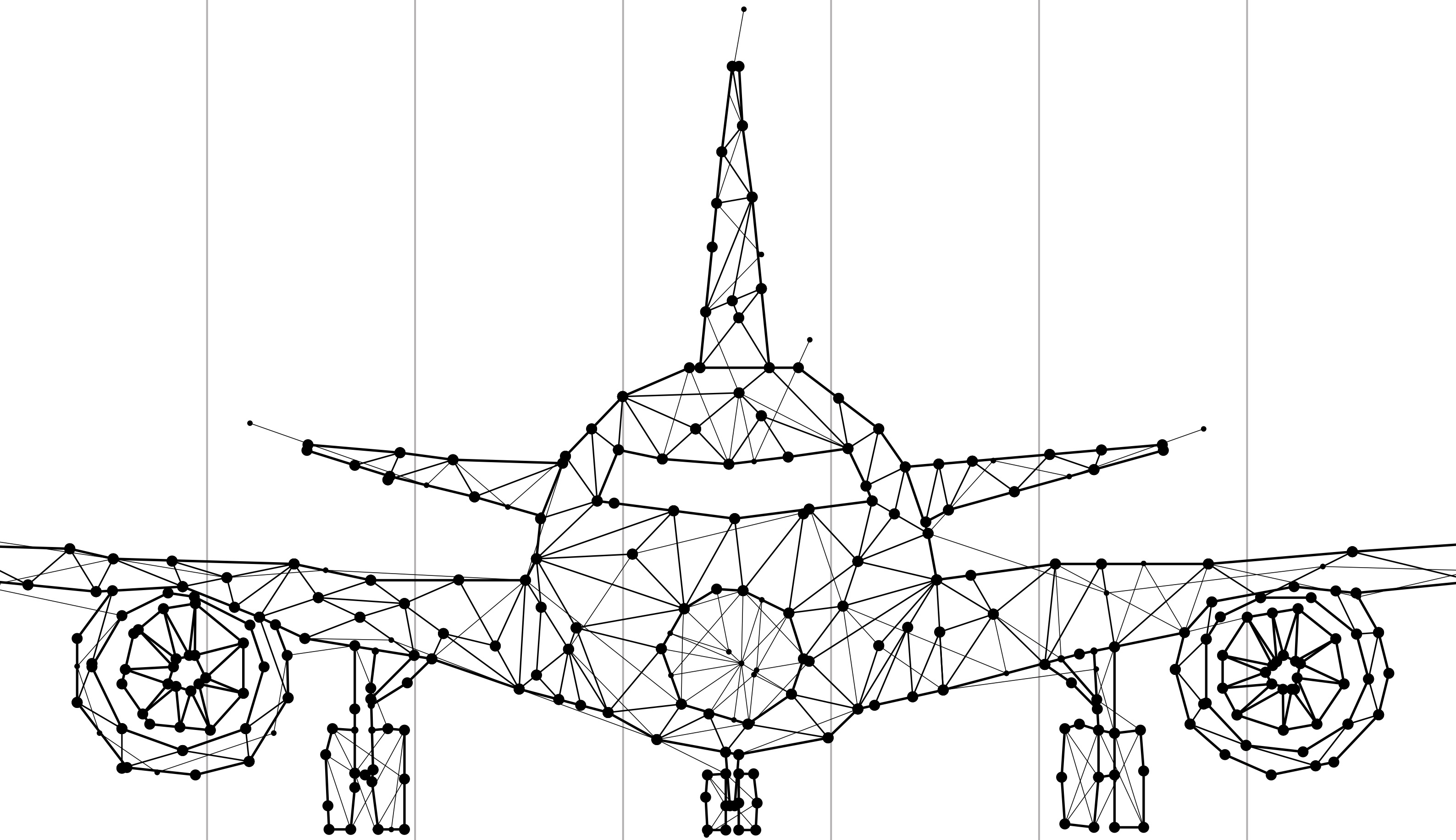
SEA

MilanAirports



REPORT 2019

Half-Year Report

at June 30, 2019

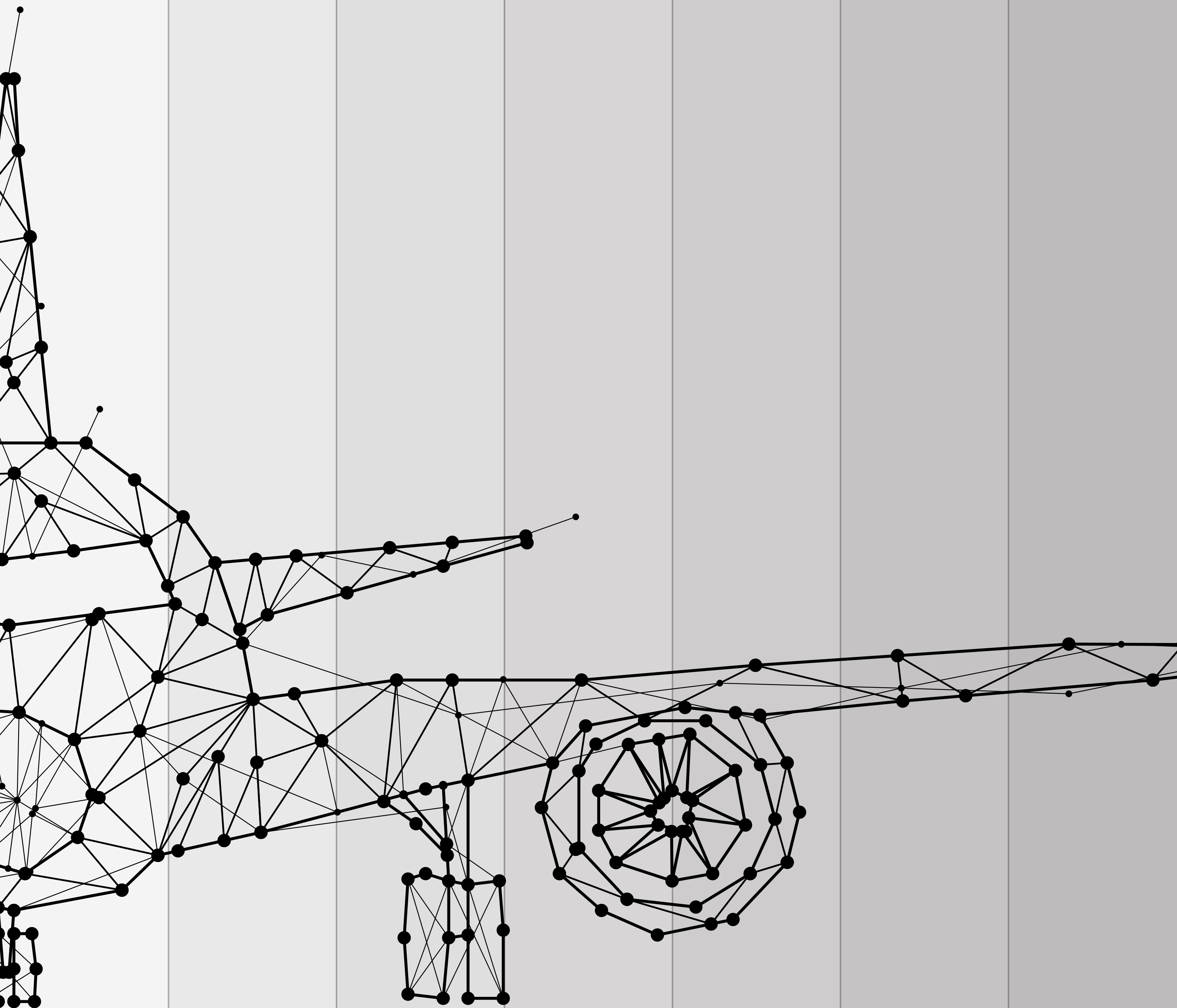
SEA

MilanAirports

REPORT

2019

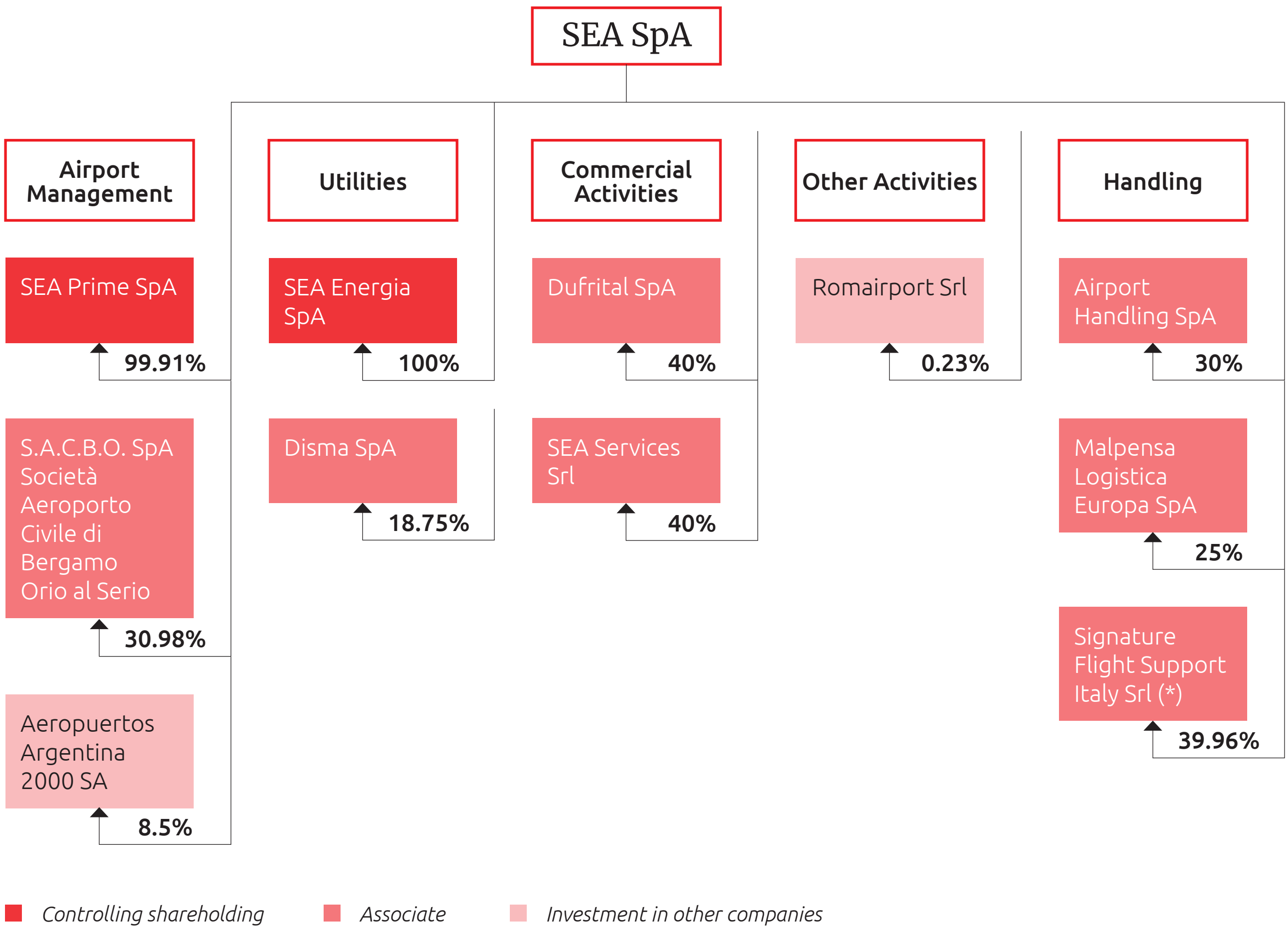
Contents



Key figures and general information

SEA Group structure and investments in other companies

DIRECT AND INDIRECT INVESTMENTS OF SEA SPA AT JUNE 30, 2019



(*) SCompany held indirectly through SEA Prime SpA

The SEA Group at June 30, 2019 includes Consorzio Milano Sistema in liquidation (10% SEA SpA)

Corporate Boards

Board of Directors

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

Chairman	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)

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

Independent Audit Firm

Deloitte & Touche SpA

[1] *Non-executive Vice Chairman*
[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, 2019 comprises the Directors' Report and the Condensed Consolidated Half-Year Financial Statements at June 30, 2019. The Condensed Consolidated Half-Year Financial Statements, prepared in thousands of euro, are compared with those of the previous Half-year and the Consolidated Financial Statement for the previous full-year and comprise the Financial Statements (Consolidated Statement of Financial Position, Consolidated Income Statement, Consolidated Comprehensive Income Statement, Statement of changes in Consolidated Shareholders' Equity and Consolidated Cash Flow Statement) and the Explanatory Notes.
The Half-Year Report at June 30, 2019 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, such 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 2018 Annual Financial Statements. In the preparation of the Condensed Consolidated Financial Statement at June 30, 2019, the same accounting principles were adopted as in the preparation of the Consolidated Financial Statement at December 31, 2018, updated as indicated in the Explanatory Notes to the Condensed Consolidated Half-Year Financial Statements to take account of those issued recently.

Consolidated Financial Highlights

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

CONSOLIDATED FINANCIAL HIGHLIGHTS

(euro thousands)	H1 2019	H1 2018	Change
Revenues	361,195	336,638	24,557
EBITDA [1]	136,065	128,189	7,876
Operating profit	89,967	83,740	6,227
Profit before taxes	90,199	80,133	10,066
Group Net Profit	66,160	57,443	8,717

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

FINANCIAL FIGURES

(euro thousands)	June 30, 2019	December 31, 2018	Change
Fixed assets (A)	1,323,257	1,317,673	5,584
Net working capital (B)	(236,378)	(230,897)	(5,481)
Provisions for risks and charges (C)	(165,168)	(167,861)	2,693
Employee provisions (D)	(48,718)	(46,214)	(2,504)
Other non-current payables (E)	(13,964)	(13,964)	0
Net capital employed (A+B+C+D+E)	**859,029**	**858,737**	**292**
Group Net Equity	424,634	459,101	(34,467)
Minority interest net equity	26	25	1
Net financial debt	434,369	399,611	34,758
Total sources of financing	**859,029**	**858,737**	**292**

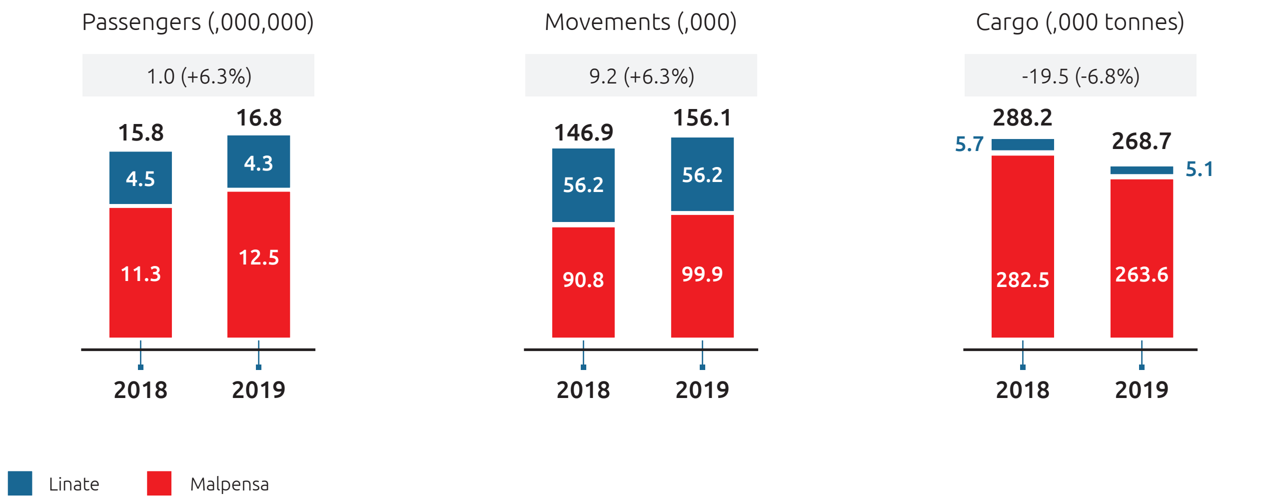
INVESTMENTS

(euro thousands)	June 30, 2019	December 31, 2018	Change
Tangible and intangible asset investments	35,900	63,980	(28,080)

OTHER INDICATORS

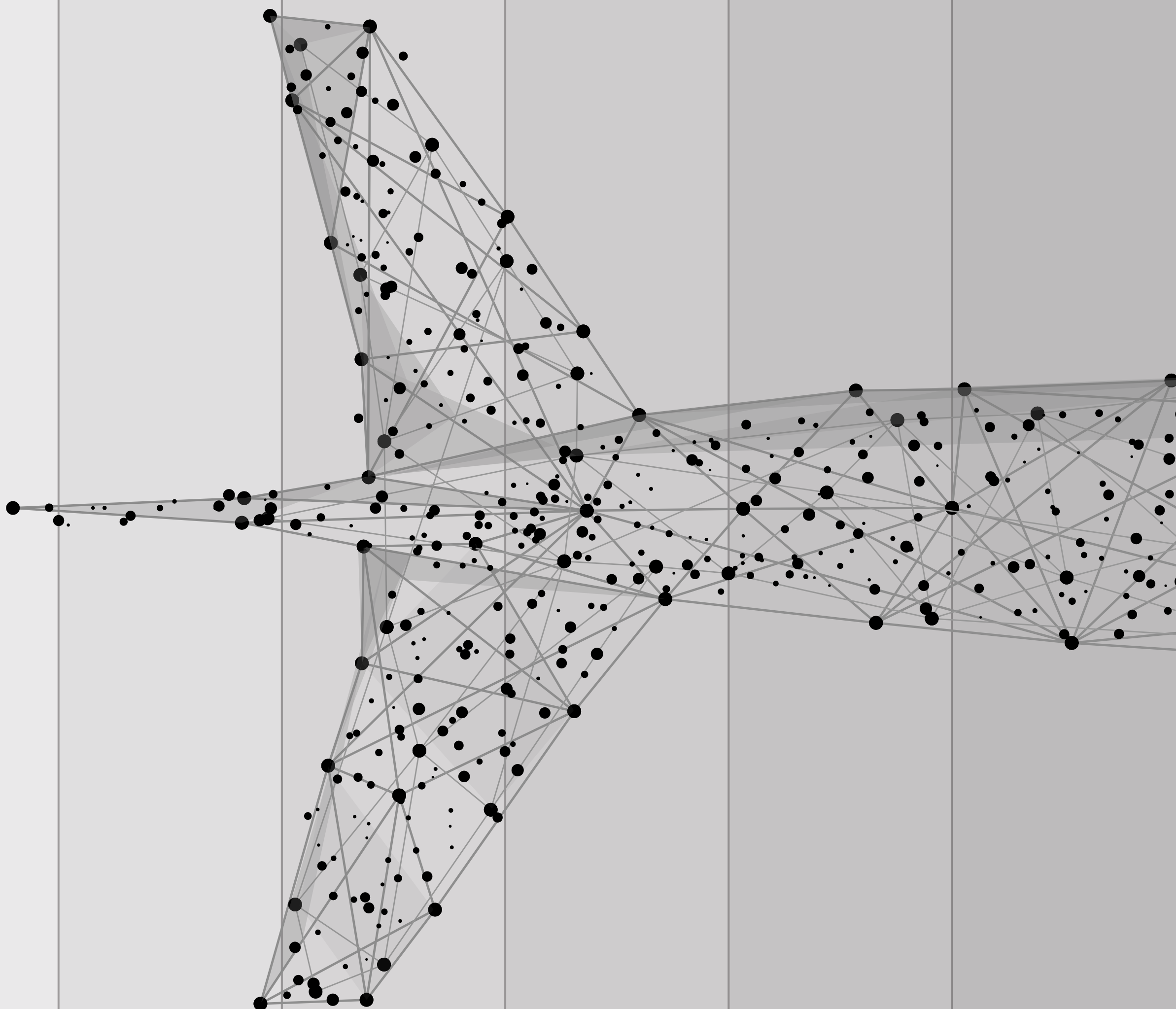
	June 30, 2019	December 31, 2018
HDC Employees (at period end)	2,884	2,847

H1 2019 TRAFFIC DATA COMPARED WITH H1 2018 (COMMERCIAL AVIATION AND GENERAL AVIATION



The amounts include General Aviation at Linate and Malpensa - Sea Prime

Directors' Report



H1 2019: significant events

Appointment of Chief Executive Officer and General Manager

At its meeting on January 8, 2019, the Board of Directors of SEA SpA created the position of Chief Executive Officer and appointed Armando Brunini to the role; the latter concurrently resigned from the previous position of Vice Chairperson. Along with the appointment of the Chief Executive Officer, the Board also introduced a new organizational and governance structure.

On January 16, 2019, the Board of Directors of SEA SpA also named Armando Brunini as General Manager. Concurrently with these appointments, SEA's Board of Directors approved a new organizational model for the Company.

New Board of Directors and new Board of Statutory Auditors appointed

The Shareholders' Meeting held on April 19, 2019 appointed Pierfrancesco Barletta, Michaela Castelli, Davide Amedeo Corritore, Patrizia Michela Giangualano, Luciana Sara Rovelli, Armando Brunini and Rosario Mazza as Directors. A new Board of Statutory Auditors was also elected at that same session of the Shareholders' Meeting, with Rosalba Cotroneo, Rosalba Casiraghi, Andrea Manzoni, Valeria Maria Scuteri and Stefano Pozzoli appointed statutory auditors and Antonia Coppola and Daniele Angelo Contessi alternative auditors.

Commitment to Net-Zero 2050

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

Top Employers 2019 Certification

For the second consecutive year, SEA obtained Top Employers Italy certification from the Top Employers Institute, which certifies the best companies in the world in the area of Human Resources and, particularly, those which remain committed to improving and optimizing their human resource processes.

ACI Airport Customer Experience Accreditation

Milan Malpensa was the first European airport to be listed as an ACI Airport Customer Experience Accreditation certified airport. The initiative recognizes five customer experience management levels, and identifies service quality improvement plans in response to passenger expectations.

Skytrax four-Star Airport award

In March 2019, Milan Malpensa's Terminal 1 was awarded "4 stars" by the London-based aviation sector consultancy and ratings company Skytrax. This prestigious recognition of the quality of services offered to passengers followed an assessment of over 400 aspects of passenger experience.

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

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

Economic overview and 2019 outlook

The outlook for the global economy seems poor, despite the growth achieved in the first quarter of 2019. Among developed nations, GDP growth in the first three months of 2019 in the United States and Japan was driven above all by the decline in imports and inventory accumulation, against the backdrop of weak domestic demand from end users.
In Brazil, India and Russia, GDP growth slowed in the first quarter. In China, growth remained stable, but the most recent economic indicators point to slowing growth in the spring.

World trade declined further in the first three months of 2019 (at an annualized rate of -0.8%). Imports fell in the United States, Japan and emerging Asian nations, particularly China, while rising moderately within the eurozone. International trade is being held back by the commercial restrictions that began to be adopted in the previous year, together with the resulting decline in investments and the business confidence climate.

Consumer inflation remains moderate in the main developed economies, despite the generally sound job market conditions. Long-term inflation expectations, based on financial market returns, have declined in both the United States and the euro Area.

Growth prospects have deteriorated, and according to the forecasts published by the OECD in May of the current year, global GDP growth is expected to slow to 3.2% (-0.1 compared with the March 2019 forecast scenario, when it was projected to be 3.3%). It is estimated that the weakness of the manufacturing sector – above all in the economies with the greatest exposure to international trade – will be only partially offset by expansion in the service sector and the measures in support of growth adopted by certain countries, and by China in particular. The Bank of Italy's estimates for global trade have been revised downwards. Growth is expected to come to 1.5% in 2019, a sharp decline from 4.1% in the previous year.

The risks affecting the outlook for the global economy, in addition to a further worsening of trade tensions, remain those associated with a greater-than-expected slowdown in China and the unknowns relating to the timing and conditions of the United Kingdom's departure from the European Union (Brexit).

Economic activity in the eurozone is still weak and subject to downside risks, with inflation remaining at modest values. The ECB Governing Council extended the period for which it expects to keep interest rates unchanged, defined the details of the new series of refinancing operations[1] and announced that further monetary accommodation will be necessary if an improvement is not forthcoming.

On the basis of the most recent economic indicators, economic activity in Italy is believed to have remained stationary or declined slightly in the second quarter. The weakness of the industrial cycle, as also seen in Germany, resulting from the persistent trade tensions, is considered to have been primarily responsible for this outcome. Businesses' views of the performance of demand for their products have improved slightly according to the surveys conducted by the Bank of Italy. However, they envisage a slowdown in the coming months and indicate very modest expansion of investment plans in the current year.

([1]) The ECB has announced that new medium/long-term refinancing operations (TLTRO III) will be launched on a quarterly basis, starting in September 2019 and ending in March 2021, with a term of two years each. These new operations are intended to keep bank lending conditions favorable and permit the transmission of monetary policy.

