Gruppo Toscana Aeroporti - Toscana Aeroporti Group

2018 FINANCIAL STATEMENT

This report is available in the Investor Relations section
of Toscana Aeroporti's website at www.toscana-aeroporti.com

Toscana Aeroporti S.p.A.
Via del Termine, 11 – 50127 Firenze - www.toscana-aeroporti.com
R.E.A. FI-637708 - Fully paid-up Share Capital € 30,709,743.90
VAT Number and Tax Code: 00403110505

Summary

Dear Shareholders,

the Report on Operations for the Consolidated Financial Statements of Toscana Aeroporti S.p.A. (Hereinafter also briefly referred to as "TA" or the "Holding"/"Parent Company") and its subsidiaries (hereinafter the "TA Group") and for the Separate Draft Financial Statement at 31 Dec. 2018, approved by the Board of Directors on 14 March 2019, have been prepared in compliance with the provisions of CONSOB Resolution no. 11971 of 14 May 1999 and includes the accounting records and the Directors' comments on management trends and the most significant events that took place in 2018 and after the closing of the year on 31 Dec. 2018.

The tables provided and commented below have been prepared based in the Consolidated Financial Statements at 31 Dec. 2018, to which we refer the readers of this document, since, pursuant to the applicable legislation, we considered it more appropriate to prepare a single Report on Operations and provide an analysis of the most significant economic-financial trends, i.e. consolidated data.

The Consolidated Financial Statements and Year's Balance Sheet for the year ended 31 Dec. 2018 have been prepared in compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standard Board ("IASB") and ratified by the European Union. The acronym "IFRS" also includes the International Accounting Standards (IAS) in force to date, as well as all the interpretation documents issued by the International Financial Reporting Interpretations Committee ("IFRIC"), previously called Standing Interpretations Committee ("SIC"), and in compliance with the measures issued to implement art. 9 of Leg. Dec. no. 38/2005 (CONSOB Resolution no. 15519 of 27 July 2006 concerning "Provisions on financial statements", CONSOB Resolution no. 15520 of 27 July 2006 concerning "Amendments and additions to the Issuers' Regulation adopted with Resolution no. 11971/99", CONSOB Notice no. 6064293 of 28 July 2006 concerning "Company disclosures required by to art. 114, paragraph 5, of Leg. Dec. no. 58/98").

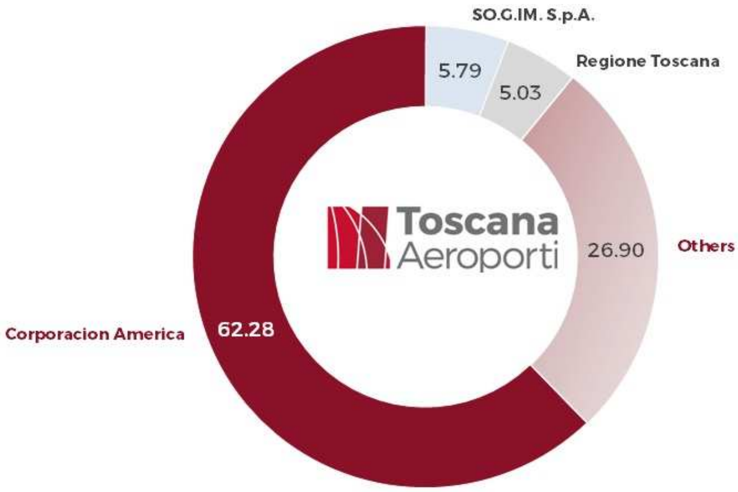
Toscana Aeroporti S.p.A. is a group incorporated to manage and develop the "Galileo Galiliei" airport in Pisa and the "Amerigo Vespucci" airport in Florence in terms of air traffic, infrastructures and passenger services.

Accounting information as at 31 December 2018 includes data regarding the Parent Company "Toscana Aeroporti S.p.A." and its subsidiaries Toscana Aeroporti Engineering S.r.l. (hereinafter "TAE"), "Parcheggi Peretola S.r.l.", Toscana Aeroporti Handling S.r.l. (hereinafter "TAH"), and "Jet Fuel Co. S.r.l.", processed according to the full consolidation method.

The consolidated financial statement of the Group and the financial statement of TA are audited by PricewaterhouseCoopers S.p.A. ("PwC").

1. COMPOSITION OF THE SHARE CAPITAL OF THE PARENT COMPANY

We are providing below a list of the names of the parties who, at 13 March 2019, directly or indirectly held an interest greater than 5% of the subscribed share capital of Toscana Aeroporti S.p.A. (hereinafter also briefly referred to as "TA" or the "Parent Company"), consisting of shares with voting rights, according to the Shareholders' Register, as supplemented by the information disclosed pursuant to art. 120 of Legislative Decree 58/1998 and by any other information held by the Company.



** Declarant, i.e. person positioned at the top of the control chain: Southern Cone Foundation*

During 2018, Corporación America Italia S.p.A. (hereinafter also "CAI") purchased further shares of Toscana Aeroporti S.p.A., thus increasing its equity interest from 51.13% to 62.28%.

The subscribed and fully paid-up share capital of Toscana Aeroporti S.p.A. is €30,709.743,90 and consists of 18,611,966 ordinary shares without nominal value.

The whole of TA's shares owned by Corporación America Italy S.p.A. have been pledged until December 2024 as collateral to secure the debenture loan issued by the shareholder in question.

2. THE OWNERS OF THE PARENT COMPANY

At the date of this report, a three-year Shareholder Agreement is in place between Corporación America Italia S.p.A. and SO.G.IM. S.p.a., signed on 16 April 2014, supplemented with an Addendum signed on 13 May 2015 for compliance with the requirements of the merger by incorporation of AdF - Aeroporto di Firenze S.p.A. into SAT – Società Aeroporto Toscano S.p.A. (today Toscana Aeroporti S.p.A.) effective from 1 June 2015, renewed on 10 April 2017 for three more years effective from 16 April 2017, amended with an agreement signed on 29 September 2017.

Further details and contents are available on the official website of the company: www.toscana-airports.com.

3. CORPORATE GOVERNANCE

The Company adopted a Corporate Governance policy to implement the principles of the Voluntary Code of Conduct for the companies listed by Borsa Italiana S.p.A., in line with the recommendations issued by CONSOB and international best practices. A Control and

Risk Committee and a Appointments and Remuneration Committee have been created some time ago and are regularly operating.
For further information, see the Report on Corporate Governance and Ownership that is prepared every year in compliance with regulatory requirements, which contains a general description of the corporate governance system adopted by TA and information on the ownership layout and Voluntary Code of Conduct, including the main governance practices and the main features of the risk management and internal control systems implemented for the financial disclosure process.
This Report is available for consultation in the website www.toscana-airports.com, "Investor Relations" section.

Starting from the financial year 2017, Toscana Aeroporti SpA, being an "EIPR" (Ente di Interesse Pubblico Rilevante, meaning a "significant public entity"), is required to prepare and submit a "Dichiarazione consolidata di carattere non finanziario", i.e. a Consolidated Non-Financial Statement, in the form of a "separated report", as required by art. 5 "Collocazione della dichiarazione e regime di pubblicità" (Disclosure requirements) of Legislative Decree 254/2016. This statement is published at the same dates and with the same procedures as the Annual Report and is available on the website of the Company.

4. STOCK PERFORMANCE

The Toscana Aeroporti stock (code ISIN IT0000214293 – Bloomberg ticker: TYA.MI) has been listed in the MTA, the Italian equity market, since June 1st 2015, the effective date of the merger by incorporation of AdF S.p.A. into SAT S.p.A.

The most significant market information regarding the Toscana Aeroporti stock is given below:

Most significant market information	2018	2017
Share Capital	€ 30,709,743.90	€ 30,709,743.90
Number of shares	18,611,966	18,611,966
Opening price	€ 16.18	€ 14.70
Minimum price	€ 13.25	€ 13.73
Maximum price	€ 16.18	€ 16.92
Year-end price	€ 14.15	€ 16.15
Average price	€ 14.72	€ 15.04
Average volumes	5,024	3,270
Year-end market capitalization	€ 263.4M	€ 300.6 M

In 2018, the FTSE MIB index, which includes the largest listed Italian companies, decreased by over 16%, reflecting the main global stock exchange trends (Dow Jones -5.6%, Germany's DAX -18,3%, France's CAC40

-11%). A comparison between the Toscana Aeroporti stock against the FTSE MIB index throughout 2018 is provided below.

5. MACROSTRUCTURE OF THE TOSCANA AEROPORTI GROUP

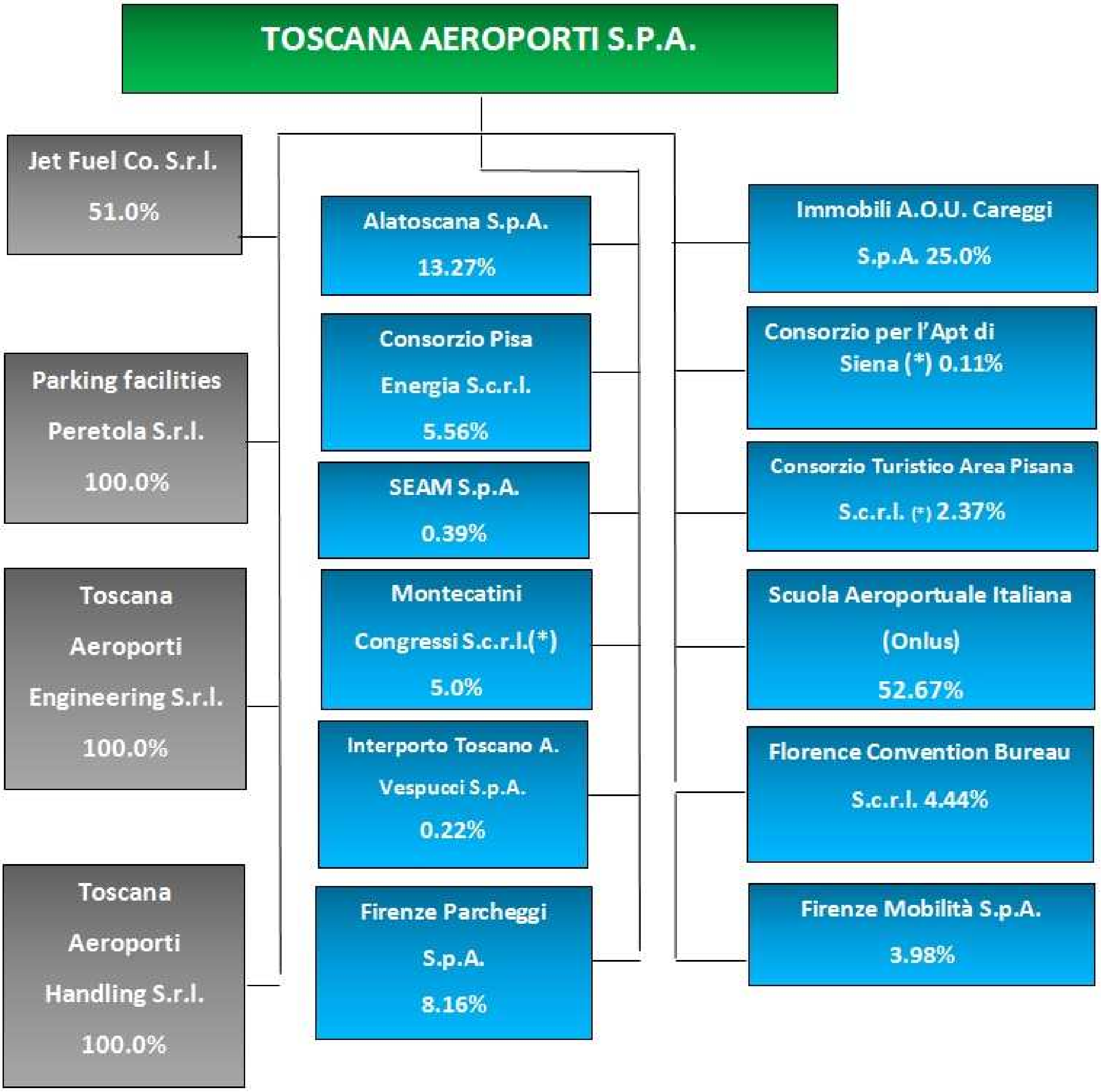
<u>Legal details of the Parent Company</u>

Company name: Toscana Aeroporti S.p.a., briefly "TA".

Registered office of the company: Firenze, Via del Termine n. 11 - Tax Code: 00403110505.

Company Register of Florence registration and REA [Economic and Administrative Index] no. 366022 FI no. 637708.

Share Capital: € 30,709,743.90= (fully paid-up)



Parent Company- Toscana Aeroporti (hereinafter "TA").

Subsidiaries- Jet Fuel Co. S.r.l. (hereinafter "Jet Fuel"), Parcheggi Peretola S.r.l., Toscana Aeroporti Engineering S.r.l., Toscana Aeroporti Handling S.r.l. For consolidation purposes, we point out that Toscana Aeroporti owns 33.33% of property and dividend rights and 51% of voting rights. For further details, see section on controlled companies.

Third Party Companies - (*) Winding-up companies.

Line-by-line consolidation[1]

Company / Site		Share capital (€K)	Shareholders' Equity (€K)	%
Toscana Aeroporti S.p.a. Florence		30,710	115,074	Parent Company
Toscana Aeroporti Engineering S.r.l. Florence		80	317	100.00
Parcheggi Peretola S.r.l. Florence		50	2,932	100.00
Toscana Aeroporti Handling S.r.l. Florence		750	1,404	100.00
Jet Fuel Co. S.r.l.	Pisa	150	438	51.00

Full Consolidation[2]

Company / Site		Share capital (€K)	Shareholders' Equity (€K)	%
Immobili A.O.U. Careggi S.p.A.	Florence	200	837	25.00
Alatoscana S.p.A.	M. di Campo (Li)	2,910	2,913	13.27

6. COMPOSITION OF CORPORATE GOVERNING BODIES

Board of Directors	Office held
Marco CARRAI	President
Gina GIANI[3]	CEO
Roberto NALDI	Executive Vice-President
Pierfrancesco PACINI	Vice-President
Vittorio FANTI	Delegated Board Member
Elisabetta FABRI	Board Member
Giovanni Battista BONADIO	Board Member
Stefano BOTTAI	Board Member
Martin Francisco Antranik EURNEKIAN BONNARENS[4]	Board Member
Anna GIRELLO	Board Member
Niccolò MANETTI	Board Member
Iacopo MAZZEI	Board Member
Ylenia ZAMBITO[5]	Board Member
Saverio PANERAI	Board Member
Ana Cristina SCHIRINIAN	Board Member

[1] Data as of 31 December 2018
[2] Data as of 31 December 2017
[3] Corporate Manager qualified as Managing Director.
[4] Board Member resigned on 14 September 2018.
[5] Board Member resigned on 23 July 2018.

Silvia BOCCI[1]	Board Member
Giorgio DE LORENZI[2]	Board Member

Board of Auditors	Office held
Paola SEVERINI	President
Silvia BRESCIANI	Statutory Auditor
Roberto GIACINTI	Statutory Auditor
Elena MAESTRI	Statutory Auditor
Antonio MARTINI	Statutory Auditor

Secretary of the Board of Directors

Nico ILLIBERI[3]

Supervisory Board	Office held
Edoardo MARRONI	President
Michele GIORDANO	Member
Nico ILLIBERI	Member

Financial Reporting Manager pursuant to Law 262/05

Marco GIALLETTI[4]

Independent Auditor

PricewaterhouseCoopers S.p.A.

7. HIGHLIGHTS

2018 Consolidated Operating Profit	**Revenues** totalled € 131,933 K, up by € 11,137 K (+9.2%) compared to € 120,796 K of the TA Group at 31 December 2017[5]. The **EBITDA** totalled € 35,836 K, up by € 5,663 K (+18.8%) compared to € 30,173 K of the TA Group in 2017. If we compare the *adjusted* GOM[6] of 2018 with the *adjusted* GOM of 2017, the gross operating margin decreased by € 1,545 K, which corresponds to +5.1%. The **EBIT** totalled € 22,755 K, up by 5,438 K (+31.4%) compared to the TA Group's EBIT of € 17,317 K in 2017. The **Profit Before Tax (PBT)** is € 21,481 K, compared to a PBT of € 15,929 K for the TA Group in 2017.

[1] Board Member in office from August 6th, 2018 until the next Shareholders' Meeting.
[2] Board Member in office from September 18th, 2018 until the next Shareholders' Meeting.
[3] Corporate Manager qualified as Director of the Legal Affairs and Compliance area.
[4] Corporate Manager qualified as Director of the Accounting, Finance and Control areas.
[5] Data reported again to reflect the effect of the application of IFRS 15.
[6] See details provided in section 10.1.

	The **Group's net profit for the period** totalled € 14,596 K against a profit of € 10,550 K in 2017 for the same Group. The Group's *adjusted*[1] net profit of 2018 increased by € 1,217 K compared with the Group's *adjusted* net profit of 2017 (+11.5%). **Net borrowing** totalled € 28.151 K at 31 December 2018, substantially in line with the amount of € 28,506 at 31 December 2017.
2018 investments	At 31 December 2018, investments totalled an aggregate amount of **€ 18,121 K**, of which € 3,575 K for the purchase of capital goods (motor vehicles, equipment, operating systems and machinery), € 14,547 K for intangible fixed assets, including € 5,091 K for the Florence airport Master Plan development projects, € 1,658 K for the Florence terminal, € 3,732 K for Pisa terminal expansion works, and € 623 K for the flooring of the west apron in the Florence airport.
2018 traffic	In 2018, the Tuscan Airport System carried over **8.18 million passengers**, with an overall growth of **+3.7%** for the Passenger component, -0.02% for the Flight component, +2.1% for the Tonnage component, and +10.0% for the Cargo & Mail component, compared to the aggregate data on passengers, flights and tonnage of the Pisa and Florence airports in 2017.
Outlook	Based on 2018 trends and on the current planning for the 2019 summer season, we may predict that the Toscana Aeroporti Group will have positive growth trends in 2019 compared to 2018, in spite of the persistent criticality of the Alitalia situation, which still sees the flag carrier under receivership, and the uncertainty of the i.e. "Brexit effect".

8. BUSINESS YEAR'S PROFILE

8.1 THE MACROECONOMIC SCENARIO AND THE AIR TRANSPORT INDUSTRY

The growth of the global economy continued throughout 2018, although with signs of weakening of the boom in many advanced and emerging economies. Bearish risks have increased in the global activity due to the uncertainty of economic policies, such as the trade tension between the United States and China regarding the growing protectionist trends, the worsening of global financial conditions, the persistence of geopolitical tensions, and the still unknown outcome of Brexit negotiations.

Weak manufacturing trends are still characterising the Italian market. In the fourth quarter of 2018, the gross domestic product (GDP) followed the negative trend of the previous quarter, a result mainly due to the reduction of the internal demand, particularly of investments and, to a lesser extent, of household expenditure.

[1] See details provided in section 10.1.

According to the data disclosed by ACI Europe, in 2018 the European passenger traffic increased by 6.1% compared to the previous year, with both aircraft movement (+4.0%) and cargo transport (+1.8%) increases.

According to the details published by Assaeroporti, air traffic in Italian airports reached 185.7 million passengers in 2018 with a 5.9% growth compared to 2017. This result is driven by the growth in international traffic (+7.2%), with a EU traffic increased by 5.6% and a non-EU traffic increased by 13.2% compared to 2017. At 31 December 2018, aircraft movements had increased (+3.1%) and the Cargo segment had decreased (-0.5%).

8.2 TRENDS IN THE TUSCAN AIRPORT SYSTEM'S TRAFFIC

In 2018, the Tuscan Airport System carried 8.18 million passengers, an absolute traffic record recorded in both airports, with a final global growth of +3.7%, equalling +290,994 transited passengers compared to 2017.

The different traffic components for the year 2018 are detailed below, compared to 2017:

TOSCANA AEROPORTI TRAFFIC				
	YTD at 31-Dec-2018	YTD at 31-Dec-2017	DIFF. 2018/17	DIFF. % 2018/17
Commercial Passengers	**8,160,079**	**7,870,778**	**289,301**	**3.7%**
Domestic (Scheduled + Charter)	1,823,313	1,815,141	8,172	0.5%
International (Scheduled + Charter)	6,336,766	6,055,637	281,129	4.6%
General Flight Passengers	**22,082**	**20,389**	**1,693**	**8.3%**
TOTAL PASSENGERS	**8,182,161**	**7,891,167**	**290,994**	**3.7%**
	YTD at 31-Dec-2018	YTD at 31-Dec-2017	DIFF. 2018/17	DIFF. % 2018/17
Commercial Flights	**66,120**	**66,600**	**-480**	**-0.7%**
Domestic (Scheduled + Charter)	14,157	15,084	-927	-6.1%
International (Scheduled + Charter)	50,519	50,179	340	0.7%
Cargo	1,444	1,337	107	8.0%
General Flights	**11,215**	**10,751**	**464**	**4.3%**
TOTAL FLIGHTS	**77,335**	**77,351**	**-16**	**-0.02%**
	YTD at 31-Dec-2018	YTD at 31-Dec-2017	DIFF. 2018/17	DIFF. % 2018/17
Commercial Tonnage	**4,089,392**	**4,012,024**	**77,368**	**1.9%**
Domestic (Scheduled + Charter)	851,502	849,627	1,875	0.2%
International (Scheduled + Charter)	3,136,348	3,043,820	92,528	3.0%
Cargo	101,542	118,577	-17,035	-14.4%
General Aviation Tonnage	**161,726**	**152,298**	**9,428**	**6.2%**
TOTAL TONNAGE	**4,251,118**	**4,164,322**	**86,796**	**2.08%**
	YTD at 31-Dec-2018	YTD at 31-Dec-2017	DIFF. 2018/17	DIFF. % 2018/17
Air cargo (kg)	11,319,323	10,190,194	1,129,129	11.1%
Ground cargo (kg)	501,763	538,242	-36,479	-6.8%
Mail (kg)	71,952	79,989	-8,037	-10.0%
TOTAL CARGO AND MAIL	**11,893,038**	**10,808,425**	**1,084,613**	**10.0%**
	YTD at 31-Dec-2018	YTD at 31-Dec-2017	DIFF. 2018/17	DIFF. % 2018/17
TOTAL TRAFFIC UNITS	**8,301,091**	**7,999,251**	**301,840**	**3.8%**

Below is the comparison with the Italian Airport System, which shows an average 5.9% growth for 2018.

January - December 2018			
No.	Airport	Passengers	%
	Milan (System)	46,976,551	*6.2*
	Rome (system)	48,834,856	*4.2*
	Venice (system)	14,493,563	*10.7*
1	Catania	9,933,318	*8.9*
2	Naples	9,932,029	*15.8*
3	Bologna	8,506,658	*3.8*
4	Palermo	6,628,558	*14.8*
5	Pisa	5,463,080	*4.4*
6	Bari	5,030,760	*7.4*
7	Cagliari	4,370,014	*5.1*
8	Turin	4,084,923	*-2.2*
9	Verona	3,459,807	*11.6*
10	Olbia	2,999,253	*6.7*
11	Lamezia Terme	2,756,211	*8.2*
12	Florence	2,719,081	*2.3*
13	Brindisi	2,478,856	*6.8*
14	Genoa	1,455,627	*16.5*
15	Alghero	1,365,129	*3.3*
	TOTAL	**185,681,351**	***5.9***

Italian Airport System	**8,182,161**	***3.7***

Note: The Rome airport system includes the Fiumicino and Ciampino airports, the Milan airport system includes the Malpensa, Linate, Bergamo Orio al Serio and Parma airports, and the Venice airport system includes the Venice and Treviso airports.

Please, note the high percentage of re-routed/cancelled flights recorded in 2018, with over 1,200 cancelled/re-routed aircraft movements, for an estimated loss of about 126,000 passengers (38.7% due to adverse weather conditions in the Florence sky).
After deducting cancellation, the Tuscan airports' traffic grew by 5.3%, which is close to the general Italian airport trend.

In 2018, Tuscan airports have been connected with 96 destinations, of which 12 domestic and 86 international (23 operated in both airports) and have been served by 37 airlines (of which 7 operating in both airports), including 22 IATA and 15 Low-Cost (hereinafter also "LC") airlines.

The table below provides details on these destinations and airlines in alphabetical order.

Toscana Aeroporti

No. of destinations served January-December 2018 Tuscan Airport System*					
Domestic destinations:		32	Copenhagen	65	Manchester
1	Alghero	33	Corfu	66	Marrakesh
2	Bari	34	Krakow	67	Munich
3	Brindisi	35	Crete	68	Moscow (Domodedovo)
4	Cagliari	36	Gdańsk	69	Moscow (Vnukovo)
5	Catania	37	Doha	70	Mykonos
6	Comiso	38	Dublin	71	Nantes
7	Crotone	39	Düsseldorf	72	Newcastle
8	Lamezia Terme	40	Dusseldorf (Weeze)	73	Oslo
9	Olbia	41	East Midlands	74	Palma de Mallorca
10	Palermo	42	Edinburgh	75	Paris (Beauvais)
11	Rome (Fiumicino)	43	Eindhoven	76	Paris (Charles de Gaulle)
12	Trapani	44	Fez	77	Paris (Orly)
International destinations		45	Frankfurt (Hahn)	78	Prague
13	Amsterdam	46	Frankfurt (Main)	79	Rhodes
14	Antwerp	47	Fuerteventura	80	Rotterdam
15	Athens	48	Geneva	81	Saint Petersburg
16	Barcelona	49	Glasgow	82	Santorini
17	Barcelona (Girona)	50	Goteborg	83	Seville
18	Basel	51	Gran Canaria	84	Sofia
19	Berlin Schönefeld	52	Helsinki	85	Split
20	Berlin Tegel	53	Ibiza	86	Stuttgart
21	Billund	54	Istanbul	87	Stockholm (Arlanda)
22	Birmingham	55	Leeds	88	Stockholm (Skavsta)
23	Bordeaux	56	Lisbon	89	Tel Aviv
24	Bristol	57	Liverpool	90	Tenerife
25	Brussels	58	London (City)	91	Tirana
26	Brussels (Charleroi)	59	London (Gatwick)	92	Toulouse
27	Bucharest	60	London (Heathrow)	93	Valencia
28	Budapest	61	London (Luton)	94	Warsaw
29	Kephalonia	62	London (Stansted)	95	Vienna
30	Chisinau	63	Madrid	96	Zurich
31	Cologne	64	Malta		

Airlines that operated from January to December 2018 Tuscan Airport System*			
1	Aegean Airline	20	Jet2.com
2	Aer Lingus	21	KLM
3	Air Dolomiti	22	Laudamotion
4	Air France	23	Lufthansa
5	Air Moldova	24	Norwegian Air Shuttle
6	Albawings	25	Pobeda Airlines
7	Alitalia	26	Qatar Airways
8	Austrian Airlines	27	Ryanair
9	Blue Air	28	S.A.S.
10	Blue Panorama	29	S7 Airlines
11	British Airways	30	Swiss
12	Brussels Airlines	31	Tap-Air Portugal
13	City Jet	32	Transavia
14	CSA - Czech Airlines	33	Tui Fly Belgium
15	Easy Jet	34	Turkish Airlines
16	Ernest Airlines	35	Volotea
17	Eurowings	36	Vueling
18	Finnair	37	Wizz Air
19	Iberia		

* Airlines and destinations are listed alphabetically.

8.2.1 Traffic trends in the Pisa "Galileo Galilei" airport

The table below compares 2018 traffic trends against 2017, broken down into its different components:

PISA AIRPORT TRAFFIC				
	YTD at 31-Dec-2018	YTD at 31-Dec-2017	DIFF. 2018/17	DIFF. % 2018/17
Commercial Passengers	**5,453,331**	**5,224,569**	**228,762**	**4.4%**
Domestic (Scheduled + Charter)	1,441,546	1,430,466	11,080	0.8%
International (Scheduled + Charter)	4,011,785	3,794,103	217,682	5.7%
General Flight Passengers	**9,749**	**8,549**	**1,200**	**14.0%**
TOTAL PASSENGERS	**5,463,080**	**5,233,118**	**229,962**	**4.4%**
	YTD at 31-Dec-2018	YTD at 31-Dec-2017	DIFF. 2018/17	DIFF. % 2018/17
Commercial Flights	**38,512**	**37,536**	**976**	**2.6%**
Domestic (Scheduled + Charter)	10,314	10,682	-368	-3.4%
International (Scheduled + Charter)	26,754	25,517	1,237	4.8%
Cargo	1,444	1,337	107	8.0%
General Flights	**4,597**	**4,325**	**272**	**6.3%**
TOTAL FLIGHTS	**43,109**	**41,861**	**1,248**	**3.0%**
	YTD at 31-Dec-2018	YTD at 31-Dec-2017	DIFF. 2018/17	DIFF. % 2018/17
Commercial Tonnage	**2,549,888**	**2,475,948**	**73,940**	**3.0%**
Domestic (Scheduled + Charter)	619,972	612,313	7,659	1.3%
International (Scheduled + Charter)	1,828,374	1,745,058	83,316	4.8%
Cargo	101,542	118,577	-17,035	-14.4%
General Aviation Tonnage	**78,573**	**74,499**	**4,074**	**5.5%**
TOTAL TONNAGE	**2,628,461**	**2,550,447**	**78,014**	**3.06%**
	YTD at 31-Dec-2018	YTD at 31-Dec-2017	DIFF. 2018/17	DIFF. % 2018/17
Air cargo (kg)	11,236,599	10,127,720	1,108,879	10.9%
Ground cargo (kg)	336,091	386,872	-50,781	-13.1%
Mail (kg)	71,747	79,967	-8,220	-10.3%
TOTAL CARGO AND MAIL	**11,644,437**	**10,594,559**	**1,049,878**	**9.9%**
	YTD at 31-Dec-2018	YTD at 31-Dec-2017	DIFF. 2018/17	DIFF. % 2018/17
TOTAL TRAFFIC UNITS	**5,579,524**	**5,339,064**	**240,461**	**4.5%**

5,463,080 passengers transited through the Pisa airport during the period considered, up by 4.4% compared to 2017.
Scheduled passenger traffic has globally increased by 4.3% (+220,553 passengers) compared to 2017, mainly due to international scheduled traffic, which totalled a 5.6% growth, with +208,620 passengers.

The scheduled flight LF increased by 0.4 percentage points (86.6% in 2017 against a LF of 87.1% in 2018). Scheduled passenger traffic increased by 4.3% against a +3.7% growth in the number of seats offered.

The number of passengers on rerouted flights, including commercial traffic, accounted for 0.6% of the total 2018 traffic (with 31,644 passengers, up by -26.1% compared to 2017). The share of the Florence airport is approx. 71.3%% (22,547 passengers).

Charter flights, which grew by 92.8% (+20,904 passengers), have been affected by the Pobeda component, as the airline operated 2 weekly flights to/from Saint Petersburg during the summer season.

General Aviation traffic increased by +14% in 2018 compared to 2017 (+1,200 passengers in absolute terms).

The main factors that affected scheduled passenger traffic trends in the Pisa Galilei airport in 2018 are detailed below:

- Pobeda: the new flight for Saint Petersburg (LED) was operated 3 times a week since 18 February 2018 and the flight to Moscow (VKO) was increased up to 7 times a week;
- Alitalia: increased capacity and frequency of the Rome Fiumicino flight and start of the seasonal Olbia flight from June 16 to September 9, 2018 (which had started on July 1st in 2017);
- Ernest: full operation of the flight to Tirana since June 2017;
- S7: full operation of the Moscow flight launched in April 2017 and start of the new connection with Saint Petersburg from April 30 to September 24 with a weekly frequency;
- British Airways: the British carrier increased its summer flights connecting Pisa to London Heathrow and Gatwick airports;
- Volotea: launch of a new flight to Toulouse from April 12, 2018 with 2 weekly flights;
- Jet2.com: a new two-weekly flight to Birmingham has been operated since 6 May 2018;
- LaudaMotion: this carrier was introduced in the Pisa airport on 1 June 2018 with a direct connection with Vienna 3 times a week;
- Norwegian Air Shuttle: increased seasonal flights to/from Copenhagen and Oslo;
- Transavia: increased operations in the summer connecting both Amsterdam and Rotterdam;
- Blue Panorama/Albawings: starting from the summer 2018, Albawings was replaced in the Pisa-Tirana flight operated by Blue Panorama, with a reduction of the daily flight operated by Blue Panorama down to 4 weekly flights since May 2018;
- Ryanair: the cancellations scheduled in the first quarter of 2018 due to the labour disputes with pilots and flight crews and the suspension of the Trapani connection have been only partly offset by the full operation of the Pisa-Frankfurt flight, by the resumed connection with Crotone, and by the increased flights mainly to Palermo and other destinations such as Krakow, Ibiza, Berlin, Corfu, Crete, Budapest, Cagliari, and Brindisi. In addition, a new flight to/from Prague was started in the winter and the flight to/from Gdańsk continued.
- Eurowings: cancellation of the Vienna flight;
- Easyjet: cancellation of the connection with Hamburg, suspension of the flights to Basel and Geneva only during the winter, partly offset by increased flights to/from London Luton, Bristol, and Paris Orly.

In 2018, the Pisa airport has been connected with 85 scheduled destinations operated by 25 airlines, 11 of which IATA and 14 LC.

No. of destinations served January-December 2018 Pisa Airport*					
Domestic destinations:		28	Cologne	57	London (Stansted)
1	Alghero	29	Copenhagen	58	Madrid
2	Bari	30	Corfu	59	Malta
3	Brindisi	31	Krakow	60	Manchester
4	Cagliari	32	Crete	61	Marrakesh
5	Catania	33	Gdańsk	62	Munich
6	Comiso	34	Doha	63	Moscow (Domodedovo)
7	Crotone	35	Dublin	64	Moscow (Vnukovo)
8	Lamezia Terme	36	Dusseldorf (Weeze)	65	Nantes
9	Olbia	37	East Midlands	66	Newcastle
10	Palermo	38	Edinburgh	67	Oslo
11	Rome (Fiumicino)	39	Eindhoven	68	Palma de Mallorca
12	Trapani	40	Fez	69	Paris (Beauvais)
International destinations		41	Frankfurt (Hahn)	70	Paris (Orly)
13	Amsterdam	42	Frankfurt (Main)	71	Prague
14	Athens	43	Fuerteventura	72	Rhodes
15	Barcelona	44	Geneva	73	Rotterdam
16	Barcelona (Girona)	45	Glasgow	74	Saint Petersburg
17	Basel	46	Goteborg	75	Seville
18	Berlin Schönefeld	47	Gran Canaria	76	Sofia
19	Berlin Tegel	48	Helsinki	77	Stuttgart
20	Billund	49	Ibiza	78	Stockholm (Arlanda)
21	Birmingham	50	Istanbul	79	Stockholm (Skvasta)
22	Bordeaux	51	Leeds-Bradford	80	Tenerife
23	Bristol	52	Lisbon	81	Tirana
24	Brussels (Charleroi)	53	Liverpool	82	Toulouse
25	Bucharest	54	London (Gatwick)	83	Valencia
26	Budapest	55	London (Heathrow)	84	Warsaw
27	Kephalonia	56	London (Luton)	85	Vienna

Airlines that operated from January to December 2018 Pisa Airport*			
1	Aegean Airline	14	Lufthansa
2	Aer Lingus	15	Norwegian Air Shuttle
3	Albawings	16	Pobeda Airlines
4	Alitalia	17	Qatar Airways
5	Blue Panorama	18	Ryanair
6	British Airways	19	S.A.S.
7	CSA - Czech Airlines	20	S7 Airlines
8	Easy Jet	21	Transavia
9	Eurowings	22	Turkish Airlines
10	Finnair	23	Volotea
11	Ernest	24	Vueling
12	Jet2.com	25	Wizz Air
13	Laudamotion		

* Airlines and destinations are listed alphabetically.

Scheduled passenger traffic by Country

Excluding Italy, a total of 26 markets have been regularly connected with the Pisa airport with scheduled flights during 2018.
The international market accounts for 73.3% of the total scheduled passenger traffic of the Galilei airport, while domestic traffic accounts for 26.7%.

The table below shows the percentage incidence of each European country over the total number of scheduled traffic passengers recorded by the Galilei airport during 2018 and the difference, both in absolute and percentage terms, compared to 2017:

Passenger line traffic	2018	2017	Diff.	Diff. %	% over TOT
Italy	1,433,816	1,421,883	11,933	0.8%	26.7%
United Kingdom	1,130,474	1,086,439	44,035	4.1%	21.0%
Spain	554,718	578,192	-23,474	-4.1%	10.3%
Germany	384,614	358,040	26,574	7.4%	7.2%
France	278,373	262,225	16,148	6.2%	5.2%
The Netherlands	276,150	256,381	19,769	7.7%	5.1%
Russian Federation	165,853	72,509	93,344	128.7%	3.1%
Belgium	157,092	155,380	1,712	1.1%	2.9%
Albania	138,533	123,182	15,351	12.5%	2.6%
Poland	87,983	70,044	17,939	25.6%	1.64%
Greece	78,771	68,236	10,535	15.4%	1.46%
Sweden	71,295	77,854	-6,559	-8.4%	1.33%
Ireland	70,306	67,857	2,449	3.6%	1.31%
Qatar	64,931	69,517	-4,586	-6.6%	1.21%
Morocco	60,393	59,392	1,001	1.7%	1.12%
Denmark	56,693	47,934	8,759	18.3%	1.05%
Malta	55,881	50,567	5,314	10.5%	1.04%
Hungary	52,127	49,668	2,459	5.0%	0.97%
Portugal	49,642	46,882	2,760	5.9%	0.92%
Switzerland	45,230	58,611	-13,381	-22.8%	0.84%
Norway	42,999	36,296	6,703	18.5%	0.80%
Romania	42,543	47,501	-4,958	-10.4%	0.79%
Turkey	21,065	19,928	1,137	5.7%	0.39%
Bulgaria	20,441	30,849	-10,408	-33.7%	0.38%
Austria	19,476	26,640	-7,164	-26.9%	0.36%
Czech Republic	14,029	10,301	3,728	36.2%	0.26%
Finland	4,141	4,697	-556	-11.8%	0.08%
TOTAL	**5,377,569**	**5,157,005**	**220,564**	**4.3%**	**100.0%**

In 2018, domestic traffic remained substantially stable (+0.8% compared to 2017). The cancellations scheduled during the first quarter of 2018 due to labour disputes with Ryanair's pilots and flight crews and the suspension of the connection with Trapani have been offset by increased flights to/from Brindisi and Palermo, as well as by the restarting of the service to Crotone operated by the carrier. The Italian market was also characterised by the increased capacity and frequency of Alitalia's flights on the Pisa-Rome Fiumicino route.
The British market was confirmed as the leading foreign market, with over 1,130,000 passengers (21.0% of the total markets), up by 4.1% as a result of the higher number of flights operated by easyJet to/from London Luton and Bristol, and of British Airways' flights to/from London Heathrow and Gatwick.

The second leading market is Spain, which, however, had a -4.1% decrease in the year considered, mainly due to the reduced Ryanair flights to Madrid and Vueling flights to Barcelona.

The German market has been growing (+7.4%) thanks to the full operation of the flight to/from Frankfurt am Main (started in September 2017), to the increased Lufthansa flights to/from Munich, and to the increased frequency of easyJet flights to/from Berlin (Schoenefield and Tegel, since the winter), which, together, more than offset the suspension of easyJet Hamburg flight.

The French market was confirmed in the fourth position, with a 6.2% growing traffic compared to the previous year, after the start of a new connection by Volotea with 2 flights per week to/from Toulouse. In addition, the frequency of easyJet flights to/from Paris Orly more than offset the reduction in Ryanair's flights to/from Paris Beauvais caused by the known labour dispute issues.

We point out the strong growth of the Russian market (+128.7%), due to the new connection with Saint Petersburg operated both by Pobeda (3 times a week since February 18th) and S7 (1 weekly flight since April 30th), but also to the increased frequency of flights to/from Moscow (Vnukovo) operated by Pobeda and to/from Moscow (DME) operated by S7.

The Greek and Polish markets have also grown thanks to increased Ryanair flights to/from Crete and Corfu, as well as to the full operation of the Ryanair Pisa-Krakow flight operated on an annual basis starting from the winter 2017/2018. It is worthwhile mentioning the growth of the Czech market with the start of a new Ryanair winter connection to/from Prague (3 weekly flights).

The decreasing markets have been: Switzerland (-22.8%), due to the suspension of easyJet connections with Basel and Geneva during the winter 2017/2018; Bulgaria (-33.7%), due to the suspension of the flight for Sofia in the winter 2017/2018; and Austria (-26.9%), due to the suspension of the flight for Vienna by Eurowings since October 2017 (resumed since June 1st, 2018 by LaudaMotion).

Cargo & Mail Traffic

Cargo traffic data recorded during 2018 in the Pisa airport show a 9.9% growth (with +1,049,878 tons of cargo and mail carried). This result is due to an increase in the cargo volume to/from Tuscany, that brought the main courier on Pisa, DHL, to operate additional flights to respond to the growing demand of the Tuscan market.

8.2.2 Traffic trends in the Florence "Amerigo Vespucci" airport

The table below compares 2018 traffic trends against 2017, broken down into its various components:

FLORENCE AIRPORT TRAFFIC				
	YTD at 31-Dec-2018	YTD at 31-Dec-2017	DIFF. 2018/17	DIFF. % 2018/17
Commercial Passengers	**2,706,748**	**2,646,209**	**60,539**	**2.3%**
Domestic (Scheduled + Charter)	381,767	384,675	-2,908	-0.8%
International (Scheduled + Charter)	2,324,981	2,261,534	63,447	2.8%
General Flight Passengers	**12,333**	**11,840**	**493**	**4.2%**
TOTAL PASSENGERS	**2,719,081**	**2,658,049**	**61,032**	**2.3%**
	YTD at 31-Dec-2018	YTD at 31-Dec-2017	DIFF. 2018/17	DIFF. % 2018/17
Commercial Flights	**27,608**	**29,064**	**-1,456**	**-5.0%**
Domestic (Scheduled + Charter)	3,843	4,402	-559	-12.7%
International (Scheduled + Charter)	23,765	24,662	-897	-3.6%
General Flights	**6,618**	**6,426**	**192**	**3.0%**
TOTAL FLIGHTS	**34,226**	**35,490**	**-1,264**	**-3.6%**
	YTD at 31-Dec-2018	YTD at 31-Dec-2017	DIFF. 2018/17	DIFF. % 2018/17
Commercial Tonnage	**1,539,504**	**1,536,076**	**3,428**	**0.2%**
Domestic (Scheduled + Charter)	231,530	237,314	-5,784	-2.4%
International (Scheduled + Charter)	1,307,974	1,298,762	9,212	0.7%
General Aviation Tonnage	**83,153**	**77,799**	**5,354**	**6.9%**
TOTAL TONNAGE	**1,622,657**	**1,613,875**	**8,782**	**0.54%**
	YTD at 31-Dec-2018	YTD at 31-Dec-2017	DIFF. 2018/17	DIFF. % 2018/17
Air cargo (kg)	82,724	62,474	20,250	32.4%
Ground cargo (kg)	165,672	151,370	14,302	9.4%
Mail (kg)	205	22	183	831.8%
TOTAL CARGO AND MAIL	**248,601**	**213,866**	**34,735**	**16.2%**
	YTD at 31-Dec-2018	YTD at 31-Dec-2017	DIFF. 2018/17	DIFF. % 2018/17
TOTAL TRAFFIC UNITS	**2,721,567**	**2,660,188**	**61,379**	**2.3%**

In 2018, the Florence airport recorded over 2.7 million passengers, with a 2.3 % increase (+61.032 passengers) compared to 2017.

The higher number of seats offered (+1.6%) has been accompanied by a more than proportional growth in passenger traffic (+2.4%). The Load Factor of scheduled flights slightly increased compared to 2017 (with a 79.6% LF in 2018 and a 78.9% LF in 2017).

Again, note the high percentage of re-routed/cancelled flights recorded in 2018, with over 1,200 cancelled/re-routed aircraft movements, for an estimated loss of about 126,000 passengers (38.7% due to adverse weather conditions in the Florence sky).
After deducting this loss, the number of aircraft movements in the Florence airport remained stable (against the current -3.6%) and passengers grew by 7.0%. This traffic was only partially offset by the Pisa airport.

The main factors that contributed to 2018 traffic results are described below:

- Vueling: full annual operation of the flight for Amsterdam, London Luton and Tel Aviv, and increased flights for Barcelona, London Gatwick;
- Alitalia: this carrier operated with a larger aircraft fleet and increased its winter flights from 3 to 4 daily flights to Rome Fiumicino.
- Lufthansa: increased capacity on Frankfurt thanks to a larger aircraft fleet;
- Tap-Air Portugal: new Florence-Lisbon connection operated since June 10, with 10 weekly flights (with 106-seat EMB 190 aircraft) and 9 weekly flights continued during the winter;

- **British Airways**: new seasonal connections with Edinburgh and Manchester started on 19 and 20 May, respectively (both once a week), and increased flights to/from London City;
- **Iberia**: increased weekly flights starting from the winter 2018/2019, passing from 4 to/from Madrid weekly flights to a daily flight;
- **TUI Fly Belgium**: new seasonal flight for Antwerp operated twice a week;
- **Swiss**: increased capacity of the Zurich flight with a different aircraft mix, which more than offset the suspension of the winter connection with Geneva, resumed since 29 March 2018;
- **AirBerlin/Eurowings**: interruption of the Florence–Düsseldorf route operated by Air Berlin since 28 October 2017, not fully recovered by Eurowings with the flight operated from 18 January 2018 to 24 March 2018;
- **Mistral Air**: suspension of operations since 5 November 2017, with the cancellation of flights to/from Bari, Cagliari, Marseille, Nice, Olbia, and Tirana, not operated in 2018;
- **CityJet**: final suspension of flights to/from London LCY since October 2018. The flight was operated only on a seasonal basis in 2018 against 10 months of operations in 2017. This destination has remained in the Florence airport network thanks to British Airways flights.

In 2018, the Florence airport has been connected with 34 destinations operated by 19 airlines (13 IATA and 6 LC).

No. of destinations served January-December 2018 Florence Airport*			
Domestic destinations:		17	Lisbon
1	Catania	18	London (City)
2	Palermo	19	London (Gatwick)
3	Rome FCO	20	London (Luton)
International destinations		21	London (Stansted)
4	Amsterdam	22	Madrid
5	Antwerp	23	Manchester
6	Barcelona	24	Munich
7	Birmingham	25	Mykonos
8	Bristol	26	Palma de Mallorca
9	Brussels	27	Paris (Charles de Gaulle)
10	Bucharest	28	Paris (Orly)
11	Chisinau	29	Santorini
12	Copenhagen	30	Split
13	Düsseldorf	31	Tel Aviv
14	Edinburgh	32	Tirana
15	Frankfurt	33	Vienna
16	Geneva	34	Zurich

Airlines that operated from January to December 2018 Florence Airport*			
1	Air Dolomiti	11	Ernest**
2	Air France	12	Eurowings
3	Air Moldova	13	Iberia
4	Albawings	14	KLM
5	Alitalia	15	Lufthansa
6	Austrian Airlines	16	Swiss
7	Blue Air	17	Tap-Air Portugal
8	British Airways	18	Tui Fly Belgium
9	Brussels Airlines	19	Vueling
10	City Jet		

* Airlines and destinations are listed alphabetically.
** Ernest operated on Florence until 26 January 2018.

Scheduled passenger traffic by Country

Excluding Italy, a total of 16 markets have been regularly connected with the Florence airport with scheduled flights during 2018.
The international market accounts for 85.9% of the total scheduled passenger traffic of the Vespucci airport, while domestic traffic accounts for 14.1%.

The table below shows the percentage incidence of each European country over the total number of scheduled traffic passengers recorded in the Vespucci airport during 2018 and the difference, both in absolute and percentage terms, compared to 2017:

Passenger line traffic	2018	2017	Diff.	Diff. %	% over TOT
France	534,763	557,033	-22,270	-4.0%	19.8%
Germany	504,465	559,093	-54,628	-9.8%	18.7%
Italy	380,798	383,406	-2,608	-0.7%	14.1%
Spain	305,240	269,449	35,791	13.3%	11.3%
The Netherlands	270,870	255,776	15,094	5.9%	10.0%
United Kingdom	234,500	211,753	22,747	10.7%	8.7%
Switzerland	193,530	179,023	14,507	8.1%	7.2%
Belgium	64,029	50,456	13,573	26.9%	2.4%
Portugal	45,420		45,420	100.0%	1.7%
Albania	44,631	49,785	-5,154	-10.4%	1.7%
Romania	43,541	46,788	-3,247	-6.94%	1.6%
Austria	34,004	27,768	6,236	22.5%	1.3%
Moldavia	14209	15812	-1,603	-10.1%	0.5%
Greece	13,495	14,430	-935	-6.5%	0.5%
Denmark	13,384	13,073	311	2.4%	0.5%
Israel	5308	3748	1560	41.6%	0.2%
Croatia	2668	2939	-271	-9.2%	0.1%
TOTAL	**2,704,855**	**2,640,332**	**64,523**	**2.4%**	**100.0%**

As shown in the table above, the leading positions of the French and German markets are confirmed with over 500,000 passengers carried, respectively (over 38% of the total).

The leading French market shows a decrease in traffic (-4.0%) mainly due to the cancellation of Air France flights due to operating problems and crew strikes, but also due to the cancellation of the Lion flight by HOP! (Air France's regional airline) and of the Marseille and Nice flights by Mistral Air.

The second-rated German market also decreased by 9.8% due to the suspension of the Florence–Düsseldorf route by Air Berlin since 28 October 2017, not fully offset by Eurowings with the flight operated from 18 January 2018 to 24 March 2018.

The Italian market (approx. 380,000 passengers) remained substantially stable compared to 2017. The suspension of Mistral flights for Bari and Cagliari was offset by the increased frequency and capacity of the aircraft operated by Alitalia.

It is worthwhile noting the strong growth of the following markets: Spain (+13.3%), thanks to the increased frequency of Vueling flights to/from Barcelona; Belgium, thanks to the introduction of a new flight to Anversa operated by TUI fly Belgium and to a better use of the larger AB319 aircraft by Brussels Airlines for the Bruxelles flight; Austria, thanks to a capacity increase determined by Austrian Airlines, which used larger 120-seat Embraer 195 aircraft as a replacement of the 72-seat Dash8 aircraft used in 2017; The Netherlands (+5.9%), thanks to the full operation of a Vueling flight to/from Amsterdam; the United Kingdom (+10.7%), thanks to the new flights to Edinburgh and Manchester operated by British Airways, to the increased frequency of Vueling flights to/from London Gatwick, as well as the full operation of the flight to/from London Luton.

