, filed an appeal within the legal deadline.

In the 2017 financial statements, a provision for future charges of Euro 490 thousand was recorded in relation to green certificates for the period 2015 - 2016, which had been fully paid in 2017. This provision is derived from the fact that the amounts received are not considered definitive, since GSE (in line with assessments for the period 2010-2014) may request the return of a portion. There have not been any updates in this regard.

White Certificates

In 2013, the Italian grid operator (Gestore dei Servizi Energetici - GSE) awarded the Malpensa plant the 'High Energy Cogeneration' (HEC) (Cogenerazione Alto Rendimento - CAR) industrial combined heat and power qualification that exempts it from the obligation to acquire green certificates.

The benefit for the award of incentives provided for "white certificates" ended as from January 2017.

In 2017, the Italian grid operator, Energy Services Manager audited white certificates assigned for the period 2012-2015. The GSE assessed that no subsidies should be paid for heating and cooling energy used for certain internal services; as a result, a provision for future charges of Euro 500 thousand was recognised in 2017, since such certificates had been fully paid. There have not been any updates in this regard.

2016 white certificates were requested and at the date of the financial statements, 2,915 certificates were assigned (and duly paid) for the H2O segment (Combined Cycle 2); the company is expecting to also receive white certificates for the other segment (Combined Cycle 1).

Emission trading

In accordance with European Directive 2003/87/EC, from January 1, 2005, plant operators which emit CO_2 into the atmosphere must avail of an authorisation issued by the competent national authority. Each plant, in addition, must receive special "rights" permitting the emission of CO_2 into the atmosphere without payment.

Where the rights allocated annually concerning the plant are not sufficient to cover emissions, these may be purchased on the market.

Conversely, where the rights allocated are in excess of the emissions produced, the rights not utilised may be sold.

In 2018, overall Group CO_2 production was approx. 177,800 Tonnes, of which approx. 119,100 Tonnes were generated by the Malpensa station and approx. 58,700 Tonnes were produced by the Linate plant.

During the year, CO_2 quotas were purchased on a number of occasions to cover 2018 production needs and partial 2019 needs.

With reference to 2018 production, at December 31, 2018, SEA Energia produced 180,673 Tonnes of CO_2 on its own account. Therefore, additional quotas of CO_2 do not have to be purchased to offset the Ministry of Environment for the approx. 177,800 Tonnes issued.

Risk Management Framework

The creation of sustainable value for stakeholders cannot exclude taking risks, which is a fundamental component of doing business.

The SEA Group, in its capacity of airport operator, is exposed to a broad spectrum of potential risks impacting on the achievement of the business strategies.

In order to reduce exposure to such events, the Group adopted specific processes and procedures to safeguard airport safety and the quality of services offered, for the protection of tangible and intangible assets of interest to stakeholders and to ensure the long-term creation of value.

To better support and integrate the systems mentioned, in 2016 the SEA Group introduced an Enterprise Risk Management (ERM) model for the identification, homogeneous and transversal assessment of risks linked to the development of corporate activity, and their ongoing monitoring, to support management strategic choices and decision-making processes and stakeholder assurances.

Methodological approach

The adopted risk governance model is guided by national and international best practice principles (e.g. the Self-Governance Code for listed companies and CoSO ERM – Integrating with Strategy and Performance) and is based on:

- a strategic approach, providing Management and the Board of Directors with important information on risk factors, uncertainties and opportunities, in order to support informed decision-taking while defining objectives, strategies and performance monitoring;
- an enterprise-wide approach, or an approach extended to all types of risks and opportunities that are potentially significant for the Group;
- a value-driven approach centred on risks and opportunities with the greatest impact on corporate strategic objectives and value drivers.

The Risk Model consists of four event categories: external risks, operational and business risks, financial risks and legal and compliance risks.

Identified events are assessed and subsequently "prioritised" on a scale of 5 levels in terms of impact, probability of occurrence and maturity of the risk management system.

The subsequent Risk Response phase is aimed at defining the risk response strategy to mitigate exposure if this is not considered to be in line with the company's propensity to risk.

Governance di Risk Management

The governance of the SEA Group Enterprise Risk Management model defines a second level of risk management control in the ERM division (established in January 2018), with the aim of supporting corporate structures in the identification and management of corporate risks and at the same time guaranteeing periodic reporting to top management on the risk profile's evolution. The model is based on the principle that the management of risks involves the organisation at all levels and that management is the primary owner of risks, since it manages risks and opportunities on a daily basis in line with business propensity and is responsible for the definition and implementation of identified mitigation plans.

Corporate and line management are supported by Risk Specialists and the ERM division.

Top management periodically reviews the company risk profile and orients the management of the main emerging risks, approving proposed response plans in line with the strategic objectives and corporate risk propensity defined by the Board of Directors. Finally, the Internal Audit team independently verifies the effectiveness and effective implementation of the complete risk management system.

SEA Group principal risk factors

The principal risks which the Group is potentially exposed to are indicated below. They are considered thus because they can have an impact on the objectives pursued in the corporate Strategic Plan.

External risks

SEA Group operates as an airport manager under a fully regulated regime, however, the Group's earnings and financial results are significantly influenced by worldwide socio-political, macroeconomic and competitive dynamics.

Air traffic development

Geo-political developments can have an impact on the air sector, particularly causing variations in traffic in terms of volumes and/or passenger types.

The United Kingdom's imminent exit from Europe, should it take place without any agreement between the United Kingdom and the European Union (no-deal Brexit), would cause British airlines to lose the right to fly freely from and to countries of the European Union. This includes the impossibility of operating flights from and to the United Kingdom from Linate airport which, by virtue of Ministerial Decree No. 15 of March 3, 2000 and subsequent amendments, can only serve European destinations.

This event could lead to a redistribution of routes between Linate and Malpensa which is altogether negative for the Group due to the reduction in traffic caused by the cancellation of activities at Linate and the rationalisation of flights at Malpensa.

Airline strategies

The reviewing of strategies by airlines, also linked to macro-economic issues, can lead to changes in flights at Group airports.

The volume of passenger traffic and cargo in transit at the Linate and Malpensa airports represents a key factor in the results achieved by the Group. Any reduction or interruption to flights by one or more airlines operating out of the SEA Group managed airports may result in a reduction in such traffic, with consequent negative impacts on activities and Group results.

Therefore, the Alitalia situation may result in reduced flights at the SEA managed airports.

Despite this, SEA expects the risk of a reduction or interruption to flights to be mitigated by the redistribution of passenger traffic among the airlines operating on the market and the capacity to attract new airlines. Any redistribution of traffic may require a certain period of time, temporarily influencing Group results.

Development of the regulatory framework and applicable rules

SEA Group activities, as is the case for all Italian Airport Managers, are subject to a high level of regulation which impacts in particular the establishment of fees concerning services offered (airport fees, security control fees, fees for the use of common use assets and centralised infrastructure for handling services), the allocation of slots and the control of air traffic.

The development of SEA's specific regulatory framework with reference, for example, to the tariff profile, concession rules and Bilateral Agreements between States, may impact Group results.

SEA constantly monitors the activities of Authorities in the national and European aviation field and actively participates in technical roundtables set up by industry associations in order to remain firmly in line with any legislative and regulatory changes.

Competition

The strategic choices of other operators representing an alternative to air transport, may pose a threat to the domestic development of traffic at the Milan airports.

The technological development of fast and alternative rail transport has made it possible to reduce travel times from Milan to Rome and Naples, and has made it easier to reach even more distant destinations by rail. The increase in frequency of high-

speed trains along these routes may lead to a reduction in air traffic through Linate airport.

Operating and business risks

The operating risk factors are strictly related to the carrying out of airport activities and may impact the short and long-term performances.

Safety & security

Passenger and employee safety is a central concern for the Group, which places maximum priority and focus on daily operating and management activities.

An accident in one of the airports managed by the Group, where on average from 21,000 to 46,000 passengers pass through daily, may have very grave consequences.

In terms of aviation safety, the Group's Safety Management System, which is also validated and controlled by the Italian Civil Aviation Authority (ENAC), maintains the highest levels of safety and service quality, acting in line with the fundamental principles of the SEA Airport Safety policy, it:

- guarantees design compliance, the construction and maintenance of flight infrastructure and plant and equipment satisfying the highest sector standards;
- ensures a review of operating processes to achieve the highest compliance possible with national and international regulations concerning Safety;
- monitors the maintenance of safety standards for all operators and external parties of any type within the airport sites;
- guarantees ongoing and appropriate training of personnel, with priority for operational staff, placing particular focus on the requirements and the consequent actions for an improved level of Safety;
- guarantees education and communication, so that all events which may affect Safety are flagged through the filling out of a Ground Safety Report.

Activity and Service Interruptions

Group activities may be interrupted through: strikes by personnel, by those of the airlines, personnel dedicated to air traffic control services and public emergency service operators; incorrect and non-punctual provision of services by third parties and adverse weather conditions (snow, fog etc.).

Natural events, such as lightning and overload short circuits may, for example, cause electrical blackouts with the consequent shutdown of information systems, affecting displays and leading to departure delays; violent storms may lead to the flooding of runways and/or cause the temporary interruption of airport activities, with repercussions on the airport's punctuality.

The infrastructural systems of Group airports are designed and constantly maintained to minimise disruptions linked to these types of circumstances.

Special company procedures are designed to manage such events.

Supplier Reliability

Any bankruptcy or operational difficulties of individual or difficult-to-replace suppliers may have an impact on the Group in operational and economic-financial terms.

In order to minimise exposure to such risk, the company has implemented a structured supplier qualification and performance monitoring system, formalised into a specific policy.

Human resources

The reaching of Group objectives depends on internal resources and relations with employees. The non-ethical or inappropriate behaviour of employees may have legal and financial consequences on company activities. The body of procedures, also in compliance with the 231 Model adopted by the Group, the Conduct Code, training and in-house education on these issues, together with the talent development plans and the ongoing cooperation and dialogue with the trade unions, support an organisation which minimises the risks related to human resource management.

The ageing of the company workforce (the current average age is 49) is also due to the extension of the working age introduced under recent pension reforms and could impact operations (particularly in relation to the use of new technologies, higher absenteeism and/or health and safety problems). SEA constantly addresses this issue through the implementation of a variety of initiatives, aimed, on the one hand, at recruiting younger staff (including the drafting of a recruitment plan for persons under 35) and, on the other, of developing and maintaining skills (including specific talent management initiatives) and employee physical and psychological wellbeing (such as the "Fragility" initiative to support employees with elderly parents).

Information Technology

The increasing aggressiveness and pervasiveness of cyber-attacks on a global level and new Digital Transformation technology initiatives involving the SEA Group may, by their particularly critical nature, increase the risk of vulnerability of airport information and technology systems.

SEA pays great attention to the protection of its IT systems and telecommunications infrastructure from unauthorized access and cyber-attacks that may cause the temporary suspension or hindering of operational services.

In this regard, particularly worth mentioning are the cyclical vulnerability assessments and penetration testing of systems using the most advanced technologies and methodologies, activities underway for obtaining ISO 27001 certification and the definition of a Cyber Risk framework which monitors all corporate technical and conduct requirements.

Financial Risks

The management of financial risks is carried out by the Parent Company which identifies, evaluates and implements actions to prevent and limit the consequences of the occurrence of the above-stated risk factors.

Credit risk

Credit risk represents the exposure of the SEA Group to potential losses deriving from the non-compliance of obligations by trading and financial partners.

This risk is primarily of an economic/financial nature, or rather the possibility of the default of a counterparty, and also factors of a technical/commercial or administrative/legal nature.

For the SEA Group, credit risk exposure is largely related to the deterioration of a financial nature of the principle airline companies which incur on the one hand the effects of the seasonality related to aviation operations, and on the other consequences of geopolitical events which impact upon the air transport sector (wars, epidemics, atmospheric events, rise in oil prices and economic/financial crises).

In order to control this risk, the SEA Group has implemented procedures and actions to monitor the expected cash flows and recovery actions.

In application of internal credit policies, clients are requested to procure the release of guarantees: this typically relates to first-demand bank guarantees issued by primary credit institutions or guarantee deposits.

In relation to the payment terms applied for the majority of the clients, credit terms are largely concentrated within 30 days from the relative invoicing.

Trade receivables are reported in the financial statements net of any write-downs which are prudently made with differentiated rates on the basis of the risk ratio assigned to each client using a classification based on the rating class and credit expiry class (for the calculation method of doubtful debt provision, reference should be made to paragraph 4.1 of the explanatory notes to the consolidated financial statements).

Market risks

Market risks to which the SEA Group is exposed comprises all types of risks directly and indirectly related to market price trends. In 2018, the market risks to which the SEA Group were subject were:

a) Interest rate risk

The SEA Group is exposed to the risk of changes in interest rates in relation to the necessity to finance its operating activities and the use of available liquidity. The changes in interest rates may impact positively or negatively on the results of the SEA Group, modifying the costs and returns on financial and investment operations.

The SEA Group manages this risk through an appropriate mixture between fixed and variable rate loans, with the objective to mitigate the economic effect of the volatility of the interest rates.

Variable interest loans expose the SEA Group to a risk originating from the volatility of the interest rates (cash flow risk). Relating to this risk, for the purposes of the relative hedging, the SEA Group makes recourse to derivative contracts, which converts the variable rate to a fixed rate or limits the fluctuations in variable rates over a range, in this manner reducing the risk originating from their volatility. We highlight that these derivative contracts, underwritten exclusively for the purposes of hedging market rate volatility, are recorded through the cash flow hedge method.

At December 31, 2018 the gross financial debt of the SEA Group was comprised of medium/long-term loans (medium/long term portions of loans) and short-term loans (exclusively the medium/long-term portion of loans maturing within 12 months. At this date SEA did not make recourse to short-term debt).

b) Currency risk

The SEA Group, with the exception of the currency risk related to the commodity risk, is subject to a low currency fluctuation risk as, although operating in an international environment, the transactions are principally in Euro. Therefore, the SEA Group does not consider it necessary to implement specific hedging

against this risk as the amounts in currencies other than the Euro are insignificant and the relative receipts and payments generally offset one another.

c) Commodity risk
The SEA Group, limited to only SEA Energia, is exposed to changes in prices, and the relative implied currency fluctuations, of the energy commodities utilised i.e. gas and environmental certificates connected to the operating management of the company. These risks derive from the purchase of the above-mentioned commodities, which in the case of gas, are principally impacted by fluctuations in wholesale market prices.

In the SEA Group, these fluctuations are absorbed through formulas and indexations utilised in the pricing structures adopted in sales contracts.

In 2018, the SEA Group did not undertake any hedging of this risk, although not excluding the possibility in the future.

Liquidity risk
Liquidity risk for the SEA Group arises where the financial resources available are not sufficient to meet financial and commercial commitments within the agreed terms and conditions.

The liquidity, cash flows and financial needs of the SEA Group are managed through policies and processes with the objective to minimise the liquidity risk. Specifically, the SEA Group:

- centrally monitors and manages, under the control of the Group Treasury, the financial resources available, in order to ensure an efficient management of these resources, also in forward budgeting terms;
- maintains adequate liquidity in treasury current accounts;
- obtains committed credit lines (revolving and non), which covers the financial commitments of the Group in the coming 24 months deriving from the investment plans and contractual debt repayments;
- monitors the liquidity position, in relation to the business planning

For further information, reference should be made to paragraph 4 "Risk management" of the Explanatory Notes to the Consolidated Financial Statements.

Legal and compliance risks

The Group operates in a sector regulated at a national, EU and international level.

The conformity of the processes and procedures to national and international standards leads to the consideration that the risk of non-compliance with the concession rules is remote.

Risk related to the European Commission's decision of December 19, 2012 concerning presumed State Aid awarded to SEA Handling
With decision of December 19, 2012, the European Commission judged that the share capital increases carried out by SEA in favour of its subsidiary SEA Handling in the 2002-2010 period for approx. Euro 360 million, constituted State Aid incompatible with the internal market, and consequently imposed upon the Italian State the obligation to demand restitution of the presumed State Aid from SEA Handling.

In relation to the above-mentioned decision three independent appeals were made before the European Union Court, by the Italian State, by SEA Handling and by the Milan Municipality.

Following the liquidation of SEA Handling and also by reason of the changed de facto and de jure situations relating to this company, the Court of the European Union, at the request of the European Commission and SEA Handling, ascertained by Order of January 22, 2018, that the matter of the dispute concerning SEA Handling's appeal has ceased to exist since the appellant company was dissolved. As a result, the Court found that there was no longer a need to adjudicate on the appeal brought by SEA Handling.

In parallel, having taken note of the Italian Government's observations regarding SEA Handling's dissolution, it ordered the cancellation of the case relating to the appeal brought by the Government against the Commission's decision.

Given the above, the only appeal currently pending against the Commission's decision is that brought by the Municipality of Milan. The hearing was held on February 28, 2018. With the judgment of December 13, 2018, the Court of the European Union rejected the Municipality of Milan's appeal.

The Municipality appealed to the Court of Justice against this decision.

In any case, the outcome of this judgment cannot have any impact on SEA.

Risk connected to the Extraordinary Administration Procedure of Alitalia SAI S.p.A. pursuant to Art. 2, paragraph 2 of Decree-Law No. 347/2003

The decree of the Ministry of Economic Development of May 2, 2017 declared the opening of Alitalia SAI S.p.A.'s extraordinary administration procedure pursuant to Art. 2, paragraph 2 of Decree-Law No. 347/2003 ("Alitalia in Extraordinary Administration Procedure 2017" or "Alitalia Procedure").

With the application for admittance to liabilities sent to the Administrators on December 5, 2017 (Registry No. 06275), SEA requested admittance to Alitalia's liabilities for the total amount of Euro 41,050,979.58.

Following admittance to liabilities, SEA SpA received payments from Alitalia in Extraordinary Administration amounting to a total of Euro 9,465,081.97 relating to pre-deducted receivables post-May 2 (originally amounting to Euro 9,622,397.82 Euro). Therefore, receivables admitted to pre-deduction amounted to Euro 157,315.85 at February 5, 2019, of which Euro 23,822.50 were for additional rights and Euro 133,493.35 for various invoices.

By means of the certified email communication of February 7, 2018, the Administrators informed creditors that they had filed a request with the Court of Civitavecchia to split the statement of liabilities, starting with an examination of the section for workers and, at the same time, scheduling a series of hearings in which to verify the proof of debt. For this reason, SEA's application, registered at No. 06275, has not as yet been examined, nor has the date for this verification been set.

It should also be noted that claims arising post-May 2, 2017 and up to December 31, 2018 have been fully paid to-date, save for the amount of Euro 528,666.15 in relation to which an analysis is underway between the parties, and the amount of Euro 9,568,235.00 for unpaid surtax.

In the current state, taking into account the uncertainties related to (i) the fact that the Administrators' Programme has not yet been approved and its implementation methods are not known (ii) the Administrators have not yet declared the takeover of current contracts with SEA, with the consequent equalisation of the Existing Receivables to Current Receivables, it is believed, in view of present circumstances and on the basis of information currently available, that the current uncertainty and risk profiles have been assessed in the broader context of the overall assessment of trade receivables. The update of estimates has been provided to obtain more complete information, even ahead of the abovementioned events.

Public information on Alitalia's economic and financial context does not exclude the possibility of losses of a significant extent emerging in relation to the receivables registered.

At December 31, 2017, SEA accrued Euro 25,252 thousand as doubtful debt provision (referring to the existing receivables prior to May 2, 2017), for which there is currently no guarantee on collection.

It should be noted that lodged claims also include surtax on boarding fees amounting to Euro 6,173 thousand for which SEA acts as a withholding agent. These have a corresponding debt entered as a liability toward Institutions (INPS and Ministry of the Interior) for which the carrier is the debtor. No specific doubtful debt provision has been set up.

Main disputes outstanding at December 31, 2018

Update on litigation for alleged abuse in the procedure for acquiring ATA

On December 20, 2013, the Anti-trust Authority (AGCM) initiated proceedings in response to the complaint by Cedicor Sociedad Anonima ("CEDICOR"), charging SEA with abusing its dominant position in the course of tendering for the acquisition of ATA (Ali Trasporti Aerei SpA - now SEA Prime SpA), and imposing a fine for the amount of Euro 3,365,000.

Although it paid the fine, SEA filed an appeal with the Regional Administrative Court ("TAR") against the ruling. This Court partially upheld SEA's appeal and requested the revaluation of the fine from the Authority, which established the correct amount at Euro 936,320.

The receipt of the transfer by the Ministry for Economic Development was recorded on June 29, 2018. This position is therefore closed.

Action brought by ATA Handling

In May 2015, ATA Handling, in liquidation and subject to administration, notified SEA SpA and the Municipality of Milan of a citation, by which ATA Handling, referring to the decision of the European Commission of December 19, 2012 concerning alleged State Aid awarded in favour of SEA Handling, requested compensation for damages suffered as a result of the above State Aid issued in the form of share capital increases, which would have gravely undermined ATA Handling's operations and quantifying them through a differential analysis of two scenarios (SEA Handling with share capital increases and SEA Handling without share capital increases) at Euro 93.1 million. SEA has already produced the documentary evidence disproving the charge of predatory pricing. ATA Handling then challenged jurisdiction before the Court of Cassation, asking the latter to rule on whether jurisdiction for damages pertained to the regular courts or to the administrative courts. The Court of Cassation ruled that the regular courts had jurisdiction, and the case was then referred to the regular courts for a decision on the merits.

Once jurisdiction of the regular courts had been ruled, ATA Handling moved for resumption of the trial before the court which, as it still had no decision from the Court of the European Union, firstly adjourned the case until April 2018 and subsequently to July 2018, and then further moved the hearing to January 22, 2019.

During this hearing, the Court noted the filing of the EU Court's decision and then set deadlines for the filing of submissions pursuant to Art. 183, paragraph VI of the Code of Civil Procedure, deferring the case for the discussion on the preliminary motions to the hearing of May 22, 2019.

Proceedings are still in the initial stage since only the introductory petitions have been exchanged. In light of the content of the EU Court's ruling, which rejected the Municipality's complaint with regard to the Commission's decision on the existence of state aid, the automatic application of this investigation within the framework of our law remains in any case contentious, as is, above all, the existence of a causal link between the circumstances ascertained by the Commission and the damage alleged by the plaintiff company, as well as the quantification of said damages. Whilst considering the possible risk, the Directors of the company did not apply specific provisions in view of the above observations. For the purposes of possible provisions, any negative developments, which to-date are neither predictable nor definable, will undergo a consistent assessment on the outcome of the additional and more in-depth technical assessments that are underway.

Action brought by Emilio Noseda before the Court of Buenos Aires

In 2005, an action was filed against SEA by Mr. Emilio Noseda before the Court of Buenos Aires to compel fulfilment of alleged commitments made in 1997 by SEA to Delta Group S.A., a Uruguayan company of which Mr. Noseda had been legal representative. Delta Group S.A. supported SEA's tender for the Argentine airports concession.

Mr. Noseda, as assignee of Delta Group's rights, sought a judgment ordering SEA to:

- transfer 2% of the shares of AA2000 against payment of their current market value;
- compensate Delta Group for the loss of chance it sustained because it was unable to resell the shares during the time when their value was greater than the price then paid (USD 2 million). No damage amount was specified.
- compensate Delta Group for the expected profit that failed to materialise because Delta Group was not awarded concessions at three Argentine airports. No damage amount was specified.

Once the evidentiary stage of the trial had ended, we awaited the announcement of the judgment. A new judge was appointed. Noseda requested legal aid, which was granted. SEA then proposed a settlement in the amount of USD 500,000 which was rejected. Noseda demanded the amount of USD 3.5 million plus court costs.

On December 30, 2016 Commercial Court No. 2 of Buenos Aires entered judgment, which was served on February 2, 2017, dismissing Mr. Noseda's action to compel fulfilment of the aforesaid commitments made in 1997, and ordering him to pay court costs. Mr. Noseda appealed against the judgment. The case is now waiting to be transferred to the Court of Appeal; judicial proceedings are currently suspended due to the death of one of the third parties cited to the case.

In its financial statements, SEA posted an adequate amount as a provision for risks and charges to cover the risk.

Judgment 3553/2015 issued by the Milan Court of Appeal and Cassation Court Judgment 23454 / 2018

The decision by the Milan Court of Appeal published in September 2015 relates to the ongoing dispute with customs for non-payment of fees for the use of space made available to SEA. This decision confirms the grounds cited in the judgment at trial, which ordered customs to pay SEA the sum of Euro 5,591,000. In December 2016 customs appealed the aforementioned judgment to the Supreme Court of Cassation, disputing the amount set by the appeal court. With judgment 23454/18, the Court of Cassation rejected the appeal filed by the Customs Agency, confirming the ruling of the Court of Appeal which established SEA's right to rental fees for the Customs Agency's occupation of its spaces. Since all levels of judgment have been completed, revenue of Euro 5,631 thousand (of which Euro 5,591 thousand is share capital and Euro 40 thousand legal interest) was recognised in these Annual Financial Statements.

Civil litigation between SEA and ENAV

1. These proceedings concern SEA's claim to assets mistakenly assigned to ENAV by means of provisional delivery memoranda in the course of 1983 and 1984. By overturning the judgment entered at trial, the Court of Appeal granted SEA's motion and voided the transfer of the aforementioned assets to ENAV. Judgment 3406/2015 acknowledges SEA's right to use the state-owned premises under concession at the airports of Milan Linate and Milan Malpensa, and therefore temporary ownership of the goods produced/benefits obtained.

In February 2016, both the Prosecutor's Office on behalf of the Ministries and ENAV appealed to the Court of Cassation against judgment on appeal 3406/2015, which granted SEA's claims in full. In April 2016 SEA moved for service of the counter-appeal with contingent cross-claims against both the Ministries and ENAV. Currently the dispute is pending before the Court of Cassation, awaiting scheduling of the hearing on the merits.

2. In addition a lawsuit is pending before the Court of Milan on SEA's claim against ENAV for the assets covered by Ministry Decree 14/11/2000; the hearing for final argument had been scheduled for December 5, 2017 but was postponed to May 29, 2018. At this hearing, the Judge further referred the case to July 17, 2018. During this last hearing, it was agreed to further defer the case to February 12, 2019.

Currently, an attempt is underway to reach a settlement between the parties to the case. This would lead to the termination of the existing litigation described above. In the hearing of February 12, 2019, the Court noted the agreement between the parties and, in anticipation of the settlement's formalisation, deferred judgment to April 30, 2019. The closure of all pending judgments should be approved in this hearing.

Ruling on fees for fire-fighting services

The law of 27/12/2006 no. 296 (2007 Finance Act) article 1, paragraph 1328, established a fire-fighting fund financed by airport companies in proportion to the traffic generated by each, in the amount of Euro 30 million a year, in order to reduce the State's expenses for the fire-fighting service provided at airports by the National Fire-Fighting Service. However, as a result of the entry into force of the provisions of paragraph 3 bis of article 4 of Legislative Decree 185 of November 29, 2008, introduced with the Conversion Act of 28/1/2009 no. 2, the resources of the fund were also allocated to purposes completely unrelated to those initially envisaged by the 2007 Budget.

SEA objected, alleging unlawfulness, and challenged the law both before the Regional Administrative Court and before the regular Court of Rome.

Over the years considerable case law has accumulated, some of which has become final. All judgments have found that "the tax was instituted by the law as a tax earmarked for a specific purpose". Until now the courts have also observed that ever since law no. 2/2009 entered into force, all monies in the fire-fighting fund have been allocated to cover costs and purposes totally unrelated to those initially intended, namely that of reducing the costs incurred by the State for fire-fighting services at airports.

It should be noted that the following provision was added to the Stability Act of 2016, which came into force on January 1, 2016:

"Article 39-bis, paragraph 1, of the Decree-Law of October 1, 2007, no. 159, as converted with amendments by the law of November 29, 2007, no. 222, after the words: 'of the law of December 24, 2003, no. 350' the following words are inserted: 'and of fees charged to airport operating companies for fire-fighting services at airports, pursuant to article 1, paragraph 1328, of the Law of December 25, 2006, no. 296'."

The amended law redefines the contribution to be paid to the fund as consideration for the service rendered by the fire brigade, in order to eliminate the objections concerning the nature of the tax that were raised by airport operators and to return the matter to the jurisdiction of the regular courts, notwithstanding the judgments previously entered on this issue. By a judgment published on January 26, 2018, the Court of Rome ruled that the regular courts have no jurisdiction and that the case must revert to the Tax Commission.

The Court of Cassation, by order 27074/16, applied to the Constitutional Court for review of the constitutionality of this provision.

On July 20, 2018, the judgment of the Constitutional Court of July 3, 2018 was published declaring the unconstitutionality of Article 1, paragraph 478 of

Law No. 208 of December 28, 2015 implementing "Provisions for the drawing up of annual and multi-year budgets of the State (2016 Stability Law)".

The aforementioned provision established that the fees charged to airport management companies for fire-fighting services at airports, as per Art. 1, Paragraph 1328, of Law 296 of 2006, are not subject to taxation.

The established taxation status of the fire-fighting fund and the condition of exclusive tax jurisdiction were subsequently confirmed by the Court of Cassation on 15/1/2019. Therefore, in relation to the proceedings brought by SEA, and pending before the Court of Appeal of Rome, confirmation of the lack of jurisdiction of the ordinary court in favour of the validity of the jurisdiction of the competent Tax Commission, which may reinstate the judgement, is likely. The preliminary hearing, initially fixed for November 2018, was adjourned to May 17, 2019.

Report from the Energy Services Operator as a result of an audit of the green certificates for district heating at the Linate power plant

In December 2016, the Energy Services Operator (GSE) sent to SEA's energy subsidiary a report on its audit (carried out in March 2016) to verify the information provided for an application for green certification of the district heating supplied by Linate power plant. The GSE demanded the return of 17,106 green certificates for the period 2010-2014 (of which 12,435 for the Company and 4,671 for A2A), as a result of which a provision for future charges in the amount of Euro 1,049 thousand was recognised, since those certificates were paid at December 31, 2016. The Company, assisted by its lawyers, lodged an appeal in timely fashion. Nonetheless in May 2017 it returned the green certificates requested by the agency and recognised an additional provision to cover the green certificates for the period 2015-2016, which had been fully paid at the end of the 2017 financial year.

Audit by the Energy Services Operator on the assignment of white certificates for the period 2012-2015

During 2017 the Energy Services Operator audited white certificates assigned for the period 2012-2015. The GSE assessed that no subsidies should be paid for heating and cooling energy used by certain internal departments; as a result, a provision for future charges of Euro 500 thousand was recognised, since such certificates had been fully collected at the end of the 2017 financial year. Notice was received in reference to the unit named CC2, regarding the restitution of white certificates amounting to Euro 75,000, to be returned to the airport manager in February 2019. To date, resolutions regarding the unit named CC1 are still to be made by the Italian national grid operator, GSE.

Update on judgment 7241/2015 of the Civil Court of Milan concerning airport fees

On January 26, 2017, the Milan Court of Appeal upheld trial court ruling 7241/2015 of the Court of Milan ordering the Ministry of Transport to compensate SEA for Euro 31,618 thousand in addition to revaluations according to the ISTAT [cost of living] indices and interest at the legal rate. An enforceable copy of the judgment was served on the Ministry and the Prosecutor's Office in February 2017. On April 14, 2017, the Ministry of Transport appealed to the Court of Cassation, reiterating the grounds stated in the appeal without any substantial change.

SEA on June 9, 2017 filed at the Court of Cassation: A response and a cross-appeal.

In light of recent regulatory measures aimed at accelerating legitimacy judgments, the discussion hearing and the court's decision are likely before the end of 2019.

Writ of summons initiated by Architect Colombo against SEA SpA, SEA Prime SpA, and others held jointly and severally

On December 21, 2018, SEA, SEA Prime and others held jointly and severally liable were served a writ of summons in which the Architect Nicoletta Colombo formalized his claim for compensation in pecuniary damages of Euro 65,136,114.15 and non-pecuniary damages to be quantified during proceedings.

Colombo cites an alleged violation of copyright law and of terms of engagement, by which she claims that copy and ownership rights be legally reserved to her as per articles 2575-2578 of the Italian Civil Code.

The estimated risk regarding this position has been duly defined, as of today, as "possible". Indeed, the claim has been assessed to be totally without merit.

In light of that above, the Directors of the company did not make specific provisions. Relevant provisions have not been accrued as yet, as they remain subject to the emergence of any negative developments, currently unforeseeable or indeterminable, to be assessed on the outcome of further and more detailed ongoing assessments.

Tax Agency – VAT assessment notices

The local customs office at Linate and Malpensa airports audited SEA to ascertain whether excise duty had been correctly paid on the electricity used to operate Linate and Malpensa airports. As a result of this audit and of the notes, on November 16, 2016, SEA received service of an assessment notice for 2011 concerning the VAT profiles in the matter. An appeal was filed against the assessment at the Provincial Tax Commission of Milan, which ruled in favour of the Tax Agency. On December 11, 2017, judgment No. 6835/2017 was filed, against which an appeal was lodged with the Regional Tax Commission. The fixing of the hearing before the Court of Appeal is currently awaited. On August 9, 2017, the Tax Agency served four more assessment notices for the subsequent years from 2012 to 2015. The Company filed separate appeals against each of them with the Provincial Tax Commission which were rejected with judgment No. 3573/12/2018. An appeal was lodged at the Regional Tax Commission against this judgment.

Tax Agency - Notice of assessment for registration tax

Several assessments were received for registration tax relating to the application of the tax on the refund of sums as ordered in the judgments entered by the regular Court of Milan. The Company objected to the Tax Agency that the tax had been mistakenly applied as a proportional tax instead of at a flat rate. The first appeal filed and argued at the Provincial Tax Commission of Milan was granted. The Company's request was deemed reasonable and the Tax Agency was ordered to reimburse the expenses. On December 28, 2017, the Tax Agency lodged an appeal with the Regional Tax Commission, whereupon the Company joined the proceedings and for which the hearing date is still awaited. During 2018, six other appeals were also discussed by the Provincial Tax Commission of Milan, the first-instance outcome of which was fully in favour of the company and ordered the Tax Agency to pay litigation expenses. During 2019, two new appeals will be discussed regarding two Settlement Notices issued during the last few months of 2018.

The sum total of the aforesaid contingencies and those relating to the disputes with the Tax Agency were fully reflected in the provision for tax risks accrued for these items.

ENAC administrative and accounting audit

Within the scope of the supervisory powers of the entity, with Note No. 35187-P of April 5, 2018, the General Director of ENAC ordered an administrative and accounting audit of the company in order to ascertain economic, financial and management regularity and the fulfilment of concessionary contractual obligations.

Following the audit, carried out by the appointed professionals at the offices of SEA from April 10, 2018 to May 18, 2018, a conclusive report, detailing some observations for the company, was prepared and forwarded to the company on November 23, 2018. SEA sent a detailed and timely response to all the observations raised.

Since the findings of ENAC indicated no potential liabilities, relevant provisions have not been accrued in the financial statements for the year ending December 31, 2018.

Other information

Consolidated Non-Financial Report

The consolidated non-financial report ("Consolidated NFR") of Società per Azioni Esercizi Aeroportuali – SEA S.p.A., drawn up as per Legislative Decree 254/16, is a separate report (CSR Report) to this Directors' Report, pursuant to art. 5, paragraph 3(b) of Legislative Decree 254/16 and is available at www.seamilano.eu, in the "Sustainability" section.

Customer Care

The SEA Group, always keenly aware of the opinion of its users – passengers, accompanying persons, visitors and employees – continued in 2018 to implement a monitoring and improvement policy of the quality level of services offered to the various parties which interact with the Group. The improvement of the "Passenger Experience" has assumed across the airport industry an increasingly significant role, in that Quality Perception, which is the principal measurement, is recognised as an essential element to support business profitability.

In accordance with the provisions of the ENAC GEN-06 and GEN-02A Circulars, the 2018 edition of the Services Charter was published and is available online at www.seamilano.eu , while the paper version is available at passenger information points.

Customer Satisfaction is constantly monitored using various tools, such as:

- The Customer Satisfaction Index (CSI), based on interviews conducted by the leading market research company DOXA, according to the **American Customer Satisfaction Index** (ACSI) model, used internationally across many industrial sectors.
- The ACI ASQ (Airport Service Quality) programme that involves some 320 airports worldwide and about 110 in Europe, with departing passengers interviewed using a uniform questionnaire. This enables the setting of a single benchmark for the degree of satisfaction expressed regarding the services received at different airports worldwide, to identify the highlights and the most significant experiences (best practice).
- The Instant feedback system which allows passengers, by clicking a button a totem, the opportunity to express their opinions immediately after using the service 24 hours a day. More totems have been added, taking the number from 30 to 100 devices distributed across the 3 terminals and providing feedback on security check areas, public toilets, commercial activities and maintenance in general. The system provides daily, real-time results, facilitating immediate interventions to improve quality standards.
- The Customer Relationship Management (CRM) platform specifically developed to manage relations with passengers and e-commerce customers, facilitating information flows and internal company collaboration.

With the aim of improving passenger experience, 2018 saw the continuation of the Family Friendly Airport initiative with special 'Family Lane' security check lanes dedicated to families at Linate and Malpensa, used by approximately 12% of departing passengers, and with the organization of Pet Therapy events.

During 2018, the "Live Info Point" airport assistance service was strengthened, by which passengers can receive assistance directly from a customer service employee who talks to them from one of the 16 video screens in the two airports, recording a significant increase in passenger usage (168%) over 2017 considering the volume at call centre level.

In October 2018, Skytrax, a world-leading air transport research rating firm, awarded 4 stars for the Passenger Experience of Malpensa Terminal 1, re-confirming the excellent service quality (with average ratings higher than 4 on a scale of 1 to 5).

The environmental dimension

The SEA Group is strongly committed to providing quality services in respect and protection of the environment, based on the following principles:

- extensive compliance with regulatory requirements;
- an ongoing commitment to improving the environmental and energy performance;
- education and involvement of all actors involved in the airport system for a commitment towards respecting and protecting our common environmental heritage;
- priority given to the purchase of products and services which adopt similar environmental sustainability parameters, with particular attention to energy saving, the reduction of atmospheric and noise emissions and water conservation;
- identification of sources and controls of CO_2 emissions produced, both direct and indirect, through the involvement of the stakeholders, in order to reduce greenhouse gas emissions in line with the Kyoto protocol;
- a constant level of monitoring and verification of the processes related to the energy, atmospheric emission, noise and water cycle aspects, and in general the various phenomenon concerning interaction with the ecosystem;
- a highly developed system of listening and communication with a wide range of external actors to ensure transparency and sharing.

The introduction of the Group environmental policy is based on the commitment to a dedicated structure which ensures maximum attention to the principal strategic aspects and the operating implications, in addition to guaranteeing the daily inter-departmental involvement of all organisational units whose activities have a direct or indirect impact on the reaching of the environmental objectives.

Under this policy in 2004 an Environmental Management System was drawn up, which in 2006 achieved the ISO 14001 Certification, which was reconfirmed for the subsequent three-year period.

In July 2018, the certification was renewed on the basis of the new 14001:2015 regulation by the TUV Italia Certification Body.

The range of environmental aspects managed is particularly extensive: water, air, noise, climate change, energy, waste, electromagnetic fields, light pollution and landscape.

The extensive experience matured since 1998 with the incorporation of SEA Energia and its cogeneration (tri-generation at Malpensa) plant has seen the formal consolidation in October 2013 of the Energy Management System of SEA and its ISO 50001 certification by CertiQuality. The current action is undertaken for improved integration between the different certification systems.

Also in this regard, for both the Environmental (ISO 14001) and Energy (ISO 50001) Management Systems, during 2018 a close focus was placed on supporting the analysis of TUV for renewal of the 14001:2015 certification and the 50001 oversight certification, with a view to applying the new rules and ensuring increased Systems integration.

Airport Carbon Accreditation and Carbon Neutrality of the Milan airports

SEA in relation to CO_2 emissions has acted effectively in reducing emissions and in particular those from activities under its direct control or in which significant influence is exercised (scope 1 and 2)[6]. In June 2018, following positive assessments by the Italian certifier and the London firm managing the Airport Carbon Accreditation program, SEA renewed its level 3+ 'Neutrality' accreditation for both of the airports it manages.

[6] Scope 1 – Direct emissions – Emissions associated with sources owned or under the control of the company.
- Scope 2 - Indirect Emissions - Emissions associated with the generation of electricity or thermal energy acquired or consumed by the company, which is physically emitted within the corporate scope.

Airport Safety

Again in 2018, the Safety Management System continued to operate systematic activities for the analysis and control cycles and mitigation actions.

Available objective evidence demonstrates the achievement of objectives and an appreciable level of improvement in the management of the 'Airport Safety'.

The guideline principles of the SEA Airport Safety policy have remained unaltered in their consistency and suitability:

- guarantee design compliance, the construction and maintenance of flight infrastructure and plant and equipment satisfying the highest sector standards;
- ensure a review of operating processes to achieve the highest compliance possible with national and international regulations concerning Safety;
- monitor the maintenance of safety standards for all operators, companies and external parties of any type within the airport sites;
- guarantee ongoing and appropriate training of personnel, with priority for those most involved in operating processes, placing particular focus on the requirements and the consequent actions for an improved level of Safety;
- guarantee education and communication, so that all events which may affect Safety are flagged through the filling out of a Ground Safety Report, actively encouraging the reporting of Safety events and clearly defending the difference between acceptable and unacceptable conduct;
- to promote the 'Just Culture' key principles.

Human resources

At December 31, 2018, SEA Group employees numbered 2,847, increasing 10 on December 31, 2017 (+0.4%). Full Time Equivalent employees in 2018 increased by 16 on 2017 (from 2,766 to 2,782, +0.6%).

The increase in personnel is predominantly due to the recruitment of temporary operations staff needed to manage the greater passenger traffic recorded in the year.

Females at the SEA Group represented 28% of the Headcount at December 31, equally distributed across classifications.

Organisation and management of personnel

The organisational structure of several staff and line units was revised in the year. In particular, an Enterprise Risk Management unit was set up within the Chief Financial and Risk Officer area, with the aim of improving the process of identifying potential risk events that may influence the Group's results and of monitoring the status of mitigation of such events.

As part of the Europrivacy project, the organisation promptly and effectively adapted to the developments planned for 2018 by European privacy regulations.

The second half of the year was focused on the organizational implementation of the airports' new maintenance model, which, in conformity with safety requirements, responds to the need to establish operational, technological and contractual synergies across the airports, and to share the development

	HEADCOUNT			FTE		
	at December 31,			January-December		
Category	**2018**	**2017**	**Change**	**2018**	**2017**	**Change**
White-collar	1,798	1,811	(13)	1,749	1,754	(5)
Blue-collar	653	659	(6)	650	657	(7)
Senior Managers	290	274	16	280	270	10
Executives	55	56	(1)	56	57	(1)
Temporary	51	37	14	47	28	19
Total	**2,847**	**2,837**	**10**	**2,782**	**2,766**	**16**

of technological innovations in terms of maintenance process solutions and automation.

As part of organisational innovation and work-life balance initiatives, a smart-working trial was launched, involving approximately 15% of the non-shift population, with the aim of testing some technical and organisational elements necessary for smart-working.

Training

During 2018, training and professional development activities aimed to integrate business processes in the preparation of human capital for market challenges and the facilitation of change management.

The various courses focused on developing skills and talents to strengthen contributions to achieving company results.

The push for the introduction of smart innovative processes and systems guided the planning of training courses and tools for the development of professional and team skills.

A brief presentation of the main projects rolled out follows:

- *SEA InSight:* launched at the end of January 2018, the project promotes a Digital Innovation initiative through the creation of an internal and inter-functional team, which, over a period of three years, and with the collaboration of the Polytechnic of Milan's Cefriel Innovation Centre, will work on new processes, technologies and tools that can contribute to the innovative development of SEA's business and the customer experience within the airports managed by SEA.
- *Smart Evaluation*: a project introducing a corporate-wide common and shared system of performance appraisal through the simplification and integration of the current skills and performance assessment system with a more immediate and effective feedback delivery and collection methodology.
- *Onboarding:* launched in 2017, the programme facilitating all phases for the onboarding of new human resources continued throughout 2018, focusing in particular on the development of organizational socialization for young graduate recruits.
- *PRM training*: the programme seeks to improve the role's impact, particularly in terms of an effective approach to team integration, customer care and personnel motivation.
- *The value of 360° integration:* addressed to Airport Coordination personnel, the project is dedicated to making improvements in their role, with a particular focus on team integration in support of the introduction of the new role of Airport Specialist.
- *Switch to Excellence:* this is specialist management training aimed at developing awareness and skills for effective application in professional roles. The training plan cycle was initiated last September, and is set to conclude in April 2019.

