HALF-YEAR REPORT AT JUNE 30, 2021

REPORT

SEA MilanAirports

SEA - Società per Azioni Esercizi Aeroportuali

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

www.seamilano.eu

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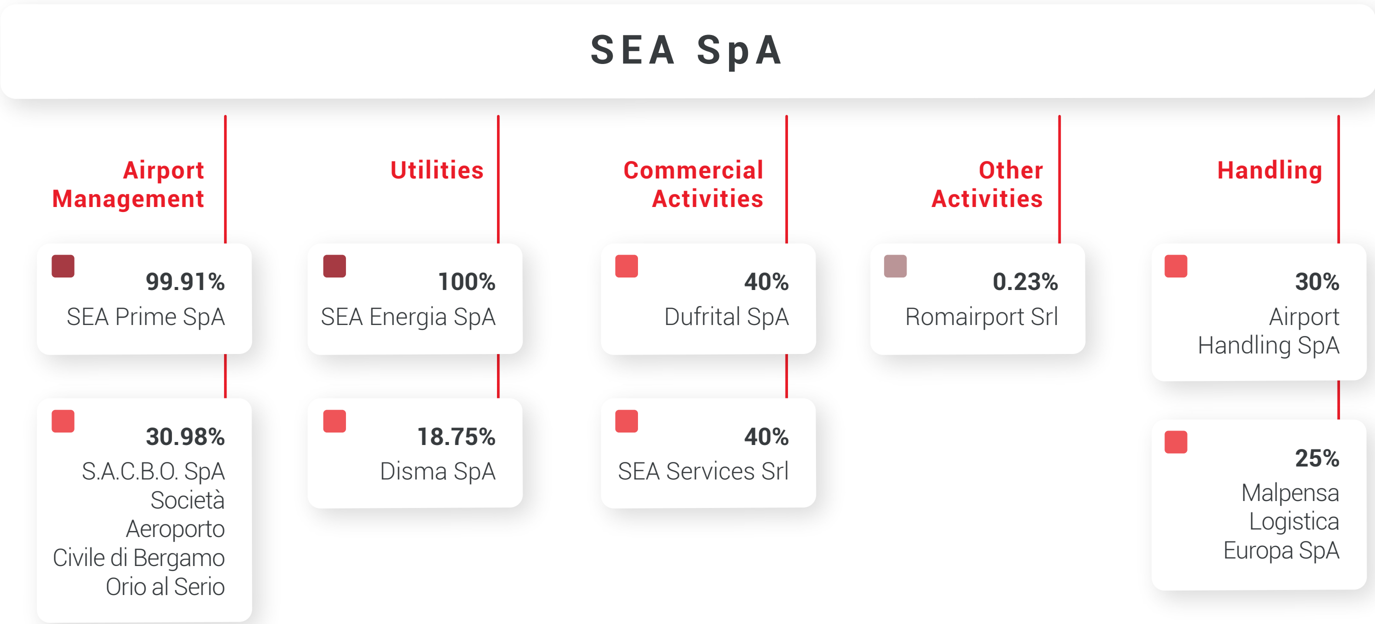

- *Controlling shareholding*
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CORPORATE BOARDS

BOARD OF DIRECTORS

three-year period 2019/2021, appointed by the Shareholders' Meeting of 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 Daniele Angelo Contessi Stefano Pozzoli Valeria Maria Scuteri
Alternate members	Antonia Coppola

INDEPENDENT AUDIT FIRM

Deloitte & Touche SpA

[1] *Non-Executive Vice Chairperson*

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

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

[4] *Member of the Ethics Committee*

[5] *Member of the Supervisory Board*

SEA GROUP NUMBERS

INTRODUCTION

The Half-Year Report at June 30, 2021 comprises the Directors' Report and the Condensed Consolidated Half-Year Financial Statements at June 30, 2021. The Condensed Consolidated Half-Year Financial Statements, prepared in thousands of Euro, are compared with those of the previous year and the Consolidated Financial Statements for the previous full-year and comprise the Financial Statements (Consolidated Statement of Financial Position, Consolidated Income Statement, Consolidated Comprehensive Income Statement, the Statement of changes in Consolidated Shareholders' Equity and the Consolidated Cash Flow Statement) and the Explanatory Notes.

The Half-Year Report at June 30, 2021 was prepared in accordance with International Accounting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB"), approved by the European Union and in particular according to IAS 34 - Interim Financial Reporting; in accordance with paragraphs 15 and 16 of this standard, the Condensed Consolidated Half-Year Financial Statements do not require the extent of disclosure necessary for the Annual Financial Statements and must be read together with the 2020 Annual Financial Statements. In the preparation of the Condensed Consolidated Financial Statements at June 30, 2021, the same accounting principles were adopted as in the preparation of the Consolidated Financial Statements at December 31, 2020, updated as indicated in the explanatory notes to the Consolidated Half-Year Financial Statements.

SEA GROUP RESULTS

Operating results

(Euro thousands)	H1 2021	H1 2020	Change
Revenues	121,567	156,250	(34,683)
EBITDA [1]	(23,507)	(2,025)	(21,482)
EBIT	(79,182)	(52,797)	(26,385)
Pre-tax result	(96,122)	(67,191)	(28,931)
Group Net Result	(73,960)	(49,860)	(24,100)

[1] EBITDA is calculated as the difference between total revenues and total operating costs, not including provisions and write-downs, restoration and replacement provisions and amortisation & depreciation.

Financial Data

(Euro thousands)	June 30, 2021	December 31, 2020	Change
Fixed assets (A)	1,405,654	1,403,936	1,718
Net Working Capital (B)	(199,086)	(210,201)	11,115
Provisions for risks and charges (C)	(204,866)	(202,343)	(2,523)
Employee provisions (D)	(43,755)	(45,622)	1,867
Other non-current payables (E)	(85,736)	(87,808)	2,072
Net capital employed (A+B+C+D+E)	**872,211**	**857,962**	**14,249**
Group Shareholders' equity	158,365	231,208	(72,843)
Minority interest Shareholders' equity	29	28	1
Net financial debt [2]	713,817	626,726	87,091
Total sources of financing	**872,211**	**857,962**	**14,249**

[2] Net financial debt or Net financial position (NFP) is the sum of liquidity, financial receivables and current securities, net of financial payables (current and non-current) and the fair value of financial debt hedging derivatives.

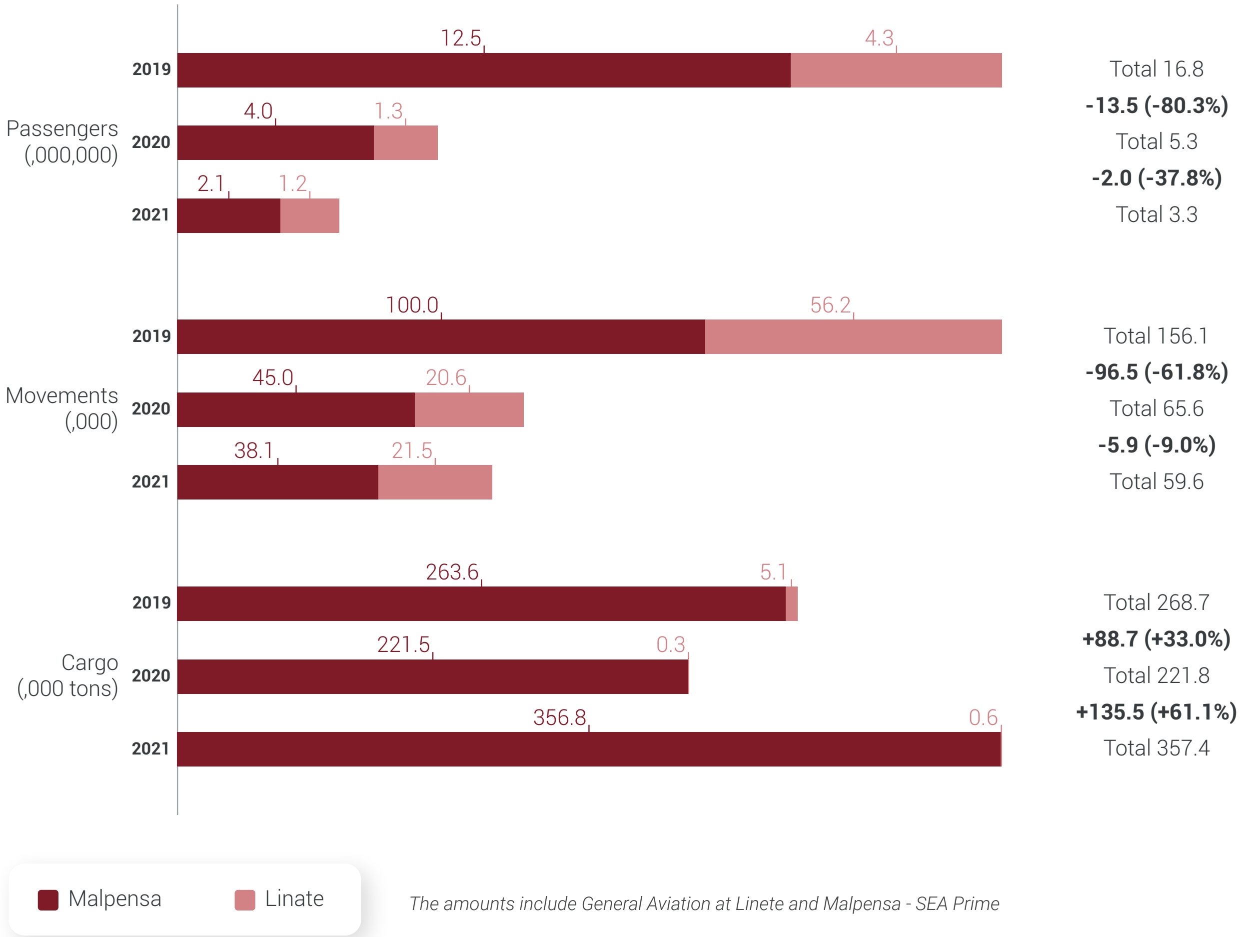
Investments

(Euro thousands)	June 30, 2021	December 31, 2020	Change
Tangible and intangible asset investments	19,725	61,830	(42,105)

Other Indicators

	June 30, 2021	December 31, 2020
HDC Employees (at period end)	2,752	2,788

H1 Traffic (Commercial and General Aviation)



The amounts include General Aviation at Linete and Malpensa - SEA Prime

Directors' Report

DIRECTORS' REPORT

H1 2021: SIGNIFICANT EVENTS

COVID-19 pandemic

The initial months of 2021 featured a resurgence of the COVID-19 pandemic driven by new, more dangerous variants. The countries most affected at this stage were Great Britain, France, the United States and Brazil. Italy, which had managed to contain the virus until February, experienced a considerable upsurge of cases in March. The various regulatory measures implemented to contain this new wave, again limiting travel, had a negative impact on the entire aviation sector.

One of the new containment measures enacted by the Ministerial Decree of March 2, 2021 regarding transport introduced the option of identifying additional trial routes for "COVID-tested" flights. This trial was previously reserved for certain flights to Fiumicino but was later extended to flights between New York, Atlanta and Milan Malpensa, and is currently also in place for flights from the United Arab Emirates. Routes vary according to Ministry of Health ordinances.

"COVID-tested" flights are an important step towards restarting intercontinental traffic as they prevent passengers, who are tested before departure and on arrival, from having to self-isolate.

Commercial aviation traffic recovered slightly from March to June 2021, partly due to a reduction in the number of infections as a result of the vaccination campaign, which was followed by the easing of restrictive travel measures (see Reopening Decree of April 21, 2021).

The SEA Group maintained the same airport structure as 2020 and Linate airport, Malpensa Terminal 1 and Cargo City were all kept operational. It should be noted that overall volumes increased substantially at Cargo City, which transported 65,791 tonnes of cargo in March - the highest monthly volume ever recorded.

In compliance with the provisions set out by Italian national and local health institutions and authorities, and under the guidance of its Crisis Committee, the SEA Group continued to update protocols put in place at the start of the pandemic in line with new regulations and issues relating to airport operations and traffic development, thus guaranteeing the health and safety of passengers, customers, suppliers and employees, and ensuring the continuity of its operating activities.

In order to prevent access to the airport to those with temperatures above 37.5 °C, at both Linate and Malpensa airports separate entry and exit points to the building were identified, ensuring the separation of individuals and temperature measurement of all those wishing to enter the terminal. Specific procedures continue to be implemented within the terminal to ensure social distancing, as well as on board runway buses and in catering and retail outlets. Environments and equipment are continuously cleaned and sanitised and hand gel dispensers are provided. Several copper products with antibacterial and antiviral properties have been installed at Linate airport. These include stairway and runway bus handrails and baggage trolley handles.

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

Several tools have been introduced and made available through digital apps given their increasing prevalence among consumers, whose habits have been influenced by the pandemic. One such example is the marketplace created for luxury brands at Malpensa Terminal 1, thanks to which passengers can reserve products in store using their phones. SEA has also started investigating new service methods with its catering partners, such as the option to reserve items using an app and to collect them from points of sale using dedicated checkouts.

In continuity with 2020, SEA signed an agreement with trade unions in February 2021. The agreement acts on three sets of guidelines inspired by the principles of safeguarding employment and mitigating social impacts, and establishes the use of temporary lay-off schemes, an early retirement plan for employees meeting pension requirements by December 31, 2028, and a voluntary incentive plan. In May 2021, the Extraordinary Temporary Lay-Off Scheme was extended for a further 28 weeks, in addition to the 12 weeks already implemented by SEA until June 6, 2021.

Grand opening of the new Linate terminal

On June 8, 2021, the new state-of-the-art Linate terminal was officially opened after being completely renovated. The principles of neuroscience were applied to the architectural plans to reduce anxiety and stress for passengers and employees. The plans also entailed the use of next-gen technologies (e.g., smart security and biometrics), a wider choice of shops, cafés, and restaurants, and a construction process that met the highest standards of sustainability. Various decorative and infrastructural elements (light, spaces, colours, seating, green areas) are located along the passenger route from check-in to the boarding gates in order to create a relaxing environment and turn the airport into an "experience".

The check-in area has been redesigned with a double-height ceiling and plants have been added to an area overlooking the first floor, giving the environment a "green" feel. The security area has also been improved. In addition, SEA entered into a partnership with the Museum of Italian Design and the Triennale Milano to create a sense of place in tune with Milan, and a decision was made to display works by famous Italian designers along the passenger route as part of the initiative.

European Council decision on new slot rules

On February 15, 2021, the European Council temporarily eased slot requirements to help the transport sector. The temporary, relaxed rules will remain in place until summer 2021 and may be extended. This measure will help protect airlines and reduce environmental damage caused by the need to run empty flights for the sole purpose of maintaining slots for the following year. Airlines can now return 50% of their slots before the start of the 2021 summer season, but will have to use at least 50% of the remaining slots if they wish to keep them. The introduction of this provision has allowed Linate to welcome new carriers such as Wizzair, easyJet and Volotea to the airport, the latter being a new operator on the Milan circuit, albeit on a provisional and temporary basis. The relaxation of slot obligations follows the full derogation applied in summer 2020 and winter 2020-2021.

The Sustainability-Linked Credit Line

To further strengthen its financial structure - and with a view to extending the maturity date of outstanding debts and minimising funding costs - during the first half of 2021 the SEA Group began the process of covering the financial needs deriving from the maturity of its 2020 Term Loans in 2022. SEA sought to do so by taking out a new three-year Term Loan in the amount of Euro 50 million with Mediobanca in June 2021, in addition to a Euro 60 million loan relating to the EIB line agreed in 2019.

It is worth noting that the Mediobanca Term Loan is the Group's first sustainability-linked funding operation and has a margin level linked to the achievement of specific strategic environmental sustainability targets for SEA, i.e., the improvement of its Airport Carbon Accreditation certification. The achievement of this target represents a further step forward for SEA's sustainability strategy and confirms the Group's commitment to the urgent need for rapid decarbonisation.

Opening of the new DHL hub at Malpensa

On March 5, DHL Express Italy opened its new logistics hub, a hi-tech facility capable of handling 37 flights a day and over 38,000 items an hour, at Malpensa airport's Cargo City. It is the fourth-largest DHL hub in Europe and was built in full accordance with the guidelines on sustainability, safety and efficiency.

2021 "Sustainability Leader"

SEA has been included in a list of 150 Italian "Sustainability Leaders" according to a study conducted by the Italian newspaper *Il Sole 24 Ore* and Statista. The study investigated the corporate social responsibility profiles of approx. 1,200 companies based in Italy according to environmental, social and economic indicators.

ECONOMIC OVERVIEW AND 2021 OUTLOOK

The vaccination roll-out has resulted in a marked decline in COVID-19 infections globally and has allowed social distancing measures to be relaxed gradually in areas with high vaccination rates, such as in the US, the UK and the EU. However, infections remain high in some emerging economies and restrictions on mobility have been tightened in Japan. The emergence of a more contagious variant of the virus has resulted in an increase in cases in many countries since June, but this has not led to an increase in deaths where vaccination coverage is higher. Rapid progress in vaccination campaigns has been matched by a marked upturn in global economic activity, including in the world trade and service sectors, but the outlook still varies depending on the country. According to the OECD's May forecast, world output will grow by 5.8% in 2021, exceeding pre-pandemic levels. Growth will be driven by strong expansion in the US and China, while the medium-term outlook for some emerging economies remains poor. Oil prices rose, driven by higher demand, despite producing countries not increasing production.

A noticeable rise in US inflation was principally due to delays in the adjustment of supply to the strong uptick in demand, but has not yet extended to medium-term expectations. Monetary policies remain expansive in all major countries.

Eurozone GDP rebounded strongly in the second quarter of this year and should grow by 4.6% in 2021 and by 4.7% and 2.1% respectively in the following two years, according to Eurosystem projections published in early June. The increase in energy goods has led to a pick-up in price growth, but this is only expected to be temporary. Against a backdrop of general improvement featuring uncertainty surrounding the pandemic and re-openings, the ECB Governing Council reiterated that it would keep its current extremely expansive monetary conditions in place for an extended period. These policies remain essential to support the economy and to ensure that inflation returns to values consistent with price stability over the medium term.

In Italy, and unlike in the other main Eurozone countries, GDP improved slightly in the first quarter. Growth accelerated in the second quarter, thanks in part to service recovery and renewed industry expansion. Consumption picked up again in the second quarter, though people's propensity to save remained high and was still affected by precautionary tendencies. Italy's exports increased within a context of strengthening world trade. The number of tourists decreased in the first quarter but there has been an uptick in foreign visitors to Italy since the end of April.

Rising commodity prices, boosted by the global recovery, were reflected in consumer prices, bringing inflation to 1.3% in June, the highest level in three years. However, when excluding energy and food, inflation still remains very weak (0.3%).

The ECB's accommodative monetary policy position continues to translate into very relaxed conditions in financial markets and bank lending. The demand for corporate credit, most of which was backed by government guarantees, reflected the intention to finance the recovery of investments, in addition to precautionary debt restructuring needs. The government introduced new measures to support workers and businesses in the second quarter. In mid-July, the EU Council approved the National Recovery and Resilience Plan (NRP) submitted by the Italian government at the end of April.

AIR TRANSPORT AND AIRPORTS

The first half of 2021 continued to be affected by the pandemic, which significantly restricted air transport.

To better comment on the traffic dynamics recorded in the half-year in question, it is more effective to compare traffic levels with those recorded prior to the pandemic in 2019. Comparing levels with 2020 would not be particularly relevant as the first half of the year was characterised by "ordinary" traffic conditions from January to February, three months (March-May) of zero traffic due to the lockdowns enforced by various countries, and signs of recovery in June 2020, especially in the domestic and continental segments.

As such, values will be compared with both pre-pandemic figures and 2020 figures in the following paragraphs.

Global air transport performance (updated to April 2021) [1]

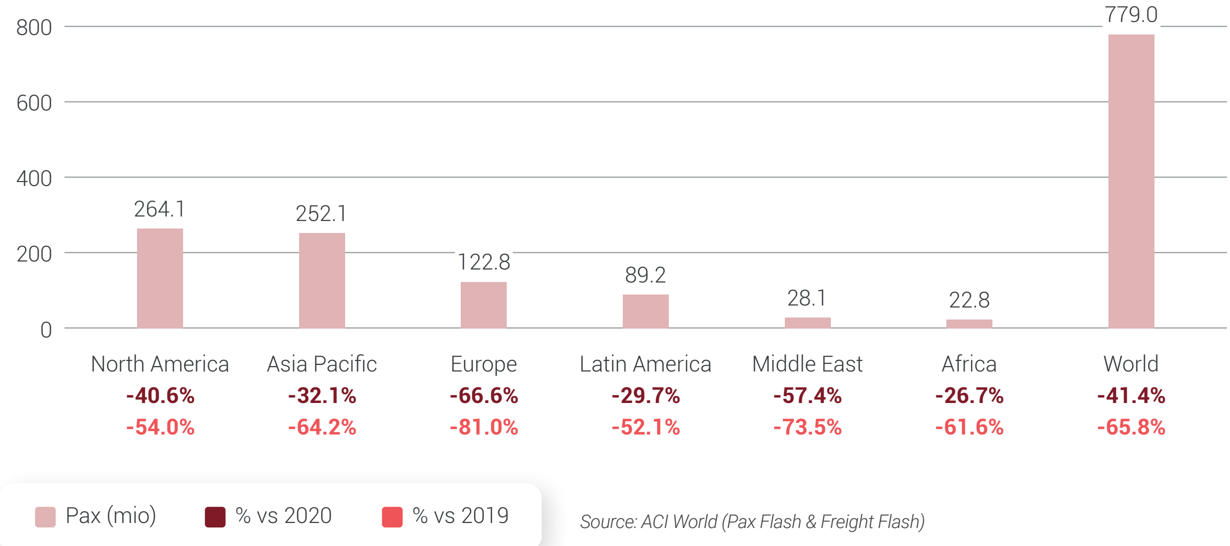
According to a sample of 1,103 airports, 779 million passengers were served in the first four months of 2021, down 41.4% compared to the same period in 2020 and 65.8% compared to 2019 The significant drop in traffic in 2021 has also been affected by the ongoing travel restrictions imposed by national governments to combat the spread of COVID-19.

In comparison with 2019, the following geographical areas recorded reductions: North America 54.0%, Asia 64.2%, Europe 81.0%, Central/South America 52.1%, Middle East 73.5% and Africa 61.6%.

The world's leading airports are Atlanta (USA) with 16.1 million passengers, which returns to the top of the list after being overtaken in 2020 by Guangzhou (China), now in second position with 15.8 million, Dallas (USA), and Chengdu (China) in third position with 14.8 million each.

Global air traffic (January - April 2021)

Passengers in millions

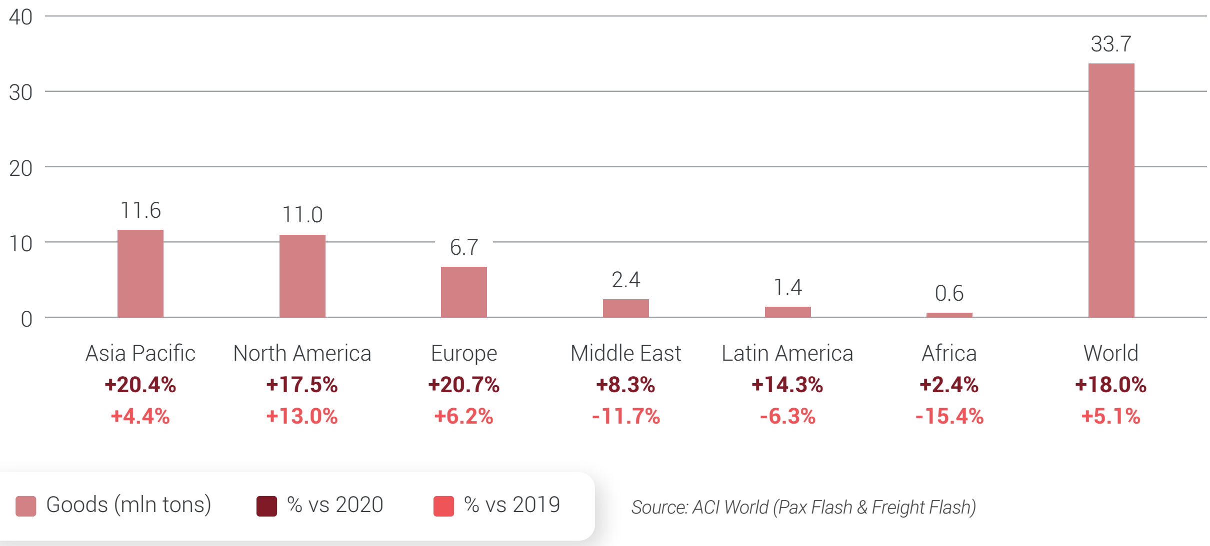


Source: ACI World (Pax Flash & Freight Flash)

Based on a sample of 770 airports, total cargo transported worldwide amounted to 33.7 million tonnes, an increase of 18.0% compared to 2020 and 5.1% compared to 2019.

