

## **INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010**

**To the Shareholders of  
Azzurra Aeroporti S.p.A.**

### **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

#### **Opinion**

We have audited the financial statements of Azzurra Aeroporti S.p.A. ("Company"), prepared in a condensed format pursuant to art. 2435-bis of the Italian Civil Code, which comprise the balance sheet as at December 31, 2018, the statement of income for the year then ended and the explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2018, and of its financial performance for the year then ended in accordance with the Italian law governing financial statements.

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **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 the Italian law governing financial statements, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the 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 these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

DELOITTE & TOUCHE S.p.A.

Signed by

**Andrea Cannavò**

Partner

Rome, Italy

March 6, 2019

*This report has been translated into the English language solely for the convenience of international readers.*

**AZZURRA AEROPORTI S.p.A.**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 DECEMBER 2018**

Azzurra Aeroporti S.p.A. – A company managed and coordinated by Atlantia S.p.A.  
Share capital € 3.221.234,00, fully paid-up  
Tax Code, VAT number and Companies' Register no. 10151991006  
Registered office: Via A. Bergamini 50, 00159 ROME

## Contents

<b>1. Introduction .....</b>	<b>3</b>
Corporate management.....	4
Financial highlights.....	6
Ownership structure .....	6
Background .....	7
<b>2. Financial statements for the year ended 31 December 2018: accounting prospects and Explanatory notes .....</b>	<b>8</b>
Basis of presentation.....	12
Accounting standards and policies .....	13
<b>3. Other information .....</b>	<b>16</b>
Significant events during the year .....	17
Subsequent events to 31.12.2018 .....	20
Outlook and risks or uncertainties.....	20
Related party transactions.....	20
Specific requirements of art. 2428 of the Italian Civil Code .....	21
Guarantees.....	24
<b>4. Proposal for the Annual General Meeting of Azzurra Aeroporti S.p.A.'s shareholders..</b>	<b>25</b>
<b>5. Notes to the balance sheet and income statement .....</b>	<b>27</b>
<b>6. Other information .....</b>	<b>38</b>
Statement of cash flows.....	39
Financial highlights for the entity responsible for management and coordination of the Company in accordance with art. 2497-bis of the Italian Civil Code .....	41
Remuneration paid to Statutory Auditors and Directors.....	42

## **1. Introduction**

## Corporate management

---

### **Board of Directors**

**(for the three-year period 2016-2018)**

Chairman and Chief Executive Officer	DAMASCO Michelangelo
Directors	GUENZI Giancarlo
	VALLARINO Umberto
	PICCININI Marco
	TRONCONE Marco
	UNGARO Luca
	TOZZI Gennarino
	MORONI Giorgio
	GORETTI Carlo
	BENOIST D'ANTHENAY Pierre
	GRILLO Fanny
	BOUET Cyril
	CUSMAI Stefano <sup>1</sup>

---

### **Board of Statutory Auditors**

**(for the three-year period 2016-2018)**

Chairwoman	BASTIANI Alessia
Standing Auditors	LUCIDI Sandro

---

<sup>(1)</sup> Replacement for Mr. Fenati Livio from September 27, 2018

DE ANGELIS Lorenzo

Alternate Auditors

ANACLERIO Mario Francesco

BONIFACIO Francesco Mariano

---

**Independent Auditors**

**(for the period 2016-2018)**

Deloitte & Touche S.p.A.



## Financial highlights

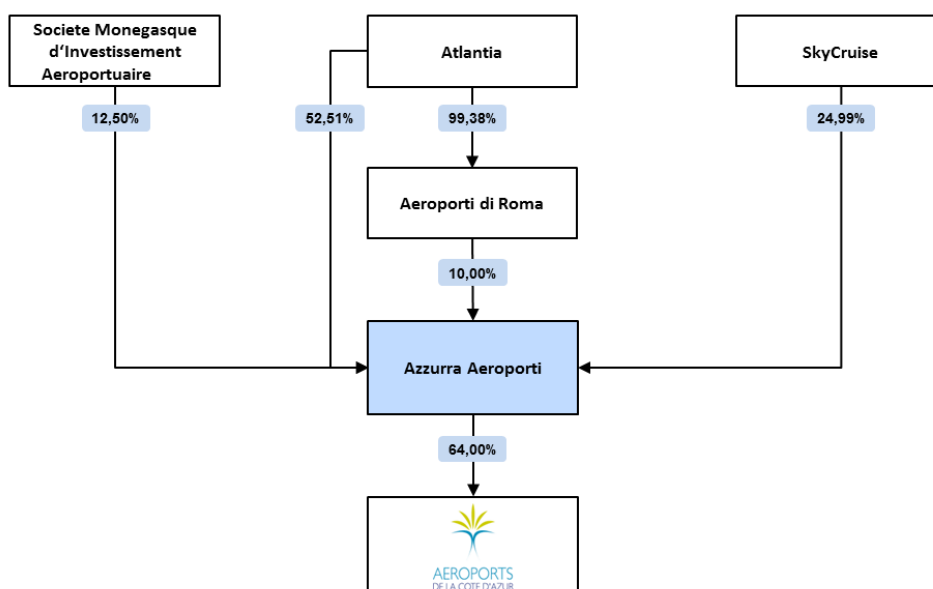
---

(€000)

PROFIT/(LOSS) OF THE YEAR	43,790
EQUITY	706,579
NET FUNDS	600,995

## Ownership structure

---



## Background

Azzurra Aeroporti S.p.A. is a holding company of the Atlantia Group.