In 2018, Professional Training and Technical Instruction activities focused on strengthening engagement in assuring effectiveness and compliance, in line with the new regulatory framework, guaranteeing:

- *Training Operations*
- *Training Compliance*.

The introduction of EU Regulation 139/14, establishing technical requirements and obligations for airport managers, has motivated the design, development and delivery of mandatory training, such as Airside Safety training for airport operators having airside access. The contents of the Airside Safety training course have been completely revised in adaptation to the digital development strategy, and was subsequently delivered to over 1,700 SEA employees.

In this context, the Recurrent Training planning phase was initiated with a focus on Operating Procedures entirely dedicated to maintenance and operations personnel, in accordance with the Acceptable Means of Compliance and Guidance material of EU Regulation 139. In order to gain feedback on contents and methodology, special pilot editions were organized for maintenance personnel, electricians, and electromechanical and infrastructure technicians, totalling approximately 80 participants.

Again regarding Airport Safety, SEA renewed its commitment to the planning of Airside Driving courses aimed at achieving airside driving certification: The Green and Red Driving Permit tests were taken by 348 and 132 SEA personnel respectively.

In order to guarantee airport operations during the winter, in conformity with SAE International AS6285-86 standards, annual mandatory Winter Operations training was administered to 500 operations personnel. In addition to the de-icing training, annual Snow Emergency Plan courses were administered to 35 people.

In addition to the recurrent Air

Emergency Management courses, involving over 60 people from Airport Coordination, periodic courses were administered to 37 Airport Maintenance personnel concerning practical training in the use of Airport Technical Tools for the lifting of damaged aircraft.

Following the publication of the 4th edition update of the standard CEI 11-27, a specific Refresher Training programme was developed and delivered by distance learning to 56 electricians and electromechanical technicians in order to update them on electrical standards.

Occupational safety was a priority commitment in 2018, driving the launch of large-scale Mandatory Recurrent training for employees, as envisaged under the State and Regions Agreement of 2012. In collaboration with the Prevention and Protection Service, various training course were administered according to risk level. Low Risk courses were made available, for the first time online, through the E-Learning platform, to all personnel pertaining to this risk category. Medium Risk courses, due to their specificity and complexity, were administered in attendance at Training and Instruction venues to over 1,200 participants.

Fire-fighting training required two different types of training:

- Emergency Management Officer (AGE) full practical and theoretical training, including field tests for examination by the Fire Brigade Commission;
- High Risk Refresher Training for already certified personnel subject to periodic retraining.

Five new training sessions on technical skills for assisting Passengers with Reduced Mobility (PRM), as regulated by Civil Aviation Authority ENAC Circulars GEN02A and ECAC Doc.30, were administered to new PRM personnel, in addition to annual Mandatory Recurrent Training involving 122 participants. The courses included full training, including specialist medical training, to provide the necessary skills for assisting those with reduced mobility and for the use of Ambulift vehicles.

The need, shared with the Post Holder, to guarantee high standards of Ground Safety Culture across specific training activities regarding new airport apron management procedures, stimulated the planning of several days of training dedicated to new Airport Specialists. The first pilot courses, involving 9 personnel, started in 2018 and are set to conclude in 2019.

In terms of security, the main activities concerned Initial and Recurrent courses for security card issuing, in conformity with ENAC Circular SEC05A regulations, involving over 500 participants, and technical training for Works Managers, involving 33 participants, and for Safety Coordinators, involving 55 participants.

Welfare

The Corporate Welfare programme for 2018, ever more focused on the effective needs of people, began with data and costs analyses for the initiatives of the previous year, which indicated that as much as 81.4% of the company population made use of at least one welfare service. The following main welfare projects were promoted in 2018:

- *Assistance and Care* - In addition to the 'Listening and Help' desks at Linate and Malpensa, the 'Fragibilità' service for employees with elderly and disabled family members was re-confirmed.
- *Familcare Service* - An innovative platform for employees with children between 10 and 14 years old or elderly family members which provides assistance in cases of need through tools aimed at the identification and geolocation of family members in difficulty.
- In continuity with 2017, established long-running *welfare services* were re-provided in relation to Health and Prevention areas and for offering support for employees with children, such as through summer camps at Linate and Malpensa, and summer beach and mountains camps, as well as toy and game vouchers.
- *Future Lab Project* - Initiatives to promote the education and employability of the children of employees, such as through bursaries, intercultural scholarships, 'Learn to study with SEA' courses, secondary and university education orientation, and the new 'Work and Study' programme.
- *Home-work mobility* - In addition to annual season ticket reductions for ATM and Trenord Malpensa Express lines, 2018 saw the introduction of special rates for second-class tickets and the new IVOL 'I travel everywhere in Lombardy' Pass, which allows the use of the entire transport network (trains and surface vehicles) on a single ticket, extended also to employees with fixed-term contracts.

Workplace health and safety

In 2018 the SEA Group confirmed its commitment to workplace safety with a view to continual improvement of health and safety conditions of activities carried out within the airport, also through the promotion of a culture based on increased awareness and involvement of all parties, at all levels, on prevention issues.

In 2018, SEA renewed its Workplace Health and Safety Management System (SGSSL) certification issued by TÜV Italia - Accredited in line with the BS OHSAS 18001/2007 regulation, as established by Article 30 of Legislative Decree 81/08 for effective organizational models in line with Legislative Decree 231/2001.

The SEA Prevention and Protection Service updated the Risks Assessment Documents, in addition to supporting the functions responsible for drafting the DUVRI's for preventative interference risk management regarding the various activities conducted by third-party contractors at the airports. Particular emphasis was placed on activities carried out in confined environments or environments presenting a potential pollution risk under the provisions of Legislative Decree 177/11.

In collaboration with qualified radiological protection experts, the monitoring activity in protection of workers safety continued, through specific environmental and personal dosimeters of ionised radiation, related to the transit of radioactive packages within the airports and the use of x-ray equipment. Still within the scope of radioprotection, the survey to detect the potential presence of radon gas in underground and basement work areas at Linate and Malpensa concluded. The amounts confirmed expectations, with concentrations comfortably within regulatory limits.

The monitoring of the Occupational Health & Safety of specific SEA employees exposed to health risks with visits to the Company-appointed doctors also continued.

The safety documentation and indications (operating policies, operating instructions and safety devices, building regulations, information points, emergency plans, individual protective gear etc.) are available to all employees on the company intranet - "Workplace Safety" function site.

Corporate Governance System

This section contains, among other issues, the information required by Article 123-bis, paragraph 2, letter b) of Legislative Decree No. 58 of February 24, 1998 ("CFA"). The company, not having issued shares admitted to trading on regulated markets or on multilateral trading systems, avails of the option under paragraph 5 of Article 123-bis of the CFA to not publish the information required of paragraphs 1 and 2 of Article 123-bis of the law, except for that required by the above-stated paragraph 2, letter b).

The Corporate Governance System of Società per azioni Esercizi Aeroportuali S.E.A. ("SEA" or the "Company") involves a set of rules which meet applicable legal and regulatory requirements. The Corporate Governance system of the company is based on the traditional administration and control model as per Articles 2380-bis and subsequent of the Civil Code, therefore with two corporate boards appointed by the Shareholders' Meeting – the Board of Directors, which undertakes the management of the Company, and the Board of Statutory Auditors, which is required to ensure financial control, together with the Shareholders' Meeting itself, which represents the common interests of Shareholders.

SEA has complied with since June 27, 2001 the Self-Governance Code for listed companies issued by the Corporate Governance Committee of Borsa Italiana S.p.A. (the "Self-Governance Code" or the "Code"). Although compliance with the Code is voluntary, SEA applies a significant portion of the recommendations in order to ensure an effective corporate governance system which appropriately assigns responsibilities and powers and supports a correct balance between management and control.

The Company therefore annually prepares on a voluntary basis the Corporate Governance and ownership structure report, which outlines the Corporate Governance structure adopted by SEA and provides information on the means for the implementation of the recommendations of the Self-Governance Code. The report is available on the website www.seamilano.eu.

The company is not subject to management and co-ordination pursuant to Article 2497 and subsequent of the Italian Civil Code.

The Board of Directors of SEA has set up internally two Committees established under the Self-Governance Code undertaking proposing and consultation functions for the Board of Directors:

1. The Control and Risks Committee, to which the Board of Directors of SEA on July 31, 2018 assigned functions regarding the sustainability topics, changing its name to the "Control, Risks and Sustainability Committee";
2. The Remuneration and Appointments Committee.

The Committees comprise non-executive Directors, the majority of whom independent. The prerogatives of the Committees are established by motions of the Board of Directors, based on the recommendations and principles of the Self-Governance Code; at the Committee meetings minutes are prepared and maintained by the Company.

The Shareholders' Meeting is the body that, through its resolutions, expresses the shareholders wishes. The Shareholders' Meeting approves the most important decisions of the Company, among which, the appointment of the Corporate Boards, the approval of the financial statements, and any changes to the Company By-laws.

The Board of Directors shall have the widest powers of administration over the company: it in particular may carry out any and all acts it deems appropriate for attaining the corporate scope, with the sole exclusion of those attributed by law and the by-laws exclusively to the shareholders' meeting. The Board of Statutory Auditors is the company's Control Board. The Board of Statutory Auditors verifies compliance with law and the By-Laws and the principles of correct administration and in particular on the adequacy of the administration and accounting organisation adopted by the Company and on its correct functioning. The accounting control functions are assigned to the Independent Audit Firm appointed by the Shareholders' Meeting.

The Board of Directors on December 20, 2018 appointed Director Michaela Castelli as its Chairperson, in replacement of the resigning Pietro Modiano. Therefore, at the date of this report, the Board of Directors comprises of 6 members and shall remain in office until the approval of the 2018 Annual Accounts.

The Board of Statutory Auditors in office at the date of the present report was appointed by the Shareholders' Meeting of May 4, 2016 in accordance with the Company By-laws and remains in office until the approval of the 2018 Annual Accounts.

The Internal Control and Risk Management System is based on the recommendations of the Self-Governance Code and applicable best practice. Therefore, one of the instruments adopted by the company is the Organisation and Control Model as per Legislative Decree 231/01. SEA and its subsidiaries have therefore each drawn up a "Mapping of risks" in order to adopt organisation, management and control models as per Legislative Decree 231/2001 (separately the "Model" and collectively the "Models"), effective and adequate in view of the specific needs of the respective companies and the particular nature of their business, with the principal aim of preventing the offenses set out by the applicable regulation. The Model is constantly updated in line with legislative amendments regarding the introduction of new offenses.

The Corporate Governance System of SEA also involves procedures governing the activities of the various company departments, which are consistently subject to verification and updating in line with regulatory developments and altered operating practices.

Internal Control and Risk Management System

Introduction

The Internal Control and Risk Management System is represented by the set of instruments, rules, procedures and corporate organisational structures to ensure compliance with regulatory provisions, the By-Laws, reliable and accurate financial reporting and the safeguarding of corporate assets in line with the corporate objectives defined by the Board of Directors. The latter is responsible for the internal control and risk management system which, on the basis of information provided to the Chairperson and to the Control, Risks and Sustainability Committee by the departments/bodies responsible for internal control and the management of business risks, establishes the guidelines, verifies their suitability and effective functioning and ensures the identification and correct management of the main business risks.

The procedures and organisation subject to the internal control and risk management system is implemented in order to ensure:

- compliance with the laws, regulations, By-Laws and policies;
- the safeguarding of the company's assets;
- the efficiency and effectiveness of the business processes;
- the reliability of financial disclosure.

Main features of the risk management and internal control systems in relation to the financial reporting process contained in the financial statements and in the half-year report

SEA's Internal Control System on financial reporting ensures the exchange of data and information with its subsidiary companies and implements its coordination. In particular, this activity is carried out through the dissemination, by the SEA parent company, of regulations on the application of the accounting policies for the preparation of the SEA Group consolidated financial statements and the procedures regulating the drafting of annual and consolidated financial statements and half-year financial statements and reports. The setting of controls occurs at the end of a process carried out by the SEA parent company according to a targeted approach to identify the individual organisational entities' typical critical issues that could have significant impacts on financial reporting.

Description of the risk management and internal control systems' main features in relation to the financial reporting process

As regards the financial reporting process, the risk management system should not be considered as distinct from the internal control system. The System is intended to ensure the trustworthiness, accuracy, reliability and timeliness of financial reporting.

The Risk Management and Internal Control System's monitoring process over financial reporting is divided into the following phases:

1. Identification of risks on financial reporting: the activity is carried out with reference to the SEA separate financial statements and the SEA Group consolidated financial statements, taking qualitative and quantitative aspects into account primarily for the selection of the relevant companies to be included in the analysis and, thereafter, of significant transactions.
2. Assessment of risks on financial reporting: risks are assessed in terms of the potential qualitative and quantitative impact. Risk assessment is carried out at both the individual company and specific process levels.
3. Identification of controls implemented to mitigate previously-identified risks, both at the individual company and process levels.

The governance of the SEA Group Enterprise Risk Management model defines a second level of risk management control in the ERM division, established in January 2018, reporting to the Chief Financial and Risk Officer with the aim of supporting corporate structures in the identification and management of corporate risks and at the same time, to guarantee periodic reporting to top management on the risk profile's development, based on the principle that the management of risk involves all levels.

This means that, with the support of risk specialists and the ERM

division, corporate and line managements are the primary owners of the identification, assessment and management of the risks for which they are responsible. Top management then periodically reviews the overall company risk profile and opportunely orients the management of the main emerging risks, approving proposed response plans in line with the strategic objectives and corporate risk propensity defined by the Board of Directors.

The described Internal Control and Risk Management System's components are mutually coordinated and interdependent and the System as a whole involves - with different roles and according to a rationale of collaboration and coordination - administrative bodies, supervisory and control bodies, and the company and SEA Group management. The SEA Board of Directors has not appointed an executive director responsible for overseeing the functionality of the internal control and risk management system.

Functions of the Control, Risks and Sustainability Committee

The Committee performs advisory and recommendation functions to the Board of Directors on internal control and risk management. The CRSC identifies business risks and submits them for examination by the Board of Directors, and finally implements the Board's guidelines through the internal control system's definition, management and monitoring. The Control, Risks and Sustainability Committee also examines and approves the Annual Audit Plan.

The Committee also fulfils the functions of Related Parties Committee (except for transactions concerning matters that are the exclusive prerogative of the Remuneration and Appointments Committee) and, since July 31, 2018, the sustainability topic functions.

Internal Audit Manager

The audit on the suitability and functionality of the Internal Control and Risk Management System is entrusted to the Internal Audit Department. The Internal Audit Manager reports to the Chairperson and to the Control, Risks and Sustainability Committee; he/she is not responsible for any operational area and does not hierarchically report to any manager responsible for operational areas, including the administration and finance areas. The Internal Audit Manager audits the functionality and suitability of the internal control and risk management system and compliance with internal procedures issued for this purpose. The Internal Audit Manager has autonomy in expenditure and extends his/her activities to all the companies in the SEA Group through specific service contracts. Similarly, the SEA Internal Audit Department reports hierarchically to the Chairman and functionally, to the Board of Directors. The Internal Audit Department is entrusted with auditing the effectiveness, suitability and upkeep of the Organisation and Management Model pursuant to Legislative Decree No. 231/2001, on the instructions of the SEA Supervisory Boards and the subsidiary companies. The Auditing Department was also assigned, with Board of Directors' motion of February 22, 2018, the responsibility to check the adequacy and effective implementation of SEA's Corruption Management and Prevention System, certified as per the UNI ISO 37001:2016 standard.

Independent Audit Firm

Deloitte & Touche SpA is the Independent Audit Firm appointed to audit the separate and consolidated annual financial report, to periodically verify corporate accounting practices and to carry out the limited audit of the SEA consolidated half-year financial report. The appointment was conferred by the Shareholders' Meeting on June 24, 2013 and extended to financial year 2022 by the Shareholders' Meeting of May 4, 2016. The Board of Statutory Auditors and the Independent Audit Firm regularly exchange information and data in relation to the controls carried out.

Supervisory Board as per Legislative Decree 231/2001

The Supervisory Board, appointed by the Board of Directors and in office at December 31, 2018, is composed of three members: two external independent members - Alberto Mattioli (appointed on May 4, 2016) and Giovanni Maria Garegnani (appointed on January 25, 2018) and the Auditing Department Manager - Ahmed Laroussi (appointed on May 4, 2016). The non-executive member of the Board of Directors, Michaela Castelli, appointed on May 25, 2017, resigned on December 20, 2018, as becoming Chairperson of the Board of Directors.

On February 8, 2018, the Board of Directors appointed Giovanni Maria Garegnani as Chairperson.

The Supervisory Board regularly reports to the Board of Directors on the Model's effectiveness, its suitability and upkeep. It sends a written report to the Board of Directors every six months on the 231 Model's implementation status and, in particular, on controls and audits performed and on any critical issues that emerged.

The Supervisory Board has autonomous powers of initiative, control and expenditure.

Organisation, Management and Control Model pursuant to Legislative Decree 231/2001

SEA has adopted an Organisation and Management Model pursuant to Legislative Decree 231/2001 – which lays down the "Rules on the administrative liability of legal persons, companies and associations, including those without legal status" (the "Decree") to prevent the offences envisaged by the Decree.

The Model is, therefore, adopted in compliance with the Decree's provisions. The Model was adopted by the SEA Board of Directors by motion of December 18, 2003 and more recently amended and supplemented by the motion of the Board of Directors of June 28, 2018. The Model was therefore updated in line with the offences set out in the Decree. The Model consists of a "General Section", a "Special Section" and individual "Components". SEA's subsidiary companies have adopted their own Organisation and Management Model pursuant to Legislative Decree 231/2001.

Related Parties Transactions Policy

The company has adopted a Related Parties Transactions Policy (the "RPT Policy"), in effect since February 2, 2015. The Policy was updated by Board of Directors' motion of February 22, 2018.

The RPT Policy is also available on the company's website www.seamilano.eu.

In assessing the substantial and procedural correctness of transactions with related parties, the Board of Directors is assisted by the Related Parties Committee which is identical to the Control, Risks and Sustainability Committee or the Remuneration and Appointments Committee, depending on the matters dealt with from time to time.

Code of Conduct

The applicable Code of Conduct, approved by the Board of Directors on December 17, 2015 and updated on December 11, 2018, is an integral part of the Organisation and Management Model pursuant to Legislative Decree 231/2001.

The Code of Conduct forms part of the broader "Ethics System" adopted by the Board and defines the framework of the reference values and principles which the SEA Group proposes to adopt in the corporate decision-making process.

The main duties of the Ethics Committee, composed of a member of the SEA Board of Directors and the "Human Resources and Organisation", "Legal and Corporate Affairs" and "Audit" departmental managers, is to promote the Code of Conduct's dissemination and to monitor compliance thereof.

Anti-Corruption Focal Point

With effect from January 31, 2014, the company identified an anti-corruption focal point in the person of the Legal & Corporate Affairs Director who is also a member of the Ethics Committee.

The anti-corruption focal point deals with any communication on corruption, including toward third parties; the role, prerogatives and responsibilities are therefore not comparable with those provided for by applicable legislation in relation to the Anti-Corruption Manager (namely, the person in charge pursuant to Law 190/2012).

Management system for the prevention of corruption (UNI ISO 37001:2016 certified)

SEA, confirming its commitment to the prevention and combatting of illegal practices, has adopted a System for the Prevention of Corruption, approved by the Board of Directors on February 22, 2018, which integrates, using an organic framework, existing company corruption prevention and combatting tools.

SEA's Management System for the Prevention of Corruption was certified on March 8, 2018 according to the UNI ISO 37001:2016 "Anti-bribery Management System" standard.

Diversity policies

Article 123(bis), paragraph 2 of Legislative Decree No. 58/1998 sets the obligation to describe the Company's policies on the composition of the administrative, management and governing bodies, taking into account aspects such as age, gender, professional and educational background. For cases where no policy has been adopted, there is a requirement to explain this decision. SEA's By-Laws, in compliance with the legislative provisions, comprehensively cover gender diversity within the Board of Directors and Board of Statutory Auditors; in relation to aspects such as age and training, the Board of Directors on February 22, 2018 decided to introduce assessments concerning the adoption or otherwise of a diversity policy also for these aspects.

Following these assessments, the Board of Directors on February 1, 2019 recommended to the incoming Board of Directors, to be appointed by the Shareholders' Meeting which will approve the 2018 Annual Accounts, consideration of the matter and motions thereon, also in view of the above-mentioned assessments.

Board of Directors' proposals to the Shareholders' Meeting

The Board of Directors approves the 2018 Financial Statements of SEA SpA, prepared in accordance with IFRS, which report a net profit of Euro 123,489,400.1.

The Board of Directors proposes to the Shareholders' Meeting to allocate the 2018 net profit of Euro 123,489,400.1 as follows:

- Euro 98,800,000 as dividend to Shareholders, in the amount of Euro 0.3952 per share;
- Euro 24,689,400.1 to the extraordinary reserve.

The dividend payment deadline has been fixed as June 20, 2019.

The Chairman of the Board of Directors

Michaela Castelli

Shareholders' Meeting Motions

The Shareholders' Meeting, held on April 19, 2019:

1. Approved the Directors' Report prepared by the Board of Directors, the Financial Statements at December 31, 2018 and the explanatory notes thereto, as proposed by the Board of Directors.
2. Approved the allocation of the 2018 net profit of a total amount of Euro123,489,400.1, as follows:
    - Euro 98,800,000 as dividend to Shareholders, in the amount of Euro 0.3952 per share;
    - Euro 24,689,400.1 to the extraordinary reserve.
3. Fixed the dividend payment deadline as June 20, 2019, with any rounding on payment allocated to the extraordinary reserve.

The Chairman of the Board of Directors

Michaela Castelli

SEA Group
Consolidated Financial Statements

Financial Statements

Consolidated Statement of Financial Position

(Euro thousands)	Note	December 31, 2018 Total	December 31, 2018 of which related parties	December 31, 2017 Total	December 31, 2017 of which related parties
Intangible assets	8.1	986,469		998,182	
Property, plant & equipment	8.2	205,483		204,971	
Investment property	8.3	3,408		3,394	
Investments in associates	8.4	67,914		54,054	
Other investments	8.5	26		26	
Deferred tax assets	8.6	54,185		51,152	
Other non-current financial assets	8.7	0		7,190	
Other non-current receivables	8.8	188		280	
Total non-current assets		**1,317,673**	**0**	**1,319,249**	**0**
Inventories	8.9	1,934		4,104	
Trade receivables	8.10	121,005	11,407	111,077	9,419
Tax receivables	8.11	1,048		14,941	
Other current receivables	8.11	9,527	2,005	9,200	
Other current financial assets	8.7	0		13,300	
Cash and cash equivalents	8.12	153,036		67,194	
Total current assets		**286,550**	**13,412**	**219,816**	**9,419**
Assets held-for-sale		**0**		**0**	
TOTAL ASSETS		**1,604,223**	**13,412**	**1,539,065**	**9,419**
Share capital	8.13	27,500		27,500	
Other reserves	8.13	295,525		279,584	
Net Profit	8.13	136,076		84,070	
Group Shareholders' equity		**459,101**		**391,154**	
Minority interest shareholders' equity	8.13	**25**		**23**	
Group & Minority interest shareholders' equity		**459,126**		**391,177**	
Provision for risks and charges	8.14	167,861		169,935	
Employee provisions	8.15	46,214		47,834	
Non-current financial liabilities	8.16	523,605		546,289	
Other non-current payables	8.17	13,964		17,588	
Total non-current liabilities		**751,644**		**781,646**	
Trade payables	8.18	153,394	11,616	153,497	4,519
Income tax payables	8.19	18,541		8,370	
Other payables	8.20	192,476		174,592	
Current financial liabilities	8.16	29,042		29,783	
Total current liabilities		**393,453**	**11,616**	**366,242**	**4,519**
Liabilities related to assets held-for-sale		**0**		**0**	
TOTAL LIABILITIES		**1,145,097**	**11,616**	**1,147,888**	**4,519**
TOTAL LIAIBILITIES & SHAREHOLDERS' EQUITY		**1,604,223**	**11,616**	**1,539,065**	**4,519**

Consolidated Income Statement

		2018		2017 restated	
(Euro thousands)	Note	Total	of which related parties	Total	of which related parties
Operating revenues *	9.1	683,956	47,864	648,260	40,493
Revenue for works on assets under concession	9.2	29,189		28,281	
Total revenues		**713,145**	**47,864**	**676,541**	**40,493**
Operating costs					
Personnel costs	9.3	(189,416)		(210,743)	
Consumable materials	9.4	(40,234)		(33,123)	
Other operating costs	9.5	(174,916)		(163,663)	
Costs for works on assets under concession	9.6	(26,728)		(26,006)	
Total operating costs		**(431,294)**	**(28,153)**	**(433,535)**	**(13,858)**
EBITDA **		**281,851**	**19,711**	**243,006**	**26,635**
Provisions & write-downs	9.7	(3,704)		(32,218)	
Restoration and replacement provision	9.8	(15,077)		(13,602)	
Amortisation & Depreciation	9.9	(73,601)		(69,296)	
EBIT		**189,469**	**19,711**	**127,890**	**26,635**
Investment income/(charges)	9.10	14,568	14,568	8,135	8,135
Financial charges	9.11	(17,662)		(18,167)	
Financial income	9.11	1,021		258	
Pre-tax profit		**187,396**	**34,279**	**118,116**	**34,770**
Income taxes	9.12	(51,318)		(35,667)	
Continuing Operations profit		**136,078**	**34,279**	**82,449**	**34,770**
Discontinued Operations profit/(loss)	6	**0**		**1,556**	
Minority interest profit/(loss)		2		(65)	
Group Net Profit		**136,076**	**34,279**	**84,070**	**34,770**
Basic net result per share (in Euro)	9.13	0.54		0.34	
Diluted net result per share (in Euro)	9.13	0.54		0.34	

** From 2018, following the entry into force of IFRS 15 which provides for the combined presentation of contracts with a single commercial objective, the incentives provided to airline companies to develop traffic were classified as a reduction of revenues. In 2017, they were classified under Other operating costs. For comparability purposes, the 2017 figures were reclassified.*

*** EBITDA is calculated as the difference between total revenues and total costs, excluding provisions and write-downs.*

Consolidated Comprehensive Income Statement

(Euro thousands)	2018 Total	2018 of which related parties	2017 Total	2017 of which related parties
Group Net Profit	**136,076**	**34,279**	**84,070**	**34,770**
- Items reclassifiable in future periods to the net result:				
Fair value measurement of derivative financial instruments	1,761		2,435	
Tax effect from fair value measurement of derivative financial instruments	(422)		(584)	
Total items reclassifiable, net of tax effect	**1,339**		**1,851**	
- Items not reclassifiable in future periods to the net result:				
Actuarial gains/(losses) on post-employment benefits	1,099		56	
Tax effect on actuarial gains/(losses) on post-employment benefits	(264)		(13)	
Total items not reclassifiable, net of tax effect	**835**		**43**	
Total other comprehensive income items	**2,174**		**1,894**	
Total comprehensive profit	**138,252**		**85,899**	
Attributable to:				
- Parent company shareholders	138,250		85,964	
- Minority interest	2		(65)	

Consolidated Cash Flow Statement

	2018		2017	
(Euro thousands)	Total	of which related parties	Total	of which related parties
Cash flow from operating activities				
Pre-tax profit	187,396		118,116	
Adjustments:				
Amortisation, depreciation and write-downs	73,601		69,296	
Net change in provisions (excl. employee provision)	(1,063)		(2,557)	
Changes in employee provisions	(1,172)		(2,016)	
Net changes in doubtful debt provision	817		27,248	
Write-down of other financial assets			3,476	
Net financial charges	16,491		17,909	
Investment income/charges	(14,568)		(8,135)	
Anti-trust penalty (exc. interest portion)			(2,429)	
Other non-cash changes	(5,357)		15,289	
Cash generated (absorbed) from operating activities before changes in working capital of discontinued operations			1,556	
Cash flow from operating activities before changes in working capital	**256,145**		**237,753**	
Change in inventories	1,028		(102)	
Change in trade and other receivables	(8,984)	(3,993)	(42,579)	(1,897)
Change in other non-current assets	93		28	
Change in trade and other payables	15,788	7,097	5,614	1,054
Receipt IRES receiv. from click day 2013	10,734			
Cash generated (absorbed) from changes in working capital of discontinued operations				
Cash flow from changes in working capital	**18,659**	**3,104**	**(37,039)**	**(843)**
Income taxes paid	(43,252)		(39,307)	
Anti-trust penalty reimburse. (inc. interest portion)	2,430			
Cash generated (absorbed) from operating activities of discontinued operations				
Cash flow from operating activities	**233,982**	**3,104**	**161,407**	**(843)**
Investments in fixed assets:				
- intangible assets (*)	(37,840)		(34,772)	
- tangible assets and property	(21,839)		(35,770)	
Change in other current financial assets	13,300			
Divestments from fixed assets:				
- tangible assets	329		107	
Dividends received	6,271	6,271	7,801	7,801
Cash generated (absorbed) from investing activities of discontinued operations	0		(798)	
Cash flow absorbed from investing activities	**(39,779)**	**6,271**	**(63,432)**	**7,801**
Change in gross financial debt				
- increase/(decrease) of short & medium-term debt	(20,280)		289	
Changes in other financial assets/liabilities	(1,449)		(28)	
Change in shareholders' equity			(250)	
Dividends distributed	(70,288)		(70,307)	
Interest and commissions paid	(16,348)		(16,908)	
Interest received	4		9	
Cash generated (absorbed) from financing activities of discontinued operations				
Cash flow absorbed from financing activities	**(108,361)**		**(87,195)**	
Increase/(decrease) in cash and cash equivalents	**85,842**	**9,375**	**10,780**	**6,958**
Opening cash and cash equivalents	67,194		56,414	
Closing cash and cash equivalents	153,036		67,194	
-of which cash and cash equivalents of discontinued operations	0		0	
Cash and cash equivalents at year-end reported in financial statements	153,036		67,194	

** The investments in intangible assets are net of the utilisation of the restoration provision, which in 2018 amounted to Euro 15,205 thousand (Euro 12,855 thousand in 2017).*

Statement of changes in consolidated shareholders' equity

(Euro thousands)	Share capital	Legal reserve	Other reserves and retained earnings (accumulated losses)	Actuarial gains/ (losses) reserve	Derivative contracts hedge accounting reserve	Net profit	Consol. Share. equity	Minority interest capital & reserves	Group & Minority int. share. equity
Balance at December 31, 2016	**27,500**	**5,500**	**256,707**	**(1,258)**	**(6,804)**	**93,619**	**375,264**	**566**	**375,830**
Transactions with shareholders									
Allocation of 2016 net profit			93,619			(93,619)	**0**		**0**
Dividend approved			(70,300)				**(70,300)**		**(70,300)**
Acquisition SEA Prime shares			228				**228**	(478)	**(250)**
Other movements									
Other comprehensive income statement items result				42	1,850		**1,892**		**1,892**
Net profit						84,070	**84,070**	(65)	**84,005**
Balance at December 31, 2017	**27,500**	**5,500**	**280,254**	**(1,216)**	**(4,954)**	**84,070**	**391,154**	**23**	**391,177**
Transactions with shareholders									
Allocation of 2017 net profit			84,070			(84,070)			**0**
Dividend approved			(70,300)				**(70,300)**		**(70,300)**
Other movements									
Other comprehensive income statement items result				835	1,339		**2,174**		**2,174**
IFRS 9 (*) and IFRS Airport Handling conversion impacts			(2)		(1)		**(3)**		**(3)**
Net Profit						136,076	**136,076**	2	**136,078**
Balance at December 31, 2018	**27,500**	**5,500**	**294,022**	**(381)**	**(3,616)**	**136,076**	**459,101**	**25**	**459,126**

(*) Effect deriving from the application of the amendments to IFRS 9 - "Financial Instruments" in which the change in the time value in 2017, equal to Euro 1 thousand, recorded in the measurement of the contracts deriving from the cash flow hedge model, is recognised directly to Net Equity (Cash flow hedge reserve).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Notes to the Consolidated Financial Statements

1. General information

Società per Azioni Esercizi Aeroportuali SEA is a limited liability company, incorporated and domiciled in Italy according to Italian Law (the "Company").

The Company's headquarters are located at Milan Linate Airport in Segrate (Milan).

The Company and its subsidiaries (jointly the "**Group**" or the "**SEA Group**") manages Milan Malpensa Airport and Milan Linate Airport under the 2001 Agreement signed between SEA and ENAC with a forty-year duration (renewing the previous agreement of May 7, 1962).

SEA and the Group companies, in the running of the airports, are involved in the management, development and maintenance of the infrastructure and plant at the airports and offer customers all flight related services and activities, such as the landing and departure of aircraft and the airport security services (Aviation business); these companies in addition provide a wide and specialised range of commercial services for passengers, operators and visitors, both managed directly and outsourced (non-Aviation business).

The SEA Group, through the company SEA Energia SpA, produces electric and thermal energy both to serve the requirements of its airports and for sale on the external market.

The SEA Group, through the company SEA Prime SpA, manages the general aviation activities, offering high added value services and facilities.

Through SEA Handling SpA, a subsidiary of SEA and liquidated in 2017, the SEA Group provided also land-side assistance services for aircraft, passengers, baggage, cargo and mail (commercial aviation handling business) until August 31, 2014.

At December 31, 2018 the general aviation handling activities concerned the operations of the associates Signature Flight Support Italy Srl (held indirectly 39.96% by SEA) and Malpensa Logistica Europa SpA (held 25%), which therefore operates outside of the commercial aviation handling business.

The Group holds the following investments in associates and measured under the equity method: (i) Dufrital (held 40%) which undertakes commercial activities at other Italian airports, including Bergamo, Florence, Genoa and Verona; (ii) Malpensa Logistica Europa (held 25%) which undertakes integrated logistic activities; (iii) SEA Services (held 40%) which operates in the catering sector for the Milan airports; (iv) Disma (held 18.75%) which manages a plant for the storage and distribution of aviation fuel at Milan Malpensa Airport; (v) Signature Flight Support Italy Srl (indirectly held 39.96%) which provides general aviation services and (vi) SACBO (held 30.98%) which manages the airport of Bergamo, Orio al Serio.

We report, finally, that since July 2018, following the sale of the 40% holding in Airport Handling SpA and a corresponding share Financial Instruments of Participation to dnata and the resulting dissolution of the Milan Airport Handling Trust, having exhausted its corporate scope, SEA reclassified its 30% stake in Airport Handling as an associated company measured according to the equity method in the consolidated financial statements.

The activities carried out by the SEA Group, as outlined above, are therefore structured into the business units Commercial Aviation, General Aviation and Energy, with the Group sourcing revenues as illustrated in Note 7 "*Operating segments*".

2. Summary of accounting principles adopted

The main accounting principles adopted in the preparation of the consolidated financial statements at December 31, 2018 are reported below.

The consolidated financial statements at December 31, 2018 and the tables included in the explanatory notes are prepared in thousands of Euro.

2.1 Basis of preparation

The Consolidated Financial Statements includes the Consolidated Statement of Financial Position, the Consolidated Income Statement, the Consolidated Comprehensive Income Statement, the Consolidated Cash Flow Statement, the Statement of Changes in Consolidated Shareholders' Equity and the relative Explanatory Notes.

In the comparative 2017 financial statements IFRS 5 is applied to the commercial aviation handling sector which is not included in the 2017 results line-by-line for each cost and revenue item, but the total result of the business is recorded on a separate line in the account of the Consolidated Income Statement "Discontinued Operations profit/(loss)". No Statement of Financial Position amounts are present at December 31, 2018 as the company SEA Handling was liquidated during 2017.

A specific paragraph of the present Explanatory Notes, to which reference should be made (Note 6 *"Discontinued Operations profit/(loss))*, illustrates the discontinued operations' accounts presented in the Consolidated Income Statement.

The Consolidated Financial Statements at December 31, 2018 were prepared in accordance with IFRS in force at the approval date of the financial statements and the provisions enacted as per Article 9 of Leg. Decree No. 38/2005. The term IFRS includes all of the International Financial Reporting Standards, all of the International Accounting Standards and all of the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) previously called the Standing Interpretations Committee (SIC) endorsed and adopted by the European Union.

In relation to the presentation method of the financial statements "the current/non-current" criterion was adopted for the statement of financial position while the classification by nature was utilised for the income statement and comprehensive income statement and the indirect method for the cash flow statement. Where present the balances and transactions with related parties are reported.

The Consolidated Financial Statements were prepared in accordance with the historical cost convention, except for the measurement of financial assets and liabilities, including derivative instruments, where the obligatory application of IFRS 9 is required.

The Consolidated Financial Statements were prepared in accordance with the going concern concept, therefore utilising the accounting principles of an operating business. Company Management evaluated that, although within a difficult economic and financial environment, there are no uncertainties on the going concern of the business, considering the existent capitalisation levels and there are no financial, operational, management or other indicators which could indicate difficulty in the capacity of the Group to meet its obligations in the foreseeable future, and in particular

in the next 12 months. In the preparation of the Consolidated Financial Statements at December 31, 2018, the same accounting principles were adopted as in the preparation of the Consolidated Financial Statements at December 31, 2017. Following the issue on a regulated market of the "SEA 3 1/8 2014-2021" bond, IFRS 8 and IAS 33 concerning segment reporting and earnings per share were utilised.

For a better presentation of the financial statements, the income statement was presented in two separate statements: *a)* the Consolidated Income Statement and *b)* the Consolidated Comprehensive Income Statement.

The Consolidated Financial Statements were audited by the audit firm Deloitte & Touche SpA, the auditor appointed by the Company and the Group.

2.2 IFRS accounting standards, amendments and interpretations applied from January 1, 2018

The International Accounting Standards and amendments which must be obligatory applied from January 1, 2018, following completion of the relative endorsement process by the relevant authorities, are illustrated below.

Description	Date endorsed	Publication in the Official Gazette	Effective date as per the standard	Effective date applied by SEA
IFRS 9 Financial instruments	Nov 22, 2016	Nov 29, 2016	Periods which begin from Jan 1, 2018	Jan 1, 2018
IFRS 15 Revenue from contracts with customers	Sep 22, 2016	Oct 29, 2016	Periods which begin from Jan 1, 2018	Jan 1, 2018
Clarifications to IFRS 15 Revenue from contracts with customers	Oct 31, 2017	Nov 9, 2017	Periods which begin from Jan 1, 2018	Jan 1, 2018
Amendment to IFRS 2 Clarification and measurement of share-based payment transactions	Feb 26, 2018	Feb 27, 2018	Periods which begin from Jan 1, 2018	Jan 1, 2018
IFRIC 22 Foreign currency transactions and advance consideration	March 28, 2018	Apr 3, 2018	Periods which begin from Jan 1, 2018	Jan 1, 2018
Amendment to IAS 40 Transfers of investment property	March 14, 2018	March 15, 2018	Periods which begin from Jan 1, 2018	Jan 1, 2018
Annual improvements to IFRS Standards 2014-2016 Cycle	Feb 7, 2018	Feb 8,2018	Periods which begin from Jan 1, 2018	Jan 1, 2018

The adoption of these amendments and interpretations, where applicable, had the following effects on the 2018 financial statements of the Group:

- Following the entry into force of IFRS 15 which provides for the combined presentation of contracts with a single commercial objective, the incentives provided to airline companies to develop traffic were classified as a reduction of revenues. In 2017, they were classified under "Other operating costs". For comparability purposes, the 2017 figures were reclassified. This amendment had no impact on the result for the year. The analysis of the structure of sales contracts linked to the various Group businesses and related accounting are compliant with the other changes introduced by the new accounting standard and, therefore, did not require a change to the Group's financial statements;
- Following the entry into force of IFRS 9 which, relating to the recognition of losses in value of financial assets, requires the application of a model based on the expected credit losses, instead of based on the losses on receivables already incurred required by IAS 39, the Directors compared the credit risk of the respective financial instruments at their initial recognition date and confirmed the values recorded in the financial statements at December 31, 2017;
- IFRS 9 requires, in addition, that the accounting treatment relating to the time value of an option not designated is applied in retrospective manner. At January 1, 2018, therefore, the retained earnings increased by Euro 1 thousand with direct recognition of the change recorded in Net Equity under the cash flow hedge reserve, as representative of the change in the time value in 2017;
- Group investments in equity instruments previously classified under "Investments available for sale" based on IAS 39 were designated, in accordance with IFRS 9, as FVTPL and classified under "Other investments". The changes in the fair value of these equity instruments continue to be recorded in profit or loss.

2.3 Accounting standards, amendments and interpretations not yet applicable and not adopted in advance by the Group

Below we report the international accounting standards, interpretations and amendments to existing accounting standards and interpretations, or specific provisions within the standards and interpretations endorsed by the IASB which have not yet been endorsed for adoption in Europe, or where adopted in Europe, at the endorsement date of the present document were not adopted in advance by the Group:

Description	Endorsed at the date of the present document	Effective date as per the standard
IFRS 16 Leases	YES	Periods which begin from Jan 1, 2019
IFRIC 23 Uncertainty over income tax treatments	YES	Periods which begin from Jan 1, 2019
Amendments to IFRS 9 Prepayment features with negative compensation	YES	Periods which begin from Jan 1, 2019
Annual improvements to IFRS standards 2015-2017 Cycle	NO	Periods which begin from Jan 1, 2019
Amendments to IAS 28 Long term interests in associates and joint ventures	NO	Periods which begin from Jan 1, 2019
Amendment to IFRS 3 Business Combination	NO	Periods which begin from Jan 1, 2020
Amendment to IAS 19 Plan amendment Curtailment or Settlement	NO	Periods which begin from Jan 1, 2019
Amendment to IAS 1 e IAS 8 Definition of Material	NO	Periods which begin from Jan 1, 2020
IFRS 17 Insurance Contracts	NO	Periods which begin from Jan 1, 2021

No accounting standards and/or interpretations were applied in advance whose application is obligatory for periods commencing after December 31, 2018.

On January 13, 2016, the IASB published the new standard IFRS 16 - Leases, which replaces IAS 17 – Leases, as well as the interpretations IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The new standard provides a new definition of leases and introduces a criterion based on control (right of use) of an asset to distinguish leasing contracts from service contracts, identifying the following as essential differences: the identification of the asset, the right of replacement of the asset, the right to obtain substantially all the economic benefits from the use of the asset and the right to use the asset underlying the contract.

The standard establishes a single model to recognise and measure leasing contracts for the lessees which provides also for the recognition of operating leases under assets with a related financial payable, providing the possibility not to be recognise as leasing contracts "low-value assets" (leasing contracts with an asset value below Euro 5,000) and leasing contracts less than 12 months. This Standard does not contain significant amendments for lessors.

The standard will be effective from January 1, 2019, although advance application is permitted. The Company completed the project to introduce the new standard involving an initial phase of detailed analysis of contracts and of the accounting impacts, and a second phase to introduce and adjust the related administrative processes and the accounting system. The Directors have not applied IFRS 16 in advance. As a lessee, with similar classes of underlying assets, the issues subject to the new accounting standard concerned principally industrial equipment and the long-term hire of vehicles, with the consequent recognition of a right of use to non-current assets equal to the present value of the outstanding instalments and with the counter-entry of a finance lease payable. For the calculation of these amounts, an exemption permitted under IFRS 16 was utilised which resulted in a single discount rate for each leasing portfolio with similar characteristics. The Group opted for application of the "Cumulative Catch-up Approach" for the leasing contracts previously classified as operating leases, which resulted in an increase in right of use of Euro 4.8 million, with the counter-entry of an increase in financial payables for leased assets of the same amount.

On June 7, 2017, the IASB published the interpretative document IFRIC 23 – Uncertainty over Income Tax Treatments. The document deals with uncertainties on the tax treatment to be adopted for income taxes. It establishes that uncertainties in the calculation of tax liabilities or assets are reflected in the financial statements only where it is probable that the entity will pay or recover the amount in question. In addition, the document does not contain any new disclosure obligations, but underlines that an entity should establish whether it will be necessary to provide information on considerations made by management and the relative uncertainty concerning the accounting of income taxes, in accordance with IAS 1. The new interpretation applies from January 1, 2019, although early application is permitted. The Directors have not applied IFRIC 23 in advance and are currently assessing the possible effects from the introduction of this interpretation on the Group consolidated financial statements.

2.4 Consolidation method and principles

The financial statements of the companies included in the consolidation scope were prepared as at December 31, 2018 and were appropriately adjusted, where necessary, in line with Group accounting principles.

