HALF-YEAR REPORT AT JUNE 30, 2020

REPORT

2020

SEA MilanAirports

SEA - Società per Azioni Esercizi Aeroportuali

Milan Linate Airport – 20054 Segrate, Milan
Tax Code and Milan Companies Registration Office No: 00826040156
Milan REA No.: 472807 – Share Capital: Euro 27,500,000 fully paid-in

www.seamilano.eu

CONTENTS

KEY FIGURES AND GENERAL INFORMATION

SEA GROUP STRUCTURE AND INVESTMENTS IN OTHER COMPANIES

INVESTMENTS OF SEA SPA AT JUNE 30, 2020

SEA SpA

Airport Management
- 99.91% SEA Prime SpA
- 30.98% S.A.C.B.O. SpA Società Aeroporto Civile di Bergamo Orio al Serio
- 8.5% Aeropuertos Argentina 2000 SA

Utilities
- 100% SEA Energia SpA
- 18.75% Disma SpA

Commercial Activities
- 40% Dufrital SpA
- 40% SEA Services Srl

Other Activities
- 0.23% Romairport Srl

Handling
- 30% Airport Handling SpA
- 25% Malpensa Logistica Europa SpA

Controlling shareholding: SEA Prime SpA, SEA Energia SpA

Associate: S.A.C.B.O. SpA, Disma SpA, Dufrital SpA, SEA Services Srl, Airport Handling SpA, Malpensa Logistica Europa SpA

Investment in other companies: Aeropuertos Argentina 2000 SA, Romairport Srl

The SEA Group at June 30, 2020 includes Consorzio Milano Sistema in liquidation (10%)

CORPORATE BOARDS

BOARD OF DIRECTORS

three-year period 2019/2021, appointed by the Shareholders' Meeting on April 19, 2019

Chairperson	Michaela Castelli [4]
Chief Executive Officer and General Manager	Armando Brunini
Directors	Davide Amedeo Corritore [1] [3] [4] Pierfrancesco Barletta [2] Patrizia Michela Giangualano [2] Luciana Sara Rovelli [3] [5] Rosario Mazza [2] [3]

BOARD OF STATUTORY AUDITORS

three-year period 2019/2021, appointed by the Shareholders' Meeting on April 19, 2019 with effect from May 17, 2019

Chairperson	Rosalba Cotroneo
Statutory Auditors	Rosalba Casiraghi Andrea Manzoni Stefano Pozzoli Valeria Maria Scuteri
Alternate Auditors	Daniele Angelo Contessi Antonia Coppola

INDEPENDENT AUDIT FIRM

Deloitte & Touche SpA

[1] *Non-Executive Vice Chairperson*

[2] *Member of the Control, Risks and Sustainability Committee*

[3] *Member of the Remuneration and Appointments Committee*

[4] *Member of the Ethics Committee*

[5] *Member of the Supervisory Board*

SEA GROUP NUMBERS

INTRODUCTION

The Half-Year Report at June 30, 2020 comprises the Directors' Report and the Condensed Consolidated Half-Year Financial Statements at June 30, 2020. The Condensed Consolidated Half-Year Financial Statements, prepared in thousands of Euro, are compared with those of the previous half-year and the Consolidated Financial Statements for the previous full-year and comprise the Financial Statements (Consolidated Statement of Financial Position, Consolidated Income Statement, Consolidated Comprehensive Income Statement, Statement of changes in Consolidated Shareholders' Equity and the Consolidated Cash Flow Statement) and the Explanatory Notes.

The Half-Year Report at June 30, 2020 was prepared in accordance with International Accounting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB"), approved by the European Union and in particular according to IAS 34 – Interim Financial Reporting; in accordance with paragraphs 15 and 16 of this standard, the Condensed Consolidated Half-Year Financial Statements do not require the extent of disclosure necessary for the Annual Financial Statements and must be read together with the 2019 Annual Financial Statements. In the preparation of the Condensed Consolidated Financial Statements at June 30, 2020, the same accounting principles were adopted as in the preparation of the Consolidated Financial Statements at December 31, 2019, updated as indicated in the Explanatory Notes to the Condensed Consolidated Half-Year Financial Statements to take account of those issued recently.

CONSOLIDATED FINANCIAL HIGHLIGHTS

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

Operating results

(Euro thousands)	H1 2020	H1 2019	Change
Revenues	156,250	361,195	(204,945)
EBITDA [1]	(2,025)	136,065	(138,090)
EBIT	(52,797)	89,967	(142,764)
Pre-tax result	(67,191)	90,199	(157,390)
Group Net Result	(49,860)	66,160	(116,020)

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

Financial Data

(Euro thousands)	June 30, 2020	December 31, 2019	Change
Fixed assets (A)	1,363,505	1,365,159	(1,654)
Net Working Capital (B)	(328,934)	(342,069)	13,135
Provisions for risks and charges (C)	(160,375)	(157,408)	(2,967)
Employee provisions (D)	(46,671)	(48,172)	1,501
Other non-current payables (E)	(7,475)	(7,961)	486
Net capital employed (A+B+C+D+E)	**820,050**	**809,549**	**10,501**
Group Shareholders' Equity	309,375	358,593	(49,218)
Minority interest shareholders' equity	27	27	0
Net financial debt	510,648	450,929	59,719
Total sources of financing	**820,050**	**809,549**	**10,501**

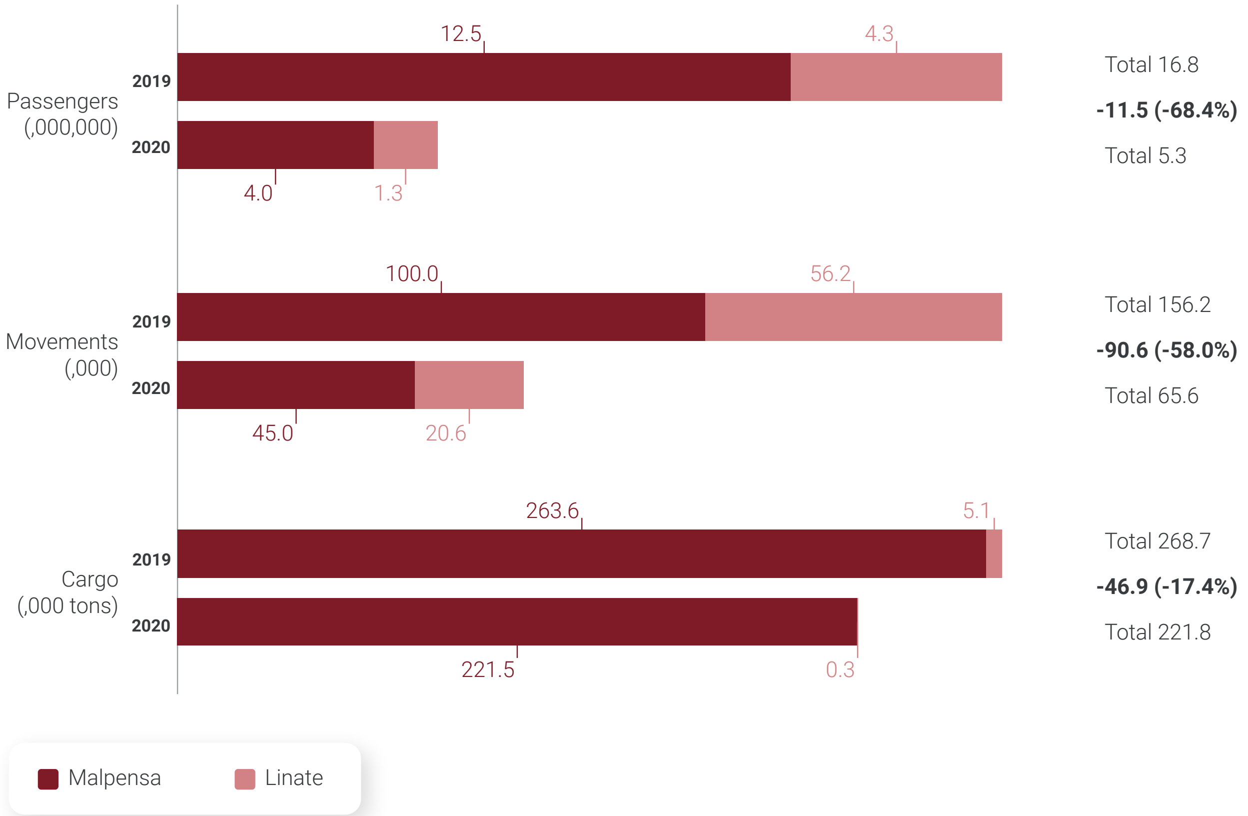
Investments

(Euro thousands)	June 30, 2020	December 31, 2019	Change
Tangible and intangible assets investments	27,611	123,827	(96,216)

Other Indicators

	June 30, 2020	December 31, 2019
HDC Employees (at period end)	2,849	2,853

H1 2020 traffic data compared with H1 2019 (Commercial Aviation and General Aviation)



DIRECTORS' REPORT

Directors' Report

H1 2020: SIGNIFICANT EVENTS

Covid-19 pandemic (Coronavirus)

The most significant event in the first half of 2020 was the spread of the Covid-19 virus, which caused a crisis across the air transport sector.

The virus first emerged in China, and specifically in Hubei province, in late 2019 and early 2020. Responding to the first signs of spread in Italy, the Italian government declared a state of health emergency and grounded all flights to and from China from February 1, 2020.

Despite this ban, the continuing spread of the virus led the Government to create a number of "red zones" in Lombardy and the Veneto from February 22. Schools, universities and meeting places were closed, and events and public demonstrations limited.

Following these initiatives to contain the infection, and especially as a result of the concentration of cases in Lombardy, the first obvious reduction in passenger traffic came in the last week of February and the first week of March (down 45.4% and 69.5% respectively compared to the same period of 2019).

Further containment measures were imposed by Presidential Decrees issued on March 8 and 11, 2020. These extended the quarantine zone to cover the rest of the country, and resulted in an effective cessation of air traffic, which fell 93% from the second week of March.

In light of these reduced traffic volumes, SEA closed the central satellite of Malpensa Terminal 1 (non-Schengen traffic) from March 10, 2020. The terminal at Linate was also closed in application of Decree No. 112 of March 12, 2020, issued by the Ministry of Infrastructure and Transport together with the Ministry of Health, and of the consequent provisions issued by the Civil Aviation Authority (ENAC); on March 16, a decision was made to close Malpensa Terminal 1 and reroute all flight activity to Terminal 2.

The most significant drop in traffic was recorded in the week beginning April 6, 2020, as passenger numbers fell 99.5% compared to the same week of the previous year.

Owing to the low numbers of flights and people either arriving or departing, passenger traffic was rerouted to Malpensa Terminal 2 until June 15, when, as a result of increasing passenger numbers, effective social distancing was no longer possible at the terminal. Terminal 1 was therefore reopened as Terminal 2 was closed; the easing in lockdown regulations following the Presidential Decree of April 26 saw traffic - and in particular domestic and EU passengers - gradually begin to return.

June saw a limited upswing in traffic: passengers managed by SEA rose from a low of around one thousand on June 2 to nearly 13 thousand on June 29. This was partly as a result of reduced social distancing requirements aboard aircrafts. In the last week of June, passenger traffic was 91% lower than the level recorded in the same week of 2019.

For the duration of the lockdown and while Linate and Malpensa Terminal 1 were inoperative, Cargo City remained open, becoming the sorting hub for the majority of anti-Covid equipment imported by air from the Far East (China, Korea, Vietnam).

The SEA Group, in compliance with the provisions set out by Italian national and local health institutions and authorities, promptly activated its crisis response protocol and, through the management committee (renamed "Permanent Crisis Committee" or "Crisis Committee"), launched an emergency management plan. This immediately implemented a series of measures at all levels of the organisation to prevent risk, guarantee the health and safety of its employees, customers and suppliers, and ensure the continuity of its operating activities in compliance with the provisions issued by the competent bodies.

While flight activity was on hold, all areas were managed in order to guarantee that passengers could return safely when the airports reopened. This meant the installation of cutting-edge thermal scanners which allowed the temperatures of multiple people to be taken simultaneously, as well as hand sanitiser dispensers which automatically inform the departments responsible for refilling them when they are empty. Ways to limit passenger numbers in smaller areas were also identified.

The spread of the pandemic profoundly affected the Group's operating methods, which were reviewed in order to guarantee that work could continue in compliance with regulations, including in the Group's relationships with customers and suppliers.

To support those commercial partners affected by the health crisis, and to mitigate its economic and financial consequences, SEA identified and adopted a number of "relief" measures, implemented through contractual addenda, which partially and temporarily modify the original terms of pre-existing agreements.

The SEA Group also engaged in extensive negotiations with its suppliers to adapt contracts to the new levels of facility usage and traffic. This was achieved through the signature of contractual addenda governing the partial or total suspension of contractual services, as well as changes to payment amounts and postponement of payment deadlines.

From February, following governmental measures which imposed movement restrictions, a series of employee initiatives were adopted. These included the obligatory use of accrued holidays, extensions to the smart working scheme, a freeze on overtime, and finally the activation of the Extraordinary Temporary Lay-off Scheme (CIGS) for a period of 12 months.

New lines of credit

In order to further strengthen the Parent Company's financial position, to ensure sufficient cash flexibility to manage the effects of the temporary slowdown in business following the Covid-19 emergency, and to guarantee repayment of the Euro 300 million bond maturing in April 2021, new lines of credit totalling Euro 425 million were signed, while another line worth Euro 50 million will be signed by August.

These lines, which are repayable on demand and without additional charges, come in addition to the financing that is already available (260 million in committed lines and 130 million in an unused EIB line).

Malpensa: a new base for Wizzair

Wizzair's new base at Malpensa was announced in May 2020, and opened in July 2020 with five Airbus A321. The company also announced the introduction of twenty new routes to eleven countries, adding to the eight it previously operated.

Sale of minority shares in Signature Flight Support Italy Srl

On June 22, 2020, the sale of the 40% investment in Signature Flight Support Italy Srl (SFS Italy), a General Aviation handling company, to the majority shareholder Signature Flight Support UK Regions Ltd (SFS) was completed, with the latter therefore now wholly-owning the company.

ECONOMIC OVERVIEW AND 2020 OUTLOOK

The Covid-19 epidemic, which seems to have originated in China, spread rapidly across the world in early 2020.

In order to limit the spread of the virus, every country adopted a series of containment measures that differed in nature and severity. These were motivated not only by the effects of the virus, but also by political choices made at governmental level. These measured aimed firstly to reduce the number of new infections by minimising personal contact (restrictions on movement and national and international journeys, school and business closures, social distancing). Some countries, such as South Korea and Japan, relied extensively on diagnostic procedures, both to identify cases of infection and to slow the spread of the virus. These measures were generally successful in containing the rate of spread of the epidemic when compared with the natural exponential trend. In most countries, and almost without exception in the European Union, the number of new daily cases began to fall within three weeks of the introduction of containment measures. After a fall in April, new cases in the United States began to rise again in June, though the growth was not geographically homogeneous.

The containment measures imposed by national governments had a significant impact on economic activity and global trade, negatively affecting production supply chains before hitting the demand for goods and services. GDP in the largest economies shrank significantly in the first quarter, and the available indicators suggest it has continued to do so in the second quarter. International trade has contracted sharply. In China, the first country involved in the spread of the virus, industrial production began to grow again in April, and continued its upward trend in May. In countries where the virus arrived later, contractions in industrial production came in April: the United States and Japan saw declines of 10% on a month-on-month basis, while the United Kingdom was down 20% month-on-month. Of these countries, only the US showed a slight production increase in May. Since May, the virus has spread more rapidly in developing countries, and particularly in Latin America. This has put the region's health system under significant pressure and has led to increased uncertainty regarding its general economic outlook.

International trade fell sharply in the first quarter of 2020, reflecting reduced demand in most economies, a drop in tourist numbers, and a decline in global supply chain trade.

Consumer inflation, which has fallen sharply since the beginning of the year, declined to below 1% in all major advanced economies in April; it fell further in the United States and the United Kingdom in May. Long-term inflation expectations in the financial markets, on the other hand, grew slightly in the United States, reaching 1.5% in April and then remaining stable.

The world growth forecasts prepared by international institutions have been repeatedly revised downwards. Estimates released in June by the International Monetary Fund predict a 4.9% fall in global GDP this year (1.9 percentage points below the April forecast), and a 5.4% recovery in 2021. International trade would be significantly affected by the fall in economic activity. The main risks to growth stem from a possible second wave of infection. This would have negative repercussions both on confidence and on households' consumption and investment decisions. It would also adversely affect market performance, which is particularly sensitive to the development of the pandemic. World trade is also at risk of a resurgence of protectionist tensions between the United States and China.

Oil prices, after hitting a minimum of USD 19 a barrel in mid-April, regained some of their lost value, reaching USD 43 a barrel at the beginning of July. Liquidity and credit support from the main central banks continued.

In the first quarter of 2020, GDP in the Eurozone fell by 3.6%. Thanks to the extensive use of wage supplementation instruments and regulatory measures to protect employment levels, the effects of the epidemic on the labour market were mainly felt in terms of a drastic reduction in the number of hours worked (which fell by an average of 3.1% in the Eurozone in the first quarter), and had a very limited impact on the number of employees. The contraction in economic activity was more pronounced in the second quarter. Industrial production fell steeply in all large economies in April, dropping by an average of 17.1% in the Eurozone compared to March.

Inflation rose slightly in June, partly due to a rise in energy prices. Forecasts published at the beginning of June suggest that consumer price changes will be slightly positive on average in 2020 (0.3%), and are expected to increase gradually over the next two years, to 0.8% in 2021 and 1.3% in 2022.

On several occasions, the Governing Council of the ECB adopted new expansionary measures: during its meeting on April 30 it improved the terms applied to the third set of Targeted Longer-Term Refinancing Operations (TLTRO3), reserving the right to activate new operations; at its meeting of June 4 it strengthened the public and private securities acquisition programme for the pandemic.

Italian GDP fell by 5.3% in the first quarter, mainly as a consequence of reduced domestic demand. The contraction in GDP is expected to be greater in the second quarter, and is currently estimated to be around 10%. In April, activity fell to minimum levels in all the main sectors.

After the 8.4% decrease in the first quarter, industrial production registered another sharp drop in April (down 19.1% on the previous month) as "non-essential" activities were halted. Construction activity ceased almost entirely in March and April as a result of containment measures allowing work to continue on public projects only. After falling steeply in the first quarter, household spending is estimated to have continued its downward trend in April, before partially recovering in May. The most recent studies suggest that a reduction in disposable income, uncertainty, and the consequent rise in precautionary saving may affect consumption in the coming months.

AIR TRANSPORT AND AIRPORTS

Global air transport performance to April 2020 [1]

In April 2020, global air passenger traffic totalled 1.35 billion passengers (-41.8% on April 2019), based on a sample of 1,122 airports.

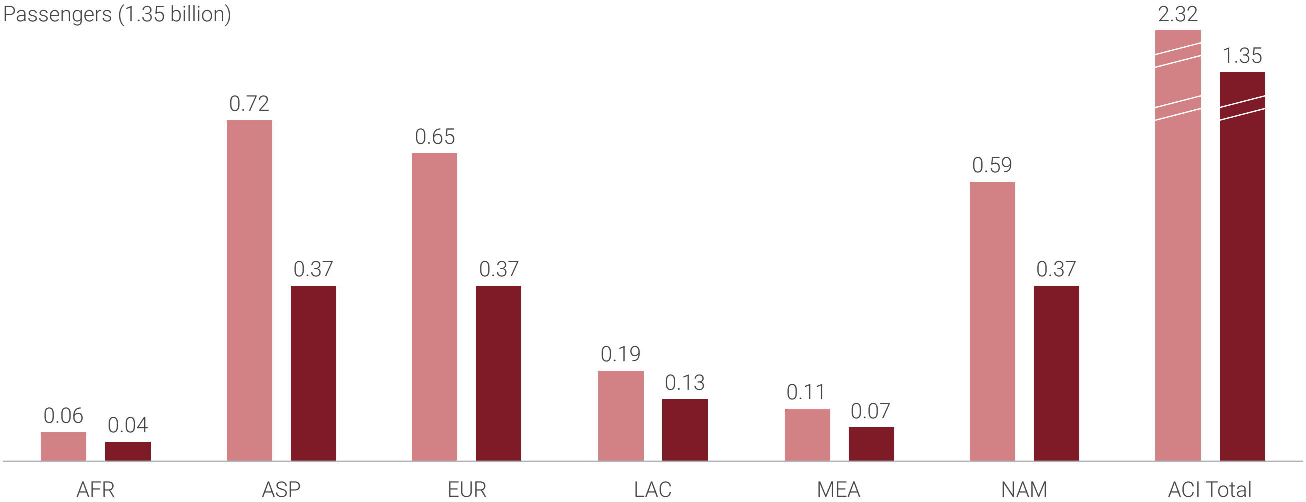
The pandemic has affected the air transport sector worldwide, and has led to extremely negative results in every geographic area: Europe (27% share) -43.3%, Asia (28% share) -48.0%, North America (27% share) -37.3%, Central/South America (10% share) -32.3%, Middle East (5% share) -37.7%; and Africa (3% share) -35.1%.

Atlanta remains the busiest passenger airport with 21.2 million passengers (-38.7%), followed by Dubai (in December 2019, second position was held by Beijing), with 17.9 million (-38.4%) and Los Angeles, with 16.1 million (-41.3%).

[1] *Source: ACI World (Pax Flash & Freight Flash)*

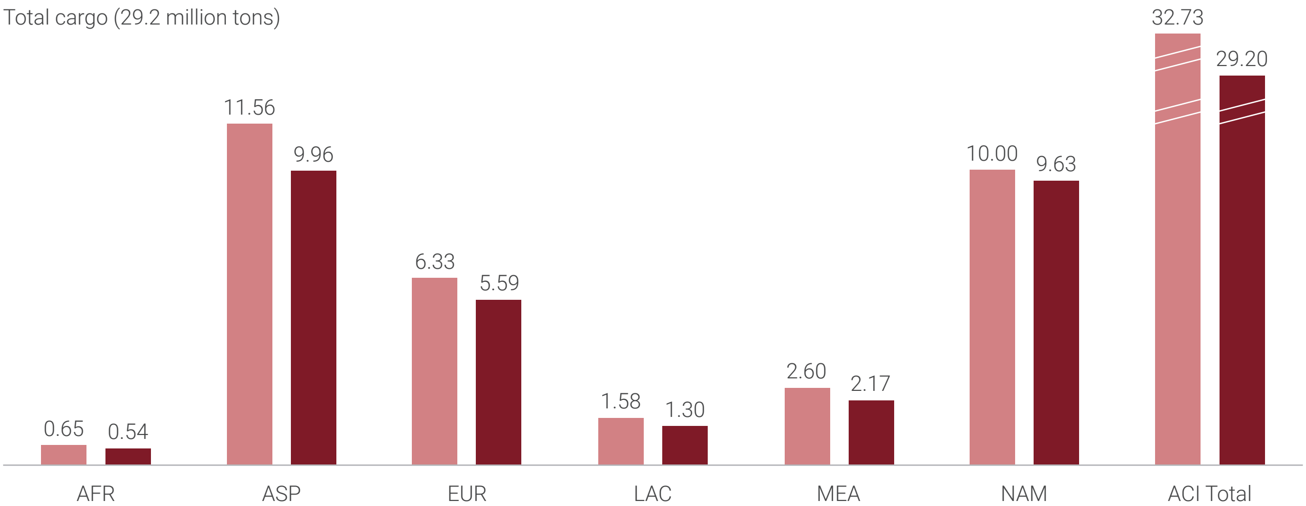
Global air traffic to April 2020

Passengers (1.35 billion)



Based on a sample of 691 airports, global cargo traffic totalled 29.2 million tons, a decrease of 10.8% across all geographical areas: Africa (-16.6%), Asia (-13.9%), Europe (-11.7%), Central/South America (-17.2%), Middle East (-16.5%); to a lesser extent North America (-3.7%).

Total cargo (29.2 million tons)



2019 YTD 2020 YTD

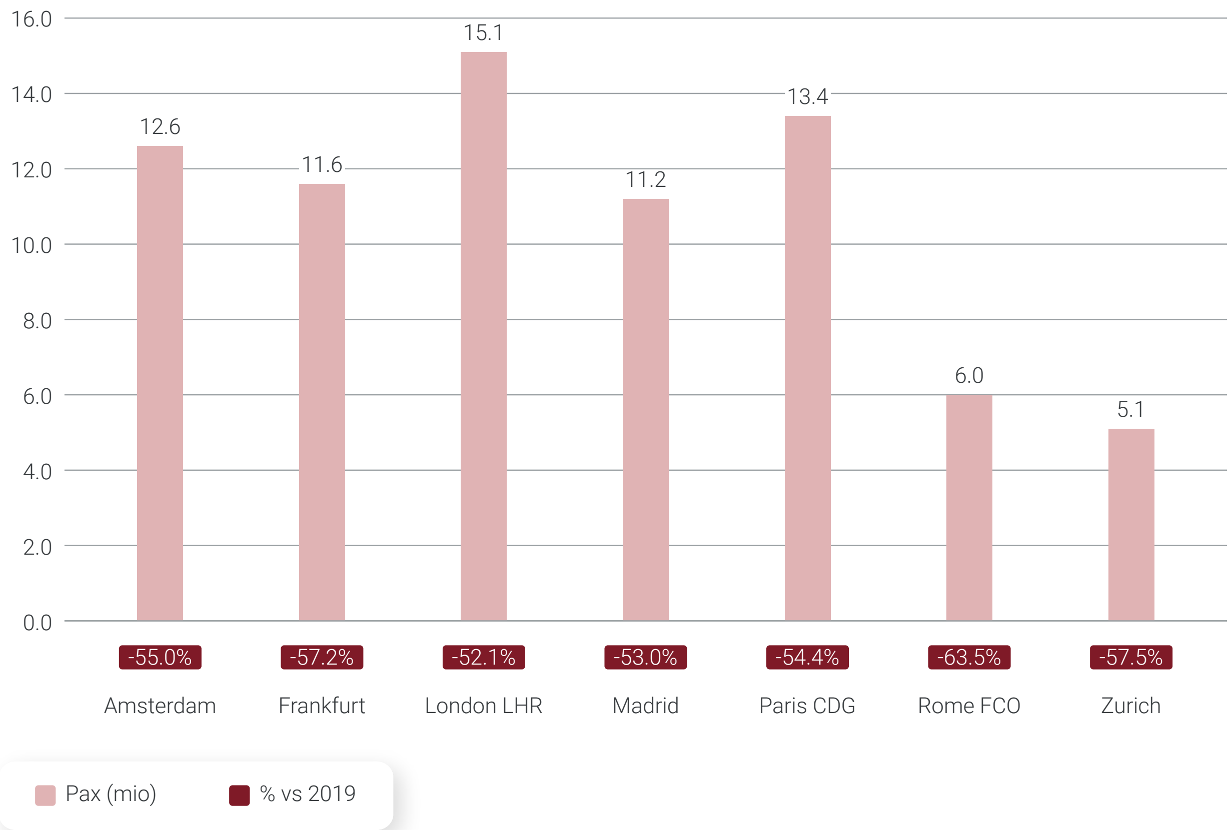
Key: AFR (Africa), ASP (Asia Pacific), EUR (Europe), LAC (Latin America), MEA (Middle East), NAM (North America).

Source: ACI World (Pax Flash & Freight Flash)

European airport traffic performance to May 2020 [2]

Over the first five months of 2020, ACI European members airports reported 214.6 million passengers (down 55.9%). Airport hubs (see graphic below), which account for 35% of total traffic, report poor results.

European air traffic - main hubs



It should be noted that all European airports were impacted by Covid-19, recording significant reductions in passenger traffic.

4.3 million tons of cargo traffic were handled, down 16.4% compared to the first five months of 2019. Malpensa moved from fifth to sixth place with 178.6 thousand tons, behind Paris Charles de Gaulle (732 million tons), Frankfurt (729 million tons), London Heathrow (461 million tons), Amsterdam (548 million tons) and Brussels (191 million tons).

After a strong initial two months of 2020, European Business and General Aviation movements declined 36.5% as a result of the Covid-19 pandemic and the resulting restrictions on free movement.

In line with the European market, Italy saw a 51.5% fall, and with a market share of 8.3% ranks fourth in Europe (source: Wingx).