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

Total cargo in millions of tonnes



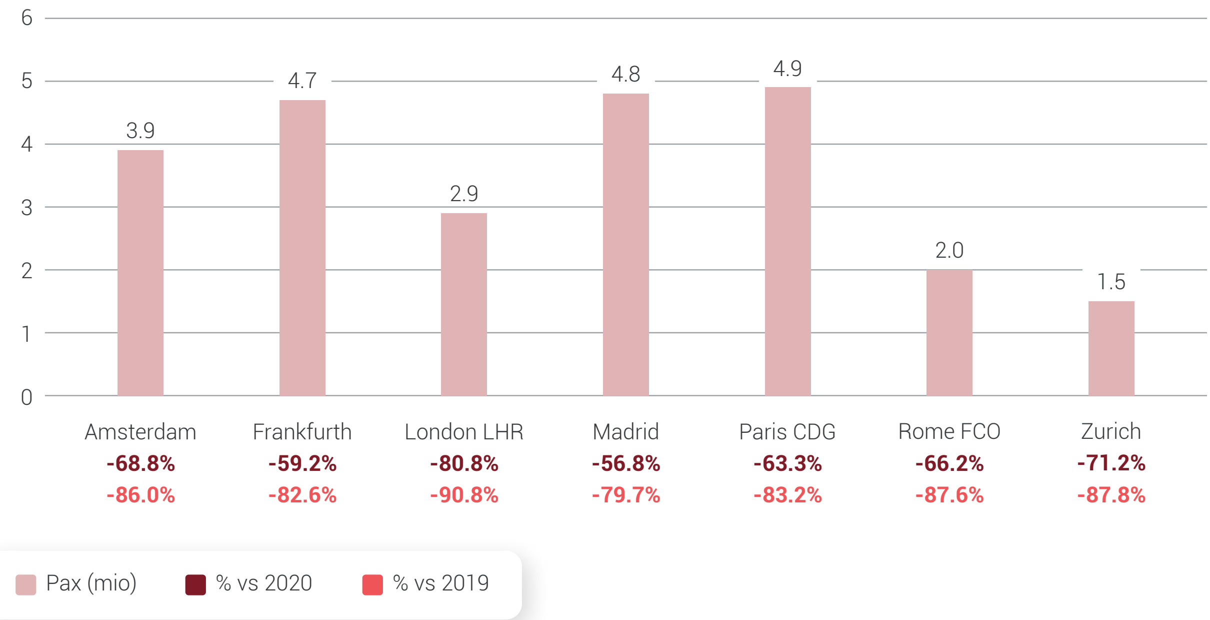
Source: ACI World (Pax Flash & Freight Flash)

European airport traffic performance (updated to May 2021) [2]

During the first five months of 2021, passenger traffic at ACI Europe member airports totalled 92.1 million, 60.5% lower than in 2020 and 81.1% lower than in 2019.

The chart shows the figures for the main airport hubs, which together account for 27% of European traffic.

Passenger traffic at Europe's top transport hubs (January-May 2021) - figures in millions of passengers



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

Cargo traffic in Europe stood at 5.4 million tonnes, up 25.4% on the first five months of 2020 and 3.6% on the same period in 2019.

Malpensa sits in sixth place in the 2021 European airport rankings in terms of volume of cargo transported, with 295,000 tonnes, behind Frankfurt (936,000 tonnes), Paris Charles de Gaulle (830,000 tonnes), Amsterdam (700,000 tonnes), London Heathrow (548,000 tonnes) and Istanbul Ataturk (357,000 tonnes).

In H1 2021, Business and General Aviation in Europe [3] recorded a 38.1% rise in managed movements compared to 2020, showing a rapid recovery from the effects of the pandemic, facilitated by the easing of travel restrictions and the growth in demand for intra- and extra-European business jet mobility. The increase in demand can be attributed to the greater flexibility of this type of traffic, as well as the perception of improved security and control regarding the pandemic.

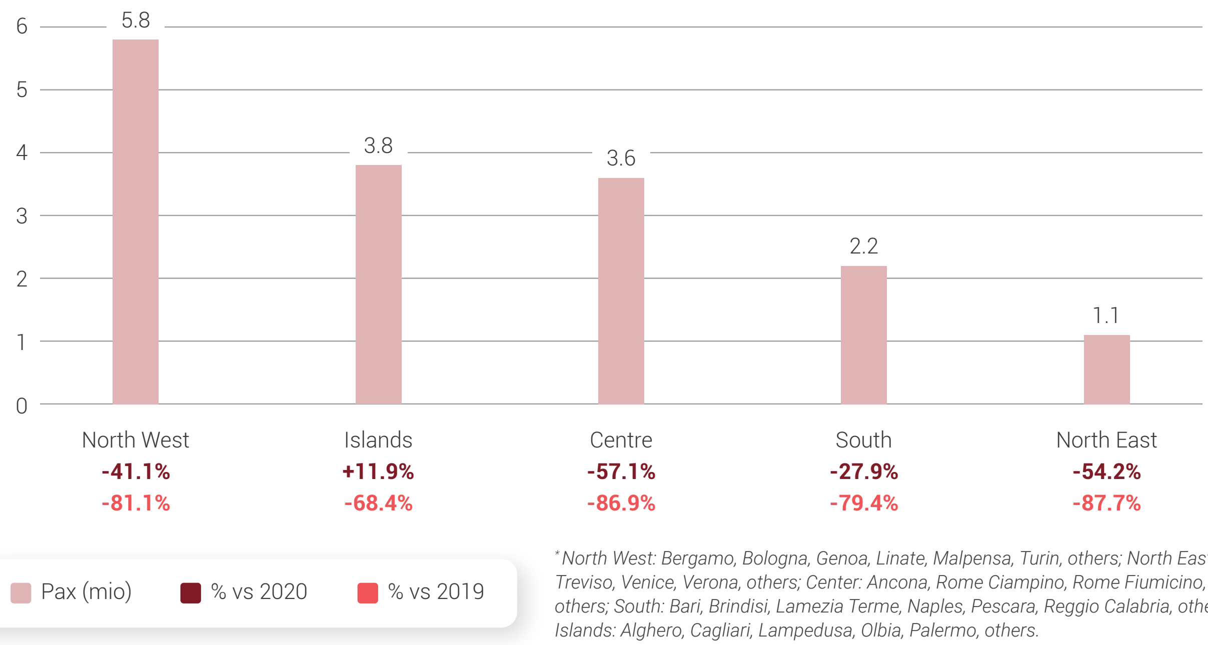
In line with European market trends, Italy [4] recorded a 76.3% increase in general aviation movements compared to 2020 and qualifies as the third largest market in Europe (after France and Germany), with a share of 9.5%.

Italian airport traffic performance (updated to June 2021) [5]

In the first half of 2021, passenger traffic at Italian Assaeroporti member airports totalled 16.4 million, down 39.2% on 2020 and 81.7% on the same period in 2019. Aircraft movements contracted 24.2% on 2020 and 71.2% on 2019, totalling 198.8 thousand.

In the same period, the volume of cargo transported through Italian airports (487.9 thousand tonnes) grew by 38.2% on 2020, settling at slightly below pre-pandemic levels (1.4%).

Air traffic at Italian airports (January - June 2021) by geographical macro-area* (data in millions of passengers)



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

[3] *Source: Wingx*

[4] *Source: Wingx*

[5] *Source: Assaeroporti's 40 member airports; the figures include commercial aviation inclusive of direct transits*

Various geographic areas in Italy are compared against pre-pandemic (2019) values below.

In the first six months of 2021 the Lombardy airport system, which represents 27% of total Italian traffic, served 4.4 million passengers (down 81.1%), distributed as follows: Milan Malpensa 2.1 million, Linate 1.2 million and Bergamo Orio al Serio 1.1 million.

Rome's airport system, which accounts for 19% of all national traffic, handled 3.1 million passengers (down 86.6%) distributed between Rome Fiumicino (2.8 million) and Rome Ciampino (0.3 million).

In southern Italy, Catania airport recorded 1.4 million passengers, Palermo 1.0 million and Naples 0.7 million. Finally, Venice airport served 0.4 million passengers.

REGULATORY FRAMEWORK

Deferral of the entry into force of the new Airport Fee Regulation Models

On May 20, 2021, the Transport Regulation Authority (ART) approved Resolution No. 68/2021 on *"Airport regulation models - extraordinary provisions in connection with the entry into force of Resolution No 136/2020 and additions to the sector regulation due to the COVID-19 pandemic"*.

With this measure, the Authority decided to postpone the entry into force of the models referred to in Resolution No. 136/2020 to January 1, 2023. At the same time, the Authority acknowledges that airport operators due to initiate the consultation process to review fees during the 2021-2022 period may start the process pursuant to the 2017 models or, alternatively, may suggest that current fees be extended subject to a reasoned request submitted to the Authority, without prejudice to the obligation to inform users.

The Annex to Resolution No. 68/2021 partially integrates the 2017 models, extending their scope to airport managers operating under regulatory agreements stipulated pursuant to Article 17, paragraph 34-*bis* of Law Decree No. 78/2009 (such as SEA), subject to the signing of a specific supplementary agreement with ENAC and also providing for the possibility of applying a shared, transparent fee system to airport networks or systems.

New significant domestic and EU regulations

Update on regulations and measures relating to the COVID-19 pandemic health emergency

Compensation fund for damages suffered by operators due to COVID-19 Increase in fund provisions

Decree-Law No. 73 of May 25, 2021 on *"Urgent measures related to the COVID-19 emergency, for businesses, employment, young people, health and regional services" was published in the Official Gazette* (OG General Series No. 123 of May 25, 2021). Article 73, paragraph 2 of the measure provides for a Euro 300 million increase in the compensation fund established by the 2021 Budget Law, of which Euro 285 million is allocated to airport operators and the remaining Euro 15 million to airport ground handling service providers.

It follows, therefore, that the fund provision to compensate the damages suffered by management companies amounts to a total of Euro 735 million.

The efficacy of these provisions is conditional on authorisation from the European Commission pursuant to Article 108, paragraph 3, of the Treaty on the Functioning of the European Union.

The Reopening Decree

On April 21, 2021, the Reopening Decree was approved. It contains urgent measures for the gradual resumption of economic and social activities in compliance with certain requirements to contain the spread of COVID-19 (Decree-Law). The decree provides that all activities subject to previous restrictions must be conducted in accordance with the protocols and guidelines adopted or to be adopted by the Conference of Regions and Autonomous Provinces on the basis of the criteria defined by the Technical-Scientific Committee.

Among other provisions, it should be noted that the decree provides for the introduction of so-called "COVID-19 green certificates" throughout Italy, proving that vaccination against SARS-CoV-2 has been carried out, that the individual has been cured of infection, or that a rapid molecular or antigenic test has been carried out with a negative result. Vaccination and recovery certificates are valid for six months, while negative test certificates are valid for 48 hours. Certificates issued in EU Member States are recognised as equivalent, as are those issued by any third country that adheres to the vaccination standards recognised by the European Union.

On June 17, 2021, the President of the Council of Ministers signed a decree defining the **process for issuing COVID-19 digital green certificates,** as provided for in Article 9, paragraph 10 of the Re-Opening Decree.

In this regard, it should be noted that, on March 17, 2021, the European Commission published the proposal for a regulation to introduce a digital green certificate (for EU and third-country nationals) - later renamed the EU COVID Digital Certificate - to create a uniform tool for issuing, verifying and accepting interoperable health certificates. The aim of this proposal is to help restore freedom of movement in the EU by providing proof that a person has been vaccinated, has tested negative for COVID-19, or has recovered from the virus. The regulation officially came into force on July 1. Member States will not be able to take more stringent measures (quarantine and testing) unless they are deemed proportionate and necessary for the protection of public health. In all cases, Member States will be required to give 48 hours' notice to other Member States and the Commission and to provide explanations as to the reason, scope and duration of the proposed measures. Available scientific evidence, including epidemiological data published by the European Centre for Disease Prevention and Control (ECDC), should be taken into account for this purpose.

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

Following a favourable judgement by the Milan Regional Administrative Court, subsequently upheld by the Council of State, which ruled that the payment of dispatching fees in the CDS is discriminatory, and by virtue of ARERA Resolution 526/2020/R/eel, which postponed the application of the methods of provision of connection, measurement, transmission, distribution, dispatching and sale services within CDSs to January 1, 2022, the SEA Group decided to opt for CDS status, definitively abandoning the prospect of operating with SEU/SEESEU status.

Accreditation activities with Terna, ARERA, Acquirente Unico and Cassa Servizi Energia e Ambiente started in the second half of H1 2021. The technical, operational and administrative activities necessary to obtain and implement the CDS qualification by December 31, 2021 were also initiated during this time, including the drafting of "Operating Regulations" and the preparation of a list of PODs to be activated.

OPERATING AND FINANCIAL OVERVIEW

Traffic data

Milan Malpensa and Milan Linate airport traffic performance

	Movements			Passengers [1]			Cargo [2]		
	H1 2021	% vs H1 2020	% vs H1 2019	H1 2021	% vs H1 2020	% vs H1 2019	H1 2021	% vs H1 2020	% vs H1 2019
Malpensa	36,322	-16.9%	-62.9%	2,111.5	-47.8%	-83.1%	356,786	+61.1%	+35.4%
Linate	13,163	-17.7%	-71.4%	1,174.7	-6.5%	-72.6%	581	+69.2%	-88.7%
Total commercial traffic	**49,485**	**-17.1%**	**-65.6%**	**3,286.2**	**-38.0%**	**-80.4%**	**357,368**	**+61.1%**	**+33.0%**
General Aviation [3]	10,162	+72.6%	-17.4%	17.0	+74.0%	-31.7%	-	-	-
SEA Group Airport System	**59,647**	**-9.0%**	**-61.8%**	**3,303.2**	**-37.8%**	**-80.3%**	**357,368**	**+61.1%**	**+33.0%**

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

[2] *Arriving+departing cargo in tons*

[3] *General Aviation Source: SEA Prime*

In the first half of 2021, the Milan Airport System managed by the SEA Group served a total of 3.3 million passengers (including both commercial and general aviation).

The early months of 2021 were characterised by an increase in COVID-19 cases. The regulatory measures issued to combat the latest COVID wave had a negative impact on economic recovery at all levels. The limitations on travel had a strong impact on the air transport sector in particular, with negative consequences for Milan's airports.

However, in the first half of 2021, commercial aviation traffic recorded a slight recovery in terms of air movements. There was a gradual increase in volumes compared to the number of movements recorded before the pandemic (2019), falling from -70.2% in January to -53.2% in June (an average of -65.6% over the six months).

The growth in carrier capacity and the return to service of aircraft can primarily be attributed to the ongoing vaccination campaign and the consequent reduction in travel restrictions. The increase in the number of seats on offer was followed by an increase in the number of passengers that was more than proportional to the increase in capacity. The load factor recorded in June was 63%, up 6 percentage points compared to the average for the six-month period of 57%. Analysis of the entire six-month period reveals that the average load factor (57%) is made up of 66% domestic routes and 49% international routes, which is symptomatic of the uneven recovery of all traffic segments.

Passenger numbers dropped 38.0% in the first half of 2021 on the same period of 2020. It should be noted, however, that H1 2020 includes the months of January and February, during which airports operated normally, and the months of March to June, during which there was a significant lack of passenger transport activity.

In H1 2021, *Malpensa airport* recorded a 47.8% decline in passenger numbers on the first half of 2020 and a 83.1% drop on the same pre-COVID period (2019).

The main airlines operating in the first six months of the year were easyJet, Ryanair and Wizz Air, which mainly served the domestic market and, to a lesser extent, the European market. Intercontinental routes to the Middle East were operated by Turkish Airlines, Emirates and Qatar Airways, while connections to and from North America were served by Delta Air Lines, American Airlines, United Airlines and Emirates.

On the other hand, Linate airport recorded a 6.5% drop in passenger numbers on the first half of 2020 (only a minor decrease as Linate airport was closed from March to July 2020) and a 72.6% drop on the same period in 2019. Movements are currently down 17.7% on 2020 and 71.4% on 2019.

The main carrier operating at Linate airport was Alitalia with a market share of 78%. 19% of traffic was operated by Iberia (6% share), Lufthansa (5% share), British Airways (2% share), KLM (2% share), Air France (2% share) and easyJet (2% share). The remaining 3% market share is equally divided between three new entrants: Volotea (1% share), which launched three domestic connections to Sicily in June, Austrian Airlines (1% share), which has been flying to Sydney since June, and Blue Air (1% share), which launched flights to Bucharest in May.

While passenger transport continued to be affected by the spread of the pandemic in 2021, the cargo sector outperformed 2020 with around 357,000 tonnes of cargo transported (up 61.1%). These results confirm Malpensa Cargo City's role as a primary hub for import and export trade and as a logistics base for DHL.

From the standpoint of load capacity, the reduction in the available "belly" capacity, as a consequence of the loss of passenger aircraft holds, was largely offset by the increase in all-cargo aircraft flights. Also of note in the first half of 2021 was the use of passenger aircraft to transport cargo, exploiting both aircraft hold capacity and cabin space ("preighters").

During the period under review, 10,162 general aviation movements were handled by Milan Linate Prime and Milan Malpensa Prime, a 72.6% increase on the same period last year.

The distribution of managed movements by month shows traffic recovering in May thanks to the easing of travel restrictions and the start of fashion week and other events in southern Europe. Tourist traffic to Italian destinations has been growing since June (up 116.2% on June 2020). There was also a recovery in traffic to non-EU destinations during the half year (up 202% in June compared to January).

Milan Linate Prime airport - Italy's first general aviation airport - recorded 8,374 movements (up 81.6% on 2020), reaching an average of 79 movements per day in June. On the other hand, Milan Malpensa Prime airport handled 1,788 movements, up 39.8% on the same period in 2020 (down 14.0% on 2019), when the Malpensa terminal was not yet open.

Movements increased at both airports in H1 2021 following the easing of restrictions on domestic and intra-European travel, with levels reaching and exceeding those recorded in June 2019 (up 2.4%).

Major destinations by number of passengers served by the Milan airport system

Catania, Palermo and Bari were the three airports most served by SEA's airport system in 2021. The main international destinations by number of passengers transported were Madrid, Paris (both Charles de Gaulle and Orly), Amsterdam and London (all five airports).

Passengers in thousands

		H1 2021	C.ge % on H1 2020	C.ge % on H1 2019	% 2021 of total
1	Catania	375.3	33.0%	-52.8%	11.4%
2	Palermo	277.8	62.8%	-47.8%	8.5%
3	Bari	192.7	51.5%	-44.1%	5.9%
4	Naples	184.9	18.0%	-60.8%	5.6%
5	Lamezia Terme	176.8	37.4%	-53.6%	5.4%
6	Cagliari	159.9	25.9%	-56.3%	4.9%
7	Rome	137.7	-43.9%	-79.6%	4.2%
8	Madrid	132.0	-30.8%	-76.0%	4.0%
9	Paris	129.6	-60.9%	-87.7%	3.9%
10	Brindisi	121.0	83.8%	-42.4%	3.7%
11	Olbia	118.7	161.8%	-53.1%	3.6%
12	Amsterdam	76.8	-60.5%	-87.4%	2.3%
13	London	73.1	-79.5%	-94.2%	2.2%
14	Frankfurt	71.5	-49.0%	-82.9%	2.2%
15	Tirana	71.1	20.3%	-49.9%	2.2%
	Others	987.4	-63.1%	-88.7%	30.0%
	Total	**3,286.2**	**-38.0%**	**-80.4%**	**100.0%**

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

Main airlines by passengers served by the Milan airport system

Alitalia was the main airline operating in Milan's airport system in H1 2021, with a market share of 28% (17% in the first half of 2019). The airline served more than 900,000 passengers and operated exclusively from Milan Linate. EasyJet follows with a 16% share and Ryanair with 13%, while Wizz Air - which expanded its network at Malpensa airport - increased its share from 2% in the first half of 2019 to 10% in 2021. The top non-European carriers were Turkish Airlines and Emirates, which took ninth and tenth place respectively with connections to Istanbul, Dubai and New York.

Passengers in thousands

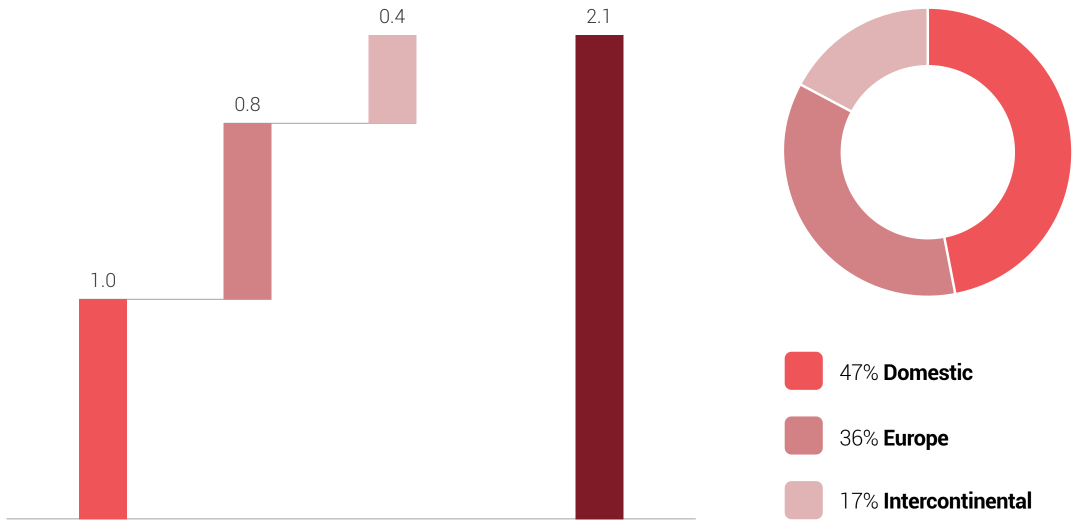
		H1 2021	C.ge % on H1 2020	C.ge % on H1 2019	% 2021 of total
1	Alitalia	913.0	-8.0%	-68.7%	27.8%
2	Easyjet	514.2	-53.7%	-87.0%	15.6%
3	Ryanair	414.2	-8.5%	-64.5%	12.6%
4	Wizz Air	320.5	226.6%	20.1%	9.8%
5	Lufthansa	94.1	-64.8%	-88.8%	2.9%
6	Air France	89.9	-14.7%	-69.9%	2.7%
7	Iberia	81.1	-2.2%	-68.1%	2.5%
8	Klm	65.3	-5.5%	-68.8%	2.0%
9	Turkish Airlines	59.9	-14.8%	-73.7%	1.8%
10	Emirates	58.4	-65.3%	-86.8%	1.8%
11	Vueling Airlines	57.3	-56.6%	-87.6%	1.7%
12	Neos	51.3	-65.1%	-85.5%	1.6%
13	Air Europa	48.7	-13.8%	-67.8%	1.5%
14	Qatar Airways	44.9	-51.9%	-77.5%	1.4%
15	Tap Air Portugal	32.5	-45.7%	-85.5%	1.0%
	Others	440.9	-68.4%	-90.8%	13.4%
	Total	**3,286.2**	**-38.0%**	**-80.4%**	**100.0%**

Traffic by region

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

Malpensa

H1 2021 - Breakdown by region of Malpensa passenger traffic (Passengers in millions)



	Domestic	Europe	Intercontinental	Total
vs 2020	+18.6%	-63.4%	-67.8%	-47.8%
vs 2019	-54.8%	-89.2%	-88.8%	-83.1%

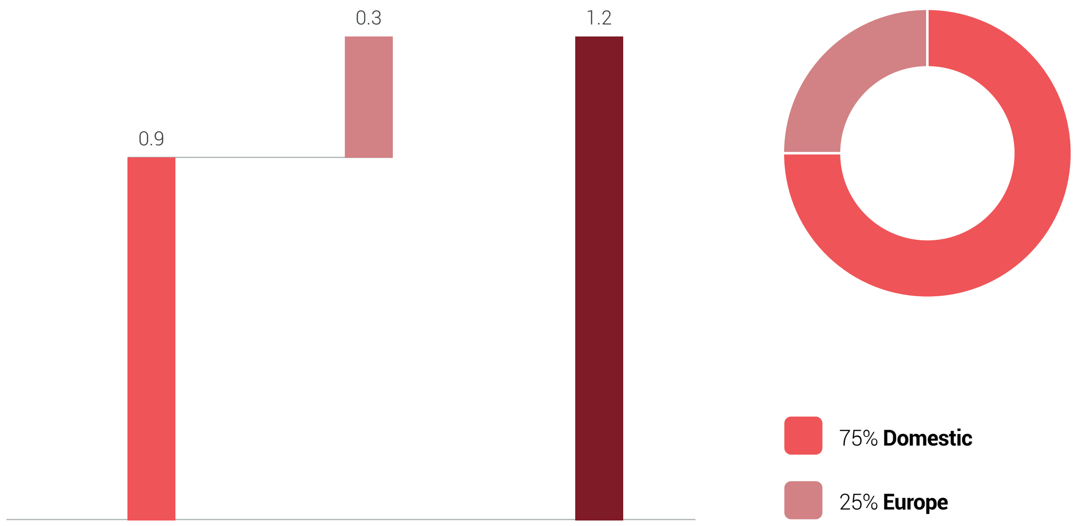
During H1 2021, Milan airport moved 2.1 million passengers, a 47.8% decrease on 2020 and an 83.1% decrease on pre-pandemic levels 2019. The significant drop in volumes particularly affected legacy airlines and leisure traffic.

The main airlines operating domestic routes were the low-cost companies easyJet (496,000 passengers), Ryanair (414,000 passengers), and Wizz Air (321,000 passengers). In addition to expanding its network, Wizz Air also placed a new aircraft on base in June 2021, bringing the total number of aircraft operating at the airport to six. The domestic destinations served by low-cost carriers were Catania, Palermo, Lamezia Terme, Bari and Naples.

Connections to New York were slowly reactivated in May thanks to the COVID-tested flight initiative and the gradual administration of vaccines. American Airlines and Delta operated a daily flight from May, while United increased weekly frequencies to five in June (from four at the beginning of May) and Emirates began operating four flights a week in June. In addition to connections to North America, the main intercontinental destinations were Dubai, Istanbul, Cairo and Doha. Despite the increase in the number of seats offered, traffic levels on these routes are still affected by the entry restrictions applied by various countries.

