ANNUAL REPORT AT DECEMBER 31, 2019

ANNUAL REPORT

2019

SEA MilanAirports

SEA - Società per Azioni Esercizi Aeroportuali

Milan Linate Airport – 20090 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

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KEY FIGURES AND GENERAL INFORMATION

Key figures and general information

THE SEA GROUP

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

MILAN MALPENSA

Milan's intercontinental airport, consisting of two terminals. Terminal 1, which was fully renovated following the completion of the restyling of the Schengen area, serves a wide range of domestic, international and intercontinental destinations and offers a diverse assortment of services to meet the needs of all of the airport's passengers.

Terminal 2 is easyJet's main base of operations in Europe, serving a broad network of destinations. Both terminals can be reached by train.

MILAN MALPENSA CARGO

Is the nerve centre of inbound and outbound cargo distribution in Italy.

MILAN LINATE

Primarily serves frequent-flyers travelling to destinations in Italy and the EU. Just 8 KM from Milan city centre, Linate is truly a city airport, with structures and areas dedicated to business and shopping. The restyling of the airport is currently in progress, while during the 2019 financial year it was closed for three months for the resurfacing of the runway.

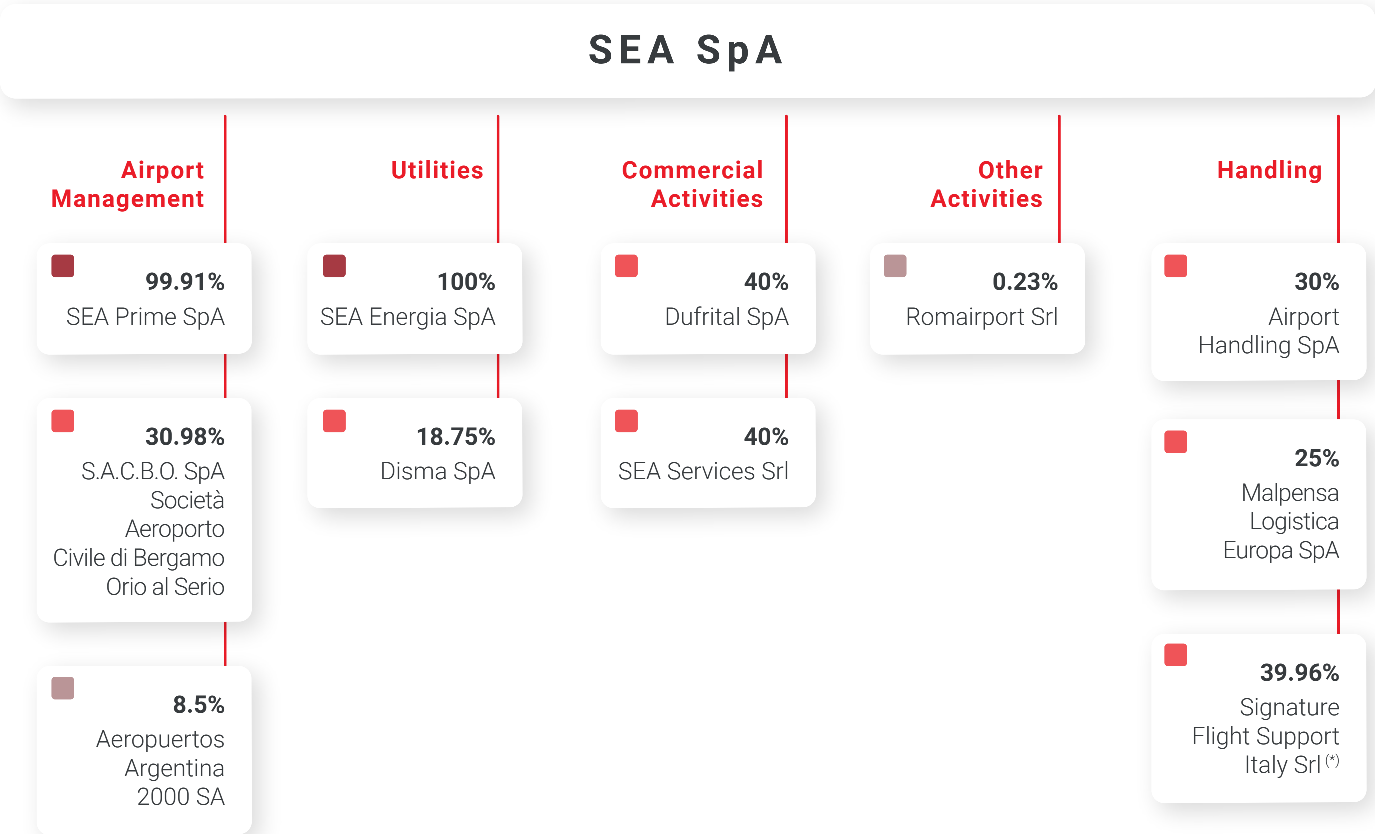
MILANO LINATE PRIME AND MILANO MALPENSA PRIME

Airports managed by SEA Prime S.p.A., a subsidiary of SEA S.p.A.. Dedicated to general aviation, their services and facilities provide significant added value.

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

SEA GROUP STRUCTURE AND INVESTMENTS IN OTHER COMPANIES

DIRECT AND INDIRECT INVESTMENTS OF SEA S.P.A. AT DECEMBER 31, 2019



- *Controlling shareholding*
- *Associate*
- *Investment in other companies*

(*) *Company held indirectly through SEA Prime S.p.A.*

The SEA Group at December 31, 2019 includes Consorzio Milano Sistema in liquidation (10% SEA S.p.A.).

SHARE CAPITAL STRUCTURE

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

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

At December 31, 2019, SEA does not hold treasury shares. The ownership structure is as follows:

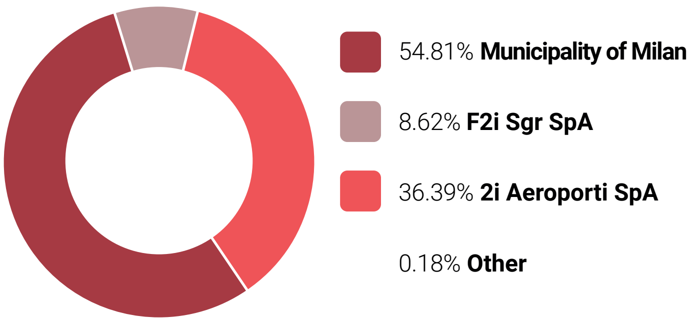
Public Shareholders

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

Private shareholders

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

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



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

CORPORATE BOARDS

BOARD OF DIRECTORS

(three-year period 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*

2019 KEY FINANCIAL HIGHLIGHTS & OTHER INDICATORS

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

Operating results

(Euro thousands)	2019	2018	Change
Revenues	758,010	713,145	44,865
EBITDA [1]	274,659	281,851	(7,192)
Operating Profit	174,652	189,469	(14,817)
Profit before taxes	175,209	187,396	(12,187)
Group Net Profit	124,419	136,076	(11,657)

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

Financial Data

(Euro thousands)	December 31, 2019	December 31, 2018	Change
Fixed assets (A)	1,365,159	1,317,673	47,486
Net Working Capital (B)	(342,069)	(230,897)	(111,172)
Provisions for risks and charges (C)	(157,408)	(167,861)	10,453
Employee provisions (D)	(48,172)	(46,214)	(1,958)
Other non-current payables (E)	(7,961)	(13,964)	6,003
Net capital employed (A+B+C+D+E)	**809,549**	**858,737**	**(49,188)**
Group Net Equity	358,593	459,101	(100,508)
Minority interest net equity	27	25	2
Net financial debt	450,929	399,611	51,318
Total sources of financing	**809,549**	**858,737**	**(49,188)**

(A) Fixed assets, including those falling under IFRIC 12, are expressed net of State and European Union contributions. At December 31, 2019, they amounted to Euro 506,135 thousand and Euro 7,019 thousand respectively (Euro 505,226 thousand and Euro 7,019 thousand respectively at December 31, 2018).

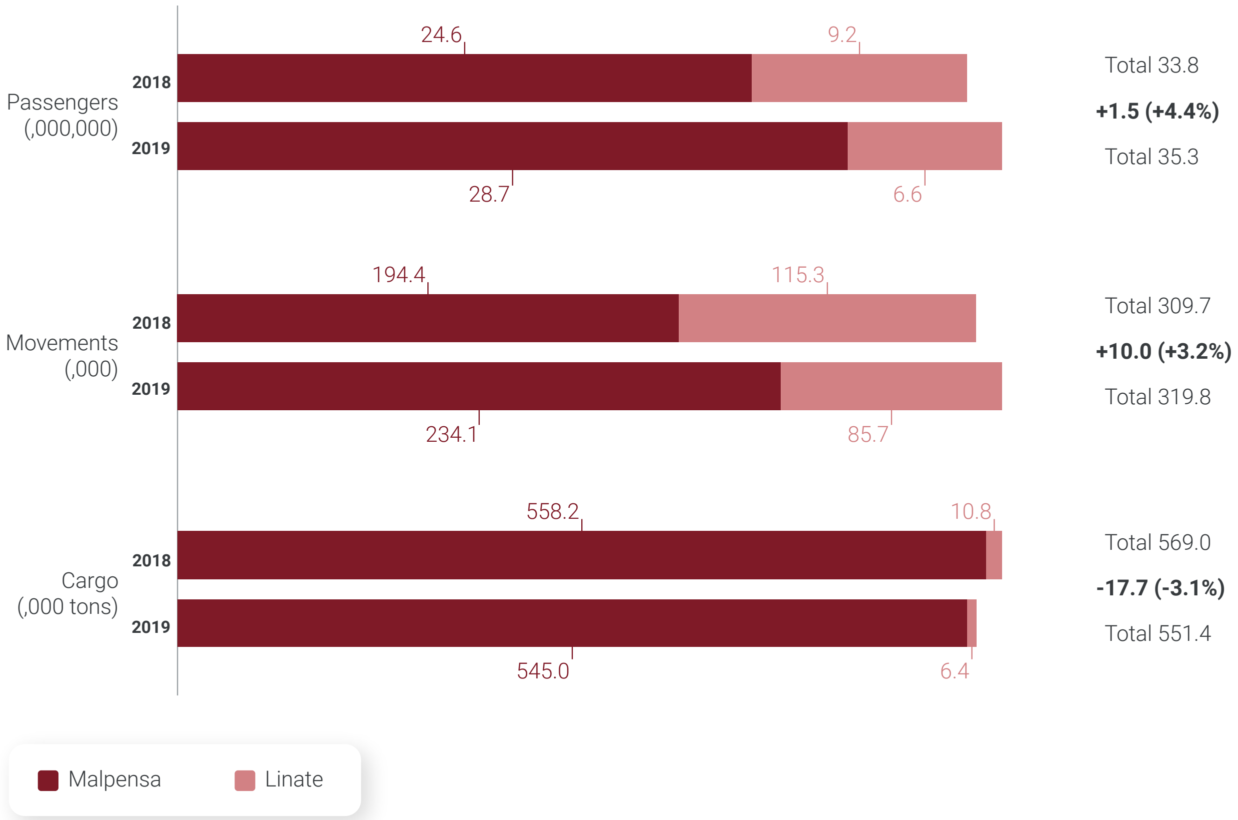
Investments

(Euro thousands)	December 31, 2019	December 31, 2018	Change
Tangible and intangible asset investments (in Euro thousands)	123,827	74,965	48,862

Other Indicators

	December 31, 2019	December 31, 2018
NFP/EBITDA	1.64	1.42
HDC Employees (at year end)	2,853	2,847

Traffic (Commercial and General Aviation)



DIRECTORS' REPORT 2019

Directors'
Report
2019

SIGNIFICANT EVENTS IN 2019

Linate-Malpensa Bridge Project

For three months between July 27 and October 26, 2019, Milan Linate airport was closed to traffic for resurfacing of the runway, installation of the new Baggage Handling System (BHS), and restyling of the passenger terminal. As a result, airlines operating from Linate transferred nearly all of their aircraft and flights to Malpensa (Linate-Malpensa Bridge).

The first work carried out during the closure was the resurfacing of Linate's take-off and landing runway, for a cost of Euro 21.8 million. At the same time, work began on restyling and enlarging the terminal at Linate, for which costs of Euro 27.2 million are expected, and on the four new Baggage Handling Systems, which involved an investment of approximately Euro 10.9 million. Some work sites will remain open until 2021.

Opening of Malpensa Prime

At year-end 2018, SEA Prime, a subsidiary of SEA, started work on the construction of the new general aviation terminal at Malpensa airport. Malpensa Prime opened on July 15, 2019, before the closure of Linate, which allowed SEA Prime to welcome its own customers to the new Malpensa terminal.

The new Milan Malpensa Prime Terminal is situated in a dedicated area of the airport between Terminal 1 and Terminal 2, and features a 50,000 square metre apron, in addition to a 5,000 square metre hangar for latest-generation executive jets, which is already in use. The polyhedral structure, built over a surface area of more than 1,400 square metres, rises like a jewel in the surrounding area. Thanks to its iconic shape and singular colour palette, it is unmistakable both from the air and from the ground.

Sale agreement for shares in Signature Flight Support Italy Srl

During 2019, the terms and conditions were finalised for the sale of the 40% of shares in Signature Flight Support Italy still held by SEA Prime. These were sold to the majority shareholder Signature Flight Support UK, in line with the Group's strategy of moving away from the handling segment.

The transaction also consolidates the presence of a leading international aviation company at Linate and Malpensa, consistent with SEA Prime's strategy of providing service excellence.

Commitment to Net-Zero 2050

Milan's airports have joined other European airports in committing to the Net-Zero 2050 target of zero CO_2 emissions by 2050. Since 2009, Linate and Malpensa have participated in ACI Europe's Airport Carbon Accreditation certification programme, rating as one of the best European airports in reducing energy consumption and CO_2 emissions, with a maximum score for an airport of 3+.

Completion of the process of contracting new lines of credit that began in 2018

The process of renegotiating existing committed lines of credit and contracting new facilities that had begun in 2018 was concluded in early 2019, reinforcing the SEA Group's financial structure. At the end of this process, the SEA Group has committed RCF's of Euro 260 million, available to be drawn down until 2023, and a new line of EIB funding of Euro 130 million partially covering SEA's investments plan for the coming years.

ECONOMIC OVERVIEW

Global economic growth was limited in 2019. International trade grew in the third quarter, but the outlook remains uncertain, while geopolitical tension is growing, particularly between the USA and Iran. There also remains a fear that the slowdown in the Chinese economy will be more marked than expected, despite the reduced risk of worsening customs disputes between China and the USA. Central banks in the main developed countries remain largely accommodating.

Eurozone economic growth slowed due to weakness in the manufacturing sector, which is predicted to continue to the end of the year. Eurozone GDP growth in the third quarter remained at 0.2% compared to the previous period. In a weakened global market, international trade registered a slight decrease. GDP growth continued in Spain, France, and - to a lesser extent - in Italy. Germany also saw a return to growth, which, while limited, exceeded expectations nonetheless. Eurosystem projections published in December predicted GDP growth of 1.2% in 2019, falling to 1.1% in 2020 before rising to 1.4% in the following two years.

12-month inflation remained stable on average in the fourth quarter. According to Eurosystem projections published in December, inflation will remain limited for the 2020-22 period, in line with the moderate growth in economic activity.

Italian gross domestic product is forecast to remain substantially unchanged in the last quarter of 2019, mainly due to weakness in the manufacturing sector. GDP grew 0.1% in the third quarter, bolstered by domestic demand and household spending. Investments decreased, particularly in capital goods. The contribution of foreign trade was negative, due to a slight fall in exports and a consistent growth in imports. These assessments lead to forecast overall GDP growth in 2019 of 0.2%.

Consumer inflation rose in December, following a rise in food product prices, and especially as a result of a decrease in the negative effect of energy prices. Variations in service prices remained steady. Three-month inflation, adjusted for seasonal and year-on-year factors, was 1.2%.

The Organisation for Economic Co-operation and Development (OECD) updated its Interim Economic Outlook, underlining that the Covid-19 pandemic constitutes an unprecedented risk to the world economy.

The base scenario projected by the main international bodies suggests that the pandemic peaked in China in the first quarter of 2020, and that its development in other countries - and particularly in the USA and Europe - will be more significant in the coming weeks, due to the insufficient containment measures that have been adopted by the majority of Western nations. In light of this, the International Monetary Fund predicts a global recession in 2020 on a scale at least as great as the last global financial crisis.

By 2021, however, it expects a return to growth provided that the pandemic is contained and that countries adopt efficient measures to strengthen health services.

The American investment bank Goldman Sachs, expecting a significantly longer and more disruptive effect of the Coronavirus on Europe, revised its projections for Italian GDP downwards, predicting a fall of 11.6% in 2020 (from +0.2% pre-virus), followed by a recovery in 2021. This recovery, however, is expected to be slower than those in other European countries, where fiscal support is expected to be more effective than the measures recently announced in Italy.

The OECD cited the negative effects on confidence, financial markets, tourism, and problems in international supply chains as it revised its economic predictions downwards for the entire G20, and in particular those economies closely linked to China, such as Japan, Korea and Australia.

The Covid-19 pandemic is the greatest danger since the global financial crisis, and it poses an unprecedented threat to the world economy. A longer and more extreme development of the virus, with a greater spread throughout Asia-Pacific, Europe and North America, would further weaken the outlook considerably. In this event, global growth could fall to 1.5% in 2020 - half of the level projected before the virus began to take effect.

AIR TRANSPORT AND AIRPORTS

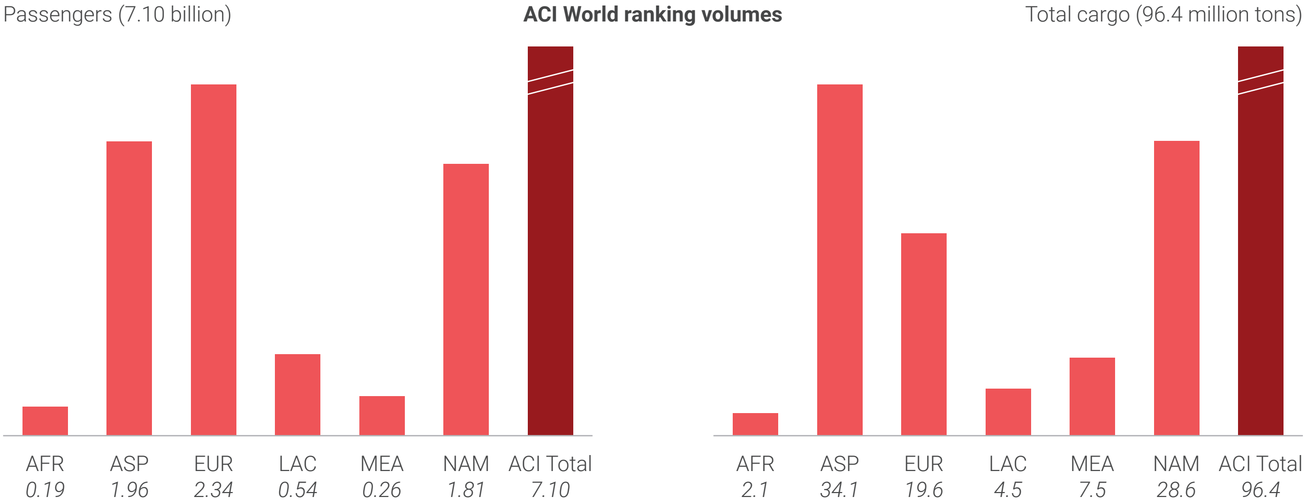
Global air transport performance – YTD to December 2019

In 2019, global air passenger traffic totalled 7.10 billion passengers (+3.4% on 2018), based on a sample of 1,073 airports.

Every continent showed growth: Europe (33% share) +3.2%, Asia (28% share) +3%, North America (25% share) +3.4%, Central/South America (8% share) +3.7%, Middle East (4% share) +3.3%; and Africa (2% share) +6.7%.

Atlanta remains the busiest passenger airport with 110.5 million passengers (+2.9%), followed by Beijing, with 100 million (-1.0%) and Los Angeles, with 88.1 million (+0.7%).

Global air traffic in December 2019 [1]



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

Based on a sample of 716 airports, global cargo traffic reached 96.4 million tons, a decrease of 2.5% across all geographical areas: Asia (-4.3%), Europe (-2.4%), Central/South America (-3.5%), Middle East (-2.8%); to a lesser extent North America (-0.5%) and Africa (-0,2%).

European airport traffic performance to December 2019

During 2019, ACI Europe-associated European airports registered 1,283.1 million passengers (+2.9%). Airport hubs (see graphic below), which account for 34% of total traffic, show growth mainly Madrid and Paris Charles de Gaulle.

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

European air traffic - main hubs

Of the airports considered, Malpensa ranks second for growth on 2018 (+16.6%) behind Vienna (+17.1%) and ahead of Berlin TXL (+10.1%).

12.7 million tons of cargo traffic was handled, down 3.1% on 2018. Malpensa drops from fifth to seventh place (545 thousand tons), behind Frankfurt (2 million tons), Paris Charles de Gaulle (1.9 million tons), London Heathrow and Amsterdam (both 1.6 million tons), Istanbul (816 thousand tons) and Madrid (559 thousand tons).

In 2019, European Business and General Aviation movements fell 1.6%.

In line with the European market trend, Italy registered a 0.9% fall, and with a market share of 7% ranks fourth in Europe (source: Wingx).

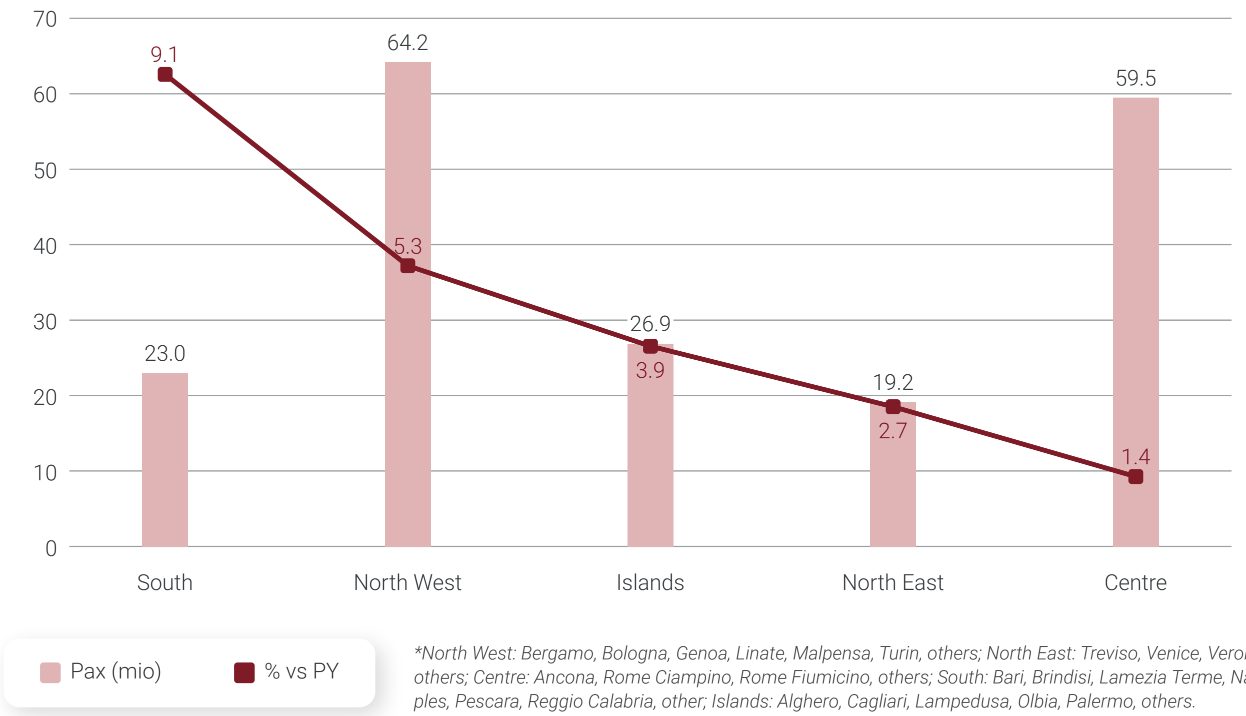
The system in Milan remains among the European and Italian leaders: together the Milanese airports handle 40% of B&GA traffic (first in Italy), putting the city fifth in Europe, behind London, Paris, Nice and Geneva.

Italian airport traffic performance to December 2019[2]

Passenger traffic at Italian Assaeroporti member airports totalled 192.8 million, up 4.0% on 2018. This is due mainly to an increase in international traffic (+5.8%).

There were 1.5 million movements during the period (+3.0%), while total cargo transported (1,017 thousand tons) fell 3.8%.

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; Centre: Ancona, Rome Ciampino, Rome Fiumicino, others; South: Bari, Brindisi, Lamezia Terme, Naples, Pescara, Reggio Calabria, other; Islands: Alghero, Cagliari, Lampedusa, Olbia, Palermo, others.

The North West airports (33% of total domestic traffic) served 64.2 million passengers (+5.3%); among which the Lombardy airport system stands out: Milan Malpensa and Linate served 28.8 million (+16.6%), and 6.5 million (-28.8%) respectively. The latter figure reflects the interruption to service at Linate between July 27 and October 26, 2019 (92 days), as the runway was resurfaced and the terminal refurbished.

As a result, the majority of flights to and from the airport were transferred to Malpensa. Bergamo Orio al Serio served 13.9 million passengers (+7.1%).

In Central Italy, the Rome airport system (26% of total domestic traffic) hit 49.4 million passengers (+1.2%): Rome Fiumicino served 43.5 million (+1.2%) and Rome Ciampino 5.9 million (0.7%).

In the North East, Venice stood out with 11.6 million (+3.4%), while in the South, Naples grew 9.4%, totalling almost 11 million passengers.

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

REGULATORY FRAMEWORK

Establishment of new aviation fees

Law 37 of May 3, 2019, which took effect on May 26, 2019, governs the hand-over of responsibility for rates supervision from ENAC (Italian National Civil Aviation Authority) to the Transport Regulation Authority (ART), including at the level of the regulatory agreements governed by Article 17, paragraph 34-*bis* of Decree-Law 78 of July 1, 2009, converted, with amendments by Law 102 of August 3, 2009 ("supplementary" regulatory agreements), which include the existing SEA-ENAC Regulatory Agreement.

The supervisory duties performed by ART extend to regulation of the rates for almost all fees collected by SEA as an airport manager (airport fees, centralised infrastructure, common-use assets and exclusive-use assets). ENAC remains responsible for the regulation of the rates for fees for passengers with reduced mobility (PRM), governed by Regulation (EC) No 1107/2006 concerning the rights of disabled persons and persons with reduced mobility when travelling by air.

Revision of airport fee regulation models

On August 1, 2019, with motion 118/2019, the Transport Regulation Authority announced a public consultation on the revision of the regulation models dating to 2017. The consultation document revised the Authority's regulation, adding new provisions on the treatment of commercial business margins (hybrid till), on management efficiency through the use of Stochastic Frontier Analysis (SFA), on cost elasticity, on the return on capital employed and on incentivising airlines to operate flights.

On September 30, 2019, SEA sent the Authority its written considerations on the consultation document. SEA's position was also later set out during the public hearing on October 9, 2019.

With motion no. 177/2019 of December 19, 2019, ART deemed it necessary to further evaluate the contents of the comments and proposals received and to extend the deadline for the conclusion of the proceedings, initially scheduled for December 20, 2019, to 13 March 2020. On March 13, 2020, ART published motion no. 57/2020. In light of the Covid-19 emergency situation, this extended until May 7, 2020 the deadline to conclude the proceedings that began with motion no. 84/2018 on revising the regulation Models for airport rights.

Malpensa Airport: ENAC provision limiting the number of operators allowed to provide ground handling services for commercial aviation

On 5 June 2019, accepting the request made by SEA, ENAC issued provision no. 0065523. This limits the number of operators permitted to offer ground handling services at Malpensa airport for a period of seven years. Specifically, it sets a limit of three commercial aviation operators and four general aviation operators.

The public tender to select the commercial aviation operators will be launched by ENAC in 2020, while a general aviation selection process will not be required since four operators are currently in place.

Brexit measures

On March 27, 2019, Regulation (EU) 2019/502 of the European Parliament and of the Council of March 25, 2019 was published in the Official Journal of the European Union. The regulation sets out common rules for guaranteeing basic air connectivity in relation to the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union. The regulation mitigates air transport disruption risks in the event of a no-deal scenario in order to allow air carriers to continue flying between the United Kingdom and the European Union without capacity limitations. United Kingdom air carriers will thus be able to maintain restriction-free code-sharing arrangements with European Union carriers. United Kingdom air carriers will be able to provide fifth freedom air cargo services between the EU and non-EU countries for up to 5 months, but will not be allowed to increase frequencies during this period. Air carriers in possession of a license issued by an EU-27 state will have 6 months to conform to European Union property and control rules, provided they present their plan for conforming to such rules to the competent authorities of the EU-27 states within 2 weeks of the United Kingdom 's exit from the European Union. Finally, the United Kingdom will remain part of the European Union "One-Stop Security System", implying that EU-27 airports will not have to perform additional security screenings for passengers from the United Kingdom transiting to board other flights.

On May 13, 2019, the Italian Chamber of Deputies approved the law confirming Legislative Decree No. 22 of March 25, 2019 concerning "Urgent measures to guarantee security, financial stability and market integrity, as well as the protection of the health and freedom to reside of Italians and those of the United Kingdom, in the event of the latter's withdrawal from the European Union", due to enter into force on May 25, 2019. In introducing provisions regarding air traffic across the Milan Airport System, the law envisages, in Article 17-*quater*, that, on a temporary basis, and no more than eighteen months from the date of withdrawal, European Union and United Kingdom carriers may continue to operate point to point line connections, using narrow body aircraft between Milan Linate and United Kingdom airports, within the defined operational capacity limits for Milan Linate, and subject to reciprocity.

Of further note is the provision of Article 17-*ter* that envisages that EU airport charges will continue to apply to passengers travelling to the United Kingdom from the date of Brexit up to the date of entry into force of a global agreement governing the provision of transport services with the United Kingdom, or, failing that, until March 30, 2020.

In Great Britain, the "Withdrawal Agreement" negotiated between the United Kingdom and the European Union was approved by the United Kingdom Parliament on January 24, 2020 and ratified by the European Union on January 30, 2020. This involves the formal exit of the United Kingdom from the European Union on January 31, 2020 and a period of transition which will last until December 31, 2020. During this time, the United Kingdom will continue to be part of the European Union single market and will continue to apply European Union regulations. It will not, however, have the right to participate in EU institutions or legislative procedures.

February 1, 2020, therefore, marks only the beginning of a "virtual and institutional Brexit". This will be followed by a transition period designed to allow agreements to be signed to ensure that the United Kingdom leaves the European Union in an orderly fashion, and to avoid a no-deal scenario.

New significant domestic and EU regulations

Amendment to Decree Law Financial Manoeuvre 2020 - Additional 3.5% IRES (so-called Robin Tax) for public transport authorities: for certain categories of public transport authorities, including airport operators, this law introduces a 3.5 percentage point increase in the IRES tax for a three-year period (2019-2021). This amendment applies exclusively to the Parent Company SEA S.p.A.

Draft Law 2216: contains provisions for the replacement of vehicles and equipment powered by combustion engines with electric, hybrid or hydrogen-powered vehicles and equipment in the airports identified in Article 1, paragraph 3 of the regulation pursuant to Presidential Decree No. 201 of September 17, 2015 (i.e. the airports of Milan Malpensa, Venice and Rome Fiumicino). This is designed to reduce greenhouse gas emissions and improve environmental sustainability at these airports.

Decree-Law no. 124/2019: the text containing "Urgent provisions on tax matters and non-deferrable needs", regulated by Conversion Law No. 157/2019, was published in the Official Gazette on December 24, 2019. Specifically, Article 4 introduces the new Article 17-*bis* to Legislative Decree no. 241/1997, which stipulates that:

- for customers receiving services whose total annual value is in excess of Euro 200,000, through contracts, sub-contracts or any business relationship based mainly on the use of labour at the customer's premises and the use of capital goods owned by or ascribable in any way to the customer: said customers must request a copy of payment authorisation for the contractor or subcontractor's withholding taxes on wages due to employees directly involved in providing the work or service. The payment of the withholding tax as per the previous point shall be made by the main contractor, contractor and the sub-contractor, with separate powers of attorney for each customer, without the possibility of compensation (paragraph 1);
- in order to allow the customer to prepare a summary of the total payments made to companies, the main contractor or sub-contractor must submit to the customer (and, for sub-contractors, also to the main contractor), no later than five working days after the payment deadline pursuant to Article 18, paragraph 1, the payment authorisations set out above. They must also send a list of each of the workers - identified by name and tax code - directly involved in work or services for the customer in the preceding month. This must include details of the number of hours worked by each beneficiary in carrying out the work, the total payment owed to the worker for performance of their duties, and details of the taxes withheld in the previous month for each worker, along with a separate indication of the taxes relating to work carried out for the customer (paragraph 2).

The above provisions shall apply from January 1, 2020, including for contracts already in force, as per the recent Tax Agency Resolution no. 108/2019 of December 24, 2019.

Directive 2009/12/EC: the European Commission – DG MOVE – continued the process of assessing Directive 2009/12/EC of the European Parliament and of the Council of March 11, 2019 on airport charges, in placer since 2016.

In this regard, in April 2019, SEA received a questionnaire expressing the positions of major stakeholders on the most critical issues emerging from the preliminary research published in 2017.

On July 9, the European Commission published a study evaluating the impact of the EU Directive on airport rights. It underlined that, while the EU Directive has improved the situation, and recognising that progress has been made towards its objectives, further regulatory work remains to be done.

This is a more detailed study than the preliminary one published in December 2017, and addresses the new market dynamics which result in competition between airports of all sizes. The report therefore recognises that the risk of market abuse by airports has decreased, but considers that this risk still persists.

The research conclusions will most likely be taken up by the new European Commission that took office in November 2019. SEA will continue to monitor this process, both directly and through Italian and European industry associations.

The Green Deal and the aviation sector: on December 11, 2019, the European Union published a communication setting out a "European Green Deal for the European Union and its citizens". The "Green Deal" resets the Commission's commitment to tackling climate and environmental-related challenges, and introduces new measures and new climate objectives in every sector, as well as a detailed roadmap for their adoption.

The "Green Deal" foregrounds issues of sustainability and ecosystem conservation, recognising the need to make compromises between economic, environmental and social objectives. It also acknowledges that the transition towards this new economic and social model "will require massive public investment and increased efforts to direct private capital towards climate and environmental action".

With the Green Deal, the EU's policy of de-carbonisation and sustainability will no longer distinguish aviation from other modes of transport. The Sustainable and Smart Mobility Strategy, which the EU will present in 2020, will leave little or no room for special treatment of the aviation sector. The top priority in transport policy means "putting users first and providing them with more affordable, accessible, healthier and cleaner alternatives to their current mobility habits".

Green financing

In parallel and in support of the Green Deal, the European Commission is working on a proposal for a Regulation to classify/qualify investments and financial instruments as "green". The proposal is designed to create an EU-wide classification system, or "taxonomy", to provide businesses and investors with a common language to identify economic activities that can be considered sustainable.

There is currently no common classification system at EU or global level that defines sustainable economic activity. The proposed Regulation aims to tackle two challenges: (i) to reduce the fragmentation resulting from market-based initiatives and national practices; (ii) to reduce 'greenwashing', the practice of marketing financial products as 'green' or 'sustainable' when in reality they do not meet basic environmental standards.

The European Commission is expected to take action in the coming months to define the role of sustainable investment in the aviation sector.

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

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

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

Obtaining the SEU or SEESEU qualification entails maintaining favourable tariff conditions on self-produced electricity, with high efficiency and not drawn from the electricity grid and limited to the variable parts of the general system and network charges, as envisaged by Legislative Decree No. 115/08 and Article 25-*bis* of Decree-Law No. 91/14 converted with Law No.116/14.

By ARERA resolution no. 680/2018 of December 18, 2018, the deadline for opting for CDS or SEESEU status (previously set at December 31, 2018) was extended to July 1, 2019. The SEA Group, therefore, having assessed the risks and opportunities presented by the two options, opted for the SEESEU solution, and set into motion all the procedures to bring the system into operation as soon as possible, including the stipulation of the Distributor agreement (E-Distribution). At the closure of the 2019 budget, this stipulation had not yet been officially signed; the deadline set by the Authority is December 2020. SEA's current status is SEESEU-B.

OPERATING AND FINANCIAL OVERVIEW

Traffic data

	Movements		Passengers (1)		Cargo (2)	
	2019	% vs 2018	2019	% vs 2018	2019	% vs 2018
Malpensa	225,506	18.7%	28,706.4	16.9%	544,978	-2.4%
Linate	69,776	-25.8%	6,536.9	-28.8%	6,380	-41.1%
Total commercial traffic	**295,282**	**4.0%**	**35,243.3**	**4.4%**	**551,358**	**-3.1%**
General Aviation (3)	24,507	-5.5%	50.4	-7.3%		-
SEA Group Airport System	**319,789**	**3.2%**	**35,293.7**	**4.4%**	**551,358**	**-3.1%**

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

(2) *Arriving+departing cargo in tons*

(3) *Fonte Aviazione Generale: SEA Prime*

In 2019, the Milan airport system managed by the SEA Group served a total of 35.3 million passengers, up 1.5 million on 2018 (33.8 million passengers, +4.4%). Linate airport was inoperative from July 27 to October 26, 2019 (92 days) to allow its runway to be resurfaced and the terminal to be refurbished, resulting in the transfer of most flights to Malpensa airport. As such, traffic data for the two airports in 2018 and 2019 are not comparable.

Malpensa airport recorded a 16.9% increase in commercial aviation passengers (an increase of over 4 million), while Linate airport registered a decrease of 28.8%.

While Linate remained closed, Malpensa airport served a total of 9.6 million passengers (2.5 million more than the same period in 2018, up 34.1%). 1.9 million passengers rerouted from Linate partly accounted for this increase.

As regards 2019 results by geographical area, intercontinental traffic was up by over 700 thousand passengers (11.3%), totalling 7 million. Domestic and European destinations contributed to the increase with growth of 182 thousand passengers (2.0%) and 603 thousand passengers (3.3%) respectively.

Linate airport served a total of 6.5 million passengers (9.2 million passengers in 2018). The closure of the airport led to the transfer of most flights to Malpensa. Part of this traffic, however, (estimated at around 500 thousand passengers) did not transfer to Malpensa, with some passengers preferring other modes of transport (train), or choosing to travel from other airports in northern Italy.

Through the two terminals of Linate and Malpensa (the latter opened in July 2019), Business and General Aviation handled a total of 24,507 movements, down 5.5% on 2018. This decrease is entirely due to the closure of Linate during the three summer months, as traffic was only partially rerouted to Malpensa.

Income Statement

The accounting policies applied in preparing the 2019 consolidated figures are in line with those utilised for the 2018 consolidated financial statements. In compliance with IFRS 16, from 2019 all leased assets meeting the definition set out in the standard are listed in a single statement of financial position account entitled "Leased assets right-of-use" and are depreciated according to the duration of the contract. The main effects from application of IFRS 16 on the 2019 accounts follow:

1) lower operating lease charges in 2019 of Euro 1,810 thousand, with an equal improvement in EBITDA;
2) higher depreciation in 2019 for the above-stated right-of-use for Euro 1,722 thousand, with an improved EBIT of approx. Euro 88 thousand;
3) higher financial charges in 2019 of Euro 135 thousand;
4) the effect on the Profit before taxes was negative for Euro 47 thousand.

(Euro thousands)	2019	2018	Change	Cge. % 2019/2018
Operating revenues	706,868	683,956	22,912	3.3%
Revenue for works on assets under concession	51,142	29,189	21,953	75.2%
Total revenues	**758,010**	**713,145**	**44,865**	**6.3%**
Operating costs				
Personnel costs	191,627	189,416	2,211	1.2%
Other operating costs	245,403	215,150	30,253	14.1%
Total operating costs	**437,030**	**404,566**	**32,464**	**8.0%**
Costs for works on assets under concession	46,321	26,728	19,593	73.3%
Total costs	**483,351**	**431,294**	**52,057**	**12.1%**
EBITDA (1)	**274,659**	**281,851**	**(7,192)**	**(2.6%)**
Provisions & write-downs	555	3,704	(3,149)	(85.0%)
Restoration and replacement provision	22,052	15,077	6,975	46.3%
Amortisation & Depreciation	77,400	73,601	3,799	5.2%
Operating profit	**174,652**	**189,469**	**(14,817)**	**(7.8%)**
Investment income	17,521	14,568	2,953	20.3%
Net financial charges	16,964	16,641	323	1.9%
Profit before taxes	**175,209**	**187,396**	**(12,187)**	**(6.5%)**
Income taxes	50,788	51,318	(530)	(1.0%)
Net profit	**124,421**	**136,078**	**(11,657)**	**(8.6%)**
Minority interest profit	2	2	0	0.0%
Group Net Profit	**124,419**	**136,076**	**(11,657)**	**(8.6%)**

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

Operating revenues amounted to Euro 706,868 thousand in 2019, up Euro 22,912 thousand (+3.3%). This strong performance was mainly due to traffic development, which drove increases in both aviation revenues of Euro 10,081 thousand and of revenues from non aviation activities of Euro 11,236 thousand. Revenues from the energy business grew Euro 2,122 thousand, while business and general aviation operations reported a reduction in revenues of Euro 526 thousand. Operating costs increased Euro 32,464 thousand (+8.0%), mainly due to the expenses associated with the increase in traffic and higher energy costs, in addition to the extraordinary costs related to the closure of Linate and the corresponding transfer of operations to Malpensa (hereafter called the "Bridge"), as outlined below. The margin resulting from the difference between revenues and costs of works on assets under concession amounted to Euro 4,821 thousand, up due the investments made during the period.

As a result of the developments outlined above, EBITDA was Euro 274,659 thousand, decreasing 2.6% on 2018 (Euro -7,192 thousand). Excluding the non-recurring items outlined above, EBITDA was up 0.2% (Euro +487 thousand).

EBIT of Euro 174,652 thousand (-7.8%), was mainly impacted by increased amortisation and depreciation with the entry into use of a number of investments.

Net profit amounted Euro 124,421 thousand, a decrease of Euro 11,657 thousand on the previous year (-8.6%).

Revenues

Operating revenues for the period ended December 31, 2019 (net of work on assets under concession) amounted to Euro 706,868 thousand and include Aviation revenues of Euro 425,810 thousand (Euro 415,729 thousand in 2018), Non Aviation revenues of Euro 253,634 thousand (Euro 242,399 thousand in 2018), General Aviation revenues of Euro 10,818 thousand (Euro 11,344 thousand in 2018) and Energy revenues of Euro 16,606 thousand (Euro 14,484 thousand in 2018).

Operating revenues increased by Euro 22,912 thousand on the previous year (+3.3%), supported in 2019 by non-recurring revenues of Euro 197 thousand for the "Jova beach party" musical event, while 2018 benefitted from non-recurring revenues of Euro 5,591 thousand due to the conclusion of the legal proceedings in which SEA was recognised as entitled to the fees for the premises occupied in previous years by the Italian Customs Authority. Net of these items, revenues grew Euro 28,306 thousand (+4.2%). This performance is principally based on:

- *Aviation* for Euro +10,081 thousand, mainly due to the boost in traffic volumes in the period.
- *Non Aviation* for Euro +16,629 thousand, with organic growth across all the main business segments (Shops, Food & Beverage, Car Rental, Parking, Cargo and Bank Services).
- *Energy* for Euro +2,122 thousand, mainly due to higher volumes of electricity sales to third parties.
- *General Aviation* for Euro -526 thousand, mainly due to the strong performance for regulated fees for Euro +626 thousand, and a reduction of Euro 1,150 concerning, mainly, the absence of space rental revenues as a result of the "Bridge" project.