Air transport and airports

Global air transport performance to May 2019[2]

At the global level, in May 2019 passenger traffic at a sample of 1,033 airports amounted to 2.86 billion passengers (+3.6% on the same period of 2018).
There was growth across all continents: Europe (29% share) +4.1%, Asia (30% share) +2.3%, North America (26% share) +4.1%, Central/South America (8% share) +5.6%, Middle East (4% share) +1.6%; and Africa (3% share) +6.1%.
Atlanta remains in first place by passenger traffic at 44.4 million, followed by Beijing at 41.1 million and Los Angeles at 35.1.

Cargo traffic amounted to 40.3 tons at a sample of 649 airports, down (-2.7%) in most geographical areas, and particularly in Asia (-5.7%), Europe (-3.4%) and the Middle East (-1.8%), with a stable performance in Central/South America (-1.1%) and growth in North America (+0.7%) and Africa (+1.7%).

European airport traffic performance to May 2019

ACI Europe associated airports in Europe served 456.2 million passengers in the first five months of the year (+4.4%). All the main hub airports (cf. the chart below), representing 37% of total associated airport traffic, reported growth on the same period of the previous year.

Of the 42 European airports mentioned, Malpensa ranks fourth in terms of growth on 2018 (+10.0%), preceded by Berlin TXL (+28.2%), Vienna (+25.0%) and Düsseldorf (+11.0%).

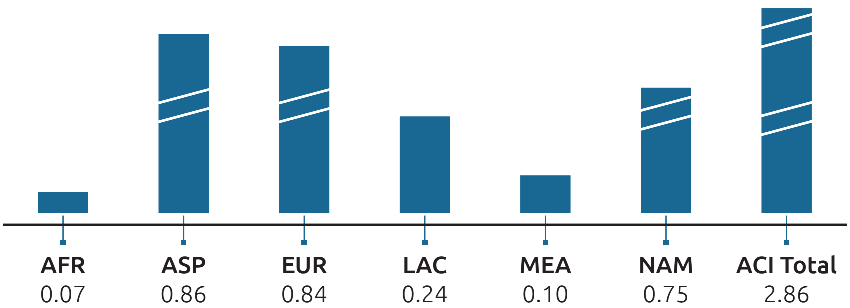
Cargo traffic fell (-3.3%) to 4.7 million tons. Malpensa remained in fifth place (216 thousand tons), after Frankfurt (840 thousand tons), Paris Charles de Gaulle (787 thousand tons), London Heathrow (675 thousand tons) and Amsterdam (644 thousand tons).

In General Aviation, flights in Europe declined by 1.7% in the first half of 2019. Italy (decline in flights of 0.9% over the period) remained Europe's number-four market with a market share of 9%.

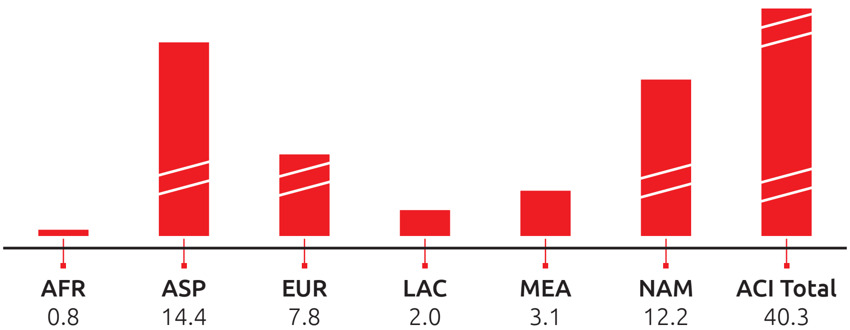
Milan Prime ranks fifth in Europe in terms of traffic served (after London, Paris, Nice and Geneva). It is ranked first in Italy where it holds a 40% market share.

GLOBAL AIR TRAFFIC TO MAY 2019

Passengers (2.86 billion) **ACI World ranking volumes**



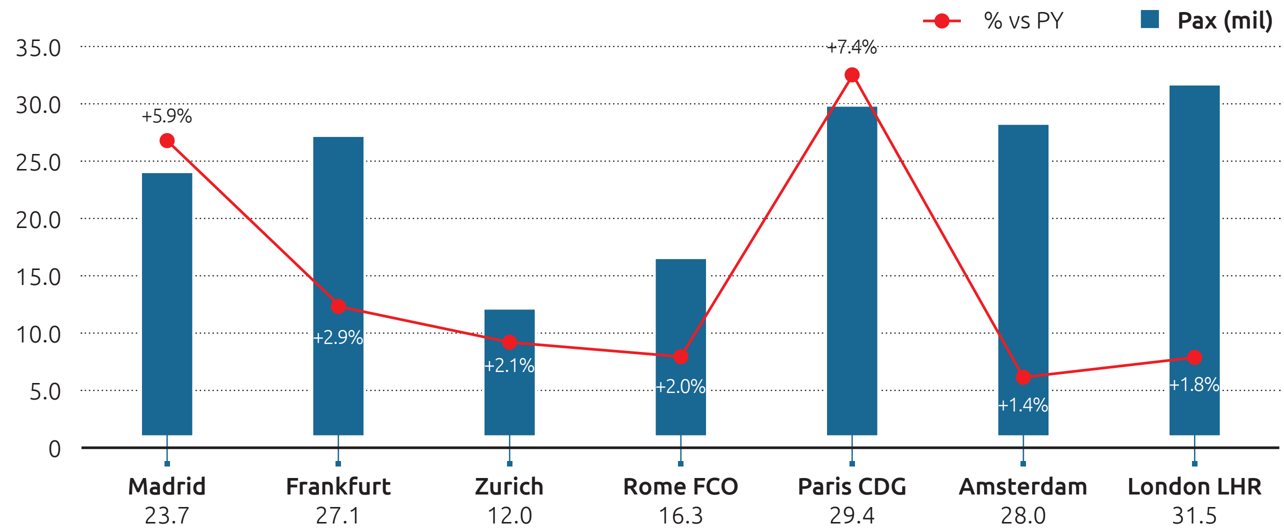
Total cargo (40.3 million tonnes) **ACI World ranking volumes**



Key: AFR (Africa), ASP (Asia Pacific), EUR (Europe), LAC (Latin America), MEA (Middle East), NAM (North America). Source: ACI World (Pax Flash & Freight Flash).

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

EUROPEAN AIRPORT TRAFFIC



Italian airport traffic performance to June 2019[3]

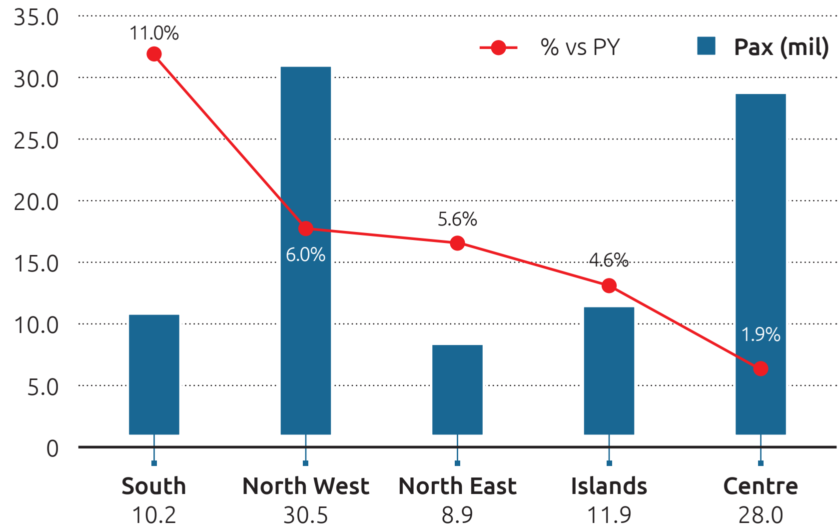
Passenger traffic at the Italian Assaeroporti member airports amounted to 89.5 million, up by 5.0% on the same period of 2018. This result was due to the positive performances of both international traffic (+6.3%) and domestic traffic (+2.5%).
There were 690 thousand flights during the period (+5.0%), with total cargo transported (495 thousand) declining (-5.8%).

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

In the North West, the Lombardy airport system (26% of total italian traffic) served 23.3 million passengers (+5.9%): Milan Malpensa served 12.5 million (+10.2%), Milan Linate 4.3 million (-3.9%) and Bergamo Orio al Serio 6.5 million (+5.1%).
In Central Italy, the Rome airport system (27% of total italian traffic) hit 23.4 million passengers (+2.0%): Rome Fiumicino served 20.5 million (+2.2%) and Rome Ciampino 2.9 million, stable on the same period of 2018.

In the North East, Venice stood out with 5.3 million (+6.4%), while in the South, Naples grew 10.8%, reaching 5.0 million passengers.

ITALIAN AIRPORT TRAFFIC - BY MACRO-REGION



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

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

Regulatory framework

Hand-over of responsibility to the Transport Regulation Authority

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

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

Revision of airport fee regulation models by the Transport Regulation Authority

With motion no. 84/2018 the Transport Regulation Authority commenced a review procedure of the current airport fee regulation models (approved with motion no. 92/2017). As explained in the resolution commencing the review, and as confirmed by the chairman of the Authority during the presentation of the sixth annual report to the Italian Parliament, this procedure aims to revise the regulation models, with a focus on optimal use of airport capacity, management efficiency, cost elasticity, return on invested capital, the treatment of commercial business margins and incentives for airline flight operations. Specific attention will be devoted to the treatment of airport networks and the definition of approaches to applying the new models to the airports that have entered into "supplementary" regulatory agreements, a category that includes SEA.
It is expected that consultation on the new regulation models will begin by the end of the summer.

Brexit measures

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

On May 13, 2019, the Italian Chamber of Deputies approved the law confirming Legislative Decree No. 22 of March 25, 2019 concerning "*Urgent measures to guarantee security, financial stability and market integrity, as well as the protection of the health and freedom to reside of Italian and those of the United Kingdom, in the event of the latter's withdrawal from the European*

Union", due to enter into force on May 25, 2019. In introducing provisions regarding air traffic across the Milan Airport System, the law envisages, in Article 17-quater, that, on a temporary basis, and no more than eighteen months from the date of withdrawal, EU and UK carriers may continue to operate point to point line connections, using narrow body aircraft between Milan Linate and UK airports, within the defined operational capacity limits for Milan Linate, and subject to reciprocity.
Of further note is the provision of Article 17-ter that envisages that EU airport charges will continue to apply to passengers travelling to the United Kingdom from the date of Brexit up to the date of entry into force of a global agreement governing the provision of transport services with the United Kingdom, or, failing that, until March 30, 2020.

Update on the European regulatory framework

The European Commission – DG MOVE – continued the process of assessing Directive 2009/12/EC of the European Parliament and of the Council of March 11, 2009 on airport charges, in place since 2016.
In this regard, in April 2019, SEA received a questionnaire expressing the positions of major stakeholders on the most critical issues emerging from the preliminary research published in 2017. The research conclusions will most likely be taken up by the new Commission taking office in November. SEA will continue to monitor this process, both directly and through Italian and European industry associations.

Operating and financial overview

Traffic data

Milan Malpensa and Milan Linate airport traffic performance

	Movements		Passengers [1]		Cargo [2]	
	H1		H1		H1	
	2019	% vs 2018	2019	% vs 2018	2019	% vs 2018
Malpensa	97,873	10.4%	12,491.4	10.4%	263,556	-6.7%
Linate	45,956	0.7%	4,289.1	-3.9%	5,140	-9.3%
Total commercial traffic	**143,829**	**7.1%**	**16,780.5**	**6.4%**	**268,696**	**-6.8%**
Linate General Aviation [3]	12,304	-2.9%	24.9	-5.8%	-	-
SEA Group Airport System	**156,133**	**6.3%**	**16,805.4**	**6.3%**	**268,696**	**-6.8%**

[1] Arriving+departing passengers ('000) [2] Arriving+departing cargo in tonnes [3] General Aviation Source: SEA Prime

In the first half of 2019, the **Milan Airport System** managed by the SEA Group served a total of 16.8 million passengers, an increase of one million passengers, or +6.3%, on the same period in 2018.
Malpensa airport recorded a 10.4% increase in commercial aviation passengers (+1.2 million passengers), while Linate airport, though it confirmed the results of the first half of 2018 in terms of aircraft movements (+0.7%), recorded a decline in passengers served of 3.9%.

The sound performance by Malpensa was driven by the increase in capacity in terms of flights (+10.4%) and larger average aircraft size (+12.7% in seats offered), offset by a lower aircraft load factor (-1.5 pps).

The so-called "Legacy" airlines operating through Terminal 1, representing 72% of passengers, contributed to growth with 716 thousand passengers (+12.6%). Such airlines include Air Italy, which, in addition to the transfer of routes previously operated at Linate, brought in new connections to North America, and Alitalia, which added a Malpensa-Rome Fiumicino route in summer 2018. Low-cost carriers (Ryanair, Vueling and Wizz Air) recorded an overall increase of 310 thousand passengers (+19.6%), while the leisure segment expanded by 87.5 thousand passengers (+20.1%).

Terminal 2, where only easyJet operates, served 3.6 million passengers (+1.8%).
Total intercontinental traffic amounted to 3.3 million passengers, an increase of 345 thousand passengers (+11.8%).

The decline in **Linate** passenger numbers is mainly due to a further reduction in Alitalia passengers on the Milan-Rome route (-10.3%), and to connections by Air Italy that persisted in the first half of 2018 (162.5 thousand passengers in 2018) and transferred to Malpensa from the beginning of summer 2018, excluding the connection for Olbia (accounting for 78.4 thousand passengers in 2019).

General aviation, in the period in question, saw an increase in the average size of aircraft, against a reduction in movements and passengers served. The General Aviation traffic of Milan Prime at Linate and Malpensa was equal to 12.3 thousand movements, down by 2.9% compared to the first half of 2018, also due to reduced traffic from the United States in the first months of the year as a result of the government shutdown.

In terms of aircraft tonnage, the volumes handled at Linate and Malpensa airports were up by +1.4% and +4.0% respectively on 2018, with the average aricraft used at the two airports rising from 16.1 to 16.9 tons (+4.9%).

Cargo traffic amounted to 269 thousand tons, down by 6.8% on the first half of 2018. This reduction is mainly attributable to the negative performance of all-cargo carriers (-13.2%), to an equivalent extent in both export and import. Bucking the trend were carriers operating combi aircraft, whose transports were up by 10.9%.

Cargo traffic was primarily concentrated at Malpensa airport, which handled 263.6 thousand tons of cargo, down by 6.7% on the first half of 2018. This movement is mainly attributable to export goods (up 8.2%) and to a lesser extent to import traffic (down 4.6%). All-cargo traffic amounted to 179.1 thousand tons, down by 13.2% on the first half of 2018, whereas belly traffic was up by 11.0%, rising to 84.5 thousand tons of cargo processed.

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

The main destinations served by the SEA Group in the first half of 2019 included: London, with five airports and over 1.3 million passengers served, was the leading destination in terms of passenger traffic volume; Paris ranked second, with over one million passengers served, followed by Catania, the top Italian domestic destination. The first intercontinental destination among the top 15 was New York, with over 463 thousand passengers.

(,000)	H1 2019	cge % on H1 2018	% of total
1 LONDON	1,253.2	2.2%	7.5%
2 PARIS	1,052.3	7.9%	6.3%
3 CATANIA	795.3	5.0%	4.7%
4 ROME	675.1	2.9%	4.0%
5 AMSTERDAM	607.1	-0.6%	3.6%
6 MADRID	550.5	15.9%	3.3%
7 PALERMO	532.0	10.6%	3.2%
8 NAPLES	471.7	7.7%	2.8%
9 NEW YORK	463.4	13.2%	2.8%
10 BARCELONA	442.7	3.6%	2.6%
11 FRANKFURT	418.4	-1.8%	2.5%
12 LAMEZIA TERME	381.3	23.0%	2.3%
13 CAGLIARI	366.0	1.0%	2.2%
14 BARI	344.4	13.8%	2.1%
15 BRUSSELS	319.7	-0.2%	1.9%
OTHERS	8,107.4	6.7%	48.2%
Total	**16,780.5**	**6.4%**	**100.0%**

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

Main airlines by passengers served by the Milan Airport System

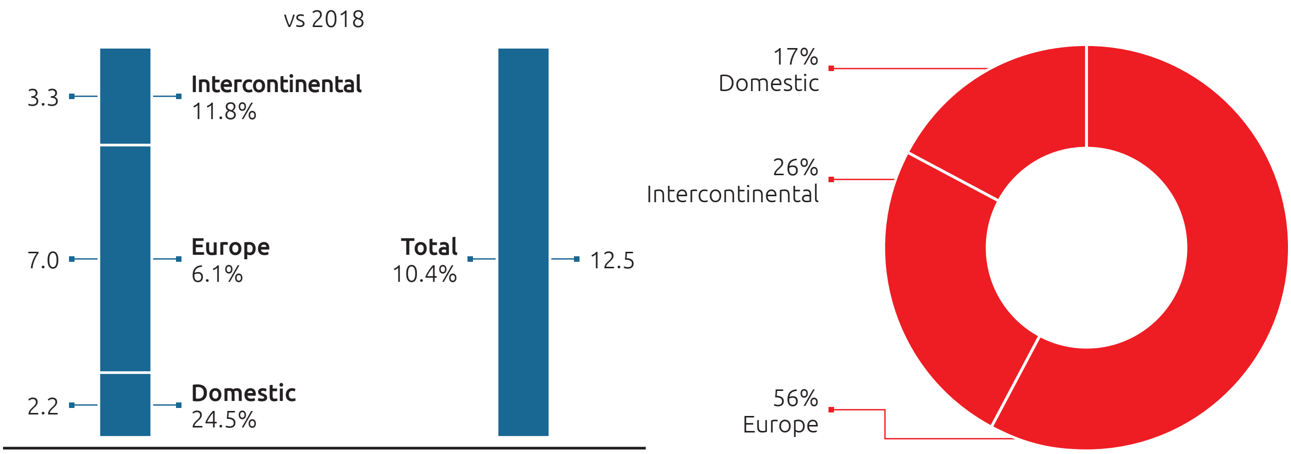
The ranking of the main airlines operating through the Milan Airport System saw easyJet confirm its lead in terms of traffic volume, accounting for 23.6% of total transiting passengers (28.9% at Malpensa). Alitalia was the number-two carrier with a market share of 17.4% (62.3% at Linate). With 1.2 million passengers, Ryanair confirmed its third-place ranking (9.3% share at Malpensa) among airline operators.

(,000)	H1 2019	cge % on H1 2018	% of total
1 Easyjet	3,967.4	1.7%	23.6%
2 Alitalia	2,918.4	-1.9%	17.4%
3 Ryanair	1,165.5	18.4%	6.9%
4 Lufthansa	837.9	1.0%	5.0%
5 Air Italy	734.2	54.1%	4.4%
6 British Airways	464.0	6.5%	2.8%
7 Vueling Airlines S.A.	459.9	14.1%	2.7%
8 Emirates	441.6	-4.8%	2.6%
9 Neos	355.0	26.4%	2.1%
10 Air France	299.2	9.9%	1.8%
11 Wizz Air	266.9	37.1%	1.6%
12 Iberia	254.6	0.3%	1.5%
13 Turkish Airlines	227.3	-1.9%	1.4%
14 Tap Air Portugal	224.7	15.8%	1.3%
15 Blue Panorama	212.9	5.4%	1.3%
Others	3,951.0	7.4%	23.6%
Total	**16,780.5**	**6.4%**	**100.0%**

Traffic by region

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

H1 2019 - PASSENGER TRAFFIC AT MALPENSA AIRPORT (IN MILLION)



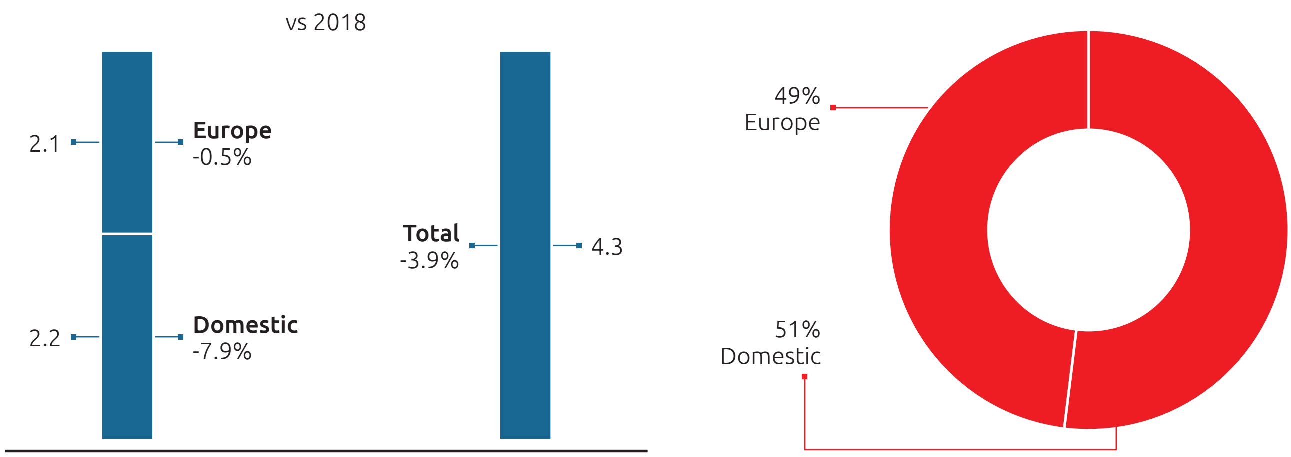
Malpensa
At Malpensa *domestic traffic* was up 24.5%, with 429 thousand incremental passengers, to 2.2 million. This growth was driven by **Air Italy**, with 290 thousand incremental passengers, which starting in the 2018 summer season transferred a series of flights previously operated from Linate to Malpensa (Palermo, Naples and Rome Fiumicino, in addition to Olbia, already served), and which in the 2018 winter season began further expansion of its network to include Catania, Lamezia Terme and Cagliari, increasing the number of domestic destinations served to seven. **Alitalia and Ryanair** contributed 54 and 53 thousand incremental passengers, respectively, with service to Rome Fiumicino, launched in the 2018 summer season by the former, and with two new flights to Bari and Brindisi (increasing the number of domestic destinations served to six) inaugurated by the low-cost carrier.

European traffic was up 6.1%, with 405 thousand incremental passengers, to 7.0 million.
This growth is primarily to be attributed to low-cost carriers. With 127 thousand incremental passengers, **Ryanair** began to operate eight new flights (including four seasonal summer flights), expanding its European network from 10 to 18 destinations. With 72 thousand incremental passengers, in the 2018 summer season **Wizz Air** launched service to Skopje and Vilnius, followed by a flight to Debrecen in December, in addition to daily service to Vienna starting in February 2019 and to Ohrid beginning in the 2019 summer season.

Positive contributions were also provided by **Vueling**, with 57 thousand incremental passengers, which increased service to Barcelona and Paris Orly; **Fly Ernest** (+36 thousand passengers), which began to fly to Kiev in October 2018 and to Kharkiv in March 2019; **TAP** (+31 thousand passengers), which increased service to Oporto; **Aigle Azur** (+30 thousand passengers), with Paris Orly served since September 2018; and **Air France** (+27 thousand passengers) and **Air Europa** (+22 thousand passengers), which increased services to Paris CDG and Madrid, respectively.

Intercontinental traffic was up 11.8%, with 345 thousand incremental passengers, to 3.3 million passengers served.
The regions that contributed to these results were **North America**, due to Air Italy, which continues to operate flights to New York and Miami and launched new seasonal destinations during the current summer season (San Francisco, Los Angeles and Toronto), the **Far East** with Air China, Air Italy, Neos and Kuwait Airways, **Africa** with Neos, Blu Panorama, easyJet and Air Cairo, and the **Middle East** with Qatar Airways, Oman Air and Neos.

H1 2019 - PASSENGER TRAFFIC AT LINATE AIRPORT (IN MILLION)

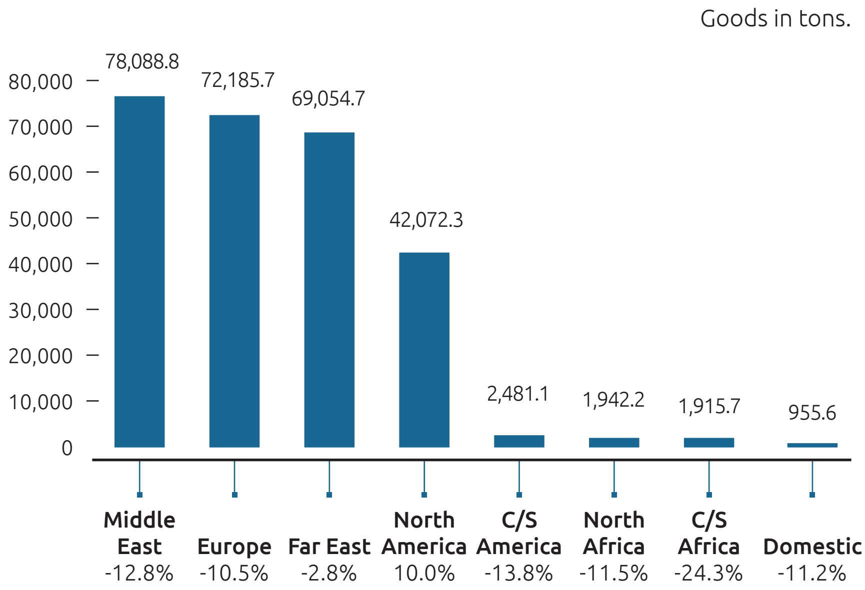


Linate

At Linate *domestic traffic* declined on the first half of 2018 (-7.9% or -186 thousand passengers) due to the reduction of 5.0% (-107 thousand passengers) by Alitalia, largely due to the Linate-Fiumicino shuttle (-10.3%) and to the choice by Air Italy to concentrate its operations at Malpensa airport starting in April 2018.