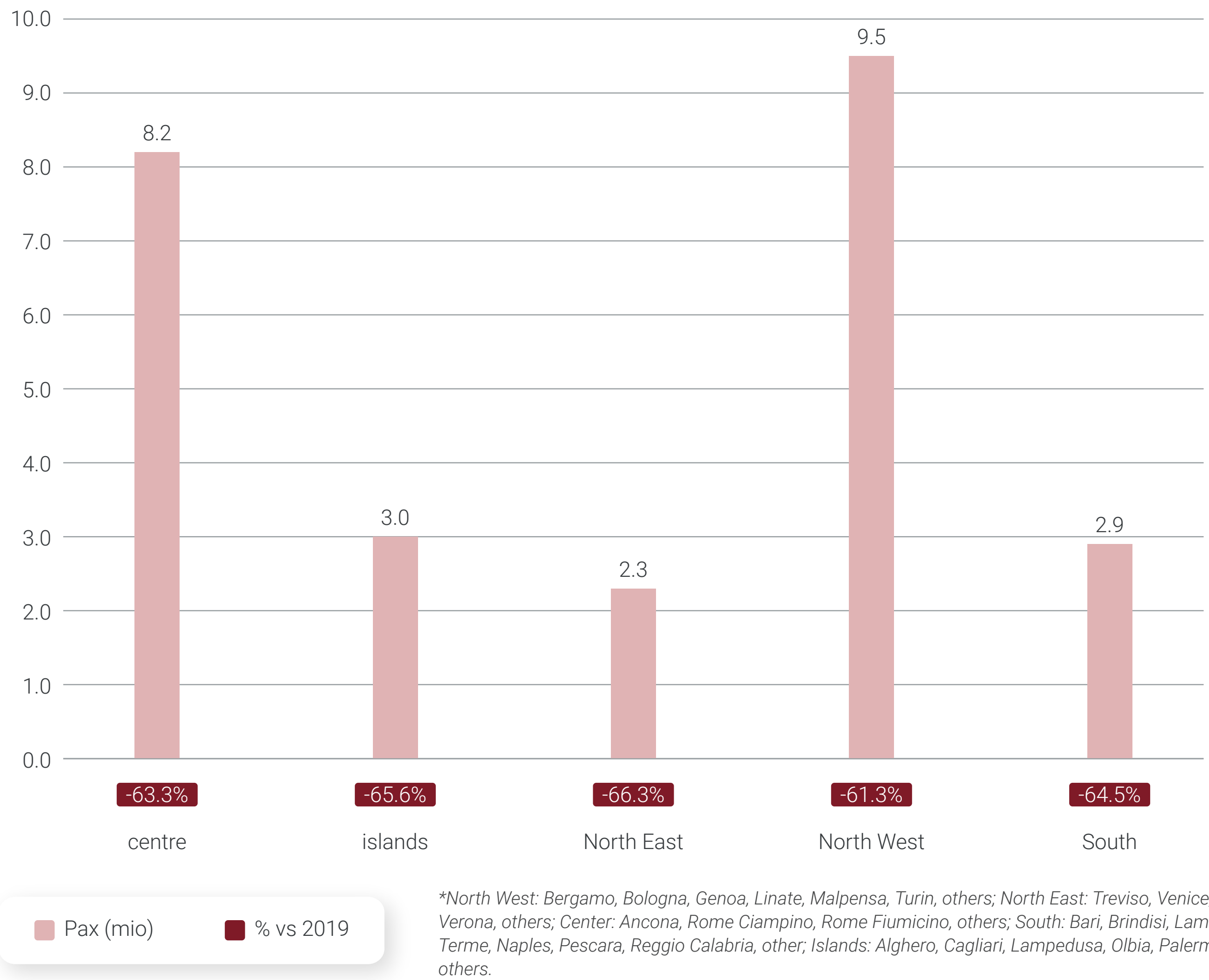
[2] *Source: ACI Europe: Rapid Exchange*

Italian airport traffic performance to May 2020[3]

Passenger traffic at Italian Assaeroporti member airports totalled 25.9 million.

There were 245.4 thousand movements during the period (-55.6%), while total cargo transported (293.7 thousand tons) fell 27.9%.

Passenger traffic distribution of the Italian airports by macro-region* is reported according to percentage growth below.



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

In the North West, the airport system in Lombardy (37% of total Italian traffic) served 9.5 million passengers (down 61.3% compared to the same period of 2019). Specifically, Milan Malpensa served 3.9 million (-61.5%), Linate 1.3 million (-63.8%), and Bergamo Orio al Serio 2.1 million (-60.6%).

In Central Italy, the Rome airport system (27% of total national traffic) managed 7.0 million passengers (-62.9%): Rome Fiumicino 6.0 million (-63.5%) and Rome Ciampino 1.0 million (-58.7%).

In north-eastern Italy, Venice recorded a decrease of 1.3 million passengers (-67.4%); in the South, Naples saw a drop of 65.1%, registering 1.4 million passengers.

[3] *Source: Assaeroporti's 39 member airports; the figures include commercial aviation inclusive of direct transits*

REGULATORY FRAMEWORK

Revision of airport fee regulation models by the Transport Regulation Authority

With Resolution No. 136/2020 of July 16, 2020, the Transport Regulation Authority approved and published the new Models for regulating airport fees. The publication of the new Models concluded the revision process that began on August 1, 2019 with Resolution No. 118/2019.

The Models in question will apply from July 1, 2021 for the start of tariff revision procedures. They are, on the other hand, immediately applicable as regards the information requirements for regulatory accounting and flight activity incentives.

The Models will also apply to those airports currently governed by an "exemption" programme contract (including those managed by SEA), subject to specific additional agreements with ENAC.

Extension of ENAC-SEA programme contract and request for 2021 tariffs

In April, following the air travel crisis caused by the Covid-19 pandemic and in its acceptance of SEA's request, ENAC recognised *"the impossibility in the current context of reliably predicting the development of traffic in the short/medium-term, a prediction which underlies all planning decisions"* (note of April 27, 2020). The Authority therefore agreed to a one-year extension for the definition of the new Regulatory Agreement, which should have begun in 2021.

In light of the aforementioned uncertainty, on July 13, 2021, SEA submitted a formal request to ART requesting confirmation of the 2020 tariffs for financial year 2021.

New significant domestic and EU regulations

The relevant regulations and measures in the period relate to the health emergency. On January 30, 2020, the World Health Organization defined the Covid-19 epidemic as a public health emergency of international importance, declaring it a pandemic on March 11, 2020.

March 8, 2020 saw the publication of a Decree of the President of the Council of Ministers. This set out a series of measures designed to contain the spread of the Covid-19 virus.

On March 12, 2020, Ministerial Decree No. 112 was published. Article 2, paragraph 3, letters a), b), c) and d) of the Decree delegated to ENAC, until relinquished by that Authority, "the power to allow airports to operate [...]".

In compliance with the provisions of the Ministerial Decree, in communication No. 20225 dated March 13, ENAC ordered the closure of Linate airport as of March 16, 2020.

Following the request put forward by SEA on March 23 (No. 0003924), on March 25, 2020, ENAC sanctioned "as of March 26, 2020 and until revoked (it was reopened on July 13, 2020) the total closure of Milan Linate airport and the cessation of all flight activity conducted there, including those activities set out in the aforementioned ENAC provision No. 30225 of March 13, 2020, which will be transferred to Milan Malpensa airport". Pursuant to the same measure, ENAC also established that "only emergency health flights and aircraft maintenance by operators based at Milan Linate airport are permitted, and must be managed by the airport management company (SEA) with two hours' notice".

On March 23, 2020, in compliance with the provisions of Region of Lombardy Ordinance No. 514 of March 21, 2020 and with the Presidential Decree of March 22, 2020, SEA informed the relevant authorities that it had "ordered the cessation of all on-going building work at Milan Linate and Milan Malpensa airports, as of today's date, and in particular of those maintenance activities which are not urgent or not being carried out for safety reasons. [...] The suspension of these activities will last for the entire duration of the aforementioned regulations, and also of any further provisions that may be issued by the relevant authorities".

A new Presidential Decree was issued on April 26, 2020. This was valid from May 4 to May 17, 2020, and sanctioned the beginning of "Phase 2 of living with the virus" as well as, among other things, the reopening of construction sites. Annex 7 of the Decree also set out the shared regulatory protocol to contain the spread of Covid-19 on work sites.

Also attached to the Decree were the "User guidelines and organisational procedures to contain the spread of Covid-19", which, with specific reference to air transport, included containment measures for passengers regarding the correct use of both airports and aircrafts.

Specifically, the following *"measures to be taken by air-*

port operators, carriers and passengers" were set out:

- *management of airport access, providing, where possible, clear separation between entry and exit doors in order to prevent the meeting of user flows;*
- *organisational and managerial action and access quota restrictions to better distribute the public in all common areas of the airport, thereby avoiding crowding in the areas approaching security controls;*
- *creation of one-way routes within the airport and on the way to gates, creating separation between users entering and exiting;*
- *enforced interpersonal distancing of one metre on board aircraft [later removed by the Presidential Decree of June 11, 2020] and within airport terminals and all other airport facilities (e.g. passenger transport buses). With particular reference to operators and carriers in the areas for which they are responsible, specific plans must be drawn up to ensure maximum interpersonal separation within the internal spaces and infrastructures available. Particularly in areas where queues are likely to develop, suitable ground signage will be installed to remind passengers to maintain physical distance;*
- *passengers aboard aircraft are required to wear a mask;*
- *cleaning and sterilisation of terminals and aircraft, including several times per day where aircraft and terminal traffic make this necessary, and in particular of all surfaces that passengers might ordinarily be expected to touch. All boarding gates should be equipped with disinfectant gel dispensers. Air conditioning systems must be managed according to procedures and techniques designed to prevent bacterial and viral contamination;*
- *introduction of thermal scanners for both arriving and departing passengers. Methods of installation to be agreed by operators and carriers at large airport hubs. As a general rule, temperature checks may be implemented at boarding terminals, on departure, and on disembarking the plane upon arrival at all airports.*

To establish the reopening phase for economic, production and recreational activities, a Decree of the President of the Council of Ministers was issued on June 11, 2020. This covered the period from June 15 to July 14, 2020, and replaced the instructions contained in the Presidential Decree of May 17, 2020. The decree sets out, among other matters, the mandatory interpersonal safety measures to prevent infection, i.e.: distance of at least one metre, continuation of the ban on public gatherings, revocation in certain conditions of the obligatory one metre interpersonal distance aboard aircraft. Passengers arriving from abroad are subject to quarantine and communication obligations, except those travelling from European Union and Schengen-area countries, as well as specific European nations (the United Kingdom, Andorra, Monaco, San Marino and Vatican City). Also exempt are travel personnel, diplomats, and health and transnational workers. Those staying or travelling in Italy for short periods (less than 5 days) for urgent, health or work reasons are not required to quarantine. In the transport sector, under Article 6, travel to and from the following countries is no longer subject to any restrictions: a) Member States of the European Union; b) States party to the Schengen Agreement; c) the United Kingdom of Great Britain and Northern Ireland; d) Andorra, Principality of Monaco; e) Republic of San Marino and Vatican City State. Until June 30, 2020, travel to and from a number of countries and territories was prohibited, except for proven occupational needs, cases of the utmost urgency, or for health reasons. Returning to one's home or place of residence was also permitted. Natural persons entering Italy from foreign nations or territories other than those indicated above, as well as those who have entered such nations or territories in the 14 days preceding their arrival in Italy, remain subject to the aforementioned limitations, pursuant to Article 4 of the Presidential Decree. This mandates the completion of an appropriate declaration as well as health monitoring and fourteen days of isolation at the home or place of residence specified. The provisions of Article 5 governing transfers and short-term stays in Italy, i.e. entry into Italian territory for periods of less than 120 hours, are also reaffirmed.

Of particular relevance is Decree-Law No. 34 of May 19, 2020 ("Relaunch Decree"), converted into Law No. 77 of July 17, 2020, published in Official Gazette No. 180 of July 18, 2020, S.O. No. 25: Conversion into law, with amendments, of Decree-Law No 34 of May 19, 2020, concerning urgent measures in the field of health, support for employment and the economy, as well as social policies related to the Covid-19 epidemiological emergency. This Law provides for a number of expenditures to support those sectors that have been hit hardest by the epidemiological emergency. It includes, among others, measures regarding health, work, social policies, credit and production activities. Of particular importance is Article 202, paragraph 1-*bis*, which sanctions the extension of pre-existing airport concessions for a further two years.

As regards the Decree-Laws which set out and govern measures designed to cope with and manage health emergencies, as well as the economic and social consequences of adopting restrictive measures, the following are of note (beginning with the most recent):

- Decree-Law No. 76 of July 16, 2020 (the so-called "Simplification Decree"), which came into force on July 17, 2020 and is designed to encourage public investment in the infrastructure and public services sector, as well as to counteract the negative economic effects of the containment measures and the global health emergency caused by Covid-19. Among other things, this Decree made important amendments to the Code of Tenders and environmental assessment procedures.
- Decree-Law no. 23 of April 8, 2020, converted by Law No. 40 of June 5, 2020 (the so-called Credit Decree), works on several fronts to guarantee business continuity and support the sectors hit hardest by Covid-19. It includes, among other matters, measures to support business investment, provisions on the signing of contracts and simplified communications, the deferral to September 1, 2021 of the entry into force of the new Business Crisis and Insolvency Code, as well as the suspension of debt security maturity deadlines.
- With Decree-Law No. 18 of March 17, 2020, (converted, with amendments, by Law No. 27 of 2020) known as the "Healthcare Decree", the Government moved to provide economic support for families, workers and businesses, directing resources to the world of work, both public and private, to the strengthening of the national Health Service, and to production activities and the sectors hit hardest by the Covid-19 epidemiological emergency.

OPERATING AND FINANCIAL OVERVIEW

Traffic data

Milan Malpensa and Milan Linate airport traffic performance

	Movements		Passengers [1]		Cargo [2]	
	H1		H1		H1	
	2020	% vs 2019	2020	% vs 2019	2020	% vs 2019
Malpensa	43,689	-55.4%	4,042.9	-67.6%	221,476	-16.0%
Linate	15,986	-65.2%	1,255.7	-70.7%	344	-93.3%
Total commercial traffic	**59,675**	**-58.5%**	**5,298.6**	**-68.4%**	**221,819**	**-17.4%**
General Aviation [3]	5,888	-52.2%	9,7	-60.9%	-	-
SEA Group Airport System	**65,563**	**-58.0%**	**5,308.4**	**-68.4%**	**221,819**	**-17.4%**

(1) *Arriving+departing passengers ('000)*

(2) *Arriving+departing cargo in tons*

(3) *General Aviation Source: SEA Prime*

As outlined above, the first semester 2020 featured the emergence of the Covid-19 pandemic, which resulted in a drastic reduction in passenger traffic from March. Ministerial Decree No. 112 of March 12, 2020 enforced the closure of Linate airport from March 16, while at Malpensa the limited residual traffic was managed from Terminal 2 until June 14. As traffic began to return from June 15, partly to ensure that social distancing measures were respected, a decision was made to transfer traffic to Terminal 1 and close Terminal 2.

A 68.4% reduction in passengers served and a 58.0% drop in air movements were seen during the period. The results for the first two months of the year was consistent with the same period of 2019 (+0.5%), despite Air Italy's worsening performance. From March, passenger traffic dropped suddenly and sharply. Peak cancellations were recorded in April, which saw a 99.2% drop in passenger traffic compared to the same period in 2019.

From January, there was a reduction in flights to the Far East due to restrictive policies on connections between Italy and China. On top of this, Air Italy and Flybe (both in liquidation) ceased operations in February and March 2020.

During the lockdown period, air traffic continuity was guaranteed by Alitalia, first with flights to Rome and later to other national destinations, and by Lufthansa, which ran regular flights between Milan and Frankfurt. Neos operated a number of rescue flights to various destinations, allowing passengers to return to their countries of origin.

In June 2020, as the go-ahead was given for travel between regions, and with the reopening of Terminal 1 (as containment measures were relaxed), domestic traffic began to recover gradually.

The lockdown also caused a downturn in the Business & General Aviation sector during the period, with movements falling 52.2% (5,888 movements handled in the first six months of 2020), despite the fact that operations at the general aviation terminals continued throughout the period. With the easing of transport restrictions, particularly in Italy and between European countries, there has been a gradual but noticeable increase in movements at both SEA-managed airports, mitigating the reduction in passenger traffic recorded in the preceding months.

Cargo traffic in the first semester of 2020 totalled 222 thousand tons, down 17.4% on the same period of 2019. Despite the significant repercussions the pandemic has had for air transport, the effects on the cargo sector were limited, thanks mainly to the contribution of carriers involved in e-commerce logistics during the lockdown period. From a capacity point of view, the grounding of mixed configuration aircraft (belly flights) was largely offset by the increase in all-cargo aircraft movements. Also of note is the number of passenger carriers that have adapted their operations to goods transport, using not only aircraft hold capacity, but also cabin space.

Major destinations by number of passengers served by the Milan Airport System

During the period, London heads the list of the 15 airports most served by the SEA Group in terms of passenger numbers, and is followed by Paris Charles de Gaulle and Orly. Catania and Rome are the main domestic connections, while Dubai and New York are the two most popular intercontinental destinations from Milan.

	(,000)	H1 2020	cge % on H1 2019	% of total
1	LONDON	356.6	-71.5%	6.7%
2	PARIS	331.9	-68.5%	6.3%
3	CATANIA	282.3	-64.5%	5.3%
4	ROME	245.2	-63.7%	4.6%
5	AMSTERDAM	194.5	-68.0%	3.7%
6	MADRID	190.7	-65.4%	3.6%
7	PALERMO	170.7	-67.9%	3.2%
8	NAPLES	156.8	-66.8%	3.0%
9	FRANKFURT	140.1	-66.5%	2.6%
10	DUBAI	134.2	-57.8%	2.5%
11	BARCELONA	130.7	-70.5%	2.5%
12	LAMEZIA TERME	128.7	-66.2%	2.4%
13	BARI	127.1	-63.1%	2.4%
14	CAGLIARI	127.0	-65.3%	2.4%
15	NEW YORK	121.3	-73.8%	2.3%
	Others	2,460.8	-69.7%	46.4%
	Total	**5,298.6**	**-68.4%**	**100.0%**

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

Main airlines by passengers served by the Milan Airport System

With a 21% share, easyJet is the main airline operating from the Milan Airport System, with Alitalia in second position (19% share), ahead of Ryanair (9%) and Lufthansa (5%). Air Italy, which in the same period of the previous year held fifth position with a 5% share, suspended operations as of late February.

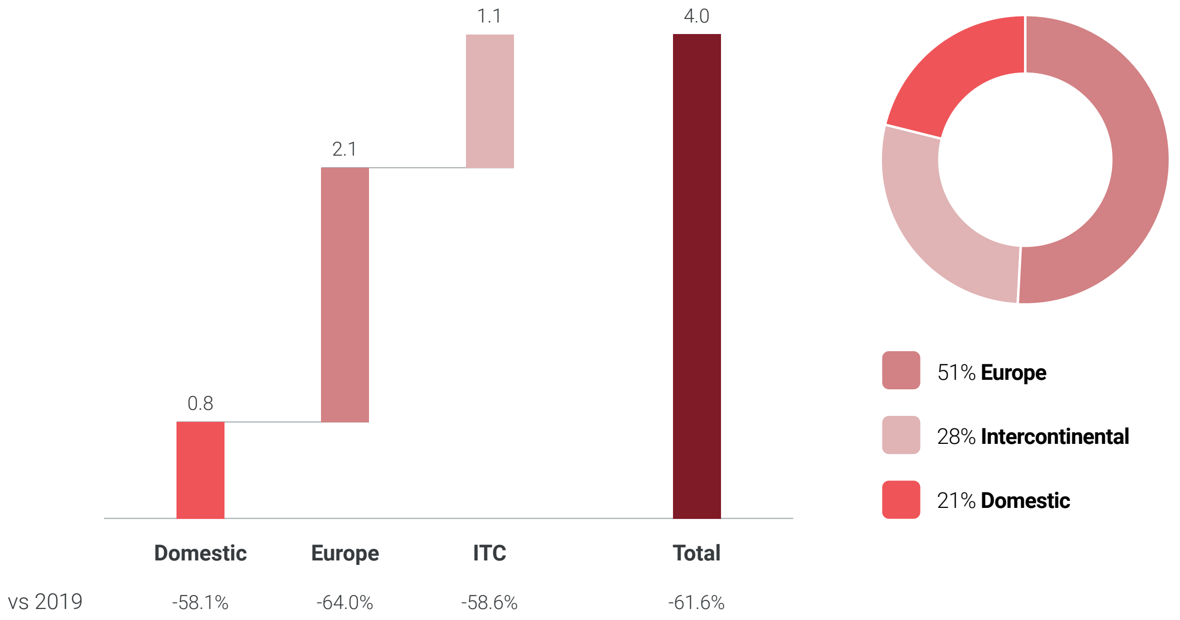
	(,000)	H1 2020	cge % on H1 2019	% of total
1	Easyjet	1,109.7	-72.0%	20.9%
2	Alitalia	992.5	-66.0%	18.7%
3	Ryanair	452.9	-61.1%	8.5%
4	Lufthansa	267.1	-68.1%	5.0%
5	Air Italy	238.2	-67.6%	4.5%
6	Emirates	168.3	-61.9%	3.2%
7	Neos	147.0	-58.6%	2.8%
8	Vueling Airlines S.A.	132.0	-71.4%	2.5%
9	British Airways	124.8	-73.1%	2.4%
10	Air France	105.4	-64.8%	2.0%
11	Wizz Air	98.1	-63.2%	1.9%
12	Qatar Airways	93.3	-53.2%	1.8%
13	Iberia	82.9	-67.4%	1.6%
14	Turkish Airlines	70.3	-69.1%	1.3%
15	Klm	69.0	-67.0%	1.3%
	Others	1,147.1	-71.2%	21.6%
	Total	**5,298.6**	**-68.4%**	**100.0%**

Traffic by region

A breakdown of traffic by region at the two airports managed by the SEA Group is provided below.

Malpensa

H1 2020 - Breakdown of Malpensa Airport passenger traffic (millions)



During the lockdown phase, SEA opted to concentrate its residual traffic at Terminal 2, serving almost exclusively rescue flights operated by Alitalia and Neos.

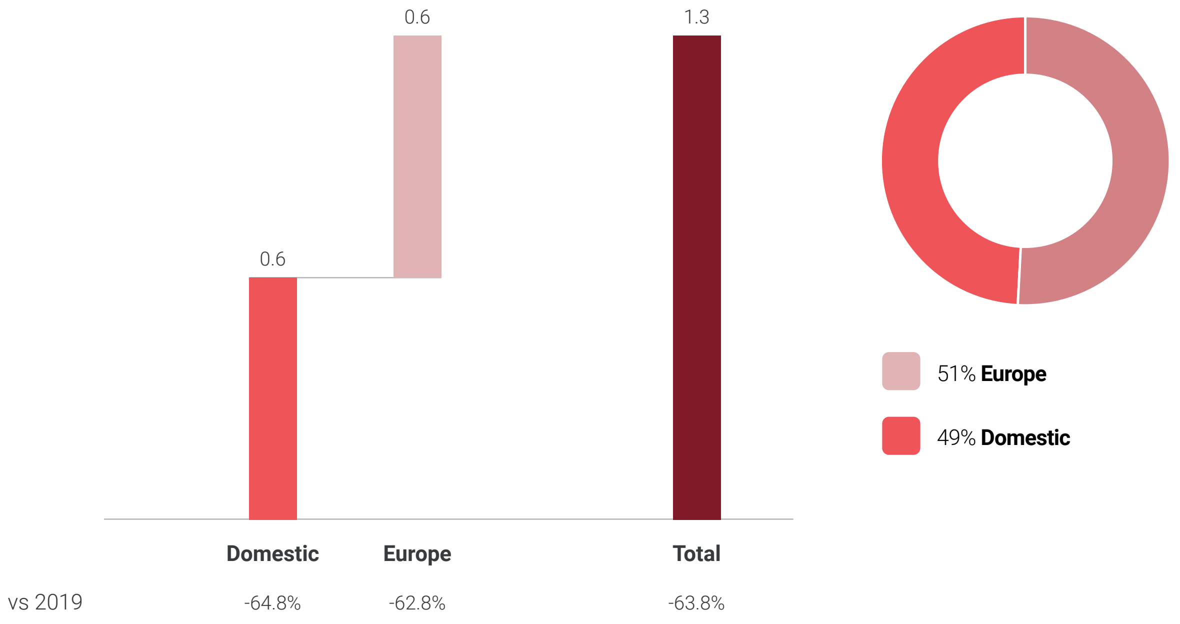
In the first half of 2020, airlines faced a significant reduction in demand as the number of passengers handled at airports fell by 11.5 million (68.4%). For legacy carriers this meant a drop of over 7 million passengers (-61.8%), for the low-cost segment over 4 million (-69.4%) and for the leisure market 0.4 million passengers (-63.3%).

In January, Malpensa Airport recorded a 9.4% increase in passengers compared to the same period of 2019, while from February it was affected by the initial phase of the pandemic and the liquidation of Air Italy, with passenger numbers falling 3.9%. The figures for the first two months show an increase of +2.8%.

Since mid-June, some carriers have resumed more regular operations at the airport. These include easyJet, Ryanair, Air France, KLM, Qatar Airways, Etihad and Emirates. In the same month, aircraft occupancy stood at 53.7% (compared with 80.2% recorded in June 2019), reflecting a recovery from the crisis of the previous two months.

Linate

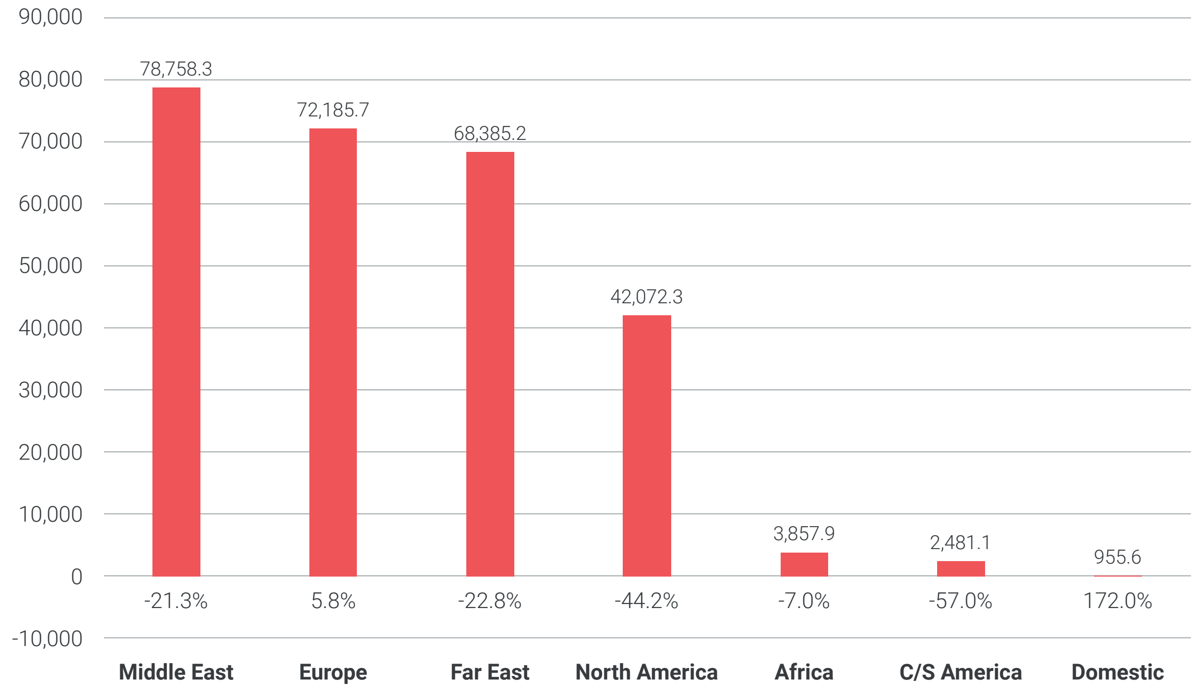
H1 2020 - Breakdown of Linate Airport passenger traffic (millions)



Linate Airport was not operational from March 16, as flights were transferred to Malpensa Airport Terminal 2.

In January, traffic was consistent with the same period of 2019 (up 0.4%), while February saw a fall in traffic - despite the extra leap day - which prefigured the effects of Covid-19. In total, a 5.9% decline was recorded in the first two months of the year.

H1 2020 Freight traffic by geographical area - SEA managed airports



Goods in tons

Percentage change refers to a comparison with the first semester of 2019

Cargo traffic remained operational throughout the period. Total cargo processed was down 17.4% to 222 thousand tons, mainly as a result of the absence of belly traffic following the grounding of most passenger aircraft. The number of all-cargo carrier movements increased by 35%, with goods transported growing 3.6% during the period; the aircraft used were below average size.

Contrary to the trend in passenger transport, all-cargo transported goods decreased 1.9% in the first two months of 2020 (compared with a 15.2% increase in movements), while the following months saw a gradual growth in both movements and goods transported. Peaks in movements (up 67.3%) and goods transported (up 20.8%) were seen in June.

The airlines contributing most significantly to the increase in cargo transported through online sales were Asl Airlines and European Air Transport. Qatar Airways, Asiana Airlines, Korean Air and Etihad Airways also grew.

Distribution by geographical area highlights critical issues in all areas except Europe, where a 5.8% increase in goods transported was reported and, to a lesser extent, in domestic traffic. The Middle and Far East, on the other hand, fell 21.3% and 22.8% respectively. North America, hit particularly hard by the spread of the virus, recorded a 44.2% drop in passenger traffic.