The consolidation scope includes the financial statements at December 31, 2018 of SEA, of its subsidiaries, and of those subsidiaries upon which it exercises a significant influence.

In accordance with IFRS 10, companies are considered subsidiaries when the Group simultaneously holds the following three elements:

(a) power over the entity;
(b) exposure, or rights, to variable returns deriving from involvement with the same;
(c) the capacity to utilise its power to influence the amount of these variable returns.

The subsidiary companies are consolidated using the line-by-line method. The criteria adopted for the line-by-line consolidation were as follows:

- the assets and liabilities and the charges and income of the companies fully consolidated are recorded line-by-line, attributing to the minority shareholders, where applicable, the share of net equity and net result for the period pertaining to them; this share is recorded separately in the net equity and in the consolidated income statement;
- business combinations are recognised according to the acquisition method. According to this method, the amount transferred in a business combination is valued at fair value, calculated as the sum of the fair value of the assets transferred and the liabilities assumed by the Group at the acquisition date and of the equity instruments issued in exchange for control of the company acquired. Accessory charges to the transaction are generally recorded to the income statement at the moment in which they are incurred. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recorded at fair value at the acquisition date; the following items form an exception, which are instead valued according to the applicable standard:
    - deferred tax assets and liabilities;
    - employee benefit assets and liabilities;
    - liability or equity instruments relating to share-based payments of the company acquired or share-based payments relating to the Group issued in substitution of contracts of the entity acquired;
    - assets held-for-sale and discontinued operations;
- the acquisition of minority shareholdings relating to entities in which control already exists are not considered as such, but rather operations with shareholders; the Group records under equity any difference between the acquisition cost and the relative share of the net equity acquired;
- the significant gains and losses, with the relative fiscal effect, deriving from operations between fully consolidated companies and not yet realised with third parties, are eliminated, except for the losses not realised and which are not eliminated, where the transaction indicates a reduction in the value of the asset transferred. The effects deriving from reciprocal paya-

bles and receivables, costs and revenues, as well as financial income and charges are also eliminated if significant;

- the gains and losses deriving from the sale of a share of the investment in a consolidated company which results in the loss of control are recorded in the income statement for the amount corresponding to the difference between the sales price and the corresponding fraction of the consolidated net equity sold.

Associated Companies

Associated companies are companies in which the Group has a significant influence, which is alleged to exist when the percentage held is between 20% and 50% of the voting rights.

The investments in associated companies are measured under the equity method. The equity method is as described below:

- the book value of these investments are in line with the adjusted net equity, where necessary, to reflect the application of IFRS and includes the recording of the higher value attributed to the assets and liabilities and to any goodwill identified at the moment of the acquisition;
- the Group gains and losses are recorded at the date in which the significant influence begins and until the significant influence terminates; in the case where, due to losses, the company valued under this method indicates a negative net equity, the carrying value of the investment is written down and any excess pertaining to the Group, where this latter is committed to comply with legal or implicit obligations of the investee, or in any case to cover the losses, is recorded in a specific provision; the equity changes of the companies valued under the equity method not represented by the income statement result are recorded directly as an adjustment to equity reserves;
- the significant gains and losses not realised generated on operations between the Parent Company and subsidiary companies and investments valued under the equity method are eliminated based on the share pertaining to the Group in the investee; the losses not realised are eliminated, except when they represent a reduction in value.

2.5 Consolidation scope and changes in the year

The registered office and the share capital (at December 31, 2018 and December 31, 2017) of the companies included in the consolidation scope under the full consolidation method and equity method are reported below:

Company	Registered office	Share capital at 12/31/2018 (Euro)	Share capital at 12/31/2017 (Euro)
SEA Energia S.p.A.	Milan Linate Airport - Segrate (MI)	5,200,000	5,200,000
SEA Prime S.p.A.	Viale dell'Aviazione, 65 - Milan	2,976,000	2,976,000
Signature Flight Support Italy S.r.l.	Viale dell'Aviazione, 65 - Milan	420,000	420,000
Dufrital S.p.A.	Via Lancetti, 43 - Milan	466,250	466,250
SACBO S.p.A.	Via Orio Al Serio, 49/51 - Grassobbio (BG)	17,010,000	17,010,000
SEA Services S.r.l.	Via Caldera, 21 - Milan	105,000	105,000
Malpensa Logistica Europa S.p.A.	Milan Linate Airport - Segrate (MI)	6,000,000	6,000,000
Disma S.p.A.	Milan Linate Airport - Segrate (MI)	2,600,000	2,600,000
Airport Handling S.p.A. (*)	Malpensa Airport - Terminal 2 - Somma Lombardo (VA)	5,000,000	

(*) *In July 2018, 30% of the share capital of Airport Handling SpA was transferred to SEA following the dissolution of the Milan Airport Handling Trust, having exhausted its corporate scope, with recognition of the investment under associated companies. At December 31, 2017, the Company was classified under other financial assets.*

The following change took place in the consolidation scope of the SEA Group:

- due to dnata's exercise of the option to purchase an additional 40% of Airport Handling and a corresponding share of Financial Instruments of Participation (increasing its holding in the company to 70%) and due to the dissolution of the Trust, having exhausted its corporate scope, Airport Handling at December 31, 2018 is consolidated under the equity method. For further information, reference should be made to the Directors' Report.

The companies included in the consolidation scope at December 31, 2018 and the respective consolidation methods are reported below:

Company	Consolidation Method at 12/31/2018	Group % holding at 12/31/2018	Group % holding at 12/31/2017
SEA Energia S.p.A.	Line-by-line	100%	100%
SEA Prime S.p.A.	Line-by-line	99.91%	99.91%
Signature Flight Support Italy S.r.l. (1)	Net Equity	39.96%	39.96%
Dufrital S.p.A.	Net Equity	40%	40%
SACBO S.p.A.	Net Equity	30.979%	30.979%
SEA Services S.r.l.	Net Equity	40%	40%
Malpensa Logistica Europa S.p.A.	Net Equity	25%	25%
Disma S.p.A.	Net Equity	18.75%	18.75%
Airport Handling S.p.A.	Net Equity	30%	

(1) *Associate of SEA Prime SpA*

2.6 Translation of foreign currency transactions

The transactions in currencies other than the operational currency of the company are converted into Euro using the exchange rate at the transaction date.

The foreign currency gains and losses generated from the closure of the transaction or from the translation at the reporting date of the assets and liabilities in foreign currencies are recognised in the income statement.

2.7 Accounting policies

Intangible assets

An intangible asset is a non-monetary asset, identifiable and without physical substance, controllable and capable of generating future economic benefits. These assets are recorded at purchase and/or production cost, including the costs of bringing the asset to its current use, net of accumulated amortisation, and any loss in value. The intangible assets are as follows:

(a) Rights on assets under concession

The "Rights on assets under concession" represent the right of the Lessee to utilise the asset under concession (so-called intangible asset method) in consideration of the costs incurred for the design and construction of the asset with the obligation to return the asset at the end of the concession. The value corresponds to the "fair value" of the design and construction assets increased by the financial charges capitalised, in accordance with IAS 23, during the construction phase. The fair value of the construction work is based on the costs actually incurred increased by a mark-up of 6% representing the best estimate of the remuneration of the internal costs for the management of the works and design activities undertaken by the group which is a mark-up a third-party general contractor would request for undertaking the same activities, in accordance with IFRIC 12.

The lessee must recognise and measure service revenues in accordance with IFRS 15. If the fair value of the services received (specifically the right of use of the asset) cannot be determined reliably, the revenue is calculated based on the fair value of the construction work undertaken. The subsequent accounting of the amount received as financial asset and as intangible asset is described in detail in paragraphs 23-26 of IFRIC 12.

The construction work in progress at the reporting date is measured based on the state of advancement of the work in accordance with IFRS 15 and this amount is reported in the income statement line "Revenues for works on assets under concession".

Restoration or replacement works are not capitalised and are included in the estimate of the restoration and replacement provision as outlined below.

Assets under concession are amortised over the duration of the concession, as it is expected that the future economic benefits of the asset will be utilised by the lessee.

The accumulated amortisation provision and the restoration and replacement provision ensure the adequate coverage of the charges of restoration and replacement of the components subject to wear and tear of the assets under concession.
Where events arise which indicate a reduction in the value of these intangible assets, the difference between the present value and the recovery value is recognised in the income statement.

(b) Industrial patents and intellectual property rights

Patents, concessions, licenses, trademarks and similar rights
Trademarks and licenses are amortised on a straight-line basis over the estimated useful life.

Computer software
Software costs are amortised on a straight-line basis over three years, while software programme maintenance costs are charged to the income statement when incurred.

Intangible assets with definite useful life are annually tested for losses in value or where there is an indication that the asset may have incurred a loss in value. Reference should be made to the paragraph below "Impairments".

Property, plant & equipment

Tangible fixed assets includes property, part of which under the scope of IFRIC 12, and plant and equipment.

Property

Property, in part financed by the State, relates to tangible assets acquired by the Group in accordance with the 2001 Agreement (which renewed the previous concession of May 7, 1962). The 2001 Agreement provides for the obligation of SEA to maintain and manage airport assets for the undertaking of such activities and the right to undertake structural airport works, which remain the property of SEA until the expiry of the 2001 Agreement, i.e. May 4, 2041. The fixed assets in the financial statements are reported net of State grants.

Depreciation of property is charged based on the number of months held on a straight-line basis, which depreciates the asset over its estimated useful life. Where this latter is beyond the date of the end of the concession, the amount is depreciated on a straight-line basis until the expiry of the concession. Applying the principle of the component approach, when the asset to be depreciated is composed of separately identifiable elements whose useful life differs significantly from the other parts of the asset, the depreciation is calculated separately for each part of the asset.

For land, a distinction is made between land owned by the Group, classified under property, plant and equipment and not subject to depreciation and expropriated areas necessary for the extension of the Malpensa Terminal, classified under "Assets under concession" and amortised over the duration of the concession.

The free granting of assets is recognised at market value, according to independent technical expert opinions.

Plant & Equipment
These are represented by tangible fixed assets acquired by the Group which are not subject to the obligation of free devolution.

Plant and equipment are recorded at purchase or production cost and, only with reference to owned assets, net of accumulated depreciation and any loss in value. The cost includes charges directly incurred for bringing the asset to their condition for use, as well as dismantling and removal charges which will be incurred consequent of contractual obligations, which require the asset to be returned to its original condition.

The expenses incurred for the maintenance and repairs of an ordinary and/or cyclical nature are directly charged to the income statement when they are incurred. The capitalisation of the costs relating to the expansion, modernisation or improvement of owned tangible assets or of those held in leasing, is made only when they satisfy the requirements to be separately classified as an asset or part of an asset in accordance with the component approach, in which case the useful life and the relative value of each component is measured separately.

Depreciation is charged to the income statement based on the number of months held on a straight-line basis, which depreciates the asset over its estimated useful life. Where this latter is beyond the date of the end of the concession, the amount is depreciated on a straight-line basis until the expiry of the concession. Applying the principle of the component approach, when the asset to be depreciated is composed of separately identifiable elements whose useful life differs significantly from the other parts of the asset, the depreciation is calculated separately for each part of the asset.

The depreciation rates for owned assets, where no separate specific components are identified are reported below:

Class	% depreciation
Loading and unloading vehicles	10.0%
Runway equipment	31.5%
Minor equipment	25.0%
Furniture and fittings	12.0%
Transport vehicles	20.0%
Motor vehicles	25.0%
EDP	20.0%

The useful life of property, plant and equipment and their residual value are reviewed and updated, where necessary, at least at the end of each year.

Investment property

This account includes owned buildings not for operational use. Investment property is initially recognised at cost and subsequently measured utilising the amortised cost criteria, net of accumulated depreciation and losses in value.

Depreciation is calculated on a straight-line basis over the useful life of the building.

Impairments

At each reporting date, the property, plant and machinery, intangible assets and investments in subsidiaries and associated companies are analysed in order to identify any indications of a reduction in value. Where these indications exist, an estimate of the recoverable value of the above-mentioned assets is made, recording any write down compared to the relative book value in the income statement. The recoverable value of an asset is the higher between the fair value less costs to sell and its value in use, where this latter is the fair value of the estimated future cash flows for this asset. For an asset that does not generate sufficient independent cash flows, the realisable value is determined in relation to the cash-generating unit to which the asset belongs. In determining the fair value consideration is taken of the purchase cost of a specific asset which takes into account a depreciation coefficient (this coefficient takes into account the effective conditions of the asset). In defining the value in use, the expected future cash flows are discounted utilising a discount rate that reflects the current market assessment of the time value of money, and the specific risks of the activity. A reduction in value is recognised to the income statement when the carrying value of the asset is higher than the recoverable amount. When the reasons for the write-down no longer exist, the book value of the asset (or of the cash-generating unit) is restated through the income statement, up to the value at which the asset would be recorded if no write-down had taken place and amortisation and depreciation had been recorded.

Financial assets

On initial recognition, the financial assets are classified, in accordance with IFRS 9, in one of the following categories based on the business model of the Company for the management of the financial assets and the characteristics relating to the contractual cash flows of the financial assets.

The financial assets represented by equity instruments of other entities (i.e. investments in companies other than subsidiaries, associates and joint control companies), not held for trading purposes, may be classified in the category FVOCI. This choice, made instrument by instrument, requires that the fair value changes are recognised under "Other items of the comprehensive income statement" and are not subsequently recognised through profit or loss either on sale or on its impairment.

Category	Business Model	Characteristics of the cash flows
Amortised cost	The financial asset is held in order to collect the contractual cash flows	The cash flows are exclusively represented by payments of interest and the repayment of principal
Fair value through other comprehensive income (also "FVOCI")	The financial asset is held to collect the contractual cash flows, both deriving from sale and operating activities	The cash flows are exclusively represented by payments of interest and the repayment of principal
Fair value through profit or loss (also "FVTPL")	Differing from that under amortised cost and FVOCI	Differing from that under amortised cost and FVOCI

Despite that reported above, on initial recognition it is possible to irrevocably designate the financial asset as measured at fair value recognised through profit or loss if this eliminates or significantly reduces an incoherence in the measurement or in the recognition (sometimes defined as "accounting asymmetry") which would otherwise result in a measurement on another basis.

During the current year the Group applied IFRS9 Financial instruments (as revised in July 2014) and the relative consequent amendments. The Group decided to restate its comparative figures in terms of classification and measurement of the financial instruments. The Directors reviewed and measured the financial assets of the Group held at January 1, 2018 on the basis of the facts and circumstances at that date and concluded that the initial application of IFRS 9 had a non-material impact on the financial assets of the Group both in relation to their classification and measurement:

- Group investments in equity instruments previously classified under "Investments available for sale" based on IAS 39 were designated as FVTPL and classified under "Other investments". The changes in the fair value of these equity instruments continue to be recorded in profit or loss.
- The financial assets classified as held to maturity and the loans and receivables which based on IAS 39 were measured at amortised cost continue to be measured at amortised cost based on IFRS 9 as held within a business model whose objective is to collect the contractual cash flows and these cash flows comprise solely payments of principal and interest on the amount of the capital to be repaid.
- In relation to the loss in value of the financial assets, IFRS 9 requires the application of a model based on expected credit losses, instead of based on the losses on receivables already incurred required by IAS 39. The Directors compared the credit risk of the respective financial instruments at their initial recognition date and confirmed the values recorded in the financial statements at December 31, 2017.

None of the other reclassifications of financial assets impacted on the financial position, result for the year or comprehensive result of the Group in either years.

Derivative financial instruments

Derivative financial instruments are classified as hedging instruments, in accordance with paragraph 6.4 of IFRS 9, when the relation between the derivative and the hedged item is formally documented and the effectiveness of the hedge, periodically verified, is high.

The hedging relations are of three types:

1. fair value hedge in the case of hedging the exposure against changes in the fair value of assets or liabilities recorded which is attributable to a risk which could impact the result for the year. The profit or losses on the hedging instrument are recorded in the income statement (or in "Other items of the comprehensive income statement", if the hedging instrument hedges an equity instrument for which the Group has chosen to present the changes in fair value under "Other items of the comprehensive income statement");
2. cash flow hedge in the case of hedging the exposure against changes in the cash flows attributable to a particular risk associated with all the assets or liabilities recorded or one of their components or a highly probable scheduled transaction and which could impact on the result for the year. The hedging is recorded as follows: a) the net equity reserve for the hedging of the cash flows is adjusted to the lower between the cumulative profit or loss on the hedging instrument from the commencement of the hedge and the cumulative change in the fair value of the item hedged from the commencement of the hedge; b)

the part of the profit or loss on the hedging instrument which is an effective hedge is recorded in a net equity reserve (and in specifically under "Other items of the comprehensive income statement"). Any residual profit or loss on the hedge instrument represents the ineffective part of the hedge which is recorded in the income statement in the account "Financial income/charges";
3. hedges of a net investment in a foreign operation (as defined in IAS 21), recognised in a similar manner to the hedging of financial cash flows.

The hedging relations of the Group at January 1, 2018 which satisfied the admissibility criteria also qualified for hedge accounting based on IFRS 9 and therefore were considered as continuing hedging relationships. As the fundamental elements of the hedging instruments correspond to the items hedged, all the hedging relations continue to be effective based on the evaluation of the effectiveness criteria of IFRS 9. When the option contracts are utilised to hedge highly probable scheduled transactions, the Group only designates the intricate value of the options as hedging instruments. Based on IFRS 9, the changes in the time value of options relating to the item hedged are recognised in the other items of the comprehensive income statement and are accumulated in the hedge reserve under net equity. IFRS 9 requires that the accounting treatment relating to the time value of an option not designated is applied in retrospective manner. Therefore, at January 1, 2018 the extraordinary reserve was increased by Euro 1 thousand.

As an exception to that illustrated above, the application of the criteria of IFRS 9 on the accounting treatment of hedging operations had no other impacts on the Group with reference to the current year and the comparative year. Reference should be made to Note 4.2 for further information in relation to the management of the risk of the Group.

Environmental securities: emission quotas, Green Certificates and White Certificates
The SEA Group holds/acquires quotas/certificates for own-use, or rather to meet its own needs and not for trading purposes.

The quotas/certificates held for own-use exceeding its needs, determined in relation to the obligations matured at year-end ("surplus"), are recorded under other current receivables at cost incurred. The certificates assigned without consideration on the other hand are recorded at zero value. Where however the needs exceed the quota/certificates in portfolio at the reporting date ("deficit"), a provision is recorded in the accounts of the necessary charge to meet the residual obligation, estimated on the basis of any purchase contracts, including futures, already underwritten at the reporting date and, residually, from market prices.

Trade and other receivables
The trade and other receivables which do not have a significant financing component (determined in accordance with IFRS 15) are initially recognised at transaction price, adjusted to take into account expected losses over the duration of the receivable. The transaction price is the amount of the payment which the entity considers it is entitled to in exchange for transferring the promised goods or services to the client, excluding payments on behalf of third parties. The payment promised in the contract with the client may include fixed amounts, variable amounts or both.

The reduction in value for the recognition and measurement of the doubtful debt provision follows the criteria indicated in paragraph 5.5 of IFRS 9. The objective is to recognise the expected losses over the entire duration of the receivable considering all reasonable and demonstrable information, including indications of expected developments.

Receivables are therefore reported net of the provision for doubtful debts. If in subsequent periods the reduction in the value of the asset is confirmed, the doubtful debt provision is utilised; otherwise, where the reasons for the previous write-down no longer exist, the value of the asset is reversed up to the transaction price. For further information, reference should be made to Note 4.1.

Inventories
Inventories are measured at the lower of average weighted purchase and/or production cost and net realisable value or replacement cost. The valuation of inventories does not include financial charges.

Inventories are shown net of the obsolescence provision to adjust inventories to their realisable or replacement value.

Cash and cash equivalents
Cash and cash equivalents includes cash, bank deposits, and other short-term forms of investment, due within three months. At the reporting date, bank overdrafts are classified as financial payables under current liabilities in the statement of financial po-

sition. Cash and cash equivalents are recorded at fair value.

Provisions for risks and charges

The provisions for risks and charges are recorded to cover known or likely losses or liabilities, the timing and extent of which are not known with certainty at the reporting date. They are recorded only when there exists a current obligation (legal or implicit) for a future payment resulting from past events and it is probable that the obligation will be settled. This amount represents the best estimate less the expenses required to settle the obligation.

Possible risks that may result in a liability are disclosed in the notes under the section on commitments and risks without any provision.

Restoration and replacement provision of assets under concession

The accounting treatment of the works undertaken by the lessee on the assets under concession, as per IFRIC 12, varies depending on the nature of the work: normal maintenance on the asset is considered ordinary maintenance and therefore recognised in the income statement; replacement work and programmed maintenance of the asset at a future date, considering that IFRIC 12 does not provide for the recognition of a physical asset but a right, must be recognised in accordance with IAS 37 - "Provisions and potential liabilities" – which establishes recognition to the income statement of a provision and the recording of a provision for charges in the balance sheet.

The restoration and replacement provision of the assets under concession include, therefore, the best estimate of the present value of the charges matured at the reporting date for the programmed maintenance in the coming years and undertaken in order to ensure the functionality, operations and security of the assets under concession.

It should be noted that the restoration and replacement provision of the assets refers only to fixed assets within the scope of IFRIC 12 (assets under concession classified to intangible assets).

Employee provisions

Pension provisions

The Companies of the Group have both defined contribution plans (National Health Service contributions and INPS pension plan contributions) and defined benefit plans (Post-Employment Benefits).

A defined contribution plan is a plan in which the Group participates through fixed payments to third party fund operators, and in relation to which there are no legal or other obligation to pay further contributions where the fund does not have sufficient assets to meet the obligations of the employees for the period in course and previous periods. For the defined contribution plans, the Group pays contributions, voluntary or established contractually, to public and private pension funds. The contributions are recorded as personnel expense in accordance with the accruals principle. The advanced contributions are recorded as an asset which will be repaid or offset against future payments where due.

A defined benefit plan is a plan not classified as a contribution plan. In the defined benefit programmes, the amount of the benefit to be paid to the employee is quantifiable only after the termination of the employment service period, and is related to one or more factors such as age, years of service and remuneration; therefore the relative charge is recognised to the income statement based on actuarial calculations. The liability recorded in the accounts for defined benefit plans corresponds to the present value of the obligation at the reporting date, net, where applicable, of the fair value of the plan assets. The obligations for the defined benefit plans are determined annually by an independent actuary utilising the projected unit credit method. The present value of the defined benefit plan is determined discounting the future cash flows at an interest rate equal to the obligations (high-quality corporate) issued in the currency in which the liabilities will be settled and takes into account the duration of the relative pension plan.

The actuarial gains and losses, in accordance with IAS 19R, are recorded directly under equity in a specific reserve account "Reserve for actuarial gains/loss".

We report that, following amendments made to the leaving indemnity regulations by Law No. 296 of December 27, 2006 and subsequent Decrees and Regulations issued in the first half of 2007, the leaving indemnity provision due to employees in accordance with Article 2120 Civil Code is classified as defined benefit plans for the part matured before application of the new legislation and as defined contribution plans for the part matured after the application of the new regulation.

Post-employment benefits
Post-employment benefits are paid to employees when the employee terminates his employment service before the normal pension date, or when an employee accepts voluntary termination of the contract. The Group records post-employment benefits when it is demonstrated that the termination of the employment contract is in line with a formal plan which determines the termination of the employment service, or when the provision of the benefit is a result of a leaving indemnity programme.

Financial liabilities
Financial liabilities and other commitments to be paid, with the exclusion of the categories indicated in paragraph 4.2 of IFRS 9, are initially measured at amortised cost, using the effective interest rate. When there is a change in the expected cash flows and it is possible to estimate them reliably, the value of the payables are recalculated to reflect this change, based on the new present value of the expected cash flows and on the internal yield initially determined. The financial liabilities are classified under current liabilities, except when the Group has an unconditional right to defer their payment for at least 12 months after the reporting date.

Purchases and sales of financial liabilities are recognised at the valuation date of the relative transaction.

Financial liabilities are derecognised from the balance sheet when they are settled and the Group has transferred all the risks and rewards relating to the instrument.

Trade and other payables
Trade and other payables are initially recognised at amortised cost.

Reverse factoring transactions - indirect factoring
In order to ensure easy access to credit for its suppliers, the Group has entered into reverse factoring or indirect factoring agreements (with recourse). Based on the contractual structures in place, the supplier has the possibility to assign the receivables claimed from the Group at its own discretion to a lending institution and cash in the amount before maturity.

Invoice payment terms are non-interest bearing as they do not involve further extensions agreed upon between the supplier and the Group.

In this context, the relationships for which the primary obligation is maintained with the supplier and any extension, where granted, do not involve a change in payment terms, retain their nature and therefore remain classified as commercial liabilities.

Revenue recognition
Revenues are recognised when the transfer to the client of the goods or services promised is expressed in an amount (expressed net of value added taxes and discounts) which reflects the expected consideration to be re-

ceived in exchange for the goods or services.

Recognition occurs when (or over time) the Group complies with the obligation to transfer to the client the goods or service (or the asset) promised. The asset is transferred when (or over time) the client acquires control. Control of the asset is the capacity to decide upon the use of the asset and to obtain substantially all the remaining benefits. Control includes the capacity to prevent other entities to use the asset and obtain benefits. The benefits of the assets are the potential cash flows (cash inflows or savings on outflows) which may be obtained directly or indirectly.

For each obligation to be complied with over time, the revenues are recognised over the time period, evaluating the progression towards complete compliance with the obligation.

Handling activity revenues are recognised on an accruals basis, according to the number of passengers in the year.

Revenues from electric and thermal energy production are recognised on an accruals basis, according to the effective quantity produced in kWh. The tariffs are based on the contracts in force - both those at fixed prices and indexed prices.

Green certificates, white certificates and emission quotas
The companies which produce electricity from renewable sources receive green certificates from the Energy Service Operator (GSE). Revenues are recognised on an accruals basis, both in relation to certificates issued on a preliminary basis and final certificates issued. On the recognition of the revenues a receivable is recorded from the GSE and on the sale of the certificates this is then recorded as a customer receivable.

White certificates allocated by the GSE until 2016 are handled in a similar manner following the recognition of the Malpensa station as a high yield cogeneration plant.

Revenue for works on assets under concession
Revenues on construction work are recognised in relation to the state of advancement of works in accordance with the percentage of completion method and on the basis of the costs incurred for these activities increased by a mark-up of 6% representing the remuneration of the internal costs of the management of the works and design activities undertaken by the SEA Group, the mark-up which would be applied by a general contractor (as established by IFRIC 12).

The revenues generated by the Group refer to the sale of goods and services during the period and principally refer to the business lines illustrated in the "Operating segments" section and in the income statement. As per IFRS 15.114, the Group aggregates the revenues recorded deriving from contracts with customers into categories which illustrate how the economic factors impact upon the nature, the amount, the timing and the level of uncertainty of the revenues and of the cash flows.

The revenues are recorded net of the incentives granted to airlines, based on the number of passengers transported and invoiced by the airlines to the Company for *(i)* the maintenance of traffic at the airport or *(ii)* the development of traffic through increasing existing routes or launching new routes.

Government Grants
Public grants, in the presence of a formal resolution, are recorded on an accrual basis in direct correlation to the costs incurred (IAS 20).

Capital grants
Capital public grants relating to property, plant and equipment are recorded as a reduction in the acquisition value of the assets to which they refer.

Operating grants
Operating grants are recorded in the income statement in the account "Operating income".

Recognition of costs
Costs are recognised when relating to assets or services acquired or consumed in the year or by systematic allocation.

Financial income
Financial income is recognised on an accruals basis and includes interest income on funds invested, foreign currency gains and income deriving from financial instruments, when not offset by hedging operations. Interest income is recorded in the income statement at the moment of maturity, considering the effective yield.

Financial charges
Financial charges are recorded on an accrual basis and include interest on financial payables calculated using the effective interest method and currency losses. The financial charges incurred on investments in assets for which a significant period of time is usually needed to render the assets available for use or sale (qualifying assets) are capitalised and amortised over the useful life of the class of the assets to which they refer in accordance with the provisions of IAS 23.

Income taxes
Current income taxes are calculated based on the assessable income for the year, applying the current tax rates at the reporting date.

Deferred taxes are calculated on all differences between the assessable income of an asset or liability and the relative book value, with the exception of goodwill. Deferred tax assets for the portion not compensated by deferred tax liabilities are recognised only for those amounts for which it is probable there will be future assessable income to recover the amounts. The deferred taxes are calculated utilising the tax rates which are expected to be applied in the years when the temporary differences will be realised or settled. Deferred tax assets are recorded when their recovery is considered probable.

Current and deferred income taxes are recorded in the income statement, except those relating to accounts directly credited or debited to equity, in which case the fiscal effect is recognised directly to equity and to the Comprehensive Income Statement. Taxes are compensated when applied by the same fiscal authority, there is a legal right of compensation and the payment of the net balance is expected.

Other taxes not related to income, such as taxes on property, are included under "Other operating costs".

Within the fiscal consolidation, each company transfers to the consolidating company the tax income or loss; the consolidating company records a receivable with the company that contributes assessable income equal to the income tax to be paid. For companies contributing a tax loss, the parent company recognises a payable.

Dividendi
Payables for dividends to shareholders are recorded in the year in which the distribution is approved by the Shareholders' Meeting.

The dividends distributed between Group companies are eliminated in the income statement.

3. Estimates and assumptions

The preparation of the financial statements requires the directors to apply accounting principles and methods that, in some circumstances, are based on difficulties and subjective valuations and estimates based on the historical experience and assumptions which are from time to time considered reasonable and realistic under the relative circumstances. The application of these estimates and assumptions impact upon the amounts reported in the financial statements, such as the statement of financial position, the income statement and the cash flow statement, and on the disclosures in the notes to the accounts.

The accounting principles which relating to the Group, require greater subjectivity by the Directors in the preparation of the estimates and for which a change in the underlying conditions or the assumptions may have a significant impact on the consolidated financial statements are briefly described below.

(a) Impairments
The tangible and intangible assets and investments in associated companies and property investments are verified to ascertain if there has been a loss in value which is recorded by means of a write-down, when it is considered there will be difficulties in the recovery of the relative net book value through use. The verification of the existence of the above-mentioned indicators requires the Directors to make valuations based on the information available within the Group and from the market, as well as historical experience. In addition, when it is determined that there may be a potential reduction in value, the Group determines this through using the most appropriate technical valuation methods available. The correct identification of the indicators of the existence of a potential reduction in value as well as the estimates for their determination depends on factors which may vary over time impacting upon the valuations and estimates made by the Directors.

(b) Depreciation
Depreciation represents a significant cost for the Group. The cost of property, plant and equipment is depreciated on a straight-line basis over the estimated useful life of the relative assets and components. The useful life of the fixed assets of the Group is determined by the Directors when the fixed assets are purchased. This is based on the historical experiences for similar fixed assets, market conditions and considerations relating to future events which could have an impact on the useful life, such as changes in technology. Therefore, the effective useful life may be different from the estimated useful life. The Group periodically evaluates technological and sector changes to update the residual useful life. Any change in the residual useful life could result in a change in the depreciation period and therefore in the depreciation charge in future years.

(c) Provisions for risks and charges
The Group companies may be subject to legal disputes, in relation to taxation or employment issues, based on particularly complex circumstances of varying degrees of uncertainty, according to the facts and circumstances, jurisdiction and laws applicable to each case.

Considering the inexact nature of these issues, it is difficult to predict with certainty any future payments required.

Therefore Management, having consulted with its legal and tax advisers, recognises a liability against these disputes when a financial payment is considered probable and the amount of the losses arising may be reasonably estimated. In the case in which a payment is considered possible, but is not yet determinable, such is reported in the explanatory notes.

Provisions are recorded against risks of a legal and tax nature and employee disputes. The amount of the provisions recorded in the financial statements relating to these risks therefore represents the best estimate at that date made by the Directors. This estimate results in the adoption of assumptions concerning factors which may change over time and which may, therefore, have significant effects compared to the present estimates made by the Directors for the preparation of the financial statements. In addition, the restoration and replacement provision of the assets under concession, recorded in accordance with IFRIC 12, includes the best estimate of the charges matured at the reporting date for scheduled maintenance in future years in order to ensure the functionality, operations and security of the assets under concession.

(d) Trade receivables
The Group evaluates the expected losses on trade receivables in order to reflect, through a specific doubtful debt provision, the realisable value utilising reasonable and demonstrable information available, without excessive costs or effort at the reporting date on past events, current conditions and future economic conditions. The doubtful debt provision represents the best estimate at the reporting date made by the Directors. This estimate is based on facts and expectations which may change over time and which may, therefore, have significant effects compared to the present estimates made by the Directives for the preparation of the Group consolidated financial statements.

4. Risk Management

The risk management strategy of the Group is based on minimising potential negative effects related to the financial and operating performance. Some types of risk are offset through recourse to derivative instruments.

The management of the above-mentioned risks is undertaken by the parent company which identifies, evaluates and undertakes hedging of financial risks, in close collaboration with other entities of the Group.

4.1 Credit risk

Credit risk represents the exposure of the SEA Group to potential losses deriving from the non-compliance of obligations by trading and financial partners.

This risk is primarily of an economic/financial nature, or rather the possibility of the default of a counterparty, and also factors of a technical/commercial or administrative/legal nature.

For the SEA Group, credit risk exposure is largely related to the deterioration of a financial nature of the principle airline companies which incur on the one hand the effects of the seasonality related to aviation operations, and on the other consequences of geopolitical events which impact upon the air transport sector (wars, epidemics, atmospheric events, rise in oil prices and economic/financial crises).

In order to control this risk, the SEA Group has implemented procedures and actions to monitor the expected cash flows and recovery actions.

In application of internal credit policies, clients are requested to procure the release of guarantees: this typically relates to first-demand bank guarantees issued by primary credit institutions or guarantee deposits.

In relation to the payment terms applied for the majority of the clients, credit terms are largely concentrated within 30 days from the relative invoicing.

Trade receivables are reported in the financial statements net of doubtful debt provisions, which are prudently made based on the rating grade and underlying disputes at the reporting date.

A summary of the trade receivables and the relative doubtful debt provisions is reported below:

TRADE RECEIVABLES

(Euro thousands)	December 31, 2018	December 31, 2017
Trade receivables - customers	212,210	203,516
- of which overdue	127,278	121,048
Doubtful debt provision - customers	(102,612)	(101,858)
Trade receivables - associates	11,496	9,815
Doubtful debt provision - associates	(89)	(396)
Total net trade receivables	**121,005**	**111,077**

The aging of the overdue receivables is as follows:

TRADE RECEIVABLES

(Euro thousands)	December 31, 2018	December 31, 2017
less than 180 days	23,098	22,661
more than 180 days	104,180	98,387
Total trade receivables overdue	**127,278**	**121,048**

The doubtful debt provision was amended in accordance with the methods described in IFRS 9, whose application is obligatory from January 1, 2018. A key element of the new standard is the transition from the concept of 'Incurred Loss' to that of 'Expected Loss': the doubtful debt provision must be determined by taking into account the risks of non-collection related not only to past-due receivables but also on those falling due. There is, therefore, a need to determine a 'risk ratio', representative of the riskiness of commercial counterparties, which varies according to the credit position (performing or expired, with different bands for those that expired based on overdue days). A provision matrix was therefore constructed for the write-down of trade receivables. This matrix provides rating classes in rows and the different bands of past-due or falling due in columns. The calculated risk ratio represents the probability that the client does not honour its debt and the percentage of credit, obtained from a historical analysis, with the possibility of the client being in default. Forward looking elements were also utilised, such as the possibility of management undertaking further provisions, notwithstanding the indications taken from the matrix. The provision was recalculated at December 31, 2017 in accordance with the matrix, and the difference recorded with the provision calculated in the 2017 accounts was not material. This result is justified by the fact that the evaluation model in use until December 2017 also includes forward looking elements that allow management to value the expected loss. The estimates concerning applicable risk and general economic developments are included in the definition of the rating model and therefore are constantly updated to reflect the effective risk, in order to ensure a complete coverage of the credit risk encountered by the company.

The table below illustrates the gross trade receivables at December 31, 2018 and 2017, as well as the breakdown of receivables from counterparties under administration and in dispute, with indication of the bank and insurance sureties and deposit guarantees provided.

TRADE RECEIVABLES

(Euro thousands)	December 31, 2018	December 31, 2017
Trade receivables - customers & associates	223,706	213,331
(i) receivables from parties subject to administration procedures	97,123	95,965
(ii) receivables subject to dispute	19,646	21,098
Total trade receivables, net of the receivables at points (i) and (ii)	**106,937**	**96,268**
Overdue receivables, other than at points (i) and (ii)	10,509	3,985
Sureties and deposits	76,612	74,177
% of receivables guaranteed by sureties and deposits vs total trade receivables, net of the receivables at points (i) and (ii)	71.6%	77.1%

4.2 Market risks

The market risk to which the SEA Group is exposed comprises all types of risks directly and indirectly related to market prices. In 2018, the market risks to which the SEA Group were subject were:

a. interest rate risk;
b. currency risk;
c. commodity risk, related to the volatility of the energy commodity prices, in SEA Energia.

a) Interest rate risk

The SEA Group is exposed to the risk of changes in interest rates in relation to the necessity to finance its operating activities and the use of available liquidity. The changes in interest rates may impact positively or negatively on the results of the SEA Group, modifying the costs and returns on financial and investment operations.

The SEA Group manages this risk through an appropriate mixture between fixed and variable rate loans, with the objective to mitigate the economic effect of the volatility of the interest rates.

Variable interest loans expose the SEA Group to a risk originating from the volatility of the interest rates (cash flow risk). Relating to this risk, for the purposes of the relative hedging, the SEA Group makes recourse to derivative contracts, which converts the variable rate to a fixed rate or limits the fluctuations in variable rates over a range, in this manner reducing the risk originating from the volatility of the rates. We highlight that these derivative contracts, underwritten exclusively for the purposes of hedging market rate volatility, are recorded through the cash flow hedge method.

At December 31, 2018 the gross financial debt of the SEA Group was comprised of medium/long-term loans (medium/long term portions of loans) and short-term loans (exclusively the medium/long-term portion of loans maturing within 12 months). At December 31, 2018, the SEA Group did not make recourse to short-term debt.

The medium/long term debt at December 31, 2018 is reported in the following table, which shows each loan at the nominal value (which includes a spread of between 0.20% and 1.62%, not considering the hedging operations and any accessory guarantees):

MEDIUM/LONG TERM LOANS

		December 31, 2018		December 31, 2017	
(Euro thousands)	Maturity	Amount	Average rate	Amount	Average rate
Bonds	**2021**	**300,000**	**3.125%**	**300,000**	**3.125%**
Bank loans - EIB funding	**from 2019 to 2037**	**242,083**	**1.03%**	**261,849**	**1.08%**
o/w at Fixed Rate		44,971	3.90%	51,557	3.89%
o/w at Variable Rate(*)		197,112	0.38%	210,292	0.39%
Other bank loans	**2020**	**88**	**0.50%**	**154**	**0.50%**
o/w at Fixed Rate		88	0.50%	154	0.50%
o/w at Variable Rate					
Medium/long-term gross financial debt		**542,171**	**2.19%**	**562,003**	**2.17%**

(*) Includes: (i) variable rate tranche subject to interest rate hedge (ca. 30% at 31.12.2018 & 32% at 31.12.2017);
(ii) Euro 80 million of EIB loans with specific bank guarantee

The total value of medium/long-term loans at December 31, 2018 amounts to Euro 542,171 thousand, a reduction of Euro 19,832 thousand compared to December 31, 2017, due to repayments on these loans. The average cost of this debt remained stable amounting to 2.19% at December 31, 2018. Also considering the hedging transactions against the interest rate risk and the cost of bank guarantees on EIB loans, the average cost of debt amounts to 2.78%, stable compared to December 2017. Overall, the total medium/long-term debt at a variable rate not hedged by the Company at December 31, 2018 was approx. 25.3% of total debt.

At December 31, 2018 the Group has the following bond issue with a total nominal value of Euro 300 million.

Description	Issuer	Listing market	ISIN Code	Terms (years)	Maturity	Par value (in million of Euro)	Coupon	Annual rate
SEASPA 3 1/8 04/17/21	SEA SpA	Irish Stock Exchange	XS 1053334373	7	04/17/2021	300	Fixed annual	3.125%

The fair value of the overall bank and bond medium/long-term Group debt at December 31, 2018 amounts to Euro 562,361 thousand (reduction on Euro 593,482 thousand at December 31, 2017). This value was calculated as follows:

- for the loans at fixed interest rates, the capital portion and interest were discounted utilising the spot rates for each contractual maturity, extrapolated from the market rates;
- for the bond listed on a regulated market, reference was made to the market value at December 31, 2018;
- for the loans at variable interest rates, the interest portion was calculated utilising the estimate of the expected rates at the end of each contractual maturity, increased by the spread defined contractually. The interest portion defined as outlined above and the capital on maturity was discounted utilising the spot rate for each contractual maturity, extrapolated from the market rate.

The following table reports the derivative instruments utilised by the SEA Group to cover the interest rate risk (measured based on the cash flow hedge method).

INTEREST RATE HEDGES

(€/000)	Notional at signing date	Residual Notional at December 31, 2018	Date of sign.	Start	Maturity	Fair value at December 31, 2018	Fair value at December 31, 2017
IRS	10,000	7,742	05/18/2011	09/15/2012	09/15/2021	(771.8)	(1,020.4)
	5,000	3,871	05/18/2011	09/15/2012	09/15/2021	(385.9)	(510.2)
	15,000	10,345	05/18/2011	09/15/2012	09/15/2021	(1,003.8)	(1,342.3)
	10,000	6,071	6/6/2011	09/15/2012	09/15/2021	(555.8)	(751.5)
	11,000	6,448	6/6/2011	09/15/2012	09/15/2021	(589.5)	(796.9)
	12,000	6,621	6/6/2011	09/15/2012	09/15/2021	(598.6)	(811.7)
	12,000	6,621	6/6/2011	09/15/2012	09/15/2021	(598.6)	(811.7)
Collar	10,000	6,071	6/6/2011	09/15/2011	09/15/2021	(446.8)	(596.6)
	11,000	6,069	6/6/2011	09/15/2011	09/15/2021	(436.4)	(586.8)
Total	**96,000**	**59,859**				**(5,387.2)**	**(7,228.0)**

"-" indicates the cost for the SEA Group of any early closure of the operation
"+" indicates the gain for the SEA Group of any early closure of the operation

The fair value of the derivative financial instruments at December 31, 2018 and at December 31, 2017 was determined in accordance with new IFRS 9 and IFRS 13.

b) Currency risk

The SEA Group, with the exception of the currency risk related to the commodity risk, is subject to a low currency fluctuation risk as, although operating in an international environment, the transactions are principally in Euro. Therefore, the SEA Group does not consider it necessary to implement specific hedging against this risk as the amounts in currencies other than the Euro are insignificant and the relative receipts and payments generally offset one another.

c) Commodity risk
The SEA Group, limited to only SEA Energia, is exposed to changes in prices, and the relative implied currency fluctuations, of the energy commodities utilised i.e. gas and environmental certificates connected to the operating management of the company. These risks derive from the purchase of the above-mentioned commodities, which in the case of gas are principally impacted by fluctuations in the prices of the underlying fuels, denominated in US Dollars. In the SEA Group, these fluctuations are absorbed through formulas and indexations utilised in the pricing structures adopted in sales contracts.

In 2018, the SEA Group did not undertake any hedging of this risk, although not excluding the possibility in the future.

4.3 Liquidity risk
The liquidity risk for the SEA Group may arise where the financial resources available are not sufficient to meet the financial and commercial commitments within the agreed terms and conditions.

The liquidity, cash flows and financial needs of the SEA Group are managed through policies and processes with the objective to minimise the liquidity risk. Specifically, the SEA Group:

- centrally monitors and manages, under the control of the Group Treasury, the financial resources available, in order to ensure an efficient management of these resources, also in forward budgeting terms;
- maintains adequate liquidity in treasury current accounts;
- obtains committed credit lines (revolving and non), which covers the financial commitments of the Group in the coming 12 months deriving from the investment plans and contractual debt repayments;
- monitors the liquidity position, in relation to the business planning.

At December 31, 2018, the SEA Group had irrevocable unutilised credit lines of Euro 190 million, of which Euro 120 million relating to the RCF 1 Line and Euro 70 million relating to the RCF 2 Line, both available until December 2023. In the initial months of 2019, the SEA Group will subscribe to additional committed lines for Euro 200 million, of which Euro 70 million relating to the RCF 3 Line and Euro 130 million relating to the New EIB Loan. At December 31, 2018, the SEA Group also had a further Euro 158 million of uncommitted credit lines available for immediate cash requirements.