European traffic was essentially in line with the first half of 2018 (+0.5%), due to the sound performances by both British Airways (+21 thousand passengers), which increased passengers served on flights to London City and London Heathrow, and Iberia (+11 thousand passengers), which transferred a daily flight for Madrid from Malpensa starting in February 2018. This increase was offset by the decline of Alitalia (-0.8%), the net result of the reductions in service to London Heathrow and Paris Orly and the launch of service to Madrid and Luxembourg starting in April 2018 and to Geneva starting in September 2018.

H1 2019 FREIGHT TRAFFIC BY GEOGRAPHICAL AREA - SEA MANAGED AIRPORTS



The percent change refers to a comparison with the first half of 2018

The breakdown by region shows critical situations in all areas, and in particular in the Middle East, which recorded a decline of 11.5 thousand tons (-12.8%). Only North America moved in the opposite direction, with growth of 3.8 thousand tons (+10%).

Income Statement

(euro thousands)	H1 2019	H1 2018	Change	Cge. % 2019/2018
Operating revenues	343,449	324,749	18,700	5.8%
Revenue for works on assets under concession	17,746	11,889	5,857	49.3%
Total revenues	**361,195**	**336,638**	**24,557**	**7.3%**
Operating costs				
Personnel costs	96,117	94,903	1,214	1.3%
Other operating costs	112,725	102,507	10,218	10.0%
Total operating costs	**208,842**	**197,410**	**11,432**	**5.8%**
Costs for works on assets under concession	16,288	11,039	5,249	47.5%
Total costs	**225,130**	**208,449**	**16,681**	**8.0%**
EBITDA [1]	**136,065**	**128,189**	**7,876**	**6.1%**
Provisions & write-downs/(releases)	(716)	976	(1,692)	(173.4%)
Restoration and replacement provision	8,526	7,539	987	13.1%
Amortisation & Depreciation	38,288	35,934	2,354	6.6%
Operating profit	**89,967**	**83,740**	**6,227**	**7.4%**
Investment income	8,753	4,248	4,505	106.0%
Net financial charges	8,521	7,855	666	8.5%
Profit before taxes	**90,199**	**80,133**	**10,066**	**12.6%**
Income taxes	24,038	22,689	1,349	5.9%
Net profit	**66,161**	**57,444**	**8,717**	**15.2%**
Minority interest profit/(loss)	1	1	0	0.0%
Group Net Profit	**66,160**	**57,443**	**8,717**	**15.2%**

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

Operating revenues amounted to euro 343,449 thousand in H1 2019, up euro 18,700 thousand (+5.8%). This strong performance was mainly due to traffic development, which drove increases in both Aviation revenues of euro 9,147 thousand and of revenues on Non-Aviation activities of euro 7,568 thousand. The revenues from the Energy business increased euro 1,867 thousand, whereas the General Aviation business reported revenues in line with the first half of 2018. Operating costs increased euro 11,432 thousand (+5.8%), mainly due to the expenses associated with the increase in traffic and higher unit energy costs. The margin resulting from the difference between revenues and costs of works on assets under concession amounted to euro 1,458 thousand, up due to the investments made during the period.

As a result of the developments outlined above, EBITDA was euro 136,065 thousand, up +6.1% on the same period of 2018. Operating profit was euro 89,967 thousand (+7.4%), affected by the impact of the application of the accounting standard IFRS 16 and the entry into service of various investments.

Net profit amounted euro 66,161 thousand, an increase of euro 8,717 thousand on the previous year (+15.2%).

The main Income Statement accounts are broken down as follows.

Revenues

Operating revenues in H1 2019 (net of works on assets under concession) amount to euro 343,449 thousand and include Aviation revenues of euro 205,948 thousand (euro 196,801 thousand in H1 2018), Non-Aviation revenues of euro 122,309 thousand (euro 114,741 thousand in H1 2018), General Aviation revenues of euro 5,927 thousand (euro 5,809 thousand in H1 2018) and Energy revenues of euro 9,265 thousand (euro 7,398 thousand in H1 2018). Operating revenues increased euro 18,700 thousand on the previous year (+5.8%). This performance is principally based on:

- *Aviation* for euro +9,147 thousand, mainly due to the boost in traffic volumes in the period.
- *Non Aviation* for euro +7,568 thousand, with organic growth across all the main business segments (Shops, Food & Beverage, Car Rental, Parking, Cargo and Bank Services).
- *Energy* for euro +1,867 thousand, mainly due to higher volumes of electricity sales to third parties.
- *General Aviation* for euro +118 thousand, mainly owing to the management of the regulated fees for Malpensa airport, which were not present in the first half of 2018.

Revenues for works on assets under concession increased from euro 11,889 thousand in H1 2018 to euro 17,746 thousand in H1 2019 (+49.3%). 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 2019, net of costs for works on assets under concession, amount to euro 208,842 thousand, rising euro 11,432 thousand on the previous year (+5.8%). Costs in the first half of 2019 included non-recurring components of euro 1,907 thousand, consisting solely of leaving incentives. Therefore, the comparison with the first half of 2018 - which in turn included non-recurring components of euro 69 thousand - shows a net increase of euro 9,594 thousand (+4.9%).

Net of the non-recurring components, this cost increase is mainly due to:

- Group personnel costs, which decreased euro 624 thousand (-0.7%) compared to the same period of 2018 (from euro 94,834 thousand in the first half of 2018 to euro 94,210 thousand in the first half of 2019). This result was due to the adjustment to the performance bonus, which in 2019 will be paid for the Bridge project, and therefore concentrated in the second half of the year, in contrast to the first half of 2018, which already reflected the relevant pro-rated effects. In the period under review, there was an increase in the costs of the new INAIL rates system relating to mandatory workplace accident insurance premiums. The headcount for the half year amounted to 2,795 full-time equivalents, up by 21 FTEs on the same period of 2018 (2,774 FTEs).
- Other operating costs, which increased by euro 10,218 thousand (+10.0%) compared to the same period of 2018, rising from euro 102,507 thousand in the first half of 2018 to euro 112,725 thousand in the first half of 2019. This growth was due to the increase in costs tied to traffic volumes of euro 2,442 thousand (security, public fees, fees associated with the management of parking, passenger support, fuel and chemical product costs), the increase in the unit costs of energy – methane and CO2 – of euro 5,829 thousand and higher core costs (maintenance, tools and hardware and software fees) of euro 1,947 thousand.

Costs for works on assets under concession

Costs for works on assets under concession increased from euro 11,039 thousand in H1 2018 to euro 16,288 thousand in H1 2019. These costs refer to the costs for the works undertaken on assets under concession. This movement is strictly related to investment activities.

EBITDA

As a result of the developments outlined above, EBITDA was euro 136,065 thousand, up by +6.1% over the same period of 2018. Excluding the non-recurring items outlined above, EBITDA was up by +7.6% (euro +9,714 thousand).

Provisions and write downs/(releases)

In H1 2019, the account Provisions and write downs/(releases) showed net releases of euro 716 thousand (net accruals of euro 976 thousand in H1 2018), consisting of net releases from the accruals for future charges of euro 182 thousand (provisions of euro 340 thousand in H1 2018) and net releases of euro 534 thousand (accruals of euro 636 thousand in H1 2018) from the doubtful debt provision.

The net releases from the provision for future charges consisted mainly of a release from the insurance excesses provision due to the resolution of several disputes.
The net releases from the doubtful debt provision were due to the release of provisions recognized in previous years, primarily in connection with collections relating to debt recovery activities and compliance with repayment plans agreed with customers. The releases were partially offset by the accruals recognized to take into account the risk assessed by the Company, which reflects the expected loss on each receivable, in accordance with IFRS 9.
For further details, reference should be made to Note 9.7 of the Condensed Consolidated Half-Year Financial Statements.

Restoration and replacement provision

In the first half of 2019, the net accrual to the restoration and replacement provision increased euro 987 thousand. The accrual of euro 8,526 thousand in the first half of 2019 (euro 7,539 thousand in the first half of 2018), none of which was released, reflects the assessments of the planned maintenance of the plant in the course of its useful life.

Amortisation & Depreciation

Amortisation and depreciation in H1 2019 increased by euro 2,354 thousand compared to 2018, from euro 35,934 thousand to euro 38,288 thousand. Amortization and depreciation in the period relate to tangible and intangible assets held based on the estimated useful life by the Group, which however does not exceed the duration of the concession and the increase in fixed assets whose depreciation began subsequent to the conclusion of H1 2018(development of ICT projects, de-icer equipment and trucks, airport restyling works and renovation of the Linate and Malpensa T1 terminals and the new cargo operators and handlers warehouse were the main investments). There was also an increase due to the amortization of the new category of intangible assets resulting from IFRS 16, i.e., Right-of-use assets, which amounted to euro 727 thousand at the end of H1 2019.

EBIT

EBIT was euro 89,967 thousand, against euro 83,740 thousand in H1 2018, up 7.4% (euro +6,227 thousand). Net of non-recurring items, EBIT rose by 9.6% or euro 8,065 thousand (from euro 83,809 thousand in the first half of 2018 to euro 91,874 thousand in the same period of 2019).

Investment income and charges

In H1 2019, net income from investments increased euro 4,505 thousand, from euro 4,248 thousand in 2018 to euro 8,753 thousand in 2019, relating to the valuation at equity of investments in associates. Income from investments increased on the previous year due to the difference between estimated and actual results in 2018, with particular regard to the associate Sacbo.

Financial income and charges

Net financial charges in H1 2019 amounted to euro 8,521 thousand, an increase of euro 666 thousand on the first half of the previous year.
Financial charges declined by euro 205 thousand due to the lesser interest expense during the period on medium/long-term loans, driven by the decrease in gross debt and lower charges on derivatives due to the continuing amortization of the relevant notional amount.

In the same period, financial income also decreased euro 871 thousand, since the first half of 2018 had benefited from interest income (euro 976 thousand) accrued on the IRES receivable collected in April 2018 concurrently with the corresponding nominal receivable. Net of this component, financial income increased euro 105 thousand in H1 2019, mainly due to the negotiation of more favourable interest conditions for the balances of several bank accounts held by the SEA Group.

Income taxes

In H1 2019 income taxes amounted to euro 24,038 thousand, increasing on the same period of the previous year, principally due to the increase in the pre-tax profit of euro 10,066 thousand (euro 90,199 thousand in H1 2019 and euro 80,133 thousand in H1 2018), partially offset by: *i)* the higher percent deduction of municipal property tax (IMU); *ii)* the benefit deriving from the "super depreciation" tax relief measure for new capital assets; and *iii)* the deductibility of actuarial losses, in contrast with the actuarial gains taxed in the previous half-year.

Group Net Profit

As a result of the developments outlined above, the Group Net Profit improved euro 8,717 thousand, from euro 57,443 thousand in H1 2018 to euro 66,160 thousand in H1 2019.

Reclassified Group Balance Sheet

(euro thousands)	June 30, 2019	December 31, 2018	Change
Intangible assets	981,274	986,469	(5,195)
Property, plant & equipment	208,937	205,483	3,454
Right-of-use assets	4,579		4,579
Investment property	3,405	3,408	(3)
Investments in associates	68,798	67,914	884
Other investments	26	26	0
Deferred tax assets	56,048	54,185	1,863
Other non-current receivables	190	188	2
Fixed assets (A)	**1,323,257**	**1,317,673**	**5,584**
Inventories	1,784	1,934	(150)
Trade receivables	140,686	121,005	19,681
Tax receivables	468	1,048	(580)
Other receivables	16,806	9,527	7,279
Current assets	**159,744**	**133,514**	**26,230**
Trade payables	155,723	153,394	2,329
Other payables	192,898	192,476	422
Income tax payables	47,501	18,541	28,960
Current liabilities	**396,122**	**364,411**	**31,711**
Net working capital (B)	**(236,378)**	**(230,897)**	**(5,481)**
Provisions for risks and charges (C)	(165,168)	(167,861)	2,693
Employee provisions (D)	(48,718)	(46,214)	(2,504)
Other non-current payables (E)	(13,964)	(13,964)	0
Net capital employed (A+B+C+D+E)	**859,029**	**858,737**	**292**
Group Net Equity	(424,634)	(459,101)	34,467
Minority interest net equity	(26)	(25)	(1)
Net financial debt	(434,369)	(399,611)	(34,758)
Total sources of financing	**(859,029)**	**(858,737)**	**(292)**

At June 30, 2019, fixed assets of euro 1,323,257 thousand were up on December 31, 2018 by euro 5,584 thousand, principally due to: *i)* the amount of investments and amortization and depreciation in the period, respectively of euro 35,900 thousand (net of restoration provision utilizations) and euro 37,561 thousand (depreciation and amortization stated net of the effect of IFRS 16; *ii)* the measurement of a new category of fixed assets arising from IFRS 16, Right-of-use assets amounting to euro 4,579 thousand at June 30, 2019. According to the new Standard, leased assets that possess the characteristics indicated in the Standard are to be classified as company assets; *iii)* the increase in the value of equity investments in associates (euro 884 thousand); and *iv)* the increase in net deferred tax assets of euro 1,863 thousand.

Negative net working capital of euro 236,378 thousand, improved by euro 5,481 thousand over December 31, 2018. This movement is mainly due to *i)* the increase in trade receivables, principally as a result of higher revenues in the period; *ii)* the higher direct tax payable, related to prepayment times; *iii)* the increase in the fire protection services payable; and iv) the increase in other receivables.
Net capital employed at June 30, 2018 amounted to euro 859,029 thousand, essentially in line with the figure at December 31, 2018.
Other non-current payables refer mainly to payables to employees recorded as a result of the mobility procedure's commencement on December 27, 2017. Through the mobility procedure, early retirement incentive payments were established for a pre-determined number of workers who will qualify for pension benefits by August 2023 (early retirement or old age pension). They remained in line with December 2018 because employees departure performance did not result in changes to the current portion of such payables.

The following table illustrates the principal components of Net working capital.

(euro thousands)	June 30, 2019	December 31, 2018	Change
Inventories	1,784	1,934	(150)
Trade receivables	140,686	121,005	19,681
Trade payables	(155,723)	(153,394)	(2,329)
Other receivables/(payables)	(223,125)	(200,442)	(22,683)
Total Net working capital	**(236,378)**	**(230,897)**	**(5,481)**

Net financial position

The net debt of euro 434,369 thousand at June 30, 2019 increased by euro 34,758 thousand on December 31, 2018 (euro 399,611 thousand). The net increase includes the effect of the first-time application of the accounting standard IFRS 16 to leased assets in the amount of euro 5,031 thousand.

The generation of cash from operations funded tangible and intangible asset investment and the dividend payment of euro 98.8 million.

Alternative performance indicators

The SEA Group uses alternative performance indicators (API'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 API's used in the present financial statements are set out below:

- EBITDA, gross operating margin or gross operating result is calculated as the difference between total revenues and total costs, excluding provisions and write-downs.
- EBIT or operating result is calculated as the difference between total revenues and total costs, including provisions and write-downs.
- "Net financial debt" or "Net financial position" means liquidity, financial receivables and current securities, net of financial payables (current and non-current) and the fair value of financial debt hedging derivatives.
- "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 tangible and intangible assets" means investments in tangible and intangible assets based on the information presented in the SEA Group's Explanatory Notes, net of uses of the restoration provision.
- "Non-recurring components" means items arising from non-recurring transactions. Such items, in the management's opinion and where specified, may be excluded in the interest of better comparability and assessment of financial performance results. In this Directors' Report, some of the measures listed above are presented and described net of non-recurring components.

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

Subsequent events

Linate-Malpensa bridge

All necessary equipment for the closure of Linate Airport from July 27 to October 27, 2019, was successfully transferred from Linate to Malpensa during the so-called "Bridge" operation. The closure will see major infrastructural works implemented at Linate in order to improve quality and safety, with the resurfacing of the runway, the construction of a new Baggage Handling System (BHS), and the start of the redevelopment of the passenger terminal.

New General Aviation Terminal at Milan Malpensa

July 23, 2019 saw the inauguration of the new SEA Prime managed Malpensa International Airport Business & General Aviation Terminal. The new Terminal is situated in a dedicated area of the airport between Terminal 1 and Terminal 2, and features a 50,000 square metre apron, in addition to a 5,000 square metre hangar devoted to latest generation executive jets.

Outlook

In the second half of the year, the Group will be involved in managing the transfer of airport traffic from Linate to Malpensa, and in the connected investment programme at Linate for the full resurfacing of the runway and taxiways, the adaptation to new safety standards of the hold baggage control system, and the demolition and subsequent reconstruction of a section of the passenger terminal, whose works are set to continue after the reopening of the airport and conclude at the beginning of 2021.

The closure of Linate and the transfer of its operations to Malpensa will lead to discontinued revenues and rising costs. Thus, despite the positive results and traffic trend in the half-year in question, 2019's results are expected to decrease compared with 2018 due to these non-recurring events.

Operating performance - Sector analysis

Commercial Aviation

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

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

General Aviation

The General Aviation business includes the full range of services relating to business traffic at both Linate and Malpensa.

Energy

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

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

	Commercial Aviation		General Aviation		Energy		Consolidated	
	H1		H1		H1		H1	
(euro thousands)	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
OPERATING REVENUES	328,257	311,542	5,927	5,809	9,265	7,398	343,449	324,749
EBITDA	131,726	123,702	3,844	3,887	495	600	136,065	128,189
EBIT	86,648	80,545	2,921	2,885	398	310	89,967	83,740

The EBITDA shown above includes the IFRIC margin.

Commercial Aviation

Revenues

Commercial Aviation revenues in H1 2019 amount to euro 328,257 thousand, up euro 16,715 thousand on the previous year (+5.4%). This growth mainly results from the following areas:

- **Aviation** activities for euro **9,147** thousand (from euro 196,801 thousand in the first half of 2018 to euro 205,948 thousand in the same period of 2019). Contributing to this increase is higher traffic volumes of euro 8,016 thousand (+4.6%), the increase in airport tariffs for euro 970 thousand and higher revenues from regulated spaces for euro 161 thousand.

- **Non-Aviation**, activities for euro **7,568** thousand (from euro 114,741 thousand in the first half of 2018 to euro 122,309 thousand in the same period of 2019). This performance was mainly due to good results in the Retail divisions (Shops, Food & Beverage, Car Rentals and Bank Services) for euro 2,080 thousand (+4.4%) and Parking for euro 2,469 thousand (+7.5%). Against the same period of the previous year, the Premium Services segments (VIP Lounges and Fast Track services) also increased for euro 1,520 thousand and Real Estate for euro 564 thousand. Cargo revenues amounted to euro 9,280 thousand, up euro 1,209 thousand on 2018 (+15.0%), following the renewal of certain contracts and the extension of spaces utilised by new tenants. Advertising revenues of euro 233 thousand also increased, confirming the consolidation of investment in the luxury division, especially at Malpensa. On the contrary, revenue from services fell by 4.9% (euro -507 thousand).

In the Retail division, revenues from Shops registered growth of euro 1,161 thousand (+4.6%). This performance was driven by increased non-Schengen area revenues at Terminal 1, which showed an increase in average spending per passenger, particularly in the luxury segment.

Revenues from the Food & Beverage segment grew by euro 461 thousand (+4.5%).
Linate saw continuing good performance of the existing formats, above all in airside areas, during the first half of 2019, contrary to the trend in traffic (down 3.9%). Due to the increase in traffic and the new formats inaugurated in 2018, the catering service at Malpensa Terminal 1 built on an already sound performance in both landside and airside areas.

Revenues from the Car Rental division returned growth of euro 176 thousand over the same period of 2018 (+2.2%), mainly due to the good performance of Malpensa operators. A particularly positive trend in turnover was confirmed at Terminal 2 by the saturation of all available spaces.

Revenues from Banking Services increased by euro 282 thousand (+7.0%) due to a rise in VAT refund and currency exchange business.

Operating costs

Operating costs for the **Commercial Aviation** business went from euro 188,690 thousand in the first half of 2018 to euro 197,989 thousand in the same period of 2019, an increase of euro 9,299 thousand (+4.9%).

Net of non-recurring cost items relating to voluntary leaving incentive plans amounting to euro 1,869 thousand in 2019 and euro 69 thousand in the first half of 2018, operating costs increased by euro 7,499 thousand (+4.0%). This is due to:

- A fall in personnel costs of euro 630 thousand (-0.7%), due to the different maturation timing of the performance bonus, this year paid in light of the Bridge Period (July 27 - October 27, 2019). In the period under review, there was an increase in the costs of the new INAIL rates system relating to mandatory workplace accident insurance premiums.
- An increase in operating and material costs totalling euro 8,129 thousand, in comparison with the same year-half in 2018, mainly due to higher costs in connection with traffic volumes, equal to euro 2,413 thousand (covering cleaning, passenger assistance and security), to a rise in energy costs of euro 3,493 thousand (euro 2,956 thousand for methane and euro 537 thousand for CO_2), and to standard recurring costs of euro 2,223 thousand (for maintenance).

EBITDA and EBIT

As a result of the trends outlined above, EBITDA in the first half of 2019 stood at euro 131,726 thousand (euro 123,702 thousand in the first half of 2018), up euro 8,024 thousand over the previous year (+6.5%). Excluding the extra-

ordinary items mentioned above, the increase amounted to euro 9,824 thousand (+7.9%).
Amortisation and depreciation, and net provisions for restoration and replacement, risks and charges and doubtful debt, are higher than H1 2018 by euro 1,921 thousand.

Consequently, Commercial Aviation EBIT in H1 2019 was euro 86,648 thousand, up euro 6,103 thousand (+7.6%) on the same period of the previous year. Excluding the non-recurring components, H1 2019 EBIT was euro 88,517 thousand, increasing euro 7,902 thousand (+9.8%) on the same period of 2018.

Investments

The main investments of the Commercial Aviation business are predominantly focused on preparations for the transfer of traffic from Linate Airport, due to its closure from July 27 until October 27, 2019. Some of the initiatives are presented below:

- Enlargement of the check-in islands and increase in their number at Malpensa Terminal 1;
- Increase in departure baggage carousels at Terminal 1;
- Doubling of e-gates and refurbishment of gate areas;
- New operators parking garage;
- Works to reconfigure road access outside Terminal 2;
- Taxiway redevelopment works at Terminal 2.

Other information

Investments/Aviation Spaces Development

In the first half of 2019, Aviation Spaces saw an expansion in operating areas for several carriers, in line with development plans.

Retail development

The retail system at both SEA managed airports delivered strong results. An analysis of the general trend of tax-free shopping in Italy in the first five months of 2019 revealed that top-spender country passengers (from China and the United Arab Emirates) made less individual transactions yet of a higher average amount, resulting in an increase in the value of total sales. The trend identifies a non-Schengen clientele increasingly oriented to luxury products. At Malpensa Terminal 1, the excellent performance of brands such as Loro Piana indicate the potential for growth in the Luxury segment, while turnover increases in the airside area, and specifically in the Piazza del Lusso and Pop areas, are seen to drive overall growth. At Linate, on the other hand, a lower shopping area performance was recorded (-10.3%) due to the reduction in flights and the anticipation of various closures for the restyling works.

The Food & Beverage segment, due to an enrichment and restructuring of the offering at Malpensa Terminal 1 in 2018, and to the increase in traffic, recorded good performance during the first half of 2019. This offering was strengthened in light of the transfer of flights to Malpensa. At Terminal 2, of note is the replacement of the "Wine & Food" format at the boarding gates with a gourmet hamburger point branded "MU Finest Italian Burger".

Bilateral Agreements

Given the recent transition between governments, the competent Italian authorities have not entered into new bilateral aviation agreements with third countries in recent months. Community negotiating activity continued, under the auspices of the European Commission, which is negotiating vertical agreements between Europe and ASEAN (the Association of Southeast Asian Nations), Oman, Tunisia and Turkey; the agreement with Qatar was finalized and negotiations with Brazil and the UAE were suspended.

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. As part of such efforts, collaboration continues with institutions such as the Chamber of Commerce, the Municipality of Milan and the Region of Lombardy.

Various events were held in the first half of 2019 to promote new routes or new services offered by airlines, through social media, newsletters, DEM, online banners and launch events.

General Aviation

Revenues and costs

General Aviation revenues amount to euro 5,927 thousand, increasing euro 118 thousand (+2.0%) on the same period of the previous year.

The increase in revenues was mainly due to the management of regulated fees at Malpensa airport, amounting to euro 471 thousand, not present in the first half of 2018 (the agreement was signed in January 2019), partially offset by the absence in 2019 of fuel sales revenues of euro 305 thousand and lower other revenues of euro 48 thousand.