Revenues for works on assets under concession rose from Euro 29,189 thousand in 2018 to Euro 51,142 thousand in 2019, marking an increase of 75.2%. These revenues refer to construction work on assets under concession increased by a mark-up representing the best estimate of the remuneration of the internal cost for the management of the works and design activities undertaken, which corresponds to a mark-up which a third-party general constructor would request to undertake such activities. This account is strictly related to investment activities on assets under concession.

Operating costs

Operating costs in 2019, net of costs for works on assets under concession, amount to Euro 437,030 thousand, rising Euro 32,464 thousand on the previous year (+8.0%). Costs in 2019 included non-recurring items of Euro 4,358 thousand, while in 2018 included non-recurring items for Euro 2,073 thousand, with an increase excluding these items therefore of Euro 30,179 thousand (+7.5%), mainly due to:

- Group personnel costs, which increased Euro 2,437 thousand (+1.3%) compared to 2018 (Euro 187,343 thousand in 2018, Euro 189,780 thousand in 2019). This movement relates to extraordinary "Bridge" costs (Euro 1,255 thousand) and the net increase in the workforce to manage greater passenger numbers. The headcount in 2019 amounted to 2,802 full-time equivalents, up by 20 FTEs on 2018 (2,782 FTEs).
- Other operating costs increased by Euro 27,742 thousand (+12.9%) compared to 2018 (increasing from Euro 215,150 thousand to Euro 242,892 thousand in 2019). This growth was due to the increase in costs tied to traffic volumes of Euro 5,457 thousand (security, public fees, fees associated with the management of parking and passenger support, fuel and chemical product costs for the deicing of aircrafts), the increase in energy costs - methane, CO_2 and energy certificate purchases from third parties - for Euro 8,779 thousand and other operating costs for Euro 13,509 thousand. This increase is due to higher maintenance and cleaning costs, hardware and software and advertising charges, while professional services and lease charges reduced on the previous year (for Euro 3,779 thousand), which benefitted in 2019 from the application of IFRS 16, which was not applied in 2018. 2019 costs include extraordinary "Bridge" items of Euro 5,557 thousand.

Costs for works on assets under concession

Costs for works on assets under concession increased from Euro 26,728 thousand in 2018 to Euro 46,321 thousand in 2019. 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 2019, provisions and write-downs report a net release of Euro 555 thousand, on the basis of Euro 2,469 thousand of net accruals to the future charges provision (Euro 2,887 thousand in 2018) and net releases of Euro 1,914 thousand (Euro 816 thousand net accrual in 2018) from the doubtful debt provision.

The accruals to the future charges provision include an accrual for labour of Euro 1,452 thousand; an accrual of Euro 1,000 thousand to the noise provision for the new mapping of sensitive and residential receivers required for the offsetting project both at Linate, where the Master Plan 2030 was recently approved (December 5, 2019), and for Malpensa; an accrual of Euro 400 thousand for new disputes. These accruals were partially offset by releases of insurance deductibles due to the revaluation of risks and the release of dispute closure provisions.

The net releases from the doubtful debt provision relate to provisions accrued in previous years following the absence of the conditions for which they were originally established. The releases were partially offset by the accruals recognised to take into account the risk assessed by the Company, which reflects the expected loss on each receivable, in accordance with IFRS 9.

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

Restoration and replacement provision

During the year, the net provision amounted to Euro 22,052 thousand (Euro 15,077 thousand in 2018) and includes the expected maintenance of the plant in the course of its useful life. This increase of Euro 6,975 thousand is considered necessary, following the review of the maintenance plan.

Amortisation & depreciation

In 2019, amortisation and depreciation rose Euro 3,799 thousand on 2018, from Euro 73,601 thousand to Euro 77,400 thousand. Amortisation and depreciation in the periods relate to tangible and intangible assets held based on the estimated useful life by the Group, which however does not exceed the duration of the concession and the increase in fixed assets whose depreciation began in the second half of 2018 (de-icer equipment and trucks, airport restyling works and renovation of the Linate and Malpensa T1 terminals and the new cargo operators and handlers warehouse were the main investments). There was also an increase due to the amortisation of the new category of intangible assets resulting from IFRS 16, i.e., "Leased assets right-of-use", which amounted to Euro 1,722 thousand in 2019.

Investment income and charges

In 2019, net income from investments increased Euro 2,953 thousand, from Euro 14,568 thousand in 2018 to Euro 17,521 thousand in 2019 and include investments measured under the Equity method and other revenues and income.

The share of the result of Equity-accounted associates was positive at Euro 17,461 thousand in 2019 (Euro 14,177 thousand in 2018). The increase, amounting to Euro 3,284 thousand, is attributable to the improvement of the results achieved by some associates.

Other income decreased Euro 331 thousand. This decrease was due to the dividends recorded in the 2018 financial statements, which amounted to Euro 387 thousand, as approved by the Shareholders' Meeting of Airport Handling S.p.A. on May 6, 2016, drawing on the profit from FY 2015, paid on the shares held by SEA, collected directly by SEA in July 2018 following the dissolution of the trust.

Financial income and charges

In 2019, net financial charges increased Euro 323 thousand, from Euro 16,641 thousand in 2018 to Euro 16,964 thousand in 2019.

This outcome was primarily due to the lesser interest expense during the period on medium-/long-term loans, driven by the decrease in the average period gross debt, lower charges on derivatives due to the continuing amortisation of the relevant notional amount, and lower financial income in 2019 compared to the previous year, when interest income accrued on the IRES receivable collected in April 2018, concurrently with the corresponding nominal tax receivable, was recognised.

Income taxes

Income taxes in 2019 amounted to Euro 50,788 thousand, decreasing on 2018 (Euro 51,318 thousand) by Euro 530 thousand, against a reduction in the pre-tax profit of Euro 12,187 thousand. This effect on the 2019 income taxes substantially related to the application of the additional IRES under Article 1, paragraph 716 of Law No. 160 of December 27, 2019 (2020 Budget Law), in accordance with which public service concession holders, including those holding airport concessions, are subject to an additional 3.5% on the ordinary IRES rate, which consequently increases from 24% to 27.5% for the fiscal years 2019, 2020 and 2021.

A detailed analysis of the components that contributed to this net result and their comparison with 2018 is available in Note 9.12 of the Consolidated Financial Statements.

Group Net Result

As a result of the trends outlined above, the Group's net profit amounted to Euro 124,419 thousand, decreasing Euro 11,657 thousand over the previous year (Euro 136,076 thousand).

Reclassified statement of financial position

(Euro thousands)	December 31, 2019	December 31, 2018	Change
Intangible assets	994,659	986,469	8,190
Property, plant & equipment	215,657	205,483	10,174
Leased assets right-of-use	10,106		10,106
Investment property	3,404	3,408	(4)
Investments in associates	76,674	67,914	8,760
Other investments	26	26	0
Deferred tax assets	58,163	54,185	3,978
Other non-current receivables	6,470	188	6,282
Fixed assets (A)	**1,365,159**	**1,317,673**	**47,486**
Inventories	1,848	1,934	(86)
Trade receivables	123,241	121,005	2,236
Tax receivables	2,071	1,048	1,023
Other receivables	11,067	9,527	1,540
Current assets	**138,227**	**133,514**	**4,713**
Trade payables	182,085	153,394	28,691
Other payables	287,522	192,476	95,046
Tax payables	10,689	18,541	(7,852)
Current liabilities	**480,296**	**364,411**	**115,885**
Net Working Capital (B)	**(342,069)**	**(230,897)**	**(111,172)**
Provisions for risks and charges (C)	(157,408)	(167,861)	10,453
Employee provisions (D)	(48,172)	(46,214)	(1,958)
Other non-current payables (E)	(7,961)	(13,964)	6,003
Net capital employed (A+B+C+D+E)	**809,549**	**858,737**	**(49,188)**
Group Net Equity	(358,593)	(459,101)	100,508
Minority interest net equity	(27)	(25)	(2)
Net financial debt	(450,929)	(399,611)	(51,318)
Total sources of financing	**(809,549)**	**(858,737)**	**49,188**

All fixed assets, including those falling under IFRIC 12, are expressed net of those funded by State and European Union contributions. At December 31, 2019, they amounted to Euro 506,135 thousand and Euro 7,019 thousand respectively (at December 31, 2018, Euro 505,226 thousand and Euro 7,019 thousand respectively).

Fixed assets of Euro 1,365,159 thousand increased by Euro 47,486 thousand over December 31, 2018, mainly due to: *i)* the amount of investments and amortisation and depreciation in the period, respectively of Euro 97,911 thousand (net of restoration provision utilisations) and Euro 75,678 thousand (amortisation and depreciation stated net of the effect of IFRS 16); *ii)* the measurement of a new category of intangible assets arising from IFRS 16, Leases assets right-of-use, amounting to Euro 10,106 thousand at December 31, 2019; *iii)* the increase in the value of investment in associates (Euro 8,760 thousand), which reflects the measurement at equity of investments in associates; *iv)* the increase in net deferred tax assets of Euro 3,978 thousand; *v)* the increase in Other non-current receivables of Euro 6,282 thousand related to the works to restore and replace assets within the scope of IFRIC 12 set to accrue in future years.

Net working capital of Euro -342,069 thousand increased by Euro 111,172 thousand over December 31, 2018.

This movement is based on a range of factors. Current assets increased due to the increase in trade receivables, mainly as a result of the higher revenues in the year, of tax receivables and other receivables, while current liabilities contributed positively to working capital movements.

Current 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. 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, 2018 due to the achievement by some workers of the requirements for the settlement of the payable or the reclassification from non-current to current payables.

Net capital employed at December 31, 2019 amounted to Euro 809,549 thousand, with a decrease of Euro 49,188 thousand over December 31, 2018.

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

(Euro thousands)	December 31, 2019	December 31, 2018	Change
Inventories	1,848	1,934	(86)
Trade receivables	123,241	121,005	2,236
Trade payables	(182,085)	(153,394)	(28,691)
Other receivables/(payables)	(285,073)	(200,442)	(84,631)
Total net working capital	**(342,069)**	**(230,897)**	**(111,172)**

Net Financial Position

The "Net financial position", amounting to Euro 450,929 thousand, improved by Euro 51,318 thousand over December 31, 2018 (Euro 399,611 thousand). The generation of operating cash flow almost entirely financed the investments of Euro 123,827 thousand and the payment of ordinary and extraordinary dividends totalling Euro 138,650 thousand.

Reconciliation between equity of SEA SpA and consolidated equity

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

(Euro thousands)	Shareholders' Equity at December 31, 2018	Equity movements	OCI Reserve	Net profit	Shareholders' Equity at December 31, 2019
Parent Company Financial Statements	**390,591**	**(223,400)**	**(1,527)**	**111,565**	**277,229**
Share of net equity and net profit of the consolidated subsidiaries attributable to the Group, net of the carrying amount of the relative investments	24,711			3,836	28,547
Adjustments for measurement at equity of associates	49,778			8,760	58,538
Other consolidation adjustments	(5,952)			260	(5,692)
Consolidated Financial Statements	**459,126**	**(223,400)**	**(1,527)**	**124,421**	**358,620**

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" or "Net financial position" means liquidity, financial receivables and current securities, net of financial payables (current and non-current) and the fair value of financial debt hedging derivatives.
- "NFP/EBITDA" means the ratio of Net financial debt to EBITDA, as defined above.
- "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 working capital, as defined above, and fixed assets, net of the personnel provisions, other non-current payables and provision for contingencies and charges.
- "Investments in tangible and intangible assets" means investments in tangible and intangible assets based on the information presented in the SEA Group's notes, net of uses of the restoration provision.
- "Non-recurring components" means items arising from non-recurring transactions. Such items, in the management's opinion and where specified, may be excluded in the interest of better comparability and assessment of financial performance results. In this Directors' Report, some of the measures listed above are presented and described net of non-recurring components.

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

SEA GROUP INVESTMENTS

The SEA Group in 2019 continued its commitment to support investments in line with its development plan. The following table details the investments made in 2019 of Euro 123,827 thousand. It should be noted that no research and development activities were carried out in 2019.

(Euro thousands)	**2019**
Flight infrastructure	30,843
Airports (including BHS)	39,743
Cargo	1,040
Misc. buildings	3,462
Roadways and parking	6,173
Networks and plant	18,568
Ecology	30
ICT Systems/Projects	14,809
Various equipment	9,160
Total investments	**123,827**

The amounts are reported net of the 6% remuneration based on IFRIC 12 (Euro 4.8 million), the portion of financial charges (Euro 0.02 million) and other components of an exclusively monetary nature. Total investments do not include increases for the recognition of fixed assets IFRS 16.

Work on flight infrastructure mainly comprised redevelopment of the runway and Taxiway T at Linate, completion of regulation works on the Lambro river, and other extraordinary maintenance work on the runway surface, connections and taxiways at Linate and Malpensa.

Among the most significant airport investments were the functional restyling of the terminal and upgrade of the BHS system for new radiogenic equipment at Linate, while at Malpensa, work consisted of the completion of the new General Aviation Terminal and the preparatory work for traffic transfer following the closure of Linate airport. This included the creation of new check-in islands, upgrades to the baggage handling system, and new E-Gate checkpoints for passport control.

The item "Misc. buildings" mainly consists of the costs incurred during the development of the Linate and Malpensa Masterplan, supporting work for the construction of the new general aviation base located at Malpensa Terminal 2, and the replacement of escalators in Malpensa Terminal 1.

Work done on the road access and parking system centred around the work carried out in creating road access to Malpensa Terminal 2, and upgrades to the parking area at Linate.

The most significant investments made in the "Networks and plant" category corresponded to work, including advance payments to suppliers, on the energy production plant at the Malpensa station, and upgrades and renovations to the electrical substations at Linate and Malpensa.

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

The item "Other equipment" mainly comprises new radiogenic EDS and ETDS equipment, and new apron equipment such as de-icers and push-back tractors at Linate and Malpensa.

SUBSEQUENT EVENTS

Air Italy Liquidation

On February 11, 2020, Alisarda and Qatar Airways, shareholders in Air Italy S.p.A. through AQA Holding S.p.A., decided to begin liquidation procedures for the company. The liquidators will define the liquidation plan according to the liquidation procedures.

Limitation of handlers at Linate airport

On February 21, the Civil Aviation Authority (ENAC) issued a measure supplementing provision no. 119504 of October 31, 2018 (measure restricting handlers at Linate airport), stipulating that this restriction identifies four general aviation operators.

Covid-19 (Coronavirus)

The most significant event subsequent to the 2019 financial year-end was the spread of the Covid-19 virus and its consequences for the air transport sector.

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 the "Crisis Committee"), quickly launched an emergency management plan. This immediately implemented a series of measures at all levels of the organisation to prevent risks, 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.

The Crisis Committee supervises and coordinates the healthcare aspects within its remit, and also directs the operational, infrastructural, commercial, economic-financial and institutional aspects of the emergency response. It is also responsible for activating all the measures necessary to minimise the effects of this emergency on the Group.

Due to the significant reduction in traffic following the health emergency and the government's measures to contain the outbreak, on March 10, 2020, a decision was taken to close the central satellite at Malpensa Terminal 1 (non-Schengen traffic). Subsequently, 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 Italian Civil Aviation Authority (ENAC) on March 13 and 25, 2020, the total closure of Milan Linate airport and Malpensa Terminal 1 was ordered until further notice. Passenger traffic has been concentrated at Terminal 2 at Malpensa airport to minimise the number of people and vehicles, while Cargo City, where significant levels of activity have continued, has remained open to serve cargo traffic (approximately 70% of cargo handled at Malpensa).

Reference should also be made to the "Outlook" section.

Extraordinary Temporary Lay-Off Scheme (CIGS)

Following the measures taken in response to the Covid-19 emergency, on March 13, 2020 an agreement was signed between SEA, the Trade Unions and the Trade Union Representative (RSU), activating the Extraordinary Temporary Lay-off Scheme (CIGS) from March 16, 2020. After the trade union consultation procedure at the Council of Lombardy, the Agreement was communicated to the Ministry for Labour with a request for an authorisation decree.

The CIGS will involve all staff on a rotating basis and, while awaiting the Ministry for Labour authorisation decree, SEA will bring forward by a month the INPS contribution, in lieu of salary. SEA will also extend a request to the "Solidarity Fund for the air transport sector and the airport system", which will evaluate each case and, for qualifying requests, will be responsible for the authorisation resolution and the consequent payment directly to the worker.

Deferral of payment of second tranche of extraordinary dividends

The Shareholders' Meeting of September 30, 2019 approved the extraordinary distribution of available components of equity, carried in the financial statements as at December 31, 2018 in the account Other Reserves, for a total of Euro 124,600 thousand, with payment in two tranches: the first, equal to 32%, to be paid from October 15, 2019, and the second, equal to 68%, to be paid from June 24, 2020. Noting the significant change in the global economic scenario following the spread of the Covid-19 virus pandemic, and adopting a prudent approach in order to strengthen the Group's balance sheet and limit future economic-financial impacts, the Board of Directors on April 2, 2020 decided to postpone the payment of the second tranche of the available reserves, subject to the Shareholders' Meeting motion on their distribution, reserving the right to re-set the date of payment once the current situation related to Covid-19 has passed.

OUTLOOK

The context in which the Group will operate in 2020 is in constant flux in light of the Covid-19 emergency. The rapid spread of the epidemic has led to radical containment measures in all major countries across the world, and has caused, among others effects, the effective paralysis of many businesses and sectors, including air transport.

The most recent projections released by the International Air Transport Association (IATA) [3] predict a sharp decline in air transport demand in 2020, anticipating a 38% fall in global business passenger revenues (equal to USD 250 billion). In Europe, the expected reduction appears even more significant (-46%). It is important, however, to note how the IATA has significantly revised downwards the forecasts it made only three weeks earlier, which projected a worldwide decline of 19%. Therefore, and also in light of the rapid spread of the epidemic worldwide, the situation may well worsen in the coming weeks. This would lead to further negative revisions to the current forecasts.

The SEA Group is monitoring developments in the situation very closely, and when the emergency began, launched a Crisis Committee to manage its response to Covid-19. The Committee comprises the Chief Executive Officer and the General Manager, as well as the main Group Directors and Managers. Its role is to supervise and coordinate the healthcare aspects within its remit, as well as the operational, infrastructural, commercial and economic-financial aspects of the emergency response. It is also responsible for activating all the measures necessary to minimise the effects of this emergency on the Group.

Since February 23, 2020, when the effects of the emergency began to be felt on air travel, traffic at SEA Group airports has fallen steadily, hitting a thousand passengers per day in the last week.

The current situation is extremely complex, and how it develops in the coming months will depend on a number of factors. These include the duration of the emergency, the restrictions introduced and their duration, the impact the emergency may have on the economy, and the effect of the epidemic on passengers' propensity to travel.

In light of the above, the potential impact of the Covid-19 pandemic on the SEA Group, while significant, cannot be accurately estimated. It will therefore be necessary to await the evolution of the situation in Italy, in Europe, and in the rest of the world before forming a more complete assessment.

Liquidity in the Company's current accounts, together with available unused committed and uncommitted lines of credit, and additional lines under negotiation with financial institutions, will allow the Group to manage its cash requirements until traffic begins to return. This is expected to be at the end of the emergency phase.

[3] *Covid-19 Updated impact assessment of the Novel Coronavirus - March 5, 2020*

OPERATING PERFORMANCE – SECTOR ANALYSIS

Commercial Aviation

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

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

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

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

General Aviation

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

Energy

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

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

	Commercial Aviation		General Aviation		Energy		Consolidated	
(Euro thousands)	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
OPERATING REVENUES	679,444	658,128	10,818	11,344	16,606	14,484	706,868	683,956
EBITDA	268,516	273,622	6,509	7,488	(366)	741	274,659	281,851
EBIT	170,789	183,869	4,557	5,577	(694)	23	174,652	189,469

The EBITDA shown above includes the IFRIC margin.

Commercial Aviation

Traffic data

Milan Malpensa and Milan Linate airport traffic

	Movements		Passengers [1]		Cargo [2]	
	2019	% vs 2018	2019	% vs 2018	2019	% vs 2018
Malpensa	225,506	18.7%	28,706.4	16.9%	544,978	-2.4%
Linate	69,776	-25.8%	6,536.9	-28.8%	6,380	-41.1%
Total commercial traffic	**295,282**	**4.0%**	**35,243.3**	**4.4%**	**551,358**	**-3.1%**

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

[2] *Arriving+departing cargo in tons*

In 2019, the Milan airport system managed by the SEA Group served a total of 35.2 million passengers, up 1.5 million on 2018 (33.8 million passengers, +4.4%). Linate airport was inoperative from July 27 to October 26, 2019 (92 days) to allow its runway to be resurfaced and the terminal to be refurbished, resulting in the transfer of most flights to Malpensa airport. As such, traffic data for the two airports in 2018 and 2019 are not comparable.

Malpensa airport recorded a 16.9% increase in commercial aviation passengers (totalling over 4 million), while Linate airport registered a decrease of 28.8%.

While Linate remained closed, Malpensa airport served a total of 9.6 million passengers (2.5 million more than the same period in 2018, up 34.1%). 1.9 million passengers rerouted from Linate partly accounted for this increase.

Linate airport served a total of 6.5 million passengers (9.2 million passengers in 2018).

The increase in passengers passing through the airports managed by the Group is ascribable to 548 thousand passengers (+2.6%) of Legacy airlines: Air Italy increased its traffic by around 500 thousand passengers (up 37.0%) as a result of new connections to North America and further expansion of domestic flights. Low-cost carriers (easyJet, Ryanair, Vueling and Wizz Air) recorded an overall increase of 840 thousand passengers (7.2%), while the leisure segment grew by 121 thousand (10.9%).

Intercontinental traffic was up by over 700 thousand passengers (11.3%), totalling 7 million. Domestic and European destinations contributed to the increase with growth of 182 thousand passengers (2.0%) and 603 thousand passengers (3.3%) respectively.

Cargo traffic amounted to 551 thousand tons, down 3.1% on 2018. This reduction is attributable to the negative performance of all-cargo carriers (-6.7%), to a largely equivalent extent in both exports and imports. Bucking the trend were carriers operating combi aircraft, whose transports were up by 5.8%.

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

Among the 15 biggest airports served by the SEA Group in 2019 is London, which, with five airports and over 2.5 million passengers served, is the number one destination for passenger traffic, despite a decrease (2.3%) on 2018. Next is Paris, with over 2 million passengers (+5.4%), and Catania, the number one domestic destination, with 1.7 million passengers (+3.9%). The main intercontinental destinations connected by Milan are New York and Dubai, with over 1 million and 673 thousand passengers respectively.

		2019	cge % vs 2018	% of total
1	LONDON	2,504.6	-2.3%	7.1%
2	PARIS	2,041.0	5.4%	5.8%
3	CATANIA	1,662.5	3.9%	4.7%
4	AMSTERDAM	1,207.6	-1.1%	3.4%
5	ROME	1,191.8	-10.9%	3.4%
6	PALERMO	1,147.4	6.9%	3.3%
7	MADRID	1,113.8	11.2%	3.2%
8	NEW YORK	1,019.0	8.7%	2.9%
9	NAPLES	901.8	2.8%	2.6%
10	BARCELONA	890.5	7.0%	2.5%
11	CAGLIARI	861.6	1.4%	2.4%
12	LAMEZIA TERME	833.8	15.8%	2.4%
13	FRANKFURT	815.1	-4.6%	2.3%
14	BARI	703.6	9.1%	2.0%
15	DUBAI	673.0	-1.3%	1.9%
	Others	17,676.2	6.4%	50.2%
	Total	**35,243.3**	**4.4%**	**100.0%**

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

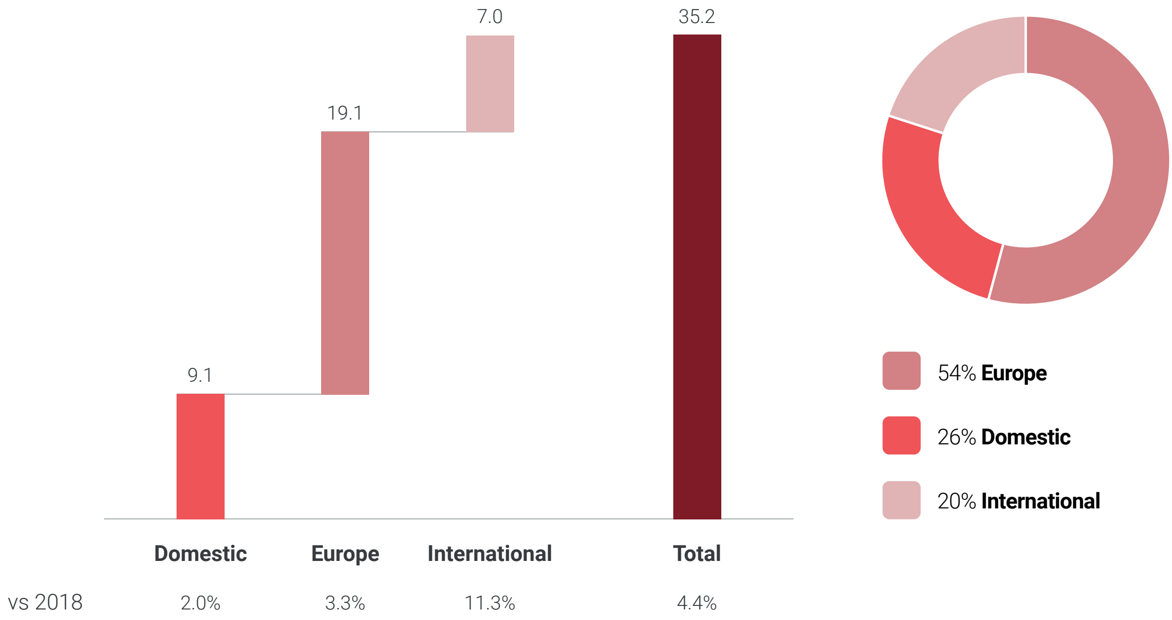
Main airlines by passengers served by the Milan airport system (thousands)

EasyJet confirmed its position as the leading carrier of traffic volumes in the Milan airport system, with 8.3 million passengers (up 0.2%). Alitalia ranks second with 5.8 million (down 5.6%). Ryanair comes in third with 2.6 million passengers (up 23.7%). These airlines are followed by Air Italy, Lufthansa and Vueling.

		2019	cge % vs 2018	% of total
1	Easyjet	8,307.4	0.2%	23.6%
2	Alitalia	5,824.6	-5.6%	16.5%
3	Ryanair	2,576.2	23.7%	7.3%
4	Air Italy	1,805.2	37.0%	5.1%
5	Lufthansa	1,660.4	0.1%	4.7%
6	Vueling Airlines S.A.	1,020.5	16.8%	2.9%
7	Emirates	938.6	0.8%	2.7%
8	British Airways	878.5	-6.1%	2.5%
9	Neos	815.3	22.4%	2.3%
10	Air France	606.5	7.6%	1.7%
11	Wizz Air	599.1	43.2%	1.7%
12	Iberia	495.3	-4.6%	1.4%
13	Turkish Airlines	485.1	-0.3%	1.4%
14	Tap Air Portugal	463.7	7.5%	1.3%
15	Klm	426.5	-2.6%	1.2%
	Others	8,340.5	4.8%	23.7%
	Total	**35,243.3**	**4.4%**	**100.0%**

Traffic by region

2019 - Passenger traffic by geographical area (millions)



Domestic traffic was up 2.0% (182 thousand additional passengers) to 9.1 million. This growth was due to: Air Italy, which registered an increase of 385 thousand passengers following the addition of seven destinations to its network from summer 2018.

Ryanair with an increase of 148 thousand passengers thanks to new connections to Bari and Brindisi, bringing its total destinations to six. Alitalia registered a decrease of 381 thousand passengers following the closure of Linate airport for runway resurfacing and refurbishment of the terminal; since the closure, Alitalia has permanently transferred four daily flight to Rome Fiumicino to Bergamo airport.

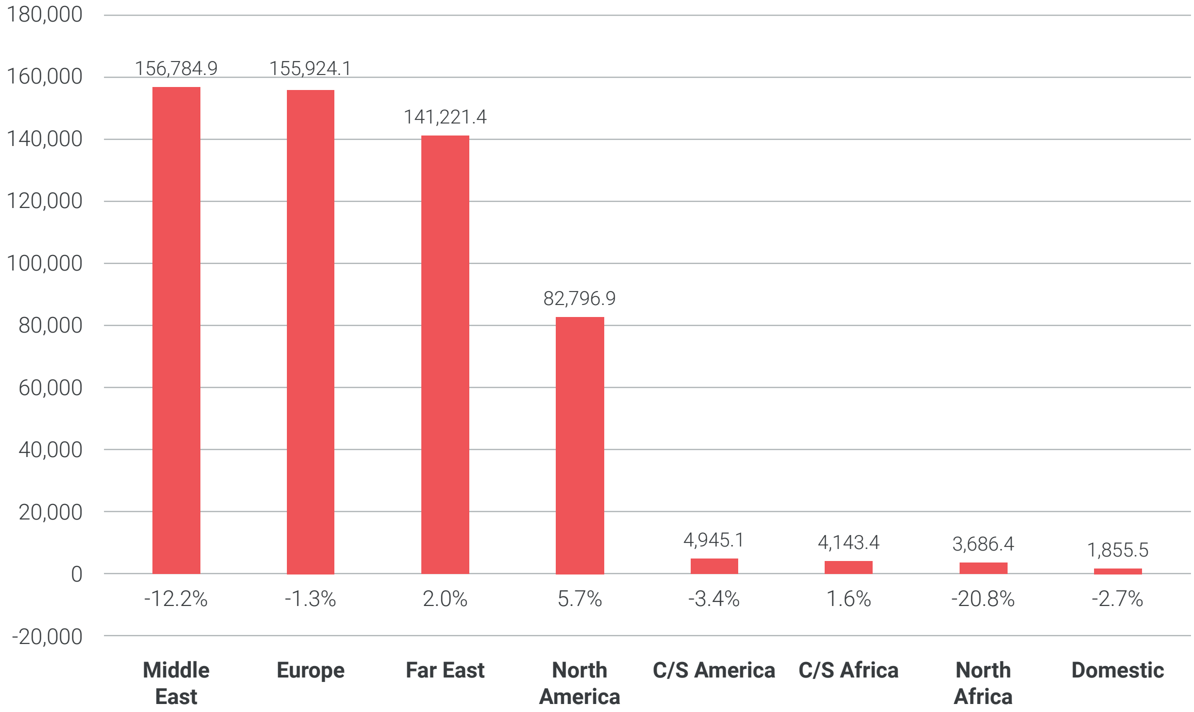
European traffic was up 3.3% (603 thousand additional passengers) to 19.1 million.

This growth is primarily to be attributed to low-cost carriers. Ryanair (+32.7%), with an increase of 345 thousand passengers, introduced nine new connections (of which four only for the summer season), bringing its total European destinations to 19 (up from 10). Wizz Air (+43.2%), with an increase of 181 thousand passengers, in 2019 introduced two new connections to Ohrid and Vienna, bringing its total connections to seven. Vueling (+16.8%) contributed an increase of 147 thousand passengers and seven connections, of which two are for the summer season.

Intercontinental traffic was up 11.3%, with 709 thousand additional passengers, to 7 million passengers served.

The main area of development is **North America** (up 23.3%, equal to 288 thousand passengers) thanks to Air Italy, which has improved connections to New York and Miami and introduced new destinations (San Francisco, Los Angeles and Toronto) since the summer. North America was followed by **Africa** (+17.0%, equal to 192 thousand passengers), where growth was due to the positive performances of Neos, easyJet and Blu Panorama. Next came the **Middle East** (+6.9%, 163 thousand passengers), where Qatar Airways, Oman Air and Kuwait showed the greatest increases, and the **Far East** (+12.7%, 141 thousand passengers), up mainly thanks to the contribution of Air China.

2019 Freight traffic by geographical area - SEA managed airports



Cargo in tons.

The % change refers to a comparison with the previous year

Cargo traffic amounted to 551 thousand tons, down by 3.1% on 2018. All-cargo carrier transport fell 6.7%, while carriers operating with mixed configuration aircrafts saw an increase of 5.8%.

Cargo traffic was concentrated on **Malpensa** airport, which handled 545 thousand tons, down 2.4% on 2018. This change is mainly attributable to export traffic (-2.8%) and to a lesser extent to import traffic (-1.8%). All-cargo traffic amounted to 372.8 thousand tons, down by 5.8% on 2018, whereas belly traffic was up by 6.1%, rising to 172.2 thousand tons of cargo processed.

The courier segment, which corresponds to 18.3% of total all-cargo transport, registered a fall of 2.4%.

Among intercontinental geographical areas, the growth of North America, with an increase of 4.5 tons (5.7%), and the Far East, with an increase of 2.8 thousand tons (2.0%), are of particular note.

The remaining geographical areas show a reduction in transport, especially in the Middle East (-12.2%, 21.7 thousand tons).

TNT, the only all-cargo carrier operating from Linate, has definitively closed its operations at the airport, transferring all flights to Malpensa from July 27, 2019.

Revenues

Commercial Aviation revenues in 2019 amount to Euro 679,444 thousand, up Euro 21,316 thousand on the previous year (+3.2%).

Net of non-recurring items totalling Euro 197 thousand in 2019 (relating to the "Jova Beach Party" event) and Euro 5,591 thousand in 2018 (relating to the conclusion of the legal proceedings in which SEA was recognised as entitled to the fees for the premises previously occupied by the Italian Customs Authority), operating revenues grew by Euro 26,710 thousand (4.1%).

The main contributors to this growth were the following areas:

- **Aviation** activities for Euro **10,081** thousand (from Euro 415,729 thousand in 2018 to Euro 425,810 thousand in 2019). Contributing to this increase is higher traffic volumes of Euro 8,986 thousand (+2.4%), and the increase in airport tariffs for Euro 1,243 thousand (+4.1%). These compensated for a slight decrease in revenues from regulated spaces, which totalled Euro 149 thousand.
- **Non Aviation** activities for Euro 16,629 thousand (from Euro 236,808 thousand in 2018 to Euro 253,437 thousand in 2019). This performance was mainly due to good results in the Retail divisions (Shops, Food & Beverage, Car Rentals and Banks) for Euro 5,834 thousand (+6.0%) and Parking for Euro 5,200 thousand (+7.6%). Against 2018, the Premium Services segments (VIP Lounges and Fast Track services) also increased for Euro 3,433 thousand and Real Estate for Euro 939 thousand. Cargo revenues amounted to Euro 18,357 thousand, up Euro 2,096 thousand on the previous year (+13.0%), following the renewal of certain contracts and the extension of spaces utilised by new tenants. Service revenues also grew to Euro 109 thousand. Advertising revenues fell Euro 982 thousand as a result of the "Bridge".

  In the Retail division, revenues from Shops registered growth of Euro 3,488 thousand (+6.9%). This growth was a result of increased revenues from Terminal 1 15%, justifying once again in 2019 the strategy of giving increased space to international luxury brands and capitalising on the transfer of passengers from Linate to Malpensa during the Bridge which, on the other hand, resulted in a notable fall in revenues at Linate (-35.2%).

  Revenues from the Food & Beverage segment grew by Euro 1,312 thousand (+6.%). The Malpensa T1 result (+19.8%) was driven by excellent revenues generated by food and drink outlets, especially during the "Bridge" period, during which the increased numbers of passengers welcomed the upgrades to existing outlets as well as the new locations introduced during the year. Catering in Terminal 2 also performed well (+6.0%), while Linate was down 23% due to the temporary closure of the airport.

  Revenues from the Car Rental division recorded growth of Euro 264 thousand (+1.5%) despite the closure of Linate during the "Bridge", which was more than offset by the positive performance of Malpensa operators. Revenues from Banking Services increased by Euro 770 thousand (+9.4%) due to a rise in VAT refund and currency exchange business.

Operating costs

Operating costs for the ***Commercial Aviation*** business went from Euro 386,967 thousand in 2018 to Euro 415,749 thousand in 2019, an increase of Euro 28,782 thousand (+7.4%).

Net of non-recurring cost items which amounted to Euro 4,184 thousand in 2019 (leaving incentives for Euro 1,794 thousand, costs related to the Air Show display for Euro 2,390 thousand) and Euro 2,046 thousand for leaving incentives in 2018, operating costs increased by Euro 26,644 thousand (6.9%). This is due to:

- increased labour costs, which rose by Euro 2,503 thousand (1.4%) as a result of extraordinary costs associated with the Bridge and the extra staff necessary to manage the increased passenger traffic;
- an increase of Euro 24,141 thousand in operating and material costs compared to 2018, mainly due to higher costs related to traffic volumes, equal to Euro 4,296 thousand (covering parking management, passenger assistance and security costs), to a rise in energy costs of Euro 5,280 thousand (Euro 5,438 thousand for methane and Euro -158 thousand for CO_2) and increased management costs of Euro 14,565 thousand. Of this, Euro 9,453 was for maintenance (Euro 2,274 thousand for Malpensa gas power turbine maintenance), Euro 2,622 thousand for cleaning and Euro 2,335 thousand for hardware and software costs.

EBITDA and EBIT

As a result of these effects, EBITDA in 2019 stood at Euro 268,516 thousand (Euro 273,622 in 2018), down Euro 5,106 thousand (1.9%) on the previous year. Excluding the extraordinary items mentioned above, the increase amounted to Euro 2,426 thousand (+0.9%).

Amortisation and depreciation, and net provisions for recovery, risks and charges and doubtful debt, are higher than 2018 by Euro 7,974 thousand.

As a result, EBIT for the Commercial Aviation business amounts to Euro 170,789 thousand, down by Euro 13,080 thousand (-7.1%) over the previous year. Excluding the non-recurring components, 2019 EBIT was Euro 174,776 thousand, decreasing Euro 5,548 thousand (3.1%) on 2018.

Investments

The main Commercial Aviation business investments were:

- the redevelopment of the runway and Taxiway T at Linate;
- the functional restyling of the terminal and upgrade of the BHS system for new radiogenic equipment at Linate;
- at Malpensa, preparatory work for traffic transfer following the closure of Linate airport;
- work carried out in creating road access to Malpensa Terminal 2, and upgrades to the parking area at Linate.

Other information

Investments/Aviation Spaces Development

The main space developments in 2019 relate to the increase in Air Italy's operating, maintenance and administrative spaces at Malpensa, in line with the consolidation of the carrier's activities at the airport.

Retail development

Retail performance in 2019 was heavily affected by the closure of Linate airport during the Bridge period. The increase in the number of passengers at Terminal 1 had a positive impact on the performance of both food and drink outlets and shops.

Work also continued on the renovation of the luxury area at Terminal 1. The end of September saw the opening of the Saint Laurent brand, part of the Kering group, which performed in line with the most prestigious brands of the *Piazza del Lusso*, confirming the purchasing potential of Extra-Schengen passengers. The Schengen area, on the other hand, saw the early closure of Zara Home and allocation of the space to Furla and Hugo Boss, in order to allow additional luxury brands access to the *Piazza del Gusto*.

Terminal 2 saw the opening of an ACBC shop, a young brand that makes modular footwear.

During the Bridge period, all shops were closed at Linate, with the exception of some services - such as pharmacies and newsagents - in the Arrivals area. When the airport reopened, all the shops in the Arrivals and Check-in areas resumed operations, except the Toys and Benetton stores. The space previously occupied by these will be reallocated to staff passage. Gallo has also opened a temporary shop.

As regards Food & Beverage, the two airports' food and drink outlets recorded a total increase in revenues in excess of the increase in traffic.

At Terminal 1, the new and restyled formats have helped to expand the choices on offer, responding perfectly to the growing traffic demand, not only in terms of quantity but also in terms of quality.

Terminal 2 saw the opening of a gourmet burger bar under the "MU Finest Italian Burger" brand. The company already has successful branches in Milan and has been warmly welcomed by passengers.

At Linate, in the interests of presenting novelty and improvement immediately upon the reopening of the airport, despite the fact that some work was still on-going, some land-side areas were completely renovated. These included, for example, the Briciole outlet in the Arrivals area, which was converted into a cafè and bakery under the Rinaldini brand, which manages other locations in central Milan. This was consistent with the vision of presenting Linate as a shop window for the excellence of the city. Meanwhile, the "Sweet & Bagel" bar was reborn as the "Juice Bar" to satisfy the demand for healthy food.

Destination management and co-marketing activities

Collaborative efforts with the Chamber of Commerce, the Municipality of Milan and the Region of Lombardy also continued in 2019 with the aim of increasing the international visibility of Milan's airports and the wider region.

For the World Routes 2020 event, the search for sponsors and support to cover costs is underway, as is communication, marketing and promotion of the event, and coordination and organisational meetings.

Communication activities were undertaken to support airlines through social media, newsletters and online banners, and various launch events were hosted for airlines including Air Italy, easyJet, Ryanair, Neos, Alitalia and All Nippon.

Bilateral Agreements

In 2019, the competent national authorities signed bilateral agreements with the aviation authorities in the following countries: Japan, Taiwan, Turkmenistan, Bahrain, Mozambique, Paraguay, Senegal and Uganda. A bilateral negotiation between Italy and the People's Republic of China has also been planned for January 2020. This intends to update the existing agreements and increase the capacity limits on routes between the two countries.

General Aviation

Traffic data

Through the two terminals of Linate and Malpensa (the latter opened in July 2019), Business and General Aviation handled a total of 24,507 movements, down 5.5% on 2018. This decrease is entirely due to the closure of Linate during the three summer months, as traffic was only partially rerouted to Malpensa.

Revenues and operating costs

General Aviation business revenues amounted to Euro 10,818 thousand, a decrease of Euro 526 thousand (4.6%) compared to 2018.

The fall in revenues is largely due to a decrease of Euro 186 thousand in the Aviation sector (Euro -1,064 thousand due to the closure of Linate, Euro -206 thousand for reduced fuel sales, Euro -85 thousand for reduced hangar rental revenues, in contrast to an increase of Euro 1,169 thousand as a result of the opening at Malpensa of the new FBO, which was inaugurated in 2019), and a fall of Euro 340 thousand in hangar rental revenues following the closure of Linate.

The increase in operating costs, net of the non-recurring components of Euro 46 thousand, amounted to Euro 409 thousand (+10.6%), of which Euro 297 thousand was related to core business (building maintenance, security, cleaning and commercial costs), and Euro 112 thousand to increased labour costs following the opening of the new FBO at Malpensa.

EBITDA and EBIT

As a result of the developments outlined above, EBITDA for the year 2019 was Euro 6,555 thousand, down by Euro 935 thousand (-12.5%) over the previous year.

EBIT fell Euro 976 thousand (17.5%) as a result of the operating developments described above.

Investments

The General Aviation business' principal investments are related to the works for the construction of the new general aviation terminal at Malpensa, entering into use in July 2019.

Energy

Quantitative data

Total energy production in 2019 was 322.1 million kWh, down 1.5% (4.7 million kWh) on 2018. This decrease was almost entirely due to lower production at the Linate power plant (-5 million kWh compared to 2018).

Electricity production for the Group's own uses, including ancillary services, losses and imbalances, amounted to 199.7 million kWh, down 1.72% (-3.5 million kWh) compared to 2018. This decrease was almost entirely due to lower consumption at Linate airport.

Production of energy for third parties also decreased, totalling 122.4 million kWh, down 1% (-1.3 million kWh) on 2018.

Part of the energy fed to the grid (approximately 93 million kWh) was sold wholesale through the electricity exchange, through which production surpluses are sold. The remaining amount (around 29 million kWh), was sold through bilateral contracts and on the *Conti Energia a Termine - PCE* platform. Bi-lateral contracts were fulfilled through self-production until April 2019. However, from May 2019, in order to meet the demand from sales to end-customers, over 53 million KWh were purchased on the market and then resold to customers managed through the bilateral contracts.

In 2019, heat production increased by 1.6% on 2018 (+5.7 million kWh) to 361 million kWh - of which approx. 72% serving the needs of Linate and Malpensa airports.

Sales to third-party customers did not change significantly, amounting to 101.4 million kWh, down by 1.4% on 2018 (-1.4 million kWh).