Income Statement

(Euro thousands)	H1 2020	H1 2019	Change	Cge. % 2020/2019
Operating revenues	141,095	343,449	(202,354)	(58.9%)
Revenue for works on assets under concession	15,155	17,746	(2,591)	(14.6%)
Total revenues	**156,250**	**361,195**	**(204,945)**	**(56.7%)**
Operating costs				
Personnel costs	68,885	96,117	(27,232)	(28.3%)
Other operating costs	75,391	112,725	(37,334)	(33.1%)
Total operating costs	**144,276**	**208,842**	**(64,566)**	**(30.9%)**
Costs for works on assets under concession	13,999	16,288	(2,289)	(14.1%)
Total costs	**158,275**	**225,130**	**(66,855)**	**(29.7%)**
EBITDA (1)	**(2,025)**	**136,065**	**(138,090)**	**(101.5%)**
Provisions & write-downs	604	(716)	1,320	(184.4%)
Restoration and replacement provision	11,022	8,526	2,496	29.3%
Amortisation & Depreciation	39,146	38,288	858	2.2%
EBIT	**(52,797)**	**89,967**	**(142,764)**	**(158.7%)**
Investment income /(charges)	(5,764)	8,753	(14,517)	(165.9%)
Net financial charges	8,630	8,521	109	1.3%
Pre-tax result	**(67,191)**	**90,199**	**(157,390)**	**(174.5%)**
Income taxes	(17,331)	24,038	(41,369)	(172.1%)
Net Result	**(49,860)**	**66,161**	**(116,021)**	**(175.4%)**
Minority interest profit	0	1	(1)	(100.0%)
Group Net Result	**(49,860)**	**66,160**	**(116,020)**	**(175.4%)**

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

Operating revenues amounted to Euro 141,095 thousand in the first semester of 2020, down Euro 202,354 thousand (-58.9%) on the same period of the previous year.

This loss was mainly due to the spread of the Covid-19 virus, the first effects of which were felt in March as passenger traffic came to an almost complete halt. Revenues for the first two months of the year (Euro 104,161 thousand) were in line with those of the previous year (Euro 105,164 thousand), while revenues for the following four months (March to June), totalling Euro 36,934 thousand, were down significantly (-85%) from the Euro 238,285 thousand recorded in 2019.

The fall in revenues in the first semester of 2020 affected every business stream. Reduced passenger traffic led to a significant reduction in aviation revenues (down Euro 127,024), non-aviation revenues (down Euro 70,497) and general aviation revenues (down Euro 1,618). Revenues from the energy business stream also dropped by Euro 3,215, mainly as a result of lower energy sales.

To tackle this significant reduction in revenues, action was swiftly taken from March onwards to reduce operating costs and minimise margin losses.

Operating costs amounted to Euro 144,276 thousand, down Euro 64,566 thousand. This was due, on the one hand, to reduced variable costs as a result of lower traffic volumes and, on the other, to the effects of cost-saving strategies implemented by the Group. The main measures to contain costs included the activation, as of March 16, of the sector's Extraordinary Temporary Lay-off Scheme (CIGS), and the renegotiation of fees for the Group's main goods and service supply contracts.

The margin resulting from the difference between revenues and costs of works on assets under concession amounted to Euro 1,156 thousand, decrease due to the investments made during the period.

As a result of the developments outlined above, EBITDA reported a loss of Euro 2,025 thousand, down from a profit of Euro 136,065 thousand in the previous half-year.

EBIT reported a loss of Euro 52,797 thousand, down Euro 142,764 thousand (158.7%), and was affected by amortisation and depreciation - in line with the previous year - and by contributions to the restoration and replacement provision. These were higher than in the first half of 2019 following a revision of the replacement and maintenance plan on December 31, 2019.

The net loss of Euro 49,860 thousand compared to a net profit of Euro 66,161 thousand in the first semester of 2019.

The main income statement accounts are broken down as follows:

Revenues

Operating revenues in the first six months of 2020 (net of works on assets under concession) amounted to Euro 141,095 thousand and include aviation revenues of Euro 78,924 thousand, non-aviation revenues of Euro 51,812 thousand, general aviation revenues of Euro 4,309 thousand and energy revenues of Euro 6,050 thousand.

Operating revenues decreased Euro 202,354 thousand (-58.9%) on the previous year. Each business area contributed to this contraction as follows:

- Aviation revenues decreased by Euro 127,024 thousand. The first two months of 2020 recorded a result that was substantially in line with the previous year, while the period's drop in performance came in the following four months, due to the fall in passenger traffic. Cargo business proved more resilient to the crisis, generating revenues in line with those reported in 2019.
- The Euro 70,497 thousand fall in non-aviation revenues was also almost entirely attributable to the four months from March to June. This effect is due to the combination of lower traffic volumes and the more favourable conditions granted to tenants also against the temporary closure of the terminals in which they operate.
- Energy revenues declined Euro 3,215 thousand compared with 2019 due to a reduction in the amount of electricity sold (which was partly a result of the changed production structure adopted as the terminals were closed temporarily) as well as a drop in the market price of that energy, which dropped sharply during the months of lockdown.
- General aviation revenues decreased by Euro 1,618 thousand, mainly due to lower traffic volumes and the temporary reshaping of active lease contracts.

Revenues for works on assets under concession decreased from Euro 17,746 thousand in the first semester of 2019 to Euro 15,155 thousand in the first semester of 2020 (down 14.6%). These revenues refer to construction works on assets under concession increased by a mark-up representing the best estimate of the remuneration of the internal cost for the management of the works and design activities undertaken, which corresponds to a mark-up which a third-party general constructor would request to undertake such activities. This account is strictly related to investment activities on assets under concession.

Operating costs

Operating costs for the first semester of 2020, net of costs for works on assets under concession, amount to Euro 144,276 thousand, decreasing Euro 64,566 thousand on the previous half-year (-30.9%). Costs in the first half of 2020 included non-recurring components of Euro 238 thousand. Comparison with the first semester of 2019 - which in turn included non-recurring components of Euro 1,907 thousand - therefore reported a net decrease of Euro 62,421 thousand (30.2%).

Net of non-recurring items, **the Group's personnel costs** decreased by Euro 25,086 thousand (-26.6%) compared to the first semester of 2019. This reduction was achieved through reliance on the sector's social security schemes (Extraordinary Temporary Lay-Off Scheme) and other containment measures, such as the review of remuneration policies and the reduction of overtime and travel. The headcount for the half year amounted to 2,774 full-time equivalents, up by 21 FTEs on the same period of 2019 (2,795 FTEs).

Other operating costs also decreased by Euro 37,334 thousand (-33.1%) compared to the same period of 2019, down from Euro 112,725 thousand in the first half of 2019 to Euro 75,391 thousand in the first half of 2020. This reduction is due on the one hand to the drop in traffic volumes (with consequently lower charges for public fees, security and assistance services and parking management), and on the other to the cost-cutting actions introduced, resulting in the renegotiation of the main service contracts and the containment of expenses not strictly necessary.

Costs for works on assets under concession

Costs for works on assets under concession reduced from Euro 16,288 thousand in the first half of 2019 to Euro 13,999 thousand in the first half of 2020. These costs refer to the costs for the works undertaken on assets under concession. This movement is strictly related to investment activities.

Provisions & write-downs

In 2020, provisions and write-downs report a net accrual of Euro 604 thousand, composed of Euro 730 thousand of net accruals to the doubtful debt provision (in 2019 a net release of Euro 534 thousand) and a net release of Euro 126 thousand (Euro 182 thousand net release in 2019) to the future charges provision.

The net accrual to the doubtful debt provision incorporates the expected loss on each receivable in view of the new situation arising as a result of the Covid-19 pandemic. The accruals are only partially offset by the releases from the provisions accrued in previous years following the absence of the conditions for which they were originally established.

Further information is available in Note 9.7 of the Condensed Consolidated Half-Year Financial Statements.

Restoration and replacement provision

In the first half of 2020, the net accrual to the restoration and replacement provision increased Euro 2,496 thousand due to the update to the Restoration Provision at December 31, 2019. The accrual of a provision of Euro 11,022 thousand in the first half of 2020 (Euro 8,526 thousand in the first half of 2019), none of which was released, reflects the assessments of the planned maintenance of the assets under the concession rights.

Amortisation & depreciation

Amortisation and depreciation increased by Euro 858 thousand compared to 2019 (+2.2%), from Euro 38,288 thousand to Euro 39,146 thousand. This increase is mainly due to the recognition of new rights-of-use, in application of IFRS 16, and the increase in fixed assets which particularly concerned the development of ICT projects, the acquisition of new x-ray machines and the extraordinary maintenance to upgrade the runway surface and taxiways at Linate and Malpensa airports.

Investment income and charges

In the first half of 2020, net investment income and charges decreased Euro 14,517 thousand - from net income of Euro 8,753 thousand in 2019 to a charge of Euro 5,764 thousand in 2020, relating to the valuation at equity of investments in associates. This amount reflects the loss reported by the associates as a result of the impact from the Covid-19 pandemic. In addition, we report the exit from the consolidation scope of the associate Signature Flight Support Italy Srl, which resulted in a loss of Euro 358 thousand.

Financial income and charges

Net financial charges in the first half of 2020 amounted to Euro 8,630 thousand, an increase of Euro 109 thousand on the first half of the previous year.

Net financial charges were substantially in line with the first half of 2019, despite the issue in May 2020 of the new UCI/BNL Term Loan and the commissions for the non-use of the 2019 EIB line, not present in the same period of the previous year, offset by lower charges on derivatives, due to the amortisation of the relative notional amounts, and lower Post-employment benefit charges.

Income taxes

First half of 2020 income taxes were positive for Euro

17,331 thousand and reduced the statutory loss for the period. Deferred tax assets were in fact recognised, calculated on the IRES tax loss, which assumes that the current situation is temporary and that a reasonable certainty therefore exists of generating in future periods sufficient assessable income to allow for its gradual reabsorption.

Group Result

As a result of the dynamics outlined above, the Group's net result was a loss of Euro 49,860 thousand, contracting Euro 116,020 thousand on the first half of 2019 (net profit of Euro 66,160 thousand).

Reclassified Group statement of financial position

(Euro thousands)	June 30, 2020	December 31, 2019	Change
Intangible assets	983,126	994,659	(11,533)
Property, plant & equipment	212,676	215,657	(2,981)
Leased assets rights of use	11,634	10,106	1,528
Investment property	3,403	3,404	(1)
Investments in associates	70,285	76,674	(6,389)
Other investments	26	26	0
Deferred tax assets	75,893	58,163	17,730
Other non-current receivables	6,462	6,470	(8)
Fixed assets (A)	**1,363,505**	**1,365,159**	**(1,654)**
Inventories	2,130	1,848	282
Trade receivables	51,788	123,241	(71,453)
Tax receivables	2,338	2,071	267
Other receivables	10,928	11,067	(139)
Current assets	**67,184**	**138,227**	**(71,043)**
Trade payables	149,231	182,085	(32,854)
Other payables	235,193	287,522	(52,329)
Tax payables	11,694	10,689	1,005
Current liabilities	**396,118**	**480,296**	**(84,178)**
Net Working Capital (B)	**(328,934)**	**(342,069)**	**13,135**
Provisions for risks and charges (C)	(160,375)	(157,408)	(2,967)
Employee provisions (D)	(46,671)	(48,172)	1,501
Other non-current payables (E)	(7,475)	(7,961)	486
Net capital employed (A+B+C+D+E)	**820,050**	**809,549**	**10,501**
Group Shareholders' equity	(309,375)	(358,593)	49,218
Minority interest shareholders' equity	(27)	(27)	0
Net financial debt	(510,648)	(450,929)	(59,719)
Total sources of financing	**(820,050)**	**(809,549)**	**(10,501)**

Fixed assets of Euro 1,363,505 thousand decreased by Euro 1,654 thousand over December 31, 2019, mainly due to: *i)* the amount of investments and amortisation and depreciation in the period, respectively of Euro 24,337 thousand (net of restoration provision utilisations) and Euro 38,039 thousand (amortisation and depreciation stated net of the effect of IFRS 16); *ii)* the increase in the leased assets rights-of-use, amounting to Euro 1,528 thousand compared to December 31, 2019; *iii)* the decrease in the value of investments in associates (Euro 6,389 thousand), which reflects their measurement at equity; *iv)* the increase in net deferred tax assets of Euro 17,730 thousand, mainly relating to the recognition of deferred tax assets calculated on the period tax loss; *v)* the decrease in Other non-current receivables of Euro 8 thousand.

Net working capital negative for Euro 328,934 thousand decreased by Euro 13,135 thousand over December 31, 2019.

This movement is based on a range of factors. Current assets decreased due to the significant reduction in trade receivables, mainly as a result of the interruption to business operations due to the Covid-19 pandemic containment measures, while tax receivables and other receivables remained substantially unchanged. Short-term liabilities also negatively impacted working capital movements, with both trade payables and other payables reducing.

Short-term liabilities include the payable to shareholders regarding the second tranche of the extraordinary dividend approved by the Shareholders' Meeting of September 30, 2019 of Euro 84,728 thousand, whose payment was postponed by Board of Directors' motion of April 2, 2020, with the proviso that the date will be re-set once the current Covid-19 situation passes, in order to support the Group's financial solidity and contain future economic-financial impacts.

Other non-current payables refer mainly to payables to employees recorded as a result of the mobility procedure's commencement on December 27, 2017. Through the mobility procedure, early retirement incentive payments were established for a pre-determined number of workers who will qualify for pension benefits by August 2023 (early retirement or old age pension). Such payables decreased on December 31, 2019 due to the achievement by some workers of the requirements for the settlement of the payable or the reclassification from non-current to current payables.

Net capital employed at June 30, 2020 amounted to Euro 820,050 thousand, an increase of Euro 10,501 thousand over December 31, 2019.

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

(Euro thousands)	June 30, 2020	December 31, 2019	Change
Inventories	2,130	1,848	282
Trade receivables	51,788	123,241	(71,453)
Trade payables	(149,231)	(182,085)	32,854
Other receivables/(payables)	(233,621)	(285,073)	51,452
Total net working capital	**(328,934)**	**(342,069)**	**13,135**

Net financial debt

The net financial debt of Euro 510,648 thousand at June 30, 2020 increased by Euro 59,719 thousand on December 31, 2019 (Euro 450,929 thousand). From February, the gradual halting of air traffic caused by the increasing global outbreak of Covid-19 and the consequent lack of related revenue resulted in an extraordinary absorption of liquidity.

ALTERNATIVE PERFORMANCE MEASURES

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

- EBITDA, gross operating margin or gross operating result is calculated as the difference between total revenues and total costs, excluding provisions and write-downs.
- EBIT or operating result is calculated as the difference between total revenues and total costs, including provisions and write-downs.
- "Net financial debt" means liquidity, financial receivables and current securities, net of financial payables (current and non-current) and the fair value of financial debt hedging derivatives.
- "Net working capital" means the sum of inventories, trade receivables, other current receivables, other current financial receivables, tax receivables, other payables, trade payables and tax payables.
- "Net capital employed" means the sum of "net working capital", as defined above, and fixed assets, net of the personnel provisions, other non-current payables and provision for contingencies and charges.
- "Tangible and intangible assets investments" refers to investments net of the 6% remuneration as per IFRIC 12, the share of financial charges and other items of an exclusively monetary nature. Total investments do not include increases for the recognition of IFRS 16 fixed assets.
- "Non-recurring components" means items arising from non-recurring transactions. Such items, in the management's opinion and where specified, may be excluded in the interest of better comparability and assessment of financial performance results. In this Directors' Report, some of the measures listed above are presented and described net of non-recurring components.

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

SUBSEQUENT EVENTS

Linate Airport reopening

With communication of July 9, 2020, ENAC, as an exemption to Ministry for Infrastructure and Transport Decree No. 245 of June 14, 2020, reopened Linate airport from July 13, 2020, establishing an airport capacity of at least 10 hourly movements (5 arrivals and 5 departures).

Extension of the airport concession

With the conversion into law of Legislative Decree No. 34 of May 19, 2020 ("Relaunch Decree"), Law No. 77 of July 17, 2020, published in Official Gazette No. 180 of July 18, 2020, S.O. No. 25, the extension of the existing airport concessions for a further two years was approved, according to that reported in Article 202, par. 1-*bis*.

OUTLOOK

The operating and industrial environment in which the SEA Group will operate over the coming months features a significant degree of uncertainty. It is now the commonly-held view of financial analysts and industry experts that the general slowing of the economy will impact the coming years, although it is too early to assess the relative extent.

The current crisis has given rise to economic and financial difficulties in the air transport sector that have spread to all players in the industry - from the airlines to the airport managers and from retailers to handlers. The reduced propensity to fly caused by the Covid-19 outbreak, together with restrictions on international mobility, continue to stifle the recovery and passenger traffic numbers.

The outlook of analysts for the sector over the coming months is affected by the significant uncertainty regarding the development of the virus, in addition to the discovery of a vaccine or of a cure to limit its effects and spread. The latest IATA (International Air Transport Association and Oxford Economics) forecasts are for continued depressed air transport demand for the coming years, with a return to pre-covid levels between 2023 and 2024. In addition, the recovery would appear to be driven by the domestic and European market: inter-continental traffic seems in fact to be impacted for a longer period by global economic weakness.

Comparing these figures with other market reports, the degree of uncertainty regarding the recovery is evident - both in terms of the speed of the traffic recovery and in terms of its make-up (by area and type of passenger).

In light of the above, it is clear that the effects of the Covid-19 pandemic on the SEA Group, while significant, currently may not be accurately estimated. It will therefore be necessary to await the development of the situation in Italy, in Europe, and in the rest of the world before forming a more complete assessment.

Taking account of performances and most recent projections, the SEA Group currently expects the effects of the crisis to continue for the entire year of 2020, with an expected drop in traffic of between 60 and 70% on 2019; in the subsequent two-year period, an accelerated recovery for passenger traffic is forecast, with a return to 2019 volumes only from 2023.

In consideration of the expected performance downturn, a review of the 2020 and 2021 investment plans was necessary, also in view of the need to re-plan operations following the accumulated delays on building sites during the lockdown. Scheduled investment for 2020 was therefore cut by approximately 60%, limiting works to those operationally most necessary, while taking account of works already begun and regulatory and safety & security requirements. Investments not undertaken in 2020 were only partly rescheduled for 2021.

Considering the uncertainty outlined in the preceding points, in order to assess the effects on the operating performance, financial solidity and the cash flows of the various market scenarios which may emerge, internal simulations and stress tests were drawn up. The analyses indicated that any worsening of the external conditions in the second half of the year, although having significant impacts on business profitability, would not cause critical difficulties for the Group's balance sheet and financial position. Cash and cash equivalents, equal to Euro 800 million of liquidity and funding lines available at the reporting date (as better outlined at Note 4.3 of the Condensed Consolidated Half-Year Financial Statements) and the balance sheet's solidity, which the Group demonstrated just before the crisis, will permit the absorption of any losses and ensure the Group's going concern in the 18 months subsequent to the closing date of this half-year financial report.

The SEA Group monitors very closely and on a daily basis the recovery from and the development of the Covid-19 crisis, not only in Italy but also in the key countries, so as to adapt quickly to developing events and air transport market responses - both from an operational and economic and financial viewpoint.

OPERATING PERFORMANCE – SECTOR ANALYSIS

Commercial Aviation

The Commercial Aviation business includes Aviation and Non-Aviation services: the former regards the management, development and maintenance of airport infrastructure and plant and the offer to SEA Group customers of services and activities related to the arrival and departure of aircraft, in addition to airport safety services.

The revenues generated by these activities are established by a regulated tariff system and comprise airport fees, fees for the use of centralised infrastructure, in addition to security fees and tariffs for the use of check-in desks and spaces by airlines and handlers.

The Non-Aviation services business however provides a wide and segregated offer, managed both directly and under license to third parties, of commercial services for passengers, operators and visitors to the Airports, in addition to the real estate segment. The revenues from this area consist of the market fees for activities directly carried out by the Group and from activities carried out by third parties under license and of royalties based on a percentage of revenues generated by the licensee, usually with the provision of a guaranteed minimum.

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

General Aviation

The General Aviation services business includes the full range of services relating to business traffic at the western apron of Linate airport and, with effect from July 2019, at Malpensa airport also.

Energy

The Energy services business concerns the production of electricity and heat partly for Group requirements and partly for sale to third parties.

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

	Commercial Aviation		General Aviation		Energy		Consolidated	
	H1		H1		H1		H1	
(Euro thousands)	2020	2019	2020	2019	2020	2019	2020	2019
OPERATING REVENUES	130,736	328,257	4,309	5,927	6,050	9,265	141,095	343,449
EBITDA	(3,502)	131,726	2,589	3,844	(1,112)	495	(2,025)	136,065
EBIT	(52,961)	86,648	1,468	2,921	(1,304)	398	(52,797)	89,967

The EBITDA shown above includes the IFRIC margin.

Commercial Aviation

Revenues

During the period, as a result of the limitations on the movement of citizens and the knock-on effects on air transport, the closure of Linate airport was ordered by law and it was decided to concentrate flight activity at Terminal 2 from March 16 (with the closure also of Terminal 1). Terminal 2 was the only airport continually operational until June 14: in view of traffic levels, from this date compliance with the social distancing rules could only be guaranteed by the reopening of Terminal 1.

Due to the lack of passenger traffic from the second half of March, the first semester Revenues significantly reduced to Euro 130,736 thousand, down Euro 197,521 thousand on the previous year (-60.2%).

The aviation and non-aviation segments accounted for this reduction as follows:

- Aviation revenues declined Euro 127,024 thousand (from Euro 205,948 thousand in the first half of 2019 to Euro 78,924 thousand in the present period). The first two months of 2020 reported a result substantially in line with the previous year, with the poor performance in the period generated by the March-June four-month period, due to the drop in passenger traffic caused by the Covid emergency.

  Within this scenario, cargo revenues (Euro 10,823 thousand) decreased (-8.7% compared to the previous year), although demonstrating greater resilience to the crisis.
- Non-aviation revenues were down Euro 70,497 thousand (from Euro 122,309 thousand in the first half of 2019 to Euro 51,812 thousand in the present period), almost entirely relating to the four months from March to June. This effect is due to the combination of lower traffic volumes and the more favourable conditions granted to tenants also against the temporary closure of the terminals in which they operate.

  In the first six months of the year, the Retail segment (Shops, Food & Beverage, Car Rental and Bank Services) saw revenues drop Euro 32,113 thousand (-64.9%), particularly relating to shops revenues, which saw a significant decline of Euro -18,194 thousand (-69.2%), in addition to Food & Beverage revenues and despite growth in the initial two months of the year reported a decrease of Euro 6,582 thousand (-61.7%), although guaranteeing a basic catering offer for passengers at Terminal 2. Similarly, the parking segment saw a reduction of Euro 22,532 thousand (-63.6%). The Premium Services segment (VIP Lounges and Fast Track) was down Euro 7,061 thousand (-65.5%), the Real Estate segment Euro 1,080 thousand (-51.0%), Advertising Euro 3,555 thousand (-65.0%) and services Euro 2,869 thousand (-29.4%).

  As the Cargo business did not stop during the period of the pandemic and as Malpensa airport is a hub for the sorting of anti-Covid devices, Cargo segment revenues only saw a slight decline (of Euro 1,285 thousand, -13.8%), compared to the same period of the previous year, amounting to Euro 7,995 thousand.

Operating costs

Operating costs for the ***Commercial Aviation*** business decreased from Euro 197,989 thousand in the first half of 2019 to Euro 135,394 thousand in the same period of 2020, reducing Euro 62,595 thousand (-31.6%).

Net of the non-recurring cost components (which in the first half of 2019 totalled Euro 1,869 thousand, while amounting to Euro -232 thousand during the period), operating costs declined Euro 60,494 thousand (-30.8%). This movement was based on:

- personnel costs, decreasing Euro 24,797 thousand (-26.9%). This reduction was achieved through reliance on the sector's social security schemes (Extraordinary Temporary Lay-Off Scheme) and other containment measures, such as the review of remuneration policies and the reduction of overtime and travel.
- The decrease of Euro 35,697 thousand in operating and material costs compared to the same period of 2019, due to lower costs related to traffic volumes of Euro 22,766 thousand (parking management, passenger assistance, handling and security costs), the decrease in energy costs of Euro 3,158 thousand and lower core operational costs of Euro 9,773 thousand (of which: Euro 3,796 thousand for maintenance, Euro 2,242 thousand for cleaning and professional services for Euro 1,216 thousand).

The reduction in operating costs was possible thanks to the renegotiation of contracts with suppliers and the limitation of new expenditures during the most intense period of the pandemic.

EBITDA and EBIT

As a result of the trends outlined above, in the first half of 2020 EBITDA reported a loss of Euro 3,502 thousand (a profit of Euro 131,726 thousand in H1 2019), down Euro 135,228 thousand (-102.7%). Excluding the extraordinary items mentioned above, the decrease amounted to Euro 137,329 thousand (-102.8%).

Amortisation and depreciation, and net provisions for restoration and replacement, risks and charges and doubtful debt, are higher than in the first half of 2019 by Euro 4,381 thousand, of which Euro 3,143 thousand concerning amortisation and depreciation in the period, and Euro 1,237 thousand due to increased accruals to the doubtful debt provision.

As a result, EBIT for the Commercial Aviation business saw a loss of Euro 52,961 thousand, down Euro 139,609 thousand (-161.1%) over the previous year. Excluding the non-recurring components, the first half of 2020 EBIT was a loss of Euro 53,193 thousand, decreasing Euro 141,710 thousand (-160.1%) on the same period of 2019.

Investments

The main Commercial Aviation business investments were:

- interventions on runways and taxiways at Linate airport;
- 400 hz plant at Linate;
- plant upgrading works for lifts and elevators at Terminal 1;
- work on the baggage automation system;
- new T1 operators parking;
- updating of both management and operational IT systems.

Other information

Bilateral Agreements

In the first semester of 2020, the competent national authorities signed bilateral agreements with the aviation authorities in the following countries:

- China: extensive liberalisation for passenger flights in terms of both frequencies (108 in 2020, 136 in 2021 and 164 in 2022) and destinations. For cargo services, the operable fifth freedom frequencies have been extended.
- Armenia: increase in frequencies to 14 for passenger flights and 7 for cargo flights.

Destination development and co-marketing activities

Destination development initiatives seek to increase the international visibility not only of Milan's airports, but also of Milan and Lombardy as destinations. In this context, the World Routes Milano 2020 event was rescheduled due to the Covid-19 emergency. New collaborations with Yesmilano have begun for the circulation of information on the airport and with Netcomm and China-EU for SEA's participation at the China Europe Digital Commerce Summit. A memorandum of understanding has been developed with Fiera Milano congressi - MiCo for a collaboration to attract the hosting of aviation sector trade fairs, events and congresses.

General Aviation

In the first six months of the year, Milan Linate and Malpensa airports handled a total of 5,888 movements, down 52.2% on the same period of the previous year; the drastic reduction in traffic since March is entirely due to the effects of the Covid-19 pandemic and the closure of air traffic in the months of lockdown.

Revenue and costs

General Aviation revenues in the first half of 2020 amounted to Eur 4,309 thousand, down Euro 1,618 thousand (-27.3%) compared to the same period of 2019, due to the travel restrictions imposed by the authorities following the Covid-19 pandemic.

Operating costs of Euro 1,725 thousand (net of non-recurring components of Euro -5 thousand), reduced Euro 330 thousand (-16.1%), of which Euro 248 thousand due to the reduction in personnel costs following the introduction of the social security schemes from March 2020, and for Euro 82 thousand mainly as a result of lower costs incurred for hangarage at third parties and cancelled trade fairs.

EBITDA and EBIT

As a result of the developments outlined above, EBITDA for the first half of 2020 was Euro 2,589 thousand, down Euro 1,255 thousand (-32.6%) over the same period of the previous year. Excluding the non-recurring components, the first half of 2020 EBITDA was Euro 2,584 thousand.

EBIT, net of the non-recurring components, decreased Euro 1,486 thousand (-50.4%), due to the operating issues outlined above and mainly as a result of increased amortisation and depreciation in the first semester of 2020, relating to the new investments at the Terminal and other infrastructure entering into use from the second half of 2019 at Malpensa airport.

Investments

In the first half of 2020, no significant investments were made in the General Aviation business.

Energy

Quantitative data

In the first semester of 2020, gross electricity production was 141.5 million kWh, down 16.15% (-27.3 kWh) compared to the first semester of 2019. This decrease is based on the production structure of the power stations owned by the subsidiary SEA Energia following the closure of Terminal 1 of Malpensa and of Linate airport, in response to the regulatory measures to contain the spread of the epidemic.

Electricity for the Group's own purposes, including ancillary services, losses and imbalances, totalled 78.5 million kWh, down 17.78% (-17 million kWh) on the first half of 2019, while electricity produced and sold to the external grid decreased by 14% compared with the first half of 2019 (-10.3 million kWh) to 63 million kWh.

Thermal energy production also decreased by 7.6% compared to the same period of 2019 (-14.5 million kWh) to 176.4 million kWh, of which approximately 61.3% for the needs of Linate and Malpensa airports.

The quantity of thermal energy sold to third party customers increased by 23.7% (+13.1 million kWh) to 68.3 million kWh: this increase was due to the consolidation of supplies to civil users near Linate airport.

Revenue and costs

In the first half of 2020, the Energy business reported revenues of Euro 6,050 thousand, decreasing Euro 3,215 thousand on the same period of 2019 (-34.7%).