The increase in operating costs, net of the non-recurring components of euro 28 thousand (leaving incentives), amounted to euro 133 thousand (+6.9%), due to the core business (runway and road maintenance, sundry materials, clothing and commercial costs).

EBITDA and EBIT

As a result of the developments outlined above, EBITDA for H1 2019 was euro 3,872 thousand, down by euro 15 thousand (-0.4%) over the same period of the previous year.

EBIT was up by euro 64 thousand (+2.2%) due to accruals to doubtful debt provisions in the previous year.

Investments

The General Aviation business' principal investments are related to the works for the construction of the new general aviation terminal at Malpensa.

Energy

Quantitative data

In the first half of 2019, total production of electricity for sale increased 9.6% (14.8 million kWh) compared to the same period of 2018 to 169.8 million kWh, of which approx. 56% to service the needs of the SEA Group managed airports.

The production of electricity for the external distribution network increased 30.2% (+17.2 million kWh) on the first half of 2018 to 74.3 million kWh.
Part of the energy fed to the grid, approximately 57.7 million kWh, was sold wholesale through the electricity exchange, through which all production surpluses are sold.
The remaining part, 16.6 million kWh, was, instead, sold through bilateral contracts. These contracts were fulfilled through self-production until April 2019. However, from May 2019, in order to meet the demand from sales to end-customers, 18.4 million KWh were purchased on the market and then resold to customers managed through the bilateral contracts. Total electricity sales under bilateral contracts thus amounted to 35 million kWh, up approx. 5% (+1.7 million kWh) on the first half of 2018.

In H1 2019, heat production decreased by 1.2% on H1 2018 (-2.5 million kWh) to 212.6 million kWh, of which approx. 74% serving the needs of Linate and Malpensa airports.

Sales to third-party customers decreased by 8.5 million kWh (-13.6% on H1 2018) to 54.6 million kWh. This production decrease is due to the reduction of supplies to residential users neighbouring Linate airport through interconnection with the Milan district heating network.

The revenues and costs reported below refer to the Energy business with regards to the sale of electricity and heat to third parties.

Revenues and costs

In the first half of 2019, the Energy business reported revenues of euro 9,265 thousand, increasing euro 1,867 thousand on the same period of 2018 (+25.2%).
Euro 2,473 thousand of this increase is attributable to higher sales volumes to third-party customers, particularly in terms of electricity, which was partially offset by non-recurring revenues of euro 606 thousand in 2018 relating to the white certificate adjustments of the previous years.

Net of non-recurring components (leaving incentives) of euro 10 thousand, in H1 2019 operating costs amounted to euro 8,760 thousand, up by euro 1,962 thousand on the same period of the previous year. This increase is mainly attributable to methane costs, accounting for euro 1,155 thousand (mainly determined by the unit price increase), and the purchase of electricity from GME and from wholesalers in order to meet the demands of third-party customers, totalling euro 779 thousand. Finally, other operating costs increased euro 28 thousand.

EBITDA and EBIT

As a result of the developments outlined above, EBITDA in H1 2019 was euro 495 thousand, decreasing by euro 105 thousand on the same period of 2018 (and by euro 95 thousand net of non-recurring components).

EBIT in H1 2019 was euro 398 thousand, increasing by euro 88 thousand on the same period of 2018 (and by euro 98 thousand net of non-recurring components), due to the lesser depreciation and amortization charges in H1 2019.

Investments

The main Energy business investments were:

- Commissioning works at the Malpensa plant for the new 7 MWf electric refrigeration unit;
- Installation of 3 NOx catalysts in order to lower the Linate plant limit to 75 mg/Nmc, as per regional legislation;
- Refurbishment of the plant's

perimeter lighting and intensification of the lighting of its engine compartments.

Emission trading

In accordance with European Directive 2003/87/EC, from January 1, 2005, plant operators which emit CO_2 into the atmosphere must avail of an authorisation issued by the competent national authority. Each plant, in addition, must receive special "rights" permitting the emission of CO_2 into the atmosphere without payment. Where the rights allocated annually concerning the plant are not sufficient to cover emissions, these may be purchased on the market.
Conversely, where the rights allocated are in excess of the emissions produced, the rights not utilised may be sold.
In the first half of 2019, overall Group CO_2 production was approx. 92,500 Tonnes, of which approx. 57,000 Tonnes generated by the Malpensa station and over 35,000 Tonnes by the Linate plant.

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

Efficient Systems for Users (SEU or SEESEU) are simple production and consumption systems consisting of a production facility and a consumption unit that are directly linked by a private connection, without an obligation to connect third parties, in which the producer and end client are the same legal entity or legal entities belonging to the same corporate group.
On May 8, 2017 GSE (the Electricity Services Operator) definitively issued SEESEU certification for both the Linate and Malpensa airports.
Obtaining the SEU or SEESEU qualification entails maintaining favourable tariff conditions on self-produced electricity, with high efficiency and not drawn from the electricity grid and limited to the variable parts of the general system and network charges, as envisaged by Legislative Decree No. 115/08 and Article 25-bis of Decree-Law No. 91/14 converted with Law No.116/14.
By ARERA resolution no. 680/2018 of December 18, 2018, the deadline for opting for CDS or SEESEU status (previously set at December 31, 2018) was extended to July 1, 2019. The SEA Group therefore decided to opt for the SEESEU solution and began the process – including entering into the agreement with the Distributor – of rendering the system operational as soon as possible.

Risk Management Framework

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

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

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

To better support and integrate the systems mentioned, in 2016 the SEA Group introduced an Enterprise Risk Management (ERM) model for the identification, homogeneous and transversal assessment of risks linked to the development of corporate activity, and their ongoing monitoring, to support management strategic choices and decision-making processes and stakeholder assurances.

SEA Group risk factors

The principal risks which the Group is potentially exposed to are indicated below. They are considered thus because they can have an impact on the objectives pursued in the corporate Strategic Plan.

External risks

SEA Group operates as an airport manager under a fully regulated regime. However, the Group's earnings and financial results are significantly influenced by worldwide socio-political, macroeconomic and competitive dynamics.

Air traffic development

Geo-political developments can have an impact on the air sector, particularly by possibly causing variations in traffic in terms of volumes and/or passenger types.
The United Kingdom's imminent exit from Europe, extended until October 31, 2019, should it take place without any agreement between the United Kingdom and the European Union (no-deal Brexit), would cause British airlines to lose the right to fly freely from and to countries of the European Union.
Nonetheless, Law No. 41 of May 20, 2019 allows, on a temporary basis and no later than 18 months after the United Kingdom's exit from the European Union, and on the condition of reciprocity, the continuing operation of point to point connections between Milan Linate and UK airports, within the limits of the defined operational capacity of Milan Linate, which the previous regulatory framework (Ministerial Decree No. 15 of March 3, 2000, as amended) would not have allowed.
Furthermore, due to the continuing congestion of airways in European skies during summer months, caused by problems relating to the air traffic control system, there may be delays in flights that, although not attributable to the airport manager, may compromise the high levels of punctuality of Linate and Malpensa airports.
In order to limit, as far as possible, the occurrence of such delays, SEA has notified eurocontrol about the inconveniences that this congestion may cause, urging the entity to implement mitigation actions.

Airline strategies

The reviewing of strategies by airlines, also linked to macro-economic issues, can lead to changes in flights at Group airports.
The volume of passenger traffic and cargo in transit at the Linate and Malpensa airports represents a key factor in the results achieved by the Group. Any reduction or interruption to flights by one or more airlines operating out of the SEA Group managed airports may result in a reduction in such traffic, with consequent negative impacts on activities and Group results.
Therefore, the Alitalia situation may result in reduced flights at the SEA managed airports.
Despite this, SEA expects the risk of a reduction or interruption to flights to be mitigated by the re-distribution of passenger traffic

among the airlines operating on the market and the capacity to attract new airlines. Any redistribution of traffic may require a certain period of time, temporarily influencing Group results.

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.
In this context, a development in the regulatory framework applying to SEA, concerning, for example, airport charges, might impact the Group's results in relation to the change in regulatory authority from ENAC to ART (Autorità di Regolazione dei Trasporti - Transport Regulation Authority), which was confirmed by Italian legislation on May 3, 2019, and implemented on May 29, 2019, fulfilling Italy's European Union obligations, as per European Law in 2018.
SEA constantly monitors the activities of Authorities in the national and European aviation field and actively participates in technical roundtables set up by industry associations in order to remain firmly in line with any legislative and regulatory changes.

Operating and business risks

The operating risk factors are strictly related to the carrying out of airport activities and may impact the short and long-term performances.

Airport capacity / efficiency

From July 27 to October 27, 2019, Linate Airport will be closed to allow several important infrastructural interventions, including the resurfacing of the runway, the construction of a new Baggage Handling System (BHS), and the start of the redevelopment of the passenger terminal. Activities will be transferred to Malpensa for the entire period, before returning to Linate on conclusion of the works. Terminal 1 will, therefore, have to manage a significant increase in traffic, with an average of approximately 30% more passengers and 45% more movements during the 3 months, and 40% more passengers and 54% more movements during peak traffic weeks. During this time, the Group will have to pay particular attention to the following elements: i) the maintenance of safety levels; ii) the risk of a deterioration in flights punctuality; iii) the risk of a deterioration in passenger service levels; iv) relations with local communities in light of aeronautical noise increases.

Numerous initiatives have been carried out by the Group in order to prepare and manage the event, including but not limited to improvements in passenger terminal facilities, such as in the number of check-in desks and e-gates, an enlargement of the workforce and a familiarization programme for staff temporarily transferred from Linate to Malpensa, improvements to the airport accessibility by strengthening public transport connections by train, bus and taxi shares, an increase in the number of facilitators in the terminal and of airport grounds traffic management staff, and an increase in the number of parking spaces. The supervision of press and local area communications was also strengthened.

Safety & security

Passenger and employee safety is a central concern for the Group, which places maximum priority and focus on daily operating and management activities.
An accident in one of the airports managed by the Group, where on average from 21,000 to 46,000 passengers pass through daily, may have very grave consequences.
In terms of aviation safety, the Group's Safety Management System, which is also validated and controlled by the Italian Civil Aviation Authority (ENAC), maintains the highest levels of safety and service quality, acting in line with the fundamental principles of the SEA Airport safety policy, i.e.:

- guarantees design compliance, the construction and maintenance of flight infrastructure and plant and equipment satisfying the highest sector standards;
- ensures a review of operating processes to achieve the highest compliance possible with national and international regulations concerning Safety;
- monitors the maintenance of safety standards for all operators and external parties of any type within the airport sites;
- guarantees ongoing and appropriate training of personnel, with priority for operational staff, placing particular focus on the requirements and the consequent actions for an improved level of Safety;
- guarantee education and communication, so that all events which may affect Safety are flagged through the filling out of a Ground Safety Report.

Activity and Service Interruptions

Group activities may be interrupted through: strikes by personnel, by those of the airlines, personnel dedicated to air traffic control services and public emergency service operators; incorrect and non-punctual provision of services by third parties and adverse weather conditions (snow, fog etc.).

Natural events, such as lightning and overload short circuits may, for example, cause electrical blackouts with the consequent shutdown of information systems, affecting displays and leading to departure delays; violent storms may lead to the flooding of runways and/or cause the temporary interruption of airport activities, with repercussions on the airport's punctuality.

The infrastructural systems of Group airports are designed and constantly maintained to minimise disruptions linked to these types of circumstances.

Special company procedures are designed to manage such events.

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

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

In this regard, particularly worth mentioning are the cyclical vulnerability assessments and penetration testing of systems using the most advanced technologies and methodologies, activities underway for obtaining ISO 27001 certification and the definition of a Cyber Risk framework which monitors all corporate technical and conduct requirements.

Financial Risks

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 above-stated risk factors. For further information, reference should be made to paragraph 4 "*Risk management*" of the Explanatory Notes to the Consolidated Financial Statement.

Legal and compliance risks

The Group operates in a sector regulated at a national, EU and international level.

The conformity of the processes and procedures to national and international standards leads to the consideration that the risk of non-compliance with the concession rules is remote.

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

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

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

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

Given the above, the only appeal currently pending against the Commission's decision is that brought by the Municipality of Milan. The hearing was held on February 28, 2018. With the judgment of December 13, 2018, the Court of the European Union rejected the Municipality of Milan's appeal. The Municipality has appealed against this decision to the Court of Justice, whose judgment is still pending.
In any case, the outcome of this judgment cannot have any impact on SEA.

Risk connected to the Extraordinary Administration Procedure of Alitalia SAI S.p.A. pursuant to Art. 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 SpA received payments from Alitalia in Extraordinary Administration amounting to a total of euro 9,469,652.41 relating to pre-deducted receivables post-May 2 (originally amounting to euro 9,622,397.82). Therefore, at the reporting date, receivables admitted to pre-deduction amounted to euro 152,745.41, of which euro 23,822.50 were for additional rights and euro 128,922.91 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. For this reason, SEA's application, registered at No. 06275, has not as yet been examined, nor has the date for this verification been set.
It should also be noted that claims arising after May 2, 2017 and up to June 30, 2019 have been fully paid to-date, save for the amount of euro 401,126.92 (inclusive of the residual claims in pre-deduction), in relation to which an analysis is underway between the parties.

The amount for unpaid additional landing rights, invoiced from May 2 until June 30, 2019, equals euro 12,013,852. Note that, on July 5, a payment of euro 1,472,479.50 was received as settlement of the additional charges relating to November 2018.

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

At December 31, 2017, SEA set aside euro 25,252 thousand as doubtful debt provision (referring to the existing receivables prior to May 2, 2017), for which there is currently no guarantee on collection.
It should be noted that lodged claims also include additional landing rights 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.
Public information on Alitalia's economic and financial context does not exclude the possibility of losses emerging in relation to the receivables registered.

Main disputes outstanding at June 30, 2019

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

Action brought by Emilio Noseda before the Court of Buenos Aires

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

Mr. Noseda, as assignee of Delta Group's rights, sought a judgment 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 judgment. A new judge was appointed. Noseda requested legal aid, which was granted. SEA then proposed a settlement in the amount of USD 500,000 which was rejected. Noseda demanded the amount of USD 3.5 million plus court costs.
On December 30, 2016 Commercial Court No. 2 of Buenos Aires entered judgment, which was served on February 2, 2017, dismissing Mr. Noseda's action to compel fulfilment of the aforesaid commitments made in 1997, and ordering him to pay court costs. Mr. Noseda appealed against the judgment. The case is now waiting to be transferred to the Court of Appeal; judicial proceedings are currently suspended due to the death of one of the third parties cited to the case.
In its financial statements, SEA posted an adequate amount as a provision for risks and charges to cover the risk.

Civil litigation between SEA and ENAV

These proceedings concern SEA's claim to assets mistakenly assigned to ENAV by means of provisional delivery memoranda in the course of 1983 and 1984. By overturning the judgment entered at trial, the Court of Appeal granted SEA's motion and voided the transfer of the aforementioned assets to ENAV. Judgment 3406/2015 acknowledges SEA's right to use the state-owned premises under concession at the airports of Milan Linate and Milan Malpensa, and therefore temporary ownership of the goods produced/benefits obtained.
In February 2016, both the Prosecutor's Office on behalf of the Ministries and ENAV appealed to the Supreme Court of Appeal against judgment on appeal 3406/2015, which granted SEA's claims in full. In April 2016 SEA moved for service of the counter-appeal with contingent cross-claims against both the Ministries and ENAV. Currently the dispute is pending before the Supreme Court of Appeal, awaiting scheduling of the hearing on the merits.
In addition, a lawsuit was pending before the Court of Milan on SEA's claim against ENAV for the assets covered by Ministry Decree 14/11/2000; the hearing for final argument had been scheduled for December 5, 2017 but was postponed to May 29, 2018. At this hearing, the Judge further referred the case to July 17, 2018.
At this latter hearing, the parties indicated to the judge the development of negotiations, who therefore sent the case for the statement of conclusions for February 12, 2019. At this hearing, the Court noted the agreement between the parties and, in anticipation of the settlement's formalisation, continued the proceedings until April 30, 2019.
On April 12, 2019, the parties signed the settlement agreement for all pending disputes, notifying the waiver of proposed appeals and counter-appeals.

Ruling on fees for fire-fighting services

The law of 27/12/2006 no. 296 (2007 Finance Act) article 1, paragraph 1328, established a fire-fighting fund financed by airport companies in proportion to the traffic generated by each, in the amount of euro 30 million a year, in order to reduce the State's expenses for the fire-fighting service provided at airports by the National Fire-Fighting Service. However, as a result of the entry into force of the provisions of paragraph 3 bis of article 4 of Legislative Decree 185 of 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 Court of Cassation, by order 27074/16, applied to the Constitutional Court for review of the constitutionality of this provision.
On July 20, 2018, the judgment 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 recognized the external and ultra-annual effectiveness of the judgement in relation to other companies not directly referenced in the judgment.

Currently pending judgments relating to SEA SpA are:

1. Judgment of the Court of Appeal of Rome concerning the debit of the contribution. At the preliminary hearing, initially fixed for November 2018 and adjourned to May 17, 2019, the judge continued the proceedings until May 19, 2023 for the entry of conclusions.
2. Judgment, following the redefinition of the purpose of the contribution, of the Lazio Regional Administrative Court (TAR Lazio) concerning the annulment of the provision by which ENAC determined the fire-fighting service contribution fees. Following the hearing held on June 12, 2019, the case was suspended due to a lack of jurisdiction.

Confirmation of the lack of jurisdiction of the Ordinary Judge, in favour of the authority of the Tax Commission, would allow SEA to appeal for judgment from the Tax Judge enforcing the effectiveness of the aforementioned judgments, with the consequence that, from 2009, due to the change in the purpose of contribution, no amount would be due from SEA.

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 December 2016, the Energy Services Operator (GSE) sent to SEA's energy subsidiary a report on its audit (carried out in March 2016) to verify the information provided for an application for green certification of the district heating supplied by Linate power plant. The GSE demanded the return of 17,106 green certificates for the period 2010-2014 (of which 12,435 for the Company and 4,671 for A2A), as a result of which a provision for future charges in the amount of euro 1,049 thousand was recognised, since those certificates were paid at December 31, 2016. The Company, assisted by its lawyers, lodged an appeal in timely fashion. Nonetheless in May 2017 it returned the green certificates requested by the agency and recognised an additional provision to cover the green certificates for the period 2015-2016, which had been fully paid at the end of the 2017 financial year. The hearing date has not yet been fixed.

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

During 2017 the Energy Services Operator audited white certificates assigned for the period 2012-2015. The GSE assessed that no subsidies should be paid for heating and cooling energy used by certain internal departments; as a result, a provision for future charges of euro 500 thousand was recognised in 2017, since such certificates had been fully collected. There are no further updates to that stated in the 2018 Annual Report.

Update on judgment 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 Cassation: A response and a cross-appeal. The fixing of the hearing is currently being awaited.

Writ of summons initiated by Architect Colombo against SEA SpA, SEA Prime SpA and others held jointly and severally

On December 21, 2018, SEA, SEA Prime and others held jointly and severally liable were served a writ of summons in which the Architect Nicoletta Colombo formalized his claim for compensation in pecuniary damages of euro 65,136,114.15 and non-pecuniary damages to be quantified during proceedings.

Colombo cites an alleged violation of copyright law and of terms of engagement, by which she claims that copy and ownership rights be legally reserved to her as per articles 2575-2578 of the Italian Civil Code.

In its 2018 annual report, SEA had estimated the risk relating to this position as possible. Indeed, Architect Colombo's claim was assessed to be totally without merit.

The first hearing had been fixed for April 15, 2019, but before the term for entering an appearance had expired, Architect Colombo withdrew the claim and the proceedings were declared discontinued.

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 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, though subject to appeal by the Revenue Agency before the Court of Cassation, constitutes, in any case, valid grounds for the reimbursement of that which was provisionally paid pending judgment (2/3 of the determined additional tax), plus associated accrued and accruing interests. Definitive confirmation of ruling No. 2776/2019 is pending during the term of the right to appeal to the Court of Cassation of the financial administration. 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 judgment no. 3573/12/2018. An appeal was lodged at the Regional Tax Commission against this judgment. The fixing of the hearing before the Court of Appeal is currently awaited.

Tax Agency - Notice of assessment for registration tax

Several assessments were received for registration tax relating to the application of the tax on the refund of sums as ordered in the judgments entered by the regular Court of Milan. The Company objected to the Tax Agency that the tax had been mistakenly applied as a proportional tax instead of at a flat rate. The first appeal filed and argued at the Provincial Tax Commission of Milan was granted. The Company's request was deemed reasonable and the Tax Agency was ordered to reimburse the expenses. On December 28, 2017, the Tax Agency lodged an appeal with the Regional Tax Commission, whereupon the Company joined the proceedings and for which the hearing date is still awaited. During 2018, six other appeals were also discussed by the Provincial Tax Commission of Milan, the first-instance outcome of which was fully in favour of the Company and ordered the Tax Agency to pay litigation expenses. In the first half of 2019 two other appeals against two payment notices served in late 2018 were also heard by the Provincial Tax Commission of Milan, resulting in judgments fully favourable to the Company. In light of the series of judgements in the Company's favour, it is foreseeable that the Revenue Agency will file appeals before the passing of the statutes of limitations, which will, in turn, be appealed by the Company.
The sum total of the aforesaid contingencies relating to the disputes with the Tax Agency were fully reflected in the provision for tax risks set aside for these items.

Other information

Customer Care

Quality of airport services delivered: European context and ranking of our airports

The available 2019 on-time performance figures (most recent update January – May 2019), collected from members of the ACI Europe working group - EAPN (European Airport Punctuality Network) - show an improvement on the same period of the previous year. The data surveyed refer to all types of commercial flights.
At the European average level, on-time arriving and departing flights were approximately 80% and 77.8% of the total, respectively, approximately three points higher than in the same period of the previous year.
At approximately 88.3% of flights departing on time, Linate improved by two percentage points on 2018 and came in at the top of the rankings of airports in this category. The second-best airport was Rome Fiumicino.
Malpensa, which had an on-time performance of approximately 80.5%, was stable on the same period of the previous year, while still above the European average and outperforming airports of similar size (in decreasing order, Athens, Düsseldorf, Geneva and Prague).
The figures for scheduled passenger flights only at Linate and Malpensa are shown below.

Malpensa
Cumulative departing flight punctuality in June 2019 was 79.1%, with a recovery of punctuality (difference between arrival punctuality and departure punctuality) of 2.4 points. The analysis by Terminals also shows a similar trend: Terminal 1 reports departing punctuality of 78.8% (+1.8-point recovery), while Terminal 2 indicating a year-to-date value of 79.9% (+4.2 point recovery).

Performance in terms of baggage delivery times, to be met for 90% of cases, is ahead of the values set out in the Service Charter: in Terminal 1 delivery of the first bag within the standard timeframe (24 minutes) was achieved for 93.7% of the flights, whereas the delivery of the last bag within 36 minutes was achieved in 92.5% of cases; at Terminal 2, the delivery of the first bag within the standard timeframe (26 minutes) was achieved for 98.7% of flights, whereas the delivery of the last bag within 35 minutes was achieved in 98.6% of cases.

Mishandled baggage performance figures were positive:

- Terminal 1 = 2.32 mishandled bags / 1,000 departing passengers.
- Terminal 2 = 0.34 mishandled bags / 1,000 departing passengers.

The hand baggage security screening waiting times were not compliant with the Regulatory Agreement: the weighted average of the two terminals for the first half of the year was 8'35", against a required standard of 7'10". The values are as follows:

- Terminal 1 = 9'39" vs 9'00"
- Terminal 2 = 6'35" vs 7'00".

Linate
Punctuality values came to 89.4% in the first half of 2019, compared to punctuality for arrivals at 89.0% (+0.4% punctuality recovery).
The baggage return performance was in line with the standards set for 2019:

- first article of luggage returned in 17' for 94.7% of flights
- last article of luggage returned in 24' for 94.9% of flights.

The June mishandled baggage figure is:

- 1.3 mishandled bags / 1,000 departing passengers.

Maximum hand bagagge security screening waiting times were 7'03" in 90% of cases (compared with a stated target of 7'10" in the Regulatory Agreement and of 7'20" in the Service Charter).

Overall passenger satisfaction: assessment of perceived quality

Overall passenger satisfaction with the quality of services provided at the airports managed by SEA continues to be surveyed through CAPIs (Computer Assisted Personal Interviews) conducted by a major market research company. Since 2014, SEA's overall satisfaction index has been the CSI[4] (on the model of the ACSI – *American Customer Satisfaction Index*), an internationally used parameter at the both the industry and individual company level that remains an excellent tool for monitoring and assessing passenger opinions.
The customer satisfaction index (CSI) values for the various terminals in the first half of 2019 are provided below, with a comparison in percent terms to the first half of 2018:

- Malpensa Terminal 1:
  73.3 - 2.4%
- Malpensa Terminal 2:
  72.1 - 1.2%
- Linate:
  71.0 +3.1%

The CSI of the entire airport system fell slightly to 72.4 (-0.6%), mainly due to the fall in that of Malpensa Terminal 1, in addition to the slight decrease in that of Terminal 2, which were partially offset by the good performance of Linate achieved through works to the airport façade and a decrease in waiting times in line with the trend in passenger numbers.