The Company has the following corporate purpose:

- the acquisition of shareholdings and interests in other companies and ventures;
- the arrangement of financing for companies and ventures in which the Company has an interest, which shall include the provision of guarantees and real security as well as technical, industrial and financial coordination;
- all types of foreign and Italian direct investments in securities and real property.

Ancillary to its principal business, the Company may also acquire, directly or indirectly, hold, handle, use improve and develop trademarks, patents and know-how relating to electronic toll-road system and all similar or related activities.

In performing its activities to achieve the corporate purpose, the Company can carry out all commercial, industrial, financial, security and property transactions, including obtaining mortgages and loans in general and providing sureties, endorsements and guarantees, including collateral. The corporate purpose does not include any activity or transaction with the public and any fiduciary activity.

**2. Financial statements for the year ended 31  
December 2018: Accounting prospects and  
Explanatory notes**

**BALANCE SHEET**

(€)

<b>ASSETS</b>	<b>31 December 2018</b>	<b>31 December 2017</b>	
<b>A</b>	<b>DUE FROM SHAREHOLDERS FOR UNPAID CAPITAL</b>	-	-
<b>B</b>	<b>FIXED ASSETS</b>	<b>1,303,049,283</b>	<b>1,303,049,283</b>
<b>B I</b>	<b>INTANGIBLE ASSETS</b>	-	-
<b>B III</b>	<b>NON-CURRENT FINANCIAL ASSETS</b>	<b>1,303,049,283</b>	<b>1,303,049,283</b>
B III 1	Investments	1,303,049,283	1,303,049,283
B III 1.a	Investments in subsidiaries	1,303,049,283	1,303,049,283
<b>C</b>	<b>CURRENT ASSETS</b>	<b>53,908,975</b>	<b>34,470,068</b>
<b>C II</b>	<b>RECEIVABLES</b>	<b>4,460,335</b>	<b>5,028,981</b>
C II 4	From parent companies	4,459,099	5,028,981
	<i>Due after more than a year</i>	-	-
C II 5 ter	Deferred tax assets	1,136	-
	<i>Due after more than a year</i>	1,136	-
C II 5 quater	Other receivables	100	-
	<i>Due after more than a year</i>	-	-
<b>C IV</b>	<b>CASH AND CASH EQUIVALENTS</b>	<b>49,448,640</b>	<b>29,441,087</b>
C IV 1	Bank and post office accounts	49,448,640	29,441,087
<b>D</b>	<b>ACCRUED INCOME AND PREPAYMENTS</b>	<b>64,207</b>	<b>17,500</b>
D	Prepayments	64,207	17,500
	<b>TOTAL ASSETS</b>	<b>1,357,022,465</b>	<b>1,337,536,851</b>

<b>EQUITY AND LIABILITIES</b>		<b>31 December 2018</b>	<b>31 December 2017</b>
<b>A</b>	<b>EQUITY</b>	<b>706,578,731</b>	<b>690,430,558</b>
A I	Share capital	3,221,234	2,500,000
A II	Share premium reserve	658,923,503	659,788,984
	<i>Share premium reserve - voting share</i>	509,788,984	-
	<i>Preferential Class B reserve</i>	149,134,519	-
A IV	Legal reserve	644,247	500,000
A VIII	Retained earnings/(Accumulated losses)	-	-
A IX	Profit/(Loss) for the period	43,789,747	27,641,574
<b>B</b>	<b>PROVISIONS</b>	<b>-</b>	<b>-</b>
<b>C</b>	<b>POST-EMPLOYMENT BENEFITS</b>	<b>-</b>	<b>-</b>
<b>D</b>	<b>PAYABLES</b>	<b>650,313,524</b>	<b>646,965,635</b>
D 4	Bank borrowings	649,813,808	646,576,500
	<i>Due after more than a year</i>	649,813,808	646,576,500
D 7	Amounts due to suppliers	339,167	78,099
	<i>Due after more than a year</i>	-	-
D 11	Amounts due from parents companies	130,764	266,858
	<i>Due after more than a year</i>	-	-
D 11 bis)	Amounts due from Subsidiaries of parent companies	-	-
	<i>Due after more than a year</i>	-	-
D 12	Tax liabilities	114	13,811
	<i>Due after more than a year</i>	-	-
D 14	Other payables	29,671	30,367
	<i>Due after more than a year</i>	-	-
<b>E</b>	<b>ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>130,210</b>	<b>140,658</b>
E	Accrued expenses	130,210	140,658
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,357,022,465</b>	<b>1,337,536,851</b>

## INCOME STATEMENT

(€)

		31 December 2018	31 December 2017
<b>A</b>	<b>VALUE OF PRODUCTION</b>	-	-
<b>B</b>	<b>COST OF PRODUCTION</b>	<b>(873,894)</b>	<b>(1,686,075)</b>
B	7 Service costs	(699,058)	(1,656,856)
B	8 Use of third party assets - Lease and rental costs	(9,335)	(8,503)
B	14 Other operating costs	(165,501)	(20,716)
	<b>OPERATING LOSS</b>	<b>(873,894)</b>	<b>(1,686,075)</b>
<b>C</b>	<b>FINANCIAL INCOME AND EXPENSES</b>	<b>40,203,495</b>	<b>24,301,646</b>
C	15 Income from investments	51,527,680	34,572,435
C	15 <i>subsidiary company</i>	51,527,680	34,572,435
C	16 Other financial income	342	1,000,956
C	16 <i>other</i>	342	1,000,956
C	17 Interest expense and other financial expenses	(11,324,527)	(11,271,745)
C	17 <i>Other</i>	(11,324,527)	(11,271,745)
<b>D</b>	<b>ADJUSTMENTS TO FINANCIAL ASSETS AND LIABILITIES</b>	-	-
	<b>PROFIT/(LOSS) BEFORE TAX</b>	<b>39,329,602</b>	<b>22,615,571</b>
	<b>INCOME TAX EXPENSE FOR THE PERIOD</b>	<b>4,460,146</b>	<b>5,026,003</b>
22	c Taxes of previous years	(243,307)	(2,730)
22	d Income from participation in tax consolidation arrangement	4,703,452	5,028,733
	<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>43,789,747</b>	<b>27,641,574</b>