Since 10 June 2018 we also entered the Portuguese market with a scheduled TAP Portugal flight to/from Lisbon (frequency: 10 flights/week during the summer and 9 flights/week during the winter).

Non-Aviation Business

For Non-Aviation Business and the main initiatives of 2018, see the comments to Non-Aviation Revenues in Section 10.1.

9. SIGNIFICANT EVENTS OCCURRED IN 2018

For details on the Tuscan airport system traffic, see Section 8 above.

On 19 February 2018, Corporación America Italia S.p.A. ("CAI") announced the purchase of 850,235 shares of Toscana Aeroporti S.p.A. and the consequent increase of its ownership stake from 51.13% to 55.7%; on 25 June 2018, CAI bought further 1,225,275 shares (representing about 6.58% of the share capital) from Fondazione Cassa Risparmio Firenze. After these two acquisitions, at the date of this Interim Report CAI owns 11,592,159 TA shares, corresponding to 62.28% of the share capital.

On 28 February 2018, the time limit expired for the Financial Administrations to file their appeal against the favourable judgement no. 6528/2016 with which the Court of Appeal of Rome ordered the Ministry of Transport ("MIT") to pay Toscana Aeroporti (former Aeroporto di Firenze S.p.A.) the compensation for the damages suffered in the years 2006-2008 as a result of the non-adjustment of airport fees to inflation, consisting in the amount of € 1.6 M, determined by the expert witness during the first degree of trial. In addition, the Court of Appeal also admitted TA's right to receive compensation for lost profit damages, to be determined on an equity basis according to the indications provided in the reason of the judgement. The aggregate amount of approx. € 2.15 million has been cashed on 3 December 2018.
As a consequence, judgement no. 2403/2012, with which the MIT was ordered to pay Toscana Aeroporti (former Aeroporto di Firenze S.p.A.) an amount of approx. € 2.2 M, can

be considered final, and in fact said amount was collected on 18 March 2013 as compensation for the damages suffered for the non-adjustment to inflation of airport fees in the years 1999-2005, increased by the relevant monetary reassessment and legal interests due.

On 1 March 2018, the subsidiary "Toscana Aeroporti Handling S.r.l." was incorporated, 100% owned by Toscana Aeroporti, with the purpose of managing the Handling company branch and prepare for the entrance of new competitor ground handlers in both airports. On June 25th, TA contributed the handling company branch to its 100% subsidiary Toscana Aeroporti Handling S.r.l. (hereinafter also briefly "TAH"). The new company started its operations on July 1st, 2018 with the business purpose of providing the services described in Legislative Decree no. 18 of 13 January 1999, and subsequent amendments and supplements.

The Municipality of Pisa issued a Municipal Ordinance on 6 February 2018, which entered into force on 19 April 2018, to "regulate the circulation of buses in the city of Pisa – specifically in the San Giusto/San Marco districts – supplement to Ordinance no. 505 of 18 December 2012" to establish limits to the circulation of buses in the areas around the Galilei airport. Toscana Aeroporti filed a lawsuit before the TAR (Regional Administrative Court) of Tuscany to obtain the cancellation of that Ordinance. TA also requested a stay order, which was not admitted. At the hearing of 27 September 2018, the President of the TAR put off the discussion of the case to a date to be established. The hearing for the discussion of the petition in question took place on 6 March 2019 and the decision on the dispute was reserved.

On 20 April 2018, *Ente Nazionale Aviazione Civile* (the National Civil Aviation Agency), with Note no. 41829-P, asked the MIT to start a town-planning audit procedure pursuant to Art. 2 of D.P.R. no. 383 of 18 April 1994 regarding the 2014-2029 Master Plan for the Florence "Amerigo Vespucci" airport, already technically approved by the same Agency with Note no. 115557 of 3 November 2014 and accompanied by a positive opinion on its environmental compatibility with VIA Decree no. 377 of 28 December 2017 of the Ministry of the Environment and Protection of the Territory and the Sea (*Ministero dell'Ambiente e della Tutela del Territorio e del Mare*, "MATTM") in cooperation with the Ministry of Cultural Assets and Activities (Ministero dei Beni e delle Attività Culturali, "MIBAC"). In 2018 the Environmental Observatory, established with the VIA Decree, started working at the assessment of the 2014-2029 Florence airport Master Plan.
On 9 July 2018, the Ministry of Infrastructure and Trasporti (MIT) fixed the date of 7 September 2018 for the Conference of Services for the discussion of the Florence airport expansion project. The Conference of Services concluded its works on 6 February 2019 with a "favourable opinion with prescriptions" pronounced by the parties involved.

In May 2018, TA signed an agreement with Parcheggi Italia SpA for the purchase of the shares of Firenze Parcheggi SpA, the entity that manages public parking lots in Florence. On that occasion, TA presented said companies with a proposal for the purchase of the respective stakes in Firenze Parcheggi SpA, subject to the applicable legal pre-emption terms:

- Atlantia SpA: 5.47% of the share capital
- Unipolsai Ass. SpA: 0.78% of the share capital
- Ferservizi SpA: 1.61% of the share capital
- Confindustria: 0.3% of the share capital

for a global amount of € 2,823 K (8.16% of the share capital). On data 4 October 2018, the first deed for the aforesaid purchase transaction was signed to formalise the purchase of Unipolsai Ass. TA SpA's shares by TA.
On data 28 November 2018, the purchase of Atlantia SpA, Ferservizi SpA and Confindustria shares by TA was formalised.

On 30 May 2018, TA's Shareholders Meeting renewed its Board of Directors, with fifteen new members who shall remain in office for three financial years, until the date of adoption of the Financial Statement for the year ending 31 December 2020.

On 1 June 2018, TA finalized the preliminary agreement for the acquisition from NIT - Nuove Iniziative Toscane S.r.l., a real property company controlled by the Unipol Group, of an area called "Piana di Castello", plain land located in the north-west of the Municipality of Florence, covering approx. 123 hectares. The price of the land is € 75 million, plus applicable taxes.
The agreement is subject to the following conditions precedent:

A. final approval of the Florence airport Master Plan after the conclusion of the Conference of Services to obtain the "Conformità Urbanistica" (town-planning approval);
B. the adoption of the "PUE Castello" variant, the Executive Planning Scheme for the Piana di Castello area, according to the guidelines given by the City Council of the Municipality of Florence in December 2017.

The term established for the preliminary agreement is 18 months, with the option to extend the term for further 6 months. The purchase of land in the Castello area is a strategic move to favour both the development of the new runway and the new airport terminal, as well as for the larger development of the area located north-west of the City of Florence.
As regards Condition A), we point out that the last Conference of Services was held on 6 February and, during the meeting, the appropriateness of the work from the point of view of town-planning was officially confirmed (favourable opinion with prescriptions). However, for this Condition to be considered fulfilled, the Conference of Services' and ENAC's regulations regarding the environmental and town-planning compatibility of Airport Development Plans requires a formal decree of closing of the Conference to be issued by the MIT (which is presently being prepared) and, after that, a formal deed of approval of the Development Plan in question by ENAC.
As to Condition B), we point out that the "Variant" in question has been adopted with the Florence City Council's Resolution no. 2018/G/00513 passed on 6 November 2018.
Which resolution, however, is being opposed by NIT (the counterparty in the contract) on the grounds of unlawfulness.

On 23 July 2018, the new board member of the Parent Company TA, Ylenia Zambito (representative of the member "Comune di Pisa"), resigned from the office. On 6 August 2018, the Board of Directors of TA appointed Silvia Bocci as new board member to replace the resigning member.

On 27 July 2018, the "Phase 0" expansion of the Pisa airport was officially inaugurated; this has been implemented by the Company before continuing with the expansion of the terminal contemplated in the Master Plan, in order to ensure the continuation of adequate levels of service in consideration of the growing passenger traffic expected. Expansion works mainly concern two separate functional areas:

- Area 1: Non-Schengen Departures Hall at the first floor, an area located in the west area of the airport (+32% of surface) and ancillary services;

- Area 2: Schengen Arrivals Hall at the ground floor, an area located in the east area of the airport (+7% of surface) and ancillary services.

On 14 September 2018, the board member of the Parent Company TA, Martin Francisco Eurnekian Bonnarens (appointed as director of TA with meeting resolution of 30 May 2018 and representative of the parent company Corporación America), resigned from the office. On 18 September 2018, the Board of Directors of TA appointed Giorgio De Lorenzi as new board member to replace the beforementioned resigning member.

On 15 November 2018, the new car rental terminal at Palagio degli Spini was officially opened at the Florence airport. This important project, which will be completed during the first half of 2019, also with the expansion and requalification of the parking areas, will allow TA to expand and improve the rent-a-car service for the Florence airport's passengers.

On 30 November, TA, due to the limited operating space available in the Florence airport, obtained a positive opinion from ENAC (prot. 4801/B2 of 30-11-2018) concerning the request to restrict the number of accesses by providers of ground support services for categories 3 and 5, as per Annex A to Leg. Dec. 18/99[1]. In detail, that number was fixed in two Commercial Aviation operators and two General Aviation operators.

10. TOSCANA AEROPORTI GROUP'S OPERATING RESULTS

10.1 Consolidated Income Statement

The table below compares the data of the 2018 Consolidated Income Statement against the same document of 2017.

[1] Lost&Found baggage service and runway operations.

GRUPPO TOSCANA AEROPORTI - CONSOLIDATED INCOME STATEMENT

Amounts in € K	2018	2017 (*)	Diff. Abs. 2018/2017	% Diff.
REVENUES				
Operating income				
Aviation revenues	94,514	93,945	570	0.6%
Non-Aviation revenues	31,213	28,070	3,143	11.2%
Network development expenses	-13,393	-15,355	1,962	-12.8%
Total operating revenues	112,334	106,659	5,675	5.3%
Altri ricavi e proventi	6,084	2,045	4,039	197.4%
Revenues from construction services	13,515	12,091	1,423	11.8%
TOTAL REVENUES (A)	131,933	120,796	11,137	9.2%
COSTS				
Operating Costs				
Consumables	1,192	1,066	126	11.8%
Cost of Personnel	42,907	42,175	733	1.7%
Costs for services	30,982	27,742	3,240	11.7%
Sundry operating expenses	2,456	2,374	83	3.5%
Airport leases	6,506	6,208	298	4.8%
Total operating costs	84,044	79,564	4,479	5.6%
Costs for construction services	12,054	11,059	995	9.0%
TOTAL COSTS (B)	96,098	90,623	5,474	6.0%
GROSS OPERATING MARGIN (A-B)	35,836	30,173	5,663	18.8%
% incid. over total revenue	27.2%	25.0%		
% incid. over operating revenue	31.9%	28.3%		
Amortization and impairment	10,116	9,051	1,065	11.8%
Provision for risks and repairs	2,618	2,933	-314	-10.7%
Value write-ups (write-downs) net of trade receivables and other receivables	347	872	-526	-60.3%
OPERATING EARNINGS	22,755	17,317	5,438	31.4%
% incid. over total revenue	17.2%	14.3%		
% incid. over operating revenue	20.3%	16.2%		
ASSET MANAGEMENT				
Financial income	46	71	-25	-35.2%
Financial expenses	-1,355	-1,494	139	-9.3%
Profit (loss) from equity investments	36	35	1	N.S.
TOTAL ASSET MANAGEMENT	-1,273	-1,388	115	-8.3%
PROFIT (LOSS) BEFORE TAX	21,481	15,929	5,553	34.9%
Taxes for the period	-6,720	-5,251	-1,469	28.0%
PROFIT/(LOSS) FOR THE PERIOD	14,761	10,678	4,084	38.2%
Minority Interest's loss (profit) for the period	-165	-127	-38	29.5%
GROUP'S PROFIT/(LOSS) FOR THE PERIOD	14,596	10,550	4,046	38.3%
Earnings per share (€)	0.784	0.567	0.2174	38.3%

(*) Comparative data regarding 2017 have been booked again after the adoption of IFRS 15, for which details we refer the reader to section "New reporting standards, amendments and interpretations applicable from 1 January 2018".

In compliance with the content of CONSOB Notice no. DEM/6064293 of 28 July 2006 and subsequent amendments and supplements (CONSOB Notice no. 0092543 of 3 December 2015 implementing ESMA/2015/1415 guidelines), we specify that the summarised income statement details reported can be easily reconciled with those indicated in financial statements. As to alternative performance indicators, in this 2018 Consolidated Financial

Statement TA will provide, in addition to the financial indicators required by the IFRS, some indicators derived from the latter, although not required by IFRS (Non-GAAP Measures).

These indicators are presented with the purpose of allowing for a better assessment of the Group's management trends and should not be considered as alternative to those required by IFRS. Specifically:
- the interim EBIT (Earnings Before Interests and Taxes) coincides with the Operating profit shown in the Income Statement;
- the interim PBT (*Profit Before Taxes*) coincides with the Profit before taxes shown in the Income Statement.

As regards the EBITDA (Earnings Before Interests, Taxes, Depreciation, Amortization) or Gross Operating Margins, we point out that it reflects the EBIT before amortization and provisions.
In general terms, we point out that the interim profits indicated in this document are not defined as an accounting measure under IFRS and that, consequently, the criteria for the definition of said interim profits might not be consistent with those adopted by other companies.

For a better evaluation of the Group's operating profits, in this Report the Group considered it useful to compare some 2018 intermediate results with the adjusted results of 2017 called "Adjusted GOM or EBITDA" and "Adjusted Group's net profit for the period". For details regarding the determination of the aforesaid results, see the following sections.
The table below shows the main income statement results for the period examined.

REVENUES

Total consolidated revenues increased by 9.2%, passing from € 120.8 M in 2017 to € 131.9 M in 2018. This difference is the result of the € 5.7 M increase in operating revenues, of the € 4 M increase in other revenues and proceeds, and of € 1.4 M of revenues for construction services. The latter have been recognised against the external and internal costs incurred for the construction and expansion of assets under concession, as well as for the related design, coordination and control activities carried out during the period examined.

We point out that operating revenues have been recognised after deducting the network development expenses deriving from marketing support agreements, in compliance with accounting standard IFRS 15 adopted retrospectively and by re-posting the comparative data of 2017. For further details, see the section "New accounting standards, amendments and interpretations in force since 1 January 2018" in the Explanatory Notes.

OPERATING INCOME

Consolidated operating revenues totalled € 112.3 M in 2018, up by 5.3% compared to the same period of 2017.

<u>Aviation revenues</u>
Aviation revenues totalled € 94.5 M in 2018, slightly up by 0.6% compared to the same period of 2017, when they totalled € 93.9 M.
In detail, revenues from rights, considerations and airport taxes slightly decreased by 0.1% as a result of the negative impact on revenues of the reduction in regulated tariffs in the two airports, in compliance with the applicable tariff models (-3.5% price effect) mitigated by the positive impact on revenues from increased operations managed in 2018 (+3.4% traffic effect).

Handling revenues increased by 2.1% as a result of more remunerative support agreements, partially offset by a decrease in the aircraft movements recorded in the two airports (-0.7%).

Non-Aviation revenues

The Non-Aviation business, consisting in retail and real estate operations carried out in the two airports, have been carried out:

i. through subcontracting to third parties (Retail, Food, Car Rental, specific areas and other sub-concessions);
ii. through direct control (Advertising, Parking Lots, Business Centre, Welcome Desk and VIP Lounge, Air Ticket Office and Cargo Agency).

At 31 December 2018, revenues deriving from subcontracted activities accounted for 58.8% of Non-Aviation revenues, while those deriving from directly managed activities accounted for the remaining 41.2%. In 2017, these percentages were 60% and 40%, respectively.

Year-to-date Non-Aviation Revenues at 31 December 2018 totalled € 31.2 M, up by 11.2% compared to 2017, when they totalled € 28.1 M.
The € 3,143 K increase, which exceeds the increased passenger traffic recorded in the period examined (+3.7%), confirms the positive implications of the non-aviation strategies implemented by the Group.

In detail, revenues were generated in 2018 by parking lots (€ +567 K - +8.7%), VIP lounges (€ +1,226 K - +76.2%), retail (€ +796 K - +17.2%), food (€ +359 K - +11.4%), and car rentals (€ +403 K - +8.7%).

More specifically, revenues from car rentals are related to the significant opening of the new car rental terminal at Palagio degli Spini. The new location will not only offer a higher number of parking spaces, offices and operation areas, but also lead to increased profitability for TA, mainly as a result of royalties on the turnover generated by the rent-a-car company.

Network development expenses

Network development expenses totalled € 13.4 M at 31 December 2018, down by € 2 M (-12.8%) compared to 31 December 2017, when they totalled € 15.4 M.

OTHER REVENUE AND INCOME

Year-to-date "Other revenues and proceeds" totalled € 6.08 M at 31 December 2018, a higher amount compared to 2017, when they totalled € 2.05 M.

This item mainly includes proceeds earned after the MIT-Toscana Aeroporti final judgement, which brought in € 4.35 M. In fact, on 28 February 2018 the time limit expired for the Financial Administrations to file their appeal against the favourable judgement no. 6528/2016 with which the Court of Appeal of Rome ordered the Ministry of Transport ("MIT") to pay Toscana Aeroporti (former Aeroporto di Firenze S.p.A.) the compensation for the damages suffered in the years 2006-2008 as a result of the non-adjustment of airport fees to inflation, consisting in the amount of € 1.6 M, determined by the expert witness during the first degree of trial. In addition, the Court of Appeal also admitted TA's right to receive compensation for lost profit damages, to be determined on an equity basis according to the indications provided in the reason of the judgement. The aggregate amount of approx. € 2.15 million has been cashed on 3 December 2018.

As a consequence, judgement no. 2403/2012, with which the MIT was ordered to pay Toscana Aeroporti (former Aeroporto di Firenze S.p.A.) an amount of approx. € 2.2 M, can be considered final, and in fact said amount was collected on 18 March 2013 as compensation for the damages suffered for the non-adjustment to inflation of airport fees in the years 1999-2005, increased by the relevant monetary reassessment and legal interests due. Pursuant to IAS 37, the amount collected had not been booked to the Income Statement until the conclusion of the dispute and had been reported as an account payable; in addition, that amount had been entirely deposited on a separate deposit account not to be used until the final judgement was issued.

REVENUES FROM CONSTRUCTION SERVICES

During 2018, revenues from construction services totalled € 13.52 M, up by 11.8% compared to 2017 (€ 12.09 M).

COSTS

In 2018, the total costs reported were € 96.1 M, up by 6% compared to the same period of 2017, when they totalled € 90.6 M[1]. This result was mainly determined by the +5.6% increase in operating costs (passed from € 79.6 M in 2017 to € 84 M in 2018.

OPERATING COSTS

In 2018, operating costs totalled € 84.04 M, up by 5.6% compared to € 79.56 M reported at the end of 2017.

"Consumables" totalled € 1.19 M in 2018, up by € 126 K compared to 2017.

The Group's "Cost of personnel" totalled € 42.91 M in 2018, up by € 733 K compared to 2017 (+1.7%). This increase, which, however, is lower than the traffic growth recorded during the period examined (+3.8% TUs), is mainly due to the growing staff, specifically related to the increase in the number of passengers, and consequently in operating activities and, to a lesser extent, to the increase in the incidence of variable remuneration items.

"Costs for services" totalled € 30.98 M, up by 11.7% compared to 2017, when they totalled € 27.74 M (€ +3.24 M). The increased costs for the period examined mainly reflect increased costs for operating services (€ +980 K) and maintenance (€ +592 K) arising from the greater traffic managed during the period and increased costs for professional services (consulting € +959 K) partly arising from new corporate projects, mainly connected to preparatory activities for the separation of handling and the implementation of new internal procedures for compliance with the procedural framework of Corporación America Airports SA, the indirect parent company of TA listed in the New York stock exchange, and for the activation of the SAP GRC module.

In 2018, "Sundry management expenses" totalled € 2.46 M, up by € 83 K (3.5%) compared to 2017. The difference mainly reflects a reduced incidence of entertainment costs (€ -88 K) offset by a greater expenditure of sundry administrative costs (€ +203 K) recognised during the period examined.

In 2018 "Airport Fees" totalled € 6.51 M, up by 4.8% compared to 2017. The difference is mainly due to the greater traffic finally recorded for the period examined (+3.8% of TUs).

COSTS FOR CONSTRUCTION SERVICES

[1] 2017 data re-booked to reflect the effect of IFRS 15.

“Costs for construction services” totalled € 12.05 M in 2018, therefore increased compared with 2017, when they totalled € 11.06 M.

YEAR'S PROFIT

As a consequence, the EBITDA totalled € 35.84 M in 2018, up by € 5.66 M (€ +18.8%) compared to 2017, when it totalled € 30.17 M.

As reported in the summary table below, the adjusted EBITDA/GOM of 2018, calculated by correcting the proceed recognised after the aforesaid MIT-Toscana Aeroporti decision (described above) and other minor revenue adjustments (for a total adjustment amount of € 4.12 M), is substantially in line with the adjusted EBITDA/GOM of the same period of 2017.

Amounts in € K	2018	2017	Abs. Ch. 2018/2017	% Diff.
Gross Operating Margin (GOM)	35,836	30,173	5,663	18.8%
Adjustments (*)	-4,117	0	-4,117	
Adjusted GOM	**31,718**	**30,173**	**1,545**	**5.1%**

(*) The adjustments identified by the Group for the calculation of adjusted results include the writing off of payables, the release of provisions, income from compensation for damages received after legal disputes.

“Amortization and provisions” totalled € 13.08 M in 2018, up by € 225 K compared to the same period of 2017. This is due to the higher amortization (€ +1.07 M), partly offset by lower provisions for risks (€ -314 K), and to the reserve for bad debt (€ -526 K).

The EBIT (operating profit) totalled **€ 22.76 M** in 2018, up by € 5.44 M compared to 2017, when it was € 17.32 M.
Financial operations passed from a negative amount of € -1.39 M in 2017 to a negative amount of € -1,27 M in 2018. The € 115 K difference is mainly due to lower financial income (€ -93 K), consisting of interests on loan instalments.

Profit Before Tax (PBT) totalled **€ 21.48 M** in 2018, up by € 5.55 M compared to 2017, when it totalled € 15.93 M.
The amount of the year’s taxes is € 6.72 M. The tax burden for 2018 equals 31.3% of the PBT (33% in 2017). The reduction booked in the 2018 tax rate is mainly affected by an IRES reimbursement of € 185 K regarding previous years.

Therefore, based on the data disclosed above, 2018 was closed with Net Group Profits of **€ 14.6 million**, up by € 4.05 M compared to 2017, when the total was € 10.55 M.
As reported in the summary table below, the adjusted net Group profit for the period, calculated by adjusting the 2018 net Group profit with the proceeds collected after the aforesaid final judgement of the MIT-Toscana Aeroporti case, net of the related tax burden (by applying the Group tax rate of 31.3%), shows a € 1.22 M increase compared to the adjusted net Group profit of 2017.

Amounts in € K	2018	2017	Abs. Ch. 2018/2017	% Diff.
GROUP’S PROFIT/(LOSS) FOR THE PERIOD	14,596	10,550	4,046	38.4%
Adjustments (*)	-4,117	0	-4,117	
Taxation	1,288	0	1,288	
GROUP’S adjusted PROFIT/(LOSS) FOR THE PERIOD	**11,767**	**10,550**	**1,217**	**11.5%**

(*) The adjustments identified by the Group for the calculation of adjusted results include the writing off of payables, the release of provisions, income from compensation for damages received after legal disputes.

10.2 Consolidated Statement of Financial Position

The table below provides a comparison between the Consolidated Statement of Financial Position at 31 Dec. 2018 and that as at 31 December 2017.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (amounts in € K)

ASSETS	31-Dec-2018	31-Dec-2017	DIFFERENCE
NON-CURRENT ASSETS			
- Intangible assets	172,956	165,155	7,801
- Tangible assets	26,853	26,650	203
- Equity investments	3,541	683	2,859
- Financial Assets	3,589	2,499	1,091
- Prepaid taxes recoverable beyond the year	2,221	2,540	-319
TOTAL NON-CURRENT ASSETS	**209,160**	**197,526**	**11,635**
CURRENT ASSETS			
- Receivables from customers	18,861	28,328	-9,467
- Receivables from associated companies	174	263	-89
- Tax receivables	2,355	781	1,574
- Receivables from others, due within the year	9,050	9,085	-36
- Cash and cash equivalents	14,270	13,360	910
TOTAL CURRENT ASSETS	**44,710**	**51,817**	**-7,107**
TOTAL ASSETS	**253,870**	**249,343**	**4,527**

The difference in total assets, up by € 4.53 M compared to total assets at 31 December 2017, mainly reflects the increase in non-current assets for € 11.6 M, offset by the decrease in current assets for € 7.1 M. In detail, the difference in non-current assets mainly reflects the investments made by the Group during the year examined (€ 18.1 M) net of the year's amortization and equity investment increases (€ +2.86 M).
The difference in current assets reflects reduced accounts receivable from customers (€ -9.47 M), a reduction also due to the recognition, in the same item in 2017, of receivables significantly higher than the historical data, due to the start-up of new Group ERP that took place on 1 September 2017, which had extended billing times over the first three months of operation, i.e. September-November (times that were subsequently re-absorbed in December 2017). This effect was partially offset by the increase in tax assets for approx. € 1.6 M (particularly VAT credit).

The composition of Shareholders' equity and liabilities at 31 December is provided below.

SHAREHOLDERS' EQUITY AND LIABILITIES	31-Dec-2018	31-Dec-2017	DIFFERENCE
CAPITAL AND RESERVES			
- Shareholders' Equity	**118,528**	**113,581**	**4,947**
MEDIUM-LONG TERM LIABILITIES			
- Provisions for liabilities and charges	4,164	3,997	166
- Provisions for repair and replacement	18,939	18,517	422
- Termination benefits and other personnel-related provisions	5,782	6,521	-739
- Financial liabilities	28,164	32,327	-4,163
- Other payables due beyond the year	202	142	60
TOTAL MEDIUM-LONG TERM LIABILITIES	**57,251**	**61,504**	**-4,253**
CURRENT LIABILITIES			
- Bank overdrafts	9,501	5,000	4,501
- Financial liabilities	4,755	4,538	218
- Tax liabilities	10,985	10,591	394
- Total trade and sundry receivables	52,849	54,128	-1,279
TOTAL CURRENT LIABILITIES	**78,091**	**74,257**	**3,834**
TOTAL LIABILITIES	**135,342**	**135,761**	**-419**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**253,870**	**249,343**	**4,527**

The Shareholders' Equity shows an increase of € 4.9 M consisting in the recognition of the year's profits (€ 14.8 M), partly offset by the distribution of dividends (€ 9.9 M).

Medium-long term liabilities decreased by € 4.25 M, mainly for the reduction of € 4.2 M in financial liabilities (short-term reclassification of capital instalments to be repaid in 2019).

As at 31 Dec. 2018, current liabilities (€ +3.8 M) include short-term bank loans (€ 9.5 M) required to partially offset the absorption of liquidity linked to the period's investments.

INVESTED CAPITAL

The table below compares the summarised data of invested capital at 31 Dec. 2018 with those at 31 Dec. 2017. Comments on the differences shown follow.

Amounts shown in € K	**CONSOL. 31 DEC. 2018**	**CONSOL. 31 DEC. 2017**	**Diff. Abs. 2018/2017**
NON-CURRENT ASSETS	209,160	197,526	11,635
NET WORKING CAPITAL	-33,395	-26,262	-7,133
MEDIUM/LONG-TERM LIABILITIES	-29,087	-29,177	90
INVESTED CAPITAL	**146,679**	**142,087**	**4,592**
SHAREHOLDERS' EQUITY	118,528	113,581	4,947
NET FINANCIAL INDEBTEDNESS	28,151	28,506	-355

Fixed assets increased by € 11.64 M, essentially reflecting the net increase in intangible (€ +7.8 M) and tangible assets (€ +0.2 M), as a consequence of the year's investments (€ +18.1 M), net of amortization (€ 10.12 M).

The net working capital, negative for € 26.3 M at 31 Dec. 2017, decreased by another € 7.1 M at 31 Dec. 2018 for the main effect of the reduction in trade receivables and sundry receivables (€ -8 M), partly offset by the decrease in other and sundry trade payables (€ -1.3 M).
Non-financial medium/long-term liabilities are substantially in line with data at 31 Dec. 2017.
As a result of the movements described above, the Invested Capital of the TA Group at 31 Dec. 2018 increased by € 4.6 M compared to 31 Dec. 2017, with a balance of € 146.7 M.

10.3 Analysis of financial flows

The consolidated cash flow statement illustrated below was prepared using the indirect method as defined by IAS 7 which shows the main determining factors of movements in cash and cash equivalents occurred during the reporting periods.

STATEMENT OF CASH FLOWS (amounts in €K)

Euro K	**2018**	**2017**
OPERATING ACTIVITY		
Net result for the period	**14,761**	**10,678**
Adjusted for:		
- Amortization/depreciation	10,116	9,051
- Other provisions and impairment losses	(668)	406
- Change in the provision for liabilities and charges	166	1,111
- Net change in termination benefit and other provisions	(561)	(358)
- Financial expenses for the period	1,355	1,494
- Net changes in (prepaid)/deferred taxes	319	(393)
- Taxes for the period	6,401	5,643
Cash flows of operating activities before changes in the working capital	*31,891*	*27,633*
- (Increase)/decrease in trade receivables	9,467	(12,841)
- (Increase)/decrease in other receivables	325	(4,252)
- Increase/(decrease) in payables to suppliers	67	2,511
- Increase/(decrease) in other payables	(887)	3,162
Cash flows of operating activities before changes in the working capital	*8,972*	*(11,421)*
Liquid assets generated by operating activities	*40,862*	*16,212*
- Interest payable paid	(513)	(577)
- Taxes paid	(6,116)	(4,369)
Cash flow generated by operating activities	**34,234**	**11,266**
INVESTMENT ACTIVITIES		
- Purchase of tangible assets	(3,676)	(4,532)
- Sale of tangible assets	0	155
- Purchase of intangible assets	(14,445)	(12,901)
- Equity investments and financial assets	(5,723)	181
Cash flow from investing activities	**(23,844)**	**(17,097)**
CASH FLOWFROM OPERATIONS	**10,390**	**(5,831)**
FINANCIAL ASSETS		
- Dividends paid	(9,993)	(9,369)
- Short-/long-term loans taken out	18,500	11,500
- (Repayment of) short-/long-term loans	(17,987)	(10,389)
Net cash flow generated by/(used for) investments	**(9,480)**	**(8,258)**
Net increase/(decrease) in available cash Cash equivalents	**910**	**(14,089)**
Cash and cash equivalents at beginning of period	13,360	27,448
Cash and cash equivalents at end of period	**14,270**	**13,360**

At 31 Dec. 2018, primary liquidity is positive for about € 14.3 M, up by approx. € 1 M compared to 31 Dec. 2017, when they were € 13.4 M.

More specifically, the Consolidated Financial Statement at 31 Dec. 2018 includes the following:

- positive cash flows from operations, also resulting from the absorption, in the first few months of 2018, of the increase in receivables recognised at 31 Dec. 2017 after the start-up of the new Group ERP, which had caused temporary delays in invoicing;
- Investments in tangible and intangible assets, for a total of € 18.1 M, are detailed in Section 11.
- The payment of € 3 M made within the framework of the preliminary agreement signed with Nuove Iniziative Toscane S.r.l. (a real property subsidiary of the Unipol Group) for the purchase of the Piano di Castello (Florence) land;
- the purchase of 8.16% of shares in Firenze Parcheggi S.r.l. for about € 2.8 M;
- the granting of short-term bank loans (so called "hot money"), consisting of € 18 M, to the parent company, Toscana Aeroporti, and a further € 500 K of medium-long term loan granted to the subsidiary Jet Fuel during the year considered;
- the repayment of principal for the medium/long-term loans obtained by the Group for € 4.5 M;
- the granting and repayment of a short-term loan (i.e. "hot money") of € 13.5 M to the parent company, Toscana Aeroporti;
- the distribution of dividends of 2017 profits for an aggregate amount of € 10 M.

10.4 Consolidated Net Financial Position

To complete our disclosure, we provide below the Consolidated Net Financial Position at 31 December 2018 and at 31 December 2017, in compliance with the provisions set forth in Consob's Notice prot. no. 6064293 of 28 July 2006.

NET CONSOLIDATED FINANCIAL INDEBTEDNESS			
Euro K	31-Dec-2018	31-Dec-2017	Abs. Diff.
A. Cash on hand and at banks	14,270	13,360	910
B. Other cash and cash equivalents	-	-	-
C. Securities held for trading	-	-	-
D. Liquid assets (A) + (B) + (C)	**14,270**	**13,360**	**910**
E. Current financial receivables	-	-	-
F. Current bank payables	9,501	5,000	4,501
G. Current portion of non-current indebtedness	4,755	4,538	218
H. Other current financial payables due to leasing companies	-	-	-
I. Current financial indebtedness (F) + (G) + (H)	**14,256**	**9,538**	**4,719**
J. Net current financial indebtedness (I) - (E) - (D)	**(13)**	**(3,822)**	**3,808**
K. Non-current bank payables	28,164	32,327	(4,163)
L. Bonds issued	-	-	-
M. Other non-current payables due to leasing companies	-	-	-
N. Non-current financial indebtedness (K) + (L) + (M)	**28,164**	**32,327**	**(4,163)**
O. Net Financial Position (J) + (N)(NFP)	**28,151**	**28,506**	**(355)**

We point out the presence, at 31 December 2018, of current bank payables for € 9.5 M for short-term credit lines (i.e. "hot money") and the current portion of the medium/long-term indebtedness of the TA Group, for a global amount of € 4.7 M.
In addition to that, non-current bank payables for approx. € 28.2 M were recognised as non-current portion of the existing Group loans. Furthermore, portions of capital (principal) were repaid during the year under examination, as established in the two existing loan agreements, for an aggregate amount of € 4.5 M, and a medium-term loan of € 500 K was granted to the subsidiary Jet Fuel.
For further details, see the "Financial Liabilities" section of the Explanatory Notes to the Consolidated Financial Statement.
We point out that the "Cash and Banks" item includes a minimum amount of € 1 M, available and deposited in a current account pledged as collateral for the medium-/long-term Loan Agreement stipulated by the Florence airport with the Intesa-San Paolo-MPS bank pool.
The consolidated Net Financial Position at the closing date (31 Dec. 2018) is therefore € 28.2 M, up by € 28.5 M compared to 31 Dec. 2017.
The debt-to-equity ratio (NFP/Shareholders' Equity) at 31 Dec. 2018 was € 0.24 (0.25 at 31 Dec. 2017),

10.5 Trends of key consolidated financial ratios

In compliance with CONSOB's Notice no. DEM/6064293 of 28 July 2006 and subsequent amendments and supplements (CONSOB Notice no. 0092543 of 3 December 2015 implementing ESMA/2015/1415 guidelines) concerning alternative performance indicators, the TA Group, in its Report on Operations, is submitting not only the financial ratios required by the IFRS, but also alternative indicators derived, although not required, from IFRS (Non-GAAP Measures).

These indicators are presented with the purpose of allowing for a better assessment of the Group's management trends and should not be considered as alternative to those required by IFRS.

More specifically, the alternative performance indicators used are described below (with the calculation method explained in a note for each indicator):

Profitability Ratios	31-Dec-2018 Consolidated	31-Dec-2017 Consolidated
ROE		
Net Income / Shareholders Equity	12.31%	9.29%
Gross ROE		
Profit Before Tax / Shareholders Equity	18.12%	14.02%
ROI		
Operating Income / Net Invested Capital (1)	15.51%	12.19%
ROS		
Operating Income / Revenues (2)	18.98%	13.84%
FINANCIAL EXPENSES / REVENUES RATIO		
Financial expenses/Revenues (2)	1.13%	1.19%
EBITDA / FINANCIAL EXPENSES RATIO		
EBITDA/Financial expenses	26.4	20.2

Equity Ratios	31-Dec-2018 Consolidated	31-Dec-2017 Consolidated
STOCK TO LIABILITIES RATIO		
Current assets / Current liabilities	0.57	0.70
DEBT TO EQUITY RATIO		
Debt (NFP) / Shareholders Equity	0.24	0.25
NET DEBT TO EBITDA RATIO		
Debt (PFN) / EBITDA	0.79	0.94
EQUITY TO NON-CURRENT ASSET RATIO		
Shareholders Equity / Non-current Assets	0.57	0.58

Notes:
(1) Net Invested Capital = Non-Current Assets + NWC (Net Working Capital) - Medium/long-term (non-financial) Liabilities
NWC = Current Assets - Cash and cash equivalents - Current Liabilities + Bank overdraft and short-term loans
(2) Revenues after deducting revenue from constructions.

11. THE GROUP'S INVESTMENTS

The Group's investments at the end of 2018 totalled € 18.1 M, of which € 14.5 M in intangible assets and € 3.6 M in tangible assets.

Toscana Aeroporti

Amounts shown in € K	Airport	Sub-tot	Sub-tot	Sub-tot	TOTAL
Total GROUP Investments at 31-Dec-2018					18,121
A) Amortization of intangible assets				14,547	
- Software			749		
- Other fixed assets			12		
- Concession rights			7,919		
new East Terminal Lot 1 (Arrivals)	PSA	3,732			
Works in new terminal for reconfiguration of passenger flows and new offices	FLR	1,658			
West apron flooring stand200300	FLR	623			
Arrivals baggage claim carousels	PSA	351			
Requalification of "Mini Mall" retail area	FLR	262			
Drainage network in eastern strip area	FLR	156			
Reprotection works in Finance Police offices	FLR	255			
Drainage networks	FLR	156			
Counterflows - Single-direction gates	FLR	145			
other minors	PSA/FLR	582			
- Assets under construction Concession rights			5,550		
Development of 2014-2029 Master Plan	FLR	5,091			
New tramway canopy	FLR	99			
BHS EDS improvement to Standard 3_PSA	PSA	114			
other minors	ANN.	246			
- current software:			55		
- Other construction in progress:			262		
B) Tangible assets				3,575	
- Land and buildings			201		
delocalization of Borgo Cariola	PSA	32			
S. Agostino parking lot	PSA	159			
other minors	PSA	10			
- motor vehicles			55		
- Ind. and comm. equipm.			13		
- Plant and machinery			1,846		
Fuel supply trucks	PSA	534			
sweeper	FLR	316			
hi-loader	PSA	188			
Property, plant and equipment	ANN.	808			
- Assets under construction			562		
Expansion of Palagio degli Spini parking lot	FLR	562			
- Other assets			899		
electronic machines (HW)	PSA/FLR	443			
Furniture and fittings	PSA/FLR	455			

Investments in **intangible assets** mainly consisted in the progress of works for € 3.7 M for the expansion of the Pisa terminal ("Phase Zero"), the development of the Florence airport Master Plan for € 5.1[1] M, [2]the Florence terminal for € 1,658 K, and the west apron flooring in the Florence airport for € 623 K.

Investments in intangible assets made by the parent company TA amount to € 14.4 M.

Investments in **tangible assets** mainly consisted in the purchase of motor vehicles, equipment, operating systems and machinery, for a global amount of € 1.9 M.

The Group informs the public that no revaluation was made to its assets pursuant to any special law during 2018.

For details on movements in tangible and intangible assets at consolidated and TA holding levels, see annexes A and B to the consolidated and year's financial statements.

12. HUMAN RESOURCES

THE GROUP'S STAFF

In 2018, the average number of TA employees has been 531.8 FTEs units, down in absolute terms by 191.1 FTEs, compared to the same period of 2017, after the transfer of the handling company branch to one of its 100% subsidiaries, Toscana Aeroporti Handling S.r.l. (hereinafter "TAH") effective since 1 July 2018.
The number of employees of the subsidiary Jet Fuel, the company that manages the fuel storage facility in the airport, remained unchanged (10.9 FTEs).
TAE increased its staff, for a total of 5.2 FTEs. We remind readers how TAE, at 31 December 2018, was using seconded parent company personnel, for a total of 15 units (10 at 31 December 2017)
and the subsidiary "Parcheggi Peretola S.r.l." has no directly employed staff.
The Group's Cost of Personnel totalled € 42.9 M in 2018, up by € 733 K compared to 2017 (+1.7%). This increase is mainly due to growing staff required particularly in connection with the increase in passengers (+3.7%), and therefore with operations, and to the spin-off of the

[1] That amount also includes internal and external costs for design, consulting engineering and outsourced technical work, also connected with the VIA procedure, regarding the new runway, the new terminal and other airport infrastructure development projects in the Florence airport. Also, works began in 2018 for the opening of the Environmental Observatory on the works included in the 2014-2029 Florence airport Master Plan after the conclusion of the Environmental Impact Assessment ("VIA").

[2] We remind readers that the 2014-2029 Florence Airport Master Plan (hereinafter the "FLR MP"), which includes the development of the new 2,400 metre runway and the new terminal, has been approved from a technical perspective by ENAC on 3 November 2014. The FLR MP is required to undergo an environmental impact assessment procedure called a *VIA* ("Valutazione di Impatto Ambientale") pursuant to Leg. Decree no. 152/2006 and must comply with town planning schemes ("Conformità Urbanistica") pursuant to Art. 81 of DPR no. 616/1977. The VIA procedure was started by ENAC on 24 March 2015 at the MATTM. Technical support to the preliminary environmental impact assessment ("VIA") has been provided throughout 2016 and, on 2 December 2016, the Technical Commission issued a "positive opinion with conditions". On 28 December 2017, the MATTM, in cooperation with MiBACT, signed the VIA Decree for the new 2014-2029 Florence Airport Master Plan, thus defining the project as environmentally compatible. The signature was the positive result of the work done by the "VIA Technical Committee", which, on 5 December 2017, had issued its supplemental opinion for the New 2014-2019 Florence Airport Master Plan (i.e. "positive opinion with conditions"). On 7 September 2018, the works of the Conference of Services commenced and, during the last meeting of 6 February 2019, the compliance of the work with town-planning schemes was officially confirmed (favourable opinion with prescriptions). In addition, we point out that, on 16 February 2017, a framework agreement was signed with ENAC for the financing of the works contemplated in the Master Plan, through which the Airport Operator confirmed its commitment to make the significant investments described in the aforesaid Florence Airport Master Plan and ENAC, together with the MIT, committed to contribute their own financing portion, as required for the implementation of the plan, for a total amount of € 150 million.

subsidiary TAH, based on the applicable legislation and on ENAC's indications concerning the management of handling activities.
For a better comprehension of staff trends in the two periods in the light of the separation of TA handling staff for transfer into TAH, the table below provides details regarding the average pro-forma staff [1] (expressed in Full Time Equivalents - FTEs) concerning 2018 and any difference compared to the same period of 2017:

Pro-forma FTE table	2018	2017	Diff.	Diff. %
Toscana Aeroporti	330.0	311.1	18.9	6.1%
Toscana Aeroporti Handling	415.9	411.8	4.1	1.0%
Jet Fuel	10.92	11.0	-0.1	-0.7%
TAE	5.17	4.5	0.7	14.6%
Group	**762.0**	**738.4**	**23.6**	**3.2%**

Note: in the calculation, 2 part-time units are considered as 1 full-time unit.

In 2018, the average staff of the Group increased by 23.6 FTEs in absolute terms compared to the same period of 2017 (+3.2%), in line with the passenger traffic managed by the two airports (+3.7%) and in connection with the creation of new departments managed by the airport operator (i.e. TA), in parallel with the handling company branch transfer to the subsidiary TAH.

Technical training and education
The Group continued its education and training programs throughout 2018, in line with the corporate policies and objectives already outlines in previous years. More specifically, a total of 32,069 hours of education and training have been delivered throughout 2018, of which 4,036 hours for cross-functional training.

13. OCCUPATIONAL HEALTH & SAFETY

In 2018, TA's Prevention and Protection Service (PPS) kept monitoring the main health and safety issues in the workplace in both Pisa and Florence airports.

After transferring ground handling activities to Toscana Aeroporti Handling S.r.l., some changes were made to the organizational structure of the Pisa and Florence airport management company,

In detail, activities concerning occupational health and safety, risk prevention and mitigation, and employee protection are carried out in synergy and cooperation with TAH, in consideration of the nature of the activities carried out simultaneously in the same work

[1] The final TAH staff six months (July-December) have been added to the six months (January-June) of staff extrapolated from TA's handling business unit.

places, buildings or areas, of the respective staff numbers, and of the tasks required for the management of common aspects.

The same coordination will be adopted as policy by the Airport Operator vis-à-vis entities which, in the future, might be starting operations as handlers, with the use of a significant amount of staff.

TAH has therefore adopted the same principles inspiring TA for the corporate prevention system and aligned to the timing specified in Leg. Dec. 81/08.

In order to identify the risks associated with the respective activities and establish appropriate mitigation and prevention measures for the organizational nature of the two airports, each of the two companies has adopted its own Risk Assessment Document (*Documento di Valutazione dei* Rischi), Health Protocol and persons with occupational H&S roles, responsibilities and tasks attributed by the applicable legislation.

So, the following roles are covered in both companies:

- Employer
- Designated Safety Managers (TA)
- SPPM
- Prevention and Protection Service (PPS)
- Managers/Designated Persons/Employees
- Workers' Safety Representatives (WSR)
- Competent Physician

An internal Prevention and Protection Service (PPS) operates in both companies in continuity with the previous corporate layout, with the task of monitoring all the areas falling under its competence.

Therefore, PPS activities are carried out in TA and in TAH based on intercompany service agreements like other security system management activities, i.e. health surveillance, procurement and delivery of PPDs, education & training, etc.

In addition, Workers' Safety Representatives (WSRs) have been appointed in both sites and for both companies (TA and TAH), to be involved by the PPS and take an active role in inspections, reporting of events or aspects to be monitored, risk assessment and related prevention measures, and periodic meetings (Art .35 of Leg. Dec. 81/08).

More specifically, apart from due diligence processes, the following events of greater significance took place during 2018:

- Creation of a Health & Safety Board, as an executive management and monitoring committee that supervises all the issues regarding prevention, health and safety under the responsibility of the Airport Operator. If necessary and depending on the points to be discussed, other persons may be members of the Board (PPSMs of other companies or handlers, Competent Physician, WSRs, etc.).
- Specific coordination activities are carried out to liaise with third parties (contractors, sub-concessionaires), including for the preparation of building sites in the areas where works for the expansion of the Pisa and Florence terminal

infrastructure is going to be built, in synergy with the persons designated with technical tasks and in compliance with the documentation required by the applicable legislation (Site Safety Plan, Project Management, Design and Execution Safety and Security Coordinators...).

BS OHSAS 18001:2007 Certification

In 2018, Toscana Aeroporti confirmed its compliance with the BS OHSAS 18001:2007 standard and maintained the certification obtained. The certification audit also concerned the handling agent's activities and, based on this, the certification has also been extended to TAH.

The implementation of this model allows the companies to be compliant with the provisions set forth in Art. 16, paragraph 3, and Art. 30 of Leg. Dec. no. 81/08, which require the adoption of a model for auditing the tasks conducted by the Employer and its delegates, with important positive implications on the administrative responsibility of companies concerning the occupational health and safety crimes specified in Leg. Dec. no. 231/2001.

The improvement programme scheduled for 2019 takes into consideration the transition of the BS standard to the new international standard ISO 45001 and adopts that regulatory and management model.

Risk assessment and protection devices

For the reasons specified above, the risk identification and assessment process is constantly changing, so continuous updates are made to the risk assessment document and the other associated dossiers (Italian acronym used for these documents "DVR").

This may sometimes lead to updates or supplements to be made to operating procedures or prevention and mitigation measures, and to the issuing of specific risk information (*INFO Sicurezza*) aimed to focus on significant aspects for the health and safety of employees.

The risk identification criteria adopted are based on the individual risk categories that characterise each type of work environment and those deriving from the activities conducted by employees - grouped by task - also in the light of the contemporary presence of third parties and of the use of equipment and systems. Collective or individual protection devices (PPDs) are then adopted in line with the results of the aforesaid assessments.

Emergency and evacuation drills

The annual emergency and evacuation drills have been conducted in the two airports as every year, as required by Ministerial Decree (D.M.) no. 10/03/98, in cooperation with the Fire Brigade and the Prevention and Protection Service of the Border Police.

More specifically, the following drills have been performed in the two airports:

1) Pisa airport (17 December – scenario: fire in office premises area, first floor, and evacuation of the entire Building A);

2) Florence airport (18 December – scenario: fire in office premises area, second terminal floor.

The drills involve all the employees in the terminal and the emergency is managed by TA and TAH staff designated as first-aid, emergency management and fire-fighting attendants.

Training and awareness

During 2018, the scheduled training program was continued and further boosted to include the training required by the Agreement between the State and the Regions (also by using an e-learning platform), training for managers, designated persons and employees, as well as for the roles of TA's PPS staff, in order to focus more effectively on specific risks, on the management of emergencies and on issues regarding operating procedures.

Compulsory training updates have been delivered to the resources identified by the law.

Specific risk and emergency management information has been extended to the rent-a-car area called *Palagio degli Spini*.

Labour accidents

The number of labour accidents has remained substantially unchanged and the number of lost workdays has increased.

Over 75% of events is due to distraction and/or inexperience (the "human factor") and not to events connected with vehicles, machinery or dysfunctional work processes.

Training programs focused on the "human factor" have been prepared and conducted by the PPS and are generally scheduled in TA/TAH.

14. INFORMATION ON IT SECURITY AND PRIVACY UNDER REGULATION (EU) 2016/679

Law no. 35 of 2012 repealed the requirement of the Safety Plan by eliminating point 19, and the related sub-points contained in Annex B to the Consolidated Act ("Testo Unico") on privacy. Within the framework of the monitoring of the Compliance function, Toscana Aeroporti adopted the necessary measures to process personal data in compliance with the applicable legislation, taking into account the measures introduced by Reg. (EU) 2016/679 (GDPR).

15. RESEARCH & DEVELOPMENT

In 2018, as in the previous financial year, Toscana Aeroporti implemented a reorganisation, renewal and unification process regarding the two airports of Pisa and Florence, and continued implementing the plan aimed at optimizing and harmonizing corporate processes through the development of its IT systems.

More specifically, during 2018 Toscana Aeroporti:

- activated a new unique backup management software;
- activated a new VoIP telephone system for the Pisa airport and updated the VoIP telephone system of the Florence airport;

- implemented a hardware and software update of the parking control system in the Pisa airport;
- aligned the centralized printing system;
- started the process of alignment of attendance management systems;
- activated a new unique e-learning software.

In fact, the creation of a fully operational Tuscan Airport System starts from an efficient network information management system.

During 2018, Toscana Aeroporti has also been working on compliance with new laws and regulations, namely:
- compliance with the procedures of Corporación America Airports SA, the indirect parent company of TA and activation of a SAP GRC module;
- new SAP developments: electronic statement of account and electronic invoicing;
- activation of software required after the introduction of Regulation (EU) 2016/679 (GDPR);
- activation of a new system for the management of electronic tenders;
- activation of a new unique software for the management of system administrator logs;
- activation of a memorandum of understanding with the Postal Police concerning cybersecurity.