The instant feedback system introduced three years ago, which surveys passenger satisfaction on an ongoing basis using emoticons, continues to be used at the two airports, reporting on critical areas in support of operational management. 130 instant feedback stations have now been installed, and the coverage of monitored areas is continually increasing.

Perceived quality: satisfaction expressed by passengers and the positioning of our airports internationally

SEA participates in the ACI ASQ (Airport Service Quality) program now involving approximately 340 airports worldwide and over 100 in Europe.

The programme is based on the results of interviews conducted with passengers departing from participating airports according to a common questionnaire that permits a uniform benchmark of the satisfaction expressed with the services received at the world's various airports and thus identifies top-performers and best practices, to which SEA constantly refers when implementing new services and improving the travel experiences of passengers at Milan's airports.

In 2019 (on the basis of the figures available for the period January-June), passengers travelling through Malpensa Terminal 1 confirmed the views expressed in the same period of 2018, positively assessing both the new services and renewed areas of the terminal.

In the European context, Malpensa T1 stands out for its shopping and catering offerings, as well as its value for money.
The analysis shows that the "perceived passenger comfort" figure has a significant impact on overall traveller satisfaction, and, above all at Linate, the evaluations remain far below the benchmark level.

Customer relationship and the development of B2C services

The first half of 2019 saw the continuation of the Family Friendly Airport initiative, in addition to the Pet Therapy service.

Customer services

Information screen system, info desk and call centre

The Live Info Point telepresence service, which, in 2018, had seen a significant increase in use numbers, saw another significant increase in use numbers (+29%) during the first half of 2019, in comparison with the first half of 2018. The info desk service at Terminal 1 also saw a high increase in use numbers (+26%) over those of the first half of 2018. The call centre maintained its stable growth with a slight increase in total calls of around 1.0%.

Incoming and outgoing passport control support service, with facilitators

The increase in traffic demanded an increase in the hours of support given to passport control areas, for both arrivals and departures during peak seasonal periods.

Facilitation service for the Linate Bridge operation

A passenger facilitation and supervision service has been programmed for more critical terminal areas so that, from the end of July, extra assistance can be provided to the greater number of passengers transiting through Malpensa Terminal 1 following the closure of Linate.

[4] *The index is measured on a scale of 0-100, with 75 representing excellence and 60 indicating sufficiency.*

The Airport Quality Service at SEA: regulatory aspects and management certification

Services Charter

The 2019 edition of the Service Charter was prepared and published in accordance with the guidelines laid down in GEN-06 and GEN-02A.

ISO 27001 certification (Information security management system)

The processes involved are designing, developing, maintaining and procuring airport IT application systems and the process of collecting, processing and communicating AIP figures concerning airport departments. In June, the Stage 1 Audit concluded with a positive outcome.

D-4001 certification (Site accessibility for the physically disabled)

In May, the annual supervisory audit was conducted, confirming the existing certificate.

ISO 9001 certification (Quality management systems)

In June, the certification body TÜV Italia performed a monitoring audit, which concluded successfully and extended the scope of application of the ISO 9001:2015 certificate to SEA's Quality Management System.

The environmental dimension

The SEA Group is committed to providing quality services in respect and protection of the environment, based on the following principles:

- sustainable development of its airports in relation to all environmental issues, above and beyond mere regulatory compliance, in order to reduce social-economic impacts and further the sharing of value with local areas and communities;
- development and promotion, in collaboration with competent regulatory bodies and aviation partners, of regulatory, technical and commercial solutions that favour the use of latest-generation aircraft and the adoption of operating procedures that are consistent with sector sustainability goals and effective at limiting local area socio-environmental impacts;
- education and involvement of all actors within the airport system for a commitment towards respecting and protecting the common environmental heritage in which the Group operates;
- progressive implementation of solutions to improve the energy efficiency and environmental sustainability of airport infrastructures;
- constant reduction of CO_2 emissions produced, both direct and indirect, including through the involvement of the stakeholders, in order to reduce greenhouse gas emissions in line with the objectives set by the air transport authorities and international agreements;
- constant level of monitoring and verification of the processes related to the energy, atmospheric emission, noise and water cycle aspects, and in general the various phenomenon concerning interaction with the ecosystem;
- listening, communicating and engaging with external stakeholders in a perspective of transparency, sharing and collaboration in order to identify useful actions for guaranteeing the environmental sustainability of airport activities;
- proactive participation in national and international development bodies and programmes in order to make useful and opportune contributions to technological solutions and regulations that create the right conditions for the sustainable development of air transport.

The introduction of the Group environmental and energy policy is based on the commitment to a dedicated structure which ensures maximum attention to the principal strategic aspects and the operating implications, in addition to guaranteeing the daily inter-departmental involvement of all organisational units whose activities have a direct or indirect impact on the reaching of the environmental objectives.

Under this policy in 2004 an Environmental Management System was drawn up, which in 2006 achieved the ISO 14001 Certification, which was reconfirmed in 2009, in 2012 and with renewal in 2015 for the subsequent three-year period.

In the week from June 17 to 21, 2019, integrated audits carried out by the certification body TÜV Italia concluded positively with all certification confirmation and renewal objectives met.

Airport Carbon Accreditation and Carbon Neutrality of the Milan airports

The SEA Group has acted effectively 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)[5] .
The 2018 accreditation of SEA for Airport Carbon Accreditation "Neutrality" standing is in the process of being confirmed.

European project

The first half-year 2019 saw the launch of activities relating to the following projects:

- SATIE: Security of Air Transport Infrastructure of Europe: a 24-month project adopting 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;
- FENIX: a 36-month project engaging stakeholders in the field of logistics in the collaborative planning and monitoring of various scenarios and contexts relating to trans-European transport, telecommunications and energy networks.

Environmental management processes

With reference to the Linate 2030 Master Plan, the EIA approval process was successfully completed. To conclude the procedure with the Ministerial Decree, is now pending the opinion of the Ministry of Cultural Heritage.

As for the new Malpensa 2035 Master Plan, the Technical Report has been submitted to ENAC and is expected to be approved by September 2019. Regarding Environmental Impact Studies, due to be concluded by the end of October 2019, preparatory analyses are being updated with definitive passenger, freight and aircraft movement traffic forecasts.

Environmental protection

In terms of regulatory matters concerning mitigation measures for housing situated around Linate, no new issues have emerged in comparison with previous years, while for housing situated around Malpensa, the Malpensa Airport Commission has approved a trial of a new traffic distribution.

Human resource management

Workforce

At June 30, 2019 SEA Group employees numbered 2,884, increasing 37 on December 31, 2018 (+1.3%). The total number of Full-time equivalent employees in the first half of 2019 compared to the full year 2018 increased 13 from 2,782 to 2,795 (+0.5%).
Females at the SEA Group represented 28% of the Headcount at June 30, 2019, equally distributed across categories.

Organisation

In January SEA's Board of Directors named Armando Brunini Chief Executive Officer of the Company and then also appointed him General Manager. Coherently with these appointments, SEA's Board of Directors approved a new organizational model in line with the market's best practices and inspired by the principles of organizational simplification, effective decision-making and skills specialization demanded by the competitive context.
The new organizational model envisages, among other things, the elimination of the positions of Chief Corporate Officer and of Chief Operating Officer, and the establishment of a new Airport Management Directorate in order to coordinate the Company's main technical and operational management.

Additionally, during the first half of the year, the "Linate-Malpensa Bridge" project was launched under the Airport Management Directorate's supervision in order to finalize interventions at both airports and optimize operations management during the closure and then reopening of Linate.

Under the Company's commitment to continuously improve corporate processes, its "Reporting of improper conduct" procedure was re-adapted to relevant regulatory developments by implementing an IT report compilation and management system that guarantees the anonymity of reporting parties and the confidentiality of processed information.

Training

In 2019, training and professional development activities led to the realization of various projects to further skills in support of Company processes. Ongoing projects include:

- SEA Insight: the 3-year project launched in 2018 continues the process started in collaboration with the Polytechnic University of Milan's research institute Cefriel. The first project prototype, realized in 2018, was installed at Malpensa Terminal 1. Called SPLiT, the prototype allows de-

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

parting passengers to empty their bottles of water or other residual liquids into special containers and add the plastic to a compactor. Other features are currently being studied in order to widen the field of application from the recycling of plastic to the recovery of water, and to adopt solutions that combine ecology with IoT technology.

- Talent Management: project meetings were held with the team of managers to share the system's design logic and fine-tune assessment tools.
- OnBoarding: the project covers insertion, training and development activities for young graduates placed mainly in operating areas.
- Switch to Excellence: the management training course was concluded during the first half of 2019.
- Privacy: in the first few months of 2019, a training project was implemented to update responsible personnel and ICT system administrators on privacy issues.
- Security DOS and DON'TS: security personnel training, followed up by the implementation of an operating procedure delineating guidelines for interactions with passengers.

Professional and Technical Training activities, in the first half of 2019, were programmed to comply with the deadlines and contents of compulsory and qualifying training. With reference to Regulation EU139/14, the provision of the Airside Safety course continued, together with the implementation of initial and recurrent training courses focused on Operating Procedures.

Regarding Airport Safety, SEA renewed its commitment to the planning of Airside Driving courses aimed at achieving airside driving certification: the Green and Red Driving Permit tests were taken by 233 and 64 SEA personnel respectively. The Bridge project involving the transfer of personnel from Linate to Malpensa led a significant increase in the number of Airside Driving familiarization sessions at Malpensa.

In Air Emergency Management, periodic courses were administered to over 40 Maintenance Field Operations personnel concerning recurring practical training in the use of Airport Technical Tools for the lifting of damaged aircraft.

In the field of occupational safety, the commitment that, in 2018, saw the initiation of recurrent courses envisaged under the State and Regions Agreement continued to guarantee coverage of the entire corporate population. A new initial CEI 1127 course, mandatory for people performing electrical activities, was organized. The focus on fire-fighting training continued in the first half of 2019 with several sessions organized and programmed for Emergency Management Officers and on high risk updates for those already certified.

Regarding the training of personnel to assist Passengers with Reduced Mobility (PRM), particular attention was paid to annual Mandatory Recurrent Training.

Welfare

Activity in the first month of the year was focused on analysing and taking stock of the welfare initiatives and services implemented in 2018. The analyses indicate that 82.1% of personnel made use of at least one company welfare initiative in 2018. Particular attention was paid to analysing the use of services by employees in order to define welfare initiatives for 2019. The main initiatives undertaken in 2019 are outlined below:

- Imparo l'Inglese con SEA: a project offering the children of employees the opportunity to converse in English under the supervision of a qualified tutor;
- Push to Open: a career orientation project, already active for several years, dedicated to the children of employees in their last year of high-school.
- 4 intercultural scholarships: opportunities to live and study abroad offered by SEA;
- University scholarships: 125 scholarships were awarded in March, April and May to reward academic performance.
- Fragibilità: a service portal and telephone help desk for those caring for elderly, dependent or disabled family members;
- Commuting: in order to help those involved in transferring operations from Linate to Malpensa during the three "Bridge" months, a new agreement was signed with Trenord for the purchase of monthly passes in order to facilitate commuting to Malpensa by public transport.

Internal Communications and the Smart-Working Project

In the first half of 2019, the first "Your Voice" engagement survey, addressed to all SEA Group employees, was launched in order to gather opinions on all engagement topics: work motivation empowerment, organization of teams, human resources management and the employer's image. The collected data will be the starting point for the preparation of an action plan to improve engagement over the period up to the next survey.

The third phase of the Smart-Working project was also launched during the first half of 2019, involving another 88 employees from various corporate departments, bringing the total up to 500 smart-workers, or 60% of the non-shift worker population.

Industrial Relations

In the first six months of 2019, discussions with the Trade Unions regarding both macro procedures at Company level as well as specific Division-level issues were ongoing.

In particular, exchanges were focused on two main issues: the transfer of personnel from Linate to Malpensa during the so-called "Bridge" period (July 27 – October 27); and the insourcing of Baggage Handling at Linate currently managed by the company Airport Handling of the Dnata Group, in response to ENAC's issuing of Centralization Provision No. 84229 of August 10, 2016.

Regarding the management of personnel during the Bridge period, the Agreement Statement of June 21, 2019 defined: the professional figures involved, transfer methods (e.g. shifts, transport means), facilities for employees (e.g. locker rooms, parking, special arrangements with service providers) and remunerations (Bridge transfer/productivity bonuses). An information exchange scheme was also defined between the Company and Trade Unions in order to promote a collaborative approach to the management of emerging criticalities during the Bridge period.

Regarding the insourcing of Baggage Handling activities at Linate, the Agreement Statement of June 21, 2019 defined: the start of operations (by April 2020), the number of human resources in each professional category affected by the contract transferral from Airport Handling to SEA, the additional activities assigned to indicated SEA personnel, the methods and requisites of assigning such personnel, their remunerations and applicable regulatory aspects.

Workplace health and safety

In H1 2019, the SEA Group confirmed its commitment to workplace safety with a view to continual improvement of health and safety conditions of activities carried out within the airport, also through the promotion of a culture based on increased awareness and involvement of all parties, at all levels, on prevention issues.

Internal activities continued in the area of maintenance of the Workplace Health and Safety Management System, certified according to the OHSAS 18001:2007 standard. This system was regularly monitored through internal audits and follow-up activities. The critical issues identified were analysed and solved by adopting appropriate corrective measures to reduce and monitor workplace health and safety risks.

In anticipation of alignment with the new ISO 45001 standard at the beginning of 2021, a number of initiatives have already been planned and partially adopted, such as a documentary review, implementation of audits assessing certain ISO 45001 requirements, and the identification of new occupational health and safety KPIs.

The main activities performed by the intercompany Prevention & Protection Service were as follows:

- concerning both airports:
  - updated company risk assessment report pursuant to Article 17 of Legislative Decree No. 81/08;
  - updated work-related stress assessment;
  - updated risk assessment and disclosure regarding pregnant or breastfeeding workers;
  - updated biological risk assessment regarding certain professional figures;
  - preparation of new risk assessments regarding certain operating vehicles and equipment;
  - preparation of new safety procedures and operating instructions regarding certain work activities;
  - updated list of Personal Protective Equipment;
- updated risk assessment and information materials regarding to the professional figures present at Malpensa Airport;
- preparation of specific safety documentation for the Bridge period;
- completion of surveys supporting specific assessments of certain microclimatic criticalities reported by workers, managers and worker's safety representatives;
- technical support for the preparation of the Single Interference Risk Assessment Document pursuant to Article 26 of Legislative Decree No. 81/08;
- support with the technical aspects of preparing the documentation required by supervisory authorities in respect of investigations of workplace accidents or specific cases of occupational illnesses;
- continued updating of the Workplace Safety department site within SEAnet, which holds company safety content and instructions (Operating Safety Plans, Safety Operating In-

structions, Safety Equipment, building regulations, information points, emergency and evacuation plans, individual protective gear, etc.);
- management of relations with worker's safety representatives regarding not only existing activities, but also those specifically connected to the Bridge project.

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. Furthermore, the Qualified Experts have updated the assessment of ionizing radiation risks and contributed to the preparation of necessary documentation for formalizing with the competent authorities' procedures for handling radioactive sources at each airport.
Accidents in the first six months of 2019 showed a slight increase in workplace accidents on the same period of the previous year at Linate airport and a slight decrease at Malpensa. The total number of commuting accidents thus remained essentially unchanged.

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

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

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

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

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

The Board of Directors shall have the widest powers of administration over the Company: it in particular may carry out any and all acts it deems appropriate for attaining the corporate scope, with the sole exclusion of those attributed by law and the by-laws exclusively to 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. Therefore, one of the instruments adopted by the Company is the Organisation and Control Model as per Legislative Decree 231/01. SEA and its subsidiaries have therefore each drawn up a "Mapping of risks" in order to adopt organisation, management and control models as per Legislative Decree 231/2001 (separately the "Model" and collectively the "Models"), effective and adequate in view of the specific needs of the respective companies and the particular nature of their business, with the principal aim of preventing the offenses set out by the applicable regulation. The Model is constantly updated in line with legislative amendments regarding the introduction of new offenses.
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.
The share capital amounts to euro 27,500,000.00 fully paid-in, consisting of 250,000,000 shares - of a nominal value of euro 0.11 each. The shares are to nominative and indivisible. The shares are not traded on the regulated markets. At June 30, 2019, the company did not hold treasury shares and the share capital was broken down as reported in paragraph 1 "General information of the Explanatory Notes to the Consolideted Financial Statements".

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 Chairman and to the Control Risk and Sustainability Committee by the departments/bodies responsible for internal control and the management of business risks, establishes the guidelines, verifies their suitability and effective functioning and ensures the identification and correct management of the main business risks.

The procedures and organisation subject to the internal control and risk management system is implemented in order to ensure:

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

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 Statement and the procedures regulating the drafting of annual and Consolidated Financial Statement 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 Statement, 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.

In 2017, the Board of Directors approved the Enterprise Risk Management model policy for the SEA Group. The Group's governance structure defines a second level of risk management control in the ERM division, with the aim of supporting corporate structures in the identification and management of corporate risks and at the same time guaranteeing periodic reporting on the risk profile's evolution to top management and the Board of Directors. The model is based on the principle that the management of risks involves the organisation at all levels and that management is the primary owner of risks, since it manages risks and opportunities on a daily basis in line with business propensity and is responsible for the definition and implementation of identified mitigation plans.
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 (RCSC), appointed by the Board of Directors on May 22, 2019 and in office at June 30, 2019, is composed of Directors Patrizia Giangualano (named Committee Chairperson), Rosario Mazza and Pierfrancesco Barletta.

The Committee performs advisory and recommendation functions to the Board of Directors on internal control and risk management. The RCSC 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 SpA 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, 2019, is composed of four members: two external independent members, Giovanni Maria Garegnani and Lorenzo Enrico Lamperti, one non-executive Director, Luciana Rovelli, and one Director in charge of the Auditing function, Ahmed Laroussi.

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

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

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

Organisation, Management and Control Model pursuant to Legislative Decree 231/2001

SEA has adopted an Organisation and Management Model pursuant to Legislative Decree 231/2001 – which lays down the "*Rules on the administrative liability of legal persons, companies and associations, including those without legal status*" (the "Decree") to prevent the offences envisaged by the Decree. The Model is, therefore, adopted in compliance with the Decree's provisions. The Model was adopted by the SEA Board of Directors by resolution of December 18, 2003 and more recently amended and supplemented by the resolution of the Board of Directors of June 28, 2018. The Model is in the process of being updated to reflect the offences added to the Decree after the above date. The Model consists of a "General Section", a "Special Section" and individual "Components".

SEA's subsidiary companies have adopted their own Organisation and Management Model pursuant to Legislative Decree 231/2001.

Related Parties Transactions Policy

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

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

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

Code of Conduct

The applicable Code of Conduct, approved by the Board of Directors on December 17, 2015 and updated on December 11, 2018, is an integral part of the Organisation and Management Model pursuant to Legislative Decree 231/2001.

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

The Ethics Committee, appointed by the Board of Directors on May 22, 2019, consists of Chairperson of the Board of Directors Michaela Castelli, Vice Chairperson of the Board of Directors Davide Corritore, Manager of the Human Resources and Organization Division Massimiliano Crespi and Manager of the Auditing Division Ahmed Laroussi. The main duties of the Ethics Committee are to promote the dissemination of the Code of Conduct and to monitor compliance with it.

Anti-Corruption Focal Point

The Company has appointed an anti-corruption officer, tasked with overseeing all communication on corruption, including toward third parties; the role, prerogatives and responsibilities are therefore not comparable with those provided for by applicable legislation in relation to the Anti-Corruption Manager (namely, the person in charge pursuant to Law 190/2012).

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

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

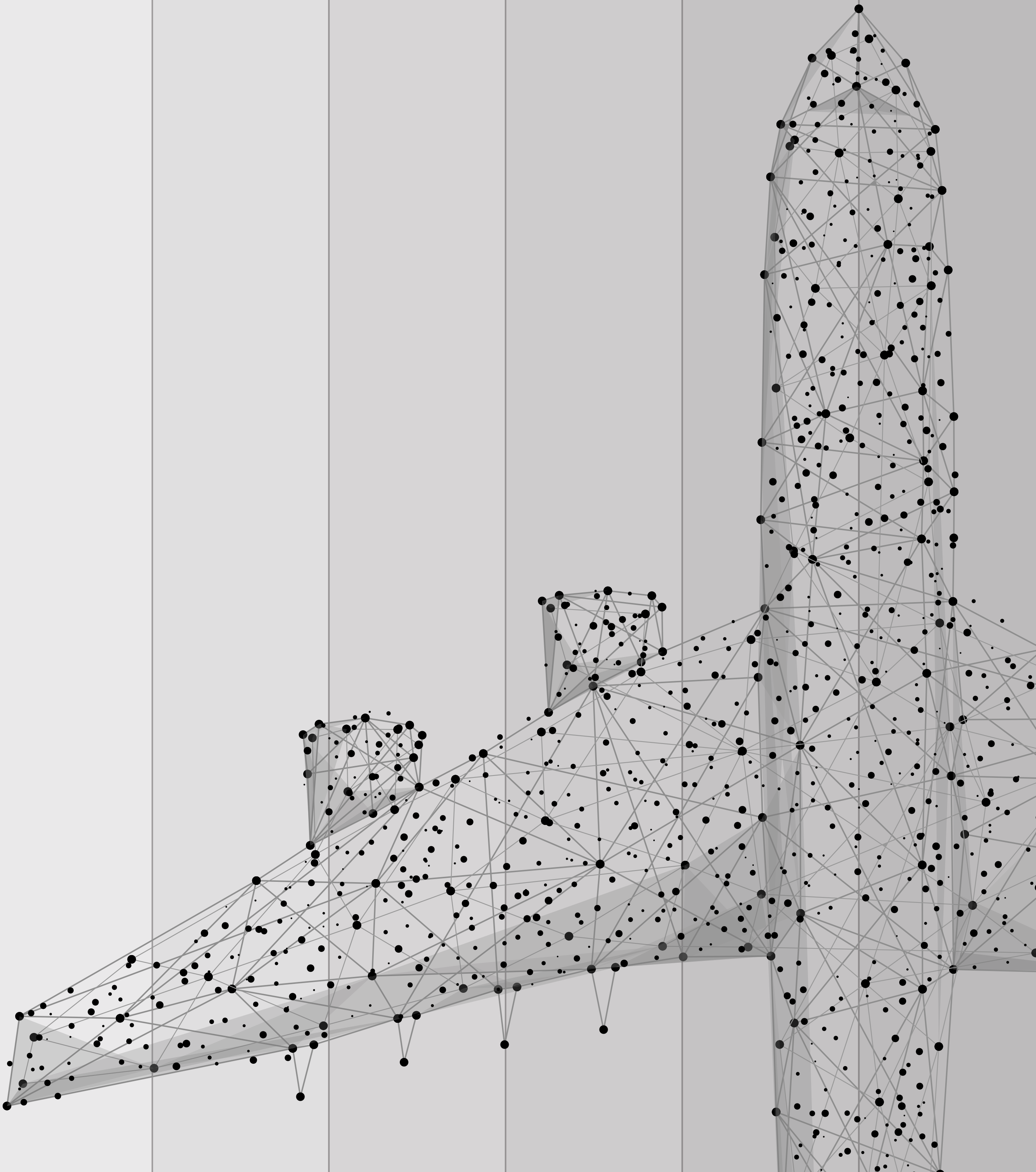
SEA's Management System for the Prevention of Corruption was certified on March 8, 2018 according to the UNI ISO 37001:2016 "Anti-bribery Management System" standard.