## Basis of presentation

The financial statements for the year ended 31 December 2018, in which amounts are shown in euros, have been prepared in compliance with Legislative Decree 127/91, as amended, and also taking into account the provisions of Legislative Decree 139 of 18 August 2015, implementing EU Directive 2013/34. The financial statements consist of the balance sheet, prepared in accordance with the format required by art. 2424 of the Italian Civil Code, the income statement, prepared in accordance with the format required by art. 2425 of the Italian Civil Code, and the Explanatory notes, prepared in accordance with the format required by art. 2427 of the Italian Civil Code. The financial statements are accompanied by a number of annexes forming an integral part thereof.

As required by law, amounts in the above documents are compared with the matching amounts for the previous year ended 31 December 2017.

In order to provide full disclosure regarding the Company's financial position, these notes also contain the statement of changes in equity and the statement of cash flows.

There were no exceptional events during the year requiring the application of the exemptions envisaged by art. 2423, paragraph 4 of the Italian Civil Code.

No capital or borrowings have been allocated for specific uses.

Having met the relevant requirements, the Company, considered a micro-enterprise, has prepared these financial statements in condensed form, as permitted by art. 2435-ter of the Italian Civil Code, despite presenting a complete balance sheet and income statement in order to provide more detailed disclosure. As a result, as permitted by the above article, certain disclosures required by art. 2427 of the Italian Civil Code have been eliminated, and the information needed in order to qualify for the exemption from preparation of a report on operations has been included in these notes.

Despite holding a significant controlling interest, the Company has not prepared consolidated financial statements, as it has opted for the exemption provided for by art. 27, paragraph 3 of Legislative Decree 127/1991. Consolidated financial statements are prepared by the direct parent company, Atlantia S.p.A., and will be published within the deadline and according to the procedures required by law.

## Accounting standards and policies

The accounting standards and policies applied in the measurement of financial statement items, in the calculation of revaluations and impairments and in carrying out foreign currency translations comply with the requirements of the Italian Civil Code, including art. 2423 *bis* (presentation rules) and art. 2426 (accounting policies), as interpreted and supplemented by Italian GAAP, as amended by the Italian Accounting Standards Setter (OIC).

### Investments

Non-current financial assets, consisting of investments to be held over the long term by the Company, are measured at purchase or subscription cost, after adjustment to reflect any impairment losses estimated at the end of the reporting period. An impairment loss is determined by comparing the carrying amount of the investment with its recoverable amount, determined on the basis of the future economic benefits expected to flow to the investor, based on an analysis of the investee's long-term business plan and expected future cash flows.

### Receivables

The receivables are recognised at amortized cost, calculated on the time factor and the estimated realizable value.

The amortized cost method is not applied to short-term receivables, ie with maturity of less than 12 months, or if the effects are assumed to be insignificant.

### Payables

The Payables are recognised at amortized cost, calculated on the time factor.

The amortized cost method is not applied to short-term loans, ie with maturity of less than 12 months, or if the effects are assumed to be insignificant.

### Cash and cash equivalents



Cash and cash equivalents are recognised at nominal value.

### **Accruals and prepayments**

Accrued income, prepayments, accrued expenses and deferred income are allocated on an accruals basis.

### **Costs**

Costs are recognised in accordance with matching principles, accounting for any accruals and prepayments, and after any discounts, bonuses and premiums.

### **Dividends**

Dividend income is recognised when, as a result of a resolution calling for the distribution of earnings or reserves is approved by a general meeting of the investee's shareholders, the investor's right to receive payment is established. The dividend is recognised as financial income regardless of the nature of the reserves being distributed.

### **Income taxes**

Income tax expense is recognised on the basis of a realistic estimate of the tax charge payable, in compliance with the regulations in force.

Income tax expense payable at the end of the reporting period is accounted for in liabilities, after any prepayments, withholding taxes paid and tax credits. Any tax assets are accounted for in assets.

With regard to IRES (corporation tax), as permitted by existing legislation, the Company participates in the tax consolidation arrangement operated by the parent, Atlantia S.p.A.

As a result, the company (Atlantia S.p.A.), as the consolidating entity, will submit a tax return, disclosing the total income earned by Group companies participating in the arrangement, and will pay any income tax due. To this end, the Company sends its parent all the data and information necessary to fulfil this obligation, where required transferring the funds needed to pay the IRES due to the consolidating entity.

In terms of presentation of the above situation in the Company's financial statements, the

items “Receivables due from parents companies” and “Payables due to parents companies” therefore also include the amounts receivable or payable to Atlantia S.p.A. in relation to IRES (accounted for in the income statement in “Income tax expense for the period”), after the related tax credits and withholding taxes paid.

### **Derivative financial instruments**

In compliance with art.2435-ter of the Italian Civil Code and accounting standard OIC 32, fair value gains on the derivative asset hedging the Company’s borrowings has not been recognised in equity in the financial statements for the year ended 31 December 2017, given that the Company is considered a micro-enterprise.