16. RELATIONSHIPS WITH THE OTHER ENTITIES OF THE GROUP AND WITH RELATED PARTIES

Revenues, costs, receivables and payables at 31 December 2018 from parent companies, subsidiaries, associates and other related parties concern the sale of assets or services that consist of the routine operations of the Group. Transactions are performed at an arm's length, based on the characteristics of the goods sold and the services delivered.

At 31 December 2018, the TA Group holds interests in the following other associated companies:

- Immobili A.O.U. Careggi S.p.A.

Company incorporated to manage the commercial facilities installed in the new entrance of the Careggi Hospital of Florence (i.e. "NIC"), with a 25% equity investment by TA (at 31 December 2016), while the remaining 75% is owned by Azienda Ospedaliera Universitaria Careggi. Its registered office is at the address of the Careggi Hospital of Florence and the administrative office is located in the Pisa Galilei airport.
At 31 December 2018, TA has a service agreement in place with this Associate for administrative/management staff activities, that are provided as a service for a period value of € 49 K and a variable payment based on revenues of € 106 K.

- Alatoscana S.p.A.

Company that manages the Elba Island airport. TA owns a 13.27% share of Alatoscana (13.27% at 31 Dec. 2017), while the majority of its share capital is owned by Regione Toscana (51.05%) and the Maremma and Tirreno Chamber of Commerce (34.36%).
A service level agreement is in place with this associated company at 31 December 2018, continuing from previous years, for staff activities, for a global value of approx. € 64 K.

The main relationships with the other related parties at 31 December 2018 are:

- Delta Aerotaxi S.r.l.

A number of sales agreements between the Holding and Delta Aerotaxi S.r.l. are in place for:
- the sub-concession of premises in the Florence airport for a value of € 219 K in revenues for TA at 31 December 2018;
- the sub-concession of offices and other types of spaces in the Pisa airport for global revenues of € 92 K at 31 December 2018;
- Aviation revenues for € 220 K for the invoicing of airport duties and taxes, and Pisa airport General Aviation handling fees, plus approx. € 5 K regarding the provision of extra-handling services upon request.

Finally, at 31 Dec. 2018 the report shows a further € 15 K in revenues to said related party concerning the charge-back of common services and insurance expenses due under existing agreements, as well as for parking passes and airport permits in the two airports.

- Corporate Air Services S.r.l.

At 31 December 2018, the Parent Company had the following relationships with the related party Corporate Air Services S.r.l., the company that manages General Aviation at the Florence airport, indirectly connected with TA through SO.G.IM. S.p.a., a TA shareholder:
- € 559 K of Aviation revenues for the invoicing of airport duties and taxes, handling and centralised infrastructure expenses concerning general aviation in the Florence airport, € 53 K for the same services in the Pisa airport, and approx. € 3 K for the provision of extra-handling services upon request and for the supply of de-icing liquid to the Florence airport;
- the sub-licensing of offices and other types of spaces in the Pisa airport for a value of € 33 K in revenues for TA at 31 December 2018;
- non-aviation revenues for € 40 K at 31 December 2018 regarding the sub-concession of 130 square metres in the air-side area in the Florence airport.

Finally, at 31 Dec. 2018 the report shows a further € 3 K in revenues to said related party concerning the charge-back of common services and insurance expenses due under existing agreements, as well as for parking passes and airport permits in the two airports.

- Delifly S.r.l.

Delifly S.r.l. (related party through SO.G.IM. S.p.A) has an agreement in place with TA for the sub-concession to Delifly an area of approx. 122 sq.m. that Delifly uses exclusively to install a removable object, to be used for the delivery of General Aviation catering services in the Florence airport (€ 37 K of revenues for TA at 31 December 2018).
in addition, the Group accrued a further € 1 K of revenues from Delifly for the charging back of common services, third-party liability insurance coverage expenses, and the assignment of parking passes and airport permits in the two airports.

- ICCAB S.r.l.

ICCAB S.r.l. is a related party of TA since the Member of TA's BoD, Mr. Saverio Panerai, has a significant influence on ICCAB S.r.l. pursuant to the regulation on related-party transactions adopted by CONSOB.
We point out that the Parent Company sub-leased approx. 40 sq.m. of premises to ICCAB in the Florence airport, to be used for retail activities (of € 70 K of revenues for TA at 31 Dec. 2018).
In addition, an agreement is in place for the sub-concession of premises located in an air-side area of the Pisa airport used by ICCAB for sale activities, for a value of € 71 K in revenues at 31 December 2018.
Finally, during the period examined, the Group accrued a further € 8 K in revenues from ICCAB S.r.l. for the charge-back of common services of the two airports.

- Corporación America Italia S.p.A.

We point out that, since 2016, the Parent Company adopted the Tax Consolidation option provided for by articles 117 to 129 of the Consolidated Text on Income Taxation ("Testo Unico delle Imposte sui Redditi" - T.U.I.R), whose consolidating entity is Corporación America Italia S.p.A. The consolidating entity calculates a single global income equalling the algebraic sum of the taxable bases (income or loss) realized by the individual entities that adopted this group taxation option.
The consolidating entity recognised an account receivable from the consolidated entity that equals the IRES tax to be paid on the positive taxable base transferred by the latter. Instead, the consolidating entity recorded an account payable to the companies that contribute tax losses equalling the IRES tax to be paid on the loss actually used in the determination of the global comprehensive income. Furthermore, as a result of the adoption of the National Tax Consolidation option, pursuant to art. 96 of D.P.R. 917/86, companies can contribute the excessive interests payable that can no longer be deducted for one of them in order to reduce the comprehensive income of the Group until the Gross Operating Income amount produced in the same tax period by other consolidated entities is reached. At 31 December 2018, TA owes € 1,541 K to the subsidiary CAI generated by the IRES accrued on the result of the period.

- Comune di Firenze (Municipality of Florence)

The Municipality of Florence has an agreement in place with the Parent Company for the sub-concession of office premises covering a surface area of 13 sq.m. located at the ground floor, in the land-side area of the Florence airport, for a value of approx. € 6 K in revenues at year-end for tourist information activities.

Finally, we point out that no atypical transaction with related parties took place in 2018.

Stakes of the members of the management and control boards

At the date of this report, the following stakes are held in the Parent Company TA:
- the board member Saverio Panerai owns 2,403 shares;
- the statutory auditor Roberto Giacinti owns 2,515 shares.

17. INFORMATION ON THE PARENT COMPANY, ITS SUBSIDIARIES, AND THEIR RELATIONSHIPS

17.1 Toscana Aeroporti SpA

As regards economic, equity and financial information concerning the parent company TA, the income statement, balance sheet and net financial position tables regarding 2018 compared with 2017 values, see the explanatory notes to the year's financial statement.

17.2 Parcheggi Peretola Srl

Parcheggi Peretola S.r.l. became a member of the TA Group in 2015 after the incorporation of AdF, which owned 100% of its shares.
The prevalent activity of this company is the management of a 640-slot payment car parking lot for the public in front of the Departures Terminal of the Florence airport.

We point out that the Subsidiary prepares its financial statement in compliance with the applicable legislation. For the consolidated financial statement, the financial statement of the subsidiary has been appropriately adjusted to take into account the impact deriving from the application of international accounting standards.

A summarised Income Statement table and the Financial Position table are provided below, prepared according to statutory provisions, as approved by the control board of the subsidiary on 13 March 2019.

PARCHEGGI PERETOLA - INCOME STATEMENT

Amounts in € K	2018	2017	Diff. Abs.	DIFF. %
REVENUES				
Non-Aviation revenues	1,702	1,642	60	3.6%
Other revenues and proceeds	138	143	-4	-3.1%
TOTAL REVENUES (A)	**1,840**	**1,785**	**55**	**3.1%**
COSTS				
Costs for services	726	714	12	1.6%
Sundry operating expenses	69	55	14	25.5%
TOTAL COSTS (B)	**795**	**769**	**26**	**3.3%**
GROSS OPERATING MARGIN (A-B)	**1,045**	**1,016**	**30**	**2.9%**
% incid. over total revenue	57%	57%		
Amortization and impairment	69	79	-10	-12.5%
OPERATING EARNINGS	**976**	**937**	**40**	**4.2%**
% incid. over total revenue	53%	52%		
ASSET MANAGEMENT	0.04	0.04	0	9.8%
PROFIT (LOSS) BEFORE TAX	**976**	**937**	**39**	**4.2%**
Taxes for the period	-282	-269	-13	4.8%
PROFIT/(LOSS) FOR THE PERIOD	**694**	**668**	**26**	**3.9%**

Book values in 2018 show revenue accounts (value of production) of € 1,840 K, up by € 55 K compared to 2017 by virtue of the increase in the annual number of passengers in the Florence airport, and consequently of customers using the parking lots managed by the company.

On the cost side, the most important component is the cost of the parking lot management and maintenance service provided by SCAF S.r.l. We also remind readers of the 7% drawback of parking lot revenues from the Municipality of Florence under an agreement that also allowed the entity to readjust the Parent Company's parking rates.

The 2018 Gross Operating Margin (or EBITDA) is € 1,045 K, up by 29 K, and the year's net profit is € 694 K, up by € 26 K compared to 2017.

STATEMENT OF FINANCIAL POSITION (amounts in € K)		
ASSETS	**31-Dec-2018**	**31-Dec-2017**
NON-CURRENT ASSETS	**2,102**	**2,173**
CURRENT ASSETS	**1,010**	**949**
TOTAL ASSETS	**3,112**	**3,121**
SHAREHOLDERS' EQUITY AND LIABILITIES	**31-Dec-2018**	**31-Dec-2017**
SHAREHOLDERS' EQUITY	**2,932**	**2,905**
CURRENT LIABILITIES	**180**	**216**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**3,112**	**3,121**

Parcheggi Peretola has a positive Net Financial Position of € 677 K at 31 Dec. 2018 (against € 415 K at 31 Dec. 2017).

17.3 Toscana Aeroporti Engineering Srl

Toscana Aeroporti Engineering (hereinafter "TAE"), incorporated on 15 January 2015, has started operations in the month of August of that year as an engineering subsidiary 100% owned by Toscana Aeroporti with the mission of providing TA with the engineering services required for the implementation of the program for the development of the two airports - Florence and Pisa.

For the engineering activities regarding the design of the Master Plan works, TAE uses the support of:
1. TA seconded technical/engineering personnel (15 units);
2. internal staff (6 units at 31 December 2018);
3. specialized service contractors.

In continuity with the last financial year (2017), the design activities carried out by TAE on behalf of TA during 2018 consisted in the development of the Florence and Pisa 2014-2029 Master Plans. Specifically:
- the environmental impact study, the assessment of the incidence and of the health-related impact of the new flight infrastructure and of the new Florence terminal;
- the final design of the environmental mitigation works directly connected with the development of the new Florence flight infrastructure;
- the final design of the new Florence flight infrastructure and the specialists' inspections regarding the new airport flooring and related safety surfaces;
- the design of the new terminal for the reconfiguration of passenger flows and the new offices of the Florence Terminal;
- the design for the expansion to the east side of the Pisa passenger area (new Arrivals terminal);
- the final design of the aircraft Apron 400 of the Florence airport (west apron) and reclamation works.

We point out that the Subsidiary prepares its financial statement in compliance with the applicable legislation. For the consolidated financial statement, the financial statement of the subsidiary has been appropriately adjusted to take into account the impact deriving from the application of international accounting standards.

A summarised Income Statement table and the Financial Position table are provided below, prepared according to statutory provisions, as approved by the control board of the subsidiary on 13 March 2019.

Amounts in € K	2018	2017	Diff. Abs.	DIFF. %
REVENUES				
Other revenues and proceeds	5,212.0	3,583.6	1,628.4	45%
TOTAL REVENUES (A)	**5,212.0**	**3,583.6**	**1,628.4**	**45%**
COSTS				
Consumables	0.13	0.00	0.13	N.S.
Cost of Personnel	328.6	280.0	48.6	17%
Costs for services	4,606.1	3,217.5	1,388.6	43%
Sundry operating expenses	13.0	27.3	-14.4	-53%
TOTAL COSTS (B)	**4,947.8**	**3,524.9**	**1,422.9**	**40%**
GROSS OPERATING MARGIN (A-B)	**264.2**	**58.7**	**205.5**	**350%**
% incid. over total revenue	5.1 %	1.6%		
Amortization and impairment	31.6	1.0	30.6	N.S.
Provision for risks and repairs	3.8	0.0	3.8	N.S.
OPERATING EARNINGS	**228.9**	**57.7**	**171.1**	**296%**
% incid. over total revenue	0.0	0.0		
ASSET MANAGEMENT	0.02	-0.02	0.04	N.S.
PROFIT (LOSS) BEFORE TAX	**228.9**	**57.7**	**171.2**	**297%**
Taxes for the period	-78.7	-28.2	-50.6	180%
PROFIT/(LOSS) FOR THE PERIOD	**150.1**	**29.6**	**120.6**	**408%**

At 31 December 2018, the company has 6 direct employees and, in continuity with 2017, staff-related activities have been carried out by the Parent Company under a servicing agreement signed between the parties.

Revenues totalled € 5,212 K in 2018, reflecting the year's portion of the projects commissioned by TA, as better described above.

Total costs for 2018 amount to € 4,949 K, mainly including € 329 K of personnel costs, € 3,610 K of external survey and design costs, and € 730 K of TA seconded personnel costs.

ASSETS	31-Dec-2018	31-Dec-2017
NON-CURRENT ASSETS	**114**	**10**
CURRENT ASSETS	3,520	2,188
TOTAL ASSETS	**3,634**	**2,198**

SHAREHOLDERS' EQUITY AND LIABILITIES	31-Dec-2018	31-Dec-2017
SHAREHOLDERS' EQUITY	**317**	**167**
MEDIUM-LONG TERM LIABILITIES	**35**	**16**
CURRENT LIABILITIES	**3,282**	**2,015**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**3,634**	**2,198**

TAE has a positive Net Financial Position of € 41 K at 31 December 2018 (against € 372 K at 31 Dec. 2017).

17.4 Jet Fuel Srl

Jet Fuel Co. s.r.l. is the entity that manages the centralized fuel storage facility of the Pisa airport. The stake held by TA is 51.0% of voting rights, while property and dividend rights are exercised in identical portions by the other shareholders, Refuelling S.r.l. and Air BP Italia S.p.A. So, for consolidation purposes, said equity investment has been considered as a 33% share and portion of profits pertaining to the TA Group.

We remind readers that the amount of avio fuel managed by the subsidiary is affected by the Pisa Galileo Galilei airport traffic trends.

A total of 102,569 cubic metres of jet fuel passed through the storage facility during 2018, with a +5.2% volume increase compared to the 97,477 cubic metres of 2017. The company provided into-plane services for 70,178 cubic metres of fuel, with a 1% increase compared to the 69,493 cubic metres of 2017.

We point out that the Subsidiary prepares its financial statement in compliance with the applicable legislation. For the consolidated financial statement, the financial statement of the subsidiary has been appropriately adjusted to take into account the impact deriving from the application of international accounting standards.
A summarised Income Statement table and the Financial Position table are provided below, prepared according to statutory provisions, as approved by the control board of the subsidiary on 12 March 2019.

JET FUEL - INCOME STATEMENT

Amounts in € K	2018	2017	Diff. Abs.	% Diff.
REVENUES				
Aviation revenues	2,499	2,344	155.3	6.6%
Other revenues and proceeds	27	7	20.2	281.8%
TOTAL REVENUES (A)	**2,527**	**2,351**	**175.5**	**7.5%**
COSTS				
Consumables	61	73	-12.2	-16.7%
Cost of Personnel	813	808	4.6	0.6%
Costs for services	448	487	-39.4	-8.1%
Sundry operating expenses	21	16	5.0	31.7%
Airport leases	723	673	50.2	7.5%
TOTAL COSTS (B)	**2,064**	**2,056**	**8.3**	**0.4%**
GROSS OPERATING MARGIN (A-B)	**462**	**295**	**167.2**	**56.6%**
% incid. over total revenue	18%	13%		
Amortization and impairment	138	49	88.5	180.4%
OPERATING EARNINGS	**325**	**246**	**78.7**	**32.0%**
% incid. over total revenue	13%	10%		
Asset management	-10	-4	-5.6	N.S.
PROFIT (LOSS) BEFORE TAX	**315**	**242**	**73.1**	**30.2%**
Year's taxes	-75	-72	-3.0	4.1%
PROFIT/(LOSS) FOR THE PERIOD	**240**	**170**	**70.1**	**41.3%**

The main revenues of Jet Fuel (Aviation) in 2018 consist of € 1,454 K (€ 1,382 K in 2017) from the fuel storage service and € 927 K from the into-plane service (€ 927 K in 2017). The growth of aviation revenues (+6.6%) has been greater than the growth of the final traffic recorded in the Pisa airport in 2018 in the drivers directly proportional to jet fuel sales trends (+3.6% tonnage and +3% of aircraft movements).

The main costs of 2018 have been the cost of labour (€ 810 K), airport sub-lease (€ 718 K), tank truck rental (€ 74 K), professional services (€ 130 K), maintenance and fuel for tank trucks (€ 68 K), and industrial insurance (€ 65 K).

The year's profit of € 240 K (€ 170 K in 2017) has increased by € 70 K from the previous year mainly due to greater volumes handled in the storage facility and into-plane service.

ASSETS	31-Dec-2018	31-Dec-2017
NON-CURRENT ASSETS	**1,043**	**610**
CURRENT ASSETS	**831**	**946**
TOTAL ASSETS	**1,874**	**1,556**

SHAREHOLDERS' EQUITY AND LIABILITIES	31-Dec-2018	31-Dec-2017
SHAREHOLDERS' EQUITY	**460**	**385**
MEDIUM-LONG TERM LIABILITIES	**807**	**589**
CURRENT LIABILITIES	**607**	**582**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,874**	**1,556**

As at 31 Dec. 2018, Jet Fuel has a positive Net Financial Position of € 499 K (€ 23 K at 31 Dec. 2017).

17.5 Toscana Aeroporti Handling S.r.l.

The new company Toscana Aeroporti Handling S.r.l., 100% owned by Toscana Aeroporti S.p.A., started its operations on 1 July 2018 with the business purpose of providing the services described in Legislative Decree no. 18 of 13 January 1999, and subsequent amendments and supplements, as well as conducting additional activities required for the abovementioned handling and/or related activities. The term "handling" includes all ground airport support activities and services provided in favour of aircraft, passengers and cargo.

Its share capital is € 750 K, of which € 495 K contributed with the company branch for handling activities in the Florence and Pisa airports, and € 255 K contributed in cash.

We point out that the Subsidiary prepares its financial statement in compliance with the applicable legislation. For the consolidated financial statement, the financial statement of the subsidiary has been appropriately adjusted to take into account the impact deriving from the application of international accounting standards.

A summarised Income Statement table and the Financial Position table are provided below, prepared according to statutory provisions, as approved by the control board of the subsidiary on 11 March 2019.

Furthermore, we point out that 2018 financial data refer to a six-month period, from 1 July to 31 December, so the figures are not comparable with those of a full year.

TOSCANA AEROPORTI HANDLING - INCOME STATEMENT

Amounts in € K	2018 (July-December)
REVENUES	
Operating income	
Aviation revenues	15,673
Non-Aviation revenues	9
Total operating revenues	15,683
Other revenues and proceeds	1,122
TOTAL REVENUES (A)	16,804
COSTS	
Consumables	318
Cost of Personnel	10,754
Costs for services	3,572
Sundry operating expenses	361
TOTAL COSTS (B)	15,004
GROSS OPERATING MARGIN (A-B)	1,800
% incid. over total revenue	10.7%
% incid. over operating revenue	11.5%
Amortization and impairment	459
Provision for risks and repairs	157
Value write-ups (write-downs) net of trade receivables and other receivables	18
OPERATING EARNINGS	1,166
% incid. over total revenue	6.9%
% incid. over operating revenue	7.4%
TOTAL ASSET MANAGEMENT	0
PROFIT (LOSS) BEFORE TAX	1,166
Taxes for the period	-470
PROFIT/(LOSS) FOR THE PERIOD	695

The main revenues for the first half of 2018 (July-December) arise from handling services for about € 15.7 M and from other revenues and proceeds substantially consisting in the charging of operating services requested to TA for about € 1.12 M.

The main costs for the first half of 2018 (July-December) arise from the cost of personnel (€ 10.75 M) and from the cost for external services (€ 3.57 M).

As a consequence, the EBITDA recognised by the company in the July-December 2018 period shows a positive value of approx. € 1.8 M, essentially explained by the effect of the greater seasonal nature of traffic in the third quarter of the tear in the two Tuscan airports.

Net of amortization/depreciation (€ 459 K) and of the provision for risks (€ 157 K), TAH's 2018 operating profit is € 1,166 K.

The net 2018 TAH profit, after deducting taxes for the period, is € 695 K.

The financial and equity details of this entity at 31 December 2018 are provided below:

ASSETS	31-Dec-2018
NON-CURRENT ASSETS	**2,714**
CURRENT ASSETS	**9,587**
TOTAL ASSETS	**12,301**
SHAREHOLDERS' EQUITY AND LIABILITIES	**31-Dec-2018**
SHAREHOLDERS' EQUITY	**1,445**
MEDIUM-LONG TERM LIABILITIES	**3,526**
CURRENT LIABILITIES	**7,329**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**12,301**

TAH has a positive Net Financial Position of € 767 K at 31 December 2018.

18. MAIN RISKS AND UNCERTAINTIES TO WHICH THE GROUP IS EXPOSED

The main risk factors that may affect the Group's operations are described below.

- RISKS ASSOCIATED WITH THE GENERAL CONDITIONS OF THE ECONOMY AND THE INDUSTRY

The main factors that may affect operations in the transport sector where the Group operates are, *inter alia*, the gross domestic product (GDP), the business and consumer confidence level, the unemployment rate and the oil price. In general, the international political unrest, the credit crunch, the high unemployment rate, the reduction in the available income for families in real terms, and the consequent decrease in consumption may adversely affect the demand for air transport. Should this weak economy persist, we cannot exclude a negative impact on the economic situation of the Group.
In any case, the recent traffic trends of the two airports, with significant growths in the number of passengers recorded in the four-year period 2015-2018, confirm the special attractiveness of our territory, which in itself mitigates the risk described.

- RISKS ASSOCIATED WITH AIRPORT HANDLING ACTIVITIES AND THE EXTREMELY COMPETITIVE LAYOUT OF THE RELATED MARKET

Airports with a traffic exceeding 2 M passengers or 50,000 tons of cargo are recognised free access to the “ground support services” market (Leg. Dec. 18/99). To date, these services are mostly provided by the Airport Operator in the Pisa and Florence airports. The handling activities carried out by ground support service providers other than TA in the two airports has been limited to General Aviation flights in 2018.
Starting from March 2019, another competitor started providing handling services for Commercial Aviation in the Pisa airport; the same competitor obtained an extension of its handling operator certification from ENAC for the Florence airport, but is not yet operating. Due to the limited operating space available in the Pisa airport (ENAC Resolution of 4 March 2019) and in the Florence airport (ENAC Resolution of 30 November 2018), TA obtained a positive opinion on the request to limit the number of accesses of ground support operators for categories 3 and 5, as per Annex A to Leg. Dec. 18/99[1]. A maximum number of two commercial aviation handlers has been established for both airports, one of which is Toscana Aeroporti Handling.
In 2018, revenues generated by the handling business accounted for 23% over total revenues (25.6% of the total, after deducting revenues from construction services). The market where the providers of handling services operate is typically characterized by a high level of competitiveness, as well as by a limited profitability in terms of operating income.
The increase in competitive pressure, on the one hand, and the reduced margins that characterise these activities, on the other, could adversely affect TA's economic situation, equity and financial standing.

- REGULATORY RISK

The Group, within the framework of the two concessions for the global management of the Pisa and Florence airports, operates in a sector regulated by domestic and international legislation. Any unpredictable change in the regulatory framework might adversely impact the bottom line of the Group.
A potential risk factor in the airport sector is the constant evolution of the specific legislative and regulatory scenario where the Group, like the other airport operators, operates. The Company's financial results are affected by the developments in the regulatory framework, particularly as regards the airport services tariff regulations and the fee system for the services offered by airport operation companies.
In this regard, we highlight that consultations with airport users, according to the preliminary investigation established by tariff models, have been positively concluded for both the airports in the first two months of 2019. At the closing date of this financial statement, TA was waiting for the final approval of the new tariff levels for the regulatory period 2019-2022 from the Transport Authority.

- RISKS ASSOCIATED WITH RELATIONSHIPS WITH EMPLOYEES AND TRADE UNIONS

The Parent Company operates in an industrial context characterised by a significant presence of trade unions and is potentially exposed to the risk of strikes and interruptions in its production activities.
In the recent past, within a changing corporate framework and with the implementation of strategic organizational changes (separation of handling activities), no significant strikes blocked the provision of services in the Florence or Pisa airport.

[1] Lost&Found baggage service and runway operations.

On 21 December 2018, after approximately one year of negotiations with trade unions, three agreements have been signed with all the union organisations that represent executives, employees, and workers of the Pisa and Florence airports. The process allowed the parties to share and reach significant rationalization and simplification of labour costs, protect second level salary elements, and stabilize the labour contracts and contractual work times of certain operating employees. In addition, a welfare service corporate platform was created to develop further action aimed to ensure the wellbeing of employees.
The Company holds regular meetings with Trade Unions for a stable and constructive relationship.

- RISKS ASSOCIATED WITH DECREASING AIRPORT TRAFFIC IN THE TWO AIRPORTS AND WITH THE CONCENTRATION OF CERTAIN CARRIERS

Like the other operators of the sector, a possible reduction or interruption of flights by one or more carriers due to an economic/financial crisis in their business organizations which might adversely impact the bottom line of the TA Group.
During 2018, TA recorded approx. 8.18 million passengers. The total incidence of the first three airlines is 56.8%. In detail, the incidence of the first carrier is 39.8%, with the second and third carriers at 8.9% and 8.1%, respectively.
Based on past experience, although there can be no certainty in this regard, the Group believes that the risk of a reduction or interruption of the service by one or more carriers is generally offset by the probable redistribution of passenger traffic among the other airlines operating in the airport and by its overall capacity to attract new carriers.
In addition to that, the Group signed multi-year agreements with said carriers, with which they agree to promote marketing and advertising campaigns, and achieve pre-established objectives in terms of passengers and flights, in exchange for the Group's commitment to contribute to the related expenses and grant economic incentives for the achievement of the aforesaid objectives.
However, we may not exclude the likelihood that, notwithstanding the implementation of the aforesaid remedial measures, a certain amount of time might elapse between the interruption of flights and their replacement by other carriers and that this interruption might, in any case, negatively impact the operations and earnings of the Group.
In order to minimize the risk of traffic concentration on some carriers, the Group, albeit in the context of the air traffic sector, which is characterised by integration and merger processes between carriers, is pursuing an airline diversification strategy in the two airports.
The Company constantly monitors the situation of the national airline, Alitalia, which is currently under receivership, and the potential "Brexit effect", which is still difficult to predict in terms of economic and social repercussions, specifically for air transport. However, at year end, all the airlines operating in the Pisa and Florence airports re-confirmed their flights to and from the United Kingdom for the summer 2019.

- RISKS ASSOCIATED WITH DEPENDENCE ON KEY PERSONNEL

The Group believes that its operating and management structure is capable of ensuring the continuity of the management of its corporate affairs. Furthermore, the Group started a process of development of human resources in view of a Succession Plan. However, should one or more key staff of the Group, such as the CEO or the General Director or other senior/top management members, terminate his or her cooperation with the company, the perspectives, business operations and economic/financial results of the Group might be negatively impacted.

- ENVIRONMENTAL RISK

The operations of the Group are regulated by many European Union regulations and domestic, regional and local legislation on the protection of the environment. The Group has the priority of carrying out its activity in compliance with the applicable environmental legislation; however, since the risk of environmental liability is intrinsic to the activity of the Group, there can be no certainty that any new future regulations may not involve further regulatory requirements for the Group.

- FINANCIAL RISK

As regards financial risks, see the specific section in the Explanatory Notes.

19. SIGNIFICANT EVENTS OCCURRED AFTER 31 DECEMBER 2018

Main news on the operations of the Pisa airport

- Air Arabia Maroc - This new carrier will operate in the Galilei airport starting April 2 with weekly flights to Casablanca.
- Ryanair - The Irish carrier already opened sales and will start operating the following new flights in the coming summer season: Brussels (3 weekly flights), Nuremberg (2 weekly flights), Kalamata (2 weekly flights only August and September).
- Norwegian Air Shuttle - This carrier will operate a weekly flight for Helsinki throughout the summertime, to cover the suspension of Finnair's flight.
- AirDolomiti will replace Lufthansa on the Pisa-Munich route by increasing the capacity offered operating up to two daily flights with two 120-seat EM195 aircraft. The partnership with Lufthansa will continue for the sale of tickets.
- British Airways will focus on the London Heathrow hub starting from next summer by operating 18 weekly flights and ensuring a better connection with its global network.

Main news on the operations of the Florence airport

- Last September, the Spanish carrier Vueling announced the positioning of its third aircraft in the Vespucci airport, with the following destinations: Bilbao (2 weekly flights), Munich (5 weekly flights), Prague (4 weekly flights each), and Vienna (daily flight). In addition to that, the third based aircraft will be used to increase already served destinations like Barcelona, Amsterdam, and Palermo.
- The other Spanish carrier, Iberia, increased the frequency of its flights to Madrid, which will reach 13 flights per week in August.
- BlueAir will increase its flights to Bucharest Otopeni and operate 5 weekly flights throughout the summer season (in 2018 it did so only during the peak season, as it operated only 4 flights in the remaining part of the period).
- Brussels Airlines will increase its flights to Brussels (until max 11 weekly flights in August).
- Starting 11 April 2019, SAS will operate a new flight to Copenhagen 3 times a week with 141-seat A319 aircraft.

Additional significant events

- On 26 January 2019, the project for the expansion of the Pisa airport terminal and related flight infrastructure within the framework of the 2018-2028 Master Plan has been submitted. This project aims to expand the infrastructure system around the Pisa airport, the secondary runway, aircraft parking areas, and even include the development of an aircraft maintenance hub.

- On 26 January 2019, the reinforcement of the partnership with Ryanair, the first European airline for number of passengers carried per year, has been announced. The partnership, started in 1998, has been confirmed and reinforced with the signature of a new agreement lasting until 2023, thus creating the conditions for the development of new traffic departing from the Pisa airport.
- On 6 February 2019, the Conference of Services was positively concluded with the favourable opinion of the approx. 40 parties involved, with the exclusion of the 3 municipalities of Sesto Fiorentino, Prato and Campi Bisenzio, concerning the compliance of the 2014-2029 Florence airport Master Plan with town-planning schemes as regards the development of a new 2,400 metre runway and a new terminal. Therefore, the authorization process of the work, which had started in 2015 and had obtained a favourable opinion for its environmental impact ("VIA") on 28 December 2017, has been concluded. TA is presently waiting for the issuing of the formal decision of closure of the MIT Conference (which is currently being prepared), after which ENAC should issue its formal approval of the Development Plan in question.
- On 9 February 2019, the new Tram Line 2 connecting the Florence airport with the Santa Maria Novella train station has been inaugurated in the Florence airport.
- On 4 March 2019, TA, due to the limited operating space available in the Pisa airport, obtained a positive opinion from ENAC (prot. 886/B2 of 4 March 2018) concerning the request to restrict the number of accesses by providers of ground support services for categories 3 and 5, as per Annex A to Leg. Dec. 18/99[1]. In particular, a maximum of two handlers has been set for commercial aviation, with the Airport Operator carrying out both commercial aviation and general aviation activities, and the limit of two handlers has been set for general aviation.

20. DISCLOSURE PURSUANT TO ART. 149-*DUODECIES* OF CONSOB'S ISSUER REGULATIONS

Annex F to the Consolidated Financial Statement, prepared pursuant to art. 149-*duodecies* of CONSOB Issuers Regulations, shows the fees paid for the auditing of the 2018 financial statement and for other services by TA to the Independent Auditor and any other entity of its network.

21. OUTLOOK

In the first two months of 2019, the Tuscan Airport System recorded a total traffic of about 900,000 passengers, with a 4% increase compared to the same period of 2018.
Based on 2018 trends and on the current planning for the 2019 summer season, we may predict that the Toscana Aeroporti Group will have positive growth trends in 2019 compared to 2018, in spite of the persistent criticality of the Alitalia situation, which still sees the flag carrier under receivership, and the uncertainty of potential "Brexit effect".

22. PROPOSED ALLOCATION OF THE YEAR'S PROFITS

[1] Lost&Found baggage service and runway operations.

Dear Shareholders,

We invite you to approve the Financial Statement for the year 2018 prepared by Toscana Aeroporti S.p.A. based on the valuation criteria described in the Explanatory Notes.

We propose that the **net year's profit of € 13,746,480** be allocated as follows:
- **€ 687,324** to the **legal reserve** based on statutory provisions;
- **€ 13,028,376** to be distributed as **dividend** to Shareholders (**€ 0.70 per share**).
- **€ 30.780** as statutory reserve.

For the Board of Directors
The Chairman
(Marco Carrai)

CONSOLIDATED FINANCIAL STATEMENTS – REPORTS AT 31 DEC. 2018

GRUPPO TOSCANA AEROPORTI - CONSOLIDATED INCOME STATEMENT

Amounts in € K	Notes	2018	of which Related Parties	2017 (*)	of which Related Parties
REVENUES					
Operating income	1-2	112,334	1,513	106,659	1,551
Other revenues and proceeds	3	6,084	139	2,045	137
Revenues from construction services	4	13,515	0	12,091	0
TOTAL REVENUES (A)		**131,933**	1,513	**120,796**	1,551
COSTS					
Operating Costs					
Consumables	5	1,192	0	1,066	0
Cost of Personnel	6	42,907	0	42,175	0
Costs for services	7	30,982	117	27,742	183
Sundry operating expenses	8	2,456	0	2,374	0
Airport leases	9	6,506	0	6,208	0
Total operating costs		**84,044**	**117**	**79,564**	**183**
Costs for construction services	10	12,054	0	11,059	710
TOTAL COSTS (B)		**96,098**	**117**	**90,623**	**893**
GROSS OPERATING MARGIN (A-B)		**35,836**		**30,173**	
Amortization and impairment	11	10,116		9,051	
Provision for risks and repairs	12	2,618		2,933	
Value write-ups (write-downs) net of trade receivables and other receivables	13	347		872	
OPERATING EARNINGS		**22,755**		**17,317**	
ASSET MANAGEMENT					
Financial income	14	46		71	
Financial expenses	15	-1,355		-1,494	
Profit (loss) from equity investments	16	36		35	
TOTAL ASSET MANAGEMENT		**-1,273**		**-1,388**	
PROFIT (LOSS) BEFORE TAX		**21,481**		**15,929**	
Taxes for the period	17	-6,720		-5,251	
PROFIT/(LOSS) FOR THE PERIOD		**14,761**		**10,678**	
Minority Interest's loss (profit) for the period	18	-165		-127	
GROUP'S PROFIT/(LOSS) FOR THE PERIOD		**14,596**		**10,550**	
Earnings per share (€)	19	0.7843		0.5669	
Diluted earnings per share (€)	19	0.7843		0.5669	

(*) Comparative data regarding 2017 have been booked again after the adoption of IFRS 15, for which details we refer the reader to section "New reporting standards, amendments and interpretations applicable from 1 January 2018".

Toscana Aeroporti

GRUPPO TOSCANA AEROPORTI - CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in € K	Notes	2018	2017
PROFIT (LOSS) FOR THE PERIOD (A)		**14,761**	**10,678**
Other comprehensive profits/(losses) that will not be subsequently reclassified to the Income Statement:			
- Profit (loss) arising from the determination of the Employee Benefit Fund, after tax	42	178	28
COMPREHENSIVE PROFIT FOR THE PERIOD (LOSS) (A) + (B)		**14,939**	**10,706**
Minority Interest's comprehensive profit (loss) for the period	39	-181	-130
GROUP'S COMPREHENSIVE PROFIT/(LOSS) FOR THE PERIOD		**14,759**	**10,576**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (amounts in € K)			
ASSETS	Notes	**31-Dec-2018**	**31-Dec-2017**
NON-CURRENT ASSETS			
Intangible assets	20-22	172,956	165,155
Property, plant and equipment	23	26,853	26,650
Equity investments in other entities	24	2,945	123
Investments in Associated Companies	25	596	560
Other financial assets	26-27	3,589	2,499
of which to Related Parties		*216*	*259*
Deferred tax liabilities	28	2,221	2,540
TOTAL NON-CURRENT ASSETS		**209,160**	**197,526**
CURRENT ASSETS			
ACCOUNTS RECEIVABLE			
Other receivables from customers	29	18,861	28,328
of which to Related Parties		*552*	*434*
Receivables from related entities	30	174	263
Tax assets	31	2,355	781
Receivables from others, due within the year	32	9,050	9,085
di cui verso parti correlate		*0.00*	*0*
Total trade and sundry receivables		**30,440**	**38,457**
Cash and cash equivalents	33	14,270	13,360
TOTAL CURRENT ASSETS		**44,710**	**51,817**
TOTAL ASSETS		**253,870**	**249,343**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (amounts in € K)			
SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	**31-Dec-2018**	**31-Dec-2017**
CAPITAL AND RESERVES			
Share Capital	34	30,710	30,710
Capital reserves	35	73,405	72,877
IAS adjustments reserve	36	-3,229	-3,229
Profit/(Loss) carried forward	37	2,754	2,452
Group's profit (loss) for the period	38	14,596	10,550
TOTAL GROUP SHAREHOLDERS' EQUITY		**118,236**	**113,360**
MINORITY INTEREST	39	292	221
TOTAL SHAREHOLDERS' EQUITY		**118,528**	**113,581**
NON-CURRENT LIABILITIES			
Provisions for liabilities and charges	40	4,164	3,997
Provisions for repair and replacement	41	18,939	18,517
Employee benefit fund	42	5,782	6,521
Financial liabilities due over one year	43	28,164	32,327
Other payables due beyond the year	44	202	142
TOTAL NON-CURRENT LIABILITIES		**57,251**	**61,504**
CURRENT LIABILITIES			
Financial liabilities due within one year	43	14,256	9,538
Tax liabilities	45	10,985	10,591
Trade and sundry payables			
Payables to suppliers	46	28,606	28,539
of which to Related Parties		*36*	*0*
Payables to social security institutions	47	2,955	2,671
Other payables due within the year	48	14,201	15,941
of which to Related Parties		*1,571*	*1,468*
Provisions for repair and replacement (current share)	41	6,473	6,692
Advance payments	49	614	284
Total trade and sundry receivables		**52,849**	**54,128**
TOTAL CURRENT LIABILITIES		**78,091**	**74,257**
TOTAL LIABILITIES		**135,342**	**135,761**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**253,870**	**249,343**

Toscana Aeroporti

STATEMENT OF CHANGES IN THE CONSOLIDATED SHAREHOLDERS' EQUITY
(amounts shown in €K)

	SHARE CAPITAL	SHARE PREMIUM RESERVE	LEGAL RESERVE	STATUTORY RESERVES	OTHER RESERVES	IAS ADJUSTMENTS RESERVE	TOTAL RESULT RESERVES	**TOTAL GROUP'S S.E.**	MINORITY INT. S.E.	**TOTAL SHAREHOLDERS' EQUITY**
S.E. AT 31 December 2016	**30,710**	**18,941**	**2,972**	**25,876**	**24,585**	**-3,229**	**12,201**	**112,055**	**190**	**112,245**
NET PROFIT (LOSS) FOR THE PERIOD	-	-	-	-	-	-	10,551	**10,551**	127	**10,678**
OTHER COMPONENTS OF COMPREH. I.S.	-	-	-	-	-	-	24	**24**	4	**28**
TOTAL COMPREHENSIVE PROFIT (LOSS)	-	-	-	-	-	-	***10,575***	**10,575**	***131***	**10,706**
PROFIT ALLOCATION	-	-	504	0	-	-	-504	-	-	-
DIVIDENDS	-	-	-	-	-	-	-9,269	-9,269	- 100	**-9,369**
TOTAL ITEMS DIRECTLY SHOWN IN S.E.	-	-	***504***	***0***	-	-	***-9,773***	***-9,269***	***- 100***	***-9,369***
S.E. AT 31 December 2017	**30,710**	**18,941**	**3,475**	**25,876**	**24,585**	**-3,229**	**13,002**	**113,360**	**221**	**113,581**
NET PROFIT (LOSS) FOR THE PERIOD	-	-	-	-	-	-	14,596	**14,596**	165	**14,761**
OTHER COMPONENTS OF COMPREH. I.S.	-	-	-	-	-	-	162	**162**	16	**178**
TOTAL COMPREHENSIVE PROFIT (LOSS)	-	-	-	-	-	-	***14,759***	**14,759**	***181***	**14,939**
PROFIT ALLOCATION	-	-	528	-	-	-	-528	**0**	-	**0**
DIVIDENDS	-	-	-	-	-	-	-9,883	-9,883	- 110	**-9,993**
TOTAL ITEMS DIRECTLY SHOWN IN S.E.	-	-	***528***	-	-	-	***-10,411***	***-9,883***	***- 110***	***-9,993***
S.E. AT 31 December 2018	**30,710**	**18,941**	**4,003**	**25,876**	**24,585**	**-3,229**	**17,351**	**118,236**	**292**	**118,528**

CONSOLIDATED STATEMENT OF CASH FLOWS (amounts in €K)

Euro K	**2018**	**2017**
OPERATING ACTIVITY		
Net result for the period	**14,761**	**10,678**
Adjusted for:		
- Amortization/depreciation	10,116	9,051
- Other provisions and impairment losses	(668)	406
- Change in the provision for liabilities and charges	166	1,111
- Net change in termination benefit and other provisions	(561)	(358)
- Financial expenses for the period	1,355	1,494
- Net changes in (prepaid)/deferred taxes	319	(393)
- Taxes for the period	6,401	5,643
Cash flows of operating activities before changes in the working capital	*31,891*	*27,633*
- (Increase)/decrease in trade receivables	9,467	(12,841)
- (Increase)/decrease in other receivables	325	(4,252)
- Increase/(decrease) in payables to suppliers	67	2,511
- Increase/(decrease) in other payables	(887)	3,162
Cash flows of operating activities before changes in the working capital	*8,972*	*(11,421)*
Liquid assets generated by operating activities	*40,862*	*16,212*
- Interest payable paid	(513)	(577)
- Taxes paid	(6,116)	(4,369)
Cash flow generated by operating activities	**34,234**	**11,266**
INVESTMENT ACTIVITIES		
- Purchase of tangible assets	(3,676)	(4,532)
- Sale of tangible assets	0	155
- Purchase of intangible assets	(14,445)	(12,901)
- Equity investments and financial assets	(5,723)	181
Cash flow from investing activities	**(23,844)**	**(17,097)**
CASH FLOWFROM OPERATIONS	**10,390**	**(5,831)**
FINANCIAL ASSETS		
- Dividends paid	(9,993)	(9,369)
- Short-/long-term loans taken out	18,500	11,500
- (Repayment of) short-/long-term loans	(17,987)	(10,389)
Net cash flow generated by/(used for) investments	**(9,480)**	**(8,258)**
Net increase/(decrease) in available cash Cash equivalents	**910**	**(14,089)**
Cash and cash equivalents at beginning of period	13,360	27,448
Cash and cash equivalents at end of period	**14,270**	**13,360**

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DEC. 2018

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 December 2018

INTRODUCTION

"Gruppo Toscana Aeroporti" (hereinafter also briefly "the TA Group" or "TA") consists of the Parent Company, Toscana Aeroporti S.p.A. (hereinafter also briefly "Parent Company" or "TA"), a joint-stock company having its registered office at the Register of Companies of Florence, and its subsidiaries, Toscana Aeroporti Engineering s.r.l., Parcheggi Peretola s.r.l., and Jet Fuel Co. s.r.l. The main operations of the Group are described in the Report on Operations.
This Consolidated Financial Statement of the TA Group shows amounts in thousands euro (€K) as this is the currency used by TA and its subsidiaries for most their operations.
In addition, international accounting standards have been consistently applied for all the companies of the Group. The financial statements of the Subsidiaries, used for the consolidation, have been appropriately amended and reclassified, where necessary, for consistency with international accounting standards and classification criteria.
The limited auditing activity conducted on the 2018 Consolidated Financial Statement of the TA Group has been carried out by the auditor "PricewaterhouseCoopers S.p.A."

BASIS FOR CONSOLIDATION

Subsidiaries, identified as those entities under the control of the Parent Company, have been fully consolidated.
For the structure of the TA Group at 31 Dec. 2018, see the specific section of the "Report on Operations" in this document.
Compared to 31 December 2017, Toscana Aeroporti Handling S.r.l. (100% owned by TA) was added to the Group structure and started operating on July 1st, 2018.

STRUCTURE AND CONTENT OF STATEMENTS AND REPORTS

The 2018 Consolidated Financial Statement of the TA Group has been prepared in compliance with the International Accounting Standards (IAS/IFRS) in force to date, issued by the International Accounting Standards Board and approved by the European Union, as well as in compliance with the measures issued to implement art. 9 of Leg. Dec. no. 38/2005 (CONSOB Resolution no. 15519 of 27 July 2006 concerning "Provisions on financial statements", CONSOB Resolution no. 15520 of 27 July 2006 concerning "Amendments and additions to the Issuers' Regulation adopted with Resolution no. 11971/99", CONSOB Notice no. 6064293 of 28 July 2006 concerning "Company disclosures required by to art. 114, paragraph 5, of Leg. Dec. no. 58/98"). Furthermore, we considered the International Financial Reporting Interpretations Committee ("IFRIC"), formerly Standing Interpretations Committee ("SIC").

FORMAT OF FINANCIAL STATEMENTS

As regards the format of financial statements, the Company decided to present the following types of consolidated statements: Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Changes in the Consolidated Shareholders' Equity, Statement of Cash Flows and Explanatory Notes. In their turn, Assets and Liabilities have been shown in the Balance Sheet based on their classifications as current and non-current.

Income Statement

The Income Statement is presented with classifications by nature, as this is considered to be the most significant classification method for the best disclosure of the earnings of the Company.

Furthermore, the Income Statement, pursuant to Consob's Resolution no. 15519 of 27 July 2006, breaks down all the relevant cost and revenue items referred to the relationships with related parties.

Statement of Comprehensive Income

In order to present additional information on its earnings, the Company chose to prepare two separated statements: the "Income Statement", which includes the operating result for the period, and the "Statement of Comprehensive Income", which includes both the operating result for the period and changes in the Shareholders' Equity relating to revenue and expense accounts, which, as specified in international accounting standards, are recognised among the components of the Shareholders' Equity. The Statement of Comprehensive Income is presented with details of Other Comprehensive Profits and Losses to distinguish between profits and losses that will be reclassified in the income statement in the future, and profits and losses that will never be reclassified in the income statement.

Statement of Cash Flows

The Statement of Cash Flows is presented subdivided into cash flow formation areas. It has been adopted by the TA Group and prepared by using the indirect method. Cash and cash equivalents included in the cash flow statement include the balance values of said items at the reference date. Income and expenses concerning interests, dividends received and income taxes are included in the financial flows generated by operations.

Pursuant to Consob Resolution no. 15519 of 27 July 2006, we specify that the cash flow statement does not show the financial flows regarding relationships with related parties, because they are not considered significant.

Statement of Changes in the Consolidated Shareholders' Equity

The statement of Changes in the Consolidated Shareholders' Equity is presented as required by international accounting standards, with separated items for the year's profit and each revenue, income, charge and expense not passed in the income statement or in the statement of comprehensive income, but directly recognised in the Shareholders' Equity based on specific IAS/IFRS accounting standards.

Basis for consolidation

The main consolidation criteria used in preparing the financial statement for the year in compliance with IFRS at 31 Dec. 2018 are the following:

a) the book value of the stakes of subsidiaries was eliminated against the related Shareholders' equity, with the recognition of their assets and liabilities on a line-by-line basis. There is control when the Group is exposed to or has the right to receive variable yields from its involvement in the business and has the capacity to influence said variable yields with its power on the subsidiary. The acquisition of a subsidiary is booked with the acquisition method. The cost of the acquisition is determined by the sum of current entries at the date when control has been obtained on the assets given, on the liabilities incurred or undertaken, and on the financial instruments issued by the Group in exchange for the control of the acquiree.

b) The assets, liabilities and potential liabilities acquired and identifiable are recognized at their fair value at the acquisition date. The positive difference between the purchase cost and the share of the Group in the fair value of said assets and liabilities is classified as goodwill and booked as intangible asset in the balance sheet.

c) Should a negative difference arise, IFRS 3 does not contemplate the recognition of a negative goodwill; so the excess of the interests of the purchaser in the fair value of the assets, liabilities and identifiable potential liabilities of the purchased entity compared to the cost of the acquisition is recognised to the Income Statement after redetermining the fair value of the assets, liabilities and identifiable potential liabilities of the acquiree.

d) Once control has been acquired on the acquiree, any acquisition of further shares is accounted for by recognising the difference between the price paid and the value of the corresponding share of booked Shareholders' equity of the acquiree directly to reduce the consolidated Shareholders' equity. Similarly, in the event of a transfer of stakes that does not involve a loss of control, the capital gain or loss is recognised directly in an item of the Shareholders' Equity and subsequently transferred to the Income Statement only at the time of the transfer of the control of the acquiree.

e) The economic results of the subsidiaries acquired or transferred during the financial year under review are included in the Consolidated Income Statement since the effective acquisition date until the effective transfer date.

f) Investments in associated companies are valued with the equity method: if the TA share of the losses of the associated company exceeds the book value of the investment in the balance sheet, then the value of the investment is zeroed and the portion of the further loss is recognised to the extent that TA is responsible for it.

g) Significant transactions between consolidated entities are eliminated, together with the credit and debit entries, costs and revenues, and profits not yet realized deriving from transactions between companies of the Group, after deducting any tax.

h) Minority interest in the net assets of the consolidated subsidiaries is identified separately from the Group's Shareholders' Equity. That interest is determined based on the percentage held by them in the fair value of the assets and liabilities recognised at the original acquisition date and in the Shareholders' Equity variations after that date. Subsequently, the loss attributable to Minority Shareholders exceeding their portion of Shareholders' equity are attributed to the Group's Shareholders' Equity, except for the cases where minority interests have a binding obligation and can make further investments to cover losses. For the acquisitions completed before the date of first application of the IFRS, as permitted by IFRS 1, the consolidation is done according to the previously applicable standards.