Revenues and operating costs

In 2019, the Energy business reported revenues of Euro 16,606 thousand, increasing Euro 2,122 thousand on 2018 (+14.7%).

Euro 2,694 thousand of this increase is attributable to higher sales volumes to third-party customers, particularly in terms of electricity, which was partially offset by the conclusion of the white certificates benefit, which amounted to Euro 572 thousand in 2018.

Net of non-recurring components of Euro 128 thousand (compared to Euro 25 thousand non-recurring components in 2018) operating costs in 2019 amounted to Euro 16,844 thousand, up by Euro 3,126 thousand on the previous year. This increase is mainly attributable to Euro 2,690 thousand for the purchase of electricity from GME and from wholesalers in order to meet the demands of third-party customers and methane costs of Euro 616 thousand (mainly due to an increase in unit price). Finally, other operating costs fell by Euro 178 thousand.

EBITDA and EBIT

As a result of the developments outlined above, 2019 EBITDA was a loss of Euro 366 thousand, decreasing by Euro 1,107 thousand on 2018, and by Euro 1,004 thousand net of non-recurring items.

EBIT in 2019 was a loss of Euro 694 thousand, down Euro 717 thousand on 2018 (and by Euro 614 thousand net of non-recurring items). This result is due both to the aforementioned EBITDA trends and to lower amortisation, depreciation and provisions in 2019, down Euro 390 thousand compared to 2018. Net of non-recurring items, EBIT was a loss of Euro 566 thousand.

Investments

The main Energy business investments were linked to advance payments to the supplier for the purchase of the new TGE turbine. This will be installed at the end of 2020 and will be operative from early 2021. Other investments were associated with the revamp of Malpensa's 132kV station, which involved both the protection and control systems and the main power and interruption equipment.

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 2019, overall Company CO_2 production was approx. 175,800 tons, of which approx. 118,800 tons were generated by the Malpensa station and approx. 57,000 tons were produced by the Linate plant.

On several occasions during the year, the Company purchased CO_2 quotas to cover 2019 production needs and some of its future needs.

With reference to 2019 production, at December 31, 2019, SEA Energia produced 387,977 tons of CO_2 on its own account.

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.

Methodological approach

The adopted risk governance model is based on:

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

The SEA Group Risk Model is a list of all the potential risks to the Company, and consists of four categories: external risks, operational and business risks, financial risks and legal and compliance risks. During 2019, areas of risk within the ESG (*Environmental, Social* and *Governance*) were made explicit within the Risk Model in order to facilitate, during the Risk Assessment meetings with management, the interception of ESG risks that could compromise the creation of value over time for its stakeholders.

Identified events are assessed and subsequently "prioritised" on quali-quantitative metrics in terms of impact, probability of occurrence and maturity of the risk management system.

Risk Management Governance

The governance model for the SEA Group's Enterprise Risk Management system, as recommended by the Self-Governance Code, is organised into three control levels (see the graphic below) which are integrated into the Company's organisational structure.

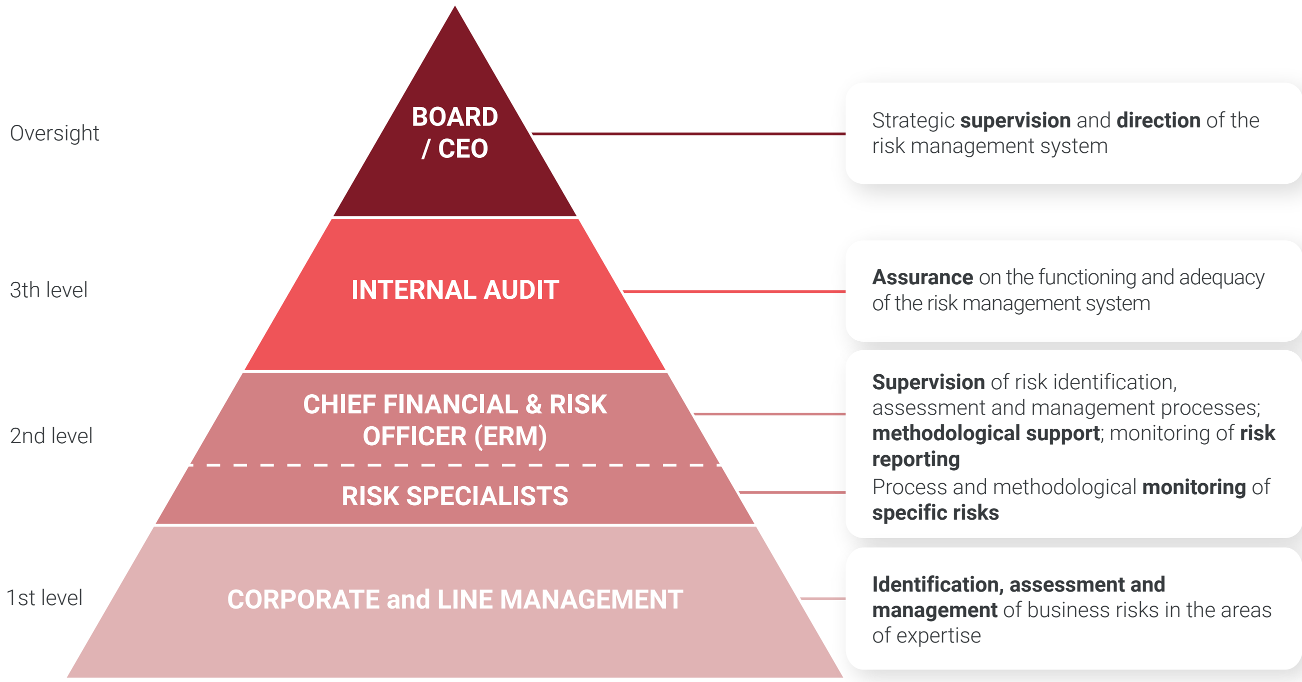
This defines a second level of risk management control in the ERM division, with the aim of supporting corporate structures in the identification and management of corporate risks and at the same time guaranteeing periodic reporting to top management on the risk profile's evolution.

The model is based on the principle that the management of risks involves the organisation at all levels and that management is the primary owner of risks, since it manages risks and opportunities on a daily basis in line with business propensity and is responsible for the definition and implementation of identified mitigation plans.

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

Top management periodically reviews the Company risk profile and orients the management of the main emerging risks, approving proposed response plans in line with the strategic objectives and corporate risk propensity defined by the Board of Directors.

Finally, the Internal Audit team independently verifies the effectiveness and effective implementation of the complete risk management system.



SEA GROUP MAIN RISK FACTORS

The periodic Risk Assessment to update the Group Risk Heat Map, which identifies the most significant risk factors, was performed during the last quarter of 2019. The activity involved corporate senior management in one-to-one meetings between individual departments and the ERM Risk Assessment department regarding "business as usual" risks, and cross-departmental meetings regarding risks that might have an impact on the achievement of the corporate strategic plan's main goals.

The meetings were focused on updating the assessments and mitigation plans of previously identified risks, as well as on identifying new risks. The reference time period of the risk assessment is for the next five years.

The most significant risks for the Group, as included in the Risk Heat Map, are summarised below. Regarding risks relating to ESG topics, please refer to the specific paragraphs of the the Consolidated Non-Financial Report.

External risks

External risks, deriving from factors outside of the control of the Company, 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 in climate policies.

In this context, the main risks to which the Group is exposed are the following.

Air traffic development

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

Following the United Kingdom's exit from the European Union on January 31, 2020, should there be no air traffic agreement between the United Kingdom and the Union, in the so-called "no-deal Brexit" scenario, British airlines would lose the right to fly freely to and from European Union Member countries, while Linate would be prohibited from running flights to and from the United Kingdom by virtue of Ministerial Decree No. 15 of March 3, 2000, as amended, which dictates that Linate can only serve European destinations.

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

The climate of increasing restrictions to international trade, or the so-called "duty war", may lead to a shrinking market and consequent reduction in General Cargo movements.

Airline strategies

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

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

Additional risks relate to the recent liquidation of Air Italy, and the consequent cessation of its activities on February 25, the current situation of Alitalia, which may lead to a reduction in flights via SEA-operated airports, and the consequences of the short and medium term strategies of airline companies in facing issues relating to the Covid-19 pandemic.

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

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 and applicable rules

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

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

In this regard, the existing tariff models are undergoing revision following the transfer of tariff regulation competence from the Italian Civil Aviation Authority (ENAC) to the Transport Regulation Authority (ART) in 2019.

SEA constantly monitors the activities of national and European aviation authorities and actively participates in technical industrial association roundtables in order to promptly act to ensure compliance with all legislative and regulatory changes.

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 Company 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.

One such event relates to the novel Coronavirus responsible for the respiratory disease Covid-19, originating in China in January 2020, before spreading across the globe and being officially declared a "Pandemic" by the World Health Organisation on March 11.

This event led to a drastic and sudden collapse of air movements via the airports of Linate and Malpensa, followed by the temporary closure of Linate and Malpensa Terminal 1 and the transfer of all flights to Terminal 2, as per the ENAC provision of March 12.

The Group, with its consolidated and widespread culture of managing emergencies and complex operating situations, as demonstrated when facing various critical situations in the past, such as the de-hubbing of Alitalia in 2008 and the Bridge in 2019, immediately implemented measures to contain the spread of the virus 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, wherever possible, the remote working methodologies which have already been in place at the Company for around two years, in order to avoid disruptions and allow administrative activities to continue as normal. Simultaneously, the Crisis Committee was activated to ensure efficient and effective management of the emergency. The committee reassesses the situation on a daily basis in order to review the suitability of the contingency plan.

The Crisis Committee, made up of the Chief Executive Officer and the General Manager, SEA Group management and Directors, and led by an internal program management team, focuses on various project streams aimed at promptly identifying actions to mitigate the emergency's health, safety, operational, business, economic and financial aspects, through not only short-term measures but also medium-term, post-emergency recovery measures.

For further information, see paragraph "Outlook".

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 concentration of activities may lead to approval delays and the postponement of new projects. In order to mitigate scheduling changes, the Group carries out careful planning and project management activities.

Safety & security

Passenger and employee safety are 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 Company 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 Transformation technology initiatives involving the SEA Group may, by their particularly critical nature, increase the risk of vulnerability of airport information and technology systems.

SEA pays great attention to the protection of its IT systems and telecommunications infrastructure from 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.

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 and financial partners.

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

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

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

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

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

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

Market risks

Market risks to which the SEA Group is exposed comprises all types of risks directly and indirectly related to market price trends. In 2019, the market risks to which the SEA Group were subject were:

a) Interest rate risk

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

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

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

At December 31, 2019 the gross financial debt of the SEA Group was comprised of medium/long-term loans (medium/long term portions of loans) and short-term loans (exclusively the medium/long-term portion of loans maturing within 12 months). At this date SEA did not make recourse to short-term debt.

b) Currency risk

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

c) Commodity risk

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

In 2019, the SEA Group did not undertake any hedging of this risk.

In the same period, the SEA Group made advance purchases of environmental certificates for future needs in order to mitigate the impact of price fluctuations.

Liquidity risk

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

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

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

For further information, 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 Company'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 DECEMBER 31, 2019

Action brought by ATA Handling

In May 2015, ATA Handling, in liquidation and subject to administration, notified SEA S.p.A. and the Municipality of Milan of a citation, by which ATA Handling, referring to the decision of the European Commission of December 19, 2012 concerning alleged State Aid awarded in favour of SEA Handling, requested compensation for damages suffered as a result of the above State Aid issued in the form of share capital increases, which would have gravely undermined ATA Handling's operations and quantifying them through a differential analysis of two scenarios (SEA Handling with share capital increases and SEA Handling without share capital increases) at Euro 93.1 million. SEA has already produced the documentary evidence disproving the charge of predatory pricing. ATA Handling then challenged jurisdiction before the 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. Subsequently, on November 6, 2019, the Judge, in order to resolve persisting doubts, issued an order (i) to not decide on the basis of the preliminary investigation alone; (ii) to proceed with the case "in order to evaluate, with due completeness, preliminary and prejudicial questions and exceptions allowing, where deemed necessary for continuing the case, for specific clarification of the relevant facts and time frame pertinent to a possible phase of determination of the compensable damage"; and (iii) to set, for this purpose, a hearing for closing arguments for May 6, 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 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 airport's 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 pending transfer to the Court of Appeal, with the appeal expected to come to trial during the first quarter of 2020.

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

Civil litigations between SEA and ENAV

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

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

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

At this latter hearing, the parties indicated to the judge the development of negotiations, who therefore sent the case for the statement of conclusions for February 12, 2019. At this hearing, the Court noted the agreement between the parties and, in anticipation of the settlement's formalisation, continued the proceedings until April 30, 2019.

On April 12, 2019, the parties signed the settlement agreement for all pending disputes, notifying the waiver of proposed appeals and counter-appeals.

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 firefighting 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 is therefore evaluating bringing the judgement back before the Tax Judge and the possibility of asserting the effectiveness of the above rulings so that, from 2009, following the change in the contribution purpose, no amount would be due.

Currently pending is the judgement before the Rome Court of Appeal on whether SEA S.p.A. is legally obliged to make the payment. At the preliminary hearing, initially fixed for November 2018 and adjourned to May 17, 2019, the judge continued the proceedings until May 19, 2023 for the entry of conclusions.

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 Company 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 Operator, 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. A provision has been allocated in these financial statements 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 Supreme 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 Supreme 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, to be discussed at a hearing on next March 23.

Tax Agency - Notice of assessment for registration tax

Several assessments were received for registration tax relating to the application of the tax on the refund of sums as ordered in the judgments entered by the regular Court of Milan. The Company objected to the Tax Agency that the tax had been mistakenly applied as a proportional tax instead of at a flat rate. The first appeal filed and argued at the Provincial Tax Commission of Milan was granted. The Company's request was deemed reasonable and the Tax Agency was ordered to reimburse the expenses. On December 28, 2017, the Tax Agency lodged an appeal with the Regional Tax Commission, whereupon the Company joined the proceedings and for which the hearing date is still awaited. During 2018, six other appeals were also discussed by the Provincial Tax Commission of Milan, the first-instance outcome of which was fully in favour of the Company and ordered the Tax Agency to pay litigation expenses. During 2019, two new appeals 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. At the date of this report, two of the eight appeals have been heard, and, in both cases, the outcomes of the second instance rulings were once again fully in favour of the Company. In light of these two rulings, it is expected that the Tax Agency will file further independent appeals before expiry of the statute of limitations. In 2020, the remaining six appeals will be heard, with the respective hearing dates already set.

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 approximately 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 has appealed against this decision to the Court of Justice, whose judgement is still pending.

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 February 7, 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 credits lodged under pre-deduction, they formulated a proposal to admit the liability of the SEA credit 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 rights and Euro 71,227.30 relating to various invoices, subject to dispute.

SEA has decided not to comment on this proposal, which will be discussed at the hearing scheduled for June 11, 2020.

It should also be noted that claims arising after May 2, 2017 and up to December 31, 2019 have been fully paid to-date, save for the amount of Euro 777,311.67 (inclusive of the residual claims in pre-deduction), in relation to which an analysis is underway between the parties.

The amount for unpaid additional rights (invoiced from May 2 until December 31, 2019) is equal to Euro 8,619,146.

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

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

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

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

OTHER INFORMATION

Consolidated Non-Financial Report

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

Customer Care

The SEA Group, always keenly aware of the opinion of its users – passengers, accompanying persons, visitors and employees – continued in 2019 to implement a monitoring and improvement policy of the quality level of services offered to the various parties which interact with the Group. The improvement of the "Passenger Experience" has assumed across the airport industry an increasingly significant role, in that Quality Perception, which is the principal measurement, is recognised as an essential element to support business profitability. In 2019, various multi-year investments were planned in order to improve Passenger Experience. The implementation of several of these began during the year, and focused, in particular, on improving airport ambience through the use of high-end materials and the creation of functional passenger spaces.

With the aim of improving passenger experience, 2019 saw the continuation of the Family Friendly Airport initiative with special security check 'Family Lanes' at Linate and Malpensa, and the organisation of Pet Therapy events.

2019 saw the consolidation of the "Live Info Point" airport assistance service, through which passengers can receive assistance from a Customer Care operator via video-stream. There was gradual increase in the use of the call centre, and the platform for handling assistance requests via social media channels was also improved.

In accordance with the provisions of the ENAC GEN-06 and GEN-02A Circulars, the 2019 edition of the Services Charter was published and is available online at www.seamilano.eu, while the paper version is available at passenger information points.

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

- The Customer Satisfaction Index (CSI), based on interviews conducted by the leading market research company DOXA, according to the **American Customer Satisfaction Index (ACSI)** model, used internationally across many industrial sectors.
- The **ACI ASQ (Airport Service Quality)** programme that involves some 350 airports worldwide and about 110 in Europe, with departing passengers interviewed using a uniform questionnaire. This enables the setting of a single benchmark for the degree of satisfaction expressed regarding the services received at different airports worldwide, to identify the highlights and the most significant experiences (best practice).
- The **Instant feedback** system which gives passengers, by clicking a button on a totem, the opportunity to express their opinions immediately after using the service 24 hours a day. More than 130 totems have been installed across the 3 terminals at security checks, public toilets, commercial activities, passport control and adjacent to parking payment machines. The system provides daily and hourly results, facilitating immediate interventions to improve quality standards.
- The **Customer Relationship Management (CRM)** platform specifically developed to manage relations with passengers and e-commerce customers, facilitating information flows and internal Company collaboration.

The environmental dimension

The SEA Group is committed to combining the fundamental value of protecting our environmental heritage with development. The airport business environmental and energy policy has been revised in 2019 in order to integrate the renewed commitment of SEA to address sustainability over the coming years through the adoption of the guidelines identified by the European air transport industry and the following principles:

- extensive compliance with regulatory requirements;
- an ongoing commitment to improving the environmental and energy performance;

- promotion of the use of the latest generation aircraft and the adoption of operating procedures consistent with sector sustainability goals and effective in the mitigation of environmental impacts;
- education and involvement of all actors involved in the airport system for a commitment towards respecting and protecting our common environmental heritage;
- introduction of construction and maintenance solutions in airport infrastructure designed to improve energy efficiency and environmental sustainability;
- prioritisation of the procurement of supplies and services that adopt similar environmental sustainability criteria, particularly with regard to energy savings, the reduction of atmospheric and acoustic emissions, water consumption and waste production;
- identification and control of direct and indirect CO_2 emission sources by engaging stakeholders in reducing greenhouse gas emissions according to goals set by air transport reference bodies and international agreements;
- a constant level of monitoring and verification of the processes related to the energy, atmospheric emission, noise and water cycle aspects, and in general the various phenomena concerning interaction with the ecosystem;
- high levels of communication and interaction with a wide spectrum of external stakeholders, designed to ensure transparency, sharing and collaboration in identifying actions that guarantee the environmental sustainability of airport activities;
- proactive participation in national and international development bodies and programmes in order to make useful and opportune contributions to technological and regulatory solutions that create the right conditions for the sustainable development of air transport.

The Environmental and Energy Management System is subjected to periodic internal and external checks as part of SEA's commitment to providing stakeholders with detailed reporting on airport environmental and energy processes, with a view to improving ecological, environmental and energy governance in relation to the Group's activities.

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

Managed aspects include water consumption, air quality, noise emissions, climate change, energy use, waste management, electromagnetic emissions, light pollution and landscaping.

In July 2018, the Environmental and Energy Management System was certified for the first time by the certification body TÜV Italia.

In June 2019, a joint audit with TÜV Italia saw the renewal of ISO50001:2018 certification, in addition to ISO14001:2015 certification.

Airport Carbon Accreditation and Carbon Neutrality of the Milan airports

SEA in relation to CO_2 emissions has acted effectively in reducing emissions and in particular those from activities under its direct control or in which significant influence is exercised (scope 1 and 2)[4]. In June 2019, following positive assessments by the Italian certifier and the London firm managing the Airport Carbon Accreditation program, SEA renewed its level 3+ 'Neutrality' accreditation for both of the airports it manages.

Airport Safety

In 2019, the temporary closure of Linate airport was a demanding period for the Safety Management System, which had to guarantee that safety standards were maintained in light of a 9.1% increase in Malpensa passenger traffic, with 1.9 million passengers rerouted from Linate.

The inspiring principles of the SEA airport safety policy, undersigned by the accountable manager, were thus updated as follows:

- guarantee enduring compliance with current national and international safety and service quality standards of flight infrastructure, machinery and equipment in terms of both design and efficiency and effectiveness of use;
- maintain an effective system for managing the quality of aviation data and information, given their relation to aviation risk;

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

- guarantee a continuous review of management and operational processes and procedures to guarantee compliance with national and international safety regulations, in quality and operational efficiency and effectiveness standards, and raise awareness of these issues throughout the entire organisation;
- implement a systematic, recurring training plan involving all personnel, which prioritises those most involved in operating processes and requirements, actions and conduct oriented to guaranteeing the highest safety, quality and service regularity standards;
- raise responsibility awareness among management and personnel at all levels in the various corporate activities;
- guarantee absolute priority for the safety of all ground operations;
- monitor the maintenance of safety standards for all operators, companies and external parties of any type within the airport sites;
- guarantee education and communication, so that all events which may affect Safety are flagged through the filling out of a Ground Safety Report, actively encouraging the reporting of Safety events and clearly defending the difference between acceptable and unacceptable conduct;
- promote the 'Just Culture' key principles.

Human resources

Category	HEADCOUNT at December 31		Change	FTE January/December		Change
	2019	2018		2019	2018	
White-collar	1,786	1,798	(12)	1,742	1,749	(7)
Blue-collar	634	653	(19)	635	650	(15)
Senior Managers	291	290	1	292	280	12
Executives	52	55	(3)	54	56	(2)
Temporary	90	51	39	79	47	32
Total	**2,853**	**2,847**	**6**	**2,802**	**2,782**	**20**

At December 31, 2019, SEA Group employees numbered 2,853, increasing 6 on December 31, 2018 (+0.2%). Full Time Equivalent employees in 2019 increased by 20 on 2018 (from 2,782 to 2,802, +0.7%).

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

Organisation and management of personnel

In January 2019, SEA's Board of Directors named Armando Brunini Chief Executive Officer of the Company and then also appointed him General Manager. Concurrently with these appointments, SEA's Board of Directors approved a new organisational model for the Company.

With a view to optimising and continuously improving corporate processes, the management of institutional and public relations was revised in order to bring it into line with the corporate Code of Conduct and the Organisation and Management Model (MOD 231), and thus with the principles of the transparency and traceability of information. Furthermore, the "Reporting of improper conduct" procedure was updated to relevant regulatory developments by incorporating an IT system for the formulation and management of reports that guarantees the anonymity of reporting parties and the confidentiality of the processed information.

In 2019, the Smart Working project was extended to approximately 100 new employees and renewed for 400 smart workers, taking the total number to approximately 500 smart workers, representing as much as 62% of the non-shift worker population.

Training

During 2019, training and professional development activities aimed to integrate business processes in the preparation of human capital for market challenges and the facilitation of change management.

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

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

A brief presentation of the main projects rolled out follows:

- SEA InSight: launched at the end of January 2018, the project promotes a Digital Innovation initiative through the creation of an internal and inter-functional team, which, over a period of three years, and with the collaboration of the Polytechnic of Milan's Cefriel Innovation Centre, will work on new processes, technologies and tools that can contribute to the innovative development of SEA's business and the customer experience within the airports managed by SEA. In 2019, the team was engaged in the development of five activity streams: SPLiT, LOCKERS, DRONES, SELFGATE MADE IN SEA and BAGGAGE HANDS FREE SERVICE.
- Your voice': a survey involving all SEA Group employees designed to gather opinions on all engagement topics, from work motivation to empowerment, the organisation of teams, human resource management and corporate reputation. With a response rate of 76.7%, the survey reported a substantial alignment of the Group's synthetic engagement index with the benchmarking of Italian companies and a negative deviation compared to that of airport companies.
- Switch to Excellence: a training course dedicated to management, concluding in April 2019 with its last phase focused on promoting a more participatory and inclusive leadership.

Professional Training and Technical Training in 2019 saw the renewal of activity streams related to the processes of planning, organisation, management and training delivery in order to adequately respond to compliance requirements.

Regarding compliance, EASA Training Compliance training was revised to focus more on the instructor and assessor qualification process, while, in relation to regulation EU 139, the Proficiency Check process was defined for the certification of airport compliance with EASA and ENAC regulations.

In the Safety area, technical support and training activities guaranteed the updating of operating personnel involved in Winter Operations.

In the Occupational Safety area, low risk and medium risk refresher courses were once again provided in 2019, and courses dedicated to Prevention and Protection Service Officers were launched. With fire prevention training always a priority, the year saw specific courses organised on design and constructive aspects.

As part of the Bridge project, new air-side driving licence qualification courses were provided, while, in accordance with ENAC regulation GEN02A, specific courses were addressed to PRM operators, with a particular emphasis on customer satisfaction.

Welfare

Corporate welfare in 2019, increasingly oriented to individual needs, saw the development and renewal of initiatives designed to respond to the needs of employees and their families. While initiatives launched in 2018 continued through 2019, the new "Well-being Challenge" initiative, aimed at promoting a positive and healthy lifestyle, was introduced on a trial basis in the last quarter of the year.

Workplace health and safety

In 2019 the SEA Group confirmed its commitment to workplace safety with a view to continual improvement of health and safety conditions of activities carried out within the airport, also through the promotion of a culture based on increased awareness and involvement of all parties, at all levels, on prevention issues.

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

The certification audits confirmed that the System is properly and actively implemented and functional to the pursuit of corporate objectives. The Certifier highlighted the improvements achieved in the accounting and assessment of the System's performance and the effectiveness and punctuality of the monitoring related to the work on upgrades to the infrastructure at Linate. The maintenance of BS OHSAS 18001/2007 certification also entitled SEA to the annual reduction of the National Institute for Insurance Against Accidents at Work (INAIL) insurance premium in 2019.

There was an increase in the number of workplace incidents in 2019, compared with the previous year, bringing the figure back to the average value for the three-year period preceding 2018.

In 2019, internal audits continued to confirm satisfactory fire prevention management and regulation compliance in spaces allocated to commercial retail operators (shops and depots) located inside the terminals, in accordance with the SEA Fire Regulations. In addition to the audit activities, the contractually required half-yearly declarations of the retail operators were collected, assessed and archived by the Health and Safety Officer and Protection and Prevention Service Officers, thus certifying compliance with the Fire Regulations.

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

In collaboration with qualified radiological protection experts, the monitoring activity in protection of workers safety continued, through specific environmental and personal dosimeters of ionised radiation, related to the transit of radioactive packages within the airports and the use of x-ray equipment.

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

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

Industrial Relations

Discussions with the trade union organisations focused on two main issues during 2019:

- The transfer of personnel during the Bridge period, in accordance with the Statement of Agreement of June 21, 2019, defining the professional figures concerned, transfer procedures, facilities to be provided and remuneration conditions;
- The insourcing of baggage sorting activities at Linate airport, previously managed by Airport Handling, in accordance with ENAC Centralisation Provision No. 84229 of August 10, 2016, defining the effective date (April 2020), the number of staff in each professional category, the additional responsibilities assigned to SEA personnel, the methods and requirements for their integration and related remuneration and regulatory conditions.

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 and Risks 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 is implemented in order to ensure:

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

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 December 31, 2019, 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. Similarly, the SEA Internal Audit Department reports hierarchically to the Chairman and functionally, to the Board of Directors. The Internal Audit Department is entrusted with auditing the effectiveness, suitability and upkeep of the Organisation and Management Model pursuant to Legislative Decree No. 231/2001, on the instructions of the SEA Supervisory Boards and the subsidiary companies. The Auditing Department was also assigned, with Board of Directors' motion of February 22, 2018, the responsibility to check the adequacy and effective implementation of SEA's Corruption Management and Prevention System, certified as per the UNI ISO 37001:2016 standard.

Independent Audit Firm

Deloitte & Touche 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 and in office at December 31, 2019, is composed of four members: two external independent members, Giovanni Maria Garegnani and Lorenzo Enrico Lamperti, one Non-Executive Director, Luciana Rovelli, and the Internal Audit Manager, 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 pursuant to Legislative Decree 231/2001

SEA has adopted an Organisation and Management Model pursuant to Legislative Decree 231/2001 – which lays down the "*Rules on the administrative liability of legal persons, companies and associations, including those without legal status*" (the "Decree") to prevent the offences envisaged by the Decree. The Model is, therefore, adopted in compliance with the Decree's provisions. The Model was adopted by the SEA Board of Directors 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 consists of a "General Section", a "Special Section" and individual "Components". SEA's subsidiary companies have adopted their own Organisation and Management Model pursuant to Legislative Decree 231/2001.

Related Parties Transactions Policy

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

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

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

Code of Conduct

The applicable Code of Conduct, approved by the Board of Directors on December 17, 2015 and updated on December 11, 2018 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 Vice-Chairman of SEA Davide Corritore, and the managers of the corporate departments of Human Resources and Organisation 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.

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

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

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

Diversity policies

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.

BOARD OF DIRECTORS' PROPOSALS TO THE SHAREHOLDERS' MEETING

The Board of Directors approves the 2019 Financial Statements of SEA S.p.A., prepared in accordance with IFRS, which report a net profit of Euro 111,565,580.68.

The Board of Directors, adopting a prudent approach, in view of the emergency situation due to the effects of the Covid-19 pandemic, in order to support the Company's capital solidity and contain the future operating and financial impacts, proposes to the Shareholders' Meeting to allocate the 2019 net profit of Euro 111,565,580.68 to the extraordinary reserve.

The Chairperson of the Board of Directors
Michaela Castelli

SHAREHOLDERS' MEETING MOTIONS

The Shareholders' Meeting, held on May 4, 2020:

1. approved the Directors' Report prepared by the Board of Directors, the Financial Statements at December 31, 2019 and the explanatory notes thereto, as proposed by the Board of Directors;
2. approved the allocation of the net profit for 2019, amounting to Euro 111,565,580.68, to the extraordinary reserve, 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 Chairperson of the Board of Directors
Michaela Castelli

SEA GROUP
CONSOLIDATED FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Euro thousands)	Note	December 31, 2019 Total	December 31, 2019 of which related parties	December 31, 2018 Total	December 31, 2018 of which related parties
Intangible assets	8.1	994,659		986,469	
Property, plant & equipment	8.2	215,657		205,483	
Leased assets right-of-use	8.3	10,106			
Investment property	8.4	3,404		3,408	
Investments in associates	8.5	76,674		67,914	
Other investments	8.6	26		26	
Deferred tax assets	8.7	58,163		54,185	
Other non-current receivables	8.8	6,470		188	
Total non-current assets		**1,365,159**	**0**	**1,317,673**	**0**
Inventories	8.9	1,848		1,934	
Trade receivables	8.10	123,241	13,326	121,005	11,407
Tax receivables	8.11	2,071		1,048	
Other current receivables	8.11	11,067		9,527	2,005
Cash and cash equivalents	8.12	87,521		153,036	
Total current assets		**225,748**	**13,326**	**286,550**	**13,412**
TOTAL ASSETS		**1,590,907**	**13,326**	**1,604,223**	**13,412**
Share capital	8.13	27,500		27,500	
Other reserves	8.13	206,674		295,525	
Net Profit	8.13	124,419		136,076	
Group Shareholders' equity		**358,593**		**459,101**	
Minority interest shareholders' equity		**27**		**25**	
Group & Minority int. share. equity	**8.13**	**358,620**		**459,126**	
Provision for risks and charges	8.14	157,408		167,861	
Employee provisions	8.15	48,172		46,214	
Non-current financial liabilities (*)	8.16	505,692		523,605	
Other non-current payables	8.17	7,961		13,964	
Total non-current liabilities		**719,233**		**751,644**	
Trade payables	8.18	182,085	11,520	153,394	11,616
Income tax payables	8.19	10,689		18,541	
Other payables	8.20	287,522		192,476	
Current financial liabilities (*)	8.16	32,758		29,042	
Total Current Liabilities		**513,054**	**11,520**	**393,453**	**11,616**
TOTAL LIABILITIES		**1,232,287**	**11,520**	**1,145,097**	**11,616**
TOTAL LIAIBILITIES & SHAREHOLDERS' EQUITY		**1,590,907**	**11,520**	**1,604,223**	**11,616**

(*) In the interest of clarity of presentation, it should be noted that the items of the accounts at December 31, 2019 "Non-current financial liabilities" and "Current financial liabilities" include lease liabilities pursuant to the new accounting standard IFRS 16, amounting to Euro 6,771 thousand and Euro 1,706 thousand, respectively.

CONSOLIDATED INCOME STATEMENT

(Euro thousands)	Note	2019 Total	2019 of which related parties	2018 Total	2018 of which related parties
Operating revenues	9.1	706,868	57,654	683,956	47,864
Revenue for works on assets under concession	9.2	51,142		29,189	
Total revenues		**758,010**	**57,654**	**713,145**	**47,864**
Operating costs					
Personnel costs	9.3	(191,627)		(189,416)	
Consumable materials	9.4	(47,437)		(40,234)	
Other operating costs (*)	9.5	(197,966)		(174,916)	
Costs for works on assets under concession	9.6	(46,321)		(26,728)	
Total operating costs		**(483,351)**	**(42,846)**	**(431,294)**	**(28,153)**
EBITDA		**274,659**	**14,808**	**281,851**	**19,711**
Provisions & write-downs	9.7	(555)		(3,704)	
Restoration and replacement provision	9.8	(22,052)		(15,077)	
Amortisation & depreciation (**)	9.9	(77,400)		(73,601)	
EBIT		**174,652**	**14,808**	**189,469**	**19,711**
Investment income/(charges)	9.10	17,521	17,521	14,568	14,568
Financial charges (**)	9.11	(17,120)		(17,662)	
Financial income	9.11	156		1,021	
Pre-tax profit		**175,209**	**32,329**	**187,396**	**34,279**
Income taxes	9.12	(50,788)		(51,318)	
Net profit		**124,421**	**32,329**	**136,078**	**34,279**
Minority interest profit		2		2	
Group Net Profit		**124,419**	**32,329**	**136,076**	**34,279**
Basic net result per share (in Euro)	9.13	0.50		0.54	
Diluted net result per share (in Euro)	9.13	0.50		0.54	

(*) In the interest of clarity of presentation, it should be noted that the comparative amount of the item "Other operating costs" includes rentals relating to lease contracts that in 2019 have been accounted for in accordance with IFRS 16.

(**) It bears clarifying that the items of the 2019 accounts "Amortisation and depreciation" and "Financial charges" include the effects of the application of the new accounting standard IFRS 16.

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(Euro thousands)	2019 Total	2019 of which related parties	2018 Total	2018 of which related parties
Group Net Profit	**124,419**	**32,329**	**136,076**	**34,279**
- Items reclassifiable in future periods to the net result:				
Fair value measurement of derivative financial instruments	1,784		1,761	
Tax effect from fair value measurement of derivative financial instruments	(428)		(422)	
Total items reclassifiable, net of tax effect	**1,356**		**1,339**	
- Items not reclassifiable in future periods to the net result:				
Actuarial gains/(losses) on post-employment benefits	(3,793)		1,099	
Tax effect on actuarial gains/(losses) on post-employment benefits	910		(264)	
Total items not reclassifiable, net of tax effect	**(2,883)**		**835**	
Total other comprehensive income items	**(1,527)**		**2,174**	
Total comprehensive profit	**122,894**		**138,252**	
Attributable to:				
- Parent company shareholders	122,892		138,250	
- Minority interest	2		2	

CONSOLIDATED CASH FLOW STATEMENT

(Euro thousands)	2019 Total	2019 of which related parties	2018 Total	2018 of which related parties
Cash flow from operating activities				
Pre-tax profit	175,209		187,396	
Adjustments:				
Amortisation, depreciation and write-downs	77,400		73,601	
Net change in provisions (excl. employee provision)	(14,659)		(1,063)	
Changes in employee provisions	(2,289)		(1,172)	
Net changes in doubtful debt provision	(1,914)		817	
Net financial charges	16,963		16,491	
Investment income/charges	(17,521)		(14,568)	
Other non-cash changes	(2,636)		(5,357)	
Cash flow from operating activities before changes in working capital	**230,553**		**256,145**	
Change in inventories	85		1,028	
Change in trade and other receivables	(4,127)	86	(8,984)	(3,993)
Change in other non-current assets	(34)		93	
Change in trade and other payables	35,501	(96)	15,788	7,097
Receipt IRES receiv. from click day 2013			10,734	
Cash flow from changes in working capital	**31,425**	**(10)**	**18,659**	**3,104**
Income taxes paid	(62,829)		(43,252)	
Anti-trust penalty reimburse. (inc. interest portion)			2,430	
Cash flow from operating activities	**199,149**	**(10)**	**233,982**	**3,104**
Investments in fixed assets:				
- intangible assets (*)	(58,184)		(37,840)	
- tangible assets and property	(36,925)		(21,839)	
Change in other current financial assets			13,300	
Divestments from fixed assets:				
- tangible assets and property	434		329	
Dividends received	10,766	10,766	6,271	6,271
Cash flow absorbed from investing activities	**(83,909)**	**10,766**	**(39,779)**	**6,271**
Change in gross financial debt				
- increase/(decrease) of short & medium-term debt	(21,360)		(20,280)	
Changes in other financial assets/liabilities	(3,745)		(1,449)	
Dividends distributed	(138,650)		(70,288)	
Interest and commissions paid	(17,100)		(16,348)	
Interest received	100		4	
Cash flow absorbed from financing activities	**(180,755)**		**(108,361)**	
Increase/(decrease) in cash and cash equivalents	**(65,515)**	**10,756**	**85,842**	**9,375**
Opening cash and cash equivalents	153,036		67,194	
Closing cash and cash equivalents	87,521		153,036	
Cash and cash equivalents at year-end reported in financial statements	87,521		153,036	

(*) The investments in intangible assets are net of the utilisation of the restoration provision, which in 2019 amounted to Euro 36,160 thousand (Euro 15,205 thousand in 2018).

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 profit	Consolidated shareholders' equity	Minority interest capital & reserves	Group & Minority int. share. equity
Balance at December 31, 2017	**27,500**	**5,500**	**280,254**	**(1,216)**	**(4,954)**	**84,070**	**391,154**	**23**	**391,177**
Transactions with shareholders									
Allocation of 2017 net profit			84,070			(84,070)			0
Dividend approved			(70,300)				(70,300)		(70,300)
Other movements									
Other comprehensive income statement items result				835	1,339		2,174		2,174
IFRS 9 (*) and IFRS Airport Handling conversion impacts			(2)		(1)		(3)		(3)
Net profit						136,076	136,076	2	136,078
Balance at December 31, 2018	**27,500**	**5,500**	**294,022**	**(381)**	**(3,616)**	**136,076**	**459,101**	**25**	**459,126**
Transactions with shareholders									
Allocation of 2018 net profit			136,076			(136,076)			0
Dividend deliberated (**)			(223,400)				(223,400)		(223,400)
Other changes									
Other comprehensive income statement items result				(2,883)	1,356		(1,527)		(1,527)
Profit for the year						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**

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

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

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

2. SUMMARY OF ACCOUNTING PRINCIPLES ADOPTED

The main accounting principles adopted in the preparation of the Consolidated Financial Statements at December 31, 2019 are reported below.

The Consolidated Financial Statements at December 31, 2019 and the tables included in the explanatory notes are prepared in thousands of Euro.

2.1 Basis of preparation

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

The consolidated financial statements at December 31, 2019 were prepared in accordance with IFRS in force at the approval date of the financial statements and the provisions enacted as per Article 9 of Leg. Decree No. 38/2005. The term IFRS includes all of the International Financial Reporting Standards, all of the International Accounting Standards and all of the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) previously called the Standing Interpretations Committee (SIC) approved and adopted by the European Union.

In relation to the presentation method of the financial statements "the current/non-current" criterion was adopted for the Statement of Financial Position while the classification by nature was utilised for the Income Statement and Comprehensive Income Statement and the indirect method for the Cash Flow Statement. Where present the balances and transactions with related parties are reported.

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

The Consolidated Financial Statements were prepared in accordance with the going concern concept, therefore utilising the accounting principles of an operating business. Company Management evaluated that, although within a difficult economic and financial environment, there are no uncertainties on the going concern of the business, considering the existent capitalisation levels and there are no financial, operational, management or other indicators which could indicate difficulty in the capacity of the Group to meet its obligations in the foreseeable future, and in particular in the next 12 months. In the preparation of the Consolidated Financial Statements at December 31, 2019, the same accounting principles were adopted as in the preparation of the Consolidated Financial Statements at December 31, 2018. Following the issue on a regulated market of the "SEA 3 1/8 2014-2021" bond, IFRS 8 and IAS 33 concerning segment reporting and earnings per share were utilised.

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

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

2.2 IFRS accounting standards, amendments and interpretations applied from January 1, 2019

The International Accounting Standards and amendments which must be obligatory applied from January 1, 2019, following completion of the relative approval process by the relevant authorities, are illustrated below.

Description	Date approved	Publication in the Official Gazette	Effective date as per the standard	Effective date applied by SEA
IFRS 16 Leases	Oct 31, 2017	Nov 9, 2017	Periods which begin from Jan 1, 2019	Jan 1, 2019
Amendments to IFRS 9 Prepayment features with negative compensation	March 22, 2018	March 26, 2018	Periods which begin from Jan 1, 2019	Jan 1, 2019
IFRIC 23 Uncertainty over income tax treatments	Oct 23, 2018	Oct 24, 2018	Periods which begin from Jan 1, 2019	Jan 1, 2019
Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures	Feb 8, 2019	Feb 11, 2019	Periods which begin from Jan 1, 2019	Jan 1, 2019
Amendments to IAS 19 Plan amendment Curtailment or Settlement	March 13, 2019	March 14, 2019	Periods which begin from Jan 1, 2019	Jan 1, 2019
Annual improvements to IFRS standards 2015-2017 cycle	March 14, 2019	March 15, 2019	Periods which begin from Jan 1, 2019	Jan 1, 2019

The adoption of these amendments and interpretations, where applicable, had the following effects on the 2019 financial statements of the Company.

IFRS 16 – Leases

The SEA Group opted for application of the "Cumulative Catch-up Approach" for leases previously classified as operating leases, which resulted in an increase in leased assets right-of-use of Euro 4.8 million, with the counter-entry of an increase in financial payables for leased assets. Consequently, no cumulative effects have been accounted for as adjustments to opening equity, nor have the figures from the comparative period been restated.

The new accounting standard on lease contracts (IFRS 16), applied by the SEA Group from January 1, 2019, requires, in brief:

- In the statement of financial position, the recognition of an asset representing the right to use the leased property ("Leased assets right-of-use asset" hereon) and a current and non-current liability (a "lease liability") representing the obligation to make the contractual payments. As permitted by the Standard, the "Leased assets right-of-use" is entered to a separate account, whereas the lease liability is not taken to a separate account but included amongst "Current financial liabilities" and "Non-current financial liabilities";
- In the income statement, the recognition of depreciation charges on the "Leased assets right-of-use" and, among financial

charges, the recognition of the interest expense accrued on the lease liability. This new arrangement replaces the operating lease payments recognized among "Other operating costs" under the Standard in effect until financial year 2018. The income statement also includes payments relating to short-term and low-value (less than Euro 5 thousand) lease contracts;

- In the cash flow statement, the inclusion of payments relating to the principal portion of lease liabilities within financing activities. Interest expenses are included in net cash provided by or used in operating activities.

The following practical expedients were adopted in the transition to the new standard IFRS 16:

- Leases of low-value assets (less than Euro 5 thousand) have not been included within the scope of application of IFRS 16;
- Leases that at January 1, 2019 had a residual term of less than 12 months have not been included within the scope of application of IFRS 16;
- The Group has applied a single discount rate since the portfolio of leases is deemed to possess reasonably similar characteristics (similar class of leased asset in similar economic circumstances) at January 1, 2019.