### **3. Other information**

## Significant events during the year

A number of transactions took place in 2018 in accordance with the guidance provided by the Group to which the Company belongs. These transactions are described below.

### **Dividend from Aéroports de la Côte d'Azur (ACA)**

On 26 March 2018, the Annual General Meeting of the subsidiary, Aéroports de la Côte d'Azur (ACA), approved the subsidiary's financial statements for the year ended 31 December 2017 and payment of a dividend to the Company of €51,527 thousand.

### **Corporate conversion**

On 27 June 2018, a General Meeting of the Company's shareholders approved:

- a) the creation of a special equity reserve (representing preferred equity) amounting to €150 million, via partial conversion of the share premium reserve;
- b) an increase in the share capital from €2,500,000 to €3,221,234 via a scrip issue (through partial conversion of the above special reserve) of €721,234, to be allocated on a non-proportionate basis to the shareholders, Atlantia S.p.A. and Societè Monegasque d'Investissement Aeroportuaire S.A. (as the holders of the special rights), in the amount of €384,658 and €336,576;
- c) the transfer of a part of the special reserve referred to in point a) to the legal reserve (€144,247);
- d) the conversion of Azzurra Aeroporti S.r.l. into a joint-stock company called "Azzurra Aeroporti S.p.A." with the consequent issue of 3,221,234 shares with a par value of €1.00 each, including:
  - 1,875,250 Class A voting shares, with 1,312,750 shares to be issued to Atlantia S.p.A., 312,500 to Societè Monegasque d'Investissement Aeroportuaire S.A. and 250,000 to Aeroporti di Roma S.p.A.;
  - 624,750 Class C voting shares to be issued to SKY CRUISE S.A.S.;
  - 721,234 special Class B preferred non-voting shares, with 384,658 to be issued to Atlantia S.p.A. and 336,576 to Societè Monegasque d'Investissement Aeroportuaire S.A..

### **Renewal of guarantees securing the Company's debt**

On 4 and 5 October 2018, respectively, the shareholders, Atlantia S.p.A. and EDF S.A., renewed the financial guarantees securing six months of Net Senior Finance Charges resulting from the Term Loan Facility Agreement and the hedging contracts entered into by the Company and expiring on 8 November 2019.

### **ACA – Tariff update 2018-2019**

On 14 July 2018, a decree was published by the French Minister of Transport who, within the scope of the Minister's powers, has established the criteria for determining the fees payable in return for the airport services provided by Nice-Côte d'Azur and Cannes-Mandelieu airports.

Specifically, the decree (i) defines and differentiates the scope of regulated and non-regulated activities (essentially commercial and real estate activities, with the exception of car parks that come under regulated activities) and (ii) establishes a tariff regulation mechanism for activities regulated by a price cap system linked to inflation, with preestablished productivity improvements, without prejudice to the right to a fair return on invested capital.

The decree thus establishes a stable and predictable regulatory framework for the period of the airport concession term, which may be reflected both in annual tariff increases and in the context of annual regulatory agreements lasting five years, which in any event are subject to approval by the Independent Supervisory Authority.

However, despite the clear provisions in the decree and ACA's submission of proposed tariffs for the period November 2018 – October 2019, in January 2019, the Authority declined to endorse the proposed tariffs. This was also the case for other French airports. ACA challenged this decision before the French Council of State.

Even whilst the above challenge is pending, the Authority can, after 8 March 2019, independently set tariffs for the period in question, in accordance with the legislation in force. ACA will again have the right to challenge such a decision.

In the meantime, and without prejudice to the challenge, the Authority has begun consultations with ACA, the grantor, the Direction Général de l'Aviation Civile (France's

civil aviation authority), and the Users' Committee on the basis of a tariff proposal put together by the Authority.

For the time being, the existing tariffs will continue to be applied.

## Subsequent events to 31.12.2019

On 29 January 2019, a General Meeting of the Company's shareholders, at the proposal of the Board of Directors on the same date, approved the partial distribution to shareholders of the "share premium reserve – voting shares", amounting to €43,000,000.

## Outlook and risks or uncertainties

The Company will continue to pursue its business purpose through the management, strategic planning and definition of the decision-making processes of the subsidiary, Aéroports de la Côte d'Azur (ACA).

## Related party transactions

The Company entered into transactions with the following in 2018:

- 1) the parent company, Atlantia S.p.A., in relation to the Company's participation in the Group's tax consolidation, services received during the period and charges for fees on guarantees provided;
- 2) EDF S.A. in relation to charges for fees on guarantees provided;
- 3) the associated company, Autostrade per l'Italia S.p.A., in relation to the lease agreement entered into.

The Company also benefits from financial guarantees provided by the parent company, Atlantia S.p.A., and the related party, EDF S.A., securing six months of Net Senior Finance Charges resulting from the Term Loan Facility Agreement and the hedging contracts entered into by the Company.

All the transactions, whether trading or financial in nature, entered into with these companies are conducted on an arm's length basis.

The following table shows amounts of a trading or financial nature in the income statement and balance sheet generated by related party transactions.