The SEA Group has available committed and uncommitted credit lines which guarantee the covering of future financial needs and current operational needs, with an average maturity of medium/long-term debt of 4 years, including the bond issued in 2014. If the bond loan is excluded, the remaining debt has a maturity of approximately 6 years (16% over 10 years).

Trade payables are guaranteed by the Group through careful working capital management which largely concerns trade receivables and the relative contractual conditions established. We highlight that the indirect factoring operations, as previously described, does not change the contractual payment conditions and therefore does not result in dilution effects on the working capital.

The tables below illustrate for the SEA Group the breakdown and maturity of the financial debt (capital, medium/long-term interest, financial charges on derivative instruments and leasing) and trade payables at December 31, 2018 and December 31, 2017:

LIABILITIES AT DECEMBER 31, 2018

(in Euro millions)	< 1 year	>1 year < 3 years	>3 years < 5 years	> 5 years	Total
Gross financial debt	36.1	377.5	55.7	142.6	611.9
Trade payables	153.4				153.4
Total payables	**189.5**	**377.5**	**55.7**	**142.6**	**765.3**

LIABILITIES AT DECEMBER 31, 2017

(in Euro millions)	< 1 year	>1 year < 3 years	>3 years < 5 years	> 5 years	Total
Gross financial debt	35.4	75.0	368.0	169.1	647.5
Trade payables	153.5				153.5
Total payables	**188.9**	**75.0**	**368.0**	**169.1**	**801.0**

At December 31, 2018, loans due within one year relate to the capital portion to be paid on some of the EIB loans and interest due on the total debt. The loan repayment scheduling reflects the capacity of the SEA Group funding to cover medium/long-term needs.

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 Statement of Financial Position 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 for 2018 and 2017 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:

	December 31, 2018		December 31, 2017	
(Euro thousands)	-50 bp	+50 bp	-50 bp	+50 bp
Current accounts (interest income)	-4.76	523.83	-8.73	302.57
Loans (interest charges)(1)	308.67	-1,050.70	394.50	-1,039.74
Derivative hedging instruments (flows)(2)	-329.85	329.85	-361.96	361.96
Derivative hedging instruments (fair value)(3)	-675.87	661.98	-1,012.61	984.17

(1) *+ = lower interest charges; - = higher interest charges*
(2) *+ = revenue from hedge; - = cost of hedge*
(3) *amount entirely allocated to net equity given full efficacy of hedges*

The results of the sensitivity analysis undertaken on some accounts of the previous tables are impacted by the low level of the market interest rates. By applying a variation of -50 basis points to the current market interest rate curve, the cash flow corresponding to current accounts and loans would be opposite to those provided for by the related types of contracts; in these cases, these cash flows are set at zero.

Some loans also 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) 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, 2018 and at December 31, 2017 of the Group.

	December 31, 2018				
(Euro thousands)	Financial assets measured at Fair Value to the Income Statement	Financial assets at amortised cost	Financial assets and liabilities at fair value to the other comprehensive income items	Financial liabilities at amortised cost	Total
Other investments	26				26
Other non-current financial assets					-
Other non-current receivables		188			188
Trade receivables		121,005			121,005
Tax receivables		1,048			1,048
Other current receivables		9,527			9,527
Other current financial assets					-
Cash and cash equivalents		153,036			153,036
Total	**26**	**284,804**	**0**	**0**	**284,830**
Non-current financial liabilities			5,387	518,218	523,605
- of which payables to bondholders				298,889	298,889
Other non-current payables				13,964	13,964
Trade payables				153,394	153,394
Tax payables				18,541	18,541
Other current payables				192,476	192,476
Current financial liabilities excl. leasing				29,042	29,042
Current financial liabilities for leasing				-	-
Total	**0**	**0**	**5,387**	**925,635**	**931,022**

The values resulting from the utilisation of the amortised cost method approximates the fair value of the category. The figures at December 31, 2017 were reclassified in accordance with the new categories of IFRS 9 - Financial Instruments applied by SEA from January 1, 2018.

	December 31, 2017 restated				
(Euro thousands)	Financial assets measured at Fair Value to the Income Statement (*)	Financial assets at amortised cost (**)	Financial assets and liabilities at fair value to the other comprehensive income items (***)	Financial liabilities at amortised cost	Total
Other investments	26				26
Other non-current financial assets		7,190			7,190
Other non-current receivables		280			280
Trade receivables		111,077			111,077
Tax receivables		14,941			14,941
Other current receivables		9,200			9,200
Other current financial assets		13,300			13,300
Cash and cash equivalents		67,194			67,194
Total	**26**	**223,182**	**0**	**0**	**223,208**
Non-current financial liabilities			7,228	539,061	546,289
- of which payables to bondholders				298,441	298,441
Other non-current payables				17,588	17,588
Trade payables				153,497	153,497
Tax payables				8,370	8,370
Other current payables				174,592	174,592
Current financial liabilities excl. leasing				29,780	29,780
Current financial liabilities for leasing				3	3
Total	**0**	**0**	**7,228**	**922,891**	**930,119**

(*) *In the 2017 accounts, this column was called "AFS financial assets". The change was required in accordance with the application, from January 1, 2018, of the amendments introduced by IFRS 9. For comparison purposes the 2017 accounts were restated.*

(**) *In the 2017 accounts this column was called "Loans and receivables". The change was required in accordance with the application, from January 1, 2018, of the amendments introduced by IFRS 9. For comparison purposes, the 2017 accounts were restated.*

(***) *In the 2017 accounts this column was called "Financial assets and liabilities at fair value". The change was required in accordance with the application, from January 1, 2018, of the amendments introduced by IFRS 9. For comparison purposes, the 2017 accounts were restated.*

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 on 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, 2018 and at December 31, 2017:

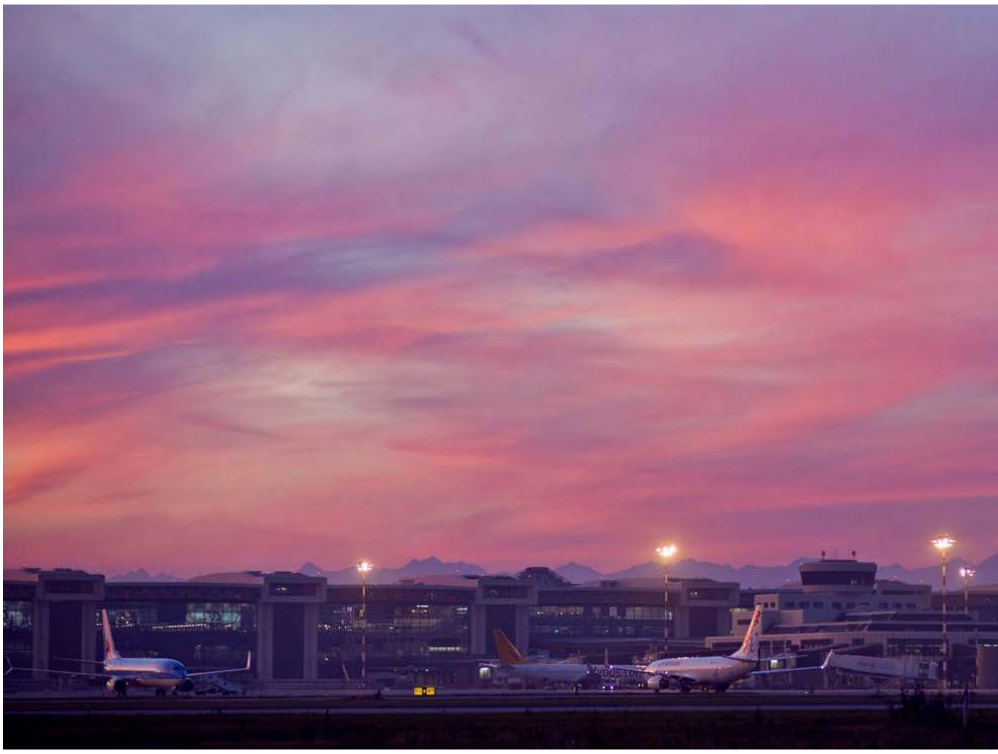
	December 31, 2018		
(Euro thousands)	**Level 1**	**Level 2**	**Level 3**
Other investments			26
Derivative financial instruments		5,387	
Total		**5,387**	**26**

	December 31, 2017		
(Euro thousands)	**Level 1**	**Level 2**	**Level 3**
Other investments			26
Derivative financial instruments		7,228	
Total		**7,228**	**26**

6. Discontinued Operations profit/(loss)

The 2018 discontinued operations result was break-even. The accounting and administration related to the liquidation of SEA Handling SpA in liquidation in the previous year concluded on June 30, 2017.

With the application of IFRS 5, the income statement from discontinued operations is not included in the 2017 results line-by-line for each cost and revenue item, but the total result of the business is recorded on a separate line in the account "Discontinued Operations profit/(loss)". The Income Statement and a comparison with 2017 is illustrated below.



DISCONTINUED OPERATIONS INCOME STATEMENT

	2018	2017	
(Euro thousands)	Total	Total	Change
Operating revenues		299	(299)
Total revenue	**0**	**299**	**(299)**
Personnel costs		(10)	10
Other operating costs		(369)	369
Total operating costs	**0**	**(379)**	**379**
EBITDA	**0**	**(80)**	**80**
Provisions & write-downs		1,636	(1,636)
EBIT	**0**	**1,556**	**(1,556)**
Financial income			
Pre-tax result	**0**	**1,556**	**(1,556)**
Income tax			
Discontinued Operations profit/(loss)	**0**	**1,556**	**(1,556)**

7. Disclosure by operating segment

Due to the type of activities undertaken by the Group, the "traffic" factor significantly impacts the results of all activities. The SEA Group has identified three operating segments, as further described in the Directors' Report and specifically: *(i)* Commercial Aviation, *(ii)* General Aviation, *(iii)* Energy. This representation may differ at individual legal entity level. The information currently available concerning the principal business operating sectors identified is presented below.

Commercial Aviation: This includes Aviation and Non-Aviation: the former concerns the management, development and maintenance of 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 centralised infrastructure, in addition to security fees and tariffs for the use of check-in desks and spaces by airlines and handlers. The Non-Aviation business however provides a wide and segregated offer, managed both directly and under license to third parties, of commercial services for passengers, operators and visitors to the Airports, in addition to the real estate segment. 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: the business includes the full range of services relating to business traffic at the western apron of Linate airport.

Energy: the business includes the generation and sale of electricity and heat on the market.

The main results of each of the above businesses are presented below. For a better analysis of the Business Units the allocation criteria were reviewed in 2017, applied also in 2018.

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, 2018

(Euro thousands)	Commercial Aviation	General Aviation	Energy	IC Elim.	Consol. Financial Statements
Revenues	666,330	15,355	42,202	(39,932)	683,956
of which Intercompany	(8,202)	(4,011)	(27,718)	39,932	
Total operating revenues (third parties)	**658,128**	**11,344**	**14,484**	**0**	**683,956**
EBITDA	**273,622**	**7,488**	**741**		**281,851**
EBIT	**183,869**	**5,577**	**23**		**189,469**
Investment income/(charges)					14,568
Financial charges					(17,662)
Financial income					1,021
Pre-tax result					**187,396**
Fixed asset investments	**60,179**	**1,066**	**2,735**		**63,980**
Tangible assets	18,704	391	2,735		21,830
Intangible assets	41,475	675			42,150

SEGMENT DISCLOSURE: RESTATED INCOME STATEMENT & BAL. SHEET AT DECEMBER 31, 2017

(Euro thousands)	Commercial Aviation	General Aviation	Energy	IC Elim.	Consol. Financial Statements
Revenues	629,374	16,235	37,607	(34,956)	648,260
of which Intercompany	(7,970)	(4,107)	(22,879)	34,956	
Total operating revenues (third parties)	**621,404**	**12,128**	**14,728**	**0**	**648,260**
EBITDA	**233,710**	**7,799**	**1,497**		**243,006**
EBIT	**122,100**	**5,406**	**384**		**127,890**
Investment income/(charges)					8,135
Financial charges					(18,167)
Financial income					258
Pre-tax result					**118,116**
Fixed asset investments	**64,729**	**5,964**	**1,447**		**72,140**
Tangible assets	32,273	2,054	1,447		35,774
Intangible assets	32,456	3,910			36,366

More information on operating business activities is available in the “Operating Performance - Sector Analysis” section in the Directors’ Report.

8. Notes to the Statement of Financial Position

8.1 Intangible assets

The table below reports the changes in the year in intangible assets:

(Euro thousands)	December 31, 2017	Increases in the period	Reclass./ tran.	Destruct./ sales	Amort./ write-downs	December 31, 2018
Gross value						
Rights on assets under concession	1,477,949	2,713	30,715	(1,741)		1,509,635
Rights on assets under concess. in prog. & adv.	32,486	29,386	(30,006)	(991)		30,875
Patents and right to use intellectual property & others	72,881		9,661		(106)	82,436
Assets in progress and advances	8,752	10,052	(9,750)			9,054
Other	16,945		83		(74)	16,954
Total gross value	**1,609,013**	**42,150**	**703**	**(2,732)**	**(180)**	**1,648,954**
Accumulated amortisation						
Rights on assets under concession	(533,340)		554	1,318	(46,311)	(577,779)
Rights on assets under concess. in prog. & adv.						
Patents and right to use intell. prop. & others	(62,163)				(7,215)	(69,378)
Assets in progress and advances						
Other	(15,328)					(15,328)
Total accumulated amortisation	**(610,831)**	**0**	**554**	**1,318**	**(53,526)**	**(662,485)**
Net value						
Rights on assets under concession	944,609	2,713	31,270	(423)	(46,311)	931,857
Rights on assets under concess. in prog. & adv.	32,486	29,386	(30,006)	(991)		30,875
Patents and right to use intellectual property & others	10,718		9,661		(7,321)	13,058
Assets in progress and advances	8,752	10,052	(9,750)			9,054
Other	1,617		83		(74)	1,626
Total net value	**998,182**	**42,150**	**1,258**	**(1,414)**	**(53,706)**	**986,469**

As per IFRIC 12, rights on assets under concession amount to Euro 931,857 thousand at December 31, 2018 and Euro 944,609 thousand at December 31, 2017. These rights are amortised on a straight-line basis over the duration of the concession from the State, as they will be returned to the grantor at the end of the concession. The amortisation for the year 2018 amounts to Euro 46,311 thousand. The increases in the year of Euro 34,574 thousand mainly derive from the entry into use of investments made in previous years and recorded under "Assets under concession in progress and advances" and from reclassifications and transfers between intangible and tangible fixed assets.

For assets under concession, SEA has the obligation to record a restoration and replacement provision, in relation to which reference should be made to Note 8.14.

The account "Rights on assets under concession in progress and advances", amounting to Euro 30,875 thousand, refers to the work in progress on concession assets, not yet completed at December 31, 2018.

The main works carried out during the year by the Parent Company at Malpensa amounted to Euro 21,029 thousand and mainly related to: i) the continuation of the functional upgrading and restyling works at Airport Terminal 1, with the construction of new commercial areas and upgrading of existing areas and the completion of the Schengen baggage collection area ii) the construction of new boarding gates at Terminal 2; iii) the completion of a second warehouse in the Cargo area (with a surface area of about 15,000 sq. m) to be allocated to Cargo operators. At Linate, the SEA Group principally undertook functional upgrading and restyling of the Terminal, with the first phase completed in the first half of 2018. This resulted in an improvement in the perceived quality and the architectural image of the Air Terminal's facade, land side access, the arrivals hall, the baggage claim hall and Welcome VIP Lounges.

The reclassifications to assets under concession principally related to the gradual entry into service of the works on Terminal 1, the completion of the works at Linate and the cargo area at Malpensa.

Industrial patents and intellectual property rights and other intangible assets, amounting to Euro 13,058 thousand at December 31, 2018 (Euro 10,718 thousand at December 31, 2017), relate to the purchase of software components for the airport and operating IT systems. Specifically, the increases for Euro 9,661 thousand principally related to the development and implementation of the administrative and airport management systems, relating to investments in previous years and recorded in the account "Assets in progress and advances" which at December 31, 2018 record a residual amount of Euro 9,054 thousand, relating to software developments in progress. The amortisation for the year 2018 amounts to Euro 7,321 thousand.

In consideration of the results reported and the business outlook, as well as the definition of the airport tariffs contained in the Regulatory Agreement, at December 31, 2018 the Group did not identify any impairment indicators.

The changes in intangible assets during 2017 were as follows:

(Euro thousands)	December 31, 2016	Increases in the period	Reclass./ tran.	Destruct./ sales	Amort./ write-downs	December 31, 2017
Gross value						
Rights on assets under concession	1,447,809	1,059	29,131	(50)		1,477,949
Rights on assets under concess. in prog. & advances	33,614	25,625	(25,750)	(1,003)		32,486
Patents and right to use intellectual property & others	63,543		9,338			72,881
Assets in progress and advances	7,993	9,596	(8,837)			8,752
Other	18,744	86	(1,885)			16,945
Total gross value	**1,571,703**	**36,366**	**1,997**	**(1,053)**	**0**	**1,609,013**
Accumulated amortisation						
Rights on assets under concession	(488,341)			13	(45,012)	(533,340)
Rights on assets under concess. in prog. & advances						
Patents and right to use intellectual property & others	(55,609)				(6,554)	(62,163)
Assets in progress and advances						
Other	(16,642)		1,380		(66)	(15,328)
Total accumulated amortisation	**(560,592)**	**0**	**1,380**	**13**	**(51,632)**	**(610,831)**
Net value						
Rights on assets under concession	959,468	1,059	29,131	(37)	(45,012)	944,609
Rights on assets under concess. in prog. & advances	33,614	25,625	(25,750)	(1,003)		32,486
Patents and right to use intellectual property & others	7,934		9,338		(6,554)	10,718
Assets in progress and advances	7,993	9,596	(8,837)			8,752
Other	2,102	86	(505)		(66)	1,617
Total net value	**1,011,111**	**36,366**	**3,377**	**(1,040)**	**(51,632)**	**998,182**

8.2 Property, plant and equipment

The following tables summarises the movements in property, plant and equipment in 2018.

(Euro thousands)	December 31, 2017	Increases in the period	Reclass./ tran.	Destruct./ sales	Deprec./ write-downs	December 31, 2018
Gross value						
Property	224,519	(19)	4,202	(95)		228,607
Plant and machinery	108,170	1,394	2,120			111,684
Industrial and commercial equipment	44,189	3,885		(3)		48,071
Other assets	69,310	3,270	1,605	(504)		73,681
Assets in progress and advances	9,754	13,299	(8,648)			14,405
Total gross value	**455,942**	**21,829**	**(721)**	**(602)**	**0**	**476,448**
Accumulated depreciation & write-downs						
Property	(94,457)		(549)	46	(6,874)	(101,834)
Plant and machinery	(67,914)				(2,779)	(70,693)
Industrial and commercial equipment	(34,673)				(4,671)	(39,344)
Other assets	(53,926)	1		401	(5,570)	(59,094)
Assets in progress and advances						
Total accumulated depreciation & write-downs	**(250,970)**	**1**	**(549)**	**447**	**(19,894)**	**(270,965)**
Net value						
Property	130,062	(19)	3,653	(49)	(6,874)	126,773
Plant and machinery	40,256	1,394	2,120		(2,779)	40,991
Industrial and commercial equipment	9,516	3,885		(3)	(4,671)	8,727
Other assets	15,383	3,271	1,605	(103)	(5,570)	14,586
Assets in progress and advances	9,754	13,299	(8,648)			14,405
Total net value	**204,971**	**21,830**	**(1,270)**	**(155)**	**(19,894)**	**205,483**

The investments relate to the development of the Aviation sector which, as already reported, in accordance with IFRIC 12 are classified as rights on assets under concession and rights on assets under concession in progress and those in the Non-Aviation sector, amounting to Euro 4,202 thousand at December 31, 2018, principally related to the restyling work at Terminal 1 of Malpensa and the Terminal of Linate.

Increments in "Property, plant and equipment" also include the purchase of new de-icer equipment and snow ploughs for Euro 3,495 thousand, new aircraft towing tractors for Euro 1,361 thousand and new video terminals for Euro 500 thousand.

In view of the disposal of the TGC turbine at the Malpensa Station of SEA Energia expected by July 2020, the relative depreciation was adjusted.

In consideration of the results reported and the business outlook, as well as the definition of the airport tariffs contained in the Regulatory Agreement, at December 31, 2018 the SEA Group did not identify any impairment indicators.

All fixed assets, including those falling under IFRIC 12, are expressed net of those funded by State and European Union contributions. These latter at December 31, 2018 amounted to Euro 505,226 thousand and Euro 7,019 thousand respectively.

The changes in tangible fixed assets during 2017 were as follows:

(Euro thousands)	December 31, 2016	Increases in the period	Reclass./ transfers	Destruct./ sales	Amort. & deprec./ write-downs	December 31, 2017
Gross value						
Property	206,872	14,955	2,871	(179)		224,519
Plant and machinery	107,510	306	358	(4)		108,170
Industrial and commercial equipment	38,690	5,828	2	(331)		44,189
Other assets	62,521	2,612	4,200	(23)		69,310
Assets in progress and advances	8,489	12,073	(10,808)			9,754
Total gross value	**424,082**	**35,774**	**(3,377)**	**(537)**	**0**	**455,942**
Accumulated depreciation & write-downs						
Property	(88,386)			142	(6,213)	(94,457)
Plant and machinery	(65,362)			4	(2,556)	(67,914)
Industrial and commercial equipment	(31,600)			330	(3,403)	(34,673)
Other assets	(48,458)			22	(5,490)	(53,926)
Assets in progress and advances						
Total accumulated depreciation & write-downs	**(233,806)**	**0**	**0**	**498**	**(17,662)**	**(250,970)**
Net value						
Property	118,486	14,955	2,871	(37)	(6,213)	130,062
Plant and machinery	42,148	306	358		(2,556)	40,256
Industrial and commercial equipment	7,090	5,828	2	(1)	(3,403)	9,516
Other assets	14,063	2,612	4,200	(2)	(5,490)	15,383
Assets in progress and advances	8,489	12,073	(10,808)			9,754
Total net value	**190,276**	**35,774**	**(3,377)**	**(40)**	**(17,662)**	**204,971**

8.3 Investment property

Information on investment property is provided below:

INVESTMENT PROPERTY

(Euro thousands)	December 31, 2018	December 31, 2017
Gross value	4,138	4,118
Accumulated depreciation	(730)	(724)
Net total investment property	**3,408**	**3,394**

MOVEMENT ACCUMULATED DEPRECIATION

(Euro thousands)	December 31, 2018	December 31, 2017
Opening balance	(724)	(727)
Decreases/Reclassification	(5)	5
Depreciation	(1)	(2)
Closing balance	**(730)**	**(724)**

The account includes buildings not utilised in the operated activities of the Group (apartments and garages) for which there were no impairments at December 31, 2018.

8.4 Investments in associates

The changes in the account "Investments in associates" at December 31, 2018 and December 31, 2017 are shown below.

INVESTMENTS IN ASSOCIATES

		Movements			
(Euro thousands)	December 31, 2017	Initial recognition value	increases / revaluations	decreases/ write-downs	December 31, 2018
SACBO SpA	36,626		4,320	(1,965)	38,981
Dufrital SpA	12,411		3,776	(4,056)	12,131
Disma SpA	2,633		244	(253)	2,624
Malpensa Logistica Europa SpA	1,923		1,799	(750)	2,972
SEA Services Srl	461		851	(804)	508
Airport Handling SpA		7,190	3,208		10,398
Signature Flight Support Italy Srl			300		300
Total	**54,054**	**7,190**	**14,498**	**(7,828)**	**67,914**

The companies held are all resident in Italy.

The net equity of the associated companies was adjusted to take account of the Group accounting principles and the measurement of investments as per IAS 28. The SEA Group share of adjusted net equity at December 31, 2018 amounts to Euro 67,914 thousand (Euro 54,054 thousand at December 31, 2017).

As described in greater detail in the Directors' Report, the formalisation of the sale of the further holding in Airport Handling with the transfer of the shares and winding-up of the trust took place in July 2018, and therefore the financial statements at December 31, 2018 includes the investment in the associated company Airport Handling. This operation resulted in a reclassification for an amount of Euro 7,190 thousand, recorded in the 2017 accounts under "Other non-current financial assets", to the account "Investments in associates".

8.5 Other investments

The list of other investments is presented below:

OTHER INVESTMENTS

Company	% Holding December 31, 2018	% Holding December 31, 2017
Consorzio Milano Sistema in liquidation	10%	10%
Romairport Srl	0.227%	0.227%
Aeropuertos Argentina 2000 SA	8.500%	8.500%
Sita Soc. Intern. De Telecom.Aereneonautiques (Belgian reg. company) (*)	0	6 quote

(*) On February 28, 2018, following a request for withdrawal, SEA was no longer a member of SITA SC.

The tables below report the changes in other investments in 2018:

OTHER INVESTMENTS

(Euro thousands)	December 31, 2017	Movements: increases / revaluations / reclassifications	Movements: decreases/ write-downs	December 31, 2018
Consorzio Milano Sistema in liquidation	25			25
Romairport Srl	1			1
Aeropuertos Argentina 2000 SA				
Sita Soc. Intern. De Telecom. Aereneonautiques (Belgian reg. company)				
Total	**26**	**0**	**0**	**26**

The investment of the Group in the share capital of Aeropuertos Argentina 2000 (hereafter AA2000) amounted to 8.5% following the conversion, by the Argentinian government, of the bonds issued in 2008 by AA2000 into shares. On June 30, 2011, an agreement was signed with CEDICOR for the sale of all the investment held by the SEA Group in the share capital of AA2000, equal to 21,973,747 ordinary Class A shares with 1 vote for each share. The consideration paid was Euro 14,000,000, entirely received in 2011. The transfer of the shares will only be completed with authorisation by the ORSNA regulator (Organismo Regulador del Sistema Nacional de Aeropuertos).

At the date of the present document, ORSNA had not yet formalized the authorization of the sale of the investment in favour of Cedicor and, therefore the SEA Group still holds 8.5% of the share capital of AA2000; therefore, the investment of 1 Euro was maintained in the 2018 financial statements.

8.6 Deferred tax assets

The changes in the net deferred tax assets for the year 2018 are shown below:

NET DEFERRED TAX ASSETS

(Euro thousands)	December 31, 2017	(Released) / allocated to P&L	(Released) / allocated to Equity	December 31, 2018
Restoration prov. as per IFRIC 12	34,605	(36)		34,569
Write-down tan. assets (impairment test)	14,302	(5)		14,296
Provisions for risks and charges	13,837	(577)		13,260
Non-deductible doubtful debt provision	7,599	(493)		7,105
Labour dispute	5,069	(8)		5,061
Fair value measurement of derivatives	1,565		(422)	1,143
Post-em. bens. prov. discounting (IAS 19)	917	(79)	(264)	574
Ord. main. on assets under concession	2,921	1,969		4,890
Amortisation and Depreciation	1,845	182		2,027
Other	3,825	(40)		3,785
Total deferred tax assets	**86,484**	**912**	**(686)**	**86,710**
Amortisation and Depreciation	(30,424)	2,606		(27,818)
Allocation gain acquisition SEA Prime	(5,119)	218		(4,901)
Other	211	(17)		194
Total deferred tax liabilities	**(35,332)**	**2,807**	**0**	**(32,525)**
Total deferred tax assets, net of liabilities	**51,152**	**3,719**	**(686)**	**54,185**

The IRAP tax rate for the Parent Company SEA SpA is equivalent to 4.2%, while for the other companies fully consolidated by the Group this is 3.9%. The IRES rate for Group companies is 24%.

8.7 Other current and non-current financial assets

Other current and non-current financial assets are shown in the table below:

OTHER CURRENT AND NON-CURRENT FINANCIAL ASSETS

(Euro thousands)	December 31, 2018	December 31, 2017
Other non-current financial assets	-	7,190
Other current financial assets	-	13,300
Other current and non-current financial assets	**0**	**20,490**

"The account "Other current and non-current financial assets" at December 31, 2017 related to the capital paid in favour of Airport Handling less write-downs made in 2013, 2014 and 2017.

At December 31, 2018, the balance of current and non-current financial assets were written down due to dnata's exercise of the option to purchase an additional 40% of Airport Handling and a corresponding share of Financial Instruments of Participation, and the winding up of the Milan Airport Handling Trust.

In July 2018, the exercise of this option resulted in the following events:

i. the winding up of the Trust having exhausted its corporate scope;
ii. the consequent transfer to SEA of the residual 30% of the share capital;
iii. the collection by SEA of Euro 13,300 thousand, of which: Euro 10,640 thousand for the sale of 70% of the Financial Instruments of Participation and Euro 2,660 thousand for the sale of 70% of the shares;
iv. receipt of an additional Euro 387 thousand relating to the dividends approved by Airport Handling in 2016 and recorded in the 2018 financial statements.

8.8 Other non-current receivables

Other receivables, amounting to Euro 188 thousand at December 31, 2018 (Euro 280 thousand at December 31, 2017) did not change significantly and mainly relates to employee receivables and deposit guarantees.

8.9 Inventories

The following table reports the breakdown of the account "Inventories":

INVENTORIES

(Euro thousands)	December 31, 2018	December 31, 2017
Raw materials, ancillaries and consumables	3,580	4,607
Inventory obsolescence provision	(1,646)	(503)
Total Inventories	**1,934**	**4,104**

The account comprises consumable goods held for airport activities. No goods held in inventories comprised guarantees on loans or concerning other commitments.

The comparison of inventories with the realisable value or replacement necessitated an obsolescence inventory provision amounting to Euro 1,646 thousand at December 31, 2018 (Euro 503 thousand at December 31, 2017).

The changes in the obsolescence provision in 2018 is shown below:

MOVEMENTS IN INVENTORY OBSOLESCENCE PROVISION

(Euro thousands)	December 31, 2018	December 31, 2017
Opening balance	(503)	(444)
Provisions	(1,143)	(139)
Utilisations		80
Final value inventory obsolescence provision	**(1,646)**	**(503)**

8.10 Trade receivables

The breakdown of the trade receivables is reported in the table below:

TRADE RECEIVABLES

(Euro thousands)	December 31, 2018	December 31, 2017
Trade receivables - customers	109,598	101,658
Trade receivables - associates	11,407	9,419
Total net trade receivables	**121,005**	**111,077**

Trade receivables, shown net of the doubtful debt provision, mainly include receivables from clients and provisions for invoices and credit notes to be issued.

The criteria for the adjustment of receivables to their realisable value takes account of valuations regarding the state of the dispute and are subject to estimates which are described in Notes 2.7 and 4.1, to which reference should be made.

The changes in the doubtful debt provision were as follows:

DOUBTFUL DEBT PROVISION

(Euro thousands)	December 31, 2018	December 31, 2017
Opening provision	(102,254)	(80,263)
(Increases)/releases	(816)	(27,248)
Utilisations	369	5,257
Total doubtful debt provision	**(102,701)**	**(102,254)**

Allocation provisions are shown net of reversals and amount to Euro 816 thousand in 2018 (Euro 27,248 thousand in 2017). The doubtful debt provision 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, and of the risk assessed by the Group which reflects the expected loss on each receivable, as per IFRS 9. The increases in 2017 mainly refer to the full write-down of past-due receivables, prior to the administration on May 2, 2017, claimed from Alitalia SAI in Extraordinary Administration.

8.11 Tax receivables and other current receivables

The following table provides the breakdown of tax receivables and other current receivables:

TAX RECEIVABLES AND OTHER CURRENT RECEIVABLES

(Euro thousands)	December 31, 2018	December 31, 2017
Tax receivables	1,048	14,941
Other current receivables	9,527	9,200
Total tax receivables and other current receivables	**10,575**	**24,141**

Tax receivables of Euro 1,048 thousand at December 31, 2018 mainly refers:

- for Euro 128 thousand (Euro 2,902 thousand at December 31, 2017) VAT receivables;
- for Euro 115 thousand (Euro 873 thousand at December 31, 2017) current income tax receivables;
- for Euro 805 thousand (Euro 764 thousand at December 31, 2017) other tax credits.

In April 2018 the Group received the IRES receivable relating to the deductibility of the IRAP from IRES for the years 2007 to 2011, equal to Euro 10,402 thousand at December 31, 2017. This receivable arises from the repayment petition presented digitally in 2013 ("click day") as per Article 2 of Legislative Decree No. 201/2011 ("Save Italy" decree), permitting the full deduction from the assessable IRES base of IRAP due in relation to personnel and related expenses.

The account "Other current receivables", reported net of the relative provision, is broken down as follows:

OTHER CURRENT RECEIVABLES

(Euro thousands)	December 31, 2018	December 31, 2017
Receivables from GSE for white & green certs.	560	1,120
Other receivables	6,050	6,813
Receivables for dividends	2,005	
Misc. receivables	562	821
Receivables from insurance companies	200	206
Employee & soc. sec. receivables	143	236
Post & tax stamps	7	4
Receivables from the State for SEA / Ministry for Infrastructure and Transport case		
Total other current receivables	**9,527**	**9,200**

"Other current receivables" amount to Euro 9,527 thousand at December 31, 2018 (Euro 9,200 thousand at December 31, 2017) and is comprised of the accounts outlined below.

Receivables from GSE, claimed by the SEA Group for white and green certificates, amount to Euro 560 thousand. This amount includes the receivables claimed by SEA Energia from the Energy Service Operator relating to the portion of white certificates in 2016 not yet received on the combined cycle 1. In 2018, the Group did not accrue the envisaged incentives for "white certificates", as the recognition period came to a close in 2016.

Receivables from the State for SEA/Ministry for Infrastructure and Transport case, following the judgement of the Court of Cassation, which recognised to the Company the non-adjustment of handling tariffs for the period 1974-1981, in addition to interest and expenses incurred by the Company, for Euro 3,889 thousand and entirely covered by the doubtful debt provision. This credit was related to the residual credit position that was not collected from the Ministry of Infrastructure and Transport, in addition to interest up to December 31, 2014.

Other receivables principally concern accrued income related to revenues accrued in the year and costs relating to future years. The account also includes supplier advances, operating grants and other minor positions.

The receivables for dividends to be received, equal to Euro 2,005 thousand, relate to the dividends approved by the Extraordinary Shareholders' Meeting of Dufrital SpA, on December 18, 2018.

Miscellaneous receivables amounting to Euro 562 thousand at December 31, 2018 mainly refer to receivables from payments by Telepass, credit card and POS which have not yet been credited in the bank account.

Receivables from insurance companies, amounting to Euro 200 thousand at December 31, 2018 (Euro 206 thousand at December 31, 2017) relates to amounts paid on insurance policies in advance of the period to which the cost refers.

The changes in the other current receivables doubtful debt provision is as follows:

OTHER RECEIVABLES DOUBTFUL DEBT PROVISION

(Euro thousands)	December 31, 2018	December 31, 2017
Opening provision	(3,889)	(4,196)
(Increases)/releases	-	307
Total other receivables doubtful debt provision	**(3,889)**	**(3,889)**

8.12 Cash and cash equivalents

The breakdown of the account "Cash and cash equivalents" is shown in the table below.

CASH AND CASH EQUIVALENTS

(Euro thousands)	December 31, 2018	December 31, 2017
Bank and postal deposits	152,955	67,120
Cash in hand and similar	81	74
Total	**153,036**	**67,194**

Cash and cash equivalents at December 31, 2018 increased Euro 85,842 thousand compared to the previous year. The account at year end comprises bank and postal deposits on demand for Euro 152,851 thousand (Euro 64,667 thousand at December 31, 2017), restricted bank deposits of Euro 104 thousand (Euro 2,453 thousand at December 31, 2017) and cash amounts for Euro 81 thousand (Euro 74 thousand at December 31, 2017). For further information on the movements to cash and cash equivalents, reference should be made to the Cash Flow Statement.

8.13 Shareholders' Equity

At December 31, 2018, the share capital of the Company amounted to Euro 27,500 thousand.

The par value of each share was Euro 0.11.

The changes in shareholders' equity in the year are shown in the statement of financial position.

The reconciliation between the net equity of the Parent Company SEA SpA and the consolidated net equity is shown below.

(Euro thousands)	Shareholders' Equity at December 31, 2017	Equity movements	OCI Reserve	Net profit / (loss)	Share. Equity at December 31, 2018
Parent Company Financial Statements	**335,228**	**(70,300)**	**2,174**	**123,489**	**390,591**
Share of net equity and net profit of the consolidated subsidiaries attributable to the Group, net of the carrying amount of the relative investments	18,920			5,791	24,711
Adjustments for measurement at equity of associates	43,229	(2)		6,551	49,778
Other consolidation adjustments	(6,199)			247	(5,952)
Consolidated Financial Statements	**391,177**	**(70,302)**	**2,174**	**136,078**	**459,126**

8.14 Provisions for risks and charges

The breakdown of the account "Provisions for risks and charges" is shown in the table below:

PROVISION FOR RISKS AND CHARGES

(Euro thousands)	December 31, 2017	Provi./Increases	(Utilisations)/ (reclassifications)	(Releases)	December 31, 2018
Restoration and replacement provision	137,713	15,077	(15,205)		137,585
Provision for future charges	32,222	4,376	(4,833)	(1,489)	30,276
Total provision for risks & charges	**169,935**	**19,453**	**(20,038)**	**(1,489)**	**167,861**

The restoration and replacement provision on assets under concession, created in accordance with IFRIC 12, amounting to Euro 137,585 thousand at December 31, 2018 (Euro 137,713 thousand at December 31, 2017), refers to the estimate of the amount matured relating to the maintenance on assets under concession from the State which will be undertaken in future years. The provision for the year takes into account the updated long-term scheduled maintenance and replacement plans on these assets, while the utilisations in the year refer to the restoration works carried out covered by the provisions made in previous years.

The movements of the future charges provision were as follows:

PROVISION FOR FUTURE CHARGES

(Euro thousands)	December 31, 2017	Prov./Increases	(Utilisations)/ (reclassifications)	(Releases)	December 31, 2018
Labour provisions	4,708	2,475	(1,168)		6,015
Insurance excesses	1,510	698	(67)	(540)	1,601
Tax risks	1,983		(121)		1,862
Green & white certificates	990				990
Future charges on invest. provision	152		(152)		
Other provisions	22,879	1,203	(3,325)	(949)	19,808
Total provision for future charges	**32,222**	**4,376**	**(4,833)**	**(1,489)**	**30,276**

The employee provisions relate to the expected streamlining actions to be undertaken on operations. The utilisations in the year are related to the incentivised departures for which a specific provision was made in the accounts in 2017.

"Insurance excess" equal to Euro 1,601 thousand refers to the charges payable by the SEA Group for damages deriving from civil responsibility.

The item "Tax risks" refers for Euro 1,500 thousand to the amount allocated by SEA Prime SpA, to cover liabilities related to the non-payment of Group VAT by the former parent company for the years 2011 and 2012.

The item "Green and white certificates" amounting to Euro 990 thousand at December 31, 2018 refers to SEA Energia. The amount was accrued for the dispute with the Energy Service Operator over green certificates (for the period 2010-2014) and white certificates (for the period 2012-2015).

The "Future charges on investments provision", which was zero at December 31, 2018, was allocated against the valuation of the stake in Signature Flight Support Italy Srl, which had a negative shareholders' equity at December 31, 2017. It should be noted that the shareholders' meetings of February 26, 2018 and October 5, 2018 of Signature Flight Support Italy Srl resolved to cover the losses and two recapitalisations of the company. At December 31, 2018, the value of the investment was Euro 300 thousand and it was not necessary to record any future charges provision on the investment.
The account "other provisions" for Euro 19,808 thousand at December 31, 2018 is mainly composed of the following items:

- Euro 6,794 thousand for legal disputes related to the operational management of the airports;
- Euro 8,000 thousand relating to charges from the acoustic zoning of the peripheral areas to the Milan Airports (Law No. 447/95 and subsequent Ministerial Decrees). It is reported that the Airport Commission of Malpensa has not yet given the final approval, unlike the Airport Commission of Linate;
- Euro 847 thousand for disputes with ENAV;
- Euro 3,000 thousand for various legal disputes;
- Euro 1,167 thousand for risks relating to revocatory actions taken against the Group and relating to airline companies declared bankrupt.

Based on the updated state of advancement of disputes at the preparation date of the present interim report, and also based on the opinion of the consultants representing the Group in the disputes, the provisions are considered sufficient to cover potential liabilities.

8.15 Employee provisions

The changes in the employee provisions are shown below:

EMPLOYEE PROVISIONS

(Euro thousands)	December 31, 2018	December 31, 2017
Opening provision	47,834	49,220
Financial (income)/charges	652	686
Utilisations	(1,173)	(2,016)
Actuarial losses/(profits)	(1,099)	(56)
Total employee provisions	**46,214**	**47,834**

The actuarial calculation of the employee leaving indemnity takes into account the effects of the reform of Law No. 296 of December 27, 2006 and subsequent decrees and regulations.

The principal actuarial assumptions, utilised for the determination of the pension obligations, are reported below:

ECONOMIC-FINANCIAL TECHNICAL PARAMETERS

	December 31, 2018	December 31, 2017
Annual discount rate	1.57%	1.30%
Annual inflation rate	1.50%	1.50%
Annual increase in employee leaving indemnity	2.63%	2.63%

The annual discount rate, utilised for the present value of the bond, was based on the Iboxx Eurozone Corporate A index.

The sensitivity analysis for each of the significant assumptions at December 31, 2018 is shown below, indicating the effects that would arise on the post-employment benefit provision.

CHANGE

(Euro thousands)	December 31, 2018	December 31, 2017
+ 1 % on turnover rate	45,037	46,485
- 1 % on turnover rate	45,354	47,014
+ 1/4 % on annual inflation rate	45,822	47,437
- 1/4 % on annual inflation rate	44,565	46,048
+ 1/4 % on annual discount rate	44,191	45,634
- 1/4 % on annual discount rate	46,218	47,878

The average duration of the financial obligation and scheduled payments of the benefits are reported in the following tables:

AVERAGE DURATION OF THE OBLIGATION

(in years)	December 31, 2018	December 31, 2017
Duration of the plan	10.0	10.3

EXPECTED DISBURSEMENTS

(Euro thousands)	December 31, 2018	December 31, 2017
Year 1	2,127	2,224
Year 2	2,363	1,887
Year 3	2,749	2,488
Year 4	3,835	2,755
Year 5	2,991	3,713

8.16 Current and non-current financial liabilities

The table below provides a breakdown of current and non-current financial liabilities at December 31, 2018 and December 31, 2017.

	December 31, 2018		December 31, 2017	
(Euro thousands)	Current portion	Non-current portion	Current portion	Non-current portion
Long-term loans	21,316	219,286	19,766	240,532
Loan charges payable	1,055		1,153	
Derivatives fair value		5,387		7,228
Bank payables	**22,371**	**224,673**	**20,919**	**247,760**
Payables to bondholders		298,889		298,441
Payables for charges on bonds	6,627		6,627	
Lease payables	-		3	
Payables for subsidised loans	44	44	66	88
Other financial payables	-		2,169	
Payables to other lenders	**6,671**	**298,933**	**8,864**	**298,529**
Total current and non-current liabilities	**29,042**	**523,605**	**29,783**	**546,289**

The financial debt of the Group at year-end, as illustrated in the table below, is almost exclusively comprised of medium/long-term debt - of which over half concerning the "SEA 3 1/8 2014 -2021" bond issue (expressed at amortised cost). The remainder of the debt is comprised of Euro 88 thousand EIB subsidised loans (of which 52% with maturity beyond 5 years and only 9% due in the next 12 months).

The breakdown of the Group net debt at December 31, 2018 and December 31, 2017 is reported below:

NET FINANCIAL DEBT

	(Euro thousands)	December 31, 2018	December 31, 2017
A.	Cash and Cash Equivalents	(153,036)	(67,194)
B.	Other cash equivalents		
C.	Securities held for trading		
D.	**Liquidity (A)+(B)+(C)**	**(153,036)**	**(67,194)**
E.	**Financial receivables**		
F.	Current financial payables	7,681	7,780
G.	Current portion of medium/long-term bank payables	21,361	19,831
H.	Other current financial payables		2,172
I.	**Payables and other current financial liabilities (F) + (G) + (H)**	**29,042**	**29,783**
J.	**Net current financial debt (D) + (E) + (I)**	**(123,994)**	**(37,411)**
K.	Non-current portion of medium/long-term bank payables	219,286	240,532
L.	Bonds issued	298,889	298,441
M.	Other non-current financial payables	5,430	7,316
N.	**Payables and other non-current financial liabilities (K) + (L) + (M)**	**523,605**	**546,289**
O.	**Net Financial Debt (J) + (N)**	**399,611**	**508,878**

At the end of December 2018, the net debt of Euro 399,611 thousand decreased Euro 109,267 thousand on the end of 2017 (Euro 508,878 thousand).