The IFRS 16 contracts entered into by the Group essentially concern equipment, electronic machines and lease contracts for motor vehicles and apron vehicles. The effects of the adoption of IFRS 16 on the SEA Group's consolidated accounts are shown below:

(Euro thousands)	December 31, 2018	IFRS 16 impact at January 1, 2019	January 1, 2019
Intangible assets	986,469		986,469
Property, plant & equipment	205,483		205,483
Leased assets right-of-use		4,791	4,791
Investment property	3,408		3,408
Investments in associates	67,914		67,914
Other investments	26		26
Deferred tax assets	54,185		54,185
Other non-current receivables	188		188
Inventories	1,934		1,934
Trade receivables	121,005		121,005
Tax receivables	1,048		1,048
Other current receivables	9,527		9,527
Cash and cash equivalents	153,036		153,036
TOTAL ASSETS	**1,604,223**	**4,791**	**1,609,014**
Group & Minority int. share. equity	459,126		459,126
Provision for risks and charges	167,861		167,861
Employee provisions	46,214		46,214
Non-current financial liabilities	523,605	3,538	527,143
Other non-current payables	13,964		13,964
Trade payables	153,394	(131)	153,263
Tax payables	18,541		18,541
Other payables	192,476		192,476
Current financial liabilities	29,042	1,384	30,426
TOTAL LIAIBILITIES & SHAREHOLDERS' EQUITY	**1,604,223**	**4,791**	**1,609,014**

The other accounting standards applicable with effect from January 1, 2019 do not have any impact on the Group's financial statements.

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

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

Description	Endorsed at the date of the present document	Effective date as per the standard
Amendments to IAS 1 and IAS 8 Definition of Material	YES	Periods which begin from Jan 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform	YES	Periods which begin from Jan 1, 2020
Amendments to references to the conceptual framework in IFRS standards	YES	Periods which begin from Jan 1, 2020
Amendments to IFRS 3 Definition of a Business	NO	Periods which begin from Jan 1, 2020
IFRS 17 Insurance Contracts	NO	Periods which begin from Jan 1, 2021

No accounting standards and/or interpretations were applied in advance whose application is obligatory for periods commencing after December 31, 2019 and the Directors no not expect any material effects.

2.4 Consolidation method and principles

The financial statements of the companies included in the consolidation scope were prepared as at December 31, 2019 and were appropriately adjusted, where necessary, in line with Group accounting principles.

The consolidation scope includes the financial statements at December 31, 2019 of SEA, of its subsidiaries, and of those subsidiaries upon which it exercises a significant influence.

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

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

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

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

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

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

Associated Companies

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

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

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

2.5 Consolidation scope and changes in the year

The registered office and the share capital (at December 31, 2019 and December 31, 2018) of the companies included in the consolidation scope under the full consolidation method and equity method are reported below:

Company	Registered office	Share capital at 31/12/2019 (Euro)	Share capital at 31/12/2018 (Euro)
SEA Energia S.p.A.	Milan Linate Airport - Segrate (MI)	5,200,000	5,200,000
SEA Prime S.p.A.	Viale dell'Aviazione, 65 - Milan	2,976,000	2,976,000
Signature Flight Support Italy S.r.l.	Viale dell'Aviazione, 65 - Milan	420,000	420,000
Dufrital S.p.A.	Via Lancetti, 43 - Milan	466,250	466,250
SACBO S.p.A.	Via Orio Al Serio, 49/51 - Grassobbio (BG)	17,010,000	17,010,000
SEA Services S.r.l.	Via Caldera, 21 - Milan	105,000	105,000
Malpensa Logistica Europa S.p.A.	Milan Linate Airport - Segrate (MI)	6,000,000	6,000,000
Disma S.p.A.	Milan Linate Airport - Segrate (MI)	2,600,000	2,600,000
Airport Handling S.p.A.	Malpensa Airport - Terminal 2 - Somma Lombardo (VA)	5,000,000	5,000,000

There were no changes in the consolidation scope compared with the previous year.

The companies included in the consolidation scope at December 31, 2019 and the respective consolidation methods are reported below:

Company	Consolidation Method at 31/12/2019	Group % holding at 31/12/2019	Group % holding at 31/12/2018
SEA Energia S.p.A.	Line-by-line	100%	100%
SEA Prime S.p.A.	Line-by-line	99.91%	99.91%
Signature Flight Support Italy S.r.l. (1)	Net Equity	39.96%	39.96%
Dufrital S.p.A.	Net Equity	40%	40%
SACBO S.p.A.	Net Equity	30.979%	30.979%
SEA Services S.r.l.	Net Equity	40%	40%
Malpensa Logistica Europa S.p.A.	Net Equity	25%	25%
Disma S.p.A.	Net Equity	18.75%	18.75%
Airport Handling S.p.A.	Net Equity	30%	30%

(1) Associate of SEA Prime SpA

2.6 Translation of foreign currency transactions

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

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

2.7 Accounting policies

Intangible assets

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

(a) Rights on assets under concession

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

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

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

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

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

The accumulated amortisation provision and the restoration and replacement provision ensure the adequate coverage of the costs of restoration and replacement of the components subject to wear and tear of the assets under concession.

Where events arise which indicate a reduction in the value of these intangible assets, the difference between the present value and the recovery value is recognised in the income statement.

(b) Industrial patents and intellectual property rights

Patents, concessions, licenses, brands and similar rights

Trademarks and licenses are amortised on a straight-line basis over the estimated useful life.

Computer software

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

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

Property, plant & equipment

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

Property

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

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

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

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

Plant & Equipment

These are represented by tangible fixed assets acquired by the Group which are not subject to the obligation of return.

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

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

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

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

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

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

Leased assets right-of-use

This account includes the recognition and measurement of lease contracts, accounted for in accordance with IFRS 16. This accounting treatment involves recognising an asset representative of the right-of-use of the leased asset and a current and non-current financial liability representative of the obligation to be discharged.

Depreciation of such assets is charged to the income statement on a straight-line, monthly basis, according to rates that allow the right to be amortised over the term of the lease contract. The interest charges accrued on the financial liability are taken monthly to the account of the income statement "Financial charges".

The IFRS 16 contracts entered into by SEA essentially concern equipment, electronic machines and lease contracts for motor vehicles and apron vehicles. Lease contracts with short terms or values of less than Euro 5 thousand are expensed directly to the account of the income statement "Other operating costs"; cost is represented by the rentals provided for in the contract.

Investment property

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

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

Impairments

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

Financial assets

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

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

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

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

Derivative financial instruments

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

The hedging relations are of three types:

1. fair value hedge in the case of hedging the exposure against changes in the fair value of assets or liabilities recorded which is attributable to a risk which could impact the result for the year. The profit or losses on the hedging instrument are recorded in the income statement (or in "Other items of the comprehensive income statement", if the hedging instrument hedges an equity instrument for which the Group has chosen to present the changes in fair value under "Other items of the comprehensive income statement");
2. cash flow hedge in the case of hedging the exposure against changes in the cash flows attributable to a particular risk associated with all the assets or liabilities recorded or one of their components or a highly probable scheduled transaction and which could impact on the result for the year. The hedging is recorded as follows: a) the net equity reserve for the hedging of the cash flows is adjusted to the lower between the cumulative profit or loss on the hedging instrument from the commencement of the hedge and the cumulative change in the fair value of the item hedged from the commencement of the hedge; b) the part of the profit or loss on the hedging instrument which is an effective hedge is recorded in a net equity reserve (and in specifically under "Other items of the comprehensive income statement"). Any residual profit or loss on the hedge instrument represents the ineffective part of the hedge which is recorded in the income statement in the account "Financial income/charges";
3. hedges of a net investment in a foreign operation (as defined in IAS 21), recognised in a similar manner to the hedging of financial cash flows.

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

Environmental securities: emission quotas, Green Certificates and White Certificates

The SEA Group holds/acquires quotas/certificates for own-use, or rather to meet its own needs and not for trading purposes.

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

Trade and other receivables

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

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

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

Inventories

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

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

Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits, and other short-term forms of investment, due within three months. At the balance sheet date, bank overdrafts are classified as financial payables under current liabilities in the statement of statement position. Cash and cash equivalents are recorded at fair value.

Provisions for risks and charges

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

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

Restoration and replacement provision of assets under concession

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

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

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

Employee provisions

Pension provisions

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

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

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

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

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

Post-employment benefits

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

Financial liabilities

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

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

Financial liabilities are derecognised from the statement of financial position when they are settled and the Group has transferred all the risks and rewards relating to the instrument.

As a result of the application of the new accounting standard on lease contracts (IFRS 16) by the SEA Group with effect from January 1, 2019, the statement of financial position includes current and non-current financial liabilities ("lease liabilities") representative of the obligation to make the payments provided for in the contract. As permitted by the Standard, the lease liability is not taken to a separate account but included amongst "Current financial liabilities" and "Non-current financial liabilities".

Trade and other payables

Trade and other payables are initially recognised at amortised cost.

Reverse factoring transactions - indirect factoring

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

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

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

Revenue recognition

Revenues are recognised when the transfer to the client of the goods or services promised is expressed in an amount (expressed net of value added taxes and discounts) which reflects the expected consideration to be received in exchange for the goods or services.

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

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

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

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

Green certificates, white certificates and emission quotas

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

Revenue for works on assets under concession

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

The revenues generated by the Group refer to the sale of goods and services during the period and principally refer to the business lines illustrated in the "Operating segments" section and in the income statement. As per IFRS 15, paragraph 114, the Group aggregates the revenues recorded deriving from contracts with customers into categories which illustrate how the economic factors impact upon the nature, the amount, the timing and the level of uncertainty of the revenues and of the cash flows.

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

Government grants

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

Capital grants

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

Operating grants

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

Recognition of costs

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

Financial income

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

Financial charges

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

Income taxes

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

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

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

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

Dividends

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

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

3. ESTIMATES AND ASSUMPTIONS

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

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

(a) Impairments

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

(b) Depreciation

Depreciation represents a significant cost for the Group. The cost of property, plant and equipment is depreciated on a straight-line basis over the estimated useful life of the relative assets and components. The useful life of the fixed assets of the Group is determined by the Directors when the fixed assets are purchased. This is based on the historical experiences for similar fixed assets, market conditions and considerations relating to future events which could have an impact on the useful life, such as changes in technology. Therefore, the effective useful life may be different from the estimated useful life. The Group periodically evaluates technological and sector changes to update the residual useful life. Any change in the residual useful life could result in a change in the depreciation period and therefore in the depreciation charge in future years. In application of the new accounting standard IFRS 16, the income statement also includes the recognition of the depreciation of "Leased assets right-of-use".

(c) Provisions for risks and charges

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

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

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

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

(d) Trade receivables

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

(e) Lease

The transition to IFRS 16 introduces some elements of professional judgment that entail the definition of certain accounting policies and the use of assumptions and estimates with regard to the lease term and the definition of the incremental borrowing rate. The main ones are summarised below:

- The Group has decided not to apply IFRS 16 for contracts containing a lease where the underlying asset is of low value (less than Euro 5 thousand).
- Lease term: the Group has analysed all of its lease contract and has identified the lease term for each of them – this is the non-cancellable period together with the effects of any extension or early termination options whose exercise is considered reasonably certain.
- Definition of the incremental borrowing rate: since most rental contracts entered into by the Group do not include an implied interest rate, the discount rate to be applied to future rental payments has been taken as the average cost of medium/long term debt.

4. RISK MANAGEMENT

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

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

4.1 Credit risk

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

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

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

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

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

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

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

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

Trade receivables

(Euro thousands)	December 31, 2019	December 31, 2018
Trade receivables - customers	210,447	212,210
- of which overdue	123,769	127,278
Doubtful debt provision - customers	(100,532)	(102,612)
Trade receivables - associates	13,467	11,496
Doubtful debt provision - associates	(141)	(89)
Total net trade receivables	**123,241**	**121,005**

The aging of the overdue receivables is as follows:

Trade receivables

(Euro thousands)	December 31, 2019	December 31, 2018
less than 180 days	18,442	23,098
more than 180 days	105,327	104,180
Total trade receivables overdue	**123,769**	**127,278**

The doubtful debt provision follows the methods described in IFRS 9, whose application is obligatory from January 1, 2018. A key element of the standard is the transition from the 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 is 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 SEA Group.

The table below illustrates the gross trade receivables at December 31, 2019 and 2018, as well as the breakdown of receivables from counterparties under administration and in dispute, with indication of the bank and insurance sureties and deposit guarantees provided.

Trade receivables

(Euro thousands)	December 31, 2019	December 31, 2018
Trade receivables - customers & associates	223,914	223,706
(i) receivables from parties subject to administration procedures	96,237	97,123
(ii) receivables subject to dispute	19,214	19,646
Total trade receivables, net of the receivables at points (i) and (ii)	**108,463**	**106,937**
Overdue receivables, other than at points (i) and (ii)	8,318	10,509
Sureties and deposits	82,886	76,612
% of receivables guaranteed by sureties and deposits vs total trade receivables, net of the receivables at points (i) and (ii)	76.4%	71.6%

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 2019, the market risks to which the SEA Group were subject were:

a) interest rate risk;

b) currency risk;

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

a) Interest rate risk

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

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

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

At December 31, 2019 the gross financial debt of the SEA Group was comprised of medium/long-term loans (medium/long term portions of loans) and short-term loans (exclusively the medium/long-term portion of loans maturing within 12 months). At this date, the SEA Group did not make recourse to short-term debt.

The medium/long term debt at December 31, 2019 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

		31/12/2019		31/12/2018	
(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**	**220,767**	**0.93%**	**242,083**	**1.03%**
o/w at Fixed Rate		*38,128*	*3.90%*	*44,971*	*3.90%*
o/w at Variable Rate(*)		*182,639*	*0.30%*	*197,112*	*0.38%*
Other bank loans	**2020**	**44**	**0.50%**	**88**	**0.50%**
o/w at Fixed Rate		*44*	*0.50%*	*88*	*0.50%*
o/w at Variable Rate					
Medium/long-term gross financial debt		**520,811**	**2.19%**	**542,171**	**2.19%**

(*) Includes: (i) variable rate tranche subject to interest rate hedge (ca. 29% at 31.12.2019 & 30% at 31.12.2018);
(ii) Euro 78 million of EIB loans with specific bank guarantee

The total value of medium/long-term loans at December 31, 2019 amounts to Euro 520,811 thousand, a reduction of Euro 21,360 thousand compared to December 31, 2018, due to repayments on these loans. The average cost of this debt remained stable, amounting to 2.19% at December 31, 2019, considering that approximately 75% of medium/long term debt is not exposed to interest rate volatility risk. Also considering the hedging transactions against the interest rate risk and the cost of bank guarantees on EIB loans, the average cost of debt amounts to 2.76%, substantially stable compared to December 2018.

At December 31, 2019 the Group has the following bond issue with a total nominal value of Euro 300 million.

Description	Listing market	ISIN Code	Terms (years)	Maturity	Par value (in million of Euro)	Coupon	Annual rate
SEASPA 3 1/8 04/17/21	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 December 31, 2019 amounts to Euro 536,831 thousand (reduction on Euro 562,361 thousand at December 31, 2018). This value was calculated as follows:

- for the loans at fixed interest rates, the capital portion and interest were discounted utilising the spot rates for each contractual maturity, extrapolated from the market rates;
- for the bond listed on a regulated market, reference was made to the market value at December 31, 2019;
- for the loans at variable interest rates, the interest portion was calculated utilising the estimate of the expected rates at the end of each contractual maturity, increased by the spread defined contractually. The interest portion defined as outlined above and the capital on maturity was discounted utilising the spot rate for each contractual maturity, extrapolated from the market rate.

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

Interest rate hedges (€/000)

	Notional at signing date	Residual Notional at 31/12/2019	Date of signing	Start	Maturity	Fair value at 31/12/2019	Fair value at 31/12/2018
IRS	10,000	7,097	05/18/2011	09/15/2012	09/15/2021	(520.1)	(771.8)
	5,000	3,548	05/18/2011	09/15/2012	09/15/2021	(260.0)	(385.9)
	15,000	9,310	05/18/2011	09/15/2012	09/15/2021	(668.7)	(1,003.8)
	10,000	5,357	06/06/2011	09/15/2012	09/15/2021	(366.1)	(555.8)
	11,000	5,690	06/06/2011	09/15/2012	09/15/2021	(388.3)	(589.5)
	12,000	5,793	06/06/2011	09/15/2012	09/15/2021	(391.3)	(598.6)
	12,000	5,793	06/06/2011	09/15/2012	09/15/2021	(391.3)	(598.6)
Collar	10,000	5,357	06/06/2011	09/15/2011	09/15/2021	(298.1)	(446.8)
	11,000	5,310	06/06/2011	09/15/2011	09/15/2021	(290.3)	(436.4)
Total	**96,000**	**53,256**				**(3,574.1)**	**(5,387.2)**

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

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

The fair value of the derivative financial instruments at December 31, 2019 and at December 31, 2018 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 implied currency fluctuations, of the energy commodities utilised i.e. gas and greenhouse gas emission quotas connected to the operating management of the company. These risks derive from the purchase of the above-mentioned commodities, which in the case of gas are principally impacted by fluctuations in the prices of the underlying fuels, denominated in US Dollars. In the SEA Group, these fluctuations are absorbed through appropriate pricing structures adopted in procurement and sales contracts.

In 2019, the SEA Group did not undertake any hedging of this risk.

In the same period, the SEA Group purchased greenhouse gas emissions rights in advance for future requirements, 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 covers the financial commitments of the Group in the coming 12 months deriving from the investment plans and contractual debt repayments;
- monitors the liquidity position, in relation to the business planning.

At December 31, 2019, the SEA Group had irrevocable unutilised credit lines of Euro 390 million, of which Euro 260 million concerning the 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 December 31, 2019, the SEA Group also had a further Euro 158 million of uncommitted credit lines available for immediate cash requirements. The above-stated available lines are subject to financial covenants.

The SEA Group has available committed and uncommitted credit lines which guarantee the covering of future financial needs and current operational needs, with an average maturity of medium/long-term debt of over 3 years, including the bond issued in 2014. If the bond loan is excluded, the remaining debt has an average maturity of over 5 years (15% over 10 years).

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

The tables below illustrate for the SEA Group the breakdown and maturity of the financial debt (capital, medium/long-term interest, financial charges on derivative instruments and leasing) and trade payables at December 31, 2019 and December 31, 2018:

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**

Liabilities at December 31, 2018

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

At December 31, 2019, loans due within one year relate to the capital portion to be paid on some of the EIB loans and interest due on the total debt. The loan repayment scheduling reflects the capacity of the SEA Group funding to cover medium/long-term needs.

4.4 Sensitivity

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

In particular, the analysis considered:

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

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

a) Assumptions: the effect was analysed on the SEA Group income statement for 2019 and 2018 of a change in market rates of +50 or of -50 basis points.

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

The results of the sensitivity analysis are reported below:

	December 31, 2019		**December 31, 2018**	
(Euro thousands)	**-50 bp**	**+50 bp**	**-50 bp**	**+50 bp**
Current accounts (interest income)[(1)]	-99.99	731.90	-4.76	523.83
Loans (interest charges)[(2)]	309.12	-982.04	308.67	-1,050.70
Derivative hedging instruments (flows)[(3)]	-294.33	294.33	-329.85	329.85
Derivative hedging instruments (fair value)[(4)]	-376.14	370.35	-675.87	661.98

[(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.

Some loans also include covenant conditions, relating to the capacity of the SEA Group to meet annual and/or half year financial commitments (net of financial resources available) from operating activities. It should be noted that, for some loans, non-compliance of the covenant terms results in, for the following half-year period, the application of a correlated predetermined spread (in accordance with a contractually defined pricing grid).

At the present moment the SEA Group is not aware of any default situations related to the loans held or violations of any of the above-mentioned covenants.

5. CLASSIFICATION OF THE FINANCIAL INSTRUMENTS

The following tables provide a breakdown of the financial assets and liabilities by category at December 31, 2019 and at December 31, 2018 of the Group.

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**

	December 31, 2018				
(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		188			188
Trade receivables		121,005			121,005
Tax receivables		1,048			1,048
Other current receivables		9,527			9,527
Cash and cash equivalents		153,036			153,036
Total	**26**	**284,804**	**0**	**0**	**284,830**
Non-current financial liabilities			5,387	518,218	523,605
-of which payables to bondholders				298,889	298,889
Other non-current payables				13,964	13,964
Trade payables				153,394	153,394
Tax payables				18,541	18,541
Other current payables				192,476	192,476
Current financial liabilities excl. leasing				29,042	29,042
Current financial liabilities for leasing				0	0
Total	**0**	**0**	**5,387**	**925,635**	**931,022**

The values resulting from the utilisation of the amortised cost method approximates the fair value of the category.

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 December 31, 2019 and at December 31, 2018:

	December 31, 2019		
(Euro thousands)	**Level 1**	**Level 2**	**Level 3**
Other investments			26
Derivative financial instruments		3,574	
Total	**0**	**3,574**	**26**

	December 31, 2018		
(Euro thousands)	**Level 1**	**Level 2**	**Level 3**
Other investments			26
Derivative financial instruments		5,387	
Total	**0**	**5,387**	**26**

7. DISCLOSURE BY OPERATING SEGMENT

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

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

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

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

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

The following tables present the segment income statements and balance sheets, reconciled with the figures presented in the Directors' Report.

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

(Euro thousands)	Commercial Aviation	General Aviation	Energy	IC Eliminations	Consolidated Financial Statements
Revenues	688,980	15,185	51,338	(48,635)	706,868
of which Intercompany	(9,536)	(4,367)	(34,732)	48,635	
Total operating revenues (third parties)	**679,444**	**10,818**	**16,606**	**0**	**706,868**
EBITDA	**268,516**	**6,509**	**(366)**		**274,659**
EBIT	**170,789**	**4,557**	**(694)**		**174,652**
Investment income/(charges)					17,521
Financial charges					(17,120)
Financial income					156
Pre-tax result					**175,209**
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

Segment disclosure: Income statement & balance sheet at December 31, 2018

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

More information on operating business activities is available in the *"Operating Performance - Sector Analysis"* section in the Directors' Report.

8. NOTES TO THE STATEMENT OF FINANCIAL POSITION

8.1 Intangible assets

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

Intangible assets

(Euro thousands)	December 31, 2018	Increases in the year	Reclassifications/ transfers	Destruct./ sales	Amort./ write-downs	December 31, 2019
Gross value						
Rights on assets under concession	1,509,635	3,250	40,320	(436)		1,552,769
Rights on assets under concess. in prog. & advances	30,875	49,485	(36,006)	(478)		43,876
Patents and right to use intellectual property & others	82,436		6,760		(98)	89,098
Assets in progress and advances	9,054	8,245	(8,479)	(1,040)		7,780
Other	16,954		1,719	(30)	(75)	18,568
Total Gross Value	**1,648,954**	**60,980**	**4,314**	**(1,984)**	**(173)**	**1,712,091**
Accumulated amortisation						
Rights on assets under concession	(577,779)			177	(47,754)	(625,356)
Rights on assets under concess. in prog. & advances						
Patents and right to use intellectual property & others	(69,378)				(7,371)	(76,749)
Assets in progress and advances						
Other	(15,328)					(15,328)
Total accumulated amortisation	**(662,485)**	**0**	**0**	**177**	**(55,125)**	**(717,434)**
Net value						
Rights on assets under concession	931,857	3,250	40,320	(259)	(47,754)	927,414
Rights on assets under concess. in prog. & advances	30,875	49,485	(36,006)	(478)		43,876
Patents and right to use intellectual property & others	13,058		6,760		(7,469)	12,349
Assets in progress and advances	9,054	8,245	(8,479)	(1,040)		7,780
Other	1,626		1,719	(30)	(75)	3,240
Total net value	**986,469**	**60,980**	**4,314**	**(1,807)**	**(55,298)**	**994,659**

As per IFRIC 12, rights on assets under concession, net of accumulated amortisation, amount to Euro 927,414 thousand at December 31, 2019 and Euro 931,857 thousand at December 31, 2018. These rights are amortised on a straight-line basis over the duration of the concession from the State, as they will be returned to the grantor at the end of the concession. The amortisation for the year 2019 amounts to Euro 47,754 thousand. The increases in the year of Euro 43,570 thousand mainly derive from the entry into use of investments made in previous years and recorded under "Assets under concession in progress and advances" and from reclassifications and transfers between intangible and tangible fixed assets. The direct increases during the period of Euro 3,250 thousand refer to the purchase of new explosive detection system equipment for inspecting checked baggage.

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

The account "Assets under concession in progress and advances", amounting to Euro 43,876 thousand, refers to the work in progress on concession assets, not yet completed at December 31, 2019.

The main works done during the year at Malpensa amounted to Euro 22,981 thousand and primarily related to: i) at Terminal 1, work on the terminal itself, flight infrastructure, roads and installations, including the creation of new check-in desk islands, upgrades to the baggage handling system and a doubling of e-gates checkpoints for outbound passenger passport control; and ii) completion of the work on the new departure gates at Terminal 2 and reconfiguration of the road system for better traffic management. At Linate, amounting to Euro 26,504 thousand, works principally concerned functional upgrading and restyling of the Terminal. In particular, the main works involved: i) the demolition of the existing terminal building F and start of construction of a new building F with a façade facing the aircraft apron, expansion of the gates on the ground floor and departure security checks and creation of new commercial areas, scheduled for completion in March 2021; ii) an upgrade to the baggage handling system to ECAC Standard 3 in accordance with Regulation (EU) No 1998/2015; and iii) the new portion relating to the work on the runway.

The reclassifications to assets under concession principally related to the gradual entry into service of the works carried out on Terminal 1 and the completion of the works at Linate on the baggage handling system.

Industrial patents and intellectual property rights and other intangible assets, amounting to Euro 12,349 thousand at December 31, 2019 (Euro 13,058 thousand at December 31, 2018), relate to the purchase of software components for the airport and operating IT systems. Specifically, the increases for Euro 6,760 thousand principally related to the development and implementation of the administrative and airport management systems, relating to investments in previous years and recorded in the account "Assets in progress and advances" which at December 31, 2019 record a residual amount of Euro 7,780 thousand, relating to software developments in progress. The amortisation for the year 2019 amounts to Euro 7,469 thousand.

In consideration of the results reported and the business outlook, as well as the definition of the airport tariffs contained in the Regulatory Agreement, at December 31, 2019 the Group did not identify any impairment indicators.

The changes in intangible assets during 2018 were as follows:

Intangible assets

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

8.2 Property, plant and equipment

The following tables summarises the movements in property, plant and equipment in 2019.

Property, plant and equipment

(Euro thousands)	December 31, 2018	Increases in the year	Reclassifications/ transfers	Destruct./ sales	Deprec./ write-downs	December 31, 2019
Gross value						
Property	228,607		4,122	(1,038)		231,691
Plant and machinery	111,684	1,211	1,424	(53)		114,267
Industrial and commercial equipment	48,071	1,791	(3)	(3,564)		46,295
Other assets	73,681	4,948	5,070	(3,921)		79,778
Assets in progress and advances	14,405	28,981	(14,927)	(1,663)		26,796
Total Gross Value	**476,448**	**36,931**	**(4,314)**	**(10,239)**	**0**	**498,826**
Accumulated depreciation & write-downs						
Property	(101,834)			708	(6,798)	(107,924)
Plant and machinery	(70,693)			52	(3,025)	(73,665)
Industrial and commercial equipment	(39,344)			3,539	(4,749)	(40,554)
Other assets	(59,094)			3,876	(5,806)	(61,024)
Assets in progress and advances						
Total accumulated depreciation & write-downs	**(270,965)**	**0**	**0**	**8,175**	**(20,378)**	**(283,167)**
Net value						
Property	126,773		4,122	(330)	(6,798)	123,766
Plant and machinery	40,991	1,211	1,424	(0)	(3,025)	40,602
Industrial and commercial equipment	8,727	1,791	(3)	(25)	(4,749)	5,740
Other assets	14,586	4,948	5,070	(45)	(5,806)	18,753
Assets in progress and advances	14,405	28,981	(14,927)	(1,663)		26,796
Total net value	**205,483**	**36,931**	**(4,314)**	**(2,064)**	**(20,378)**	**215,657**

The investments relate to the development of the Aviation sector which, as already reported, in accordance with IFRIC 12 are classified as assets under concession and current airport concessions and those in the Non Aviation sector, amounting to Euro 4,122 thousand at December 31, 2019, principally related to the restyling work at Terminal 1 of Malpensa and the Terminal of Linate.

Increments in "Property, plant and equipment" by the Parent Company SEA also include the purchase of new de-icer equipment, snow ploughs and motorised airport operating machinery for Euro 1,353 thousand, new aircraft towing tractors for Euro 2,273 thousand and new video terminals for Euro 790 thousand.

The increases in "Assets in progress and advances" include Euro 6,623 thousand of advances towards the purchase of the new TGE turbine by SEA Energia. In view of the disposal of the TGC turbine at the Malpensa Station of SEA Energia expected by March 2020, the relative depreciation was adjusted. Once definitively in service (expected to occur in April 2021), the new gas turbine will reduce pollutant fallout by approximately 70%, while also cutting CO_2, albeit to a modest degree, through the increased co-generation efficiency of the electric and thermal energy produced by the combined cycle co-generation (CC1 cycle) system in which it will be installed.

In consideration of the results reported and the business outlook, as well as the definition of the airport tariffs contained in the Regulatory Agreement, at December 31, 2019 the SEA Group did not identify any impairment indicators.

All fixed assets, including those falling under IFRIC 12, are expressed net of those funded by State and European Union contributions. These latter at December 31, 2019 amounted to Euro 506,135 thousand and Euro 7,019 thousand respectively.

The changes in property, plant and equipment during 2018 were as follows:

Property, plant and equipment

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

8.3 Leased assets right-of-use

"Leased assets right-of-use" concern the right-of-use recognised as per IFRS 16, as described in greater detail at paragraph 2.2 "Accounting standards, amendments and interpretations applied from January 1, 2019". As a lessee, the SEA Group identified the relevant issues, principally industrial equipment, land and the long-term hire of vehicles, with the consequent recognition of a use right to non-current assets equal to the present value of the outstanding instalments and with the counter-entry of a finance lease payable. The net value of leased assets right-of-use at December 31, 2019 is Euro 10,106 thousand, with depreciation in the year of Euro 1,722 thousand. For the calculation of these amounts, the Group availed of an exemption permitted under IFRS 16 and which resulted in a single discount rate for each leasing portfolio.

The following table outlines the movements between January 1, 2019 and December 31, 2019.

Leased assets right-of-use

(Euro thousands)	January 1, 2019	Increases in the year	Destruct./sales	Deprec./ write-downs	December 31, 2019
Gross value					
Runway/Apron/Street equipment	11				11
Miscellaneous & minor equipment	2,203	866			3,069
Complex equipment	188				188
Transport vehicles	1,376	1,925	(44)		3,257
EDP	868	40			908
Loading and unloading vehicles	7				7
Land	137	4,240			4,377
Total Gross Value	**4,790**	**7,071**	**(44)**	**0**	**11,817**
Accumulated depreciation & write-downs					
Runway/Apron/Street equipment				(8)	(8)
Miscellaneous & minor equipment				(614)	(614)
Complex equipment				(54)	(54)
Transport vehicles			10	(678)	(668)
EDP				(175)	(175)
Loading and unloading vehicles				(5)	(5)
Land				(188)	(188)
Total accumulated depreciation & write-downs	**0**	**0**	**10**	**(1,722)**	**(1,712)**
Net value					
Runway/Apron/Street equipment	11			(8)	3
Miscellaneous & minor equipment	2,203	866		(614)	2,455
Complex equipment	188			(54)	134
Transport vehicles	1,376	1,925	(34)	(678)	2,589
EDP	868	40		(175)	733
Loading and unloading vehicles	7			(5)	2
Land	137	4,240		(188)	4,189
Total net value	**4,791**	**7,071**	**(34)**	**(1,722)**	**10,106**

8.4 Investment property

Information on investment property is provided below:

Investment property

(Euro thousands)	December 31, 2019	December 31, 2018
Gross value	4,134	4,138
Accumulated depreciation	(730)	(730)
Net total investment property	**3,404**	**3,408**

Movement Accumulated Depreciation

(Euro thousands)	December 31, 2019	December 31, 2018
Opening balance	(730)	(724)
Decreases/Reclassification	2	(5)
Depreciation	(2)	(1)
Closing balance	**(730)**	**(730)**

The account includes buildings not utilised in the operated activities of the Group (apartments and garages) for which there were no impairments at December 31, 2019.

8.5 Investments in Associated Companies

The changes in the account "Investments in Associated Companies" at December 31, 2019 and December 31, 2018 are shown below.

Investments in Associates

(Euro thousands)	December 31, 2018	Movements: Increases / revaluations	Movements: Decreases / write-downs	December 31, 2019
SACBO SpA	38,981	8,799	(1,965)	45,815
Dufrital SpA	12,131	5,332	(3,544)	13,919
Disma SpA	2,624	322	(225)	2,721
Malpensa Logistica Europa SpA	2,972	1,515	(875)	3,612
SEA Services Srl	508	899	(892)	515
Airport Handling SpA	10,398	536	(1,200)	9,734
Signature Flight Support Italy Srl	300	58		358
Total	**67,914**	**17,461**	**(8,701)**	**76,674**

The companies held are all resident in Italy.

The net equity of the associated companies was adjusted to take account of the Group accounting principles and the measurement of investments as per IAS 28. The SEA Group share of adjusted net equity at December 31, 2019 amounts to Euro 76,674 thousand (Euro 67,914 thousand at December 31, 2018).

8.6 Other Investment

The list of other investments is presented below:

Company	% Holding: December 31, 2019	% Holding: December 31, 2018
Consorzio Milano Sistema in liquidation	10%	10%
Romairport Srl	0.227%	0.227%
Aeropuertos Argentina 2000 SA	8.5%	8.5%

The tables below report the changes in other investments in 2019:

Other investments

(Euro thousands)	December 31, 2018	Movements: Increases / revaluations	Movements: Decreases/ write-downs	December 31, 2019
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 the SEA Group in the share capital of AA2000, equal to 21,973,747 ordinary Class A shares with 1 vote for each share.

The consideration paid was Euro 14,000,000, entirely received in 2011. The transfer of the shares will only be completed with authorisation by the ORSNA regulator (Organismo Regulador del Sistema Nacional de Aeropuertos).

At the date of the present document, ORSNA had not yet formalized the authorization of the sale of the investment in favour of Cedicor and, therefore the SEA Group still holds 8.5% of the share capital of AA2000; therefore, the investment of 1 Euro was maintained in the 2019 financial statements.

8.7 Deferred tax assets

The changes in the net deferred tax assets for the year 2019 are shown below:

(Euro thousands)	December 31, 2018	(Released) / allocated to P&L	(Released) / allocated to Equity	December 31, 2019
Restoration prov. as per IFRIC 12	34,569	(3,695)		30,874
Write-down Tan. assets (impairment test)	14,296	68		14,364
Provisions for risks and charges	13,260	(1,543)		11,717
Non-deductible doubtful debt provision	7,105	(243)		6,862
Labour dispute	5,061	(3)		5,058
Fair value measurement of derivatives	1,143		(428)	715
Post-em. bens. prov. discounting (IAS 19)	574	(17)	910	1,467
Ord. main. on assets under concession	4,890	7,827		12,717
Amortisation and Depreciation	2,027	146		2,173
Other	3,785	325		4,110
Total deferred tax assets	**86,710**	**2,865**	**482**	**90,057**
Amortisation & Depreciation	(27,818)	1,866		(25,952)
Allocation gain acquisition SEA Prime	(4,901)	218		(4,683)
Restoration provision		(1,499)		(1,499)
Other	194	46		240
Total deferred tax liabilities	**(32,525)**	**631**	**0**	**(31,894)**
Total deferred tax assets, net of liabilities	**54,185**	**3,496**	**482**	**58,163**

The 2020 Budget Law, amending the IRES income tax rate for the tax periods 2019, 2020 and 2021, was published in the Official Gazette on December 27, 2019. The IRES income tax rate has thus been increased by 3.5 percentage points for the years concerned. In the 2019 Consolidated Financial Statements, this increase entailed the measurement, according to the new rate, of all items carried among “Deferred tax assets” and “Deferred tax liabilities” that will be reversed in the tax periods mentioned above.

The IRES income tax rate applicable to the Parent Company for the three years concerned is therefore 27.5%, whereas it is 24% for the companies consolidated line-by-line. The IRAP tax rate for the Parent Company SEA SpA is equivalent to 4.2%, while for the other companies fully consolidated by the Group this is 3.9%.

8.8 Other non-current receivables

Other non-current receivables of Euro 6,470 thousand as at December 31, 2019 (Euro 188 thousand as at December 31, 2018) refer to:

- Employee receivables and guarantee deposits of Euro 222 thousand (Euro 188 thousand as at December 31, 2018);
- Euro 6,248 thousand relating 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)	December 31, 2019	December 31, 2018
Raw material, ancillary and consumables	3,136	3,580
Inventory obsolescence provision	(1,288)	(1,646)
Total Inventories	**1.848**	**1.934**

The account comprises consumable goods held for airport activities. No goods held in inventories comprised guarantees on loans or concerning other commitments.

The comparison of inventories with the realisable value or replacement necessitated an obsolescence inventory provision amounting to Euro 1,288 thousand at December 31, 2019 (Euro 1,646 thousand at December 31, 2018).

Utilisation of the inventory obsolescence provision amounted to Euro 358 thousand in 2019.

8.10 Trade receivables

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

Trade receivables

(Euro thousands)	December 31, 2019	December 31, 2018
Trade receivables - customers	109,915	109,598
Trade receivables - associates	13,326	11,407
Total net trade receivables	**123,241**	**121,005**

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

Total receivables in 2019 were affected by the renegotiation of existing commercial contracts in view of the Covid-19 health emergency to support the commercial partners affected by this emergency, while avoiding payment disputes and laying the groundwork for a swift recovery.

Following Decree No. 112 of March 12, 2020, issued by Italy's Ministry for Infrastructure and Transport in coordination with the Ministry of Health, effectively closing Milan Linate Airport with effect from March 16, 2020, almost all commercial partners informed SEA of economic difficulties due to the situation and thus requested a revision of the existing contractual conditions in response to the severe economic crisis caused by the health emergency. Accordingly, from March 1 to December 31, 2020 SEA will not apply guaranteed minimums to any of its commercial partners who pay only the contractual royalty on monthly net sales. The amounts relating to the periods indicated above, already invoiced as at December 31, 2019, totalling approximately Euro 3 million, have been reversed, together with the related prepayments.

The criteria for the adjustment of receivables to their realisable value takes account of valuations regarding the state of the dispute and are subject to estimates which are described in Notes 2.7 and 4.1, to which reference should be made.

The changes in the doubtful debt provision were as follows:

Doubtful debt provision

(Euro thousands)	December 31, 2019	December 31, 2018
Opening provision	(102,701)	(102,254)
(Increases)/releases	1,914	(816)
Utilisations	114	369
Total doubtful debt provision	**(100,673)**	**(102,701)**

Releases from the provision are shown net of accruals and amount to Euro 1,914 thousand in 2019 (net accruals of Euro 816 thousand in 2018). The doubtful debt provision was calculated to take into account the risk in deterioration of the financial positions of the principle operators with which disputes exist and write-downs for receivables under administration, and of the risk assessed by the Group which reflects the expected loss on each receivable, as per IFRS 9.

8.11 Tax receivables and other current receivables

The following table provides the breakdown of tax receivables and other current receivables:

Tax receivables and other current receivables

(Euro thousands)	December 31, 2019	December 31, 2018
Tax receivables	2,071	1,048
Other current receivables	11,067	9,527
Total tax receivables and other current receivables	**13,138**	**10,575**

Tax receivables of Euro 2,071 thousand as at December 31, 2019 refer to VAT receivables of Euro 464 thousand (Euro 128 thousand as at December 31, 2018), current tax receivables of Euro 1,182 thousand (Euro 115 thousand as at December 31, 2018) and other tax receivables of Euro 425 thousand (Euro 805 thousand as at December 31, 2018).

The account “other current receivables” is broken down as follows:

Other current receivables

(Euro thousands)	December 31, 2019	December 31, 2018
CO_2 quota receivables	5,183	2,037
Other receivables	4,773	4,013
Misc. receivables	371	562
Receivables from insurance companies	488	200
Employee & soc. sec. receivables	204	143
Post & tax stamps	48	7
Receivables for dividends		2,005
Receivables from GSE for white & green certs.		560
Total other current receivables	**11,067**	**9,527**

"Other current receivables" amount to Euro 11,067 thousand at December 31, 2019 (Euro 9,527 thousand at December 31, 2018) and is comprised of the accounts outlined below.

Prepayments on purchases of CO_2 quotas amounted to Euro 5,183 thousand as at December 31, 2019 (Euro 2,037 thousand as at December 31, 2018) and refer to greenhouse gas emission rights quotas purchased in advance in 2019.

"Other receivables" of Euro 4,773 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.

The receivables from GSE, claimed by the SEA Group for white and green certificates, were collected in 2019. This amount includes the receivables of SEA Energia from the Energy Service Operator relating to the portion of white certificates in 2016 on the combined cycle 1. In 2019, the Group did not accrue the envisaged incentives for "white certificates", as the recognition period came to a close in 2016.

Miscellaneous receivables amounting to Euro 371 thousand at December 31, 2019 mainly refer to receivables from payments by Telepass, credit card and POS which have not yet been credited in the bank account.

Receivables from insurance companies, amounting to Euro 488 thousand at December 31, 2019 (Euro 200 thousand at December 31, 2018) relates to amounts paid on insurance policies in advance of the period to which the cost refers. The movement was mainly due to the different payment timing than in 2018.

The receivables for dividends to be received of Euro 2,005 thousand recognised in the previous year relating to the dividends approved by the Extraordinary Shareholders' Meeting of Dufrital SpA on December 18, 2018 were collected in full in January 2019.

8.12 Cash and cash equivalents

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

Cash and cash equivalents

(Euro thousands)	December 31, 2019	December 31, 2018
Bank and postal deposits	87,458	152,955
Cash in hand and similar	63	81
Total	**87,521**	**153,036**

Cash and cash equivalents at December 31, 2019 decreased Euro 65,515 thousand compared to the previous year. The account at year end comprises bank and postal deposits on demand for Euro 87,354 thousand (Euro 152,851 thousand at December 31, 2018), restricted bank deposits of Euro 104 thousand (Euro 104 thousand at December 31, 2018) and cash amounts for Euro 63 thousand (Euro 81 thousand at December 31, 2018). For further information on the movements to cash and cash equivalents, reference should be made to the Cash Flow Statement.

8.13 Shareholders' Equity

At December 31, 2019, the share capital of the Company amounted to Euro 27,500 thousand.
The par value of each share was Euro 0.11.
The changes in shareholders' equity in the year are shown in the financial statements.

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

(Euro thousands)	Net Equity at December 31, 2018	Equity movements	OCI Reserve	Net profit / (loss)	Net Equity at December 31, 2019
Parent Company Financial Statements	**390,591**	**(223,400)**	**(1,527)**	**111,565**	**277,229**
Share of net equity and net profit of the consolidated subsidiaries attributable to the Group, net of the carrying amount of the relative investments	24,711			3,836	28,547
Adjustments for measurement at equity of associates	49,778			8,760	58,538
Other consolidation adjustments	(5,952)			260	(5,692)
Consolidated Financial Statements	**459,126**	**(223,400)**	**(1,527)**	**124,421**	**358,620**

On April 19, 2019, the Shareholders' Meeting of the Parent Company approved the distribution of dividends of Euro 98,800 thousand and the carrying forward to reserves of Euro 24,689 thousand, relating to the allocation of the 2018 net profit, amounting to Euro 123,489 thousand.

On September 30, 2019 the Shareholders' Meeting approved the extraordinary distribution of available components of equity, carried in the financial statements as at December 31, 2018 in the account other reserves, for a total of Euro 124,600 thousand, to be paid as follows: i) the first instalment of 32% of the amount approved starting on October 15, 2019 (the amount effectively paid at the reporting date is Euro 39,862 thousand); and ii) the second instalment, of 68% of the amount approved, starting on June 24, 2020. For further details on the postponement of the payment of the second instalment, reference should be made to the Directors' Report in the section "Subsequent events".