Linate

H1 2021 - Breakdown of Linate passenger traffic (Passengers in millions)



	Domestic	Europe	Total
vs 2020	+44.0%	-54.1%	-6.5%
vs 2019	-59.5%	-86.0%	-72.6%

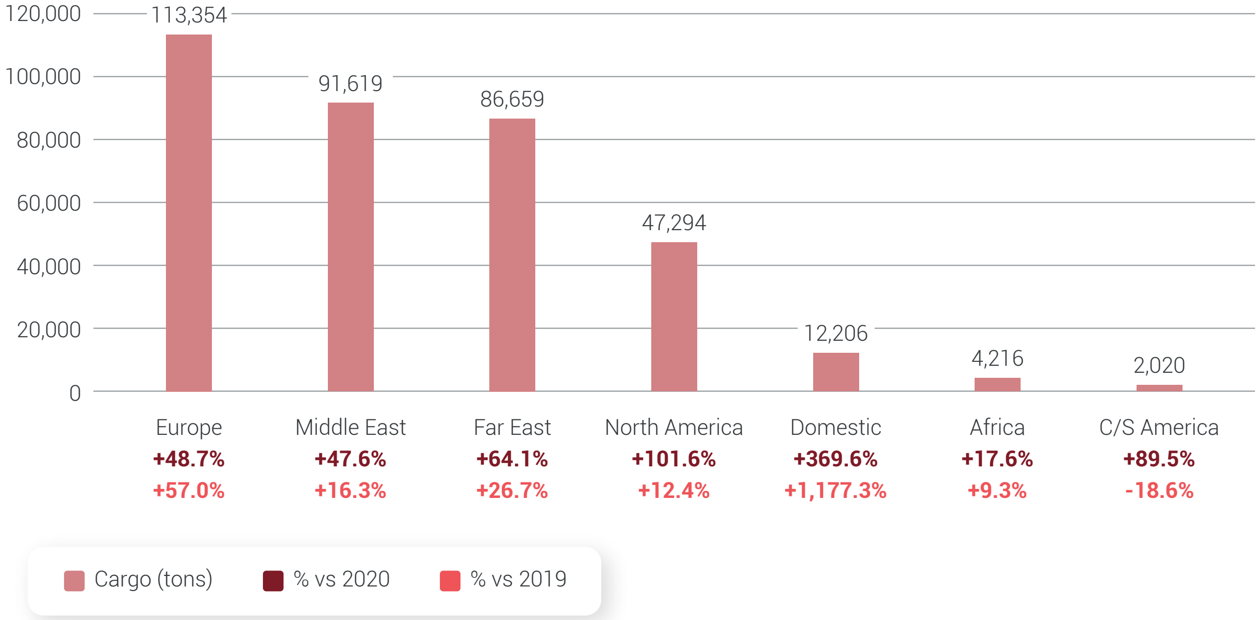
During the first half of 2021, Linate airport recorded 1.2 million passengers, down 6.5% on H1 2020 and 72.6% on the pre-pandemic period (2019).

Linate airport was closed from March 16 to July 12, 2020 due to the spread of COVID-19, resulting in the transfer of flights to Malpensa airport. The airport resumed operations on July 13, 2020, albeit with even stricter limitations on the number of hourly flights than those established by decree (18 movements/hour). Since March 2021, despite the completion of restyling works and the terminal's return to full capacity, it has not been possible to run all 18 flights per hour due to the provisions on social distancing during boarding.

In H1 2021, almost all traffic was domestic, with its share increasing from 51% in 2019 to 75% in 2021. The main domestic destinations served were Rome Fiumicino, Cagliari and Catania, all operated by Alitalia. Continental flights, with a traffic share of 25% (49% in 2019), connected Milan to Europe's main cities, such as Madrid (Iberia), Frankfurt (Lufthansa) and London Heathrow (British Airways and - to a lesser extent - Alitalia).

The main airlines by number of passengers served were Alitalia (912 thousand passengers, -65.9%), Iberia (74.5 thousand passengers, -63.7%), Lufthansa (60.8 thousand passengers, -68.6%), KLM (26.2 thousand passengers, -40.2%), British Airways (26 thousand passengers, -92.4%), Air France (19.6 thousand passengers, -77.1%), easyJet (18.3 thousand passengers, -94.9%), and new entrant Volotea (10.4 thousand passengers).

H1 2021 Freight traffic by geographical area - SEA managed airports (Cargo in tonnes)



357.4 thousand tonnes of cargo were handled in the first half of 2021, up 61% on H1 2020 and 33.0% on H1 2019.

In the first half of the year, cargo handled by all-cargo carriers increased by 68.3% compared to the same period in 2020, even when considering the rise in movements (87.6%). Cargo carried by aircraft with a mixed configuration (passengers and cargo) rose by 18.4%.

These increases can be attributed to: 1) changes to the operating model of cargo carriers in H1 2020 due to passenger flights and their hold capacity being almost completely unused; 2) significant growth in digital trade; and 3) the strengthening of DHL's business with the opening of a new warehouse at the end of 2020. European Air Transport (DHL), Qatar Airways and Amazon also ramped up business compared to the previous year, both in terms of movements and cargo handled.

There has also been an increase in cargo transported by Turkish Airlines and the courier FedEx. Also of note is the launch of Air China's operations, which did not yet exist in H1 2019.

Compared to performance in H1 2020, the quantities of cargo transported by geographical area increased across all areas and in particular to the Middle East (+47.6%), the Far East (+64.1%) and North America (+101.6%).

Compared to the pre-pandemic period, the levels of cargo transported in the first half of the year also grew in almost all areas: Europe +57.0%, the Middle East +16.3%, the Far East +26.7% and North America +12.4%. Despite being more contained, Africa recorded a 9.3% increase in the levels of cargo transported, while levels in Central and South America fell by 18.6%.

Income Statement

(Euro thousands)	H1 2021	H1 2020	Change	C.ge % 2021/2020
Operating revenues	112,288	141,095	(28,807)	(20.4%)
Revenue for works on assets under concession	9,279	15,155	(5,876)	(38.8%)
Total revenues	**121,567**	**156,250**	**(34,683)**	**(22.2%)**
Operating costs				
Personnel costs	64,455	68,885	(4,430)	(6.4%)
Other operating costs	72,075	75,391	(3,316)	(4.4%)
Total operating costs	**136,530**	**144,276**	**(7,746)**	**(5.4%)**
Costs for works on assets under concession	8,544	13,999	(5,455)	(39.0%)
Total costs	**145,074**	**158,275**	**(13,201)**	**(8.3%)**
Gross Operating Margin / EBITDA [1]	**(23,507)**	**(2,025)**	**(21,482)**	**1,060.8%**
Provisions & write-downs	12,881	604	12,277	2,032.6%
Restoration and replacement provision	7,816	11,022	(3,206)	(29.1%)
Amortisation & Depreciation	34,978	39,146	(4,168)	(10.6%)
EBIT	**(79,182)**	**(52,797)**	**(26,385)**	**50.0%**
Investment income /(charges)	(4,654)	(5,764)	1,110	(19.3%)
Net financial charges	12,286	8,630	3,656	42.4%
Pre-tax Result	**(96,122)**	**(67,191)**	**(28,931)**	**43.1%**
Income taxes	(22,163)	(17,331)	(4,832)	27.9%
Net Result	**(73,959)**	**(49,860)**	**(24,099)**	**48.3%**
Minority interest profit	1	0	1	n.a.
Group Net Result	**(73,960)**	**(49,860)**	**(24,100)**	**48.3%**

[1] EBITDA is calculated as the difference between total revenues and total operating costs, not including provisions and write-downs, restoration and replacement provisions and amortisation & depreciation.

Business performance in H1 2021 was affected by the persisting negative effects of COVID-19.

Comparing business performance with the same period in 2020 is not particularly relevant since the first half of 2020 was characterised by two months of traffic that were only marginally affected by the pandemic, followed by four months (from March to June) of essentially zero passenger traffic as a result of lockdown restrictions.

Operating revenues totalled Euro 112,288 thousand in H1 2021 and recorded growth between Q1 and Q2. Revenues in the first quarter amounted to Euro 48,690 thousand, while those in the second quarter amounted to Euro 63,598 thousand (up 30.6% on the previous quarter).

Compared to the first half of 2020, the drop in revenues (Euro 28,807 thousand) concerned both aviation business (for Euro 18,330 thousand) and non-aviation business (for Euro 14,242 thousand) as a result of the lower passenger traffic levels recorded. In the same period, general aviation and energy business recorded an increase in revenue of Euro 1,069 thousand and Euro 2,696 thousand respectively.

Operating costs amounted to Euro 136,530 thousand, down Euro 7,746 thousand compared to H1 2020. This was due to reduced variable costs as a result of lower traffic volumes and to the effects of cost-cutting actions implemented beginning in March 2020 (which, therefore, did not show their full impact in H1 2020).

The margin resulting from the difference between revenues and costs for works on assets under concession amounted to Euro 735 thousand, decreasing on the previous year due to the lesser investments made during the period.

As a result of the developments outlined above, EBITDA reported a loss of Euro 23,507 thousand, compared to a loss of Euro 2,025 thousand in the previous year.

EBIT reported a loss of Euro 79,182 thousand, down Euro 26,385 thousand (-50.0%), and was affected by an increase in allocations to the doubtful debt provision, which was only partially offset by a reduction in amortisation, depreciation, and allocations to the restoration provision compared to the same period of the previous year.

The net loss of Euro 73,959 thousand is an improvement of Euro 24,099 thousand on the net loss of Euro 49,860 thousand in H1 2020.

The main income statement accounts are broken down as follows.

Revenues

Operating revenues in H1 2021 (net of work on assets under concession) amounted to Euro 112,288 thousand and include aviation revenues of Euro 60,594 thousand, non-aviation revenues of Euro 37,570 thousand, general aviation revenues of Euro 5,378 thousand and energy revenues of Euro 8,746 thousand.

Operating revenues decreased Euro 28,807 thousand (20.4%) on the previous year. Each business area contributed to this contraction as follows:

- *Aviation* revenues decreased by Euro 18,330 thousand. This decrease is due to the poor performance of passenger business resulting from lower traffic volumes, which was only partly offset by the positive performance of cargo business.
- *Non-aviation* revenues decreased by Euro 14,242 thousand, due to lower traffic volumes and the favourable conditions granted to tenants from March 2020 onwards.
- *Energy* revenues were up by Euro +2,696 thousand on H1 2020 thanks to the greater volumes of electricity and thermal energy sold, and the income received from the sale of energy certificates obtained following the entry into service of Malpensa's new turbine.
- *General aviation* revenues increased by Euro 1,069 thousand as a result of the greater number of movements managed and the temporary rescheduling of certain active lease contracts in H1 2020.

Revenues for works on assets under concession decreased from Euro 15,155 thousand in H1 2020 to Euro 9,279 thousand in H1 2021 (down 38.8%). 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 for H1 2021, net of costs for works on assets under concession, amount to Euro 136,530 thousand, decreasing Euro 7,746 thousand on the previous year (-5.4%).

Personnel costs for the Group decreased by Euro 4,430 thousand (-6.4%) from H1 2020 as a result of a greater use of industry-specific social security schemes (implemented beginning on March 16, 2020). The headcount for the half year amounted to 2,694 full-time equivalents, down by 80 FTEs on the same period of 2020 (2,774 FTEs).

Other operating costs also decreased by Euro 3,316 thousand (-4.4%) compared to the same period of 2020, down from Euro 75,391 thousand in the first half of 2020 to Euro 72,075 thousand in the first half of 2021. This reduction is due not only to the drop in traffic volumes (with consequently lower charges for public fees, security/assistance services and parking management), but also the cost-cutting actions introduced from March of the previous year, resulting in the renegotiation of the main service contracts and the containment of expenses not strictly necessary.

Costs for works on assets under concession

Costs for works on assets under concession decreased from Euro 13,999 thousand in H1 2020 to Euro 8,544 thousand in H1 2021. These costs refer to the costs for the works undertaken on assets under concession. This movement is strictly related to investment activities.

Provisions & write-downs

In 2020, provisions and write-downs report a net accrual of Euro 12,881 thousand, on the basis of Euro 12,430 thousand of net accruals to the doubtful debt provision (in 2020 the net accrual was Euro 730 thousand) and a net accrual of Euro 451 thousand (in 2020 a net release of Euro 126 thousand) from the future charges provision.

The accruals to the future charges provision includes an accrual for labour of Euro 51 thousand, an accrual of Euro 64 thousand for insurance deductibles and an accrual of Euro 336 thousand for new disputes.

The net accrual to the doubtful debt provision is related to a reassessment of the Company's risk, which reflects the expected loss on each receivable given the new situation arising as a result of the COVID-19 pandemic. The accruals are only partially offset by the releases from the provisions accrued in previous years following the absence of the conditions for which they were originally established.

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

Restoration and replacement provision

In H1 2021, the net accrual to the restoration and replacement provision decreased Euro 3,206 thousand due to the update to the Restoration Provision at December 31, 2020.The accrual of a provision of Euro 7,816 thousand in the first half of 2021 (Euro 11,022 thousand in the first half of 2020), none of which was released, reflects the assessments of the planned maintenance of the assets under the concession rights.

Amortisation & depreciation

Amortisation and depreciation decreased by Euro 4,168 thousand on 2020 (down 10.6%), from Euro 39,146 thousand to Euro 34,978 thousand. This reduction was mainly justified by the extension for airport managers of the two-year concession period established with the conversion into law of Decree-Law 34 of May 19, 2020, the "Relaunch Decree", Law 77 of July 17, 2020, the completion of the accelerated depreciation process of some industrial assets, in addition to, albeit to a lesser extent, the contraction in investments following the pandemic crisis.

Investment income and charges

In H1 2021, net investment income and charges improved Euro 1,110 thousand - from a net charge of Euro 5,764 thousand in 2020 to a charge of Euro 4,654 thousand in 2021, relating to the valuation at equity of investments in associates. This amount reflects the loss reported by the associates as a result of the impact from the Covid-19 pandemic.

Financial income and charges

Net financial charges in H1 2021 amounted to Euro 12,286 thousand, an increase of Euro 3,656 thousand on the first half of the previous year. This increase is mainly attributable to the change in gross debt as a result of new financing received in H2 2020.

Income taxes

H1 2021 income taxes were positive for Euro 22,163 thousand and reduced the statutory loss for the period. Deferred tax assets were in fact recognised, calculated on the IRES tax loss, which assumes that the current situation is temporary and that a reasonable certainty therefore exists of generating in future periods sufficient assessable income to allow for its gradual reabsorption.

Group Net Result

As a result of the dynamics outlined above, the Group's net result was a loss of Euro 73,960 thousand, an increase of Euro 24,100 thousand on the net loss for H1 2020 (Euro 49,860 thousand).

Reclassified Group statement of financial position

(Euro thousands)	June 30, 2021	December 31, 2020	Change
Intangible assets	955,293	968,767	(13,474)
Property, plant & equipment	207,290	212,591	(5,301)
Leased assets rights-of-use	13,103	10,662	2,441
Investment property	3,402	3,402	0
Investments in associates	61,474	66,127	(4,653)
Other investments	1	1	0
Deferred tax assets	116,441	93,735	22,706
Other non-current receivables	48,650	48,651	(1)
Fixed assets (A)	**1,405,654**	**1,403,936**	**1,718**
Inventories	1,937	2,027	(90)
Trade receivables	64,523	51,400	13,123
Tax receivables	1,276	1,936	(660)
Other receivables	8,581	7,654	927
Current assets	**76,317**	**63,017**	**13,300**
Trade payables	109,625	110,465	(840)
Other payables	156,481	154,402	2,079
Income tax payables	9,297	8,351	946
Current liabilities	**275,403**	**273,218**	**2,185**
Net Working Capital (B)	**(199,086)**	**(210,201)**	**11,115**
Provisions for risks and charges (C)	(204,866)	(202,343)	(2,523)
Employee provisions (D)	(43,755)	(45,622)	1,867
Other non-current payables (E)	(85,736)	(87,808)	2,072
Net capital employed (A+B+C+D+E)	**872,211**	**857,962**	**14,249**
Group Shareholders' equity	(158,365)	(231,208)	72,843
Minority interest Shareholders' equity	(29)	(28)	(1)
Net financial debt [1]	(713,817)	(626,726)	(87,091)
Total sources of financing	**(872,211)**	**(857,962)**	**(14,249)**

[1] *Net financial debt or Net financial position (NFP) is the sum of liquidity, financial receivables and current securities, net of financial payables (current and non-current) and the fair value of financial debt hedging derivatives*

Fixed assets of Euro 1,405,654 thousand increased by Euro 1,718 thousand over December 31, 2020, mainly due to: *i)* the amount of investments and amortisation and depreciation in the period, respectively of Euro 15,117 thousand (net of restoration provision utilisations) and Euro 33,892 thousand (amortisation and depreciation stated net of the effect of IFRS 16); *ii)* the increase in the leased assets rights-of-use, amounting to Euro 2,441 thousand at December 31, 2020; *iii)* the decrease in the value of investment in associates (Euro 4,653 thousand), which reflects the measurement at equity of investments in associates; *iv)* the increase in net deferred tax assets of Euro 22,706 thousand, mainly related to recognition of deferred taxes calculated on the half-year tax loss; *v)* the decrease in Other non-current receivables of Euro 1 thousand.

Net working capital of Euro -199,086 thousand changed by Euro 11,115 thousand on December 31, 2020.

This movement is based on a range of factors. Current assets increased due to the slight increase in trade receivables, mainly as a result of the restart of business operations, while tax receivables and other receivables remained substantially unchanged. Short-term liabilities positively impacted working capital movements, with other payables increasing, whereas the changes in trade payables and tax payables offset each other.

Other non-current payables refer mainly to the above-mentioned payables for dividends relating to the second tranche of the extraordinary dividend allocated by the Shareholders' Meeting of September 30, 2019 and amounting to Euro 84,728 thousand, the payment of which was postponed by the Board of Directors motion at the meeting of April 2, 2020 subject to redetermination of the date when the ongoing COVID-19 situation is overcome, in order to support the Group's equity solidity and contain the future economic-financial impacts, and 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, 2020 due to the achievement by some workers of the requirements for the settlement of the payable or the reclassification from non-current to current payables.

Net capital employed at June 30, 2021 amounted to Euro 872,211 thousand, an increase of Euro 14,249 thousand over December 31, 2020.

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

(Euro thousands)	June 30, 2021	December 31, 2020	Change
Inventories	1,937	2,027	(90)
Trade receivables	64,523	51,400	13,123
Trade payables	(109,625)	(110,465)	840
Other receivables/(payables)	(155,921)	(153,163)	(2,758)
Total net working capital	**(199,086)**	**(210,201)**	**11,115**

Net financial debt

The net financial debt of Euro 713,817 thousand at June 30, 2021 increased by Euro 87,091 thousand on December 31, 2020 (Euro 626,726 thousand). The air traffic crisis linked to the global spread of COVID-19 - which began in February 2020 and continued into the first half of 2021 - and the consequent loss of related revenues, resulted in a significant reduction in operating cash flows, which - despite SEA carefully controlling investments - led to an extraordinary absorption of liquidity and a consequent increase in debt levels.

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

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

SUBSEQUENT EVENTS

Project Echo

A call for tenders was published on July 12, 2021 in order to initiate a competitive dialogue for the sale of 100% of SEA Energia S.p.A. and for the assignment of thermal energy and electricity supply contracts. The purpose of the initiative is to identify a bidder offering the best contractual and economic conditions for the purchase of the company and for the supply of electrical and thermal energy to the airports of Milan Linate and Milan Malpensa in compliance with the concessionary obligations incumbent on SEA. At the same time, as part of its sustainability strategy, SEA is looking for a partner to provide added value to the management of energy at its Milan airports, with the aim of achieving zero CO_2 emissions by 2030.

"Make It Sustainable" certification

In July, SEA received "Make It Sustainable" certification from ICMQ for its airport infrastructure maintenance management processes. Despite the air transport crisis due to COVID-19, SEA's commitment to sustainability is unwavering. The Group has implemented a series of energy and process efficiency initiatives, including plans to reduce its thermal energy consumption by over 10% from the end of 2020 onwards, and adjustments have been made to plant structure at both airports accordingly.

OUTLOOK

The economic and industrial environment in which the SEA Group will operate in the second half of 2021 will still feature a significant degree of uncertainty.

In the second half of 2020 there was a rise in infections which would continue into the early months of 2021. The pandemic was further aggravated by the spread of genomic mutations of the virus (variants) with different characteristics and effects compared to the sequenced virus. Against this backdrop, governments imposed new restrictions on travel, which was only permitted for work, out of necessity, or to return home.

At the same time, at the beginning of 2021, several countries, including Italy, launched mass vaccination campaigns that have taken place throughout the first half of the year, albeit with some delays, and are set to continue into the second half of the year.

Since May, a drop in infections (due in part to the vaccination campaign) has led to the progressive lifting of restrictions and has allowed domestic air traffic to resume. International air traffic also resumed at the beginning of July thanks to the introduction of the European vaccination certificate.

1.6 million passengers are expected (-45% compared to 2019 levels) in July, a significant increase compared to the levels recorded in June (1.1 million passengers or -67% compared to 2019). There is reason to believe that the levels of traffic handled in August will be similar, both in terms of volumes and type (largely domestic and continental).

With regard to mobility to and from non-European countries, although the progress of vaccination campaigns has resulted in a reduction in infections, hospitalisations and deaths, the spread of virus variants has caused travel restrictions and severe isolation/quarantine requirements to remain in place (e.g., in the USA and Canada). These restrictions penalised intercontinental traffic (particularly to Asia and North America) during the summer season. The partial reopening of these traffic segments is expected at the start of the 2021-22 winter season, linked to the continuing vaccination campaign and bilateral agreements between countries for the recognition of "covid-free" certificates.

In addition, ITA is expected to begin operations at the start of the autumn season (from October 15, 2021), while Alitalia (the SEA Group's main customer) is expected to cease operations. The new company will initially have a small fleet (52 aircraft) with the prospect of increasing this to 78 in 2022. The new fleet would not allow the company to keep all of its slots at Linate and a share of the slots (about 15%) are expected to be released to other incumbent or new entrant airlines.

In light of the above, taking into account the performance recorded in the first half of the year and the most recent traffic projections [6], the SEA Group expects the crisis to continue for the entire 2021 financial year, although with reduced effects with respect to the second half of 2020. However, the spread of virus variants (e.g., the 'delta' variant), with different characteristics - in terms of levels of contagion, hospitalisation rates and mortality rates - could adversely affect the resumption of traffic in the final months of the year.

Management continues to carefully monitor the situation as it unfolds, updating traffic projections and sensitivity analyses on its economic effects. A series of initiatives are already underway (e.g., the use of temporary lay-off schemes) to limit cash absorption and guarantee the Group's economic and financial sustainability, including in the event of a resurgence of the pandemic after the summer season. Management will evaluate further cost-reduction initiatives or the strengthening of those underway on the basis of traffic levels.

The liquidity and funding lines available at June 30, 2021 will allow the Group to cover debt maturities and to manage the cash requirements currently planned for the next 24 months.

The public support initiatives for the airport sector, and, in particular, the extension of the social security schemes and the establishment of a fund to compensate losses incurred (see Budget Law 2021 - Law 178 of 30/12/2020) could offset the operating-financial effects of the potential slowing of air traffic recovery during the second half of the year.

[6] *Sources: IATA (International Air Transport Association) & Oxford Economics*

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, with the provision of a guaranteed annual 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 and at Malpensa airport.

Energy

The *Energy business* includes the generation and sale of electricity and thermal energy to third-party customers.

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

	Commercial Aviation		General Aviation		Energy		Consolidated	
	H1		H1		H1		H1	
(Euro thousands)	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
OPERATING REVENUES	96,164	130,736	5,378	4,309	8,746	6,050	110,288	141,095
EBITDA	(27,867)	(3,502)	3,574	2,589	786	(1,112)	(23,507)	(2,025)
EBIT	(82,417)	(52,961)	2,606	1,468	629	(1,304)	(79,182)	(52,797)

The EBITDA shown above includes the IFRIC margin.

Commercial Aviation

Revenues

Revenues in H1 2021 amounted Euro 98,164 thousand, a decrease of Euro 34,572 thousand on the same period of the previous year (-26.4%).

The aviation and non-aviation segments contributed to this reduction as described below:

- *Aviation* revenues fell Euro 18,330 thousand (from Euro 78,924 thousand in H1 2020 to Euro 60,594 thousand in the same period of 2021).This reduction was mainly due to the poor performance of the first two months of 2021 as compared to 2020, which remained in line with pre-pandemic levels of traffic (Euro -44,700 thousand). The downturn in the first two months was not offset by the Euro 26,370 thousand increase in revenues recognised from March to June as compared to the same period of 2020, having benefited from the ongoing vaccination efforts and the consequent lifting of travel restrictions.
- *Non-Aviation* revenues fell Euro 14,242 thousand (from Euro 51,812 thousand in H1 2020 to Euro 37,570 thousand in the same period of 2021). This effect is mainly attributable to the 38% reduction in passenger traffic on the same period last year and the temporary contractual revisions agreed with tenants.

The *Retail* segment (Shops, Food & Beverage, Car Rental and Bank Services) saw a reduction of Euro 8,785 thousand (50.5%). The main effects are described below:

- income from shops fell by Euro 4,748 thousand (58.7%). This decrease was strongly affected by the construction works undertaken to renovate Linate and the closure of large operating areas at Malpensa T1;
- revenues in the food & beverage segment fell by Euro 1,687 thousand (41.3%) owing mainly to the reduced volumes of traffic handled;
- revenues from the car rental segment decreased by Euro 1,460 thousand, with the service operating at both airports despite health restrictions;
- revenues from bank services, down by Euro 890 thousand on H1 2020, reflect the limited mobility that affected the first part of 2021.