ACCOUNTING STANDARDS AND VALUATION CRITERIA

The accounting standards and valuation criteria adopted for the preparation of the financial statement for the business year closed on 31 Dec. 2018 are described below.
The financial statement has been prepared on a historical-cost basis, modified as required for the valuation of certain financial instruments. The Directors assessed whether it was appropriate to prepare the financial statement on a going-concern basis and concluded that the requirement for so doing is met, as there is no doubt concerning the Company's capacity to continue operations.

Intangible assets

Concession rights (royalties) represent the Concessionaire's right to use the asset (the "Intangible Asset Method") under concession, in consideration of the costs incurred for the design and construction of the same asset, with the obligation to return it at the end of the concession. Concession rights (royalties) are booked at the fair value (estimated on the basis of the cost incurred, inclusive of financial expenses, in addition to the capitalization of internal costs for the general coordination activity required for the works carried out by TA) of the intangible assets consisting in the construction and expansion of assets included within the framework of IFRIC 12.

If the fair value of services received (in this case, the right to use the infrastructure) cannot be reliably determined, revenues are determined based on the fair value of the services delivered (fair value of construction services completed).

Assets consisting in construction services in progress at year-end are valued on the basis of the progress of works and posted under the item "Revenue from construction services" of the Income Statement.

Repair or replacement activities are not capitalized and converge in the estimate of the provision described below.

Concession rights are amortized over the entire duration of each individual concession - a method that reflects the assumption that the future economic benefits of the asset will be used by the Concessionaire. Considering that the Pisa airport is a military airport that has been opened to civil traffic, the item "Assets under concession" also includes the investments made by the Parent Company for the flight infrastructure belonging to the *Aeronautica Militare* (Ministry of Defense), as specified in the planning agreements signed with ENAC.

The provision for impairment and the provision for repair or replacement expenses, globally considered, ensure an adequate coverage of the following charges:

- free assignment to the State upon expiration of the concession of revertible assets with a useful life exceeding the term of the concession;
- repair and replacement of the components subject to wear and tear of the assets under concession;
- recovery of the investment, even in connection with the new works contemplated in financial plans.

Should events take place that support the assumption of an impairment of the value of said Intangible assets, the difference between the book value and the related "recoverable value" is recognised in the Income Statement.

An intangible asset purchased or produced internally is booked among Assets, as required by IAS 38, only if it can be identified and controlled, and if it is possible to predict the generation of future economic benefits and if its cost can be determined reliably.

Intangible assets with finite lives are valued at purchase or production cost, after deducting accumulated amortization and impairment. Amortization is determined by making reference to the period of its estimated useful life and starts when the asset is available for use.

The amortization criteria adopted for the various intangible asset items are the following:

- Industrial patent and intellectual property rights: 2 years;
- multi-year charges: 5 years or referring to the different useful life, if lower;
- Concession rights (royalties): based on the remaining years of the concession (expiry 2046 for the Pisa airport, expiry 2043 for the Florence airport).

The Company elected to maintain the historical purchase cost, as an alternative to fair value, as valuation criterion for tangible assets after their initial recording.

Construction in Progress is valued at cost based on the progress reports defined by the contract with the supplier and are amortized starting from the business year when they start being used.

If, regardless of the amortization already accounted for, there is an impairment, the asset is written down accordingly; if, in subsequent years, the assumption of the impairment ceases to exist, the original value is restored, adjusted with the sole amortization.
Development costs can be capitalized provided that the cost is reliable, can be determined and the asset can be shown to be capable of producing future economic benefits.
Research costs are booked to the Income Statement in the period when they are incurred.
No intangible assets with an indefinite useful life have been booked in the balance sheet.

Property, Plant and Equipment
Property, plant and equipment are booked at their purchase cost (more specifically, according to this principle, the value of land is separated from the value of the buildings built on said land and only the building is depreciated) and the cost includes incidental, direct and indirect costs for the portion reasonably attributable to the asset. For an asset that justifies capitalization, the cost also includes the financial expenses that are directly attributable to the acquisition, construction or production of asset itself.
If the individual components of a complex tangible asset have different useful lives, they are booked separately to be depreciated consistently with their relative duration ("Component Approach").
The costs incurred after the purchase are capitalized only if they increase the future economic benefits implied in the asset to which they refer. All the other costs are booked in the Income Statement when they are incurred. Tangible assets in progress are valued at cost and depreciated starting from the year when they start being used.
Fixed assets are systematically depreciated in each business year on a straight-line basis based on economic-technical rates determined in connection with the residual possibilities of use of the assets.
The rates applied are specified below:

- Land:	not depreciated
- Property:	4% (25 years)
- Plant and machinery:	10% (10 years)
- Industrial and commercial equipment:	10% (10 years)
- Electronic machines:	20% (5 years)
- Office furniture and equipment:	12% (9 years)
- Vehicles:	25% (4 years)
- Cars:	20% (5 years)

Investments in revertible assets made before 1997 have been depreciated based on the lower term between the duration of the concession and the useful life of each individual asset.
Ordinary maintenance costs are fully debited to the Income Statement. Incremental maintenance costs are attributed to the assets to which they refer and depreciated in connection with their residual possibility of use.
Profits and losses deriving from the sale or divestment of assets are determined as the difference between the sales revenue and the net book value of the asset and are booked in the Income Statement of the year.

Impairment
At each year-end date, the TA Group reviews the carrying value of its tangible and intangible assets to detect any impairment. Whenever any such indication exists, the recoverable amount of said assets is estimated to determine the amount of the write-down ("impairment test"). When it is impossible to estimate the recoverable value of each individual asset, the TA Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the greater between the net selling price and the value in use. In determining the value in use, the estimated future cash flows are discounted at their current value by using a pre-tax rate that reflects the market's current valuation of the current value of money and the specific risks of the asset.
If the recoverable amount of an asset (or cash-generating unit) is estimated to be lower than the relative book value, the book value of the asset is reduced to the lowest recoverable value. An impairment is immediately recognised in the Income Statement.
When the circumstances requiring a write-down no longer exist, the carrying amount of the asset (or cash-generating unit) is adjusted upward to its new estimated recoverable amount which, however, does not exceed what the net carrying amount would have been, had the impairment not been recognized. The reversal is recognized immediately in the income statement.

Leased assets

Assets owned under finance leases, through which all the risks and benefits associated with ownership are substantially transferred onto the Group, are recognized as owned assets at their current value or, if lower, at the actual value of the minimum payments due for the leasing. The corresponding liability for the lessor is booked in the financial statement as financial debt. Assets are depreciated by applying the criterion and the rates used for owned assets.
The leases where the lessor substantially maintains all the risks and benefits associated with the ownership of the assets are classified as operating leases. Costs referred to operating leases are recognised line-by-line in the Income Statement along the term of the lease agreement.

Non-current assets held for sale

Non-current assets (and disposal groups) classified as "held-for-sale" are valued at the lower of their previous carrying amount and fair value less costs to sell.
Non-current assets (and disposal groups) are classified as "held-for-sale" when their book value is expected to be recovered by means of a sale transaction rather than being used in the operating activity of the company. This condition is met only when the sale is highly probable, the asset (or group of assets) is immediately available for sale in its current conditions, the Management has already committed to sell it/them, and the sale is planned within twelve months from the classification date of this item.

Financial assets (including equity investments in other entities)

IFRS 9 set forth a single approach for the analysis and classification of all financial assets, including those containing incorporated derivatives. The classification and the related valuation have been made considering both the management approach used for the financial asset and the specific contractual features of the cash flows that can be obtained from the asset. As a function of the characteristics of the instrument and the business model adopted for its management, the following three categories are distinguished:
(i) financial assets valued at amortized cost; (ii) financial assets valued at fair value with allocation of the effects among the other components of comprehensive income (hereinafter also "OCI", Other Comprehensive Income); (iii) financial assets valued at fair value with allocation of the effects to the Income Statement.
Financial assets are valued using the amortized cost method if both the following conditions are met:
- the management model adopted for the financial asset consists in holding the asset with the sole purpose of collecting the related financial flows; and
- the financial asset generates, at contractually predetermined dates, financial flows that only represent the yield of the same financial asset.

According to the amortized cost method, the initial carrying value is subsequently adjusted to take into account capital repayments, any impairment, and the amortization of the difference between the repayment value and the initial carrying value.
The amortization is made based on the actual internal interest rate, which is the rate that, upon initial recognition, makes the actual value of expected cash flows and the initial carrying value equivalent.
Receivables and the other financial assets valued at amortized cost are presented in the Balance Sheet net of the related reserve for bad debt.
Financial assets that consist of debt securities, where the business model allows both options to collect contractual cash flows or to realize capital gains on transfers (the so-called "hold to collect and sell" business model), are valued at fair value with recognition of effects to OCI (assets valued at FVTOCI).
In this case, the difference in the fair value of the instrument has been recognised in the Shareholders' equity, among the other components of comprehensive income. The aggregate amount of fair value changes, recognised in the Shareholders' equity reserve, which includes the other components of comprehensive income, has been reversed into the Income Statement upon eliminating the instrument from the accounts. Interest receivable calculated by using the actual interest rate, exchange rate differences, and impairment are recognised in the Income Statement.
A financial asset that is a debt security that is not valued at amortized cost or FVTOCI is valued at fair value with recognition of effects in the Income Statement (assets valued at FVTPL).

Investments in associated companies
Associated companies or associates are those entities on which the Group exercises a considerable influence, but which the Group does not control as to their financial and operating policies.
The equity investment in an Associate is initially recognised at cost and the carrying value is increased or decreased to reflect the Group's share of its profits or losses realised by the investee after acquisition. The Group's share of profit (loss) for the financial year under review realized by the investee is recognised in the Consolidated Income Statement. Any dividends received by an investee will reduce the book value of the investment. The adjustments made to the book value of the investment may also be the result of changes in the other components of the investee's Statement of Comprehensive Income. The share of said changes, which refer to the Group, is recognised among the other components of the Statement of Comprehensive Income. If the share of the Group's
losses in an Associate is equal or greater than the Group's interest in that Associate, the Group will suspend the recognition of its share of further losses. After deleting the investment, any further loss is set aside and recognised as a liability only to the extent that the Group has committed to fulfil legal or implicit obligations or has made payments on behalf of the Associate. If the Associate realises profits later, the Group will resume the recognition of its share of profits only when the Associate has reached its share of non-recognised loss.
Directors believe that the Group has a remarkable influence on Alatoscana S.p.A. (the Elba Island's airport), even due to a share that has become smaller than 20% only since the end of 2013. More specifically, that influence is due to the composition of the shareholding of the company and to the possibility of influencing its financial and operating policies.

Trade and sundry receivables
Trade receivables and the other receivables are initially recognised at fair value and subsequently valued by using the amortized cost method, less the provision for bad debt.

IFRS 9 defines a new impairment model for said assets with the purpose of providing useful information to the users of the financial statement concerning the related expected losses. According to the aforesaid methodology, the Group values receivables by adopting an expected loss approach rather than framework IAS 39, which is typically based on the valuation of incurred loss. For trade receivables, the Group has adopted a simplified valuation approach that does not require periodic credit risk differences to be recognised, but rather the accounting of an expected credit loss ("ECL") calculated on the entire life of the receivable ("lifetime ECL"). More specifically, the policy implemented by the Group consists in stratifying trade receivables into categories based on overdue days and in defining the allocation based on the historical experience of losses on receivables, adjusted to take into account specific forecasting factors referred to creditors and to the economic scenario.
Trade receivables are fully depreciated of there is no reasonable expectation of collection or if the counterparties are no longer in business.
The carrying value of assets is reduced by using a reserve for bad debt and the loss amount is recognised in the Income Statement.
When the collection of money is deferred beyond the normal commercial terms agreed with customers, receivables are discounted back.

Derivative instruments and hedge accounting

No such items are recorded in this financial statement.

Cash and cash equivalents

The "Cash and cash equivalents" item includes cash, bank current accounts and deposits repayable on demand (postal current accounts held with post offices) that, due to their nature, are not subject to significant changes in value. It does not include repayable bank overdraft.

Financial liabilities

Financial liabilities include financial debt, which consists of advance payments to be made on the transfer of receivables, as well as other financial liabilities like financial derivatives and liabilities for assets booked among financial leases.
According to IFRS 9, they also include trade and sundry payables.
Financial liabilities are carried at fair value, net of ancillary charges incurred for the transaction. After
said initial recognition, loans are recognized according to the amortized cost criterion by using the actual interest method. With the introduction of IFRS 9, in case of renegotiation of a financial liability not qualified as "discharge of original debt", the difference between i) the book value of liabilities before the change, and ii) the actual cash flows of the changed debt, discounted at the original rate (IRR), is recognised in the Income Statement.

Provisions for liabilities and charges

The TA Group recognizes provisions for liabilities and charges when it has a legal or implicit obligation to third parties and the use of corporate resources is likely to be used to fulfil that obligation, and when the amount of that obligation can be reliably estimated.
Changes in these estimates are reflected in the income statement of the period when the change occurred.
If the effect is significant, provisions are determined by discounting back future estimated financial flows at a discount rate that also includes taxes, so as to reflect current market valuations of the current value of money and specific risks connected with liabilities.

Provisions for repair and replacement

As described above, in accordance with the requirements introduced by IFRIC 12, the concessionaire is not entitled to recognize the infrastructure as property, plant and equipment and the accounting of the work done on the infrastructure differs depending on its nature. More specifically, they are distinguished into two categories:

- work that can be classified as normal maintenance of the infrastructure; and
- replacement and maintenance of the infrastructure scheduled in a future date.

The former refers to the ordinary maintenance of the infrastructure, which is recognized in the income statement when incurred.

The latter, considering that IFRIC 12 does not require the recognition of the physical infrastructure asset, but of a right, should be recognized in accordance with IAS 37 - Provisions, Contingent Liabilities and Assets, which requires:

- on the one hand, recognition to the income statement of a provision consisting of an operating component (which includes any effects deriving from changes in the discount rate) and a financial component;
- on the other hand, the recognition of a provision for charges in the balance sheet.

In accordance with the obligations established by individual concession agreements, the "Provision for repair or replacement" includes the greater estimated present value of the expenses accrued at year-end for maintenance scheduled in future years and aimed at ensuring the required functionality, operation and safety of all the assets under concession based on the information available at the balance sheet date.

Provisions for employee retirement and benefits

Liabilities consisting in benefits due to employees during and after their employment under defined-benefit plans are determined separately for each plan based on actuarial assumptions by estimating the amount of the future benefits employees have matured at the reference date (i.e. "Projected Unit Credit Method"). The liabilities booked net of any assets for plan benefits are recognised on an accrual basis throughout the period of accrual of the right. Liabilities are valued by independent actuaries.

The components of the cost of defined benefits are recognised as follows:

- costs for the performance of the service are recognised in the income statement among personnel costs;
- net financial expenses on defined benefits liabilities or assets are recognised in the income statement as financial income/(expenses) and determined by multiplying the value of the net liability/(asset) for the rate used to discount obligations, keeping into account the contributions and benefits paid during the period;
- the items reflecting the re-measurement of the net liability, which include actuarial profits and losses, the yield of assets (not including interest receivable, which is recognised in the income statement), and any change in the limit of the assets are recognised immediately in the other comprehensive profits (losses). Said components must not be reclassified in the income statement in subsequent periods.

Tax assets and liabilities

Deferred taxes are determined on the basis of the temporary taxable differences existing between the value of assets and liabilities and their fiscal value, and are classified among non-current assets. Deferred tax assets are recognised only to the extent that adequate future taxable bases, against which to use that credit balance, are likely to exist. The value of deferred taxes to be recognised in the financial statement is audited on an annual basis. Deferred tax liabilities are determined based on the taxable rates expected to be used during the business year in which said deferments are expected, considering the applicable or future known applicability tax rates.

Current and deferred tax assets and liabilities are offset when the income taxes are applied by the same tax authority and there is a legal right to offset them. Deferred tax assets and liabilities are calculated using the tax rates that are expected to be applied in the country in which the Company operates, in the financial years in which the temporary differences will be realized or paid off.

Recognition of revenues

Based on the five-step model introduced by IFRS 15, the Group recognises revenues after identifying contracts with its customers and the related obligations to be performed (goods to be sold and/or services to be delivered), determining the amount of consideration an entity expects to be entitled to in exchange for each good sold or service delivered (allocation of price to performance obligations), and assessing how said performance obligations should be satisfied (at a point in time versus over time).

In detail, the Group recognises revenues only when the following requirements (identification of the contract with the customer) have been met:

A) the parties to the contract have approved the contract (in writing, verbally or with respect to other customary commercial practices) and have agreed to perform the respective obligations; therefore, there is an agreement between the parties that creates enforceable rights and obligations regardless of the form of said agreement;

b) the Group may identify the rights of each party in connection with the goods or services to be transferred;

c) the Group may identify the payment conditions for the goods or services to be transferred;

d) the contract has a commercial substance; and

e) the Group is likely to receive the consideration to which it is entitled to in exchange for the goods or services that will be transferred to the customer.

if the requirements described above are not met, the related revenues are recognised when: (i) the Group has already transferred the control of the goods and/or delivered the services to the customer and the entire, or almost the entire, consideration promised by the customer has been received and is non-refundable; or (ii) the contract has been terminated and the consideration the Group has received from the customer is non-refundable.

If the requirements described above are met, the Group shall apply the recognition rules described below.

Aviation revenues

The Group fulfils its obligations to perform in connection with airport fees by making available to the carriers the airport infrastructure required for the landing, take-off, lighting, and parking of aircraft, boarding and disembarkation of passengers and cargo, as well as for the use of centralized infrastructure. Furthermore, as regards handling activities, the Group fulfils its obligations to perform by delivering ground support services for passengers and aircraft.

The revenues deriving from the performance of the services described above are recognised when the services are performed, according to the progress of works.

Non-Aviation revenues

- Revenues from commercial and non-commercial sub-concessions/leases consist in the consideration paid for the availability of spaces, retail and operating areas within and outside the airport plot. This category includes sub-concessions/leases with commercial pricing (retail, car park sub-concessions, and so on) and with regulated pricing (consideration for the use of goods for exclusive use, i.e. consideration for the use of the airport infrastructure dedicated to individual carriers or operators, such as check-in counters, offices, operating rooms, etc.). Revenues deriving from this category are recognised on a straight-line basis throughout the contract and/or based on the accrual period, according to contractual provisions, as specified in IAS 17.

- Revenues from parking lots consist of the fees paid for the availability of car slots inside and outside the airport plot of land, based on public rates that are applied to all the sales made. The Group fulfils its obligations to perform in connection with this service by making car slots available for its customers. The revenues deriving from the performance of the services in question are recognised when the services are performed, according to the progress of works.

Revenues from construction services
Revenues for construction services refer to the value of the construction services delivered by the Group in favour of the Grantor for the investments made in connection with concession rights and are recognised at their fair value. The fair value of the consideration for construction and expansion services regarding the assets under concession performed by the Group is determined on the basis of the fair value of the price of the construction and expansion services performed by third parties, internal and external design costs incurred for the planning and coordination activity carried out by a special internal entity.

Other revenues
Revenues from transfer of assets are recognised when the control of the asset involved in the transaction is transferred to the buyer, i.e. when the customer acquires the full capacity to control the use of the asset, as well as to substantially draw all benefits.
The revenues deriving from the performance of the services rendered by the Group (administrative, consulting services, and so on) are recognised when the services are performed, according to the progress of works.

Revenues are recognised after deducting any discount, including, but not limited to, sales incentive plans and bonuses for customers, network development costs, as well as taxes directly associated with the sale of goods or with the performance of services.

Contributions
Contributions for “systems & equipment” are booked when the right to collect them has become certain and charged to the income statement based on the useful life of the asset against which they are disbursed.
Contributions for the year are booked when the right to collect them has become certain and charged to the income statement in connection with the costs against which they are disbursed.

Costs
Costs are recognized in the income statement when they are actually incurred, if their amount can be objectively determined, and when it is possible to verify that the company has incurred such costs on an accrual basis.

Financial expenses
Financial expenses are recorded on an accrual basis and include interests payable on financial debts determined by using the effective interest rate method and exchange rate differences payable. Financial expenses also include the financial component of the annual contribution to the provision for repairs.

Financial expenses incurred for investments in assets for which a given period of time normally elapses to make the asset ready for use are capitalized and amortized along the useful life of the related class of assets.

Financial income

Financial income is recognised on an accrual basis. They include interest receivable on invested funds, exchange rate differences receivable, and income from financial instruments, when not offset by hedging operations. Interest receivable is allocated to the Income Statement at the time of its accrual, considering the actual return.

Dividends

Dividends from minority stakes recognised in the year's income statement are booked on an accrual basis, i.e. when the related right to receive them has arisen after the passing of a related resolution by the Associate.

Income taxes

Taxes are the sum of current and deferred taxes.
Taxes are booked based on the estimate of the taxable income determined in compliance with the applicable national legislation at the accounts closing date, keeping into account any applicable exemption and tax credit. Income taxes are recognised in the income statement, except for those regarding items directly debited or credited to the shareholders' equity, in which cases taxation is directly recognised in the Shareholders' Equity.
We remind readers that the Parent Company adopted the Tax Consolidation option provided for by Articles 117 to 129 of the Consolidated Text on Income Taxation ("Testo Unico delle Imposte sui Redditi" - T.U.I.R), where the Consolidating Entity is Corporación America Italia S.p.A. The consolidating entity calculates a single global income equalling the algebraic sum of the taxable bases (income or loss) realized by the individual entities that adopted this group taxation option.
The consolidating entity recognised an account receivable from the consolidated entity that equals the IRES tax to be paid on the positive taxable base transferred by the latter. Instead, the consolidating entity recorded an account payable to the companies that contribute tax losses equalling the IRES tax to be paid on the loss actually used in the determination of the global comprehensive income.

Foreign currency translation criteria

Receivables, payables and any short-term provisions denominated in foreign currency are initially recognized by using the exchange rates ruling at the date of their inception and, if existing at December 31st, they are appropriately stated in the financial statement at the exchange rate ruling at the end of the period by posting the exchange gains/losses to the income statement.
Exchange rate differences are of a financial nature, so they are classified in the income statement as finance income because they are not strictly linked to the sale transaction, but express the fluctuation over time of the currency chosen for the transaction, when the transaction has been concluded.

Use of estimates

We are now going to summarize the critical valuation processes and key assumptions used by the Group in the application of IFRS, which may significantly affect the values recorded in the financial statement or for which there is a risk that significant differences may emerge compared to the book values of future assets and liabilities.

As already indicated in the Report on Operations, in this context we point out that the situation caused by the global economic and financial crisis required the expression of rather uncertain assumptions concerning future trends. Consequently, we cannot exclude that the results actually achieved next year will differ from estimated amounts and could therefore require adjustments to book items that might even be rather significant and that cannot clearly be predicted or estimated at present.

Recoverable value of non-current assets
Non-current assets include Property, Plant and Equipment, Other Intangible Assets, Equity Investments, and Other Financial Assets. The Group periodically reviews the book value of its held and used non-current assets and of the assets to be dismissed when events and circumstances so require. When the book value of a non-current asset has been impaired, the Group recognises an impairment corresponding to the excess between the book value of the asset and its value that can be recovered through its use or sale, determined by making reference to the cash flows of the most recent corporate plans.

Provisions for repair and replacement
For the assets held under concession, a special provision has been allocated for the maintenance and any refurbishment/repair work that will be required for said assets over time. Said provision has been booked in the Assets, as they must be returned to the State in perfect operating conditions at the end of the concession term.
The Provision for Repair is annually reviewed based on a technical assessment and estimate of the future expenses that will be incurred for the scheduled maintenance required to keep the assets in good conditions before returning them for free at the end of the concession term and used during the period for the actual maintenance required. Estimates are prepared with the support of external technical consultants.

Current taxes
The determination of tax liabilities requires the Management to value amounts referred to transactions that have uncertain tax implications at year-end. The Group recognizes the liabilities that could derive from future inspections by the tax authority based on the estimate of due taxes. Any result of a tax assessment that differs from the Management's estimates may significant affect current and deferred taxes.

Pension schemes and other post-employment benefits
Employee termination benefits or indemnities and net financial expenses are valued by using an actuarial method that requires the use of estimates and assumptions for the determination of the net value of the obligation. The actuarial method considers financial parameters such as, for example, the discount rate and salary growth rates, and considers the probability of occurrence of potential future events through the use of demographic parameters like mortality rates or employee resignation or retirement rates. The assumptions used for valuation are detailed in the section “Termination Benefits and other personnel provisions”.

Provision for bad debt
The provision for bad debt reflects the Management's estimate of the expected losses connected with the customer portfolio. The Group implements the simplified approach required by IFRS 9 and recognises expected loss on all trade receivables based on their residual duration and defines the allocation based on the historical experience of losses on receivables, adjusted to take into account specific forecasting factors referred to creditors and to the economic scenario (Expected Credit Loss, ECL).

Potential liabilities
The Group recognises liabilities for pending litigation and legal actions when it deems it likely to face a financial disbursement and when the amount of the deriving loss can be reasonably estimated. If a financial disbursement becomes possible but its amount cannot be determined, this fact is disclosed in the Notes. The Group is a party in legal actions and tax assessments concerning complex and difficult legal issues that are characterized by a different degree of uncertainty, including facts and circumstances regarding each case, jurisdiction and different applicable law. Considering the uncertainty of these issues, it is difficult to predict the disbursement that will derive from said disputes, so the value of provisions for litigation and legal actions may vary after future developments in ongoing proceedings. The Group monitors the status of ongoing legal actions and is supported by legal counsels and tax advisors.

New accounting standards, amendments and interpretations in force since 1 January 2018

IFRS 15 "Revenues from Contracts with Customers"
IFRS 15 "Revenues from Contracts with Customers"
IFRS 15 sets rules for the recognition of revenues by introducing an approach based on the recognition of income only when contractual obligations have been completely met. The standard defines the following five steps for the recognition of revenues:
- identification of the contract;
- identification of each individual obligation;
- determination of the transaction price;
- allocation of the transaction price to the individual obligations, based on their market prices ("stand-alone selling price");
- recognition of revenues allocated to the individual obligation when this is settled, that is to say when the client obtains control over the assets or services.

The Group carried out an in-depth investigation on the different types of contract existing and of their possible impact on the accounts. This analysis concerned the different revenue streams identified, namely:
- Aviation revenues - which include regulated fees related to operations and airport infrastructures (terminals, flight infrastructures, aircraft parking aprons, etc.), centralized and security services fees, and revenues from handling services (deregulated according to Leg. Dec. 18/99);
- Non-Aviation revenues, which mainly include fees for the use of spaces and commercial and operating areas, both inside and outside the airport plot of land, and fees from parking lots;
- Revenues from construction services - which concern the development activities carried out by the Group in favour of the Grantor within the framework of the investments regarding concession rights;
- Other revenues - including income from items other than the previous.

Based on this analysis, the Group concluded that, as regards aviation revenues, revenues from parking lots, from construction services and other revenues, the new standard had no significant impact on the year's operating result, on profits per share, and on the Shareholders' equity.
As to the impact on Network Development Expenses deriving from marketing support agreements, we point out that, in compliance with accounting standard IFRS 15 (specifically referring to the case of fees to be paid to customers, as regulated by the new standard), as well as in the light of the renewal of the aforesaid agreements with important

carriers finalised in the first few months of 2019, said expenses have been reclassified as a reduction of revenues.
The agreements regarding the use of commercial spaces and retail areas (part of non-aviation revenues) are excluded from the application of IFRS 15 because they fall under IAS 17 "Leasing", so they are to be considered based on the new IFRS 16, as explained below.
The Group adopted the new standard retrospectively by re-posting comparative data at 31 December 2017. A summary of the effects of the adoption of the new standard on comparative data is given below. They derive exclusively from the reclassification of Network Development Expenses in reduction of revenues.

item	2017 - IAS 18	Reclassification	2017 - IFRS 15
Revenues	136,151	-15,355	120,796
Costs for services	-43,097	15,355	-27,742

IFRS 9 "Financial Instruments"
The new provisions of IFRS 9: (i) change the model for the classification and valuation of financial assets; (ii) introduce a new method for the impairment of financial assets, which keeps into account expected credit losses; (iii) change hedge accounting provisions, and (iv) define new criteria for the recognition of operations performed to amend financial liabilities. IFRS 9 provisions are to come into force starting from the periods beginning on or after January 1st, 2018.
The Group adopted IFRS 9 and all its amendments without detecting any effect due to the introduction of the new standard.
Referring to the classification and assessment of financial assets, we point out that the Group has adopted a business model essentially based on the possession of financial assets for the purpose of collecting contractual financial flows; considering that the contractual terms of existing financial assets contemplate financial flows at pre-determined dates, exclusively representing capital payments and interests on the principal amount to be repaid, the financial assets held by the Group are valued at amortized cost.
As to the introduction of the new model for the impairment of financial assets, since 1 January 2018 the Group reviewed its method for the determination of the bad debt provision by taking into account expected losses, as required by the new standard, and detected no significant impact on the year's profit or on equity after adopting IFRS 9.
In detail, the Group has valued the provision for losses for an amount equal to the losses expected throughout the life of the receivable.
For trade receivables, the Group has adopted the simplified approach permitted by the new standard, according to which the provision for losses is valued for an amount equal to the losses expected throughout the life of the credit. See, in this regard, valuation criteria in "Trade and sundry receivables".
Furthermore, IFRS 9 amended IAS 1 (Section 82 ba) by requiring the separate statement of losses as impairment (including the recoveries of losses for impairment or profits for impairment), and the Income Statement form has been adjusted accordingly.
Finally, the new provisions regarding hedge accounting and the booking of transactions performed to modify financial liabilities had no effects because these issues are not relevant to the Group.

Amendment to IFRS 2 "Share-based payments"
These amendments clarify how to account for some payments based on shares.

Amendment to IAS 40 "Investment property"
These amendments clarify that the change of use is a precondition for the transfer of investment property.

Annual amendments to IFRS 2014-2016
The most important amendment regards IAS 28 "Investments in Associates and Joint Ventures".
The aforesaid amendments clarify, correct or remove the redundant text in the related IFRSs and had no significant impact on the financial statement or on our disclosures.

Interpretation IFRIC 22
This amendment deals with the exchange rate to be used in transactions and advance considerations paid or received in foreign currency.

Accounting standards, amendments and interpretations not yet adopted

During January 2016, the IASB published IFRS 16 "Leasing". This new standard will replace the current IAS 17. The main change concerns lease accounting practices: while IAS 17 required leaseholders to distinguish between finance leases (booked by using the financial method) and operating leases (booked by using the equity method) according to IAS 17, with IFRS 16, the accounting treatment of operating leases will be the same as that required for finance leases. According to the new standard, the requirement is to recognise a financial asset (the right to use the leased item) and a financial liability to pay the rents. The IASB established the option of exemption for certain lease agreements and low-value / short-term leases.
This standard will apply from 1 January 2019. The early joint adoption of IFRS 15 "Revenues from contracts with customers" was permitted.
The Group thoroughly analysed all its leasing agreements existing at 31 December 2018 in the light of the new accounting standards for leases set out in IFRS 16. The standard will mainly affect the accounting of operating leases, which involve the Group as leaseholder.
At year-end, the Company had non-cancellable operating leases for € 6.2 M, as indicated in the subsequent note "Commitments and Guarantees". Of these commitments, approx. € 0.1 M refer to short-term lease contracts and € 0.1 M to leases of moderate value which will both be recognised on a straight-line basis as costs for the use of leased assets.
For the remaining lease commitments, the Group is planning to recognise assets for the right of use for approx. € 4.8 M at 1 January 2019 and liabilities for leases for € 4.8 M.
Referring to assets where the Group is the lessor, no significant effect is expected on the financial statement.
The Group will apply the standard starting from the date of its compulsory adoption, which is 1 January 2019, and use the simplified transition approach without changing the comparative amounts of the previous year (before the first adoption). The assets booked for the right of use will be measured for the amount of lease due upon the adoption.

At the date of this financial statement, the competent bodies of the European Union have not yet concluded the ratification process required for the adoption of the following accounting principles and amendments:
- In May 2017, the IASB issued the new IFRS 17 standard on "Insurance contracts". The new standard will replace IFRS 14 and will apply from 1st January 2021.
- In June 2017, the IASB published interpretation IFRIC 23 "Uncertainty over income tax treatments", which provides indications on how to reflect the uncertainties related to the tax treatment of a certain transaction or circumstance in the accounting of income taxes. IFRIC 23 will become effective on 1st January 2019.

- In October 2017, the IASB published some amendments to IAS 28, which provide clarifications on the associated companies or joint-ventures to which the equity method must not be applied based on IFRS 9. These amendments will apply from 1 January 2018 (ratified on 8 February 2019).
- In December 2017, the IASB published a number of annual amendments to IFRS 2015–2017 (IFRS 3, IFRS 11, IAS 12 and IAS 23) which will apply starting from 1 January 2019.
- In February 2018, the IASB published some amendments to IAS 19 which will require companies to review their assumptions for the determination of costs and financial charges at each change in the plan. These amendments will apply starting from 1 January 2019.
- In October 2018, the IASB published some amendments to IAS 1 and IAS 8, which provide clarifications regarding the definition of "materiality". These amendments will apply starting from 1 January 2020.
- In October 2018, the IASB published some amendments to IFRS 3, which change the definition of "business". These amendments will apply starting from 1 January 2020.

The Group will adopt said new principles, amendments and interpretations based on the effectiveness date specified and will assess their potential impact when these will be ratified by the European Union.

MAIN FINANCIAL RISKS

A description of the main financial risks and of the mitigating actions implemented by the TA Group is given below.

1) Credit risk

Over the last few years, the effects of the crisis of financial markets and the consequent recessive economy in the main industrialized Countries negatively affected the balance sheets of the airlines - the main clients of the Group. Hence, the risk of a partial non-collection of receivables accrued from airlines.

The Group believes that it has suitably controlled said risk through its constant monitoring of accounts receivable, also sometimes promptly initiating legal actions to protect said receivables, which are reflected in the allocation of a specific provision for bad debt, currently deemed to be adequate in connection with the amounts of the existing receivables. Always with the purpose of facing the credit risk, the Parent Company usually asks for sureties as guarantee (e.g. from sub-licensees) or pre-payments (e.g. from unknown airlines).

We point out that the Parent Company took out an excess-of-loss type of insurance on credit positions to cover collection risks should insolvency proceedings be opened against the assets of any customer. Furthermore, the Parent Company hired a company for its long-term debt collection activities.

Also see section "Trade and sundry receivables".

2) Liquidity risk

At 31 December 2018, the Group has a negative Net Financial Position for € 28.15 M (€ 28.5 M at 31 December 2017). This is the result of a negative current NFP of about € 13 K (€ +3.8 M at 31 December 2017) and of a negative non-current NFP of € 28.2 M (€ 32.3 M at 31 December 2017) regarding two loans (expiring in 2022 and in 2027) granted to the parent company by the banks "Intesa San Paolo" and "MPS Capital Service" for the infrastructural development of the two airports. Two more medium-term loans for a nominal amount of € 500 K have been disbursed during 2017 and in 2018 by the banking group "Banco

Popolare di Milano" to the subsidiary Jet Fuel to support the purchase of four new airplane fuel supply trucks required for into-plane activities at the Pisa airport.
Six-month EURIBOR interest rates are paid on said Group loans and financial covenants are to be complied with, for which there is no criticality at 31 December 2018.
The Group believes that the funds and the currently available medium/long-term credit lines, in addition to those that will be generated by operations, will suffice to meet its investment, working capital management and debt repayment at natural maturity requirements.
If necessary, the Group also uses short-term bank loans to meet short-term requirements.
Also see section "Trade and sundry receivables".

3) Interest rate risk

Exposure to the interest rate risk arises from the need to finance both industrial and financial operations, as well as use the available cash. Changes in market interest rates may have a negative or positive impact on the Group's EBIT, thereby indirectly influencing the costs and returns of loans and investments.
The net financial indebtedness at 30 December 2018 is € 28.2 M and the debt-to-equity ratio (NFP/Shareholders' Equity) at 30 December 2018 is 0.24 (vs 0.25 at 31 December 2017), which confirms the financial soundness of the Group.
Based on the net financial indebtedness at 30 December 2018, the potential impact in terms of annual growth/reduction in interest expense connected with interest rate trends, as a result of a hypothetical growth/reduction of 100 bp, would be approximately € +/-420 K.
In addition, the potential impact on the Provision for repairs in terms of growth, as a consequence of a hypothetical annual reduction of 50 bp in interest rates, would correspond to approx. € +530 K. Instead, the potential impact on the Provision in terms of reduction as a consequence of a hypothetical annual growth of 50 bp in interest rates would be approx. € -566 K.
No further sensitivity analysis is provided, as it is considered immaterial.

4) Exchange rate risk

The TA Group is not subject to risks linked to fluctuations in exchange rates because it prevalently operates in a European context where transactions are made in Euro.

OPERATING SEGMENT REPORTING

Information regarding the main operating sectors of the Group is given below as required by IFRS 8. First of all, it is important to highlight that the type of business activity carried out by TA Group does not allow for the identification of business segments related to completely independent activities in terms of market/customer combinations. Currently, the "traffic" component affects the results of all the company's operations.

However, we may identify two significant operating segments characterized by the independent nature of their products/services and production processes, for which - for the aforesaid reasons - we propose a disclosure relating to the information directly made available by the company's analytical accounting system used by Chief Operating Decision Makers.

The currently available information regarding the main operating segments identified are provided below: Aviation, Non-Aviation and Corporate.

- *Aviation Business*: this segment includes airside operations (after security gates), which are the core business of an airport. They include: passenger and aircraft ground handling, landing, aircraft departure and stopover, security and safety activities, passenger boarding and disembarkation, cargo loading and unloading.
Revenues for the Aviation segment consist of the price paid for airline support services and are generated by airport fees such as: landing, take-off and stopover fees, freight revenue taxes, passenger boarding fees, passenger and baggage security fees.

- *Non-Aviation business*: this segment includes operations normally carried out in the landside area (before security gates), which are not directly associated with the core business (Aviation). They include retail activities, catering, car parking, car rental, advertising, ticket office, VIP Lounge.
Non-Aviation Business Revenues consist in the royalties earned from activities conducted under a sub-concession, in the direct management of certain activities (i.e. car parking, ticket office and advertising) and in the rents paid by sub-concessionaires.
The table below provides the main information regarding the operating segments described above by highlighting, in unallocated items, (corporate) revenues, costs, assets and investments not directly attributable to the two segments. More specifically, the main types of unallocated costs refer to the cost of labour/personnel (staff), professional services rendered, insurance and industry association membership fees, pro-rata portion of utilities, maintenance and depreciation, administrative costs, provisions for liabilities, Directors' and Auditors' fees.

- *Corporate business*: the values indicated in unallocated items mainly refer to revenues and costs not directly attributable to the two business segments, such as, for example, other revenues and income, the cost of labour, professional services rendered for the Management, general insurance and industry association membership fees, pro-rata portion of utilities, general maintenance and unallocated depreciation of infrastructure, administrative costs, provisions for liabilities, Directors' and Auditors' fees, etc.

(values in € K)	Aviation		Non-Aviation		Unallocated assets (Corporate)		Total	
TA Group - Income Statement	*31/12/2018*	*31/12/2017*	*31/12/2018*	*31/12/2017*	*31/12/2018*	*31/12/2017*	*31/12/2018*	*31/12/2017*
Operating income and other revenues (*)	94,514	93,944	18,323	12,681	5,582	2,080	118,418	108,705
of which Pisa	*54,926*	*54,965*	*7,048*	*3,745*	*1,124*	*1,681*	*63,098*	*60,391*
of which Florence	*39,587*	*38,979*	*11,275*	*8,936*	*4,458*	*399*	*55,320*	*48,314*
Revenues from construct. serv.	11,578	8,381	469	1,558	1,467	2,152	13,515	12,091
of which Pisa	*4,397*	*1,984*	*35*	*39*	*10*	*759*	*4,442*	*2,782*
of which Florence	*7,181*	*6,397*	*435*	*1,519*	*1,457*	*1,393*	*9,073*	*9,309*
Total Segment Income	**106,092**	**102,326**	**18,792**	**14,239**	**7,050**	**4,232**	**131,933**	**120,796**
Operating Costs (*)-(**)	63,290	60,120	5,273	4,499	15,482	14,945	84,044	79,564
of which Pisa	*38,743*	*35,712*	*2,801*	*2,490*	*7,751*	*7,196*	*49,296*	*45,398*
of which Florence	*24,546*	*24,408*	*2,472*	*2,009*	*7,730*	*7,749*	*34,748*	*34,166*
Cost of construct. serv.	10,326	7,666	419	1,425	1,309	1,969	12,054	11,060
of which Pisa	*3,922*	*1,815*	*31*	*35*	*9*	*694*	*3,961*	*2,544*
of which Florence	*6,405*	*5,851*	*388*	*1,390*	*1,300*	*1,275*	*8,092*	*8,516*
Amortization and provisions	6,792	6,859	2,226	1,428	4,062	4,568	13,081	12,855
of which Pisa	*3,555*	*3,459*	*1,150*	*966*	*2,305*	*3,192*	*7,010*	*7,617*
of which Florence	*3,238*	*3,400*	*1,076*	*462*	*1,757*	*1,376*	*6,071*	*5,238*
Operating Earnings	**25,683**	**27,683**	**10,874**	**6,887**	**-13,803**	**-17,250**	**22,755**	**17,317**
of which Pisa	*13,103*	*15,965*	*3,100*	*292*	*-8,927*	*-8,643*	*7,276*	*7,614*
of which Florence	*12,580*	*11,717*	*7,774*	*6,595*	*-4,876*	*-8,607*	*15,478*	*9,703*
Asset management	*0*	0	*0*	0	*-1,273*	-1,388	*-1,273*	-1,388
Profit before tax	**25,683**	**27,683**	**10,875**	**6,887**	**-15,077**	**-18,640**	**21,481**	**15,929**
Year's taxes	*0*	0	*0*	0	*-6,720*	-5,251	*-6,720*	-5,251
Net year's result	**25,683**	**27,683**	**10,875**	**6,887**	**-21,796**	**-23,890**	**14,761**	**10,678**
Loss (profit) of minority interest	*0*	0	*0*	0	*-165*	-127	*-165*	-127
Net Group result	**25,683**	**27,683**	**10,875**	**6,887**	**-21,961**	**-24,018**	**14,596**	**10,551**
TA Group - Statement of financial position	*31/12/2018*	*31/12/2017*	*31/12/2018*	*31/12/2017*	*31/12/2018*	*31/12/2017*	*31/12/2018*	*31/12/2017*
Current assets	*20,378*	22,177	*4,591*	7,064	*19,741*	22,576	*44,710*	51,817
Non-current assets	*141,248*	136,023	*42,595*	42,439	*25,317*	19,063	*209,160*	197,525
TA Group - Addtional information	*31/12/2018*	*31/12/2017*	*31/12/2018*	*31/12/2017*	*31/12/2018*	*31/12/2017*	*31/12/2018*	*31/12/2017*
Investments	*14,214*	11,753	*1,230*	1,937	*2,676*	3,742	*18,121*	17,433

(*) Comparative data regarding 2017 have been booked again after the adoption of IFRS 15, for which details we refer the reader to section "New reporting standards, amendments and interpretations applicable from 1 January 2018".

(**) including Airport leases for € 6,506 K in 2018 (€ 6,208 K in 2017).

Information on the main customers

During 2018, TA recorded approx. 8.18 million passengers. The total incidence of the first three airlines is 56.8%. In detail, the incidence of the first carrier (Ryanair) is 39.8%, with the second (Vueling) and third (easyJet) carriers at 8.9% and 8.1%, respectively.

NOTES TO TE MAIN ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT AT 31 December 2018: INCOME STATEMENT

REVENUES

Total consolidated revenues, up by 9.2%, passed from € 120.8 M at 31 December 2017 to € 131.9 M at 31 December 2018. This difference is the result of the € 5.7 M increase in operating revenues, of the € 4 M increase in other revenues and proceeds, and of € 1.4 M of revenues for construction services.

Amounts in € K	2018	2017 (*)	Diff. Abs. 2018/2017	% Diff.
REVENUES				
Operating income				
Aviation revenues	94,514	93,945	570	0.6%
Non-Aviation revenues	31,213	28,070	3,143	11.2%
Network development expenses	-13,393	-15,355	1,962	-12.8%
Total operating revenues	**112,334**	**106,659**	**5,675**	**5.3%**
Other revenues and proceeds	6,084	2,045	4,039	197.4%
Revenues from construction services	13,515	12,091	1,423	11.8%
TOTAL REVENUES	131,933	120,796	11,137	9.2%

Consolidated operating revenues totalled € 112.3 M at 31 December 2018, up by 5.3% compared to 31 December 2017. The Group's operating revenue trends for the two business units - Aviation and Non-Aviation - are broken down below.

For the analysis of the main deviations of the two periods under review, see section 10.1 of the Report on Operations.

See the section on "New accounting standards, amendments and interpretations in force since 1 January 2018" for details on the reclassification of "Network Development Expenses" in compliance with the new IFRS 15 "Revenues from Contracts with Customers".

1. Aviation revenues

Aviation revenues totalled € 94.5 M at 31 December 2018, up by 0.6% compared to 31 December 2017, when they totalled € 93.9 M.
The table below shows Aviation Revenue details at 31 Dec. 2018, with absolute and percentage changes compared to 31 December 2017:

Amounts in € K	2018	2017	Diff. Abs. 2018/2017	Diff. %
AVIATION REVENUES				
Passenger boarding fees	30,410	31,882	-1,473	-4.6%
Landing/departure fees	15,450	14,520	930	6.4%
Stopover fees	1,106	1,137	-31	-2.7%
PRM assistance fees	2,681	2,617	64	2.4%
Cargo fees	547	525	23	4.3%
Passenger security fees	7,417	7,411	6	0.1%
Baggage security fees	4,372	4,284	88	2.1%
Handling	30,304	29,684	620	2.1%
Centralised infrastructures	2,227	1,885	342	18.2%
TOTAL AVIATION REVENUES	**94,514**	**93,945**	**570**	**0.6%**
Incid. % in gross op. revenue Network developm. exp.	75.2%	77.0%		

For the analysis of the main deviations of the two periods under review, see section 10.1 of the Report on Operations.

2. Non-Aviation revenues

Non-Aviation revenues totalled € 31.2 M at 31 December 2018, up by 11.2% compared to 31 December 2017, when they totalled € 28.1 M. This increase confirms the positive results of the non-aviation strategy implemented by the Group. The table below provides details on Revenues from Non-Aviation business referred to 2018 and to 2017:

Amounts in € K	2018	2017	Diff. Abs. 2018/2017	Diff. %
NON-AVIATION REVENUES				
Parking facilities	7,084	6,517	567	8.7%
Food	3,511	3,152	359	11.4%
Retail	5,423	4,627	796	17.2%
Advertising	2,124	2,298	-174	-7.6%
Real Estate	1,838	2,088	-250	-12.0%
Car rentals	5,048	4,645	403	8.7%
Other subconcessions	2,538	2,319	219	9.4%
VIP Lounges	2,835	1,609	1,226	76.2%
Air tickets	463	457	6	1.4%
Cargo agency	349	358	-9	-2.5%
TOTAL NON-AVIATION REVENUES	**31,213**	**28,070**	**3,143**	**11.2%**
Incid. % in gross op. revenue Network developm. exp.	24.8%	23.0%		

For further details, see section 10.1 in the Report on Operations.

Network development expenses

The main objective of the parent company TA is to promote the development of scheduled passenger and cargo air traffic in the Tuscan airports of Pisa (PSA-Galileo Galilei) and Florence (FLR-Amerigo Vespucci), consistently with the characteristics of the Tuscan market and airport infrastructure. The expected result of the increase in the number of connections with scheduled flights to and from the airports is the further consolidation

and development of air traffic, which would contribute to the economic growth of the management company and meet the demand for a better local accessibility.
To pursue these objectives, Toscana Aeroporti has developed an incentive plan based on marketing contributions ("network development charges") of varying amounts depending on the extent of the services provided by carriers in the airports and on how the operation is considered to be strategically significant for each airport and its surrounding communities, in consideration of the free entrepreneurial initiative.
Network development expenses totalled € 13.4 M at 31 December 2018, down by € 1,926 K (-12.8%) compared to 2017, when they totalled € 15.4 M.

3. Other revenues and proceeds

The table below provides details on 2018 "Other revenues and income" against those of 2017:

Amounts in € K	2018	2017	Diff. Abs. 2018/2017	Diff. %
OTHER REVENUE AND INCOME				
Indemnification	4,594	614	3,981	648.8%
Services and consulting	310	178	132	74.3%
Utilitiy charges and others	1,122	1,193	-72	-6.0%
Minors	58	61	-3	-5.2%
TOTAL REVENUES AND INCOME	**6,084**	**2,045**	**4,039**	**197.4%**
% incid. over Revenues	4.6%	1.7%		

For further details, see section 10.1 in the Report on Operations.

4. Revenues from construction services

At 31 December 2018, revenues for construction services totalled € 13.5 M, against € 12.1 M at 31 December 2017. The greater revenues of € 1.4 M recognised at year-end have been mainly generated by the greater investments made in the Pisa airport for the expansion of the passenger terminal ("Phase Zero").
For further details, see the section "Group Investments" in the Report on Operations.

The table below distinguishes revenues by the fact that services have been performed *at a given point in time* rather than *over time*.

Data in € K	2018	2017
Revenues excluded from the application of IFRS 15	19,347	18,219
"Over time" revenues	112,587	102,578
"Point in time" revenues	-	-
Total Revenues	131,933	120,796

COSTS

At 31 December 2018, the amount of total costs was € 96.1 M, up by 6% compared to 31 December 2017, when they totalled to € 90.6 M. This result is explained by increased operating costs of € +5.6% (from € 79.6 M in 2017 to € 84 M in 2018) and costs for construction services, which passed from € 11.1 M in 2017 to € 12.1 M in 2018 (+9%).

Amounts in € K	2018	2017 (*)	Abs. Diff. 2018/2017	% Diff.
COSTS				
Operating Costs				
Consumables	1,192	1,066	126	11.8%
Cost of Personnel	42,907	42,175	733	1.7%
Costs for services	30,982	27,742	3,240	11.7%
Sundry operating expenses	2,456	2,374	83	3.5%
Airport leases	6,506	6,208	298	4.8%
Total operating costs	84,044	79,564	4,479	5.6%
Costs for construction services	12,054	11,059	995	9.0%
TOTAL COSTS	96,098	90,623	5,474	6.0%

OPERATING COSTS

Operating costs totalled € 84 M, up by 5.6% compared to € 79.6 M reported at the end of 2017.