8.14 Provisions for risks and charges

The breakdown of the account "provisions for risks and charges" is shown in the table below:

Provisions for risks and charges

(Euro thousands)	December 31, 2018	Provisions	(Utilisation)	(Releases)	Other changes	December 31, 2019
Restoration and replacement provision	137,585	22,052	(36,160)		6,248	129,725
Provision for future charges	30,276	3,343	(5,062)	(874)		27,683
Total provision for risks and charges	**167,861**	**25,395**	**(41,222)**	**(874)**	**6,248**	**157,408**

The restoration and replacement provision on assets under concession, created in accordance with IFRIC 12, amounting to Euro 129,725 thousand at December 31, 2019 (Euro 137,585 thousand at December 31, 2018), refers to the estimate of the amount matured relating to the maintenance on assets under concession from the State which will be undertaken in future years. The provision for the year takes into account the updated long-term scheduled maintenance and replacement plans on these assets, while the utilisations in the year refer to the restoration works carried out covered by the provisions made in previous years. The utilisation during the year was mainly due to restoration work on the runway at Linate, which entailed the full resurfacing of the paving and taxiways at both airports.

The movements of the future charges provision were as follows:

Provision for future charges

(Euro thousands)	December 31, 2018	Provisions	(Utilisation)	(Releases)	December 31, 2019
Labour provisions	6,015	1,517	(1,613)	(65)	5,854
Insurance excesses	1,601	406	(79)	(656)	1,272
Tax risks	1,862		(2)		1,860
Green & white certificates	990		(76)		914
Other provisions	19,808	1,420	(3,292)	(153)	17,783
Total provision for future charges	**30,276**	**3,343**	**(5,062)**	**(874)**	**27,683**

The “Labour provisions” relate to the expected streamlining actions to be undertaken on operations. The utilisations in the year are related to the incentivised departures for which a specific provision was made in the accounts in 2018.

“Insurance excess” equal to Euro 1,272 thousand refers to the charges payable by the SEA Group for damages deriving from civil responsibility.

The “Tax risk” 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 (for further information, reference should be made to the Directors’ Report).

“Green and white certificates”, amounting to Euro 914 thousand at December 31, 2019, refers to SEA Energia. The amount was accrued for the dispute with the Energy Service Operator over green certificates (for the period 2010–2014) and white certificates (for the period 2012-2015). For further details, reference should be made to the Directors’ Report to the chapter “Main disputes outstanding at December 31, 2019”.

The account “Other provisions” for Euro 17,783 thousand at December 31, 2019 is mainly composed of the following items:

- Euro 5,783 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 in 2020;
- Euro 3,000 thousand for various legal disputes.

The utilisations mainly concern the payment of amounts for recovery actions or the resolution of disputes by a judgment unfavourable to Group companies.

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

8.15 Employee provisions

The changes in the employee provisions are shown below:

Employee provisions

(Euro thousands)	December 31, 2019	December 31, 2018
Opening provision	46,214	47,834
Financial (income)/charges	454	652
Utilisations	(2,289)	(1,173)
Actuarial losses/(profits)	3,793	(1,099)
Total employee provisions	**48,172**	**46,214**

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

The principal actuarial assumptions, utilised for the determination of the pension obligations, are reported below:

Economic-financial technical parameters

	December 31, 2019	December 31, 2018
Annual discount rate	0.77%	1.57%
Annual inflation rate	1.50%	1.50%
Annual increase in employee leaving indemnity	2.63%	2.63%

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

The sensitivity analysis for each of the significant assumptions at December 31, 2019 is shown below, indicating the effects that would arise on the post-employment benefit provision for the Parent Company SEA.

Change

(Euro thousands)	December 31, 2019	December 31, 2018
+ 1 % on turnover rate	46,814	45,037
- 1 % on turnover rate	47,657	45,354
+ 1/4 % on annual inflation rate	47,863	45,822
- 1/4 % on annual inflation rate	46,578	44,565
+ 1/4 % on annual discount rate	46,189	44,191
- 1/4 % on annual discount rate	48,277	46,218

The average duration of the financial obligation and scheduled payments of the benefits are reported in the following tables:

Average duration of the obligation

(in years)	December 31, 2019	December 31, 2018
Duration of the plan	9.4	10.0

Expected disbursements

(Euro thousands)	December 31, 2019	December 31, 2018
Year 1	4,397	2,127
Year 2	3,438	2,363
Year 3	2,073	2,749
Year 4	2,099	3,835
Year 5	2,297	2,991

8.16 Current and non-current financial liabilities

The table below provides a breakdown of current and non-current financial liabilities at December 31, 2019 and December 31, 2018.

	December 31, 2019		December 31, 2018	
(Euro thousands)	Current portion	Non-current portion	Current portion	Non-current portion
Long-term loans	23,459	195,978	21,316	219,286
Loan charges payable	939		1,055	
Derivatives fair value		3,574		5,387
Bank payables	**24,398**	**199,552**	**22,371**	**224,673**
Payables to bondholders		299,369		298,889
Payables for charges on bonds	6,610		6,627	
Lease liabilities (Financial Payables)	1,706	6,771		
Payables for subsidised loans	44		44	44
Other financial payables				
Payables to other lenders	**8,360**	**306,140**	**6,671**	**298,933**
Total current and non-current liabilities	**32,758**	**505,692**	**29,042**	**523,605**

The financial debt of the Group at year-end, as illustrated in the table below, is almost exclusively comprised of medium/long-term debt - of which over half concerning the “SEA 3 1/8 2014 -2021” bond issue (expressed at amortised cost). The remainder of the debt is comprised of Euro 44 thousand EIB subsidised loans (of which 47% with maturity beyond 5 years and only 11% due in the next 12 months).

The breakdown of the Group net debt at December 31, 2019 and December 31, 2018 is reported below:

Net financial debt

(Euro thousands)		December 31, 2019	December 31, 2018
A.	Cash and Cash Equivalents	(87,521)	(153,036)
B.	Other cash equivalents		
C.	Securities held for trading		
D.	**Liquidity (A)+(B)+(C)**	**(87,521)**	**(153,036)**
E.	**Financial receivables**		
F.	Current financial payables	7,549	7,681
G.	Current portion of medium/long-term bank payables	23,503	21,361
H.	Other current financial payables	1,706	
I.	**Payables and other current financial liabilities (F) + (G) + (H)**	**32,758**	**29,042**
J.	**Net current financial debt (D) + (E) + (I)**	**(54,763)**	**(123,994)**
K.	Non-current portion of medium/long-term bank payables	195,977	219,286
L.	Bonds issued	299,369	298,889
M.	Other non-current financial payables	10,346	5,430
N.	**Payables and other non-current financial liabilities (K) + (L) + (M)**	**505,692**	**523,605**
O.	**Net Financial Debt (J) + (N)**	**450,929**	**399,611**

At the end of December 2019, the net debt of Euro 450,929 thousand increased Euro 51,318 thousand on the end of 2018 (Euro 399,611 thousand).

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

a) A decrease in cash and cash equivalents of Euro 65,515 thousand, due to the following main factors: (i) the payment of the first instalment of the distribution of extraordinary reserves of Euro 39,862 thousand undertaken in 2019; (ii) the continuation of the repayment of part of the loans held, principally EIB loans, with principal amounts repaid in 2019 totalling Euro 21,360 thousand.

   However, cash flows from current operations covered the significant investment needs and the payment of the ordinary dividend.

b) Lower IAS adjustments for Euro 1,315 thousand principally deriving from: (i) the improvement in the fair value of the derivatives for Euro 1,813 thousand related to the continuation of the amortisation of the relative notional value; (ii) lower accruals on loans for Euro 132 thousand (iii) negative impact for Euro 631 thousand from the continued amortisation of the costs for the EIB loans and Bond.

c) Higher leasing payables from initial application of the new IFRS 16.

“Other current financial payables” and “Other non-current financial payables” include the lease liabilities, as per the new 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 December 31, 2019 respectively to Euro 1,706 thousand and Euro 6,771 thousand:

Lease liabilities (Financial Payables)

	December 31, 2019	
(Euro thousands)	**current**	**non-current**
Runway/Apron/Street equipment	4	
Miscellaneous & minor equipment	624	2,082
Complex equipment	53	91
Transport vehicles	800	2,015
EDP	186	593
Loading and unloading vehicles	3	
Land	36	1,990
Total	**1,706**	**6,771**

For further details, reference should be made to note 8.3 “Leased assets right-of-use”.

The following is a breakdown of the variations of current and non-current financial assets and liabilities, with a separate indication of cash flows recorded in the year 2019 and other variations.

(Euro thousands)	Loans	Bond loans	Derivative liabilities	Lease payables	Total
Balance at December 31, 2018	**248,371**	**298,889**	**5,387**	**0**	**552,647**
Cash flows	(21,360)			(3,872)	(25,232)
Other changes					
- Amortised cost	151	480			631
- Fair value change			(1,813)		(1,813)
- Accruals	(132)				(132)
- IFRS 16 impact at January 1, 2019				4,922	4,922
- Change to finance lease payable IFRS 16				7,427	7,427
Balance at December 31, 2019	**227,030**	**299,369**	**3,574**	**8,477**	**538,450**

8.17 Other non-current payables

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

Other non-current payables

(Euro thousands)	December 31, 2019	December 31, 2018
Employee payables	6,560	11,876
Social security institutions	1,401	2,088
Total	**7,961**	**13,964**

The item includes payables to employees and the corresponding obligation due to the INPS resulting from the signing of early retirement agreements in the context of the Personnel Restructuring Industrial Plan 2018-2023.

"Other non-current payables" refers to payables to employees and associated social security contributions, recorded as a result of the mobility procedure's commencement on December 27, 2017. Through the mobility procedure, early retirement incentive payments were established for a pre-determined number of workers who will qualify for pension benefits by August 2023 (early retirement or old age pension). The agreement with Trade Unions covering this procedure was signed on January 15, 2018. The change is substantially attributable to the reclassification from current payables.

8.18 Trade payables

The breakdown of trade payables is follows.

Trade payables

(Euro thousands)	December 31, 2019	December 31, 2018
Supplier payables	168,413	139,303
Advances	2,152	2,475
Payables to associates	11,520	11,616
Total trade payables	**182,085**	**153,394**

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

The payables for advances at December 31, 2019 amounted to Euro 2,152 thousand (Euro 2,475 thousand at December 31, 2018).

In order to optimise operations with suppliers, trade payables at December 31, 2019 include sums ceded under indirect factoring contracts for Euro 4,076 thousand (Euro 1,391 thousand at December 31, 2018).

For payables from associated companies, reference should be made to Note 10, relating to transactions with related parties.

8.19 Income tax payables

Income taxes payables for income taxes amounting to Euro 10,689 thousand at December 31, 2019 (Euro 18,541 thousand at December 31, 2018), relate to taxes for Euro 4,856 thousand (Euro 5,253 thousand at December 31, 2018), IRAP payables for Euro 4 thousand (Euro 837 thousand at December 31, 2018), IRES payables for Euro 4,868 thousand (Euro 11,539 thousand at December 31, 2018), VAT payables for Euro 955 thousand (Euro 906 thousand at December 31, 2018) and other taxes for Euro 6 thousand (Euro 6 thousand at December 31, 2018).

8.20 Other payables

The table below reports the breakdown of the account “other payables”.

Other payables

(Euro thousands)	December 31, 2019	December 31, 2018
Payables to shareholders for dividends	84,839	89
Airport fire service	71,187	65,113
Payables for additional landing rights	51,416	49,944
Other payables	22,866	23,370
Employee payables for amounts matured	24,047	21,311
Payables to the state for concession fee	14,664	14,285
Payables to social security institutions	14,126	14,234
Employee payables for vacations not taken	2,676	2,434
Third party guarantee deposits	1,296	1,160
Payables to others post-employee benefits	237	242
Payables to BoD & Boards of Statutory Auditors	72	204
Payables to the state for concession fee security service	96	90
Total	**287,522**	**192,476**

“Other current liabilities” increased by Euro 95,046 thousand, from Euro 192,476 thousand at December 31, 2018 to Euro 287,522 thousand at December 31, 2019.

Payables to shareholders for dividends increased significantly due to the resolution passed by the Shareholders’ Meeting on September 30, 2019, approving the extraordinary distribution of available components of equity, carried in the financial statements as at December 31, 2018 in the account other reserves, for a total of Euro 124,600 thousand, with i) the first instalment to be paid starting on October 15, 2019 and ii) the second starting on June 24, 2020. For further details on the postponement of the payment of the second instalment, reference should be made to the Directors’ Report in the section “Subsequent events”.

Relating to the payables to the State for airport fire services, on July 20, 2018 the constitutional court notice of July 3, 2018 was published in the Official Gazette which declared the unconstitutionality of Article 1, paragraph 478 of Law No. 208 of December 28, 2015 implementing “Provisions for the drawing up of annual and multi-year budgets of the State (2016 Stability Law)”. The established taxation status of the fire-fighting fund and the condition of exclusive tax jurisdiction were subsequently confirmed by the Court of Cassation on January 15, 2019. For further details and more in-depth information, reference should be made to the Directors’ Report in the section “Main disputes outstanding at December 31, 2019”.

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 payables”, amounting to Euro 22,866 thousand at December 31, 2019 (Euro 23,370 thousand at December 31, 2018), mainly relates to deferred income for future periods and other minor payables.

Deferred income in 2019 was affected by the renegotiation of existing commercial contracts due to the Covid-19 health emergency, for a description of which reference should be made to the section 8.10 “Trade receivables” of these Notes.

The higher employee payables for amounts matured, for Euro 2,736 thousand, are principally due to the reclassification of the current portion of employee payables and the relative social contribution charges, to be paid in 2020 relating to the mobility procedure commenced in 2017, only partially offset by the amount paid during the year.

9. INCOME STATEMENT

9.1 Operating revenues

The table below shows the breakdown of operating revenues for the years 2019 and 2018. These data, as shown in Note No. 7 “Disclosure by operating segment” reflect the operational and managerial view of the businesses in which the Group operates. Therefore, these data differ with respect to those presented at the level of the individual legal entity.

The account in question was influenced by the closure of Linate airport from July 27 to October 26, 2019 for the resurfacing of the runway and restyling of the terminal, resulting in the transfer of most flights to Malpensa airport.

The incentives to the airline carriers for the development of traffic (previously classified in the account “Other operating costs”) were classified as a reduction of the account “Operating revenues”.

Operating revenues

(Euro thousands)	2019	2018
Commercial Aviation Operating Revenues	679,444	658,128
General Aviation Operating Revenues	10,818	11,344
Energy Operating Revenues	16,606	14,484
Total operating revenues	**706,868**	**683,956**

Commercial Aviation Operating Revenues

The breakdown of aviation operating revenues is reported below.

Commercial Aviation Operating Revenues

(Euro thousands)	2019	2018
Fees and centralised infrastructure	367,658	357,438
Revenues from security controls management	44,637	44,622
Use of regulated spaces	13,515	13,669
Total Aviation operating revenues	**425,810**	**415,729**

Aviation revenue growth, amounting to Euro 10,081 thousand, is described in detail in the Directors’ Report, to which reference should be made.

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

Non Aviation operating revenues

(Euro thousands)	2019	2018
Retail	103,587	97,753
Parking	73,319	68,119
Cargo	18,357	16,261
Advertising	10,547	11,529
Premium services	22,721	19,289
Real estate	4,336	8,988
Services and other revenues	20,767	20,460
Total Non Aviation operating revenues	**253,634**	**242,399**

"Services and other revenues" mainly relate to income from ticketing services, service activities and other income.

The breakdown of retail revenues is reported below.

Retail Revenues

(Euro thousands)	2019	2018
Shops	54,192	50,704
Food & Beverage	23,014	21,702
Car Rental	17,456	17,192
Bank services	8,925	8,155
Total Retail	**103,587**	**97,753**

For further information, reference should be made to the Operating Segments section of the Directors' Report.

General Aviation Operating Revenues

As mentioned above, the General Aviation business includes the full range of services relating to business traffic at the western apron of Linate airport and, with effect from August 2019, at Malpensa airport also. Revenues from the General Aviation business amounting to Euro 10,818 thousand registered a decrease (5% over the previous year). For further detail, 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)	2019	2018
Sale of Electricity	11,662	8,931
Sale of Thermal Energy	4,888	4,642
Other Revenues & Services	56	911
Total Energy operating revenues	**16,606**	**14,484**

For an analysis of revenues, reference should be made to the Directors' Report.

9.2 Revenue for works on assets under concession

Revenue for works on assets under concession increased from Euro 29,189 thousand in 2018 to Euro 51,142 thousand in 2019.

These revenues, as per IFRIC 12, refer to construction work on assets under concession increased by a mark-up of 6% representing the best estimate of the remuneration of the internal cost for the management of the works and design activities undertaken by the Parent Company, which corresponds to a mark-up which a general constructor would request to undertake such activities.

This account is strictly related to investment and infrastructure upgrading activities. For further information on the principal investments, reference should be made to Note 8.1.

9.3 Personnel costs

The breakdown of personnel costs is as follows.

Personnel costs

(Euro thousands)	2019	2018
Wages, salaries & social security charges	178,348	173,982
Post-employment benefits	7,895	7,676
Other personnel costs	5,384	7,758
Total	**191,627**	**189,416**

Group personnel costs, which increased Euro 2,211 thousand (+1.2%) compared to 2018, rose from Euro 189,416 thousand in 2018 to Euro 191,627 thousand in 2019.

The increase was due to the non-recurring costs associated with the temporary shutdown of Linate airport for runway re-surfacing and the sharp increase in headcount required to handle a greater number of passengers.

Passenger traffic growth impacted upon the increase in the average number of FTE employees, which increased from 2,782 in 2018 to 2,802 in 2019.

The average number of employees by category in the two-year period (Full Time Equivalent) is as follows:

Average Full Time Equivalent

	January-December 2019	%	January-December 2018	%
Executives	54	1.9%	56	2.0%
Managers	292	10.4%	280	10.1%
White-collar	1,742	62.2%	1,749	62.9%
Blue-collar	635	22.7%	650	23.4%
Total full-time employees	**2,723**	**97.2%**	**2,735**	**98.3%**
Temporary workers	79	2.8%	47	1.7%
Total employees	**2,802**	**100.0%**	**2,782**	**100.0%**

9.4 Consumable materials

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

Consumable materials

(Euro thousands)	2019	2018
Raw materials, ancillaries, consumables and goods	44,483	34,783
Purchase of CO_2 quotas	2,869	3,280
Change in inventories	85	2,171
Total	**47,437**	**40,234**

Consumable materials increased from Euro 40,234 thousand in 2018 to Euro 47,437 thousand in 2019, an increase of Euro 7,203 thousand, primarily due to the increased costs of methane and electricity, partially offset by the lesser impact of the change in inventories.

9.5 Other operating costs

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

Other operating costs

(Euro thousands)	2019	2018
Public fees	35,513	34,602
Ordinary maintenance costs	37,118	27,851
Terminal services provided by handling company	24,548	23,255
Cleaning	16,862	14,207
Other costs	15,480	13,067
Parking management	17,430	15,149
Professional services	6,780	8,247
Utilities & security expenses	11,355	9,691
Miscellaneous and local taxes	8,382	8,354
Hardware and software fees & rental	8,156	5,366
Commercial costs	7,847	5,067
Disabled assistance	3,600	3,600
Hire of equipment & vehicles	2,068	3,737
Insurance	1,518	1,412
Emoluments & costs of Board of Statutory Auditors & BoD	728	838
Losses on disposal of assets	581	473
Total other operating costs	**197,966**	**174,916**

Other operating costs, amounting to Euro 197,966 thousand in 2019, increased Euro 23,050 thousand on the previous year. This increase was principally due to the following factors:

- increase in Public fees for Euro 911 thousand following the higher concession fee which SEA must pay for the year 2019 to ENAC. This increase is strictly correlated to the traffic numbers. The "Public fees" include: i) concession fees to the State for Euro 28,120 thousand (Euro 27,226 thousand in 2018); ii) costs for fire-fighting services at the airports for Euro 6,074 thousand (Euro 6,073 thousand in 2018); iii) concession fees to the tax authorities for security services of Euro 1,184 thousand (Euro 1,137 thousand in 2018); other fees to various entities for Euro 135 thousand (Euro 166 thousand in 2018);
- higher ordinary maintenance costs (+Euro 9,267 thousand), relating to programmed maintenance on property, plant and equipment;
- increased commercial costs (+Euro 2,780 thousand) relating to greater commercial and marketing initiatives in 2019, and in particular to the initiatives tied to the reopening of Linate airport;
- increased cleaning service costs (+Euro 2,655 thousand) due to the greater services rendered by suppliers and the increase in available surface area;
- increased utilities and security costs (+Euro 1,664 thousand) following the increase in security checkpoint control activities;
- lesser rentals for equipment and motor vehicles of Euro 1,669 thousand, primarily due to the application with effect from January 1, 2019 of the accounting standard IFRS 16, which requires the recognition of an intangible right-of-use asset for lease contracts previously classified as operating leases. For further information, reference should be made to Note 2.2;
- the change in the account "Other costs" is mainly attributable to higher accessory costs for electricity (+Euro 480 thousand), charges relating to catering services for the VIP lounges (+Euro 753 thousand) and shuttle services (+Euro 666 thousand).

9.6 Costs for works on assets under concession

Costs for works on assets under concession increased from Euro 26,728 thousand in 2018 to Euro 46,321 thousand in 2019. This movement is strictly related to investment activities, for which reference should be made to Notes 8.1 and 8.2.

These costs refer to the costs for the works undertaken on assets under concession. The margin for work on assets under concession are included in the Commercial Aviation business.

9.7 Provisions and write-downs

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

Provisions and write-downs

(Euro thousands)	2019	2018
Write-downs / (releases) of current receivables & cash and cash equivalents	(1,914)	817
Provisions/(releases) to provisions for future charges	2,469	2,887
Total provisions and write-downs	**555**	**3,704**

In 2019 the provisions and write-downs amount to a charge to the income statement of Euro 555 thousand.

The doubtful debt provisions were recorded in line with IFRS 9.

The net provisions for future risks and charges, amounting to Euro 2,469 thousand (Euro 2,887 thousand at December 31, 2018), principally refer to adjustments on valuations related to legal disputes with employees and operational activities of the Milan Airports. For further information reference should be made to Note 8.14.

9.8 Restoration and replacement provision

The breakdown of the restoration and replacement provision is as follows:

Restoration and replacement provision

(Euro thousands)	2019	2018
Restoration and replacement provision	22,052	15,077

This account includes the provision for the year relating to the scheduled replacement and maintenance of the assets within the so-called "Concession Right". The net provision increased from Euro 15,077 thousand in 2018 to Euro 22,052 thousand in 2019, up Euro 6,975 thousand, necessary due to the review of the maintenance plan managed in the restoration provision.

In 2019 the provision amounted to Euro 22,052 thousand and the utilisation amounted to Euro 36,160 thousand.

9.9 Amortisation and depreciation

The account “Amortisation & depreciation” is comprised of:

Amortisation and depreciation

(Euro thousands)	2019	2018
Amortisation of intangible assets	55,298	53,706
Depreciation of tangible assets & investment property	20,380	19,895
Depreciation Leased assets right-of-use	1,722	
Total amortisation & depreciation	**77,400**	**73,601**

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 in the year In addition, the increase related to the amortisation of the new category of fixed assets from the application from January 1, 2019 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)	2019	2018
SACBO SpA	8,799	4,380
Dufrital SpA	5,332	3,776
Disma SpA	322	244
Malpensa Logistica Europa SpA	1,515	1,799
Sea Services Srl	899	851
Signature Flight Support Italy Srl	58	(81)
Airport Handling SpA	536	3,208
Valuation at equity of investments	**17,461**	**14,177**
Other income (charges)	**60**	**391**
Total income (charges) from investments	**17,521**	**14,568**

Net investment income increased from Euro 14,568 thousand in 2018 to Euro 17,521 thousand in 2019 (+Euro 2,953 thousand) and include investments carried at equity and other income and charges. 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.

The main changes compared to the previous year were as follows:

- income from SACBO increased, mainly due to the positive results of the Associate;
- income from Airport Handling decreased, since in 2018 the SEA Group had benefited from the income arising from initial recognition within the scope of companies measured at equity.

9.11 Financial income charges

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

Financial income (charges)

(Euro thousands)	2019	2018
Exchange gains	51	5
Other financial income	105	1,016
Total financial income	**156**	**1,021**
Interest on medium/long term loans	(11,676)	(12,038)
Commissions on loans	(1,764)	(1,628)
Exchange losses	(6)	(23)
Other interest charges:	**(3,674)**	**(3,973)**
financial charges on post-employee benefits	(454)	(652)
financial charges on Leasing	(136)	(1)
financial charges on derivatives	(2,076)	(2,290)
Other	(1,008)	(1,030)
Total financial charges	**(17,120)**	**(17,662)**
Total financial income (charges)	**(16,964)**	**(16,641)**

Net financial charges in 2019 amount to Euro 16,964 thousand, an increase of Euro 323 thousand on the previous year.

This outcome was shaped by the following factors: (i) lesser interest expense of Euro 542 thousand, attributable to the decrease in interest expense for the period on medium-/long-term loans, as a result of lower average gross debt and charges on derivatives due to the continuing amortisation of the relevant notional amount; and (ii) lesser financial income of Euro 865 thousand due to the impact on 2018 results of interest income (Euro 976 thousand) accrued on the IRES receivable collected in April of that same year, concurrently with the corresponding nominal tax receivable. Net of this component, financial income increased Euro 66 thousand in 2019 due to the negotiation of more favourable interest conditions for the balances of several bank accounts held by the SEA Group.

9.12 Income taxes

The breakdown of the account is as follows:

Income taxes

(Euro thousands)	2019	2018
Current income taxes	54,284	55,037
Deferred income taxes	(3,496)	(3,719)
Total	**50,788**	**51,318**

Reconciliation between theoretical income tax rate and effective income tax rate is shown in the table below.

(Euro thousands)	2019	%	2018	%
Profit before taxes	**175,209**		**187,396**	
Theoretical income taxes	47,601	27.2%	44,975	24.0%
Permanent tax differences effect	(2,172)	-1.2%	(109)	-0.1%
IRAP	8,063	4.6%	8,549	4.6%
Other	(2,704)	-1.5%	(2,097)	-1.1%
Total	**50,788**	**29.0%**	**51,318**	**27.4%**

Income taxes in 2019 amount to Euro 50,788 thousand compared to Euro 51,318 thousand in 2018, with a tax rate of 29% in 2019 compared to 27.4% in the previous year.

The difference between the tax rate at December 31, 2019 and December 31, 2018 is mainly due to the change in deferred tax asset and liability accounts, in addition to the impact on the calculation of current taxes of the entry into force of the 2020 Budget Law, Law No. 160 of December 27, 2019, which increased the IRES income tax rate by 3.5 percentage points to 27.5% for tax periods 2019, 2020 and 2021. Deferred tax assets and liabilities were thus realigned to the future rate on the basis of the period of reversal.

9.13 Earnings per share

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

Therefore, the basic earnings per share in 2019 was Euro 0.50 (net profit for the year of Euro 124,419 thousand/number of shares in circulation 250,000,000).

The basic earnings per share in 2018 was Euro 0.54 (net profit for the year of Euro 136,076 thousand/number of shares in circulation 250,000,000).

10. RELATED PARTY TRANSACTIONS

The related party transactions are not atypical or unusual and form part of the ordinary business activities of the companies of the Group.

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

The following tables show the balances with related parties at December 31, 2019 and at December 31, 2018 and the income statement amounts for the years 2019 and 2018, with indication of the percentage of the relative account.

Group transactions with related parties

	December 31, 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 (*)	283		352	1,171	11,865
Dufrital	5,908		696	33,476	16
Malpensa Logistica Europa	1,361		1,070	4,635	(40)
SEA Services	1,009		2,172	3,862	4,550
Disma	11		0	214	(3)
Signature Flight Support Italy	54		1	219	11
Airport Handling	4,700		7,229	14,076	26,447
Total related parties	**13,326**	**0**	**11,520**	**57,654**	**42,846**
Total book value	123,241	11,067	182,085	706,868	437,029
% on total book value	**10.81%**	**0.00%**	**6.33%**	**8.16%**	**9.80%**

Group transactions with related parties

	December 31, 2018				
(Euro thousands)	Trade receivables	Other receivables	Trade payables	Operating revenues	Net operating costs (excl. costs for works on assets under concession)
Investments in associates					
SACBO (*)	336		476	980	11,254
Dufrital	5,255	2,005	740	31,614	19
Malpensa Logistica Europa	1,208		1,062	4,310	(40)
SEA Services	1,170		2,014	3,602	3,846
Disma	115		99	218	(7)
Signature Flight Support Italy	112		30	511	39
Airport Handling	3,211		7,194	6,629	13,042
Total related parties	**11,407**	**2,005**	**11,616**	**47,864**	**28,153**
Total book value	121,005	9,527	153,394	683,956	404,566
% on total book value	**9.43%**	**21.04%**	**7.57%**	**7.00%**	**6.96%**

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

The table below shows the cash flows from the transactions of the Group with related parties for the years ended December 31, 2019 and December 31, 2018, with indication of the percentage of the relative account:

Group cash flows with related parties

	December 31, 2019				
(Euro thousands)	Investments in associates	Investments in other companies	Total transactions with related entities	Consolidated balance	%
A) Cash flow from operating activities	(10)		(10)	199,149	0.0%
B) Cash flow from investing activities	10,766		10,766	(83,909)	-12.8%
C) Cash flow from financing activities				(180,755)	0.0%

	December 31, 2018				
(Euro thousands)	Investments in associates	Investments in other companies	Total transactions with related entities	Consolidated balance	%
A) Cash flow from operating activities	3,104		3,104	233,982	1.3%
B) Cash flow from investing activities	6,271		6,271	(39,779)	-15.8%
C) Cash flow from financing activities				(108,361)	0.0%

The transactions between the Group and related parties for the year ended December 31, 2019 mainly related to:

- parking management transactions at Orio al Serio-Bergamo (SACBO) airport;
- commercial transactions with reference to the recognition to SEA of royalties on sales (Dufrital and SEA Services);
- management 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 subletting and parking; push back costs (Signature Flight Support Italy);
- revenue for administration services and handling activity costs (Airport Handling).

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

10.1 Other transactions with related parties

SACBO SpA

In 2019, SACBO distributed dividends to SEA for Euro 2,026 thousand.

Dufrital SpA

In 2019, Dufrital distributed dividends to SEA for Euro 3,544 thousand.

Malpensa Logistica Europa SpA

In 2019, Malpensa Logistica distributed dividends to SEA for Euro 875 thousand.

Disma SpA

In 2019, Disma distributed dividends to SEA for Euro 225 thousand.

Airport Handling SpA

In 2019, Airport Handling distributed dividends to SEA for Euro 1,200 thousand.

SEA Services Srl

In 2019, SEA Services distributed dividends to SEA for Euro 892 thousand.

11. DIRECTORS' FEES

In 2019, the remuneration for the Board of Directors, including social security and accessory charges, amounted to Euro 435 thousand (Euro 551 thousand in 2018).

12. STATUTORY AUDITORS' FEES

In 2019, the remuneration for the Board of Statutory Auditors, including social security and accessory charges, amounted to Euro 294 thousand (Euro 287 thousand in 2018).

13. INDEPENDENT AUDIT FIRM FEES

The audit fees recognised by the Company SEA SpA and its subsidiaries to the audit firm Deloitte & Touche SpA for the year 2019 amounted to Euro 268 thousand for audit services and Euro 56 thousand for other services. The Fees of the Audit Firm are net of Consob contributions.

14. COMMITMENTS AND GUARANTEES

14.1 Investment commitments

The Group has investment contract commitments of Euro 69,929 thousand at December 31, 2019 (Euro 48,879 thousand at December 31, 2018), which are reported net of the works already realised and invoiced to the Group, as follows.

Breakdown project commitments

(Euro thousands)	December 31, 2019	December 31, 2018
Design and extraordinary maintenance civil works and plant at Linate & Malpensa	41,288	21,540
Design and extraordinary maintenance flight infrastructure and roadways at Linate and Malpensa	13,514	9,079
Supply and installation of a new gas turbine for the Malpensa plant	5,762	
Works on electrical automation and control systems at Linate and Malpensa	4,970	7,459
Design and extraordinary maintenance of Linate & Malpensa AVL plant	2,962	5,884
Extraordinary maintenance for civil works and general aviation plant	1,433	1,333
Construction works at Malpensa general aviation terminal		3,122
Design and construction of new warehouses at Cargo City of Malpensa		462
Total project commitments	**69,929**	**48,879**

14.2 Guarantees

At December 31, 2019, the sureties in favour of third parties were as follows:

- two bank sureties, equal both 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 28,500 thousand in favour of ENAC, as guarantee of the concession fee;
- two sureties of Euro 2,200 thousand and Euro 2,000 thousand, respectively, 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 "Italian Army Training Area" in Lonate Pozzolo and "Cascina Malpensa" area;
- surety of Euro 2,000 thousand in favour of SACBO as guarantee for the parking management at Bergamo airport;
- guarantee by Banca Popolare di Milano to the Customs Agency of Segrate (Milan 3) for Euro 75 thousand (General Aviation);
- surety by Banca Nazionale del Lavoro 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 Banca Popolare di Milano to GESAC for the supply of electricity to the Naples airport for Euro 228 thousand;
- guarantee by Banca Popolare di Milano to SAGAT for the supply of electricity to the Turin airport for Euro 210 thousand;
- guarantee by Banca Nazionale del Lavoro to the Energy Markets Operator for the Group's 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 791 thousand for other minor sureties.

With regard to the surety by Banca Popolare di Milano to Terna (National Electricity Grid) as guarantee of the provision of electricity by SEA Energia for Euro 1,214 thousand, the procedure for withdrawing the commitment are in progress since the guarantees no longer reflect the requirements imposed by the transport contract.

15. SEASONALITY

The Group business is characterised by revenue seasonality, which are normally higher in the periods of August and December due to increased flights by the airlines at its airports. It should be noted that the airports of Milan Malpensa and Milan Linate are to a certain degree complementary from a seasonality viewpoint, in view of the different profile of the indirect customers (i.e. leisure vs. business). This feature limits the seasonal peaks from an overall consolidated operational and financial viewpoint.

16. CONTINGENT LIABILITIES

Reference should be made to the explanatory notes in relation to receivables (Note 8.10) and operating risks (Note 8.14).

17. CONTINGENT ASSETS

With reference to Judgment 7241/2015 of the Milan Court, confirmed by the Milan Court of Appeal with Judgment No. 331/2017 concerning airport fees, as not all appeals have been made this contingent asset was not recognised in the income statement as per IAS 37.

For further details, reference should be made to the Directors' Report to the chapter "*Main disputes outstanding at December 31, 2019*".

18. TRANSACTIONS RELATING TO ATYPICAL OR UNUSUAL OPERATIONS

In accordance with Consob Communication of July 28, 2006, in 2019 the Company did not undertake any transactions deriving from atypical or unusual operations, as set out in the communication.

19. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

Pursuant to CONSOB Communication of July 28, 2006, in the view of Directors, in 2019 the companies of the Group did not undertake significant non-recurring transactions.

20. PUBLIC GRANTS (ARTICLE 1, PARAGRAPHS 125-129 OF LAW 124/2017)

Pursuant to Law No. 124/2017 and subsequent supplements, we communicate that the Group received public grants during the year totalling Euro 922 thousand.

Beneficiary	Provider	Purpose	Collection date	Amount (Euro thousands)
SEA SpA*	Lombardy Region	Grant for regulation works on Lambro river	03/25/2019	461
SEA SpA*	Lombardy Region	Grant for regulation works on Lambro river	09/05/2019	461

**The grants received by SEA SpA were forwarded to SEA Prime as the owner of the works on the Lambro river on April 5, 2019 and September 16, 2019, respectively.*

As required by Article 1 Law No. 124/2017, paragraph 126, the grants received over an amount of Euro 10 thousand are listed below.

Beneficiary	Provider	Purpose	Amount (Euro thousands)
La Scala Theatre	SEA SpA	Founding shareholder annual quota	600
Municipality of Somma Lombardo	SEA SpA	Project to support active labour policies in the Malpensa area	100
Telethon Foundation	SEA SpA	Annual contribution to fund scientific research into a cure for muscular dystrophy and other genetic illnesses	30
Archiepiscopal Curia of Milan	SEA SpA	Contribution for the Catholic religious service offered by the Chaplaincies at Linate and Malpensa Airports	30

21. SUBSEQUENT EVENTS TO DECEMBER 31, 2019

Reference should be made to the Directors' Report.

The Chairperson of the Board of Directors
Michaela Castelli

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
SOCIETÀ PER AZIONI ESERCIZI AEROPORTUALI - SEA S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of Società per Azioni Esercizi Aeroportuali – SEA and its subsidiaries (the "SEA Group"), which comprise the Consolidated Statement of Financial Position as at December 31, 2019, the Consolidated Income Statement, the Consolidated Comprehensive Income Statement, the Statement of Changes in Consolidated Shareholders' Equity and Consolidated Cash Flow Statement for the year then ended, and explanatory notes, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of SEA Group as at December 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

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COVID-19 (Coronavirus)	
Description of the key audit matter	The beginning of 2020 has been characterized by the Covid-19 virus and its consequences for the air transport sector. The SEA Group promptly activated its crisis response protocol, and, through the management committee (renamed "Permanent Crisis Committee"), quickly launched an emergency management plan. Due to the significant reduction in traffic following the health emergency and the government's measures to contain the outbreak, on March 10, 2020, a decision was taken to close the central satellite at Malpensa Terminal 1 (non-Schengen traffic). Subsequently, in application of the provisions issued by the competent Authorities, the total closure of Milan Linate airport until further notice and the entirety of Malpensa Terminal 1 was ordered. Passenger traffic has been concentrated at Terminal 2 at Malpensa airport to minimize the number of people and vehicles, while Cargo City, where significant levels of activity have continued, has remained open to serve cargo traffic (approximately 70% of cargo handled at Malpensa). In this context, on March 13, 2020 an agreement was signed between SEA, the Trade Unions and the Trade Union Representative (RSU), activating the Extraordinary Temporary Lay-off Scheme (CIGS) from March 16, 2020. Moreover, the Board of Directors on April 2, 2020 decided to postpone the payment of the second tranche of the available reserves previously approved, equal to Euro 84.7 million. The Directors illustrate the most recent projections released by the International Air Transport Association (IATA) relating to the forecasted decline in global business passenger revenues and the effects of the emergency on traffic at SEA Group airports. The Directors report that the current situation is extremely complex and how it develops in the coming months will depend on a number of factors, including the duration of the emergency, the restrictions introduced and their duration, the impacts the emergency may have on the economy, and the effect of the epidemic on passengers' propensity to travel and consider that the potential impact of the Covid-19 pandemic on the SEA Group, while significant, cannot be accurately estimated. The Directors also indicate that, in their opinion, the liquidity in the Company's current accounts, together with available unused committed and uncommitted lines of credit, and additional lines under negotiation with financial institutions, will allow the Group to manage its cash requirements until traffic begins to return, expected to be at the end of the emergency phase. Considering the relevance of the effects of Covid-19 virus on the outlook, we considered the analysis on the assessments carried out by the Directors regarding this aspect as a key audit matter on the Group financial statements. The paragraphs "Subsequent events" and "Outlook" of the Directors' Report include the information provided by the Group regarding the aforementioned aspect.

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Audit procedures performed	The procedures we carried out to control this matter included the following: • Understanding the process carried out by the Group to manage the emergency situation; • Understanding any measures issued by the Authorities according to Covid-19 emergency; • Reading the meetings of Board of Directors; • Analysis of the main assumptions carried out by the Directors underlying the scenario analysis; • Discussions with the Directors in order to obtain information deemed useful in the circumstances; • Analysis of the available lines of credit and discussing with the Directors regarding the ongoing negotiation to manage the Group cash requirements; • Exam of the disclosure provided by the Directors.

Restoration and replacement provision	
Description of the key audit matter	The consolidated financial statements as at December 31, 2019 include the “Restoration and replacement provision” for Euro 129.7 million. The provision includes the best estimate of the present value of the charges the Group will bear to meet its contractual obligations with the Italian National Civil Aviation Authority to ensure the functionality, operations and security of the assets under concession. The estimation process of the “Restoration and replacement provision” appears articulate and difficult and it is composed of different phases and based on different variables and assumptions that include the planning of the restoration and replacement operations. In particular, the main assumptions are about the assets deterioration, the useful life of the restoration and the charge estimates for operation category. Given the above, we considered the estimation process of this provision as a key Group audit matter as at December 31, 2019. The notes 2.7 and 8.14 of the consolidated financial statements as at December 31, 2019 highlight the accounting policies and the 2019 changes of the provision, respectively.
Audit procedures performed	The procedures we carried out to control this matter included the following: • Understanding the process carried out by the Group to estimate and update the provision; • Understanding the key controls that the Group carries out to monitor this area and, in reference with the Company, testing of their actual implementation; • Obtaining and analysing the documentation drawn by the Operations and Maintenance Division about the planning of the restoration and replacement operations. In particular, we analysed the assumptions underlying the charges computation model and the timing planning of the restoration and replacement operations;

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- Sample testing of the allocation criteria underlying the restoration percentages by discussion with the business units in-charge of the activity, in order to verify the rationality of the criteria;
- Understanding of any change in the regulatory framework that could impact the estimate of the provision value;
- Retrospective analysis of the previous year estimation process, including a variation analysis between the actual charges borne compared to previous estimates, with reference to a sample of works completed during 2019, in order to verify the reasons of the variance and the reliability of the estimation process implemented by the Company;
- Exam of the disclosure reported in the financial statements notes and its compliance with the relevant accounting standards.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Società per Azioni Esercizi Aeroportuali - SEA S.p.A. has appointed us on May 4, 2016 as auditors of the Company for the period 2016-2022.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

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REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Società per Azioni Esercizi Aeroportuali - SEA S.p.A. are responsible for the preparation of the report on operations including the information required by art. 123-bis, paragraph 2 (b) of SEA Group as at December 31, 2019, including its consistency with the related consolidated financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations including the information required by art. 123-bis, paragraph. 2 (b) of Legislative Decree 58/98, with the consolidated financial statements of SEA Group as at December 31, 2019 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations including the information required by art. 123-bis, paragraph 2 (b) is consistent with the consolidated financial statements of SEA Group as at December 31, 2019 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the Group and of the related context acquired during the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 254

The Directors of the Company are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.
We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Marco Pessina
Partner

Milan, Italy
April 10, 2020

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

SEA SPA

SEPARATE FINANCIAL STATEMENTS

SEA SpA
Separate
Financial
Statements

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

(in Euro)	Note	December 31, 2019 Total	December 31, 2019 of which related parties	December 31, 2018 Total	December 31, 2018 of which related parties
Intangible assets	6.1	964,367,866		958,046,357	
Property, plant & equipment	6.2	160,164,309		154,269,436	
Leased assets right-of-use	6.3	10,048,552			
Investment property	6.4	3,403,832		3,407,594	
Investments in subsidiaries and associates	6.5	50,445,566		50,445,566	
Other investments	6.6	26,134		26,134	
Deferred tax assets	6.7	58,941,744		55,121,688	
Other non-current receivables	6.8	6,351,979		118,729	
Total non-current assets		**1,253,749,982**	**0**	**1,221,435,504**	**0**
Inventories	6.9	1,830,197		1,915,141	
Trade receivables	6.10	120,161,542	16,413,108	117,601,550	14,933,566
Current financial receivables	6.11	26,127,757	26,127,757	28,410,346	28,410,346
Tax receivables	6.12	954,923		878,585	
Other current receivables	6.13	5,769,212		6,257,359	2,004,875
Cash and cash equivalents	6.14	87,463,348		152,983,556	
Total current assets		**242,306,979**	**42,540,865**	**308,046,537**	**45,348,787**
TOTAL ASSETS		**1,496,056,961**	**42,540,865**	**1,529,482,041**	**45,348,787**
Share capital	6.15	27,500,000		27,500,000	
Other reserves	6.15	138,163,679		239,601,124	
Net Profit	6.15	111,565,581		123,489,400	
SHAREHOLDERS' EQUITY		**277,229,260**	**0**	**390,590,524**	**0**
Provision for risks and charges	6.16	154,163,848		164,198,271	
Employee provisions	6.17	47,214,973		45,187,506	
Other non-current payables	6.21	7,961,736		13,963,564	
Non-current financial liabilities (*)	6.18	505,654,458		523,605,255	
Total non-current liabilities		**714,995,015**	**0**	**746,954,596**	**0**
Trade payables	6.19	177,140,146	22,881,917	156,586,278	25,220,974
Income tax payables	6.20	10,520,287		17,463,927	
Other current payables	6.21	281,359,966		188,303,215	
Current financial liabilities (*)	6.18	34,812,287	2,079,766	29,583,501	541,764
Total Current Liabilities		**503,832,686**	**24,961,683**	**391,936,921**	**25,762,738**
TOTAL LIABILITIES		**1,218,827,701**	**24,961,683**	**1,138,891,517**	**25,762,738**
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY		**1,496,056,961**	**24,961,683**	**1,529,482,041**	**25,762,738**

(*) In the interest of clarity of presentation, it should be noted that the items of the accounts at December 31, 2019 "Non-current financial liabilities" and "Current financial liabilities" include lease liabilities pursuant to the new accounting standard IFRS 16, amounting to Euro 6,734 thousand and Euro 1,681 thousand, respectively.