This performance is due mainly to a sharp contraction in the PUN, which decreased by 41.5% (Euro 55.13 per MWh in the first half of 2019 to Euro 32.23 per MWh in the same period of 2020), and a reduction in the quantity sold compared with the same period last year.

Operating costs in the first half of 2020, net of non-recurring components of Euro -0.5 thousand (Euro 10 thousand of non-recurring components in the same period of 2019), amounted to Euro 7,162 thousand, down Euro 1,599 thousand compared to the previous year. This contraction is mainly due, for Euro 734 thousand, to the lower methane procurement cost and for Euro 793 thousand the reduced quantities of electricity purchased for the coverage of end-customer needs (reduction of Euro 488 thousand in purchases from the operator and of Euro 305 thousand from the exchange), due to the gradual reduction in retail sales operations.

EBITDA and EBIT

As a result of the developments outlined above, EBITDA in the first half of 2020 was a loss of Euro 1,112 thousand, decreasing by Euro 1,607 thousand on the same period of 2019 (and by Euro 1,618 thousand net of non-recurring components).

In the first half of 2020, EBIT was a loss of Euro 1,304 thousand, decreasing Euro 1,702 thousand compared to the same period of 2019 (by Euro 1,712 thousand net of non-recurring components). This result is due both to the above-cited EBITDA movements and to higher amortisation, depreciation and provisions in the first half of 2020 of Euro 96 thousand compared to the same period of 2019.

Investments

The main Energy business investments were:

- purchase of asset management software for the Malpensa and Linate power stations;
- an additional advance to the supplier of the new TGE turbine at the Malpensa station;
- improvements to the continuous monitoring and control of emissions into the atmosphere system in order to guarantee the compliance of the plant with regulatory and authorization requirements at the Linate station.

Emission trading

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

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

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

In the first half of 2020, overall Group CO_2 production was approximately 82,500 Tonnes, of which about 52,350 Tonnes generated by the Malpensa station and over 30,150 Tonnes by the Linate plant.

RISK MANAGEMENT FRAMEWORK

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

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

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

To better support and integrate the aforementioned systems, the SEA Group has introduced an Enterprise Risk Management (ERM) model, which takes inspiration from the main national and international best practice (e.g. the Self-Governance Code for Listed Companies, the CoSO ERM - Integrating with Strategy and Performance). The objective of this model is to identify and assess homogeneously and transversally the risks linked to the development of corporate activity, and those which may have a significant impact on the medium-long-term sustainability of the business. It also ensures the constant monitoring of these risks, in order to support management strategic choices, decision-making processes and stakeholder assurances.

The Board of Directors approved the Enterprise Risk Management Policy in 2017.

SEA GROUP RISK FACTORS

The principal risks which the Group is potentially exposed to are indicated below.

External risks

External risks, deriving from factors outside of the control of the Group, include changes in market conditions due to global socio-political, macroeconomic and competitive dynamics, in airline strategies, in applicable sector legislation and regulations, in passenger preferences, in technological development and climate change, in addition to extraordinary events (earthquakes, pandemics, volcanic eruptions, wars).

Air traffic development

Covid-19 outbreak

In December 2019, originating in China, the respiratory illness caused by Covid-19 coronavirus gradually spread across many countries, until being defined as a pandemic on March 11, 2020 by the World Health Organization.

This event, unprecedented in recent history, has had a dramatic impact on the entire air transport sector since the beginning of this year, primarily due to the measures taken at global level to contain the spread of the outbreak. The restrictions imposed on travel and the gradual closure of the borders of non-European and European countries have in a short timeframe substantially reduced passenger traffic to zero at most airports around the world.

At Milan's Malpensa and Linate airports, overall system passenger traffic fell by 6% in February compared with the same month of the previous year, primarily due to the closure of connections to China, with a sudden collapse from March onwards, reaching a drop of 89% in the month and an almost total absence of passengers (-99%) in April.

Due to the significant drop in traffic and in application of Decree No. 112 of March 12, 2020, issued by the Ministry of Infrastructure and Transport, together with the Ministry of Health, and also the consequent provisions issued by the Civil Aviation Authority (ENAC), the total closure of Milan Linate airport and the entirety of Malpensa Terminal 1 was ordered until further notice, which resulted in the concentration of the residual passenger traffic at Malpensa Terminal 2 in order to reduce the number of people and vehicles to a minimum, with Cargo City remaining open to allow the continuation of "all cargo" operations, that have only marginally been impacted by the pandemic.

Since the start of the downturn in air traffic at the airports it manages, the Group has deployed all possible and necessary resources to manage the situation in the best possible way, i.e. on the one hand ensuring the health of employees and passengers, while on the other protecting the Group's economic and financial equilibrium.

Measures to contain the spread of the virus were immediately rolled out in order to protect the health of airport employees, passengers and operators, and following the indications of the Italian government and local authorities. It also encouraged remote working, which had already been in place at the Group, in order to avoid disruptions and allow administrative activities to continue as normal. Simultaneously, a Permanent Crisis Committee was set up, comprising the Chief Executive Officer and the main Group Heads and Managers. Its role is to supervise and coordinate the healthcare, operational, infrastructural, commercial and economic-financial aspects of the emergency response, in addition to activating all the measures to minimise the effects of the pandemic on the Group.

Recently there has been a slight but gradual recovery in passenger traffic at Malpensa Terminal 2 (the only airport open until June 14), which led to the reopening of Terminal 1 on June 15, due in particular to the need for sufficient space to ensure distancing between passengers at the airports. At the same time, Terminal 2 was closed. On July 13, Linate airport was also reopened.

However, despite the efforts made by SEA and air transport sector operators more generally and the recent slow return to normality (the lockdown period imposed by the Italian authorities having ended and the borders between European countries reopening), the general environment is currently still very uncertain and complex. In many countries outside Europe, the public health situation is not yet under control and there is a risk of a second wave this autumn that could halt the sector's recovery by extending it to pre-crisis timeframes. The effects of the pandemic on the Italian and international economy could also have an impact on the recovery, affecting passengers' propensity to travel with consequent repercussions for the results and operations of the Group managed airports.

The Covid-19 pandemic has to date - and will continue to have for a period of uncertain duration - impacts on all air transport demand, not allowing for a precise assessment as to when a return to pre-crisis traffic levels at the Group managed airports will be seen.

No-deal Brexit

Following the outcome of the referendum of June 23, 2016 and the subsequent negotiations between the UK and the European Union, since January 30, 2020, the United Kingdom has officially been a third country to the Union. Should no agreement be reached on air transport by the conclusion of the period of continuity guaranteed by the European Union (December 31, 2020), as it stands, from 2021, British majority-held airlines would lose their right to fly freely to and from European Union countries and it would not be possible to fly to British airports from Linate due to the limitations stipulated in the Decree, which states that only inter-EU routes can be operated from Forlanini.

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

Airline strategies

The review of airline strategies, such as, for example, changes to the network of routes operated or capacity reduction - also stemming from general economic issues - may lead to changes in flights at Group airports.

The volume of passenger traffic and cargo in transit at the Linate and Malpensa airports represents a key factor in the results achieved by the Group. Any reduction or interruption to flights by one or more airlines may have an impact on Group operations and results.

The unprecedented crisis situation generated by the global spread of Covid-19 and which caused the temporary halt of air transport has put many airlines in serious financial difficulties. More than one European legacy airline has publicly declared the need for additional liquidity during 2020, thereby involving the relative governments that have committed to provide state aid in support of their flag carriers.

Changes in passenger preferences

The climate of increasing general hostility towards air transport, particularly in terms of the "flight shame" movement discussed in the media as one of the main contributors to climate change, may lead to reductions in general air transport demand and intra-EU air traffic due to changes in passenger short to medium range travel preferences.

In this regard, SEA is committed to supporting airline emission reduction initiatives, including the possibility of introducing differentiated tariffs for less polluting aircraft.

Development of the regulatory framework

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

The development of SEA's specific regulatory framework with reference, for example, to the tariff profile, concession rules and Bilateral Agreements between States, may impact Group results. For further details, reference should be made to the "Regulatory framework" section of this Directors' Report.

SEA constantly monitors the activities of national and European aviation Authorities and actively participates in technical industrial associations roundtables in order to remain firmly in line with any legislative and regulatory changes and intervene in advance at the appropriate locations.

Legislative developments

The Group's activities are subject to a wide range of environmental, health, safety and planning laws.

Any new law and/or regulation, at European or Italian level, could have an impact on costs for the Group or its customers.

In particular, the new binding provisions on environmental policies in application of the "Green Deal" adopted by the European Commission may impact costs in the air transport sector (VAS, passengers, airlines and operators) and lead to a reduction in traffic and/or profitability.

Climate change

The intensification of extreme climatic events, such as violent storms, may lead to increased flooding of runways and the temporary interruption of airport activities.

The infrastructural systems of Group airports are designed and constantly maintained to minimise disruptions linked to these types of circumstances. Special Group procedures are designed to manage such emergencies.

Operating and business risks

Operating and business risk factors are strictly related to the performance of airport activities. These relate to the design and implementation of airport infrastructure maintenance and construction investments, to the interruption of business processes, due, for example, to strikes, natural events, malfunctions, safety and security events affecting assets and worker health and safety events, to impacts on the quality of offered services, and to IT issues, organisational and environmental issues.

These factors may affect short to long term performance.

Activity and Service Interruptions

Interruptions in activities and services may be generated by a wide range of events of more or less prolonged duration, giving rise to various impacts on airport operations and Group economics. Critical impacts on the Group's business may be caused by long-lasting exceptional events, such as pandemics, wars, volcanic eruptions, that may lead to a more or less extensive collapse in the demand for air transport, also due to consequent regulatory changes.

The continuance of the Covid-19 pandemic, the future development of which may not be known with certainty, means that it may not be discounted that where a second wave of infections occurs in the year, the authorities will once again impose a total or partial freeze on airport activities as a measure to contain the outbreak, although the Group immediately took precautions to avoid any spread at the managed airports as per the applicable local or national regulatory provisions, also ensuring the continual adaptation of measures in view of the Group's developing organisation and the increasing level of risk.

Infrastructure investment

The new Malpensa Master Plan, currently undergoing approval by the competent bodies, constitutes the Group's main long-term planning tool. Following technical approval by ENAC, Environmental Impact Assessment (EIA) approval was initiated in 2019. The Master Plan envisages a 60-hectare expansion south of the current airport structure. As the Master Plan, whose approval is of great importance for the Group's continued long-term development and for the connectivity of the local area, involves the transformation of a portion of the Ticino Park that may have environmental and economic consequences for neighbouring municipalities, the Group has paid a great deal of attention to local communities in developing the project.

Significant investments are planned for the coming years aimed at improving airport quality and commercial development. The halting of operations as a result of the spread of the Covid-19 virus could lead to delays and possible deferments of new projects, as well as increased costs resulting from the rescheduling of the current construction works.

The Group therefore carries out careful planning and project management activities.

Safety & security

Passenger and employee safety is a central concern to which the Group pays utmost attention in its day-to-day operational and management activities. It does this through effective preventive measures aimed at continuous improvement and the promotion of goals, responsibility and results awareness throughout the Group and among all parties operating at its airports.

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

- guaranteeing that design and implementation activities comply with the highest national and international safety and service quality standards, particularly regarding air-side processes, flight infrastructures, and machinery and equipment;
- guaranteeing the continuous review of operating processes and procedures with a view to achieving the highest operational quality, efficiency and effectiveness standards, and adequate communications across the entire corporate organisation;
- empowering management and all human resources through the implementation of a systematic, recurring training plan involving all personnel, which prioritises those most involved in operating processes and requirements, actions and conduct oriented to guaranteeing safety, quality and service regularity standards;
- monitoring the maintenance of safety standards concerning the operations of the airport manager and of all operators and parties involved in airport activities;
- managing a risk assessment process aimed at reducing risks to the minimum that is permitted and acceptable;
- guaranteeing effective safety communications with all air-side operators, raising awareness of residual risks and mitigation measures;
- guaranteeing that supplies of equipment and services that may have an impact on the safety of operations comply with defined standards;
- raising awareness of the responsibility to report all safety issues via the Ground Safety Report, with adequate indications regarding the repercussions of individual activities on final processes;
- verifying, documenting and reviewing Safety Performance on the basis of realistic and concrete goals and targets, taking corrective and mitigating actions whenever necessary, and guaranteeing continuous improvement.

Information Technology

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

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

In this regard, SEA carries out periodic system vulnerability and penetration testing using cutting-edge technologies and methodologies. It achieved ISO 27001 certification for core business areas in 2019 and has defined a Cyber Risk procedure to monitor all corporate technical and behavioural security issues.

Supplier Reliability

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

The general economic weakness caused by the ongoing Covid-19 pandemic has increased the probability of suppliers default.

The Group has a structured supplier qualification and performance monitoring system in place, set out in a specific policy, which allows for the ongoing monitoring of the financial buoyancy of suppliers and minimises the related risk exposure.

The operational stoppage resulting from the spread of the virus also generated temporary difficulties in procuring certain goods during the initial months of the pandemic, including, in particular, personal safety equipment. In order to avoid a re-occurrence of this scenario, the quantities deemed necessary to cover the needs of the coming months have been stored.

Financial Risks

Financial risks are associated with various factors, such as interest rate changes, the conditions of capital market loans affecting planned investments, the availability of financial resources, counter-party financial defaults, non-fulfilment of obligations assumed by commercial counter-parties and fluctuations in commodity prices.

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

Credit risk

Credit risk represents the exposure of the SEA Group to potential losses deriving from the non-compliance of obligations by trading partners. This exposure is largely related to the deterioration of a financial nature of the main airlines which incur on the one hand the effects of the seasonality related to aviation operations, and on the other consequences of geopolitical events which impact upon the air transport sector (wars, epidemics, atmospheric events, rise in oil prices and economic/financial crises).

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

As a result of the spread of Covid-19, credit risk exposure has increased on 2019, extending to *non-aviation* customers and most operators of the Malpensa and Linate airport system who had to stop their operations during the lockdown and due to the collapse in demand.

In recent months, the Group has carefully managed each critical situation, defining and signing payment plans with airlines and operators in order to contain as much as possible non-payments and support customers in times of difficulty.

Liquidity risk

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

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

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

From the end of February, the gradual halting of air traffic caused by the increasing global outbreak of Covid-19 and the consequent lack of related revenue resulted in an extraordinary absorption of liquidity, causing the above risk to materialise for the Group.

Nevertheless, the Parent Company promptly took action to manage the event and, thanks to a solid financial structure, was able to quickly access the financial markets by signing new funding contracts to guarantee the financial needs of the next two years, including the repayment of the bond maturing in April 2021.

For further information, see paragraph 4 "Risk management" of the Explanatory Notes to the Consolidated Financial Statements.

Legal and compliance risks

Legal and compliance risks are related to compliance with internal policies and regulations (e.g. personnel conduct not in line with the Group's ethical values, failure to respect delegated powers), with the SEA regulatory context (e.g. failure to comply with concession or environmental regulations), and applicable general laws and regulations (e.g. failure to comply with privacy and data protection legislation). Such risks may generate penalties that have an impact on the Group's reputation.

The internal checks and corporate procedures in place make the likelihood of non-compliance with the aforementioned regulatory framework minimal.

MAIN DISPUTES OUTSTANDING AT JUNE 30, 2020

Action brought by ATA Handling

In May 2015, ATA Handling in liquidation and subject to administration notified SEA SpA and the Municipality of Milan of a citation, by which ATA Handling, referring to the decision of the European Commission of December 19, 2012 concerning alleged State Aid in favour of SEA Handling, requested compensation for damages suffered as a result of the above-stated aid, issued in the form of share capital increases, alleging that such gravely affected ATA Handling's operations: it was alleged in fact that SEA Handling through the systematic coverage of losses applied significantly lower tariffs than those which would have been applied in the absence of such aid. It was put forward that ATA Handling was forced also to apply lower tariffs than would have been applied in an undistorted market and on the other that ATA Handling was prevented from acquiring a greater market share.

This situation, it was alleged, restricted ATA Handling from operating under balanced conditions and led to its liquidation. In September 2013 and, for a second time in July 2014, ATA Handling requested compensation for damages due to alleged State Aid, although both these requests did not receive a response and therefore ATA Handling notified the citation, quantifying damages, through a differential analysis of two situations (SEA Handling with share capital increases and SEA Handling without share capital increases), as Euro 93.1 million. SEA has already produced the documentary evidence disproving the charge of predatory pricing. ATA Handling then challenged jurisdiction before the Supreme Court of Appeal, asking the latter to rule on whether jurisdiction for damages pertained to the regular courts or to the administrative courts. The Supreme Court of Appeal ruled that the regular courts had jurisdiction, and the case was then referred to the regular courts for a decision on the merits.

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

During this hearing, the Court noted the filing of the EU Court's decision and then set deadlines for the filing of submissions pursuant to Art. 183, paragraph VI of the Code of Civil Procedure, deferring the case for the discussion on the preliminary motions to the hearing of May 22, 2019, whereupon it withdrew to decide the case on the basis of the preliminary motions. Following the dissolution of the reserve, the Judge scheduled conclusions on preliminary objections for the hearing on May 6, 2020 and then, following an *ex officio* deferral, to September 9, 2020.

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

Action brought by Emilio Noseda before the Court of Buenos Aires

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

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

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

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

On December 30, 2016 Commercial Court No. 2 of Buenos Aires entered judgment, which was served on February 2, 2017, dismissing Mr. Noseda's action to compel fulfilment of the aforesaid commitments made in 1997, and ordering him to pay court costs. Mr. Noseda appealed against the judgment. The case is now awaiting transfer to the Court of Appeal. Due to the Covid-19 emergency, the Buenos Aires Court will be closed at least until mid-July, having already been closed for 3 months.

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

Ruling on fees for fire-fighting services

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

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

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

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

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

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

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

On July 20, 2018, the judgement of the Constitutional Court of July 3, 2018 was published declaring the unconstitutionality of Article 1, paragraph 478 of Law No. 208 of December 28, 2015 implementing "Provisions for the drawing up of annual and multi-year budgets of the State (2016 Stability Law)".

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

The established taxation status of the fire-fighting fund and the condition of exclusive tax jurisdiction were subsequently confirmed by the Supreme Court of Appeal on January 15, 2019.

In relation to appeals by various management companies, the Tax Judge has, on several occasions, ruled that, in consideration of the regulatory assumption establishing the Fire-fighting Fund, with a view to reducing airport fire-fighting service costs borne by the State, the applicant companies are not required to pay anything for purposes other than the activation and use of the fire brigade service for the sole benefit of protecting airports.

In its latest judgement, No. 2517 of February 20, 2019, the Tax Commission recognised the external and ultra-annual effectiveness of the judgement in relation to other companies not directly referenced in the judgment.

In SEA's appeal to the Lazio Regional Administrative Court, the Administrative Judge also ruled in favour of the jurisdiction of the Tax Judge in the judgement issued in December 2019. SEA served the notice of resumption of the proceedings before the Tax Judge in order to assert the validity of the aforementioned rulings against it.

A case is also pending before the Rome Court of Appeal which will assess the contribution obligation. Proceedings for closing arguments have been postponed until May 19, 2023.

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

In 2013, SEA Energia filed appeal No. RGN 5811/13 with the Lazio Regional Administrative Court in order to obtain the cancellation of the measures with which the Electricity Services Operator rejected the application for recognition of the High Yield Cogeneration qualification of the Malpensa plant for the year 2011. During April 2019, following notice from the Lazio Regional Administrative Court of the five-year expiry of the above appeal, SEA Energia expressed its interest in continuing the case by filing a new request for a hearing on April 20, 2019.

Two appeals were filed in 2017 (no. RG 4010/2017 and 1919/2017 respectively) in order to annul the measures with which the Electricity Services Operator rejected the application for recognition of green certificates for the production of the Linate plant in 2015, in relation to which no news has emerged following the filing of additional grounds in July 2017.

Both judgements are awaiting the setting of oral hearings. The Group has allocated adequate provisions regarding these disputes.

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

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

At the date of these financial statements, the white certificates of 2016, the last year in which the benefit was recognised, amounting to 5,198, were fully assigned and collected.

In 2017, the Italian grid operator, Energy Services Manager, opened an audit on white certificates assigned for the period 2012–2015. The Electricity Services Operator assessed that no subsidies should be paid for the heating and cooling energy used for certain internal services. Following this assessment, in February 2019, the company made a payment of Euro 76 thousand in response to the request from the Electricity Services Operator to return 167 certificates. In June 2020, the Electricity Services Operator informed the company of its recalculation of the white certificates owed to SEA Energia for energy production between 2012 to 2015. This shows a discrepancy of 2,631 between certificates recognised and certificates due. To date, the economic value of the white certificates to be returned has not yet been quantified, and will be communicated in a separate provision. A provision has been allocated in this half-year report for meeting future requests relating to the years covered by ongoing assessments and the recalculation of certificates following the fault in the heating energy meter in the periods from February 2012 to April 2012 and in November 2013.

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

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

SEA on June 9, 2017 filed at the Court of Appeal: A response and a cross-appeal. The fixing of the hearing is currently being awaited.

Tax Agency – VAT assessment notices

The local customs office at Linate and Malpensa airports audited SEA to ascertain whether excise duty had been correctly paid on the electricity used to operate Linate and Malpensa airports. As a result of this audit and of the notes, on November 16, 2016, SEA received service of an assessment notice for 2011 concerning the VAT profiles in the matter. An appeal was filed against the assessment at the Provincial Tax Commission of Milan, which ruled in favour of the Tax Agency. On December

11, 2017, judgment No. 6835/2017 was filed, against which an appeal was lodged with the Lombardy Regional Tax Commission. On June 27, 2019, the Regional Tax Commission filed ruling No. 2776/2019 fully in favour of the Company, by which the reasons for the appeal were accepted and the 2011 VAT Assessment Notice was cancelled. The ruling of the Regional Tax Commission was further challenged by the Tax Agency, which, on January 30, 2020, notified the Company of its filing with the Court of Appeal. On August 9, 2017 the Tax Agency served four more assessment notices in respect of the subsequent years from 2012 to 2015. Reiterating its view that the tax claim in question was baseless, the Company, as it had done in reference to 2011, filed separate appeals against each notice with the Provincial Tax Commission. After the proceedings were joined, these appeals were then rejected with judgement no. 3573/12/2018. An appeal was filed against this ruling with the Regional Tax Commission, and was due to be discussed at a hearing on March 23, but was postponed until a later date due to the suspension of judicial deadlines as a result of the Covid-19 emergency.

Tax Agency - Notice of assessment for registration tax

Several assessments were received for registration tax relating to the application of the tax on the refund of sums as ordered in the judgments entered by the regular Court of Milan. The Company objected to the Tax Agency that the tax had been mistakenly applied as a proportional tax instead of at a flat rate. The first appeal filed and argued at the Provincial Tax Commission of Milan was granted. The Company's request was deemed reasonable and the Tax Agency was ordered to reimburse the expenses. On December 28, 2017, the Tax Agency lodged an appeal with the Regional Tax Commission, whereupon the Company joined the proceedings and for which the hearing date is still awaited. During 2018, six other appeals were also discussed by the Provincial Tax Commission of Milan, the first-instance outcome of which was fully in favour of the Company and ordered the Tax Agency to pay litigation expenses. During 2019, two further appeals were heard concerning Settlement Notices issued at the end of 2018, the outcomes of which were fully in favour of the Company. Against the set of rulings, all in favour of the Company, the Tax Agency filed independent appeals with the Lombardy Regional Tax Commission, following which the Company also filed for legal action. As of the date of this report, five appeals have been considered. In the first three cases the court found fully in favour of the Company. Unfortunately, in the latter two cases, the same court accepted the defence put forward by the Tax Agency. With regard to the first three sentences issued by the Regional Tax Commission, it is expected that the Tax Agency will file further independent appeals before expiry of the statute of limitations. Similarly, the Company is considering appealing to the Supreme Court of Appeal with reference to the other two unfavourable judgments.

In the second half of 2020, the remaining three appeals will be heard, with the respective hearing dates currently awaited.

The set of situations described above and relating to ongoing disputes with the Tax Agency is amply accounted for in the specific funding allocation for tax risks.

Other disputes

Decision of the European Commission of December 19, 2012 concerning presumed State Aid granted to SEA Handling

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

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

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

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

Given the above, the only appeal currently pending against the Commission's decision is that brought by the Municipality of Milan. The hearing was held on February 28, 2018. With the judgment of December 13, 2018, the Court of the European Union rejected the Municipality of Milan's appeal. The Municipality appealed against this decision to the Court of Justice, and a hearing was held on June 4, 2020. We are currently awaiting the publication of the judgement.

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

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

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

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

Following admittance to liabilities, SEA S.p.A. received payments from Alitalia in Extraordinary Administration amounting to a total of Euro 9,530,245.37 relating to pre-deducted receivables post-May 2 (originally amounting to Euro 9,622,397.82 Euro). Therefore, receivables admitted to pre-deduction amounted to Euro 92,152.45 at July 13, 2020, of which Euro 23,822.50 were for additional rights and Euro 68,329.95 for various invoices.

By means of the communication of February 7, 2018, the Administrators informed creditors that they had filed a request with the Court of Civitavecchia to split the statement of liabilities, starting with an examination of the section for workers and, at the same time, scheduling a series of hearings in which to verify the proof of debt. On December 4, 2019, the Administrators filed the partial statement of liabilities, according to which, after ascertaining the payment by Alitalia of most of the receivables lodged under pre-deduction, they formulated a proposal to admit the liability of the SEA receivable for an amount equal to Euro 30,789,279.36, with the exclusion of the amount of Euro 731,454.80, of which Euro 660,227.50 relating to additional fees and Euro 71,227.30 relating to various invoices, subject to dispute.

SEA has decided not to file observations on this proposal, which will be discussed at the hearing scheduled for September 17, 2020 and, already at December 31, 2017, had accrued Euro 25,252 thousand as doubtful debt provision (referring to the existing receivables prior to May 2, 2017), for which there is currently no guarantee on collection.

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

Summons received by SEA in May 2020 from Alitalia Società Aerea Italiana S.p.A. in Extraordinary Administration

On April 30, 2020, Alitalia - Società Aerea Italiana S.p.A. in Extraordinary Administration (**"Alitalia"** or the **"Procedure"**) issued a writ of summons to the Court of Civitavecchia with which, pursuant to Article 67, paragraphs 2 and 3, letter a) of the Bankruptcy Law, it requested the revocation, and therefore the declaration of invalidity as a result of insolvency proceedings, of all payments made outside the terms of use, since these were payments of cash debts and receivables made to SEA by Alitalia in the six months before its administration proceedings began, and therefore while it was still solvent. The writ stipulates that SEA return and therefore pay to Alitalia the sum of Euro 27,216,138.04, or the greater or lesser sum resulting from court proceedings or which is deemed equitable, in addition to legal interest on arrears resulting from the balance owed and monetary revaluation, as part of the restitution of the aforementioned amounts, as well as the full reimbursement of court costs.

The first appearance and negotiation hearing is currently scheduled, as stated in the Procedure writ, for March 25, 2021.

Preliminary analyses, carried out with the help of specially appointed legal advisers, suggest that the exemption set out in Article 67, paragraph 3, letter a) of the Bankruptcy Law may apply.

The Company believes that the payments for which Alitalia requests invalidity and the consequent restitution fall within the notion of "payments made in the exercise of business activities", since they are connected to the operations of Alitalia Società Aerea Italiana S.p.A. as air carrier.

The Company believes that the majority of the payments listed in the Alitalia writ are not subject to insolvency repayment as they were made within the terms of service.

As regards assessment of the *scientia decoctionis* awareness requirement, while this is open to interpretation by the appointed judge, the Company believes that a number of elements exist which may mean that there is insufficient evidence that SEA was aware of the airline's insolvency for the time period in question.

In conclusion, on the basis of the aforementioned considerations, a negative ruling for SEA is considered 'possible' for nearly all of the payments for which revocation is requested.

OTHER INFORMATION

Customer Care

The SEA Group has identified service quality as a strategic priority and has therefore set itself the objective of continuous improvement and the achievement of excellence in the passenger experience. The SEA Group therefore monitors service quality through an international benchmarking system, passenger surveys and objective controls as set out in the Service Charter and, lastly, through certifications and audit plans.

Given the extraordinary nature of the health emergency created by the Covid-19 pandemic and the fact that air traffic operations are severely limited, in line with the communications received from the Civil Aviation Authority (PROT-11/03/2020-0029259-P), service quality assessment activities were suspended. This was because any results received would be unlikely to be useful in assessing normal airport service quality trends.

SEA has signed the document drawn up by EASA-ECDC: "Aviation Industry Charter for Covid-19", which certifies the Company's application of the European operating guidelines and implements a feedback process for results achieved by measures introduced at airports. The objective of this process is to progressively refine and improve general reference practices by taking into account actual operating results.

Activities regarding the fight against Covid-19

Faced with the Covid-19 emergency, the SEA Group sought to direct its focus in combating the pandemic on a number of fronts.

3 new protocols were drawn up to protect the health of passengers and operators, ensuring the maintenance of normal safety and security levels and encouraging the gradual resumption of passenger traffic:

- *Company protocol:* measures taken as employer, in protection of employees and third parties, which fall within the protections set out by Legislative Decree 81/08;
- *Linate Health Operational Protocol and Malpensa Health Operational Protocol*, which include all measures taken as Airport operator:
    - in protection of Passengers and Airport users;
    - to guide and co-ordinate all airport operators concerning common working areas.