Diversity policies

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

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

SEA Group Consolidated Financial Statement



Consolidated Financial Statement

Consolidated Statement of Financial Position

(euro thousands)	Note	June 30, 2019 Total	June 30, 2019 of which related parties	December 31, 2018 Total	December 31, 2018 of which related parties
Intangible assets	8.1	981,274		986,469	
Property, plant & equipment	8.2	208,937		205,483	
Right-of-use assets	8.3	4,579			
Investment property	8.4	3,405		3,408	
Investments in associates	8.5	68,798		67,914	
Other investments	8.6	26		26	
Deferred tax assets	8.7	56,048		54,185	
Other non-current receivables	8.8	190		188	
Total non-current assets		**1,323,257**	**0**	**1,317,673**	**0**
Inventories	8.9	1,784		1,934	
Trade receivables	8.10	140,686	13,480	121,005	11,407
Tax receivables	8.11	468		1,048	
Other current receivables	8.11	16,806	4,072	9,527	2,005
Cash and cash equivalents	8.12	108,480		153,036	
Total current assets		**268,224**	**17,552**	**286,550**	**13,412**
TOTAL ASSETS		**1,591,481**	**17,552**	**1,604,223**	**13,412**
Share capital	8.13	27,500		27,500	
Other reserves	8.13	330,974		295,525	
Group Net Profit	8.13	66,160		136,076	
Group Shareholders' equity		**424,634**		**459,101**	
Minority interest shareholders' equity	**8.13**	**26**		**25**	
Group & Minority int. share. equity		**424,660**		**459,126**	
Provision for risks and charges	8.14	165,168		167,861	
Employee provisions	8.15	48,718		46,214	
Non-current financial liabilities	8.16	515,035		523,605	
Other non-current payables	8.17	13,964		13,964	
Total non-current liabilities		**742,885**		**751,644**	
Trade payables	8.18	155,723	16,036	153,394	11,616
Income tax payables	8.19	47,501		18,541	
Other payables	8.20	192,898		192,476	
Current financial liabilities	8.16	27,814		29,042	
Total Current Liabilities		**423,936**	**16,036**	**393,453**	**11,616**
TOTAL LIABILITIES		**1,166,821**	**16,036**	**1,145,097**	**11,616**
TOTAL LIABILITIES & SHARE. EQUITY		**1,591,481**	**16,036**	**1,604,223**	**11,616**

Consolidated Income Statement

(euro thousands)	Note	H1 2019 Total	H1 2019 of which related parties	H1 2018 Total	H1 2018 of which related parties
Operating revenues	9.1	343,449	27,617	324,749	20,028
Revenue for works on assets under concession	9.2	17,746		11,889	
Total revenues		**361,195**	**27,617**	**336,638**	**20,028**
Operating costs					
Personnel costs	9.3	(96,117)		(94,903)	
Consumable materials	9.4	(24,405)		(18,460)	
Other operating costs	9.5	(88,320)		(84,047)	
Costs for works on assets under concession	9.6	(16,288)		(11,039)	
Total operating costs		**(225,130)**	**(20,996)**	**(208,449)**	**(7,276)**
EBITDA *		**136,065**	**6,621**	**128,189**	**12,752**
Provisions and write-downs	9.7	716		(976)	
Restoration and replacement provision	9.8	(8,526)		(7,539)	
Amortisation & Depreciation	9.9	(38,288)		(35,934)	
EBIT		**89,967**	**6,621**	**83,740**	**12,752**
Investment income/(charges)	9.10	8,753	8,753	4,248	4,248
Financial charges	9.11	(8,633)		(8,838)	
Financial income	9.11	112		983	
Pre-tax profit		**90,199**	**15,374**	**80,133**	**17,000**
Income taxes	9.12	(24,038)		(22,689)	
Net Profit		**66,161**	**15,374**	**57,444**	**17,000**
Minority interest profit		1		1	
Group Net Profit		**66,160**	**15,374**	**57,443**	**17,000**
Basic net result per share (in euro)	10	0.26		0.23	
Diluted net result per share (in euro)	10	0.26		0.23	

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

Consolidated Comprehensive Income Statement

(euro thousands)	H1 2019 Total	H1 2019 of which related parties	H1 2018 Total	H1 2018 of which related parties
Group Net Profit	**66,160**	**15,374**	**57,443**	**17,000**
- Items reclassifiable in future periods to the net result:				
Fair value measurement of derivative financial instruments	696		853	
Tax effect from fair value measurement of derivative financial instruments	(167)		(205)	
Total items reclassifiable, net of tax effect	**529**		**648**	
- Items not reclassifiable in future periods to the net result:				
Actuarial gains/(losses) on post-employment benefits	(3,100)		539	
Tax effect on actuarial gains/(losses) on post-employment benefits	744		(129)	
Total items not reclassifiable, net of tax effect	**(2,356)**		**410**	
Total other comprehensive income items	**(1,827)**		**1,058**	
Total comprehensive profit	**64,333**		**58,502**	
Attributable to:				
- Parent company shareholders	64,332		58,501	
- Minority interest	1		1	

Consolidated Cash Flow Statement

(euro thousands)	H1 2019	of which related parties	H1 2018	of which related parties
Cash flow from operating activities				
Pre-tax profit	90,199		80,133	
Adjustments:				
Amortisation and Depreciation	38,288		35,934	
Net change in provisions (excl. employee provision)	(2,212)		1,972	
Changes in employee provisions	(903)		(544)	
Net changes in doubtful debt provision	(534)		636	
Net financial charges	8,521		7,304	
Investment income	(8,753)		(4,248)	
Other non-cash changes	(1,674)		107	
Cash flow from op. activities before changes in working capital	**122,932**		**121,294**	
Change in inventories	150		284	
Change in trade and other receivables	(22,789)	(4,140)	(17,398)	(2,912)
Change in other non-current assets	(2)		80	
Change in trade and other payables	6,840	4,420	(16,599)	689
Receipt IRES receiv. from click day 2013			10,712	
Cash flow from changes in working capital	**(15,801)**	**280**	**(22,921)**	**(2,223)**
Income taxes paid	0		0	
Anti-trust penalty reimburse. (inc. interest portion)			2,430	
Cash flow from operating activities	**107,131**	**280**	**100,803**	**(2,223)**
Investments in fixed assets:				
- intangible assets (*)	(20,433)		(16,815)	
- tangible assets	(14,480)		(8,673)	
Divestments from fixed assets:				
- tangible assets	296		111	
Dividends received	5,802	5,802	2,166	2,166
Cash flow absorbed from investing activities	**(28,815)**	**5,802**	**(23,211)**	**2,166**
Change in gross financial debt				
- increase/(decrease) of short & medium-term debt	(10,016)		(10,405)	
Changes in other financial assets/liabilities	(425)		(1,322)	
Dividends distributed	(98,767)		(70,262)	
Interest and commissions paid	(13,733)		(12,910)	
Interest received	69		2	
Cash flow absorbed from financing activities	**(122,872)**		**(94,897)**	
Increase/(decrease) in cash and cash equivalents	**(44,556)**	**6,082**	**(17,305)**	**(57)**
Opening cash and cash equivalents	153,036		67,194	
Closing cash and cash equivalents	108,480		49,889	
Cash and cash equivalents at period-end reported in financial statements	108,480		49,889	

** The investments in intangible assets are net of the utilisation of the restoration provision, which in H1 2019 amounted to euro 8,499 thousand (euro 3,334 thousand in H1 2018).*

Statement of Changes in Consolidated Shareholders' Equity

(euro thousands)	Share capital	Legal reser-ve	Other reserves and retained earnings (accumulated losses)	Actuarial gains/ (losses) reserve	Derivative contracts hedge accounting reserve	Group Net Profit	Consolidated shareholders' equity	Minority interest capital & reserves	Group & Minority int. share. equity
December 31, 2017	**27,500**	**5,500**	**280,254**	**(1,216)**	**(4,954)**	**84,070**	**391,154**	**23**	**391,177**
Transactions with shareholders									
Allocation of 2017 net profit			84,070			(84,070)			**0**
Dividends approved			(70,300)				**(70,300)**		**(70,300)**
Other movements									
Other comprehensive income statement items result				835	1,339		**2,174**		**2,174**
IFRS 9 and IFRS Airport Handling conversion impacts			(2)		(1)		**(3)**		**(3)**
Net profit						136,076	**136,076**	2	**136,078**
December 31, 2018	**27,500**	**5,500**	**294,022**	**(381)**	**(3,616)**	**136,076**	**459,101**	**25**	**459,126**
Transactions with shareholders									
Allocation of 2018 net profit			136,076			(136,076)			**0**
Dividend approved			(98,800)				**(98,800)**		**(98,800)**
Other movements									
Other comprehensive income statement items result				(2,356)	529		**(1,827)**		**(1,827)**
Net Profit						66,160	**66,160**	1	**66,161**
June 30, 2019	**27,500**	**5,500**	**331,298**	**(2,737)**	**(3,087)**	**66,160**	**424,634**	**26**	**424,660**

Explanatory 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 the following investments in associates and measured under the equity method: *(i)* Dufrital (held 40%) which undertakes commercial activities at other Italian airports, including Bergamo, Florence, Genoa and Verona; *(ii)* Malpensa Logistica Europa (held 25%) which undertakes integrated logistic activities; *(iii)* SEA Services (held 40%) which operates in the catering sector for the Milan airports; *(iv)* Disma (held 18.75%) which manages a plant for the storage and distribution of aviation fuel at Milan Malpensa Airport; *(v)* Signature Flight Support Italy Srl (indirectly held 39.96%) which provides general aviation services; *(vi)* SACBO (held 30.98%) which manages the airport of Bergamo, Orio al Serio and *(vii)* Airport Handling SpA (held 30%), which provides passenger, cargo and aircraft and crew support services to all airlines.

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

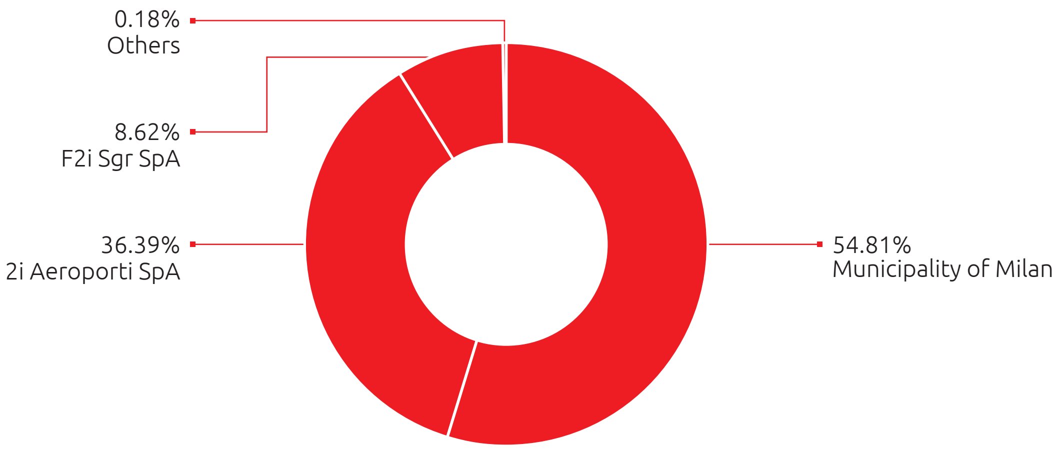
At the preparation date of the present document, the shareholder structure was as follows:

PUBLIC SHAREHOLDERS 8 entities/companies	
Municipality of Milan(*)	54.81%
Municipality of Busto Arsizio	0.06%
Other public shareholders	0,08%
Total	**54,95%**

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

(*) Holder of Class A shares

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



2. Compliance with International Accounting Standards

The present Condensed Consolidated Half-Year Financial Statements were prepared in accordance with the IFRS in force, issued by the International Accounting Standards Board and approved by the European Union. Account was also taken of the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously the Standing Interpretations Committee ("SIC"). In particular, the present Condensed Consolidated Half-Year Financial Statements were prepared in accordance with IAS 34 Interim Financial Reporting; in accordance with paragraphs 15 and 16 of the standard, these Condensed Consolidated Half-Year Financial Statements therefore do not include all the information published in the annual report and must be read together with the Consolidated Financial Statement at December 31, 2018, 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 Statement at June 30, 2019, the same accounting principles were adopted as in the preparation of the Consolidated Financial Statement at December 31, 2018, 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, 2019. If in the future, these estimates and assumptions, which are based on the best valuations made by the Directors, should be different from the actual results recorded, they will be modified appropriately in the period in which the circumstances occur. The estimates and assumptions are reviewed periodically and the effects of all variations are immediately recognised in the income statement.

It should also be noted that some valuation processes, in particular the most complex, such as the determination of any loss in value of non-current assets, are generally made on a complete basis on the preparation of the annual accounts, when all the necessary information is available, except where there are specific indications of impairment which require an immediate valuation of any loss in value. For the present Half-Year Report, indicators of impairment requiring advanced testing from the usual year-end test did not emerge.

2.1 Recently issued accounting standards

IFRS accounting standards, amendments and interpretations applied by the Group from January 1, 2019

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

Description	Effective date as per the standard	Effective date applied by SEA
IFRS 16 Leases	Periods which begin from Jan 1, 2019	January 1, 2019
IFRIC 23 Uncertainty over income tax treatments	Periods which begin from Jan 1, 2019	January 1, 2019
Amendments to IFRS 9 Prepayment features with negative compensation	Periods which begin from Jan 1, 2019	January 1, 2019
Annual improvements to IFRS standards 2015-2017 Cycle	Periods which begin from Jan 1, 2019	January 1, 2019
Amendments to IAS 28 Long term interests in associates and joint ventures	Periods which begin from Jan 1, 2019	January 1, 2019
Amendment to IAS 19 Plan amendment Curtailment or Settlement	Periods which begin from Jan 1, 2019	January 1, 2019

IFRS 16 – Leases

The recognition and measurement policies applied in preparing the Half-Year Financial Report at June 30, 2019 were unchanged with respect to those applied in the 2018 Annual Financial Report, to which reference should be made, with the exception of the adoption of the standard IFRS 16. The SEA Group opted for application of the "Cumulative Catch-up Approach" for leases previously classified as operating leases, which resulted in an increase in right-of-use assets of euro 4.8 million, with the counter-entry of an increase in financial payables for leased assets. Consequently, no cumulative effects have been accounted for as adjustments to opening equity, nor have the figures from the comparative period been restated.

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

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

liability. This new arrangement replaces the operating lease payments recognized among "Other operating costs" under the Standard in effect until financial year 2018. The income statement also includes payments relating to short-term and low-value (less than five thousand euro) lease contracts;

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

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

- leases of low-value assets (less than euro 5,000) have not been included within the scope of IFRS 16;
- leases that at January 1, 2019 had a residual term of less than 12 months have not been included within the scope of IFRS 16;
- the Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics (similar class of leased asset in similar economic circumstances) at January 1, 2019;

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

(euro thousands)	December 31, 2018	Impact of IFRS 16 adoption on opening balance 01/01/2019	January 1, 2019
Intangible assets	986,469		986,469
Property, plant & equipment	205,483		205,483
Right-of-use assets		4,791	4,791
Investment property	3,408		3,408
Investments in associates	67,914		67,914
Other investments	26		26
Deferred tax assets	54,185		54,185
Other non-current receivables	188		188
Inventories	1,934		1,934
Trade receivables	121,005		121,005
Tax receivables	1,048		1,048
Other current receivables	9,527		9,527
Cash and cash equivalents	153,036		153,036
TOTAL ASSETS	**1,604,223**	**4,791**	**1,609,014**
Group & Minority int. share. equity	459,126		459,126
Provision for risks and charges	167,861		167,861
Employee provisions	46,214		46,214
Non-current financial liabilities	523,605	3,538	527,143
Other non-current payables	13,964		13,964
Trade payables	153,394	(131)	153,263
Income tax payables	18,541		18,541
Other payables	192,476		192,476
Current financial liabilities	29,042	1,384	30,426
TOTAL LIABILITIES & SHARE. EQUITY	**1,604,223**	**4,791**	**1,609,014**

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

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

Description	Approved at the date of the present document	Effective date as per the standard
Amendments to References to the Conceptual Framework in IFRS Standards	NO	Periods which begin from Jan 1, 2020
Amendment to IFRS 3 Business Combination	NO	Periods which begin from Jan 1, 2020
Amendment to IAS 1 and IAS 8 Definition of Material	NO	Periods which begin from Jan 1, 2020
IFRS 17 Insurance Contracts	NO	Periods which begin from Jan 1, 2021

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, 2019 and at December 31, 2018, the Consolidated Income Statements, the Comprehensive Consolidated Income Statement, the Consolidated Cash Flow Statement at June 30, 2019 and June 30, 2018, the change in Consolidated Shareholders' Equity at June 30, 2019 and December 31, 2018 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 Directors 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, 2019 was prepared in thousands of euro, as were the tables reported in the Explanatory Notes.

The Half-Year Report at June 30, 2019 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 1, 2019.

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, 2019 under the full consolidation method and equity method are reported below:

Company	Registered office	Share capital at 30/06/2019 (euro)	Share capital at 31/12/2018 (euro)
SEA Energia S.p.A.	Milan Linate Airport - Segrate (MI)	5,200,000	5,200,000
SEA Prime S.p.A.	Viale dell'Aviazione, 65 - Milan	2,976,000	2,976,000
Signature Flight Support Italy S.r.l.	Viale dell'Aviazione, 65 - Milan	420,000	420,000
Dufrital S.p.A.	Via Lancetti, 43 - Milan	466,250	466,250
SACBO S.p.A.	Via Orio Al Serio, 49/51 - Grassobbio (BG)	17,010,000	17,010,000
SEA Services S.r.l.	Via Caldera, 21 - Milan	105,000	105,000
Malpensa Logistica Europa S.p.A.	Milan Linate Airport - Segrate (MI)	6,000,000	6,000,000
Disma S.p.A.	Milan Linate Airport - Segrate (MI)	2,600,000	2,600,000
Airport Handling S.p.A.	Malpensa Airport - Terminal 2 - Somma Lombardo (VA)	5,000,000	5,000,000

There were no changes in the consolidation scope during the period. The companies included in the consolidation scope at June 30, 2019 and the respective consolidation methods are reported below:

Company	Consolidation Method at 30/06/2019	Group % holding at 30/06/2019	Group % holding at 31/12/2018
SEA Energia S.p.A.	Line-by-line	100%	100%
SEA Prime S.p.A.	Line-by-line	99.91%	99.91%
Signature Flight Support Italy S.r.l. (1)	Equity	39.96%	39.96%
Dufrital S.p.A.	Equity	40%	40%
SACBO S.p.A.	Equity	30.979%	30.979%
SEA Services S.r.l.	Equity	40%	40%
Malpensa Logistica Europa S.p.A.	Equity	25%	25%
Disma S.p.A.	Equity	18.75%	18.75%
Airport Handling S.p.A.	Equity	30%	30%

(1) *Associate of SEA Prime SpA*

3. Accounting policies and consolidation methods

The recognition and measurement policies applied in preparing the Half-Year Financial Report at June 30, 2019 were unchanged with respect to those applied in the 2018 Annual Financial Report, to which reference should be made, with the exception of the adoption of the standard IFRS 16, whose impact is outlined above.

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.

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

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

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

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

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

TRADE RECEIVABLES

(euro thousands)	June 30, 2019	December 31, 2018
Trade receivables - customers	229,210	212,210
- of which overdue	121,441	127,278
Doubtful debt provision - customers	(102,004)	(102,612)
Trade receivables - associates	13,597	11,496
Doubtful debt provision - associates	(117)	(89)
Total net trade receivables	**140,686**	**121,005**

The aging of the overdue receivables is as follows:

TRADE RECEIVABLES - CUSTOMERS

(euro thousands)	June 30, 2019	December 31, 2018
less than 180 days	16,717	23,098
more than 180 days	104,724	104,180
Total trade receivables overdue	**121,441**	**127,278**

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

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

a. interest rate risk;
b. currency risk;
c. commodity risk, related to the volatility of the energy commodity prices, in SEA Energia.

(a) Interest rate risk

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

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

Variable interest loans expose the SEA Group to a risk originating from the volatility of the interest rates (cash flow risk). Relating to this risk, for the purposes of the relative hedging, the SEA Group makes recourse to derivative contracts, which converts the variable rate to a fixed rate or limits the fluctuations in variable rates over a range, in

this manner reducing the risk originating from the volatility of the rates. We highlight that these derivative contracts, underwritten exclusively for the purposes of hedging market rate volatility, are recorded through the cash flow hedge method.
At June 30, 2019, the gross financial debt of the SEA Group was comprised of medium/long-term loans (medium/long term portions of loans) and short-term loans (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, 2019 is reported in the following table, which shows each loan at the nominal value (which includes a spread of between 0.20% and 1.62%, not considering the hedging operations and any accessory guarantees):

MEDIUM/LONG TERM LOANS

		June 30, 2019		December 31, 2018	
(euro thousands)	Maturity	Amount	Average rate	Amount	Average rate
Bonds	**2021**	**300,000**	**3.125%**	**300,000**	**3.125%**
Bank loans - EIB funding	**from 2019 to 2037**	**232,396**	**1.03%**	**242,083**	**1.03%**
o/w at Fixed Rate		41,583	3.90%	44,971	3.90%
o/w at Variable Rate(*)		190,813	0.40%	197,112	0.38%
Other bank loans	**2020**	**66**	**0.50%**	**88**	**0.50%**
o/w at Fixed Rate		66	0.50%	88	0.50%
o/w at Variable Rate					
Medium/long-term gross financial debt		**532,462**	**2.21%**	**542,171**	**2.19%**

(*) Includes: (i) variable rate tranche subject to interest rate hedge (about 30% at 30.06.2019 and 32% at 31.12.2018);
(ii) euro 80 million of EIB loans with specific bank guarantee

The total value of medium/long-term loans at June 30, 2019 amounts to euro 532,462 thousand, a reduction of euro 9,709 thousand compared to December 31, 2018, due to repayments on these loans. The average cost of this debt remains stable, touching 2.78%, a similar level to the end of December 2018 (2.21% not considering the interest rate hedges and the cost of bank guarantees on EIB loans).

At June 30, 2019, the Group has the following bond issue with a total nominal value of euro 300 million.

Description	Issuer	Listing market	ISIN Code	Terms (years)	Maturity	Par value (in million of euro)	Coupon	Annual rate
SEASPA 3 1/8 04/17/21	SEA S.p.A.	Irish Stock Exchange	XS 1053334373	7	04/17/21	300	Fixed annual	3.125%

The fair value of the overall bank and bond medium/long-term Group debt at June 30, 2019 amounts to euro 546,977 thousand (reduction on euro 562,361 thousand on December 31, 2018). This value was calculated as follows:

- for the loans at fixed interest rates, the capital portion and interest were discounted utilising the spot rates for each contractual maturity, extrapolated from the market rates;
- for the bond listed on a regulated market, reference was made to the market value at June 30, 2019;
- for the loans at variable interest rates, the interest portion was calculated utilising the estimate of the expected rates at the end of each contractual maturity, increased by the spread defined contractually. The interest portion defined as outlined above and the capital on maturity was discounted utilising the spot rate for each contractual maturity, extrapolated from the market rate.

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

INTEREST RATE HEDGES (€/000)

	Notional at signing date	Residual Notional at 30/06/2019	Date of signing	Start	Maturity	Fair value at 30/06/2019	Fair value at 31/12/2018
IRS	10,000	7,419	5/18/2011	9/15/2012	9/15/2021	(673)	(772)
	5,000	3,710	5/18/2011	9/15/2012	9/15/2021	(337)	(386)
	15,000	9,828	5/18/2011	9/15/2012	9/15/2021	(870)	(1,004)
	10,000	5,714	6/6/2011	9/15/2012	9/15/2021	(480)	(556)
	11,000	6,069	6/6/2011	9/15/2012	9/15/2021	(509)	(590)
	12,000	6,207	6/6/2011	9/15/2012	9/15/2021	(513)	(599)
	12,000	6,207	6/6/2011	9/15/2012	9/15/2021	(513)	(599)
Collar	10,000	5,714	6/6/2011	9/15/2011	9/15/2021	(391)	(447)
	11,000	5,690	6/6/2011	9/15/2011	9/15/2021	(381)	(436)
Total	**96,000**	**56,558**				**(4,667)**	**(5,387)**

The fair value of the derivative financial instruments at June 30, 2019 and December 31, 2018 was determined in accordance with IFRS 9 and IFRS 13.

(b) Currency risk

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

(c) Commodity risk

The SEA Group, limited to only SEA Energia, is exposed to changes in prices, and the relative currency fluctuations, of the energy commodities utilised i.e. gas and environmental certificates connected to the operating management of the company. These risks derive from the purchase of the above-mentioned commodities, which in the case of gas are principally impacted by fluctuations in the prices of the underlying fuels, denominated in US Dollars. These fluctuations are managed through formulas and indexing in the pricing structures adopted in purchase and sales contracts.
In the first half of 2019, the SEA Group did not undertake any hedging of this risk. In the same period, the SEA Group purchased environmental certificates equating almost to the total expected requirement for 2019, thereby eliminating the impact from future price changes.

4.3 Liquidity risk

The liquidity risk for the SEA Group may arise where the financial resources available are not sufficient to meet the financial and commercial commitments within the agreed terms and conditions.
The liquidity, cash flows and financial needs of the SEA Group are managed through policies and processes with the objective to minimise the liquidity risk. Specifically, the SEA Group:

- centrally monitors and manages, under the control of the Group Treasury, the financial resources available, in order to ensure an efficient management of these resources, also in forward budgeting terms;
- maintains adequate liquidity in treasury current accounts;
- obtains committed credit lines (revolving and non), which covers the financial commitments of the Group in the coming 12 months deriving from the investment plans and contractual debt repayments;
- monitors the liquidity position, in relation to the business planning.

At June 30, 2019, the SEA Group had irrevocable unutilised credit lines of euro 390 million, of which euro 260 million concerning the available revolving lines maturing between the end of 2023 and the beginning of 2024 and euro 130 million concerning lines on EIB funds, utilisable by February 2023 and also with twenty-year duration. At June 30, 2019, the SEA Group also had a further euro 158 million of uncommitted credit lines available for immediate cash requirements.

The SEA Group has available committed and uncommitted credit lines which guarantee the covering of future financial needs and current operational needs, with an average maturity of medium/long-term debt of over 3 years, including the bond issued in 2014. If the bond loan is excluded, the remaining debt has a maturity of approximately 6 years (15% over 10 years).

Trade payables are guaranteed by the SEA Group through careful working capital management which largely concerns trade receivables and the relative contractual conditions established.