The net debt was affected by a number of factors, including:

a. greater liquidity of Euro 85,842 thousand deriving from the favourable cash flows from current operations which also made it possible to cover investment needs;
b. the continuation of the repayment of part of the loans held, principally EIB loans (principal repaid in the year totalling Euro 19,831 thousand);
c. lower IAS adjustments for Euro 1,426 thousand principally deriving from: (i) the improvement in the fair value of the derivatives for Euro 1,841 thousand related to the continuation of the amortisation of the relative notional value; (ii) lower accruals on loans for Euro 98 thousand (iii) negative impact for Euro 518 thousand from the continued amortisation of the costs for the EIB loans and Bond.

The following is a breakdown of the variations of current and non-current financial assets and liabilities, with a separate indication of cash flows recorded in the year 2018 and other variations.

	Loans	Bond loans	Derivative liabilities	Lease payables	Other liabilities	Total
Balance at December 31, 2017	**268,231**	**298,441**	**7,228**	**3**	**2,169**	**576,072**
Cash flows	(19,831)			(3)	(2,169)	(22,003)
Other changes						
- Amortised cost	69	448				517
- Fair value change			(1,841)			(1,841)
- Accruals	(98)					(98)
Balance at December 31, 2018	**248,371**	**298,889**	**5,387**	**0**	**0**	**552,647**

8.17 Other non-current payables

The table below reports the breakdown of the account "Other non-current payables".

OTHER NON-CURRENT PAYABLES

(Euro thousands)	December 31, 2018	December 31, 2017
Employee payables	11,876	14,946
Social security institutions	2,088	2,642
Total	**13,964**	**17,588**

The item includes payables to employees and the corresponding obligation due to the INPS resulting from the signing of early retirement agreements in the context of the Personnel Restructuring Industrial Plan 2018-2023.

"Other non-current payables" refers to payables to employees and associated social security contributions, recorded as a result of the mobility procedure's commencement on December 27, 2017. Through the mobility procedure, early retirement incentive payments were established for a pre-determined number of workers who will qualify for pension benefits by August 2023 (early retirement or old age pension). The agreement with Trade Unions covering this procedure was signed on January 15, 2018. The change is substantially attributable to the reclassification from current payables.

8.18 Trade payables

The breakdown of trade payables is follows.

TRADE PAYABLES

(Euro thousands)	December 31, 2018	December 31, 2017
Trade payables	139,303	141,353
Advances	2,475	7,625
Payables to associates	11,616	4,519
Total trade payables	**153,394**	**153,497**

Trade payables refer to the purchase of goods and services relating to operations and Group investments.

Payables for advances at December 31, 2018, equal to Euro 2,475 thousand (Euro 7,625 thousand at December 31, 2017), report a significant reduction compared to the previous year principally due to the effect of the recognition in the income statement of the income, equal to Euro 5,631 thousand, relating to the occupation of the spaces located in the Linate and Malpensa airports, following Cassation Court Sentence No. 23454/18 which rejected the recourse presented by the Customs Agency, confirming the previous sentences. The amount was entirely collected in 2014, following Milan Court Sentence No. 12778/2013, and was recorded in the account "Advances" while awaiting conclusion of all the various levels of appeal.

In order to optimise operations with suppliers, trade payables at December 31, 2018 include sums ceded under indirect factoring contracts for Euro 1,391 thousand (Euro 4,218 thousand at December 31, 2017).

For payables from associated companies, reference should be made to Note 10, relating to transactions with related parties.

8.19 Income tax payables

Payables for income taxes amounting to Euro 18,541 thousand at December 31, 2018 (Euro 8,370 thousand at December 31, 2017), mainly relate to employee and consultant's withholding taxes for Euro 5,253 thousand (Euro 5,626 thousand at December 31, 2017), IRAP payables for Euro 837 thousand (Euro 1,306 thousand at December 31, 2017) , IRES payables for Euro 11,539 thousand (Euro 697 thousand at December 31, 2017) , VAT payables for Euro 906 thousand (Euro 709 thousand at December 31, 2017) and other taxes for Euro 6 thousand (Euro 32 thousand at December 31, 2017).

8.20 Other payables

The table below reports the breakdown of the account "Other payables".

OTHER PAYABLES

(Euro thousands)	**December 31, 2018**	**December 31, 2017**
Airport fire service	65,113	59,040
Payables for additional landing rights	49,944	46,131
Others	23,370	21,845
Employee payables for amounts matured	21,311	16,179
Payables to the state for concession fee	14,285	13,634
Payables to social security institutions	14,234	12,968
Employee payables for vacations not taken	2,434	2,625
Third party guarantee deposits	1,160	1,179
Payables to ministry CO_2 quotas		301
Payables to others post-em. ben.	242	253
Payables to BoD & Boards of Statutory Auditors	204	207
Payables to the state for concession fee security service	90	83
Payables to shareholders for dividends	89	77
Payables to third parties for ticketing collections		70
Total	**192,476**	**174,592**

"Other current liabilities" increased by Euro 17,884 thousand, from Euro 174,592 thousand at December 31, 2017 to Euro 192,476 thousand at December 31, 2018.

Relating to the payables to the State for airport fire services, on July 20, 2018 the constitutional court notice of July 3, 2018 was published in the Official Gazette which declared the unconstitutionality of Article 1, paragraph 478 of Law No. 208 of December 28, 2015 implementing "Provisions for the drawing up of annual and multi-year budgets of the State (2016 Stability Law)". For further details, reference should be made to the Directors' Report in the section "Risk factors of the SEA Group".

The item "Payables for additional landing rights" represent the additional charges created by Laws No. 350/2003, No. 43/2005, No. 296/2006, No. 166/2008, No. 92/2012 and No. 357/2015.

The account "Others", amounting to Euro 23,370 thousand at December 31, 2018 (Euro 21,845 thousand at December 31, 2017), mainly relates to deferred income from clients for future periods and other minor payables.

The higher employee payables for remuneration matured, for Euro 5,132 thousand, are principally due to the reclassification of the current portion of employee payables and the relative social contribution charges, to be paid in 2019 relating to the mobility procedure commenced in 2017 and the higher payable related to the recognition, for the year 2018, of a Group performance bonus.

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 investments, 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 extraordinary 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 airports 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 industry 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 effect 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 Handling 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 thousand 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).

10. Related party transactions

The related party transactions are not atypical or unusual and form part of the ordinary business activities of the companies of the Group.

They 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, 2018 and at December 31, 2017 and the income statement amounts for the years 2018 and 2017, with indication of the percentage of the relative account.

GROUP TRANSACTIONS WITH RELATED PARTIES

	December 31, 2018				
(Euro thousands)	Trade Receivables	Other receivables	Trade payables	Operating revenues	Net operating costs (excl. costs for works on assets under concession)
Investments in associates					
SACBO [(*)]	336		476	980	11,254
Dufrital	5,255	2,005	740	31,614	19
Malpensa Logistica Europa	1,208		1,062	4,310	(40)
SEA Services	1,170		2,014	3,602	3,846
Disma	115		99	218	(7)
Signature Flight Support Italy	112		30	511	39
Airport Handling	3,211		7,194	6,629	13,042
Total related parties	**11,407**	**2,005**	**11,616**	**47,864**	**28,153**
Total book value	121,005	9,527	153,394	683,956	404,566
% on total book value	**9.43%**	**21.04%**	**7.57%**	**7.00%**	**6.96%**

	December 31, 2017				
(Euro thousands)	Trade Receivables	Other receivables	Trade payables	Operating revenues	Operating costs (excl. costs for works on assets under concession)
Investments in associates					
SACBO [(*)]	276		510	838	10,496
Dufrital	5,542		1,149	31,103	21
Malpensa Logistica Europa	1,840		1,046	4,277	10
SEA Services	1,137		1,714	3,115	3,331
Disma	117		99	215	0
Signature Flight Support Italy	507		1	944	0
Total related parties	**9,419**	**0**	**4,519**	**40,492**	**13,858**
Total book value	111,078	9,200	153,497	697,698	456,968
% on total book value	**8.48%**	**0.00%**	**2.94%**	**5.80%**	**3.03%**

[(*)] *The account "Operating costs" relating to transactions with SACBO does not include that invoiced by SEA to the final clients and transferred to the associate.*

The table below shows the cash flows from the transactions of the Group with related parties for the years ended December 31, 2018 and December 31, 2017, with indication of the percentage of the relative account:

GROUP CASH FLOWS WITH RELATED PARTIES

	December 31, 2018				
(Euro thousands)	Investments in associates	Investments in other companies	Total transactions with related entities	Consolidated balance	%
A) Cash flow from operating activities	3,104		3,104	233,982	1.3%
B) Cash flow from investing activities	6,271		6,271	(39,779)	-15.8%
C) Cash flow from financing activities				(108,361)	0.0%

	December 31, 2017				
(Euro thousands)	Investments in associates	Investments in other companies	Total transactions with related entities	Consolidated balance	%
A) Cash flow from operating activities	(843)		(843)	161,407	-0.5%
B) Cash flow from investing activities	7,552		7,552	(63,432)	-11.9%
C) Cash flow from financing activities				(87,195)	0.0%

The transactions between the Group and related parties for the year ended December 31, 2018 mainly related to:

- parking management transactions at Orio al Serio-Bergamo (SACBO) airport;
- commercial transactions with reference to the recognition to SEA of royalties on sales (Dufrital and SEA Services);
- rental of premises (Malpensa Logistica Europa);
- supply to SEA of catering services (SEA Services);
- commercial transactions deriving from the concession for the distribution of fuel (Disma);
- supply by SEA Energia of electricity to Dufrital;
- revenue for rental and concessions issued by SEA Prime for the supply of fuel; push back costs (Signature Flight Support Italy);
- revenue for administration services and handling activity costs (Airport Handling).

The above-mentioned transactions were within the ordinary activities of the Group and undertaken at market values.

10.1 Other transactions with related parties

SACBO SpA
In 2018, SACBO distributed dividends to SEA for Euro 2,026 thousand.

DUFRITAL SpA
In 2018, Dufrital distributed dividends to SEA for Euro 4,056 thousand, of which Euro 2,051 thousand received in 2018.

MALPENSA LOGISTICA EUROPA SpA
In 2018, Malpensa Logistics distributed dividends to SEA for Euro

750 thousand.

SEA SERVICES Srl
In 2018, SEA Services distributed dividends to SEA for Euro 804 thousand.

AIRPORT HANDLING SpA
In 2018, SEA received net dividends from Airport Handling totalling Euro 387 thousand, approved by the Shareholders' Meeting of Airport Handling on May 6, 2016, drawing on the profit from FY 2015 and relating to the investment held, at the moment of the approval, by the Trust.

DISMA SpA
In 2018, Disma distributed dividends to SEA for Euro 253 thousand.

11. Directors' fees

In 2018, the remuneration for the Board of Directors, including welfare and accessory charges, amounted to Euro 551 thousand (Euro 529 thousand in 2017).

12. Statutory auditors' fees

In 2018, the remuneration for the Board of Statutory Auditors, including social security contribution and accessory charges, amounted to Euro 287 thousand (Euro 290 thousand in 2017).

13. Independent Audit Firm fees

The audit fees recognised by the company SEA SpA and its subsidiaries to the audit firm Deloitte & Touche SpA for the year 2018 amounted to Euro 269 thousand for audit services and Euro 59 thousand for other services. The Fees of the Audit Firm are net of Consob contribution.

14. Commitments and guarantees

14.1 Investment commitments
The Group has investment contract commitments of Euro 48,879 thousand at December 31, 2018 (Euro 36,315 thousand at December 31, 2017), which are reported net of the works already realised and invoiced to the Group, as follows.

BREAKDOWN PROJECT COMMITMENTS

(Euro thousands)	December 31, 2018	December 31, 2017
Design and extraordinary maintenance civil works and plant at Linate & Malpensa	21,540	21,532
Design and extraordinary maintenance flight infrastructure and roadways at Linate and Malpensa	9,079	1,148
Works on electrical automation and control systems at Linate and Malpensa	7,459	
Design and extraordinary maintenance of Linate & Malpensa AVL plants	5,884	3,466
Construction works at Malpensa general aviation terminal	3,122	
Extraordinary maintenance for civil works and general aviation plant	1,333	1,480
Design and construction of new warehouses at Cargo City of Malpensa	462	4,006
Construction of new frontage at Linate		3,381
Construction of new de-icing area at Linate		777
Design and works Lambro general aviation		400
Final phase new changing rooms, air side area general aviation		100
Hangar general aviation		25
Total project commitments	**48,879**	**36,315**

14.2 Commitments for rental contracts

At December 31, 2018, the SEA Group has commitments on rental contracts totalling Euro 24,963 thousand (Euro 24,592 thousand at December 31, 2017), principally relating to software and hardware components for the airport IT system, the rental of airport buses and the motor vehicles fleet.

The breakdown of the minimum payments on the contracts of the Group at December 31, 2018 is as follows:

(Euro thousands)	December 31, 2018	December 31, 2017
Within 12 months	7,128	7,088
Between 1 and 5 years	17,835	17,504
Total	**24,963**	**24,592**

14.3 Guarantees

At December 31, 2018, the sureties in favour of third parties were as follows:

- two bank sureties, equal respectively to Euro 42,000 thousand and Euro 46,000 thousand, as guarantee on funds drawn down in June 2015 and June 2017 on the EIB line subscribed in December 2014;
- surety of Euro 25,000 thousand to Banca Popolare di Milano to guarantee credit lines received from companies within the centralised treasury system;
- surety of Euro 26,287 thousand in favour of ENAC, as guarantee of the concession fee;
- surety of Euro 2,000 thousand in favour of SACBO as guarantee for the parking management at Bergamo airport;
- surety of Euro 2,000 thousand in favour of the Ministry of Defense as guarantee of the obligations pursuant to the technical agreement of June 4, 2009 following the advance delivery of the “Cascina Malpensa” area;
- surety of Euro 102 thousand in favour of the supplier Contract GmbH for the rental of airport buses;
- guarantee by Banca Popolare di Milano to the Customs Agency of Segrate (Milan 3) for Euro 75 thousand (General Aviation);
- surety by Banca Popolare di Milano to Terna (National Electricity Grid) as guarantee of the provision of electricity for Euro 1,214 thousand;
- guarantee by Banca Popolare di Milano to ENEL Distribuzione for the transport of energy for Euro 1,154 thousand;
- guarantee by Banca Popolare di Milano to GESAC for the supply of electricity to the Naples airport for Euro 228 thousand;
- guarantee by Banca Popolare di Milano to SAGAT for the supply of electricity to the Turin airport for Euro 210 thousand;
- guarantee by Banca Popolare di Milano to the Energy Market Operator for participation in the electricity market platform for Euro 200 thousand;
- guarantee by Banca Popolare di Milano to Unareti for the transport of energy for Euro 173 thousand;
- Euro 760 thousand for other minor sureties.

15. Seasonality

The Group business is characterised by revenue seasonality, which are normally higher in the periods of August and December due to increased flights by the airlines at its airports. It should be noted that the airports of Milan Malpensa and Milan Linate are to a certain degree complementary from a seasonality viewpoint, in view of the different profile of the indirect customers (i.e. leisure vs. business). This feature limits the seasonal peaks from an overall consolidated operational and financial viewpoint.

16. Contingent liabilities

Reference should be made to the explanatory notes in relation to receivables (Note 8.10) and operating risks (Note 8.14).

17. Contingent assets

With reference to Judgment 7241/2015 of the Milan Court, confirmed by the Milan Court of Appeal with Judgment No. 331/2017, concerning airport fees, as not all appeals have been made this contingent asset was not recognised in the income statement as per IAS 37.

For further details, reference should be made to the Directors’ Report to the chapter “*Main disputes outstanding at December 31, 2018*”.

18. Transactions relating to atypical or unusual operations

In accordance with Consob Communication of July 28, 2006, the Company did not undertake any transactions deriving from atypical or unusual operations, as set out in the communication.

19. Significant non-recurring events and transactions

Pursuant to CONSOB Communication of July 28, 2006, in the view of Directors, in 2018 the companies of the Group undertook the following non-recurring significant operations:

- Collection of the IRES receivable concerning the deductibility of IRAP from IRES for the financial years 2007-2011 (“click day”) for Euro 10,734 thousand (including interest income of Euro 976 thousand);
- Repayment to SEA of the higher fine issued by AGCM in 2015 (totalling Euro 2,430 thousand) on the conclusion of the Procedure contesting its dominant position in relation to the tender procedures for the disposal of SEA Prime SpA;
- Collection of Euro 13,300 thousand (of which Euro 10,640 thousand for the sale of 70% of the Equity Financial Instruments and Euro 2,660 thousand for the sale of 70% of the shares), representative of the current portion of the account “Other

current financial assets" following the exercise, by dnata, of the purchase option of a further 40% holding in the share capital of Airport Handling and a corresponding share of Financial Instruments of Participation. The winding up of the Milan Airport Handling Trust, having exhausted its corporate scope and the consequent transfer to SEA of the residual 30% of the share capital, resulted in the reclassification of Euro 7,190 thousand, recorded in the 2017 accounts under "Other non-current financial assets", to the account "investments in associated companies";
- Recognition in the income statement of the income, equal to Euro 5,631 thousand (including interest portion), relating to the occupation of the spaces located in the Linate and Malpensa airports, following Cassation Court Sentence No. 23454/2018 which rejected the recourse presented by the Customs Agency, confirming the previous sentences. The amount was entirely collected in 2014, following Milan Court Judgement No. 12778/2013, and was recorded in the account "Advances" while awaiting conclusion of all the various levels of appeal.

20. Public grants (Article 1, paragraphs 125-129 of Law 124/2017)

Pursuant to Law No. 124/2017 and subsequent supplements, we communicate that the Group received public grants during the year totalling Euro 451 thousand.

Beneficiary	Provider	Purpose	Collection date	Amount (Euro thousands)
SEA SpA *	Lombardy Region	Grant for regulation works on Lambro river	11/07/2018	**451**

** The loan was received by SEA SpA but was simultaneously forwarded to SEA Prime SpA as the effective owner of the works on November 21, 2018.*

As required by Article 1 Law No. 124/2017, paragraph 126, the grants received over an amount of Euro 10 thousand are listed below.

Beneficiary	Provider	Purpose	Amount (Euro thousands)
La Scala Theatre	SEA SpA	Founding shareholder annual quota	**600**
Telethon Foundation	SEA SpA	Annual contribution to fund scientific research into a cure for muscular dystrophy and other genetic illnesses	**30**
OPES Foundation	SEA SpA	QUID Project 2018	**40**

21. Subsequent events to December 31, 2018

Reference should be made to the Directors' Report.

The Chairman of the Board of Directors

Michaela Castelli

TAM
dnata
dnata
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Auditors' Report

Deloitte.

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
SOCIETÀ PER AZIONI ESERCIZI AEROPORTUALI - SEA S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of Società per Azioni Esercizi Aeroportuali – SEA and its subsidiaries (the "Società per Azioni Esercizi Aeroportuali – SEA Group"), which comprise the Consolidated Statement of Financial Position as at December 31, 2018, the Consolidated Income Statement, the Consolidated Comprehensive Income Statement, Statement of Changes in Consolidated Shareholders' Equity and Consolidated Cash Flow Statement for the year then ended, and explanatory notes, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Società per Azioni Esercizi Aeroportuali – SEA Group as at December 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Società per Azioni Esercizi Aeroportuali - SEA S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Restoration and replacement provision	
Description of the key audit matter	The consolidated financial statements as at December 31, 2018 include the "Restoration and replacement provision" for Euro 137.6 million. The provision includes the best estimate of the present value of the charges the Group will bear to meet its contractual obligations with the Italian Civil Aviation Authority to ensure the functionality, operations and security of the assets under concession.

Deloitte.

The estimation process of the "Restoration and replacement provision" appears articulate and difficult and it is composed of different phases and based on different variables and assumptions that include the planning of the restoration and replacement operations. In particular, the main assumptions are about the assets deterioration, the useful life of the restoration and the charge estimates for operation category.

Given the above, we considered the estimation process of this provision as a key Group audit matter as at December 31, 2018.

The notes 2.7 and 8.14 of the consolidated financial statements as at December 31, 2018 highlight the accounting policies and the 2018 changes of the provision, respectively.

Audit procedures performed	The procedures we carried out to control this matter included the following: • Understanding of the process carried out by the Group to estimate and update the provision; • Understanding of the key controls that the Group carries out to monitor this area and, in reference with the Company, testing of their actual implementation; • Obtaining and analysing the reports drawn by the Operations and Maintenance Division about the planning of the restoration and replacement operations. In particular, we analysed the assumptions underlying the charges computation model and the timing planning of the restoration and replacement operations; • Sample testing of the allocation criteria underlying the restoration percentages by discussion with the business units in-charge of the activity, in order to verify the rationality of the criteria; • Understanding of any change in the regulatory framework that could impact the estimate of the provision value; • Retrospective analysis of the previous year estimation process, including a variation analysis between the actual charges borne compared to previous estimates, with reference to a sample of works completed during 2018, in order to verify the reasons of the variance and the reliability of the estimation process implemented by the Company; • Exam of the disclosure reported in the financial statements notes and its compliance with the relevant accounting standards.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Deloitte.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or for the termination of the operations or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Deloitte.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Società per Azioni Esercizi Aeroportuali - SEA S.p.A. has appointed us on May 4, 2016 as auditors of the Company for the period 2016-2022.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Società per Azioni Esercizi Aeroportuali - SEA S.p.A. are responsible for the preparation of the report on operations including the information required by art. 123-bis, paragraph 2 (b) of SEA Group as at December 31, 2018, including its consistency with the related consolidated financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations including the information required by art. 123-bis, paragraph. 2 (b) of Legislative Decree 58/98, with the consolidated financial statements of Società per Azioni Esercizi Aeroportuali – SEA Group as at December 31, 2018 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations including the information required by art. 123-bis, paragraph 2 (b) is consistent with the consolidated financial statements of Società per Azioni Esercizi Aeroportuali – SEA Group as at December 31, 2018 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the Group and of the related context acquired during the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 254

The Directors of the Company are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

Deloitte.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Marco Pessina
Partner

Milan, Italy
March 18, 2019

This report has been translated into the English language solely for the convenience of international readers.

SEA SpA
Separate Financial Statements

Financial Statements

Statement of Financial Position

(in Euro)	Note	December 31, 2018 Total	December 31, 2018 of which related parties	December 31, 2017 Total	December 31, 2017 of which related parties
Intangible assets	6.1	958,046,357		971,029,047	
Property, plant & equipment	6.2	154,269,436		152,090,253	
Investment property	6.3	3,407,594		3,394,393	
Investments in subsidiaries and associates	6.4	50,445,566		43,255,694	
Other investments	6.5	26,134		26,164	
Deferred tax assets	6.6	55,121,688		52,271,311	
Other non-current financial assets	6.7			7,189,871	
Other non-current receivables	6.8	118,729		212,302	
Total non-current assets		**1,221,435,504**	**0**	**1,229,469,035**	**0**
Inventories	6.9	1,915,141		4,090,966	
Trade receivables	6.10	117,601,550	14,933,566	108,611,501	12,168,396
Current financial receivables	6.11	28,410,346	28,410,346	20,630,136	20,630,136
Tax receivables	6.12	878,585		12,405,721	
Other current financial assets	6.7			13,300,000	
Other current receivables	6.13	6,257,359	2,004,875	7,646,227	
Cash and cash equivalents	6.14	152,983,556		67,128,750	
Total current assets		**308,046,537**	**45,348,787**	**233,813,301**	**32,798,532**
Assets held-for-sale		**0**	**0**	**0**	**0**
TOTAL ASSETS		**1,529,482,041**	**45,348,787**	**1,463,282,336**	**32,798,532**
Share capital	6.15	27,500,000		27,500,000	
Other reserves	6.15	239,601,124		230,782,330	
Net Profit	6.15	123,489,400		76,945,175	
SHAREHOLDERS' EQUITY		**390,590,524**	**0**	**335,227,505**	**0**
Provision for risks and charges	6.16	164,198,271		166,110,866	
Employee provisions	6.17	45,187,506		46,735,743	
Other non-current payables	6.21	13,963,564		17,588,430	
Non-current financial liabilities	**6.18**	**523,605,255**		**546,289,193**	
Total non-current liabilities		**746,954,596**	**0**	**776,724,232**	**0**
Trade payables	6.19	156,586,278	25,220,974	146,833,655	8,890,142
Income tax payables	6.20	17,463,927		7,227,118	41,010
Other current payables	6.21	188,303,215		169,657,859	
Current financial liabilities	**6.18**	**29,583,501**	**541,764**	**27,611,967**	
Total Current Liabilities		**391,936,921**	**25,762,738**	**351,330,599**	**8,931,152**
Liabilities related to assets held-for-sale		**0**	**0**	**0**	**0**
TOTAL LIABILITIES		**1,138,891,517**	**25,762,738**	**1,128,054,831**	**8,931,152**
TOTAL LIAIBILITIES & SHAREHOLDERS' EQUITY		**1,529,482,041**	**25,762,738**	**1,463,282,336**	**8,931,152**

Income Statement

(in Euro)	Note	2018 Total	2018 of which related parties	2017 restated Total	2017 restated of which related parties
Operating revenues*	7.1	663,935,512	55,151,352	626,729,459	47,390,858
Revenue for works on assets under concession	7.2	29,188,489		28,280,955	
Total revenues		**693,124,001**	**55,151,352**	**655,010,414**	**47,390,858**
Personnel costs	7.3	(184,046,956)	903,455	(205,347,807)	687,815
Consumable materials	7.4	(13,489,125)		(10,219,347)	
Other operating costs	7.5	(200,949,140)	(60,820,223)	(184,113,939)	(39,522,977)
Costs for works on assets under concession	7.6	(26,727,727)		(26,005,801)	
Total operating costs		**(425,212,948)**	**(59,916,768)**	**(425,686,894)**	**(38,835,162)**
EBITDA		**267,911,053**	**(4,765,416)**	**229,323,520**	**8,555,696**
Provisions & write-downs	7.7	(3,551,139)		(30,616,367)	
Restoration and replacement provision	7.8	(15,000,000)		(13,509,000)	
Amortisation and Depreciation	7.9	(69,406,668)		(65,480,105)	
EBIT		**179,953,246**	**(4,765,416)**	**119,718,048**	**8,555,696**
Investment income/(charges)	7.10	8,275,885	8,275,885	7,680,099	7,680,099
Financial charges	7.11	(17,646,607)		(18,160,321)	
Financial income	7.11	1,580,491	564,358	1,084,763	839,215
Pre-tax profit		**172,163,015**	**4,074,827**	**110,322,589**	**17,075,010**
Income taxes	7.12	(48,673,615)		(33,377,414)	
Continuing Operations profit		**123,489,400**	**4,074,827**	**76,945,175**	**17,075,010**
Discontinued Operations profit/(loss)		**0**	**0**	**0**	**0**
Net Profit		**123,489,400**	**4,074,827**	**76,945,175**	**17,075,010**

(*) *From 2018, following the entry into force of IFRS 15 which provides for the combined presentation of contracts with a single commercial objective, the incentives provided to airline companies to develop traffic were classified as a reduction of revenues. In 2017, they were classified under Other operating costs. For comparability purposes, the 2017 figures were reclassified.*

Comprehensive Income Statement

(in Euro)	2018	2017
Net Profit	**123,489,400**	**76,945,175**
Other comprehensive income statement items		
- Items reclassifiable in future periods to the net result:		
Profit/(Loss) on fair value measurement of derivative financial instruments cash flow hedge	1,760,708	2,434,925
Tax effect relating to profit/(loss) on fair value measurement of derivative financial instruments cash flow hedge	(422,397)	(584,382)
Total items reclassifiable, net of tax effect	**1,338,311**	**1,850,543**
- Items not reclassifiable in future periods to the net result:		
Actuarial gains/(losses) on post-employment benefits	1,099,090	55,998
Tax effect on actuarial gains/(losses) on post-employment benefits	(263,782)	(13,439)
Total items not reclassifiable, net of tax effect	**835,308**	**42,559**
Total other comprehensive income items	**2,173,619**	**1,893,102**
Total comprehensive profit	**125,663,019**	**78,838,277**

Cash Flow Statement

(in Euro)	2018	2017
Pre-tax profit	172,163,015	110,322,589
Adjustments:		
Amortisation, depreciation and write-downs	69,406,668	65,480,105
Net accruals to provisions & write-downs (including personnel provision)	(1,441,183)	22,568,726
Write-down of other financial assets		3,476,367
Net financial charges	16,066,116	17,075,558
Investment charges (income)	(8,275,885)	(7,680,099)
Repay. Anti-trust (exc. interest portion)		(2,428,680)
Other non-monetary changes	(5,983,381)	15,381,230
Cash flow from operating activities before changes in working capital	**241,935,350**	**224,195,796**
Change in inventories	1,033,503	(99,925)
Change in trade and other receivables	(8,321,248)	(51,336,019)
Change in trade and other payables	31,186,325	731,083
Change other non-current liabilities	(3,624,866)	
Receipt IRES receiv. from click day 2013	10,733,776	
Cash flow from changes in working capital	**31,007,490**	**(50,704,861)**
Income taxes paid	(39,999,143)	(37,963,420)
Anti-trust penalty reimburse. (inc. interest portion)	2,430,343	
Cash flow from operating activities	**235,374,040**	**135,527,515**
Investments in fixed assets:		
- intangible assets [(*)]	(37,165,109)	(30,843,852)
- tangible assets	(18,697,782)	(32,268,400)
- financial assets	30	(250,500)
Divestments from fixed assets:		
- tangible assets	311,107	98,479
Other current financial assets	13,300,000	
Dividends received	6,271,010	7,801,363
Receipt from liquidation of SEA Handling SpA in liquidation		8,405,236
Receipt from liquidation of Consorzio Malpensa Construction in liquidation		93,196
Cash flow from investing activities	**(35,980,744)**	**(46,964,478)**
Change in gross financial debt		
- net increase short & medium-long term debt	(19,830,823)	288,394
Net increase / (decrease) in other financial assets and liabilities	(7,238,447)	18,325,093
Dividends distributed	(70,288,319)	(70,307,263)
Interest and commissions paid	(16,182,750)	(16,747,163)
Interest received	1,849	8,718
Cash flow from financing activities	**(113,538,490)**	**(68,432,221)**
Increase/(decrease) in cash and cash equivalents	**85,854,806**	**20,130,816**
Opening cash and cash equivalents	67,128,750	46,997,934
Closing cash and cash equivalents	152,983,556	67,128,750

[(*)] The investments in intangible assets are net of the utilisation of the restoration provision, which in 2018 amounted to Euro 15,171 thousand (Euro 12,808 thousand in 2017).

Statement of changes in Shareholders' equity

(in Euro)	Share capital	IFRS initial conversion reserve (exc, OCI)	Other Eq, Investments Reserve	Cash Flow Hedge Reserve	Actuarial gains/ (loss,) reserve	Extraordinary reserve	Legal reserve	Other reserves	Total reserves	Net profit	Total Shareholders' Equity
Balance at January 1, 2017	**27,500,000**	**14,813,951**	**1**	**(6,803,722)**	**(1,257,343)**	**138,792,048**	**5,500,000**	**60,288,176**	**211,333,111**	**87,856,117**	**326,689,228**
Transactions with shareholders											
Allocation of 2016 net profit & distrib, of dividends						17,556,117			17,556,117	(87,856,117)	(70,300,000)
Other movements											
Other comprehensive income statement items result				1,850,543	42,559				1,893,102		1,893,102
Net profit										76,945,175	76,945,175
Balance at December 31, 2017	**27,500,000**	**14,813,951**	**1**	**(4,953,179)**	**(1,214,784)**	**156,348,165**	**5,500,000**	**60,288,176**	**230,782,330**	**76,945,175**	**335,227,505**
Transactions with shareholders											
Allocation of 2017 net profit & distrib, of dividends						6,645,175			6,645,175	(76,945,175)	(70,300,000)
Other movements											
Other comprehensive income statement items result				1,338,311	835,308				2,173,619		2,173,619
Impact of application of IFRS 9 (*)				(720)		720					
Net Profit										123,489,400	123,489,400
Balance at December 31, 2018	**27,500,000**	**14,813,951**	**1**	**(3,615,588)**	**(379,476)**	**162,994,060**	**5,500,000**	**60,288,176**	**239,601,124**	**123,489,400**	**390,590,524**

(*) *Effect deriving from the application of the amendments to IFRS 9 - "Financial Instruments" in which the change in the time value in 2017, equal to Euro 720, recorded in the measurement of the contracts deriving from the cash flow hedge model, is recognised directly to Net Equity (Cash flow hedge reserve).*


Emirates

Notes to the Separate Financial Statements

1. General information

Società per Azioni Esercizi Aeroportuali SEA (the **"Company"** or **"SEA"**) is a limited liability company, incorporated and domiciled in Italy according to Italian Law.

The Company's headquarters are located at Milan Linate Airport in Segrate (Milan).

The Company manages Milan Malpensa Airport and Milan Linate Airport under the 2001 Agreement signed between SEA and ENAC with a forty-year duration (renewing the previous agreement of May 7, 1962).

At December 31, 2018, SEA does not hold treasury shares. The ownership structure is as below.

On February 15, 2018, the shares held by the Province of Varese (equal to 0.64% of the share capital) were purchased by 2i Aeroporti SpA, whose holding is therefore 36.39% of the share capital.

Following the issuance of the bond designated "SEA 3 1/8 2014-2021" on April 17, 2014 and the admission to listing of the notes on the regulated market organised and managed by the Irish Stock Exchange, the Company qualified as a Public Interest Entity (PIE) as defined in Article 16, paragraph 1, letter a) of Legislative Decree No. 39/2010.

	Holding
Municipality of Milan	54.81%
Municipality of Busto Arsizio	0.06%
Other public shareholders	0.08%
Total public shareholders	**54.95%**
2i Aeroporti SpA	36.39%
F2i Sgr SpA	8.62%
Other private shareholders	0.04%
Total private shareholders	**45.05%**
Total	**100.00%**

2. Summary of accounting principles adopted

The main accounting principles adopted in the preparation of the separate financial statements of SEA for the year ended December 31, 2018 are reported below.

The financial statements are presented in Euro while the tables included in the explanatory notes are presented in thousands of Euro.

2.1 Basis of preparation

European Regulation (EU) No. 1606/2002 of July 19, 2002 introduced the obligation, from the year 2005, to apply International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and adopted by the European Union for the preparation of the consolidated financial statements of companies listed on regulated European markets. Following the above-mentioned European Regulation, Legislative Decree No. 38 was enacted on February 28, 2005 which governs the option to apply IFRS for the preparation of the consolidated financial statements of non-listed companies. SEA decided to apply this option for the preparation of the consolidated financial statements for the year end December 31, 2006. The same Legislative Decree (fourth paragraph of Article 4) also governs the option to apply IFRS for the preparation of standalone statutory financial statements included in the consolidated financial statements in accordance with IFRS. SEA decided to apply this option from the financial statements for the year ended December 31, 2011. For these separate financial statements, the transition date to IFRS was identified as January 1, 2010. "IFRS" refers to the International Accounting Standards ("IAS") in force, as well as those of the IFRS Interpretation Committee, previously known as the International Financial Reporting Interpretations Committee ("IFRIC"), and before that the Standing Interpretations Committee ("SIC").

The financial statements were prepared in accordance with IFRS in force at the approval date of the financial statements and the provisions enacted as per Article 9 of Leg. Decree No. 38/2005.

In particular the IFRS were applied in a consistent manner for the periods presented in the document. The financial statements were prepared on the basis of the best information on the IFRS and taking into account best practice; any further orientations and interpretative updates will be reflected in subsequent years, in accordance with the provisions of the accounting standards, as detailed below.

The separate Financial Statements were prepared in accordance with the going concern concept, therefore utilising the accounting principles of an operating business. Company Management evaluated that, although within a difficult economic and financial environment, there are no uncertainties on the going concern of the business, considering the existent capitalisation levels and there are no financial, operational, management or other indicators which could indicate difficulty in the capacity of the company to meet its obligations in the foreseeable future, and in particular in the next 12 months.

In relation to the presentation method of the financial statements "the current/non-current" criterion was adopted for the statement of financial position while the classification by nature was utilised for the income statement and the indirect method for the cash flow statement. Where present the balances and transactions with related parties are reported.

The financial statement presentations utilised, as outlined above, are those which best represent the equity and financial position of the company.

For a better presentation of the financial statements, the income statement was presented in two separate statements: *a)* the income statement and *b)* the comprehensive income statement.

The financial statements were prepared in accordance with the historical cost convention, except for the measurement of financial assets and liabilities, including derivative instruments, where the obligatory application of IFRS 9 is required.

The Company, following the "SEA 3 1/8 2014-2021" bond issue on the market, adopted the accounting standards IFRS 8 "Operating Segments" and IAS 33 "Earnings per share", to which reference should be made to the Consolidated Financial Statements Notes 7 and 9.13.

The present financial statements were audited by the independent audit firm Deloitte & Touche S.p.A..

2.2 Accounting standards, amendments and interpretations adopted from January 1, 2018

The International Accounting Standards and amendments which must be applied from January 1, 2018, following completion of the relative endorsement process by the relevant authorities, are illustrated below.

Description	Date endorsed	Publication in the Official Gazette	Effective date as per the standard	Effective date applied by SEA
IFRS 9 Financial instruments	Nov 22, 2016	Nov 29, 2016	Periods which begin from Jan 1, 2018	Jan 1, 2018
IFRS 15 Revenue from contracts with customers	Sep 22, 2016	Oct 29, 2016	Periods which begin from Jan 1, 2018	Jan 1, 2018
Clarifications to IFRS 15 Revenue from contracts with customers	Oct 31, 2017	Nov 9, 2017	Periods which begin from Jan 1, 2018	Jan 1, 2018
Amendment to IFRS 2 Clarification and measurement of share-based payment transactions	Feb 26, 2018	Feb 27, 2018	Periods which begin from Jan 1, 2018	Jan 1, 2018
IFRIC 22 Foreign currency transactions and advance consideration	March 28, 2018	Apr 3, 2018	Periods which begin from Jan 1, 2018	Jan 1, 2018
Amendment to IAS 40 Transfers of investment property	March 14, 2018	March 15, 2018	Periods which begin from Jan 1, 2018	Jan 1, 2018
Annual improvements to IFRS Standards 2014-2016 cycle	Feb 7, 2018	Feb 8, 2018	Periods which begin from Jan 1, 2018	Jan 1, 2018

The adoption of these amendments and interpretations, where applicable, had the following effects on the 2018 financial statements of the Company:

- Following the entry into force of IFRS 15 which provides for the combined presentation of contracts with a single commercial objective, the incentives provided to airline companies to develop traffic were classified as a reduction of revenues. In 2017, they were classified under "Other operating costs". For comparability purposes, the 2017 figures were reclassified. This amendment had no impact on the result for the year. The analysis of the structure of sales contracts linked to the various Company businesses and related accounting are compliant with the other changes introduced by the new accounting standard and, therefore, did not require a change to the Company's financial statements;
- Following the entry into force of IFRS 9 which, relating to the recognition of losses in value of financial assets, requires the application of a model based on the expected credit losses, instead of based on the losses on receivables already incurred required by IAS 39, the Directors compared the credit risk of the respective financial instruments at their initial recognition date and confirmed the values recorded in the financial statements at December 31, 2017;
- IFRS 9 requires, in addition, that the accounting treatment relating to the time value of an option not designated is applied in retrospective manner. At January 1, 2018, therefore, the retained earnings increased by Euro 720 with direct recognition of the change recorded in Net Equity under the cash flow hedge reserve, as representative of the change in the time value in 2017;
- Company investments in equity instruments previously classified under "Investments available for sale" based on IAS 39 were designated, in accordance with IFRS 9, as FVTPL and classified under "Other investments". The changes in the fair value of these equity instruments continue to be recorded in profit or loss.

2.3 Accounting standards, amendments and interpretations not yet applicable and not adopted in advance by the Company

Below we report the International Accounting Standards, interpretations and amendments to existing accounting standards and interpretations, or specific provisions within the standards and interpretations endorsed by the IASB which have not yet been endorsed for adoption in Europe, or where adopted in Europe, at the endorsement date of the present document were not adopted in advance by the Company:

Description	Endorsed at the date of the present document	Effective date as per the standard
IFRS 16 Leases	YES	Periods which begin from Jan 1, 2019
IFRIC 23 Uncertainty over income tax treatments	YES	Periods which begin from Jan 1, 2019
Amendments to IFRS 9 Prepayment features with negative compensation	YES	Periods which begin from Jan 1, 2019
Annual improvements to IFRS standards 2015-2017 Cycle	NO	Periods which begin from Jan 1, 2019
Amendments to IFRS 10 and IAS 28 Sales or contribution of assets between an investor and its associate or joint venture	NO	Periods which begin from Jan 1, 2019
Amendment to IAS 19 Plan amendment Curtailment or Settlement	NO	Periods which begin from Jan 1, 2019
Amendment to IFRS 3 Business Combination	NO	Periods which begin from Jan 1, 2020
Amendment to IAS 1 e IAS 8 Definition of Material	NO	Periods which begin from Jan 1, 2020
IFRS 17 Insurance Contracts	NO	Periods which begin from Jan 1, 2021

No accounting standards and/or interpretations were applied in advance whose application is obligatory for periods commencing after December 31, 2018.

IFRS 16 - Leasing

On January 13, 2016, the IASB published the new standard IFRS 16 - *Leases*, which replaces IAS 17 - *Leases*, as well as the interpretations IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

The new standard provides a new definition of leases and introduces a criterion based on control (right of use) of an asset to distinguish leasing contracts from service contracts, identifying the following as essential differences: the identification of the asset, the right of replacement of the asset, the right to obtain substantially all the economic benefits from the use of the asset and the right to use the asset underlying the contract.

The standard establishes a single model to recognise and measure leasing contracts for the lesses which provides also for the recognition of operating leases under assets with a related financial payable, providing the possibility not to be recognise as leasing contracts "low-value assets" (leasing contracts with an asset value below Euro 5,000) and leasing contracts less than 12 months. This Standard does not contain significant amendments for lessors.

The standard will be effective from January 1, 2019, although advance application is permitted. The Company completed the project to introduce the new standard involving an initial phase of detailed analysis of contracts and of the accounting impacts, and a second phase to introduce and adjust the related administrative processes and the accounting system. The Directors have not applied IFRS 16 in advance. As a lessee, with similar classes of underlying assets, the issues subject to the new accounting standard concerned principally industrial equipment and the long-term hire of vehicles, with the consequent recognition of a right of use of non-current assets equal to the present value of the outstanding instalments and with the counter-entry of a finance lease payable. For the calculation of these amounts, an exemption permitted under IFRS 16 was utilised which resulted in a single discount rate for each leasing portfolio with similar characteristics. The Company opted for application of the "Cumulative Catch-up Approach" for the leasing previously classified as operating leases, which resulted in an increase in right of use of Euro 4.8 million, with the counter-entry of an increase in financial payables for leased assets of the same amount.

IFRIC 23 - Uncertainty over Income Tax Treatments
On June 7, 2017, the IASB published the interpretative document IFRIC 23 – Uncertainty over Income Tax Treatments. The document deals with uncertainties on the tax treatment to be adopted for income taxes. It establishes that uncertainties in the calculation of tax liabilities or assets are reflected in the financial statements only where it is probable that the entity will pay or recover the amount in question. In addition, the document does not contain any new disclosure obligations, but underlines that an entity should establish whether it will be necessary to provide information on considerations made by management and the relative uncertainty concerning the accounting of income taxes, in accordance with IAS 1. The new interpretation applies from January 1, 2019, although early application is permitted. The Directors have not applied IFRIC 23 in advance and are currently assessing the possible effects from the introduction of this interpretation on the Company separate financial statements.

2.4 Accounting policies

Business combinations and goodwill
In the case of the acquisition from third parties of businesses or business combinations, the assets, the liabilities and the contingent liabilities acquired and identifiable are recorded at their fair value at the date of acquisition.

The positive difference between the acquisition cost and the present value of these assets and liabilities are recognised as goodwill and classified in the financial statements as an intangible asset with indefinite life.

Any negative difference ("badwill") is recognised in the income statement at the date of acquisition.

The costs related to business combinations are recognised in the income statement.