In order to prevent access to the airport to those with temperatures above 37.5 °C, at both Linate and Malpensa airports separate entry and exit points to the building were identified, ensuring the separation of individuals and temperature measurement of all those wishing to enter the terminal.

It is mandatory for all persons inside the terminal to wear a protective mask at all times.

Specific procedures are followed at the terminal in order to ensure social distancing of at least 1 metre, unless concerning members of the same household. In particular, the following actions were taken:

- placing of stickers on the ground in all waiting and queuing areas inside the terminal;
- in areas where larger groups may gather, "facilitators" have been put in place to request people to respect the correct inter-personal distances;
- reduction in the number of seats available;
- installation of protective plexiglass barriers at workstations involving interaction with passengers.

Social distancing is also guaranteed on board the buses carrying passengers between the terminal and the aircraft, with the maximum number of passengers on board reduced by 50% against the maximum capacity.

At catering and commercial service points, the owners of the sub-concession spaces are required to respect the social distancing requirements and ensure their compliance with any Government-adopted measures (Ministerial Decrees, Legislative Decrees, Guidelines, etc.), or those of the Lombardy Region.

The cleaning and sanitation of environments and equipment is ensured through the disinfection of surfaces, equipment and areas, while the disinfectant gel dispensers have been widely distributed across the terminal.

The environmental dimension

The SEA Group again in 2020 reaffirmed its commitment to combining the fundamental value of protecting our environmental heritage with the development of Group processes. The environmental policy and the guidelines adopted for the development of our airports, as renewed in 2019, have not changed.

Airport Carbon Accreditation and Carbon Neutrality of the Milan airports

The SEA Group has acted pro-actively in reducing CO_2 emissions and in particular those from activities under its direct control or in which significant influence is exercised (scope 1 and scope 2)[4].

As part of the Airport Carbon Accreditation programme, in June 2019 SEA renewed its accreditation at level 3+, Neutrality, for both Milan Linate and Milan Malpensa airports. This accreditation was extended to June 2021 as a result of the Covid-19 pandemic.

European project

Activities related to the following projects are ongoing under the Horizon 2020 programme:

- SATIE: Security of Air Transport Infrastructure of Europe: beginning in May 2019, a 24-month project, which adopts a holistic approach to cyber and physical security threat prevention, detection, response and mitigation at airports that guarantees the protection of critical systems, sensitive data and passengers;
- ClimOp: Climate assessment of innovative mitigation strategies towards Operational improvements in Aviation. The project will last 42 months and has an official start date of January 2020.

Under the CEF (Connecting Europe Facilities) programme, activities related to the following projects are ongoing:

- FENIX: beginning in April 2019, a 36-month project engaging stakeholders in the field of logistics in the collaborative planning and monitoring of various scenarios and contexts relating to trans-European transport, telecommunications and energy networks.
- ITAIR ISAC: is currently being drawn up with the INEA Agency, while the operational phase will start on September 1, 2020 and will last 36 months. The project seeks to improve the IT capabilities of Italian airport operators through the creation of an "Information Sharing Analysis Centre".

Environmental management processes

With reference to the Linate Master Plan 2030, the EIA procedure was successfully completed with the publication of the Environmental Compatibility Provision, a decree issued by the Ministry of the Environment, together with the Ministry of Cultural Heritage and Activities and Tourism. Following subsequent publication in the Official Gazette of the Italian Republic, it was agreed with ENAC to introduce the procedures for the launch of the Service Conference necessary to achieve urban compliance by July.

With regard to the New Malpensa Master Plan 2035, ENAC approved the Technical Report in December 2019 and on the basis of this document the SIA (Environmental Impact Study) sent to ENAC on March 6, 2020 was drawn up. It was then agreed with the body to start the Environmental Impact Assessment procedure on June 26, 2020. The formal launch of the procedure was accompanied by the initial meetings to illustrate the main content to the bodies with greatest involvement (Municipalities of the CUV, Lombardy Region, Ticino Regional Park).

Environmental protection

On the regulatory issue of the mitigation of impacts on residences close to Linate, the plan for the complete mapping of noise sensitive areas around the airport has been completed, which will provide a complete and reliable database on which to plan the actions that will follow the approval of the new Linate Master Plan. This activity by the year 2020 will lead to the establishment of the methods for the preparation of the Plan of noise containment actions in accordance with Ministerial Decree 29/11/00. The mapping plan of noise sensitive areas cited for Linate will also be extended to the Malpensa area by 2020, with a similar objective although as part of the process of defining the acoustic zoning and analysing the environmental impacts from the airport's development as per the new Master Plan to 2035.

---

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

Human resource management

Workforce

At June 30, 2020, SEA Group employees numbered 2,849, decreasing 4 on December 31, 2019 (-0.1%). The total number of Full-time equivalent employees in the first half of 2020 compared to the full year 2019 decreased 28 from 2,802 to 2,774 (-1.0%).

Females at the SEA Group represented 28% of the Headcount at June 30, 2020, equally distributed across categories.

Organisation

In January 2020, the new macro structure for the pursuit of the following guidelines was launched:

- monitoring of the guidelines set out in the business plan;
- introduction of responsibilities by individual airport, with managers close to operations for the timely management of risks and opportunities and for the assessment of the distinctive aspects of each airport;
- restructuring of revenue responsibility centres;
- development of a flat organisation;
- setting up of standing committees to oversee key cross-cutting issues in an integrated manner.

Consistent with those guidelines, service orders have been issued which stipulate, reporting to the Chief Executive Officer and CEO, the establishment of the position of Chief Operating Officer, the establishment of the position of Supply Chain, ICT and Innovation, the integration of the responsibilities of the Chief Financial and Risk Officer and the confirmation of other key positions.

Training

Due to the impact of the pandemic and the regulations that severely limited and subsequently prohibited the provision of classroom training, the first half of the year saw a contraction in the scheduling of courses traditionally held at Training Centers and field training activities. Consequently, it was necessary to rethink the objectives and methods of providing training, to allow staff to remain "in contact" with the Group through new tools and new ways of meeting, so as to maintain a high level of efficiency, effectiveness and engagement for everyone.

The SEA Group has proposed three training initiatives with the multiple objectives of: improving personal well-being, boosting individual productivity and refining team management techniques remotely.

In the first half of the year, a "Library" was also launched on the SEAnet that responds to the need to dedicate to all staff a weekly updated collection of content, webinars and videos which support updating and learning.

In collaboration with Cefriel at the Milan Polytechnic, in 2020 the Open Innovation process continues for the third year with the goal of having a concrete impact on processes, technologies and services. The "SEA Insight" project seeks to speed up change in such a complex system as that concerning airports.

In the second quarter of 2020, an update initiative was undertaken on the organisation and management model as per Legislative Decree 231/2001, Anti-corruption and Whistleblowing measures for the SEA Group's Senior Managers.

In order to provide the Group with a shared collection of assessment tools, in the first half of 2020 a handbook of assessment systems was drawn up which outlines the process flows and instruments utilised, becoming a reference document for On Boarding, Talent Management and Performance Management.

Also with regards to mandated training, in order to maintain compliance with the deadlines (although in some cases extensions have been granted by the various authorities) of the various skills certifications for operations personnel, new delivery methods were drawn up so as to be compatible with the Covid-19 prevention rules, developing online Training activities. During the lockdown, new training products in line with the ENAC and EASA guidelines were created, concerning:

- Aviation Emergency Plan
- Safety Net
- Leading Safety after lockdown
- DGR Cat. 12
- Operating Procedures
- Aviation manual signals
- Covid-19 emergency safety regulations

With these new courses, which were added to a library of existing virtual courses, the total number of individuals trained online in the period was over 1,350 for SEA alone, up 200% over the same period of 2019. In addition to the use of online courses, a new application is being tested through Virtual Classrooms (webinars), with the dual objective of maintaining compliance with distance learning obligations and ensuring the continuation of training activities. With regards to the content, a particular focus was placed in the period on Training Compliance EASA and the Airside Safety course.

Welfare

Activity in the first month of the year was focused on analysing and taking stock of the welfare initiatives and services implemented in 2019. The analyses indicate that 75.1% of personnel made use of at least one company welfare initiative in 2019. From March, although amid significant impacts from the anti-Covid-19 measures, it was sought to continue the main initiatives scheduled for the period.

The main initiatives in the first half of 2020 were:

- Push to Open: a career orientation project, already active for several years, dedicated to the children of employees in their last year of high-school, concluded in the initial months of the year.
- Parents school: launched in January 2020 to expand upon parenting related topics. The meetings were held by means of direct streaming;
- "Fragibility": the provision of services and a telephone help desk to support the care of elderly family members is also planned for 2020.

The contingent situation has not allowed the NOI Sea Association to organise for the summer the usual summer centres and camps for the children of employees, which will be replaced by a refund for registration at external summer centres.

Internal Communications and the Smart-Working Project

During the first half of the year, internal communication activities focused mainly on the issues dictated by the Covid-19 emergency. All activities used SEAnet, the Company intranet platform - reachable by all employees, even outside the SEA network - as the main touchpoint. Company e-mail accounts were assigned to all personnel, particularly for the operations functions, which had not yet had access to this communication channel.

In the first half of 2020, the "Smart Working" project was stepped up, given that during the lockdown period personnel with duties which could be undertaken remotely were invited to use this method exclusively, in response to the requirements dictated by health protection needs and the anti-Covid-19 rules. A key contribution derives from the simplified process in the anti-Covid-19 rules which allowed for the undertaking of work remotely, through a substantially paperless process. Since July, a gradual return to the offices is planned, on a voluntary basis, with a corresponding reduction in remote working days.

Industrial Relations

In the first half of 2020, constant discussions continued with the Trade Unions on both operational issues and those closely related to the management of the Covid-19 crisis. Specifically:

- On February 27, 2020, an agreement was signed governing the applicational methods for insourcing of the BHS service at Linate, previously operated by Airport Handling.
- On March 13, 2020, an Agreement was signed for the requesting of the social security schemes to handle the Covid-19 related crisis. The instrument identified was the Extraordinary Temporary Lay-off Scheme for a total duration of 12 months (from March 16, 2020) and for 2,699 workers at the Linate and Malpensa airports. This Agreement was subsequently implemented at Regional level.
- By Deed of March 18, 2020, the "Committee to apply and verify the rules of protocol 14/03/2020" was set up and between March and June met regularly to discuss both the safety procedures and regulations introduced to fight Covid-19 and updates on operating issues (e.g. Extraordinary Temporary Lay-Off Scheme application, redefinition of operations parameters, operational provisions etc.).
- On June 4, 2020, a Memorandum of Understanding was signed to access a funded training plan that provides for the participation of 500 workers, operating at Linate and Malpensa airports, for a total of 1,360 hours of training. This plan seeks to support people to manage the crisis both emotionally and operationally, with a particular focus on remote working.

Workplace health and safety

In the first half of 2020, internal activities continued in the area of maintenance of the Workplace Health and Safety Management System, certified according to the OHSAS 18001:2007 standard. This system was regularly monitored through internal audits and follow-up activities, before the Covid-19 outbreak. The critical issues identified were analysed and solved by adopting appropriate corrective measures to reduce and monitor workplace health and safety risks. The ordinary audit activity (internal audits; fire prevention audits at third party operators, audits at common areas in terminals and audits at construction sites - Title IV) has therefore been temporarily suspended and will be reactivated and reformulated, as communicated to the TUV Certification Body, starting from the second half of the year.

On the other hand, from March the Safety Walk operations were stepped up (37 monitoring sessions), alongside the usual Health and Safety checks and which saw 17 specific operational monitoring sessions focused on controlling the effective application of the containment measures introduced by SEA as early as February to deal with the Coronavirus emergency.

With a view to aligning with ISO 45001, a standard that has replaced the OHSAS Standard and to which SEA intends to migrate by 2020, part of the set of documents has been prepared and adapted, in compliance with the requirements of the new standard.

Also on the basis of these requirements, a preliminary analysis of the environment and the interested parties was carried out and an assessment of the risks and opportunities for the SGSSL (Integrated Environmental and Safety Management System) was carried out, so as to identify specific actions plans that currently are being finalised.

The revision of the SGSSL Manual and some management procedures is currently being completed, as well as the preparation of new procedures with a view to migrating to ISO 45001:2018.

With regard to Fire Prevention activities, at the beginning of 2020 the new Emergency and Evacuation Test and Evacuation Programme (MXP and LIN sites) was drawn up - no longer applicable only for the current year, but with three-year validity. All the anomalies/discrepancies/NC that emerged during the inspections related to the Common Spaces, document verification, audits and Evacuation Evidence are named, managed and reported in the Fire Fighting Register, where the analysis of the causes and the identification of improvement and/or corrective actions, if necessary, are also entered. From the beginning of July, the simulations will be extended to other portions of the Terminal and some auxiliary buildings, including the SEA Prime terminal.

Since the end of January, occupational safety activities have been almost exclusively focused on managing the Covid-19 emergency. The main actions taken/coordinated were:

- Introduction of the first security measures related to the Coronavirus emergency on all flights coming from the area that at that time was the epicenter of the emergency (China, Taiwan, Hong Kong).
- Update of the Company DVR, in agreement with the Competent Doctor, for the part relating to the potential biological risk from Covid-19 (rev. 0). The various revisions that followed have anticipated/aligned the definition of the company's measures with respect to those gradually introduced by the regulatory provisions (local or national), also ensuring the constant adaptation of the measures to the development of the company organisation and the increasing level of risk.

The Inter-company Prevention and Protection Service has also:

- Updated the risk assessment for tasks affected by organisational changes due to changes concerning Malpensa airport;
- Prepared a complete list of Personal Protective Equipment needed in the light of the Covid-19 emergency;
- Provided technical support to the various company functions that manage outsourced activities in the preparation and updating of the Single Interference Risk Assessment Document pursuant to Article 26 of Legislative Decree No. 81/08;
- Supported, in terms of the technical aspects, the HR Department in preparing the documentation required by supervisory authorities in respect of investigations of workplace accidents or specific cases of occupational illnesses;
- Managed relations with Worker Safety Representatives, with regard to the exchange of information and communications, the management of reports, prior consultation on and the assessment of risks, their identification, planning, execution and verification of prevention in general, and with regards to the Covid-19 emergency in particular.

Relations continue with the public entities on issues of occupational health and safety (ATS (Health and Safety Authority), INAIL, (National Institute for the prevention of workplace accidents), DTL (Local Directorate of Labour), and from time to time they support the corporate functions involved.

Certified radioprotection experts continued with employee safety monitoring activities through the use of specific environmental and personal dosimeters measuring ionizing radiation related to the transit of radioactive packages, and through instrumental testing of the x-ray equipment present and in use by SEA personnel. In addition, they contributed to the preparation of the necessary documentation for formalizing with the competent authorities the changes to the procedures for handling radioactive sources at each airport.

Health supervision of workers exposed to particular health risks continued as planned, involving periodic check-ups with the four Company physicians.

Accidents in the first 6 months of 2020 saw a significant decrease at the Group's airports, also as a result of the forced lockdown.

CORPORATE GOVERNANCE SYSTEM

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

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

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

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

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

The Board of Directors of SEA has set up internally two Committees established under the Self-Governance Code undertaking proposing and consultation functions for the Board of Directors (the Control, Risks and Sustainability Committee and the Remuneration and Appointments Committee). The Committees comprise non-executive Directors, the majority of whom independent. The prerogatives of the Committees are established by motions of the Board of Directors, based on the recommendations and principles of the Self-Governance Code; at the Committee meetings minutes are prepared and maintained by the Company.

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

The Board of Directors is vested with the broadest powers for the management of the Company, with the right to carry out all actions deemed opportune for the implementation and achievement of corporate purposes, excluding only those that legislation and the corporate by-laws reserve for the Shareholders' Meeting. The Board of Statutory Auditors is the Company's Control Board. The Board of Statutory Auditors verifies compliance with law and the By-Laws and the principles of correct administration and in particular on the adequacy of the administration and accounting organisation adopted by the Company and on its correct functioning. The accounting control functions are assigned to the Independent Audit Firm appointed by the Shareholders' Meeting.

The Shareholders' Meeting thus appointed a seven-member Board of Directors on April 19, 2019, with a term of office ending with the approval of the 2021 Annual Accounts.

The Board of Statutory Auditors in office at the date of the present report was appointed by the Shareholders' Meeting of April 19, 2019 in accordance with the Company By-laws and remains in office until the approval of the 2021 Annual Accounts.

The Internal Control and Risk Management System is based on the recommendations of the Self-Governance Code and applicable best practice.

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

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Introduction

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

The procedures and organisation subject to the Internal Control and Risk Management System seek to ensure that:

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

The Internal Control and Risk Management System applies the Enterprise Risk Management (ERM) model as best practice for the identification, assessment and monitoring of business risks, support for the management's strategic and decision-making choices, and assurance for stakeholders. The model is based on the principle that the management of risks involves the organisation at all levels and that management is the primary owner of risks, since it manages risks and opportunities on a daily basis and is responsible for the definition and implementation of identified mitigation plans.

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

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

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

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

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

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

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

Control, Risks and Sustainability Committee

The Control, Risks and Sustainability Committee (CRSC), appointed by the Board of Directors on May 22, 2019 and in office at June 30, 2020, is composed of Directors Patrizia Giangualano (named Committee Chairperson), Rosario Mazza and Pierfrancesco Barletta.

The Committee performs advisory and recommendation functions to the Board of Directors on internal control and risk and sustainability management. The CRSC supports the Board of Directors with the definition of the guidelines of the Internal Control and Risk Management System, so that the principal Company risks are correctly identified, adequately measured, managed and monitored. It also implements the Board's guidelines by defining, managing and monitoring the internal control system. The Control, Risks and Sustainability Committee also examines and approves the Annual Audit Plan.

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

Internal Audit Manager

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

Independent Audit Firm

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

Supervisory Board as per Legislative Decree 231/2001

The Supervisory Board, appointed by the Board of Directors on May 22, 2019 and in office at June 30, 2020, is composed of four members: two external independent members, Giovanni Maria Garegnani and Lorenzo Enrico Lamperti, one non-executive Director, Luciana Rovelli, and a Director in charge of the Auditing function, Ahmed Laroussi.

On May 30, 2019, the Supervisory Board appointed Giovanni Maria Garegnani as Chairman.

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

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

Organisation, Management and Control Model as per Leg. Decree 231/2001

SEA has adopted an Organisation and Management Model pursuant to Legislative Decree 231/2001 – which lays down the *"Rules on the administrative liability of legal persons, companies and associations, including those without legal status"* (the "Decree") to prevent the offences envisaged by the Decree. The Model was adopted by the SEA Board of Directors with the motion of December 18, 2003, and was more recently amended and supplemented by the Board of Directors motion of December 20, 2019. The Model is in the process of being updated to reflect the offences added to the Decree after the above date. The Model consists of a "General Section", a "Special Section" and individual "Components". SEA's subsidiary companies have adopted their own Organisation and Management Model pursuant to Legislative Decree 231/2001.

Related Parties Transactions Policy

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

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

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

Code of Conduct

The applicable Code of Conduct, approved by the Board of Directors on December 17, 2015 and updated on December 11, 2018 and August 1, 2019, is a component of the Organisation and Management Model pursuant to Legislative Decree 231/2001.

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

The Ethics Committee, appointed by the Board of Directors on May 22, 2019, is chaired by the Chairperson of the Board of Directors, Michaela Castelli, and includes as members the Non-Executive Director of SEA Davide Corritore, and the managers of the corporate departments of Human Resources and of Auditing, respectively Massimiliano Crespi and Ahmed Laroussi. The main duties of the Ethics Committee are to promote the dissemination of the Code of Conduct and to monitor compliance with it.

Anti-Corruption Focal Point

Since 2014, the Company has an appointed an anti-corruption officer tasked with all internal and external anti-corruption communications, and currently identified in the Corporate Affairs and Compliance Legal Counselling Manager. The role, prerogatives and responsibilities of the anti-corruption officer are not comparable to those envisaged by the reference legislation regarding the figure of the Corruption Prevention Officer, as per Law 190/2012, which SEA is not required to appoint on the basis of current legislation.

Anti-Corruption Measures

In confirmation of its commitment to preventing and combating illegal practices, SEA has adopted on a voluntary basis, in the absence of any regulatory obligation, specific anti-corruption measures as per the objectives of Law No. 190/2012, which support the Organisation and Management Model pursuant to Legislative Decree 231/2001. The anti-corruption measures were approved by the Board of Directors on February 6, 2020. The document includes the prevention measures set out in the Management System for the Prevention of Corruption, approved by the Board of Directors on February 22, 2018 and certified on March 8, 2018 according to the UNI ISO 37001:2016 "Anti-bribery Management System" standard.

Diversity policies

The obligations of article 123(a), paragraph 2 of Legislative Decree No. 58/1998 require a description of the Company's policies on the composition of the administrative, management and governing bodies taking into account aspects such as age, gender, professional and educational background. For cases where no policy has been adopted, there is a requirement to explain this decision which we now outline below.

SEA's By-Laws, in compliance with the legislative provisions, comprehensively cover gender diversity within the Board of Directors and Board of Statutory Auditors. The current Board of Directors will assess whether to adopt a diversity policy also governing aspects such as age and training.

SEA GROUP CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Euro thousands)	Note	June 30, 2020 Total	June 30, 2020 of which related parties	December 31, 2019 Total	December 31, 2019 of which related parties
Intangible assets	8.1	983,126		994,659	
Property, plant & equipment	8.2	212,676		215,657	
Leased assets right-of-use	8.3	11,634		10,106	
Investment property	8.4	3,403		3,404	
Investments in associates	8.5	70,285		76,674	
Other investments	8.6	26		26	
Deferred tax assets	8.7	75,893		58,163	
Other non-current receivables	8.8	6,462		6,470	
Total non-current assets		**1,363,505**	**0**	**1,365,159**	**0**
Inventories	8.9	2,130		1,848	
Trade receivables	8.10	51,788	2,417	123,241	13,326
Tax receivables	8.11	2,338		2,071	
Other current receivables	8.11	10,928	625	11,067	
Cash and cash equivalents	8.12	312,161		87,521	
Total current assets		**379,345**	**3,042**	**225,748**	**13,326**
TOTAL ASSETS		**1,742,850**	**3,042**	**1,590,907**	**13,326**
Share capital	8.13	27,500		27,500	
Other reserves	8.13	331,735		206,674	
Group Net Result	8.13	(49,860)		124,419	
Group Shareholders' equity		**309,375**		**358,593**	
Minority interest shareholders' equity		**27**		**27**	
Group & Minority int. share. equity	**8.13**	**309,402**		**358,620**	
Provision for risks and charges	8.14	160,375		157,408	
Employee provisions	8.15	46,671		48,172	
Non-current financial liabilities	8.16	494,617		505,692	
Other non-current payables	8.17	7,475		7,961	
Total non-current liabilities		**709,138**		**719,233**	
Trade payables	8.18	149,231	4,336	182,085	11,520
Income tax payables	8.19	11,694		10,689	
Other payables	8.20	235,193		287,522	
Current financial liabilities	8.16	328,192		32,758	
Total Current Liabilities		**724,310**	**4,336**	**513,054**	**11,520**
TOTAL LIABILITIES		**1,433,448**	**4,336**	**1,232,287**	**11,520**
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY		**1,742,850**	**4,336**	**1,590,907**	**11,520**

CONSOLIDATED INCOME STATEMENT

(Euro thousands)	Note	H1 2020 Total	H1 2020 of which related parties	H1 2019 Total	H1 2019 of which related parties
Operating revenues	9.1	141,095	11,614	343,449	27,617
Revenue for works on assets under concession	9.2	15,155		17,746	
Total revenues		**156,250**	**11,614**	**361,195**	**27,617**
Operating costs					
Personnel costs	9.3	(68,885)		(96,117)	
Consumable materials	9.4	(17,054)		(24,405)	
Other operating costs	9.5	(58,337)		(88,320)	
Costs for works on assets under concession	9.6	(13,999)		(16,288)	
Total operating costs		**(158,275)**	**(11,132)**	**(225,130)**	**(20,996)**
EBITDA*		**(2,025)**	**482**	**136,065**	**6,621**
Provisions & write-downs	9.7	(604)		716	
Restoration and replacement provision	9.8	(11,022)		(8,526)	
Amortisation & Depreciation	9.9	(39,146)		(38,288)	
EBIT		**(52,797)**	**482**	**89,967**	**6,621**
Investment income/(charges)	9.10	(5,764)	(5,764)	8,753	8,753
Financial charges	9.11	(8,671)		(8,633)	
Financial income	9.11	41		112	
Pre-tax result		**(67,191)**	**(5,282)**	**90,199**	**15,374**
Income taxes	9.12	17,331		(24,038)	
Net Result		**(49,860)**	**(5,282)**	**66,161**	**15,374**
Minority interest profit		0		1	
Group Net Result		**(49,860)**	**(5,282)**	**66,160**	**15,374**
Basic net result per share (in Euro)	10	(0.20)		0.26	
Diluted net result per share (in Euro)	10	(0.20)		0.26	

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

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(Euro thousands)	H1 2020 Total	H1 2020 of which related parties	H1 2019 Total	H1 2019 of which related parties
Group Net Result	**(49,860)**	**(5,282)**	**66,160**	**15,374**
- Items reclassifiable in future periods to the net result:				
Fair value measurement of derivative financial instruments	913		696	
Tax effect from fair value measurement of derivative financial instruments	(219)		(167)	
Total items reclassifiable, net of tax effect	**694**		**529**	
- Items not reclassifiable in future periods to the net result:				
Actuarial gains/(losses) on post-employment benefits	(69)		(3,100)	
Tax effect on actuarial gains/(losses) on post-employment benefits	17		744	
Total items not reclassifiable, net of tax effect	**(52)**		**(2,356)**	
Total other comprehensive income items	**642**		**(1,827)**	
Total comprehensive result	**(49,218)**		**64,333**	
Attributable to:				
- Parent company shareholders	(49,218)		64,332	
- Minority interest	0		1	

CONSOLIDATED CASH FLOW STATEMENT

	H1 2020		H1 2019	
(Euro thousands)	Total	of which related parties	Total	of which related parties
Cash flow from operating activities				
Pre-tax result	(67,191)		90,199	
Adjustments:				
Amortisation, depreciation and write-downs	39,146		38,288	
Net change in provisions (excl. employee provision)	3,285		(2,212)	
Changes in employee provisions	(1,738)		(903)	
Net changes in doubtful debt provision	731		(534)	
Net financial charges	8,630		8,521	
Investment (income)/charges	5,764		(8,753)	
Other non-cash changes	(1,560)		(1,674)	
Cash flow from operating activities before changes in working capital	**(12,933)**		**122,932**	
Change in inventories	(282)		150	
Change in trade and other receivables	72,160	10,284	(22,789)	(4,140)
Change in other non-current assets	8		(2)	
Change in trade and other payables	(79,300)	(7,184)	6,840	4,420
Cash flow from changes in working capital	**(7,414)**	**3,100**	**(15,801)**	**280**
Income taxes paid	(5,880)		0	
Cash flow from operating activities	**(26,227)**	**3,100**	**107,131**	**280**
Investments in fixed assets:				
- intangible assets (*)	(15,749)		(20,433)	
- tangible assets and property	(7,728)		(14,480)	
Divestments from fixed assets:				
- tangible assets	2		296	
Dividends received			5,802	5,802
Cash flow absorbed from investing activities	**(23,475)**		**(28,815)**	**5,802**
Change in gross financial debt:				
- increase/(decrease) of short & medium-term debt	288,283		(10,016)	
Changes in other financial assets/liabilities	(1,032)		(425)	
Dividends distributed	(1)		(98,767)	
Interest and commissions paid	(12,944)		(13,733)	
Interest received	36		69	
Cash flow from financing activities	**274,342**		**(122,872)**	
Increase/(decrease) in cash and cash equivalents	**224,640**	**3,100**	**(44,556)**	**6,082**
Opening cash and cash equivalents	87,521		153,036	
Closing cash and cash equivalents	312,161		108,480	
Cash and cash equivalents at period-end reported in financial statements	312,161		108,480	

(*) The investments in intangible assets are net of the utilisation of the restoration provision, which in H1 2020 amounted to Euro 5,606 thousand (Euro 8,499 thousand in H1 2019).

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(Euro thousands)	Share capital	Legal reserve	Other reserves and retained earnings	Actuarial gains/ (losses) reserve	Derivative contracts hedge accounting reserve	Net result	Consolidated shareholders' equity	Minority interest capital & reserves	Group & Minority int. share. equity
Balance at December 31, 2018	**27,500**	**5,500**	**294,022**	**(381)**	**(3,616)**	**136,076**	**459,101**	**25**	**459,126**
Transactions with shareholders									
Allocation of 2018 net profit			136,076			(136,076)			0
Dividend deliberated (*)			(223,400)				(223,400)		(223,400)
Other movements									
Other comprehensive income statement items result				(2,883)	1,356		(1,527)		(1,527)
Net profit						124,419	124,419	2	124,421
Balance at December 31, 2019	**27,500**	**5,500**	**206,698**	**(3,264)**	**(2,260)**	**124,419**	**358,593**	**27**	**358,620**
Transactions with shareholders									
Allocation of 2019 net profit			124,419			(124,419)	0		0
Other changes									
Other comprehensive income statement items result				(52)	694		642		642
Net result						(49,860)	(49,860)	0	(49,860)
Balance at June 30, 2020	**27,500**	**5,500**	**331,117**	**(3,316)**	**(1,566)**	**(49,860)**	**309,375**	**27**	**309,402**

(*) Of which, distribution of available reserves for Euro 124,600 thousand.

NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

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

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

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

The Group holds at June 30, 2020 the following investments in associates and measured under the equity method: (i) Dufrital (held 40%) which undertakes commercial activities at other Italian airports, including Bergamo, Florence, Genoa and Verona; (ii) Malpensa Logistica Europa (held 25%) which undertakes integrated logistic activities; (iii) SEA Services (held 40%) which operates in the catering sector for the Milan airports; (iv) Disma (held 18.75%) which manages a plant for the storage and distribution of aviation fuel at Milan Malpensa Airport; (v) SACBO (held 30.98%) which manages the airport of Bergamo, Orio al Serio, and (vi) Airport Handling SpA (held 30%), which provides passenger, cargo and aircraft and crew support services to all airlines.

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

The most significant event in the first half of 2020 was the spread of the Covid-19 virus and its consequences for the air transport sector. For further information, reference should be made to the Directors' Report.

At the preparation date of the present document, the shareholder structure was as follows:

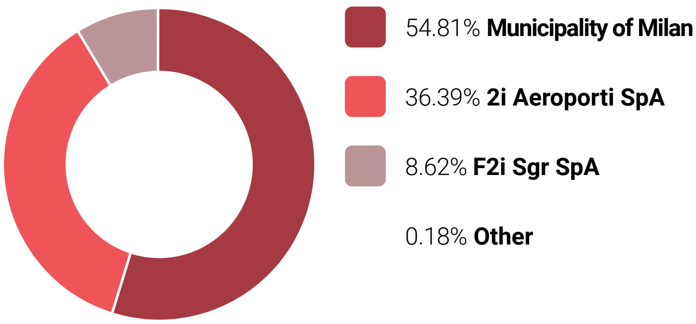
Public Shareholders

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

Private shareholders

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

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



2. COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS

The present condensed Consolidated Half-Year Financial Statements were prepared in accordance with the IFRS in force, issued by the International Accounting Standards Board and approved by the European Union. Account was also taken of the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously the Standing Interpretations Committee ("SIC"). In particular, the present Condensed Consolidated Half-Year Financial statements were prepared in accordance with IAS 34 Interim Financial Reporting; in accordance with paragraphs 15 and 16 of the standard, these Condensed Consolidated Half-Year Financial Statements therefore do not include all the information published in the annual report and must be read together with the Consolidated Financial Statements at December 31, 2019, with particular reference to the analysis of the individual accounts, with the disclosure in the present Half-Year Report, as per IAS 34, and the explanations for the changes to the comparative accounts. In the preparation of the Condensed Consolidated Financial Statements at June 30, 2020, the same accounting principles were adopted as in the preparation of the Consolidated Financial Statements at December 31, 2019, updated as indicated below to take account of those issued recently.

The preparation of the Condensed Consolidated Half-Year Financial Statements and the relative Explanatory Notes in application of IFRS require that the Directors make estimates and assumptions on the values of revenues, costs, assets and liabilities in the Half-Year Report and on the disclosures relating to the assets and contingent liabilities at June 30, 2020. If in the future, these estimates and assumptions, which are based on the best valuations made by the Directors, should be different from the actual results recorded, they will be modified appropriately in the period in which the circumstances occur. The estimates and assumptions are reviewed periodically and the effects of all variations are immediately recognised in the Income Statement.

It should also be noted that some valuation processes, in particular the most complex, such as the determination of any loss in value of non-current assets, are generally made on a complete basis on the preparation of the annual accounts, when all the necessary information is available, except where - as occurred in the first half of 2020 - there are specific impairment indicators which require an immediate assessment of any loss in value.

The trigger events that required the carrying out of an impairment test at June 30, 2020 were the following:

- Reduction in demand for product/services: passenger aviation operations were almost entirely suspended for approximately three months due to the outbreak of the Covid-19 pandemic;
- Re-sizing by many customer airlines, particularly in terms of the fleet and crews;
- Airlines in financial difficulties: all airlines are in severe financial difficulties and many await state support;
- Liquidation of Air Italy (not related to the Covid-19 outbreak), a core Malpensa airline;
- Commercial pressure from non-aviation partners.

The impairment test, approved by the Board of Directors on July 20, 2020, was carried out based on the 2020-2024 Business Plan, approved by the Board of Directors on February 6, 2020. On the basis of this Plan, operating and financial projections were drawn up in line with the medium/long-term investment planning. The above projections were revised on the basis of events that have already occurred and the impacts which are expected to emerge in the short/medium-term.

In particular, in the calculation of the value in use - prepared on the basis of the above projections - the main assumptions underlying the estimate of expected cash flows are set out below.

With regard to the regulatory scenarios, these are in line with the ART regulatory criteria, while the extension of the concession by 24 months was considered (new expiry date: 2043) by virtue of the process of conversion into law of Decree-Law No. 34 of May 19, 2020 on "Urgent measures in the field of health, support for work and the economy, as well as social policies related to the Covid-19 epidemiological emergency ("Relaunch Decree").

In relation to the operational and traffic scenarios, the passenger traffic 2020 and 2021 figures according to the most recent internal projections were taken as a reference point, based on the carriers' schedules, development plans and incentive agreements and the achievement of the 2019 traffic condition between 2022 and 2023.

It should be noted that in estimating the expected traffic numbers, the most recent sector studies and specialist reports available to date have been taken into consideration, placing the estimates made by the Company at an intermediate level.

The impairment test was carried out considering the SEA Group as a single CGU, as:

- The generation of cash flows by the two airports is mainly based on the collection of aviation fees, including passenger fees set at airport "system" level and considering consolidated costs and investments;
- The new ART tariff models allow the operator to break down tariffs by product/terminal, with the only restriction being the maintenance of a correlation to airport system level costs;
- Linate and Malpensa represent from an industrial point two products with separate pricing and market positioning, although jointly constitute the SEA offer;
- SEA over the years has found a close link from an industrial viewpoint between the development of traffic at the two airports.

The value in use of the CGU was calculated through discounting future cash flows at June 30, 2020. For the discounting of cash flows, the nominal post-tax WACC of 6.8% was used, in line with the estimated future unlevered free cash flows. This value in use was thereafter compared with the total value at June 30, 2020 of intangible assets, property, plant & equipment, leased assets right-of-use, and net working capital.

The value in use of the CGU was significantly in excess of the fixed asset value. The impairment test therefore did not indicate any loss in value. In support of this result, a sensitivity analysis was carried out which indicated that the value in use of the assets was in excess of their carrying amount, against both a significant reduction in the traffic managed and against significant increases in the WACC.

The impairment process was carried out also for the investments in associates. The SEA Group utilised the market valuation method (fair value), which uses information generated by comparable entities and/or transactions. For each investee, a panel of comparable entities and/or transactions in the sector was identified, which allowed for the identification of a multiple, based on the ratio between the EV (Enterprise Value, i.e. sum of market capitalisation and net financial position) and EBITDA. This multiple was applied to the 2019 EBITDA of each company. The Equity Value 2019 of each investee was thereafter identified, taking account of the Net Financial Position of each company. For the purposes of the impairment test, the Equity Value was then adjusted by two specific factors: i) the discount factor of 25% for the illiquidity of SEA's assets; ii) average market value contraction of a European panel of airport operators observed in H1 2020, in terms of market capitalisation, utilised as a proxy for the loss in value of the equity of the investees, of 36%. The value so determined was assumed as the value of each investee and compared with their shareholders' equity, with a positive differential always emerging. The impairment tests were carried out on the investees, indicated no losses in value at June 30, 2020. However, considering that the recoverable value is calculated on the basis of estimates, the SEA Group does not guarantee the non-emergence of a loss in future periods. Given the current market crisis, in fact, various factors used to draw up the estimates may be revised amid conditions not in line with forecasts.

In view of the results of the impairment test at June 30, 2020, the non-financial assets and the investments in associates were not written down.

2.1 Recently issued accounting standards

IFRS accounting standards, amendments and interpretations applied by the Group from January 1, 2020

The International Accounting Standards and amendments which must be obligatory applied from January 1, 2020, following completion of the relative approval process by the relevant authorities, are illustrated below.

Description	Effective date as per the standard	Effective date applied by SEA
Amendments to IAS 1 and IAS 8 Definition of Material	Periods which begin from Jan 1, 2020	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 Interest rate benchmark reform	Periods which begin from Jan 1, 2020	January 1, 2020
Amendments to IFRS 3 Definition of a Business	Periods which begin from Jan 1, 2020	January 1, 2020
Amendments to References to the Conceptual Framework in IFRS Standards	Periods which begin from Jan 1, 2020	January 1, 2020

The adoption of these amendments did not have significant impacts on the Condensed Consolidated Half-Year Financial Statements.

IFRS Standards, Amendments and Interpretations not yet approved by the European Union

At the reporting date, the relevant bodies of the European Union had not yet concluded the process necessary for the implementation of the amendments and standards described below.

Description	Approved at the date of the present document	Effective date as per the standard
IFRS 17 Insurance Contracts, including Amendments to IFRS 17	NO	Periods which begin from Jan 1, 2023
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	NO	Periods which begin from Jan 1, 2022
Amendments to - IFRS 3 Business Combinations; - IAS 16 Property, Plant and Equipment; - IAS 37 Provisions, Contingent Liabilities and Contingent Assets; Annual Improvements 2018-2020	NO	Periods which begin from Jan 1, 2022
Amendment to IFRS 16 Leases Covid-19 Related Rent Concessions	NO	Periods which begin from June 1, 2020
Amendments to IFRS 4 Insurance Contracts – deferral of IFRS19	NO	Periods which begin from Jan 1, 2021

The Group does not expect significant effects from the application of the above standards.

2.2 Financial Statements

These Condensed Consolidated Half-Year Financial Statements, as part of the Half-Year Report, include the Consolidated Statement of Financial Position at June 30, 2020 and at December 31, 2019, the Consolidated Income Statements, the Comprehensive Consolidated Income Statement, the Consolidated Cash Flow Statement at June 30, 2020 and June 30, 2019, Statement of changes in Consolidated Shareholders' Equity at June 30, 2020 and December 31, 2019 and the relative Explanatory Notes.

In relation to the presentation method of the financial statements "the current/non-current" criterion was adopted for the Statement of Financial Position while the classification by nature was utilised for the Income Statement and Comprehensive Income Statement and the indirect method for the Cash Flow Statement.

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

The Condensed Consolidated Half-Year Financial Statements were prepared in accordance with the going concern concept, as the Group verified the non-existence of financial, operational or other indicators which could indicate difficulties in the capacity of the Group to meet its obligations in the foreseeable future and in particular in the next 12 months.

The Half-Year Report at June 30, 2020 was prepared in thousands of Euro, as were the tables reported in the Explanatory Notes.

The Half-Year Report at June 30, 2020 was subject to limited audit by the Independent Audit Firm Deloitte & Touche S.p.A., the Auditor of the Company and of the Group and approved by the Board of Directors of the Parent Company SEA S.p.A. on July 28, 2020.

2.3 Consolidation scope and changes in the year

The registered office and the share capital of the companies included in the consolidation scope at June 30, 2020 under the full consolidation method and equity method are reported below:

Company	Registered office	Share capital at 30/06/2020 (Euro)	Share capital at 31/12/2019 (Euro)
SEA Energia S.p.A.	Milan Linate Airport - Segrate (MI)	5,200,000	5,200,000
SEA Prime S.p.A.	Viale dell'Aviazione, 65 - Milan	2,976,000	2,976,000
Signature Flight Support Italy S.r.l.	Viale dell'Aviazione, 65 - Milan		420,000
Dufrital S.p.A.	Via Lancetti, 43 - Milan	466,250	466,250
SACBO S.p.A.	Via Orio Al Serio, 49/51 - Grassobbio (BG)	17,010,000	17,010,000
SEA Services S.r.l.	Via Caldera, 21 - Milan	105,000	105,000
Malpensa Logistica Europa S.p.A.	Milan Linate Airport - Segrate (MI)	6,000,000	6,000,000
Disma S.p.A.	Milan Linate Airport - Segrate (MI)	2,600,000	2,600,000
Airport Handling S.p.A.	Malpensa Airport - Terminal 2 - Somma Lombardo (VA)	5,000,000	5,000,000

On June 22, 2020, SEA Prime sold its 40% investment in Signature Flight Support Italy to the majority shareholder Signature Flight Support UK Regions Ltd.. The sale of the investment resulted in a loss of Euro 358 thousand.

The companies included in the consolidation scope at June 30, 2020 and the respective consolidation methods are reported below:

Company	Consolidation Method at 30/06/2020	Group % holding at 30/06/2020	Group % holding at 31/12/2019
SEA Energia S.p.A.	Line-by-line	100%	100%
SEA Prime S.p.A.	Line-by-line	99.91%	99.91%
Signature Flight Support Italy S.r.l.		0.00%	39.96%
Dufrital S.p.A.	Net Equity	40%	40%
SACBO S.p.A.	Net Equity	30.979%	30.979%
SEA Services S.r.l.	Net Equity	40%	40%
Malpensa Logistica Europa S.p.A.	Net Equity	25%	25%
Disma S.p.A.	Net Equity	18.75%	18.75%
Airport Handling S.p.A.	Net Equity	30%	30%

3. ACCOUNTING POLICIES AND CONSOLIDATION METHODS

The recognition and measurement policies applied in preparing the Half-Year Financial Report at June 30, 2020 were unchanged with respect to those applied in the 2019 Annual Financial Report, to which reference should be made.

4. RISK MANAGEMENT

The risk management strategy of the Group is based on minimising potential negative effects related to the financial and operating performance. Some types of risk are offset through recourse to derivative instruments. The management of the above-mentioned risks is undertaken by the Parent Company which identifies, evaluates and undertakes hedging of financial risks, in close collaboration with other entities of the Group.

4.1 Credit risk

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

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

For the SEA Group, credit risk exposure is largely related to the deterioration of a financial nature of the principle airline companies which incur on the one hand the effects of the seasonality related to aviation operations, and on the other consequences of geopolitical events which impact upon the air transport sector.

The SEA Group has implemented procedures and actions to monitor the expected cash flows and recovery actions.

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

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

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

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

Trade receivables

(Euro thousands)	June 30, 2020	December 31, 2019
Trade receivables - customers	150,622	210,447
- of which overdue	133,639	123,769
Doubtful debt provision - customers	(101,251)	(100,532)
Trade receivables - associates	2,569	13,467
Doubtful debt provision - associates	(152)	(141)
Total net trade receivables	**51,788**	**123,241**

The aging of the overdue receivables is as follows:

Trade receivables

(Euro thousands)	June 30, 2020	December 31, 2019
less than 180 days	25,542	18,442
more than 180 days	108,097	105,327
Total trade receivables overdue	**133,639**	**123,769**

With regards to the Covid-19 health emergency and the consequent extraordinary situation impacting the entire air transport sector, almost all commercial partners encountered financial difficulties, resulting in an increase in overdue receivables at the end of June 2020.

The doubtful debt provision is in accordance with IFRS 9. A key element of the standard is the transition from the previous concept of ‘Incurred Loss’ to that of ‘Expected Loss’. The doubtful debt provision is determined by taking into account the risks of non-collection related not only to past-due receivables but also on those falling due. There is, therefore, a need to determine a ‘risk ratio’, representative of the riskiness of commercial counterparties, which varies according to the credit position (performing or expired, with different bands for those that expired based on overdue days). A provision matrix was therefore constructed for the write-down of trade receivables. This matrix provides rating classes in rows and the different bands of past-due or falling due in columns. The calculated risk ratio represents the probability that the client does not honour its debt and the percentage of credit, obtained from a historical analysis, with the possibility of the client being in default. Forward looking elements were also utilised, such as the possibility of management undertaking further provisions, notwithstanding the indications taken from the matrix. The estimates concerning applicable risk and general economic developments are included in the definition of the rating model and therefore are constantly updated to reflect the effective risk, in order to ensure a complete coverage of the credit risk encountered by the Group.

In view of the particularly critical situation due to the Covid-19 outbreak, an in-depth analysis of the allocation of customers to the various ratings classes was carried out, making changes where necessary to the relative allocations according to the level of exposure and currently available information.

4.2 Market risks

The market risk to which the SEA Group is exposed comprises all types of risks directly and indirectly related to market prices. In H1 2020, the market risks to which the SEA Group were subject were:

a) interest rate risk;

b) currency risk;

c) commodity risk, related to the volatility of the energy commodity prices, in SEA Energia.

a) Interest rate risk

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

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

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

At June 30, 2020, the gross financial debt of the SEA Group was comprised of medium/long-term loans (medium/long term portions of loans) and short-term loans (entirely comprising the medium/long-term portion of loans maturing within 12 months). At this date, the SEA Group did not make recourse to short-term debt.

The medium/long term debt at June 30, 2020 is reported in the following table, which shows each loan at the nominal value (which includes a spread of between 0.20% and 1.62%, not considering the hedging operations and any accessory guarantees):

Medium/long term loans:

		June 30, 2020		December 31, 2019	
(Euro thousands)	**Maturity**	**Amount**	**Average rate**	**Amount**	**Average rate**
Bonds	**2021**	**300,000**	**3.125%**	**300,000**	**3.125%**
Bank loans - EIB funding	**from 2020 to 2037**	**209,072**	**0.89%**	**220,767**	**0.93%**
o/w at Fixed Rate		34,607	3.90%	38,128	3.90%
o/w at Variable Rate (*)		174,465	0.29%	182,639	0.30%
Other bank loans	**from 2020 to 2022**	**300,022**	**0.64%**	**44**	**0.50%**
o/w at Fixed Rate		22	0.50%	44	0.50%
o/w at Variable Rate		300,000	0.65%		
Medium/long-term gross financial debt		**809,094**	**1.63%**	**520,811**	**2.19%**

(*) Includes: (i) variable rate tranche subject to interest rate hedge (ca. 29% at 30.06.2020 & 31.12.2019);
(ii) Euro 76 million of EIB loans with specific bank guarantee

The total value of medium/long-term loans at June 30, 2020 amounts to Euro 809,094 thousand, an increase of Euro 288,283 thousand compared to December 31, 2019, following the issue of UCI/BNL Term Loan in May 2020, partially offset by the repayments on EIB loans. The average cost of medium/long-term debt fell significantly, benefiting from the favourable cost conditions of the new Term Loan, reaching 1.63% at the end of June 2020, down 56bps compared to the end of December 2019 (2.19%, not considering, in both cases, interest rate risk hedges and the cost of bank guarantees on EIB loans).

At June 30, 2020, the Group has the following bond issue with a total nominal value of Euro 300 million.

Description	Issuer	Listing market	ISIN Code	Terms (years)	Maturity	Par value (in million of Euro)	Coupon	Annual rate
SEASPA 3 1/8 04/17/21	SEA S.p.A.	Irish Stock Exchange	XS1053334373	7	04/17/2021	300	Fixed annual	3.125%

The fair value of the overall bank and bond medium/long-term Group debt at June 30, 2020 amounts to Euro 829,217 thousand (increase on Euro 536,831 thousand at December 31, 2019). This value was calculated as follows:

- for the loans at fixed interest rates, the capital portion and interest were discounted utilising the spot rates for each contractual maturity, extrapolated from the market rates;
- for the bond listed on a regulated market, reference was made to the market value at June 30, 2020;
- for the loans at variable interest rates, the interest portion was calculated utilising the estimate of the expected rates at the end of each contractual maturity, increased by the spread defined contractually. The interest portion defined as outlined above and the capital on maturity was discounted utilising the spot rate for each contractual maturity, extrapolated from the market rate.

It should be noted that, for some loans, non-compliance of the covenant terms results in, for the following half-year period, the application of a correlated predetermined spread (in accordance with a contractually defined pricing grid).

Following the emergence of Covid-19, the SEA Group prudently requested a "holiday covenant" period of between 12 and 18 months from the 2019 closing on the available outstanding loans and committed credit lines. Agreement has already been obtained on 100% of the RCF lines and the intermediated EIB lines, while confirmation on the direct EIB lines is expected shortly.

It is indicated that, despite the impact from the Covid-19 outbreak on the SEA Group's results, at June 30, 2020 the level of covenants is in line with the contractual conditions prior to obtaining the period holiday covenant.

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

Interest rate hedges (€/000)

	Notional at signing date	Residual Notional at 30/06/2020	Date of signing	Start	Maturity	Fair value at 30/06/2020	Fair value at 31/12/2019
IRS	10,000	6,774	18/5/2011	15/9/2012	15/9/2021	(385.9)	(520.1)
	5,000	3,387	18/5/2011	15/9/2012	15/9/2021	(192.9)	(260.0)
	15,000	8,793	18/5/2011	15/9/2012	15/9/2021	(493.2)	(668.7)
	10,000	5,000	6/6/2011	15/9/2012	15/9/2021	(268.3)	(366.1)
	11,000	6,069	6/6/2011	15/9/2012	15/9/2021	(284.5)	(388.3)
	12,000	5,379	6/6/2011	15/9/2012	15/9/2021	(286.4)	(391.3)
	12,000	5,379	6/6/2011	15/9/2012	15/9/2021	(286.4)	(391.3)
Collar	10,000	5,000	6/6/2011	15/9/2011	15/9/2021	(219.3)	(298.1)
	11,000	4,931	6/6/2011	15/9/2011	15/9/2021	(212.9)	(290.3)
Total	**96,000**	**50,712**				**(2,629.8)**	**(3,574.1)**

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

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

The fair value of the derivative financial instruments at June 30, 2020 and December 31, 2019 was determined in accordance with IFRS 9 and IFRS 13.

b) Currency risk

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

c) Commodity risk

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

In the first half of 2020, the SEA Group did not undertake any hedging of this risk. It is noted that in 2019, the SEA Group already purchased environmental certificates for future needs, thereby eliminating the impact from future price changes.

4.3 Liquidity risk

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

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

- centrally monitors and manages, under the control of the Group Treasury, the financial resources available, in order to ensure an efficient management of these resources, also in forward budgeting terms;
- maintains adequate liquidity in treasury current accounts;
- obtains committed credit lines (revolving and non), which cover the financial commitments of the Group deriving from the investment plans, the operating requirements (also following the Covid-19 emergency) and the contractual debt repayments (including the Bond maturing in April 2021);
- monitors the liquidity position, in relation to the business planning, in order to guarantee sufficient coverage for the SEA Group's requirements.

At June 30, 2020, also thanks to the process to strengthen the financial structure in H1 2020, the Group has significant financial resources available:

a) liquidity of Euro 312 million, based on robust cash at the end of 2019 (Euro 88 million), in addition to the issue in May 2020 of the UCI/BNL Term Loan of Euro 300 million, maturing in May 2022;

b) irrevocable unutilised credit lines of Euro 390 million, of which Euro 260 million concerning the available revolving lines maturing between the end of 2023 and the beginning of 2024 and Euro 130 million concerning lines on EIB funds, utilisable by February 2023 and also with twenty-year duration.

   At the beginning of July, the SEA Group signed the CDP and ISP Term Loans for a total of Euro 125 million, while by August an additional Euro 50 million Term Loan is expected to be signed;

c) Euro 158 million of uncommitted credit lines available for immediate cash requirements.

This liquidity allows the Group to guarantee current operational needs and future financial needs, including the bond issued in 2014 and maturing in April 2021.

Trade payables are guaranteed by the SEA Group through careful working capital management which largely concerns trade receivables and the relative contractual conditions established, in addition to the possibility of indirect factoring transactions which do not change the payment conditions contractually agreed between the parties, although better balancing outflows and requirements. The tables below illustrate for the SEA Group the breakdown and maturity of the financial debt (capital, medium/long-term interest, financial charges on derivative instruments and leasing) and trade payables at June 30, 2020 and December 31, 2019:

Liabilities at June 30, 2020

(in Euro millions)	< 1 year	>1 year < 3 years	>3 years < 5 years	> 5 years	Total
Gross financial debt	340.7	360.1	44.5	103.2	848.5
Lease liabilities (Financial Payables)	1.9	2.4	2.2	3.8	10.3
Trade payables	149.2				149.2
Total payables	**491.8**	**362.5**	**46.7**	**107.0**	**1,008.0**

Liabilities at December 31, 2019

(in Euro millions)	< 1 year	>1 year < 3 years	>3 years < 5 years	> 5 years	Total
Gross financial debt	37.8	365.5	47.1	112.7	563.1
Leased liabilities (Financial Payables)	1.7	3.1	0.6	3.1	8.5
Trade payables	182.1				182.1
Total payables	**221.6**	**368.6**	**47.7**	**115.8**	**753.7**

At June 30, 2020, loans due within one year relate to the Bond to be repaid in April 2021, the capital portion falling due on some of the EIB loans and interest due on the total debt. The financial resources available ensure coverage of the SEA Group's financial debt maturities, also ensuring coverage of the medium/long-term requirements.

4.4 Sensitivity

In consideration of the fact that for the SEA Group the currency risk is almost non-existent, the sensitivity analysis refers to Statement of Financial Position accounts which could incur changes in value due to changes in interest rates.

In particular, the analysis considered:

- bank deposits;
- loans;
- interest risk derivative hedge instruments.

The assumptions and calculation methods utilised in the sensitivity analysis undertaken by the SEA Group were as follows:

a) Assumptions: the effect was analysed on the SEA Group income statement for H1 2020 and H1 2019 of a change in market rates of +50 or -50 basis points.

b) Calculation method:

   - the remuneration of the bank deposits is related to the interbank rates. In order to estimate the increase/decrease of interest income to changes in market conditions, the change was assumed as per point a) on the average annual balance of bank deposits of the SEA Group;
   - the loans measured were those at variable interest rates, which incur interest payable linked to the Euribor at 6 months. The increase/decrease of the interest payable to changes in market conditions was estimated applying the changes assumed as per point a) on the capital portion of the loans held during the year;
   - the interest risk derivative hedge instruments were measured both in terms of cash flows and fair value (in terms of changes compared to the same period of the previous year). With reference to the fair values, the values were estimated applying the changes as per point a) to the forward curve expected for the period.

The results of the sensitivity analysis are reported below:

	June 30, 2020		June 30, 2019	
(Euro thousands)	-50 bp	+50 bp	-50 bp	+50 bp
Current accounts (interest income) [(1)]	-36.38	364.53	-68.74	458.90
Loans (interest charges) [(2)]	239.53	-399.69	145.48	-493.29
Derivative hedging instruments (flows) [(3)]	-73.69	73.69	-149.18	149.18
Derivative hedging instruments (fair value) [(4)]	-236.52	233.54	-524.66	515.30

[(1)] *+ = higher interest charges; - = lower interest charges*

[(2)] *+ = lower interest charges; - = higher interest charges*

[(3)] *+ = revenue from hedge; - = cost of hedge;*

[(4)] *amount entirely allocated to net equity given full efficacy of hedges*

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

5. CLASSIFICATION OF THE FINANCIAL INSTRUMENTS

The following tables provide a breakdown of the financial assets and liabilities by category at June 30, 2020 and at December 31, 2019 of the Group.

	June 30, 2020				
(Euro thousands)	**Financial assets measured at Fair Value to the Income Statement**	**Financial assets measured at amortised cost**	**Financial assets and liabilities at fair value to the other comprehensive income items**	**Financial liabilities measured at amortised cost**	**Total**
Other investments	26				26
Other non-current receivables		214			214
Trade receivables		51,788			51,788
Tax receivables		2,338			2,338
Other current receivables		10,928			10,928
Cash and cash equivalents		312,161			312,161
Total	**26**	**377,429**	**0**	**0**	**377,455**
Non-current financial liabilities exc. leasing			2,630	483,603	486,233
-of which payables to bondholders					-
Non-current financial payables for leasing				8,384	8,384
Other non-current payables				7,475	7,475
Trade payables				149,231	149,231
Tax payables				11,694	11,694
Other current payables				235,193	235,193
Current financial liabilities excl. leasing				326,318	326,318
-of which payables to bondholders				299,613	299,613
Current financial liabilities for leasing				1,874	1,874
Total	**0**	**0**	**2,630**	**1,223,772**	**1,226,402**

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

	December 31, 2019				
(Euro thousands)	Financial assets measured at Fair Value to the Income Statement	Financial assets measured at amortised cost	Financial assets and liabilities at fair value to the other comprehensive income items	Financial liabilities measured at amortised cost	Total
Other investments	26				26
Other non-current receivables		222			222
Trade receivables		123,241			123,241
Tax receivables		2,071			2,071
Other current receivables		11,067			11,067
Cash and cash equivalents		87,521			87,521
Total	**26**	**224,122**	**0**	**0**	**224,148**
Non-current financial liabilities exc. leasing			3,574	495,347	498,921
-of which payables to bondholders				299,369	299,369
Non-current financial payables for leasing				6,771	6,771
Other non-current payables				7,961	7,961
Trade payables				182,085	182,085
Tax payables				10,689	10,689
Other current payables				287,522	287,522
Current financial liabilities excl. leasing				31,052	31,052
Current financial liabilities for leasing				1,706	1,706
Total	**0**	**0**	**3,574**	**1,023,133**	**1,026,707**

6. DISCLOSURE ON FAIR VALUE

In relation to financial instruments measured at fair value, the table below reports information on the method chosen by the Group to measure the fair value. The methods applied are broken down into the following levels, based on the information available, as follows:

- level 1: prices practiced on active markets;
- level 2: valuation techniques based on observable market information, both directly and indirectly;
- level 3: other information.