5. Consumables

This item refers to the cost of consumables, which totalled € 1,192 K (€ 1,066 K in 2017), They are specifically broken down below:

Amounts in € K	2018	2017	Abs. Diff. 2018/2017	Diff. % 2018/2017
CONSUMABLES				
Stationery	50	24	26	109.0%
Fuels, lubricants	638	700	-62	-8.9%
Materials for car parking lots	24	12	13	108.5%
Small tools	15	22	-7	-32.7%
Safety Serv. Contr. (mat.)	59	27	32	121.8%
Clothing	243	144	99	68.5%
Mat. for operating services	164	138	26	18.6%
TOTAL CONSUMABLES	**1,192**	**1,066**	**126**	**11.8%**
% incid. over Operating Costs	1.4%	1.3%		

The increase of € 126 K is mainly due to the higher costs incurred for clothing, stationery and materials for operating services, partially offset by lower costs for fuels for ramp vehicles.

6. Cost of Personnel

The Group's "Cost of Personnel" totalled € 42.9 M in 2018, up by € 733 M compared to 2017 (+1.7%). This increase is mainly due to growing staff required particularly in connection with the increase in passengers (+3.7%), and therefore with operations, and to the spin-off of the subsidiary TAH, based on the new applicable ENAC regulations.

This cost item is broken down below:

Amounts in € K	2018	2017	Diff. Abs. 2018/2017	Diff. % 2018/2017
PERSONNEL COSTS				
Remuneration	**42,729**	**41,885**	**844**	**2.0%**
of which:				
Wages	24,876	24,655	220	0.9%
Salaries	6,421	6,403	19	0.3%
Social security contributions	9,017	8,589	428	5.0%
ETB	2,415	2,238	177	7.9%
Other labour costs	**178**	**290**	**-111**	**-38.4%**
of which:				
Contributions to CRAL	10	11	-2	-13.6%
Social Fund	11	11	0	-3.2%
Benefits to personnel	76	118	-42	-35.3%
Administered and sundry	82	150	-68	-45.3%
TOTAL COSTS OF PERSONNEL	**42,907**	**42,175**	**733**	**1.7%**
% incid. over Operating Costs	51.1%	53.0%		

The table below provides details on the **average annual staff** (expressed in *Full-Time Equivalents*) existing in 2018 and any difference from 2017: For a better comprehension of pro-forma mean staff trends in the two periods considered, in the light of the contribution of handling staff from TA into TAH, see section 12 of the Report on Operations.

Mean FTEs	2018	2017	Diff.	Diff. %
Executives	11.5	12.3	-0.8	-6.5%
Employees	421.0	540.8	-119.8	-22.1%
Workers	99.3	169.8	-70.5	-41.5%
TOSCANA AEROPORTI	531.8	722.9	-191.1	-26.4%
TOSCANA AEROPORTI HANDLING	214.2	0.0	214.2	N.S.
Jet Fuel	10.9	11.0	-0.1	-0.8%
TAE	5.2	4.5	0.7	14.6%
GROUP TOTAL	762.0	738.4	23.6	3.2%

Please, note that in the table above 2 part-time units are considered as 1 full-time unit.

7. Costs for services

On the whole, costs for services in 2018 and 2017 consist of:

Amounts in € K	2018	2017	Abs. Diff. 2018/2017	Diff. % 2018/2017
COSTS FOR SERVICES				
Sales services	265	232	33	14.2%
Institutional expenses	1,956	1,391	565	40.6%
Other services	5,165	3,860	1,305	33.8%
Services for the personnel	1,697	1,773	-76	-4.3%
Maintenance services	5,704	5,112	592	11.6%
Utilities	3,191	3,350	-159	-4.8%
Operating services	13,004	12,024	980	8.2%
TOTAL COSTS FOR SERVICES	**30,982**	**27,742**	**3,240**	**11.7%**
% incid. over Operating Costs	36.9%	34.9%		

"*Retail activities*", for € 265 K in 2018 (€ 232 K in 2017) mainly include the following costs:

Amounts in € K	2018	2017	Diff. Abs. 2018/2017	Diff. % 2018/2017
COSTS FOR SERVICES				
Sales services	**265**	**232**	**33**	**14.2%**
of which				
Advertising commissions	21	15	6	39.4%
Management of advertising systems	96	71	25	35.2%
Retail promotions	28	26	2	8.1%
Dry cleaning service	120	120	0	0.0%

Institutional expenses totalled € 1.96 M in 2018 (€ 1.39 M in 2017), mainly including the cost of control and auditing boards.

Amounts in € K	2018	2017	Diff. Abs. 2018/2017	Diff. % 2018/2017
COSTS FOR SERVICES				
Institutional expenses	**1,956**	**1,391**	**565**	**40.6%**
of which				
Directors' fees	1,424	949	475	50.1%
Auditors' fees	225	208	17	8.4%
Directors' business travels	223	194	30	15.2%
Legal, notarial, meeting expenses	57	14	43	315.9%
Participation in conferences	27	27	0	-1.2%

Other Services totalled € 5.2 M (€ 3.9 M in 2018) and mainly include professional services, industrial insurance and communication costs.

Amounts in € K	2018	2017	Diff. Abs. 2018/2017	Diff. % 2018/2017
COSTS FOR SERVICES				
Other services	**5,165**	**3,860**	**1,305**	**33.8%**
of which				
Professional services	2,871	1,912	959	50.2%
Industrial insurance	753	769	-16	-2.1%
Communication	1,454	1,027	426	41.5%
Other minors	87	152	-65	-42.6%

Other Personnel Services totalled € 1.7 M (€ 1.8 M in 2017) and mainly include canteen, payroll service, transfers and employee training costs.

Amounts in € K	2018	2017	Abs. Diff. 2018/2017	Diff. % 2018/2017
COSTS FOR SERVICES				
Personnel services	**1,697**	**1,773**	**-76**	**-4.3%**
of which				
Canteen	1,127	1,178	-51	-4.3%
Insurance	185	179	6	3.2%
Preventive medicine and med. examinations	58	65	-8	-11.8%
Training	130	121	9	7.2%
Personnel recruitment	34	32	2	6.3%
Payroll services	65	62	2	3.7%
Journeys	98	134	-36	-27.0%

Maintenance Services totalled € 5.7 M (€ 5.1 M in 2017) and include airport infrastructure, system and installation, equipment and vehicle maintenance.

Amounts in € K	2018	2017	Diff. Abs. 2018/2017	Diff. % 2018/2017
COSTS FOR SERVICES				
Maintenance services	**5,704**	**5,112**	**592**	**11.6%**
of which:				
Equipm./truck maint.	1,319	1,015	304	30.0%
BHS system maint.	902	936	-33	-3.6%
Maint. of infrastructures	2,211	2,116	95	4.5%
IT maintenance	1,271	1,046	225	21.5%

Utility Services totalled € 3.2 M (€ 3.4 M in 2017) and mainly include costs for electricity, gas, water and telephone services.

Amounts in € K	2018	2017	Diff. Abs. 2018/2017	Diff. % 2018/2017
COSTS FOR SERVICES				
Utilities	**3,191**	**3,350**	**-159**	**-4.8%**
of which:				
Electricity	1,678	1,596	83	5.2%
Water	148	345	-197	-57.0%
Telephones	180	225	-45	-19.9%
Mobile phones	132	149	-17	-11.5%
Gas	868	875	-7	-0.8%
Minors	183	159	24.2	15.2%

Operating Services totalled € 13 M (€ 12 M in 2017) and mainly include external costs for porters, surveillance, cleaning, rentals, first aid care and other services typically associated with airport operations.

Amounts in € K	2018	2017	Diff. Abs. 2018/2017	Diff. % 2018/2017
COSTS FOR SERVICES				
Operating services	**13,004**	**12,024**	**980**	**8.2%**
of which:				
Porterage	4,085	3,734	351	9.4%
Aircraft cleaning	726	731	-5	-0.6%
Agency/Wareh. service	187	257	-70	-27.1%
Cleaning	1,074	1,115	-40	-3.6%
PRM Support	406	283	124	43.8%
Surveillance service	2,759	2,472	287	11.6%
Services Centre	223	246	-23	-9.3%
Connection arco az	193	174	19	11.0%
Rental of mach. and equip.	855	922	-67	-7.2%
Management of parking lots	730	703	28	3.9%
Gardening	172	157	15	9.6%
VIP Lounge	563	437	126	28.9%
First Aid Service	476	475	1	0.3%
Shuttle bus	553	320	233	72.8%

8. Sundry operating expenses

Sundry Operating Expenses totalled € 2.5 M (€ 2.4 M in 2017) - mainly include taxes and levies, membership fees, sundry administrative costs, non-recurring costs and other minor entries.

Amounts in € K	2018	2017	Diff. Abs. 2018/2017	Diff. % 2018/2017
SUNDRY OPERATING EXPENSES				
Publications	12	26	-13	-51.7%
Ins. entities and sundry institutions	550	558	-8	-1.4%
Taxes and levies	655	586	69	11.8%
Entertainment	68	156	-88	-56.5%
Sundry administrative costs	812	609	203	33.3%
Other minors	359	439	-80	-18.2%
SUNDRY OPERATING EXPENSES	**2,456**	**2,374**	**83**	**3.5%**
% incid. over Operating Costs	2.9%	3.0%		

9. Airport leases

Airport Leases totalled € 6.5 M (€ 6.2 M in 2017) to include the rents paid for the concessions and the contribution paid to the Fire Protection Fund.

Amounts in € K	2018	2017	Diff. Abs. 2018/2017	Diff. % 2018/2017
AIRPORT LEASES				
Concession and security fees	5,219	4,920	299	6.1%
Fire Brigade fee	1,287	1,288	-1	0.0%
TOTAL AIRPORT FEES/LEASES	**6,506**	**6,208**	**298**	**4.8%**
% incid. over Operating Costs	7.7%	7.8%		

10. Costs for construction services

Costs for construction services, totalling € 12.1 M (€ 11.1 M at 31 December 2017), arise from the investment made in the airport infrastructures under concession in 2018.
The higher cost of € 1 M recognised at year-end reflects the same situation described in the corresponding revenue item.

11. Amortization and impairment

This item totalled € 10.1 M in 2018 (€ 9.1 M in 2017). It includes intangible asset amortization for € 6.6 M (€ 6 M in 2017) and tangible asset depreciation for € 3.5 M (€ 3.1 M in 2017).

12. Provision for liabilities and charges

This item shows € 2.62 M (against € 2.9 M in 2017) and includes the amounts set aside in the provision for risks (€ 860 K) and in the provision for repairs (€ 1.76 M), which reflect the year's accrual required for future maintenance expenses relating to repair work and replacements to keep the assets used under the two ENAC concessions in good and safe operating conditions.

13. Value write-ups (write-downs) net of trade receivables and other receivables

This item amounts to € 347 K (€ 872 K at 30 June 2017) and consists of the provision set aside for bad debt.

Amounts in € K	2018	2017
Bad debt reserve	311	872
Credit loss	36	1
Release of Provision for bad debt	-	-
Total	**347**	**872**

14. Financial income

This item totalled approx. € 46 K (€ 71 K in 2017), mainly including interest receivable accrued on bank current accounts (€ 13 K), dividends from related entities (€ 30 K), and other minor income (€ 3 K).

15. Financial expenses

This item totals € 1,355 K (€ 1,494 K in 2017) and mainly includes interests payable and commissions on bank current accounts for € 512 K (€ 577 K in 2017), interest cost on employees' defined-benefit liabilities for € 104 K (€ 83 K in 2017), financial expenses relating to the discounting of the Provision for repair and replacements for € 740 K (€ 770 K in 2017).

16. Profit (loss) from investment

This item totalled € 36 K (€ 35 K at 31 December 2017) and indicates the difference in the valuation to Shareholders' Equity of the investments in associates (Immobili A.O.U. Careggi S.p.A. and Alatoscana S.p.A.).

17. Year's income taxes

This item includes an aggregate amount of € 6,720 K in 2018 (€ 5,251 K in 2017) deriving from:

- current taxes determined on the 2018 taxable income for € 6,554 K, of which € 4,428 K for consolidated IRES, € 508 K for subsidiaries' IRES, and € 1,618 K for IRAP;
- prepaid/deferred taxes for € 264 K;
- income from tax consolidation with the controlling company "CAI" for € 98 K.

Current taxes have been estimated by applying the guiding criterion called "principle of derivation".

The reconciliation with the theoretical tax rate is provided In Annex "E".

18. Minority Interest's loss (profit) for the period

This item shows the profit of the subsidiary Jet Fuel owned by minority shareholders. Based on property rights existing in 2018, the year's profit of the subsidiary Jet Fuel - approx. €

247 K (€ 191 K in 2017) - is a minority interest to a 66.67% extent, which corresponds to approx. € 165 K (€ 127 K in 2017).
The overall minority interest's profit for the period is € 181 K (€ 130 K in 2017).

19. Earnings for share / Diluted earnings per share

2018 Earnings Per Share and Diluted Earnings Per Share, € 0.784 (€ 0.567 in 2017), respectively, have been determined by dividing the Group's profit for the period (€ 14,596 K) by the weighted average of the ordinary shares outstanding in the period (18,611,966 shares), as there was no diluting factor.

NOTES TO THE MAIN ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT AT 31 December 2018: STATEMENT OF FINANCIAL POSITION

NON-CURRENT ASSETS

Details of non-current assets at 31 Dec. 2018 are given below.

Data in € K	31-Dec-2018	31-Dec-2017	DIFF.
NON-CURRENT ASSETS	209,160	197,526	11,635

More specifically, this aggregate consists of the following categories:

Intangible assets

Data in € K	31-Dec-2018	31-Dec-2017	DIFF.
INTANGIBLE ASSETS	172,956	165,155	7,801

In addition to the aforesaid, an aggregate amount of approximately € 14.5 M has been invested in intangible assets during 2018, consisting of:

(amounts in €K)	
Concession rights (royalties)	7,919
Work in progress	5,867
Software	749
Other fixed assets	12
Total	**14,545**

For a detailed analysis of the main investments made during the six-month period examined, see Section 11 of the Report on Operations.

No divestiture of assets was done in 2018.
Details on intangible assets are provided in Annex A.

20. Concession rights: their value at 31 Dec. 2018 was € 157.2 M (€ 150.9 M at 31 Dec. 2017), with an increase of € 6.3 M mainly due to the combined effect of the greater value of investments compared to the value of the year's amortization. For further details, see section 11 in the Report on Operations.

21. This item totalled € 1,299 K at 31 December 2018 (€ 1,419 K at 31 December 2017), down by € 120 K due to the higher value of the year's amortization compared to investments.

22. Work in progress The value of this item at 31 Dec. 2018 was € 14.4 M (€ 12.8 M as at 31 Dec. 2017), up by € 1.6 M as a result of the investments made during the year, partly offset by the completion of projects and related transition to asset; - for more details, see Sect. 11 in the Report on Operations.

23. Property, Plant and Equipment

Data in € K	31-Dec-2018	31-Dec-2017	DIFF.
Property, plant and equipment	26,853	26,650	203

On the whole, investments for approximately € 3.6 M have been made during 2018, namely:

(amounts in €K)	
Owned land and buildings	200
Plant and machinery	1,846
Ind. and comm. equipm.	13
motor vehicles	343
Furniture and fittings	359
Hardware	252
Work in progress	562
Total	3,575

For a detailed analysis of the main investments made during the six-month period examined, see Section 11 of the Report on Operations.
Divestments/decreases of assets have been made during 2018 for € 649 K.
Details on the movement of property, plant and equipment are provided in Annex B.

24. Equity investments in other entities

At 31 Dec. 2018, the parent company "TA" owns shares and shares in other equity investments for € 2,945 K (€ 123 K at 31 Dec. 2017), consisting in:
- I.T. Amerigo Vespucci S.p.A. (with a 0.22% share in the capital): € 40.6 K;
- Consorzio Turistico Area Pisana S.c.a.r.l. (with a 2.4% share in the capital): € 420;
- Scuola Aeroportuale Italiana Onlus (with a 52.7% share in the capital): € 13.2 K;
- Consorzio Pisa Energia S.c.r.l. (5.26% share in the capital): € 831;
- Montecatini Congressi S.c.r.l. (5.0% share in the capital): € 0;
- Consorzio per l'Aeroporto di Siena (with a 0.11% share in the capital): € 8.5 K;
- Firenze Convention Bureau S.c.r.l. (with a 4.44% share in the capital): € 6.3 K;
- Firenze Mobilità S.p.A. (with a 3.98% share in the capital): € 42.5 K;
- Società Esercizio Aeroporto della Maremma S.p.A. (with a 0.39% share in the capital): € 10.2 K;
-
- Firenze Parcheggi S.p.A. (with a 8.16% share in the capital): € 2,823 K.

Scuola Aeroportuale Italiana Onlus has been classified among "Other entities" because it is a non-profit organization.
Consorzio Turistico Area Pisana, Montecatini Congressi S.c.r.l., and Consorzio per l'Aeroporto di Siena are winding up at the closing date of this Report.

25. Investments in Associated Companies

At 31 December 2018, the value of TA's equity investments in associated and related companies
is € 596 K (€ 560 K at 31 Dec. 2017), as resulting from the
following scheme.

Data in € K	31-Dec-2018	31-Dec-2017	DIFF.
Alatoscana Spa	336	381	-45
Immobili AOU Careggi Spa	260	179	81
Total	596	560	36

For further considerations on the characteristics of the entities in question, see the section "Relationships with associated companies and related parties" of the Report on Operations. No impairment indicator applies to these stakes.

Other financial assets

Data in € K	31-Dec-2018	31-Dec-2017	DIFF.
Guarantee deposits	190	195	-5
Receivables from others due beyond the year	3,399	2,304	1,095
Total	3,589	2,499	1,091

26. Guarantee deposits

At 31 December 2018, this item totalled € 190 K (€ 195 K at 31 December 2017), and mainly refers to guarantee deposits issued in favour of utility providers (for connections), tobacco products, cash floats given to ticket offices and parking fees.

27. Receivables from others, due beyond the year

Receivables from others totalled € 3,399 K (€ 2,304 K at 31 December 2017), with receivables mainly consisting in:

- a receivable consisting in the guarantee deposit paid as advance on the price of € 3 M paid in June 2018 upon signing the preliminary agreement for the purchase from NIT – Nuove Iniziative Toscane S.r.l. (a real property subsidiary of the Unipol Group) of the "Piana di Castello" area in the vicinity of the Florence airport for Master Plan development purposes;
- receivables from customers for € 279 K related to agreed repayment plans.

28. Deferred tax liabilities

Deferred tax assets and liabilities have been posted in their net amount when they could be offset in the same jurisdiction. The net balance is € 2,221 K (€ 2,540 K at 31 December 2017). This amount mainly includes taxes determined on the temporary differences due to taxed provisions (for repair, bad debt, etc.) and to the accounting of intangible assets (concession rights) according to IFRIC 12. For details regarding the composition of the item and the related details, see Annex D.
Deferred and prepaid taxes have been determined by applying the tax rate in force during the year when the temporary differences will be reversed.

CURRENT ASSETS

As shown in the table, current assets totalled € 44,710 K at 31 December 2018, down by € 7,107 K compared to 31 December 2017.

Data in € K	31-Dec-2018	31-Dec-2017	DIFF.
CURRENT ASSETS	44,710	51,817	-7,107

More specifically, the main differences reflect:

Trade and sundry receivables

At 31 December 2018, this item was € 30,440 K (€ 38,457 K at 31 December 2017), including:

29. Receivables from customers

At 31 December 2018, receivables from customers, net of the provision for bad debt, totalled € 18,861 K (€ 28,328 K at 31 December 2017), as detailed below.

Data in € K	31-Dec-2018	31-Dec-2017	DIFF.
Toscana Aeroporti	17,978	32,163	-14,185
Parcheggi Peretola	20	20	0
TAH	4,921	0	4,921
Jet Fuel	258	226	32
Total gross receivables	**23,177**	**32,409**	**-9,232**
Bad debt reserve	-4,316	-4,082	-234
Total net receivables	**18,861**	**28,328**	**-9,467**

The provision for bad debt increased by a contribution of € 347 K over the period and has been used for € 112 K. The details of this item are given below (in €K):

Data in € K	31-Dec-2017	prov.	use	31-Dec-2018
Bad debt provision	4,082	347	(112)	4,316

The composition of receivables by category of expired accounts is detailed in the table below.

	Aggregate	Receivables	Expired receivables				
Data in € K	Total	due	0-30	30-60	60-90	90-180	>180
Non-current/current receivables	23,177	4,245	6,055	1,902	1,328	2,139	7,508
Expected Loss Rate		0.0%	0.0%	-0.7%	-1.3%	-3.0%	-56.2%
Provision for bad debt	-4,316	0	0	-13	-18	-64	-4,222
Total at 31-Dec-2018	**18,861**	**4,245**	**6,055**	**1,889**	**1,310**	**2,076**	**3,286**

	Aggregate	Receivables	Expired receivables				
Data in € K	Total	due	0-30	30-60	60-90	90-180	>180
Non-current/current receivables	32,410	8,259	7,990	8,478	1,183	2,390	4,110
Expected Loss Rate		0.0%	-1.3%	-0.7%	-1.4%	-2.1%	-93.7%
Provision for bad debt	-4,082	0	-106	-59	-16	-51	-3,850
Total at 31-Dec-2017	**28,327**	**8,259**	**7,884**	**8,419**	**1,167**	**2,339**	**259**

30. Receivables from related entities

Details of these receivables (in €K) are given in the table below:

Data in € K	31-Dec-2018	31-Dec-2017	DIFF.
Alatoscana Spa	63	77	-14
Immobili AOU Careggi Spa	111	186	-75
Total	174	263	-89

31. Tax assets

At 31 December 2018, this item consisted of € 2,355 K (€ 781 K at 31 December 2017), and included:

- a € 1,781 K VAT credit of the parent company TA;
- a € 152 K ART bonus credit of the parent company TA;
- a € 421 K VAT credit of the subsidiaries.

32. Receivables from others, due within the year

The item "Receivables from others, due within the year" includes:

Data in € K	31-Dec-2018	31-Dec-2017	DIFF.
Receivables from Carriers for additional municipal income tax on passenger boarding fees	7,184	7,135	49
White Certificates (TEE)	-	188	-188
Advance payments made to suppliers	740	682	58
Prepaid expenses	398	491	-93
Receivables for land expropriation compensation	135	135	-
Receipts from parking lots	186	161	25
Receipts from monopoly products	96	93	3
Advance paym. to Carriers	100	108	-8
Other minors	210	92	118
Total	9,050	9,085	-36

The receivable for the additional Municipal tax on passenger boarding fees, established by Art. 2, paragraph 11, of Law no. 350 of 24 December 2003, has increased for the same reasons explained in the Receivables from Customers and commented in Section 10.2 of the Report on Operations. This item has the same trend of the item "Tax liabilities" in the current Liabilities (Note #49) because the amount collected is paid to the State.
The item "Prepaid expenses" mainly concerns supplies with advanced billing, subscription fees, insurance.

33. Cash and cash equivalents

The value of this item at 31 December 2018 compared against 31 December 2017 is given below.

Data in € K	31-Dec-2018	31-Dec-2017	DIFF.
Cash and cash equivalents	14,270	13,360	910

We point out that the "Cash and Banks" item includes a minimum amount of € 1 M, available and deposited in a current account pledged as collateral for the medium-/long-term Loan Agreement stipulated with the Intesa-San Paolo-MPS bank pool.

For further details, see Statement of Cash Flows in the Report on Operations.

SHAREHOLDERS' EQUITY AND LIABILITIES

The differences in the Shareholders' Equity occurred during 2018 are detailed below:

Data in € K	31-Dec-2018	31-Dec-2017	DIFF.
CAPITAL AND RESERVES	118,528	113,581	4,947

The Shareholders' Equity shows an increase of € 4.9 M consisting in the recognition of the year's profits (€ 14.8 M), partly offset by the distribution of dividends (€ 9.9 M).

More specifically, the Shareholders' Equity consists of the following items:

34. Share Capital

As at 31 Dec. 2018, the fully paid-up share capital consisted of 18,611,966 ordinary shares without nominal value (18,611,966 shares at 31 Dec. 2017).

For details on Shareholders, see the table and section "Shareholders of the Parent Company" in the Report on Operations.

35. Capital reserves

Capital reserves consist of:

- a share premium reserve for € 18,941 K created with the paid capital increase determined upon listing "Società Aeroporto Toscano Galileo Galiei S.p.A." on the Stock Exchange in July 2007;
- a legal reserve of € 4,003 K. The € 528 K increase compared to 31 December 2017 reflects the allocation of 2017 profits as deliberated by the Shareholders' Meeting held on 30 May 2018 during the adoption of the 2017 Financial Statement.
- statutory reserves for an amount of € 25,876 K;
- the other reserves, which mainly consist of the reserve deriving from the merger by incorporation of AdF, for € 24,585 K. Pursuant to point 5 of the first paragraph of Art. 2426 of the Civil Code, we specify that there is no restriction on available reserves.

36. IAS adjustments reserve

This reserve contains € (3,229) K, including:

(i) the IAS reserve (negative for € 711 K) after deducting the theoretical tax burden created at 1-Jan-2005 upon First Time Adoption, so as to include the impact of international accounting standards on the Shareholders' Equity;

(ii) the IAS reserve (negative for € 2,618 K) created after applying the new international standard IFRIC 12 from 1 January 2011.

37. Profit/(Loss) carried forward

This item includes profits carried forward for € 2,754 K (€ 2,452 K at 31 December 2017). The difference derives from the actuarial effect of the recalculation of the T.I. Provision according to IAS 19.

Other components of the Statement of Comprehensive Income

The value at 31 December 2018 is broken down below:

SITUATION AT 31 -Dec-201 8	PROFIT (LOSS) CARRIED FORWARD	GROUP TOTAL	MINORITY INT. S.E.	TOT. OTHER COMPON. OF COMPREH. I.S.
Other comprehensive profit/(loss) that will not be subsequently reclassified to the Income Statement:				
- Profit (loss) arising from the determination of the Employee Benefit Fund, after tax	154	154	24	178

SITUATION AT 31 -Dec-201 7	PROFIT (LOSS) CARRIED FORWARD	GROUP TOTAL	MINORITY INT. S.E.	TOT. OTHER COMPON. OF COMPREH. I.S.
Other comprehensive profit/(loss) that will not be subsequently reclassified to the Income Statement:				
- Profit (loss) arising from the determination of the Employee Benefit Fund, after tax	22	22	6	28

The tax effect regarding the other components of the Statement of Comprehensive Income is broken down below:

SITUATION AT 31 -Dec-201 8	Gross value	Tax (charge)/ benefit	Net Value
- Profit (loss) arising from the determination of the Employee Benefit Fund, after tax	234	-56	1 78

SITUATION AT 31 -Dec-201 7	Gross value	Tax (charge)/ benefit	Net Value
- Profit (loss) arising from the determination of the Employee Benefit Fund, after tax	37	-9	28

38. Group’s profit (loss) for the period

This item includes TA's result at 31 December 2018, which totalled € 14,596 K (against € 10,550 K at 31 December 2017).

39. Minority interest

Based on 2018 balance sheet items, the 66.67% minority interest corresponds to € 292 K (€ 221 K at 31 December 2017). The difference is due to the better result obtained in 2018 by the subsidiary Jet Fuel after deducting the distribution of dividends.

NON-CURRENT LIABILITIES

Details of non-current liabilities during the period considered are given below:

Data in € K	31-Dec-2018	31-Dec-2017	DIFF.
NON-CURRENT LIABILITIES	57,251	61,504	-4,253

More specifically, this aggregate consists of the following categories:

40. Provisions for liabilities and charges

The Provision for liabilities and charges consists of € 4,164 K at 31 December 2018 (€ 3,997 K at 31 December 2017). The details of the year are provided below.

Data in € K	31-Dec-2017	prov.	use	31-Dec-2018
Provisions for liabilities and charges	3,997	860	(694)	4,164

At 31 December 2018, the provision mainly includes the following amounts:

1) € 2,351 K of contributions paid in connection with the Fire Brigade Protection Service dispute, which is described in detail in the section "Information on the main items of the Provision for risks and expenses at 31 Dec. 2018";
2) € 1,462 K of contributions paid in connection with potential labour dispute risks, better described in the section "Additional information";
3) € 200 K regarding a dispute where TA was summoned by the company that had been awarded the contract for the expansion works in the west apron of the Florence airport concerning problems identified by TA related to the execution of the contract.

For further information, see Section "Information on the main items of the Provision for liabilities and charges at 31 December 2018".

The amounts set aside by the Company to face potential risks deriving from ongoing disputes are deemed appropriate for the predictable outcome of the legal proceedings.

41. Provisions for repair and replacement

This provision (valued according to the best estimate of the expense required to fulfil the obligation at the closing date of the report) includes the amounts spent for the maintenance and repair of infrastructures in the Florence and Pisa airports, to be returned in perfect maintenance conditions to the Grantor at the end of the concession period. The global value of this item at 31 December 2018 was € 25,412 K, up by € 203 K with respect to 31 December 2017 due to the effect of the 2018 provision, partially offset by the uses of the period. Details are given below:

Data in € K	31-Dec-2017	Financial expenses	prov.	use	31-Dec-2018
Provisions for repair and replacement	25,209	739	1,758	(2,294)	25,412

this provision, depending on the estimated time of its use, is allocated to non-current liabilities (€ 18,939 K at 31 Dec. 2018) and to current liabilities (€ 6,473 K at 31 Dec. 2017).
The potential increase of the Provision for repairs and replacements as a consequence of a hypothetical annual reduction of 50 bp in interest rates would correspond to € +530 K. Conversely, the potential reduction of the Provision for repairs and replacements as a consequence of a hypothetical annual growth of 50 bp in interest rates would correspond to € -566 K.

42. Provisions for employee retirement and benefits

As indicated above, the ETB is considered as a defined benefit obligation to be recognised as recommended by IAS 19 "Employee Benefits".

As regards the economic-financial scenario, the parameters used for the valuation of the Pisa and Florence staffs at 31 Dec. 2018 are:
- annual technical discount rate: 1.57%
- Annual inflation rate: 1.50%
- annual ETB increase rate: 2.63%

As far as the discount rate is concerned, the Corporate AA iBoxx 10+ index has been selected as criterion for the valuation of this parameter, as its duration is suitable for the average time of permanence of the two staff groups being considered.
There is no defined benefit scheme for the executive personnel of the company.
The value of consolidated liabilities at 31 December 2018, as required by IAS 19, was € 5,782 K (€ 6,521 K at 31 December 2017). This provision is booked net of the advance payments and settlements made during the period examined and shows an increase of € 739 K compared to 31 Dec. 2017, as specified below:

Data in € K	31-Dec-2017	Actuarial (gain)/loss	prov.	use	31-Dec-2018
Employee benefit fund	6,521	(234)	132	(636)	5,782

The difference shown in the Statement of Comprehensive Income (€ +178 K) corresponds to the actuarial gain of € 234 K, after a taxation of € 56 K.
The valuation of future benefits is obviously affected by all the assumptions required for its identification; therefore, in order to obtain the sensitivity shown by the actual value as determined above compared to said assumptions, some tests have been conducted to provide the difference in the actual value against a given difference in some of the assumptions adopted, which may mostly affect that value. The table below provides the sensitivity analysis of the Provision (in €K).

Gruppo Toscana Aeroporti - Toscana Aeroporti Group

	Annual technical discount rate		Annual inflation rate:		Annual turnover rate	
	+ 0.50 %	- 0.50 %	+ 0.25 %	- 0.25 %	+ 2.50 %	- 2.50 %
Fund	5,489	6,101	5,872	5,696	5,719	5,812

Finally, the table below provides a prediction of disbursement of the provision.

Future Cash Flows (€)

Year	TA Group
0 – 1	225,085
1 – 2	254,103
2 – 3	174,682
3 – 4	342,163
4 – 5	247,444
5 – 6	236,589
6 – 7	176,725
7 – 8	419,666
8 – 9	445,182
9 – 10	460,638

43. Financial liabilities

The details of non-current and current financial liabilities are given below:

Data in € K	31/12/2017	Loans	Repayments	Other movements	31/12/2018
Non-current liabilities	32,327	451		- 4,614	28,164
Current financial liabilities					
Bank overdrafts (short-term loans)	5,000	18,000	- 13,500	1	9,501
Current medium/long-term indebtedness	4,538	49	- 4,487	4,656	4,756
Total non-current liabilities	9,538	18,049	- 17,987	4,657	14,257
Total financial liabilities	41,865	18,500	-17,987	43	42,421

The amount of € 9,439 K regarding current financial liabilities as at 31 Dec. 2017 refers to the current share of the medium-long term indebtedness relating to the loans described below in this Note for € 4,439 K and to the short-term loan (so-called "hot money") obtained during the period for € 9.5 M (the loan consisted in a total of € 18 M and has been repaid for € 13.5 M).

During the period considered, a € 500 K loan was obtained by the subsidiary Jet Fuel Co. Srl to support its investments; the amount repaid during 2018 is € 147 K, also for the loan obtained in 2017.

The € 4.1 M decrease in non-current financial liabilities refers, for € 4.6 M, to the short-term reclassification of the capital shares expiring in the subsequent business year, offset by the new loan obtained by Jet Fuel.

At 31 Dec. 2018, there are € 11.5 M of non-current financial liabilities due beyond five years.

The aggregate amount of said non-current financial liabilities and the related current share of the medium-long term indebtedness mainly refers to two long-term loans granted by the banks "Banca Infrastruture Innovazione e Sviluppo" ("BIIS", of the Intesa San Paolo Group) and "MPS Capital Service" to support infrastructure investments. The loans must be respectively repaid before June 2022, the one subscribed with MPS Capital Service and used up for € 12 M, and before September 2027, the € 40 M loan subscribed and completely used up, and have been granted with a Euribor 6-month interest rate plus a spread.
The aforesaid financial debt is required to comply with certain financial indices defined in the related agreement, such as a certain net financial position/EBITDA and net financial position/Shareholders' Equity, according to the definitions agreed with the lending counterparties and measured on the book values of the Parent Company for the €40M loan and of the Group for the € 12 M loan.
We finally point out that, in addition to the aforesaid parameters, the € 12 M loan agreement requires a minimum amount of € 1 M to be made available and deposited in a current account pledged as security for the same loan and requires that no non-recurring transaction be performed with third parties (entities that are not members of the Group) without the previous written consent of the lending banks.
Failure to comply with the covenants and the other contractual obligations undertaken with the loan in question shall imply, if not remedied under the agreement provisions, the anticipated reimbursement of the residual loan amount and/or a require a restriction in the distribution of dividends.
At 31 December 2018, the Company is compliant with all the above-mentioned parameters.
At 31 Dec. 2018, there are € 11.8 M of non-current financial liabilities due beyond five years.

In addition, in 2018 the Group obtained short-term loans (so-called "hot money") for € 18 M, of which € 13.5 M have been repaid during the period.
Details of the credit lines at 31 Dec. 2018 are given below.

Data in € K	31-Dec-2018	31-Dec-2017	DIFF.
Credit lines granted	**69,350**	**56,850**	**12,500**
of which TA	*69,250*	*56,550*	*12,700*
of which subsidiaries	*100*	*300*	*-200*
Credit lines used	**9,500**	**5,000**	**4,500**
% used	*14%*	*9%*	*N.S.*

Bank loans at 31 December 2018 are given below at their notional and fair values.

	31 December 2018	
Amounts shown in € K	notional	fair value
TA - MPS	6,239	6,392
TA - INTESA SAN PAOLO	25,876	24,787
JET FUEL - BPM	804	800
TA - SHORT-TERM LOANS	9,501	9,500
TOTAL	42,420	41,479

The **Net Financial Position** at 31 Dec. 2018, as shown in the Report on Operations in compliance with CONSOB Resolution prot. no. 6064293 of 28 July 2006, is specified below:

NET CONSOLIDATED FINANCIAL INDEBTEDNESS			
Euro K	31-Dec-2018	31-Dec-2017	Abs. Diff.
A. Cash on hand and at banks	14,270	13,360	910
B. Other cash and cash equivalents	-	-	-
C. Securities held for trading	-	-	-
D. Liquid assets (A) + (B) + (C)	**14,270**	**13,360**	**910**
E. Current financial receivables	-	-	-
F. Current bank payables	9,501	5,000	4,501
G. Current portion of non-current indebtedness	4,755	4,538	218
H. Other current financial payables due to leasing companies	-	-	-
I. Current financial indebtedness (F) + (G) + (H)	**14,256**	**9,538**	**4,719**
J. Net current financial indebtedness (I) - (E) - (D)	**(13)**	**(3,822)**	**3,808**
K. Non-current bank payables	28,164	32,327	(4,163)
L. Bonds issued	-	-	-
M. Other non-current payables due to leasing companies	-	-	-
N. Non-current financial indebtedness (K) + (L) + (M)	**28,164**	**32,327**	**(4,163)**
O. Net Financial Position (J) + (N)(NFP)	**28,151**	**28,506**	**(355)**

See comments in the Report on Operations and to the “Statement of Cash Flows” for a more in-depth analysis of this item.

44. Other payables due beyond the year

Payables due beyond the subsequent year (entirely of the Parent Company TA) consist of € 202 K (€ 142 K as at 31 Dec. 2017) and refer to guarantee deposits received from customers as performance bonds for services provided.

Payables due beyond 5 years

The Company has loans of a duration exceeding 5 years, whose details are given in Note 43 to Financial Liabilities.

CURRENT LIABILITIES

Changes in non-current assets occurred during the period are shown below.

Data in € K	31-Dec-2018	31-Dec-2017	DIFF.
CURRENT LIABILITIES	78,091	74,257	3,834

More specifically, this aggregate consists of the following categories:

Financial liabilities due within one year

The aggregate amount of this item at 31 December 2018 is € 14,256 K (€ 9,538 K at 31 December 2017), as broken down below:

45. Tax liabilities

The aggregate amount of this item at 31 December 2018 is € 10,985 K (€ 10,591 K at 31 December 2017), as broken down below:

Data in € K	31-Dec-2018	31-Dec-2017	DIFF.
Addit. Mun. fees due to Rev. Ag.as mu Passeng. boarding	8,710	8,950	-240
IRES/IRAP due	1,142	230	912
IRPEF due for employees and self-employed prof.	729	1,140	-411
Higher fees due for private flights	251	136	115
Local taxes	152	135	18
Total	10,985	10,591	393

Specifically:

i) the account payable to the Revenue Agency for the additional municipal tax on passenger boarding fees has considerably increased as a result of the same dynamics associated with the decrease of trade receivables;

ii) the IRES-IRAP payable refers entirely to the IRES/IRAP balance of the subsidiaries as a result of the year's profit;

iii) payables to the Revenue Agency for withholding taxes due on employees has decreased due to the early payment of December salaries compared to 2017.

46. Payables to suppliers

At 31 December 2018, payables to suppliers totalled € 28.6 M (€ 28.5 M at 31 December 2017), so they increased by € 67 K.

47. Payables to social security institutions

This item includes accounts payable to social security and pension institutions (INPS, INAIL) at 31 December 2018 for a total amount of € 2,955 K (€ 2,671 K at 31 December 2017).

48. Other payables due within the year

The other payables due within the year at 31 December 2018 consist of € 14.2 M (€ 15.9 M at 31 December 2017), and include the following debit items:

Data in € K	31-Dec-2018	31-Dec-2017	DIFF.
Concession fees	2,669	2,393	276
Ministry of Transport	0	2,205	-2,205
Air/bus/train ticket office receipts	517	704	-187
Employees and contractors for accrued fees	5,105	6,358	-1,253
Insurance policies and damage excesses	89	150	-61
Due to Directors and Auditors	610	399	212
Fire-protection service	1,090	1,270	-180
Payables to Foundations/Associations/Social Sec. Inst./Local Bodies	89	145	-56
Deferred income	1,584	177	1,407
Payables to Holding CAI	1,541	1,438	103
Other minors	908	702	206
Total	14,201	15,941	-1,739

Specifically:

- The Fire Protection Service is the account payable to the Revenue Agency introduced by the 2007 Finance Law. For further considerations, see details in the section "Provisions for liabilities and charges".
- Prepaid expenses refer to non-aviation revenues invoiced in advance.
- Payables to the Parent Company CAI (Corporación America Italia) reflect the IRES tax balance) TA will have to pay according to the tax consolidation agreement; for details, see section #16 "Relationships with the companies of the Group and related parties" of the Report on Operations.

49. Advance payments

Advance payments total € 614 K (€ 284 K at 31 December 2017), mainly consisting of advances from customers.

ADDITIONAL INFORMATION

Commitments and Guarantees

As at 31 December 2018, commitments and guarantees include € 12,164 K of third party suretyships in favour of TA and € 10,137 K of suretyships given by third parties on behalf of TA.

Data in € K	31-Dec-2018	31-Dec-2017	DIFF.
Third-party guarantee in favour of Company	12,164	12,819	-655
Third-party guarantee on behalf of Company	10,137	10,547	-410

Suretyships provided by third parties in the favour of TA (€ 12.2 M) mainly refer to performance bonds for contract works, for compliance with agreements by sub-concessionaires, air carriers and other customers.

The suretyships provided to third parties on behalf of TA (€ 10.1 M) mainly refer to performance bonds in favour of ENAC to ensure full and exact fulfilment of the obligations established with the two 40-year Conventions signed with the Municipalities of Pisa and Florence as a guarantee of TA's compliance with municipal regulations in the expansion works for the airport infrastructures.

Allocation of financial instruments by valuation category

31 December 2018 (data in €K)	Assets valued at fair value	Assets valued at amortized cost	Total
Activity			
Trade receivables	-	19,243	19,243
Other financial assets - investments in other entities	2,945	-	2,945
Other accounts receivable	-	11,843	11,843
Cash and cash equivalents	-	14,270	14,270
Total	**2,945**	**45,356**	**48,301**

31 December 2018 (data in €K)	Liabilities valued at fair value	Liabilities valued at amortized cost	Total
Liabilities			
Financial liabilities	-	42,420	42,420
Trade payables and other payables	-	38,519	38,519
Total	**-**	**80,939**	**80,939**

Fair value measurement hierarchy

As regards the financial instruments recognised in the statement of financial position at fair value, IFRS 7 requires these values to be classified based on a hierarchy of levels that reflects the significance of the input used in the determination of fair value.
The following levels are identified:
Level 1 – prices quoted on an active market for similar assets or liabilities to be measured;
Level 2 – inputs (other than those pertaining to Level 1) that are directly (prices) or indirectly (price derivatives) observable in the market;
Level 3 – inputs that are not based on observable market data. Assets valued at fair value, shown in the table above, are categorised in the level in question.

Information on financial instruments

There are no derivative financial instruments.

Disclosure on government subsidies, contributions and other economic benefits received (Art. 1, § 125, of Law 142/2017)

Pursuant to the abovementioned law, in 2018 the TA Group received a contribution of approx. € 22 K as tax credit ("Art Bonus")[1]

Information on the main items of the Provision for liabilities and charges at 31 December 2018

1. Provision for liability risks connected with the dispute on the Fire Brigade airport service (€ 2,351 K)

As regards the contribution to be paid for the Fund created by the 2007 Finance Law to reduce the cost for the State of the organization and implementation of the Fire Protection Service in Italian airports, the Parent Company TA (then AdF) in 2012 brought a specific legal action before the Civil Court of Rome to ask the Judge to ascertain and declare the

[1] The tax credit corresponds to 65% of the donations given in support of culture, to be used for third parties through F24 offsetting, effective from the subsequent taxation period with respect to the period of the disbursement.

termination of the obligation to pay said contribution after a change in the purposes of said Fund, starting from 1st January 2009. In fact, since that date, the resources contributed to the Fund had been used to provide general public rescue and civil defence services, as well as to finance the national collective labour agreements of the Fire Brigades. The legal action is still ongoing today and, within its framework, after the legislative change introduced with the 2016 Stability Law in the matter, a specific application has been lodged to raise a constitutional question concerning art. 1, paragraph 478, of Law no. 208 of 28 December 2015, in connection with art. 39-bis, paragraph 1, of DL no. 159 of 1 October 2007, for violation of articles ##3, 23, 24, 25, 41, 53, 111, and 117, first paragraph, of the Constitution, as well as for the violation of art 6 of the European Convention on Human Rights. Notwithstanding the pending civil case, on 16 January 2015 the Administrations notified the Company with an order of the court regarding the alleged contributions to be paid to the Fire-protection Fund for the years 2007, 2008, 2009, and 2010. The court order at issue contains both formal and material errors (e.g. request of contributions already paid for the years 2007 and 2008), so the Company promptly lodged an opposition before the Court of Bologna to ask that the Court order be cancelled or, as a secondary measure, that the two cases be united because overlapping a new case re-initiated before the Court of Rome.

In this regard, in March 2016, the Court of Rome specified that "it cannot certainly re-challenge the effects of the final judgement, which are not affected by the introduction of new provisions, also having a retroactive effectiveness", and therefore, "the censored provision (paragraph 478) could not be highlighted" "at least as regards the companies parties of the trials concluded with final judgements (and hypothetically, also concerning the others, should the extension of the judgement be recognized in their favour)".

The Court of Rome, based on these preliminary remarks, considered that "at present, the applicability of the provision suspected of being unconstitutional to the matter in the hands of the decider is not certain" with reference to the airport management companies that claim a judgement that became final, such as Toscana Aeroporti.

We point out that the Constitutional Court, with decision no. 167/2018, deposited on 20 July 2018, stated the constitutional unlawfulness of Art. 1, par. 478, of Law no. 208 of 28 December 2015 "Provisions for the preparation of the State's annual and long-term budget (Stability Law 2016)".

In addition, we point out that the dispute brought by the Company before the Court of Cassation concerning the 2009 annuity of the Fire Protection Fund had a positive outcome for us on 1 February 2019, with the statement of the exclusive jurisdiction of the fiscal court on the matter. The decision made by the Court on 20 February 2019 also positively concluded the dispute before the *Commissione Tributaria Provinciale di Roma* [Rome Provincial Tax Commission] concerning the 2014 annuity. This decision admitted and approved the entire defence line brought forward by the Company over the last few years concerning the Fire Protection Fund and, together with the other recent judgements of the Constitutional Court and Court of Cassation, overturns the outcome of all the existing disputes on the matter in favour of the airport management companies, thus allowing for a new positive and different evaluation of the entire issue of the Fire Protection Fund.

The nature of "special-purpose tax" of the Fire Protection Fund has been rapidly recognised under the exclusive jurisdiction of the tax judge, which confirms that the tax was no longer payable starting from 2009 because it was ascertained that it had not been used for the purposes that had been indicated as a legal basis for its levying (the sole reduction of the costs incurred by the State for the delivery of the airport fire-protection service).

The amounts set aside by the company, also with the support of independent advisors, are consistent with the predictable outcome of the dispute, also considering the developments of the period.

Provision for labour liabilities (€ 1,462 K)

The provisions for labour liabilities existing at 31 Dec. 2018 for the parent company TA consists of € 1,462 K and reflects the persisting probability that liabilities may arise from ongoing mediation negotiations with employees and labour disputes with a probable unfavourable outcome. Finally, the parent company set aside a provision of € 405 K relating to the estimate of the liabilities deriving from the non-renewal of the National Collective Labour Contract ["CCNL"] in 2018.
For the same reasons, the subsidiary TAH recognised, at 31 December 2018, a provision for liabilities of € 592 K, of which € 140 K related to labour disputes and € 452 K reflecting the estimate of liabilities arising from the non-renewal of the CCNL in 2018.
The amounts set aside by the company, including with the support of independent advisors, are consistent with the predictable outcome of the dispute.

2. Other potential liabilities

We finally report risks for potential liabilities, also assessed as "possible" with the support of independent professionals, concerning:

a) the dispute for the return of the fees for fuel supplies requested by certain airlines from oil companies, where the Company has been summoned as third party;
b) the appeal proposed on 31 Dec. 2016 by Regione Toscana[1] against judgement no. 1310/2016, with which the "TAR" (Regional Administrative Court) of Tuscany, in August 2016, had admitted the petitions lodged by certain Committees and by the company "N.I.T." against the "Variant to the PIT" (territory planning scheme)[2] for the "Parco of Piana" and the Florence airport. Indeed, the TAR saw no insurmountable obstacle against the construction of the new runway, but simply asked for a more in-depth investigation on certain environmental issues - which have already been exhaustively assessed during the "VIA" - because its approval does not require a corresponding specification in the planning acts of the Region (i.e. the "PIT") and Local Bodies. For the sake of full disclosure, we inform readers that appeals have been lodged with the TAR in 2018 against VIA Decree no. 377 of 28 December 2017 and the discussion of some of the claims has been fixed for 3 April 2019.
c) TA's dispute concerning a claim for damages brought by a board member who left the BoD before the merger and against which the Company lodged a counterclaim.

Table of connection between the Parent Company's result and equity, and the same values in the TA Group

Pursuant to CONSOB's Communication of 28 July 2006, we provide below the reconciliation statement between 2018 result and the Shareholders' Equity at 31 Dec. 2018 (for the portion attributable to the Group) with the parallel values of the Parent Company.

1 Incidental appeal brought by Toscana Aeroporti on 26 January 2017.

2 Piano di Intervento Territoriale [Territory Planning Scheme].

Description	Shareholders' Equity at 31 - Dec-2018	Net 2018 earnings
S.E. and Holding "SAT Spa" earnings	**115,074**	**13,746**
S.E. and Group's Subsidiary' earnings	4,798	1,668
Elimination of the book value of stakes	(4,138)	-
Earnings of entities consolidated in SE	216	36
Elimination of intragroup dividends	-	(723)
After-tax consolidation difference (royalties)	2,383	(49)
Other minors	(96)	(82)
SE and Group earnings	118,236	14,597
Shareholders' Equity and Minority Interest's earnings	292	165
SE and Group and Minority Interest's earnings	**118,528**	**14,762**

Amounts shown in € K

Remuneration of Directors, Auditors and Executives with strategic responsibilities

For details see the special table in the Report on Remuneration specified in art. 123-ter of Leg. Dec. no. 58/98 (published in the Company's website).
We point out that Directors and Statutory Auditors have no interest in non-recurring transactions performed during 2018 or in similar transactions initiated during previous years and not yet concluded.
At the closing date of this financial statement, no loan existed in the favour of any member of the Board of Directors or Board of Statutory Auditors.

Relationships with related parties

See the specific section in the Report and Annex C to this financial statement at 31 Dec. 2018 for a summary of the main effects of transactions with related parties on the financial statement.

Atypical or unusual transactions

According to Consob's Notice no. 6064293 of 28 July 2006, no atypical or unusual transaction was performed during 2018.

Significant events and non-recurring transactions

Pursuant to CONSOB's Notice of 28 July 2006, we specify that no significant non-recurring transaction was performed in 2018.

Significant events occurred after 31 Dec. 2018

See section 19 of the Report on Operations.

Authorization to publication

This document has been approved by the Board of Directors on 14 March 2019 and made available to the public on 05 April 2019 upon the Chairman's authorization.