Goodwill is initially recorded at cost and subsequently reduced only for loss in value.

Annually, or more frequently if specific events or circumstances indicate the possibility of having incurred a loss in value, the goodwill is subject to an impairment test to identify any loss in value, in accordance with IAS 36 (Impairments); the original value is however not restored if the reasons for the write-down no longer exist.

The goodwill is not revalued, even in application of specific legislation.

Any liabilities related to business combinations for payments subject to conditions are recognised at the acquisition date of the businesses and business units relating to the business combination.

Where all or part of a previously acquired company (whose acquisition produced goodwill) is sold, the corresponding residual value of goodwill is considered when calculating the capital gains or losses generated by such sale.

Intangible assets
An intangible asset is a non-monetary asset, identifiable and without physical substance, controllable and capable of generating future economic benefits. With the exception of "Rights on assets under concession", intangible assets are recorded at purchase and/or production cost, including the costs of bringing the asset to its current use, net of accumulated amortisation, and any loss in value. The intangible assets are as follows:

(a) Rights on assets under concession
The "Rights on assets under concession" represent the right of the Lessee to utilise the asset under concession (so-called intangible asset method) in consideration of the costs incurred for the design and construction of the asset with the obligation to return the asset at the end of the concession. The value corresponds to the "fair value" of the design and construction assets increased by the financial charges capitalised, in accordance with IAS 23, during the construction phase. The fair value of the construction work is based on the costs actually incurred increased by 6%, representing the remuneration of the internal costs for the management of the works and design activities undertaken by the Company which is a mark-up

a third-party general contractor would request for undertaking the same activities, in accordance with IFRIC 12. The lessee must recognise and measure service revenues in accordance with IFRS 15. If the fair value of the services received (specifically the right of use of the asset) cannot be determined reliably, the revenue is calculated based on the fair value of the construction work undertaken. The subsequent accounting of the amount received as financial asset and as intangible asset is described in detail in paragraphs 23-26 of IFRIC 12.

The construction work in progress at the reporting date is measured based on the state of advancement of the work in accordance with IFRS 15 and this amount is reported in the income statement line "Revenues for works on assets under concession'.

Restoration or replacement works are not capitalised and are included in the estimate of the restoration and replacement provision as outlined below.

Assets under concession are amortised over the duration of the concession on a straight-line basis in accordance with the expiry of the concession, as it is expected that the future economic benefits of the asset will be utilised by the lessee. Amortisation begins where the rights in question begin to produce the relative economic benefits.

The accumulated amortisation provision and the restoration and replacement provision ensure the adequate coverage of the charges of restoration and replacement of the components subject to wear and tear of the assets under concession.

Reference should be made to the subsequent paragraph "Provision for risks and charges - *Restoration and replacement provision of assets under concession"*.

Where events arise which indicate a reduction in the value of these intangible assets, the difference between the present value and the recovery value is recognised in the income statement.

(b) Industrial patents and intellectual property rights

Patents, concessions, licenses, trademarks and similar rights
Trademarks and licenses are amortised on a straight-line basis over the estimated useful life.

Computer software
Software costs are amortised on a straight-line basis over three years, while software programme maintenance costs are charged to the income statement when incurred.

Intangible assets with definite useful life are annually tested for losses in value or where there is an indication that the asset may have incurred a loss in value. Reference should be made to the paragraph below "Impairments".

Property, plant & equipment
Tangible fixed assets include property, part of which under the scope of IFRIC 12, and plant and equipment.

Property
Property, in part financed by the State, relates to tangible assets acquired by the Company in accordance with the 2001 Agreement (which renewed the previous concession of May 7, 1962). The 2001 Agreement provides for the obligation of SEA to maintain and manage airport assets for the undertaking of such activities and the right to undertake structural airport works, which remain the property of SEA until the expiry of the 2001 Agreement, i.e. May 4, 2041. The fixed assets in the financial statements are reported net of State grants.

Depreciation of property is charged based on the number of months held on a straight-line basis, which depreciates the asset over its estimated useful life. Where this latter is beyond the date of the end of the concession, the amount is depreciated on a straight-line basis until the expiry of the concession. Applying the principle of the component approach, when the asset to be depreciated is composed of separately identifiable elements whose useful life differs significantly from the other parts of the asset, the depreciation is calculated separately for each part of the asset.

For land, a distinction is made between land owned by the Company, classified under property, plant and equipment and not subject to depreciation and expropriated areas necessary for the extension of the Malpensa Terminal, classified under "Assets under concession" and amortised over the duration of the concession.

The free granting of assets is recognised at market value, according to independent technical expert opinions.

Plant & Equipment
These are represented by tangible fixed assets acquired by the Company which are not subject to the obligation of free devolution.

Plant and equipment are recorded at purchase or production cost and, only with reference to owned assets, net of accumulated depreciation and any loss in value. The cost includes charges directly incurred for bringing the asset to their condition for use, as well as dismantling and removal charges which will be incurred consequent of contractual obligations, which require the asset to be returned to its original condition.

The expenses incurred for the maintenance and repairs of an ordinary and/or cyclical nature are directly charged to the income statement when they are incurred. The capitalisation of the costs relating to the expansion, modernisation or improvement of owned tangible assets or of those held in leasing, is made only when they satisfy the requirements to be separately classified as an asset or part of an asset in accordance with the component approach, in which case the useful life and the relative value of each component is measured separately.

Depreciation is charged to the income statement based on the number of months held on a straight-line basis, which depreciates the asset over its estimated useful life. Where this latter is beyond the date of the end of the concession, the amount is depreciated on a straight-line basis until the expiry of the concession. Applying the principle of the component approach, when the asset to be depreciated is composed of separately identifiable elements whose useful life differs significantly from the other parts of the asset, the depreciation is calculated separately for each part of the asset.

The depreciation rates for owned assets, where no separate specific components are identified are reported below:

Loading and unloading vehicles	10.0%
Runway equipment	31.5%
Various equipment	25.0%
Furniture and fittings	12.0%
Transport vehicles	20.0%
Motor vehicles	25.0%
EDP	20.0%

The useful life of property, plant and equipment and their residual value are reviewed and updated, where necessary, at least at the end of each year.

Tangible assets are annually tested for losses in value or where there is an indication that the asset may have incurred a loss in value. Reference should be made to the paragraph below “Impairments”.

Investment property
This account includes owned buildings not for operational use. Investment property is initially recognised at cost and subsequently measured utilising the amortised cost criteria, net of accumulated depreciation and losses in value.

Depreciation is calculated on a straight-line basis over the useful life of the building.

Investments in subsidiaries and associates
The investments in subsidiaries and associated companies are measured at purchase cost (including any direct accessory costs), reduced for impairments in accordance with IAS 36.

Any positive difference, arising on acquisition from third parties, between the purchase cost and fair value of net assets acquired in an investee company is included in the carrying amount of the investment.

Investments in subsidiaries and associates are tested annually for impairment or more frequently if evidence of impairment exists. Where an impairment loss exists, it is recognised immediately through the income statement. Where the share of losses pertaining to the company in the investment exceeds the carrying value of the investment, and the company has an obligation to cover such losses, the investment is written down and the share of further losses is recorded as a provision for risks and charges under liabilities in the balance sheet. If an impairment loss is subsequently reversed, the increase in carrying amount (up to a maximum of purchase cost) is recognised through the income statement.

Impairments
At each reporting date, the property, plant and machinery, intangible assets and investments in subsidiaries and associated companies are analysed in order to identify any indications of a reduction in value. Where these indications exist, an estimate of the recoverable value of the above-mentioned assets is made, recording any write down compared to the relative book value in the income statement. The recoverable value of an asset is the higher between the fair value less costs to sell and its value in use, where this latter is the fair value of the estimated future cash

flows for this asset. For an asset that does not generate sufficient independent cash flows, the realisable value is determined in relation to the cash-generating unit to which the asset belongs. In determining the fair value consideration is taken of the purchase cost of a specific asset which takes into account a depreciation coefficient (this coefficient takes into account the effective conditions of the asset). In defining the value in use, the expected future cash flows are discounted utilising a discount rate that reflects the current market assessment of the time value of money, and the specific risks of the activity. A reduction in value is recognised to the income statement when the carrying value of the asset is higher than the recoverable amount. When the reasons for the write-down no longer exist, the book value of the asset (or of the cash-generating unit) is restated through the income statement, up to the value at which the asset would be recorded if no write-down had taken place and amortisation and depreciation had been recorded.

Financial assets

On initial recognition, the financial assets are classified, in accordance with IFRS 9, in one of the following categories based on the business model of the Company for the management of the financial assets and the characteristics relating to the contractual cash flows of the financial assets.

The financial assets represented by equity instruments of other entities (i.e. investments in companies other than subsidiaries, associates and joint control companies), not held for trading purposes, may be classified in the category FVOCI. This choice, made instrument by instrument, requires that the fair value changes are recognised under "Other items of the comprehensive income statement" and are not subsequently recognised through profit or loss either on sale or on its impairment.

Despite that reported above, on initial recognition it is possible to irrevocably designate the financial asset as measured at fair value recognised through profit or loss if this eliminates or significantly reduces an incoherence in the measurement or in the recognition (sometimes defined as "accounting asymmetry") which would otherwise result in a measurement on another basis.

During the current year SEA applied IFRS 9 Financial instruments (as revised in July 2014) and the relative consequent amendments. The Company decided to restate its comparative figures in terms of classification and measurement of the financial instruments. The Directors reviewed and measured the financial assets of the Company held at January 1, 2018 on the basis of the facts and circumstances at that date and concluded that the initial application of IFRS 9 had a non-material impact on the financial assets of the Company both in relation to their classification and measurement:

- Company investments in equity instruments previously classified under "Investments available for sale" based on IAS 39 were designated as FVTPL and classified under "Other investments". The changes in the fair value of these equity instruments continue to be recorded in profit or loss.
- The financial assets classified as held to maturity and the loans and receivables which based on IAS 39 were measured at amortised cost continue to be measured at amortised cost based on IFRS 9 as held within a business model whose objective is to collect the contractual cash flows and these cash flows comprise solely payments of principal and interest on the amount of the capital to be repaid.
- In relation to the loss in value of the financial assets, IFRS 9 requires the application of a model based on expected

Category	Business Model	Characteristics of the cash flows
Amortised cost	The financial asset is held in order to collect the contractual cash flows	The cash flows are exclusively represented by payments of interest and the repayment of principal
Fair value through other comprehensive income (also "FVOCI")	The financial asset is held to collect the contractual cash flows, both deriving from sale and operating activities	The cash flows are exclusively represented by payments of interest and the repayment of principal
Fair value through profit or loss (also "FVTPL")	Differing from that under amortised cost and FVOCI	Differing from that under amortised cost and FVOCI

credit losses, instead of based on the losses on receivables already incurred required by IAS 39. The Directors compared the credit risk of the respective financial instruments at their initial recognition date and confirmed the values recorded in the financial statements at December 31, 2017.

None of the other reclassifications of financial assets impacted on the financial position, result for the year or comprehensive result of the Company in either years.

Derivative financial instruments
Derivative financial instruments are classified as hedging instruments, in accordance with paragraph 6.4 of IFRS 9, when the relation between the derivative and the hedged item is formally documented and the effectiveness of the hedge, periodically verified, is high.

The hedging relations are of three types:

1. *fair value hedge* in the case of hedging the exposure against changes in the fair value of assets or liabilities recorded which is attributable to a risk which could impact the result for the year. The profit or losses on the hedging instrument are recorded in the income statement (or in "Other items of the comprehensive income statement", if the hedging instrument hedges an equity instrument for which the Company has chosen to present the changes in fair value under "Other items of the comprehensive income statement");
2. *cash flow hedge* in the case of hedging the exposure against changes in the cash flows attributable to a particular risk associated with all the assets or liabilities recorded or one of their components or a highly probable scheduled transaction and which could impact on the result for the year. The hedging is recorded as follows: a) the net equity reserve for the hedging of the cash flows is adjusted to the lower between the cumulative profit or loss on the hedging instrument from the commencement of the hedge and the cumulative change in the fair value of the item hedged from the commencement of the hedge; b) the part of the profit or loss on the hedging instrument which is an effective hedge is recorded in a net equity reserve (and in specifically under "Other items of the comprehensive income statement"). Any residual profit or loss on the hedge instrument represents the ineffective part of the hedge which is recorded in the income statement in the account "Financial income/charges";
3. hedges of a net investment in a foreign operation (as defined in IAS 21), recognised in a similar manner to the hedging of financial cash flows.

The hedging relations of the Company at January 1, 2018 which satisfied the admissibility criteria also qualified for hedge accounting based on IFRS 9 and therefore were considered as continuing hedging relationships. As the fundamental elements of the hedging instruments correspond to the item hedged, all the hedging relations continue to be effective based on the evaluation of the effectiveness criteria of IFRS 9. When the option contracts are utilised to hedge highly probable scheduled transactions, the Company only designates the intricate value of the options as hedging instruments. Based on IFRS 9, the changes in the time value of options relating to the item hedged are recognised in the other items of the comprehensive income statement and are accumulated in the hedge reserve under net equity. IFRS 9 requires that the accounting treatment relating to the time value of an option not designated is applied in retrospective manner. At January 1, 2018, therefore, the extraordinary reserve increased by Euro 720 with direct recognition of the change recorded in Net Equity under the cash flow hedge reserve, as representative of the change in the time value in 2017. As an exception to that illustrated above, the application of the criteria of IFRS 9 on the accounting treatment of hedging operations had no other impacts on the Company with reference to the current year and the comparative year. Reference should be made to Note 4.2 for further information in relation to the management of the risk of the Company.

Trade and other receivables
The trade and other receivables which do not have a significant financing component (determined in accordance with IFRS 15) are initially recognised at transaction price, adjusted to take into account expected losses over the duration of the receivable. The transaction price is the amount of the payment which the entity considers it is entitled to in exchange for transferring the promised goods or services to the client, excluding payments on behalf of third parties. The payment promised in the contract with the client may include fixed amounts, variable amounts or both.

The reduction in value for the recognition and measurement of the doubtful debt provision follows the criteria indicated in paragraph 5.5 of IFRS 9. The objective is to recognise the expected losses over the entire duration of the receivable considering all reasonable and demonstrable information, including indications of expected developments.

Receivables are therefore reported net of the provision for doubtful debts. If in subsequent periods the reduction in the value of the asset is confirmed, the doubtful debt provision is utilised against charges; otherwise, where the reasons for the previous write-down no longer exist, the value of the asset is reversed up to the transaction price. For further information, reference should be made to Note 4.1.

Inventories
Inventories are measured at the lower of average weighted purchase and/or production cost and net realisable value or replacement cost. The valuation of inventories does not include financial charges.

Inventories are shown net of the obsolescence provision to adjust inventories to their realisable or replacement value.

Cash and cash equivalents
Cash and cash equivalents include cash, bank deposits, and other short-term forms of investment readily available, due within three months. At the reporting date, bank overdrafts are classified as financial payables under current liabilities. Cash and cash equivalents are recorded at fair value.

Provisions for risks and charges
The provisions for risks and charges are recorded to cover known or likely losses or liabilities, the timing and extent of which are not known with certainty at the reporting date. They are recorded only when there exists a current obligation (legal or implicit) for a future payment resulting from past events and it is probable that the obligation will be settled. This amount represents the best estimate less the expenses required to settle the obligation.

Possible risks that may result in a liability are disclosed in the notes under the section on commitments and risks without any provision.

Restoration and replacement provision of assets under concession
The accounting treatment of the works undertaken by the lessee on the assets under concession, as per IFRIC 12, varies depending on the nature of the work: normal maintenance on the asset is considered ordinary maintenance and therefore recognised in the income statement; replacement work and programmed maintenance of the asset at a future date, considering that IFRIC 12 does not provide for the recognition of a physical asset but a right, must be recognised in accordance with IAS 37 - "Provisions and potential liabilities" – which establishes recognition to the income statement of a provision and the recording of a

provision for charges in the statement of financial position.

The restoration and replacement provision of the assets under concession include, therefore, the best estimate of the present value of the charges matured at the reporting date for the programmed maintenance in the coming years and until the end of the concession and undertaken in order to ensure the functionality, operations and security of the assets under concession.

It should be noted that the restoration and replacement provision of the assets refers only to fixed assets within the scope of IFRIC 12 (assets under concession classified to intangible assets).

Employee provisions

Pension provisions

The company has both defined contribution plans (National Health Service Contributions and INPS pension plan contributions) and defined benefit plans.

A defined contribution plan is a plan in which SEA participates through fixed payments to third party fund operators, and in relation to which there are no legal or other obligation to pay further contributions where the fund does not have sufficient assets to meet the obligations of the employees for the period in course and previous periods. For the defined contribution plans, SEA pays contributions, voluntary or established contractually, to public and private pension funds. The contributions are recorded as personnel costs in accordance with the accruals principle. The advanced contributions are recorded as an asset which will be repaid or offset against future payments where due.

A defined benefit plan is a plan not classified as a contribution plan. In the defined benefit programmes, the amount of the benefit to be paid to the employee is quantifiable only after the termination of the employment service period, and is related to one or more factors such as age, years of service and remuneration; therefore, the relative charge is recognised to the income statement based on actuarial calculations. The liability recorded in the accounts for defined benefit plans corresponds to the present value of the obligation at the reporting date, net, where applicable, of the fair value of the plan assets. The obligations for the defined benefit plans are determined annually by an independent actuary utilising the projected unit credit method. The present value of the defined benefit plan is determined discounting the future cash flows at an interest rate equal to the obligations (high-quality corporate) issued in the currency in which the liabilities will be settled and takes into account the duration of the relative pension plan.

The actuarial gains and losses, in accordance with IAS 19R, are recorded directly under equity in a specific reserve account "Reserve for actuarial gains/loss".

We report that, following amendments made to the leaving indemnity regulations by Law No. 296 of December 27, 2006 and subsequent Decrees and Regulations issued in the first half of 2007, the leaving indemnity provision due to employees in accordance with Article 2120 Civil Code is classified as defined benefit plans for the part matured before application of the new legislation and as defined contribution plans for the part matured after the application of the new regulation.

Post-employment benefits

Post-employment benefits are paid to employees when the employee terminates his employment service before the normal pension date, or when an employee accepts voluntary termination of the contract. The Company records post-employment benefits

when it is demonstrated that the termination of the employment contract is in line with a formal plan which determines the termination of the employment service, or when the provision of the benefit is a result of a leaving indemnity programme.

Financial liabilities
Financial liabilities and other commitments to be paid, with the exclusion of the categories indicated in paragraph 4.2 of IFRS 9, are initially measured at amortised cost, using the effective interest rate. When there is a change in the expected cash flows and it is possible to estimate them reliably, the value of the payables is recalculated to reflect this change, based on the new present value of the expected cash flows and on the internal yield initially determined. The financial liabilities are classified under current liabilities, except when the Company has an unconditional right to defer their payment for at least 12 months after the reporting date.

Purchases and sales of financial liabilities are recognised at the valuation date of the relative transaction.

Financial liabilities are derecognised from the statement of financial position when they expire and the Company has transferred all the risks and rewards relating to the instrument.

Trade and other payables
Trade and other payables are initially recognised at amortised cost.

Reverse factoring transactions - indirect factoring
In order to ensure easy access to credit for its suppliers, the Company has entered into reverse factoring or indirect factoring agreements (with recourse). Based on the contractual structures in place, the supplier has the possibility to assign the receivables claimed from the Company at its own discretion to a lending institution and cash in the amount before maturity.

Invoice payment terms are non-interest bearing as they do not involve further extensions agreed upon between the supplier and the Company.

In this context, the relationships for which the primary obligation is maintained with the supplier and any extension, where granted, do not involve a change in payment terms, retain their nature and therefore remain classified as commercial liabilities.

Revenue recognition
Revenues are recognised when the transfer to the client of the goods or services promised is expressed in an amount (expressed net of value added taxes and discounts) which reflects the expected consideration to be received in exchange for the goods or services.

Recognition occurs when (or over time) the Company complies with the obligation to transfer to the client the goods or service (or the asset) promised. The asset is transferred when (or over time) the client acquires control. Control of the asset is the capacity to decide upon the use of the asset and to obtain substantially all the remaining benefits. Control includes the capacity to prevent other entities to use the asset and obtain benefits. The benefits of the assets are the potential cash flows (cash inflows or savings on outflows) which may be obtained directly or indirectly.

For each obligation to be complied with over time, the revenues are recognised over the time period, evaluating the progression towards complete compliance with the obligation.

The revenues generated by the company concern the sale of goods and services during the period, for which reference should be made to Note 7.1; as per IFRS 15.114 the Company aggregates the revenues recorded deriving from contracts with customers

into categories which illustrate how the economic factors impact upon the nature, the amount, the timing and the level of uncertainty of the revenues and of the cash flows.

The revenues are recorded net of the incentives granted to airlines, based on the number of passengers transported and invoiced by the airlines to the Company for (i) the maintenance of traffic at the airport or (ii) the development of traffic through increasing existing routes or launching new routes.

Revenue for works on assets under concession

Revenues on construction work are recognised in relation to the state of advancement of works in accordance with the percentage of completion method and on the basis of the costs incurred for these activities increased by a mark-up of 6% representing the best estimate of the remuneration of the internal costs of the management of the works and design activities undertaken by SEA, the mark-up which would be applied by a general contractor (as established by IFRIC 12).

Government Grants

Public grants, in the presence of a formal resolution from the issuer, are recorded on an accrual basis in direct correlation to the costs incurred (IAS 20).

Capital grants

Capital public grants relating to property, plant and equipment are recorded as a reduction in the acquisition value of the assets to which they refer.

Operating grants

Operating grants are recorded in the income statement in the account "Operating income".

Recognition of costs

Costs are recognised when relating to assets or services acquired or consumed in the year or by systematic allocation.

Financial income

Financial income is recognised on an accruals basis and includes interest income on funds invested, foreign currency gains and income deriving from financial instruments, when not offset by hedging operations. Interest income is recorded in the income statement at the moment of maturity, considering the effective yield.

Financial charges

Financial charges are recorded on an accrual basis and include interest on financial payables calculated using the effective interest method and currency losses. The financial charges incurred on investments in assets for which a significant period of time is usually needed to render the assets available for use or sale (qualifying assets) are capitalised and amortised over the useful life of the class of the assets to which they refer in accordance with the provisions of the new version of IAS 23.

Income taxes

Current IRES and IRAP income taxes are calculated based on the assessable income for the year, applying the current tax rates at the reporting date.

Deferred taxes are calculated on all differences between the assessable income of an asset or liability and the relative book value, with the exception of goodwill. Deferred tax assets for the portion not compensated by deferred tax liabilities are recognised only for those amounts for which it is probable there will be future assessable income to recover the amounts. The deferred taxes are calculated utilising the tax rates which are expected to be applied in the years when the temporary differences will be realised or settled. Deferred tax assets are recorded when their recovery is considered probable. These assets and liabilities are not recognised if the temporary differences deriving from the goodwill or the initial recognition (not in business combination) of other assets or liabilities in operations do not have an impact on the accounting result or on the assessable fiscal result.

The carrying value of deferred tax assets is revised at the end of the year and reduced to the extent that it is no longer likely that there will be sufficient taxable income against which to recover all or part of the assets.

Current and deferred income taxes are recorded in the income statement, except those relating to accounts directly credited or debited to equity, in which case the fiscal effect is recognised directly to equity and to the Comprehensive Income Statement. Taxes are compensated when applied by the same fiscal authority, there is a legal right of compensation and the payment of the net balance is expected.

Other taxes not related to income, such as taxes on property, are included under "Other operating expenses".

Dividends

Payables for dividends to shareholders are recorded in the year in which the distribution is approved by the Shareholders' Meeting.

3. Estimates and assumptions

The preparation of the financial statements requires the Directors to apply accounting principles and methods that, in some circumstances, are based on difficulties and subjective valuations and estimates based on the historical experience and assumptions which are from time to time considered reasonable and realistic under the relative circumstances. The application of these estimates and assumptions impact upon the amounts reported in the financial statements, such as the balance sheet, the income statement and the cash flow statement, and on the disclosures in the notes to the accounts.

The accounting principles which, relating to the Company, require greater subjectivity by the Directors in the preparation of the estimates and for which a change in the underlying conditions or the assumptions may have a significant impact on the financial statements are briefly described below.

(a) Impairments
The tangible and intangible assets and investments in subsidiaries and associated companies and property investments are verified to ascertain if there has been a loss in value which is recorded by means of a write-down, when it is considered there will be difficulties in the recovery of the relative net book value through use. The verification of the existence of the above-mentioned indicators requires the Directors to make valuations based on the information available internally and from the market, as well as historical experience. In addition, when it is determined that there may be a potential reduction in value, the Company determines this through using the most appropriate technical valuation methods available. The correct identification of the indicators of the existence of a potential reduction in value as well as the estimates for their determination depends on factors which may vary over time impacting upon the valuations and estimates made by the Directors. Reference should be made in addition to the paragraph below "Impairments".

(b) Amortisation & depreciation
Depreciation represents a significant cost for the Company. The cost of property, plant and equipment is depreciated on a straight-line basis over the estimated useful life of the relative assets and components. The useful life of the fixed assets is determined by the Directors when the fixed assets are purchased. This is based on the historical experiences for similar fixed assets, market conditions and considerations relating to future events which could have an impact on the useful life, such as changes in technology. Therefore, the effective useful life may be different from the estimated useful life. The Company periodically evaluates technological and sector changes to update the residual useful life. This periodic update could result in a change in the depreciation period and therefore in the depreciation charge in future years.

(c) Provisions for risks and charges
The Company may be subject to legal disputes, in relation to taxation or employment issues, based on particularly complex circumstances of varying degrees of uncertainty, according to the facts and circumstances, jurisdiction and laws applicable to each case.

Considering the inexact nature of these issues, it is difficult to predict with certainty any future payments required.

Therefore, Management, having consulted with its legal and tax advisers, recognises a liability against these disputes when a financial payment is considered probable and the amount of the losses arising may be reasonably estimated. In the case in which a payment is considered possible, but is not yet determinable, such is reported in the explanatory notes.

Provisions are recorded against risks of a legal and tax nature and employee disputes. The amount of the provisions recorded in the financial statements relating to these risks therefore represents the best estimate at that date made by the Directors. This estimate results in the adoption of assumptions concerning factors which may change over time and which may, therefore, have significant effects compared to the present estimates made by the Directors for the preparation of the financial statements. In addition, the restoration and replacement provision of the assets under concession, recorded in accordance with IFRIC 12, includes the best estimate of the charges matured at the reporting date for scheduled maintenance in future years in order to ensure the functionality, operations and security of the assets under concession.

(d) Trade receivables
Company evaluates the expected losses on trade receivables in order to reflect, through a specific doubtful debt provision, the realisable value utilising reasonable and demonstrable information available, without excessive costs or effort at the reporting date on past events, current conditions and future economic conditions.

The doubtful debt provision represents the best estimate at the reporting date made by the Directors. This estimate is based on facts and expectations which may change over time and which may, therefore, have significant effects compared to the present estimates made by the Directives for the preparation of the separate financial statements.

4. Risk Management

The risk management strategy of the Company is based on minimising potential negative effects related to the financial and operating performance. Some types of risk are offset through recourse to derivative instruments.

The management of the above-mentioned risks is undertaken through identifying, evaluating and undertaking the hedging of financial risks.

4.1 Credit risk

The credit risks represent the exposure of SEA to potential losses deriving from the non-compliance of obligations by trading and financial partners.

This risk is primarily of an economic/financial nature, or rather the possibility of the default of a counterparty, and also factors of a technical/commercial or administrative/legal nature.

For SEA the credit risk exposure is largely related to the deterioration of a financial nature of the principle airline companies which incur on the one hand the effects of the seasonality related to aviation operations, and on the other consequences of geopolitical events which impact upon the air transport sector (wars, epidemics, atmospheric events, rise in oil prices and economic/financial crises).

In order to control this risk, SEA has implemented procedures and actions to monitor the expected cash flows and recovery actions.

In application of internal credit policies, clients are requested to procure the release of guarantees: this typically relates to first-demand bank guarantees issued by primary credit institutions or guarantee deposits.

In relation to the payment terms applied for the majority of the clients, credit terms are largely concentrated within 30 days from the relative invoicing.

Trade receivables are reported in the financial statements net of doubtful debt provisions, which are prudently made based on the underlying disputes at the reporting date. The doubtful debt provision necessary to adjust the nominal value to the realisable value is determined analysing all receivables and utilising all available information on the debtor.

A summary of trade receivables with third parties and the relative doubtful debt provisions is reported below.

(Euro thousands)	December 31, 2018	December 31, 2017
Trade receivables - customers, gross of doubtful debt provision	203,135	196,242
- of which overdue	123,348	119,956
Doubtful debt provision - customers	(100,467)	(99,799)
Total trade receivables - customers	**102,668**	**96,443**

Receivables transferred following factoring operations are eliminated from the balance sheet only when the related risks and benefits of ownership have been substantially transferred. Non-recourse receivables which do not satisfy these requisites remain on the balance sheet of the company, even if legally transferred. In this case a financial liability of a similar amount is recorded under liabilities against advances received.

The breakdown of overdue receivables at December 31, 2018 and the previous year is shown below:

TRADE RECEIVABLES - CUSTOMERS

(Euro thousands)	December 31, 2018	December 31, 2017
Trade receivables - customers	203,135	196,242
Of which overdue	123,348	119,956
- less than 180 days	21,557	23,505
- over 180 days	101,791	96,451
% overdue receivables	60,7%	61,1%
% overdue receivables of less than 180 days	10,6%	12,0%
% overdue receivables of more than 180 days	50,1%	49,1%

The table below illustrates the gross trade receivables at December 31, 2018 and 2017, as well as the breakdown of receivables from counterparties under administration and in dispute, with indication of the bank and insurance sureties and deposit guarantees provided.

TRADE RECEIVABLES - CUSTOMERS

(Euro thousands)	December 31, 2018	December 31, 2017
Trade receivables - customers	203,135	196,242
(i) receivables from parties subject to administration procedures	95,645	94,715
(ii) receivables subject to dispute	19,179	20,625
Total trade receivables, net of the receivables at points (i) and (ii)	**88,311**	**80,902**
Overdue receivables, other than at points (i) and (ii)	8,524	4,616
Sureties and deposits	56,849	55,143
% of receivables guaranteed by sureties and deposits vs total trade receivables, net of the receivables at points (i) and (ii)	64.4%	68.2%

The doubtful debt provision was amended in accordance with the methods described in IFRS 9, whose application is obligatory from January 1, 2018. A key element of the new standard is the transition from the concept of 'Incurred Loss' to that of 'Expected Loss': the doubtful debt provision must be determined by taking into account the risks of non-collection related not only to past-due receivables but also on those falling due. There is, therefore, a need to determine a 'risk ratio', representative of the riskiness of commercial counterparties, which varies according to the credit position (performing or expired, with different bands for those that expired based on overdue days). A provision matrix was therefore constructed for the write-down of trade receivables. This matrix provides rating classes in rows and the different bands of past-due or falling due in columns. The calculated risk ratio represents the probability that the client does not honour its debt and the percentage of credit, obtained from a historical analysis, with the possibility of the client being in default. Forward looking elements were also utilised, such as the possibility of management undertaking further provisions, notwithstanding the indications taken from the matrix. The provision was recalculated at December 31, 2017 in accordance with the matrix, and the difference recorded with the provision calculated in the 2017 accounts was not material. This result is justified by the fact that the evaluation model in use until December 2017 also includes forward looking elements that allow management to value the expected loss. The estimates concerning applicable risk and general economic developments are included in the definition of the rating model and therefore are constantly updated to reflect the effective risk, in order to ensure a complete coverage of the credit risk encountered by the company.

4.2 Market risks

The market risk to which SEA is exposed comprises all types of risks directly and indirectly related to market prices. In 2018, the market risks to which SEA were subject were:

a. interest rate risk;
b. currency risk;
c. price risk of commodities.

a) Interest rate risk

SEA is exposed to the risk of changes in interest rates in relation to the necessity to finance its operating activities and the use of available liquidity. The changes in interest rates may impact positively or negatively on the results of the Company, modifying the costs and returns on financial and investment operations.

SEA manages this risk through

an appropriate mixture between fixed and variable rate loans, with the objective to mitigate the economic effect of the volatility of the interest rates.

Variable interest loans expose the Company to a risk originating from the volatility of the interest rates (cash flow risk). Relating to this risk, for the purposes of the relative hedging, SEA makes recourse to derivative contracts, which converts the variable rate to a fixed rate or limits the fluctuations in variable rates over a range, in this manner reducing the risk originating from the volatility of the rates. We highlight that these derivative contracts, underwritten exclusively for the purposes of hedging market rate volatility, are recorded through the cash flow hedge method.

At December 31, 2018 the gross financial debt of SEA was comprised of medium/long-term loans (medium/long term portions of loans) and short-term loans (exclusively medium/long-term portion of loans maturing within 12 months). At the reporting date, the company does not hold any short-term debt.

The medium/long term debt at December 31, 2018 is reported in the following table, which shows each loan at the nominal value (which includes a spread of between 0.20% and 1.62%, not considering the effect of the hedging operations and the cost of the relative guarantees):

MEDIUM/LONG-TERM LOANS AT DECEMBER 31, 2018 AND 2017

		December 31, 2018		December 31, 2017	
(Euro thousands)	Maturity	Amount	Average rate	Amount	Average rate
Bonds	**2021**	**300,000**	**3.125%**	**300,000**	**3.125%**
Bank loans - EIB funding	**from 2019 to 2037**	**242,083**	**1.03%**	**261,849**	**1.08%**
o/w at Fixed Rate		44,971	3.90%	51,557	3.89%
o/w at Variable Rate (*)		197,112	0.38%	210,292	0.39%
Other bank loans	**2020**	**88**	**0.50%**	**154**	**0.50%**
o/w at Fixed Rate		88	0.50%	154	0.50%
o/w at Variable Rate					
Medium/long-term gross financial debt		**542,171**	**2.19%**	**562,003**	**2.17%**

(*) Includes: (i) variable rate tranche subject to interest rate hedge (ca. 30% at 31.12.2018 & 32% at 31.12.2017);
(ii) Euro 80 million of EIB loans with specific bank guarantee.

The total value of medium/long-term loans at December 31, 2018 amounts to Euro 542,171 thousand, a reduction of Euro 19,832 thousand compared to the previous year, due to repayments on these loans.

The average cost of this debt remained stable amounting to 2.19% at December 31, 2018. Also considering the hedging transactions against the interest rate risk and the cost of bank guarantees on EIB loans, the average cost of debt amounts to 2.78%, stable compared to December 2017.

Overall, the total medium/long-term debt at a variable rate not hedged by the Company at December 31, 2018 was approx. 25.3% of total debt.

At December 31, 2018, SEA has the following bond issue with a total nominal value of Euro 300,000 thousand.

Description	Issuer	Listing market	ISIN Code	Terms (years)	Maturity	Par value (in million of Euro)	Coupon	Annual rate
SEA SpA 3 1/8 04/17/21	SEA SpA	Irish Stock Exchange	XS 1053334373	7	04/17/2021	300	Fixed annual	3.125%

The fair value of the overall bank and bond medium/long-term SEA debt at December 31, 2018 amounted to Euro 562,361 thousand (Euro 593,482 thousand at December 31, 2017) and was calculated as follows:

- for the loans at fixed interest rates, the capital portion and interest were discounted utilising the spot rates for each contractual maturity, extrapolated from the market rates;
- for the bond listed on a regulated market, reference was made to the market value at December 31, 2018;
- for the loans at variable interest rates, the interest portion was calculated utilising the estimate of the expected rates at the end of each contractual maturity, increased by the spread defined contractually. The interest portion defined as outlined above and the capital on maturity was discounted utilising the spot rate for each contractual maturity, extrapolated from the market rate.

The following table reports the derivative instruments utilised by SEA to hedge the interest rate risk (measured based on the cash flow hedge method).

INTEREST RATE HEDGES

€/000	Notional at sign. date	Residual Notional at December 31, 2018	Date of sign.	Start	Maturity	Fair value at December 31, 2018	Fair value at December 31, 2017
IRS	10,000	7,742	5/18/2011	9/15/2012	9/15/2021	(771.8)	(1,020.4)
	5,000	3,871	5/18/2011	9/15/2012	9/15/2021	(385.9)	(510.2)
	15,000	10,345	5/18/2011	9/15/2012	9/15/2021	(1,003.8)	(1,342.3)
	10,000	6,071	6/6/2011	9/15/2012	9/15/2021	(555.8)	(751.5)
	11,000	6,448	6/6/2011	9/15/2012	9/15/2021	(589.5)	(796.9)
	12,000	6,621	6/6/2011	9/15/2012	9/15/2021	(598.6)	(811.7)
	12,000	6,621	6/6/2011	9/15/2012	9/15/2021	(598.6)	(811.7)
Collar	10,000	6,071	6/6/2011	9/15/2011	9/15/2021	(446.8)	(596.6)
	11,000	6,069	6/6/2011	9/15/2011	9/15/2021	(436.4)	(586.8)
Total	**96,000**	**59,859**				**(5,387.2)**	**(7,228.1)**

"-" indicates cost for the SEA Group of any early closure of the operation
"+" indicates gain for the SEA Group of any early closure of the operation

The fair value of the derivative financial instruments at December 31, 2018 and at December 31, 2017 was determined in accordance with new IFRS 9 and IFRS 13.

b) Currency risk
SEA is subject to a low currency fluctuation risk as, although operating in an international environment, the transactions are principally in Euro. Therefore, SEA does not consider it necessary to implement specific hedging against this risk as the amounts in currencies other than the Euro are insignificant and the relative receipts and payments generally offset one another.

c) Commodity risk
SEA is exposed to the changes of the prices and the relative exchange rates of the energy commodities, or rather gas and environment certificates related to the operations of the company, utilised by SEA Energia for the procurement of the electricity, heating and air-conditioning service on behalf of the parent company. These variations directly impact on the final price which SEA pays for the supply from the subsidiary SEA Energia. These risks derive from the purchase of the above-mentioned commodities, which in the case of gas are principally impacted by fluctuations in the prices of the underlying fuels, denominated in US Dollars. These fluctuations are absorbed through formulas and indexations utilised in the pricing structures adopted in sales contracts.

In 2018, SEA did not undertake any hedging of this risk, although not excluding the possibility in the future.

4.3 Liquidity risk
The liquidity risk for SEA may arise where the financial resources available are not sufficient to meet the financial and commercial commitments within the agreed terms and conditions.

The liquidity, cash flows and financial needs of SEA are managed through policies and processes with the objective to minimise the liquidity risk. In particular SEA:

- centrally monitors and manages, under the control of the Group Treasury, the financial resources available, in order to ensure an efficient management of these resources, also in forward budgeting terms;
- maintains adequate liquidity in treasury current accounts;
- obtains committed credit lines (revolving and non), which covers the financial commitments in the coming 12 months deriving from the investment plan and debt repayments;
- monitors the liquidity position, in relation to the business planning.

At December 2018, the SEA Group had irrevocable unutilised credit lines of Euro 190 million, of which Euro 120 million relating to the RCF 1 Line and Euro 70 million relating to the RCF 2 Line, both available until December 2023. In the initial months of 2019, SEA Group will subscribe to additional committed lines for Euro 200 million, of which Euro 70 million relating to the RCF 3 Line and Euro 130 million relating to the New EIB Loan. At December 31, 2018, SEA also had a further Euro 158 million of uncommitted credit lines available for immediate cash requirements.

SEA has available committed and uncommitted credit lines which guarantee the covering of future financial needs and current operational needs, with an average maturity of medium/long-term debt of 4 years, including the bond issued in 2014. If the bond loan is excluded, the remaining debt has a maturity of approximately 6 years (16% over 10 years).

Trade payables are guaranteed by SEA through careful working capital management which largely concerns trade receivables and the relative contractual conditions established. We highlight that the indirect factoring operations, as previously described in detail, does not change the contractual payment conditions and therefore does not result in dilution effects on the working capital.

The tables below illustrate for SEA the breakdown and maturity of the financial debt (capital, medium/long-term interest, financial charges on derivative instruments and leasing) and trade payables at December 31, 2018 and December 31, 2017:

LIABILITIES AT DECEMBER 31, 2018

(Euro millions)	< 1 year	>1 year < 3 years	>3 years < 5 years	> 5anni	Total
Gross financial debt	36.1	377.5	55.7	142.6	611.9
Trade payables	156.6				156.6
Total payables	**192.7**	**377.5**	**55.7**	**142.6**	**768.5**

LIABILITIES AT DECEMBER 31, 2017

(Euro millions)	< 1 year	>1 year < 3 years	>3 years < 5 years	> 5anni	Total
Gross financial debt	35.4	75.0	368.0	169.1	647.5
Trade payables	146.8				146.8
Total payables	**182.2**	**75.0**	**368.0**	**169.1**	**794.3**

The table does not include the short-term Group cash pooling debt, amounting to Euro 0.5 million at the end of 2018, against which a receivable of a similar nature exists of Euro 28.4 million.

At the end of 2018 loans due within one year relate to the capital portion to be paid on some of the EIB loans and interest due on the total debt. The loan repayment scheduling reflects the capacity of SEA funding to cover medium/long-term needs.

4.4 Sensitivity

In consideration of the fact that for the Company 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 debt and cash pooling position;
- loans;
- interest risk derivative hedge instruments.

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

a. *Assumptions:*
- the effect was analysed on the SEA income statement

for the years 2018 and 2017 of a change in market rates of +50 or of -50 basis points.

b. *Calculation method:*
- the remuneration of the bank deposits and the cash pooling positions 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 SEA;
- 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:

	December 31, 2018		December 31, 2017	
(Euro thousands)	-50 bp	+50 bp	-50 bp	+50 bp
Current accounts (interest income)	-4.76	523.59	-8.72	302.27
Cash pooling position (interest income)	-114.16	114.16	-159.03	159.03
Loans (interest charges) (1)	308.67	-1,050.70	394.50	-1,039.74
Cash pooling position (interest charges) (1)		-1.91		-11.66
Derivative hedging instruments (flows) (2)	-329.85	329.85	-361.96	361.96
Derivative hedging instruments (fair value) (3)	-675.87	661.98	-1,012.61	984.17

(1) *+ = lower interest charges; - = higher interest charges*
(2) *+ = revenue from hedge; - = cost of hedge;*
(3) *amount entirely allocated to net equity given full efficacy of hedges*

The results of the sensitivity analysis undertaken on some accounts of the previous tables are impacted by the low level of the market interest rates. By applying a variation of -50 basis points to the current market interest rate curve, the cash flow corresponding to current accounts and loans would be opposite to those provided for by the related types of contracts; in these cases, these cash flows are set at zero.

Some loans include covenant conditions, relating to the capacity of SEA to meet annual and/or half year financial commitments (net of financial resources available) from operating activities. 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, SEA 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 table provides a breakdown of the financial assets and liabilities by category at December 31, 2018 and at December 31, 2017:

	December 31, 2018				
(Euro thousands)	Financial assets and liabilities measured at Fair Value to the Income Statement	Financial assets measured at amortised cost	Financial assets and liabilities measured at Fair Value to the Comprehensive Income Statement	Financial liabilities measured at amortised cost	Total
Other investments	26				26
Other non-current financial assets					-
Other non-current receivables		119			119
Trade receivables		117,602			117,602
Current financial receivables		28,410			28,410
Tax receivables		879			879
Other current financial assets					-
Other current receivables		6,257			6,257
Cash and cash equivalents		152,984			152,984
Total	**26**	**306,251**	**0**	**0**	**306,277**
Non-current financial liabilities exc. leasing			5,387	518,218	523,605
- of which payables to bondholders				298,889	298,889
Trade payables				156,586	156,586
Income tax payables				17,464	17,464
Other current and non-current payables				202,267	202,267
Current financial liabilities excl. leasing				29,584	29,584
Total	**0**	**0**	**5,387**	**924,119**	**929,506**

The values resulting from the utilisation of the amortised cost method approximates the fair value of the category. The figures at December 31, 2017 were reclassified in accordance with the new categories of IFRS 9 - Financial Instruments applied by SEA from January 1, 2018.