(€000)

Name	Balance at 31 December 2018						2018				
	Receivables	Payables	Guarantees		Commitments		Costs	Revenue	Financial income	Financial expenses	Capex
			Issued	Received	Received	Given					
<i>Subsidiaries</i> -Aéroports de la Côte d'Azur								51,528			
<i>Total Subsidiaries</i>	-	-	-	-	-	-	-	51,528	-	-	
<i>Related companies</i> - EDF S.A.				2,374							
<i>Total related companies</i>	-	-	-	2,374	-	-	-	-	-	-	
<i>Subsidiaries of parent companies</i> - Autostrade per l'Italia S.p.A.							(9)	-			
<i>Total subsidiaries of parents companies</i>	-	-	-	-	-	-	(9)	-	-	-	
<i>Parents</i> - Atlantia S.p.A.	4,460	130		7,126			(158)				
<i>Total parents</i>	4,460	130	-	7,126	-	-	(158)	-	-	-	

## Specific requirements of art. 2428 of the Italian Civil Code

In order to provide full disclosure regarding the Company's operations, the following information is included.

The Company did not carry out research and development during the period.

The Company does not own treasury shares or shares or quotas issued by parents.

The Company did not purchase or sell treasury shares or shares or quotas issued by parents during the period.

The Company's registered office is located in Rome at Via Alberto Bergamini, 50 and it does not operate branch offices.

The Company does not have any employees.

With respect to the disclosures required by art. 2428, paragraph 2.6-*bis* of the Italian Civil Code, regarding the use of financial instruments, the Company's exposure to risks resulting from such instruments and the related risk management policies, it should be noted that, in the ordinary course of business, the Company is exposed to:

- 1) market risk, primarily relating to movements in interest rates on the financial liabilities it has assumed;



2) liquidity risk, with regard to access to sufficient cash resources to fund its business and the repayment of liabilities.

### Market risk

The strategy adopted for this type of risk aims to mitigate interest rate risk and minimise borrowing costs, as defined in the Financial Policy approved by the Board of Directors of the parent company, Atlantia.

Management of these risks is based on prudence and best market practice.

The main objectives set out in this policy are as follows:

- to protect the scenario forming the basis of the long-term plan from the effect of exposure to interest rate risks, identifying the best combination of fixed and floating rates;
- to pursue a potential reduction of the Group’s borrowing costs within the risk limits determined by the Board of Directors;
- to manage derivative financial instruments taking account of their potential impact on the results of operations and financial position in relation to their classification and presentation.

At 31 December 2018, the Company has entered into a number of Interest Rate Swaps (IRSs), some of the forward-starting type, in order to hedge the cash flow interest rate risk associated with borrowings obtained, or to be obtained in future, from various financial institutions through to 2041.

The following table provides the information required by art. 2427-*bis*, paragraph 1 of the Italian Civil Code.

€ 000

Type	Purpose of hedge	Balance at 31 December 2018		Balance at 31 December 2017	
		Fair value asset/ (liability)	Notional amount	Fair value asset/ (liability)	Notional amount
Interest rate Swap	Interest risk - period 2016-2021	(1,073)	653,000	4,743	653,000
Interest rate Swap	Interest risk - period 2021-2026	1,235	653,000	10,019	653,000
Interest rate Swap	Interest risk - period 2026-2041	24,164	653,000	28,745	653,000
		<b>24,326</b>	<b>1,959,000</b>	<b>43,507</b>	<b>1,959,000</b>

**Liquidity risk**

Liquidity risk, which relates to the risk that cash resources may be insufficient to fund the payment of liabilities as they fall due, is not considered material, as the Company believes that its ability to generate cash, via the receipt of dividends payable by its subsidiary, Aéroports de la Côte d'Azur, provides access to sufficient sources of finance to meet its projected financial needs.

## Guarantees

At 31 December 2018, the Company has pledged the following assets to banks as collateral for the loan accounted for in “Bank borrowings”, in fulfilment of its obligations resulting from the related facility agreement and the associated hedging contracts:

- the Company’s current accounts and its 64% interest in Aéroports de la Côte d’Azur (ACA);
- the receivables deriving from hedging contracts and any loans granted to the subsidiary, Aéroports de la Côte d’Azur (ACA);
- the Company’s shares (a pledge signed in June 2018 following the corporate conversion).

The Term Loan Facility Agreement accounted for in “Bank borrowings” also benefits from guarantees issued by the parent, Atlantia S.p.A., and by the related party, EDF S.A., covering six months of Net Senior Finance Charges on the loan and hedging contracts. The guarantees, which have a duration of one year and are renewable on expiry, currently have a total maximum value of €9,500,000.

## **4. Proposal for the Annual General Meeting of Azzurra Aeroporti S.p.A.'s shareholders**

## **Proposal for the Annual General Meeting of Azzurra Aeroporti S.p.A.'s shareholders**

Dear Shareholders,

In concluding this report, we invite you to approve the financial statements for the year ended 31 December 2018, consisting of the balance sheet, income statement and the related notes, which report a profit for the period of €43,789,747.28, which we propose to allocate as retained earnings.

## **5. Notes to the balance sheet and income statement**

## NOTES TO THE BALANCE SHEET

### Balance sheet: Assets

Amounts are shown in thousands of euros.

The values in brackets show the amounts at 31 December 2017.

### NON-CURRENT FINANCIAL ASSETS

#### *Investments in subsidiaries*

**€1,303,049 thousand (€1,303,049 thousand)**

This item represents the cost of acquiring the 64% interest in Aéroports de la Côte d’Azur (ACA).

The following table shows details of the investment held at the end of the period, indicating the related share of equity. The result for 2018 and equity at 31 December 2018 have been taken from the consolidated data of the Aéroports de la Côte d’Azur prepared in accordance with the international accounting standards.