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, 2019 and December 31, 2018:

LIABILITIES AT JUNE 30, 2019

(in euro millions)	< 1 year	>1 year < 3 years	>3 years < 5 years	> 5 years	Total
Gross financial debt	38.1	366.8	51.0	127.3	**583.2**
Lease liabilities (Financial Payables)	1.5	2.2	1.1	0.2	**5.0**
Trade payables	155.7				**155.7**
Total payables	**195.3**	**369.0**	**52.1**	**127.5**	**743.9**

LIABILITIES AT DECEMBER 31, 2018

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

At June 30, 2019, loans due within one year relate to the capital portion to be paid on some of the EIB loans and interest due on the total debt. The loan repayment scheduling reflects the capacity of the SEA Group funding to cover medium/long-term needs.

4.4 Sensitivity

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

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

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

a. the effect was analysed on the SEA Group income statement for H1 2019 and H1 2018 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). In both cases, the values were estimated applying the changes as per point a) to the forward curve expected for the period.

The results of the sensitivity analysis are reported below:

	June 30, 2019		June 30, 2018	
(euro thousands)	-50 bp	+50 bp	-50 bp	+50 bp
Current accounts (interest income)	-68.74	458.90	-2.37	233.50
Loans (interest charges)[1]	145.48	-493.29	155.58	-528.65
Derivative hedging instruments (flows)[2]	-149.18	149.18	-167.08	167.08
Derivative hedging instruments (fair value)	-524.66	515.30	-834.98	814.68

[1] *+ = lower interest charges; - = higher interest charges*
[2] *+ = revenue from hedge; - = cost of hedge*

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

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

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

5. Classification of the financial instruments

The following tables provide a breakdown of the financial assets and liabilities by category at June 30, 2019 and at December 31, 2018 of the Group.

(euro thousands)	June 30, 2019 Financial assets measured at Fair Value to the Income Statement	Financial assets measured at amortised cost	Financial assets and liabilities at fair value to the other comprehensive income items	Financial liabilities measured at amortised cost	Total
Other investments	26				26
Other non-current receivables		190			190
Trade receivables		140,686			140,686
Tax receivables		468			468
Other current receivables		16,806			16,806
Cash and cash equivalents		108,480			108,480
Total	**26**	**266,630**	**0**	**0**	**266,656**
Non-current financial liabilities exc. leasing			4,667	506,808	511,475
-of which payables to bondholders				299,121	299,121
Non-current financial payables for leasing				3,560	3,560
Other non-current payables				13,964	13,964
Trade payables				155,723	155,723
Income tax payables				47,501	47,501
Other current payables				192,898	192,898
Current financial liabilities excl. leasing				26,343	26,343
Current financial liabilities for leasing				1,471	1,471
Total	**0**	**0**	**4,667**	**948,268**	**952,935**

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

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

	December 31, 2018				
(euro thousands)	Financial assets measured at Fair Value to the Income Statement	Financial assets measured at amortised cost	Financial assets and liabilities at fair value to the other comprehensive income items	Financial liabilities measured at amortised cost	Total
Other investments	26				26
Other non-current receivables		188			188
Trade receivables		121,005			121,005
Tax receivables		1,048			1,048
Other current receivables		9,527			9,527
Cash and cash equivalents		153,036			153,036
Total	**26**	**284,804**	**0**	**0**	**284,830**
Non-current financial liabilities			5,387	518,218	523,605
-of which payables to bondholders				298,889	298,889
Other non-current payables				13,964	13,964
Trade payables				153,394	153,394
Income tax payables				18,541	18,541
Other current payables				192,476	192,476
Current financial liabilities excl. leasing				29,042	29,042
Current financial liabilities for leasing				-	-
Total	**0**	**0**	**5,387**	**925,635**	**931,022**

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, 2019 and at December 31, 2018:

	June 30, 2019		
(euro thousands)	**Level 1**	**Level 2**	**Level 3**
Other investments			26
Derivative financial instruments		4,667	
Total		**4,667**	**26**

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

7. Disclosure by operating segment

Due to the type of activities undertaken by the Group, the "traffic" factor significantly effects the results of all activities. The SEA Group has identified three operating segments, as further described in the Directors' Report and specifically: *(i)* Commercial Aviation, *(ii)* General Aviation, *(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: this includes Aviation and Non-Aviation operations - the former regards the management, development and maintenance of airport infrastructure and plant and the offer to SEA Group customers of services and activities related to the arrival and departure of aircraft, in addition to airport safety services. The revenues generated by these activities are established by a regulated tariff system and comprise airport fees, fees for the use of centralised infrastructure, in addition to security fees and tariffs for the use of check-in desks and spaces by airlines and handlers. The Non-Aviation business however provides a wide and segregated offer, managed both directly and under license to third parties, of commercial services for passengers, operators and visitors to the Airports, in addition to the real estate segment. The revenues from this area consist of the market fees for activities directly carried out by the Group and from activities carried out by third parties under license and of royalties based on a percentage of revenues generated by the licensee, usually with the provision of a guaranteed minimum.

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

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

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

SEGMENT DISCLOSURE: FINANCIAL HIGHLIGHTS AT JUNE 30, 2019

(in euro thousands)	Commercial Aviation	General Aviation	Energy	IC Eliminations	Consolidated Financial Statement
Revenues	333,142	8,197	26,240	(24,130)	343,449
of which Intercompany	(4,885)	(2,270)	(16,975)	24,130	
Total operating revenues (third parties)	**328,257**	**5,927**	**9,265**	**0**	**343,449**
EBITDA	**131,726**	**3,844**	**495**		**136,065**
EBIT	**86,648**	**2,921**	**398**		**89,967**
Investment income/(charges)					8,753
Financial charges					(8,633)
Financial income					112
Pre-tax result					**90,199**
Fixed asset investments	**31,574**	**3,562**	**764**		**35,900**
Tangible assets	10,425	3,295	764		14,484
Intangible assets	21,149	267			21,416

SEGMENT DISCLOSURE: H1 2019 INCOME STATEMENT & BALANCE SHEET AT DECEMBER 31, 2018

(in euro thousands)	Commercial Aviation	General Aviation	Energy	IC Eliminations	Consolidated Financial Statement
Revenues	315,523	7,781	18,986	(17,541)	324,749
of which Intercompany	(3,981)	(1,972)	(11,588)	17,541	
Total operating revenues (third parties)	**311,542**	**5,809**	**7,398**	**0**	**324,749**
EBITDA	**123,702**	**3,887**	**600**		**128,189**
EBIT	**80,545**	**2,885**	**310**		**83,740**
Investment income/(charges)					4,248
Financial charges					(8,838)
Financial income					983
Pre-tax result					**80,133**
Fixed asset investments	**60,179**	**1,066**	**2,735**		**63,980**
Tangible assets	18,704	391	2,735		21,830
Intangible assets	41,475	675			42,150

8. Notes to the Statement of Financial Position

8.1 Intangible assets

The following table summarises the movements in intangible fixed assets between December 31, 2018 and June 30, 2019.

(euro thousands)	December 31, 2018	Increases in the period	Reclass. / transfers	Destruct./ sales	Amort./ wri-te-downs	June 30, 2019
Gross value						
Rights on assets under concession	1,509,635		10,558			1,520,193
Rights on assets under concess. in prog. & ad.	30,875	17,397	(9,811)			38,461
Patents & right to use intell. property & others	82,436		2,454		(49)	84,841
Assets in progress and advances	9,054	4,019	(2,454)			10,619
Other	16,954				(37)	16,917
Total gross value	**1,648,954**	**21,416**	**747**	**0**	**(86)**	**1,671,031**
Accumulated amortisation						
Rights on assets under concession	(577,779)				(23,750)	(601,528)
Rights on assets under concess. in prog. & ad.						
Patents & right to use intell. property & others	(69,378)				(3,523)	(72,901)
Assets in progress and advances						
Other	(15,328)					(15,328)
Total accumulated amortisation	**(662,485)**	**0**	**0**	**0**	**(27,273)**	**(689,757)**
Net value						
Rights on assets under concession	931,857		10,558		(23,750)	918,665
Rights on assets under concess. in prog. & ad.	30,875	17,397	(9,811)			38,461
Patents & right to use intell. property & others	13,058		2,454		(3,572)	11,940
Assets in progress and advances	9,054	4,019	(2,454)		0	10,619
Other	1,626		0		(37)	1,589
Total net value	**986,469**	**21,416**	**747**	**0**	**(27,359)**	**981,274**

As per IFRIC 12, rights on assets under concession amount to euro 918,665 thousand at June 30, 2019 and euro 931,857 thousand at December 31, 2018. These rights are amortised on a straight-line basis over the duration of the concession from the State, as they will be returned to the grantor at the end of the concession. Amortisation in the first six months of 2019 amounted to euro 23,749 thousand.
On these assets, as per IFRIC 12, the SEA Group has the obligation to record a restoration and replacement provision.
The investments related to the application of IFRIC 12, which are classified as assets under concession and airport concessions in progress, principally related to:

- enlargement of the check-in desks and an increase in their number at Malpensa Terminal 1;
- increase in departure baggage carousels at Terminal 1;
- doubling of e-gates and refurbishment of gate areas;
- works to reconfigure road access outside Terminal 2.

The intellectual property rights and other intangible assets, with a net residual value of euro 11,940 thousand at June 30, 2019, principally relate to company patentes concerning both airport and operational management and to the purchase of software components. The total amortisation amounted to euro 3,572 thousand.

8.2 Property, plant and equipment

The following tables summarises the movements in property, plant and equipment between December 31, 2018 and June 30, 2019. The investments principally concerned the restyling of Malpensa Terminal 1 and the new parking operators, in addition to the purchase of new apron equipment for that not included under assets under concession.

(euro thousands)	December 31, 2018	Increases in the period	Reclass./ transfers	Destruct./ sales	Deprec./ write-downs	June 30, 2019
Gross value						
Property	228,607	(16)	1,860	(22)		230,428
Plant and machinery	111,684	43	209			111,936
Industrial and commercial equipment	48,071	168	(3)	(1,748)		46,487
Other assets	73,681	2,149	987	(1,944)		74,873
Assets in progress and advances	14,405	12,141	(3,800)			22,746
Total gross value	**476,448**	**14,484**	**(747)**	**(3,714)**	**0**	**486,471**
Accumulated depreciation & write-downs						
Property	(101,834)			10	(3,427)	(105,250)
Plant and machinery	(70,693)				(1,467)	(72,160)
Industrial and commercial equipment	(39,344)			1,723	(2,528)	(40,150)
Other assets	(59,094)			1,901	(2,780)	(59,973)
Assets in progress and advances						
Total accumulated depreciation & write-downs	**(270,965)**	**0**	**0**	**3,633**	**(10,202)**	**(277,533)**
Net value						
Property	126,773	(16)	1,860	(12)	(3,427)	125,178
Plant and machinery	40,991	43	209		(1,467)	39,775
Industrial and commercial equipment	8,727	168	(3)	(25)	(2,528)	6,338
Other assets	14,586	2,149	987	(43)	(2,780)	14,899
Assets in progress and advances	14,405	12,141	(3,800)			22,746
Total net value	**205,483**	**14,484**	**(747)**	**(81)**	**(10,202)**	**208,937**

8.3 Right-of-use assets

"Right-of-use assets" concern usage rights recognised as per IFRS 16, as described in greater detail at paragraph 2.1 "Recently issued accounting standards".
As a lessee, the SEA Group identified the relevant categories, principally industrial equipment and long-term hire of vehicles, with the consequent recognition of a right of use to non-current assets equal to the present value of the outstanding instalments and with the counter-entry of a finance lease liability. The net value of leased asset rights of use at June 30, 2019 is euro 4,579 thousand, with amortisation in the period of euro 727 thousand.

For the calculation of these amounts, the Group availed of an exemption permitted under IFRS 16 which resulted in a single discount rate for each leasing portfolio with similar characteristics.
The following table outlines the movements between January 1, 2019 and June 30, 2019.

(euro thousands)	January 1, 2019	Increases in the period	Destruct./ sales	Deprec./ write-downs	June 30, 2019
Gross value					
Runway/Apron/Street equipment	11				11
Miscellaneous & minor equipment	2,203	460			2,663
Complex equipment	188				188
Transport vehicles	1,376	56	(2)		1,431
EDP	868				868
Loading and unloading vehicles	7				7
Land	137				137
Total gross value	**4,791**	**516**	**(2)**	**0**	**5,305**
Accumulated depreciation & write-downs					
Runway/Apron/Street equipment				(4)	(4)
Miscellaneous & minor equipment				(288)	(288)
Complex equipment				(27)	(27)
Transport vehicles			1	(307)	(306)
EDP				(80)	(80)
Loading and unloading vehicles				(3)	(3)
Land				(18)	(18)
Total accumulated depreciation & write-downs	**0**	**0**	**1**	**(727)**	**(726)**
Net value					
Runway/Apron/Street equipment	11			(4)	7
Miscellaneous & minor equipment	2,203	460		(288)	2,375
Complex equipment	188			(27)	161
Transport vehicles	1,376	56	(1)	(307)	1,125
EDP	868			(80)	788
Loading and unloading vehicles	7			(3)	4
Land	137			(18)	119
Total net value	**4,791**	**516**	**(1)**	**(727)**	**4,579**

8.4 Investment property

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

8.5 Investments in associates

The change in the account "Investments in associates" from December 31, 2018 to June 30, 2019 is shown below:

INVESTMENTS IN ASSOCIATES

(euro thousands)	December 31, 2018	Movements Increases / revaluations	Decreases / write-downs	June 30, 2019
SACBO SpA	38,981	4,963	(1,965)	41,979
Dufrital SpA	12,131	1,798	(3,544)	10,385
Disma SpA	2,624	231	(225)	2,630
Malpensa Logistica Europa SpA	2,972	975	(875)	3,072
SEA Services Srl	508	375		883
Airport Handling SpA	10,398	293	(1,200)	9,491
Signature Flight Support Italy Srl	300	58		358
Total	**67,914**	**8,693**	**(7,809)**	**68,798**

The companies held are all resident in Italy.

The net equity of the associates was adjusted to take account of the Group accounting principles and the measurement of investments as per IAS 28. In particular, the amount of euro 7,809 thousand concerns the dividends distributed by associates to SEA.
The SEA Group share of adjusted net equity at June 30, 2019 amounts to euro 68,798 thousand (euro 67,914 thousand at December 31, 2018).

8.6 Other investments

The list of "Other investments" is presented below:

OTHER INVESTMENTS

Company	% held June 30, 2019	December 31, 2018
Consorzio Milano Sistema in liquidation	10%	10%
Romairport Srl	0.227%	0.227%
Aeropuertos Argentina 2000 SA	8.500%	8.500%

The tables below report the changes in other investments:

OTHER INVESTMENTS

		Movements		
(euro thousands)	December 31, 2018	Increases / revaluations	Decreases/ write-downs	June 30, 2019
Consorzio Milano Sistema in liquidation	25			25
Romairport Srl	1			1
Aeropuertos Argentina 2000 SA				
Total	**26**	**0**	**0**	**26**

The investment of SEA in the share capital of Aeropuertos Argentina 2000 (hereafter AA2000) amounted to 8.5% following the conversion, by the Argentinian government, of the bonds issued in 2008 by AA2000 into shares.
On June 30, 2011, an agreement was signed with CEDICOR for the sale of all the investment held by SEA in the share capital of AA2000, equal to 21,973,747 ordinary Class A shares with 1 vote for each share.
The consideration paid was euro 14,000,000 entirely received in 2011.
The transfer of the shares will only be completed with authorisation by the ORSNA regulator (Organismo Regulador del Sistema Nacional de Aeropuertos).
At the date of the present document, ORSNA had not yet formalised the authorisation of the sale of the investment in favour of Cedicor and, therefore, SEA still holds 8.5% of the share capital of AA2000; therefore, the investment of 1 euro was maintained in the 2018 half-year financial statements.

8.7 Deferred tax assets

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

NET DEFERRED TAX ASSETS

(euro thousands)	June 30, 2019	December 31, 2018
Deferred tax assets	87,074	86,710
Deferred tax liabilities	(31,026)	(32,525)
Total deferred tax assets, net of liabilities	**56,048**	**54,185**

The movement in net deferred tax assets in the first six months of 2019 was as follows:

MOVEMENT IN NET DEFERRED TAX ASSETS

		Movements		
(euro thousands)	December 31, 2018	Released / allocated to P&L	Released / allocated to Equity	June 30, 2019
Total deferred tax assets	86,710	(212)	577	87,074
Total deferred tax liabilities	(32,525)	1,499		(31,026)
Total deferred tax assets, net of liabilities	**54,185**	**1,287**	**577**	**56,048**

8.8 Other non-current receivables

Other receivables, amounting to euro 190 thousand at June 30, 2019 (euro 188 thousand at December 31, 2018) did not change significantly and mainly relates to deposit guarantees.

8.9 Inventories

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

INVENTORIES

(euro thousands)	June 30, 2019	December 31, 2018
Raw material, ancillaries and consumables	3,186	3,580
Inventory obsolescence provision	(1,402)	(1,646)
Total Inventories	**1,784**	**1,934**

The account principally comprises consumable goods held for airport activities.
At June 30, 2019, no goods held in inventories comprised guarantees on loans or concerning other commitments.

The comparison of inventories with the realisable value or replacement necessitated an obsolescence inventory provision amounting to euro 1,402 thousand at June 30, 2019 (euro 1,646 thousand at December 31, 2018).

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, 2019	December 31, 2018
Trade receivables - customers	127,206	109,598
Trade receivables - associates	13,480	11,407
Total net trade receivables	**140,686**	**121,005**

Trade receivables, shown net of the doubtful debt provision, mainly include receivables from clients and provisions for invoices and credit notes to be issued.
For an analysis of trade receivables in the first half of 2019, 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, 2019	December 31, 2018
Opening provision	(102,701)	(102,254)
(Increases)/releases	534	(816)
Utilisations	46	369
Total doubtful debt provision	**(102,121)**	**(102,701)**

The net release amounts to euro 534 thousand and was necessary principally due to the collection of receivables and compliance with the recovery plans agreed with customers. The releases were partially offset by the accruals recognized to take into account the risk assessed by the Company, 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, 2019	December 31, 2018
Tax receivables	468	1,048
Other current receivables	16,806	9,527
Total tax receivables and other current receivables	**17,274**	**10,575**

Tax receivables of euro 468 thousand at June 30, 2019 mainly refers to:

- for euro 128 thousand (euro 128 thousand at December 31, 2018) VAT receivables;
- for euro 340 thousand (euro 805 thousand at December 31, 2018) other tax receivables.

At December 31, 2018, euro 115 thousand in addition concerned current tax receivables.
The account "Other current receivables", reported net of the relative provision, is broken down as follows:

OTHER CURRENT RECEIVABLES

(euro thousands)	June 30, 2019	December 31, 2018
Receivables from GSE for white & green certs.	560	560
Other receivables	10,079	6,050
Receivables for dividends	4,072	2,005
Misc. receivables	1,190	562
Receivables from insurance companies	666	200
Employee & soc. sec. receivables	201	143
Post & tax stamps	38	7
Receivables from the State for SEA / Ministry for Infrastructure and Transport case	3,889	3,889
Doubtful debt provision State for SEA / Ministry for Infrastructure and Transport case	(3,889)	(3,889)
Total other current receivables	**16,806**	**9,527**

"Other current receivables" amount to euro 16,806 thousand at June 30, 2019 (euro 9,527 thousand at December 31, 2018) and is comprised of the accounts outlined below.
Receivables from GSE, claimed by the SEA Group for white and green certificates, amount to euro 560 thousand. This amount includes the receivables claimed by SEA Energia from the Energy Service Operator relating to the portion of white certificates in 2016 not yet received on the combined cycle 1.

Other receivables principally concern 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 receivables for dividends amounting to euro 4,072 thousand, relate to the dividends approved by the Shareholders of: Dufrital (euro 1,772 thousand), Malpensa Logistica Europa (euro 875 thousand), Disma (euro 225 thousand), Airport Handling (euro 1,200 thousand).
Miscellaneous receivables amounting to euro 1,190 thousand at June 30, 2019 mainly refer to receivables from payments by Telepass, credit card and POS which have not yet been credited in the bank account.
Receivables from insurance companies, amounting to euro 666 thousand at June 30, 2019 (euro 200 thousand at December 31, 2018) relates to amounts paid on insurance policies in advance of the period to which the cost refers.
Receivables from the State under SEA/Ministry for Infrastructure and Transport case, following the judgement of the Court of Cassation, which recognised to the Company the non-adjustment of handling tariffs for the period 1974-1981, in addition to interest and expenses incurred by the Company, for euro 3,889 thousand is entirely covered by the doubtful debt provision. This credit was related to the residual credit position that was not collected from the Ministry of Infrastructure and Transport, in addition to interest up to December 31, 2014.

The changes in the doubtful debt provision were as follows:

OTHER RECEIVABLES DOUBTFUL DEBT PROVISION

(euro thousands)	June 30, 2019	December 31, 2018
Opening provision	(3,889)	(3,889)
(Increases)/releases	-	-
Total other receivables doubtful debt provision	**(3,889)**	**(3,889)**

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, 2019	December 31, 2018
Bank and postal deposits	108,402	152,955
Cash in hand and similar	78	81
Total	**108,480**	**153,036**

Cash and cash equivalents at June 30, 2019 decreased euro 44,556 thousand compared to the previous year. The account at June 30, 2019 comprises bank and postal deposits on demand for euro 108,298 thousand (euro 152,851 thousand at December 31, 2018), restricted bank deposits of euro 104 thousand (same as December 31, 2018) and cash amounts for euro 78 thousand (euro 81 thousand at December 31, 2018).
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, 2019, 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 period are shown in the Financial Statements.

8.14 Provisions for risks and charges

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

PROVISIONS FOR RISKS AND CHARGES

(euro thousands)	December 31, 2018	"Provisions/ Increases"	(Utilisations) / (reclass.)	(Releases)	June 30, 2019
Restoration and replacement provision	137,585	8,526	(8,499)		137,612
Provision for future charges	30,276	184	(2,537)	(367)	27,556
Total provision for risks and charges	**167,861**	**8,710**	**(11,036)**	**(367)**	**165,168**

The restoration and replacement provision on assets under concession, created in accordance with IFRIC 12, amounting to euro 137,612 thousand at June 30, 2019 (euro 137,585 thousand at December 31, 2018), refers to the estimate of the amount matured relating to the maintenance on assets under concession from the State which will be undertaken in future years.
The movements of the future charges provision were as follows:

PROVISION FOR FUTURE CHARGES

(euro thousands)	December 31, 2018	"Provisions/ Increases"	(Utilisations) / (reclass.)	(Releases)	June 30, 2019
Labour provisions	6,015	11	(11)		6,015
Insurance excesses	1,601	173	(66)	(367)	1,341
Tax risks	1,862				1,862
Green & white certificates	990		(76)		914
Other provisions	19,808		(2,384)		17,424
Total provision for future charges	**30,276**	**184**	**(2,537)**	**(367)**	**27,556**

The labour provisions relate to the expected streamlining actions to be undertaken on operations.
"Insurance excesses" equal to euro 1,341 thousand refers to the charges payable by the SEA Group for damages deriving from civil responsibility.
The "Tax risk" account refers to:

- euro 1,500 thousand for the amount allocated by SEA Prime SpA, to cover liabilities related to the non-payment of Group VAT by the former parent company for the years 2011 and 2012;
- euro 362 thousand for the amount provisioned by the Parent Company SEA in relation to the VAT assessment and the registration tax settlement notice.

"Green and white certificates" amounting to euro 914 thousand refers to the company SEA Energia. The amount was accrued for the dispute with the Energy Service Operator over green certificates (for the period 2010–2014) and white certificates (for the period 2012-2015).
The account "other provisions" for euro 17,424 thousand at June 30, 2019 is mainly composed of the following items:

- euro 6,424 thousand for legal disputes related to the operational management of the airports;

- euro 8,000 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 is reported that the Airport Commission of Malpensa has not yet given the final approval, unlike the Airport Commission of Linate;
- euro 3,000 thousand for various legal disputes;

The utilisations mainly concern the payment of amounts for revocatory actions.

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 Personnel provisions

The changes in the employee provisions are shown below:

EMPLOYEE PROVISIONS

(euro thousands)	June 30, 2019	December 31, 2018
Opening provision	46,214	47,834
Financial (income)/charges	307	652
Utilisations	(903)	(1,173)
Actuarial losses/(profits)	3,100	(1,099)
Total employee provisions	**48,718**	**46,214**

The actuarial calculation of the employee provisions 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, 2019	December 31, 2018
Annual discount rate	0.77%	1.57%
Annual inflation rate	1.50%	1.50%
Annual increase in employee leaving indemnity	2.63%	2.63%

The annual discount rate, utilised for the present value of the bond, was based on the Iboxx 10+ Eurozone Corporate 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, 2019 and December 31, 2018.