	December 31, 2017 restated				
(Euro thousands)	**Financial assets and liabilities measured at Fair Value to the Income Statement (*)**	**Financial assets measured at amortised cost (**)**	**Financial assets and liabilities measured at fair value to the comprehensive income statement (***)**	**Financial liabilities measured at amortised cost**	**Total**
Other investments	26				26
Other non-current financial assets		7,190			7,190
Other non-current receivables		212			212
Trade receivables		108,612			108,612
Current financial receivables		20,630			20,630
Tax receivables		12,406			12,406
Other current financial assets		13,300			13,300
Other current receivables		7,646			7,646
Cash and cash equivalents		67,129			67,129
Total	**26**	**237,125**	**0**	**0**	**237,151**
Non-current financial liabilities exc. leasing			7,228	539,061	546,289
-of which payables to bondholders				298,441	298,441
Trade payables				146,834	146,834
Tax payables				7,227	7,227
Other current and non-current payables				187,246	187,246
Current financial liabilities excl. leasing				27,612	27,612
Total	**0**	**0**	**7,228**	**907,980**	**915,208**

(*) *In the 2017 accounts, this column was called "AFS financial assets". The change was required in accordance with the application, from January 1, 2018, of the amendments introduced by IFRS 9. For comparison purposes the 2017 accounts were restated.*
(**) *In the 2017 accounts this column was called "Loans and receivables". The change was required in accordance with the application, from January 1, 2018, of the amendments introduced by IFRS 9. For comparison purposes, the 2017 accounts were restated.*
(***) *In the 2017 accounts this column was called "Financial assets and liabilities at fair value". The change was required in accordance with the application, from January 1, 2018, of the amendments introduced by IFRS 9. For comparison purposes, the 2017 accounts were restated.*

5.1 Disclosure on fair value

In relation to financial instruments measured at fair value, the table below reports information on the method chosen 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 on active markets;
- level 2: valuation techniques based on observable market information, both directly and indirectly;
- level 3: other information.

The following tables shows the Company assets and liabilities measured at fair value at December 31, 2018 and at December 31, 2017:

	December 31, 2018		
(Euro thousands)	Level 1	Level 2	Level 3
Other investments			26
Derivative financial instruments		5,387	
Total	**0**	**5,387**	**26**

	December 31, 2017		
(Euro thousands)	Level 1	Level 2	Level 3
Other investments			26
Derivative financial instruments		7,228	
Total	**0**	**7,228**	**26**

6. Notes to the Statement of Financial Position

6.1 Intangible assets

The table below reports the changes in the year in intangible assets:

INTANGIBLE ASSETS

(Euro thousands)	December 31, 2017	Increases in the year	Reclass./ trans.	Destruct./ sales	Amortisation	Write-downs	December 31, 2018
Gross value							
Rights on assets under concession	1,446,033	2,713	28,865	(1,738)			1,475,873
Rights on assets under concess. in prog. & advances	32,486	29,385	(30,010)	(986)			30,875
Patents and right to use intellectual property & others	69,273		9,661				78,934
Assets in progress and advances	5,352	9,377	(9,661)				5,068
Total gross value	**1,553,144**	**41,475**	**(1,145)**	**(2,724)**	**0**	**0**	**1,590,750**
Accumulated amortisation							
Rights on assets under concession	(521,569)		554	1,312	(45,239)		(564,942)
Rights on assets under concess. in prog. & advances							
Patents and right to use intellectual property & others	(60,546)				(7,216)		(67,762)
Assets in progress and advances							
Total accumulated amortisation	**(582,115)**	**0**	**554**	**1,312**	**(52,455)**	**0**	**(632,704)**
Net value							
Rights on assets under concession	924,464	2,713	29,419	(426)	(45,239)		910,931
Rights on assets under concess. in prog. & advances	32,486	29,385	(30,010)	(986)			30,875
Patents and right to use intellectual property & others	8,727		9,661		(7,216)		11,172
Assets in progress and advances	5,352	9,377	(9,661)				5,068
Total net value	**971,029**	**41,475**	**(591)**	**(1,412)**	**(52,455)**	**0**	**958,046**

As per IFRIC 12, rights on assets under concession amount to Euro 910,931 thousand at December 31, 2018 and Euro 924,464 thousand at December 31, 2017. These assets are amortised on a straight-line basis over the duration of the concession from the State. The amortisation for the year 2018 amounts to Euro 45,239 thousand. The increases in the year, amounting to Euro 32,723 thousand, derive from the entry into use of investments made in previous years and recorded under "Right on assets under concession in progress and advances".

For assets within the concession right, SEA has the obligation to record a restoration and replacement provision, in relation to which reference should be made to Note 6.16.

The account "Rights on assets under concession in progress and advances", amounting to Euro 30,875 thousand, refers to the work in progress on concession assets, not yet completed at December 31, 2018.

The main works carried out at Malpensa amounted to Euro 21,029 thousand and mainly related to: *i)* the continuation of the functional upgrading and restyling works at Airport Terminal 1, with the construction of new commercial areas and upgrading of existing areas and the completion of the Schengen baggage collection area *ii)* the construction of new boarding gates at Terminal 2; *iii)* the completion of a second warehouse in the Cargo area (with a surface area of about 15,000 sq. m) to be allocated to Cargo operators. At Linate, amounting to Euro 8,356 thousand, works principally concerned functional upgrading and restyling of the Terminal, with the first phase completed in the first half of 2018. This resulted in an improvement in the perceived quality and the architectural image of the Air Terminal's facade, land side access, the arrivals hall, the baggage claim hall and Welcome VIP Lounges.

The reclassifications to assets under concession principally related to the gradual entry into service of the works on Terminal 1, the completion of the works at Linate and the cargo area at Malpensa.

Industrial patents and intellectual property rights and other intangible assets, amounting to Euro 11,172 thousand at December 31, 2018 (Euro 8,727 thousand at December 31, 2017), relate to the purchase of software components for the airport and operating IT systems. Specifically, the increases for Euro 9,661 thousand principally related to the development and implementation of the administrative and airport management systems, relating to investments in previous years and recorded in the account "Assets in progress and advances" which at December 31, 2018 record a residual amount of Euro 5,068 thousand, relating to software developments in progress. The amortisation for the year 2018 amounts to Euro 7,216 thousand.

In consideration of the results reported and the business outlook, as well as the definition of the airport tariffs contained in the Regulatory Agreement, at December 31, 2018 the Company did not identify any impairment indicators.

The changes in intangible assets during 2017 were as follows:

INTANGIBLE ASSETS

(Euro thousands)	December 31, 2016	Increases in the year	Re-class.s/ trans.	De-struct./ sales	Amorti-sation	Write-downs	December 31, 2017
Gross value							
Rights on assets under concession	1,419,510		26,573	(50)			1,446,033
Rights on assets under concess. in prog. & advances	33,897	25,619	(26,024)	(1,006)			32,486
Patents and right to use intellectual property & others	62,030		7,243				69,273
Assets in progress and advances	5,766	6,829	(7,243)				5,352
Total gross value	**1,521,203**	**32,448**	**549**	**(1,056)**	**0**	**0**	**1,553,144**
Accumulated amortisation							
Rights on assets under concession	(477,589)			23	(44,003)		(521,569)
Rights on assets under concess. in prog. & advances							
Patents and right to use intellectual property & others	(53,979)				(6,567)		(60,546)
Assets in progress and advances							
Total accumulated amortisation	**(531,568)**	**0**	**0**	**23**	**(50,570)**	**0**	**(582,115)**
Net value							
Rights on assets under concession	941,921		26,573	(27)	(44,003)		924,464
Rights on assets under concess. in prog. & advances	33,897	25,619	(26,024)	(1,006)			32,486
Patents and right to use intellectual property & others	8,051		7,243		(6,567)		8,727
Assets in progress and advances	5,766	6,829	(7,243)				5,352
Total net value	**989,635**	**32,448**	**549**	**(1,033)**	**(50,570)**	**0**	**971,029**

6.2 Property, plant and equipment

The following tables summarises the movements in property, plant and equipment in 2018.

PROPERTY, PLANT & EQUIPMENT

(Euro thousands)	December 31, 2017	Increases in the year	Reclassi-fications/ transfers	Destruct./ sales	Deprecia-tion	December 31, 2018
Gross value						
Property	210,937		4,254	(92)		215,099
Plant and machinery	4,655	1,395				6,050
Industrial and commercial equipment	43,974	3,882				47,856
Other assets	67,871	3,270	1,604	(504)		72,241
Assets in progress and advances	6,361	10,157	(4,734)			11,784
Total gross value	**333,798**	**18,704**	**1,124**	**(596)**	**0**	**353,030**
Accumulated depreciation & write-downs						
Property	(90,706)		(549)	44	(6,565)	(97,776)
Plant and machinery	(3,568)				(230)	(3,798)
Industrial and commercial equipment	(34,550)				(4,656)	(39,206)
Other assets	(52,884)			402	(5,499)	(57,981)
Assets in progress and advances						
Total accumulated depreciation & write-downs	**(181,708)**	**0**	**(549)**	**446**	**(16,950)**	**(198,761)**
Net value						
Property	120,231		3,705	(48)	(6,565)	117,323
Plant and machinery	1,087	1,395			(230)	2,252
Industrial and commercial equipment	9,424	3,882			(4,656)	8,650
Other assets	14,987	3,270	1,604	(102)	(5,499)	14,260
Assets in progress and advances	6,361	10,157	(4,734)			11,784
Total net value	**152,090**	**18,704**	**575**	**(150)**	**(16,950)**	**154,269**

The investments relate to the development of the Aviation sector which, as already reported, in accordance with IFRIC 12 are classified right on assets under concession and rights on assets under concessions in progress and those in the Non-Aviation sector, amounting to Euro 4,254 thousand at December 31, 2018, principally related to the restyling work at Terminal 1 of Malpensa.

Increments in "Property, plant and equipment" also include the purchase of new de-icer equipment, snow ploughs and motorised airport operating machinery for Euro 3,495 thousand, new aircraft towing tractors for Euro 1,361 thousand, new persons with reduced mobility machinery for Euro 727 thousand and new video terminals for Euro 500 thousand.

In consideration of the results reported and the business outlook, as well as the definition of the airport tariffs contained in the Regulatory Agreement, at December 31, 2018 the Company did not identify any impairment indicators.

All fixed assets, including those falling under IFRIC 12, are expressed net of those funded by State and European Union contributions. These latter at December 31, 2018 amounted to Euro 504,383 thousand and Euro 7,019 thousand respectively.

The changes in tangible fixed assets during 2017 were as follows:

PROPERTY, PLANT & EQUIPMENT

(Euro thousands)	December 31, 2016	Increases in the year	Reclassifications/ transfers	Destruct./ sales	Depreciation	December 31, 2017
Gross value						
Property	193,165	15,611	2,340	(179)		210,937
Plant and machinery	4,509	146				4,655
Industrial and commercial equipment	38,511	5,793		(330)		43,974
Other assets	61,239	2,454	4,200	(22)		67,871
Assets in progress and advances	5,190	8,270	(7,099)			6,361
Total gross value	**302,614**	**32,274**	**(559)**	**(531)**	**0**	**333,798**
Accumulated depreciation & write-downs						
Property	(84,945)			142	(5,903)	(90,706)
Plant and machinery	(3,381)				(187)	(3,568)
Industrial and commercial equipment	(31,494)			330	(3,386)	(34,550)
Other assets	(47,473)			22	(5,433)	(52,884)
Assets in progress and advances						
Total accumulated depreciation & write-downs	**(167,293)**	**0**	**0**	**494**	**(14,909)**	**(181,708)**
Net value						
Property	108,220	15,611	2,340	(37)	(5,903)	120,231
Plant and machinery	1,128	146			(187)	1,087
Industrial and commercial equipment	7,017	5,793			(3,386)	9,424
Other assets	13,766	2,454	4,200		(5,433)	14,987
Assets in progress and advances	5,190	8,270	(7,099)			6,361
Total net value	**135,321**	**32,274**	**(559)**	**(37)**	**(14,909)**	**152,090**

6.3 Investment property

The breakdown of investment property at December 31, 2018 is shown below:

INVESTMENT PROPERTY

(Euro thousands)	December 31, 2018	December 31, 2017
Gross value	4,138	4,118
Accumulated depreciation	(730)	(724)
Total investment property	**3,408**	**3,394**

The changes in the accumulated depreciation provision of the property investments in 2018 is shown below:

MOVEMENT ACCUMULATED DEPRECIATION INVESTMENT PROPERTY

(Euro thousands)	December 31, 2018
Opening balance	(724)
Reclassifications	(4)
Decreases	
Depreciation	(2)
Final value accumulated depreciation investment property	**(730)**

The account includes buildings not utilised in the operating activities (apartments and garages) for which there were no impairments at December 31, 2018.

6.4 Investments in subsidiaries and associates

The breakdown of the account "investments in subsidiaries and associates" at December 31, 2018 and at December 31, 2017 are shown below:

INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

(Euro thousands)	December 31, 2018	December 31, 2017
SEA Energia SpA	7,026	7,026
SEA Prime SpA	25,451	25,451
Investments in subsidiaries	**32,477**	**32,477**
Airport Handling SpA	7,190	-
SACBO SpA	4,562	4,562
Dufrital SpA	3,822	3,822
Malpensa Logistica Europa SpA	1,674	1,674
Disma SpA	421	421
SEA Services Srl	300	300
Investments in associates	**17,969**	**10,779**
Investments in subsidiaries and associates	**50,446**	**43,256**

"Investments in subsidiaries and associated companies" amount to Euro 50,446 thousand at December 31, 2018 (Euro 43,256 thousand at December 31, 2017).

The increase in the year of Euro 7,190 thousand relates to the recognition of the 30% investment held by the company in Airport Handling SpA.

On June 30, 2018, dnata exercised the option to purchase an additional 40% of Airport Handling and a corresponding portion of Financial Instruments of Participation, increasing its holding in the company to 70% and maintaining a majority on the Board of Directors, held since March 2016 on completion of the acquisition of the initial 30% of the company from the Trustee (whole-owner of Airport Handling) and of 30% of the Financial Instruments of Participation held by SEA.

The exercise of this option resulted in the following events:

i. the winding up of the Trust having exhausted its corporate scope;
ii. the consequent transfer to SEA of the residual 30% of the share capital;
iii. the collection by SEA of Euro 13,300 thousand, of which: Euro 10,640 thousand for the sale of 70% of the Financial Instruments of Participation and Euro 2,660 thousand for the sale of 70% of the shares;
iv. receipt of an additional Euro 387 thousand relating to the dividends approved by Airport Handling in 2016 and recorded in the 2018 financial statements under Income/(charges) from investments.

In the 2018 financial statements therefore a reclassification of Euro 7,190 thousand was made from the account "Other non-current financial assets" to the account "Investments in subsidiaries and associated companies".

Risk related to the European Commission's decision of December 19, 2012 concerning presumed State Aid awarded to SEA Handling

With decision of December 19, 2012, the European Commission judged that the share capital increases carried out by SEA in favour of its subsidiary SEA Handling in the 2002-2010 period for approx. Euro 360 million, constituted State Aid incompatible with the internal market, and consequently imposed upon the Italian State the obligation to demand restitution of the presumed State Aid from SEA Handling.

In relation to the above-mentioned decision three independent appeals were made before the European Union Court, by the Italian State, by SEA Handling and by the Milan Municipality.

Following the liquidation of SEA Handling and also by reason of the changed de facto and de jure situations relating to this company, the Court of the European Union, at the request of the European Commission and SEA Handling, ascertained by Order of January 22, 2018, that the matter of the dispute concerning SEA Handling's appeal has ceased to exist since the appellant company was dissolved. As a result, the Court found that there was no longer a need to adjudicate on the appeal brought by SEA Handling.

In parallel, having taken note of the Italian Government's observations regarding SEA Handling's dissolution, it ordered the cancellation of the case relating to the appeal brought by the Government against the Commission's decision.

Given the above, the only appeal currently pending against the Commission's decision is that brought by the Municipality of Milan. The hearing was held on February 28, 2018. With the judgment of December 13, 2018, the Court of the European Union rejected the Municipality of Milan's appeal. The Municipality appealed to the Court of Justice against this decision.

In any case, the outcome of this judgment cannot have any impact on SEA.

The key financial highlights at December 31, 2018 and for the previous year of the subsidiaries and associated companies prepared in accordance with Italian GAAP are shown below.

	December 31, 2018						
(Euro thousands)	Assets	Liabilities	Revenues	Profit/(loss)	Share. Equity	Pro-quota Share. Equity	% held
Subsidiaries							
SEA Energia SpA	67,140	42,763	48,995	3,440	24,377	24,377	100.00%
SEA Prime SpA	26,494	12,706	11,553	2,502	13,788	13,776	99.91%
Associates							
Airport Handling SpA	56,706	21,985	120,901	2,814	34,721	10,416	30.00%
Dufrital SpA		-				-	40.00%
SACBO SpA		-				-	30.979%
SEA Services Srl (*)	5,748	2,966	17,027	2,013	2,782	1,113	40.00%
Malpensa Logistica Europa SpA	26,440	13,177	52,184	5,999	13,263	3,316	25.00%
Disma SpA		-				-	18.75%

(*) *Financial Statements at 30/09/2018*

(Euro thousands)	Assets	Liabilities	Revenues	Profit/ (loss)	Share. Equity	Pro-quota Share. Equity	% held
	December 31, 2017						
Subsidiaries							
SEA Handling in liquidazione SpA (*)	10,051	142	1,965	1,683	9,909	9,909	100.00%
SEA Energia SpA	56,357	35,420	40,487	2,876	20,937	20,937	100.00%
SEA Prime SpA	26,456	15,170	12,334	2,321	11,286	11,276	99.91%
Consorzio Malpensa Construction (**)	190	2	4	-	188	96	51.00%
Associates							
Dufrital SpA	76,315	45,378	162,405	5,185	30,937	12,375	40.00%
SACBO SpA	238,185	107,811	119,537	12,722	130,374	40,389	30.979%
SEA Services Srl (***)	5,873	3,544	14,643	1,564	2,329	932	40.00%
Malpensa Logistica Europa SpA	23,221	12,956	43,649	3,823	10,265	2,566	25.00%
Disma SpA	10,644	5,035	6,364	712	5,609	1,052	18.75%

(*) *Final liquidation accounts at 30/06/2017*
(**) *Final liquidation accounts at 31/10/2017*
(***) *Financial Statements at 30/09/2017*

6.5 Other investments

The breakdown of the "Other investments" at December 31, 2018 and at December 31, 2017 are shown below:

Company	% held December 31, 2018	% held December 31, 2017
Aeropuertos Argentina 2000 SA	8.5%	8.5%
Consorzio Milano Sistema in liquidazione	10%	10%
Romairport Srl	0.227%	0.227%
Sita Soc. Intern. De Telecom.Aereneonautiques (Belgian reg. company)		6 quote

The following table presents for the years 2018 and 2017 other investments:

OTHER INVESTMENTS

(Euro thousands)	December 31, 2018	December 31, 2017
Aeropuertos Argentina 2000 SA	0	0
Consorzio Milano Sistema	25	25
Romairport Srl	1	1
Sita Soc. Intern. De Telecom.Aereneonautiques (Belgian reg. company)	0	0
Total other investments	**26**	**26**

On February 28, 2018, following a request for withdrawal, SEA was no longer a member of SITA SC.

AA2000

The investment of SEA in the share capital of Aeropuertos Argentina 2000 (hereafter AA2000) amounts to 8.5% following the conversion, by the Argentinian government, of the bonds issued in 2008 by AA2000 into shares.

On June 30, 2011, an agreement was signed with CEDICOR for the sale of all the investment held by SEA in the share capital of AA2000, equal to 21,973,747 ordinary Class A shares with 1 vote for each share.

The consideration paid was Euro 14,000,000, entirely received in 2011.

The transfer of the shares will only be completed with authorisation by the ORSNA regulator (Organismo Regulador del Sistema Nacional de Aeropuertos).

At the date of the present document, ORSNA had not yet formalised the authorisation of the sale of the investment in favour of Cedicor and, therefore, still holds 8.5% of the share capital of AA2000; therefore, the investment of 1 Euro was maintained in the 2018 financial statements.

6.6 Deferred tax assets

The changes in the net deferred tax assets for the year 2018 are shown below:

NET DEFERRED TAX ASSETS

(Euro thousands)	December 31, 2017	Released / allocated to P&L	Released / allocated to Equity	December 31, 2018
Restoration prov. as per IFRIC 12	34,540	(48)		34,492
Write-down tan. assets (impairment test)	14,101			14,101
Provisions for risks and charges	13,140	(791)		12,349
Non-deductible doubtful debt provision	7,167	(410)		6,757
Other receivables provision	319			319
Inventory obsolescence provision	142	322		464
Fair value measurement of derivatives	1,564		(422)	1,142
Post-em. bens. prov. discounting (IAS 19)	917	(79)	(264)	574
Ord. main. on assets under concession	7,990	1,969		9,959
Other	124	(9)		115
Total deferred tax assets	**80,004**	**954**	**(686)**	**80,272**
Accelerated depreciation and lower depreciation on initial application IFRS	27,733	(2,583)		25,150
Total deferred tax liabilities	**27,733**	**(2,583)**	**0**	**25,150**
Total deferred tax assets, net of liabilities	**52,271**	**3,537**	**(686)**	**55,122**

6.7 Other current and non-current financial assets

The breakdown of current and non-current financial assets at December 31, 2018 and at the end of the previous year is reported below:

OTHER FINANCIAL ASSETS

	December 31, 2018		December 31, 2017	
(Euro thousands)	Current portion	Non-current portion	Current portion	Non-current portion
Other financial assets			13,300	7,190
Total other financial assets	**0**	**0**	**13,300**	**7,190**

At December 31, 2018, the balance of current and non-current financial assets were written down due to dnata's exercise of the option to purchase an additional 40% of Airport Handling and a corresponding share of Financial Instruments of Participation.

In July 2018, the exercise of this option resulted in the following events:

i. the winding up of the Trust having exhausted its corporate scope;
ii. the consequent transfer to SEA of the residual 30% of the share capital;
iii. the collection by SEA of Euro 13,300 thousand, of which: Euro 10,640 thousand for the sale of 70% of the Financial Instruments of Participation and Euro 2,660 thousand for the sale of 70% of the shares;
iv. receipt of an additional Euro 387 thousand relating to the dividends approved by Airport Handling in 2016 and recorded in the 2018 financial statements under Income/(charges) from investments.

In the 2018 financial statements therefore a reclassification of Euro 7,190 thousand was made from the account "Other non-current financial assets" to the account "Investments in subsidiaries and associated companies".

6.8 Other non-current receivables

The breakdown of the "Other non-current receivables" is shown below:

OTHER NON-CURRENT RECEIVABLES

(Euro thousands)	December 31, 2018	December 31, 2017
Receivables from the state for contributions as per Law 449/85	-	-
Other receivables	119	212
Total other non-current receivables	**119**	**212**

"Other non-current receivables" amount to Euro 119 thousand at December 31, 2018 (Euro 212 thousand at December 31, 2017) and is comprised of the accounts outlined below.

Receivables from the State for grants under Law 449/85, equal to Euro 1,328 thousand (Euro 1,328 thousand at December 31, 2017), are entirely covered by the doubtful debt provision and concern receivables based on the "Regulatory Agreement" between ENAC and SEA in January 1995 and revised in December 2004, which establishes the partial funding, pursuant to Law 449/85, of some infrastructure projects at Malpensa Airport.

Other receivables principally refer to receivables from employees and guarantee deposits.

6.9 Inventories

The table below reports the breakdown of "Inventories":

INVENTORIES

(Euro thousands)	December 31, 2018	December 31, 2017
Raw materials, ancillaries and consumables	3,561	4,594
Inventory obsolescence provision	(1,646)	(503)
Total inventories	**1,915**	**4,091**

The account includes consumable materials for airport activities; no goods held in inventories comprised guarantees on loans or concerning other commitments.

Inventories were adjusted to their realisable or replacement value through an obsolescence provision which at December 31, 2018 amounts to Euro 1,646 thousand.

The changes in the obsolescence provision in 2018 is shown below:

MOVEMENTS IN INVENTORY OBSOLESCENCE PROVISION

(Euro thousands)	December 31, 2018
Opening balance	(503)
Provisions	(1,143)
Utilisations	
Final value inventory obsolescence provision	**(1,646)**

6.10 Trade receivables

The breakdown of "trade receivables" at December 31, 2018 and for the previous year are shown below:

TRADE RECEIVABLES

(Euro thousands)	December 31, 2018	December 31, 2017
Trade receivables - customers	102,668	96,443
Trade receivables - subsidiaries	3,709	3,306
Trade receivables - associates	11,225	8,863
Total trade receivables	**117,602**	**108,612**

Trade receivables, shown net of the doubtful debt provision, mainly include receivables from clients and provisions for invoices and credit notes to be issued.

The criteria for the adjustment of receivables to their realisable value will take account of valuations regarding the state of the dispute and are subject to estimates which are described in the previous paragraph 3, to which reference should be made.

The changes in the doubtful debt provision were as follows:

DOUBTFUL DEBT PROVISION

(Euro thousands)	December 31, 2018	December 31, 2017
Opening provision	99,841	78,450
Net increases (decreases)	713	26,897
Utilisations	(1)	(5,506)
Final value doubtful debt provision	**100,553**	**99,841**

The net increase in the provision in the year amounted to Euro 713 thousand (Euro 26,897 thousand in 2017) and was calculated to take into account the risk in deterioration of the financial positions of the principle operators with which disputes exist, write-downs for receivables under administration and the risk assessed by the Company of the expected losses on each receivable, in accordance with IFRS 9.

The utilisations relating to the year 2018, amounting to Euro 1 thousand, refer to the closure during the year of disputes in which the provisions were accrued to cover such risks in previous years.

For details on the aging of the receivables reference should be made to Note 4.1.

The increase in trade receivables from related companies on the other hand is substantially due to invoicing maturity periods and relative timing on collection of invoices.

For receivables from subsidiaries and associated companies, reference should be made to Note 8, relating to transactions with related parties.

6.11 Current financial receivables

The account "Current financial receivables" amounts to Euro 28,410 thousand at December 31, 2018 (Euro 20,630 thousand at December 31, 2017) and relates entirely to financial receivables from subsidiaries. In particular the balance at December 31, 2018 is comprised of cash pooling receivables from SEA Energia SpA. Reference should be made to Note 8 relating to transactions with related parties.

6.12 Tax receivables

"Tax receivables" of Euro 879 thousand at December 31, 2018 (Euro 12,406 thousand at December 31, 2017) mainly concern for Euro 445 thousand tax receivables recorded following the liquidator's distribution plan of the subsidiary SEA Handling SpA in liquidation.

In April 2018, SEA collected the IRES receivable concerning the deductibility of IRAP from IRES for the financial years 2007-2011 ("click day") for Euro 10,734 thousand (including interest income of Euro 976 thousand). For further details, reference should be made to the Directors' Report.

6.13 Other current receivables

The breakdown of "Other current receivables" is shown below:

OTHER CURRENT RECEIVABLES

(Euro thousands)	December 31, 2018	December 31, 2017
Other receivables	3,345	6,380
Receivables for dividends	2,005	
Misc. receivables	562	822
Receivables from insurance companies	200	206
Employee & soc. sec. receivables	145	238
Receivables from the State for SEA / Ministry for Infrastructure and Transport case		
Total other current receivables	**6,257**	**7,646**

"Other current receivables" amount to Euro 6,257 thousand at December 31, 2018 (Euro 7,646 thousand at December 31, 2017) and is comprised of the accounts outlined below.

Other receivables, amounting to Euro 3,345 thousand at December 31, 2018 (Euro 6,380 thousand at December 31, 2017), includes miscellaneous receivables (reimbursements, supplier advances, arbitrations with subcontractors and other minor positions). The change in the year is mainly due to the collection of the receivable of Euro 2,430 thousand relating to the reimbursement of a portion of the penalty imposed on SEA by the Antitrust Authority (AGCM) in 2015 following the acquisition of SEA Prime SpA (formerly ATA Ali Trasporti Aerei SpA); on May 30, 2017, the Authority confirmed the reassessment of the penality and communication to the Ministry for the Economy and Finance of the approval for the reimbursement of the amounts.

The receivables for dividends to be received, equal to Euro 2,005 thousand, relate to the dividends approved by the Extraordinary Shareholders' Meeting of Dufrital SpA, on December 18, 2018.

Receivables for sundry income amounting to Euro 562 thousand at December 31, 2018 (Euro 822 thousand at December 31, 2017) mainly refer to receivables from payments by Telepass, credit card and POS which have not yet been credited in the bank account.

Receivables from insurance companies, amounting to Euro 200 thousand at December 31, 2018 (Euro 206 thousand at December 31, 2017) relates to amounts paid on insurance policies in advance of the period to which the cost refers.

Employee and social security receivables, amounting to Euro 145 thousand at December 31, 2018 (Euro 238 thousand at December 31, 2017), mainly refer to the receivable from INPS and the "Fondo Volo per il Contratto di Solidarietà difensivo" closed in 2014, paid to employees on behalf of the institution and receivables from INAIL.

Receivables from the State for SEA/Ministry Infrastructure and Transport case which amounts to Euro 3,889 thousand, following the judgement of the Cassation Court, which recognised to the Company the non-adjustment of handling tariffs for the period 1974-1981, in addition to interest and expenses incurred, is entirely covered by the doubtful debt provision and relates to the residual amount not yet received from the Ministry for Infrastructure and Transport, in addition to interest matured up to December 31, 2014.

6.14 Cash and cash equivalents

The breakdown of the account "cash and cash equivalents" is shown in the table below:

CASH AND CASH EQUIVALENTS

(Euro thousands)	December 31, 2018	December 31, 2017
Bank and postal deposits	152,913	67,069
Cash in hand and similar	71	60
Total Cash and cash equivalents	**152,984**	**67,129**

The account at year end comprises bank and postal deposits on demand for Euro 152,809 thousand (Euro 64,721 thousand at December 31, 2017), restricted bank deposits of Euro 104 thousand (Euro 2,348 thousand at December 31, 2017) and cash amounts for Euro 71 thousand (Euro 60 thousand at December 31, 2017). For further information on the movements to cash and cash equivalents, reference should be made to the Cash Flow Statement.

6.15 Shareholders' Equity

Share capital

At December 31, 2018, the share capital of SEA is comprised of 250,000,000 shares of a value of Euro 0.11 each, with a total value of Euro 27,500 thousand.

Legal and extraordinary reserve

At December 31, 2018 the legal reserve of SEA amounts to Euro 5,500 thousand while the extraordinary reserve amounts to Euro 162,994 thousand (Euro 156,348 thousand at December 31, 2017), with the increase of Euro 6,646 thousand following the allocation of the profit for the year 2017, for Euro 6,645 thousand and to the reclassification for Euro 1 thousand of the effects from the change in the time value at December 31, 2017 on derivative contracts, following the application of the amendments introduced by IFRS 9 "Financial Instruments".

Other Investments Reserve

The reserve at December 31, 2018, equal to Euro 1, represents the investment held by SEA in AA2000 based on the agreement with Cedicor as described in Note 6.5.

Cash Flow Hedge Reserve

The balance of the reserve at December 31, 2018, amounting to Euro -3,616 thousand (Euro -4,953 thousand at December 31, 2017), relates to the change in the fair value of the effective part of the derivative hedge contracts and of the relative changes in the time value. For further information on derivative contracts, reference should be made to Note 4.2.

In addition, on January 1, 2018 the extraordinary reserve was reclassified for Euro 1 thousand regarding the effects from the change in the time value at December 31, 2017 on derivative contracts, following the application of the amendments introduced by IFRS 9 "Financial Instruments".

Actuarial gain/loss reserve

The balance of the reserve at December 31, 2018, equal to Euro -379 thousand (Euro -1,215 thousand at December 31, 2017), represents the actuarial losses matured at the balance sheet date on the Post-Employment Benefits provision.

Other reserves
The other reserves, amounting to Euro 60,288 thousand at December 31, 2018, refer entirely to the reserves recorded in accordance with the revaluation laws 576/75, 72/83 and 413/91.

Distribution of dividends
On May 3, 2018, the Shareholders' Meeting approved the distribution of dividends of Euro 70,300 thousand and the carrying forward to reserves of Euro 6,645 thousand, relating to the allocation of the 2017 net profit, amounting to Euro 76,945 thousand.

For the net equity movements, reference is made to the "Statement of changes in Shareholders' Equity".

Available reserves
In accordance with Article 2427, No. 7-bis of the Civil Code, the equity accounts and their availability and possibility for distribution are reported below.

(Euro thousands)	Amount at 31/12/2018	Possibility of use (*)	Quota available	Summary of utilisations over last 3 years
Share capital	27,500			
Legal reserve	5,500	B		
Extraordinary reserve	162,994	A,B,C	162,994	
IFRS initial conversion reserve	14,814			
Other Eq. Investments Reserve	0			
Cash Flow Hedge Reserve	(3,616)			
Actuarial gain/loss reserve	(379)			
Other Reserves (1):				
- as per revaluation law 576/75	3,649	A,B,C	3,649	
- as per revaluation law 72/83	13,557	A,B,C	13,557	
- as per revaluation law 413/91	43,082	A,B,C	43,082	
Total	**267,101**		**223,282**	**0**
Total non-distributable amount		**43,819**		

Key:
(*) A: for share capital increase; B: for coverage of losses; C: for distribution to shareholders
(1) Suspension of taxes reserve

6.16 Provisions for risks and charges

The changes in the "Provisions for risks and charges" in the year are reported below:

PROVISION FOR RISKS AND CHARGES

(Euro thousands)	December 31, 2017	Prov./ Increases	Utilisations/ Decreases	Releases	December 31, 2018
Restoration and replacement provision	137,483	15,000	(15,171)		137,312
Provision for future charges	28,628	4,180	(4,580)	(1,342)	26,886
Total prov. for risks & charges	**166,111**	**19,180**	**(19,751)**	**(1,342)**	**164,198**

The restoration and replacement provision on assets under concession, created in accordance with IFRIC 12, amounting to Euro 137,312 thousand at December 31, 2018 (Euro 137,483 thousand at December 31, 2017), refers to the estimate of the amount matured relating to the maintenance on assets under concession from the State which will be undertaken in future years. The provision for the year takes into account the updated long-term scheduled maintenance and replacement plans on these assets, while the utilisations in the year refer to the restoration works carried out covered by the provisions made in previous years.

The movements of the future charges provision were as follows:

PROVISION FOR FUTURE CHARGES

(Euro thousands)	December 31, 2017	Prov./ Increases	Utilisations/ Decreases	Releases	December 31, 2018
Labour provisions	4,612	2,474	(1,134)		5,952
Tax risks	483		(122)		361
Other provisions	23,533	1,706	(3,324)	(1,342)	20,573
Total provision for future charges	**28,628**	**4,180**	**(4,580)**	**(1,342)**	**26,886**

The employee provisions relate to the expected streamlining actions to be undertaken on operations. The utilisations in the year are related to the incentivised departures for which a specific provision was made in the accounts in 2017.

The "Tax risks" provision of Euro 361 thousand is related to the provision for disputes currently underway with the competent tax judicial bodies over VAT resulting from the tax audit by the Customs Agency in respect of the resale of electricity and registration tax applied on the transactions in accordance with a number of civil judgments.

The account "Other provisions" for Euro 20,573 thousand at December 31, 2018 (Euro 23,533 thousand at December 31, 2017) is mainly composed of the following items:

- Euro 5,063 thousand for legal disputes related to the operational management of the Milan Airports;
- Euro 2,496 thousand relating to disputes with insurance companies for requests for indemnities;
- Euro 8,000 thousand relating to charges from the acoustic zoning of the peripheral areas to the Milan Airports (Law No. 447/95 and subsequent Ministerial Decrees). It is reported that the Airport Commission of

Malpensa has not yet given the final approval, unlike the Airport Commission of Linate;
- Euro 847 thousand for disputes with ENAV;
- Euro 3,000 thousand for various legal disputes;
- Euro 1,167 thousand for risks relating to revocatory actions taken against the Company and relating to airline companies declared bankrupt.

Based on the updated state of advancement of disputes at the preparation date of the present report, and also based on the opinion of the consultants representing the Company in the disputes, the provisions are considered sufficient to cover potential liabilities.

6.17 Empoyee provisions

The changes in the employee provisions in 2018 and in the previous year are shown below:

EMPLOYEE PROVISIONS

(Euro thousands)	December 31, 2018	December 31, 2017
Opening provision	46,736	48,095
Financial (income)/charges	652	686
Utilisations	(1,101)	(1,989)
Actuarial losses / (profits) rec. to equity reserve	(1,099)	(56)
Total employee provisions	**45,188**	**46,736**

The actuarial calculation of the employee leaving indemnity takes into account the effects of the reform of Law No. 296 of December 27, 2006 and subsequent decrees and regulations.

The principal actuarial assumptions, utilised for the determination of the pension obligations, are reported below:

ECONOMIC-FINANCIAL TECHNICAL PARAMETERS

	December 31, 2018	December 31, 2017
Annual discount rate	1.57%	1.30%
Annual inflation rate	1.50%	1.50%
Annual increase in employee leaving indemnity	2.63%	2.63%

The annual discount rate, utilised for the present value of the bond, was based on the Iboxx Eurozone Corporate A index.

The sensitivity analysis for each of the significant assumptions at December 31, 2018 and the previous year is shown below, indicating the effects that would arise on the post-employment benefit provision.

CHANGE

(Euro thousands)	December 31, 2018	December 31, 2017
+ 1 % on turnover rate	45,037	46,485
- 1 % on turnover rate	45,354	47,014
+ 1/4 % on annual inflation rate	45,822	47,437
- 1/4 % on annual inflation rate	44,565	46,048
+ 1/4 % on annual discount rate	44,191	45,634
- 1/4 % on annual discount rate	46,218	47,878

The average duration of the financial obligation and scheduled payments of the benefits are reported in the following tables:

AVERAGE DURATION OF THE BOND

(Euro thousands)	December 31, 2018	December 31, 2017
Duration of the plan	10.0	10.3

EXPECTED DISBURSEMENTS

(Euro thousands)	December 31, 2018	December 31, 2017
Year 1	2,127	2,224
Year 2	2,363	1,887
Year 3	2,749	2,488
Year 4	3,835	2,755
Year 5	2,991	3,713

6.18 Current and non-current financial liabilities

The breakdown of current and non-current financial liabilities at December 31, 2018 and at the end of the previous year is reported below:

	December 31, 2018		December 31, 2017	
(Euro thousands)	Current	Non-Current	Current	Non-Current
Bank payables	22,371	224,672	20,919	247,760
Payables to other lenders	7,213	298,933	6,693	298,529
Total financial liabilities	**29,584**	**523,605**	**27,612**	**546,289**

The breakdown of the accounts is shown below:

	December 31, 2018		December 31, 2017	
(Euro thousands)	Current portion	Non-current portion	Current portion	Non-current portion
Long-term loans	21,316	219,285	19,766	240,532
Loan charges payable	1,055		1,153	
Derivatives fair value		5,387		7,228
Bank payables	**22,371**	**224,672**	**20,919**	**247,760**
Payables to bondholders		298,889		298,441
Payables for charges on bonds	6,627		6,627	
Subsidised rate loans	44	44	66	88
Financial payable to subsidiaries	542			
Payables to other lenders	**7,213**	**298,933**	**6,693**	**298,529**
Total current and non-current liabilities	**29,584**	**523,605**	**27,612**	**546,289**

As illustrated in the table above, the Company debt primary consists of medium/long term bank loans and the bond issued on April 17, 2014, the "SEA 3 1/B 2014-2021".

The principal features of the bond are as follows:

- **Type of bond:** Senior, unsecured, non-convertible, in minimum denominations of Euro 100 thousand and exclusively targeting qualified and institutional investors;
- **Issue price:** at par;
- **Value:** Euro 300 million;
- **Interest rate:** fixed annual coupon of 3.125%;
- **Duration:** 7 years, with single repayment on maturity, except for advanced repayment possibilities established under the Loan regulation and in line with market practices;
- **Listing:** Regulated market managed by the Irish Stock Exchange;
- **Covenant:** typical international practice for the issue of such bonds, such as the Limitation of Indebtedness or rather to maintain a Net Financial Position/EBITDA maximum of 3.8. The covenant has been complied with to date.

For further information on bank loans and derivative contracts underwritten reference should be made to Note 4.

The breakdown of the Company net financial debt at December 31, 2018 and December 31, 2017, in accordance with CONSOB Communication of July 28, 2006 and ESMA/2012/81 recommendations are reported below:

NET FINANCIAL DEBT

	(Euro thousands)	December 31, 2018	December 31, 2017
A.	Cash and Cash Equivalents	(152,984)	(67,129)
B.	Other cash equivalents	-	-
C.	Securities held for trading	-	-
D.	**Liquidity (A)+(B)+(C)**	**(152,984)**	**(67,129)**
E.	**Financial receivables**	**(28,410)**	**(20,630)**
F.	Current financial payables	542	-
G.	Current portion of medium/long-term bank payables	21,316	19,766
H.	Other current financial payables	7,726	7,846
I.	**Payables and other current financial liabilities (F) + (G) + (H)**	**29,584**	**27,612**
J.	**Net current financial debt (D) + (E) + (I)**	**(151,810)**	**(60,147)**
K.	Non-current portion of medium/long-term bank payables	219,285	240,532
L.	Bonds issued	298,889	298,441
M.	Other non-current financial payables	5,431	7,316
N.	**Payables and other non-current financial liabilities (K) + (L) + (M)**	**523,605**	**546,289**
O.	**Net Financial Debt (J) + (N)**	**371,795**	**486,142**

At the end of December 2018, the net financial debt amounted to Euro 371,795 thousand, decreasing by Euro 114,347 thousand compared to the end of 2017 (Euro 486,142 thousand).

As illustrated in the cash flow statement, the level of net financial debt was impacted by the fact that the cash flow generated from the operating activity of Euro 235,374 thousand was sufficient to offset the cash flow absorbed by investing activity (Euro 35,981 thousand) and that absorbed from financing activity for the payment of dividends and interest and commissions (respectively of Euro 70,288 thousand and Euro 16,183 thousand); financing activities were impacted by the following factors: i) increase in cash and cash equivalents by Euro 85,855 thousand (Euro 152,984 thousand at the end of 2018 compared to Euro 67,129 thousand at the end of 2017), ii) continuation of the repayment of loans in place amounting to Euro 19,832 thousand.

The following is a breakdown of the variations of current and non-current financial assets and liabilities, with a separate indication of cash flows recorded in the year 2018 and other variations.

CURRENT AND NON-CURRENT FINANCIAL ASSETS AND LIABILITIES

(Euro thousands)	Med./ long-term bank loans (current and non-current portion)	Bond loans	Subsidised loans (current and non-current portion)	Payables for charges on loans & bond loans	Derivative liabilities	Financial payables/ receiv to sub.	Total
December 31, 2017	**260,298**	**298,441**	**154**	**7,780**	**7,228**	**(20,630)**	**553,271**
Cash flows:							
Issue new tranche of EIB loans							
Repayments (capital portion)	(19,766)		(66)				(19,832)
Cash pooling changes						(7,238)	(7,238)
Payment interest on bank loans and bond loans recognised to FY 2017				(7,780)			(7,780)
Total cash flows	**(19,766)**	**0**	**(66)**	**(7,780)**	**0**	**(7,238)**	**(34,850)**
Other changes:							
Amortised cost effect	69	448					517
Fair value change					(1,841)		(1,841)
Accrual on interest charges on loan & bond loan				7,682			7,682
Total other changes	**69**	**448**	**0**	**7,682**	**(1,841)**	**0**	**6,358**
December 31, 2018	**240,601**	**298,889**	**88**	**7,682**	**5,387**	**(27,868)**	**524,779**

6.19 Trade payables

The breakdown of the "Trade payables" is shown below:

TRADE PAYABLES

(Euro thousands)	December 31, 2018	December 31, 2017
Trade payables	128,615	130,362
Advances	2,750	7,582
Payable to subsidiaries	13,607	4,371
Payables to associates	11,614	4,519
Total trade payables	**156,586**	**146,834**

Trade payables of Euro 156,586 thousand at December 31, 2018 refers to the purchase of goods and services relating to the operating activity and investments. In order to optimise operations with suppliers, trade payables at December 31, 2018 include sums ceded under indirect factoring contracts for Euro 1,391 thousand (Euro 4,218 thousand at December 31, 2017).

Payables for advances at December 31, 2018, equal to Euro 2,750 thousand, report a significant reduction by Euro 4,832 thousand compared to the previous year due to opposing effects: *a)* the recognition in the income statement of the income, equal to Euro 5,631 thousand (including interest), relating to the occupation of the spaces located in the Linate and Malpensa airports, following Cassation Court Sentence No. 23454/18 which rejected the recourse presented by the Customs Agency, confirming the previous sentences. The amount was entirely collected in 2014, following Milan Court Judgment No. 12778/2013, and was recorded in the account "Advances" while awaiting conclusion of all the various levels of appeal; *b)* amounts received for SEA's participation in international research and innovation projects. The remainder of payables on account mainly relate to payments on account by clients.