For the Board of Directors
The Chairman
(Marco Carrai)

ANNEXES TO THE 2018 CONSOLIDATED FINANCIAL STATEMENT

TABLE OF CHANGES OCCURRED IN INTANGIBLE ASSETS IN 2018 (€K)

	CONCESSION RIGHTS (ROYALTIES)	PATENT AND INTELLECTUAL PROPERTY RIGHTS	ASSETS UNDER CONSTRUCTION	OTHER FIXED ASSETS	TOTAL
Historical cost	184,870	11,671	20,121	0	**216,661**
Accumulated depreciation	-33,960	-10,252	-7,295	0	**-51,506**
A - Value as at 31-12-17	150,910	1,419	12,826	0	**165,155**
CHANGES FOR THE PERIOD					
Purchases	7,919	749	5,867	12	**14,545**
Previous years' work in progre	0		0	0	**0**
Reclassification	4,046	25	-4,171	0	**-100**
Other movements	0	0			**0**
Depreciation	-5,640	-893	-111	0	**-6,643**
B - Balance of changes	6,325	-120	1,585	12	**7,802**
Historical cost	196,834	12,444	21,817	12	**231,107**
Accumulated depreciation	-39,599	-11,145	-7,405	0	**-58,150**
Value at 31-12-2018 (A+B)	**157,235**	**1,299**	**14,411**	12	**172,957**

Ann. A

TABLE OF CHANGES OCCURRED IN TANGIBLE ASSETS IN 2018 (€K)

	LAND, BUILDINGS AND RUNWAY INSTALLATIONS		PLANT AND MACHINERY	INDUSTRIAL AND COMMERCIAL EQUIPMENT	ASSETS UNDER CONSTRUCTION	OTHER ASSETS	TOTAL
	to be freely assigned	owned by the Company					
Historical cost	12,562	16,600	30,819	1,240	0	18,010	**79,231**
Accumulated depreciation	-10,902	-2,060	-24,043	-899	0	-14,677	**-52,581**
A - Value as at 31-12-17	1,660	14,540	6,776	341	0	3,333	**26,650**
CHANGES FOR THE PERIOD							
Purchases	3	197	1,846	13	562	954	**3,575**
Reclassification	-251	-1	-184	177	77	283	**100**
Disinvestments/Decreases	0	0	0	0	0	-649	**-649**
Depreciation	-140	-209	-2,173	-39	0	-911	**-3,473**
Reversal of previous years' accum	0	0	0	0	0	649	**649**
B - Balance of changes	-388	-13	-511	151	639	326	**202**
Historical cost	12,314	16,796	32,481	1,430	639	18,598	**82,257**
Accumulated depreciation	-11,042	-2,269	-26,216	-938	0	-14,939	**-55,404**
Value at 31-12-2018 (A+B)	**1,272**	**14,527**	**6,265**	**491**	**639**	**3,659**	**26,852**

Ann. B

Toscana Aeroporti

RELATIONSHIPS WITH RELATED PARTIES

balance sheet item	31 December 2018 Values in € K	% incidence on balance sheet item	Book item (€K)	31 DECEMBER 2017 Values in € K	% incidence on balance sheet item	Book item (€K)
Associated companies						
Immobili A.O.U. Careggi Spa						
Investments in Associated Companies	260.1	43.66%	596	179.2	32.00%	560
Receivables from associated companies	110.6	63.64%	174	185.9	70.65%	263
Non-Aviation revenues	105.9	0.34%	31,213	97.9	0.35%	28,070
Other revenues and proceeds	49.0	0.81%	6,084	49.0	2.40%	2,045
Alatoscana Spa						
Investments in Associated Companies	335.7	56.34%	596	380.8	68.00%	560
Receivables from associated companies	63.2	36.36%	174	77.2	29.35%	263
Payables to related entities	-	0.00%		-	0.00%	
Other revenues and proceeds	63.6	1.05%	6,084	63.7	3.11%	2,045
Other related parties						
Comune di Pisa						
Payables to suppliers	12.2	0.04%	28,606	12.2	0.04%	28,539
Pisamo Spa (*)						
Payables to suppliers	23.7	0.08%	28,606	23.7	0.08%	28,539
Delta Aerotaxi srl						
Aviation revenues	224.8	0.24%	94,514	213.5	0.23%	93,945
Non-Aviation revenues	311.2	1.00%	31,213	314.7	1.12%	28,070
Other revenues and proceeds	15.2	0.25%	6,084	15.8	0.77%	2,045
Costs for services	-	0.00%	42,907	69.5	0.16%	43,097
Receivables from customers	437.0	2.32%	18,861	275.2	0.97%	28,328
Receivables from others due beyond the year	216.0	6.36%	3,399	258.9	11.24%	2,304
Corporate Air Services srl						
Aviation revenues	615.2	0.65%	94,514	679.2	0.72%	93,945
Non-Aviation revenues	73.0	0.23%	31,213	73.5	0.26%	28,070
Other revenues and proceeds	3.1	0.05%	6,084	4.8	0.23%	2,045
Receivables from customers	50.9	0.27%	18,861	99.8	0.35%	28,328
Delifly srl						
Non-Aviation revenues	36.6	0.12%	31,213	37.2	0.13%	28,070
Other revenues and proceeds	0.8	0.01%	6,084	1.2	0.06%	2,045
Receivables from customers	7.9	0.04%	18,861	11.5	0.04%	28,328
ICCAB srl						
Non-Aviation revenues	140.8	0.45%	31,213	129.1	0.46%	28,070
Other revenues and proceeds	7.6	0.12%	6,084	2.6	0.13%	2,045
Other receivables from customers	55.1	0.29%	18,861	45.2	0.16%	28,328
Corporación America Italy srl						
Receivables from customers	0.9	0.00%	18,861	0.9	0.00%	28,328
Other payables due within the year	1,540.7	10.85%	14,201	1,438.2	9.02%	15,941
Helport Uruguay S.A.						
Trade and sundry payables	-		28,606	709.5	6.42%	11,059
Comune di Firenze						
Non-Aviation revenues	6.0	0.02%	31,213	5.7	0.02%	28,070
Receivables from customers	-		18,861	1.4	0.01%	28,328
Costs for services	116.6	0.27%	42,907	113.8	0.26%	43,097
Other payables due within the year	30.4	0.21%	14,201	29.7	0.19%	15,941

(*) a company 100% owned by Comune di Pisa (a TA partner).

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TABLE OF DEFERRED AND PREPAID TAXES AND CONSEQUENT EFFECTS (€K)

ITEMS	PREPAID / DEFERRED TAXES 31-DEC-2017			2018 REABSORPTION			2018 INCREASES			PREPAID / DEFERRED TAXES 31-DEC-2018		
EXPENSES FOR CAPITAL INCREASE	463,414	IRES	111,219	231,707	IRES	55,610	0	IRES	0	231,707	IRES	55,609
PROVISION FOR BAD DEBT AND OTHER RECEIVABLES	4,350,318	IRES	1,044,076	0	IRES	0	293,158	IRES	70,358	4,643,476	IRES	1,114,434
IFRIC12 / EXCEEDING PROVISION FOR REPAIRS AND MAINTENANCE	2,969,642	IRES / IRAP	910,684	1,790,625	IRES / IRAP	521,430	773,716	IRES / IRAP	225,306	1,952,733	IRES / IRAP	614,560
ACTUARIAL GAIN / LOSS (O.C.I.)	758,943	IRES	182,147	234,310	IRES	56,234	0	IRES	0	524,633	IRES	125,912
SUNDRY MINORS	189,884	IRES / IRAP	52,729	213,427	IRES / IRAP	62,150	472,363	IRES / IRAP	137,552	448,820	IRES / IRAP	128,131
PROVISION FOR FUTURE LIABILITIES AND CHARGES	3,957,805	IRES / IRAP	1,080,480	1,128,710	IRES / IRAP	271,454	1,191,239	IRES / IRAP	286,460	4,020,334	IRES / IRAP	1,095,486
T.I. IAS USE DIFFERENCES	425,363	IRES	102,087	359,868	IRES	86,368	0	IRES	0	65,495	IRES	15,719
PARCHEGGI PERETOLA CONSOLIDATION	- 3,434,539	IRES /	- 1,003,356	- 9,402	IRES /	- 2,746		IRES /	-	- 3,425,137	IRES /	- 1,000,610
OTHER DIFFERENCES	258,522	IRES / IRAP	59,723	34,045	IRES / IRAP	9,914	90,884	IRES / IRAP	21,812	315,361	IRES / IRAP	71,621

Ann. D

TABLE OF RECONCILIATION BETWEEN YEAR'S RESULT AND TAXABLE BASE (€K)

	31/12/2018		31/12/2017	
	IRES	IRAP	IRES	IRAP
Profit before tax according to law tax	19,562	62,214	15,324	59,518
Ordinary applicable tax rate	24.00%	5.12%	24.00%	5.12%
Theoretical tax burden	**4,695**	**3,185**	**3,678**	**3,047**
Main final differences				
- dividends collected (95% exempt.)	- 715		- 605	
- analytical and lump-sum IRAP deductions	- 426		- 463	
- ACE	- 292		- 303	
- labour costs of permanent employees		- 35,529		- 34,797
- other deductible labour costs		- 1,173		- 1,256
Sundry final variations (balance)	1,730	515	1,736	1,326
Sundry temporary variations (balance)	- 1,408	214	1,260	1,490
Taxable base	**18,450**	**26,241**	**16,948**	**26,281**
Current taxes	4,428	1,344	4,068	1,346
Previous years' taxes	- 185		- 8	
Deferred taxes	338	- 10	- 302	- 76
Income from consolidation	- 98		- 113	
Other minor effects	630	274	362	97
Total taxes booked	**5,112**	**1,608**	**4,007**	**1,366**

Toscana Aeroporti

2018 FEES PAID FOR AUDITING SERVICES (ART. 159-*DUODECIES* OF CONSOB ISSUER REGULATIONS)

Service type	Entity that provided the service	Beneficiary	Notes	2018 fees (€)
Auditing	PwC SpA	Parent Company TA SpA	(1)	74,000
	PwC SpA	Subsidiaries	(2)	13,800
Certification services	PwC SpA	Parent Company TA SpA	(3)	166,500
	PwC SpA	Parent Company TA SpA	(4)	12,700
	PwC SpA	Parent Company TA SpA	(5)	19,000
Other services	PwC SpA	Parent Company TA SpA		90,000
			Total	376,000

Notes

(1) Fees for the statutory auditing of the consolidated financial statement and financial statement of the parent company (including periodic audits) and for the limited auditing of the interim consolidated financial statement of the Group.

(2) Fees for the statutory auditing of the financial statement of the subsidiaries Parcheggi Peretola Srl and Jet Fuel Co. Srl, and periodic audits.

(3) Fees for the statutory auditing of the consolidation dossiers of the Corporacion America Airports Group.

(4) Fees for the auditing of the accounting reports of the Pisa and Florence airports pursuant to the CIPE Resolution no. 38/2007.

(5) Fees for the limited auditing of the Non-Financial Consolidated Statement pursuant to Legislative Decree no. 254/2016 for the year 2018.

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CERTIFICATION OF THE 2017 CONSOLIDATED FINANCIAL STATEMENT PURSUANT TO ART. 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AND SUBSEQUENT AMENDMENTS AND SUPPLEMENTS

1. The undersigned Gina Giani (Chief Executive Officer) and Marco Gialletti (Financial Reporting Manager) of Toscana Aeroporti S.p.a., also considering the provisions contained in art. 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998, hereby certify:

- the appropriateness in connection with the distinguishing features of the company, and
- the actual implementation

of the administrative and accounting procedures for the preparation of the 2018 Consolidated Financial Statement.

2. Furthermore, it is hereby certified that the 2018 Consolidated Financial Statement:

- has been prepared in accordance with applicable accounting standards recognized within the European Community pursuant to EC Regulation no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- reflects the contents of accounting books and records;
- provides a true and fair view of the assets, liabilities, and financial situation of the issuer and of the issuer.

3. The Report on Operations includes a reliable analysis of operating performance and income, as well as the situation of the issuer, along with a description of the primary risks and uncertainties to which it is exposed.

Florence, 14 March 2019

For the Board of Directors

Gina Giani

Chief Executive Officer

Marco Gialletti

Financial Reporting Manager

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of Toscana Aeroporti SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Toscana Aeroporti Group (the Group), which comprise the consolidated statement of financial position as of 31 December 2018, the consolidated income statement, consolidated statement of comprehensive income, statement of changes in consolidated shareholders' equity, consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2018, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of 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 this report. We are independent of Toscana Aeroporti SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. 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.

PricewaterhouseCoopers SpA

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Capitalisation of concession rights	
Explanatory notes to the consolidated financial statements as of 31 December 2018: Note "Intangible assets". Report on operations: paragraph "11. The Group's investments". During financial year 2018 costs related to intangible assets were capitalised in a total amount of Euro 14.5 million representing 5.7% of the Company's assets; such costs are made up of Euro 7.9 million related to concession rights and Euro 5.6 million related to intangible assets under development, of which Euro 5.1 million for the development of the Florence Airport Master Plan. Considering the significance of the investments and use of estimates that the Company's management made to verify the compliance with the requirements of IFRIC interpretation *"IFRIC 12 – Service concession arrangements"* and of international accounting standard *"IAS 38 – Intangible assets"* adopted by the European Union, we specifically focused our attention on the valuations performed by the directors. The estimates prepared by them were mainly related to the verification of the identifiability of capitalised costs and the existence of future economic benefits deriving from the investments made.	We conducted an understanding, evaluation and validation of the procedure of capitalisation of the concession rights adopted by the Group. In particular, we conducted an understanding and verification of the key controls underlying the capitalisation of such intangible assets. We obtained a detail of the amounts of capitalised costs by project, analysing, on a sample basis, increases and decreases occurred during the year. During our audit we paid special attention to the compliance with the requirements of IFRIC interpretation *"IFRIC 12 – Service concession agreements"* adopted by the European Union and of international accounting standard *"IAS 38 – Intangible assets"* adopted by the European Union for the capitalisation of such intangible assets, with particular reference to the identifiability of capitalised costs and the existence of future economic benefits deriving from the investment. To that end, we examined, on a sample basis, the long-term plans prepared by management and the related estimated future cash flows. As part of our audit procedures we also carried out discussions with management and the technical managers with the aim of understanding the characteristics of the projects. Furthermore, with specific reference to the analyses conducted on investments related to the development of the Florence Airport Master Plan, in our audit procedures we also involved PwC network experts in valuation.

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Valuation of provisions for risks and charges and provisions for repair and replacement *Explanatory notes to the consolidated financial statements: note 40 "Provisions for risks and charges", note 41 "Provisions for repair and replacement" and paragraph "Information on the main items of the Provision for risks and charges at 31 December 2018"* The value of the provisions for risks and charges and of the provisions for repair and replacement recorded within the balance sheet liabilities of the consolidated financial statements at 31 December 2018 amounted to Euro 4.2 million and Euro 25.4 million respectively, which represent 1.7% and 10% of the Group's liabilities. Given the significance of the amounts at issue and the use of estimates that management made to verify the compliance with the requirements under IFRIC interpretation *"IFRIC 12 – Service concession arrangements"* and under the international accounting standard *"IAS 37 - Provisions, Contingent Liabilities and Contingent Assets"* adopted by the European Union, we paid special attention to verifying the liabilities at issue. The main analyses performed by management consisted in the verification of the ongoing obligations, the estimated likelihood to be required to fulfil such obligations and the relevant estimated amount.	We conducted an understanding, evaluation and validation of the procedure adopted by the Group in order to determine the accruals to provisions for risks and charges and to the provisions for repair and replacement and to evaluate the adequacy of the liabilities recognised within the balance sheet liabilities at 31 December 2018. In particular, we conducted an understanding and verification of the key controls underlying the determination of such provisions and the evaluation of the adequacy of the liabilities recognised. In this respect, we highlight that in relation to the more significant issues the Group is supported by independent external professionals who keep management abreast of the status of the litigation and of the potential impacts on the financial statements. We also obtained a detail of the amounts provisioned and we analysed, on a sample basis, the reasonableness of the assumptions adopted by management to quantify the liability amount to recognise in the financial statements. With reference to the external professionals who support the Group in the evaluation of the provisions for risks and charges we also sent requests for information to them and we analysed the replies obtained. Moreover, in order to comprehend the characteristics of the pending lawsuits and of the repairs and replacements carried out on assets under concession, we held discussions with management, the internal legal affairs office, the control managers, the internal technical managers and with the external professionals.

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, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate Toscana Aeroporti SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed 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 the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained 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;
- We obtained 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;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' 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;

- We evaluated 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.
- We obtained 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 on the consolidated financial statements.

We communicated 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 identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated 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 determined 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 described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014

On 3 November 2014, the shareholders of Toscana Aeroporti SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2014 to 31 December 2022.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory 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 capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Toscana Aeroporti SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Toscana Aeroporti Group as of 31 December 2018, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the Toscana Aeroporti Group as of 31 December 2018 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the Toscana Aeroporti Group as of 31 December 2018 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

The directors of Toscana Aeroporti SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016.
We have verified that the directors approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Florence, 4 April 2019

PricewaterhouseCoopers SpA

Signed by

Luigi Necci
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers. We have not examined the translation of the financial statements referred to in this report.

SEPARATE FINANCIAL STATEMENTS – REPORTS AT 31-DEC-2018

TOSCANA AEROPORTI - INCOME STATEMENT

Amounts in € K	Notes	2018	of which Related Parties	2017 (*)	of which Related Parties
REVENUES					
Operating income	1-2	93,409	1,653	103,342	1,700
Other revenues and proceeds	3	7,564	139	2,666	140
Revenues from construction services	4	13,515		12,091	
TOTAL REVENUES (A)		**114,487**	**3,306**	**118,099**	**3,400**
COSTS					
Operating Costs					
Consumables	5	1,036	0	1,000	0
Cost of Personnel	6	31,082	0	41,111	0
Costs for services	7	28,376	117	26,803	183
Sundry operating expenses	8	1,992	0	2,292	0
Airport leases	9	6,506	0	6,208	0
Total operating costs		**68,992**	**117**	**77,414**	**183**
Costs for construction services	10	13,341	0	11,922	0
TOTAL COSTS (B)		**82,333**	**117**	**89,337**	**183**
GROSS OPERATING MARGIN (A-B)		**32,155**		**28,763**	
Amortization and impairment	11	9,284		8,865	
Provision for risks and repairs	12	2,453		2,928	
Value write-ups (write-downs) net of trade receivables and other receivables	13	329		872	
OPERATING EARNINGS		**20,088**		**16,097**	
ASSET MANAGEMENT					
Financial income	14	768		678	
Financial expenses	15	-1,294		-1,451	
Profit (loss) from equity investments	16	0		-	
TOTAL ASSET MANAGEMENT		**-526**		**-772**	
PROFIT (LOSS) BEFORE TAX		**19,562**		**15,324**	
Taxes for the period	17	-5,816		-4,914	
PROFIT/(LOSS) FOR THE PERIOD		**13,746**		**10,411**	
Earnings per share (€)	18	0.7386		0.5594	
Diluted earnings per share (€)		0.7386		0.5594	

(*) Comparative data regarding 2017 have been booked again after the adoption of IFRS 15, for which details we refer the reader to section "New reporting standards, amendments and interpretations applicable from 1 January 2018".

STATEMENT OF COMPREHENSIVE INCOME

Amounts in € K	Notes	2018	2017
PROFIT (LOSS) FOR THE PERIOD (A)		**13,746**	**10,411**
Other comprehensive profits/(losses) that will not be subsequently reclassified to the Income Statement:			
- Profit (loss) arising from the determination of the Employee Benefit Fund, after tax	42	241	22
Total other profit (loss) before tax (B)		*241*	*22*
COMPREHENSIVE PROFIT FOR THE PERIOD (LOSS) (A) + (B)		**13,988**	**10,432**

STATEMENT OF FINANCIAL POSITION (amounts in € K)

ASSETS	Notes	31-Dec-2018	31-Dec-2017
NON-CURRENT ASSETS			
Intangible assets	19-21	167,405	159,552
Property, Plant and Equipment	22	23,181	26,027
Equity investments in other entities	23	2,945	123
Investments in Subsidiaries	24	4,138	3,388
Investments in Associated Companies	25	380	380
Other financial assets	26-27	3,588	2,497
of which to Related Parties		*0*	*710*
Deferred tax liabilities	28	2,977	3,485
TOTAL NON-CURRENT ASSETS		**204,614**	**195,452**
CURRENT ASSETS			
Trade and sundry receivables			
Other receivables from customers	29	13,679	28,081
of which to Related Parties		*0*	*434*
Receivables from related entities	30	174	263
Receivables from subsidiaries	31	1,867	1,229
Tax assets	32	1,935	496
Receivables from others, due within the year	33	8,891	9,030
Total trade and sundry receivables		**26,546**	**39,100**
Cash and cash equivalents	34	9,452	12,098
TOTAL CURRENT ASSETS		**35,998**	**51,198**
TOTAL ASSETS		**240,613**	**246,651**

STATEMENT OF FINANCIAL POSITION (amounts in € K)			
SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	**31-Dec-2018**	**31-Dec-2017**
CAPITAL AND RESERVES			
Share Capital	35	30,710	30,710
Capital reserves	36	73,406	72,878
IAS adjustments reserve	37	-3,229	-3,229
Profit/(Loss) carried forward	38	441	200
Profit/(loss) for the period	39	13,746	10,411
TOTAL SHAREHOLDERS' EQUITY		**115,074**	**110,969**
NON-CURRENT LIABILITIES			
Provisions for liabilities and charges	40	3,524	3,958
Provisions for repair and replacement	41	18,939	18,517
Employee benefit fund	42	2,453	6,183
Financial liabilities due over one year	43	27,558	31,974
Other payables due beyond the year	44	202	142
NON-CURRENT LIABILITIES		**52,676**	**60,774**
CURRENT LIABILITIES			
Financial liabilities due within one year	43	14,059	9,439
Tax liabilities	45	9,543	10,494
Trade and sundry receivables			
Payables to suppliers	46	24,762	27,522
of which to Related Parties		*36*	*36*
Payables to Subsidiaries	47	4,394	2,206
Payables to social security institutions	48	1,499	2,603
Other payables due within the year	49	11,579	15,666
of which to Related Parties		*1,571*	*1,468*
Provisions for repair and replacement (current share)	41	6,473	6,692
Advance payments	50	554	284
Total trade and sundry receivables		**49,260**	**54,974**
TOTAL CURRENT LIABILITIES		**72,862**	**74,907**
TOTAL LIABILITIES		**125,538**	**135,682**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**240,613**	**246,651**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(amounts shown in €K)

	SHARE CAPITAL	SHARE PREMIUM RESERVE	LEGAL RESERVE	STATUTORY RESERVES	OTHER RESERVES	IAS ADJUSTMENTS RESERVE	TOTAL RESULT RESERVES	TOTAL S.E.
S.E. AT 31 December 2016	**30,710**	**18,941**	**2,972**	**25,876**	**24,586**	**-3,229**	**9,950**	**109,806**
NET PROFIT (LOSS) FOR THE PERIOD	-	-	-	-	-	-	10,411	**10,411**
OTHER COMPONENTS OF COMPREH. I.S.	-	-	-	-	-	-	22	**22**
TOTAL COMPREHENSIVE PROFIT (LOSS)	-	-	-	-	-	-	***10,432***	**10,432**
PROFIT ALLOCATION	-	-	504	0	-		-504	-
DIVIDENDS	-	-	-	-	-	-	-9,269	-9,269
S.E. AT 31 December 2017	**30,710**	**18,941**	**3,475**	**25,876**	**24,586**	**-3,229**	**10,610**	**110,969**
NET PROFIT (LOSS) FOR THE PERIOD	-	-	-	-	-	-	13,746	**13,746**
OTHER COMPONENTS OF COMPREH. I.S.	-	-	-	-	-	-	241	**241**
TOTAL COMPREHENSIVE PROFIT (LOSS)	-	-	-	-	-	-	***13,988***	**13,988**
PROFIT ALLOCATION	-	-	528	-	-	-	-528	0
DIVIDENDS	-	-	-	-	-	-	-9,883	-9,883
TOTAL ITEMS DIRECTLY SHOWN IN S.E.	-	-	***528***	-	- ***0***	-	***-10,410***	***-9,883***
S.E. AT 31 December 2018	**30,710**	**18,941**	**4,003**	**25,876**	**24,585**	**-3,229**	**14,188**	**115,074**

STATEMENT OF CASH FLOWS (amounts in €K)		
Euro K	**2018**	**2017**
OPERATING ACTIVITY		
Net result for the period	**13,746**	**10,411**
Adjusted for:		
- Amortization/depreciation	9,284	8,865
- Other provisions and impairment losses	(590)	446
- Change in the provision for liabilities and charges	1	1,107
- Net change in termination benefit and other provisions	(575)	(382)
- Financial expenses for the period	1,294	1,451
- Net changes in (prepaid)/deferred taxes	405	(372)
- Taxes for the period	5,411	5,286
Cash flows of operating activities before changes in the working capital	*28,977*	*26,811*
- (Increase)/decrease in trade receivables	14,402	(12,757)
- (Increase)/decrease in other accounts receivable and current assets	(58)	(4,554)
- Increase/(decrease) in payables to suppliers	(2,760)	2,208
- Increase/(decrease) in other payables	(1,071)	3,824
Cash flows of operating activities before changes in the working capital	*10,513*	*(11,278)*
Liquid assets generated by operating activities	*39,490*	*15,532*
- Interest payable paid	(499)	(572)
- Taxes paid	(5,737)	(3,831)
Cash flow generated by operating activities	**33,254**	**11,129**
INVESTMENT ACTIVITIES		
- Purchase of tangible assets	(3,575)	(3,948)
- Sale of tangible assets	-	155
- Purchase of intangible assets	(14,375)	(12,900)
- Non-current receivables	-	0
- Equity investments and financial assets	(5,942)	216
- Transfer of TAH company branch net of cash & cash equivalents	(2,286)	0
Cash flow from investing activities	**(26,178)**	**(16,477)**
CASH FLOW FROM OPERATIONS	**7,076**	**(5,348)**
FINANCIAL ASSETS		
- Dividends paid	(9,883)	(9,269)
- Short-/long-term loans taken out	18,000	11,000
- (Repayment of) short-/long-term loans	(17,840)	(10,340)
Net cash flow generated by/(used for) investments	**(9,723)**	**(8,609)**
Net increase/(decrease) in available cash Cash equivalents	**(2,647)**	**(13,957)**
Cash and cash equivalents at beginning of period	12,098	26,056
Cash and cash equivalents at end of period	**9,451**	**12,098**

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AT 31-DEC-2018

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AT 31 December 2018

INTRODUCTION

Toscana Aeroporti S.p.a.(hereinafter the “Company” or “TA”) is joint-stock company with registered office at the address of the Office of the Register of Companies of Florence since 1st June 2015 created with a merger by incorporation between Società Aeroporto Toscana Galileo Galilei S.p.A. (Pisa Airport) and Aeroporto di Florence S.p.A. The main activities of the Group are described in the Report on Operations.
This Financial Statement of TA shows amounts in Euro thousands (€ K) as this is the currency used by TA for most its transactions.
The limited auditing activity conducted on the 2018 Financial Statement of TA has been carried out by PricewaterhouseCoopers S.p.A.

STRUCTURE AND CONTENT OF STATEMENTS AND REPORTS

TA’s 2018 Financial Statement has been prepared in compliance with the International Accounting Standards (IAS/IFRS) in force to date, issued by the International Accounting Standards Board and approved by the European Union, as well as in compliance with the measures issued to implement art. 9 of Leg. Dec. no. 38/2005 (CONSOB Resolution no. 15519 of 27 July 2006 concerning “Provisions on financial statements”, CONSOB Resolution no. 15520 of 27 July 2006 concerning “Amendments and additions to the Issuers’ Regulation adopted with Resolution no. 11971/99”, CONSOB Notice no. 6064293 of 28 July 2006 concerning “Company disclosures required by to art. 114, paragraph 5, of Leg. Dec. no. 58/98”). Furthermore, we considered the International Financial Reporting Interpretations Committee (”IFRIC”), formerly Standing Interpretations Committee ("SIC").

FORMAT OF FINANCIAL STATEMENTS

As regards the format of financial statements, the Company decided to present the following types of consolidated statements: Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Changes in the Consolidated Shareholders’ Equity, Statement of Cash Flows and Explanatory Notes. In their turn, Assets and Liabilities have been shown in the Balance Sheet based on their classifications as current and non-current.

Income Statement
The Income Statement is presented with classifications by nature, as this is considered to be the most significant classification method for the best disclosure of the earnings of the Company.
Furthermore, the Income Statement, pursuant to Consob's Resolution no. 15519 of 27 July 2006, breaks down all the relevant cost and revenue items referred to the relationships with related parties.

Statement of Comprehensive Income
In order to present additional information on its earnings, the Company chose to prepare two separated statements: the "Income Statement", which includes the operating result for the period, and the "Statement of Comprehensive Income", which includes both the operating result for the period and changes in the Shareholders' Equity relating to revenue and expense accounts, which, as specified in international accounting standards, are recognised among the components of the Shareholders' Equity. The Statement of Comprehensive Income is presented with details of Other Comprehensive Profits and Losses to distinguish between profits and losses that will be reclassified in the income statement in the future, and profits and losses that will never be reclassified in the income statement.

Statement of Cash Flows
The Statement of Cash Flows is presented subdivided into cash flow formation areas. The Statement of Cash Flows adopted by TA has been prepared by using the indirect method. Cash and cash equivalents included in the cash flow statement include the balance values of said items at the reference date. Income and expenses concerning interests, dividends received and income taxes are included in the financial flows generated by operations.
Pursuant to Consob Resolution no. 15519 of 27 July 2006, we specify that the cash flow statement does not show the financial flows regarding relationships with related parties, because they are not considered significant.

Statement of Changes in the Consolidated Shareholders' Equity
The statement of Changes in the Consolidated Shareholders' Equity is presented as required by international accounting standards, with separated items for the year's profit and each revenue, income, charge and expense not passed in the income statement or in the statement of comprehensive income, but directly recognised in the Shareholders' Equity based on specific IAS/IFRS accounting standards.

ACCOUNTING STANDARDS AND VALUATION CRITERIA

The accounting standards and valuation criteria adopted for the preparation of the financial statement for the business year closed on 31 Dec. 2018 are described below.
The financial statement has been prepared on a historical-cost basis, modified as required for the valuation of certain financial instruments. The Directors assessed whether it was appropriate to prepare the financial statement on a going-concern basis and concluded that the requirement for so doing is met, as there is no doubt concerning the Company's capacity to continue operations.

Intangible assets
Concession rights (royalties) represent the Concessionaire's right to use the asset (the "Intangible Asset Method") under concession, in consideration of the costs incurred for the design and construction of the same asset, with the obligation to return it at the end of

the concession. Concession rights (royalties) are booked at the fair value (estimated on the basis of the cost incurred, inclusive of financial expenses, in addition to the capitalization of internal costs for the general coordination activity required for the works carried out by TA) of the intangible assets consisting in the construction and expansion of assets included within the framework of IFRIC 12.
If the fair value of services received (in this case, the right to use the infrastructure) cannot be reliably determined, revenues are determined based on the fair value of the services delivered (fair value of construction services completed).
Assets consisting in construction services in progress at year-end are valued on the basis of the progress of works and posted under the item "Revenue from construction services" of the Income Statement.
Repair or replacement activities are not capitalized and converge in the estimate of the provision described below.
Concession rights are amortized over the entire duration of each individual concession - a method that reflects the assumption that the future economic benefits of the asset will be used by the Concessionaire. Considering that the Pisa airport is a military airport that has been opened to civil traffic, concession rights also include the investments made by the Parent Company for the flight infrastructure belonging to *Aeronautica Militare* (Ministry of Defense).
The provision for impairment and the provision for repair or replacement expenses, globally considered, ensure an adequate coverage of the following charges:

- free assignment to the State upon expiration of the concession of revertible assets with a useful life exceeding the term of the concession;
- repair and replacement of the components subject to wear and tear of the assets under concession;
- recovery of the investment, even in connection with the new works contemplated in financial plans.

Should events take place that support the assumption of an impairment of the value of said Intangible assets, the difference between the book value and the related "recovery value" is recorded in the income statement.
An intangible asset purchased or produced internally is booked among Assets, as required by IAS 38, only if it can be identified and controlled, and if it is possible to predict the generation of future economic benefits and if its cost can be determined reliably.
Intangible assets with finite lives are valued at purchase or production cost, after deducting accumulated amortization and impairment. Amortization is determined by making reference to the period of its estimated useful life and starts when the asset is available for use.
The amortization criteria adopted for the various intangible asset items are the following:
- Industrial patent and intellectual property rights: 2 years;
- multi-year charges: 5 years or referring to the different useful life, if lower;
- Concession rights (royalties): based on the remaining years of the concession (expiry 2046 for the Pisa airport, expiry 2043 for the Florence airport).

The Company elected to maintain the historical purchase cost, as an alternative to fair value, as valuation criterion for tangible assets after their initial recording.
Construction in Progress is valued at cost based on the progress reports defined by the contract with the supplier and are amortized starting from the business year when they start being used.
If, regardless of the amortization already accounted for, there is an impairment, the asset is written down accordingly; if, in subsequent years, the assumption of the impairment ceases to exist, the original value is restored, adjusted with the sole amortization.

Development costs can be capitalized provided that the cost is reliable, can be determined and the asset can be shown to be capable of producing future economic benefits.
Research costs are booked to the Income Statement in the period when they are incurred.
No intangible assets with an indefinite useful life have been booked in the balance sheet.

Property, Plant and Equipment
Property, plant and equipment are booked at their purchase cost (more specifically, according to this principle, the value of land is separated from the value of the buildings built on said land and only the building is depreciated) and the cost includes incidental, direct and indirect costs for the portion reasonably attributable to the asset. For an asset that justifies capitalization, the cost also includes the financial expenses that are directly attributable to the acquisition, construction or production of asset itself.
If the individual components of a complex tangible asset have different useful lives, they are booked separately to be depreciated consistently with their relative duration ("Component Approach").
The costs incurred after the purchase are capitalized only if they increase the future economic benefits implied in the asset to which they refer. All the other costs are booked in the Income Statement when they are incurred. Tangible assets in progress are valued at cost and depreciated starting from the year when they start being used.
Fixed assets are systematically depreciated in each business year on a straight-line basis based on economic-technical rates determined in connection with the residual possibilities of use of the assets.
The rates applied are specified below:

✓ Land:	not depreciated
✓ Property:	4% (25 years)
✓ Plant and machinery:	10% (10 years)
✓ Industrial and commercial equipment:	10% (10 years)
✓ Electronic machines:	20% (5 years)
✓ Office furniture and equipment:	12% (9 years)
✓ Vehicles:	25% (4 years)
✓ Cars:	20% (5 years)

Investments in revertible assets made before 1997 have been depreciated based on the lower term between the duration of the concession and the useful life of each individual asset.
Ordinary maintenance costs are fully debited to the Income Statement. Incremental maintenance costs are attributed to the assets to which they refer and depreciated in connection with their residual possibility of use.
Profits and losses deriving from the sale or divestment of assets are determined as the difference between the sales revenue and the net book value of the asset and are booked in the Income Statement of the year.

Impairment
At each year-end date, TA reviews the carrying value of its tangible and intangible assets to detect any impairment. Whenever any such indication exists, the recoverable amount of said assets is estimated to determine the amount of the write-down ("impairment test").
When it is impossible to estimate the recoverable value of each individual asset, TA estimates the recoverable amount of the cash-generating unit to which the asset belongs.
The recoverable amount is the greater between the net selling price and the value in use.
In determining the value in use, the estimated future cash flows are discounted at their current value by using a pre-tax rate that reflects the market's current valuation of the current value of money and the specific risks of the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be lower than the relative book value, the book value of the asset is reduced to the lowest recoverable value. An impairment is immediately recognised in the Income Statement.
When the circumstances requiring a write-down no longer exist, the carrying amount of the asset (or cash-generating unit) is adjusted upward to its new estimated recoverable amount which, however, does not exceed what the net carrying amount would have been, had the impairment not been recognized. The reversal is recognized immediately in the income statement.

Leased assets

Assets owned under finance leases, through which all the risks and benefits associated with ownership are substantially transferred onto the Company, are recognized as owned assets at their current value or, if lower, at the actual value of the minimum payments due for the leasing. The corresponding liability for the lessor is booked in the financial statement as financial debt. Assets are depreciated by applying the criterion and the rates used for owned assets.
The leases where the lessor substantially maintains all the risks and benefits associated with the ownership of the assets are classified as operating leases. Costs referred to operating leases are recognised line-by-line in the Income Statement along the term of the lease agreement.

Non-current assets held for sale

Non-current assets (and disposal groups) classified as "held-for-sale" are valued at the lower of their previous carrying amount and fair value less costs to sell.
Non-current assets (and disposal groups) are classified as "held-for-sale" when their book value is expected to be recovered by means of a sale transaction rather than being used in the operating activity of the company. This condition is met only when the sale is highly probable, the asset (or group of assets) is immediately available for sale in its current conditions, the Management has already committed to sell it/them, and the sale is planned within twelve months from the classification date of this item.

Financial assets (including Investments in other entities)

IFRS 9 set forth a single approach for the analysis and classification of all financial assets, including those containing incorporated derivatives. The classification and the related valuation have been made considering both the management approach used for the financial asset and the specific contractual features of the cash flows that can be obtained from the asset. As a function of the characteristics of the instrument and the business model adopted for its management, the following three categories are distinguished:
(i) financial assets valued at amortized cost; (ii) financial assets valued at fair value with recognition of effects in the other components of comprehensive income (hereinafter also "OCI", Other Comprehensive Income); (iii) financial assets valued at fair value with allocation of the effects to the Income Statement.
Financial assets are valued using the amortized cost method if both the following conditions are met:
- the management model adopted for the financial asset consists in holding the asset with the sole purpose of collecting the related financial flows; and
- the financial asset generates, at contractually predetermined dates, financial flows that only represent the yield of the same financial asset.

According to the amortized cost method, the initial carrying value is subsequently adjusted to take into account capital repayments, any impairment, and the amortization of the difference between the repayment value and the initial carrying value.

The amortization is made based on the actual internal interest rate, which is the rate that, upon initial recognition, makes the actual value of expected cash flows and the initial carrying value equivalent.
Receivables and the other financial assets valued at amortized cost are presented in the Balance Sheet net of the related reserve for bad debt.
Financial assets that consist of debt securities, where the business model allows both options to collect contractual cash flows or to realize capital gains on transfers (the so-called "hold to collect and sell" business model), are valued at fair value with recognition of effects to OCI (assets valued at FVTOCI).
In this case, the difference in the fair value of the instrument has been recognised in the Shareholders' equity, among the other components of comprehensive income. The aggregate amount of fair value differences, allocated to the Shareholders' equity reserve, which includes the other components of comprehensive income, has been reversed into the Income Statement upon eliminating the instrument from the accounts. Interest receivable calculated by using the actual interest rate, exchange rate differences, and impairment are recognised in the Income Statement.
A financial asset that is a debt security that is not valued at amortized cost or FVTOCI is valued at fair value with recognition of effects in the Income Statement (assets valued at FVTPL).

Investments in subsidiaries and associates
Equity investments in subsidiaries (controlled by TA) and in associated companies (on which TA has a remarkable influence) are booked at their cost adjusted for any impairment.
Investments are tested for impairment on an annual basis or more frequently, if necessary. If there is evidence that said equity investments have been impaired, their impaired value is recognized in the Income Statement as impairment. If, subsequently, the impairment ceases to apply or is reduced, the recovered value is posted in the Income Statement within the limits of the cost.
Directors believe that the TA Group has a remarkable influence on Alatoscana S.p.a. (the Elba Island's airport) even in the presence of a share that has become lower than 20% only since the end of 2013. More specifically, that influence is due to the composition of the shareholding of the company and to the possibility of influencing its financial and operating policies.

Trade and sundry receivables
Trade receivables and the other receivables are initially recognised at fair value and subsequently valued by using the amortized cost method, less the provision for bad debt.
IFRS 9 defines a new impairment model for said assets with the purpose of providing useful information to the users of the financial statement concerning the related expected losses. According to the aforesaid methodology, TA values receivables by adopting an expected loss approach rather than framework IAS 39, which is typically based on the valuation of incurred loss. For trade receivables, the Company has adopted a simplified valuation approach that does not require periodic credit risk differences to be recognised, but rather the accounting of an expected credit loss ("ECL") calculated on the entire life of the receivable ("lifetime ECL"). More specifically, the policy implemented by TA consists in stratifying trade receivables into categories based on overdue days and in defining the allocation based on the historical experience of losses on receivables, adjusted to take into account specific forecasting factors referred to creditors and to the economic scenario.
Trade receivables are fully depreciated of there is no reasonable expectation of collection or if the counterparties are no longer in business.

The carrying value of assets is reduced by using a reserve for bad debt and the loss amount is recognised in the Income Statement.
When the collection of money is deferred beyond the normal commercial terms agreed with customers, receivables are discounted back.

Provision for bad debt
The provision for bad debt reflects the Management's estimate of the expected losses connected with the customer portfolio. The Company implements the simplified approach required by IFRS 9 and recognises expected loss on all trade receivables based on their residual duration and defines the allocation based on the historical experience of losses on receivables, adjusted to take into account specific forecasting factors referred to creditors and to the economic scenario (Expected Credit Loss, ECL).

Derivative instruments and hedge accounting
No such items are recorded in this financial statement.

Cash and cash equivalents
The “Cash and cash equivalents” item includes cash, bank current accounts and deposits repayable on demand (postal current accounts held with post offices) that, due to their nature, are not subject to significant changes in value. It does not include repayable bank overdraft.

Financial liabilities
Financial liabilities include financial debt, which consists of advance payments to be made on the transfer of receivables, as well as other financial liabilities like financial derivatives and liabilities for assets booked among financial leases.
According to IFRS 9, they also include trade and sundry payables.
Financial liabilities are carried at fair value, net of ancillary charges incurred for the transaction. After said initial recognition, loans are recognized according to the amortized cost criterion by using the actual interest method. With the introduction of IFRS 9, in case of renegotiation of a financial liability not qualified as “discharge of original debt”, the difference between i) the book value of liabilities before the change, and ii) the actual cash flows of the changed debt, discounted at the original rate (IRR), is recognised in the Income Statement.

Provisions for liabilities and charges
TA recognizes provisions for liabilities and charges when it has a legal or implicit obligation to third parties and the use of corporate resources is likely to be used to fulfil that obligation, and when the amount of that obligation can be reliably estimated.
Changes in these estimates are reflected in the income statement of the period when the change occurred.
If the effect is significant, provisions are determined by discounting back future estimated financial flows at a discount rate that also includes taxes, so as to reflect current market valuations of the current value of money and specific risks connected with liabilities.

Provisions for repair and replacement
As described above, in accordance with the requirements introduced by IFRIC 12, the concessionaire is not entitled to recognize the infrastructure as property, plant and equipment and the accounting of the work done on the infrastructure differs depending on its nature. More specifically, they are distinguished into two categories:
- work that can be classified as normal maintenance of the infrastructure; and
- replacement and maintenance of the infrastructure scheduled in a future date.

While the former category refers to the ordinary maintenance of the infrastructure, which is recognized in the income statement when incurred, including after the adoption of IFRIC 12,
The latter, considering that IFRIC 12 does not require the recognition of the physical infrastructure asset, but of a right, should be recognized in accordance with IAS 37 - Provisions, Contingent Liabilities and Assets, which requires:

- on the one hand, recognition to the income statement of a provision consisting of an operating component (which includes any effects deriving from changes in the discount rate) and a financial component;
- on the other hand, the recognition of a provision for charges in the balance sheet.

In accordance with the obligations established by individual concession agreements, the "Provision for repair or replacement" includes the greater estimated present value of the expenses accrued at year-end for maintenance scheduled in future years and aimed at ensuring the required functionality, operation and safety of all the assets under concession based on the information available at the balance sheet date.

Provisions for employee retirement and benefits
Liabilities consisting in benefits due to employees during and after their employment under defined-benefit plans are determined separately for each plan based on actuarial assumptions by estimating the amount of the future benefits employees have matured at the reference date (i.e. "Projected Unit Credit Method"). The liabilities booked net of any assets for plan benefits are recognised on an accrual basis throughout the period of accrual of the right. Liabilities are valued by independent actuaries.
The components of the cost of defined benefits are recognised as follows:
- costs for the performance of the service are recognised in the income statement among personnel costs;
- net financial expenses on defined benefits liabilities or assets are recognised in the income statement as financial income/(expenses) and determined by multiplying the value of the net liability/(asset) for the rate used to discount obligations, keeping into account the contributions and benefits paid during the period;
- the items reflecting the re-measurement of the net liability, which include actuarial profits and losses, the yield of assets (not including interest receivable, which is recognised in the income statement), and any change in the limit of the assets are recognised immediately in the other comprehensive profits (losses). Said components must not be reclassified in the income statement in subsequent periods.

Tax assets and liabilities
Deferred/prepaid taxes are determined on the basis of the temporary taxable differences existing between the value of assets and liabilities and their tax value, and are classified among non-current assets. Prepaid taxes are booked only to the extent that adequate future taxable bases against which to use that credit balance are likely to exist. The value of deferred taxes to be recognised in the financial statement is audited on an annual basis. Deferred tax liabilities are determined based on the taxable rates expected to be used during the business year in which said deferments are expected, considering the applicable or future known applicability tax rates.
Current and deferred tax assets and liabilities are offset when the income taxes are applied by the same tax authority and there is a legal right to offset them. Deferred tax assets and liabilities are calculated using the tax rates that are expected to be applied in the country in which TA operates, in the financial years in which the temporary differences will be realized or paid off.

Accounts payable

Accounts payable are booked at fair value and subsequently valued using the amortized cost method.

Recognition of revenues

Based on the five-step model introduced by IFRS 15, the Company recognises revenues after identifying contracts with its customers and the related obligations to be performed (goods to be sold and/or services to be delivered), determining the amount of consideration an entity expects to be entitled to in exchange for each good sold or service delivered (allocation of price to performance obligations), and assessing how said performance obligations should be satisfied (at a point in time versus over time).
In detail, TA recognises revenues only when the following requirements (identification of the contract with the customer) have been met:
A) the parties to the contract have approved the contract (in writing, verbally or with respect to other customary commercial practices) and have agreed to perform the respective obligations; therefore, there is an agreement between the parties that creates enforceable rights and obligations regardless of the form of said agreement;
b) the Company may identify the rights of each party in connection with the goods or services to be transferred;
c) TA may identify the payment conditions for the goods or services to be transferred;
d) the contract has a commercial substance; and
e) the Company is likely to receive the consideration to which it is entitled to in exchange for the goods or services that will be transferred to the customer.

If the requirements described above are not met, the related revenues are recognised when: (i) TA has already transferred the control of the goods and/or delivered the services to the customer and the entire, or almost the entire, consideration promised by the customer has been received and is non-refundable; or (ii) the contract has been terminated and the consideration TA has received from the customer is non-refundable.

If the requirements described above are met, the Company shall apply the recognition rules described below.

Aviation revenues

The Company fulfils its obligations to perform in connection with airport fees by making available to the carriers the airport infrastructure required for the landing, take-off, lighting, and parking of the aircraft, boarding and disembarkation of passengers and cargo, as well as for the use of centralized infrastructure. Furthermore, as regards handling activities, TA fulfils its obligations to perform by delivering ground support services for passengers and aircraft.
The revenues deriving from the performance of the services described above are recognised when the services are performed, according to the progress of works.

Non-Aviation revenues

- Revenues from commercial and non-commercial sub-concessions/leases consist in the consideration paid for the availability of spaces, retail and operating areas within and outside the airport plot. This category includes sub-concessions/leases with commercial pricing (retail, car park sub-concessions, and so on) and with regulated pricing (consideration for the use of goods for exclusive use, i.e. consideration for the use of the airport infrastructure dedicated to individual carriers or operators, such as check-in counters, offices, operating rooms, etc.). Revenues deriving from this category are recognised on a straight-line basis throughout the contract and/or based on the accrual period, according to contractual provisions, as specified in IAS 17.

- Revenues from parking lots consist of the fees paid for the availability of car slots inside and outside the airport plot of land, based on public rates that are applied to all the sales made. The Company fulfils its obligations to perform in connection with this service by making car slots available for its customers. The revenues deriving from the performance of the services in question are recognised when the services are performed, according to the progress of works.

Revenues from construction services
Revenues for construction services refer to the value of the construction services delivered by TA in favour of the Grantor for the development of investments in concession rights and are recognised at their fair value. The fair value of the consideration for construction and expansion services regarding the assets under concession performed by TA is determined on the basis of the fair value of the price of the construction and expansion services performed by third parties, internal and external design costs incurred for the planning and coordination activity carried out by a special internal entity.

Other revenues
Revenues from transfer of assets are recognised when the control of the asset involved in the transaction is transferred to the buyer, i.e. when the customer acquires the full capacity to control the use of the asset, as well as to substantially draw all benefits.
The revenues deriving from the performance of the services rendered by the Group (administrative, consulting services, and so on) are recognised when the services are performed, according to the progress of works.

Revenues are recognised after deducting any discount, including, but not limited to, sales incentive plans and bonuses for customers, network development costs, as well as taxes directly associated with the sale of goods or with the performance of services.

Contributions
Contributions for “systems & equipment” are booked when the right to collect them has become certain and charged to the income statement based on the useful life of the asset against which they are disbursed.
Contributions for the year are booked when the right to collect them has become certain and charged to the income statement in connection with the costs against which they are disbursed.

Costs
Costs are recognized in the income statement when they are actually incurred, if their amount can be objectively determined, and when it is possible to verify that the company has incurred such costs on an accrual basis.

Financial expenses
Financial expenses are recorded on an accrual basis and include interests payable on financial debts determined by using the effective interest rate method and exchange rate differences payable. Financial expenses also include the financial component of the annual contribution to the provision for repairs.
Financial expenses incurred for investments in assets for which a given period of time normally elapses to make the asset ready for use are capitalized and amortized along the useful life of the related class of assets.

Financial income

Financial income is recognised on an accrual basis. They include interest receivable on invested funds, exchange rate differences receivable, and income from financial instruments, when not offset by hedging operations. Interest receivable is allocated to the Income Statement at the time of its accrual, considering the actual return.

Dividends
Dividends from minority stakes recognised in the year's income statement are booked on an accrual basis, i.e. when the related right to receive them has arisen after the passing of a related resolution by the Associate.