€ 000

Name	Registered office	Share capital	Carrying amount at 31 December 2018	Interest held at 31 December 2018	Profit/(Loss) for 2018	Equity at 31 December 2018	Company's share of equity
Aéroports de la Côte d’Azur	Nizza (France)	148	1,303,049,283	n° 94.719 equals to 64% of share capital	18	209.876 <sup>(1)</sup>	134,321

(1) Value assessed on the basis of the consolidated data of the Aéroports de la Côte d’Azur group as at 31/12/2018 prepared in accordance with international accounting standards

V

The investment has been pledged as collateral for the medium/long-term liability accounted for in “Bank borrowings”.

The recoverability of the carrying amount of the subsidiary, Aéroports de la Côte d’Azur (ACA), at the end of the period has been confirmed with reference to the subsidiary’s long-term business plan through to 2044, the year in which its concession expires. The related test

revealed an unrealised gain with respect to the Company's share of equity.

## **RECEIVABLES**

### ***Receivables from parent companies***

***€4,459 thousand (€5,029 thousand)***

This item consists of the amount due from Atlantia as a result of the IRES (corporation tax) loss recognised during the period, interest expense transferred to the parent's "gross operating profit" and the relief provided for by Law Decree 201 of 6 December 2011 (ACE). These have been transferred to the direct parent, Atlantia S.p.A., as a result of the Company's participation in the tax consolidation arrangement.

## **CASH AND CASH EQUIVALENTS**

***€49,449 thousand (€29,441 thousand)***

This amount regards the value of the Company's bank current account deposits at the end of the reporting period.

The above cash has been pledged as collateral for the medium/long-term liability accounted for in "Bank borrowings".

## **PREPAYMENTS AND ACCRUED INCOME**

***€64 thousand (€18 thousand)***

Prepayments regard costs already invoiced but attributable to the subsequent period.



## Balance sheet: Equity and liabilities

Amounts are shown in thousands of euros.

The values in brackets show the amounts at 31 December 2017

### EQUITY

#### Share capital

**€3,221 thousand (€2,500 thousand)**

The Share capital is fully subscribed and paid-up, having been paid in cash by shareholders.

The capital is divided into quotas in accordance with art. 2468 of the Italian Civil Code.

As a result of the resolution adopted by the General Meeting of shareholders held on 27 June 2018, which approved a scrip issue of €721,234, to be allocated on a non-proportionate basis to the shareholders, Atlantia S.p.A. and Societ  Monegasque d'Investissement Aeroportuaire S.A. in the amount of €384,658 and €336,576, respectively, the share capital amounts at 31 December 2018 are as follows:

(€)

Shareholders	Class A and C shares			Class B shares			Total		
	n° Shares	Share value	%	n° Shares	Share value	%	n° Shares	Share value	%
ATLANTIA S.p.A.	1,875,250	1,312,750.00	52.51	384,658	384,658.00	53.33	2,259,908	1,697,408.00	52.69%
SKY CRUISE S.A.S.	624,750	624,750.00	24.99	-	-	-	624,750	624,750.00	19.39%
SOC.MONEGASQUE D'INV.AEROPORTUAIRE S.A.	312,500	312,500.00	12.50	336,576	336,576.00	46.67	649,076	649,076.00	20.15%
AEROPORTI DI ROMA S.p.A.	250,000	250,000.00	10.00	-	-	-	250,000	250,000.00	7.76%
<b>Total</b>	<b>3,062,500</b>	<b>2,500,000.00</b>	<b>100.00</b>	<b>721,234</b>	<b>721,234.00</b>	<b>100.00</b>	<b>3,783,734</b>	<b>3,221,234.00</b>	<b>100.00%</b>

In accordance with art. 2468, paragraph 2 of the Italian Civil Code, the shareholders, Atlantia S.p.A. and Societ  Monegasque d'Investissement Aeroportuaire S.A., have a priority claim in the event of the distribution of earnings or the return of the Company's share premium reserve and share capital.

#### Legal reserve

**€644 thousand (€500 thousand)**

Following the scrip issue referred to above, on 27 June 2018, the General Meeting of the Company's shareholders approved the transfer of a part of the special reserve representing preferred equity, totalling €144,247, to the legal reserve.

At 31 December 2018, the legal reserve thus meets the threshold required by the Italian Civil Code.

### Share premium reserve

**€658,923 thousand (€659,789 thousand)**

*Share premium reserve – voting shares: €509,789 thousand (-)*

*Reserve for Class B preferred shares: €149,134 thousand (-)*

To coincide with the Company's conversion into a joint-stock company, on 27 June 2018, the General Meeting of the Company's shareholders approved the transfer for accounting purposes of a part of the share premium reserve formed at the time of the scrip issue approved on 2 November 2017 (amounting to €659,788,984 at the same date) to a separate special reserve representing preferred equity. The amount transferred, totalling €150,000,000, is to be used for distributions to the preferred shareholders.

This reserve (the reserve for Class B preferred shares) was partially converted into share capital (€721,234) and into the legal reserve (€144,247).

The remaining part of the share premium reserve was instead transferred for accounting purposes to the share premium reserve – voting shares (€509,788,984).

### Profit/(Loss) for the period

**€43,790 thousand (€27,642 thousand)**

This refers to the result of the period.

Changes in the various components of equity are shown in the following statement.

(€ 000)

	Issued capital	Legal reserve	Share premium reserve	Share premium reserve - voting shares	Preferential Class B reserve	Profit/(Loss) for the period	TOTAL
Balance at 31/12/2017	2,500	500	659,789	-	-	27,642	690,431
Dividend distribution	-	-	-	-	-	(27,642)	(27,642)
Capital increase	721	144	(659,789)	509,789	149,134	-	-
Profit/(Loss) for 2018	-	-	-	-	-	43,790	43,790
<b>Balance at 31 December 2018</b>	<b>3,221</b>	<b>644</b>	<b>-</b>	<b>509,789</b>	<b>149,134</b>	<b>43,790</b>	<b>706,578</b>

The following table shows the composition of equity reserves at the end of the period and their possible uses.