Similarly, the car parks segment decreased by Euro 3,590 thousand (27.9%) and the Premium Services segment decreased by Euro 2,520 thousand (67.8%) following the closure of all VIP lounges until March 2021.

Cargo recorded an increase of Euro 992 thousand (from Euro 7,995 thousand for the first half of 2020 to Euro 8,987 thousand for the same period of 2021) compared to the same period last year. This increase can be attributed to the significant growth in the e-commerce business, which has had a knock-on effect on courier traffic and general cargo operators.

Operating costs

Operating costs for ***Commercial Aviation*** business decreased from Euro 135,394 thousand in H1 2020 to Euro 126,766 thousand in the same period of 2021 (down Euro 8,628 thousand, 6.4%).

This movement was based on:

- personnel costs, decreasing Euro 4,354 thousand (-6.5%). The decrease is largely due to a contraction in the workforce, accompanied by the use of rotating days through the Extraordinary Temporary Lay-off Scheme, and by a reduction in variable remuneration costs.
- The decrease of Euro 4,275 thousand in operating and consumption material costs on the same period in 2020 is due to lower costs related to traffic volumes of Euro -3,498 thousand (public entity fees, parking management, passenger assistance, security and shuttles), and lower core operational costs of Euro 1,293 thousand. The reduction was possible thanks to the renegotiation of contracts with suppliers and the containment of expenditures during the first half of the year. Energy costs increased by Euro 516,000, mainly due to the increased cost of CO_2.

EBITDA and EBIT

As a result of the trends outlined above, H1 2021 EBITDA reported a loss of Euro 27,867 thousand (a loss of Euro 3,502 thousand in the same period of 2020), down Euro 24,365 thousand on the same period of the previous year.

Amortisation and depreciation, and net restoration, risks and charges and doubtful debt provision accruals, increased by Euro 5,093 thousand on H1 2020, of which Euro 12,448 thousand for increased accruals to the doubtful debt provision and Euro -7,355 thousand for the reduction in amortisation and depreciation and of net accruals to the restoration and replacement provision for the period, owing mainly to the two-year extension of the concession. As a result, EBIT for the Commercial Aviation business saw a loss of Euro 82,417 thousand, down Euro 29,456 thousand on the previous year.

Investments

The main Commercial Aviation business investments were:

- new Linate terminal (new F building);
- installation of new state-of-the-art X-ray machines in the hand luggage security area at Linate;
- entry into use of the self-service bag drop at Malpensa;
- start of works to upgrade the BHS system to the 3 ECAC standard at Malpensa;
- repaving of some sections of the taxiway and aircraft aprons at Malpensa;
- extraordinary maintenance on visual aid lights at Malpensa.

Other information

Bilateral Agreements

A major bilateral agreement between the EU and ASEAN was signed in the first half of 2021. The agreement, which is in the process of being finalised, will define an open skies environment between all member countries with unlimited third and fourth freedoms for destinations/frequencies and unlimited fifth freedoms for all-cargo flights, with the provision of some fifth freedom rights also for passenger flights.

The EU Council also approved the signing of open skies agreements between the EU and Armenia, Tunisia and Ukraine, which should be formalised by the end of 2021.

Also of note is the open skies agreement between the EU and Qatar, currently operating on a provisional basis and due to be approved in the coming months, which sets out a full deregulation framework between the two parties for third and fourth freedom flights and the extensive deregulation of all-cargo flights operating under the fifth freedom.

Destination development and co-marketing activities

Destination development initiatives seek to increase the international visibility not only of Milan's airports, but also of Milan and Lombardy as destinations. The 2020 World Routes Milano event was rescheduled due to the COVID-19 pandemic. New round tables on tourism were set up with the Milan Chamber of Commerce, Federturismo and Associazione Albergatori, the Italy-China Foundation and Milano & Partners. Activities were undertaken to promote and advertise the resumption of flights and the new flights scheduled for summer 2021, through newsletters, social media, and banners.

General Aviation

In the first six months of 2021, Milan Linate and Malpensa airports handled a total of 10,162 movements, up 72.6% on the previous year. Traffic recovered from May onwards due to the easing of travel restrictions and events such as Fashion Week in southern Europe. Tourist traffic to Italian destinations grew significantly from June onwards, and traffic to non-EU destinations also picked up during H1.

Revenues and Operating Costs

General Aviation revenues amounted to Euro 5,378 thousand in H1 2021, up Euro 1,069 thousand (24.8%) on the same period of 2020. This increase is mainly due to the recovery of air traffic and higher revenues for the use of space and hangars. It should be noted that 2020 revenues were negatively affected by the closure of Linate Prime airport.

Operating costs of Euro 1,805 thousand were broadly in line with those recorded in the first half of 2020 (Euro 85 thousand, up 4.9%). During H1 2021, higher costs were incurred to maintain buildings and systems used for activities at the Linate Prime terminal, while monitoring costs were incurred to provide a body temperature measurement service at Linate airport in the wake of the COVID-19 pandemic.

EBITDA and EBIT

As a result of the developments outlined above, EBITDA for H1 2021 was Euro 3,574 thousand, an increase of Euro 985 thousand (+38.0%) over the same period of the previous year.

H1 2021 EBIT increased by Euro 1,138 thousand (+77.5%) as a result of the operating developments described above and of the decrease in provisions recognised in H1 2021 (Euro -155 thousand, -14.0%).

Investments

In the first half of 2021, no significant investments were made in the General Aviation business.

Energy

Quantitative data

Electricity

In the first half of 2021, electricity production at SEA Energia's plants increased by 22.2% (31.5 million kWh) on the same period of 2020. Overall, the two plants produced a total of approx. 173 million kWh electricity in the first six months of 2021.

The sale [7] of electricity to Linate airport amounted to 14.1 million kWh, an increase of 41% (4.1 million kWh) on the first half of 2020.

The sale [8] of electricity to Malpensa airport amounted to over 53.8 million kWh, substantially in line with H1 2020 (+0.7 million kWh).

Electricity produced and sold to third parties increased by 44.4% on H1 2020, amounting to 91 million kWh.

Thermal energy

In the first six months of 2021, thermal energy production (super-heated water) and cooling energy increased by 14.4% (+25.3 million kWh) compared to the same period in 2020, reaching a total value of 201.7 million kWh.

More than 62% of this quantity - approximately 126.7 million kWh, an increase of 17.2% (+18.6 million kWh compared to the first half of the previous year) - was sold to Linate and Malpensa airports' district heating networks.

The sale of thermal energy to third-party customers increased by 6.7 million kWht (up 9.8% on the same period in 2020) to approximately 75 million kWht. This increase was due to the consolidation of supply to A2A Calore e Servizi, which rose by 8.8% (+5.7 million kWht on H1 2020).

Revenues and Operating Costs

In H1 2021, the Energy business reported revenues of Euro 8,746 thousand, up by Euro 2,696 thousand (44.6%) on 2020, mainly due to higher revenues recorded from electricity sales to third parties (the combined effect of the increase in prices and quantities sold) and higher revenues related to the estimate of "white certificates" accrued in the first half of 2021.

Operating costs amounted to Euro 7,960 thousand in H1 2021, up by Euro 798 thousand on the same period of the previous year. This increase can mainly be attributed to the cost of methane needed to produce electricity and thermal energy (up Euro 847 thousand), due to the higher quantities consumed and lower unit costs of methane compared to the same period last year.

EBITDA and EBIT

As a result of the developments outlined above, EBITDA for H1 2021 was Euro 786 thousand, an increase of Euro 1,898 thousand on the same period of the previous year.

H1 2021 EBIT was a profit of Euro 629 thousand, an increase of Euro 1,933 thousand compared to the first half of the previous year. This result is due both to the aforementioned EBITDA results and to lower amortisation, depreciation and provisions in H1 2021, which were down Euro 34 thousand on 2020.

Investments

The main *Energy business* investments can be attributed to the completed installation and entry into use of the new TGE turbine in June 2021.

Emission trading

In accordance with European Directive 2003/87/EC, from January 1, 2005, plant operators which emit CO_2 into the atmosphere must be authorised to do so by the competent national authority. Each plant must also 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 H1 2021, overall Group CO_2 production was approx. 94,500 tonnes, of which approx. 57,300 tonnes generated by the Malpensa station and over 37,200 tonnes by the Linate plant.

[7] *Sales figures are considered net of internal consumption and system losses.*

[8] *Sales figures are considered net of internal consumption and system losses.*

RISK MANAGEMENT FRAMEWORK

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

As airport operator, the SEA Group is exposed to a broad spectrum of financial and non-financial risks that could jeopardise the achievement of business strategies, should they occur.

To reduce exposure to such events, the Group has adopted specific processes and procedures to guarantee the creation of value in the long term and to protect airport safety, service quality, and tangible and intangible assets of interest to stakeholders. SEA has implemented an Enterprise Risk Management (ERM) model in line with the main national and international best practices, the objective of which is to identify and homogeneously and transversally assess 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.

SEA GROUP RISK FACTORS

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

External risks

External risks, deriving from factors outside of the control of the 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 climate change, in addition to extraordinary events (earthquakes, pandemics, volcanic eruptions, wars).

Air traffic development

COVID-19 outbreak

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

This event, unprecedented in recent history, has had a major impact on the entire air transport sector since the beginning of 2020, primarily due to the measures taken at global level to contain the spread of the outbreak. The restrictions imposed on travel and the gradual closure of the borders of non-European and European countries have in a short timeframe reduced passenger traffic to almost zero at most airports around the world.

System traffic fell by 73.2% at Milan's Malpensa and Linate airports in 2020 compared to the pre-pandemic period (2019), in terms of the number of passengers transported. The crisis continued into H1 2021, which recorded an 80.4% drop in passengers on the same period in 2019. It was against this backdrop that SEA made the decision to confirm the operational framework of Malpensa Airport, where Terminal 2 has been closed since June 15, 2020.

In terms of cargo traffic, Milan Malpensa's Cargo City continued operations through lockdown, closing 2020 with a decidedly more contained drop in passenger traffic (-7.1% compared to 2019 with 512 thousand tonnes of cargo transported), thanks primarily to all-cargo activities, which grew by 19.8% on the previous year. All-cargo activities grew further in the first half of 2021, recording a 32.7% increase in cargo transported on the same period in 2019.

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

The situation remains uncertain and complex. Despite the launch of large-scale vaccination campaigns across Europe and around the world, the situation remains critical in many countries. The vaccination campaigns require an enormous organisational effort to administer the biologic to a high percentage of the population in a very short space of time, in order to build an effective defence against the spread of the virus. There have been second and third waves of the virus in Europe and around the world, and there is a risk that further waves of infection could halt the recovery of the air transport sector, consequently prolonging recovery times and the return to pre-crisis levels. The effects of the pandemic on the Italian and international economy could also have an impact on the recovery, affecting passengers' propensity to travel with consequent repercussions for the results and operations of the Group managed airports.

Brexit

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

The United Kingdom's exit from the European Union on January 31, 2020 was followed by a "transitional period", during which an EU-UK Trade and Cooperation Agreement was stipulated on December 24, 2020. The agreement provides for cooperation between the Parties in various fields, including aviation, governing issues relating to traffic rights, airport safety and security, code-share agreements, the protection of passenger rights, and environmental issues.

Since by virtue of Ministerial Decree No. 15 of March 3, 2000 (the "Bersani Decree") and subsequent amendments, flights to and from non-EU destinations cannot be operated from Linate airport, starting from the IATA winter season 2021 (extension of the "transitional period" granted by Law No. 41 of May 20, 2019 and subsequently by ENAC), the United Kingdom will no longer be served by Forlanini in the absence of further regulatory measures.

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

Airline strategies

The review of airline strategies, such as, for example, changes to the network of routes operated or capacity reduction - also stemming from general economic issues - may lead to changes in flights at SEA 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 SEA Group. Any reduction or interruption to flights by one or more airlines may have an impact on Group operations and results.

The crisis situation generated by the global spread of COVID-19 and the consequent collapse in air traffic levels has put many airlines under serious financial strain. Since the start of the pandemic, several national legacy carriers have benefited from public bailout interventions and others remain in difficulty. Recent trends are likely to persist given the prolonged nature of the pandemic, and the default of one or more airlines operating out of the Group's airports could have a negative impact on the resumption of activities at Linate and Malpensa.

SEA closely monitors the economic-financial situation of carriers operating at both airports, with the aim of identifying potentially critical situations in advance and intervening promptly to minimise the Group's exposure to a default event.

Development of the regulatory framework and applicable rules

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

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

SEA constantly monitors the activities of 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.

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

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

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

The SEA Group is committed on many fronts to sustainability, having implemented direct and indirect initiatives to reduce emissions, in line with the airport sector's best practices.

During the first half of 2021, the Group agreed its first "sustainability-linked" financing operation with a leading Italian credit institution, the conditions of which are linked to the achievement of the highest level of Airport Carbon Accreditation certification by ACI Europe.

New tariff models

Following the transfer of tariff regulation competence from the Italian civil aviation authority ENAC to the Italian transport regulation authority ART in 2019, we report the recent revision in the tariff models. The new models published by ART will come into force on January 1, 2023. Some elements of the model implementation methods and measurement parameters remain uncertain, which could impact the Group's future economics.

Anti-COVID-19 regulations

Since the beginning of the pandemic, regulatory requirements adopted to contain the spread of COVID-19 have required airport managers to enforce social distancing and to take the temperature of users inside terminals and buildings located in the airport grounds, thereby requiring the Manager to adopt specific organisational measures and to shoulder related costs.

It is not possible to accurately estimate how long these measures will remain in place, nor whether the persistence of the pandemic will force the regulator to impose further measures, resulting in a need to make additional unplanned investments (e.g., infrastructural or plant engineering adjustments).

Operating and business risks

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

These factors may affect short to long term performance.

Activity and Service Interruptions

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

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

Company activities could also be interrupted by a strike by third-party employees working at the airport, by personnel dedicated to air traffic control services, or by public emergency service operators; the incorrect and non-punctual provision of services by third parties; adverse weather conditions (snow, fog etc.).

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.

In particular, in April 2021, SEA and the Parco del Ticino signed a Cooperation Agreement that envisages the establishment of a permanent comparison table for the sustainable management of biodiversity and natural resources in the area.

Safety & security

Passenger and employee safety is a central concern to which the Group pays utmost attention in its day-to-day operational and management activities. It does this through effective preventive measures aimed at continuous improvement and the promotion of goals, responsibility and results awareness throughout the 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, in particular in a period of pandemic, 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 particular, SEA carries out periodic system vulnerability and penetration testing using cutting-edge technologies and methodologies, periodic audits to maintain the certification for core business areas (ISO 27001) obtained in 2019, and has defined a Cyber Risk procedure to monitor all corporate technical and behavioural security issues.

Supplier Reliability

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

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

Financial Risks

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

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

Credit risk

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

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

As a result of the spread of COVID-19, the credit risk exposure extended to non-aviation customers and most operators of the Malpensa and Linate airport system who had to stop their operations during the lockdown and reduce it due to the collapse in demand.

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

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).

Liquidity risk

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

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

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

From February 2020, the gradual halting of air traffic caused by the increasing global outbreak of COVID-19 and the consequent lack of related revenue resulted in an extraordinary absorption of liquidity, increasing the Group's exposure to this risk. The Company promptly took action to manage the event and, thanks to a solid balance sheet, was able to quickly access the financial markets by signing new funding contracts to guarantee the financial needs of the next two years, including the repayment of the bond maturing in April 2021.

For further information, see paragraph 4 "Financial 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 JUNE 30, 2021

Action brought by ATA Handling

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

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

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

During this hearing, the Court noted the filing of the EU Court's decision and then set deadlines for the filing of submissions pursuant to Art. 183, paragraph VI of the Code of Civil Procedure, deferring the case for the discussion on the preliminary motions to the hearing of May 22, 2019, whereupon it withdrew to decide the case on the basis of the preliminary motions. Following the dissolution of the reserve, the Judge scheduled conclusions on preliminary objections for the hearing on May 6, 2020 and then, following an *ex officio* deferral, to September 9, 2020. The parties proceeded to file their closing briefs on November 30, 2020 and the Judge withheld the case for decision.

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

Action brought by Emilio Noseda before the Court of Buenos Aires

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

Mr. Noseda, as assignee of Delta Group's rights, sought a 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 was sent to the Court of Appeal and the appellant filed its appeal. A response will be filed in the coming days.

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

Ruling on fees for fire-fighting services

The law of 27/12/2006 no. 296 (2007 Finance Act) article 1, paragraph 1328, established a fire-fighting fund financed by airport companies in proportion to the traffic generated by each, in the amount of Euro 30 million a year, in order to reduce the State's expenses for the fire-fighting service provided at airports by the National Fire-Fighting Service. However, as a result of the entry into force of the provisions of paragraph 3 bis of article 4 of Legislative Decree 185 of 29.11.2008, introduced with the Conversion Act of 28/1/2009 no. 2, the resources of the fund were also allocated to purposes completely unrelated to those initially envisaged by the 2007 Budget.

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

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

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

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

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

The 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 Court of Cassation on January 15, 2019.

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

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

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

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

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

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

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

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

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 judgment was served on the Ministry and the Prosecutor's Office in February 2017. On April 14, 2017, the Ministry of Transport appealed to the Supreme Court of Appeal, reiterating the grounds stated in the appeal without any substantial change.

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

Fuel royalties dispute

In 2013, in separate cases, Alitalia Spa in Extraordinary Administration sued Esso Italia and Exxonmobil (1), Tamoil Italia Spa (2), Shell Italia Spa (3) and Total Aviazione Italia Srl (as the beneficiary of a branch of Total Italia Spa as part of a partial demerger) with Air Total International SA (4), claiming to have paid sums that were not due to the companies summoned, by way of airport fees.

The defendants appeared in court and contested the plaintiff's request. They also asked and received approval to hold harmless SEA and other airport operators as alleged recipients, albeit indirectly, of the fees that are the subject of the dispute in relation to the sums paid by the plaintiff to the oil companies, which the latter then paid to SEA. The amounts requested from SEA are Euro 13,454,801 (Exxonmobil), Euro 4,764,580.59 (Tamoil), Euro 498,441.03 (Shell) and Euro 1,117,148.07 (Total) respectively.

SEA entered an appearance in the proceedings and contested the claims on various bases of a preliminary nature (invalidity of the summons, absence of the defendants' active legitimacy to bring the claim, lapse of time) and based on their merits. In particular, SEA's defence against the defendants' claims, with specific reference to the post-2005 period, were primarily based on having correctly applied a specific ENAC note issued in 2009 concerning the refuelling fees.

The defence presented by SEA had an effect and was accepted in court, leading to the rejection of Alitalia's requests in cases (1), (2) and (3). However, in the last few months, it has emerged that in a case unrelated to those in question, the aforementioned ENAC measure, on which a large part of SEA's defence was based, was annulled by the competent court.

This event induced the Company to highlight the aforementioned judgements among the relevant disputes, even though the outside lawyers dealing with them believe that they still bear the risk as possible.

Tax Agency - VAT assessment notices

The local customs office at Linate and Malpensa airports audited SEA to ascertain whether excise duty had been correctly paid on the electricity used to operate Linate and Malpensa airports. As a result of this audit and of the notes, on November 16, 2016, SEA received service of an assessment notice for 2011 concerning the VAT profiles in the matter. An appeal was filed against the assessment at the Provincial Tax Commission of Milan, which ruled in favour of the Tax Agency. On December 11, 2017, judgment No. 6835/2017 was filed, against which an appeal was lodged with the Lombardy Regional Tax Commission. On June 27, 2019, the Regional Tax Commission filed ruling No. 2776/2019 fully in favour of the company, by which the reasons for the appeal were accepted and the 2011 VAT Assessment Notice was cancelled. The ruling of the Regional Tax Commission was further challenged by the Tax Agency, which, on January 30, 2020, notified the company of its filing with the Court of Appeal. On August 9, 2017 the Tax Agency served four more assessment notices in respect of the subsequent years from 2012 to 2015. Reiterating its view that the tax claim in question was baseless, the Company, as it had done in reference to 2011, filed separate appeals against each notice with the Provincial Tax Commission. After the proceedings were joined, these appeals were then rejected with judgement no. 3573/12/2018. An appeal was filed with the Regional Tax Commission against this judgement, which was discussed on October 26, 2020 with a favourable outcome for the Company and the consequent nullification of the VAT Assessment Notices for the years from 2012 to 2015 as a result of judgement no. 2527/2020. As regards to the aforementioned judgement, and as in 2011, the Tax Agency filed an appeal to the Court of Court of Cassation on May 3, 2021. SEA awaits the hearing of the respective appeals before the Supreme Court.

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. On December 13, 2019, the Regional Tax Commission filed judgement no. 5081/2019 fully in favour of the company, accepting its reasons and requests at the second level. On October 21, 2020, judgement no. 5081/2019 filed by the Regional Tax Commission became final due to expiry of the appeal deadline for the Tax Agency, thus determining full closure of the dispute in favour of the Company and ordering the Tax Agency to pay the litigation expenses. With reference to the other Liquidation Notices notified during 2018 and 2019, eight appeals were discussed by the Provincial Tax Commission of Milan, the first-instance outcome of which was also fully in favour of the company and ordered the Tax Agency to pay the litigation expenses. The Tax Agency filed independent appeals with the Lombardy Regional Tax Commission against judgements no. 5163/2018, no. 5296/2018, no. 5298/2018, no. 518/2019, no. 534/2019, no. 1711/2019 and no. 3304/2019, which were all in favour of the company and following which the company also filed for legal action, reiterating its motivations and reasons in terms of law. The appeals were discussed in 2020 and, among these, six appeals resulted in a ruling fully in favour of the Company and in two cases, the same court accepted the defence put forward by the Tax Agency. With regard to the favourable decisions filed by the Regional Tax Commission, on October 21, 2020, judgements no. 5246/2019 and no. 966/2020 became final due to the expiry of the terms of appeal for the Tax Agency, thus determining the positive conclusion of the respective disputes and ordering the Tax Agency to pay the litigation expenses in both cases. In addition to the final outcome of these two disputes, there has recently been a further dispute concerning judgement No. 2959/2020, which also became final with a positive outcome on June 15, 2021. On the other hand, SEA is awaiting the standard deadline for the Tax Agency to submit a potential appeal to the Court of Cassation against judgements No. 396/2021 and 677/2021. Finally, with regard to judgements no. 1167/2020 and no. 1168/2020, both of which were found against the Company's favour, on November 3, 2020, the Tax Agency was notified of the appeal to the Supreme Court in order to amend and consequently nullify the second-level ruling.

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

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

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

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

Following admittance to liabilities, SEA S.p.A. received payments from Alitalia in Extraordinary Administration amounting to a total of Euro 9,530,245.37 relating to pre-deducted receivables post-May 2 (originally amounting to Euro 9,622,397.82 Euro). Therefore, receivables admitted to pre-deduction amounted to Euro 92,152.45 at July 13, 2021, of which Euro 23,822.50 were for additional rights and Euro 68,329.95 for various invoices.

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

SEA has decided not to file observations on this proposal and, already at December 31, 2017, had 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.

With a court order dated November 30, 2020, the delegated Judge ordered the appointment of an expert to determine the exact amount of senior debt abstractly imposed on each aircraft owned by Alitalia at the date the case was opened, assigning creditors a term to appoint an expert witness. The start of expert appraisals was fixed for January 7, and on June 17, 2021, the Experts' Report was filed which defines the exact amount of senior debt for SEA as Euro 126,263.43. The report also includes a series of observations and objections by the various expert witnesses (CTPs) (including SEA's CTP) regarding the criterion used to identify the aircraft owned by Alitalia. The next hearing is set for October 14, 2021.

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

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

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

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

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

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

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

After appearing in court in March, SEA filed its preliminary pleading on May 31 and its preliminary brief on June 30, will proceed to file rebuttal evidence on July 20. The hearing for the admission of evidence is scheduled for October 1, 2021.

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

Bankruptcy of Ernest S.p.A. and consequent revocatory bankruptcy action

Following the carrier's declaration of bankruptcy with the Court of Milan with judgement No. 556/2020 of November 23, 2020, SEA was implicated in the bankruptcy proceedings. On June 9, 2021, the statement of affairs was filed, showing that SEA was liable for the full amount, excluding the recognition of privilege.

In April, a notice was received from the bankruptcy administrator requesting reimbursement of the payments made by the bankrupt party in the "suspect period", which amounted to Euro 1,005,018.68. This request was rejected in its entirety and SEA contested the lack of proof of the existence of objective and subjective elements, i.e., knowledge of the debtor's insolvency in terms of revocation pursuant to Article 67, Paragraph 2 of the Bankruptcy Law.

To date SEA has not been served with a summons to annul the above payments.

OTHER INFORMATION

Customer Care

The SEA Group has identified service quality as a strategic priority and has therefore set itself the objective of achieving excellence in the Passenger Experience by adopting an approach geared towards the continuous improvement of service quality.

The aim is to offer passengers and operators a safe environment and a modern, dynamic, hi-tech and pleasurable experience, distinctive features of Milan and the Lombardy Region as a whole, to which the city's airports are a gateway.

Service quality management

SEA has equipped itself with a quality system, which allows the Group to make choices regarding the revision of processes and the implementation of new services. The management of service quality is guaranteed through an intricate system that includes:

- the measurement of perceived quality, through interviews with a statistically significant sample of departing and arriving passengers and through specific survey methods, including online surveys;
- the measurement of the quality provided, through the objective measurement of specific indicators relating to primary operational services;
- benchmarking, which enables comparison with and access to a network of leading international airports through the international ACI ASQ programme promoted by the World Association of Airports (of which SEA is a member);
- service certifications and audit plans, which ensure the concrete application of methodologies for the effective and efficient management of airport processes and services.