Income taxes
Taxes are the sum of current and deferred taxes.
Taxes are booked based on the estimate of the taxable income determined in compliance with the applicable national legislation at the accounts closing date, keeping into account any applicable exemption and tax credit. Income taxes are recognised in the income statement, except for those regarding items directly debited or credited to the shareholders' equity, in which cases taxation is directly recognised in the Shareholders' Equity.
We remind readers that TA adopted the Tax Consolidation option provided for by Articles 117 to 129 of the Consolidated Text on Income Taxation ("Testo Unico delle Imposte sui Redditi" - T.U.I.R), where the Consolidating Entity is Corporación America Italia S.p.A. The consolidating entity calculates a single global income equalling the algebraic sum of the taxable bases (income or loss) realized by the individual entities that adopted this group taxation option.
The consolidating entity recognised an account receivable from the consolidated entity that equals the IRES tax to be paid on the positive taxable base transferred by the latter. Instead, the consolidating entity recorded an account payable to the companies that contribute tax losses equalling the IRES tax to be paid on the loss actually used in the determination of the global comprehensive income.

Foreign currency translation criteria
Receivables, payables and any short-term provisions denominated in foreign currency are initially recognized by using the exchange rates ruling at the date of their inception and, if existing at December 31st, they are appropriately stated in the financial statement at the exchange rate ruling at the end of the period by posting the exchange gains/losses to the income statement.
Exchange rate differences are of a financial nature, so they are classified in the income statement as finance income because they are not strictly linked to the sale transaction, but express the fluctuation over time of the currency chosen for the transaction, when the transaction has been concluded.

Use of estimates
We are now going to summarize the critical valuation processes and key assumptions used by the Company in the application of IFRS, which may significantly affect the values recognised in the financial statement or for which there is a risk that significant differences may emerge compared to the book values of future assets and liabilities.
As already indicated in the Report on Operations, in this context we point out that the situation caused by the global economic and financial crisis required the expression of rather uncertain assumptions concerning future trends. Consequently, we cannot exclude that the results actually achieved next year will differ from estimated amounts and could therefore require adjustments to book items that might even be rather significant and that cannot clearly be predicted or estimated at present.

Recoverable value of non-current assets
Non-current assets include Property, Plant and Equipment, Other Intangible Assets, Equity Investments, and Other Financial Assets. TA periodically reviews the book value of its held and used non-current assets and of the assets to be dismissed when events and circumstances so require. When the book value of a non-current asset has been impaired, TA writes it down for a value corresponding to the difference between the book value of the asset and its value that can be recovered through use or sale, determined by making reference to the cash flows of the most recent corporate plans.

Provisions for repair and replacement
For the assets held under concession, a special provision has been allocated for the maintenance and any refurbishment/repair work that will be required for said assets over time. Said provision has been booked in the Assets, as they must be returned to the State in perfect operating conditions at the end of the concession term.
The Provision for Repair is annually reviewed based on a technical assessment and estimate of the future expenses that will be incurred for the scheduled maintenance required to keep the assets in good conditions before returning them for free at the end of the concession term and used during the period for the actual maintenance required. Estimates are prepared with the support of external technical consultants.

Current taxes
The determination of tax liabilities requires the Management to value amounts referred to transactions that have uncertain tax implications at year-end. TA recognizes the liabilities that could derive from future inspections by the tax authority based on the estimate of due taxes. Any result of a tax assessment that differs from the Management's estimates may significant affect current and deferred taxes.

Pension schemes and other post-employment benefits
Employee termination benefits or indemnities and net financial expenses are valued by using an actuarial method that requires the use of estimates and assumptions for the determination of the net value of the obligation. The actuarial method considers financial parameters such as, for example, the discount rate and salary growth rates, and considers the probability of occurrence of potential future events through the use of demographic parameters like mortality rates or employee resignation or retirement rates. The assumptions used for valuation are detailed in the section “Termination Benefits and other personnel provisions”.

Provision for bad debt
The provision for bad debt reflects the Management's estimate of the expected losses connected with the customer portfolio. The Company implements the simplified approach required by IFRS 9 and recognises expected loss on all trade receivables based on their residual duration and defines the allocation based on the historical experience of losses on receivables, adjusted to take into account specific forecasting factors referred to creditors and to the economic scenario (Expected Credit Loss, ECL).

Potential liabilities
TA ascertains liabilities from pending litigation and legal actions when it deems it likely to face a financial disbursement and when the amount of the deriving loss can be reasonably estimated. If a financial disbursement becomes possible but its amount cannot be determined, this fact is disclosed in the Notes. TA is a party in legal actions and tax assessments concerning complex and difficult legal issues that are characterized by a

different degree of uncertainty, including facts and circumstances regarding each case, jurisdiction and different applicable law. Considering the uncertainty of these issues, it is difficult to predict the disbursement that will derive from said disputes, so the value of provisions for litigation and legal actions may vary after future developments in ongoing proceedings. TA monitors the status of ongoing legal actions and litigation with the aid of legal consultants and tax advisors.

New accounting standards, amendments and interpretations in force since 1 January 2018

IFRS 15 "Revenues from Contracts with Customers"

IFRS 15 sets rules for the recognition of revenues by introducing an approach based on the recognition of income only when contractual obligations have been completely met. The standard defines the following five steps for the recognition of revenues:
- identification of the contract;
- identification of each individual obligation;
- determination of the transaction price;
- allocation of the transaction price to the individual obligations, based on their market prices ("stand-alone selling price");
- recognition of revenues allocated to the individual obligation when this is settled, that is to say when the client obtains control over the assets or services.

The Company carried out an in-depth investigation on the different types of contract existing and of their possible impact on the accounts. This analysis concerned the different revenue streams identified, namely:
- Aviation revenues - which include regulated fees related to operations and airport infrastructures (terminals, flight infrastructures, aircraft parking aprons, etc.), centralized and security services fees, and revenues from handling services (deregulated according to Leg. Dec. 18/99);
- Non-Aviation revenues, which mainly include fees for the use of spaces and commercial and operating areas, both inside and outside the airport plot of land, and fees from parking lots;
- Revenues from construction services - which concern the development activities carried out by the Group in favour of the Grantor within the framework of the investments regarding concession rights;
- Other revenues - including income from items other than the previous.

Based on this analysis, the Group concluded that, as regards aviation revenues, revenues from parking lots, from construction services and other revenues, the new standard had no significant impact on the year's operating result, on profits per share, and on the Shareholders' equity.

As to the impact on Network Development Expenses deriving from marketing support agreements, we point out that, in compliance with accounting standard IFRS 15 (specifically referring to the case of fees to be paid to customers, as regulated by the new standard), as well as in the light of the renewal of the aforesaid agreements with important carriers finalised in the first few months of 2019, said expenses have been reclassified as a reduction of revenues.

The agreements regarding the use of commercial spaces and retail areas (part of non-aviation revenues) are excluded from the application of IFRS 15 because they fall under IAS 17 "Leasing", so they are to be considered based on the new IFRS 16, as explained below.

The Company adopted the new standard retrospectively by re-posting comparative data at 31 December 2017. A summary of the effects of the adoption of the new standard on comparative data is given below. They derive exclusively from the reclassification of Network Development Expenses in reduction of revenues.

item	2017 - IAS 18	Reclassification	2017 - IFRS 15
Revenues	133,454	-15,355	118,099
Costs for services	-42,158	15,355	-26,803

IFRS 9 "Financial Instruments"
The new provisions of IFRS 9: (i) change the model for the classification and valuation of financial assets; (ii) introduce a new method for the impairment of financial assets, which keeps into account expected credit losses; (iii) change hedge accounting provisions, and (iv) define new criteria for the recognition of operations performed to amend financial liabilities. The provisions of IFRS 9 are effective starting from the periods that will start on or after January 1st, 2018.
The Company adopted IFRS 9 and all its amendments without detecting any effect due to the introduction of the new standard.
Referring to the classification and assessment of financial assets, we point out that the Company has adopted a business model essentially based on the possession of financial assets for the purpose of collecting contractual financial flows; considering that the contractual terms of existing financial assets contemplate financial flows at pre-determined dates, exclusively representing capital payments and interests on the principal amount to be repaid, the financial assets held by the Group are valued at amortized cost.
As to the introduction of the new model for the impairment of financial assets, since 1 January 2018 the Company reviewed its method for the determination of the bad debt provision by taking into account expected losses, as required by the new standard, and detected no significant impact on the year's profit or on equity after adopting IFRS 9.
In detail, the Company has valued the provision for losses for an amount equal to the losses expected throughout the life of the receivable.
For trade receivables, the Company has adopted the simplified approach permitted by the new standard, according to which the provision for losses is valued for an amount equal to the losses expected throughout the life of the credit. See, in this regard, valuation criteria in "Trade and sundry receivables".
Furthermore, IFRS 9 amended IAS 1 (Section 82 ba) by requiring the separate statement of losses as impairment (including the recoveries of losses for impairment or profits for impairment), and the Income Statement form has been adjusted accordingly.
Finally, the new provisions regarding hedge accounting and the booking of transactions performed to modify financial liabilities had no effects because these issues are not relevant to the Group.

Amendment to IFRS 2 "Share-based payments"
These amendments clarify how to account for some payments based on shares.

Amendment to IAS 40 "Investment property"
These amendments clarify that the change of use is a precondition for the transfer of investment property.

Annual amendments to IFRS 2014-2016
The most important amendment regards IAS 28 "Investments in Associates and Joint Ventures".

The aforesaid amendments clarify, correct or remove the redundant text in the related IFRSs and had no significant impact on the financial statement or on our disclosures.

Interpretation IFRIC 22
This amendment deals with the exchange rate to be used in transactions and advance considerations paid or received in foreign currency.

Accounting standards, amendments and interpretations not yet adopted

During January 2016, the IASB published IFRS 16 "Leasing". This new standard will replace the current IAS 17. The main change concerns lease accounting practices: while IAS 17 required leaseholders to distinguish between finance leases (booked by using the financial method) and operating leases (booked by using the equity method) according to IAS 17, With IFRS 16, the accounting treatment of operating leases will be the same as that required for finance leases. According to the new standard, the requirement is to recognise a financial asset (the right to use the leased item) and a financial liability to pay the rents. The IASB established the option of exemption for certain lease agreements and low-value / short-term leases.
This standard will apply from 1 January 2019. The early joint adoption of IFRS 15 "Revenues from contracts with customers" was permitted.
The Company thoroughly analysed all its leasing agreements existing at 31 December 2018 in the light of the new accounting standards for leases set out in IFRS 16. The standard will mainly affect the accounting of operating leases, which involve the Company as leaseholder.
At year-end, the Company had non-cancellable operating leases for € 6.2 M, as indicated in the subsequent note "Commitments and Guarantees". Of these commitments, approx. € 0.1 M refer to short-term lease contracts and € 0.1 M to leases of moderate value which will both be recognised on a straight-line basis as costs for the use of leased assets.
For the remaining lease commitments, the Company is planning to recognise assets for the right of use for approx. € 4.8 M at 1 January 2019 and liabilities for leases for € 4.8 M.
Referring to assets where the Company is the lessor, no significant effect is expected on the financial statement.
The Company will apply the standard starting from the date of its compulsory adoption, which is 1 January 2019, and use the simplified transition approach without changing the comparative amounts of the previous year (before the first adoption). The assets booked for the right of use will be measured for the amount of lease due upon the adoption.

At the date of this financial statement, the competent bodies of the European Union have not yet concluded the ratification process required for the adoption of the following accounting principles and amendments:
- In May 2017, the IASB issued the new IFRS 17 standard on "Insurance contracts". The new standard will replace IFRS 14 and will apply from 1st January 2021.
- In June 2017, the IASB published interpretation IFRIC 23 "Uncertainty over income tax treatments", which provides indications on how to reflect the uncertainties related to the tax treatment of a certain transaction or circumstance in the accounting of income taxes. IFRIC 23 will become effective on 1st January 2019.
- In October 2017, the IASB published some amendments to IAS 28, which provide clarifications on the associated companies or joint-ventures to which the equity method must not be applied based on IFRS 9. These amendments will apply from 1 January 2018 (ratified on 8 February 2019).
- In December 2017, the IASB published a number of annual amendments to IFRS 2015–2017 (IFRS 3, IFRS 11, IAS 12 and IAS 23) which will apply starting from 1 January 2019.
- In February 2018, the IASB published some amendments to IAS 19 which will require companies to review their assumptions for the determination of costs and financial charges at each change in the plan. These amendments will apply starting from 1 January 2019.

• In October 2018, the IASB published some amendments to IAS 1 and IAS 8, which provide clarifications regarding the definition of "materiality". These amendments will apply starting from 1 January 2020.
• In October 2018, the IASB published some amendments to IFRS 3, which change the definition of "business". These amendments will apply starting from 1 January 2020.
The Group will adopt said new principles, amendments and interpretations based on the effectiveness date specified and will assess their potential impact when these will be ratified by the European Union.

MAIN FINANCIAL RISKS

A description of the main financial risks and of the mitigating actions implemented by TA is given below.

1) Credit risk

Over the last few years, the effects of the crisis of financial markets and the consequent recessive economy in the main industrialized Countries negatively affected the balance sheets of the airlines - the main clients of TA. Hence, the risk of a partial non-collection of receivables accrued from airlines.
TA believes that it has suitably controlled said risk through its constant monitoring of accounts receivable, also sometimes promptly initiating legal actions to protect said receivables, which are reflected in the allocation of a specific provision for bad debt, currently deemed to be adequate in connection with the amounts of the existing receivables. Always with the purpose of facing the credit risk, TA usually asks for suretyships (e.g. from sub-licensees) or pre-payments (e.g. from unknown airlines) as guarantee.
We point out that TA took out an excess-of-loss type of insurance on credit positions to cover collection risks should insolvency proceedings be opened against the assets of any customer. Furthermore, TA hired a company for its long-term debt collection activities.

2) Liquidity risk

At 31 December 2018, TA has a negative Net Financial Position for € 32.16 M (€ 29.32 M at 31 December 2017). This is the result of a negative current NFP of about € 4.61 M (€ +2.66 M at 31 December 2017) and of a negative non-current NFP of € 27.6 M (€ 32 M at 31 December 2017) regarding two loans (expiring in 2022 and in 2027) granted to TA by banks "Intesa San Paolo" and "MPS Capital Service" for the development of the two airports' infrastructure. Six-month EURIBOR interest rates are paid on said corporate loans and financial covenants are to be complied with, for which there is no criticality at 31 December 2018.
TA believes that the funds and the currently available medium/long-term credit lines, in addition to those that will be generated by operations, will suffice to meet its investment, working capital management and debt repayment at natural maturity requirements.
If necessary, TA also uses short-term bank loans to meet short-term requirements.

3) Interest rate risk

Exposure to the interest rate risk arises from the need to finance both industrial and financial operations, as well as use the available cash. Changes in market interest rates may have a negative or positive impact on TA's EBIT, thereby indirectly influencing the costs and returns of loans and investments.
The net financial indebtedness at 30 December 2018 is € 32.2 M and the debt-to-equity ratio (NFP/Shareholders' Equity) at 30 December 2018 is 0.28 (vs 0.26 at 31 December 2017), which confirms the financial soundness of TA.
Based on the net financial indebtedness at 30 December 2018, the potential impact in terms of annual growth/reduction in interest expense connected with interest rate trends,

as a result of a hypothetical growth/reduction of 100 bp, would be approximately € +/-410 K.
In addition, the potential impact on the Provision for repairs in terms of growth, as a consequence of a hypothetical annual reduction of 50 bp in interest rates, would correspond to approx. € +530 K. Instead, the potential impact on the Provision in terms of reduction as a consequence of a hypothetical annual growth of 50 bp in interest rates would be approx. € -566 K.
No further sensitivity analysis is provided, as it is considered immaterial.

4) Exchange rate risk

TA is not subject to the market risk linked to fluctuations in exchange rates because it prevalently operates in a European context where transactions are made in Euro.

OPERATING SEGMENT REPORTING

Information regarding the main operating sectors of the Group is given below as required by IFRS 8. First of all, it is important to highlight that the type of business activity carried out by TA does not allow for the identification of business segments related to completely independent activities in terms of market/customer combinations. Currently, the "traffic" component affects the results of all the company's operations.
However, we may identify two significant operating segments characterized by the independent nature of their products/services and production processes, for which - for the aforesaid reasons - we propose a disclosure relating to the information directly made available by the company's analytical accounting system used by Chief Operating Decision Makers.
The currently available information regarding the main operating segments identified are provided below: Aviation, Non-Aviation and Corporate.

- *Aviation Business*: this segment includes airside operations (after security gates), which are the core business of an airport. They include: passenger and aircraft ground handling, landing, aircraft departure and stopover, security and safety activities, passenger boarding and disembarkation, cargo loading and unloading.
Revenues for the Aviation segment consist of the price paid for airline support services and are generated by airport fees such as: landing, take-off and stopover fees, freight revenue taxes, passenger boarding fees, passenger and baggage security fees.

- *Non-Aviation business*: this segment includes operations normally carried out in the landside area (before security gates), which are not directly associated with the core business (Aviation). They include retail activities, catering, car parking, car rental, advertising, ticket office, VIP Lounge.
Non-Aviation Business Revenues consist in the royalties earned from activities conducted under a sub-concession, in the direct management of certain activities (i.e. car parking, ticket office and advertising) and in the rents paid by sub-concessionaires.
The table below provides the main information regarding the operating segments described above by highlighting, in unallocated items, (corporate) revenues, costs, assets and investments not directly attributable to the two segments. More specifically, the main types of unallocated costs refer to the cost of labour/personnel (staff), professional services rendered, insurance and industry association membership fees, pro-rata portion of utilities, maintenance and depreciation, administrative costs, provisions for liabilities, Directors' and Auditors' fees.

- *Corporate business*: the values indicated in unallocated items mainly refer to revenues and costs not directly attributable to the two business segments, such as, for example, other revenues and income, the cost of labour, professional services rendered for the

Management, general insurance and industry association membership fees, pro-rata portion of utilities, general maintenance and unallocated depreciation of infrastructure, administrative costs, provisions for liabilities, Directors' and Auditors' fees, etc.

(values in € K)	Aviation		Non-Aviation		Unallocated assets (Corporate)		Total	
TA - Income Statement	*31/12/2018*	*31/12/2017 (*)*	*31/12/2018*	*31/12/2017 (*)*	*31/12/2018*	*31/12/2017 (*)*	*31/12/2018*	*31/12/2017 (*)*
Operating income	77,071	92,269	16,655	11,073	7,246	2,666	100,973	106,008
of which Pisa	*44,356*	*53,290*	*7,048*	*3,745*	*1,635*	*1,716*	*53,039*	*58,752*
of which Florence	*32,715*	*38,979*	*9,607*	*7,328*	*5,611*	*949*	*47,933*	*47,256*
Revenues from construct. serv.	11,578	8,382	469	1,558	1,467	2,152	13,515	12,092
of which Pisa	*4,397*	*1,984*	*35*	*39*	*10*	*759*	*4,442*	*2,782*
of which Florence	*7,181*	*6,397*	*435*	*1,519*	*1,457*	*1,393*	*9,073*	*9,310*
Total Segment Income	**88,649**	**100,651**	**17,125**	**12,631**	**8,713**	**4,818**	***114,487***	***118,099***
Operating Costs (**)	49,147	58,799	4,646	3,907	15,199	14,708	68,992	77,414
of which Pisa	*29,564*	*34,391*	*2,801*	*2,490*	*7,733*	*7,213*	*40,098*	*44,094*
of which Florence	*19,583*	*24,408*	*1,845*	*1,417*	*7,466*	*7,495*	*28,894*	*33,320*
Cost of construct. serv.	11,429	8,264	463	1,536	1,449	2,122	13,341	11,922
of which Pisa	*4,340*	*1,957*	*34*	*38*	*10*	*748*	*4,384*	*2,743*
of which Florence	*7,089*	*6,308*	*429*	*1,498*	*1,439*	*1,374*	*8,956*	*9,179*
Amortization and provisions	6,036	6,843	2,007	1,253	4,023	4,569	12,066	12,666
of which Pisa	*3,153*	*3,444*	*1,150*	*966*	*2,299*	*3,192*	*6,602*	*7,602*
of which Florence	*2,883*	*3,400*	*857*	*287*	*1,724*	*1,377*	*5,464*	*5,064*
Operating Earnings	**22,037**	**26,744**	**10,008**	**5,934**	**-11,957**	**-16,582**	***20,088***	***16,097***
of which Pisa	*11,695*	*15,484*	*3,097*	*289*	*-8,396*	*-8,679*	*6,396*	*7,095*
of which Florence	*10,342*	*11,260*	*6,911*	*5,645*	*-3,560*	*-7,903*	*13,693*	*9,002*
Asset management	0	0	0	0	-526	-772	-526	-772
Profit before tax	**22,037**	**26,744**	**10,008**	**5,934**	**-12,483**	**-17,354**	***19,562***	***15,325***
Year's taxes	0	0	0	0	-5,816	-4,914	-5,816	*-4,914*
Net year's result	**22,037**	**26,744**	**10,008**	**5,934**	**-18,298**	**-22,268**	***13,746***	***10,411***
TA - Statement of Financial Position	*31/12/2018*	*31/12/2017*	*31/12/2018*	*31/12/2017*	*31/12/2018*	*31/12/2017*	*31/12/2018*	*31/12/2017*
Current assets	10,031	21,349	*3,584*	6,115	22,383	23,734	35,998	51,198
Non-current assets	138,216	135,437	*41,331*	*40,055*	25,067	19,960	204,614	195,452
TA - Additional information	*31/12/2018*	*31/12/2017 (*)*	*31/12/2018*	*31/12/2017 (*)*	*31/12/2018*	*31/12/2017 (*)*	*31/12/2018*	*31/12/2017 (*)*
Investments	13,640	11,173	1,230	1,933	2,436	3,742	17,306	16,849

(*) Comparative data regarding 2017 have been booked again after the adoption of IFRS 15, for which details we refer the reader to section "New reporting standards, amendments and interpretations applicable from 1 January 2018".

(**) including Airport leases for € 6,506 K in 2018 (€ 6,208 K in 2017).

Information on the main customers

During 2018, TA recorded approx. 8.18 million passengers. The total incidence of the first three airlines is 56.8%. In detail, the incidence of the first carrier (Ryanair) is 39.8%, with the second (Vueling) and third (easyJet) carriers at 8.9% and 8.1%, respectively.

NOTES TO TE MAIN ITEMS OF THE FINANCIAL STATEMENT AT 31 December 2018 INCOME STATEMENT

INTRODUCTION

In compliance with the new ENAC regulations (compulsory spin-off for airport operators who also conduct handling activities in airports with a passenger traffic in excess of 2 million passengers), the company "Toscana Aeroporti Handling S.r.l." (hereinafter "TAH") was incorporated on 1 March 2018 as a subsidiary 100% controlled by Toscana Aeroporti, with the purpose of managing the Handling branch and prepare to the entrance of new ground handling competitors in both airports.
On June 25th, TA contributed the handling company branch to its 100% subsidiary TAH. The new company started its operations on July 1st, 2018 with the business purpose of providing the services described in Legislative Decree no. 18 of 13 January 1999, and subsequent amendments and supplements. In detail, it offers ground assistance services to aircraft, passengers and cargo on behalf of the carriers.
So, we point out that any difference between the book values in the two years related to revenues and costs associated with handling activities are scarcely representative because they are affected by the transaction in question.

VALUE OF PRODUCTION (REVENUE ITEMS)

Total consolidated revenues, up by 3.1%, passed from € 118.1 M at 31 December 2017 to € 114.5 M at 31 December 2018. This difference is the result of the € 15.2 M increase in operating revenues, of the € 4.9 M increase in other revenues and proceeds, and of € 1.4 M of revenues for construction services.

Amounts in € K	2018	2017	Abs. Diff. 2018/2017	% Diff.
REVENUES				
Operating income				
Aviation revenues	77,071	92,269	-15,198	-16.5%
Non-Aviation revenues	29,731	26,428	3,302	12.5%
Network development expenses	-13,393	-15,355	1,962	-12.8%
Total operating revenues	**93,409**	**103,342**	**-9,934**	**-9.6%**
Other revenues and proceeds	7,564	2,666	4,898	183.8%
Revenues from construction services	13,515	12,091	1,423	11.8%
TOTAL REVENUES	114,487	118,099	-3,612	-3.1%

Operating revenues totalled € 93.4 M at 31 December 2018, down by 9.6% compared to 31 December 2017. TA's operating revenue trends for the two business units - Aviation and Non-Aviation - are broken down below.

The main difference is € 15.2 M of Aviation revenues, explained in the introductory part. For the analysis of the main deviations of the two periods under review, see section 10.1 of the Report on Operations.

See the section on "New accounting standards, amendments and interpretations in force since 1 January 2018" for details on the reclassification of "Network Development Expenses" in compliance with the new IFRS 15 "Revenues from Contracts with Customers".

1. Aviation revenues

Aviation revenues totalled € 77.1 M at 31 December 2018, down by 16.5% compared to 31 December 2017, when they totalled € 92.3 M.
The table below shows Aviation Revenue details at 31 Dec. 2018, with absolute and percentage changes compared to 31 December 2017:

Amounts in € K	2018	2017	Diff. Abs. 2018/2017	Diff. %
AVIATION REVENUES				
Passenger boarding fees	30,410	31,882	-1,473	-4.6%
Landing/departure fees	15,450	14,520	930	6.4%
Stopover fees	1,106	1,137	-31	-2.7%
PRM assistance fees	2,681	2,617	64	2.4%
Cargo fees	547	525	23	4.3%
Passenger security fees	7,417	7,411	6	0.1%
Baggage security fees	4,372	4,284	88	2.1%
Handling	13,597	28,719	-15,121	-52.7%
Centralised infrastructures	1,491	1,175	316	26.8%
TOTAL AVIATION REVENUES	**77,071**	**92,269**	**-15,198**	**-16.5%**
Incid. % in gross op. revenue Network developm. exp.	72.2%	77.7%		

2. Non-Aviation revenues

Non-Aviation revenues totalled € 29.7 M at 31 December 2018, up by 12.5% compared to 31 December 2017, when they totalled € 26.4 M. This increase confirms the positive results obtained with the non-aviation strategies implemented by TA, in spite of the persistently negative repercussions of the difficult general economic scenario, which still adversely impacted consumption even throughout 2018.
The table below provides details on Revenues from Non-Aviation business referred to 2018 and to 2017:

Amounts in € K	2018	2017	Abs. Diff. 2018/2017	Diff. %
NON-AVIATION REVENUES				
Parking facilities	5,460	4,886	574	11.7%
Food	3,511	3,152	359	11.4%
Retail	5,423	4,627	796	17.2%
Advertising	2,088	2,289	-201	-8.8%
Real Estate	2,023	2,088	-65	-3.1%
Car rentals	5,048	4,645	403	8.7%
Other subconcessions	2,538	2,317	221	9.5%
VIP Lounges	2,835	1,609	1,226	76.2%
Air tickets	456	457	-1	-0.2%
Cargo agency	349	358	-9	-2.5%
TOTAL NON-AVIATION REVENUES	**29,731**	**26,428**	**3,302**	**12.5%**
Incid. % in gross op. revenue Network developm. exp.	27.8%	22.3%		

Network development expenses

The main objective of TA is to promote the development of scheduled passenger and cargo air traffic in the Tuscan airports of Pisa (PSA-Galileo Galilei) and Florence (FLR-Amerigo Vespucci), consistently with the characteristics of the Tuscan market and airport infrastructure. The expected result of the increase in the number of connections with scheduled flights to and from the airports is the further consolidation and development of air traffic, which would contribute to the economic growth of the management company and meet the demand for a better local accessibility.
To pursue these objectives, TA has developed an incentive plan based on marketing contributions ("network development charges") of varying amounts depending on the extent of the services provided by carriers in the airports and on how the operation is considered to be strategically significant for each airport and its surrounding communities, in consideration of the free entrepreneurial initiative.
Network development expenses totalled € 13.4 M at 31 December 2018, down by € 1,926 K (-12.8%) compared to 2017, when they totalled € 15.4 M.

3. Other revenues and proceeds

The table below provides details on 2018 "Other revenues and income" against those of 2017:

Amounts in € K	2018	2017	Abs. Diff. 2018/2017	% Diff.
OTHER REVENUE AND INCOME				
Indemnification	4,553	599	3,954	660.5%
Services and consulting	707	270	437	161.9%
Cost recoveries	2,246	1,736	510	29.4%
Minors	58	61	-3	-5.0%
TOTAL REVENUES AND INCOME	**7,564**	**2,666**	**4,898**	**183.8%**
% incid. over Revenues	6.6%	2.3%		

4. Revenues from construction services

At 31 December 2018, revenues for construction services totalled € 13.5 M, against € 12.1 M at 31 December 2017. The greater revenues of € 1.4 M recognised at year-end have been mainly generated by the greater investments made in the Pisa airport for the expansion of the passenger terminal ("Phase Zero").
For further details, see the section "Group Investments" in the Report on Operations.

The table below distinguishes revenues by the fact that services have been performed *at a given point in time* rather than *over time*.

Data in € K	2018	2017
Revenues excluded from the application of IFRS 15	19,495	18,207
"Over time" revenues	94,992	99,892
"Point in time" revenues	0	0
Total Revenues	114,487	118,099

COSTS

At 31 December 2018, the amount of total costs was € 82.3 M, down by 7.8% compared to 31 December 2017, when they totalled to € 89.3 M. This result is explained by lower operating costs, € -10.9% (from € 77.4 M in 2017 to € 69 M in 2018), and is offset by increased costs for construction services, which passed from € 11.9 M in 2017 to € 13.3 M in 2018 (+11.9%).

Amounts in € K	2018	2017 (*)	Abs. Diff. 2018/2017	% Diff.
COSTS				
Operating Costs				
Consumables	1,036	1,000	36	3.6%
Cost of Personnel	31,082	41,111	-10,029	-24.4%
Costs for services	28,376	26,803	1,573	5.9%
Sundry operating expenses	1,992	2,292	-301	-13.1%
Airport leases	6,506	6,208	298	4.8%
Total operating costs	68,992	77,414	-8,422	-10.9%
Costs for construction services	13,341	11,922	1,419	11.9%
TOTAL COSTS	82,333	89,337	-7,004	-7.8%

OPERATING COSTS

Operating costs totalled € 69 M, down by 10.9% compared to € 77.4 M reported at the end of 2017.

5. Consumables

This item refers to the cost of consumables, which totalled € 1,036 K (€ 1,000 K in 2017), They are specifically broken down below:

Amounts in € K	2018	2017	Abs. Diff. 2018/2017	Diff. % 2018/2017
CONSUMABLES				
Stationery	**48**	**22**	**26**	**113.7%**
Fuels, lubricants	**613**	**660**	**-47**	**-7.2%**
Materials for car parking lots	**24**	**12**	**13**	**108.5%**
Small tools	**0**	**2**	**-2**	**-84.6%**
Safety Serv. Contr. (mat.)	**59**	**27**	**32**	**121.8%**
Clothing	**156**	**139**	**17**	**12.1%**
Mat. for operating services	**136**	**138**	**-3**	**-1.8%**
TOTAL CONSUMABLES	**1,036**	**1,000**	**36**	**3.6%**
% incid. over Operating Costs	**1.5%**	**1.3%**		

The increase of € 36 K is mainly due to the higher costs incurred for clothing, stationery and materials for operating services, partially offset by lower costs for fuels for ramp vehicles.

6. Cost of Personnel

The cost of TA's personnel reached € 31.1 M, down by € 10 M compared to 2017 (-24.4%). This decrease is mainly due to the contribution of personnel to TAH effective from 1 July 2018.

This cost item is broken down below:

Amounts in € K	2018	2017	Diff. Abs. 2018/2017	Diff. % 2018/2017
PERSONNEL COSTS				
Remuneration	**30,919**	**40,821**	**-9,902**	**-24.3%**
of which:				
Wages	18,964	23,849	-4,885	-20.5%
Salaries	3,762	6,403	-2,640	-41.2%
Social security contributions	6,422	8,365	-1,943	-23.2%
ETB	1,771	2,204	-433	-19.7%
Other labour costs	**163**	**290**	**-127**	**-43.9%**
of which:				
Contributions to CRAL	7	11	-4	-35.6%
Social Fund	8	11	-3	-25.9%
Benefits to personnel	76	118	-42	-35.3%
Administered and sundry	71	150	-79	-52.6%
TOTAL COSTS OF PERSONNEL	**31,082**	**41,111**	**-10,029**	**-24.4%**
% incid. over Operating Costs	45.2%	53.0%		

The table below provides details on the **average annual staff** (expressed in *Full-Time Equivalents*) existing in 2018 and any difference from 2017: For a better comprehension of staff trends in the two periods considered, in the light of the contribution of handling staff from TA into TAH, see section 12 of the Report on Operations.

Mean FTEs	2018	2017	Diff.	Diff. %
Executives	11.5	12.3	-0.8	-6.5%
Employees	421.0	540.8	-119.8	-22.1%
Workers	99.3	169.8	-70.5	-41.5%
TOSCANA AEROPORTI	531.8	722.9	-191.1	-26.4%

Please, note that in the table above 2 part-time units are considered as 1 full-time unit.

7. Costs for services

On the whole, costs for services in 2018 and 2017 consist of:

Amounts in € K	2018	2017	Diff. Abs. 2018/2017	Diff. % 2018/2017
COSTS FOR SERVICES				
Sales services	265	232	33	14.2%
Institutional expenses	1,829	1,262	567	45.0%
Other services	5,220	3,858	1,362	35.3%
Services for the personnel	1,316	1,731	-416	-24.0%
Maintenance services	5,156	5,025	131	2.6%
Utilities	3,165	3,324	-158	-4.8%
Operating services	11,426	11,372	54	0.5%
TOTAL COSTS FOR SERVICES	**28,376**	**26,803**	**1,573**	**5.9%**
% incid. over Operating Costs	41.3%	34.6%		

"*Retail activities*", for € 265 K in 2018 (€ 232 K in 2017) mainly include the following costs:

Amounts in € K	2018	2017	Diff. Abs. 2018/2017	Diff. % 2018/2017
COSTS FOR SERVICES				
Sales services	**265**	**232**	**33**	**14.2%**
of which				
Advertising commissions	21	15	6	39.4%
Management of advertising systems	96	71	25	35.2%
Retail promotions	28	26	2	7.6%
Dry cleaning service	120	120	0	0.0%

Institutional expenses totalled € 1.83 M in 2018 (€ 1.26 M in 2017), mainly including the cost of control and auditing boards.

Amounts in € K	2018	2017	Diff. Abs. 2018/2017	Diff. % 2018/2017
COSTS FOR SERVICES				
Institutional expenses	**1,829**	**1,262**	**567**	**45.0%**
of which				
Directors' fees	1,319	845	474	56.1%
Auditors' fees	208	190	18	9.7%
Directors' business travels	219	189	30	15.6%
Legal, notarial, meeting expenses	56	10	46	448.4%
Participation in conferences	27	27	0	N.S.

Other Services totalled € 5.2 M (€ 3.9 M in 2017) and mainly include professional services, industrial insurance and communication costs.

Amounts in € K	2018	2017	Diff. Abs. 2018/2017	Diff. % 2018/2017
COSTS FOR SERVICES				
Other services	**5,220**	**3,858**	**1,362**	**35.3%**
of which				
Professional services	3,013	1,978	1,035	52.3%
Industrial insurance	666	701	-35	-5.0%
Communication	1,454	1,027	427	41.5%
Other minors	87	152	-65	-42.6%

Other Personnel Services totalled € 1.32 M (€ 1.73 M in 2017) and mainly include canteen, payroll service, transfers and employee training costs.

Amounts in € K	2018	2017	Diff. Abs. 2018/2017	Diff. % 2018/2017
COSTS FOR SERVICES				
Personnel services	**1,316**	**1,731**	**-416**	**-24.0%**
of which				
Canteen	806	1,157	-350	-30.3%
Insurance	168	167	1	0.6%
Preventive medicine and med. examinations	44	65	-21	-32.5%
Training	127	121	6	4.9%
Personnel recruitment	34	32	2	6.3%
Payroll services	50	55	-5	-9.1%
Journeys	86	134	-48	-36.0%

"*Maintenance services*" totalled € 5.2 M (€ 5 M in 2017) and include airport infrastructure, system and installation, equipment and vehicle maintenance.

Amounts in € K	2018	2017	Diff. Abs. 2018/2017	Diff. % 2018/2017
COSTS FOR SERVICES				
Maintenance services	**5,156**	**5,025**	**131**	**2.6%**
of which:				
Equipm./truck maint.	833	954	-121	-12.7%
BHS system maint.	902	936	-33	-3.6%
Maint. of infrastructures	2,208	2,102	106	5.1%
IT maintenance	1,212	1,033	179	17.4%

Utility Services totalled € 3.16 M (€ 3.32 M in 2017) and mainly include costs for electricity, gas, water and telephone services.

Amounts in € K	2018	2017	Diff. Abs. 2018/2017	Diff. % 2018/2017
COSTS FOR SERVICES				
Utilities	**3,165**	**3,324**	**-158**	**-4.8%**
of which:				
Electricity	1,664	1,584	80	5.0%
Water	142	336	-194	-57.6%
Telephones	179	224	-45	-20.1%
Mobile phones	131	148	-17	-11.6%
Gas	868	874	-6	-0.7%
Minors	181	158	23.4	14.8%

Operating Services totalled € 11.43 M (€ 11.37 M in 2017) and mainly include external costs for porters, surveillance, cleaning, rentals, first aid care and other services typically associated with airport operations.

Amounts in € K	2018	2017	Diff. Abs. 2018/2017	Diff. % 2018/2017
COSTS FOR SERVICES				
Operating services	**11,426**	**11,372**	**54**	**0.5%**
of which:				
Porterage	2,597	3,734	-1,137	-30.5%
Aircraft cleaning	318	731	-412	-56.4%
Agency/Wareh. service	191	257	-65	-25.3%
Cleaning	1,059	1,103	-44	-4.0%
PRM Support	929	283	646	228.6%
Surveillance service	2,757	2,470	287	11.6%
Services Centre	223	246	-23	-9.3%
Connection arco az	193	174	19	11.0%
Rental of mach. and equip.	792	785	7	0.8%
Management of parking lots	263	248	15	6.0%
Gardening	125	110	15	13.3%
VIP Lounge	563	437	126	28.9%
First Aid Service	476	475	1	0.3%
Shuttle bus	553	320	233	72.8%
Other operating services	386	0	386	

8. Sundry operating expenses

Sundry Operating Expenses totalled € 1.99 M (€ 2.29 M in 2017) - mainly include taxes and levies, membership fees, sundry administrative costs, non-recurring costs and other minor entries.

Amounts in € K	2018	2017	Abs. Diff. 2018/2017	Diff. % 2018/2017
SUNDRY OPERATING EXPENSES				
Publications	11	25	-14	-56.8%
Ins. entities and sundry institutions	550	558	-8	-1.4%
Taxes and levies	539	531	7	1.4%
Entertainment	66	154	-89	-57.5%
Sundry administrative costs	484	595	-111	-18.6%
Other minors	342	429	-86	-20.1%
SUNDRY OPERATING EXPENSES	**1,992**	**2,292**	**-301**	**-13.1%**
% incid. over Operating Costs	2.9%	3.0%		

9. Airport leases

Airport Leases totalled € 6.5 M (€ 6.2 M in 2017) to include the rents paid for the concessions and the contribution paid to the Fire Protection Fund.

Amounts in € K	2018	2017	Diff. Abs. 2018/2017	Diff. % 2018/2017
AIRPORT LEASES				
Concession and security fees	5,219	4,920	299	6.1%
Fire Brigade fee	1,287	1,288	-1	0.0%
TOTAL AIRPORT FEES/LEASES	**6,506**	**6,208**	**298**	**4.8%**
% incid. over Operating Costs	7.7%	7.8%		

10. Costs for construction services

Costs for construction services, totalling € 13.3 M (€ 11.92 M at 31 December 2017), arise from the investment made in the airport infrastructures under concession in 2018.The higher cost of € 1 M recognised at year-end reflects the same situation described in the corresponding revenue item.

11. Amortization and impairment

This item totalled € 9.28 M in 2018 (€ 8.86 M in 2017). It includes intangible asset amortization for € 6.42 M (€ 5.84 M in 2017) and tangible asset depreciation for € 2.86 M (€ 3.03 M in 2017).

12. Provision for liabilities and charges

This item shows € 2.45 M (against € 2.93 M in 2017) and includes the amounts set aside in the provision for risks (€ 695 K) and in the provision for repairs (€ 1.76 M), which reflect the year's accrual required for future maintenance expenses relating to repair work and replacements to keep the assets used under the two ENAC concessions in good and safe operating conditions.

13. Value write-ups (write-downs) net of trade receivables and other receivables

This item amounts to € 329 K (€ 872 K at 30 June 2017) and consists of the provision set aside for bad debt.

	2018	2017
Bad debt reserve	293	872
Credit loss	36	1
Release of Provision for bad debt	-	-
Total	**329**	**872**

14. Financial income

This item totalled approx. € 733 K (€ 678 K in 2017) mainly including dividends of subsidiaries (€ 723 K), interest receivable accrued on bank current accounts (€ 13 K), dividends from associates (€ 30 K), and other minor income (€ 3 K).

15. Financial expenses

This item totals € 1,294 K (€ 1,451 K in 2017) and mainly includes interests payable and commissions on bank current accounts for € 501 K (€ 572 K in 2017), interest cost on employees' defined-benefit liabilities for € 53 K (€ 83 K in 2017), financial expenses relating to the discounting of the provision for repair and replacements for € 740 K (€ 733 K in 2017).

16. Profit (loss) from investment

This item is € 0 K (€ 0 K at 31 Dec. 2017).

17. Year's income taxes

This item includes an aggregate amount of € 5,816 K in 2018 (€ 4,914 K in 2017) deriving from:

- current taxes determined on the 2018 taxable income for € 5,586 K, of which € 4,428 K for tax consolidation fees (IRES), € 1,344 K for IRAP, and € 186 K for greater reimbursements received;
- prepaid/deferred taxes for € 328 K;
- income from tax consolidation with the controlling company "CAI" for € 98 K.

Current taxes have been estimated by applying the guiding criterion called "principle of derivation".
The reconciliation with the theoretical tax rate is provided In Annex "E".

18. Earnings for share / Diluted earnings per share

Earnings Per Share and Diluted Earnings Per Share for 2018, corresponding to € 0.739 (€ 0.559 in 2017), have been determined by dividing the year's profit (€ 13,746,480 K) by the weighted average of the ordinary shares outstanding during the period (18,611,966 shares), as there was no diluting factor.

NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENT AT 31 December 2018: STATEMENT OF FINANCIAL POSITION

INTRODUCTION

In compliance with the new ENAC regulations (compulsory spin-off for airport operators who also conduct handling activities in airports with a passenger traffic in excess of 2 million passengers), the company "Toscana Aeroporti Handling S.r.l." (hereinafter "TAH") was incorporated on 1 March 2018 as a subsidiary 100% controlled by Toscana Aeroporti, with the purpose of managing the Handling branch and prepare to the entrance of new ground handling competitors in both airports.
On June 25th, TA contributed the handling company branch to its 100% subsidiary TAH. The new company started its operations on July 1st, 2018 with the business purpose of providing the services described in Legislative Decree no. 18 of 13 January 1999, and subsequent amendments and supplements. In detail, it offers ground assistance services to aircraft, passengers and cargo on behalf of the carriers.
We point out that any difference between the book values in the two years related to assets and liabilities associated with handling activities are scarcely representative because they are affected by the transaction in question.
The share capital of TAH at 31 December 2018 is € 750 K, of which € 255 K paid-up and € 495 K contributed in kind.
The details of the contribution in kind if € 495 K are given below.

Data in € K	ASSETS	LIABILITIES
Tangible assets	3,014	
Prepaid taxes recoverable beyond the year	104	
Receivables from others, due within the year	16	
Cash and cash equivalents	2,781	
Share Capital		**495**
Provisions for liabilities and charges		435
ETB and other personnel-related provisions		2,919
Other payables due within the year		2,066
Total	**5,915**	**5,915**

Specifically, the equipment and ramp vehicles required for runway operations have been transferred into tangible assets.
Liabilities include all the liabilities associated with transferred employees.

NON-CURRENT ASSETS

Details of non-current assets at 31 Dec. 2018 are given below.

Data in € K	31-Dec-2018	31-Dec-2017	DIFF.
NON-CURRENT ASSETS	204,614	195,452	9,162

More specifically, this aggregate consists of the following categories:

Intangible assets

Data in € K	31-Dec-2018	31-Dec-2017	DIFF.
INTANGIBLE ASSETS	167,405	159,552	7,853

In addition to the aforesaid, an aggregate amount of approximately € 14.4 M has been invested in intangible assets during 2018, consisting of:

(amounts in €K)	
Concession rights (royalties)	7,843
Work in progress	5,867
Software	654
Other fixed assets	12
Total	**14,375**

For a detailed analysis of the main investments made during the six-month period examined, see Section 11 of the Report on Operations.

No divestiture of assets was done in 2018.
Details on intangible assets are provided in Annex A.

19. Concession rights: their value at 31 Dec. 2018 was € 151.8 M (€ 145.4 M at 31 Dec. 2017), with an increase of € 6.4 M mainly due to the combined effect of the greater value of investments compared to the year's amortization. For further details, see section 11 in the Report on Operations.

20. Industrial patent rights: this item totalled € 1,244 K at 31 Dec. 2018 (€ 1,418 K at 31 Dec. 2017), down by € 174 K due to the higher value of the year's amortization compared to investments.

21. Work in progress This item shows € 14.4 M at 31 Dec. 2018 (€ 12.8 M at 31 Dec. 2017), up by € 1.6 M as a result of the investments made during the year, partly offset by the completion of projects and related transition to assets. For more details, see Sect. 11 of the Report on Operations.

22. Property, Plant and Equipment

Data in € K	31-Dec-2018	31-Dec-2017	DIFF.
Property, plant and equipment	23,181	26,027	-2,846

On the whole, investments for approximately € 2.9 M have been made during 2018, namely:

(amounts in €K)	
Owned land and buildings	200
Plant and machinery	1,291
Ind. and comm. equipm.	3
motor vehicles	265
Furniture and fittings	359
Hardware	252

Work in progress	562
Total	2,932

For a detailed analysis of the main investments made during the six-month period examined, see Section 11 of the Report on Operations.
Divestments/decreases of assets have been made during 2018 for € 649 K.
Details on the movement of property, plant and equipment are provided in Annex B.

23. Equity investments in other entities

At 31 Dec. 2018, TA owns shares and shares in other equity investments for € 2,945 K (€ 123 K at 31 Dec. 2017), consisting in:
- I.T. Amerigo Vespucci S.p.A. (with a 0.22% share in the capital): € 40.6 K;
- Consorzio Turistico Area Pisana S.c.a.r.l. (with a 2.4% share in the capital): € 420;
- Scuola Aeroportuale Italiana Onlus (with a 52.7% share in the capital): € 13.2 K;
- Consorzio Pisa Energia S.c.r.l. (5.26% share in the capital): € 831;
- Montecatini Congressi S.c.r.l. (5.0% share in the capital): € 0;
- Consorzio per l'Aeroporto di Siena (with a 0.11% share in the capital): € 8.5 K;
- Firenze Convention Bureau S.c.r.l. (with a 4.44% share in the capital): € 6.3 K;
- Firenze Mobilità S.p.A. (with a 3.98% share in the capital): € 42.5 K;
- Società Esercizio Aeroporto della Maremma S.p.A. (with a 0.39% share in the capital): € 10.2 K;
- Firenze Parcheggi S.p.A. (with a 8.16% share in the capital): € 2,823 K.

Scuola Aeroportuale Italiana Onlus has been classified among "Other entities" because it is a non-profit organization.
Consorzio Turistico Area Pisana, Montecatini Congressi S.c.r.l., and Consorzio per l'Aeroporto di Siena are winding up at the closing date of this Report.

24. Investments in Subsidiaries

As at 31 Dec. 2018, the value of TA's interests in subsidiaries is € 4,138 K (€ 3,338 K at 31 Dec. 2017), as shown in the table below.

Data in € K	31 -Dec-201 8	31 -Dec-201 7	DIFF.
Toscana Aeroporti Handling	750	0	750
Toscana Aeroporti Engineering	80	80	0
Parcheggi Peretola	3,251	3,251	0
Jet Fuel	57	57	0
Total	4,1 38	3,388	750

25. Investments in Associated Companies

At 31 December 2018, the value of TA's equity investments in associated and related companies
is € 380 K (€ 380 K at 31 Dec. 2017), as resulting from the
following scheme.

Data in € K	31 -Dec-201 8	31 -Dec-201 7	DIFF.
Alatoscana Spa	330	330	0
Immobili AOU Careggi Spa	50	50	0
Total	380	380	0

For further considerations on the characteristics of the entities in question, see the section "Relationships with associated companies and related parties" of the Report on Operations.

No impairment indicator applies to these stakes.

Other financial assets

Data in € K	31-Dec-2018	31-Dec-2017	DIFF.
Guarantee deposits	189	193	-5
Receivables from others due beyond the year	3399	2,304	1,095
Total	3588	2497	1091

26. Guarantee deposits

At 31 Dec. 2018, this item totalled € 189 K (€ 193 K at 31 Dec. 2017), mainly consisting of guarantee deposits issued in favour of utility providers (for connections), tobacco products, cash floats given to ticket offices and parking fees.

27. Receivables from others, due beyond the year

Receivables from others totalled € 3,399 K (€ 2,304 K at 31 December 2017), with receivables mainly consisting in:

- a receivable consisting in the guarantee deposit paid as advance on the price of € 3 M paid in June 2018 upon signing the preliminary agreement for the purchase from NIT – Nuove Iniziative Toscane S.r.l. (a real property subsidiary of the Unipol Group) of the "Piana di Castello" area in the vicinity of the Florence airport for Master Plan development purposes;

- receivables from customers for € 279 K related to agreed repayment plans.

- € 120 K related to the loan granted to the Associate "Firenze Mobilità S.p.a." for works competed by this entity (to be repaid not earlier than 4 years after the final testing of the works).

28. Deferred tax liabilities

Deferred tax assets and liabilities have been posted in their net amount when they could be offset in the same jurisdiction. The net balance is € 2,977 K (€ 3,485 K at 31 December 2017). This amount mainly includes taxes determined on the temporary differences due to taxed provisions (for repair, bad debt, etc.) and to the accounting of intangible assets (concession rights) according to IFRIC 12. For details regarding the composition of the item and the related details, see Annex D.
Deferred and prepaid taxes have been determined by applying the tax rate in force during the year when the temporary differences will be reversed.

CURRENT ASSETS

As shown in the table, current assets totalled € 35,998 K at 31 December 2018, down by € 15,200 K compared to 31 December 2017.

Data in € K	31-Dec-2018	31-Dec-2017	DIFF.
CURRENT ASSETS	35,998	51,198	-15,200

More specifically, the main differences reflect:

Trade and sundry receivables

At 31 December 2018, this item was € 26,546 K (€ 39,100 K at 31 December 2017), including:

29. Receivables from customers

At 31 December 2018, receivables from customers, net of the provision for bad debt, totalled € 13,679 K (€ 28,081 K at 31 December 2017), as detailed below.