For payables from subsidiaries and associated companies, reference should be made to Note 8, relating to transactions with related parties.

6.20 Income tax payables

Payables for income taxes amounting to Euro 17,464 thousand at December 31, 2018 (Euro 7,227 thousand at December 31, 2017), mainly relate to direct taxes for Euro 11,825 thousand Euro 1,142 thousand at December 31, 2017), employee and consultant's withholding taxes for Euro 5,144 thousand (Euro 5,520 thousand at December 31, 2017) and VAT for Euro 490 thousand (Euro 504 thousand at December 31, 2017).

6.21 Other current and non-current payables

The breakdown of the account "Other current payables" at December 31, 2018 is shown below:

OTHER CURRENT PAYABLES

(Euro thousands)	December 31, 2018	December 31, 2017
Payables to social security institutions	13,969	12,714
Employee payables for amounts matured	21,113	15,979
Employee payables for vacations not taken	2,388	2,536
Payables to the State for airport fire services	65,113	59,040
Payables to the State for concession fee	14,285	13,634
Payables to the state for concession fee security service	90	83
Payables for additional landing rights	49,944	46,131
Payables to third parties for ticketing collections		70
Third party guarantee deposits	998	968
Payables to the Board of Directors and Board of Statutory Auditors	187	190
Payables to shareholders for dividends	89	77
Payables to others post-em. ben.	240	251
Others	19,887	17,985
Total other current payables	**188,303**	**169,658**

"Other current payables" increased by Euro 18,645 thousand, from Euro 169,658 thousand at December 31, 2017 to Euro 188,303 thousand at December 31, 2018.

This increase is mainly due to the offsetting of the following items: i) higher charges of Euro 6,073 thousand for the contribution of the Company to the airport fire protection service under Law No. 296 of December 27, 2006 ii) increase in payables for Euro 3,813 thousand concerning boarding fee surcharges required by Law No. 350/2003, No. 43/2005, No. 296/2006, No. 166/2008, No. 92/2012 and No. 357/2015; iii) higher employee payables for services matured, for Euro 5,134 thousand, principally due the reclassification of the current portion of employee payables and the relative contributory charges, to be settled in 2019 relating to the mobility procedure initiated in 2017 and the increased payable related to the recognition, for the year 2018, of a bonus based on the results of the company, related to the achievement of company performances; iv) increase in payables to the State relating to the payment of concession fees, for Euro 651 thousand, following the change in the traffic data; v) increase in the account "Others" for Euro 1,902 thousand. The account "Other", amounting to Euro 19,887 thousand at December 31, 2018 (Euro 17,985 thousand at December 31, 2017), mainly relates to deferred income from clients for future periods and other minor payables. The increase is principally due to the timing of invoicing by the company.

"Payables for additional landing rights" include the amounts recharged to airlines (and not yet received) and those already received and reversed to the INPS/Tax Agency in the initial months of 2019.

Relating to the payables to the State for airport fire services, on July 20, 2018 the constitutional court notice of July 3, 2018 was published in the Official Gazette which declared the unconstitutionality of Article 1, paragraph 478 of Law No. 208 of December 28, 2015 implementing "Provisions for the drawing up of annual and multi-year budgets of the State (2016 Stability Law)". For further details, reference should be made to the Directors' Report in the section "Risk factors of the SEA Group".

The breakdown of the account "Other non-current payables" at December 31, 2018 and at December 31, 2017 is shown below:

OTHER NON-CURRENT LIABILITIES

(Euro thousands)	December 31, 2018	December 31, 2017
Employee payables	11,876	14,946
Payables to social security institutions	2,088	2,642
Total other non-current liabilities	**13,964**	**17,588**

“Other non-current payables” refers to payables to employees and associated social security contributions, recorded as a result of the mobility procedure’s commencement on December 27, 2017. Through the mobility procedure, early retirement incentive payments were established for a pre-determined number of workers who will qualify for pension benefits by August 2023 (early retirement or old age pension). The agreement with Trade Unions covering this procedure was signed on January 15, 2018.

The decrease of Euro 3,624 thousand is substantially attributable to the reclassification under current payables.

6.22 Payables and receivables beyond five years

There are no receivables over five years.

Financial payables above five years amount to Euro 124,722 thousand relating to the repayment of principal on medium/long-term loans at December 31, 2018.

7. Income Statement

7.1 Operating revenues

The breakdown of operating revenues by business unit is reported below:

OPERATING REVENUES BY BUSINESS UNIT

(Euro thousands)	2018	2017 restated
Aviation	422,939	399,250
Non Aviation	240,997	227,479
Total operating revenues	**663,936**	**626,729**

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.

The breakdown of Aviation operating revenues is reported below.

AVIATION OPERATING REVENUES

(Euro thousands)	2018	2017 restated
Fees and centralised infrastructure	361,314	337,834
Security management revenues	44,671	45,495
Use of regulated spaces	16,954	15,921
Total Aviation operating revenues	**422,939**	**399,250**

Aviation revenue in 2018 increased Euro 23,689 thousand compared to the previous year, from Euro 399,250 thousand in 2017 to Euro 422,939 thousand in 2018. This growth was supported by the tariff adjustment defined in the Regulatory Agreement and the increase in passenger traffic thanks to: *i)* activation of new routes and increased frequencies on many existing routes, both on European and non-European routes; *ii)* increase in seats offered by carriers both at Malpensa (up 11.6% of which 14.1% at Terminal 1 and 5.3% at Terminal 2) and, *iii)* signing of new bilateral agreements and updating of some agreements already in place. Passenger traffic recorded increased movements of 4.7% and passengers of 7%. Goods traffic however reduced 3.3% on the previous year to 569 thousand tonnes of cargo moved.

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)	2018	2017
Retail	94,332	91,988
Parking	68,155	64,123
Cargo spaces	15,097	13,969
Advertising	11,389	10,328
Premium services	14,972	13,885
Real Estate	2,083	1,422
Services and other revenues	34,969	31,764
Total Non Aviation operating revenues	**240,997**	**227,479**

The breakdown of retail revenues is reported below.

RETAIL REVENUES

(Euro thousands)	2018	2017
Shops	48,909	47,610
Food & beverage	20,271	18,809
Car rental	17,054	16,204
Banking activities	8,098	9,365
Total Retail	**94,332**	**91,988**

Non-Aviation revenues grew Euro 13,518 thousand compared to the previous year, from Euro 227,479 thousand in 2017 to Euro 240,997 thousand in 2018. This increase is mainly attributable to the following factors: *i)* retail revenues grew Euro 2,344 thousand thanks to higher royalties on the concessions for sales directly to the public. In particular, this income benefitted from the increase in passenger traffic and the completion of the Schengen boarding areas commercialisation, at Terminal 1 of Malpensa, at which all spaces have been gradually occupied; *ii)* parking revenues grew Euro 4,032 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 1,128 thousand benefitting from the increased fees from the leasing of new warehouses constructed in the Malpensa cargo areas; iv) advertising revenues increased Euro 1,061 thousand, thanks to the consolidation of promotional and marketing investment by luxury enterprises; v) revenues from premium services rose 1,087 thousand, thanks to higher income generated by services at the Malpensa and Linate VIP Lounges.

"Services and other revenues" mainly relate to income from the design services, service activities and other income. The 2018 balance increased Euro 3,205 thousand on the previous year, mainly due to the countering effects of: *i)* recognition of non-recurring income of Euro 5,591 thousand (not including interest portion), relating to the occupation of the spaces located in the Linate and Malpensa airports, following Cassation Court Sentence No.

23454/18 which rejected the recourse presented by the Customs Agency, confirming the previous sentences in favour of the company; *ii)* reduction of revenues from the concession of non-retail spaces to third party operators for Euro 1,052 thousand and a reduction in other income.

7.2 Revenue for works on assets under concession

Revenues for works on assets under concession decreased from Euro 28,281 thousand in 2017 to Euro 29,188 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 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)	2018	2017
Wages and salaries	132,268	131,507
Social security charges	37,298	37,281
Post-employment benefits	7,468	7,649
Other personnel costs	7,013	28,911
Personnel costs	**184,047**	**205,348**

Personnel costs decreased Euro 21,301 thousand, from Euro 205,348 thousand in 2017 to Euro 184,047 thousand in 2018 (-10.4%).

This principally relates to the recognition in financial year 2017 of leaving incentive plans agreed with the trade unions. For further information, 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			
	2018	%	2017	%
Executives	54	2%	54	2%
Managers	275	10%	264	10%
White-collar	1,710	63%	1,712	63%
Blue-collar	629	23%	636	24%
Total full-time employees	**2,668**	**98%**	**2,666**	**99%**
Temporary workers	46	2%	28	1%
Total employees	**2,714**	**100%**	**2,694**	**100%**

The increase in personnel is predominantly due to the hiring of temporary operational staff to support increased passenger numbers.

The employee Head-count (HDC) at year-end in the parent company was as follows:

NO. HDC (HEAD COUNT) EMPLOYEES (AT PERIOD END)

	2018	2017	change
HDC Employees (at period end)	2,780	2,771	9

7.4 Consumable materials

The breakdown of "Consumable materials" is as follows:

CONSUMABLE MATERIALS

(Euro thousands)	2018	2017
Raw materials, ancillaries, consumables and goods	11,313	10,180
Change in inventories	2,176	39
Total consumable materials	**13,489**	**10,219**

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 3,270 thousand compared to the previous year is principally generated by 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.

7.5 Other operating costs

The table below reports the breakdown of the account "Other operating costs":

OTHER OPERATING COSTS

(Euro thousands)	2018	2017 restated
Utilities & security expenses	37,763	29,840
Public entity fees	34,598	31,848
Ordinary maintenance costs	25,955	24,629
Terminal services provided by handling company	22,810	22,546
Parking management	15,988	15,298
Cleaning	14,015	13,686
Professional legal, administrative and strategic services	7,616	8,282
Tax charges	7,542	6,671
Hardware & software use licenses	4,894	4,112
Commercial costs	4,874	3,864
Disabled assistance and passenger support	3,997	3,608
Hire of equipment & vehicles	3,645	3,540
Insurance	1,076	1,285
Emoluments & costs of Board of Statutory Auditors & BoD	670	650
Losses on disposal of assets	473	63
Rental charges	130	138
Other costs	14,903	14,054
Total other operating costs	**200,949**	**184,114**

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") and recorded under commercial 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.

In 2018, the account "Other operating costs" increased by Euro 16,835 thousand compared to the previous year. This increase was principally due to the following factors:

- increase in utility costs due mainly to higher heating and air conditioning charges for Euro 3,514 thousand and increased electricity costs for Euro 2,829 thousand. This change is strictly correlated to movements in the price of the raw materials. Security costs increased Euro 1,221 thousand following the increase in security filter control activities;
- increase in concession fees to Public Entities for Euro 2,750 thousand following the higher concession fee which SEA must pay for the year 2018 to ENAC. This increase is strictly correlated to the traffic numbers;
- higher ordinary maintenance costs of Euro 1,326 thousand, relating to programmed maintenance on property, plant and equipment;
- lower costs for professional le-

gal, administrative and strategic services of Euro 666 thousand following the efficiency actions implemented by the Company;
- increase in tax charges for 871 thousand following the higher Municipal Tax due following the acquisition, completed on December 18, 2017, of the Malpensa Sheraton building;
- increased commercial costs of Euro 1,010 thousand related to greater commercial and marketing initiatives in 2018;
- increase in the residual account "Other costs" for Euro 849 thousand, principally related to higher costs for catering services in the VIP lounges, land connection charges and other charges for certifications and authorisations, only partially offset by the reduction in other administrative charges.

The residual account "Other costs" mainly includes fees recognised by SEA for the collection of airport rights related to general aviation for Euro 4,014 thousand (Euro 4,088 thousand in 2017), catering service costs for the VIP lounges of Euro 3,812 thousand (Euro 3,104 thousand in 2017), commission and brokerage costs of Euro 1,592 thousand (Euro 1,428 thousand in 2017), other industrial and administration costs (principally certification and authorisation charges, reception and welcoming passengers and losses on receivables) of Euro 1,045 thousand (Euro 1,361 thousand in 2017), landside transportation services of Euro 1,069 thousand (Euro 846 thousand in 2017), association contributions paid by the Company of Euro 1,133 thousand (Euro 1,065 thousand in 2017), purchase and subscription of newspapers and magazines of Euro 482 thousand (Euro 440 thousand in 2017) and office running expenses and administration costs.

7.6 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. 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)	**2018**	**2017**
Provisions / (releases) of current receivables & cash and cash equivalents	713	26,897
Write-down of other financial assets		3,476
Provisions/(releases) to provisions for future charges	2,838	243
Total provisions and write-downs	**3,551**	**30,616**

In 2108 "Provisions and write-downs" decreased Euro 27,065 thousand on the previous year (from Euro 30,616 thousand in 2017 to Euro 3,551 thousand in 2018).

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, write-downs for receivables under administration and the risk of non-receipt concerning not only overdue receivables but also those with upcoming maturity. As previously described in Note 4, to which reference should be made, the doubtful debt provision was amended in accordance with the methods described in IFRS 9, whose application is obligatory from January 1, 2018.

This decrease, amounting to Euro 26,184 thousand, mainly refers to the recognition in the 2017 accounts of the full write-down of past-due receivables, prior to administration on May 2, 2017, claimed from Alitalia SAI in Extraordinary Administration.

The net provisions for future risks and charges, amounting to Euro 2,838 thousand mainly refers to provisions for personnel and adjustments on valuations related to legal disputes concerning the operational management of the Milan Airports.

In the previous year, the "Provisions and Write-downs" account included the write-down of Euro 3,476 thousand of other financial assets, following the realignment of the assets recorded in the accounts on the measurement of the shares held in Airport Handling through the Trust.

7.8 Restoration and replacement provision

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

RESTORATION AND REPLACEMENT PROVISION

(Euro thousands)	2018	2017
Accrual/(release) restoration and replacement provision	15,000	13,509
Total accrual to restoration and replacement provision	**15,000**	**13,509**

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

An increase of Euro 1,491 thousand is reported, from Euro 13,509 thousand in 2017 to Euro 15,000 thousand in 2018, 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 & DEPRECIATION

(Euro thousands)	2018	2017
Amortisation of intangible assets	52,455	50,570
Depreciation of property, plant and equipment	16,950	14,909
Depreciation of real estate investments	2	1
Total amortisation & depreciation	**69,407**	**65,480**

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 (charges)

The breakdown of investment income and charges is as follows:

INVESTMENT INCOME (CHARGES)

(Euro thousands)	2018	2017
Dividends from Dufrital SpA	4,056	1,679
Dividends from SACBO SpA	2,026	2,128
Dividends from SEA Services Srl	804	624
Dividends from Malpensa Logistica Europa SpA	750	1,236
Dividends from Airport Handling SpA	387	
Dividends from Disma SpA	253	234
Revaluation (Write-down) SEA Handling SpA in liquidation		1,705
Revaluation (Write-down) Consorzio Malpensa Construction in liquidation		74
Total income (charges) from investments	**8,276**	**7,680**

Investment income amounts to Euro 8,276 thousand in 2018 compared to Euro 7,680 thousand in the previous year.

Investment income concerning dividends distributed by investees increased Euro 2,375 thousand on the previous year (from Euro 5,901 thousand in 2017 to Euro 8,276 thousand in 2018).

Finally, the previous year benefitted also from revaluation income for a total of Euro 1,779 thousand, deriving from the difference between the value of the investment held in SEA Handling SpA in liquidation and the Malpensa Construction Consortium in liquidation and the value of the asset liquidated to SEA following the approval of the final liquidator's accounts of the former subsidiaries.

For further information, reference should be made to Note 6.4.

7.11 Financial income (charges)

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

FINANCIAL INCOME (CHARGES)

(Euro thousands)	2018	2017
Exchange gains	1	4
Other financial income	1,579	1,081
Total financial income	**1,580**	**1,085**
Interest charges on medium/long-term loans	(12,038)	(12,413)
Exchange losses	(11)	(10)
Other interest charges	(5,597)	(5,737)
Total financial charges	**(17,646)**	**(18,160)**
Total financial income (charges)	**(16,066)**	**(17,075)**

Net financial charges reduced Euro 1,009 thousand (from Euro 17,075 thousand in 2017 to Euro 16,066 thousand in 2018). Against an increase of Euro 495 thousand in financial income, the financial charges reduced with a reduction in costs of Euro 514 thousand.

Financial income in 2018 benefitted from the interest income recognised by the Tax Agency following the liquidation of the IRES receivable concerning the deductibility of IRAP from IRES for the financial years 2007-2011 ("click day") of the Company.

The reduction in financial charges of Euro 514 thousand is mainly due to: i) decrease in the gross debt, with lower interest expense of Euro 375 thousand; and ii) reduction in other interest expenses of Euro 140 thousand. The positive effect related to the decrease in interest expense on derivatives for Euro 215 thousand was only partially offset by the increase in expenses related to bank guarantees on the EIB loans subscribed in June 2017.

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)	2018	2017
Current income taxes	52,211	41,074
Deferred tax charge/(income)	(3,537)	(7,697)
Total income taxes	**48,674**	**33,377**

The reconciliation between the theoretical and effective tax rate for 2018 is shown below:

(Euro thousands)	2018	%
Profit before taxes	**172,163**	
Theoretical income taxes	41,319	24.0%
Permanent tax differences effect	(331)	-0.2%
IRAP	8,133	4.7%
Other	(447)	-0.3%
Effective taxes	**48,674**	**28.3%**

The "Other" account principally includes tax adjustments concerning both current and deferred taxes of previous years.

The main permanent tax differences relate to the dividends from investees under the pex system received in 2018 and the accelerated amortisation tax break on equipment, effects which were only partially offset by the increase principally due the non-deductible part of the Municipal Tax and other non-deductible costs.

8. Related party transactions

The table below shows the balances and transactions of the company with related parties for the years 2018 and 2017 and an indication of the percentage of the relative account:

TRANSACTIONS WITH RELATED PARTIES

	December 31, 2018				
(Euro thousands)	Trade Receivables	Current financial receivables	Other current receivables	Trade payables	Current financial liabilities
Subsidiaries					
SEA Energia SpA	417	28,410		12,417	
SEA Prime SpA	3,292			1,190	542
Associates					
Aiport Handling SpA (*)	3,211			7,194	
SACBO SpA	336			476	
Dufrital SpA	5,113		2,005	740	
Malpensa Logistica Europa SpA	1,208			1,062	
SEA Services Srl	1,170			2,014	
Signature Flight Support Italy Srl	72			29	
Disma SpA	115			99	
Total related parties	**14,934**	**28,410**	**2,005**	**25,221**	**542**
Total book value	117,602	28,410	6,257	156,586	29,584
% on total book value	**12.70%**	**100.00%**	**32.04%**	**16.11%**	**1.83%**

	Year ended December 31, 2018				
(Euro thousands)	Operating revenues	Other operating costs	Personnel costs	Net financial income (charges)	Investment income (charges)
Subsidiaries					
SEA Energia SpA	447	28,419	(80)	562	
SEA Prime SpA	7,651	4,061	(625)	2	
Associates					
Airport Handling SpA (*)	6,629	13,190	(149)		387
SACBO SpA (**)	981	11,257	(2)		2,026
Dufrital SpA	31,120	19			4,056
Malpensa Logistica Europa SpA	4,310		(40)		750
SEA Services Srl	3,602	3,846			804
Disma SpA	218		(7)		253
Signature Flight Support Italy Srl	193	28			
Total related parties	**55,151**	**60,820**	**(903)**	**564**	**8,276**
Total book value	663,936	200,949	184,047	(16,066)	8,276
% on total book value	**8.31%**	**30.27%**	**-0.49%**	**-3.51%**	**100.00%**

(*) *In July 2018, 30% of the share capital of Airport Handling SpA was transferred to SEA following the dissolution of the Trust, having exhausted its corporate scope, with recognition of the investment in the account "Investments in subsidiaries and associated companies". The income statement transactions therefore refer to the July - December period.*
(**) *The account "Other operating costs" relating to transactions with SACBO, equivalent to Euro 11,257 thousand, does not include that invoiced by SEA to the final clients and transferred to the associate.*

TRANSACTIONS WITH RELATED PARTIES

(Euro thousands)	December 31, 2017 Trade Receivables	Current financial receivables	Trade Payables	Income tax payables
Subsidiaries				
SEA Energia SpA	409	20,253	3,201	41
SEA Prime SpA	2,897	377	1,170	
Associates				
SACBO SpA	276		510	
Dufrital SpA	5,430		1,149	
Malpensa Logistica Europa SpA	1,840		1,046	
SEA Services Srl	1,137		1,714	
Signature Flight Support Italy Srl	63		1	
Disma SpA	116		99	
Total related parties	**12,168**	**20,630**	**8,890**	**41**
Total book value	108,612	20,630	146,834	7,227
% on total book value	**11.20%**	**100.00%**	**6.05%**	**0.57%**

(Euro thousands)	Year ended December 31, 2017 Operating revenues	Other operating costs	Personnel costs	Net financial income (charges)	Investment income (charges)
Subsidiaries					
SEA Handling SpA in liquidazione (*)	10	8			1,705
SEA Energia SpA	440	21,822	(80)	839	
Consorzio Malpensa Contruction (*)	(8)	4			74
SEA Prime SpA	7,581	4,105	(566)		
Associates					
SACBO SpA (**)	921	10,440	(4)		2,128
Dufrital SpA	30,541	21			1,679
Malpensa Logistica Europa SpA	4,239	10	(38)		1,236
SEA Services Srl	3,331	3,113			624
Disma SpA	215				234
Signature Flight Support Italy Srl	121				
Total related parties	**47,391**	**39,523**	**(688)**	**839**	**7,680**
Total book value	676,167	233,552	205,348	(17,075)	7,680
% on total book value	**7.01%**	**16.92%**	**-0.34%**	**-4.91%**	**100.00%**

(*) In 2017 SEA Handling SpA in liquidation and Malpensa Construction Consortium were removed from the companies register following the approval of the final liquidator's accounts and the distribution plan.
(**) The account "Other operating costs" relating to transactions with SACBO, equivalent to Euro 10,440 thousand, does not include that invoiced by SEA to the final clients and transferred to the associate.

8.1 Transactions with subsidiary companies

Commercial transactions between SEA and subsidiary companies are as follows:

i. transactions between SEA and SEA Energia SpA concerning the supply to the Milan Airports, of electric and thermal energy produced by the Co-generation plants, located at the afore-mentioned airports, for its energy requirements, as well as the agreement for the provision, by the Company in favour of SEA Energia, of administrative services (among which legal, fiscal, planning and control);
ii. the transactions with SEA Prime SpA concern the sub-concession contract for the General Aviation management operations, at Linate airport, granted by SEA on May 26, 2008 and expiring on April 30, 2041. The contract concerns, specifically, the utilisation of the general aviation infrastructure and the verification and collection, on behalf of SEA, of airport and security fees. An agreement is also in place between the company and SEA Prime SpA for administration services (including legal, tax and accounting services);

Financial receivables and payables relate to centralised treasury services (cash pooling) which SEA undertakes on behalf of the subsidiaries.

8.2 Transactions with associated companies

The transactions between the Company and the associated companies, in the periods indicated below:

- commercial parking management transactions at Orio al Serio-Bergamo (SACBO) airport;
- commercial transactions with reference to the recognition to SEA of royalties on sales (Dufrital and SEA Services);
- rental of premises (Malpensa Logistica Europa);
- supply to SEA of catering services (SEA Services);
- commercial transactions deriving from the concession for the distribution of fuel (DISMA);
- revenue for administration services and handling activity costs (Airport Handling SpA).

The above-mentioned transactions were within the ordinary activities of the Company and of the Group and undertaken at market values.

8.3 Other transactions with related parties

SACBO SpA

In 2018, SACBO distributed dividends to SEA for Euro 2,026 thousand.

DUFRITAL SpA

In 2018, Dufrital distributed dividends to SEA for Euro 4,056 thousand, of which Euro 2,005 thousand received in 2019.

MALPENSA LOGISTICA EUROPA SpA

In 2018, Malpensa Logistics dis-

tributed dividends to SEA for Euro 750 thousand.

SEA SERVICES Srl
In 2018, SEA Services distributed dividends to SEA for Euro 804 thousand.

AIRPORT HANDLING SpA
In 2018, Airport Handling distributed dividends to SEA for Euro 387 thousand.

DISMA SpA
In 2018, Disma distributed dividends to SEA for Euro 253 thousand.

9. Directors' fees

In 2018, the remuneration for the Board of Directors, including social security contributions and accessory charges, amounted to Euro 450 thousand (Euro 428 thousand in 2017).

10. Statutory auditors' fees

In 2018, the remuneration for the Board of Statutory Auditors, including social security contributions and accessory charges, amounted to Euro 220 thousand (Euro 222 thousand in 2017).

11. Independent Audit Firm fees

The fees for the audit of the statutory financial statements of SEA recognised to the independent audit firm Deloitte & Touche SpA for the year 2018 amounted to Euro 219 thousand and Euro 59 thousand for other activities. The remuneration of the Independent audit firm is stated net of the obligatory Consob contribution.

12. Commitments and guarantees

12.1 Investment commitments

The principal commitments for investment contracts under Consortium Regroupings are shown below net of works already realised:

BREAKDOWN PROJECT COMMITMENTS

(Euro thousands)	December 31, 2018	December 31, 2017
Design and extraordinary maintenance civil works and plant at Linate & Malpensa	21,540	21,532
Design and extraordinary maintenance flight infrastructure and roadways at Linate and Malpensa	9,079	1,148
Works on electrical automation and control systems at Linate and Malpensa	7,459	
Design and extraordinary maintenance of Linate & Malpensa AVL plants	5,884	3,465
Design and construction of new warehouses at Cargo City of Malpensa	462	4,006
Construction of new frontage at Linate		3,381
Construction of new de-icing area at Linate		777
Total project commitments	**44,424**	**34,309**

12.2 Commitments for rental contracts

At December 31, 2018, SEA has commitments on rental contracts totalling Euro 24,963 thousand, principally relating to software and hardware components for the airport IT system, the rental of airport buses and the motor vehicles fleet.

The breakdown of the minimum payments on the contracts of the Company at December 31, 2018 and the previous year is as follows:

(Euro thousands)	December 31, 2018	December 31, 2017
Within 12 months	7,128	7,060
Between 1 and 5 years	17,835	17,466
Total	**24,963**	**24,526**

12.3 Guarantees

At December 31, 2018, the sureties in favour of third parties were as follows:

- two bank sureties, equal respectively to Euro 42,000 thousand and Euro 46,000 thousand, as guarantee on funds drawn down in June 2015 and June 2017 on the EIB line subscribed in December 2014;
- surety of Euro 25,000 thousand to Banca Popolare di Milano to guarantee credit lines received from companies within the centralised treasury system;
- surety of Euro 26,287 thousand in favour of ENAC, as guarantee of the concession fee;
- surety of Euro 2,000 thousand in favour of SACBO as guarantee for the parking management at Bergamo airport;

- surety of Euro 2,000 thousand in favour of the Ministry of Defence as guarantee of the obligations pursuant to the technical agreement of June 4, 2009 following the advance delivery of the "Cascina Malpensa" area;
- surety of Euro 102 thousand in favour of the supplier Contract GmbH for the rental of airport buses;
- Euro 554 thousand for other minor sureties.

13. Seasonality

The business is characterised by revenue seasonality, which are normally higher in the periods of August and December due to increased flights by the airlines at its airports. It should be noted that the airports of Milan Malpensa and Milan Linate are to a certain degree complementary from a seasonality viewpoint, in view of the different profile of the indirect customers (i.e. leisure vs. business). This feature limits the seasonal peaks from an overall consolidated operational and financial viewpoint.

14. Contingent liabilities

Reference should be made to the explanatory notes in relation to disputes on receivables (Note 6.10) and operating risks (Note 6.16). For further information, reference should be made to the Directors' Report.

15. Contingent assets

With reference to Judgment 7241/2015 of the Milan Court, confirmed by the Milan Court of Appeal with Judgment No. 331/2017, as not all appeals have been made this contingent asset was not recognised in the income statement as per IAS 37. For further details, reference should be made to the Directors' Report.

16. Transactions relating to atypical or unusual operations

In accordance with Consob Communication of July 28, 2006, the Company did not undertake any transactions deriving from atypical or unusual operations, as set out in the communication.

17. Significant non-recurring events and transactions

Pursuant to CONSOB Communication of July 28, 2006, in the view of Directors, in 2018 the Company undertook the following non-recurring significant operations:

- Collection of the IRES receivable concerning the deductibility of IRAP from IRES for the financial years 2007-2011 ("click day") for Euro 10,734 thousand (including interest income of Euro 976 thousand);
- Repayment to the Company of the higher fine issued by AGCM in 2015 (totalling Euro 2,430 thousand) on the conclusion of the Procedure contesting its dominant position in relation to the tender procedures for the disposal of SEA Prime SpA (formerly ATA Ali Trasporti Aerei SpA);
- Collection of Euro 13,300 thousand (of which Euro 10,640 thousand for the sale of 70% of the Financial Instruments of Participation and Euro 2,660 thousand for the sale of 70% of the shares), representative of the current portion of the account "Other current financial assets" following the exercise, by dnata, of the purchase option of a further 40% holding in the share capital of Airport Handling and a corresponding share of Financial Instruments of Participation. The winding up of the Milan Airport Handling Trust, having exhausted its corporate scope and the consequent transfer to SEA of the residual 30% of the share capital, resulted in the reclassification of Euro 7,190 thousand, recorded in the 2017 accounts under "Other non-current financial assets", to the account "investments in associated companies";
- Recognition in the income statement of the income, equal to Euro 5,631 thousand (including interest portion), relating to the occupation of the spaces located in the Linate and Malpensa airports, following Cassation Court Sentence No. 23454/18 which rejected the recourse presented by the Customs Agency, confirming the previous sentences. The amount was entirely collected in 2014, following Milan Court Judgement No. 12778/2013, and was recorded in the account "Advances" while awaiting conclusion of all the various levels of appeal.

18. Public grants (Article 1, paragraphs 125-129 of Law 124/2017)

Pursuant to Law No. 124/2017 and subsequent supplements, we communicate that the Group received public grants during the year totalling Euro 451 thousand.

Beneficiary	Provider	Purpose	Collection date	**Amount** (In thousands of Euro)
SEA SpA *	Lombardy Region	Grant for regulation works on Lambro river	11/07/2018	**451**

**The loan was received by SEA SpA but was simultaneously forwarded to SEA Prime SpA as the effective owner of the works on November 21, 2018.*

As required by Article 1 Law No. 124/2017, paragraph 126, the grants received over an amount of Euro 10 thousand are listed below.

Beneficiary	Provider	Purpose	**Amount** (In thousands of Euro)
La Scala Theatre	SEA SpA	Founding shareholder annual quota	**600**
Telethon Foundation	SEA SpA	Annual contribution to fund scientific research into a cure for muscular dystrophy and other genetic illnesses	**30**
OPES Foundation	SEA SpA	QUID Project 2018	**40**

19. Subsequent events to 2018

Reference should be made to the Directors' Report.

The Chairman
of the Board of Directors

Michaela Castelli

Board of Statutory Auditors' Report to the Shareholders' Meeting of SEA - Società Esercizi Aeroportuali S.p.A.

as per Article 2429, second paragraph, of the Civil Code

Dear Shareholders,

during the year ended December 31, 2018, the Board of Statutory Auditors performed the supervisory activities required by law, in accordance with the Conduct rules for Boards of Statutory Auditors endorsed by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili).

The Board of Statutory Auditors also executed the role set out under Article 19 of Legislative Decree No. 39 of January 27, 2010, as the Internal Control and Audit Committee, with SEA qualifying as an Entity of Public Interest (EIP), as per Article 16, paragraph 1, letter a) of the stated Legislative Decree No. 39/2010, as an issuer of securities, i.e. the "SEA 3 1/8 2014-2021" bond listed on the market regulated and managed by the Irish Stock Exchange and as a company adopting a traditional governance model.

The Board of Statutory Auditors in this Report outlines the activities carried out during the year, broken down by each category of oversight under the applicable rules for Boards of Statutory Auditors, and also regarding the result for the year ended December 31, 2018.

Oversight upon legal, regulatory and By-Law compliance

The Board of Statutory Auditors met during the year 9 times to carry out periodic verifications, during which information was exchanged on a regular basis with the heads of the company departments and the Independent Audit Firm.

It attended the Shareholders' Meeting of May 3, 2018 and the meetings of the Board of Directors, which met on 12 occasions, noting that they were held in compliance with the By-Laws and the applicable legislative and regulatory provisions governing their functioning.

In addition, the Board of Statutory Auditors ensured the presence of at least one of its members at the meetings of the committees established within the Board and also met the Supervisory Board as per Legislative Decree 231/2001.

In this regard, the Board of Statutory Auditors oversaw compliance with law and the By-Laws, particularly verifying regulatory compliance with regards to the appointment of the Chairman of the Board of Directors, following the resignation of the previous Chairman, in addition to the appropriate composition of the Board of Directors, according to the applicable By-Laws, and the establishment, subsequent to year-end, of the new organisational and governance structure, with the appointment of the Chief Executive Officer and the General Manager and the consequent organisational structure reallocation.

Oversight upon compliance with the principles of correct administration and regarding related party transactions

In order to oversee compliance with the principles of correct administration, in addition to attending, as stated above, all meetings of the Board of Directors, the Board of Statutory Auditors:

- received at its meetings information from the Directors and Management on the general performance and on the outlook, as well as on the most significant transactions, in terms of size or nature, carried out by the company and its subsidiaries. This information is exhaus-

tively outlined in the Directors' Report, to which reference should be made.
On the basis of the information made available, the Board of Statutory Auditors may reasonably consider that these transactions carried out by the company comply with law and the By-Laws, and were not manifestly imprudent, in potential conflict of interest, hazardous or against the motions undertaken by the Shareholders' Meeting, or such as to compromise the integrity of the company's assets;
- did not note any atypical or unusual transactions with Group companies, related parties or third parties and assessed the compliance of the related party transactions with the company policy. The Board of Directors in the Annual Report provided exhaustive disclosure upon the transactions executed with subsidiaries and with other related parties, outlining the economic, equity and financial effects.
- the Company does not hold treasury shares.

Oversight on the auditing of accounts and the independence of the Audit Firm

The Board of Statutory Auditors held meetings with the managers of the Independent Audit Firm, also as per Article 19, paragraph 1 of Legislative Decree No. 39/2010, during which it reviewed the work plan adopted, received information on the accounting policies utilised, on the accounting representation of the main transactions carried out in the year, in addition to the outcome of the audit. It did not note any events or situations requiring indication in this Report.

The Independent Audit Firm, Deloitte & Touche S.p.A, issued March 18, 2019 the reports as per Article 14 of Legislative Decree 39/2010 and Article 10 of Regulation (EC) No. 537/2014, respectively for the statutory financial statements and for the consolidated financial statements at December 31, 2018, prepared as per International Financial Reporting Standards - IFRS – adopted by the European Union. These reports indicate that the statutory financial statements and the consolidated financial statements of SEA provide a true and fair view of the statement of financial position of SEA S.p.A. and of the SEA Group at December 31, 2018 and of the result and of the cash flows for the year ending at the same date. With regards to the statutory financial statements and the consolidated financial statements, the independent audit firm stated that the Directors' Report and the Corporate Governance and Ownership Structure Report, limited to the disclosure indicated at Article 123-bis, paragraph 4 of Legislative Decree No. 58 of February 24, 1998, are consistent with the financial statements and were prepared in compliance with law.

In addition, the Independent Audit Firm, with regards to the statement as per Article 14, paragraph 2, letter e) of Legislative Decree No. 39 of January 27, 2010, concerning the identification of significant errors in the Directors' Report, on the basis of its knowledge and understanding of the company and the relative overview acquired during the audit activities, declared to not having any matters to report. It indicated, as a key aspect of the audit, the Restoration Provision for works under concession.

The Independent Audit Firm issued, finally, the Additional Report for the Internal Control and Audit Committee as per Article 11 of Regulation (EC) No. 537/2014.

The Board of Statutory Auditors oversaw compliance with the provisions of Legislative Decree No. 254 of December 30, 2016 concerning non-financial disclosure and information upon diversity, while the Independent Audit Firm verified the preparation of the non-financial disclosure and issued a limited assurance with regards to the consistency of the information provided against that required by the Decree and against the reporting standards/guidelines utilised for such disclosure.

The notes to the financial statements of the company indicate the amount of fees accruing in the year to the independent audit firm and the amount regarding its network, including other services.

Taking account of the independence declarations issued by Deloitte & Touche S.p.A. and the transparency report produced by the former in accordance with Article 18 of Legislative Decree 39/2010 and published on its website, in addition to the assignments awarded to the company and the companies belonging to its network by SEA S.p.A. and by the Group companies, and the note confirming compliance with the ethics and independence principles under the "Code of Ethics for Professional Accounts" issued by the IESBA, the Board of Statutory Auditors does not indicate any critical aspects with regards to the independence of the Audit Firm.

Oversight of the internal control and risk management system and of the administrative and accounting system

The Board of Statutory Auditors, also as the Internal Control and Audit Committee, as per Article 19 of Legislative Decree No. 39 of 27.01.2010, oversaw the adequacy of the internal control and risk management system and of the administrative-accounting system, in addition to the appropriateness of this latter to correctly reflect operating events. In this context, it requested and obtained all necessary information from the Managers of the respective Departments, undertaking all verifications considered necessary through the direct examination of company documents.

The Board maintained constant and adequate liaison with the Internal Audit Department and verified that this department has the required capacity, autonomy and independence. It also verified that adequate collaboration and exchange of information took place between the bodies and departments undertaking control functions. Reciprocal exchange of information also took place with the Board of Statutory Auditors of the subsidiaries and associated companies.

In particular:

- it carried out investigations in order to assess whether the administrative-accounting system of the company is appropriate to permit the presentation of a true and fair view in the financial statements of the operating events; it periodically oversaw the correct functioning of the system through meetings with the managers of the Administration, Finance and Control Department;
- it examined the audit plans, the periodic reports and the annual report prepared by the Auditing Department. These reports do not indicate any critical issues and confirmed that the at risk areas with regards to internal control have been recorded and monitored;
- it examined the periodic report of the Supervisory Board, set up as per Legislative Decree No. 231/2001, which does not indicate events or situations which require highlighting in this Report;
- it monitored the project activities carried out in terms of risks, in particular the progress on the Enterprise Risk Management (ERM) project designed to build a model for the identification, classification, measurement, monitoring and homogeneous and transversal assessment of operational risks, in addition to their continuous monitoring, in support of the strategic choices and decisions of management and for stakeholder assurance.
- began oversight on the periodic disclosure of financial statement information which the company is required to produce for ENAC and reviewed the conclusive Report issued following the administrative-accounting checks on the company by ENAC, and the responses from the company to the observations contained therein.

Oversight of the adequacy of the organisational structure

The Board of Statutory Auditors acquired knowledge upon and oversaw, to the extent of its remit, the adequacy of the organisational structure of the company, reviewing and obtaining information of an organisational and procedural nature, through:

- the acquisition of information from the managers of the competent company departments;
- meetings with the Independent Audit Firm and the results of specific audit activities carried out by the former.

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Other information

The Board of Statutory Auditors declares in addition to not having received requests for the issue of opinions and was not required to issue opinions on the basis of specific regulations.

In 2018, no petitions or notices were received by the Board of Statutory Auditors as per Article 2408 of the Civil Code.

During the verifications, as described above, there were no more significant facts meriting mention in this report.

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Observations and proposals with regard to the financial statements and their approval

Considering that the mandate of the Board of Statutory Auditors of the company shall conclude with the approval of the 2018 financial statements, the Shareholders' Meeting is called to consider, among matters on the agenda, the appointment of the statutory auditors, including the Chairperson of the Board of Statutory Auditors, and of the Alternate Auditors, for the 2019-2021 three-year period and for the establishment of their remuneration.

In relation to that stated above, on the basis of the activities carried out in the year, the Board of Statutory Auditors does not indicate any reasons preventing approval of the financial statements at December 31, 2018, as prepared by the Board of Directors and with regards to the motions proposed regarding the allocation of the net profit.

Milan, March 18, 2019

THE BOARD OF STATUTORY AUDITORS
Rosalba Cotroneo
(Chairman)
Rosalba Casiraghi
(Statutory Auditor)
Andrea Galli
(Statutory Auditor)
Paolo Giovanelli
(Statutory Auditor)
Giacinto Sarubbi
(Statutory Auditor)


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IBERIA

Auditors' Report

Deloitte.

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
SOCIETÀ PER AZIONI ESERCIZI AEROPORTUALI – SEA S.p.A.

REPORT ON THE AUDIT OF THE SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying separate financial statements of Società per Azioni Esercizi Aeroportuali - SEA S.p.A. (the "Company"), which comprise the Statement of Financial Position as at December 31, 2018, the Income Statement, the Comprehensive Income Statement, Statement of Changes in Shareholders' Equity, Cash Flows Statement for the year then ended, and the explanatory notes, including a summary of significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of the Company as at December 31, 2018, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Società per Azioni Esercizi Aeroportuali - SEA S.p.A. in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Restoration and replacement provision	
Description of the key audit matter	The separate financial statements as at December 31, 2018 include the "Restoration and replacement provision" for Euro 137.3 million. The provision includes the best estimate of the present value of the charges the Company will bear to meet its contractual obligations with the Italian Civil Aviation Authority to ensure the functionality, operations and security of the assets under concession.

Deloitte.

The estimation process of the "Restoration and replacement provision" appears articulate and difficult and it is composed of different phases and based on different variables and assumptions that include the planning of the restoration and replacement operations. In particular, the main assumptions are about the assets deterioration, the useful life of the restoration and the charge estimates for operation category.

Given the above, we considered the estimation process of this provision as a key audit matter as at December 31, 2018.

The notes 2.4 and 6.16 of the separate financial statements as at December 31, 2018 highlight the accounting policies and the 2018 changes of the provision, respectively.

Audit procedures performed

The procedures we carried out to control this matter included the following:

- Understanding of the process carried out by the Company to estimate and update the provision;
- Understanding of the key controls that the Company carries out to monitor this area and testing of their actual implementation;
- Obtaining and analysing the reports drawn by the Operations and Maintenance Division of the Company about the planning of the restoration and replacement operations. In particular, we analysed the assumptions underlying the charges computation model and the timing planning of the restoration and replacement operations;
- Sample testing of the allocation criteria underlying the restoration percentages by discussion with the business units in-charge of the activity, in order to verify the rationality of the criteria;
- Understanding of any change in the regulatory framework that could impact the estimate of the provision value;
- Retrospective analysis of the previous year estimation process, including a variation analysis between the actual charges borne compared to previous estimates, with reference to a sample of works completed during 2018, in order to verify the reasons of the variance and the reliability of the estimation process implemented by the Company;
- Exam of the disclosure reported in the financial statements notes and its compliance with the relevant accounting standards.

Responsibilities of the Directors and the Board of Statutory Auditors for the Separate Financial Statements

The Directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Deloitte.

In preparing the separate financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or for the termination of the operations or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

Deloitte.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of the Company has appointed us on May 4, 2016 as auditors of the Company for the period 2016-2022.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the separate financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Società per Azioni Esercizi Aeroportuali – SEA S.p.A. are responsible for the preparation of the report on operations, including the information required by art. 123-bis, paragraph 2 (b) of Società per Azioni Esercizi Aeroportuali - SEA S.p.A. as at December 31, 2018, including its consistency with the related separate financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations including the information required by art. 123-bis, paragraph 2 (b) of Legislative Decree 58/98 with the separate financial statements of Società per Azioni Esercizi Aeroportuali – SEA S.p.A. as at December 31, 2018 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations including the information required by art. 123-bis, paragraph 2 (b) is consistent with the separate financial statements of Società per Azioni Esercizi Aeroportuali - S.p.A. as at December 31, 2018 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Marco Pessina
Partner

Milan, Italy
March 18, 2019

This report has been translated into the English language solely for the convenience of international readers.

The SEA Group's focus on environmental protection, through the adoption of targeted initiatives, has significantly reduced CO_2 emissions.

Milan Malpensa and Milan Linate once again confirmed their exceptional record at European level, achieving "Neutrality" under the Airport Carbon Accreditation Initiative.

SEA - Società per Azioni Esercizi Aeroportuali

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Tax Code and Milan Companies
Registration Office No. 00826040156
Milan REA No. 472807 - Share Capital Euro 27,500,000 fully paid-in
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SEA

MilanAirports