Data from these investigations are shared with key stakeholders and analysed in specific working groups to identify appropriate improvement actions. Most of the objective checks and surveys are summarised in the Service Charter, in accordance with the regulations enforced by the Italian Civil Aviation Authority (ENAC).

In this half-year period, SEA has continued to share outcomes and implement a feedback process for results achieved thanks to measures introduced at its airports on the basis of an agreement with EASA-ECDC entitled "Aviation Industry Charter for COVID-19". The objective of this process is to progressively refine and improve general reference practices by taking into account actual operating results. This project led to the definition of European indicators useful in monitoring and continuing to improve the efficiency and efficacy of a number of steps taken to combat the spread of COVID-19. Data have been collected weekly since July 2020.

Activities regarding the fight against COVID-19

Faced with the COVID-19 emergency, SEA continues to direct its focus in combating the pandemic on a number of fronts. For each of these, the decisions and actions were defined and assessed based on legislation, guidelines and best practices in each specific area.

Therefore, the protocols listed below, where were defined at the start of the pandemic, are constantly updated based on prevailing legislation, the relevant aspects of airport operations, and trends in traffic:

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

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

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

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

- placing of stickers on the ground in all waiting and queuing areas inside the terminal;

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

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

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

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

An information campaign on the airport measures and behaviours to be adopted to prevent the spread of the virus is regularly updated. Information was communicated by means of posters, monitors and voice messages at the airport, and by mean of a dedicated COVID-19 section on the airport website.

Several copper products with antibacterial and antiviral properties have been installed at Linate airport. These include stairway and runway bus handrails and baggage trolley handles.

The environmental dimension

The ongoing impact of the pandemic, which has severely compromised operations at our airports and, consequently, the resources available to support the projects set out in the 2020-2024 business plan, has not altered the environmental policy and the guidelines adopted for the development of our airports, as renewed in 2019. SEA continued with its commitment to combining the fundamental value of protecting our environmental heritage with the development of company processes.

Airport Carbon Accreditation and Carbon Neutrality of the Milan airports

The SEA Group has acted pro-actively in reducing CO_2 emissions and in particular those from activities under its direct control or in which significant influence is exercised (scope 1 and scope 2)[9].

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

European project

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

- SATIE: Security of Air Transport Infrastructure of Europe: beginning in May 2019, a 24-month project, which adopts a holistic approach to cyber and physical security threat prevention, detection, response and mitigation at airports that guarantees the protection of critical systems, sensitive data and passengers.
- ClimOp: Climate assessment of innovative mitigation strategies towards Operational improvements in Aviation. The project will last 42 months and has an official start date of January 2020.
- ORCHESTRA: the project, begun in May 2021 for a duration of 36 months, seeks to create a multi-modal traffic management ecosystem (MTME) which will enhance the coordination and synchronisation of operations within and between different modes of transport, and will help to improve safety, increase accessibility, and reduce emissions.
- OLGA: the project, coordinated by Aéroports de Paris (AdP), brings together 42 partners, including SEA, in a diverse consortium of airports large and small, airlines, industrial organisations, researchers, and small and medium enterprises, with the goal of facilitating the transition towards low-emission mobility and a society that is resilient to climate change. It falls within the scope of a broader plan by which Europe is striving to become the first climate-neutral continent.

Under the CEF (Connecting Europe Facilities) pro-

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

gramme, activities related to the following projects are ongoing:

- FENIX: beginning in April 2019, a 36-month project, for which an extension was requested, engaging stakeholders in the field of logistics in the collaborative planning and monitoring of various scenarios and contexts relating to trans-European transport, telecommunications and energy networks.
- ITAIR ISAC: the project seeks to improve the IT capabilities of Italian airport operators through the creation of an "Information Sharing Analysis Centre". The operating phase began on September 1, 2020 and will last 36 months.
- MXP-NLINE: Work began on April 1, 2020 and will be completed by June 2024. The project, in a partnership with FERROVIENORD, involves the construction of a rail connection between Terminal 2 at Milan Malpensa Intercontinental Airport and the Sempione train station.
- Milan East Hub Gate: Work began on March 1, 2020 and will be completed by June 2022. The partnership, in partnership with the Municipality of Milan, the Municipality of Segrate, and RFI, relating to the technical and economic feasibility of a new Segrate train station and the extension of the M4 underground line to connect Milan Linate airport to the new high-speed Segrate station.
- PASS4CORE: work began on April 1, 2020 and will be completed by June 2024. The context for this proposed action is the development and improvement of a safe and protected parking network for HGVs along Italy's primary road network.

Environmental management processes

With reference to the Linate Master Plan 2030, the EIA procedure was successfully completed with the publication of the Environmental Compatibility Provision, a decree issued by the Ministry of the Environment, together with the Ministry of Cultural Heritage and Activities and Tourism. Following subsequent publication in the Official Gazette of the Italian Republic, it was agreed with ENAC to introduce the procedures for the launch of the Service Conference necessary to achieve urban compliance, which was successfully held on July 12, 2021.

With regard to the New Malpensa Master Plan 2035, ENAC approved the Technical Report in December 2019 and on the basis of this document the SIA (Environmental Impact Study) sent to ENAC on March 6, 2020 was drawn up. It was then agreed with the body to start the Environmental Impact Assessment procedure on June 26, 2020. The formal launch of the procedure was accompanied by the initial meetings to illustrate the main content to the bodies with greatest involvement (Municipalities of the CUV, Lombardy Region, Ticino Regional Park). On April 19, 2021, DG CRESS of the Italian Ministry for Ecological Transition formally issued a request for clarification containing the observations of the EIA Commission and others that expressed their views during the process.

Following an assessment of the commitment needed to prepare the additional information requested, SEA agreed with ENAC to extend the filing deadline by six months, i.e. to September 19, 2021.

Environmental protection

On the regulatory issue of the mitigation of impacts on residences close to Linate, the plan for the complete mapping of noise sensitive areas around the airport has been completed, which will provide a complete and reliable database on which to plan the actions that will follow the approval of the new Linate Master Plan. During 2020, technical specifications were finalised in order to assign preparation of the noise containment action plan pursuant to Ministerial Decree November 29, 2000.

The plan will be completed between the end of 2021 and the beginning of 2022 and will be sent to the Ministry for the Environment for approval. The mapping plan of noise sensitive areas cited for Linate will also be extended to the Malpensa area, with a similar objective although as part of the process of defining the acoustic zoning and analysing the environmental impacts from the airport's development as per the new Master Plan to 2035.

Human resource management

Workforce

At June 30, 2021, SEA Group employees numbered 2,752, decreasing by 36 on the end of 2020 (-1.3%). The number of Full Time Equivalent personnel in the period was 2,694, decreasing by 64 (from 2,758 in 2020).

Females at the SEA Group represented 29% of the Headcount at June 30, 2021, equally distributed across categories.

Organisation

Two important organisational changes were made during the period. The Infrastructures Development unit has adopted an end-to-end approach to managing the project as a whole, including establishing two project-management functions responsible for planning and execution and centralising support services within other functions. The Maintenance unit has established a Maintenance Competence Centre within the scope of maintenance engineering in order to provide specialist support to field maintenance for the various maintenance areas.

Training

In H1 2021, all management training efforts worked towards direct individual engagement in order to boost motivation and maintain it at high levels.

"Alzare lo Sguardo" continued in H1 2021 and provided training to employees under 35 who had joined the company in recent years in order to help develop personal and managerial skills through activities, workshops and experiences, so as to help them become an integral part of the organisation and enhance their innovation potential.

In 2021, SEA participated in Assolombarda's Project STEAMiamoci to promote practical action to close the gender gap, support the importance of women in business and culture, and find ways to increase their contribution and value.

SEA confirmed the partnership with Politecnico in support of the second edition of the school's master's programme in the Fundamentals of Air Transport. A virtual course was organised for April 14-20, 2021, in which students attended presentations by SEA personnel from Malpensa and Linate Operations, as well as from Maintenance, Environment and Airport Safety, and Infrastructures Development.

The following initiatives were launched in H1 2021, in collaboration with the Auditing unit, with regard to the mandatory training required by current regulations:

- all top-level management of the Maintenance unit were trained on the organisation and management model as per Legislative Decree No. 231/2001 and on Anti-Corruption and Whistleblowing Measures;
- the campaign continued to complete the anti-corruption and 231/01 training brochures, which were published on SEAnet to be read by SEA personnel.

In H1 2021, the process of talent management was launched for a number of employees with the goal of ensuring their growth within the organisation in key managerial roles.

Welfare

The first six months of 2021 were again hindered by the health emergency, and the planning of corporate welfare initiatives, beginning with an analysis of the 2020 offering (with about 77% of the workforce taking advantage of at least one service during the year), confirmed both the decision to continue with initiatives that do not require physical presence in the company and which help to support individual earnings, as well as the need to alter the manner in which other benefits are provided.

The main initiatives in the first half of 2021 were:

- *Genitori Digitali:* an online training programme designed for parents of children between the ages of 6 and 15 to learn and share digital skills;
- University scholarships: a project that provides financial assistance to the children of employees who are in university studies and who are performing well in their studies;
- Assistente Sociale in Azienda (Social Services at Work): a service available to employees of the group who are in need of counselling or other support for personal or family issues.

Internal communication

In H1 2021, internal communication focused mainly on the strategies and situations defined by the Company to better deal with the near future, as well as on the direct engagement of individuals in preparing content for distribution within the organisation.

All of these efforts, and with SEAnet as the primary touch point, sought to engage the entire organisation in corporate messaging and other promoted actions and to promote a more positive attitude towards the company and the work being performed.

At the end of February, the organisation of an online event, "Evolvere nella trasformazione" (Evolving in the Transformation), potentially enabled all employees to participate in senior management's presentation of "ideas for building our future". This project of engagement continued in the subsequent proposal of calendar of initiatives with a precise, recognisable identity and featuring a similar approach.

Labour/Management Relations

In the first half of 2021, constant discussions continued with the Trade Unions on both operational issues and those closely related to the management of the COVID-19 crisis. The "Covid Committee" between January and June regularly met to discuss both the safety procedures and regulations introduced to fight COVID-19 and updates on operating issues.

- On February 19, 2021, SEA and the trade unions signed a framework agreement aimed at setting objectives and defining mechanisms and guiding principles in dealing with the ongoing COVID-19 emergency from 2021 through to 2025. In particular, this framework agreement, which centres around three areas of action inspired by the principles of safeguarding employment and mitigating social impact, calls for:
  - the use of social security schemes for shift workers in order to mitigate the effects of the emergency;
  - the activation of an early retirement plan, to be implemented during the period 2022-2025, for employees who would be eligible for retirement by December 31, 2028;
  - the activation of voluntary-retirement incentive plan (in 2022) in conjunction with mandatory retirement, involving a total of 550 excess FTEs.

Finally, SEA and the trade unions agreed to enter into discussions aimed at injecting new energy into the supplemental welfare system (NOISEA/Cassa Assistenza association).

- On March 11, 2021, an Agreement was signed to activate the social security schemes to tackle the ongoing COVID-19 crisis. The instrument identified was the Extraordinary Temporary Lay-off Scheme (CIGD) for a total duration of 12 weeks (from March 16, 2021 to June 6, 2021) for workers at Linate and Malpensa airports.
- In an agreement dated May 19, 2021, the possibility to make use of the Extraordinary Temporary Lay-Off Scheme for a further 28 weeks (from June 7, 2021, to December 18, 2021) was confirmed for the same group of workers.
- On May 27, 2021, two Memorandums of Understanding were signed to access a funded training plan that provides for the participation of more than 100 workers, operating at Linate and Malpensa airports, for a total of over 700 hours of training. The objective of this plan is to support the processes of innovation and change management.

Workplace health and safety

In H1 2021, the Occupational Health and Safety Management System, which is ISO 45001:2018 certified, was monitored by way of internal audits, audits of the (retail and non-retail) concessionaires, and safety walks. The critical issues were analysed, and plans were made for corrective action in order to reduce and monitor workplace health and safety risks. On-site monitoring involved routine safety walks aimed at verifying aspects of workplace health and safety, as well as COVID safety walks designed specifically to assess the proper implementation of measures to combat the health emergency as defined in the company's operational health and safety protocols.

In February 2021, the half-yearly follow-up of the Hygiene Risk Assessment was held over 3 days by TUV Italy aimed at assessing the continued efficacy and suitability of SEA's anti-COVID measures.

This assessment had a positive outcome and confirmed compliance with the (TUV) Hygiene Synopsis model issued in July 2020 for both of the company's airports.

With regard to fire prevention, in early 2021 the three-year plan of evacuation and emergency drills for Malpensa and Linate airports was revised in response to the impact of the COVID-19 emergency. Around 18 drills per year have been scheduled, with a particular emphasis on H1 2021, when a total of 13 drills were conducted, all of which had a positive outcome.

Beginning in mid-February, activities continued within the Health and Safety at Work programme, aimed at managing the COVID-19 emergency:

- update of the company DVR, in agreement with the Competent Doctor, for the part relating to the potential biological risk from COVID-19;
- update of the protocol for managing the air-conditioning and ventilation system and sanitisation protocols;
- definition of additional PPE (FFP2 masks and face shields) for personnel (e.g. PRM staff and facilitators) most exposed to close contact with passengers arriving from the United Kingdom, due to the greater transmissibility of the B117 variant of the virus in the U.K.;
- update of the list of anti-COVID PPE recommended for each role, which is available on the company's intranet;

- presentation in early June, to the company's COVID-19 committee, of the company's most recent protocol and measures to combat and contain the spread of the virus;
- participation in various working groups to update the Malpensa and Linate Health Operations Protocols, which include and define the anti-COVID measures implemented by Airport Operators.

The Inter-company Prevention and Protection Service has also:

- update to the risk assessment for tasks affected by organisational changes due to changes concerning Malpensa airport;
- update to the assessment of work-related risks based on actual figures for 2020, which pointed to insignificant levels of risk for all roles within the company;
- provision of technical support to the various company functions that manage outsourced activities in the preparation and updating of the Single Interference Risk Assessment Document pursuant to Article 26 of Legislative Decree No. 81/08;
- preparation of operating procedures in agreement with all of the other functions involved: Handling of Third-Party Injury/Accidents;
- support for the company functions involved in the relocation of automated external defibrillators (AEDs) in various strategic positions throughout the airports;
- support, in terms of the technical aspects, for the HR Department in preparing the documentation required by supervisory authorities in respect of investigations of workplace accidents or specific cases of occupational illnesses;
- manage relations with Worker Safety Representatives, with regard to the exchange of information and communications, the management of reports, prior consultation on and the assessment of risks, their identification, planning, execution and verification of prevention in general, and with regards to the COVID-19 emergency in particular.

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

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

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

The first 6 months of 2021 saw a slight decline in injuries in the workplace at the company's airports as compared to the same period of 2020, when there was a sharp decrease from the same period of 2019 due to the reduced operations in response to the pandemic.

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 part of the recommendations in order to ensure an effective corporate governance system which appropriately assigns responsibilities and powers and supports a correct balance between management and control.

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

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

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

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

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

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

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

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

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

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Introduction

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

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

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

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

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

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

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

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

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

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

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

Control, Risks and Sustainability Committee

The Control, Risks and Sustainability Committee (CRSC), appointed by the Board of Directors on May 22, 2019 and in office at June 30, 2021, is composed of Directors Patrizia Giangualano (Committee Chairperson), Rosario Mazza and Pierfrancesco Barletta.

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

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

Internal Audit Manager

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

Independent Audit Firm

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

Supervisory Board as per Legislative Decree 231/2001

The Supervisory Board, appointed by the Board of Directors on May 22, 2019 and in office at June 30, 2021, is composed of four members: two external independent members, Giovanni Maria Garegnani and Lorenzo Enrico Lamperti, one non-executive and independent Director, Luciana Rovelli, and a Director in charge of the Auditing function, Ahmed Laroussi B.

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 was adopted by the SEA Board of Directors by motion of December 18, 2003 and more recently amended and supplemented by the Board of Directors motion of March 25, 2021, and includes all the offences listed by the Decree of June 30, 2021. 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 Code of Conduct, approved by the Board of Directors on December 21, 2020, published on the Company's website, reflects the Group's value system and ethical vision. It also dictates the rules of conduct recipients are required to follow and the conduct behaviour to be adopted with regard to stakeholders. The Code of Conduct is a component of the Organisation and Management Model as per Legislative Decree 231/2001.

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

Anti-Corruption Focal Point

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

Anti-corruption Measures

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

Diversity policies

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

SEA's By-Laws, in compliance with the legislative provisions, comprehensively cover gender diversity within the Board of Directors and Board of Statutory Auditors.

SEA GROUP CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		June 30, 2021		December 31, 2020	
(Euro thousands)	Note	Total	of which related parties	Total	of which related parties
Intangible assets	8.1	955,293		968,767	
Property, plant & equipment	8.2	207,290		212,591	
Leased assets right-of-use	8.3	13,103		10,662	
Investment property	8.4	3,402		3,402	
Investments in associates	8.5	61,474		66,127	
Other investments	8.6	1		1	
Deferred tax assets	8.7	116,441		93,735	
Other non-current receivables	8.8	48,650		48,651	
Total non-current assets		**1,405,654**		**1,403,936**	
Inventories	8.9	1,937		2,027	
Trade receivables	8.10	64,523	6,954	51,400	6,372
Tax receivables	8.11	1,276		1,936	
Other current receivables	8.11	8,581		7,654	
Cash and cash equivalents	8.12	240,272		588,313	
Total current assets		**316,589**	**6,954**	**651,330**	**6,372**
TOTAL ASSETS		**1,722,243**	**6,954**	**2,055,266**	**6,372**
Share capital	8.13	27,500		27,500	
Other reserves	8.13	204,825		332,284	
Group Net Result	8.13	(73,960)		(128,576)	
Group Shareholders' equity		**158,365**		**231,208**	
Minority interest shareholders' equity		**29**		**28**	
Group & Minority int. share. equity	**8.13**	**158,394**		**231,236**	
Provision for risks and charges	8.14	204,866		202,343	
Employee provisions	8.15	43,755		45,622	
Non-current financial liabilities	8.16	599,042		871,102	
Other non-current payables	8.17	85,736		87,808	
Total non-current liabilities		**933,399**		**1,206,875**	
Trade payables	8.18	109,625	10,093	110,465	7,150
Income tax payables	8.19	9,297		8,351	
Other payables	8.20	156,481		154,402	
Current financial liabilities	8.16	355,047		343,937	
Total current liabilities		**630,450**	**10,093**	**617,155**	**7,150**
TOTAL LIABILITIES		**1,563,849**	**10,093**	**1,824,030**	**7,150**
TOTAL LIAIBILITIES & SHAREHOLDERS' EQUITY		**1,722,243**	**10,093**	**2,055,266**	**7,150**

CONSOLIDATED INCOME STATEMENT

(Euro thousands)	Note	H1 2021 Total	H1 2021 of which related parties	H1 2020 Total	H1 2020 of which related parties
Operating revenues	9.1	112,288	8,667	141,095	11,614
Revenue for works on assets under concession	9.2	9,279		15,155	
Total revenues		**121,567**	**8,667**	**156,250**	**11,614**
Operating costs					
Personnel costs	9.3	(64,455)		(68,885)	
Consumable materials	9.4	(18,450)		(17,054)	
Other operating costs	9.5	(53,625)		(58,337)	
Costs for works on assets under concession	9.6	(8,544)		(13,999)	
Total operating costs		**(145,074)**	**(8,718)**	**(158,275)**	**(11,132)**
Gross Operating Margin / EBITDA*		**(23,507)**	**(51)**	**(2,025)**	**482**
Provisions & write-downs	9.7	(12,881)		(604)	
Restoration and replacement provision	9.8	(7,816)		(11,022)	
Amortisation & Depreciation	9.9	(34,978)		(39,146)	
Operating Result		**(79,182)**	**(51)**	**(52,797)**	**482**
Investment income/(charges)	9.10	(4,654)	(4,654)	(5,764)	(5,764)
Financial charges	9.11	(12,445)		(8,671)	
Financial income	9.11	159		41	
Pre-tax Result		**(96,122)**	**(4,705)**	**(67,191)**	**(5,282)**
Income taxes	9.12	22,163		17,331	
Net Result		**(73,959)**		**(49,860)**	
Minority interest profit		1		0	
Group Net Result		**(73,960)**	**(4,705)**	**(49,860)**	**(5,282)**
Basic net result per share (in Euro)	9.13	(0,30)		(0,20)	
Diluted net result per share (in Euro)	9.13	(0,30)		(0,20)	

** EBITDA is calculated as the difference between total revenues and total operating costs, not including provisions and write-downs, restoration and replacement provisions and amortisation & depreciation.*

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(Euro thousands)	H1 2021 Total	H1 2021 of which related parties	H1 2020 Total	H1 2020 of which related parties
Group Net Result	**(73,960)**	**(4,705)**	**(49,860)**	**(5,282)**
- Items reclassifiable in future periods to the net result:				
Fair value measurement of derivative financial instruments	844		913	
Tax effect from fair value measurement of derivative financial instruments	(203)		(219)	
Total items reclassifiable, net of tax effect	**641**		**694**	
- Items not reclassifiable in future periods to the net result:				
Actuarial gains/(losses) on post-employment benefits	626		(69)	
Tax effect on actuarial gains/(losses) on post-employment benefits	(150)		17	
Total items not reclassifiable, net of tax effect	**476**		**(52)**	
Total other comprehensive income items	**1,117**		**642**	
Total comprehensive result	**(72,843)**		**(49,218)**	
Attributable to:				
- Parent company shareholders	(72,844)		(49,218)	
- Minority interest	1		0	

CONSOLIDATED CASH FLOW STATEMENT

(Euro thousands)	H1 2021 Total	H1 2021 of which related parties	H1 2020 Total	H1 2020 of which related parties
Cash flow from operating activities				
Pre-tax result	(96,122)		(67,191)	
Adjustments:				
Amortisation, depreciation and write-downs	34,978		39,146	
Net change in provisions (excl. employee provision)	2,747		3,285	
Changes in employee provisions	(1,262)		(1,738)	
Net changes in doubtful debt provision	12,430		731	
Net financial charges	12,286		8,630	
Investment (income)/charges	4,654		5,764	
Other non-cash changes	(971)		(1,560)	
Cash flow from operating activities before changes in working capital	**(31,260)**		**(12,933)**	
Change in inventories	95		(282)	
Change in trade and other receivables	(26,198)	582	72,160	10,284
Change in other non-current assets	1		8	
Change in trade and other payables	405	2,943	(79,300)	(7,184)
Cash flow from changes in working capital	**(25,697)**	**3,525**	**(7,414)**	**3,100**
Income taxes paid	(742)		(5,880)	
Cash flow generated /(absorbed) from operating activities	**(57,699)**	**3,525**	**(26,227)**	**3,100**
Investments in fixed assets:				
- intangible assets (*)	(10,380)		(15,749)	
- tangible assets and property	(4,218)		(7,728)	
Divestments from fixed assets:				
- tangible assets			2	
Dividends received				
Cash flow generated /(absorbed) from investing activities	**(14,598)**		**(23,475)**	
Change in gross financial debt:				
- increase/(decrease) of short & medium-term debt	(261,834)		288,283	
Changes in other financial assets/liabilities	(851)		(1,032)	
Dividends distributed	(2)		(1)	
Interest and commissions paid	(13,210)		(12,944)	
Interest received	153		36	
Cash flow generated /(absorbed) from financing activities	**(275,744)**		**274,342**	
Increase/(decrease) in cash and cash equivalents	**(348,041)**	**3,525**	**224,640**	**3,100**
Opening cash and cash equivalents	588,313		87,521	
Closing cash and cash equivalents	240,272		312,161	
Cash and cash equivalents at period-end reported in financial statements	240,272		312,161	

(*) The investments in intangible assets are net of the utilisation of the restoration provision, which in H1 2021 amounted to Euro 3,950 thousand (Euro 5,606 thousand in H1 2020).

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(Euro thousands)	Share capital	Legal reserve	Retained losses L.178 December 30, 2020	Other reserves and retained earnings	Actuarial gains/ (losses) reserve	Derivative contracts hedge accounting reserve	Net result	Consolidated shareholders' equity	Minority interest capital & reserves	Group & Minority int. share. equity
Balance at December 31, 2019	**27,500**	**5,500**		**206,698**	**(3,264)**	**(2,260)**	**124,419**	**358,593**	**27**	**358,620**
Transactions with shareholders										
Allocation of 2019 net profit				124,419			(124,419)	0		0
Other movements										
Other comprehensive income statement items result					(156)	1,347		1,191		1,191
Net result							(128,576)	(128,576)	1	(128,575)
Balance at December 31, 2020	**27,500**	**5,500**		**331,117**	**(3,420)**	**(913)**	**(128,576)**	**231,208**	**28**	**231,236**
Transactions with shareholders										
Allocation of 2020 net result			(128,576)				128,576	0		0
Other movements										
Other comprehensive income statement items result					476	641		1,117		1,117
Net result							(73,960)	(73,960)	1	(73,959)
Balance at June 30, 2021	**27,500**	**5,500**	**(128,576)**	**331,117**	**(2,944)**	**(272)**	**(73,960)**	**158,365**	**29**	**158,394**

NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

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

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

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

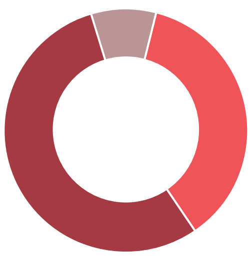
The Group holds at June 30, 2021 the following investments in associates and measured under the equity method: (i) Dufrital (held 40%) which undertakes commercial activities at other Italian airports, including Bergamo, Florence, Genoa and Verona; (ii) Malpensa Logistica Europa (held 25%) which undertakes integrated logistic activities; (iii) SEA Services (held 40%) which operates in the catering sector for the Milan airports; (iv) Disma (held 18.75%) which manages a plant for the storage and distribution of aviation fuel at Milan Malpensa Airport; (v) SACBO (held 30.98%) which manages the airport of Bergamo, Orio al Serio, and (vi) Airport Handling SpA (held 30%), which provides passenger, cargo and aircraft and crew support services to all airlines.