(euro thousands)	June 30, 2019		December 31, 2018	
	Current portion	Non-current portion	Current portion	Non-current portion
Long-term loans	23,324	207,665	21,316	219,286
Loan charges payable	1,080		1,055	
Derivatives fair value		4,667		5,387
Bank payables	**24,404**	**212,332**	**22,371**	**224,673**
Payables to bondholders		299,121		298,889
Payables for charges on bonds	1,895		6,627	
Lease liabilities (Financial Payables)	1,471	3,560		
Payables for subsidised loans	44	22	44	44
Payables to other lenders	**3,410**	**302,703**	**6,671**	**298,933**
Total current and non-current liabilities	**27,814**	**515,035**	**29,042**	**523,605**

The financial debt of the Group at June 30, 2019, as illustrated in the table below, is almost exclusively comprised of medium/long-term debt - of which over half concerning the "SEA 3 1/8 2014 -2021" bond issue (expressed at amortised cost). The remainder of the debt is comprised of euro 66 thousand EIB subsidised loans (of which 49% with maturity beyond 5 years and only 10% due in the next 12 months).

The breakdown of the Group net debt at June 30, 2019 and December 31, 2018 is reported below:

NET FINANCIAL DEBT

	(euro thousands)	June 30, 2019	December 31, 2018
A.	Cash and Cash Equivalents	(108,480)	(153,036)
B.	Other cash equivalents		
C.	Securities held for trading		
D.	**Liquidity (A)+(B)+(C)**	**(108,480)**	**(153,036)**
E.	**Financial receivables**		
F.	Current financial payables	2,975	7,681
G.	Current portion of medium/long-term bank payables	23,368	21,361
H.	Other current financial payables	1,471	-
I.	**Payables and other current financial liabilities (F) + (G) + (H)**	**27,814**	**29,042**
J.	**Net current financial debt (D) + (E) + (I)**	**(80,666)**	**(123,994)**
K.	Non-current portion of medium/long-term bank payables	207,665	219,286
L.	Bonds issued	299,121	298,889
M.	Other non-current financial payables	8,250	5,430
N.	**Payables and other non-current financial liabilities (K) + (L) + (M)**	**515,035**	**523,605**
O.	**Net Financial Debt (J) + (N)**	**434,370**	**399,611**

At the end of June 2019, the net financial debt of euro 434,370 thousand increased euro 34,759 thousand on the end of 2018 (euro 399,611 thousand).
The net debt was affected by a number of factors, including:

a. the continuation of the repayment of part of the EIB loans (principal repaid in H1 2019 totalling euro 9,688 thousand);
b. reduced liquidity for euro 44,556 thousand following the investments made and the payment of 2018 dividends in June;
c. lower IAS adjustments for euro 5,119 thousand principally deriving from *(i)* lower accruals on loans for euro 4,706 thousand, due to the payment of the annual bond coupon in April; *(ii)* improvement in the fair value of the derivatives for euro 719 thousand for the continuation of the amortisation on the nominal amount; *(iii)* lower residual amortised costs for euro 307 thousand relating to the EIB loans and Bond;
d. higher leasing payables from initial application of the new IFRS 16.

"Other current financial payables" and "Other non-current financial payables" include the lease liabilities, as per the new IFRS 16 and representing the obligation to make contractually established payments. As per the table presented below, the current financial liabilities (maturity within 12 months) and non-current liabilities (maturity beyond 12 months) for leasing amount at June 30, 2019 respectively to euro 1,471 thousand and euro 3,560 thousand:

LEASED LIABILITIES (FINANCIAL PAYABLES)

	June 30, 2019	
(euro thousands)	current	non-current
Runway/Apron/Street equipment	8	
Miscellaneous & minor equipment	597	1,993
Complex equipment	53	118
Transport vehicles	617	699
EDP	155	666
Loading and unloading vehicles	5	0
Land	36	83
Total	**1,471**	**3,560**

For further details, reference should be made to note 8.3 *"Right-of-use assets"*.
Finally, some loans include covenant conditions, relating to the capacity of the SEA Group to meet annual and/or half year financial commitments (net of financial resources available) from operating activities.

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

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, 2019	December 31, 2018
Employee payables	11,876	11,876
Social security institutions	2,088	2,088
Total	**13,964**	**13,964**

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

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

8.18 Trade payables

The breakdown of trade payables is follows:

TRADE PAYABLES

(euro thousands)	June 30, 2019	December 31, 2018
Trade payables	136,494	139,303
Advances	3,193	2,475
Payables to associates	16,036	11,616
Total trade payables	**155,723**	**153,394**

Trade payables (which includes invoices to be received of euro 78,669 thousand at June 30, 2019 and euro 109,969 thousand at December 31, 2018) refers to the purchase of goods and services relating to Group operations and investments.

The payables for advances at June 30, 2019 amounting to euro 3,193 thousand (euro 2,475 thousand at December 31, 2018) principally refer to advances from clients.

Payables to associated companies relate to services and charges.

8.19 Income tax payables

Payables for income taxes amounting to euro 47,501 thousand at June 30, 2019 (euro 18,541 thousand at December 31, 2018) mainly relate to IRES current taxes for euro 32,613 thousand (euro 11,539 thousand at December 31, 2018), IRAP current taxes for euro 4,955 thousand (euro 837 thousand at December 31, 2018), IRPEF payables for employees and consultants for euro 3,961 thousand (euro 5,253 thousand at December 31, 2018), VAT payable for euro 5,708 thousand at June 30, 2019 (euro 906 thousand at December 31, 2018) and other taxes for euro 5 thousand (euro 6 thousand at December 31, 2018). The difference in the balance between the two periods is due to the payment date for taxes in July 2019.

8.20 Other payables

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

OTHER PAYABLES

(euro thousands)	June 30, 2019	December 31, 2018
Airport fire service	68,150	65,113
Payables for additional landing rights	48,886	49,944
Other items	26,616	23,370
Employee payables for amounts matured	17,433	21,311
Payables to the state for concession fee	14,699	14,285
Payables to social security institutions	12,355	14,234
Employee payables for vacations not taken	2,933	2,434
Third party guarantee deposits	1,267	1,160
Payables to others post-em. ben.	236	242
Payables to BoD & Boards of Statutory Auditors	86	204
Payables to the state for concession fee security service	115	90
Payables to shareholders for dividends	122	89
Total	**192,898**	**192,476**

"Other payables" increased by euro 422 thousand, from euro 192,476 thousand at December 31, 2018 to euro 192,898 thousand at June 30, 2019.
With regards to payables to the State for airport fire services, reference should be made to the "SEA Group risk factors" 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 26,616 thousand at June 30, 2019 (euro 23,370 thousand at December 31, 2018), mainly relates to deferred income for future periods and other minor payables.

9. Notes to the Income Statement

9.1 Operating revenues

The table below shows the breakdown of operating revenues for H1 2019 and 2018. 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.

In the first six months of 2019, operating revenues totalled euro 343,449 thousand, increasing 5.8% on H1 2018. Operating revenues include Commercial Aviation, General Aviation and Energy business revenues.

OPERATING REVENUES

(euro thousands)	H1 2019	H1 2018
Commercial Aviation Operating Revenues	328,257	311,542
General Aviation Operating Revenues	5,927	5,809
Energy Operating Revenues	9,265	7,398
Total operating revenues	**343,449**	**324,749**

Commercial Aviation Operating Revenues

In the first half of 2019, **Aviation** revenues increased euro 9,147 thousand (+4.7%) compared to the same period of the previous year. Specifically, the revenues for rights and centralised infrastructure grew net of the incentives to the airline companies to develop traffic of euro 8,598 thousand, principally due to higher traffic volumes.

COMMERCIAL AVIATION OPERATING REVENUES

(euro thousands)	H1 2019	H1 2018
Aviation	205,948	196,801
Non-Aviation	122,309	114,741
Total Commercial Aviation Operating Revenues	**328,257**	**311,542**

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

NON AVIATION OPERATING REVENUES

(euro thousands)	H1 2019	H1 2018
Retail	49,493	47,412
Parking	35,403	32,934
Cargo	9,280	8,071
Advertising	5,467	5,234
Premium services	10,777	9,258
Real estate	2,118	1,554
Services and other revenues	9,771	10,278
Total Non Aviation operating revenues	**122,309**	**114,741**

Retail revenues increased euro 2,081 thousand (+4.4%), principally due to the following positive effects: *i)* the food & beverage revenue increase of euro 461 thousand (+4.5%); *ii)* shop revenues growth of euro 1,162 thousand (+4.6%); *iii)* car rental revenues increasing by euro 176 thousand (2.2%); iv) bank service revenues rising by euro 282 thousand (+7.0%).

The breakdown of retail revenues is reported below:

RETAIL REVENUES

(euro thousands)	H1 2019	H1 2018
Shops	26,283	25,121
Food & Beverage	10,666	10,205
Car Rental	8,239	8,063
Bank services	4,305	4,023
Total Retail	**49,493**	**47,412**

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 5,927 thousand were up (2.0% 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 2019	H1 2018
Sale of Electricity	6,404	3,996
Sale of Thermal Energy	2,853	2,642
Other Revenues & Services	8	760
Total Energy operating revenues	**9,265**	**7,398**

For further details, reference should be made to the Directors' Report paragraph "Operating performance - Sector analysis".

9.2 Revenue for works on assets under concession

Revenues for works on assets under concession increased from euro 11,889 thousand in the first half of 2018 to euro 17,746 thousand in H1 2019 (+49.3%). 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 2019	H1 2018
Wages, salaries & social security charges	89,479	88,242
Post-employment benefits	4,167	3,919
Other personnel costs	2,471	2,742
Total	**96,117**	**94,903**

In H1 2019, Group personnel costs increased euro 1,214 thousand (+1.3%) compared to the same period of 2018.

The increase is as a result of the new INAIL tariff system for obligatory insurance premiums to cover workplace accident risk and the increase in the number of personnel on temporary contracts, against airport traffic growth.

Passenger traffic growth impacted upon the increase in the average number of FTE employees, which increased from 2,774 in H1 2018 to 2,795 in H1 2019.

The following table outlines the average FTE by category in the period: January-June 2019 and January-June 2018:

AVERAGE FULL TIME EQUIVALENT

	H1 2019	%	H1 2018	%
Executives & Managers	347	12%	332	12%
White-collar	1,747	63%	1,752	63%
Blue-collar	645	23%	656	24%
Total full-time employees	**2,739**	**98%**	**2,740**	**99%**
Temporary workers	56	2%	34	1%
Total employees	**2,795**	**100%**	**2,774**	**100%**

9.4 Consumable materials

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

CONSUMABLE MATERIALS

(euro thousands)	H1 2019	H1 2018
Raw materials, ancillaries, consumables and goods	22,726	17,022
CO_2 quota purchases (*)	1,529	939
Change in inventories	150	499
Total	**24,405**	**18,460**

(*) The costs relating to the CO_2 emission quotas are classified under consumable materials. Previously, they were classified under "Other operating costs". For comparability purposes, the H1 2018 figures were reclassified.

In the first six months of 2019, consumable material costs increased by euro 5,945 thousand (+32.2%) on the same period of 2018, from euro 18,460 thousand to euro 24,405 thousand - principally due to higher methane and electricity costs (+46.2%).

9.5 Other operating costs

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

OTHER OPERATING COSTS

(euro thousands)	H1 2019	H1 2018
Public fees	16,946	16,566
Ordinary maintenance costs	15,757	13,732
Terminal services provided by handling company	12,055	11,520
Cleaning	8,193	6,987
Parking management	7,570	7,241
Other costs	6,100	5,639
Utilities & security expenses	5,093	4,413
Tax charges	4,156	4,271
Hardware and software fees & rental	3,425	2,746
Professional services	2,822	3,436
Commercial costs	2,365	2,671
Disabled assistance	1,800	1,800
Hire of equipment & vehicles	1,027	1,844
Insurance	676	709
Emoluments & costs of Board of Statutory Auditors & BoD	263	368
Losses on disposal of assets	72	104
Total other operating costs	**88,320**	**84,047**

In the first half of 2019 other operating costs increased euro 4,273 thousand compared to H1 2018 (+5.1%), from euro 84,047 thousand to euro 88,320 thousand. The higher costs reflect the higher volumes of traffic and passengers served.

The "Public charges" include: i) concession fees to the State for euro 13,278 thousand (euro 12,911 thousand in H1 2018); ii) costs for fire-fighting services at the airports for euro 3,037 thousand (euro 3,037 thousand in H1 2018); iii) concession fees to the tax authorities for security services of euro 564 thousand (euro 531 thousand in H1 2018) and concession fees and charges to other entities of euro 67 thousand (euro 87 thousand in H1 2018).

9.6 Costs for works on assets under concession

Costs for works on assets under concession increased from euro 11,039 thousand in the first half of 2018 to euro 16,288 thousand in the first half of 2019. 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 2019	H1 2018
Write-downs / (releases) of current receivables & cash and cash equivalents	(534)	636
Provisions/(releases) to provisions for future charges	(183)	340
Total provisions and write-downs	**(716)**	**976**

In the first six months of 2019, provisions and write-downs decreased euro 1,692 thousand on the same period of the previous year, from euro 976 thousand in the first half of 2018 to a net release of euro 716 thousand in H1 2019.
The net releases from the future charges provision relates mainly to the insurance excess provision.
For further details, reference should be made to the account "Provisions and write-downs" in the Directors' Report.

9.8 Restoration and replacement provision

The restoration and replacement provision amounting to euro 8,526 thousand in H1 2019 and euro 7,539 thousand in H1 2018 include provisions for maintenance and replacements in order to ensure the functioning of the infrastructure held under concession. In 2019 the provision amounted to euro 8,526 thousand and the utilisation amounted to euro 8,499 thousand.

RESTORATION AND REPLACEMENT PROVISION

(euro thousands)	H1 2019	H1 2018
Restoration and replacement provision	8,526	7,539

9.9 Amortisation and depreciation

The account "Amortisation & depreciation" is comprised of:

AMORTISATION & DEPRECIATION

(euro thousands)	H1 2019	H1 2018
Amortisation of intangible assets	27,359	26,130
Depreciation of tangible assets & investment property	10,202	9,804
Amortisation right-of-use assets	727	
Total amortisation & depreciation	**38,288**	**35,934**

Amortisation and depreciation increased by euro 2,354 thousand compared to 2018 (+6.6%), from euro 35,934 thousand to euro 38,288 thousand. Amortisation and depreciation in the period relate to tangible and intangible assets held based on the estimated useful life by the Group, which however does not exceed the duration of the concession and the depreciation of new assets entering into service after the first half of 2018. In addition, the increase related to the amortisation of the new category of fixed assets from the application from January 1, 2019 of IFRS 16 (Right-of-use assets) is indicated.

9.10 Investment income/(charges)

The breakdown of investment income and charges is as follows:

INVESTMENT INCOME (CHARGES)

(euro thousands)	H1 2019	H1 2018
SACBO SpA	5,023	1,563
Dufrital SpA	1,798	1,409
Disma SpA	231	186
Malpensa Logistica Europa SpA	975	953
Sea Services Srl	375	329
Signature Flight Support Italy Srl	58	(192)
Airport Handling SpA	293	
Valuation at equity of investments	**8,753**	**4,248**

In H1 2019, net income from investments increased euro 4,505 thousand, from euro 4,248 thousand in H1 2018 to euro 8,753 thousand in H1 2019 and include investments measured under the Equity method and other revenues and income. The account mainly includes the economic effects deriving from the measurement at Equity of the associates. 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. Income from investments regarding SACBO increased on the previous year, mainly due to the difference between the results estimate and the effective results according to the financial statements of the associate for 2018.

9.11 Financial income/(charges)

The breakdown of the account "Financial income/(charges)" is as follows:

FINANCIAL INCOME (CHARGES)

(euro thousands)	H1 2019	H1 2018
Exchange gains	43	4
Other financial income	69	979
Total financial income	**112**	**983**
Interest on medium/long term loans	(5,869)	(6,013)
Commissions on loans	(846)	(823)
Exchange losses	(3)	(8)
Other interest charges:	**(1,915)**	**(1,994)**
- financial charges on post-em. bens.	(307)	(310)
- financial charges on Leasing	(54)	0
- financial charges on derivatives	(1,049)	(1,166)
- Others	(505)	(518)
Total financial charges	**(8,633)**	**(8,838)**
Total financial income (charges)	**(8,521)**	**(7,855)**

Net financial charges in H1 2019 amounted to euro 8,521 thousand, an increase of euro 666 thousand on the first half of the previous year.

This increase is based on the following movements:
i) Financial charges declined by euro 205 thousand due to the lesser interest expense during the period on medium/long-term loans, driven by the decrease in gross debt and lower charges on derivatives due to the continuing amortization of the relevant notional amount. *ii)* In the same period, financial income also decreased euro 871 thousand, since the first half of 2018 had benefited from interest income (euro 976 thousand) accrued on the IRES receivable collected in April 2018 concurrently with the corresponding nominal receivable. Net of this component, financial income in H1 2019 increased by euro 105 thousand, mainly due to the negotiation of better interest conditions on liquidity held at SEA Group bank deposits.

9.12 Income taxes

The breakdown of the account is as follows:

INCOME TAXES

(euro thousands)	H1 2019	H1 2018
Current taxes	25,325	25,154
Deferred tax income/(charge)	(1,287)	(2,465)
Total	**24,038**	**22,689**

In H1 2019 income taxes increased by euro 1,349 thousand, from euro 22,689 thousand in H1 2018 to euro 24,038 thousand in H1 2019.

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

(euro thousands)	H1 2019	%	H1 2018	%
Profit before taxes	**90,199**		**80,133**	
Theoretical income taxes	21,648	24.0%	19,232	24.0%
Permanent tax differences effect	(1,754)	-1.9%	(190)	-0.2%
IRAP	3,874	4.3%	3,573	4.5%
Other	270	0.3%	73	0.1%
Total	**24,038**	**26.6%**	**22,689**	**28.3%**

10. Earnings per share

The basic earnings per share is calculated by dividing the Group net profit by the weighted average number of ordinary shares outstanding in the period. For the diluted earnings per share, as no equity instruments were issued by the parent company, the weighted average of the shares in circulation is the same as that utilised for the establishment of the basic earnings per share.
Therefore, the earnings per share in the first half of 2019 was euro 0.26 (net profit for the period of euro 66,160 thousand/number of shares in circulation 250,000,000).
In H1 2018, the earnings per share was euro 0.23 (net profit for the period of euro 57,443 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, 2019 and for the first half of the year, with indication of the percentage of the relative account:

GROUP TRANSACTIONS WITH RELATED PARTIES

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

(*) *The account "Operating costs" relating to transactions with SACBO 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, 2019, with indication of the percentage of the relative account:

GROUP CASH FLOWS WITH RELATED PARTIES

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

Transactions with Related Parties in the period to June 30, 2019 principally concern:

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

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

The comparative data is reported below:

GROUP TRANSACTIONS WITH RELATED PARTIES

	June 30, 2018				
(euro thousands)	Trade Receivables	Other receivables	Trade payables	Operating revenues	Operating costs (excl. costs for works on assets under concession)
Investments in associates					
SACBO (*)	198		975	325	5,444
Dufrital	6,488	2,051	1,206	15,701	9
Malpensa Logistica Europa	1,538	750	1,082	2,158	20
SEA Services	732		1,283	1,655	1,801
Disma	66	113	86	106	2
Signature Flight Support Italy	395		576	83	0
Total related parties	**9,417**	**2,914**	**5,208**	**20,028**	**7,276**
Total book value	129,099	10,897	124,730	324,749	197,410
% on total book value	**7.29%**	**26.74%**	**4.18%**	**6.17%**	**3.69%**

(*) *The account "Operating costs" relating to transactions with SACBO, equivalent to euro 5,444 thousand, does not include that invoiced by SEA to the final clients and transferred to the associate.*

The table below shows the cash flows from the transactions of the Group with related parties for the period ended June 30, 2018, with indication of the percentage of the relative account:

GROUP CASH FLOWS WITH RELATED PARTIES

	June 30, 2018				
(euro thousands)	Investments in associates	Investments in other companies	Total transactions with related entities	Consolidated balance	%
A) Cash flow from operating activities	(2,223)		(2,223)	100,803	-2.2%
B) Cash flow from investing activities	2,166		2,166	(23,211)	-9.3%
C) Cash flow from financing activities				(94,897)	0.0%

12. Other transactions with Related Parties

SACBO SpA
In 2019, SACBO distributed dividends to SEA for euro 2,026 thousand.

Dufrital SpA
In 2019, Dufrital distributed dividends to SEA for euro 3,544 thousand.

Malpensa Logistica Europa SpA
In 2019, Malpensa Logistics distributed dividends to SEA for euro 875 thousand.

Disma SpA
In 2019, Disma distributed dividends to SEA for euro 225 thousand.

Airport Handling SpA
In 2019, Airport Handling distributed dividends to SEA for euro 1,200 thousand.

13. Directors' fees

Fees paid by the Company and/or by other Group companies, of any type and in any form, for the first six months of 2019 to the Board of Directors totalled euro 117 thousand.

14. Statutory auditors' fees

In the first six months of 2019 the remuneration for the Board of Statutory Auditors, including welfare and accessory charges, amounted to euro 146 thousand.

15. Commitments and guarantees

15.1 Investment commitments

The Group has investment contract commitments of euro 94,546 thousand at June 30, 2019 (euro 48,879 thousand at December 31, 2018), which are reported net of the works already realised and invoiced to the Group, as follows.

BREAKDOWN PROJECT COMMITMENTS

(euro thousands)	June 30, 2019	December 31, 2018
Design and extraordinary maintenance civil works and plant at Linate & Malpensa	54,160	21,540
Design and extraordinary maintenance flight infrastructure and roadways at Linate and Malpensa	24,338	9,079
Works on electrical automation and control systems at Linate and Malpensa	7,268	7,459
Design and extraordinary maintenance of Linate & Malpensa AVL plant	4,727	5,884
Construction works at Malpensa general aviation terminal	2,762	3,122
Extraordinary maintenance for civil works and general aviation plant	1,291	1,333
Design and construction of new warehouses at Cargo City of Malpensa		462
Total project commitments	**94,546**	**48,879**

15.2 Guarantees

At June 30, 2019, the sureties in favour of third parties were as follows:

- two bank sureties, equal respectively to euro 42,000 thousand and euro 42,000 thousand, as guarantee on funds drawn down in June 2015 and June 2017 on the EIB line subscribed in December 2014;
- surety of euro 25,000 thousand to Banca Popolare di Milano to guarantee credit lines received from companies within the centralised treasury system;
- surety of euro 28,500 thousand in favour of ENAC, as guarantee of the concession fee;
- surety of euro 2,000 thousand in favour of SACBO as guarantee for the parking management at Bergamo airport;
- surety of euro 2,000 thousand in favour of the Ministry of Defence as guarantee of the obligations pursuant to the technical agreement of June 4, 2009 following the advance delivery of the "Cascina Malpensa" area;
- guarantee by Banca Popolare di Milano to the Customs Agency of Segrate (Milan 3) for euro 75 thousand (General Aviation);
- surety by Banca Popolare di Milano to Terna (National Electricity Grid) as guarantee of the provision of electricity for euro 1,214 thousand;
- guarantee by Banca Popolare di Milano to ENEL Distribuzione for the transport of energy for euro 1.154 thousand;
- guarantee by Banca Popolare di Milano to GESAC for the supply of electricity to the Naples airport for euro 228 thousand;
- guarantee by Banca Popolare di Milano to SAGAT for the supply of electricity to the Turin airport for euro 210 thousand;
- guarantee by Banca Popolare di Milano 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 491 thousand for other minor sureties.

16. Seasonality

The Group business is characterised by revenue seasonality, which are normally higher in the periods of August and December due to increased flights by the airlines at its airports. It should be noted that the airports of Milan Malpensa and Milan Linate are to a certain degree complementary from a seasonality viewpoint, in view of the different profile of the indirect customers (i.e. leisure vs. business). This feature limits the seasonal peaks from an overall consolidated operational and financial viewpoint.

17. Contingent liabilities and disputes

Reference should be made to the Directors' Report under "*Risk management framework*" and "*Main disputes outstanding at June 30, 2019*".

18. Contingent assets

There are no updates on that reported in the 2018 Annual Report.

19. Transactions relating to atypical or unusual operations

In accordance with Consob Communication of July 28, 2006, the Company did not undertake for the period ended June 30, 2019 any transactions relating to atypical or unusual operations, as set out in the communication.

20. Significant non-recurring events and transactions

During the first half of 2019 the Group did not undertake any non-recurring transactions.

21. Other information

On April 19, 2019, the Shareholders' Meeting of the Parent Company SEA approved the distribution of dividends of euro 98,800 thousand relating to the 2018 net profit, which was paid out in June 2019.

22. Subsequent events to the end of the period

Reference should be made to the Directors' Report.

The Chairman
of the Board of Directors
Michaela Castelli

Auditors' Report

Deloitte.

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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, 2019, 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 explanatory 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, 2019 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Marco Pessina
Partner

Milan, Italy
August, 2 2019

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

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The SEA Group's focus on environmental protection, through the adoption of targeted initiatives, has significantly reduced CO_2 emissions.
Milan Malpensa and Milan Linate once again confirmed their exceptional record at European level, achieving "*Neutrality*" under the *Airport Carbon Accreditation Initiative*.

SEA - Società per Azioni Esercizi Aeroportuali

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SEA

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