The following table shows the Group assets and liabilities measured at fair value at June 30, 2020 and at December 31, 2019:

	June 30, 2020		
(Euro thousands)	Livello 1	Livello 2	Livello 3
Other investments			26
Derivative financial instruments		2,630	
Total		**2,630**	**26**

	December 31, 2019		
(Euro thousands)	Livello 1	Livello 2	Livello 3
Other investments			26
Derivative financial instruments		3,574	
Total		**3,574**	**26**

7. DISCLOSURE BY OPERATING SEGMENT

The SEA Group's main activity is airport management. Passenger traffic is therefore the main driver of company results. The SEA Group has identified three operating segments, as further described in the Directors' Report and specifically: *(i) Commercial Aviation, (ii) General Aviation services, (iii) Energy services*. This representation may differ at individual legal entity level. The information currently available concerning the principal business operating sectors identified is presented below.

Commercial Aviation: includes Aviation and Non-Aviation services - the former regards the management, development and maintenance of airport infrastructure and plant and the offer to SEA Group customers of services and activities related to the arrival and departure of aircraft, in addition to airport safety services. The revenues generated by these activities are established by a regulated tariff system and comprise airport fees, fees for the use of centralised infrastructure, in addition to security fees and tariffs for the use of check-in desks and spaces by airlines and handlers. The Non-Aviation business however provides a wide and segregated offer, mainly under license to third parties, of commercial services for passengers, operators and visitors to the Airports, in addition to the real estate segment. The revenues from this area consist of the market fees for activities directly carried out by the Group and from activities carried out by third parties under license and of royalties based on a percentage of revenues generated by the licensee, usually with the provision of a guaranteed minimum.

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

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

The following tables present the segment income statements and statements of financial position, reconciled with the figures presented in the Directors' Report.

Segment disclosure: Income statement & balance sheet at June 30, 2020

(Euro thousands)	Commercial Aviation	General Aviation	Energy	IC Eliminations	Consolidated Financial Statements
Revenues	133,427	5,344	18,902	(16,578)	141,095
of which Intercompany	(2,691)	(1,035)	(12,852)	16,578	
Total operating revenues (third parties)	**130,736**	**4,309**	**6,050**	**0**	**141,095**
EBITDA	**(3,502)**	**2,589**	**(1,112)**		**(2,025)**
EBIT	**(52,961)**	**1,468**	**(1,304)**		**(52,797)**
Investment income/(charges)					(5,764)
Financial charges					(8,671)
Financial income					41
Pre-tax result					**(67,191)**
Fixed asset investments	**21,418**	**61**	**2,858**		**24,337**
Tangible assets	4,899	61	2,773		7,733
Intangible assets	16,519	0	85		16,604

Segment disclosure: Income statement at June 30, 2019 & balance sheet at December 31, 2019

(Euro thousands)	Commercial Aviation	General Aviation	Energy	IC Eliminations	Consolidated Financial Statements
Revenues	333,142	8,197	26,240	(24,130)	343,449
of which Intercompany	(4,885)	(2,270)	(16,975)	24,130	
Total operating revenues (third parties)	**328,257**	**5,927**	**9,265**	**0**	**343,449**
EBITDA	**131,726**	**3,844**	**495**		**136,065**
EBIT	**86,648**	**2,921**	**398**		**89,967**
Investment income/(charges)					8,753
Financial charges					(8,633)
Financial income					112
Pre-tax result					**90,199**
Fixed asset investments	**86,145**	**3,563**	**8,203**		**97,911**
Tangible assets	25,174	3,554	8,203		36,931
Intangible assets	60,971	9			60,980

8. NOTES TO THE STATEMENT OF FINANCIAL POSITION

8.1 Intangible assets

The following table summarises the movements in intangible assets between December 31, 2019 and June 30, 2020.

(Euro thousands)	December 31, 2019	Increases in the year	Reclassifications/ transfers	Destruct./ sales	Amort./ write-downs	June 30, 2020
Gross value						
Rights on assets under concession	1,552,769	174	14,160	(75)		1,567,028
Rights on assets under concess. in prog. & advances	43,876	14,863	(14,114)			44,624
Patents and right to use intellectual property & others	89,098		7,440		(44)	96,494
Assets in progress and advances	7,780	1,568	(7,440)	(462)		1,446
Other	18,568				(80)	18,488
Total Gross Value	**1,712,091**	**16,604**	**46**	**(537)**	**(124)**	**1,728,081**
Accumulated amortisation						
Rights on assets under concession	(625,356)			75	(23,479)	(648,761)
Rights on assets under concess. in prog. & advances						
Patents and right to use intellectual property & others	(76,749)				(4,117)	(80,866)
Assets in progress and advances						
Other	(15,328)					(15,328)
Total accumulated amortisation	**(717,434)**	**0**	**0**	**75**	**(27,596)**	**(744,955)**
Net value						
Rights on assets under concession	927,414	174	14,160		(23,479)	918,268
Rights on assets under concess. in prog. & advances	43,876	14,863	(14,114)			44,624
Patents and right to use intellectual property & others	12,349		7,440		(4,161)	15,627
Assets in progress and advances	7,780	1,568	(7,440)	(462)		1,446
Other	3,240				(80)	3,160
Total net value	**994,659**	**16,604**	**46**	**(462)**	**(27,720)**	**983,126**

As per IFRIC 12, rights on assets under concession amount to Euro 918,268 thousand at June 30, 2020 and Euro 927,414 thousand at December 31, 2019. These rights are amortised on a straight-line basis over the duration of the concession from the State, as they will be returned to the grantor at the end of the concession. Amortisation in the first six months of 2020 amounted to Euro 23,479 thousand.

On these assets, as per IFRIC 12, the SEA Group has the obligation to record a restoration and replacement provision, in relation to which reference should be made to Note 8.14.

In the first half of 2020, the SEA Group continued its commitment to the infrastructural development of the Malpensa and Linate airports. This development, in view of the contingent Covid-19 emergency, led to the postponement of a number of initiatives.

The main actions at Malpensa airport, totalling Euro 7,010 thousand, in particular were at Terminal 1, with the completion of works for the new Arrivals A bus shelter, the undertaking of civil works, earthquake protection works and the upgrading of the fire-fighting equipment.

For Terminal 2, the main actions concerned hygiene to deal with the new Covid-19 emergency regulations, in addition to the extraordinary works carried out on the water networks and the Terminal's roofing.

The main work carried out at Linate airport, amounting to Euro 7,853 thousand, concerned the expansion of the terminal ("F Corps"). This project, which is expected to be completed in March 2021, includes - in addition to the upgrading of some civil works and earthquake protection - the construction of new commercial and food & beverage areas and of new smart security lines in the carry-on baggage control area.

The reclassifications to assets under concession principally related to the entry into service of civil works for the extension and restyling at Terminal 2 and of the parking operators at Terminal 1, in addition to the plant constructed at Linate and Malpensa airport.

The rights to use intellectual property and others, with a net residual value of Euro 15,627 thousand at June 30, 2020, principally relate to Group software licenses concerning both airport and operational management and to the purchase of software components. Amortisation amounted to Euro 4,161 thousand.

8.2 Property, plant and equipment

The following tables summarises the movements in property, plant and equipment between December 31, 2019 and June 30, 2020:

Property, plant and equipment

(Euro thousands)	December 31, 2019	Increases in the year	Reclassifications/ transfers	Destruct./ sales	Deprec./ write-downs	June 30, 2020
Gross value						
Property	231,691		1,735	(4)		233,422
Plant and machinery	114,267	229	44	(5,953)		108,587
Industrial and commercial equipment	46,295	91				46,385
Other assets	79,778	144	7,389			87,311
Assets in progress and advances	26,796	7,269	(9,214)			24,851
Total Gross Value	**498,826**	**7,733**	**(46)**	**(5,957)**	**0**	**500,556**
Accumulated depreciation & write-downs						
Property	(107,924)			4	(3,445)	(111,365)
Plant and machinery	(73,665)			5,603	(1,493)	(69,555)
Industrial and commercial equipment	(40,554)				(1,869)	(42,423)
Other assets	(61,024)				(3,513)	(64,536)
Assets in progress and advances						
Total accumulated depreciation & write-downs	**(283,167)**	**0**	**0**	**5,607**	**(10,319)**	**(287,879)**
Net value						
Property	123,766		1,735		(3,445)	122,056
Plant and machinery	40,602	229	44	(349)	(1,493)	39,032
Industrial and commercial equipment	5,740	91			(1,869)	3,962
Other assets	18,753	144	7,389		(3,513)	22,774
Assets in progress and advances	26,796	7,269	(9,214)			24,851
Total net value	**215,657**	**7,733**	**(46)**	**(349)**	**(10,319)**	**212,676**

The investments principally concerned the restyling of Malpensa Terminal 1 and of the Linate Terminal, in addition to the development and consolidation of the network infrastructure.

The increases in "Assets in progress and advances" include an advance, further to that recognised in 2019, for Euro 2,117 thousand to the supplier of the new TGE turbine at SEA Energia's Malpensa station.

8.3 Leased assets right-of-use

"Leased assets right-of-use" concerns rights-of-use recognised as per IFRS 16.

As a lessee, the SEA Group identified the relevant categories, principally industrial equipment and the long-term hire of vehicles, with the consequent recognition of a usage right of use to non-current assets equal to the present value of the outstanding instalments and with the counter-entry of a finance lease liability. The net value of leased asset rights-of-use at June 30, 2020 is Euro 11,634 thousand, with depreciation in the period of Euro 1,106 thousand.

For the calculation of these amounts, the Group availed of an exemption permitted under IFRS 16 which resulted in a single discount rate for each leasing portfolio with similar characteristics.

The following tables summarises the movements between December 31, 2019 and June 30, 2020:

Leased assets right-of-use

(Euro thousands)	December 31, 2019	Increases in the period	Destruct./sales	Deprec./ write-downs	June 30, 2020
Gross value					
Runway/Apron/Street equipment	11		(11)		0
Miscellaneous & minor equipment	3,069	207	(89)		3,187
Complex equipment	188				188
Transport vehicles	3,257	2,428	(10)		5,675
EDP	908				908
Loading and unloading vehicles	7				7
Land	4,377				4,377
Total Gross Value	**11,817**	**2,635**	**(110)**	**0**	**14,342**
Accumulated depreciation & write-downs					
Runway/Apron/Street equipment	(8)		11	(3)	0
Miscellaneous & minor equipment	(614)		89	(346)	(871)
Complex equipment	(54)			(27)	(81)
Transport vehicles	(668)		9	(435)	(1,093)
EDP	(175)			(95)	(270)
Loading and unloading vehicles	(5)			(2)	(7)
Land	(188)			(199)	(387)
Total accumulated depreciation & write-downs	**(1,712)**	**0**	**110**	**(1,106)**	**(2,709)**
Net value					
Runway/Apron/Street equipment	3			(3)	0
Miscellaneous & minor equipment	2,455	207		(346)	2,315
Complex equipment	134			(27)	107
Transport vehicles	2,589	2,428	(1)	(435)	4,582
EDP	733			(95)	638
Loading and unloading vehicles	2			(2)	0
Land	4,189			(199)	3,991
Total net value	**10,106**	**2,635**	**(1)**	**(1,106)**	**11,634**

8.4 Investment property

The account includes buildings not utilised in the operating activities of the Group.

Investment property

(Euro thousands)	June 30, 2020	December 31, 2019
Gross value	4,134	4,134
Accumulated depreciation	(731)	(730)
Net total investment property	**3,403**	**3,404**

Movement Accumulated Depreciation

(Euro thousands)	June 30, 2020	December 31, 2019
Opening balance	(730)	(730)
Decreases/Reclassification	0	2
Depreciation	(1)	(2)
Closing balance	**(731)**	**(730)**

In view of the results of the impairment test at June 30, 2020, described in Note 2, the non-financial assets were not written down.

8.5 Investments in associates

The change in the account "Investments in associates" from December 31, 2019 to June 30, 2020 is shown below:

Investments in associates

		Movements			
(Euro thousands)	December 31, 2019	Increases / Decreases	Dividends distributed	Decreases for disposal	June 30, 2020
SACBO SpA	45,815	(2,840)			42,975
Dufrital SpA	13,919	(1,631)			12,288
Disma SpA	2,721	(117)			2,604
Malpensa Logistica Europa SpA	3,612	(162)	(625)		2,825
SEA Services Srl	515	39			554
Airport Handling SpA	9,734	(695)			9,039
Signature Flight Support Italy Srl	358			(358)	0
Total	**76,674**	**(5,406)**	**(625)**	**(358)**	**70,285**

The companies held are all resident in Italy.

The net equity of the associates was adjusted to take account of the Group accounting principles and the measurement of investments as per IAS 28.

On June 22, 2020, the sale of the 40% investment in Signature Flight Support Italy (SFS Italy) to the majority shareholder Signature Flight Support UK Regions Ltd was completed, with the latter therefore now wholly-owning the company.

The SEA Group share of adjusted net equity at June 30, 2020 amounts to Euro 70,285 thousand (Euro 76,674 thousand at December 31, 2019).

Reference should be made to the results of the impairment test, described in Note 2, with regards to the value of investments in associates.

8.6 Other investments

The list of "Other investments" is presented below:

	% Holding	
Company	**June 30, 2020**	**December 31, 2019**
Consorzio Milano Sistema in liquidation	10%	10%
Romairport Srl	0.227%	0.227%
Aeropuertos Argentina 2000 SA	8.5%	8.5%

The tables below reports the changes in other investments:

Other investments

		Movements		
(Euro thousands)	**December 31, 2019**	**Increases / revaluations**	**Decreases/ write-downs**	**June 30, 2020**
Consorzio Milano Sistema in liquidation	25			25
Romairport Srl	1			1
Aeropuertos Argentina 2000 SA				
Total	**26**	**0**	**0**	**26**

The investment of the Group in the share capital of Aeropuertos Argentina 2000 (hereafter AA2000) amounted to 8.5% following the conversion, by the Argentinian government, of the bonds issued in 2008 by AA2000 into shares.

On June 30, 2011, an agreement was signed with CEDICOR for the sale of all the investment held by SEA in the share capital of AA2000, equal to 21,973,747 ordinary Class A shares with 1 vote for each share.

The consideration paid was Euro 14,000,000 entirely received in 2011.

The transfer of the shares will only be completed with authorisation by the ORSNA regulator (Organismo Regulador del Sistema Nacional de Aeropuertos).

At the date of the present document, ORSNA had not yet formalised the authorisation of the sale of the investment in favour of Cedicor and, therefore, SEA still holds 8.5% of the share capital of AA2000; therefore, the investment of 1 Euro was maintained in these half-year financial statements.

8.7 Deferred tax assets

The breakdown of the net deferred tax assets is reported below:

(Euro thousands)	**June 30, 2020**	**December 31, 2019**
Total deferred tax assets	104,664	90,057
Total deferred tax liabilities	(28,771)	(31,894)
Total deferred tax assets, net of liabilities	**75,893**	**58,163**

The movement in net deferred tax assets in the first six months of 2020 was as follows:

(Euro thousands)	December 31, 2019	(Released) / allocated to P&L	(Released) / allocated to Equity	June 30, 2020
Total deferred tax assets	90,057	14,810	(202)	104,664
Total deferred tax liabilities	(31,894)	3,123		(28,771)
Total deferred tax assets, net of liabilities	**58,163**	**17,933**	**(202)**	**75,893**

The movement in deferred tax assets mainly regards the positive impact from the accrual of the deferred tax asset on the H1 2020 tax loss, which assumes that the current situation is temporary and that a reasonable certainty therefore exists of generating in future periods sufficient assessable income to allow for its gradual reabsorption.

The recoverability of the deferred tax assets is based on assessable income forecasts, as indicated in the forecasts used for the purposes of the impairment test and approved by the Board of Directors on July 20, 2020. However, considering that the recoverable amount of deferred tax assets is determined on the basis of estimates, which are also linked to the development of the challenging market environment, it should be noted that they may require restatement amid changed future scenarios.

8.8 Other non-current receivables

The other non-current receivables of Euro 6,462 thousand at June 30, 2020 (Euro 6,470 thousand at December 31, 2019) mainly refer to the portion of work to restore and replace assets within the scope of IFRIC 12 set to accrue in future years.

8.9 Inventories

The following table reports the breakdown of the account “Inventories”:

Inventories

(Euro thousands)	June 30, 2020	December 31, 2019
Raw material, ancillary and consumables	3,383	3,136
Inventory obsolescence provision	(1,253)	(1,288)
Total Inventories	**2,130**	**1,848**

The account principally comprises consumable goods held for airport activities.

At June 30, 2020, no goods held in inventories comprised guarantees on loans or concerning other commitments.

The comparison of inventories with the realisable value or replacement necessitated an inventory obsolescence provision amounting to Euro 1,253 thousand at June 30, 2020 (Euro 1,288 thousand at December 31, 2019). The amounts are reported net of the relative provision.

8.10 Trade receivables

The breakdown of the trade receivables is reported in the table below:

Trade receivables

(Euro thousands)	June 30, 2020	December 31, 2019
Trade receivables - customers	49,371	109,915
Trade receivables - associates	2,417	13,326
Total net trade receivables	**51,788**	**123,241**

Trade receivables, shown net of the doubtful debt provision, mainly include receivables from clients and provisions for invoices and credit notes to be issued.

The movement in "Trade receivables" was impacted by the Covid-19 outbreak and its consequences for the air transport sector, with the generation of a severe financial impact on the air transport chain. For an analysis of trade receivables in the first half of 2020, reference should be made to the Directors' Report.

The criteria for the adjustment of receivables to their realisable value takes account of valuations regarding the state of the dispute and are subject to estimates which are described in the previous Notes, to which reference should be made.

The changes in the doubtful debt provision were as follows:

Doubtful debt provision

(Euro thousands)	June 30, 2020	December 31, 2019
Opening provision	(100,673)	(102,701)
(Increases)/releases	(730)	1,914
Utilisations		114
Total doubtful debt provision	**(101,403)**	**(100,673)**

The net accruals amount to Euro 730 thousand and were necessary principally due to developments regarding the collection of receivables and the recovery plans agreed with customers. The accruals were made to take into account the risk assessed by the Group, which reflects the expected loss on each receivable, in accordance with IFRS 9.

8.11 Tax receivables and other current receivables

The following table provides the breakdown of other current receivables:

Tax receivables and other current receivables

(Euro thousands)	June 30, 2020	December 31, 2019
Tax receivables	2,338	2,071
Other current receivables	10,928	11,067
Total tax receivables and other current receivables	**13,266**	**13,138**

Tax receivables of Euro 2,338 thousand as at June 30, 2020 refer to VAT receivables of Euro 126 thousand (Euro 464 thousand as at December 31, 2019), current tax receivables of Euro 1,803 thousand (Euro 1,182 thousand as at December 31, 2019) and other tax receivables of Euro 409 thousand (Euro 425 thousand as at December 31, 2019).

The account "Other current receivables" is broken down as follows:

Other current receivables

(Euro thousands)	June 30, 2020	December 31, 2019
CO_2 quota receivables	3,398	5,183
Other receivables	5,091	4,773
Employee & soc. sec. receivables	1,145	204
Receivables for dividends	625	
Receivables from insurance companies	452	488
Misc. receivables	159	371
Post & tax stamps	58	48
Total other current receivables	**10,928**	**11,067**

"Other current receivables" amount to Euro 10,928 thousand at June 30, 2020 (Euro 11,067 thousand at December 31, 2019) and are comprised of the accounts outlined below.

Prepayments on purchases of CO_2 quotas amounted to Euro 3,398 thousand as at June 30, 2020 (Euro 5,183 thousand as at December 31, 2019) and refer to greenhouse gas emission rights quotas purchased in advance in 2019.

"Other receivables" of Euro 5,091 thousand principally concerns accrued income related to revenues accrued in the year and costs relating to future years. The account also includes supplier advances, operating grants and other minor positions. The change during the year was mainly due to the increased receivables recognised due to prepayments during the year of costs set to accrue in the following year.

Receivables for dividends to be received relate to dividends approved by the Shareholders' Meeting of the associate Malpensa Logistica Europa.

Miscellaneous receivables amounting to Euro 159 thousand at June 30, 2020 mainly refer to receivables from payments by Telepass, credit card and POS which have not yet been credited in the bank account.

8.12 Cash and cash equivalents

The breakdown of the account "Cash and cash equivalents" is shown in the table below:

Cash and cash equivalents

(Euro thousands)	June 30, 2020	December 31, 2019
Bank and postal deposits	312,097	87,458
Cash in hand and similar	64	63
Total	**312,161**	**87,521**

Cash and cash equivalents at June 30, 2020 increased Euro 224,640 thousand on the previous year, following the issue of the new UCI/BNL Term Loan of Euro 300 million in May 2020, while however decreasing due to the absorption of cash flows, particularly as a result of the Covid-19 emergency.

The account at June 30, 2020 comprises bank and postal deposits on demand for Euro 311,994 thousand (Euro 87,354 thousand at December 31, 2019), restricted bank deposits of Euro 104 thousand (in line with December 31, 2019) and cash amounts for Euro 64 thousand (Euro 63 thousand at December 31, 2019). It should be noted that a significant portion of this liquidity is held in treasury current accounts that ensure adequate returns.

For further information on the movements, reference should be made to the Consolidated Cash Flow Statement.

8.13 Share capital and reserves

At June 30, 2020, the share capital of SEA S.p.A. totalled Euro 27,500 thousand, comprising 250,000,000 shares of Euro 0.11 each.

The changes in shareholders' equity in the year are shown in the Financial Statements.

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

(Euro thousands)	Net Equity at December 31, 2019	Equity movements	OCI Reserve	Net profit /(loss)	Net Equity at June 30, 2020
Parent Company Financial Statements	**277,229**		**642**	**(43,961)**	**233,910**
Share of net equity and net profit of the consolidated subsidiaries attributable to the Group, net of the carrying amount of the relative investments	28,547			191	28,738
Adjustments for measurement at equity of associates	58,538			(6,221)	52,317
Other consolidation adjustments	(5,692)			131	(5,561)
Consolidated Financial Statements	**358,620**	**0**	**642**	**(49,860)**	**309,402**

8.14 Provisions for risks and charges

The account "Provisions for risks and charges" is broken down as follows:

Provision for future charges

(Euro thousands)	December 31, 2019	Provisions	(Utilisation)	(Releases)	June 30, 2020
Restoration and replacement provision	129,725	11,022	(5,606)		135,141
Provision for future charges	27,683	25	(2,322)	(152)	25,234
Total provision for risks and charges	**157,408**	**11,047**	**(7,928)**	**(152)**	**160,375**

The restoration and replacement provision on assets under concession, created in accordance with IFRIC 12, amounting to Euro 135,141 thousand at June 30, 2020 (Euro 129,725 thousand at December 31, 2019), refers to the estimate of the amount matured relating to the maintenance on assets under concession from the State which will be undertaken in future years.

The movements of the future charges provision were as follows:

Provision for future charges

(Euro thousands)	December 31, 2019	Provisions	(Utilisation)	(Releases)	June 30, 2020
Labour provisions	5,854		(897)	(41)	4,916
Insurance excesses	1,272	25	(289)	(111)	897
Tax risks	1,860				1,860
Green & white certificates	914				914
Other provisions	17,783		(1,136)		16,647
Total provision for future charges	**27,683**	**25**	**(2,322)**	**(152)**	**25,234**

The utilisations of the labour provisions are related to the incentivised departures for which a specific provision was made in the accounts in 2019.

"Insurance excesses" equal to Euro 897 thousand refers to the charges payable by the SEA Group for damages deriving from civil responsibility.

The "Tax risks" account refers to:

- Euro 1,500 thousand for the amount allocated by SEA Prime SpA, to cover liabilities related to the non-payment of Group VAT by the former parent company for the years 2011 and 2012;
- Euro 360 thousand for the amount provisioned by the Parent Company SEA in relation to the VAT assessment and the registration tax settlement notice.

"Green and white certificates" amounting to Euro 914 thousand refers to the company SEA Energia. The amount was accrued for the dispute with the Energy Service Operator over green certificates (for the period 2010–2014) and white certificates (for the period 2012-2015).

The account "Other provisions" for Euro 16,647 thousand at June 30, 2020 is mainly composed of the following items:

- Euro 4,647 thousand for legal disputes related to the operational management of the airports;
- Euro 9,000 thousand relating to charges from the acoustic zoning of the peripheral areas to the Milan Airports (Law No. 447/95 and subsequent Ministerial Decrees). Although the Milan Airport Commission has approved a reference scenario, no noise zoning yet exists. A plan to map all noise-sensitive areas near Linate Airport was launched in late 2019 and will be extended to the Malpensa area with similar goals by the end of 2020;
- Euro 3,000 thousand for various legal disputes;

Based on the updated state of advancement of disputes at the preparation date of the present interim report, and also based on the opinion of the consultants representing the Group in the disputes, the provisions are considered sufficient to cover potential liabilities.

8.15 Employee provisions

The changes in the employee provisions are shown below:

Employee provisions

(Euro thousands)	June 30, 2020	December 31, 2019
Opening provision	48,172	46,214
Financial (income)/charges	169	454
Utilisations	(1,739)	(2,289)
Actuarial losses/(profits)	69	3,793
Total employee provisions	**46,671**	**48,172**

The actuarial calculation of the employee leaving indemnity takes into account the effects of the reform of Law No. 296 of December 27, 2006 and subsequent decrees and regulations.

The main actuarial assumptions, utilised for the determination of the pension obligations, which has a significant impact on actuarial losses, are as follows:

Economic-financial technical parameters

	June 30, 2020	December 31, 2019
Annual discount rate	0.30%	0.77%
Annual inflation rate	1.20%	1.50%
Annual increase in employee leaving indemnity	2.40%	2.63%

The annual discount rate, utilised for the present value of the bond, was based on the Iboxx 10+ Eurozone Corporate A index.

8.16 Current and non-current financial liabilities

The table below provides a breakdown of current and non-current financial liabilities at June 30, 2020 and December 31, 2019:

	June 30, 2020		December 31, 2019	
(Euro thousands)	Current portion	Non-current portion	Current portion	Non-current portion
Long-term loans	23,598	483,603	23,459	195,978
Loan charges payable	1,184		939	
Derivatives fair value		2,630		3,574
Bank payables	**24,782**	**486,233**	**24,398**	**199,552**
Payables to bondholders	299,613			299,369
Payables for charges on bonds	1,901		6,610	
Lease liabilities (Financial Payables)	1,874	8,384	1,706	6,771
Payables for subsidised loans	22		44	
Payables to other lenders	**303,410**	**8,384**	**8,360**	**306,140**
Total current and non-current liabilities	**328,192**	**494,617**	**32,758**	**505,692**

The financial debt of the Group at June 30, 2020, as illustrated in the table below, is exclusively comprised of medium/long-term debt - mainly concerning the "SEA 3 1/8 2014 -2021" bond issue (expressed at amortised cost), the new UCI/BNL Term Loan and the EIB loans (of which 45% with maturity beyond 5 years and only 14% maturing within 12 months).

The breakdown of the Group net debt at June 30, 2020 and December 31, 2019 is reported below:

Net financial debt

(Euro thousands)		June 30, 2020	December 31, 2019
A.	Cash and Cash Equivalents	(312,161)	(87,521)
B.	Other cash equivalents		
C.	Securities held for trading		
D.	**Liquidity (A)+(B)+(C)**	**(312,161)**	**(87,521)**
E.	**Financial receivables**		
F.	Current financial payables	3,085	7,549
G.	Current portion of medium/long-term bank payables	23,619	23,503
H.	Other current financial payables	301,488	1,706
I.	**Payables and other current financial liabilities (F) + (G) + (H)**	**328,192**	**32,758**
J.	**Net current financial debt (D) + (E) + (I)**	**16,031**	**(54,763)**
K.	Non-current portion of medium/long-term bank payables	483,603	195,977
L.	Bonds issued		299,369
M.	Other non-current financial payables	11,014	10,346
N.	**Payables and other non-current financial liabilities (K) + (L) + (M)**	**494,617**	**505,692**
O.	**Net Financial Debt (J) + (N)**	**510,648**	**450,929**

At the end of June 2020, the net financial debt of Euro 510,648 thousand increased Euro 59,719 thousand on the end of 2019 (Euro 450,929 thousand).

“Other current financial payables” include the reclassification of “Bonds issued” from non-current financial liabilities to current.