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

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

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

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



54.81% **Municipality of Milan**

8.62% **F2i Sgr SpA**

36.39% **2i Aeroporti SpA**

0.18% **Other**

(*) Holder of Class A shares

(**) On behalf of F2i - second Italian Fund for infrastructure

2. COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS

The present condensed Consolidated half-year financial statements were prepared in accordance with the IFRS in force, issued by the International Accounting Standards Board and approved by the European Union. Account was also taken of the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously the Standing Interpretations Committee ("SIC"). In particular, the present condensed consolidated half-year financial statements were prepared in accordance with IAS 34 Interim Financial Reporting; in accordance with paragraphs 15 and 16 of the standard, these condensed consolidated half-year financial statements therefore do not include all the information published in the annual report and must be read together with the consolidated financial statements at December 31, 2020, with particular reference to the analysis of the individual accounts, with the disclosure in the present Half-Year Report, as per IAS 34, and the explanations for the changes to the comparative accounts. In the preparation of the condensed consolidated financial statements at June 30, 2021, the same accounting principles were adopted as in the preparation of the Consolidated Financial Statements at December 31, 2020, updated as indicated below to take account of those issued recently.

The preparation of the condensed consolidated half-year financial statements and the relative notes in application of IFRS require that the Directors make estimates and assumptions on the values of revenues, costs, assets and liabilities in the half-year report and on the disclosures relating to the assets and contingent liabilities at June 30, 2021. If in the future, these estimates and assumptions, which are based on the best valuations made by the Directors, should be different from the actual results recorded, they will be modified appropriately in the period in which the circumstances occur. The estimates and assumptions are reviewed periodically and the effects of all variations are immediately recognised in the income statement.

It should also be noted that Law 178 of December 30, 2020, "Government budget for fiscal year 2021 and spending plan for 2021-2023", paragraphs 714-720, which to mitigate the economic effects of the COVID-19 epidemic emergency on the entire airport sector, established a fund with assets of Euro 500 million, intended to provide compensation, with the limit of Euro 450 million, for the damages suffered by airport operators possessing the prescribed valid certificate issued by ENAC. With Decree-Law No. 73 of May 25, 2021, paragraph 2, the fund was increased by Euro 300 million, of which 285 million allocated to airport operators, bringing the portion of the fund allocated to compensate the losses suffered by management companies to Euro 735 million.

On July 26, 2021 the European Commission issued a press release announcing that it had approved the above aid scheme pursuant to Article 107 2b of the TFEU.

The SEA Group has not recognised this "operating grant" in the 2020 or 2021 half-year income statements as the Ministerial Decree has not yet been issued.

Impairments

At each balance sheet 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 indicators 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 present 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.

Impairment test

It should also be noted that some valuation processes, in particular the most complex, such as the determination of any impairment of non-current assets, are generally made on a complete basis on the preparation of the annual accounts, when all the necessary information is available, except where - as occurred in the first half of 2021 - there are specific impairment indicators which require an immediate assessment of any impairment.

The trigger events that required the carrying out of an impairment test at June 30, 2021 were the following:

- a reduction in passenger traffic caused by restrictions on movement imposed by national governments to limit the spread of the pandemic;
- structural reduction in the business travel segment caused by alternative working methods (e.g. web meetings) which are predicted to become the "new normal";
- resizing of carriers due to out-of-use aircraft and/or delays/cancellations of new aircraft orders;
- network rationalisation following reductions in the number of carrier operating bases;
- organic resizing through lay-off/flexible working schemes;
- financial difficulties at many airlines;
- collapse of companies that were in difficulty before the COVID crisis;
- general financial tension among non-aviation customers.

The impairment test, approved by the Board of Directors on July 30, 2021, was carried out based on the 2021-2025 Business Plan, approved by the Board of Directors on January 19, 2021, and includes updated 2021-2022 forecasts for financial sustainability analysis (presented by the Board of Directors on May 11, 2021). From this basis, medium and long-term financial forecasts on traffic were made through 2043, the year of expiration of the concession as extended by Legislative Decree No. 34 of May 19, 2020 (the "Relaunch Decree").

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

- the generation of cash flows by the two airports is mainly based on the collection of aviation fees, including passenger fees set at airport "system" level and considering consolidated costs and investments;
- the new ART tariff models allow the operator to break down tariffs by product/terminal, with the only restriction being the maintenance of a correlation to airport system level costs;
- Linate and Malpensa represent from an industrial point two products with separate pricing and market positioning, although jointly constitute the SEA offer;
- SEA over the years has found a close link from an industrial viewpoint between the development of traffic at the two airports. This link also emerged in conjunction with the "bridge" with the closure of Linate for three months in 2019 and, in 2020, with the flexible use of the terminal by SEA and by the airlines.

The value in use of the CGU was calculated through discounting future cash flows at June 30, 2021. For the discounting of cash flows, the nominal post-tax WACC of 6.76% was used, in line with the estimated future unlevered free cash flows. This value in use was thereafter compared with the total value at June 30, 2021, of tangible and intangible assets, rights-of-use and property investments.

The value in use of the CGU was greater than net invested capital, so the impairment test did not indicate any impairment. In support of this result, a sensitivity analysis was carried out which indicated that the value in use of the assets was in excess of their carrying amount, even considering a scenario of lower traffic than in the intermediate scenario. Under both traffic scenarios, we also verified that the value in use of the CGU was greater than the carrying amount in the event of significant increases in the discount rate.

Impairment tests were also conducted on the investments in associates, which, given the type of activities conducted at the airports, have been impacted by the described market dynamics in the same manner as the SEA Group. The equity investments subjected to this impairment testing were Sacbo, Dufrital, SEA Services, and Airport Handling. The results of the impairment tests on these investments were approved by the Board of Directors on July 30, 2021.

The investment in Malpensa Logistica Europa was not subject to impairment testing because the verification conducted did not point to any indicators of impairment, given that the Company is engaged in the ground handling cargo and logistics segments, which proved to be more resilient through the crisis, and that the positive performances continued in 2021.

The investment in Disma was not subject to impairment testing because the verification conducted did not point to any indicators of impairment, given that the subconcession concluding at the end of 2020, was extended until 2023 and that the negative performance will be offset by the significant intrinsic value of the assets, which will be transferred free of charge to SEA at the end of the subconcession.

In order to determine the value in use of the equity investments, the most recently approved financial statements, the financial forecasts provided by the companies, where available, and the main drivers of operations based on the SEA Group's 2021-2043 Forecasts were taken into account. Based on this information, financial forecasts were made for each company involved in the impairment test.

The value in use of each associated company tested was determined using the unlevered discounted cash flows (DCFs) method, with the related discount rates in line with test flows and compared against their carrying value. In order to corroborate the results of the main method described above, an analysis of market multiples was also conducted, and this confirmed the results.

The impairment tests were carried out on these investees, indicating no impairment at June 30, 2021.

Considering that the recoverable value of the net invested capital by the SEA Group CGU and the carrying value of the investments was calculated on the basis of estimates, the SEA Group does not guarantee the non-emergence of a loss in future periods. Given the current market crisis, in fact, various factors used to draw up the estimates may be revised amid conditions not in line with forecasts.

In light of the results of these impairment tests at June 30, 2021, it has not been necessary to recognise impairment losses on property, plant and equipment, on intangible assets, on rights-of-use, on investment property, or on investments in associates.

2.1 Recently issued accounting standards

IFRS accounting standards, amendments and interpretations applied by the Group from January 1, 2021

- On May 28, 2020, the IASB published an amendment called **"Covid-19 Related Rent Concessions (Amendment to IFRS 16)".** The document establishes for lessees the option to account for the reductions in rents connected with COVID-19 without having to assess, through the analysis of contracts, whether the definition of lease modification of IFRS 16 has been complied with. Therefore, lessees applying this option will be able to account for the effects of rent reductions directly in the income statement on the effective date of the reduction.
- On May 28, 2020, the IASB published an amendment called "Extension of the Temporary Exemption from Applying IFRS 9 **(Amendments to IFRS 4)**". The amendments allow the temporary exemption from the application IFRS 9 to be extended until January 1, 2023 for insurance companies.
- On August 27, 2020, the IASB published, in light of the reform on interbank interest rates such as IBOR, the document **"Interest Rate Benchmark Reform-Phase 2"** which contains amendments to the following standards: IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16.

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

IFRS and IFRIC accounting standards, amendments and interpretations approved by the EU, not yet mandatory and not adopted in advance by the Group at June 30, 2021

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

On May 14, 2020, the IASB published the following amendments:

- **Amendments to IFRS 3 Business Combinations:** the purpose of the amendments is to update the reference in IFRS 3 to the revised version of the Conceptual Framework, without changing the provisions of the standard.
- **Amendments to IAS 16 Property, Plant and Equipment:** the purpose of the amendments is not to allow the amount received from the sale of goods produced during the testing phase of the asset to be deducted from the cost of the asset. These sales revenues and related costs will therefore be recognised to the statement of profit or loss.
- **Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets:** the amendment clarifies that in estimating the possible onerousness of a contract, all costs directly attributable to the contract must be considered. Accordingly, the assessment of whether a contract is onerous includes not only incremental costs (such as the cost of direct material used in processing), but also all costs that the enterprise cannot avoid because it has entered into the contract (such as, for example, the share of depreciation of machinery used to perform the contract).
- **Annual Improvements 2018-2020:** the amendments were made to IFRS 1 First-time Adoption of

International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples of IFRS 16 Leases.

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

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

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

- On May 18, 2017, the IASB published **IFRS 17 - Insurance Contracts** which replaces IFRS 4 - Insurance Contracts.
- On January 23, 2020, the IASB published an amendment entitled "**Amendments to IAS 1** Presentation of Financial Statements: Classification of Liabilities as Current or Non-current". The purpose of the document is to clarify how to classify payables and other short or long-term liabilities.
- On February 12, 2021, the IASB published two amendments entitled "**Disclosure of Accounting Policies**-Amendments to IAS 1 and IFRS Practice Statement 2" e "Definition of Accounting Estimates-Amendments to IAS 8". The amendments are designed to improve accounting policy disclosure.
- On May 7, 2021, the IASB published an amendment called **"Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction".** The document clarifies how deferred taxes should be accounted for on certain transactions that can generate assets and liabilities of equal amounts, such as leases and decommissioning obligations.

2.2 Financial Statements

These Condensed Consolidated Half-Year Financial Statements, as part of the Half-Year Report, include the Consolidated Statement of Financial position at June 30, 2021 and at December 31, 2020, the Comprehensive Consolidated Income Statement, the Consolidated Cash Flow Statement at June 30, 2021 and June 30, 2020, the change in Consolidated Shareholders' Equity at June 30, 2021 and December 31, 2020 and the relative Explanatory Notes.

In relation to the presentation method of the Financial Statements "the current/non-current" criterion was adopted for the statement of financial position while the classification by nature was utilised for the income statement and comprehensive income statement and the indirect method for the cash flow statement.

The condensed consolidated half-year financial statements were prepared in accordance with the historical cost convention, except for the measurement of financial assets and liabilities, including derivative instruments, where the obligatory application of IFRS 9 is required.

The condensed consolidated half-year financial statements were prepared in accordance with the going concern concept, as the Company verified the non-existence of financial, operational or other indicators which could indicate difficulties in the capacity of the Group to meet its obligations in the foreseeable future and in particular in the next 12 months.

The Half-Year Report at June 30, 2021 was prepared in thousands of Euro, as were the tables reported in the Explanatory Notes.

The Half-Year Report at June 30, 2021 was subject to limited audit by the Independent Audit Firm Deloitte & Touche S.p.A., the Auditor of the Company and of the Group and approved by the Board of Directors of the Parent company SEA S.p.A. on August 4, 2021.

2.3 Consolidation scope and changes in the year

The registered office and the share capital of the companies included in the consolidation scope at June 30, 2021 under the full consolidation method and equity method are reported below:

Company	Registered office	Share capital at 30/06/2021 (Euro)	Share capital at 31/12/2020 (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
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

The companies included in the consolidation scope at June 30, 2021 and the respective consolidation methods are reported below:

Company	Consolidation Method at 31/12/2020	Group % holding at 30/06/2021	Group % holding at 31/12/2020
SEA Energia S.p.A.	Line-by-line	100%	100%
SEA Prime S.p.A.	Line-by-line	99.91%	99.91%
Dufrital S.p.A.	Net Equity	40%	40%
SACBO S.p.A.	Net Equity	30.979%	30.979%
SEA Services S.r.l.	Net Equity	40%	40%
Malpensa Logistica Europa S.p.A.	Net Equity	25%	25%
Disma S.p.A.	Net Equity	18.75%	18.75%
Airport Handling S.p.A.	Net Equity	30%	30%

3. ACCOUNTING POLICIES AND CONSOLIDATION METHODS

The recognition and measurement policies applied in preparing the Half-Year Financial Report at June 30, 2021 were unchanged with respect to those applied in the 2020 Annual Financial Report, to which reference should be made.

4. RISK MANAGEMENT

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

4.1 Credit risk

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

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

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

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

In 2020, in response to the COVID-19 epidemic, financial terms and conditions with a large part of the commercial operators were altered, which resulted in a sharp reduction in fixed fees that has also affected the current year, whereas the amounts of guarantees that had already been issued in previous years has remained essentially unchanged. This confirms the high ratio of trade receivables to guarantees/security deposits.

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

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

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

Trade receivables

(Euro thousands)	June 30, 2021	December 31, 2020
Trade receivables - customers	179,528	155,175
- of which overdue	140,089	125,648
Doubtful debt provision - customers	(121,959)	(110,147)
Trade receivables - associates	7,120	6,563
Doubtful debt provision - associates	(166)	(191)
Total net trade receivables	**64,523**	**51,400**

The aging of the overdue receivables is as follows:

Trade receivables

(Euro thousands)	June 30, 2021	December 31, 2020
Less than 180 days	22,868	25,050
More than 180 days	117,221	100,598
Total trade receivables overdue	**140,089**	**125,648**

The increase in overdue receivables at the end of June 2021 is primarily generated by the worsening of trade receivables relating to the Alitalia Group, a company under special administration that operates as a going concern, and the lengthening of payment times linked to the crisis in the airport sector caused by the Coronavirus pandemic, the effects of which will continue into 2021.

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

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

4.2 Market risks

The market risk to which the SEA Group is exposed comprises all types of risks directly and indirectly related to market prices. In H1 2021, 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 exposes the SEA Group to a risk originating from the volatility of the interest rates (cash flow risk). Relating to this risk, for the purposes of the relative hedging, the SEA Group makes recourse to derivative contracts, which converts the variable rate to a fixed rate or limits the fluctuations in variable rates over a range, in this manner reducing the risk originating from the volatility of the rates. We highlight that these derivative contracts, underwritten exclusively for the purposes of hedging market rate volatility, are recorded through the cash flow hedge method.

At June 30, 2021, the gross financial debt of the SEA Group was comprised of medium/long-term loans (medium/long term portions of loans) and short-term loans (entirely comprising the medium/long-term portion of loans maturing within 12 months). At this date, the SEA Group did not make recourse to short-term debt.

The medium/long term debt at June 30, 2021 is reported in the following table, which shows each loan at the nominal value (which includes a spread of between 0.20% and 2.50%, not considering the hedging operations and any accessory guarantees).

Medium/long term loans

	June 30, 2021			December 31, 2020		
(Euro thousands)	Maturity	Amount	Average rate	Maturity	Amount	Average rate
Bonds	**2025**	**300,000**	**3.500%**	**from 2021 to 2025**	**600,000**	**3.313%**
Bank loans - EIB funding	**from 2023 to 2037**	**185,475**	**0.80%**	**from 2023 to 2037**	**197,308**	**0.86%**
o/w at Fixed Rate		*27,358*	*3.91%*		*31,017*	*3.91%*
o/w at Variable Rate (*)		*158,117*	*0.26%*		*166,291*	*0.29%*
Other bank loans	**from 2022 to 2024**	**450,000**	**0.39%**	**from 2022 to 2023**	**400,000**	**0.39%**
o/w at Fixed Rate						
o/w at Variable Rate		*450,000*	*0.39%*		*400,000*	*0.39%*
Medium/long-term gross financial debt		**935,475**	**1.47%**		**1,197,308**	**1.93%**

(*) Includes: (i) variable rate tranche subject to interest rate hedge (ca. 27% at 30.06.2021 & 28% at 31.12.2020);
(ii) Euro 72 million of EIB loans with specific bank guarantee

The total value of medium/long-term loans at June 30, 2021 is Euro 935,475 thousand, a reduction of Euro 261,833 thousand compared to December 31, 2020. This value was affected by (i) the repayment of the SEA 3.125 Bond in April 2021, (ii) the continuation of the repayment process of the loans on EIB funding in place, and (iii) the disbursement at the end of June 2021 of the new MB Term Loan, which enabled the repayment of an equal portion of the 2020 Term Loans at the beginning of July. The average cost of medium/long-term debt fell in June 2021, benefiting from the repayment of the 3.125 Bond and favourable cost conditions of the new MB Term Loan, reaching 1.47% at the end of June 2021, down 46bps compared to the end of December 2020. Considering the hedging transactions against the interest rate risk and the cost of bank guarantees on EIB loans, the average cost of debt is 1.72%, down 47 bps on December 2020.

At June 30, 2021, the Group has the following bond issue with a total nominal value of Euro 300 million.

Description	Issuer	Listing market	ISIN Code	Terms (years)	Maturity	Par value (in million of Euro)	Coupon	Annual rate
SEASPA 3 1/2 10/09/25	SEA S.p.A.	Irish Stock Exchange	XS2238279181	5	10/09/25	300	Fixed annual	3.50%

The fair value of the overall bank and bond medium/long-term Group debt at June 30, 2021 amounts to Euro 917,911 thousand (reduction on Euro 1,232,458 thousand at December 31, 2020). This value was calculated as follows:

- for the loans at fixed interest rates, the capital portion and interest were discounted utilising the spot rates for each contractual maturity, extrapolated from the market rates;
- for the bond listed on a regulated market, reference was made to the market value at June 30, 2021;
- for the loans at variable interest rates, the interest portion was calculated utilising the estimate of the expected rates at the end of each contractual maturity, increased by the spread defined contractually. The interest portion defined as outlined above and the capital on maturity was discounted utilising the spot rate for each contractual maturity, extrapolated from the market rate.

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

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

Interest rate hedges (€/000)

	Notional at signing date	Residual Notional at 30/06/2021	Date of signing	Start	Maturity	Fair value at 30/06/2021	Fair value at 31/12/2020
IRS	10,000	6,129	05/18/2011	09/15/2012	09/15/2021	(127.8)	(258.4)
	5,000	3,065	05/18/2011	09/15/2012	09/15/2021	(63.9)	(129.2)
	15,000	7,759	05/18/2011	09/15/2012	09/15/2021	(161.2)	(328.1)
	10,000	4,286	6/6/2011	09/15/2012	09/15/2021	(86.4)	(177.3)
	11,000	4,552	6/6/2011	09/15/2012	09/15/2021	(91.7)	(188.0)
	12,000	4,552	6/6/2011	09/15/2012	09/15/2021	(91.4)	(188.2)
	12,000	4,552	6/6/2011	09/15/2012	09/15/2021	(91.4)	(188.2)
Collar	10,000	4,286	6/6/2011	09/15/2011	09/15/2021	(71.2)	(145.8)
	11,000	4,172	6/6/2011	09/15/2011	09/15/2021	(68.7)	(141.1)
Total	**96,000**	**43,351**				**(853.8)**	**(1,744.3)**

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

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

The fair value of the derivative financial instruments at June 30, 2021 and December 31, 2020 was determined in accordance with IFRS 9 and IFRS 13.

b) Currency risk

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

c) Commodity risk

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

In H1 2021, the SEA Group did not undertake any hedging of this risk, bearing in mind that in 2020 a number of environmental certificates were acquired to partially cover future needs, thereby limiting the effects of future fluctuations in price.

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 liquidity and has obtained committed credit lines (revolving and non), which cover the financial commit-

ments of the Group deriving from the investment plans, the operating requirements (also following the COVID-19 emergency) and the contractual debt repayments;

- monitors the liquidity position, in relation to the business planning, in order to guarantee sufficient coverage for the SEA Group's requirements.

At June 30, 2021, the SEA Group still has access to significant financial resources, despite the ongoing effects of the COVID-19 crisis on its financial performance and relative cash flows, thanks to the process to strengthen the financial structure carried out in 2020:

1. liquidity of Euro 240 million, based on robust cash at the end of 2020 (Euro 588 million), partly used to repay the Euro 300 million Bond in April 2021. This value includes the disbursement in June 2021 of the MB Term Loan for Euro 50 million, which enabled the repayment of an equal portion of the 2020 Term Loans at the beginning of July;
2. irrevocable unutilised credit lines of Euro 390 million, of which Euro 260 million concerning the available revolving lines maturing between the end of 2023 and the beginning of 2024 and Euro 130 million concerning lines on EIB funds (of which Euro 60 million disbursed in early July), utilisable by February 2023 and also with twenty-year duration;
3. Euro 138 million of uncommitted credit lines available for immediate cash requirements.

This liquidity allows the Group to guarantee current operational needs and future financial needs.

In response to the COVID-19 emergency, SEA requested and obtained a covenant holiday on outstanding loans and committed lines of credit available at the beginning of 2020 from the lending banks for the test dates until June 30, 2021 inclusive. For the new term loans stipulated and disbursed in 2020, 25% include covenant holidays for the same period, while, for the remainder, the first test date is set for June 30, 2021, for covenants that have been set based on scenarios that already take account of the impact of the COVID-19 pandemic. This covenant had been complied with at June 30, 2021.

As the COVID-19 crisis continued, the SEA Group began the process to obtain an extension to the "covenant holiday" on the available outstanding loans and committed credit lines until the testing date of June 30, 2022 inclusive, for which confirmation from the lending banks is awaited.

Trade payables are guaranteed by the SEA Group through careful working capital management which largely concerns trade receivables and the relative contractual conditions established, in addition to the possibility of indirect factoring transactions which do not change the payment conditions contractually agreed between the parties, although better balancing outflows and requirements. The tables below illustrate for the SEA Group the breakdown and maturity of the financial debt (capital, medium/long-term interest, financial charges on derivative instruments and leasing) and trade payables at June 30, 2021 and December 31, 2020:

Liabilities at June 30, 2021

(in Euro millions)	< 1 year	> 1 year < 3 years	> 3 years < 5 years	> 5 years	Total
Gross financial debt	353.0	208.2	363.2	81.1	1,005.6
Lease liabilities (Financial Payables)	1.9	2.8	2.5	4.8	12.1
Trade payables	109.6				109.6
Total payables	**464.5**	**211.0**	**365.7**	**86.0**	**1,127.3**

Liabilities at December 31, 2020

(in Euro millions)	< 1 year	> 1 year < 3 years	> 3 years < 5 years	> 5 years	Total
Gross financial debt	356.3	468.1	364.8	88.8	1,278.0
Lease liabilities (Financial Payables)	1.6	2.6	1.7	3.5	9.4
Trade payables	110.5				110.5
Total payables	**468.4**	**470.7**	**366.5**	**92.3**	**1,397.9**

At June 30, 2021, loans due within one year relate mainly to 2020 Term Loans due by June 2022, of which Euro 50 million refinanced with the MB Term Loan and repaid in early July, the capital portion falling due on some of the EIB loans and interest due on the total debt. The financial resources available ensure coverage of the SEA Group's financial debt maturities, also ensuring coverage of the medium/long-term requirements.

4.4 Sensitivity

In consideration of the fact that for the SEA Group the currency risk is almost non-existent, the sensitivity analysis refers to balance sheet 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) Assumption: the effect was analysed on the SEA Group Income Statement for H1 2021 and H1 2020 of a change in market rates of +50 or -50 basis points.

b) Calculation method:

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

The results of the sensitivity analysis are reported below:

	June 30, 2021		June 30, 2020	
(Euro thousands)	**-50 bp**	**+50 bp**	**-50 bp**	**+50 bp**
Current accounts (interest income) [1]	-761.55	2,068.62	-36.38	364.53
Loans (interest charges) [2]	123.76	-1,530.55	239.53	-399.69
Derivative hedging instruments (flows) [3]	-64.42	64.42	-73.69	73.69
Derivative hedging instruments (fair value) [4]	-0.90	0.94	-236.52	233.54

[1] + = higher interest charges; - = lower interest charges

[2] + = lower interest charges; - = higher interest charges

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

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

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

5. CLASSIFICATION OF THE FINANCIAL INSTRUMENTS

The following tables provide a breakdown of the financial assets and liabilities by category at June 30, 2021 and at December 31, 2020 of the Group.