INCOME STATEMENT

		2019		2018	
(in Euro)	Note	Total	of which related parties	Total	of which related parties
Operating revenues	7.1	685,555,155	66,560,305	663,935,512	55,151,352
Revenue for works on assets under concession	7.2	51,142,370		29,188,489	
Total revenues		**736,697,525**	**66,560,305**	**693,124,001**	**55,151,352**
Personnel costs	7.3	(186,582,578)	815,983	(184,046,956)	903,455
Consumable materials	7.4	(12,082,864)		(13,489,125)	
Other operating costs (*)	7.5	(228,001,778)	(83,036,751)	(200,949,140)	(60,820,223)
Costs for works on assets under concession	7.6	(46,321,253)		(26,727,727)	
Total operating costs		**(472,988,473)**	**(82,220,768)**	**(425,212,948)**	**(59,916,768)**
EBITDA		**263,709,052**	**(15,660,463)**	**267,911,053**	**(4,765,416)**
Provisions & write-downs	7.7	(685,679)		(3,551,139)	
Restoration and replacement provision	7.8	(22,000,000)		(15,000,000)	
Amortisation & depreciation (**)	7.9	(72,924,050)		(69,406,668)	
EBIT		**168,099,323**	**(15,660,463)**	**179,953,246**	**(4,765,416)**
Investment income/(charges)	7.10	8,761,350	8,761,350	8,275,885	8,275,885
Financial charges (**)	7.11	(17,112,583)		(17,646,607)	
Financial income	7.11	865,445	748,291	1,580,491	564,358
Pre-tax profit/(loss)		**160,613,535**	**(6,150,822)**	**172,163,015**	**4,074,827**
Income taxes	7.12	(49,047,954)		(48,673,615)	
Net Profit/(loss)		**111,565,581**	**(6,150,822)**	**123,489,400**	**4,074,827**

(*) *In the interest of clarity of presentation, it should be noted that the comparative amount of the item "Other operating costs" includes rentals relating to lease contracts that in 2019 have been accounted for in accordance with IFRS 16.*

(**) *It bears clarifying that the items of the 2019 accounts "Amortisation and depreciation" and "Financial charges" include the effects of the application of the new accounting standard IFRS 16.*

COMPREHENSIVE INCOME STATEMENT

(in Euro)	2019	2018
Net Profit	**111,565,581**	**123,489,400**
Other comprehensive income statement items		
- Items reclassifiable in future periods to the net result:		
Profit/(Loss) on fair value measurement of derivative financial instruments cash flow hedge	1,783,572	1,760,708
Tax effect relating to profit/(loss) on fair value measurement of derivative financial instruments cash flow hedge	(428,057)	(422,397)
Total items reclassifiable, net of tax effect	**1,355,515**	**1,338,311**
- Items not reclassifiable in future periods to the net result:		
Actuarial gains/(losses) on post-employment benefits	(3,792,579)	1,099,090
Tax effect relating to actuarial gains/(losses) on post-employment benefits	910,219	(263,782)
Total items not reclassifiable, net of tax effect	**(2,882,360)**	**835,308**
Total other comprehensive income statement items	**(1,526,845)**	**2,173,619**
Total comprehensive profit	**110,038,736**	**125,663,019**

CASH FLOWS STATEMENT

(in Euro)	2019	2018
Pre-tax profit	160,613,535	172,163,015
Adjustments:		
Amortisation, depreciation and write-downs	72,924,050	69,406,668
Net accruals to provisions & write-downs (including personnel provision)	(18,320,222)	(1,441,183)
Net financial charges	16,247,138	16,066,116
Investment charges (income)	(8,761,350)	(8,275,885)
Other non-monetary changes	(2,772,288)	(5,983,381)
Cash flow from operating activities before changes in working capital	**219,930,863**	**241,935,350**
Change in inventories	84,944	1,033,503
Change in trade and other receivables	(297,412)	(8,321,248)
Change in trade and other payables	23,493,973	27,561,459
Receipt IRES receiv. from click day 2013		10,733,776
Cash flow from changes in working capital	**23,281,505**	**31,007,490**
Income taxes paid	(59,817,530)	(39,999,143)
Anti-trust penalty reimburse. (inc. interest portion)		2,430,343
Cash flow from operating activities	**183,394,838**	**235,374,040**
Investments in fixed assets:		
- intangible assets (*)	(58,174,362)	(37,165,109)
- tangible assets	(25,166,526)	(18,697,782)
- financial assets		30
Divestments from fixed assets:		
- tangible assets and property	432,981	311,107
Other current financial assets		13,300,000
Dividends received	10,766,225	6,271,010
Cash flow from investing activities	**(72,141,682)**	**(35,980,744)**
Change in gross financial debt:		
- net increase short & medium-long term debt	(21,360,723)	(19,830,823)
Net increase / (decrease) in other financial assets and liabilities	(21,322)	(7,238,447)
Dividends distributed	(138,649,956)	(70,288,319)
Interest and commissions paid	(16,843,596)	(16,182,750)
Interest received	102,233	1,849
Cash flow from financing activities	**(176,773,364)**	**(113,538,490)**
Increase/(decrease) in cash and cash equivalents	**(65,520,208)**	**85,854,806**
Opening cash and cash equivalents	152,983,556	67,128,750
Closing cash and cash equivalents	87,463,348	152,983,556

(*) *The investments in intangible assets are net of the utilisation of the restoration provision, which in 2019 amounted to Euro 36,091 thousand (Euro 15,171 thousand in 2018).*

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in Euro)	Share capital	IFRS initial conversion reserve (exc. OCI)	Other Eq. Investments Reserve	Cash Flow Hedge Reserve	Actuarial gains/ (losses) reserve	Extraordinary reserve	Legal reserve	Other reserves	Total reserves	Net Profit	Total shareholders' equity
Balance at January 1, 2018	**27,500,000**	**14,813,951**	**1**	**(4,953,179)**	**(1,214,784)**	**156,348,165**	**5,500,000**	**60,288,176**	**230,782,330**	**76,945,175**	**335,227,505**
Transactions with shareholders											
Allocation of 2017 net profit & distrib. of dividends						6,645,175			6,645,175	(76,945,175)	(70,300,000)
Other movements											
Other comprehensive income statement items result				1,338,311	835,308				2,173,619		2,173,619
Impact of application of IFRS 9 (*)				(720)		720					
Net Profit										123,489,400	123,489,400
Balance at December 31, 2018	**27,500,000**	**14,813,951**	**1**	**(3,615,588)**	**(379,476)**	**162,994,060**	**5,500,000**	**60,288,176**	**239,601,124**	**123,489,400**	**390,590,524**
Transactions with shareholders											
Allocation of 2018 net profit & distrib. of dividends						24,689,400			24,689,400	(123,489,400)	(98,800,000)
Dividend distribution resolution of 30/09/2019 (**)						(124,600,000)			(124,600,000)		(124,600,000)
Other movements											
Other comprehensive income statement items result				1,355,515	(2,882,360)				(1,526,845)		(1,526,845)
Net Profit										111,565,581	111,565,581
Balance at December 31, 2019	**27,500,000**	**14,813,951**	**1**	**(2,260,073)**	**(3,261,836)**	**63,083,460**	**5,500,000**	**60,288,176**	**138,163,679**	**111,565,581**	**277,229,260**

(*) *Effect deriving from the application of the amendments to IFRS 9 - "Financial Instruments" in which the change in the time value in 2017, equal to Euro 720, recorded in the measurement of the contracts deriving from the cash flow hedge model, is recognised directly to Net Equity (Cash flow hedge reserve) for a similar amount.*

(**) *Distribution of available reserves*

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

At December 31, 2019, SEA does not hold treasury shares and the ownership is presented in the following table:

	Holding
Municipality of Milan	54.81%
Municipality of Busto Arsizio	0.06%
Other public shareholders	0.08%
Total public shareholders	**54.95%**
2i-Aeroporti SpA	36.39%
F2i Sgr SpA	8.62%
Altri azionisti privati	0.04%
Total private shareholders	**45.05%**
Total	**100.00%**

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

2. SUMMARY OF ACCOUNTING PRINCIPLES ADOPTED

The main accounting principles adopted in the preparation of the Separate Financial Statements of SEA for the year ended December 31, 2019 are reported below.

The financial statements are presented in Euro while the tables included in the explanatory notes are presented in thousands of Euro.

2.1 Basis of preparation

European Regulation (EU) No. 1606/2002 of July 19, 2002 introduced the obligation, from the year 2005, to apply International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and adopted by the European Union for the preparation of the consolidated financial statements of companies listed on regulated European markets. Following the above-mentioned European Regulation, Legislative Decree No. 38 was enacted on February 28, 2005 which governs the option to apply IFRS for the preparation of the consolidated financial statements of non-listed companies. SEA decided to apply this option for the preparation of the consolidated financial statements for the year end December 31, 2006. The same Legislative Decree (fourth paragraph of Article 4) also governs the option to apply IFRS for the preparation of standalone statutory financial statements included in the consolidated financial statements in accordance with IFRS. SEA decided to apply this option from the financial statements for the year ended December 31, 2011. For these Separate Financial Statements, the transition date to IFRS was identified as January 1, 2010.

"IFRS" refers to the International Accounting Standards ("IAS") in force, as well as those of the IFRS Interpretation Committee, previously known as the International Financial Reporting Interpretations Committee ("IFRIC"), and before that the Standing Interpretations Committee ("SIC").

The financial statements were prepared in accordance with IFRS in force at the approval date of the financial statements and the provisions enacted as per Article 9 of Leg. Decree No. 38/2005.

In particular the IFRS were applied in a consistent manner for the periods presented in the document. The financial statements were prepared on the basis of the best information on the IFRS and taking into account best practice; any further orientations and interpretative updates will be reflected in subsequent years, in accordance with the provisions of the accounting standards, as detailed below.

The Separate Financial Statements were prepared in accordance with the going concern concept, therefore utilising the accounting principles of an operating business. Company Management evaluated that, although within a difficult economic and financial environment, there are no uncertainties on the going concern of the business, considering the existent capitalisation levels and there are no financial, operational, management or other indicators which could indicate difficulty in the capacity of the company to meet its obligations in the foreseeable future, and in particular in the next 12 months.

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

The financial statement presentations utilised, as outlined above, are those which best represent the equity and financial position of the Company.

For a better presentation of the financial statements, the income statement was presented in two separate statements: a) the income statement and b) the comprehensive income statement.

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

The Company, following the "SEA 3 1/8 2014-2021" bond issue on the market, adopted the accounting standards IFRS 8 "Operating Segments" and IAS 33 "Earnings per share", to which reference should be made to the Consolidated Financial Statements Notes 7 and 9.13.

The present financial statements were audited by the independent audit firm Deloitte & Touche S.p.A..

2.2 Accounting standards, amendments and interpretations adopted from January 1, 2019

The International Accounting Standards and amendments which must be obligatory applied from January 1, 2019, following completion of the relative approval process by the relevant authorities, are illustrated below.

Description	Date approved	Publication in the Official Gazette	Effective date as per the standard	Effective date applied by SEA
IFRS 16 Leases	Oct 31, 2017	Nov 9, 2017	Periods which begin from Jan 1, 2019	Jan 1, 2019
Amendments to IFRS 9 Prepayment features with negative compensation	March 22, 2018	March 26, 2018	Periods which begin from Jan 1, 2019	Jan 1, 2019
IFRIC 23 Uncertainty over income tax treatments	Oct 23, 2018	Oct 24, 2018	Periods which begin from Jan 1, 2019	Jan 1, 2019
Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures	Feb 8, 2019	Feb 11, 2019	Periods which begin from Jan 1, 2019	Jan 1, 2019
Amendments to IAS 19 Plan amendment Curtailment or Settlement	March 13, 2019	March 14, 2019	Periods which begin from Jan 1, 2018	Jan 1, 2019
Annual improvements to IFRS standards 2015-2017 cycle	March 14, 2019	March 15, 2019	Periods which begin from Jan 1, 2018	Jan 1, 2019

The adoption of these amendments and interpretations, where applicable, had the following effects on the 2019 financial statements of the Company.

IFRS 16 - Leasing

For the preparation of the financial statements at December 31, 2019, SEA applied the recognition and measurement criteria for leasing contracts, as per IFRS 16. The Company opted for application of the "Cumulative Catch-up Approach" for leases previously classified as operating leases, which resulted in an increase in leased assets right-of-use of Euro 4.7 million, with the counter-entry of an increase in financial payables for leased assets. Consequently, no cumulative effects have been accounted for as adjustments to opening equity, nor have the figures from the comparative period been restated. The new accounting standard on lease contracts (IFRS 16), applied by the Company from January 1, 2019, in brief requires:

- in the statement of financial position, the recognition of an asset representing the right to use the leased property ("Leased assets right-of-use" hereon) and a current and non-current liability (a "lease liability") representing the obligation to make the contractual payments. As permitted by the Standard, Leased assets right-of-use is entered to a separate account, whereas the lease liability is not taken to a separate account but included amongst "Current financial liabilities" and "Non-current financial liabilities";
- in the income statement, the recognition of depreciation charges on the "Leased assets right-of-use" and, among "Financial Charges", the recognition of the interest expense accrued on the lease liability. This new arrangement replaces the operating lease payments recognized among "Other operating costs" under the Standard in effect until financial year 2018. The income statement also includes payments relating to short-term and low-value (less than Euro 5 thousand) lease contracts;
- in the cash flow statement, the inclusion of payments relating to the principal portion of lease liabilities within financing activities. Interest expenses are included in net cash provided by or used in operating activities.

The following practical expedients were adopted in the transition to the new standard IFRS 16:

- leases of low-value assets (less than Euro 5 thousand) have not been included within the scope of application of IFRS 16;
- leases that at January 1, 2019 had a residual term of less than 12 months have not been included within the scope of application of IFRS 16;
- the Company has applied a single discount rate since the portfolio of leases is deemed to possess reasonably similar characteristics (similar class of leased asset in similar economic circumstances) at January 1, 2019.

The IFRS 16 contracts entered into by SEA essentially concern equipment, electronic machines and lease contracts for motor vehicles and apron vehicles. The financial statements below report the statement of financial position at December 31, 2018 and at January 1, 2019, highlighting the impacts on, and amounts of, the opening balances with regards to the adoption of IFRS 16:

(in Euro)	December 31, 2018	IFRS 16 Impact at January 1, 2019	January 1, 2019
Intangible assets	958,046,357		958,046,357
Property, plant & equipment	154,269,436		154,269,436
Leased assets right-of-use		4,718,740	4,718,740
Investment property	3,407,594		3,407,594
Investments in subsidiaries and associates	50,445,566		50,445,566
Other investments	26,134		26,134
Deferred tax assets	55,121,688		55,121,688
Other non-current receivables	118,729		118,729
Total non-current assets	**1,221,435,504**	**4,718,740**	**1,226,154,244**
Inventories	1,915,141		1,915,141
Trade receivables	117,601,550		117,601,550
Current financial receivables	28,410,346		28,410,346
Tax receivables	878,585		878,585
Other current receivables	6,257,359		6,257,359
Cash and cash equivalents	152,983,556		152,983,556
Total current assets	**308,046,537**	**0**	**308,046,537**
TOTAL ASSETS	**1,529,482,041**	**4,718,740**	**1,534,200,781**
Share capital	27,500,000		27,500,000
Other reserves	239,601,124		239,601,124
Net Profit	123,489,400		123,489,400
SHAREHOLDERS' EQUITY	**390,590,524**	**0**	**390,590,524**
Provision for risks and charges	164,198,271		164,198,271
Employee provisions	45,187,506		45,187,506
Other non-current payables	13,963,564		13,963,564
Non-current financial liabilities	523,605,255	3,490,274	527,095,529
Total non-current liabilities	**746,954,596**	**3,490,274**	**750,444,870**
Trade payables	156,586,278	(126,308)	156,459,970
Tax payables	17,463,927		17,463,927
Other current payables	188,303,215		188,303,215
Current financial liabilities	29,583,501	1,354,774	30,938,275
Total Current Liabilities	**391,936,921**	**1,228,466**	**393,165,387**
TOTAL LIABILITIES	**1,138,891,517**	**4,718,740**	**1,143,610,257**
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	**1,529,482,041**	**4,718,740**	**1,534,200,781**

The other accounting standards applicable with effect from January 1, 2019 do not have any impact on the Company's financial statements.

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

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

Description	Endorsed at the date of the present document	Effective date as per the standard
Amendments to IAS 1 and IAS 8 Definition of Material	YES	Periods which begin from Jan 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform	YES	Periods which begin from Jan 1, 2020
Amendments to references to the conceptual framework in IFRS standards	YES	Periods which begin from Jan 1, 2020
Amendments to IFRS 3 _Definition of a Business	NO	Periods which begin from Jan 1, 2020
IFRS 17 Insurance Contracts	NO	Periods which begin from Jan 1, 2021

No accounting standards and/or interpretations were applied in advance whose application is obligatory for periods commencing after December 31, 2019 and the Directors no not expect any material effects.

2.4 Accounting policies

Business combinations and goodwill

In the case of the acquisition from third parties of businesses or business combinations, the assets, the liabilities and the contingent liabilities acquired and identifiable are recorded at their fair value at the date of acquisition.

The positive difference between the acquisition cost and the present value of these assets and liabilities are recognised as goodwill and classified in the financial statements as an intangible asset with indefinite life.

Any negative difference ("badwill") is recognised in the income statement at the date of acquisition.

The costs related to business combinations are recognised in the income statement.

Goodwill is initially recorded at cost and subsequently reduced only for loss in value.

Annually, or more frequently if specific events or circumstances indicate the possibility of having incurred a loss in value, the goodwill is subject to an impairment test to identify any loss in value, in accordance with IAS 36 (Impairments); the original value is however not restored if the reasons for the write-down no longer exist.

The goodwill is not revalued, even in application of specific legislation.

Any liabilities related to business combinations for payments subject to conditions are recognised at the acquisition date of the businesses and business units relating to the business combination.

Where all or part of a previously acquired company (whose acquisition produced goodwill) is sold, the corresponding residual value of goodwill is considered when calculating the capital gains or losses generated by such sale.

Intangible assets

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

(a) Rights on assets under concession

The "Rights on assets under concession" represent the right of the Lessee to utilise the asset under concession (so-called intangible asset method) in consideration of the costs incurred for the design and construction of the asset with the obligation to return the asset at the end of the concession. The value corresponds to the "fair value" of the design and construction assets increased by the financial charges capitalised, in accordance with IAS 23, during the construction phase. The fair value of the construction work is based on the costs actually incurred increased by 6%, representing the remuneration of the internal costs for the management of the works and design activities undertaken by the Company which is a mark-up a third party general contractor would request for undertaking the same activities, in accordance with IFRIC 12. The lessee must recognise and measure service revenues in accordance with IFRS 15. If the fair value of the services received (specifically the usage right of the asset) cannot be determined reliably, the revenue is calculated based on the fair value of the construction work undertaken. The subsequent accounting of the amount received as financial asset and as intangible asset is described in detail in paragraphs 23-26 of IFRIC 12.

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

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

Assets under concession are amortised over the duration of the concession on a straight-line basis in accordance with the expiry of the concession, as it is expected that the future economic benefits of the asset will be utilised by the lessee. Amortisation begins where the rights in question begin to produce the relative economic benefits.

The accumulated amortisation provision and the restoration and replacement provision ensure the adequate coverage of the costs of restoration and replacement of the components subject to wear and tear of the assets under concession.

Reference should be made to the subsequent paragraph "Provision for risks and charges – *Restoration and replacement provision of assets under concession*".

Where events arise which indicate a reduction in the value of these intangible assets, the difference between the present value and the recovery value is recognised in the income statement.

(b) Industrial patents and intellectual property rights

Patents, concessions, licenses, brands and similar rights

Trademarks and licenses are amortised on a straight-line basis over the estimated useful life.

Computer software

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

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

Property, plant & equipment

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

Property

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

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

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

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

Plant & Equipment

These are represented by tangible fixed assets acquired by the Company which are not subject to the obligation of return.

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

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

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

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

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

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

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

Leased assets right-of-use

This account includes the recognition and measurement of lease contracts, accounted for in accordance with IFRS 16. This accounting treatment involves recognising an asset representative of the right-of-use of the leased asset and a current and non-current financial liability representative of the obligation to be discharged.

Depreciation of such assets is charged to the income statement on a straight-line, monthly basis, according to rates that allow the right to be amortised over the term of the lease contract.

The interest charges accrued on the financial liability are taken monthly to the account of the income statement "Financial charges".

The IFRS 16 contracts entered into by SEA essentially concern equipment, electronic machines and lease contracts for motor vehicles and apron vehicles.

Lease contracts with short terms or values of less than Euro 5 thousand are expensed directly to the account of the income statement "Other operating costs"; cost is represented by the rentals provided for in the contract.

Investment property

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

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

Investments in subsidiaries and associates

The investments in subsidiaries and associated companies are measured at purchase cost (including any direct accessory costs), reduced for impairments in accordance with IAS 36.

Any positive difference, arising on acquisition from third parties, between the purchase cost and fair value of net assets acquired in an investee company is included in the carrying amount of the investment.

Investments in subsidiaries and associates are tested annually for impairment or more frequently if evidence of impairment exists. Where an impairment loss exists, it is recognised immediately through the income statement. Where the share of losses pertaining to the Company in the investment exceeds the carrying value of the investment, and the Company has an obligation to cover such losses, the investment is written down and the share of further losses is recorded as a provision for risks and charges under liabilities in the statement of financial position. If an impairment loss is subsequently reversed, the increase in carrying amount (up to a maximum of purchase cost) is recognised through the income statement.

Impairments

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

Financial assets

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

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

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

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

Derivative financial instruments

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

The hedging relations are of three types:

1. fair value hedge in the case of hedging the exposure against changes in the fair value of assets or liabilities recorded which is attributable to a risk which could impact the result for the year. The profit or losses on the hedging instrument are recorded in the income statement (or in "Other items of the comprehensive income statement", if the hedging instrument hedges an equity instrument for which the Company has chosen to present the changes in fair value under "Other items of the comprehensive income statement");
2. cash flow hedge in the case of hedging the exposure against changes in the cash flows attributable to a particular risk associated with all the assets or liabilities recorded or one of their components or a highly probable scheduled transaction and which could impact on the result for the year. The hedging is recorded as follows: a) the net equity reserve for the hedging of the cash flows is adjusted to the lower between the cumulative profit or loss on the hedging instrument from the commencement of the hedge and the cumulative change in the fair value of the item hedged from the commencement of the hedge; b) the part of the profit or loss on the hedging instrument which is an effective hedge is recorded in a net equity reserve (and in specifically under "Other items of the comprehensive income statement"). Any residual profit or loss on the hedge instrument represents the ineffective part of the hedge which is recorded in the income statement in the account "Financial income/charges";
3. hedges of a net investment in a foreign operation (as defined in IAS 21), recognised in a similar manner to the hedging of financial cash flows.

The Company's hedging relationships qualify for hedge accounting under IFRS 9. Since the fundamental elements of the hedging instruments correspond to those of the hedged items, all hedging relationships are effective based on the evaluation of the effectiveness criteria of IFRS 9. When the option contracts are utilised to hedge highly probable scheduled transactions, the Company only designates the intricate value of the options as hedging instruments. Based on IFRS 9, the changes in the time value of options relating to the item hedged are recognised in the other items of the comprehensive income statement and are accumulated in the hedge reserve under net equity. IFRS 9 requires that the accounting treatment relating to the time value of an option not designated is applied in retrospective manner. Therefore, at January 1, 2018, the extraordinary reserve increased by Euro 720 with direct recognition of the change recorded in Net Equity under the cash flow hedge reserve, as representative of the change in the time value in 2017. Reference should be made to Note 4.2 for further information in relation to the management of the risk of the Company.

Trade and other receivables

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

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

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

Inventories

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

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

Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits, and other short-term forms of investment readily available, due within three months. At the reporting date, bank overdrafts are classified as financial payables under current liabilities. Cash and cash equivalents are recorded at fair value.

Provisions for risks and charges

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

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

Restoration and replacement provision of assets under concession

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

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

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

Employee provisions

Pension provisions

The Company has both defined contribution plans (National Health Service Contributions and INPS pension plan contributions) and defined benefit plans.

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

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

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

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

Post-employment benefits

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

Financial liabilities

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

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

Financial liabilities are derecognised from the statement of financial position when they expire and the Company has transferred all the risks and rewards relating to the instrument.

Trade and other liabilities

Trade and other payables are initially recognised at amortised cost.

Reverse factoring transactions - indirect factoring

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

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

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

Revenue recognition

Revenues are recognised when the transfer to the client of the goods or services promised is expressed in an amount (expressed net of value added taxes and discounts) which reflects the expected consideration to be received in exchange for the goods or services.

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

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

The revenues generated by the Company concern the sale of goods and services during the period, for which reference should be made to Note 7.1; as per IFRS 15, paragraph 114, the company aggregates the revenues recorded deriving from contracts with customers into categories which illustrate how the economic factors impact upon the nature, the amount, the timing and the level of uncertainty of the revenues and of the cash flows.

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

Revenue for works on assets under concession

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

Government Grants

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

Capital grants

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

Operating grants

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

Recognition of costs

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

Financial income

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

Financial charges

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

Income taxes

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

Deferred taxes are calculated on all differences between the assessable income of an asset or liability and the relative book value, with the exception of goodwill. Deferred tax assets for the portion not compensated by deferred tax liabilities are recognised only for those amounts for which it is probable there will be future assessable income to recover the amounts. The deferred taxes are calculated utilising the tax rates which are expected to be applied in the years when the temporary differences will be realised or settled. Deferred tax assets are recorded when their recovery is considered probable. These assets and liabilities are not recognised if the temporary differences deriving from the goodwill or the initial recognition (not in business combination) of other assets or liabilities in operations do not have an impact on the accounting result or on the assessable fiscal result.

The carrying value of deferred tax assets is revised at the end of the year and reduced to the extent that it is no longer likely that there will be sufficient taxable income against which to recover all or part of the assets.

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

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

Dividends

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

3. ESTIMATES AND ASSUMPTIONS

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

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

(a) Impairments

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

(b) Amortisation & depreciation

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

(c) Provisions for risks and charges

The Company may be subject to legal disputes, in relation to taxation or employment issues, based on particularly complex circumstances of varying degrees of uncertainty, according to the facts and circumstances, jurisdiction and laws applicable to each case.

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

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

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

(d) Trade receivables

Company evaluates the expected losses on trade receivables in order to reflect, through a specific doubtful debt provision, the realisable value utilising reasonable and demonstrable information available, without excessive costs or effort at the reporting date on past events, current conditions and future economic conditions.

The doubtful debt provision represents the best estimate at the reporting date made by the Directors. This estimate is based on facts and expectations which may change over time and which may, therefore, have significant effects compared to the present estimates made by the Directives for the preparation of the Separate financial Statements.

(e) Leases

The transition to IFRS 16 introduces some elements of professional judgment that entail the definition of certain accounting policies and the use of assumptions and estimates with regard to the lease term and the definition of the incremental borrowing rate. The main ones are summarised below:

- The Company has decided not to apply IFRS 16 for contracts containing a lease where the underlying asset is of low value (less than Euro 5 thousand);
- Lease term: The Company has analysed all of its lease contracts and has identified the lease term for each of them – this is the non-cancellable period together with the effects of any extension or early termination options whose exercise is considered reasonably certain;
- Definition of the incremental borrowing rate: since most rental contracts entered into by the Company do not include an implied interest rate, the discount rate to be applied to future rental payments has been taken as the average cost of medium/long term debt.

4. RISK MANAGEMENT

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

The management of the above-mentioned risks is undertaken through identifying, evaluating and undertaking the hedging of financial risks.

4.1 Credit risk

The credit risks represent the exposure of SEA to potential losses deriving from the non-compliance of obligations by trading and financial partners.

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

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

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

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

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

Trade receivables are reported in the financial statements net of doubtful debt provisions, which are prudently made based on the underlying disputes at the reporting date. The doubtful debt provision necessary to adjust the nominal value to the realisable value is determined analysing all receivables and utilising all available information on the debtor.

A summary of trade receivables with third parties and the relative doubtful debt provisions is reported below.

(Euro thousands)	December 31, 2019	December 31, 2018
Trade receivables - customers, gross of doubtful debt provision	202,185	203,135
- of which overdue	120,953	123,348
Doubtful debt provision - customers	(98,436)	(100,467)
Total trade receivables - customers	**103,749**	**102,668**

Receivables transferred following factoring operations are eliminated from the statement of financial position only when the related risks and benefits of ownership have been substantially transferred. Non-recourse receivables which do not satisfy these requisites remain on the statement of financial position of the Company, even if legally transferred. In this case a financial liability of a similar amount is recorded under liabilities against advances received.

The breakdown of overdue receivables at December 31, 2019 and the previous year is shown below:

Trade receivables - customers

(Euro thousands)	December 31, 2019	December 31, 2018
Trade receivables - customers	202,185	203,135
Of which overdue	120,953	123,348
less than 180 days	17,687	21,557
over 180 days	103,266	101,791
% overdue receivables	59.8%	60.7%
% overdue receivables of less than 180 days	8.7%	10.6%
% overdue receivables of more than 180 days	51.1%	50.1%

The table below illustrates the gross trade receivables at December 31, 2019 and for the comparative year, as well as the breakdown of receivables from counterparties under administration and in dispute, with indication of the bank and insurance sureties and deposit guarantees provided.

Trade receivables - customers

(Euro thousands)	December 31, 2019	December 31, 2018
Trade receivables - customers	202,185	203,135
(i) receivables from parties subject to administration procedures	94,746	95,645
(ii) receivables subject to dispute	18,809	19,179
Total trade receivables, net of the receivables at points (i) and (ii)	**88,630**	**88,311**
Overdue receivables, other than at points (i) and (ii)	7,398	8,524
Sureties and deposits	62,849	56,849
% of receivables guaranteed by sureties and deposits vs total trade receivables, net of the receivables at points (i) and (ii)	70.9%	64.4%

The doubtful debt provision was calculated by taking into consideration non-collection risks, relating not only to overdue receivables, but also those falling due, determining 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). The write-down of receivables is therefore made through the use of a provision matrix which presents 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 Company.

4.2 Market risks

The market risk to which SEA is exposed comprises all types of risks directly and indirectly related to market prices. In 2019, the market risks to which SEA were subject were:

a) interest rate risk;

b) currency risk;

c) price risk of commodities.

a) Interest rate risk

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

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

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

At December 31, 2019 the gross financial debt of SEA was comprised of medium/long-term loans (medium/long term portions of loans) and short-term loans (exclusively medium/long-term portion of loans maturing within 12 months). At the reporting date, the Company does not hold any short-term debt.

The medium/long term debt at December 31, 2019 is reported in the following table, which shows each loan at the nominal value (which includes a spread of between 0.20% and 1.62%, not considering the effect of the hedging operations and the cost of the relative guarantees).

Medium/long-term loans

		December 31, 2019		December 31, 2018	
(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**	**220,767**	**0.93%**	**242,083**	**1.03%**
o/w at Fixed Rate		38,128	3.90%	44,971	3.90%
o/w at Variable Rate(*)		182,639	0.30%	197,112	0.38%
Other bank loans	**2020**	**44**	**0.50%**	**88**	**0.50%**
o/w at Fixed Rate		44	0.50%	88	0.50%
o/w at Variable Rate					
Medium/long-term gross financial debt		**520,811**	**2.19%**	**542,171**	**2.19%**

(*) Includes: (i) variable rate tranche subject to interest rate hedge (ca. 29% at 31.12.2019 & 30% at 31.12.2018);

(ii) Euro 78 million of EIB loans with specific bank guarantee.

The total value of medium/long-term loans at December 31, 2019 amounts to Euro 520,811 thousand, a reduction of Euro 21,360 thousand compared to the previous year, due to repayments on these loans.

The average cost of this debt remained stable, amounting to 2.19% at December 31, 2019, considering that approximately 75% of medium/long term debt is not exposed to interest rate volatility risk. Also considering the hedging transactions against the interest rate risk and the cost of bank guarantees on EIB loans, the average cost of debt amounts to 2.76%, substantially stable compared to December 2018.

At December 31, 2019, SEA has the following bond issue with a total nominal value of Euro 300,000 thousand.

Description	Listing market	ISIN Code	Terms (years)	Maturity	Par value (in million of Euro)	Coupon	Annual rate
SEASPA 3 1/8 04/17/21	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 SEA debt at December 31, 2019 amounted to Euro 536,831 thousand (Euro 562,361 thousand at December 31, 2018) and was calculated as follows:

- for the loans at fixed interest rates, the capital portion and interest were discounted utilising the spot rates for each contractual maturity, extrapolated from the market rates;
- for the bond listed on a regulated market, reference was made to the market value at December 31, 2019;
- for the loans at variable interest rates, the interest portion was calculated utilising the estimate of the expected rates at the end of each contractual maturity, increased by the spread defined contractually. The interest portion defined as outlined above and the capital on maturity was discounted utilising the spot rate for each contractual maturity, extrapolated from the market rate.

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

Interest rate hedges (in Euro thousands)

	Notional at signing date	Residual Notional at 31/12/2019	Date of signing	Start	Maturity	Fair value at 31/12/2019	Fair value at 31/12/2018
IRS	10,000	7,097	18/05/2011	15/9/2012	15/9/2021	(520.1)	(771.8)
	5,000	3,548	18/05/2011	15/9/2012	15/9/2021	(260.0)	(385.9)
	15,000	9,310	18/05/2011	15/9/2012	15/9/2021	(668.7)	(1,003.8)
	10,000	5,357	06/06/2011	15/9/2012	15/9/2021	(366.1)	(555.8)
	11,000	5,690	06/06/2011	15/9/2012	15/9/2021	(388.3)	(589.5)
	12,000	5,793	06/06/2011	15/9/2012	15/9/2021	(391.3)	(598.6)
	12,000	5,793	06/06/2011	15/9/2012	15/9/2021	(391.3)	(598.6)
Collar	10,000	5,357	06/06/2011	15/9/2011	15/9/2021	(298.1)	(446.8)
	11,000	5,310	06/06/2011	15/9/2011	15/9/2021	(290.2)	(436.4)
Total	**96,000**	**53,255**				**(3,574.1)**	**(5,387.2)**

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

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

The fair value of the derivative financial instruments at December 31, 2019 and at December 31, 2018 was determined in accordance with IFRS 9 and IFRS 13.

b) Currency risk

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

c) Commodity risk

SEA is exposed to the changes of the prices and the relative exchange rates of the energy commodities, or rather gas and environment certificates related to the operations of the company, utilised by SEA Energia for the procurement of the electricity, heating and air-conditioning service on behalf of the Parent Company. These variations directly impact on the final price which SEA pays for the supply from the subsidiary SEA Energia. These risks derive from the purchase of the above-mentioned commodities, which in the case of gas are principally impacted by fluctuations in the prices of the underlying fuels, denominated in US Dollars. These fluctuations are absorbed through formulas and indexations utilised in the pricing structures adopted in sales contracts.

In 2019, SEA did not undertake any hedging of this risk.

In the same period, the subsidiary SEA Energia purchased greenhouse gas emissions rights in advance for future requirements, thereby eliminating the impact from future price changes.

4.3 Liquidity risk

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

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

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

At the end of 2019, SEA had irrevocable unutilised credit lines of Euro 390 million, of which Euro 260 million concerning the 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 December 31, 2019, the Company also had a further Euro 158 million of uncommitted credit lines available for immediate cash requirements. The above-stated available lines are subject to financial covenants.

SEA has available committed and uncommitted credit lines which guarantee the covering of future financial needs and current operational needs, with an average maturity of medium/long-term debt of over 3 years, including the bond issued in 2014. If the bond loan is excluded, the remaining debt has an average maturity of over 5 years (15% over 10 years).

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

The tables below illustrate for SEA the breakdown and maturity of the financial debt (capital, medium/long-term interest, financial charges on derivative instruments and leasing) and trade payables at December 31, 2019 and December 31, 2018:

Liabilities at December 31, 2019

(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
Leasing	1.7	3.0	0.6	3.1	8.4
Trade payables	177.1				177.1
Total payables	**216.6**	**368.5**	**47.7**	**115.8**	**748.6**

Liabilities at December 31, 2018

(Euro millions)	< 1 year	>1 year < 3 years	>3 years < 5 years	> 5 years	Total
Gross financial debt	36.1	377.5	55.7	142.6	611.9
Trade payables	156.6				156.6
Total payables	**192.7**	**377.5**	**55.7**	**142.6**	**768.5**

The table does not include the short-term Group cash pooling debt, amounting to Euro 2.1 million at the end of 2019 (Euro 0.5 million at the end of 2018), against which a receivable of a similar nature existed of Euro 26.1 million (Euro 28.4 million at the end of 2018).

At the end of 2019 loans due within one year relate to the capital portion to be paid on some of the EIB loans and interest due on the total debt. The loan repayment scheduling reflects the capacity of SEA funding to cover medium/long-term needs.

4.4 Sensitivity

In consideration of the fact that for the Company the currency risk is almost non-existent, the sensitivity analysis refers to statement of financial position accounts which could incur changes in value due to changes in interest rates.

In particular, the analysis considered:

- bank debt and cash pooling position;
- loans;
- interest risk derivative hedge instruments.

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

a) Assumptions: the effect was analysed on the SEA income statement for the years 2019 and 2018 of a change in market rates of +50 or of -50 basis points.

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

The results of the sensitivity analysis are reported below:

	December 31, 2019		December 31, 2018	
(Euro thousands)	**-50 bp**	**+50 bp**	**-50 bp**	**+50 bp**
Current accounts (interest income) [1]	-99.99	731.71	-4.76	523.59
Cash pooling position (interest income) [1]	-144.37	144.37	-114.16	114.16
Loans (interest charges) [2]	309.12	-982.04	308.67	-1,050.70
Cash pooling position (interest charges) [2]		-11.87		-1.91
Derivative hedging instruments (flows) [3]	-294.33	294.33	-329.85	329.85
Derivative hedging instruments (fair value) [4]	-376.14	370.35	-675.87	661.98

[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.

Some loans include covenant conditions, relating to the capacity of SEA to meet annual and/or half year financial commitments (net of financial resources available) from operating activities. For some loans, non-compliance of the covenant terms results in, for the following half-year period, the application of a correlated predetermined spread (in accordance with a contractually defined pricing grid).

At the present moment, SEA is not aware of any default situations related to the loans held or violations of any of the above-mentioned covenants.

5. CLASSIFICATION OF THE FINANCIAL INSTRUMENTS

The following table provides a breakdown of the financial assets and liabilities by category at December 31, 2019 and at December 31, 2018.

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 and liabilities measured at Fair Value to the Income Statement**	**Financial assets measured at amortised cost**	**Financial assets and liabilities measured at Fair Value to the Comprehensive Income Statement**	**Financial liabilities measured at amortised cost**	**Total**
Other investments	26				26
Other non-current receivables		104			104
Trade receivables		120,162			120,162
Current financial receivables		26,128			26,128
Tax receivables		955			955
Other current receivables		5,769			5,769
Cash and cash equivalents		87,463			87,463
Total	**26**	**240,581**	**0**	**0**	**240,607**
Non-current financial liabilities exc. leasing			3,574	495,346	498,920
-of which payables to bondholders				*299,369*	*299,369*
Non-current financial payables for leasing				6,734	6,734
Trade payables				177,140	177,140
Tax payables				10,520	10,520
Other current and non-current payables				289,322	289,322
Current financial liabilities excl. leasing				33,131	33,131
Current financial liabilities for leasing				1,681	1,681
Total	**0**	**0**	**3,574**	**1,013,874**	**1,017,448**

(Euro thousands)	December 31, 2018 Financial assets and liabilities measured at Fair Value to the Income Statement	Financial assets measured at amortised cost	Financial assets and liabilities measured at Fair Value to the Comprehensive Income Statement	Financial liabilities measured at amortised cost	Total
Other investments	26				26
Other non-current receivables		119			119
Trade receivables		117,602			117,602
Current financial receivables		28,410			28,410
Tax receivables		879			879
Other current receivables		6,257			6,257
Cash and cash equivalents		152,984			152,984
Total	**26**	**306,251**	**0**	**0**	**306,277**
Non-current financial liabilities exc. leasing			5,387	518,218	523,605
-of which payables to bondholders				*298,889*	*298,889*
Trade payables				156,586	156,586
Tax payables				17,464	17,464
Other current and non-current payables				202,267	202,267
Current financial liabilities excl. leasing				29,584	29,584
Total	**0**	**0**	**5,387**	**924,119**	**929,506**

5.1 Disclosure on fair value

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

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

The following tables present the Company assets and liabilities measured at fair value at December 31, 2019 and at December 31, 2018:

(Euro thousands)	December 31, 2019 Level 1	Level 2	Level 3
Other investments			26
Derivative financial instruments		3,574	
Total	**0**	**3,574**	**26**

(Euro thousands)	December 31, 2018 Level 1	Level 2	Level 3
Other investments			26
Derivative financial instruments		5,387	
Total	**0**	**5,387**	**26**

6. NOTES TO THE STATEMENT OF FINANCIAL POSITION

6.1 Intangible assets

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

Intangible assets

(Euro thousands)	December 31, 2018	Increases in the year	Reclassifications/ transfers	Destruct./ sales	Amortisation/ Write-downs	December 31, 2019
Gross value						
Rights on assets under concession	1,475,873	3,250	36,006	(435)		1,514,694
Rights on assets under concess. in prog. & advances	30,875	49,485	(36,006)	(478)		43,876
Patents and right to use intellectual property & others	78,934		6,760			85,694
Assets in progress and advances	5,068	8,235	(6,760)			6,543
Total Gross Value	**1,590,750**	**60,970**	**0**	**(913)**	**0**	**1,650,807**
Accumulated amortisation						
Rights on assets under concession	(564,942)			178	(46,542)	(611,306)
Rights on assets under concess. in prog. & advances						
Patents and right to use intellectual property & others	(67,762)				(7,371)	(75,133)
Assets in progress and advances						
Total accumulated amortisation	**(632,704)**	**0**	**0**	**178**	**(53,913)**	**(686,439)**
Net value						
Rights on assets under concession	910,931	3,250	36,006	(257)	(46,542)	903,388
Rights on assets under concess. in prog. & advances	30,875	49,485	(36,006)	(478)		43,876
Patents and right to use intellectual property & others	11,172		6,760		(7,371)	10,561
Assets in progress and advances	5,068	8,235	(6,760)			6,543
Total net value	**958,046**	**60,970**	**0**	**(735)**	**(53,913)**	**964,368**

As per IFRIC 12, rights on assets under concession, net of accumulated amortisation, amount to Euro 903,388 thousand at December 31, 2019 and Euro 910,931 thousand at December 31, 2018. These assets are amortised on a straight-line basis over the duration of the concession from the State. The amortisation for the year 2019 amounts to Euro 46,542 thousand. The increases in the year, amounting to Euro 39,256 thousand, derive mainly for Euro 36,006 thousand from the entry into use of investments made in previous years and recorded under "Assets under concession in progress and advances" and for Euro 3,250 thousand particularly the purchase of new explosive detection system equipment for checked baggage control.