The net debt was affected by a number of factors, including:

a) the disbursement in May 2020 of the new UCI/BNL Term Loan of Euro 300,000 thousand;

b) the consequent improved liquidity of Euro 224,640 thousand, while reducing due to cash flow absorption, partly as a result of the Covid-19 emergency, despite prudent working capital management;

c) the continuation of the repayment of part of the EIB loans (principal repaid in H1 2020 totalling Euro 11,658 thousand);

d) lower IAS adjustments for Euro 5,742 thousand deriving from: *(i)* lower accruals on loans for Euro 4,464 thousand, due to the payment of the annual bond coupon in April; *(ii)* improvement in the fair value of the derivatives for Euro 945 thousand for the continuation of the amortisation on the nominal amount; *(iii)* higher residual amortised costs of Euro 333 thousand relating to the costs for the issue of the new UCI/BNL Term Loan, partially offset by the amortisation of those on the EIB loans and the Bond;

e) higher leasing payables, particularly due to the signing in H1 2020 of new shuttle buses hire contracts.

“Other current financial payables” and “Other non-current financial payables” include the lease liabilities, as per IFRS 16 and representing the obligation to make contractually established payments. As per the table presented below, the current financial liabilities (maturity within 12 months) and non-current liabilities (maturity beyond 12 months) for leasing amount at June 30, 2020 respectively to Euro 1,874 thousand and Euro 8,384 thousand:

Lease liabilities (Financial Payables)

	June 30, 2020	
(Euro thousands)	current	non-current
Miscellaneous & minor equipment	673	1,913
Complex equipment	54	64
Transport vehicles	935	3,901
EDP	176	510
Land	36	1,996
Total	**1,874**	**8,384**

For further details, reference should be made to note 8.3 *"Leased assets rights-of-use"*.

8.17 Other non-current payables

The table below reports the breakdown of the account "Other non-current payables".

Other non-current payables

(Euro thousands)	June 30, 2020	December 31, 2019
Employee payables	6,159	6,560
Social security institutions	1,316	1,401
Total	**7,475**	**7,961**

The account includes the payable to employees and the relative INPS payable recorded as a result of the mobility procedure's commencement on December 27, 2017. Through the mobility procedure, early retirement incentive payments were established for a pre-determined number of workers who will qualify for pension benefits by August 2023 (early retirement or old age pension). The agreement with Trade Unions covering this procedure was signed on January 15, 2018.

8.18 Trade payables

The breakdown of trade payables is as follows:

Trade payables

(Euro thousands)	June 30, 2020	December 31, 2019
Supplier payables	136,417	168,413
Advances	8,478	2,152
Payables to associates	4,336	11,520
Total trade payables	**149,231**	**182,085**

Supplier payables refer to the purchase of goods and services relating to operations and Group investments.

The payables for advances at June 30, 2020 amounting to Euro 8,478 thousand (Euro 2,152 thousand at December 31, 2019) principally refer to advances from clients.

Payables to associates relate to services and charges.

8.19 Income tax payables

Income tax payables amounting to Euro 11,694 thousand at June 30, 2020 (Euro 10,689 thousand at December 31, 2019) relate to employee and self-employed withholding taxes for Euro 8,445 thousand (Euro 4,856 thousand at December 31, 2019), IRAP payables for Euro 46 thousand (Euro 4 thousand at December 31, 2019), IRES payables for Euro 171 thousand (Euro 4,868 thousand at December 31, 2019), VAT payables for Euro 2,261 thousand (Euro 955 thousand at December 31, 2019) and other taxes for Euro 771 thousand (Euro 6 thousand at December 31, 2019).

8.20 Other payables

The table below reports the breakdown of the account "Other payables".

Other payables

(Euro thousands)	June 30, 2020	December 31, 2019
Payables to shareholders for dividends	84,838	84,839
Airport fire service	74,224	71,187
Payables for additional landing rights	31,231	51,416
Other items	11,013	22,866
Employee payables for amounts matured	9,433	24,047
Payables to the state for concession fee	5,919	14,664
Payables to social security institutions	13,596	14,126
Employee payables for vacations not taken	3,198	2,676
Third party guarantee deposits	1,464	1,296
Payables to others post-em. ben.	184	237
Payables to BoD & Boards of Statutory Auditors	86	72
Payables to the state for concession fee security service	7	96
Total	**235,193**	**287,522**

The settlement of the payable to shareholders regarding the second part of the extraordinary dividend approved by the Shareholders' Meeting of September 30, 2019 of Euro 84,728 thousand was postponed by Board of Directors' motion of April 2, 2020.

Other current payables decreased Euro 52,329 thousand.

With regards to payables to the State for airport fire protection services, reference should be made to the "Main disputes outstanding at June 30, 2020" section of the Directors' Report.

The item "Payables for additional landing rights" represent the additional charges created by Laws No. 350/2003, No. 43/2005, No. 296/2006, No. 166/2008, No. 92/2012 and No. 357/2015.

The account "Other items", amounting to Euro 11,013 thousand at June 30, 2020 (Euro 22,866 thousand at December 31, 2019), mainly relates to deferred income for future periods and other minor payables.

9. EXPLANATORY NOTES TO THE INCOME STATEMENT

9.1 Operating revenues

The table below shows the breakdown of operating revenues for H1 2020 and 2019. These data reflect the operational and managerial view of the businesses in which the Group operates. Therefore, these data may differ with respect to those presented at the level of the individual legal entity.

Operating revenues

(Euro thousands)	H1 2020	H1 2019
Commercial Aviation Operating Revenues	130,736	328,257
General Aviation Operating Revenues	4,309	5,927
Energy Operating Revenues	6,050	9,265
Total operating revenues	**141,095**	**343,449**

H1 2020 featured the emergence of the Covid-19 pandemic, which resulted in a drastic reduction in passenger traffic from March. In the first six months of 2020, operating revenues totalled Euro 141,095 thousand, down 59% on H1 2019. Operating revenues include Commercial Aviation, General Aviation and Energy business revenues.

Commercial Aviation Operating Revenues

In the first half of 2020, Aviation revenues decreased Euro 127,024 thousand (-61.7%) compared to the same period of the previous year. Specifically, the revenues for rights and centralised infrastructure, net of the incentives to the airline companies to develop traffic, decreased Euro 108,689 thousand, principally due to traffic volumes.

Commercial Aviation operating revenues

(Euro thousands)	H1 2020	H1 2019
Aviation	78,924	205,948
Non aviation	51,812	122,309
Total Commercial Aviation operating revenues	**130,736**	**328,257**

The breakdown of Non-Aviation operating revenues is reported below.

Non Aviation operating revenues

(Euro thousands)	H1 2020	H1 2019
Retail	17,380	49,493
Parking	12,871	35,403
Cargo	7,995	9,280
Advertising	1,912	5,467
Premium services	3,716	10,777
Real estate	1,038	2,118
Services and other revenues	6,900	9,771
Total Non Aviation operating revenues	**51,812**	**122,309**

Non-Aviation revenues decreased Euro 70,497 thousand, almost entirely relating to the four months from March to June. This effect is due to the combination of lower traffic volumes and the more favourable conditions granted to tenants, mainly against the temporary closure of the terminals in which they operate.

The breakdown of retail revenues is reported below.

Retail Revenues

(Euro thousands)	H1 2020	H1 2019
Shops	8,089	26,283
Food & Beverage	4,084	10,666
Car Rental	3,558	8,239
Bank services	1,649	4,305
Total Retail	**17,380**	**49,493**

The most significant event in the first half of 2020 was the Covid-19 outbreak and its consequences for the air transport sector, with the generation of a serious financial impact on the air transport chain and in particular on the airport infrastructure system. For further details, reference should be made to the Directors' Report paragraph *"Operating performance – Sector analysis"*.

General Aviation Operating Revenues

The General Aviation business includes the full range of services relating to business traffic at the western apron of Linate and at Malpensa airport. Revenues from the General Aviation business amounting to Euro 4,309 thousand were down (27.3% on the same period of the previous year). For further details, reference should be made to the Directors' Report.

Energy Operating Revenues

The breakdown of Energy operating revenues is reported below.

Energy operating revenues

(Euro thousands)	H1 2020	H1 2019
Sale of Electricity	3,390	6,404
Sale of Thermal Energy	2,652	2,853
Other Revenues & Services	8	8
Total Energy operating revenues	**6,050**	**9,265**

9.2 Revenue for works on assets under concession

Revenues for works on assets under concession decreased from Euro 17,746 thousand in the first half of 2019 to Euro 15,155 thousand in H1 2020 (-14.6%). These revenues refer to construction works on assets under concession increased by a mark-up of 6% representing the remuneration of the internal cost for the management of the works and design activities undertaken by the Company, which corresponds to a mark-up which a general constructor would request to undertake such activities, and are included in the business Aviation. This account is strictly related to investment and infrastructure upgrading activities.

9.3 Personnel costs

The breakdown of personnel costs is as follows:

Personnel costs

(Euro thousands)	H1 2020	H1 2019
Wages, salaries & social security charges	63,483	89,479
Post-employment benefits	4,004	4,167
Other personnel costs	1,398	2,471
Total	**68,885**	**96,117**

In H1 2020, Group personnel costs decreased Euro 27,232 thousand (-28.3%) compared to the same period of 2019.

The reduction is largely due to the use of rotating days through the Extraordinary Temporary Lay-off Scheme, accompanied by a reduction in variable remuneration costs and a contraction in the workforce.

The headcount for the half year amounted to 2,774 full-time equivalents, down by 21 FTEs on the same period of 2019 (2,795 FTEs).

The following table outlines the average FTE by category in the period: January-June 2020 and January-June 2019:

Average Full Time Equivalent

	H1 2020	%	H1 2019	%
Executives and Manager	340	12%	347	12%
White-collar	1,730	62%	1,747	63%
Blue-collar	630	23%	645	23%
Total full-time employees	**2,700**	**97%**	**2,739**	**98%**
Temporary workers	74	3%	56	2%
Total employees	**2,774**	**100%**	**2,795**	**100%**

9.4 Consumable materials

The breakdown of the account “Consumable materials” is as follows:

Consumable materials

(Euro thousands)	H1 2020	H1 2019
Raw materials, ancillaries, consumables and goods	15,550	22,726
Purchase of CO_2 quotas	1,786	1,529
Change in inventories	(282)	150
Total	**17,054**	**24,405**

In the first six months of 2020, consumable material costs decreased by Euro 7,351 thousand (-30.1%) on the same period of 2019, from Euro 24,405 thousand to Euro 17,054 thousand, principally due to lower methane and electricity costs (-28.2%).

9.5 Other operating costs

The breakdown of "Other operating costs" is as follows:

Other operating costs

(Euro thousands)	H1 2020	H1 2019
Ordinary maintenance costs	11,949	15,757
Public fees	8,183	16,946
Terminal services provided by handling company	8,069	12,055
Cleaning	5,939	8,193
Misc. and local taxes	4,255	4,156
Parking management	3,788	7,570
Hardware and software fees & rental	3,613	3,425
Other costs	3,603	6,100
Utilities & security expenses	3,144	5,093
Professional services	1,795	2,822
Commercial costs	1,408	2,365
Disabled assistance	933	1,800
Insurance	837	676
Emoluments & costs of Board of Statutory Auditors & BoD	440	263
Hire of equipment & vehicles	362	1,027
Losses on disposal of assets	19	72
Total other operating costs	**58,337**	**88,320**

In the first half of 2020 other operating costs decreased Euro 29,983 thousand compared to H1 2019 (-33.9%), from Euro 88,320 thousand to Euro 58,337 thousand. The lower costs reflect the reduced volumes of traffic and passengers served. This reduction is almost entirely attributable to the period from March to June and is due to the absence of costs following lower traffic volumes and the effects of cost saving actions taken by the Group to limit the impact of the crisis.

The "Public fees" include: i) concession fees to the State for Euro 4,897 thousand (Euro 13,278 thousand in H1 2019); ii) costs for fire-fighting services at the airports for Euro 3,037 thousand (Euro 3,037 thousand in H1 2019); iii) concession fees to the tax authorities for security services of Euro 175 thousand (Euro 564 thousand in H1 2019); and iv) concession fees and charges to other entities of Euro 75 thousand (Euro 67 thousand in H1 2019).

9.6 Costs for works on assets under concession

Costs for works on assets under concession decreased from Euro 16,288 thousand in the first half of 2019 to Euro 13,999 thousand in the first half of 2020.

These refer to, in accordance with IFRIC 12, the costs for the works undertaken on assets under concession. This movement is strictly related to investment activities.

9.7 Provisions and write-downs

The breakdown of provisions and write-downs is as follows:

Provisions and write-downs

(Euro thousands)	H1 2020	H1 2019
Write-downs / (releases) of current receivables & cash and cash equivalents	730	(534)
Provisions/(releases) to provisions for future charges	(126)	(183)
Total provisions and write-downs	**604**	**(716)**

In the first six months of 2020, net provisions and write-downs increased Euro 1,321 thousand on the same period of the previous year, from a net release of Euro 716 thousand in the first half of 2019 to a net provision of Euro 604 thousand in H1 2020.

For further details, reference should be made to the account "Provisions and write-downs" in the Directors' Report.

9.8 Restoration and replacement provision

Restoration and replacement provision

(Euro thousands)	H1 2020	H1 2019
Restoration and replacement provision	11,022	8,526

The restoration and replacement provision amounting to Euro 11,022 thousand in H1 2020 and Euro 8,526 thousand in H1 2019 include provisions for maintenance and replacements in order to ensure the functioning of the infrastructure held under concession. In 2020 the provision amounted to Euro 11,022 thousand and the utilisation amounted to Euro 5,606 thousand.

9.9 Amortisation and depreciation

The account "Amortisation & depreciation" is comprised of:

Amortisation & Depreciation

(Euro thousands)	H1 2020	H1 2019
Amortisation of intangible assets	27,720	27,359
Depreciation of tangible assets & investment property	10,320	10,202
Depreciation Leased assets right-of-use	1,106	727
Total amortisation & depreciation	**39,146**	**38,288**

Amortisation and depreciation increased in the first six months of 2020 by Euro 858 thousand compared to 2019 (+2.2%), from Euro 38,288 thousand to Euro 39,146 thousand. Amortisation and depreciation in the period relates to tangible and intangible assets held based on the estimated useful life by the Group, which however does not exceed the duration of the concession and the depreciation of new assets entering into service after the first half of 2019. In addition, the increase related to the depreciation of the category of fixed assets from the application of IFRS 16 (Leased asset right-of-use) is indicated.

9.10 Investment income/(charges)

The breakdown of investment income and charges is as follows:

Investment income (charges)

(Euro thousands)	H1 2020	H1 2019
SACBO SpA	(2,840)	5,023
Dufrital SpA	(1,631)	1,798
Disma SpA	(117)	231
Malpensa Logistica Europa SpA	(162)	975
Sea Services Srl	39	375
Signature Flight Support Italy Srl	(358)	58
Airport Handling SpA	(695)	293
Total income (charges) from investments	**(5,764)**	**8,753**

In H1 2020, investment charges totalled Euro 5,764 thousand (investment net income of Euro 8,753 thousand in H1 2019).

The account mainly includes the economic effects deriving from the measurement at Equity of the associated companies. The results of the associated companies were adjusted to take account of the Group accounting principles and the measurement of investments as per IAS 28. Compared to the previous half-year, a decrease is reported as all associates reflect the impacts caused by the Covid-19 pandemic, reporting for H1 2020 a loss or however a reduced profit compared to the previous year.

For further details, reference should be made to that outlined above regarding the impairment process carried out by the Group at June 30, 2020 for the investments in associates.

9.11 Financial income/(charges)

The breakdown of the account “Financial income and charges” is as follows:

Financial income (charges)

(Euro thousands)	H1 2020	H1 2019
Exchange gains	2	43
Other financial income	39	69
Total financial income	**41**	**112**
Interest on medium/long term loans	(5,885)	(5,869)
Commissions on loans	(1,051)	(846)
Exchange losses	(6)	(3)
Other interest charges:	**(1,729)**	**(1,915)**
- financial charges on post-em. bens.	(169)	(307)
- financial charges on Leasing	(94)	(54)
- financial charges on derivatives	(975)	(1,049)
Other	(491)	(505)
Total financial charges	**(8,671)**	**(8,633)**
Total financial income (charges)	**(8,630)**	**(8,521)**

Net financial charges in H1 2020 amounted to Euro 8,630 thousand, an increase of Euro 109 thousand on the first half of the previous year.

This increase was a result of the following components:

- Financial charges substantially in line with H1 2019, despite the issue in May 2020 of the new UCI/BNL Term Loan and the commissions for the non-use of the 2019 EIB line, not present in the same period of the previous year. This result was impacted by lower charges on derivatives, due to the continued amortisation of the related notional amount, and lower charges on Post-employment benefits.
- Lower financial income of Euro 71 thousand, due to (i) significant financial market turbulence in the initial months of 2020, which did not allow for the adequate use of available liquidity, as however was undertaken from the end of May 2020 with the granting of favourable remuneration conditions, guaranteed by a number of SEA current accounts and (ii) the presence in 2019 of greater exchange gains, compared to those for H1 2020.

9.12 Income taxes

The breakdown of the account is as follows:

Income taxes

(Euro thousands)	H1 2020	H1 2019
Current income taxes	602	25,325
Deferred income taxes	(17,933)	(1,287)
Total	**(17,331)**	**24,038**

In H1 2020, income taxes reduced the statutory loss for the period by Euro 17,331 thousand, decreasing from Euro 24,038 thousand in H1 2019 to Euro -17,331 thousand in H1 2020. The reconciliation between the theoretical and effective IRES tax rate is shown below:

(Euro thousands)	H1 2020	%	H1 2019	%
Profit/ (Loss) before taxes	**(67,191)**		**90,199**	
Theoretical income taxes	(18,280)	27.2%	21,648	24.0%
Permanent tax differences effect	652	-1.0%	(1,754)	-1.9%
IRAP	(357)	0.5%	3,874	4.3%
Other	655	-1.0%	270	0.3%
Total	**(17,331)**	**25.8%**	**24,038**	**26.6%**

Income taxes had a contrary economic effect compared to H1 2019 and reduced the statutory loss for the period, as substantially comprising the allocation of the deferred tax assets on the period IRES tax loss.

10. NET RESULT PER SHARE

The basic net result per share is calculated by dividing the Group net result by the weighted average number of ordinary shares outstanding in the period. For the diluted net result per share, as no equity instruments were issued by the Parent Company, the weighted average of the shares in circulation is the same as that utilised for the establishment of the basic net result per share.

Therefore, the loss per share in the first half of 2020 was Euro 0.20 (net loss for the period of Euro 49,860 thousand/number of shares in circulation 250,000,000).

In H1 2019, the earnings per share was Euro 0.26 (net profit for the period of Euro 66,160 thousand/number of shares in circulation 250,000,000).

11. TRANSACTIONS WITH RELATED PARTIES

The transactions with Related Parties are not atypical or unusual and form part of the ordinary business activities of the companies of the Group.

They are regulated at market conditions and take account of the characteristics of the goods and services provided.

The following table reports the income statement and statement of financial position values with related parties at June 30, 2020 and for the first half of the year, with indication of the percentage of the relative account:

Group transactions with related parties

	June 30, 2020				
(Euro thousands)	**Trade receivables**	**Other receivables**	**Trade payables**	**Operating revenues**	**Net operating costs (excl. costs for works on assets under concession)**
Investments in associates					
SACBO (*)	129		241	222	1,835
Dufrital	(153)		54	4,971	2
Malpensa Logistica Europa	1,064	625	36	2,031	0
SEA Services	(55)		337	639	663
Disma	4		33	105	0
Signature Flight Support Italy (**)				117	5
Airport Handling	1,427		3,635	3,528	8,627
Total related parties	**2,417**	**625**	**4,336**	**11,614**	**11,132**
Total book value	51,788	10,928	149,231	141,095	144,276
% on total book value	**4.67%**	**5.72%**	**2.91%**	**8.23%**	**7.72%**

(*) The account "Operating costs" relating to transactions with SACBO, equivalent to Euro 1,835 thousand, does not include that invoiced by SEA to the final clients and transferred to the associate.

(**) On June 22, 2020, the investment was sold.

For further details on Income/(charges) from investments, reference should be made to Note 9.10.

The table below shows the cash flows from the transactions of the Group with Related Parties for the period ended June 30, 2020, with indication of the percentage of the relative account:

Group cash flows with related parties

	June 30, 2020				
(Euro thousands)	Investments in associates	Investments in other companies	Total transactions with related entities	Consolidated balance	%
A) Cash flow from operating activities	3,100		3,100	(26,227)	-11.8%
B) Cash flow from investing activities				(23,475)	0.0%
C) Cash flow from financing activities				274,342	0.0%

Transactions with Related Parties in the period to June 30, 2020 principally concern:

- parking management transactions at Orio al Serio-Bergamo (SACBO) airport;
- commercial transactions with reference to the recognition to SEA of royalties on sales (Dufrital and SEA Services);
- rental of premises (Malpensa Logistica Europa);
- supply to SEA of catering services (SEA Services);
- commercial transactions deriving from the concession for the distribution of fuel (Disma);
- supply by SEA Energia of electricity to Dufrital;
- revenue for rental and concessions issued by SEA Prime for the supply of fuel; push back costs (Signature Flight Support Italy);
- revenue for administration services and handling activity costs (Airport Handling).

The above-mentioned transactions were within the ordinary activities of the Group and undertaken at market values.

The comparative data is reported below:

Group transactions with related parties

	June 30, 2019				
(Euro thousands)	Trade receivables	Other receivables	Trade payables	Operating revenues	Net operating costs (excl. costs for works on assets under concession)
Investments in associates					
SACBO (*)	274		991	471	5,719
Dufrital	6,347	1,772	921	16,172	7
Malpensa Logistica Europa	1,291	875	1,125	2,288	
SEA Services	882		2,656	1,740	2,070
Disma	(40)	225	86	111	
Signature Flight Support Italy	107		12	100	10
Airport Handling	4,619	1,200	10,245	6,735	13,190
Total related parties	**13,480**	**4,072**	**16,036**	**27,617**	**20,996**
Total book value	140,686	16,806	155,723	343,449	208,842
% on total book value	**9.58%**	**24.23%**	**10.30%**	**8.04%**	**10.05%**

(*) The account "Operating costs" relating to transactions with SACBO, equivalent to Euro 5,719 thousand, does not include that invoiced by SEA to the final clients and transferred to the associate.

The table below shows the cash flows from the transactions of the Group with related parties for the period ended June 30, 2019, with indication of the percentage of the relative account:

Group cash flows with related parties

	June 30, 2019				
(Euro thousands)	Investments in associates	Investments in other companies	Total transactions with related entities	Consolidated balance	%
A) Cash flow from operating activities	280		280	107,131	0.3%
B) Cash flow from investing activities	5,802		5,802	(28,815)	-20.1%
C) Cash flow from financing activities				(122,872)	0.0%

12. OTHER TRANSACTIONS WITH RELATED PARTIES

Malpensa Logistica Europa SpA

In 2020, Malpensa Logistica approved the distribution of dividends, to be paid out in the second half of 2020. The SEA share of the dividend amounts to Euro 625 thousand.

13. DIRECTORS' FEES

Fees paid by the Company and/or by other Group companies, of any type and in any form, for the first six months of 2020 to the Board of Directors totalled Euro 294 thousand.

14. STATUTORY AUDITORS' FEES

In the first six months of 2020 the remuneration for the Board of Statutory Auditors, including welfare and accessory charges, amounted to Euro 146 thousand.

15. COMMITMENTS AND GUARANTEES

15.1 Investment commitments

The Group has investment contract commitments of Euro 74,740 thousand at June 30, 2020 (Euro 69,929 thousand at December 31, 2019), which are reported net of the works already realised and invoiced to the Group, as follows.

Breakdown project commitments

(Euro thousands)	June 30, 2020	December 31, 2019
Design and extraordinary maintenance civil works and plant at Linate & Malpensa	57,525	41,288
Design and extraordinary maintenance flight infrastructure and roadways at Linate and Malpensa	4,508	13,514
Supply and installation of a new gas turbine for the Milan station	3,644	5,762
Works on electrical automation and control systems at Linate and Malpensa	4,731	4,970
Design and extraordinary maintenance of Linate & Malpensa AVL plant	3,356	2,962
Extraordinary maintenance for civil works and general aviation plant	976	1,433
Total project commitments	**74,740**	**69,929**

15.2 Guarantees

At June 30, 2020, the sureties in favour of third parties were as follows:

- two bank sureties, both equal to Euro 42,000 thousand, as guarantee on funds drawn down in June 2015 and June 2017 on the EIB line subscribed in December 2014;
- surety of Euro 25,000 thousand to Banca Popolare di Milano to guarantee credit lines received from companies within the centralised treasury system;
- surety of Euro 28,765 thousand in favour of ENAC, as guarantee of the concession fee;
- surety of Euro 2,000 thousand in favour of SACBO as guarantee for the parking management at Bergamo airport;
- surety of Euro 2,000 thousand in favour of the Ministry of Defence as guarantee of the obligations pursuant to the technical agreement of June 4, 2009 following the advance delivery of the "Cascina Malpensa" area;
- surety of Euro 2,200 thousand in favour of the Ministry of Defence as guarantee of the obligations pursuant to the technical agreement of June 4, 2009 following the advance delivery of the "E.I. training area" at Lonate Pozzolo;
- guarantee by Banca Popolare di Milano to the Customs Agency of Segrate (Milan 3) for Euro 75 thousand (General Aviation);
- surety by BNL to Terna (National Electricity Grid) as guarantee of the provision of electricity for Euro 1,214 thousand;
- guarantee by Banca Popolare di Milano to ENEL Distribuzione for the transport of energy for Euro 1,439 thousand;
- guarantee by BNL to the Energy Market Operator for participation in the electricity market platform for Euro 200 thousand;
- guarantee by Banca Popolare di Milano to Unareti for the transport of energy for Euro 173 thousand;
- Euro 648 thousand for other minor sureties.

16. SEASONALITY

The Group business is characterised by revenue seasonality, which are normally higher in the periods of August and December due to increased flights by the airlines at its airports. H1 2020 in addition featured the emergence of the Covid-19 pandemic, which resulted in a drastic reduction in passenger traffic from March, affecting the usual seasonality of the business.

17. CONTINGENT LIABILITIES AND DISPUTES

Reference should be made to the Directors' Report under *"Risk management framework"* and *"Main disputes outstanding at June 30, 2020"*.

18. CONTINGENT ASSETS

There are no updates on that reported in the 2019 Annual Report.

19. TRANSACTIONS RELATING TO ATYPICAL OR UNUSUAL OPERATIONS

In accordance with Consob Communication of July 28, 2006, the Company did not undertake for the period ended June 30, 2020 any transactions relating to atypical or unusual operations, as set out in the communication.

20. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

The most significant event in the first half of 2020 was the Covid-19 outbreak and its consequences for the air transport sector, with the generation of a serious financial impact on the air transport chain and in particular on the airport infrastructure system. Reference should be made to the *"H1 2020: significant events"* paragraph of the Directors' Report.

21. OTHER INFORMATION

On April 2, 2020, the Shareholders' Meeting of the Parent Company SEA approved, according to a prudent approach, in view of the emergency situation due to the effects of the Covid-19 pandemic and in order to support the Company's capital solidity and contain the future operating and financial impacts, the allocation of the 2019 net profit of Euro 111,565,580.68 to the extraordinary reserve.

22. SUBSEQUENT EVENTS TO THE END OF THE PERIOD

Reference should be made to the Directors' Report.

The Chairperson of the Board of Directors
Michaela Castelli

Deloitte.

Deloitte & Touche S.p.A.
Via Tortona, 25
20144 Milano
Italia

Tel: + 39 02 83322111
Fax: + 39 02 83322112
www.deloitte.it

REPORT ON REVIEW OF THE HALF-YEARLY CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
Società per Azioni Esercizi Aeroportuali – SEA S.p.A.

Introduction

We have reviewed the accompanying half-yearly condensed interim consolidated financial statements of Società per Azioni Esercizi Aeroportuali – SEA S.p.A. (the "Company" or "SEA S.p.A.") and subsidiaries (the "SEA Group"), which comprise the consolidated statement of financial position as of June 30, 2020, the consolidated income statement, consolidated comprehensive income statement, statement of changes in consolidated shareholders' equity and consolidated cash flow statement for the six month period then ended, and the related notes. The Directors are responsible for the preparation of the half-yearly condensed interim consolidated financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on the half-yearly condensed interim consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the criteria recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob") for the review of the half-yearly financial statements under Resolution n° 10867 of July 31, 1997. A review of half-yearly condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly condensed interim consolidated financial statements of SEA Group as at June 30, 2020 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

Deloitte.

Emphasis of Matter paragraph

We draw attention to the information provided in the paragraphs "H1 2020: significant events" and "Outlook" of the Directors' report and referred to in the Notes to the Condensed Consolidated Half-Year Financial Statements and to the information included in the paragraph "Risk management - Liquidity risk" of the Notes to the Condensed Consolidated Half-Year Financial Statements regarding the effects of Covid-19 on the Group's financial performance, position and cash flows and the evaluations made by the Directors about the business outlook.

Our conclusion is not modified with reference to the abovementioned matters.

DELOITTE & TOUCHE S.p.A.

Signed by
Marco Pessina
Partner

Milan, Italy
July 31, 2020

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

The SEA Group's focus on environmental protection,
through the adoption of targeted initiatives,
has significantly reduced CO_2 emissions.

Milan Malpensa and Milan Linate once again confirmed their
exceptional record at European level, achieving "Neutrality"
under the Airport Carbon Accreditation Initiative.

SEA MilanAirports