	June 30, 2021				
(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	1				1
Other non-current receivables		213			213
Trade receivables		64,523			64,523
Tax receivables		1,276			1,276
Other current receivables		8,581			8,581
Cash and cash equivalents		240,272			240,272
Total	**1**	**314,865**	**0**	**0**	**314,866**
Non-current financial liabilities exc. leasing				588,864	588,864
-of which payables to bondholders				*298,552*	*298,552*
Non-current financial payables for leasing				10,178	10,178
Other non-current payables				85,736	85,736
Trade payables				109,625	109,625
Tax payables				9,297	9,297
Other current payables				156,481	156,481
Current financial liabilities excl. leasing			854	352,285	353,139
-of which payables to bondholders					-
Current financial liabilities for leasing				1,908	1,908
Total	**0**	**0**	**854**	**1,314,374**	**1,315,228**

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

(Euro thousands)	December 31, 2020 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	1				1
Other non-current receivables		214			214
Trade receivables		51,400			51,400
Tax receivables		1,936			1,936
Other current receivables		7,654			7,654
Cash and cash equivalents		588,313			588,313
Total	**1**	**649,517**	**0**	**0**	**649,518**
Non-current financial liabilities exc. leasing				863,339	863,339
-of which payables to bondholders				*298,490*	*298,490*
Non-current financial payables for leasing				7,763	7,763
Other non-current payables				87,808	87,808
Trade payables				110,465	110,465
Tax payables				8,351	8,351
Other current payables				154,402	154,402
Current financial liabilities excl. leasing			1,744	340,587	342,331
-of which payables to bondholders				*299,856*	*299,856*
Current financial liabilities for leasing				1,606	1,606
Total	**0**	**0**	**1,744**	**1,574,321**	**1,576,065**

6. DISCLOSURE ON FAIR VALUE

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

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

The following table shows the Group assets and liabilities measured at fair value at June 30, 2021 and at December 31, 2020:

	June 30, 2021		
(Euro thousands)	Level 1	Level 2	Level 3
Other investments			1
Derivative financial instruments		854	
Total		**854**	**1**

	December 31, 2020		
(Euro thousands)	Level 1	Level 2	Level 3
Other investments			1
Derivative financial instruments		1,744	
Total		**1,744**	**1**

7. DISCLOSURE BY OPERATING SEGMENT

The SEA Group's main activity is airport management. Passenger traffic is therefore the main driver of company results. The SEA Group has identified three operating segments, as further described in the Directors' Report and specifically: *(i) Commercial Aviation, (ii) General Aviation, (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, mainly under license to third parties, of commercial services for passengers, operators and visitors to the Airports, in addition to the real estate segment. The revenues from this area consist of the market fees for activities directly carried out by the Group and from activities carried out by third parties under license and of royalties based on a percentage of revenues generated by the licensee, usually with the provision of a guaranteed minimum.

General Aviation: 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 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 June 30, 2021

(Euro thousands)	Commercial Aviation	General Aviation	Energy	IC Eliminations	Consolidated Financial Statements
Revenues	101,959	7,047	20,921	(17,639)	112,288
of which Intercompany	(3,795)	(1,669)	(12,175)	17,639	
Total operating revenues (third parties)	**98,164**	**5,378**	**8,746**	**0**	**112,288**
EBITDA	**(27,867)**	**3,574**	**786**		**(23,507)**
EBIT	**(82,417)**	**2,606**	**629**		**(79,182)**
Investment income/(charges)					(4,654)
Financial charges					(12,445)
Financial income					159
Pre-tax result					**(96,122)**
Fixed asset investments	**13,030**	**384**	**1,703**		**15,117**
Tangible assets	2,144	375	1,701		4,220
Intangible assets	10,886	9	2		10,897

Segment disclosure: Income statement at June 30, 2020 & balance sheet at December 31, 2020

(Euro thousands)	Commercial Aviation	General Aviation	Energy	IC Eliminations	Consolidated Financial Statements
Revenues	133,427	5,344	18,902	(16,578)	141,095
of which Intercompany	(2,691)	(1,035)	(12,852)	16,578	
Total operating revenues (third parties)	**130,736**	**4,309**	**6,050**	**0**	**141,095**
EBITDA	**(3,502)**	**2,589**	**(1,112)**		**(2,025)**
EBIT	**(52,961)**	**1,468**	**(1,304)**		**(52,797)**
Investment income/(charges)					(5,764)
Financial charges					(8,671)
Financial income					41
Pre-tax result					**(67,191)**
Fixed asset investments	**39,158**	**642**	**6,661**		**46,461**
Tangible assets	10,825	642	6,538		18,005
Intangible assets	28,333		123		28,456

8. NOTES TO THE STATEMENT OF FINANCIAL POSITION

8.1 Intangible assets

The following table summarises the movements in intangible assets between December 31, 2020 and June 30, 2021.

Intangible assets

(Euro thousands)	December 31, 2020	Increases in the year	Reclassifications /transfers	Destruct. /sales	Amortisation /write-downs	June 30, 2021
Gross value						
Rights on assets under concession	1,578,076	1,226	22,251			1,601,553
Rights on assets under concess. in prog. & advances	43,096	9,052	(22,066)			30,082
Patents and right to use intellectual property & others	97,968		506		(42)	98,432
Assets in progress and advances	1,456	619	(515)			1,560
Other	18,410		9		(79)	18,340
Total Gross Value	**1,739,006**	**10,897**	**185**	**0**	**(121)**	**1,749,967**
Accumulated amortisation						
Rights on assets under concession	(669,719)		3		(20,684)	(690,400)
Rights on assets under concess. in prog. & advances						
Patents and right to use intellectual property & others	(85,192)				(3,754)	(88,946)
Assets in progress and advances						
Other	(15,328)					(15,328)
Total accumulated amortisation	**(770,239)**	**0**	**3**	**0**	**(24,438)**	**(794,674)**
Net value						
Rights on assets under concession	908,357	1,226	22,254		(20,684)	911,153
Rights on assets under concess. in prog. & advances	43,096	9,052	(22,066)			30,082
Patents and right to use intellectual property & others	12,776		506		(3,796)	9,486
Assets in progress and advances	1,456	619	(515)			1,560
Other	3,082		9		(79)	3,012
Total net value	**968,767**	**10,897**	**188**	**0**	**(24,559)**	**955,293**

As per IFRIC 12, rights on assets under concession amount to Euro 911,153 thousand at June 30, 2021 and Euro 908,357 thousand at December 31, 2020. These rights are amortised on a straight-line basis over the duration of the concession from the State, as they will be returned to the grantor at the end of the concession. Amortisation in the first six months of 2021 amounted to Euro 20,684 thousand.

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

It should be noted that, with the conversion into law of Legislative Decree No. 34 of May 19, 2020 ("Relaunch Decree"), Law No. 77 of July 17, 2020, published in Official Gazette No. 180 of July 18, 2020, S.O. No. 25, the extension of the existing airport concessions for a further two years was approved, according to that reported in Article 202, par. 1-*bis*. Consequently, the Company recalculated the amortisation according to the new expiry of the 2001 Agreement, extended until May 4, 2043, in contrast to the calculation made in H1 2020.

In H1 2021, the SEA Group continued its commitment to the infrastructural development of the Malpensa and Linate airports. This development, in view of the contingent COVID-19 emergency, led to the postponement of a number of initiatives in the commercial area and of certain activities not strictly necessary considering current passenger traffic levels.

The most significant work at Malpensa airport was carried out on Terminal 1, with entry into service of the self-service bag drop system at island ten and adaptation of the BHS system to ECAC standard 3 for security checks on checked baggage.

As regards Terminal 2, investment initiatives directly related to passenger traffic will be completed when traffic levels allow it to reopen.

The main work carried out at Linate airport regarded the completion of the terminal ("Body F"), which saw the completion of upgrades to some civil works and earthquake protection, the construction of new commercial and food & beverage areas and new state-of-the-art x-ray equipment in the carry-on baggage control area.

In addition, work was completed to upgrade the terminal's check-in areas and build new vertical links for the arrival of the M4 metro line, which saw the creation of a self-bag-drop area.

The reclassifications to assets under concession principally related to the entry into service of civil works for the extension and restyling at Terminal 1 and the work carried out at Linate airport.

The intellectual property rights, with a net residual value of Euro 9,486 thousand at June 30, 2021, principally relate to company software licenses concerning both airport and operational management and to the purchase of software components. Amortisation amounted to Euro 3,796 thousand.

8.2 Property, plant and equipment

The following table summarises the movements in property, plant and equipment between December 31, 2020 and June 30, 2021.

Property, plant and equipment

(Euro thousands)	December 31, 2020	Increases in the year	Reclassifications/ transfers	Destruct./ sales	Depreciation /write-downs	June 30, 2021
Gross value						
Property	235,542		6,684			242,226
Plant and machinery	106,196		12,755			118,951
Industrial and commercial equipment	46,572	27				46,599
Other assets	90,865	740	127			91,732
Assets in progress and advances	28,369	3,453	(19,751)			12,071
Total Gross Value	**507,543**	**4,220**	**(185)**	**0**	**0**	**511,578**
Accumulated depreciation & write-downs						
Property	(114,647)		(3)		(3,241)	(117,891)
Plant and machinery	(68,056)				(1,482)	(69,538)
Industrial and commercial equipment	(44,025)				(999)	(45,024)
Other assets	(68,225)				(3,611)	(71,836)
Assets in progress and advances						
Total accumulated depreciation & write-downs	**(294,953)**	**0**	**(3)**	**0**	**(9,333)**	**(304,289)**
Net value						
Property	120,895		6,681		(3,241)	124,335
Plant and machinery	38,140		12,755		(1,482)	49,413
Industrial and commercial equipment	2,547	27			(999)	1,575
Other assets	22,640	740	127		(3,611)	19,896
Assets in progress and advances	28,369	3,453	(19,751)			12,071
Total net value	**212,591**	**4,220**	**(188)**	**0**	**(9,333)**	**207,290**

The investments principally concerned the restyling of Malpensa Terminal 1 and of the Linate Terminal, the development and consolidation of the network infrastructure, and the new gas turbine at Malpensa.

8.3 Leased assets right-of-use

"Leased asset right-of-use" concern rights-of-use recognised as per IFRS 16.

As a lessee, the SEA Group identified the relevant issues, principally industrial equipment 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 asset rights-of-use at June 30, 2021 is Euro 13,103 thousand, with depreciation in the period of Euro 1,085 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 with similar characteristics.

The following table summarises the movements between December 31, 2020 and June 30, 2021.

Leased assets right-of-use

(Euro thousands)	December 31, 2020	Increases in the year	Destruct./sales	Depreciation /write-downs	June 30, 2021
Gross value					
Miscellaneous & minor equipment	3,188	36			3,224
Complex equipment	188				188
Transport vehicles	5,083	3,491	(56)		8,518
EDP	862				862
Land	4,377				4,377
Total Gross Value	**13,698**	**3,527**	**(56)**	**0**	**17,169**
Accumulated depreciation & write-downs					
Miscellaneous & minor equipment	(1,211)			(341)	(1,552)
Complex equipment	(108)			(27)	(135)
Transport vehicles	(820)		55	(440)	(1,205)
EDP	(313)			(78)	(391)
Land	(585)			(199)	(784)
Total accumulated depreciation & write-downs	**(3,037)**	**0**	**55**	**(1,085)**	**(4,067)**
Net value					
Miscellaneous & minor equipment	1,977	36		(341)	1,672
Complex equipment	80			(27)	53
Transport vehicles	4,263	3,491	(1)	(440)	7,313
EDP	549			(78)	471
Land	3,792			(199)	3,593
Total net value	**10,662**	**3,527**	**(1)**	**(1,085)**	**13,103**

8.4 Investment property

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

Investment property

(Euro thousands)	June 30, 2021	December 31, 2020
Gross value	4,134	4,134
Accumulated depreciation	(732)	(732)
Net total investment property	**3,402**	**3,402**

Movement Accumulated Depreciation

(Euro thousands)	June 30, 2021	December 31, 2020
Opening balance	(732)	(730)
Decreases/Reclassification		
Depreciation		(2)
Closing balance	**(732)**	**(732)**

In view of the results of the impairment test at June 30, 2021, described in Note 2, the non-financial assets were not written down.

8.5 Investments in associates

The change in the account “Investments in associates” from December 31, 2020 to June 30, 2021 is shown below:

Investments in associates

		Movements			
(Euro thousands)	December 31, 2020	Increases / (decreases)	Dividends distributed	Decreases for disposal	June 30, 2021
SACBO SpA	39,573	(3,230)			36,343
Dufrital SpA	11,100	(1,840)			9,260
Disma SpA	2,470	(19)			2,451
Malpensa Logistica Europa SpA	3,735	877			4,612
SEA Services Srl	617	116			733
Airport Handling SpA	8,632	(559)			8,073
Total	**66,127**	**(4,654)**	**0**	**0**	**61,474**

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 June 30, 2021 amounts to Euro 61,474 thousand (Euro 66,127 thousand at December 31, 2020).

See the results of the impairment tests described in Note 2 with regard to the value of the investments in associates.

8.6 Other investments

The list of “Other investments” is presented below:

	% Holding	
Company	**June 30, 2021**	**December 31, 2020**
Consorzio Milano Sistema in liquidation	10%	10%
Romairport Srl	0.227%	0.227%

The tables below report the changes in other investments:

Other investments

		Movements		
(Euro thousands)	December 31, 2020	Increases /revaluations	Decreases /write-downs	June 30, 2021
Consorzio Milano Sistema in liquidation	0			0
Romairport Srl	1			1
Total	**1**	**-**	**-**	**1**

8.7 Deferred tax assets

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

Deferred tax assets

(Euro thousands)	June 30, 2021	December 31, 2020
Total deferred tax assets	126,604	106,092
Total deferred tax liabilities	(10,162)	(12,357)
Total deferred tax assets, net of liabilities	**116,441**	**93,735**

The movement in net deferred tax assets in the first six months of 2021 was as follows:

(Euro thousands)	December 31, 2020	(Released) / allocated to P&L	(Released) / allocated to Equity	June 30, 2021
Total deferred tax assets	106,092	20,864	(353)	126,603
Total deferred tax liabilities	(12,357)	2,195		(10,162)
Total deferred tax assets, net of liabilities	**93,735**	**23,059**	**(353)**	**116,441**

The movement in deferred tax assets mainly regards the positive impact from the accrual of the deferred tax asset on the H1 2021 tax loss, which assumes that the current situation is temporary and that a reasonable certainty therefore exists of generating in future periods sufficient assessable income to allow for its gradual reabsorption.

8.8 Other non-current receivables

Other non-current receivables totalling Euro 48,650 thousand at June 30, 2021 (Euro 48,651 thousand at December 31, 2020) refer mainly to the asset relating to the indemnification right to which the company is entitled, associated with the takeover value and arising from Article 703 (paragraph 5), of the Navigation Code among non-current assets in accordance with IAS 8, paragraphs 10 and 11.

8.9 Inventories

The following table reports the breakdown of the account "Inventories":

Inventories

(Euro thousands)	June 30, 2021	December 31, 2020
Raw material, ancillary and consumables	3,196	3,291
Inventory obsolescence provision	(1,259)	(1,264)
Total Inventories	**1,937**	**2,027**

The account principally comprises consumable goods held for airport activities.

At June 30, 2021, no goods held in inventories comprised guarantees on loans or concerning other commitments.

The comparison of inventories with the realisable value or replacement necessitated an inventory obsolescence provision amounting to Euro 1,259 thousand at June 30, 2021 (Euro 1,264 thousand at December 31, 2020). The amounts are reported net of the relative provision.

8.10 Trade receivables

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

Trade receivables

(Euro thousands)	June 30, 2021	December 31, 2020
Trade receivables - customers	57,569	45,028
Trade receivables - associates	6,954	6,372
Total net trade receivables	**64,523**	**51,400**

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

The movement in "Trade receivables" was impacted by the COVID-19 outbreak and its consequences for the air transport sector, with the generation of a severe financial impact on the air transport chain. For an analysis of trade receivables in the first half of 2021, reference should be made to the Directors' Report.

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

The changes in the doubtful debt provision were as follows:

Doubtful debt provision

(Euro thousands)	June 30, 2021	December 31, 2020
Opening provision	(110,338)	(100,673)
(Increases)/releases	(12,430)	(10,295)
Utilisations	643	630
Total doubtful debt provision	**(122,125)**	**(110,338)**

The net accruals amount to Euro 12,430 thousand and were necessary principally due to developments regarding the collection of receivables and recovery plans agreed with customers. The accruals were made to take into account the risk assessed by the Group, which reflects the expected loss on each receivable, in accordance with IFRS 9.

8.11 Tax receivables and other current receivables

The following table provides the breakdown of other current receivables:

Tax receivables and other current receivables

(Euro thousands)	June 30, 2021	December 31, 2020
Tax receivables	1,276	1,936
Other current receivables	8,581	7,654
Total tax receivables and other current receivables	**9,857**	**9,590**

Tax receivables of Euro 1,276 thousand at June 30, 2021 refer to VAT receivables of Euro 122 thousand (Euro 132 thousand at December 31, 2020), current tax receivables of Euro 416 thousand (Euro 1,045 thousand at December 31, 2020) and other tax receivables of Euro 738 thousand (Euro 759 thousand at December 31, 2020).

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

Other current receivables

(Euro thousands)	June 30, 2021	December 31, 2020
Other receivables	5,731	4,220
Employee & soc. sec. receivables	1,536	544
Receivables from insurance companies	671	949
Miscellaneous receivables	315	169
White certificates receivables	281	
Post & tax stamps	47	50
CO_2 quota receivables		1,722
Total other current receivables	**8,581**	**7,654**

"Other current receivables" amount to Euro 8,581 thousand at June 30, 2021 (Euro 7,654 thousand at December 31, 2020) and comprise the accounts outlined below.

"Other receivables" of Euro 5,731 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 period of costs set to accrue in the following year.

Miscellaneous receivables amounting to Euro 315 thousand at June 30, 2021 mainly refer to receivables from payments by Telepass, credit card and POS which have not yet been credited in the bank account.

For SEA Energia's cogeneration production in the first half of 2021, 1,560 white certificates were accrued, for a total value of Euro 281 thousand (conservatively estimated).

Prepayments on purchases of CO_2 quotas fell to zero and refer to greenhouse gas emission rights quotas purchased in advance in 2020 and used in 2021.

8.12 Cash and cash equivalents

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

Cash and cash equivalents

(Euro thousands)	June 30, 2021	December 31, 2020
Bank and postal deposits	240,190	588,240
Cash in hand and similar	82	73
Total	**240,272**	**588,313**

Available liquidity at June 30, 2021 was down Euro 348,041 thousand on the previous year, primarily due to the repayment of the Euro 300 million bond in April 2021 and the unfavourable movement in cash flows. The latter was a result of the ongoing negative effects of the COVID-19 virus on the operating performance, which continued into H1 2021.

This value includes the disbursement in June 2021 of the MB Term Loan for Euro 50 million, which enabled the repayment of an equal portion of the 2020 Term Loans at the beginning of July.

Liquidity at June 30, 2021 comprises bank and postal deposits on demand for Euro 240,087 thousand (Euro 588,137 thousand at December 31, 2020), restricted bank deposits of Euro 103 thousand (in line with December 2020) and cash amounts for Euro 82 thousand (Euro 73 thousand at December 31, 2020). It should be noted that a significant portion of this liquidity is held in treasury current accounts that ensure adequate returns.

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

8.13 Share capital and reserves

At June 30, 2021, the share capital of SEA S.p.A. totalled Euro 27,500 thousand, comprising 250,000,000 shares of Euro 0.11 each.

The changes in shareholders' equity in the year are shown in the statement of financial position.

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

(Euro thousands)	Net Equity at December 31, 2020	Equity movements	OCI Reserve	Net profit /(loss)	Net Equity at June 30, 2021
Parent Company Financial Statements	**158,053**	**0**	**1,117**	**(71,190)**	**87,980**
Share of net equity and net profit of the consolidated subsidiaries attributable to the Group, net of the carrying amount of the relative investments	30,475			1,761	32,236
Adjustments for measurement at equity of associates	48,160			(4,654)	43,506
Other consolidation adjustments	(5,451)			124	(5,327)
Consolidated Financial Statements	**231,236**	**0**	**1,117**	**(73,959)**	**158,394**

8.14 Provisions for risks and charges

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

Provision for risks and charges

(Euro thousands)	December 31, 2020	Provisions	(Utilisation)	(Releases)	June 30, 2021
Restoration and replacement provision	175,952	7,816	(3,950)		179,818
Provision for future charges	26,391	451	(1,794)		25,048
Total provision for risks and charges	**202,343**	**8,267**	**(5,744)**	**-**	**204,866**

The restoration and replacement provision on assets under concession, created in accordance with IFRIC 12, amounting to Euro 179,818 thousand at June 30, 2021 (Euro 175,952 thousand at December 31, 2020), refers to the estimate of the amount matured relating to the maintenance on assets under concession from the State which will be undertaken in future years.

The movements of the provision for future charges were as follows:

Provision for future charges

(Euro thousands)	December 31, 2020	Provisions	(Utilisation)	(Releases)	June 30, 2021
Labour provisions	6,178	51	(1,616)		4,613
Insurance excesses	826	64	(56)		834
Tax risks	1,825		(9)		1,816
Green & white certificates	490				490
Other provisions	17,072	336	(113)		17,295
Total provision for future charges	**26,391**	**451**	**(1,794)**	**-**	**25,048**

The utilisations for works are related to the incentivised departures for which a specific provision was made in the accounts in 2020.

"Insurance excesses" equal to Euro 834 thousand refers to the charges payable by the SEA Group for damages deriving from civil responsibility.

The "Tax risks" account refers to:

- Euro 1,500 thousand for the amount allocated by SEA Prime SpA, to cover liabilities related to the non-payment of Group VAT by the former Parent Company for the years 2011 and 2012;
- Euro 316 thousand for the amount provisioned by the Parent SEA in relation to the VAT assessment and the registration tax settlement notice.

"Green certificates" amounting to Euro 490 thousand refers to the company SEA Energia. Two appeals were filed in 2017 (No. RG 4010/2017 and 1919/2017) 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.

The account "Other provisions" for Euro 17,295 thousand at June 30, 2021 is mainly composed of the following items:

- Euro 5,295 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). It should be noted that at Linate in 2020, technical specifications were finalised in order to assign preparation of the noise containment action plan pursuant to Ministerial Decree 29/11/00.

The plan will be completed between the end of 2021 and the beginning of 2022 and will be sent to the Ministry for the Environment for approval. At Malpensa, the process of defining the acoustic zoning and the analyses of the environmental impacts from the airport's development will be adopted in the new Master Plan to 2035;

- Euro 3,000 thousand for various legal disputes.

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

8.15 Employee provisions

The changes in the employee provisions are shown below:

Employee provisions

(Euro thousands)	June 30, 2021	December 31, 2020
Opening provision	45,622	48,172
Financial (income)/charges	22	216
Utilisations	(1,263)	(2,972)
Actuarial losses/(profits)	(626)	206
Total employee provisions	**43,755**	**45,622**

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

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

Economic-financial technical parameters

	June 30, 2021	December 31, 2020
Annual discount rate	0.28%	0.01%
Annual inflation rate	0.80%	0.80%
Annual increase in employee leaving indemnity	2.10%	2.10%

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

8.16 Current and non-current financial liabilities

The table below provides a breakdown of current and non-current financial liabilities at June 30, 2021 and December 31, 2020.

	June 30, 2021		December 31, 2020	
(Euro thousands)	Current portion	Non-current portion	Current portion	Non-current portion
Long-term loans	343,520	290,312	30,580	564,849
Loan charges payable	1,170		1,137	
Derivatives fair value	854		1,744	
Bank payables	**345,544**	**290,312**	**33,461**	**564,849**
Payables to bondholders		298,552	299,856	298,490
Payables for charges on bonds	7,595		9,014	
Lease liabilities (Financial Payables)	1,908	10,178	1,606	7,763
Payables for subsidised loans				
Payables to other lenders	**9,503**	**308,730**	**310,476**	**306,253**
Total current and non-current liabilities	**355,047**	**599,042**	**343,937**	**871,102**

The financial debt of the Group at June 30, 2021, as illustrated in the table below, is exclusively comprised of medium/long-term debt - mainly concerning the “SEA 3 1/2 2020-2025” bond issue (expressed at amortised cost), the Term Loans agreed during 2020 and H2 2021 and the EIB loans (of which 52% with maturity beyond 5 years and only 14% maturing within 12 months).

The breakdown of the Group debt at June 30, 2021 and as compared to 2020 is reported below, as per ESMA Recommendations 32-382-1138:

Net financial debt

	(Euro thousands)	June 30, 2021	December 31, 2020
A.	Cash	(240,272)	(588,313)
B.	Cash equivalents		
C.	Other current financial assets		
D.	**Liquidity (A)+(B)+(C)**	**(240,272)**	**(588,313)**
E.	Current financial debt	11,527	313,357
F.	Current portion of non-current financial debt	343,520	30,580
G.	**Current financial indebtness (E + F)**	**355,047**	**343,937**
H.	**Net current financial indebtedness (G - D)**	**114,775**	**(244,376)**
I.	Non-current financial debt	300,490	572,613
J.	Debt instruments	298,552	298,490
K.	Non-current trade and other payables		
L.	**Non-current financial indebtedness (I+J+K)**	**599,042**	**871,102**
M.	**Total financial indebtedness (H+L)**	**713,817**	**626,726**

At the end of June 2021, the net debt of Euro 713,817 thousand increased Euro 87,091 thousand on the end of 2020 (Euro 626,726 thousand).