For assets within the concession right, SEA has the obligation to record a restoration and replacement provision, in relation to which reference should be made to Note 6.16.

The account "Assets under concession in progress and advances", amounting to Euro 43,876 thousand, refers to the work in progress on concession assets, not yet completed at December 31, 2019.

The main works done during the year at Malpensa amounted to Euro 22,981 thousand and primarily related to: *i)* at Terminal 1, work on the terminal itself, flight infrastructure, roads and installations, including the creation of new check-in desk islands, upgrades to the baggage handling system and a doubling of e-gates checkpoints for outbound passenger passport control; and *ii)* completion of the work on the new departure gates at Terminal 2 and reconfiguration of the road system for better traffic management. At Linate, amounting to Euro 26,504 thousand, works principally concerned functional upgrading and restyling of the Terminal. In particular, the main works involved: *i)* the demolition of the existing terminal building F and start of construction of a new building F with a façade facing the aircraft apron, expansion of the gates on the ground floor and departure security checks and creation of new commercial areas, scheduled for completion in March 2021; *ii)* an upgrade to the baggage handling system to ECAC Standard 3 in accordance with Regulation (EU) No 1998/2015; and *iii)* the new portion relating to the work on the runway.

The reclassifications to assets under concession principally related to the gradual entry into service of the works carried out on Terminal 1 and the completion of the works at Linate on the baggage handling system.

Industrial patents and intellectual property rights and other intangible assets, amounting to Euro 10,561 thousand at December 31, 2019 (Euro 11,172 thousand at December 31, 2018), relate to the purchase of software components for the airport and operating IT systems. Specifically, the increases for Euro 6,760 thousand principally related to the development and implementation of the administrative and airport management systems, relating to investments in previous years and recorded in the account "Assets in progress and advances" which at December 31, 2019 record a residual amount of Euro 6,543 thousand, relating to software developments in progress. The amortisation for the year 2019 amounts to Euro 7,371 thousand.

In consideration of the results reported and the business outlook, as well as the definition of the airport tariffs contained in the Regulatory Agreement, at December 31, 2019 the Company did not identify any impairment indicators.

The changes in intangible assets during 2018 were as follows:

Intangible assets

(Euro thousands)	December 31, 2017	Increases in the year	Reclassifications/ transfers	Destruct./ sales	Amortisation/ Write-downs	December 31, 2018
Gross value						
Rights on assets under concession	1,446,033	2,713	28,865	(1,738)		1,475,873
Rights on assets under concess. in prog. & advances	32,486	29,385	(30,010)	(986)		30,875
Patents and right to use intellectual property & others	69,273		9,661			78,934
Assets in progress and advances	5,352	9,377	(9,661)			5,068
Total Gross Value	**1,553,144**	**41,475**	**(1,145)**	**(2,724)**	**0**	**1,590,750**
Accumulated amortisation						
Rights on assets under concession	(521,569)		554	1,312	(45,239)	(564,942)
Rights on assets under concess. in prog. & advances						
Patents and right to use intellectual property & others	(60,546)				(7,216)	(67,762)
Assets in progress and advances						
Total accumulated amortisation	**(582,115)**	**0**	**554**	**1,312**	**(52,455)**	**(632,704)**
Net value						
Rights on assets under concession	924,464	2,713	29,419	(426)	(45,239)	910,931
Rights on assets under concess. in prog. & advances	32,486	29,385	(30,010)	(986)		30,875
Patents and right to use intellectual property & others	8,727		9,661		(7,216)	11,172
Assets in progress and advances	5,352	9,377	(9,661)			5,068
Total net value	**971,029**	**41,475**	**(591)**	**(1,412)**	**(52,455)**	**958,046**

6.2 Property, plant and equipment

The following tables summarises the movements in property, plant and equipment in 2019:

Property, plant and equipment

(Euro thousands)	December 31, 2018	Increases in the year	Reclassifications/ transfers	Destruct./ sales	Depreciation/ Write-downs	December 31, 2019
Gross value						
Property	215,099		4,121	(918)		218,302
Plant and machinery	6,050	430		(9)		6,471
Industrial and commercial equipment	47,856	1,778		(3,507)		46,127
Other assets	72,241	4,914	5,070	(3,263)		78,962
Assets in progress and advances	11,784	18,051	(9,191)	(1,647)		18,997
Total Gross Value	**353,030**	**25,173**	**0**	**(9,344)**	**0**	**368,859**
Depreciation provision and write-downs						
Property	(97,776)			606	(6,494)	(103,664)
Plant and machinery	(3,798)			9	(344)	(4,133)
Industrial and commercial equipment	(39,206)			3,506	(4,736)	(40,436)
Other assets	(57,981)			3,262	(5,743)	(60,462)
Assets in progress and advances						
Total accum. deprec. & write-downs	**(198,761)**	**0**	**0**	**7,383**	**(17,317)**	**(208,695)**
Net value						
Property	117,323		4,121	(312)	(6,494)	114,638
Plant and machinery	2,252	430			(344)	2,338
Industrial and commercial equipment	8,650	1,778		(1)	(4,736)	5,691
Other assets	14,260	4,914	5,070	(1)	(5,743)	18,500
Assets in progress and advances	11,784	18,051	(9,191)	(1,647)		18,997
Total net value	**154,269**	**25,173**	**0**	**(1,961)**	**(17,317)**	**160,164**

The investments relate to the development of the Aviation sector which, as already reported, in accordance with IFRIC 12 are classified as assets under concession and current airport concessions and those in the Non Aviation sector, amounting to Euro 4,121 thousand at December 31, 2019, principally related to the restyling work at Terminal 1 of Malpensa.

Increments in "Property, plant and equipment" also include the purchase of new de-icer equipment, snow ploughs and motorised airport operating machinery for Euro 1,353 thousand, new aircraft towing tractors for Euro 2,273 thousand and new video terminals for Euro 790 thousand.

In consideration of the results reported and the business outlook, as well as the definition of the airport tariffs contained in the Regulatory Agreement, at December 31, 2019 the Company did not identify any impairment indicators.

All fixed assets, including those falling under IFRIC 12, are expressed net of those funded by State and European Union contributions. These latter at December 31, 2019 amounted to Euro 504,383 thousand and Euro 7,019 thousand respectively.

The changes in property, plant and equipment during 2018 were as follows:

Property, plant and equipment

(Euro thousands)	December 31, 2017	Increases in the year	Reclassifications/ transfers	Destruct./ sales	Depreciation/ Write-downs	December 31, 2018
Gross value						
Property	210,937		4,254	(92)		215,099
Plant and machinery	4,655	1,395				6,050
Industrial and commercial equipment	43,974	3,882				47,856
Other assets	67,871	3,270	1,604	(504)		72,241
Assets in progress and advances	6,361	10,157	(4,734)			11,784
Total Gross Value	**333,798**	**18,704**	**1,124**	**(596)**	**0**	**353,030**
Accumulated depreciation & write-downs						
Property	(90,706)		(549)	44	(6,565)	(97,776)
Plant and machinery	(3,568)				(230)	(3,798)
Industrial and commercial equipment	(34,550)				(4,656)	(39,206)
Other assets	(52,884)			402	(5,499)	(57,981)
Assets in progress and advances						
Total accum. deprec. & write-downs	**(181,708)**	**0**	**(549)**	**446**	**(16,950)**	**(198,761)**
Net value						
Property	120,231		3,705	(48)	(6,565)	117,323
Plant and machinery	1,087	1,395			(230)	2,252
Industrial and commercial equipment	9,424	3,882			(4,656)	8,650
Other assets	14,987	3,270	1,604	(102)	(5,499)	14,260
Assets in progress and advances	6,361	10,157	(4,734)			11,784
Total net value	**152,090**	**18,704**	**575**	**(150)**	**(16,950)**	**154,269**

6.3 Leased assets right-of-use

The following table presents the movement in 2019 for leased assets right-of-use:

Leased assets right-of-use

(Euro thousands)	January 1, 2019	Increases in the year	Destruct./sales	Deprec./ write-downs	December 31, 2019
Gross value					
Runway/Apron/Street equipment	11				11
Miscellaneous and minor equipment	2,203	865			3,068
Complex equipment	188				188
Transport vehicles	1,341	1,910	(44)		3,207
EDP	868	40			908
Land	108	4,240			4,348
Total Gross Value	**4,719**	**7,055**	**(44)**	**0**	**11,730**
Accumulated depreciation & write-downs					
Runway/Apron/Street equipment				(8)	(8)
Miscellaneous and minor Equipment				(614)	(614)
Complex equipment				(54)	(54)
Transport vehicles			11	(660)	(649)
EDP				(175)	(175)
Land				(181)	(181)
Total accum. deprec. & write-downs	**0**	**0**	**11**	**(1,692)**	**(1,681)**
Net value					
Runway/Apron/Street equipment	11			(8)	3
Miscellaneous and minor Equipment	2,203	865		(614)	2,454
Complex equipment	188			(54)	134
Transport vehicles	1,341	1,910	(33)	(660)	2,558
EDP	868	40		(175)	733
Land	108	4,240		(181)	4,167
Total net value	**4,719**	**7,055**	**(33)**	**(1,692)**	**10,049**

"Leased assets right-of-use" concern usage rights recognised as per IFRS 16, as described in greater detail at Note 2.2. As a lessee, the Company identified the relevant issues, principally industrial equipment, land and the long-term hire of vehicles, with the consequent recognition of a usage right to non-current assets equal to the present value of the outstanding instalments and with the counter-entry of a finance lease payable. The net value of leased assets right-of-use at December 31, 2019 is Euro 10,049 thousand, with depreciation in the year of Euro 1,692 thousand. For the calculation of these amounts, the Company availed of an exemption permitted under IFRS 16 and which resulted in a single discount rate for each leasing portfolio.

6.4 Investment property

The breakdown of investment property at December 31, 2019 is shown below:

Investment property

(Euro thousands)	December 31, 2019	December 31, 2018
Gross value	4,134	4,138
Accumulated depreciation	(730)	(730)
Total investment property	**3,404**	**3,408**

The changes in the accumulated depreciation provision of the property investments in 2019 is shown below:

Movement accumulated depreciation investment property

(Euro thousands)	December 31, 2019
Opening balance	(730)
Reclassifications	
Decreases	2
Depreciation	(2)
Final value accumulated depreciation investment property	**(730)**

The account includes buildings not utilised in the operating activities (apartments and garages) for which there were no impairments at December 31, 2019.

6.5 Investments in subsidiaries and associates

The breakdown of the account "Investments in subsidiaries and associates" at December 31, 2019 and at December 31, 2018 are shown below:

Investments in subsidiaries and associates

(Euro thousands)	December 31, 2019	December 31, 2018
SEA Energia SpA	7,026	7,026
SEA Prime SpA	25,451	25,451
Investments in subsidiaries	**32,477**	**32,477**
Airport Handling SpA	7,190	7,190
SACBO SpA	4,562	4,562
Dufrital SpA	3,822	3,822
Malpensa Logistica Europa SpA	1,674	1,674
Disma SpA	421	421
SEA Services Srl	300	300
Investments in associates	**17,969**	**17,969**
Investments in subsidiaries and associates	**50,446**	**50,446**

"Investments in subsidiaries and associated companies" amount to Euro 50,446 thousand at December 31, 2019 (Euro 50,446 thousand at December 31, 2018).

Risk related to the European Commission's decision of December 19, 2012 concerning declarations of State Aid awarded to SEA Handling

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

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

Following the liquidation of SEA Handling and also by reason of the changed de facto and de jure situations relating to this company, the Court of the European Union, at the request of the European Commission and SEA Handling, ascertained by

Order of January 22, 2018, that the matter of the dispute concerning SEA Handling's appeal has ceased to exist since the appellant company was dissolved. As a result, the Court found that there was no longer a need to adjudicate on the appeal brought by SEA Handling.

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

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

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

The key financial highlights at December 31, 2019 and for the previous year of the subsidiaries and associated companies are shown below.

	December 31, 2019						
(Euro thousands)	Assets	Liabilities	Revenues	Profit/ (loss)	Share. Equity	Pro-quota Shareholders' Equity	% held
Subsidiaries							
SEA Energia SpA	72,969	45,105	59,097	3,487	27,864	27,864	100.00%
SEA Prime SpA	28,369	11,985	11,247	2,595	16,384	16,369	99.91%
Associates							
Airport Handling SpA	57,484	25,001	127,612	1,769	32,483	9,745	30.00%
Dufrital SpA		-				-	40.00%
SACBO SpA		-				-	30.979%
SEA Services Srl (*)	5,877	2,872	18,015	2,233	3,005	1,202	40.00%
Malpensa Logistica Europa SpA		-				-	25.00%
Disma SpA		-				-	18.75%

	December 31, 2018						
(Euro thousands)	Assets	Liabilities	Revenues	Profit/ (loss)	Share. Equity	Pro-quota Shareholders' Equity	% held
Subsidiaries							
SEA Energia SpA	67,140	42,763	48,995	3,440	24,377	24,377	100.00%
SEA Prime SpA	26,494	12,706	11,553	2,502	13,788	13,776	99.91%
Associates							
Airport Handling SpA	56,706	21,985	120,901	2,814	34,721	10,416	30.00%
Dufrital SpA	63,431	32,906	167,085	9,729	30,525	12,210	40.00%
SACBO SpA	269,441	122,600	162,708	23,009	146,841	45,490	30.979%
SEA Services Srl (**)	5,748	2,966	17,027	2,013	2,782	1,113	40.00%
Malpensa Logistica Europa SpA	26,440	13,177	52,184	5,999	13,263	3,316	25.00%
Disma SpA	8,587	3,640	6,448	688	4,947	928	18.75%

(*) *Financial Statements at 30/09/2019*

(**) *Financial Statements at 30/09/2018*

6.6 Other investments

The breakdown of the "Other investments" at December 31, 2019 and at December 31, 2018 are shown below:

	% held	
Company	**December 31, 2019**	**December 31, 2018**
Aeropuertos Argentina 2000 SA	8.5%	8.5%
Consorzio Milano Sistema in liquidation	10%	10%
Romairport Srl	0.227%	0.227%

The following table presents for the years 2019 and 2018 other investments:

Other investments

(Euro thousands)	**December 31, 2019**	**December 31, 2018**
Aeropuertos Argentina 2000 SA	0	0
Consorzio Milano Sistema in liquidation	25	25
Romairport Srl	1	1
Total other investments	**26**	**26**

AA2000

The investment of SEA 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, still holds 8.5% of the share capital of AA2000; therefore, the investment of 1 Euro was maintained in the 2019 financial statements.

6.7 Deferred tax assets

The changes in the net deferred tax assets for the year 2019 are shown below:

Net deferred tax assets

(Euro thousands)	December 31, 2018	Released / allocated to P&L	Released / allocated to Equity	December 31, 2019
Restoration prov. as per IFRIC 12	34,492	(3,690)		30,802
Write-downs Tan. assets (impairment test)	14,101	73		14,174
Provisions for risks and charges	12,349	(879)		11,470
Non-deductible doubtful debt provision	6,757	(229)		6,528
Other receivables provision	319			319
Inventory obsolescence provision	464	(101)		363
Fair value measurement of derivatives	1,142		(428)	714
Post-em. bens. prov. discounting (IAS 19)	574	(17)	910	1,467
Ord. main. on assets under concession	9,959	7,827		17,786
Other	115	(29)		86
Total deferred tax assets	**80,272**	**2,955**	**482**	**83,709**
Accelerated depreciation and lower depreciation on initial application IFRS	25,150	(1,882)		23,268
Restoration provision		1,499		1,499
Total deferred tax liabilities	**25,150**	**(383)**	**0**	**24,767**
Total deferred tax assets, net of liabilities	**55,122**	**3,338**	**482**	**58,942**

The 2020 Budget Law, amending the IRES income tax rate for the tax periods 2019, 2020 and 2021, was published in the Official Gazette on December 27, 2019. The IRES income tax rate thus increases by 3.5 percentage points for the years concerned. In the 2019 Separate Financial Statements, this increase entailed the measurement, according to the new rate, of all items carried among "Deferred tax assets" and "Deferred tax liabilities" that will be reversed in the tax periods mentioned above.

6.8 Other non-current receivables

The breakdown of the "Other non-current receivables" is shown below:

Other non-current receivables

(Euro thousands)	December 31, 2019	December 31, 2018
Receivables from the state for contributions as per Law 449/85		
Other receivables	6,352	119
Total other non-current receivables	**6,352**	**119**

"Other non-current receivables" amount to Euro 6,352 thousand at December 31, 2019 (Euro 119 thousand at December 31, 2018).

The movement on the previous year of Euro 6,233 thousand mainly concerns the portion of work to restore and replace assets within the scope of IFRIC 12 set to accrue in future years.

Other residual receivables, finally, refer to receivables from employees and guarantee deposits.

Receivables from the State for grants under Law 449/85, equal to Euro 1,328 thousand (Euro 1,328 thousand at December 31, 2018), are entirely covered by the doubtful debt provision and concern receivables based on the "Regulatory Agreement" between ENAC and SEA in January 1995 and revised in December 2004, which establishes the partial funding, pursuant to Law 449/85, of some infrastructure projects at Malpensa Airport.

6.9 Inventories

The table below reports the breakdown of "Inventories":

Inventories

(Euro thousands)	December 31, 2019	December 31, 2018
Raw material, ancillary and consumables	3,118	3,561
Inventory obsolescence provision	(1,288)	(1,646)
Total inventories	**1,830**	**1,915**

The account includes consumable materials for airport activities; no goods held in inventories comprised guarantees on loans or concerning other commitments.

Inventories were adjusted to their realisable or replacement value through an obsolescence provision which at December 31, 2019 amounts to Euro 1,288 thousand.

Utilisation of the inventory obsolescence provision amounted to Euro 358 thousand in 2019.

6.10 Trade receivables

The breakdown of "trade receivables" at December 31, 2019 and for the previous year are shown below:

Trade receivables

(Euro thousands)	December 31, 2019	December 31, 2018
Trade receivables - customers	103,749	102,668
Trade receivables - subsidiaries	3,273	3,709
Trade receivables - associates	13,140	11,225
Total trade receivables	**120,162**	**117,602**

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

Total receivables in 2019 were affected by the renegotiation of existing commercial contracts in view of the Covid-19 health emergency to support the commercial partners affected by this emergency, while avoiding payment disputes and laying the groundwork for a swift recovery.

Following Decree No. 112 of March 12, 2020, issued by Italy's Ministry for Infrastructure and Transport in coordination with the Ministry of Health, effectively closing Milan Linate Airport with effect from March 16, 2020, almost all commercial partners informed SEA of economic difficulties due to the situation and thus requested a revision of the existing contractual conditions in response to the severe economic crisis caused by the health emergency. Accordingly, from March 1 to December 31, 2020 SEA will not apply guaranteed minimums to any of its commercial partners who pay only the contractual royalty on monthly net sales. The amounts relating to the periods indicated above, already invoiced as at December 31, 2019, totalling approximately Euro 3 million, have been reversed, together with the related prepayments.

The criteria for the adjustment of receivables to their realisable value will take account of valuations regarding the state of the dispute and are subject to estimates which are described in the previous Note 3, to which reference should be made.

The changes in the doubtful debt provision were as follows:

Doubtful debt provision

(Euro thousands)	December 31, 2019	December 31, 2018
Opening provision	100,553	99,841
Net increases (decreases)	(1,862)	713
Utilisations	(114)	(1)
Final value doubtful debt provision	**98,577**	**100,553**

The decreases in the provision in the year amounted to Euro 1,862 thousand (Euro 713 thousand in 2018) and was calculated to take into account the risk in deterioration of the financial positions of the principle operators with which disputes exist and write-downs for receivables under administration and the risk assessed by the Company of the expected losses on each receivable, in accordance with IFRS 9.

The utilisations relating to the year 2019, amounting to Euro 114 thousand, refer to the closure during the year of disputes in which the provisions were accrued to cover such risks in previous years.

For details on the aging of the receivables reference should be made to Note 4.1.

The increase in trade receivables from related companies on the other hand is substantially due to invoicing maturity periods and relative timing on collection of invoices.

For receivables from subsidiaries and associated companies reference should be made to Note 8, relating to transactions with related parties.

6.11 Current financial receivables

The account "Current financial receivables" amounts to Euro 26,128 thousand at December 31, 2019 (Euro 28,410 thousand at December 31, 2018) and relates entirely to financial receivables from subsidiaries. In particular the balance at December 31, 2019 is comprised of cash pooling receivables from SEA Energia SpA. Reference should be made to Note 8 relating to transactions with related parties.

6.12 Tax receivables

"Tax receivables" of Euro 955 thousand at December 31, 2019 (Euro 879 thousand at December 31, 2018) mainly concern for Euro 451 thousand the IRAP receivable from the higher advances paid in July and November against the IRAP payable for 2019 and for Euro 60 thousand (Euro 445 thousand at December 31, 2018) tax receivables recorded following the liquidators distribution plan of the subsidiary SEA Handling SpA in liquidation.

6.13 Other current receivables

The breakdown of "Other current receivables" is shown below:

Other current receivables

(Euro thousands)	December 31, 2019	December 31, 2018
Other receivables	4,707	3,345
Receivables from insurance companies	488	200
Misc. receivables	372	562
Employee & soc. sec. receivables	202	145
Receivables for dividends		2,005
Total other current receivables	**5,769**	**6,257**

"Other current receivables" amount to Euro 5,769 thousand at December 31, 2019 (Euro 6,257 thousand at December 31, 2018) and is comprised of the accounts outlined below.

Other receivables, amounting to Euro 4,707 thousand at December 31, 2019 (Euro 3,345 thousand at December 31, 2018), includes miscellaneous receivables (reimbursements, supplier advances, arbitrations with subcontractors 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 from insurance companies, amounting to Euro 488 thousand at December 31, 2019 (Euro 200 thousand at December 31, 2018) relates to amounts paid on insurance policies in advance of the period to which the cost refers.

Miscellaneous receivables amounting to Euro 372 thousand at December 31, 2019 (Euro 562 thousand at December 31, 2018) mainly refer to receivables from payments by Telepass, credit card and POS which have not yet been credited in the bank account.

Receivables from employees and social security entities, amounting to Euro 202 thousand at December 31, 2019 (Euro 145 thousand at December 31, 2018), mainly relate to INPS receivables.

The receivables for dividends to be received of Euro 2,005 thousand recognised in the previous year relating to the dividends approved by the Extraordinary Shareholders' Meeting of Dufrital SpA on December 18, 2018 were collected in full in January 2019.

6.14 Cash and cash equivalents

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

Cash and cash equivalents

(Euro thousands)	December 31, 2019	December 31, 2018
Bank and postal deposits	87,420	152,913
Cash in hand and similar	43	71
Total Cash and cash equivalents	**87,463**	**152,984**

The account at year end comprises bank and postal deposits on demand for Euro 87,317 thousand (Euro 152,809 thousand at December 31, 2018), restricted bank deposits of Euro 103 thousand (Euro 104 thousand at December 31, 2018) and cash amounts for Euro 43 thousand (Euro 71 thousand at December 31, 2018). For further information on the movements to cash and cash equivalents, reference should be made to the Cash Flow Statement.

6.15 Shareholders' Equity

Share capital

At December 31, 2019, the share capital of SEA is comprised of 250,000,000 shares of a value of Euro 0.11 each, with a total value of Euro 27,500 thousand.

Legal and extraordinary reserve

At December 31, 2019 the legal reserve of SEA amounts to Euro 5,500 thousand, while the extraordinary reserve amounts to Euro 63,083 thousand (Euro 162,994 thousand at December 31, 2018). This decrease, of Euro 99,911 thousand, follows the distribution of extraordinary dividends of Euro 124,600 thousand, partially offset by the allocation of a portion of the 2018 net profit of Euro 24,689 thousand.

Other Investments Reserve

The reserve at December 31, 2019, equal to Euro 1, represents the investment held by SEA in AA2000 based on the agreement with CEDICOR as described in Note 6.6.

Cash Flow Hedge Reserve

The balance of the reserve at December 31, 2019, amounting to Euro -2,260 thousand (Euro -3,616 thousand at December 31, 2018), relates to the change in the fair value of the effective part of the derivative hedge contracts and of the relative changes in the time value. For further information on derivative contracts, reference should be made to Note 4.2.

Actuarial gain/loss reserve

The balance of the reserve at December 31, 2019, equal to Euro -3,262 thousand (Euro -379 thousand at December 31, 2018), represents the actuarial losses matured at the reporting date on the Post-Employment Benefits provision.

Other Reserves

The other reserves, amounting to Euro 60,288 thousand at December 31, 2019, refer entirely to the reserves recorded in accordance with the revaluation laws 576/75, 72/83 and 413/91.

Distribution of dividends

On April 19, 2019, the Shareholders' Meeting approved the distribution of dividends of Euro 98,800 thousand and the carrying forward to reserves of Euro 24,689 thousand, relating to the allocation of the 2018 net profit, amounting to Euro 123,489 thousand.

The Shareholders' Meeting of September 30, 2019 approved the extraordinary distribution of available components of equity, carried in the financial statements as at December 31, 2018 in the account other reserves, for a total of Euro 124,600 thousand, with *i)* the first instalment to be paid starting on October 15, 2019 and *ii)* the second starting on June 24, 2020. The amount settled at the reporting date was Euro 39,862 thousand, compared with Euro 84,738 thousand to be settled in 2020. For further details on the postponement of the payment of the second instalment, reference should be made to the Directors' Report in the section "Subsequent events".

For the net equity movements, reference is made to the "Statement of changes in Shareholders' Equity".

Available reserves

In accordance with Article 2427, No. *7-bis* of the Civil Code, the equity accounts and their availability and possibility for distribution are reported below.

(Euro thousands)	Amount at 31/12/2019	Possibility of use (*)	Quota available	Summary of utilisations over last 3 years
Share capital	27,500			
Legal reserve	5,500	B		
Extraordinary reserve	63,083	A,B,C	63,083	124,600
IFRS initial conversion reserve	14,814			
Other Investments Reserve	0			
Cash Flow Hedge Reserve	(2,260)			
Actuarial gain/loss reserve	(3,262)			
Other Reserves (1):				
- as per revaluation law 576/75	3,649	A,B,C	3,649	
- as per revaluation law 72/83	13,557	A,B,C	13,557	
- as per revaluation law 413/91	43,082	A,B,C	43,082	
Total	**165,663**		**123,371**	**124,600**
Total non-distributable amount		**42,292**		

(*) *A: for share capital increase; B: for coverage of losses; C: for distribution to shareholders*

(1) *Suspension of taxes reserve*

6.16 Provisions for risks and charges

The changes in the “Provisions for risks and charges” in the year are reported below:

Provisions for risks and charges

(Euro thousands)	December 31, 2018	Provisions/ Increases	Utilisations/ Decreases	Releases	Other changes	December 31, 2019
Restoration and replacement provision	137,312	22,000	(36,091)		6,248	129,469
Provision for future charges	26,886	3,215	(4,739)	(667)		24,695
Total provision for risks & charges	**164,198**	**25,215**	**(40,830)**	**(667)**	**6,248**	**154,164**

The restoration and replacement provision on assets under concession, created in accordance with IFRIC 12, amounting to Euro 129,469 thousand at December 31, 2019 (Euro 137,312 thousand at December 31, 2018), refers to the estimate of the amount matured relating to the maintenance on assets under concession from the State which will be undertaken in future years. The provision for the year takes into account the updated long-term scheduled maintenance and replacement plans on these assets, while the utilisations in the year refer to the restoration works carried out covered by the provisions made in previous years. The utilisation during the year was mainly due to restoration work on the runway at Linate, which entailed the full resurfacing of the paving and taxiways at both airports.

The movements of the future charges provision were as follows:

Provision for future charges

(Euro thousands)	December 31, 2018	Provisions/ Increases	Utilisations/ Decreases	Releases	December 31, 2019
Labour provisions	5,952	1,517	(1,604)	(62)	5,803
Tax risks	361		(1)		360
Other provisions	20,573	1,698	(3,134)	(605)	18,532
Total provision for future charges	**26,886**	**3,215**	**(4,739)**	**(667)**	**24,695**

The labour provisions relate to the expected streamlining actions to be undertaken on operations. The utilisations in the year are related to the incentivised departures for which a specific provision was made in the accounts in 2018.

The "Tax risks" provision of Euro 360 thousand is related to the provision for disputes currently underway with the competent tax judicial bodies over VAT resulting from the tax audit by the Customs Agency in respect of the resale of electricity and registration tax applied on the transactions in accordance with a number of civil judgments.

The account "Other provisions" for Euro 18,532 thousand at December 31, 2019 (Euro 20,573 thousand at December 31, 2018) is mainly composed of the following items:

- Euro 3,516 thousand for legal disputes related to the operational management of the Milan Airports;
- Euro 2,209 thousand relating to disputes with insurance companies for requests for indemnities;
- 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 in 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 report, and also based on the opinion of the consultants representing the Company in the disputes, the provisions are considered sufficient to cover potential liabilities.

6.17 Employee provisions

The changes in the employee provisions in 2019 and in the previous year are shown below:

Employee provisions

(Euro thousands)	December 31, 2019	December 31, 2018
Opening provision	45,188	46,736
Financial (income)/charges	454	652
Utilisations	(2,220)	(1,101)
Actuarial losses / (profits) rec. to equity reserve	3,793	(1,099)
Total employee provisions	**47,215**	**45,188**

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

The principal actuarial assumptions, utilised for the determination of the pension obligations, are reported below:

Economic-financial technical parameters

	December 31, 2019	December 31, 2018
Annual discount rate	0.77%	1.57%
Annual inflation rate	1.50%	1.50%
Annual increase in employee leaving indemnity	2.63%	2.63%

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

The sensitivity analysis for each of the significant assumptions at December 31, 2019 and the previous year is shown below, indicating the effects that would arise on the post-employment benefit provision.

Change

(Euro thousands)	December 31, 2019	December 31, 2018
+ 1 % on turnover rate	46,814	45,037
- 1 % on turnover rate	47,657	45,354
+ 1/4 % on annual inflation rate	47,863	45,822
- 1/4 % on annual inflation rate	46,578	44,565
+ 1/4 % on annual discount rate	46,189	44,191
- 1/4 % on annual discount rate	48,277	46,218

The average duration of the financial obligation and scheduled payments of the benefits are reported in the following tables:

Average duration of the obligation

(in years)	December 31, 2019	December 31, 2018
Duration of the plan	9.4	10.0

Expected disbursements

(Euro thousands)	December 31, 2019	December 31, 2018
Year 1	4,397	2,127
Year 2	3,438	2,363
Year 3	2,073	2,749
Year 4	2,099	3,835
Year 5	2,297	2,991

6.18 Current and non-current financial liabilities

The breakdown of current and non-current financial liabilities at December 31, 2019 and at the end of the previous year is reported below:

	December 31, 2019		December 31, 2018	
(Euro thousands)	Current	Non-Current	Current	Non-Current
Bank payables	24,398	199,551	22,371	224,672
Payables to other lenders	10,414	306,103	7,213	298,933
Total financial liabilities	**34,812**	**505,654**	**29,584**	**523,605**

The breakdown of the accounts is shown below:

	December 31, 2019		December 31, 2018	
(Euro thousands)	Current portion	Non-current portion	Current portion	Non-current portion
Long-term loans	23,459	195,977	21,316	219,285
Loan charges payable	939		1,055	
Derivatives fair value		3,574		5,387
Bank payables	**24,398**	**199,551**	**22,371**	**224,672**
Payables to bondholders		299,369		298,889
Payables for charges on bonds	6,609		6,627	
Lease liabilities (Financial Payables)	1,681	6,734		
Subsidised rate loans	44		44	44
Financial payable to subsidiaries	2,080		542	
Payables to other lenders	**10,414**	**306,103**	**7,213**	**298,933**
Total current and non-current liabilities	**34,812**	**505,654**	**29,584**	**523,605**

As illustrated in the table above, the Company debt primary consists of medium/long term bank loans and the bond issued on April 17, 2014, the “SEA 3 1/B 2014-2021”.

The principal features of the bond are as follows:

- **Type of bond:** Senior, unsecured, non-convertible, in minimum denominations of Euro 100 thousand and exclusively targeting qualified and institutional investors;
- **Issue price:** at par;
- **Value:** Euro 300 million;
- **Interest rate:** fixed annual coupon of 3.125%;
- **Duration:** 7 years, with single repayment on maturity, except for advanced repayment possibilities established under the Loan regulation and in line with market practices;
- **Listing:** Regulated market managed by the Irish Stock Exchange;
- **Covenant:** typical international practice for the issue of such bonds, such as the Limitation of Indebtedness or rather to maintain a Net Financial Position/EBITDA maximum of 3.8. The covenant has been complied with to date.

For further information on bank loans and derivative contracts underwritten reference should be made to Note 4.

The breakdown of the Company net financial debt at December 31, 2019 and December 31, 2018, in accordance with CON-SOB Communication of July 28, 2006 and ESMA/2012/81 recommendations are reported below.

Net financial debt

	(Euro thousands)	December 31, 2019	December 31, 2018
A.	Cash and Cash Equivalents	(87,463)	(152,984)
B.	Other cash equivalents		
C.	Securities held for trading		
D.	**Liquidity (A)+(B)+(C)**	**(87,463)**	**(152,984)**
E.	**Financial receivables**	**(26,128)**	**(28,410)**
F.	Current financial payables	2,080	542
G.	Current portion of medium/long-term bank payables	23,459	21,316
H.	Other current financial payables	9,273	7,726
I.	**Payables and other current financial liabilities (F) + (G) + (H)**	**34,812**	**29,584**
J.	**Net current financial debt (D) + (E) + (I)**	**(78,779)**	**(151,810)**
K.	Non-current portion of medium/long-term bank payables	195,977	219,285
L.	Bonds issued	299,369	298,889
M.	Other non-current financial payables	10,308	5,431
N.	**Payables and other non-current financial liabilities (K) + (L) + (M)**	**505,654**	**523,605**
O.	**Net Financial Debt (J) + (N)**	**426,875**	**371,795**

At the end of December 2019, the net financial debt amounted to Euro 426,875 thousand, increasing by Euro 55,080 thousand compared to the end of 2018 (Euro 371,795 thousand).

As illustrated in the cash flow statement, the level of net financial debt was impacted by the fact that the cash flow generated from the operating activity of Euro 183,395 thousand was not sufficient to offset the cash flow absorbed by investing activity (Euro 72,142 thousand) and that absorbed from financing activity for the payment of dividends and interest and commissions (respectively of Euro 138,650 thousand, including the first tranche of the distribution of extraordinary dividends and for Euro 16,844 thousand); from a financial viewpoint, the reduction of liquidity of Euro 65,521 thousand (Euro 87,463 thousand at the end of 2019 against Euro 152,984 thousand in 2018) derives principally from the settlement of loans, with payments of Euro 21,360 thousand and the payment of the first tranche of the distribution of extraordinary dividends for Euro 39,862 thousand.

“Other current financial payables” and “Other non-current financial payables” include the lease liabilities, as per the new 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 December 31, 2019 respectively to Euro 1,681 thousand and Euro 6,734 thousand:

Lease liabilities (Financial Payables)

	December 31, 2019	
(Euro thousands)	current	non-current
Runway/Apron/Street equipment	4	
Miscellaneous & minor equipment	624	2,082
Complex equipment	53	91
Transport vehicles	783	1,994
EDP	186	593
Loading and unloading vehicles		
Land	31	1,974
Total	**1,681**	**6,734**

The following is a breakdown of the variations of current and non-current financial assets and liabilities, with a separate indication of cash flows recorded in the year 2019 and other variations.

Current & non-current financial assets & liabilities

(Euro thousands)	Med./long-term bank loans (current and non-current portion)	Bond loans	Subsidised loans (curent and non-current portion)	Payables for charges on loans and bonds	Lease payables	Derivative liabilities	Financial receivables / payables to subsidiaries	Total
December 31, 2018	**240,601**	**298,889**	**88**	**7,682**		**5,387**	**(27,868)**	**524,779**
Cash flows:								
- Issue new tranches of EIB loans								
- Repayments (capital portion)	(21,316)		(44)					(21,360)
- Cash pooling changes							3,820	3,820
- Payment interest on bank loans and bond loans recognised to FY 2018				(7,682)				(7,682)
- Repayment of principal and interest on finance leases IFRS16					(3,842)			(3,842)
Total cash flows	**(21,316)**	**0**	**(44)**	**(7,682)**	**(3,842)**	**0**	**3,820**	**(29,064)**
Other changes:								
- Amortised cost effect	151	480						631
- Fair value change						(1,813)		(1,813)
- Accrued interest on loans and bonds				7,548				7,548
- Impact of IFRS16 adoption on opening balance at January 1, 2019					4,845			4,845
- Change in finance lease obligations IFRS16					7,412			7,412
Total other changes	**151**	**480**	**0**	**7,548**	**12,257**	**(1,813)**	**0**	**18,623**
December 31, 2019	**219,436**	**299,369**	**44**	**7,548**	**8,415**	**3,574**	**(24,048)**	**514,338**

6.19 Trade payables

The breakdown of the “Trade payables” is shown below:

Trade payables

(Euro thousands)	December 31, 2019	December 31, 2018
Supplier payables	150,318	128,615
Advances	3,940	2,750
Payable to subsidiaries	11,363	13,607
Payables to associates	11,519	11,614
Total trade payables	**177,140**	**156,586**

Trade payables of Euro 177,140 thousand at December 31, 2019 refers to the purchase of goods and services relating to the operating activity and investments. In order to optimise operations with suppliers, trade payables at December 31, 2019 include sums ceded under indirect factoring contracts for Euro 4,076 thousand (Euro 1,391 thousand at December 31, 2018).

Payables for advances at December 31, 2019 of Euro 3,940 thousand increased Euro 1,190 thousand on the previous year, mainly due to receipts against the investment of SEA in international research and development projects. The remainder of payables on account mainly relate to payments on account by clients.

For payables from subsidiaries and associated companies reference should be made to Note 8, relating to transactions with related parties.

6.20 Income tax payables

Income tax payables amounting to Euro 10,520 thousand at December 31, 2019 (Euro 17,464 thousand at December 31, 2018), mainly relate to direct taxes for Euro 4,819 thousand (Euro 11,825 thousand at December 31, 2018), employee and consultant's withholding taxes for Euro 4,757 thousand (Euro 5,144 thousand at December 31, 2018) and VAT payables for Euro 939 thousand (Euro 490 thousand at December 31, 2018).

6.21 Other current and non-current payables

The breakdown of the account "Other current and non-current payables" at December 31, 2019 is shown below:

Other current payables

(Euro thousands)	December 31, 2019	December 31, 2018
Payables to social security institutions	13,878	13,969
Employee payables for amounts matured	23,825	21,113
Employee payables for vacations not taken	2,621	2,388
Payables to the State for airport fire services	71,187	65,113
Payables to the State for concession fee	14,664	14,285
Payables to the state for concession fee security service	96	90
Payables for additional landing rights	51,416	49,944
Third party guarantee deposits	1,094	998
Payables to the Board of Directors and Board of Statutory Auditors	54	187
Payables to shareholders for dividends	84,839	89
Payables to others post-em. ben.	234	240
Other	17,452	19,887
Total other current liabilities	**281,360**	**188,303**

"Other current liabilities" increased by Euro 93,057 thousand, from Euro 188,303 thousand at December 31, 2018 to Euro 281,360 thousand at December 31, 2019.

This increase is due mainly to the opposing effects of the following factors: *i)* the increase in the payables to shareholders for dividends, following the resolution passed by the Shareholders' Meeting on September 30, 2019, approving the extraordinary distribution of available components of equity, carried in the financial statements as at December 31, 2018. For further details, reference should be made to Note 6.15 "Distribution of dividends"; *ii)* higher charges of Euro 6,074 thousand for the contribution of the Company to the airport fire protection service under Law No. 296 of December 27, 2006; *iii)* increase in payables for Euro 1,472 thousand concerning additional landing rights required by Law No. 350/2003, No. 43/2005, No. 296/2006, No. 166/2008, No. 92/2012 and No. 357/2015; *iv)* higher employee payables for amounts matured, for Euro 2,712 thousand, principally due the reclassification of the current portion of employee payables and the relative contributory charges, to be settled in 2020 relating to the mobility procedure initiated in 2017, only partially offset by the amount settled in the year; *v)* increase in payables to the State relating to the payment of concession fees, for Euro 379 thousand, following the change in the traffic data; *vi)* decrease in the account "Others" for Euro 2,435 thousand. The account "Other payables", amounting to Euro 17,452 thousand at December 31, 2019 (Euro 19,887 thousand at December 31, 2018), mainly relates to deferred income from clients for future periods and other minor payables. Deferred income in 2019 was affected by the renegotiation of existing commercial contracts due to the Covid-19 health emergency, for a description of which reference should be made to Note 6.10.

"Payables for additional landing rights" include the amounts recharged to airlines (and not yet received) and those already received and reversed to the INPS/Tax Agency in the initial months of 2020.

Relating to the payables to the State for airport fire services, on July 20, 2018 the constitutional court notice of July 3, 2018 was published in the Official Gazette which declared the unconstitutionality of Article 1, paragraph 478 of Law No. 208 of December 28, 2015 implementing "Provisions for the drawing up of annual and multi-year budgets of the State (2016 Stability Law)". The established taxation status of the Fire-fighting fund and the condition of exclusive tax jurisdiction were subsequently confirmed by the Court of Cassation on January 15, 2019. For further details, reference should be made to the Directors' Report in the section "Risk factors of the SEA Group".

The breakdown of the account "Other non-current payables" at December 31, 2019 is shown below:

Other non-current payables

(Euro thousands)	December 31, 2019	December 31, 2018
Employee payables	6,561	11,876
Payables to social security institutions	1,401	2,088
Total other non-current liabilities	**7,962**	**13,964**

"Other non-current payables" refers to payables to employees and associated social security contributions, recorded as a result of the mobility procedure's commencement on December 27, 2017. Through the mobility procedure, early retirement incentive payments were established for a pre-determined number of workers who will qualify for pension benefits by August 2023 (early retirement or old age pension). The agreement with Trade Unions covering this procedure was signed on January 15, 2018.

The decrease of Euro 6,002 thousand is substantially attributable to the reclassification under current payables.

6.22 Payables and receivables beyond five years

There are no receivables over five years.

Financial payables above five years amount to Euro 104,242 thousand relating to the repayment of principal on medium/long-term loans at December 31, 2019 and for Euro 3,105 thousand relating to the finance lease payable.

7. INCOME STATEMENT

7.1 Operating revenues

The breakdown of operating revenues by business unit is reported below:

Operating revenues by Business Unit

(Euro thousands)	2019	2018
Aviation	432,747	422,939
Non Aviation	252,808	240,997
Total operating revenues	**685,555**	**663,936**

The breakdown of Aviation operating revenues is reported below.

Aviation operating revenues

(Euro thousands)	2019	2018
Fees and centralised infrastructure	371,570	361,314
Security management revenues	44,692	44,671
Use of regulated spaces	16,485	16,954
Total Aviation operating revenues	**432,747**	**422,939**

Aviation revenue in 2019 increased Euro 9,808 thousand compared to the previous year, from Euro 422,939 thousand in 2018 to Euro 432,747 thousand in 2019. This growth was supported by the tariff adjustment defined in the Regulatory Agreement and the increase in passenger traffic thanks to: *i)* activation of new routes and increased frequencies on many existing routes, both on European and non-European routes. Malpensa airport now boasts a direct connectivity service with 82 countries around the world served by *non-stop* scheduled flights; *ii)* the signing of new bilateral agreements and the updating of some existing agreements. Airport system passenger traffic reports increased movements of 4% and of passengers of 4.4%. This performance is the result of the strong increase recorded at Malpensa airport and a reduction at Linate. These results were impacted by the closure of Linate airport from July 27 to October 26, 2019 for the resurfacing of the runway and restyling of the terminal, resulting in the transfer of most flights to Malpensa airport. Freight traffic however reduced 3.1% on the previous year to 551 thousand tonnes of cargo moved.