PROSPECT OF EQUITY RESERVES (ART. 2427, PARA. 7- <i>bis</i> OF THE ITALIAN CIVIL CODE)					
(€000)					
Nature/Description	Amount	Potential use (A,B,C)*	Available portion	Uses in previous three years	
				To cover losses	Other
<b>Share capital</b>	3,221	B			
<b>Capital reserves</b>					
Share premium reserve - voting shares	509,789	A, B, C	509,789	7,204	
Preferential Class B reserve	149,134	A, B, C	149,134		
<b>Revenue reserves</b>					
Legal reserve	644	A, B			
Other reserves	-			11	
<b>Profit/(Loss) for the period</b>	43,790	A, B, C	43,790		
<b>TOTAL</b>	<b>706,578</b>		<b>702,713</b>	<b>7,215</b>	-

\* Key:

A: to increase capital

B: to cover losses

C: to pay dividends

## PAYABLES

### Bank borrowings

**€649,814 thousand (€646,577 thousand)**

This item consists of the 5-year medium/long-term loan of €653 million provided by a pool of banks, including Cassa Depositi e Prestiti, Unicredit, Intesa Sanpaolo/Banca IMI, MPS Capital Services and The Bank of Tokyo-Mitsubishi/MUFG, after structuring and commitment fees, and interest accrued to the end of the reporting period.

(€000)		PROSPECT OF BORROWINGS				
BORROWINGS	Balance at 31 December 2018	Face value	Maturity (bullet repayment)	Repayment schedule		
				Within 12 months	Between 2 and 5 years	Over 5 years
Medium/Long-term bank borrowings	649,814	653,000	2021	-	653,000	-
<b>TOTAL BORROWINGS</b>	<b>649,814</b>			<b>-</b>	<b>653,000</b>	<b>-</b>

The above facility requires the Company to remain within a maximum Consolidated Leverage Ratio, thus including the results of operations and financial position of the ACA group ("CLR"), and a minimum Interest Coverage Ratio ("ICR").

The Company has also entered into Forward-starting IRSs, with the latest maturity date in 2041. These derivatives are designed to hedge the exposure to interest rate risk associated with highly likely future financial liabilities that will be entered into following maturity of the existing medium/long-term borrowing.

The following assets have been pledged to lenders as collateral for the above borrowing:

- the Company's current accounts and its 64% interest in Aéroports de la Côte d'Azur (ACA);
- the receivables deriving from hedging contracts and any loans granted to the subsidiary, Aéroports de la Côte d'Azur (ACA);
- a pledge on the Company's shares (a pledge signed in June 2018 following the corporate conversion).

- guarantees issued by Atlantia S.p.A. and by the related party, EDF S.A., covering six months of Net Senior Finance Charges on the Term Loan Facility Agreement and hedging contracts. The guarantees have a duration of one year and are renewable on expiry.

This long-term borrowing requires the Company to comply with certain financial covenants on a six-monthly basis. The covenants were complied with throughout the reporting period.

#### **Trade payables**

***€339 thousand (€78 thousand)***

This item consists of amounts due as payment for goods and services requested but not yet paid for or billed at the end of the reporting period.

#### **Payables to parent companies**

***€131 thousand (€267 thousand)***

This item consists of amounts due as payment for goods and services requested but not yet paid for or billed at the end of the reporting period.

#### **Tax liabilities**

***€0 thousand (€14 thousand)***

The item regards VAT payable to the tax authorities in January 2019.

#### **Other payables**

***€30 thousand (€30 thousand)***

The item regards compensation payable to the members of corporate bodies.

## **ACCRUED EXPENSES AND DEFERRED INCOME**

### **Accrued expenses**

***€130 thousand (€141 thousand)***

Accrued expenses relate to the accrued portion of the cost of the cash flow hedges entered into with the Company's banks and maturing on 31 May 2019.

## EXPLANATORY NOTES TO THE INCOME STATEMENT

### **Income statement**

Amounts are shown in thousands of euros.

The values in brackets show the amounts at 31 December 2017.

### **COST OF PRODUCTION**

#### *Service costs*

**€699 thousand (€1,657 thousand)**

Service costs primarily relate to consultants' fees incurred during the period.

#### *Use of third party assets - Lease and rental costs*

**€9 thousand (€8 thousand)**

This item refers to rental expense on the premises leased from Autostrade per l'Italia S.p.A.

#### *Other operating costs*

**€166 thousand (€21 thousand)**

Other operating costs primarily regard non-deductible VAT and other duties and taxes paid during the period.

### **FINANCIAL INCOME AND EXPENSES**

#### *Income from investments*

**€51,528 thousand (€34,572 thousand)**

The item refers to the dividend declared by the subsidiary, Aéroports de la Côte d'Azur (ACA).

#### *Other financial income*

**€0 thousand (€1,001 thousand)**

In 2017, this item included one-off financial income earned in exchange for removal of the

Optional Early Termination provisions included in the Interest Rate Swap contracts entered into by the Company.

***Interest expense and other financial expenses***

***€11,325 thousand (€11,271 thousand)***

This item regards accrued interest expense on the medium/long-term loan, totalling €9,716 thousand, accrued expenses on the derivative financial instruments entered into to hedge the above loan, totalling €1,577 thousand, and other financial expenses of €32 thousand.