Data in € K	31-Dec-2018	31-Dec-2017	DIFF.
Gross receivables	17,978	32,163	-14,185
Bad debt reserve	-4,298	-4,082	-216
Total net receivables	**13,679**	**28,081**	**-14,402**

The provision for bad debt increased by a contribution of € 293 K over the period and has been used for € 76 K. The details of this item are given below (in €K):

Data in € K	31-Dec-2017	prov.	use	31-Dec-2018
Bad debt provision	4,082	293	-76	4,298

The composition of receivables by category of expired accounts is detailed in the table below.

	Aggregate	Receivables	Expired receivables				
Data in € K	**Total**	**due**	**0-30**	**30-60**	**60-90**	**90-180**	**>180**
Non-current/current receivables	17,978	2,453	4,350	1,191	835	1,642	7,508
Expected Loss Rate		0.0%	0.0%	-0.7%	-1.3%	-3.5%	-56.2%
Provision for bad debt	-4,298	0	0	-8	-11	-57	-4,222
Total at 31-Dec-2018	**13,679**	**2,453**	**4,350**	**1,182**	**823**	**1,585**	**3,286**

	Aggregate	Receivables	Expired receivables				
Data in € K	**Total**	**due**	**0-30**	**30-60**	**60-90**	**90-180**	**>180**
Non-current/current receivables	32,163	8,012	7,990	8,478	1,183	2,390	4,110
Expected Loss Rate		0.0%	-1.3%	-0.7%	-1.4%	-2.1%	-93.7%
Provision for bad debt	-4,082	0	-106	-59	-16	-51	-3,850
Total at 31-Dec-2017	**28,081**	**8,012**	**7,884**	**8,419**	**1,167**	**2,339**	**259**

30. Receivables from related entities

Details of these receivables (in €K) are given in the table below:

Data in € K	31-Dec-2018	31-Dec-2017	DIFF.
Alatoscana Spa	63	77	-14
Immobili AOU Careggi Spa	111	186	-75
Total	174	263	-89

31. Receivables from subsidiaries

Details of these receivables (in €K) are given in the table below:

Data in € K	31-Dec-2018	31-Dec-2017	DIFF.
Toscana Aeroporti Handling	1039	0	1,039
Toscana Aeroporti Engineering	730	1,119	-389
Parcheggi Peretola	0	17	-17
Jet Fuel	99	94	5
Total	1,867	1,229	638

32. Tax assets

At 31 December 2018, this item consists of € 1,935 K (€ 496 K at 31 December 2017), and includes:

- a € 1,780 K VAT credit of the parent company TA;
- a € 152 K ART bonus credit of the parent company TA;
- other minor items for € 3 K.

33. Receivables from others, due within the year

The item "Receivables from others, due within the year" includes:

Data in € K	31-Dec-2018	31-Dec-2017	DIFF.
Receivables from Carriers for additional municipal income tax on passenger boarding fees	7,184	7,135	49
Advance payments made to suppliers	740	682	58
Prepaid expenses	398	491	-93
Receivables for land expropriation	135	135	0
Receipts from parking lots	186	161	25
White Certificates (TEE)	0	188	-188
Receipts from monopoly products	96	93	3
Advance paym. to Carriers	100	108	-8
Other minors	52	37	15
Total	8,891	9,030	-138

The receivable for the additional Municipal tax on passenger boarding fees, established by Art. 2, paragraph 11, of Law no. 350 of 24 December 2003, has increased for the same reasons explained in the Receivables from Customers and commented in Section 10.2 of the Report on Operations. This item has the same trend of the item "Tax liabilities" in the current Liabilities (Note #49) because the amount collected is paid to the State.
The item "Prepaid expenses" mainly concerns supplies with advanced billing, subscription fees, insurance.

34. Cash and cash equivalents

The value of this item at 31 December 2018 compared against 31 December 2017 is given below.

Data in € K	31-Dec-2018	31-Dec-2017	DIFF.
Cash and cash equivalents	9,452	12,098	-2,646

We point out that the “Cash and Banks” item includes a minimum amount of € 1 M, available and deposited in a current account pledged as collateral for the medium-/long-term Loan Agreement stipulated with the Intesa-San Paolo-MPS bank pool.
For more details, see Statement of Cash Flows.

SHAREHOLDERS' EQUITY AND LIABILITIES

The differences in the Shareholders’ Equity occurred during 2018 are detailed below:

Data in € K	31-Dec-2018	31-Dec-2017	DIFF.
CAPITAL AND RESERVES	115,074	110,969	4,105

The Shareholders' Equity shows an increase of € 4.1 M consisting in the recognition of the year’s profits (€ 13.7 M), partly offset by the distribution of dividends (€ 9.9 M).

More specifically, the Shareholders’ Equity consists of the following items:

35. Share Capital
As at 31 Dec. 2018, the fully paid-up share capital consisted of 18,611,966 ordinary shares without nominal value (18,611,966 shares at 31 Dec. 2017).
For details on Shareholders, see the table and section “Shareholders of the Parent Company” in the Report on Operations.

36. Capital reserves
Capital reserves consist of:
- a share premium reserve for € 18,941 K created with the paid capital increase determined upon listing “Società Aeroporto Toscano Galileo Galiei S.p.A.” on the Stock Exchange in July 2007;
- a legal reserve of € 4,003 K. The € 528 K increase compared to 31 December 2017 reflects the allocation of 2017 profits as deliberated by the Shareholders’ Meeting held on 30 May 2018 during the adoption of the 2017 Financial Statement.
- statutory reserves for an amount of € 25,876 K;
- the other reserves, which mainly consist of the reserve deriving from the merger by incorporation of AdF, for € 24,585 K. Pursuant to point 5 of the first paragraph of Art. 2426 of the Civil Code, we specify that there is no restriction on available reserves.

37. IAS adjustments reserve
This reserve contains € (3,229) K, including:
(i) the IAS reserve (negative for € 711 K) after deducting the theoretical tax burden created at 1-Jan-2005 upon First Time Adoption, so as to include the impact of international accounting standards on the Shareholders' Equity;
(ii) the IAS reserve (negative for € 2,618 K) created after applying the new international standard IFRIC 12 from 1 January 2011.

38. Profit/(Loss) carried forward
This item includes profits carried forward for € 441 K (€ 200 K at 31 December 2017). The difference derives from the actuarial effect of the recalculation of the T.I. Provision according to IAS 19.

Other components of the Statement of Comprehensive Income
The value at 31 December 2018 is broken down below:

SITUATION AT 31 -Dec-201 8	PROFIT (LOSS) CARRIED FORWARD	GROUP TOTAL
Other comprehensive profit/(loss) that will not be subsequently reclassified to the Income Statement:		
- Profit (loss) arising from the determination of the Employee Benefit Fund, after tax	241	241

SITUATION AT 31 -Dec-201 7	PROFIT (LOSS) CARRIED FORWARD	GROUP TOTAL
Other comprehensive profit/(loss) that will not be subsequently reclassified to the Income Statement:		
- Profit (loss) arising from the determination of the Employee Benefit Fund, after tax	22	22

The tax effect regarding the other components of the Statement of Comprehensive Income is broken down below:

SITUATION AT 31 -Dec-201 8	Gross value	Tax (charge)/ benefit	Net Value
- Profit (loss) arising from the determination of the Employee Benefit Fund, after tax	31 8	-76	**241**

SITUATION AT 31 -Dec-201 7	Gross value	Tax (charge)/ benefit	Net Value
- Profit (loss) arising from the determination of the Employee Benefit Fund, after tax	30	-8	**22**

39. Profit/(loss) for the year

This item includes TA year's profit at 31 December 2018, which totalled € 13,746 K (against € 10,411 K at 31 December 2017).

NON-CURRENT LIABILITIES

Details of medium/long-term liabilities during the period considered are given below:

Data in € K	31 -Dec-201 8	31 -Dec-201 7	DIFF.
NON-CURRENT LIABILITIES	52,676	60,774	-8,098

More specifically, this aggregate consists of the following categories:

40. Provisions for liabilities and charges

The Provision for liabilities and charges consists of € 3,524 K at 31 Dec. 2018 (€ 3,958 K at 31 Dec. 2017). The details of the year are provided below.

Data in € K	31 -Dec-201 7	prov.	TAH transfer	use	31 -Dec-201 8
Provisions for liabilities and charges	3,958	695	-435	-694	3,524

At 31 December 2018, the provision mainly includes the following amounts:

1) € 2,351 K of contributions paid in connection with the Fire Brigade Protection Service dispute, which is described in detail in the section "Information on the main items of the Provision for risks and expenses at 31 Dec. 2018";
2) € 870 K of contributions paid in connection with potential labour dispute risks, better described in the section "Additional information";
3) € 200 K regarding a dispute initiated last 3 February 2017, where TA has been summoned by the company that was awarded the contract for the expansion works in the west apron of the Florence airport concerning problems identified by TA related to the execution of the contract;

For further information, see Section "Information on the main items of the Provision for liabilities and charges at 31 December 2018".
The amounts set aside by the Company to face potential risks deriving from ongoing disputes are deemed appropriate for the predictable outcome of the legal proceedings.
The amounts set aside by the Company to face potential risks deriving from ongoing disputes are deemed appropriate for the predictable outcome of the legal proceedings.

41. Provisions for repair and replacement

This provision (valued according to the best estimate of the expense required to fulfil the obligation at the closing date of the report) includes the amounts spent for the maintenance and repair of infrastructures in the Florence and Pisa airports, to be returned in perfect maintenance conditions to the Grantor at the end of the concession period. The global value of this item at 31 December 2018 was € 25,412 K, up by € 203 K with respect to 31 December 2017 due to the effect of the 2018 provision, partially offset by the uses of the period. Details are given below:

Data in € K	31 -Dec-201 7	Financial expenses	prov.	use	31 -Dec-201 8
Provisions for repair and replacement	25,209	739	1,758	(2,294)	25,41 2

this provision, depending on the estimated time of its use, is allocated to medium/long-term liabilities (€ 18,939 K at 31 Dec. 2017) and to current liabilities (€ 6,473 K at 31 Dec. 2017).
The potential increase of the Provision for repairs and replacements as a consequence of a hypothetical annual reduction of 50 bp in interest rates would correspond to € +530 K. Conversely, the potential reduction of the Provision for repairs and replacements as a consequence of a hypothetical annual growth of 50 bp in interest rates would correspond to € -566 K.

42. Provisions for employee retirement and benefits

As indicated above, the ETB is considered as a defined benefit obligation to be recognised as recommended by IAS 19 "Employee Benefits".

As regards the economic-financial scenario, the parameters used for the valuation of the Pisa and Florence staffs at 31 Dec. 2018 are:
- annual technical discount rate: 1.57%
- Annual inflation rate: 1.50%
- annual ETB increase rate: 2.63%

As far as the discount rate is concerned, the Corporate AA iBoxx 10+ index has been selected as criterion for the valuation of this parameter, as its duration is suitable for the average time of permanence of the two staff groups being considered.
There is no defined benefit scheme for the executive personnel of the company.
The value of consolidated liabilities at 31 December 2018, as required by IAS 19, is € 2,453 K (€ 6,183 K at 31 December 2017). This provision is booked net of the advance payments and settlements made during the period examined and shows an increase of € 318 K compared to 31 Dec. 2017, as specified below:

Data in € K	31-Dec-2017	Actuarial (gain)/loss	prov.	TAH transfer	use	31-Dec-2018
Employee benefit fund	6,183	-318	66	-2919	-559	2,453

The difference shown in the Statement of Comprehensive Income (€ +241 K) corresponds to the actuarial gain of € 318 K, after a taxation of € 76 K.
The valuation of future benefits is obviously affected by all the assumptions required for its identification; therefore, in order to obtain the sensitivity shown by the actual value as determined above compared to said assumptions, some tests have been conducted to provide the difference in the actual value against a given difference in some of the assumptions adopted, which may mostly affect that value. The table below provides the sensitivity analysis of the Provision (in €K).

	Annual technical discount rate		Annual inflation rate:		Annual turnover rate	
	+ 0.50 %	- 0.50 %	+ 0.25 %	- 0.25 %	+ 2.50 %	- 2.50 %
TA	2,324	2,593	2,493	2,414	2,427	2,467

Finally, the table below provides a prediction of disbursement of the provision.

Year	TA
0 – 1	157,099
1 – 2	40,314
2 – 3	113,551
3 – 4	182,310
4 – 5	82,592
5 – 6	114,898
6 – 7	33,196
7 – 8	110,289
8 – 9	104,202
9 – 10	135,723

43. Financial liabilities

The details of non-current and current financial liabilities are given below:

Data in € K	31/12/2017	Loans	Repayments	Other movements	31/12/2018
Non-current liabilities	31,974			-4417	27,557
Current financial liabilities					
Bank overdrafts (short-term loans)	5,000	18,000	-13500	1	9,501
Current medium/long-term indebtedness	4,439		-4340	4,458	4,557
Total non-current liabilities	**9,439**	**18,000**	**-17840**	**4,459**	**14,058**
Total financial liabilities	41,414	18,000	-17,840	42	41,616

The amount of € 14,058 K regarding current financial liabilities as at 31 Dec. 2018 refers to the current share of the medium-long term indebtedness relating to the loans described below in this Note for € 4,557 K and to the short-term loan (so-called "hot money") obtained during the period for € 9.5 M (the loan consisted in a total of € 18 M and has been repaid for € 13.5 M).
The decrease in non-current financial liabilities - € 4,417 K - refers to the short-term reclassification of the capital shares expiring in the subsequent business year.
At 31 Dec. 2018, there are € 11.5 M of non-current financial liabilities due beyond five years.
The aggregate amount of said non-current financial liabilities and the related current share of the medium-long term indebtedness mainly refers to two long-term loans granted by the banks "Banca Infrastruture Innovazione e Sviluppo" ("BIIS", of the Intesa San Paolo Group) and "MPS Capital Service" to support infrastructure investments. The loans must be respectively repaid before June 2022, the one subscribed with MPS Capital Service and used up for € 12 M, and before September 2027, the € 40 M loan subscribed and completely used up, and have been granted with a Euribor 6-month interest rate plus a spread.
The aforesaid financial debt is required to comply with certain financial indices defined in the related agreement, such as a certain net financial position/EBITDA and net financial position/Shareholders' Equity, according to the definitions agreed with the lending counterparties and measured on the book values of the Parent Company for the €40M loan and of the Group for the € 12 M loan.
We finally point out that, in addition to the aforesaid parameters, the € 12 M loan agreement requires a minimum amount of € 1 M to be made available and deposited in a current account pledged as security for the same loan and requires that no non-recurring transaction be performed with third parties (entities that are not members of the Group) without the previous written consent of the lending banks.
Failure to comply with the covenants and the other contractual obligations undertaken with the loan in question shall imply, if not remedied under the agreement provisions, the anticipated reimbursement of the residual loan amount and/or a require a restriction in the distribution of dividends.
At 31 December 2018, the Company is compliant with all the above-mentioned parameters.

At 31 Dec. 2018, there are € 11.8 M of non-current financial liabilities due beyond five years.

In addition, in 2018 TA obtained short-term loans (so-called "hot money") for € 18 M, of which € 13.5 M have been repaid during the period.

Details of the credit lines at 31 Dec. 2018 are given below.

Data in € K	31-Dec-2018	31-Dec-2017	DIFF.
Credit lines granted	69,250	56,550	12,700
Credit lines used	9,500	5,000	4,500
% used	*14%*	*9%*	*N.S.*

Bank loans at 31 December 2018 are given below at their notional and fair values.

	31 December 2018	
Amounts shown in € K	notional	fair value
TA - MPS	6,239	6,392
TA - INTESA SAN PAOLO	25,876	24,787
TA - SHORT-TERM LOANS	9,501	9,500
TOTAL	41,616	40,679

The **Net Financial Position** at 31 Dec. 2018, as shown in the Report on Operations in compliance with CONSOB Resolution prot. no. 6064293 of 28 July 2006, is specified below:

NET FINANCIAL INDEBTEDNESS			
Euro K	31-Dec-2018	31-Dec-2017	Diff. Abs.
A. Cash on hand and at banks	9,452	12,098	(2,646)
B. Other cash and cash equivalents	-	-	-
C. Securities held for trading	-	-	-
D. Liquid assets (A) + (B) + (C)	**9,452**	**12,098**	**(2,646)**
E. Current financial receivables	-	-	-
F. Current bank payables	9,501	5,000	4,501
G. Current portion of non-current indebtedness	4,558	4,439	118
H. Other current financial payables due to leasing companies	-	-	-
I. Current financial indebtedness (F) + (G) + (H)	**14,059**	**9,439**	**4,619**
J. Net current financial indebtedness (I) - (E) - (D)	**4,607**	**(2,659)**	**7,266**
K. Non-current bank payables	27,558	31,974	(4,417)
L. Bonds issued	-	-	-
M. Other non-current payables due to leasing companies	-	-	-
N. Non-current financial indebtedness (K) + (L) + (M)	**27,558**	**31,974**	**(4,417)**
O. Net Financial Position (J) + (N)(NFP)	**32,165**	**29,316**	**2,849**

See comments in the Report on Operations and to the "Statement of Cash Flows" for a more in-depth analysis of this item.

44. Other payables due beyond the year

Payables due beyond the subsequent year consist of € 202 K (€ 142 K as at 31 Dec. 2017) and refer to guarantee deposits received from customers as performance bonds for services provided.

Payables due beyond 5 years

The Company has loans of a duration exceeding 5 years, whose details are given in Note 43 to Financial Liabilities.

CURRENT LIABILITIES

Changes in non-current assets occurred during the period are shown below.

Data in € K	31-Dec-2018	31-Dec-2017	DIFF.
CURRENT LIABILITIES	72,862	74,907	-2,045

More specifically, this aggregate consists of the following categories:

45. Tax liabilities

The aggregate amount of this item at 31 December 2018 is € 9,543 K (€ 10,494 K at 31 December 2017), as broken down below:

Data in € K	31-Dec-2018	31-Dec-2017	DIFF.
Addit. Mun. fees due to Rev. Ag.as mu Passeng. boarding	8,710	8,950	-240
IRES/IRAP due	0	166	-166
IRPEF due for employees and self-employed prof.	477	1,107	-630
Higher fees due for private flights	251	136	115
Local taxes	105	135	-29
Total	9,543	10,494	-951

Specifically:

i) the account payable to the Revenue Agency for the additional municipal tax on passenger boarding fees has considerably increased as a result of the same dynamics associated with the decrease of trade receivables;

ii) payables to the Revenue Agency for withholding taxes due on employees has decreased due to the early payment of December salaries compared to 2017.

46. Payables to suppliers

At 31 December 2018, payables to suppliers totalled € 24.8 M (€ 27.5 M at 31 December 2017), so they increased by € 2.76 K.

47. Payables to Subsidiaries

This item includes accounts payable to Subsidiaries, for a value of € 4,394 K at 31 Dec. 2018 (€ 2,206 K at 31 Dec. 2017).

Data in € K	31-Dec-2018	31-Dec-2017	DIFF.
Toscana Aeroporti Handling	730	0	730
Toscana Aeroporti Engineering	3368	1,709	1,659
Parcheggi Peretola	296	497	-201
Total	4,394	2,206	2,188

48. Payables to social security institutions

This item includes accounts payable to social security and pension institutions (INPS, INAIL) at 31 December 2018, with a total amount of € 1,499 K (€ 2,603 K at 31 December 2017).

49. Other payables due within the year

The other payables due within 12 months at year-end total € 11.6 M (€ 15.7 M at 31 Dec. 2017), and include the following debit items:

Data in € K	31-Dec-2018	31-Dec-2017	DIFF.
Concession fees	2,669	2,393	276
Ministry of Transport	0	2,205	-2,205
Air/bus/train ticket office receipts	517	704	-187
Employees and contractors for accrued fees	2,796	6,327	-3,531
Insurance policies and damage	89	150	-61
Due to Directors and Auditors	610	399	212
Fire-protection service	1,090	1,270	-180
Payables to Foundations/Associations/Social Sec. Inst./Local Bodies	89	145	-56
Deferred income	1,398	177	1,222
Payables to Holding CAI	1,541	1,438	103
Other minors	779	458	321
Total	11,579	15,666	-4,087

Specifically:

- The Fire Protection Service is the account payable to the Revenue Agency introduced by the 2007 Finance Law. For further considerations, see details in the section “Provisions for liabilities and charges”.
- Prepaid expenses refer to non-aviation revenues invoiced in advance.
- Payables to the Parent Company CAI (Corporación America Italia) reflect the IRES tax balance) TA will have to pay according to the tax consolidation agreement; for details, see section #16 “Relationships with the companies of the Group and related parties” of the Report on Operations.

54. Advance payments

Advance payments, which total € 554 K at year-end (€ 284 K at the end of 2017), mainly consist of advance payments made to customers.

ADDITIONAL INFORMATION

Commitments and Guarantees

As at 31 December 2018, commitments and guarantees include € 12,164 K of third party suretyships in favour of TA and € 10,137 K of suretyships given by third parties on behalf of TA.

Data in € K	31-Dec-2018	31-Dec-2017	DIFF.
Third-party guarantee in favour of Company	12,164	12,819	-655
Third-party guarantee on behalf of Company	10,137	10,547	-410

Suretyships provided by third parties in the favour of TA (€ 12.2 M) mainly refer to performance bonds for contract works, for compliance with agreements by sub-concessionaires, air carriers and other customers.
The suretyships provided to third parties on behalf of TA (€ 10.1 M) mainly refer to performance bonds in favour of ENAC to ensure full and exact fulfilment of the obligations established with the two 40-year Conventions signed with the Municipalities of Pisa and Florence as a guarantee of TA's compliance with municipal regulations in the expansion works for the airport infrastructures.

Allocation of financial instruments by valuation category

31 December 2018 (data in €K)	Assets valued at fair value	Assets valued at amortized cost	Total
Activity			
Trade receivables	-	14,061	14,061
Other financial assets - investments in other entities	2,945	-	2,945
Other accounts receivable	-	13,552	13,552
Cash and cash equivalents	-	9,452	9,452
Total	**2,945**	**37,065**	**40,010**

31 December 2018 (data in €K)	Liabilities valued at fair value	Liabilities valued at amortized cost	Total
Liabilities			
Financial liabilities	-	41,616	41,616
Trade payables and other payables	-	38,694	38,694
Total	**-**	**80,310**	**80,310**

Fair value measurement hierarchy

As regards the financial instruments recognised in the Financial Position at fair value, IFRS 7 requires these values to be classified based on a hierarchy of levels that reflects the significance of the input used in the determination of fair value.
The following levels are identified:

Level 1 – the price of the asset or liability being measured is drawn from an active market;
Level 2 – the inputs used are not the listed prices indicated above, but may be observed on the market, either directly (prices) or indirectly (price derivatives);
Level 3 – the inputs are not based on observable market data. Assets valued at fair value, shown in the table above, are categorised in the level in question.

Information on financial instruments

There are no derivative financial instruments.

Disclosure on government subsidies, contributions and other economic benefits received (Art. 1, § 125, of Law 124/2017)

Pursuant to the abovementioned law, in 2018 the TA Group received a contribution of approx. € 22 K as tax credit ("Art Bonus")[1].

Information on the main items of the Provision for liabilities and charges at 31 December 2018

For a detailed description of the pending disputes, see the pertinent section in the Explanatory Notes to the Consolidated Financial Statement.

Remuneration of Directors, Auditors and Executives with strategic responsibilities

For details see the special table in the Report on Remuneration specified in art. 123-ter of Leg. Dec. no. 58/98 (published in the Company's website).
We point out that Directors and Statutory Auditors have no interest in non-recurring transactions performed during 2018 or in similar transactions initiated during previous years and not yet concluded.
At the closing date of this financial statement, no loan existed in the favour of any member of the Board of Directors or Board of Statutory Auditors.

Atypical or unusual transactions

According to Consob's Notice no. 6064293 of 28 July 2006, no atypical or unusual transaction was performed during 2018.

Significant events and non-recurring transactions

Pursuant to CONSOB's Notice of 28 July 2006, we specify that no significant non-recurring transaction was performed in 2018.

Significant events occurred after 31 Dec. 2018

See section 19 of the Report on Operations.

Authorization to publication

This document has been approved by the Board of Directors on 14 March 2019 and made available to the public on 05 April 2019 upon the Chairman's authorization.

For the Board of Directors
The Chairman
(Marco Carrai)

[1] The tax credit corresponds to 65% of the donations given in support of culture, to be used for third parties through F24 offsetting, effective from the subsequent taxation period with respect to the period of the disbursement.

ANNEXES TO THE 2018 FINANCIAL STATEMENT

TABLE OF CHANGES OCCURRED IN INTANGIBLE ASSETS IN 2018 (€K)

	CONCESSION RIGHTS (ROYALTIES)	PATENT AND INTELLECTUAL PROPERTY RIGHTS	ASSETS UNDER CONSTRUCTION	OTHER FIXED ASSETS	TOTAL
Historical cost	179,091	11,627	20,065	0	210,783
Accumulated depreciation	-33,727	-10,209	-7,295	0	-51,231
A - Value as at 31-12-17	145,364	1,418	12,770	0	159,552
CHANGES FOR THE PERIOD					
Purchases	7,843	654	5,867	12	14,375
Previous years' work in progress	0		0	0	0
Reclassification	4,064	4	-4,168	0	-100
Other movements	0				0
Depreciation	-5,478	-832	-111	0	-6,421
B - Balance of changes	6,428	-174	1,588	12	7,854
Historical cost	190,998	12,284	21,764	12	225,057
Accumulated depreciation	-39,205	-11,041	-7,405	0	-57,651
Value at 31-12-2018 (A+B)	**151,792**	**1,244**	**14,358**	12	**167,406**

Ann. A

TABLE OF CHANGES OCCURRED IN TANGIBLE ASSETS IN 2018 (€K)

	LAND, BUILDINGS AND RUNWAY INSTALLATIONS to be freely assigned	LAND, BUILDINGS AND RUNWAY INSTALLATIONS owned by the Company	PLANT AND MACHINERY	INDUSTRIAL AND COMMERCIAL EQUIPMENT	ASSETS UNDER CONSTRUCTION	OTHER ASSETS	TOTAL
Historical cost	12,562	16,597	30,663	1,189	0	17,398	**78,409**
Accumulated depreciation	-10,902	-2,061	-23,914	-857	0	-14,648	**-52,382**
A - Value as at 31-12-17	1,660	14,536	6,749	332	0	2,750	**26,027**
CHANGES FOR THE PERIOD							
Purchases	3	197	1,291	3	562	876	**2,932**
Reclassification	-251	3	-796	266	73	806	**100**
Disinvestments/Decreases						-649	**-649**
Reversal of costs deriving from TAH separation	-135	0	-15,745	0	0	-349	**-16,229**
Reversal of provisions deriving from TAH separation	135	0	12,811	0	0	269	**13,215**
Depreciation	-140	-209	-1,738	-37	0	-739	**-2,864**
Reversal of previous years' accum. depr.		0		0	0	649	**649**
B - Balance of changes	-388	-9	-4,177	231	635	862	**-2,846**
Historical cost	12,179	16,797	15,413	1,458	635	18,080	**64,562**
Accumulated depreciation	-10,907	-2,270	-12,840	-895	0	-14,469	**-41,381**
Value at 31-12-2018 (A+B)	**1,272**	**14,527**	**2,572**	**563**	**635**	**3,612**	**23,181**

Ann. B

SHAREHOLDERS' EQUITY AT 31.12.2018: ORIGIN, DISTRIBUTABILITY AND PREVIOUS YEARS' USES (€K)

NATURE	AMOUNT	POSSIBILITY OF USE (*)	SHARE AVAILABLE	SUMMARY OF USES MADE IN 3 PREVIOUS YEARS (**)	
				TO COVER LOSSES	FOR OTHER REASONS
SHARE CAPITAL	30,710				
CAPITAL RESERVES:					
Treasury stock reserves					
Reserves for shares of Subsidiaries					
Share premium reserve	18,941	A, B	18,941		
Other reserves	24,585		24,585		
of which:					
Exchange surplus reserve (AdF incorporation) (***)	*24,084*	*A, B*	*24,084*		
Revaluation reserves purs. to Law 413/91	*435*	*A, B*	*435*		
Other reserves for capital contributions purs. to art. 55 of DPR 917	*66*	*B*	*66*		
RETAINED EARNINGS:					
Legal Reserve	4,003	B	4,003		
Extraordinary reserve	25,876	A, B, C	25,876		
Treasury stock reserves					
Foreign currency translation reserve					
Reserve for write-up of equity investments with the Net Worth method					
Reserves for exceptions purs. to paragraph 4 of art. 2423 of Civil Code					
IAS ADJUSTMENTS RESERVE	- 3,229				
FAIR VALUE RESERVE	-				
Profit (Loss) carried forward	10,852				
Year's profit (loss)	3,336	A, B, C	3,336		
Total	115,074		79,241		

of which:

Non-distributable reserve	*50,029*
Residual distributable portion	*29,212*

(*) Possibility of use

A = capital increase

B = to cover losses

C = distribution to shareholders

(**) No uses have been made in the last 3 years.

(***) The IAS reserve deriving from AdF's S.E., which totals € 1,025 K, is not available, as per art. 6 of Leg. Dec. no. 38/2005.

Ann. C

TABLE OF DEFERRED AND PREPAID TAXES AND CONSEQUENT EFFECTS (€K)

ITEMS	PREPAID / DEFERRED TAXES 31-DEC-2017			2018 REABSORPTION			2018 INCREASES			PREPAID / DEFERRED TAXES 31-DEC-2018		
EXPENSES FOR CAPITAL INCREASE	463,414	IRES	111,219	231,707	IRES	55,610	0	IRES	0	231,707	IRES	55,609
PROVISION FOR BAD DEBT AND OTHER RECEIVABLES	4,350,318	IRES	1,044,076	0	IRES	0	293,158	IRES	70,358	4,643,476	IRES	1,114,434
IFRIC12 / EXCEEDING PROVISION FOR REPAIRS AND MAINTENANCE	2,969,642	IRES / IRAP	910,684	1,790,625	IRES / IRAP	521,430	773,716	IRES / IRAP	225,306	1,952,733	IRES / IRAP	614,560
ACTUARIAL GAIN / LOSS (O.C.I.)	767,401	IRES	184,177	317,716	IRES	76,252	0	IRES	0	449,685	IRES	107,925
SUNDRY MINORS	189,884	IRES / IRAP	52,729	213,427	IRES / IRAP	62,150	427,479	IRES / IRAP	124,482	403,937	IRES / IRAP	115,061
PROVISION FOR FUTURE LIABILITIES AND CHARGES	3,957,805	IRES / IRAP	1,080,480	1,128,710	IRES / IRAP	271,454	599,266	IRES / IRAP	144,387	3,428,361	IRES / IRAP	953,413
T.I. IAS USE DIFFERENCES	425,363	IRES	102,087	359,868	IRES	86,368	0	IRES	0	65,495	IRES	15,719
Aggregate Total	13,123,828		3,485,451	4,042,053		1,073,264	2,093,619		564,533	11,175,394		2,976,720

TABLE OF RECONCILIATION BETWEEN YEAR'S RESULT AND TAXABLE BASE (€K)

	31/12/2018		31/12/2017	
	IRES	IRAP	IRES	IRAP
Profit before tax according to law tax	19,562	53,738	15,324	59,518
Ordinary applicable tax rate	24.00%	5.12%	24.00%	5.12%
Theoretical tax burden	**4,695**	**2,751**	**3,678**	**3,047**
Main final differences				
- dividends collected (95% exempt.)	- 715		- 605	
- analytical and lump-sum IRAP deductions	- 426		- 463	
- ACE	- 292		- 303	
- labour costs of permanent employees		- 27,503		- 34,797
- other deductible labour costs		- 723		- 1,256
Sundry final variations (balance)	1,730	515	1,736	1,326
Sundry temporary variations (balance)	- 1,408	214	1,260	1,490
Taxable base	**18,450**	**26,241**	**16,948**	**26,281**
Current taxes	4,428	1,344	4,068	1,346
Previous years' taxes	- 185		- 8	
Deferred taxes	338	- 10	- 302	- 76
Income from consolidation	- 98		- 113	
Total taxes booked	**4,482**	**1,334**	**3,645**	**1,269**

Ann. E

CERTIFICATION OF THE 2018 FINANCIAL STATEMENT PURSUANT TO ART. 81-TER OF CONSOB'S REGULATION NO. 11971 OF 14 MAY 1999 AND SUBSEQUENT AMENDMENTS AND SUPPLEMENTS

1. The undersigned Gina Giani (Chief Executive Officer) and Marco Gialletti (Financial Reporting Manager) of Toscana Aeroporti S.p.a., also considering the provisions contained in art. 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998, hereby certify:

- the appropriateness in connection with the distinguishing features of the company, and
- the actual implementation

of the administrative and accounting procedures for the preparation of the 2018 Financial Statement.

2. Furthermore, it is hereby certified that the 2018 Financial Statement:

- has been prepared in accordance with applicable accounting standards recognized within the European Community pursuant to EC Regulation no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- reflects the contents of accounting books and records;
- provides a true and fair view of the assets, liabilities, and financial situation of the issuer and of the issuer.

3. The Report on Operations includes a reliable analysis of operating performance and income, as well as the situation of the issuer, along with a description of the primary risks and uncertainties to which it is exposed.

Florence, 14 March 2019

For the Board of Directors

Chief Executive Officer
Gina Giani

Financial Reporting Manager
Marco Gialletti

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Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of Toscana Aeroporti SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Toscana Aeroporti SpA (the Company), which comprise the statement of financial position as of 31 December 2018, the income statement, statement of comprehensive income, statement of changes in in shareholders' equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2018, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of 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 this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Capitalisation of concession rights	
Explanatory notes to the financial statements as of 31 December 2018: Note "Intangible assets". Report on operations: paragraph "11. The Group's investments". During financial year 2018 costs related to intangible assets were capitalised in a total amount of Euro 14.4 million representing 6% of the Company's assets; such costs are made up of Euro 7.8 million related to concession rights and Euro 5.6 million related to intangible assets under development, of which Euro 5.1 million for the development of the Florence Airport Master Plan. Considering the significance of the investments and use of estimates that the Company's management made to verify the compliance with the requirements of IFRIC interpretation *"IFRIC 12 – Service concession arrangements"* and of international accounting standard *"IAS 38 – Intangible assets"* adopted by the European Union, we specifically focused our attention on the valuations performed by the directors. The estimates prepared by them were mainly related to the verification of the identifiability of capitalised costs and the existence of future economic benefits deriving from the investments made.	We conducted an understanding, evaluation and validation of the procedure of capitalisation of the concession rights adopted by the Company. In particular, we conducted an understanding and verification of the key controls underlying the capitalisation of such intangible assets. We obtained a detail of the amounts of capitalised costs by project, analysing, on a sample basis, increases and decreases occurred during the year. During our audit we paid special attention to the compliance with the requirements of IFRIC interpretation *"IFRIC 12 – Service concession agreements"* and of international accounting standard *"IAS 38 – Intangible assets"* adopted by the European Union for the capitalisation of such intangible assets, with particular reference to the identifiability of capitalised costs and the existence of future economic benefits deriving from the investment. To that end, we examined, on a sample basis, the long-term plans prepared by management and the related estimated future cash flows. As part of our audit procedures we also carried out discussions with management and the technical managers with the aim of understanding the characteristics of the projects. Furthermore, with specific reference to the analyses conducted on investments related to the development of the Florence Airport Master Plan, in our audit procedures we also involved PwC network experts in valuation.

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Valuation of provisions for risks and charges and provisions for repair and replacement	
Explanatory notes to the financial statements: note 40 "Provisions for risks and charges", note 41 "Provisions for repair and replacement" and paragraph "Information on the main items of the Provision for risks and charges at 31 December 2018" The value of the provisions for risks and charges and of the provisions for repair and replacement recorded within the balance sheet liabilities of the financial statements at 31 December 2018 amounted to Euro 3.5 million and Euro 25.4 million respectively, which represent 1.5% and 10.6% of the Company's liabilities. Given the significance of the amounts at issue and the use of estimates that management made to verify the compliance with the requirements under IFRIC interpretation *"IFRIC 12 – Service concession arrangements"* and under the international accounting standard *"IAS 37 - Provisions, Contingent Liabilities and Contingent Assets"* adopted by the European Union, we paid special attention to verifying the liabilities at issue. The main analyses performed by management consisted in the verification of the ongoing obligations, the estimated likelihood to be required to fulfil such obligations and the relevant estimated amount.	We conducted an understanding, evaluation and validation of the procedure adopted by the Company in order to determine the accruals to provisions for risks and charges and to the provisions for repair and replacement and to evaluate the adequacy of the liabilities recognised within the balance sheet liabilities at 31 December 2018. In particular, we conducted an understanding and verification of the key controls underlying the determination of such provisions and the valuation of the adequacy of the liabilities recognised. In this respect, we highlight that in relation to the more significant issues the Company is supported by independent external professionals who keep management abreast of the status of the litigation and of the potential impacts on the financial statements. We also obtained a detail of the amounts provisioned and we analysed, on a sample basis, the reasonableness of the assumptions adopted by management to quantify the liability amount to recognise in the financial statements. With reference to the external professionals who support the Company in the evaluation of the provisions for risks and charges we also sent requests for information to them and we analysed the replies obtained. Moreover, in order to comprehend the characteristics of the pending lawsuits and of the repairs and replacements carried out on assets under concession, we held discussions with management, the internal legal affairs office, the control managers, the internal technical managers and with the external professionals.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained 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;
- We obtained 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;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' 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;
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated 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 identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated 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 determined 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 described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 3 November 2014, the shareholders of Toscana Aeroporti SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2014 to 31 December 2022.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Toscana Aeroporti SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of Toscana Aeroporti SpA as of 31 December 2018, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the financial statements of Toscana Aeroporti SpA as of 31 December 2018 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Toscana Aeroporti SpA as of 31 December 2018 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Florence, 4 April 2019

PricewaterhouseCoopers SpA

Signed by

Luigi Necci
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers. We have not examined the translation of the financial statements referred to in this report.

BOARD OF AUDITORS' REPORT

BOARD OF AUDITORS' REPORT ON THE 2018 FINANCIAL STATEMENT AND 2018 CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS (PURSUANT TO ART. 153 OF LEG. DEC. 58/1998 AND ART. 2429, PAR. 2, OF THE ITALIAN CIVIL CODE)

To the Shareholders of Toscana Aeroporti SpA

Dear Shareholders,

during the business year ended 31 December 2018, the Board of Auditors carried out its auditing tasks as required by the applicable legislation in compliance with the Code of Conduct recommended by the Italian Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili [national Association of Chartered Accountants and Business Advisers], as well as with CONSOB provisions, supplemented with the instructions specified in the Voluntary Code of Conduct concerning corporate control and auditing activities.
The Board of Auditors was appointed by the Shareholders' Meeting of the Company on 27 April 2017 and will remain in office until the date of the Meeting for the approval of the financial statement for the year closed 31 December 2019.
Upon accepting their assignment and subsequently during their period in office, the Board of Auditors checked their members' compliance with the applicable honourability and professional qualification requirements and checked that there was no reason for ineligibility, incompatibility or forfeiture as specified in Art. 148, par. 3, of Leg. Decree no. 58/1998 and that the independence requirements specified in Articles 2382 and 2399 of the Civil Code and Rule Q.1.5 of the "Standards of Conduct for the Boards of Auditors of listed companies" issued by the Italian national association of Chartered Accountants and Business Advisers [Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili] and by Art. 8 of the applicable Voluntary Code of Conduct had been met, so that they could be qualified to carry out their tasks based on principles of fairness and honesty, and with no economic conflict of interests that may impair their independence. The Board also carried the self-assessment process, as required by Rule
Q.1.1., after which no lack of fitness was identified either concerning the individual members of the Board or the fitness of the composition of the board. The Self-Assessment Report was transmitted to the Board of Directors during the meeting og 14 March 2019.

Based on the information received, the documentation acquired and the reviews carried out, we report the following:

Significant transactions

In this regard, we refer the reader to the exhaustive section of the Report on Operations included in the 2018 financial statement. The main significant events occurred in 2018 are: the incorporation of Società Aeroporti Handling S.r.l., a 100% subsidiary owned by Toscana Aeroporti S.p.A., on 1 March 2018, for the management of the Handling business; the start of Toscana Aeroporti Handling operations on 1 July 2018, with the business purpose of providing the services described in Leg. Dec. no. 18/1999, and subs. amend. & suppl.; the renewal of the Board of Directors of Toscana Aeroporti S.p.A. based on the Meeting resolution of 30 May 2018 and the subsequent co-optation of two board members; the finalisation, on 1 June 2018, of the preliminary agreement for the acquisition from NIT

(Nuove Iniziative Toscane S.r.l.) of an area located in the so-called “Piana di Castello”, for which details we refer the reader to Section 9 of the Report on Operations.1

Auditing of compliance with statutory requirements and with Bylaws

The Board of Auditors monitored the Company to ensure that the law and the Bylaws were complied with; in particular, the BoA met 12 times during 2018 and took part in: 2 Shareholders’ Meeting;
13 Directors’ meetings; N. 2 Executive Committee's meetings; 6 Appointments and Remuneration Committee's meetings; 7 Control and Risk Committee’s meetings.

The Board acknowledges that all the applicable disclosure obligations set forth by supervisory authorities have been met and no violation or complaint has been filed by Shareholders.

Auditing of compliance with correct management principles

On a quarterly basis, the Board obtained from the Company’s Directors information and reports on general operations and expected trends, as well as on the most significant economic, financial and equity transactions performed by the Company, including through its subsidiaries. So the Board can reasonably ensure that, based on the information received, the transactions implemented by the Company are compliant with the applicable legislation and Bylaws and have not been unwary, risky or in conflict of interest or in contrast with the resolutions made by the Shareholders’ Meeting, nor such as to jeopardise the integrity of the corporate equity.
Within the scope of our task, we collected information and audited the compliance of the activities carried out by the Company with correct management principles, primarily by taking part in the meetings of the Board of Directors and corporate Committees, but also by collecting information from the Chief Finance Officer and the managers of the Accounting Department and other corporate functions, as well as by exchanging significant data and information pursuant to art. 150 of Legislative Decree no. 58/1998 with the Auditor. More specifically, as regards the resolution procedures of the Board of Directors and Executive Committee, we supervised the Company’s compliance with the applicable legislation and Articles of Incorporation in connection with the operating and management decisions made by Directors.
Based on the information received from Directors and on the interviews with the representatives of the Auditor, no unusual transaction emerged for the business year 2018.
Auditing of the appropriateness of the ownership structure
Our auditing activity revealed the existence of an appropriate ownership structure in terms of layout, procedures, competencies, and responsibilities for the size of the Company and for the nature and method of pursuing the business purpose.
In addition, we audited the independence of each Director according to the requirements of the Voluntary Code of Conduct adopted by the Company.
We reviewed the operation of the Board of Directors and Committees, particularly as regards the applicable requirements for independent Directors, the determination of their fees, and the responsibilities connected with corporate functions.
Auditing of compliance with the internal control system
Acting as Internal Audit Committee, we also collected information and audited compliance of the ownership structure of the Company and its internal control system, also by taking part in the meetings of the Control and Risk Committee. This Committee promptly disclosed all the necessary information on their activities to the BoA during the meeting and explained the contents of their mid-term reports, which confirmed the compliance of the internal control system and risk management activity.

The Board also monitored the activities carried out by the Internal Audit Manager, in compliance with the 2018 Audit Plan approved by the Board of Directors during the meeting held on 1 February 2018, with a proposal examined by the Control and Risk Committee during the meeting held on 29 January 2018, after listening to their considerations during the meetings and examining the contents of the mid-term reports, which show that the internal control and risk management system is appropriate.
The Board of Auditors informs the Shareholders that significant data and information have been exchanged with the various control boards of the Company.
As regards risk assessment, we acknowledge that the current Supervisory Board of the Company has been appointed on 1 June 2018 and a resolution passed by the Board of Directors during the meeting of 12 May 2016 the Organization, Management and Controll Model was approved pursuant to Legislative Decree no. 231/2001, subsequently updated by the Board of Directors during the meeting of 20 December 2017.

Supervisory activity regarding the compliance of the accounting system and related statutory auditing of accounts

The Board supervised the compliance of the accounting system and its reliability and capacity to correctly reflect and describe corporate operations by obtaining information from the responsible Director, the Managers of the various competent functions, through meetings with the Auditor and by reviewing the Auditing Reports on the Financial Statement and Consolidated Financial Statement issued by the Auditor for the business year considered, and all these documents showed compliance with international accounting standards.
The certification required by Art. 154-bis, paragraph 5, of TUF, signed by the CEO and CFO, has been enclosed to the Financial Statement and Consolidated Financial Statement.
The Board supervised the independence of the Auditing Company pursuant to Art. 6 paragraph 2) lett. a) of the European Regulation 537/2014 and pursuant to paragraph 17 of ISA Italia 260. During the year 2018, as reported in Annex F to the Consolidated Financial Statement pursuant to Art. 149-duodecies of Consob Issuers' Regulation, the parent company Toscana Aeroporti S.p.A. paid PwC S.p.A. the following fees: Euro 74,000 for auditing services; Euro 166,500 for the auditing of the Corporación America Airports group consolidation dossiers; Euro 12,700 for accounting report certification services under CIPE Resolution no. 38/2007 to TA S.p.A.; Euro 19,000 for the limited audit of the non-financial consolidation declaration to be produced under Leg. Dec. no. 254/2016 for the year 2018; and Euro 90,000 for other non-auditing services. The subsidiaries Parcheggi Peretola Srl and Jet Fuel Co.Srl paid PwC S.p.A. Euro 13,800 of fees for auditing services.

Corporate Governance implementation

We, the Board of Auditors, audited the compliance of the Company with the Corporate Governance principles specified in the Voluntary Code of Conduct for listed companies adopted by the Company. On 14 March 2018, the Board of Directors approved the Report on Corporate Governance and Ownership prepared pursuant to Art. 123-bis of TUF (Traditional Control and Management Model).

Diversity policy

Subject to compliance with the applicable legislation, in 2018 the Company did not adopt any diversity policy pursuant to Art. 123-bis, par. 2, lett. D-bis) of
Leg. Dec. no. 58/1998, because the present composition of the governing and control boards provide an appropriate combination of professional qualifications, and considering that the information disclosed to directors and auditors have such a content and frequency that they can receive adequate knowledge of the sector where the Company operates, its trends and any related corporate process.

Auditing of relationships with subsidiaries and parent companies
The Board supervised relationships with subsidiaries and parent companies, which have been promptly presented to the Committees and Board of Directors, and could confirm their compliance with the instructions given by the Company to subsidiaries.
The characteristics of the intra-group transactions conducted during the business year considered, the parties involved and the related economic effects are adequately described in the Explanatory Notes to the Financial Statement and Consolidated Financial Statement of the Company, where all the related credit/debit and cost/revenue ratios are highlighted.

Auditing of related parties
As required by CONSOB Regulation no. 17221 of March 12, 2010, subsequently amended with Resolution no. 19974 of 27 April 2017, the Board of Auditors acknowledged that the Company adopted measures designed to ensure that transactions with related parties, performed either directly or through subsidiaries, be transparent and compliant with substantial and procedural correctness criteria.
Intra-group transactions and transactions with other related parties referred to the year 2018 have been reviewed during the meetings of control and risk committees and no non-conformance was detected. Said items, including the adoption of tax consolidation, are exhaustively described in TA S.p.A.'s financial statements and in the Group's consolidated financial statement.

Omissions and negligible fact detected, opinions and initiatives undertaken
The Board received no reports or complaints filed under Art. 2408 of the Civil Code and no petition was filed by third parties during 2018.
We presented the specific opinions requested by legal provisions, including the opinion on Directors' Fees (under art. 2389, paragraph 3, of the Civil Code).
No significant data or information, omissions, negligible facts or irregularities or any other significant events worthwhile mentioning in this report emerged during the supervisory activity conducted and based on the information obtained from the Auditing Company, pursuant to Art. 150, paragraph 3, of Legislative Decree no. 58/1998, including during the regular meetings held with the Auditing Company.

Proposals regarding the year's financial statement and the consolidated financial statement
The Board of Statutory Auditors checked that the rules regulating the formation of the year's draft financial statement and consolidated financial statement at 31 December 2018, approved by the Board of Directors on 14 March 2019, had been complied with. In particular, we acknowledge that the draft financial statement and consolidated financial statement have been prepared in compliance with the International Financial Reporting Standards (IFRS) adopted by the European Union and that the Company complied with CONSOB's resolutions in its reports and disclosures.
We audited that the applicable legislation had been complied with in preparing the Report on Operations and, pursuant to Leg. Dec. 254/2016, implementing EU Directive 2014/95, in preparing the Consolidated Non-Financial Statement concerning the year closed 31 December 2018, approved by the Board of Directors on 14 March 2019.
On 4 April 2019, the Board of Statutory Auditors produced its reports on the financial statement of the Company and the Group pursuant to Art. 14 of Leg. Dec. 39/2010 and Art. 10 of EU Regulation 537/2014 and has no issue to raise about them.
The Auditing Company said that, in their opinion, the Report on Operations and the information provided regarding corporate governance and the ownership structure, as

recalled above, are consistent with the year's financial statement and the consolidated financial statement of Gruppo Toscana Aeroporti as at 31 December 2018.
The Auditing Company also produced for the Internal Control and Audit Committee of the Board of Auditors an Additional Report, as required by Art. 11 of Regulation (EU) no. 537/2014, which confirms that no significant gap has been detected in the internal control system of the Company concerning the financial disclosure process.
The Auditing Company, based on the specific request of Toscana Aeroporti S.p.A., produced a special report confirming compliance with Leg. Dec. 254/2016 and CONSOB Resolution no. 20267 of the Consolidated Non-Financial Statement of Toscana Aeroporti S.p.A. concerning the year closed at 31-Dec-2018.
For any matter within the scope of our competence, we, the Board of Auditors, hereby declare that there is no reason to oppose against the adoption (approval) of the financial statement and consolidated financial statement, and the related proposals presented by the Board of Directors.

Conclusions and proposal for the Meeting

Based on all the considerations above, the Board of Statutory Auditors certifies that there is no reason to oppose the approval by the Meeting of the draft financial statement and consolidated financial statement at 31 December 2018, together with the proposal for the allocation of the Euro 13,746,480 profit and distribution of dividends put forward by the Board of Directors.

Florence, 4 April 2019

BOARD OF STATUTORY AUDITORS

Mrs. Paola Severini, President of the Board of Statutory Auditors
Mrs. Silvia Bresciani, Regular Auditor
Mrs. Elena Maestri, Regular Auditor
Mr. Antonio Martini, Regular Auditor
Prof. Mr. Roberto Giacinti, Regular Auditor