Reference should be made to the Directors' Report for further details.

The breakdown of Non Aviation operating revenues is reported below.

Non Aviation operating revenues

(Euro thousands)	2019	2018
Retail	100,239	94,332
Parking	73,426	68,155
Cargo spaces	17,105	15,097
Advertising	10,420	11,389
Premium services	18,311	14,972
Real Estate	2,913	2,083
Services and other revenues	30,394	34,969
Total Non Aviation operating revenues	**252,808**	**240,997**

The breakdown of retail revenues is reported below.

Retail Revenues

(Euro thousands)	**2019**	**2018**
Shops	52,387	48,909
Food & beverage	21,677	20,271
Car rental	17,311	17,054
Banking activities	8,864	8,098
Total Retail	**100,239**	**94,332**

Non Aviation revenues grew Euro 11,811 thousand compared to the previous year, from Euro 240,997 thousand in 2018 to Euro 252,808 thousand in 2019. This increase is mainly attributable to the following factors: *i)* retail revenues grew Euro 5,907 thousand thanks to higher royalties on the concessions for sales directly to the public. In particular, this income benefitted from the increase in passenger traffic and the continued improvement and extension of the offer, responding to customer demands both in terms of quality and quantity; *ii)* parking revenues grew Euro 5,271 thousand due to a very intense commercial policy, featuring an extremely strong management drive combining marketing and revenue management strategies based on continual communication to differentiate tariffs based on customer needs and seasonality and ongoing renewal of the sales channels; *iii)* revenues from cargo concessions grew Euro 2,008 thousand benefitting from the increased fees from the leasing of new warehouses constructed in the Malpensa cargo areas and the allocation of additional spaces to manage e-commerce cargo traffic; *iv)* advertising revenues decreased Euro 969 thousand, due to the temporary closure of Linate airport; *v)* revenues from premium services rose 3,339 thousand, thanks to higher income generated by services at the Malpensa and Linate VIP Lounges.

"Services and other revenues" mainly relate to income from the design services, service activities and other income. The 2019 balance decreased Euro 4,575 thousand on the previous year, which benefitted from the recognition of non-recurring income of Euro 5,591 thousand (not including interest portion), relating to the occupation of the spaces located in the Linate and Malpensa airports, following Cassation Court Sentence No. 23454/18 which rejected the recourse presented by the Customs Agency, confirming the previous sentences in favour of the Company.

7.2 Revenue for works on assets under concession

Revenue for works on assets under concession increased from Euro 29,188 thousand in 2018 to Euro 51,142 thousand in 2019.

These revenues, as per IFRIC 12, refer to construction work on assets under concession increased by a mark-up of 6%, representing the best estimate of the remuneration of the internal cost for the management of the works and design activities undertaken by the Company, which corresponds to a mark-up which a general constructor would request to undertake such activities.

This account is strictly related to investment and infrastructure upgrading activities. For further information on the principal investments, reference should be made to Note 6.1.

The account "Costs for work on assets under concession" (Note 7.6) reflects the increase in the year due to lower work on assets under concession.

7.3 Personnel costs

The breakdown of personnel costs is as follows:

Personnel costs

(Euro thousands)	2019	2018
Wages and salaries	136,277	132,268
Social security charges	37,435	37,298
Severance provisions	7,698	7,468
Other personnel costs	5,173	7,013
Personnel costs	**186,583**	**184,047**

Personnel costs increased Euro 2,536 thousand, from Euro 184,047 thousand in 2018 to Euro 186,583 thousand in 2019 (1.4%).

The increase is primarily related to the extraordinary costs connected with the temporary closure of Linate airport and the net increase in the workforce required to handle the greater number of passengers. For further information, reference should be made to the Directors' Report.

The average number of FTE employees by category compared to the previous year is reported below:

Average Full Time Equivalent

	January - December 2019	%	January - December 2018	%
Executives	52	2%	54	2%
Managers	287	11%	275	10%
White-collar	1,701	62%	1,710	63%
Blue-collar	614	22%	629	23%
Total full-time employees	**2,654**	**97%**	**2,668**	**98%**
Temporary workers	77	3%	46	2%
Total employees	**2,731**	**100%**	**2,714**	**100%**

The increase in personnel is predominantly due to the hiring of temporary operational staff to support increased passenger numbers.

The employee Head-count (HDC) at year-end in Company was as follows:

No. HDC (Headcount) Employees (at period end)

	December 31, 2019	December 31, 2018	change
HDC Employees (at period end)	2,780	2,780	-

7.4 Consumable materials

The breakdown of "Consumable materials" is as follows:

Consumable materials

(Euro thousands)	2019	2018
Raw materials, ancillaries, consumables and goods	11,998	11,313
Change in inventories	85	2,176
Total consumable materials	**12,083**	**13,489**

The account "Consumable materials" mainly includes the purchase of goods for airport activities (chemical products for de-icing and de-snowing, clothing, spare parts, etc). The increase of Euro 1,406 thousand compared to the previous year is mainly generated by the optimisation of the warehouse management process.

7.5 Other operating costs

The table below reports the breakdown of the account "Other operating costs":

Other operating costs

(Euro thousands)	2019	2018
Utilities & security expenses	46,768	37,763
Public entity fees	35,510	34,598
Ordinary maintenance costs	31,548	25,955
Terminal services provided by handling company	22,885	22,810
Parking management	18,419	15,988
Cleaning	16,735	14,015
Commercial costs	7,667	4,874
Misc. and local taxes	7,575	7,542
Hardware & software use licenses	7,329	4,894
Professional legal, administrative and strategic services	6,447	7,616
Disabled assistance and passenger support	5,222	3,997
Hire of equipment & vehicles	2,017	3,645
Insurance	1,202	1,076
Emoluments & costs of Board of Statutory Auditors & BoD	594	670
Rental charges	529	130
Losses on disposal of assets	518	473
Other costs	17,037	14,903
Total other operating costs	**228,002**	**200,949**

In 2019, the account "Other operating costs" increased by Euro 27,053 thousand compared to the previous year. This increase was principally due to the following factors:

- increase in utility costs due mainly to higher heating and air conditioning charges for Euro 9,009 thousand and reduced electricity costs for Euro 1,728 thousand. This change is strictly correlated to movements in the price of the raw materials. Security costs increased Euro 1,520 thousand following the increase in security filter control activities;
- increase in concession fees to Public Entities for Euro 912 thousand following the higher concession fee which SEA must pay for the year 2019 to ENAC. This increase is strictly correlated to the traffic numbers;

- higher ordinary maintenance costs of Euro 5,593 thousand, relating to programmed maintenance on property, plant and equipment;
- an increase of Euro 2,431 thousand in car park management costs following the expansion of the range of parking spaces offered to customers and the greater volume generated during the year;
- increased cleaning service costs (Euro 2,720 thousand) due to the greater services rendered by suppliers and the increase in available surface area;
- increased commercial costs (+Euro 2,793 thousand) relating to greater commercial and marketing initiatives in 2019, and in particular to the initiatives tied to the reopening of Linate airport;
- an increase of Euro 2,435 thousand in fees for software licenses to service the management and administrative systems of Linate and Malpensa airports;
- lower costs for professional legal, administrative and strategic services of Euro 1,169 thousand following the efficiency actions implemented by the Company;
- increase in passenger support service costs for Euro 1,225 thousand, concerning the new support activities provided at the e-gates (introduced at the end of 2018), the "bridge" project activities and the reopening of Linate airport;
- lesser rentals for equipment and plant of Euro 1,628 thousand, primarily due to the application with effect from January 1, 2019 of the accounting standard IFRS 16, which requires the recognition of an intangible right-of-use asset for lease contracts previously classified as operating leases. For further information, reference should be made to Note 2.2;
- increase in the residual account "Other costs" for Euro 2,134 thousand, principally related to higher costs for catering services in the VIP lounges, land connection charges and intermediation commissions and services.

The residual account "Other costs" mainly includes fees recognised by SEA for the collection of airport rights related to general aviation for Euro 4,357 thousand (Euro 4,014 thousand in 2018), catering service costs for the VIP lounges of Euro 4,565 thousand (Euro 3,812 thousand in 2018), commission and brokerage costs of Euro 1,846 thousand (Euro 1,592 thousand in 2018), other industrial and administration costs (principally certification and authorisation charges, reception and welcoming passengers and losses on receivables) of Euro 1,163 thousand (Euro 1,045 thousand in 2018), landside transportation services of Euro 1,735 thousand (Euro 1,069 thousand in 2018), association contributions paid by the Company of Euro 1,150 thousand (Euro 1,133 thousand in 2018), purchase and subscription of newspapers and magazines of Euro 514 thousand (Euro 482 thousand in 2018) and office running expenses and administration costs.

7.6 Costs for works on assets under concession

Costs for works on assets under concession increased from Euro 26,728 thousand in 2018 to Euro 46,321 thousand in 2019. The change in the account is related to the investment activities (Note 7.2).

7.7 Provisions and write-downs

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

Provisions and write-downs

(Euro thousands)	2019	2018
Provisions / (releases) of current receivables & cash and cash equivalents	(1,862)	713
Provisions / (releases) to provisions for future charges	2,548	2,838
Total provisions and write-downs	**686**	**3,551**

In 2019 "Provisions and write-downs" decreased Euro 2,865 thousand on the previous year (from Euro 3,551 thousand in 2018 to Euro 686 thousand in 2019).

Net accruals to the doubtful doubt provision in 2019 present increased releases, only partially offset by the provisions made in continuity with the previous year and undertaken to take into account the risk in deterioration of the financial positions of the principle operators with which disputes exist and write-downs for receivables under administration and the risk of non-receipt concerning not only overdue receivables but also those with upcoming maturity.

The net provisions for future risks and charges, amounting to Euro 2,548 thousand mainly refers to provisions for personnel and adjustments on valuations related to legal disputes concerning the operational management of the Milan Airports.

7.8 Restoration and replacement provision

The breakdown of the restoration and replacement provision is as follows:

Restoration and replacement provision

(Euro thousands)	2019	2018
Accrual/(release) restoration and replacement provision	22,000	15,000
Total accrual to restoration and replacement provision	**22,000**	**15,000**

This account includes the provision for the year relating to the scheduled replacement and maintenance of the assets within the so-called "Concession Right".

An increase of Euro 7,000 thousand is reported, from Euro 15,000 thousand in 2018 to Euro 22,000 thousand in 2019, following the updating of the long-term scheduled replacement and maintenance plan of the assets within the so-called "Concession Right".

7.9 Amortisation and depreciation

The account "amortisation & depreciation" is comprised of:

Amortisation & Depreciation

(Euro thousands)	2019	2018
Amortisation of intangible assets	53,913	52,455
Depreciation of property, plant and equipment	17,317	16,950
Depreciation of real estate investments	2	2
Depreciation Leased assets right-of-use	1,692	
Total amortisation & depreciation	**72,924**	**69,407**

The depreciation of tangible fixed assets reflects the estimated useful life made by the Company while, for the intangible assets within the "Concession Right", consideration is taken of the concession duration. In addition, the increase related to the amortisation of the new category of fixed assets from the application from January 1, 2019 of IFRS 16 (Leased asset right-of-use) is indicated.

7.10 Investment income (charges)

The breakdown of investment income and charges is as follows:

Investment income (charges)

(Euro thousands)	2019	2018
Dividends from Dufrital SpA	3,543	4,056
Dividends from SACBO SpA	2,026	2,026
Dividends from Airport Handling SpA	1,200	387
Dividends from SEA Services Srl	892	804
Dividends from Malpensa Logistica Europa SpA	875	750
Dividends from Disma SpA	225	253
Total income (charges) from investments	**8,761**	**8,276**

Investment income amounts to Euro 8,761 thousand in 2019 compared to Euro 8,276 thousand in the previous year.

Investment income concerning dividends distributed by investees increased Euro 485 thousand on the previous year.

7.11 Financial income (charges)

The breakdown of the account "financial income and charges" is as follows:

Financial income (charges)

(Euro thousands)	2019	2018
Exchange gains	11	1
Other financial income	854	1,579
Total financial income	**865**	**1,580**
Interest charges on medium/long-term loans	(11,676)	(12,038)
Exchange losses	(4)	(11)
Other interest charges	(5,432)	(5,597)
Total financial charges	**(17,112)**	**(17,646)**
Total financial income (charges)	**(16,247)**	**(16,066)**

Net financial charges increased Euro 181 thousand (from Euro 16,066 thousand in 2018 to Euro 16,247 thousand in 2019). Against a decrease of Euro 715 thousand in financial income, the financial charges also reduced with a reduction in costs of Euro 534 thousand.

Financial income in 2018 benefitted from the interest income recognised by the Tax Agency in the previous year of Euro 976 thousand following the liquidation of the IRES receivable concerning the deductibility of IRAP from IRES for the financial years 2007-2011 ("click day") of the Company.

The reduction in financial charges of Euro 534 thousand is mainly due to: *i)* the decrease in the gross debt, with lower interest expense of Euro 362 thousand; and *ii)* the reduction in interest expense on derivative contracts of Euro 214 thousand. The positive effect related to the decrease in interest expense on Post-employment benefits for Euro 197 thousand was almost entirely offset by the increase in interest expense on finance leases of Euro 134 thousand.

For further information on the change in the financial liabilities, reference should be made to Note 6.18.

7.12 Income taxes

The breakdown of the account “income taxes” is shown below:

Income taxes

(Euro thousands)	2019	2018
Current income taxes	52,386	52,211
Deferred tax charge/(income)	(3,338)	(3,537)
Total income taxes	**49,048**	**48,674**

The reconciliation between the theoretical and effective tax rate for 2019 is shown below:

(Euro thousands)	2019	%
Profit before taxes	**160,614**	
Theoretical income taxes	44,169	27.5%
Permanent tax differences effect	(2,285)	-1.4%
IRAP	7,669	4.8%
Other	(505)	-0.3%
Effective taxes	**49,048**	**30.5%**

Income taxes in the year were impacted by the entry into force of the 2020 Budget Law, Law No. 160 of December 27, 2019, which increased the IRES income tax rate by 3.5 percentage points to 27.5% for tax periods 2019, 2020 and 2021. Deferred tax assets and liabilities were thus realigned to the future rate on the basis of the period of reversal.

The main permanent tax differences relate to the dividends from investees under the pex system received in 2019, the deduction related to the effect on actuarial losses on post-employment benefits and the accelerated amortisation tax break on equipment, effects which were only partially offset by the increase principally due the non-deductible part of the Municipal Tax and other non-deductible costs.

The “Other” item mainly consists of adjustments to current and deferred taxation, that from previous years and the adjustment to deferred tax assets and liabilities relating to the reversal on the portions of utilisation of the funds, estimated during the period of application of the higher IRES (corporate income tax) rate.

8. TRANSACTIONS WITH RELATED PARTIES

The table below shows the balances and transactions of the company with related parties for the years 2019 and 2018 and an indication of the percentage of the relative account:

Transactions with Related Parties

(Euro thousands)	December 31, 2019				
	Trade receivables	Current financial receivables	Other current receivables	Trade payables	Current financial liabilities
Subsidiaries					
SEA Energia SpA	569	26,128		10,148	
SEA Prime SpA	2,704			1,215	2,080
Associates					
Aiport Handling SpA	4,700			7,229	
SACBO SpA	283			352	
Dufrital SpA	5,760			695	
Malpensa Logistica Europa SpA	1,361			1,070	
SEA Services Srl	1,010			2,173	
Signature Flight Support Italy Srl	14				
Disma SpA	12				
Total related parties	**16,413**	**26,128**	**0**	**22,882**	**2,080**
Total book value	120,162	26,128	5,769	177,140	34,812
% on total book value	**13.66%**	**100.00%**	**0.00%**	**12.92%**	**5.97%**

(Euro thousands)	Year ended December 31, 2019				
	Operating revenues	Other operating costs	Personnel costs	Net financial income (charges)	Investment income (charges)
Subsidiaries					
SEA Energia SpA	495	35,760	(108)	748	
SEA Prime SpA	9,041	4,357	(625)		
Associates					
Airport Handling SpA	14,076	26,486	(38)		1,200
SACBO SpA (*)	1,171	11,867	(2)		2,026
Dufrital SpA	32,997	16			3,543
Malpensa Logistica Europa SpA	4,635		(40)		875
SEA Services Srl	3,862	4,550			892
Disma SpA	214		(3)		225
Signature Flight Support Italy Srl	69	1			
Total related parties	**66,560**	**83,037**	**(816)**	**748**	**8,761**
Total book value	685,555	228,002	186,583	(16,247)	8,761
% on total book value	**9.71%**	**36.42%**	**-0.44%**	**-4.60%**	**100.00%**

(*) The account "Other operating costs" relating to transactions with SACBO, equivalent to Euro 11,867 thousand, does not include that invoiced by SEA to the final clients and transferred to the associate.

Transactions with Related Parties

(Euro thousands)	December 31, 2018 Trade receivables	Current financial receivables	Other current receivables	Trade payables	Current financial liabilities
Subsidiaries					
SEA Energia SpA	417	28,410		12,417	
SEA Prime SpA	3,292			1,190	542
Associates					
Aiport Handling SpA (*)	3,211			7,194	
SACBO SpA	336			476	
Dufrital SpA	5,113		2,005	740	
Malpensa Logistica Europa SpA	1,208			1,062	
SEA Services Srl	1,170			2,014	
Signature Flight Support Italy Srl	72			29	
Disma SpA	115			99	
Total related parties	**14,934**	**28,410**	**2,005**	**25,221**	**542**
Total book value	117,602	28,410	6,257	156,586	29,584
% on total book value	**12.70%**	**100.00%**	**32.04%**	**16.11%**	**1.83%**

(Euro thousands)	Year ended December 31, 2018 Operating revenues	Other operating costs	Personnel costs	Net financial income (charges)	Investment income (charges)
Subsidiaries					
SEA Energia SpA	447	28,419	(80)	562	
SEA Prime SpA	7,651	4,061	(625)	2	
Associates					
Airport Handling SpA (*)	6,629	13,190	(149)		387
SACBO SpA (**)	981	11,257	(2)		2,026
Dufrital SpA	31,120	19			4,056
Malpensa Logistica Europa SpA	4,310		(40)		750
SEA Services Srl	3,602	3,846			804
Disma SpA	218		(7)		253
Signature Flight Support Italy Srl	193	28			
Total related parties	**55,151**	**60,820**	**(903)**	**564**	**8,276**
Total book value	663,936	200,949	184,047	(16,066)	8,276
% on total book value	**8.31%**	**30.27%**	**-0.49%**	**-3.51%**	**100.00%**

(*) In July 2018, 30% of the share capital of Airport Handling SpA was transferred to SEA following the dissolution of the Trust, having exhausted its corporate scope, with recognition of the investment in the account "Investments in subsidiaries and associated companies". The income statement transactions therefore refer to the July - December period.

(**) The account "Other operating costs" relating to transactions with SACBO, equivalent to Euro 11,257 thousand, does not include that invoiced by SEA to the final clients and transferred to the associate.

8.1 Transactions with subsidiary companies

Commercial transactions between SEA and subsidiary companies are as follows:

- transactions between SEA and SEA Energia SpA concerning the supply to the Milan Airports, of electric and thermal energy produced by the Co-generation plants, located at the afore-mentioned airports, for its energy requirements, as well as the agreement for the provision, by the Company in favour of SEA Energia, of administrative services (among which legal, fiscal, planning and control);
- transactions with SEA Prime SpA concern the sub-concession contract for the General Aviation management operations, at Linate airport, granted by SEA on May 26, 2008 and expiring on April 30, 2041. The contract concerns, specifically, the utilisation of the general aviation infrastructure and the verification and collection, on behalf of SEA, of

airport and security fees. An agreement is also in place between the company and SEA Prime SpA for administration services (including legal, tax and accounting services);

Financial receivables and payables relate to centralised treasury services (cash pooling) which SEA undertakes on behalf of the subsidiaries.

8.2 Transactions with associated companies

The transactions between the Company and the associated companies, in the periods indicated below:

- commercial parking management transactions at Orio al Serio-Bergamo (SACBO) airport;
- commercial transactions with reference to the recognition to SEA of royalties on sales (Dufrital and SEA Services);
- rental of premises (Malpensa Logistica Europa);
- supply to SEA of catering services (SEA Services);
- commercial transactions deriving from the concession for the distribution of fuel (DISMA);
- revenue for administration services and handling activity costs (Airport Handling SpA).

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

8.3 Other transactions with related parties

SACBO SpA

In 2019, SACBO distributed dividends to SEA for Euro 2,026 thousand.

DUFRITAL SpA

In 2019, Dufrital distributed dividends to SEA for Euro 3,543 thousand.

MALPENSA LOGISTICA EUROPA SpA

In 2019, Malpensa Logistica Europa distributed dividends to SEA for Euro 875 thousand.

SEA SERVICES Srl

In 2019, SEA Services distributed dividends to SEA for Euro 892 thousand..

AIRPORT HANDLING SpA

In 2019, Airport Handling distributed dividends to SEA for Euro 1,200 thousand.

DISMA SpA

In 2019, Disma distributed dividends to SEA for Euro 225 thousand.

9. DIRECTORS' FEES

In 2019, the remuneration for the Board of Directors, including social security contributions and accessory charges, amounted to Euro 372 thousand (Euro 450 thousand in 2018).

10. STATUTORY AUDITORS' FEES

In 2019, the remuneration for the Board of Statutory Auditors, including welfare and accessory charges, amounted to Euro 222 thousand (Euro 220 thousand in 2018).

11. INDEPENDENT AUDIT FIRM FEES

The fees for the audit of the statutory financial statements of SEA recognised to the independent audit firm Deloitte & Touche SpA for the year 2019 amounted to Euro 208 thousand for audit services and Euro 56 thousand for other activities. The Fees of the Audit Firm are net of Consob contributions.

12. COMMITMENTS AND GUARANTEES

12.1 Investment commitments

The principal commitments for investment contracts under Consortium Regroupings are shown below net of works already realised:

Breakdown project commitments

(Euro thousands)	December 31, 2019	December 31, 2018
Design and extraordinary maintenance civil works and plant at Linate & Malpensa	41,288	21,540
Design and extraordinary maintenance flight infrastructure and roadways at Linate and Malpensa	13,514	9,079
Works on electrical automation and control systems at Linate and Malpensa	4,970	7,459
Design and extraordinary maintenance of Linate & Malpensa AVL plant	2,962	5,884
Design and construction of new warehouses at Cargo City of Malpensa		462
Total project commitments	**62,734**	**44,424**

12.2 Guarantees

At December 31, 2019, 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 28,500 thousand in favour of ENAC, as guarantee of the concession fee;
- two sureties of Euro 2,200 thousand and Euro 2,000 thousand, respectively, 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 "Italian Army Training Area" in Lonate Pozzolo and "Cascina Malpensa" area;
- surety of Euro 2,000 thousand in favour of SACBO as guarantee for the parking management at Bergamo airport;
- Euro 585 thousand for other minor sureties.

13. SEASONALITY

The business is characterised by revenue seasonality, which are normally higher in the periods of August and December due to increased flights by the airlines at its airports. It should be noted that the airports of Milan Malpensa and Milan Linate are to a certain degree complementary from a seasonality viewpoint, in view of the different profile of the indirect customers (i.e. leisure vs. business). This feature limits the seasonal peaks from an overall consolidated operational and financial viewpoint.

14. CONTINGENT LIABILITIES

Reference should be made to the explanatory notes in relation to disputes on receivables (Note 6.10) and operating risks (Note 6.16). For further information, reference should be made to the Directors' Report.

15. CONTINGENT ASSETS

With reference to Judgment 7241/2015 of the Milan Court, confirmed by the Milan Court of Appeal with Judgment No. 331/2017, as not all appeals have been made this contingent asset was not recognised in the income statement as per IAS 37. For further details, reference should be made to the Directors' Report.

16. TRANSACTIONS RELATING TO ATYPICAL OR UNUSUAL OPERATIONS

In accordance with Consob Communication of July 28, 2006, the Company did not undertake any transactions deriving from atypical or unusual operations, as set out in the communication.

17. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

Pursuant to CONSOB Communication of July 28, 2006, in the view of Directors, in 2019 the Company did not undertake non-recurring significant operations.

18. PUBLIC GRANTS (ARTICLE 1, PARAGRAPHS 125-129 OF LAW 124/2017)

Pursuant to Law No. 124/2017 and subsequent supplements, we communicate that the Company received public grants during the year totalling Euro 922 thousand.

Beneficiary	Provider	Purpose	(In Euro thousands)
SEA Spa (*)	Lombardy Region	Grant for regulation works on Lambro river	922

**The grant "received by SEA SpA" was forwarded to SEA Prime as the owner of the works on the Lambro river*

As required by Article 1 Law No. 124/2017, paragraph 126, the grants paid over an amount of Euro 10 thousand are listed below.

Beneficiary	Provider	Purpose	(In Euro thousands)
La Scala Theatre	SEA Spa	Founding shareholder annual quota	600
Municipality of Somma Lombardo	SEA Spa	Project to support active labour policies in the Malpensa area	100
Telethon Foundation	SEA Spa	Annual contribution to fund scientific research into a cure for muscular dystrophy and other genetic illnesses	30
Archiepiscopal Curia of Milan	SEA Spa	Contribution for the Catholic religious service offered by the Chaplaincies at Linate and Malpensa Airports	30

19. SUBSEQUENT EVENTS TO DECEMBER 31, 2019

Reference should be made to the Directors' Report.

The Chairperson of the Board of Directors
Michaela Castelli

BOARD OF STATUTORY AUDITORS' REPORT TO THE SHAREHOLDERS' MEETING OF SEA – SOCIETA' ESERCIZI AEROPORTUALI S.P.A.

as per Article 2429, second paragraph, of the Civil Code

Dear Shareholders,

this Report has been prepared by the Board of Statutory Auditors, comprising Rosalba Cotroneo, Chairperson, Rosalba Casiraghi, Andrea Manzoni, Stefano Pozzoli and Valeria Scuteri, Statutory Auditors, appointed by the Shareholders' Meeting of April 19, 2019 for the three-year period 2019-2020-2021.

During the year ended December 31, 2019, the Board of Statutory Auditors performed the supervisory activities required by law, in accordance with the Conduct rules for Boards of Statutory Auditors endorsed by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili).

The Board of Statutory Auditors also executed the role set out under Article 19 of Legislative Decree No. 39 of January 27, 2010, as the Internal Control and Audit Committee, with SEA qualifying as an Entity of Public Interest (EIP), as per Article 16, paragraph 1, letter a) of the stated Legislative Decree No. 39/2010, as an issuer of securities, i.e. the "SEA 3 1/8 2014-2021" bond listed on the market regulated and managed by the Irish Stock Exchange and as a company adopting a traditional governance model.

The Board of Statutory Auditors in this Report outlines the activities carried out during the year, broken down by each category of oversight under the applicable rules for Boards of Statutory Auditors, and also regarding the result for the year ended December 31, 2019.

Oversight upon legal, regulatory and By-Law compliance

The Board of Statutory Auditors met during the year 5 times to carry out periodic verifications, during which information was exchanged on a regular basis with the heads of the company departments and the Independent Audit Firm.

It attended the Shareholders' Meeting of September 30, 2019 which considered the distribution of an extraordinary dividend and the meetings of the Board of Directors, which met on 7 occasions, noting that they were held in compliance with the By-Laws and the applicable legislative and regulatory provisions governing their functioning.

In addition, the Board of Statutory Auditors ensured the presence of at least one of its members at the meetings of the committees established within the Board and also met the Supervisory Board as per Legislative Decree 231/2001.

The Board of Statutory Auditors monitored compliance with the law and the By-Laws; in particular, during the year, it carried out in-depth analysis of the state of compliance with regard to the implementation of the NIS (Network and Information Security) Directive, the Electronic Communications Code and the related requirements following registration in the Register of Communication Operators (ROC), and found that the Directive of the Treasury Department of the Ministry of the Economy and Finance on the accounting separation of companies with public shareholdings, pursuant to the Article and was promptly informed by top management on the development of the situation resulting from the change in the regulator, from ENAC to the TRA in application of Law No. 37 of May 3, 2019.

Oversight upon compliance with the principles of correct administration and regarding related party transactions

In order to oversee compliance with the principles of correct administration, in addition to attending, as stated above, all meetings of the Board of Directors, the Board of Statutory Auditors:

- received at its meetings information from the Directors on the general performance and on the outlook, as well as on the most significant transactions, in terms of size or nature, carried out by the company and its subsidiaries. This information is exhaustively outlined in the Directors' Report, to which reference should be made;
- on the basis of the information made available, the Board of Statutory Auditors may reasonably consider that these transactions carried out by the company comply with law and the By-Laws, and were not manifestly imprudent, in potential conflict of

interest, hazardous or against the motions undertaken by the Shareholders' Meeting, or such as to compromise the integrity of the company's assets;

- did not note any atypical or unusual transactions with Group companies, related parties or third parties. The company does not hold treasury shares;
- assessed the compliance of the related party transactions with the policy adopted by the company. The Board of Directors in the Annual Report provided exhaustive disclosure upon the transactions executed with subsidiaries and with other related parties, outlining the economic, equity and financial effects.

Oversight on the auditing of accounts and the independence of the Audit Firm

The Board of Statutory Auditors held periodic meetings with the managers of the Independent Audit Firm, also as per Article 19, paragraph 1 of Legislative Decree No. 39/2010, during which it reviewed the work plan adopted, received information on the accounting policies utilised, on the accounting representation of the main transactions carried out in the year, in addition to the outcome of the audit. It did not note any events or situations requiring indication in this Report.

As a result of the worsening of the Covid-19 health emergency, the Board of Statutory Auditors monitored the impact of the "remote" working methods implemented by the Auditor, supported by company structures, and noted the completion of the activities required to issue the prescribed reports in full compliance with the Auditing Standards.

The Independent Audit Firm, Deloitte & Touche S.p.A, issued on April 10, 2020 the reports as per Article 14 of Legislative Decree 39/2010 and Article 10 of Regulation (EC) No. 537/2014, respectively for the statutory financial statements and for the consolidated financial statements at December 31, 2019, prepared as per International Financial Reporting Standards - IFRS – adopted by the European Union. These reports indicate that the statutory financial statements and the consolidated financial statements of SEA provide a true and fair view of the statement of financial position of SEA S.p.A. and of the SEA Group at December 31, 2019 and of the result and of the cash flows for the year ending at the same date. With regards to the statutory financial statements and the consolidated financial statements, the independent audit firm stated that the Directors' Report and the Corporate Governance and Ownership Structure Report, limited to the disclosure indicated at Article 123-bis, paragraph 4 of Legislative Decree No. 58 of February 24, 1998, are consistent with the financial statements and were prepared in compliance with law.

In addition, the Independent Audit Firm, with regards to the statement as per Article 14, paragraph 2, letter e) of Legislative Decree No. 39 of January 27, 2010, concerning the identification of significant errors in the Directors' Report, on the basis of its knowledge and understanding of the company and the relative overview acquired during the audit activities, declared to not having any matters to report. It indicated, as a key aspect of the audit, the Restoration Provision for works under concession.

The Independent Audit Firm issued, finally, the Additional Report for the Internal Control and Audit Committee as per Article 11 of Regulation (EC) No. 537/2014.

The Board of Statutory Auditors oversaw compliance with the provisions of Legislative Decree No. 254 of December 30, 2016 concerning non-financial disclosure and information upon diversity, while the Independent Audit Firm verified the preparation of the non-financial disclosure and issued a limited assurance with regards to the consistency of the information provided against that required by the Decree and against the reporting standards/guidelines utilised for such disclosure. The Board also monitored non-audit services (NAS).

The notes to the financial statements of the company indicate the amount of fees accruing in the year to the independent audit firm and the amount regarding its network, including other services.

Taking account of the independence declarations issued by Deloitte & Touche S.p.A. and the transparency report produced by the former in accordance with Article 18 of Legislative Decree 39/2010 and published on its website, in addition to the assignments awarded to the company and the companies belonging to its network by SEA S.p.A. and by the Group companies, and the note confirming compliance with the ethics and independence principles under the "Code of Ethics for Professional Accounts" issued by the IESBA, the Board of Statutory Auditors does not indicate any critical aspects with regards to the independence of the Audit Firm.

Oversight of the internal control and risk management system and of the administrative and accounting system

The Board of Statutory Auditors, also as the Internal Control and Audit Committee, as per Article 19 of Legislative Decree No. 39 of 27.01.2010, oversaw the adequacy of the internal control and risk management system and of the administrative-accounting system, in addition to the appropriateness of this latter to correctly reflect operating events. In this context, it requested and obtained all necessary information from the Managers of the respective Departments, undertaking all verifications considered necessary through the direct examination of company documents.

In addition, the Board maintained constant and adequate liaison with the Internal Audit Department and verified that this department has the required capacity, autonomy and independence. It also verified that adequate collaboration and exchange of information took place between the bodies and departments undertaking control functions. Reciprocal exchange of information also took place with the Board of Statutory Auditors of the subsidiaries and associated companies.

Specifically:

- it carried out investigations in order to assess whether the administrative-accounting system of the company is appropriate to permit the presentation of a true and fair view in the financial statements of the operating events; it periodically oversaw the correct functioning of the system through meetings with the managers of the Administration, Finance and Control Department;
- it examined the audit plans, the periodic reports and the annual report prepared by the Auditing Department. These reports do not indicate any critical issues and confirmed that the at-risk areas with regards to internal control have been recorded and monitored;
- it examined the periodic report of the Supervisory Board, set up as per Legislative Decree No. 231/2001, which does not indicate events or situations which require highlighting in this Report;
- it monitored the project activities carried out in terms of risks, in particular the advancement and ongoing refinement of the Enterprise Risk Management (ERM) project designed to build a model for the identification, classification, measurement, monitoring and homogeneous and transversal assessment of operational risks, in addition to their continuous monitoring, in support of the strategic choices and decisions of management and for stakeholder assurance.

Oversight of the adequacy of the organisational structure

The Board of Statutory Auditors acquired knowledge upon and oversaw, to the extent of its remit, the adequacy of the organisational structure of the company, reviewing and obtaining information of an organisational and procedural nature, through:

- the acquisition of information from the managers of the competent company departments;
- meetings and exchanges of information with the Board of Statutory Auditors of the subsidiaries for the reciprocal exchange of data and information;
- meetings with the Independent Audit Firm and the results of specific audit activities carried out by the former.

Coronavirus (COVID-19) Impact Assessment

The Board of Statutory Auditors indicates that at the date of this Report, a major health emergency is ongoing due to the spread of the COVID-19 virus, in view of which the Italian authorities have issued regulations which impose severe limitations on the movement of persons and bans on gatherings, while also circulating stringent health protocols for the protection of persons, particularly in the workplace.

The Board of Directors have indicated that the current picture is extremely complex, and how it develops in the coming months will depend on a number of factors. These include the duration of the emergency, the restrictions introduced and their duration, the impact the emergency may have on the economy, and the effect of the epidemic on passengers' propensity to travel.

The SEA Group is monitoring developments in the situation very closely, and when the emergency began, launched a Crisis Committee to manage its response to Covid-19. The committee comprises the Chief Executive Officer and the General Manager, as well as the main Group Directors and Manager. Its role is to supervise and coordinate the healthcare aspects within its remit, as well as the operational, infrastructural, commercial and economic-financial aspects of the emergency response. It is also responsible for activating all the measures necessary to minimise the effects of this emergency on the Group.

Since February 23, 2020, when the effects of the emergency began to be felt on air travel, traffic at SEA Group airports has progressively seen a significant deterioration.

The Board of Directors have stated that, in light of the above, the potential impact of the COVID-19 pandemic on the SEA Group, while significant, cannot be accurately estimated. It will therefore be necessary to await the evolution of the situation in Italy, in Europe, and in the rest of the world before forming a more complete assessment.

The Board of Directors on April 2, 2020 took the decision "in order to strengthen the Group's balance sheet and limit future economic-financial impacts" to postpone the payment (scheduled for June 24, 2020) of the second tranche of the available reserves, approved by the Shareholders' Meeting of September 30, 2019 of Euro 84,728 thousand, reserving the right to re-set the date of payment once the current situation related to COVID-19 has passed.

The Board of Statutory Auditors pays the utmost attention to the situation developing as a result of the spread of the COVID-19 virus, both with regard to compliance with the relevant regulations issued and with regard to the impact on the Group's operating and financial results.

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Other information

The Board of Statutory Auditors declares in addition to not having received requests for the issue of opinions and was not required to issue opinions on the basis of specific regulations.

In 2019, no petitions or notices to the Board of Statutory Auditors as per Article 2408 of the Civil Code.

During the verifications, as described above, there were no more significant facts meriting mention in this report.

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Observations and proposals with regard to the financial statements and their approval

In relation to that stated above, based on the activities carried out during the year, the Board of Statutory Auditors, noting the Financial Statements for the year ended December 31, 2019 and taking into account the specific tasks assigned to the Independent Audit Firm in terms of auditing the accounts and verifying the reliability of the financial statements, has no objections to report with regard to their approval and the Board of Directors' proposal for the allocation of the net profit to "extraordinary reserve".

Milan, April 14, 2020

THE BOARD OF STATUTORY AUDITORS

Rosalba Cotroneo (Chairperson)
Rosalba Casiraghi (Statutory Auditor)
Andrea Manzoni (Statutory Auditor)
Stefano Pozzoli (Statutory Auditor)
Valeria Scuteri (Statutory Auditor)

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
SOCIETÀ PER AZIONI ESERCIZI AEROPORTUALI – SEA S.p.A.

REPORT ON THE AUDIT OF THE SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying separate financial statements of Società per Azioni Esercizi Aeroportuali - SEA S.p.A. (the "Company"), which comprise the Statement of Financial Position as at December 31, 2019, the Income Statement, the Comprehensive Income Statement, the Statement of Changes in Shareholders' Equity, Cash Flows Statement for the year then ended, and the explanatory notes, including a summary of significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of the Company as at December 31, 2019, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

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COVID-19 (Coronavirus)	
Description of the key audit matter	The beginning of 2020 has been characterized by the Covid-19 virus and its consequences for the air transport sector. The Company promptly activated its crisis response protocol, and, through the management committee (renamed "Permanent Crisis Committee"), quickly launched an emergency management plan. Due to the significant reduction in traffic following the health emergency and the government's measures to contain the outbreak, on March 10, 2020, a decision was taken to close the central satellite at Malpensa Terminal 1 (non-Schengen traffic). Subsequently, in application of the provisions issued by the competent Authorities, the total closure of Milan Linate airport until further notice and the entirety of Malpensa Terminal 1 was ordered. Passenger traffic has been concentrated at Terminal 2 at Malpensa airport to minimize the number of people and vehicles, while Cargo City, where significant levels of activity have continued, has remained open to serve cargo traffic (approximately 70% of cargo handled at Malpensa). In this context, on March 13, 2020 an agreement was signed between SEA, the Trade Unions and the Trade Union Representative (RSU), activating the Extraordinary Temporary Lay-off Scheme (CIGS) from March 16, 2020. Moreover, the Board of Directors on April 2, 2020 decided to postpone the payment of the second tranche of the available reserves previously approved, equal to Euro 84.7 million. The Directors illustrate the most recent projections released by the International Air Transport Association (IATA) relating to the forecasted decline in global business passenger revenues and the effects of the emergency on traffic at Company airports. The Directors report that the current situation is extremely complex and how it develops in the coming months will depend on a number of factors, including the duration of the emergency, the restrictions introduced and their duration, the impacts the emergency may have on the economy, and the effect of the epidemic on passengers' propensity to travel and consider that the potential impact of the Covid-19 pandemic on the Company, while significant, cannot be accurately estimated. The Directors also indicate that, in their opinion, the liquidity in the Company's current accounts, together with available unused committed and uncommitted lines of credit, and additional lines under negotiation with financial institutions, will allow the Company to manage its cash requirements until traffic begins to return, expected to be at the end of the emergency phase. Considering the relevance of the effects of Covid-19 virus on the outlook, we considered the analysis on the assessments carried out by the Directors regarding this aspect as a key audit matter on the separate financial statements. The paragraphs "Subsequent events" and "Outlook" of the Directors' Report include the information provided by the Company regarding the aforementioned aspect.

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Audit procedures performed	The procedures we carried out to control this matter included the following: • Understanding the process carried out by the Company to manage the emergency situation; • Understanding any measures issued by the Authorities according to Covid-19 emergency; • Reading the meetings of Board of Directors; • Analysis of the main assumptions carried out by the Directors underlying the scenario analysis; • Discussions with the Directors in order to obtain information deemed useful in the circumstances; • Analysis of the available lines of credit and discussing with the Directors regarding the ongoing negotiation to manage the Group cash requirements; • Exam of the disclosure provided by the Directors.

Restoration and replacement provision

Description of the key audit matter	The separate financial statements as at December 31, 2019 include the "Restoration and replacement provision" for Euro 129.5 million. The provision includes the best estimate of the present value of the charges the Company will bear to meet its contractual obligations with the Italian National Civil Aviation Authority to ensure the functionality, operations and security of the assets under concession. The estimation process of the "Restoration and replacement provision" appears articulate and difficult and it is composed of different phases and based on different variables and assumptions that include the planning of the restoration and replacement operations. In particular, the main assumptions are about the assets deterioration, the useful life of the restoration and the charge estimates for operation category. Given the above, we considered the estimation process of this provision as a key audit matter as at December 31, 2019. The notes 2.4 and 6.16 of the separate financial statements as at December 31, 2019 highlight the accounting policies and the 2019 changes of the provision, respectively.
Audit procedures performed	The procedures we carried out to control this matter included the following: • Understanding the process carried out by the Company to estimate and update the provision; • Understanding the key controls that the Company carries out to monitor this area and testing of their actual implementation; • Obtaining and analysing the documentation drawn by the Operations and Maintenance Division of the Company about the planning of the restoration and replacement operations. In particular, we analysed the assumptions underlying the charges computation model and the timing planning of the restoration and replacement operations; • Sample testing of the allocation criteria underlying the restoration percentages by discussion with the business units in-charge of the activity, in order to verify the rationality of the criteria;

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- Understanding of any change in the regulatory framework that could impact the estimate of the provision value;
- Retrospective analysis of the previous year estimation process, including a variation analysis between the actual charges borne compared to previous estimates, with reference to a sample of works completed during 2019, in order to verify the reasons of the variance and the reliability of the estimation process implemented by the Company;
- Exam of the disclosure reported in the financial statements notes and its compliance with the relevant accounting standards.

Responsibilities of the Directors and the Board of Statutory Auditors for the Separate Financial Statements

The Directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of the Company has appointed us on May 4, 2016 as auditors of the Company for the period 2016-2022.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the separate financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Società per Azioni Esercizi Aeroportuali – SEA S.p.A. are responsible for the preparation of the report on operations, including the information required by art. 123-bis, paragraph 2 (b) of Società per Azioni Esercizi Aeroportuali - SEA S.p.A. as at December 31, 2019, including its consistency with the related separate financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations including the information required by art. 123-bis, paragraph 2 (b) of Legislative Decree 58/98 with the separate financial statements of Società per Azioni Esercizi Aeroportuali – SEA S.p.A. as at December 31, 2019 and on its compliance with the law, as well as to make a statement about any material misstatement.

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In our opinion, the above-mentioned report on operations including the information required by art. 123-bis, paragraph 2 (b) is consistent with the separate financial statements of Società per Azioni Esercizi Aeroportuali - S.p.A. as at December 31, 2019 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Marco Pessina
Partner

Milan, Italy
April 10, 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