**INCOME TAX EXPENSE FOR THE PERIOD**

***€4,460 thousand (€5,026 thousand)***

This item consists of income resulting from the IRES (corporation tax) loss recognised during the period, from interest expense transferred to the parent's "gross operating profit" and the relief provided for by Law Decree 201 of 6 December 2011 (ACE). These items have been transferred to the direct parent, Atlantia SpA, as a result of the Company's participation in the tax consolidation arrangement.

**PROFIT/(LOSS) FOR THE PERIOD**

***€43,790 thousand (€27,642 thousand)***

The Profit/(Loss) for the period amounts to €43,789,747.28.

These financial statements have been prepared on a going concern basis, are consistent with the underlying accounting records and give a true and fair view of the Company's financial position and results of operations.



## **6. Other information**

## Statement of cash flows

The statement of cash flows, which forms an integral part of the financial statements, together with the balance sheet, income statement and these notes, as required by Legislative Decree 139/2015, is not obligatory for companies that prepare their financial statements in condensed form. However, both for the purposes of comparability with the financial statements for the previous year, and in accordance with the general principle requiring the true and fair presentation of the accounting events, it was deemed necessary to prepare the statement for the year ended 31 December 2018, in compliance with the requirements of the OIC 10 accounting standard.

## Statement of cash flows (€)

	2018	2017	Increase/ (Decrease)
<b>Cash flows from/(for) operating activities</b>			
Profit/(Loss) for the period	43,789,747	27,641,574	16,148,173
Income tax expense	(4,460,146)	(5,026,003)	565,857
Interest expense/(interest income)	9,715,614	9,547,291	168,323
(Dividends)	(51,527,680)	-	(51,527,680)
Profit/(Loss) for the period before taxation, interest, dividends and gains/losses on disposals	(2,482,465)	32,162,862	(34,645,327)
<b>Adjustments for non-cash items that have not had a matching effect on net working capital</b>			
Cash flow before changes in net working capital	(2,482,465)	32,162,862	(34,645,327)
<b>Changes in net working capital</b>			
(Increase)/decrease in receivables	(100)	2,730	(2,830)
Increase/(decrease) in payables	110,580	(3,836,941)	3,947,521
Increase/(decrease) in accrued expenses and deferred income	(57,155)	14,424	(71,579)
Cash flow after changes in net working capital	(2,429,140)	28,343,075	(30,772,215)
<b>Other adjustments</b>			
Interest collected/(paid)	(6,478,395)	(7,203,383)	724,988
Income tax benefit/(expense)	5,028,981	4,592,927	436,054
Dividends collected	51,527,680	-	51,527,680
<b>A. Total cash flow from/(for) operating activities</b>	<b>47,649,126</b>	<b>25,732,619</b>	<b>21,916,507</b>
<b>Cash flows from/(for) investing activities</b>			
(Purchases) of non-current financial assets	-	-	-
<b>B. Total cash flow from/(for) investing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash flows from/(for) financing activities</b>			
Increase in medium/long-term borrowings	-	-	-
Rights issues	-	-	-
(Dividends paid)	(27,641,574)	-	(27,641,574)
<b>C. Total cash flow from/(for) financing activities</b>	<b>(27,641,574)</b>	<b>-</b>	<b>(27,641,574)</b>
<b>Increase (decrease) in cash and cash equivalents (A+B+C)</b>	<b>20,007,552</b>	<b>25,732,619</b>	<b>(5,725,067)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>29,441,087</b>	<b>3,708,468</b>	<b>25,732,619</b>
- of which bank deposits	29,441,087	3,708,468	25,732,619
<b>Cash and cash equivalents at end of period</b>	<b>49,448,640</b>	<b>29,441,087</b>	<b>20,007,552</b>
- of which bank deposits	49,448,640	29,441,087	20,007,552

## Financial highlights for the entity responsible for management and coordination of the Company in accordance with art. 2497-*bis* of the Italian Civil Code

The following schedule shows financial highlights extracted from the latest approved financial statements of the parent company, Atlantia S.p.A., which is responsible for management and coordination of the Company.

<b>ATLANTIA S.p.A.</b>	
<b>FINANCIAL HIGHLIGHTS EXTRACTED FROM THE FINANCIAL STATEMENTS FOR 2017</b>	
	<b>€ thousand</b>
<b>STATEMENT OF FINANCIAL POSITION</b>	
Non-current assets	10,355,333
Current assets	4,234,281
<b>Total assets</b>	<b>14,589,614</b>
Equity	11,502,862
<i>of which share capital</i>	825,784
Non-current liabilities	1,751,666
Current liabilities	1,335,086
<b>Total equity and liabilities</b>	<b>14,589,614</b>
<b>INCOME STATEMENT</b>	
Operating revenue	2,876
Operating costs	(55,037)
<b>Operating profit/(loss)</b>	<b>(52,161)</b>
<b>Profit/(Loss) for the period</b>	<b>2,722,310</b>

## Remuneration paid to Statutory Auditors and Directors

Annual remuneration paid to the Board of Statutory Auditors amounts to €28,000, whilst Directors do not receive any form of remuneration.

## Disclosure of fees paid to Independent Auditors

The fees payable to the Independent Auditors, Deloitte & Touche S.p.A., for the period in return for services rendered are as follows:

(€)

Type of service	Service provider	Note	Fees
Audit	Deloitte & Touche S.p.A.		16,504
Other services <sup>(1)</sup>	Deloitte & Touche S.p.A.	(1)	10,355
<b>Totale</b>			<b>26,859</b>

(1) Signature of Consolidated Tax Return and agreed upon procedures regarding financial covenant