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

a) Repayment in April 2021 of the Euro 300,000 thousand bond;

b) the disbursement in June 2021 of the new MB Term Loan for Euro 50,000 thousand, which enabled the repayment of an equal portion of the 2020 Term Loans at the beginning of July;

c) the continuation of the repayment of part of the EIB loans (principal repaid in H1 2021 totalling Euro 11,833 thousand);

d) lower IAS adjustments for Euro 1,834 thousand deriving from *(i)* lower accruals on loans for Euro 1,387 thousand, due to the repayment of the bond in April 2021; *(ii)* lower fair value of the derivatives for Euro 862 thousand for the continuation of the amortisation on the nominal amount; *(iii)* the negative impact for Euro 554 thousand for the continuation of the amortisation on the costs relating to the 2020 Term Loans and the Bond;

e) higher leasing payables, particularly due to the signing in H1 2021 of new Cobus Interpista hire contracts.

"Current financial payables" and "Non-current financial payables" include the lease liabilities, as per IFRS 16 and representing the obligation to make contractually established payments. As per the table presented below, the current financial liabilities (maturity within 12 months) and non-current liabilities (maturity beyond 12 months) for leasing amount at June 30, 2021 respectively to Euro 1,908 thousand and Euro 10,178 thousand:

Lease liabilities (Financial Payables)

	June 30, 2021		December 31, 2020	
(Euro thousands)	current	non-current	current	non-current
Miscellaneous & minor equipment	691	1,258	680	1,571
Complex equipment	55	10	55	37
Transport vehicles	967	6,556	678	3,727
EDP	158	353	156	432
Land	37	2,001	37	1,996
Total	**1,908**	**10,178**	**1,606**	**7,763**

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

Indirect and conditional debt

Inline with ESMA Recommendations 32-382-1138, a breakdown of the Group's indirect and conditional debt as at June 30, 2021 is presented below in order to provide an overview of any material debt that is not reflected in the debt statement and which represents an obligation that the Group may have to meet:

i. other non-current payables are outlined at paragraph 8.17, to which reference should be made;
ii. the main provisions recognised in the financial statements relate to:
   - the restoration and replacement fund, which represents a contractual obligation to maintain the infrastructure at a specified level of functionality or to restore it to a specified condition before handing it back to the grantor upon expiration of the service agreement. At June 30, 2021, the fund totals Euro 179,818 thousand. Further details are provided in paragraph 8.14;
   - charges arising from acoustic zoning to meet the Plan of noise containment actions in accordance with Ministerial Decree 29/11/00. At June 30, 2021, the fund totals Euro 9 million. Further details are provided in paragraph 8.14;
   - the employee leaving indemnity fund, which amounted to Euro 43,755 thousand at June 30, 2021. For further details, see paragraph 8.15;
iii. there are no long-term trade payables nor are there any overdue amounts that are not attributable to normal business operations. Any Withholding Taxes are in any case provided for contractually;
iv. trade payables include sums factored under indirect factoring contracts for Euro 3,076 thousand. Invoice payment terms are non-interest bearing as they do not involve further extensions agreed upon between the supplier and the Company. For further details, see paragraph 8.18;
v. the guarantees and commitments entered into by the Group at June 30, 2021 are described in paragraph 14.

8.17 Other non-current payables

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

Other non-current payables

(Euro thousands)	June 30, 2021	December 31, 2020
Payables to shareholders for non-current extraordinary dividends	84,736	84,737
Employee payables	828	2,537
Social security institutions	172	534
Total	**85,736**	**87,808**

“Payables to shareholders for non-current extraordinary dividends” refers to the second instalment of the extraordinary dividend allocated in 2019, payment of which was originally due on June 24, 2020, but which has been postponed until such a time, once the COVID-19 crisis is overcome, that financial and operating conditions allow it.

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

8.18 Trade payables

The breakdown of trade payables is follows:

Trade payables

(Euro thousands)	June 30, 2021	December 31, 2020
Supplier payables	97,197	98,746
Advances	2,335	4,569
Payables to associates	10,093	7,150
Total trade payables	**109,625**	**110,465**

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

The payables for advances at June 30, 2021 amounting to Euro 2,335 thousand (Euro 4,569 thousand at December 31, 2020) principally refer to advances from clients.

In order to optimise operations with suppliers, trade payables at June 30, 2021 include sums ceded under indirect factoring contracts for Euro 3,076 thousand (Euro 1,415 thousand at December 31, 2020). 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. Payables to associate relates to other services and charges.

8.19 Income tax payables

The payables for taxes at June 30, 2021 of Euro 9,297 thousand (Euro 8,351 thousand at December 31, 2020) consisted of:

Income tax payables

(Euro thousands)	June 30, 2021	December 31, 2020
IRPEF payables on employees and sub-contractors	4,316	4,571
Direct income taxes	187	446
VAT payables	3,979	2,807
Other tax payables	815	527
Total income tax payables	**9,297**	**8,351**

8.20 Other payables

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

Other payables

(Euro thousands)	June 30, 2021	December 31, 2020
Airport fire service	80,900	77,279
Payables for additional landing rights	28,733	26,109
Other items	14,260	11,799
Employee payables for amounts matured	8,455	12,205
Payables to the state for concession fee	7,820	10,349
Payables to social security institutions	10,568	12,110
Employee payables for vacations not taken	3,456	2,769
Third party guarantee deposits	1,218	1,379
Payables to others post-employee benefits	206	220
Payables to shareholders for dividends	94	96
Payables to BoD & Boards of Statutory Auditors	71	74
Payables to the state for concession fee security service	39	13
Payables to the state for CO_2 quotes	661	
Total	**156,481**	**154,402**

"Other current payables" increased Euro 2,079 thousand.

With regards to payables to the State for airport fire protection services, reference should be made to the "Main disputes outstanding at June 30, 2021" section of the Directors' Report.

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

The account "Other items", amounting to Euro 14,260 thousand at June 30, 2021 (Euro 11,799 thousand at December 31, 2020), mainly relates to deferred income for future periods and other minor payables.

The decrease in employee payables for amounts accrued was mainly due to the labour cost containment initiatives implemented by the Group companies.

9. NOTES TO THE INCOME STATEMENT

9.1 Operating revenues

The table below shows the breakdown of operating revenues for H1 2021 and 2020. These data reflect the operational and managerial view of the businesses in which the Group operates. Therefore, these data may differ with respect to those presented at the level of the individual legal entity.

The decline in revenues is mainly due to the negative effects of the spread of the COVID-19 virus, which resulted in a strong reduction in airport activities due to the dramatic decline in passenger traffic. Comparing business performance with the same period in 2020 is not greatly beneficial as the first half of 2020 was characterised by two months of traffic that were only marginally affected by the pandemic, followed by four months (from March to June) of essentially zero passenger traffic due to the lockdown measures adopted.

Operating revenues of Euro 112,288 thousand at June 30, 2021 recorded an upward trend between the first and second quarters. Revenues in the first quarter amounted to Euro 48,690 thousand, while those in the second quarter amounted to Euro 63,598 thousand (+30.6% compared to the previous half year).

Operating revenues

(Euro thousands)	H1 2021	H1 2020
Commercial Aviation Operating Revenues	98,164	130,736
General Aviation Operating Revenues	5,378	4,309
Energy Operating Revenues	8,746	6,050
Total operating revenues	**112,288**	**141,095**

In the first six months of 2021, operating revenues totalled Euro 112,288 thousand, down 20.4% on H1 2020. Operating revenues include Commercial Aviation, General Aviation and Energy business revenues.

Commercial Aviation Operating Revenues

In the first half of 2021, Aviation revenues decreased Euro 18,330 thousand (23.2%) on the same period of the previous year. Specifically, the revenues for rights and centralised infrastructure, net of the incentives to the airline companies to develop traffic, decreased Euro 15,681 thousand, principally due to traffic volumes.

Commercial Aviation Operating Revenues

(Euro thousands)	H1 2021	H1 2020
Aviation	60,594	78,924
Non aviation	37,570	51,812
Total Commercial Aviation Operating Revenues	**98,164**	**130,736**

The breakdown of Non Aviation operating revenues is reported below.

Non Aviation operating revenues

(Euro thousands)	H1 2021	H1 2020
Retail	8,595	17,380
Parking	9,281	12,871
Cargo	8,987	7,995
Advertising	2,014	1,912
Premium services	1,195	3,716
Real estate	571	1,038
Services and other revenues	6,927	6,900
Total Non Aviation operating revenues	**37,570**	**51,812**

Non-Aviation revenues decreased Euro 14,242 thousand (-27.5%).

The breakdown of retail revenues is reported below.

Retail Revenues

(Euro thousands)	H1 2021	H1 2020
Shops	3,341	8,089
Food & Beverage	2,397	4,084
Car Rental	2,098	3,558
Bank services	759	1,649
Total Retail	**8,595**	**17,380**

General Aviation Operating Revenues

The General Aviation business includes the full range of services relating to business traffic at the western apron of Linate and at Malpensa airport. Revenues from the General Aviation business amounting to Euro 5,378 thousand were up (24.8% on the previous year). For further details, reference should be made to the Directors' Report.

Energy Operating Revenues

The breakdown of Energy operating revenues is reported below.

Energy Operating Revenues

(Euro thousands)	H1 2021	H1 2020
Sale of Electricity	6,075	3,390
Sale of Thermal Energy	2,300	2,652
Other Revenues & Services	371	8
Total Energy operating revenues	**8,746**	**6,050**

9.2 Revenue for works on assets under concession

Revenues for works on assets under concession decreased from Euro 15,155 thousand in the first half of 2020 to Euro 9,279 thousand in H1 2021 (-38.8%). These revenues refer to construction work on assets under concession increased by a mark-up of 6% representing the remuneration of the internal cost for the management of the works and design activities undertaken by the Company, which corresponds to a mark-up which a general constructor would request to undertake such activities, and are included in the business unit Aviation. This account is strictly related to investment and infrastructure upgrading activities.

9.3 Personnel costs

The breakdown of personnel costs is as follows:

Personnel costs

(Euro thousands)	H1 2021	H1 2020
Wages, salaries & social security charges	59,231	63,483
Post-employment benefits	3,964	4,004
Other personnel costs	1,260	1,398
Total	**64,455**	**68,885**

Group personnel costs in H1 2021 decreased Euro 4,430 thousand (6.4%) on H1 2020, from Euro 68,885 thousand to Euro 64,455 thousand.

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

The average Full Time Equivalent workforce decreased from 2,774 in H1 2020 to 2,694 in H1 2021

The following table outlines the average FTE by category in the period: January-June 2021 and January-June 2020:

Average Full Time Equivalent

	January-June 2021	%	January-June 2020	%
Executives	49	1.8%	53	1.9%
Managers	283	10.5%	287	10.3%
White-collar	1,693	62.8%	1,730	62.4%
Blue-collar	637	23.6%	630	22.7%
Total full-time employees	**2,662**	**98.8%**	**2,700**	**97.3%**
Temporary workers	32	1.2%	74	2.7%
Total employees	**2,694**	**100%**	**2,774**	**100%**

9.4 Consumable materials

The breakdown of the account "Consumable materials" is as follows:

Consumable materials

(Euro thousands)	H1 2021	H1 2020
Raw materials, ancillaries, consumables and goods	15,821	15,550
Purchase of CO_2 quotas	2,539	1,786
Change in inventories	90	(282)
Total	**18,450**	**17,054**

In the first six months of 2021, consumable material costs increased by Euro 1,396 thousand (+8.2%) on the same period of 2020, from Euro 17,054 thousand to Euro 18,450 thousand - principally due to higher charges for the acquisition of CO_2 quotas.

9.5 Other operating costs

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

Other operating costs

(Euro thousands)	H1 2021	H1 2020
Ordinary maintenance costs	11,801	11,949
Public fees	8,159	8,183
Terminal services provided by handling company	6,634	8,069
Cleaning	5,999	5,939
Miscellaneous and local taxes	3,815	4,255
Parking management	2,271	3,788
Hardware and software fees & rental	4,128	3,613
Other costs	3,059	3,603
Utilities & security expenses	1,931	3,144
Professional services	1,761	1,795
Commercial costs	1,035	1,408
Insurance	976	837
Hire of equipment & vehicles	651	362
Disabled assistance	933	933
Emoluments & costs of Board of Statutory Auditors & BoD	472	440
Losses on disposal of assets		19
Total other operating costs	**53,625**	**58,337**

In the first half of 2021 other operating costs decreased Euro 4,712 thousand compared to H1 2020 (-8.1%), from Euro 58,337 thousand to Euro 53,625 thousand. The lower costs reflect the reduced volumes of traffic and passengers served. This reduction is almost entirely attributable to the effects of cost-cutting actions taken by the company to limit the impact of the crisis.

The "Public fees" include: i) concession fees to the State for Euro 4,376 thousand (Euro 4,897 thousand in H1 2020); ii) costs for fire-fighting services at the airports for Euro 3,621 thousand (Euro 3,037 thousand in H1 2020); iii) concession fees to the tax authorities for security services of Euro 112 thousand (Euro 175 thousand in H1 2020); and iv) concession fees and charges to other entities of Euro 50 thousand (Euro 75 thousand in H1 2020).

9.6 Costs for works on assets under concession

Costs for works on assets under concession decreased from Euro 13,999 thousand in the first half of 2020 to Euro 8,544 thousand in the first half of 2021.

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

9.7 Provisions and write-downs

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

Provisions and write-downs

(Euro thousands)	H1 2021	H1 2020
Write-downs / (releases) of current receivables & cash and cash equivalents	12,430	730
Provisions/(releases) to provisions for future charges	451	(126)
Total provisions and write-downs	**12,881**	**604**

In the first six months of 2021, net provisions and write-downs increased Euro 12,277 thousand on the same period of the previous year, from a net provision of Euro 604 thousand in the first half of 2020 to a net provision of Euro 12,881 thousand in H1 2021.

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

9.8 Restoration and replacement provision

(Euro thousands)	H1 2021	H1 2020
Restoration and replacement provision	7,816	11,022

The restoration and replacement provision amounting to Euro 7,816 thousand in H1 2021 and Euro 11,022 thousand in H1 2020 include provisions for maintenance and replacements in order to ensure the functioning of the infrastructure held under concession. In 2021 the provision amounted to Euro 7,816 thousand and the utilisation amounted to Euro 3,950 thousand.

9.9 Amortisation and depreciation

The account "Amortisation and depreciation" comprises:

Amortisation & Depreciation

(Euro thousands)	H1 2021	H1 2020
Amortisation of intangible assets	24,559	27,720
Depreciation of tangible assets & investment property	9,334	10,320
Depreciation Leased assets right-of-use	1,085	1,106
Total amortisation & depreciation	**34,978**	**39,146**

Amortisation and depreciation decreased by Euro 4,168 thousand on 2020 (down 10.6%), from Euro 39,146 thousand to Euro 34,978 thousand. This reduction was mainly justified by the extension for airport managers of the two-year concession period established with the conversion into law of Decree-Law 34 of May 19, 2020, the "Relaunch Decree", Law 77 of July 17, 2020, the completion of the accelerated depreciation process of some industrial assets, in addition to, albeit to a lesser extent, the contraction in investments following the pandemic crisis.

9.10 Investment income/(charges)

The breakdown of investment income and charges is as follows:

Investment income (charges)

(Euro thousands)	H1 2021	H1 2020
SACBO SpA	(3,230)	(2,840)
Dufrital SpA	(1,840)	(1,631)
Disma SpA	(19)	(117)
Malpensa Logistica Europa SpA	877	(162)
Sea Services Srl	116	39
Signature Flight Support Italy Srl		(358)
Airport Handling SpA	(558)	(695)
Total income (charges) from investments	**(4,654)**	**(5,764)**

In H1 2021, investment charges totalled Euro 4,654 thousand (net charges from investments of Euro 5,764 thousand in H1 2020).

The account mainly includes the economic effects deriving from the measurement at Equity of the associated company. The results of the associated companies were adjusted to take account of the Group accounting principles and the measurement of investments as per IAS 28. Compared with the previous half year, there was a slight improvement from the positive contribution of the associate Malpensa Logistica Europa.

For further details, reference should be made to that outlined above regarding the impairment process carried out by the Group at June 30, 2021 for the investments in associates.

9.11 Financial income/(charges)

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

Financial income (charges)

(Euro thousands)	H1 2021	H1 2020
Exchange gains	7	2
Other financial income	152	39
Total financial income	**159**	**41**
Interest on medium/long term loans	(9,563)	(5,885)
Commissions on loans	(1,476)	(1,051)
Exchange losses	(2)	(6)
Other interest charges:	**(1,404)**	**(1,729)**
financial charges on post-employee benefits	(22)	(169)
financial charges on leasing	(113)	(94)
financial charges on derivatives	(842)	(975)
Other	(427)	(491)
Total financial charges	**(12,445)**	**(8,671)**
Total financial income (charges)	**(12,286)**	**(8,630)**

Net financial charges in H1 2021 amounted to Euro 12,286 thousand, an increase of Euro 3,656 thousand on the first half of the previous year.

This increase was a result of the following components:

- Financial charges increased due to the *negative carry* related to the refinancing in 2020 of the 3.125 Bond maturing in April 2021 and the impact of the new Term Loans subscribed from May 2020, only partially offset by lower charges on derivatives and lower charges on post-employment benefits.
- Higher financial income of Euro 118 thousand, due to the investment of part of the available liquidity in treasury current accounts, which ensure adequate profitability.

9.12 Income taxes

The breakdown of the account is as follows:

Income taxes

(Euro thousands)	H1 2021	H1 2020
Current income taxes	896	602
Deferred income taxes	(23,059)	(17,933)
Total	**(22,163)**	**(17,331)**

In H1 2021, income taxes reduced the statutory loss for the period by Euro 22,163 thousand, decreasing from Euro -17,331 thousand in H1 2020 to Euro -22,163 thousand in H1 2021.

The reconciliation between the theoretical and effective IRES tax rate is shown below:

(Euro thousands)	H1 2021	%	H1 2020	%
Profit/(Loss) before taxes	**(96,122)**		**(67,191)**	
Theoretical income taxes	(23,069)	24.0%	(18,280)	27.2%
Permanent tax differences effect	817	-0.8%	652	-1.0%
IRAP	(259)	0.3%	(357)	0.5%
Other	348	-0.4%	655	-1.0%
Total	**(22,163)**	**23.1%**	**(17,331)**	**25.8%**

Income taxes reduced the statutory loss for the period, as substantially comprising the allocation of the deferred tax assets on the period IRES tax loss.

The theoretical taxes are all at 24%, given that the 3.5% Concession holders surcharge will conclude at the end of 2021 and will have no impact, in the absence of taxable income for SEA.

10. RESULT PER SHARE

The basic earnings/(loss) per share is calculated by dividing the Group net result by the weighted average number of ordinary shares outstanding in the period. For the diluted earnings/(loss) 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 loss per share in the first half of 2021 was Euro -0.30 (net loss for the period of Euro 73,960 thousand/number of shares in circulation 250,000,000).

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

11. TRANSACTIONS WITH RELATED PARTIES

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

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

The following table reports the income statement and statement of financial position values with related parties at June 30, 2021 and for the first half of the year, with indication of the percentage of the relative account:

Group transactions with related parties

	June 30, 2021			
(Euro thousands)	**Trade receivables**	**Trade payables**	**Operating revenues**	**Net operating costs (excl. costs for works on assets under concession)**
Investments in associates				
SACBO (*)	172	1,076	54	1,346
Dufrital	1,381	435	1,944	0
Malpensa Logistica Europa	1,200	1,110	2,351	0
SEA Services	324	88	550	43
Disma	71	89	117	(3)
Airport Handling	3,807	7,295	3,651	7,332
Total related parties	**6,954**	**10,093**	**8,667**	**8,718**
Total book value	64,523	109,625	112,288	136,530
% on total book value	**10.78%**	**9.21%**	**7.72%**	**6.39%**

(*) The account "Operating costs" relating to transactions with SACBO, equivalent to Euro 1,346 thousand, does not include that invoiced by SEA to the final clients and transferred to the associate.

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

The table below shows the cash flows from the transactions of the Group with related parties for the period ended June 30, 2021, with indication of the percentage of the relative account:

Group cash flows with related parties

	June 30, 2021				
(Euro thousands)	**Investments in associates**	**Investments in other companies**	**Total transactions with related entities**	**Consolidated balance**	**%**
A) Cash flow from operating activities	3,525		3,525	(57,699)	-6.1%
B) Cash flow from investing activities				(14,598)	0.0%
C) Cash flow from financing activities				(275,744)	0.0%

Transactions with Related Parties in the period to June 30, 2021 principally concern:

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

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

The comparative data is reported below:

Group transactions with related parties

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

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

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

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

Group cash flows with related parties

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

12. DIRECTORS' FEES

Fees paid by the Company and/or by other Group companies, of any type and in any form, for the first six months of 2021 to the Board of Directors totalled Euro 329 thousand.

13. STATUTORY AUDITORS' FEES

In the first six months of 2021 the remuneration for the Board of Statutory Auditors, including welfare and accessory charges, amounted to Euro 143 thousand.

14. COMMITMENTS AND GUARANTEES

14.1 Investment commitments

The Group has investment contract commitments of Euro 53,990 thousand at June 30, 2021 (Euro 65,144 thousand at December 31, 2020), which are reported net of the works already realised and invoiced to the Group, as follows.

Breakdown project commitments

(Euro thousands)	June 30, 2021	December 31, 2020
Design and extraordinary maintenance civil works and plant at Linate & Malpensa	39,647	47,884
Design and extraordinary maintenance flight infrastructure and roadways at Linate and Malpensa	1,871	2,564
Works on electrical automation and control systems at Linate and Malpensa	2,580	3,091
Design and extraordinary maintenance of Linate & Malpensa AVL plant	7,410	7,485
Extraordinary maintenance for civil works and general aviation plant	2,482	2,952
Supply and installation of a new gas turbine for the Malpensa plant		1,168
Total project commitments	**53,990**	**65,144**

14.2 Guarantees

At June 30, 2021, the sureties in favour of third parties were as follows:

- two bank sureties, each equal to Euro 39,047 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 14,500 thousand in favour of ENAC, as guarantee of the concession fee;
- surety of Euro 2,000 thousand in favour of SACBO as guarantee for the parking management at Bergamo airport;
- surety of Euro 2,000 thousand in favour of the Ministry of Defense as guarantee of the obligations pursuant to the technical agreement of June 4, 2009 following the advance delivery of the “Cascina Malpensa” area;
- surety of Euro 2,200 thousand in favour of the Ministry of Defense as guarantee of the obligations pursuant to the technical agreement of June 4, 2009 following the advance delivery of the “E.I. training area” at Lonate Pozzolo;
- surety by Banca Nazionale del Lavoro alla Terna (National Electricity Grid) as guarantee of the provision of electricity for Euro 570 thousand;
- guarantee by Banca Popolare di Milano to ENAL Distribuzione for the transport of energy for Euro 300 thousand;
- guarantee by Banca Nazionale del Lavoro to the Energy Market Operator for participation in the electricity market platform for Euro 200 thousand;
- guarantee by Banca Popolare di Milano to Unareti for the transport of energy for Euro 173 thousand;
- Euro 680 thousand for other minor sureties.

15. SEASONALITY

The Group business is characterised by revenue seasonality, which are normally higher in the periods of August and December due to increased flights by the airlines at its airports. H1 2021 in addition featured the COVID-19 pandemic, which resulted in a drastic reduction in passenger traffic, affecting the usual seasonality of the business.

16. CONTINGENT LIABILITIES AND DISPUTES

Reference should be made to the Directors' Report under *"Risk management framework"* and *"Main disputes outstanding at June 30, 2021"*.

17. CONTINGENT ASSETS

There are no updates on that reported in the 2020 Annual Report.

18. TRANSACTIONS RELATING TO ATYPICAL OR UNUSUAL OPERATIONS

In accordance with Consob Communication of July 28, 2006, the Company did not undertake for the period ended June 30, 2021 any transactions relating to atypical or unusual operations, as set out in the communication.

19. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

The most significant event in the first half of 2021 was the continuance of the COVID-19 outbreak and its consequences for the air transport sector, with the generation of a serious financial impact on the air transport chain and in particular on the airport infrastructure system. Reference should be made to the *"H1 2021: significant events"* paragraph of the Directors' Report.

20. OTHER INFORMATION

On July 29, 2021, the Shareholders' Meeting of the Parent Company SEA resolved to carry forward the loss for the 2020 financial year of Euro 120,366,865.50, fully neutralising it for the purposes of protecting the share capital in accordance with the provisions of Law No. 178 of December 30, 2020.

21. SUBSEQUENT EVENTS TO THE END OF THE PERIOD

Reference should be made to the Directors' Report.

The Chairperson of the Board of Directors
Michaela Castelli

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

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

Introduction

We have reviewed the accompanying half-yearly condensed interim consolidated financial statements of Società per Azioni Esercizi Aeroportuali – SEA S.p.A. (the "Company" or "SEA S.p.A.") and subsidiaries (the "SEA Group"), which comprise the consolidated statement of financial position as of June 30, 2021, the consolidated income statement, consolidated comprehensive income statement, statement of changes in consolidated shareholders' equity and consolidated cash flow statement for the six month period then ended, and the related notes. The Directors are responsible for the preparation of the half-yearly condensed interim consolidated financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on the half-yearly condensed interim consolidated financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly condensed interim consolidated financial statements of SEA Group as at June 30, 2021 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

Emphasis of Matter paragraph

We draw attention to the information provided in the paragraphs "H1 2021: significant events" and "Outlook" of the Directors' report and referred to in the Notes to the Condensed Consolidated Half-Year Financial Statements and to the information included in the paragraph "Risk management - Liquidity risk" of the Notes to the Condensed Consolidated Half-Year Financial Statements regarding the effects of Covid-19 on the Group's financial performance, position and cash flows and the evaluations made by the Directors about the business outlook.

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

DELOITTE & TOUCHE S.p.A.

Signed by
Marco Pessina
Partner

Milan, Italy
August 5, 2021

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.