ANNUAL REPORT AT DECEMBER 31, 2020

ANNUAL REPORT

2020

SEA MilanAirports

SEA - Società per Azioni Esercizi Aeroportuali

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

www.seamilano.eu

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KEY FIGURES AND GENERAL INFORMATION

THE SEA GROUP

The SEA Group manages the Malpensa and Linate airports under an agreement signed by SEA and the Italian Civil Aviation Authority in 2001 and valid until 2043. The Milan airport system consists of the following airports:

MILAN MALPENSA

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

Terminal 2 is currently closed due to the downsizing of air traffic as a result of the pandemic. Both terminals can be reached by train.

MILAN MALPENSA CARGO

Is the nerve centre of inbound and outbound cargo distribution in Italy. It played a fundamental role in 2020 due to the increase in cargo flights tied to the significant influx of anti-Covid medical devices and the development of e-commerce.

MILAN LINATE

Primarily serves frequent-flyers travelling to destinations in Italy and Europe. Just 8 KM from Milan city centre, Linate is truly a city airport, with structures and areas dedicated to business and shopping. A complete redesign of the airport is currently underway.

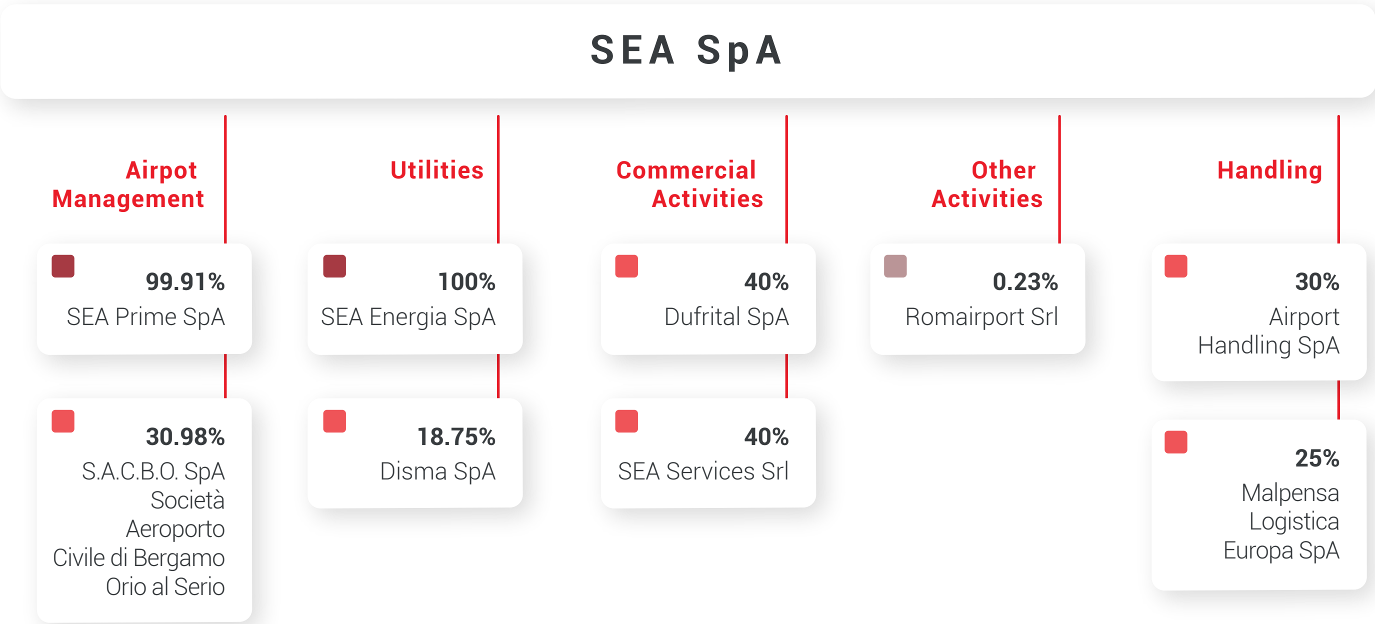
MILAN LINATE PRIME AND MILAN MALPENSA PRIME

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

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

SEA GROUP STRUCTURE AND INVESTMENTS IN OTHER COMPANIES

INVESTMENTS OF SEA S.P.A. AT DECEMBER 31, 2020



Controlling shareholding

Associate

Investment in other companies

SHARE CAPITAL STRUCTURE

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

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

At December 31, 2020, SEA does not hold treasury shares. The ownership structure is as follows:

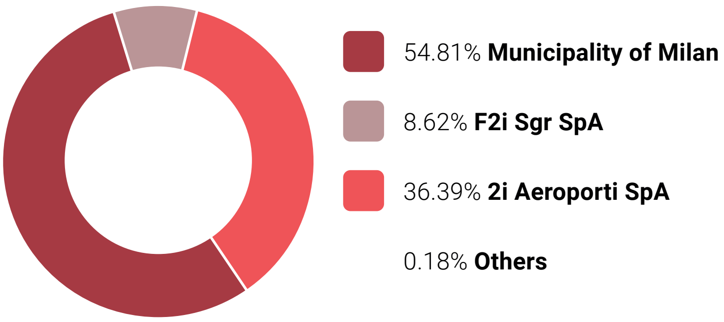
Public Shareholders

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

Private Shareholders

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

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



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

CORPORATE BOARDS

BOARD OF DIRECTORS

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

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

BOARD OF STATUTORY AUDITORS

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

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

INDEPENDENT AUDIT FIRM

Deloitte & Touche SpA

[1] Non-Executive Vice Chairperson

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

[3] Member of the Remuneration and Appointments Committee

[4] Member of the Ethics Committee

[5] Member of the Supervisory Board

** Following the resignation of Mr. Andrea Manzoni on September 24, 2020, Mr. Daniele Angelo Contessi, who was already an Alternate Auditor, took over the position of Statutory Auditor.*

2020 KEY FINANCIAL HIGHLIGHTS & OTHER INDICATORS

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

Operating results

(Euro thousands)	2020	2019	Change
Revenues	286,034	758,010	(471,976)
EBITDA [(1)]	(26,561)	274,659	(301,220)
EBIT	(133,077)	174,652	(307,729)
Pre-tax result	(163,111)	175,209	(338,320)
Group Net Result	(128,576)	124,419	(252,995)

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

Financial Data

(Euro thousands)	December 31, 2020	December 31, 2019	Change
Fixed assets (A)	1,403,936	1,365,159	38,777
Net Working Capital (B)	(210,201)	(342,069)	131,868
Provisions for risks and charges (C)	(202,343)	(157,408)	(44,935)
Employee provisions (D)	(45,622)	(48,172)	2,550
Other non-current payables (E)	(87,808)	(7,961)	(79,847)
Net capital employed (A+B+C+D+E)	**857,962**	**809,549**	**48,413**
Group Shareholders' equity	231,208	358,593	(127,385)
Minority interest Shareholders' equity	28	27	1
Net financial debt [(2)]	626,726	450,929	175,797
Total sources of financing	**857,962**	**809,549**	**48,413**

(A) Fixed assets, including those falling under IFRIC 12, are expressed net of State and European Union contributions. At December 31, 2020, they amounted to Euro 511,873 thousand and Euro 7,019 thousand respectively (Euro 506,135 thousand and Euro 7,019 thousand respectively at December 31, 2019).

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

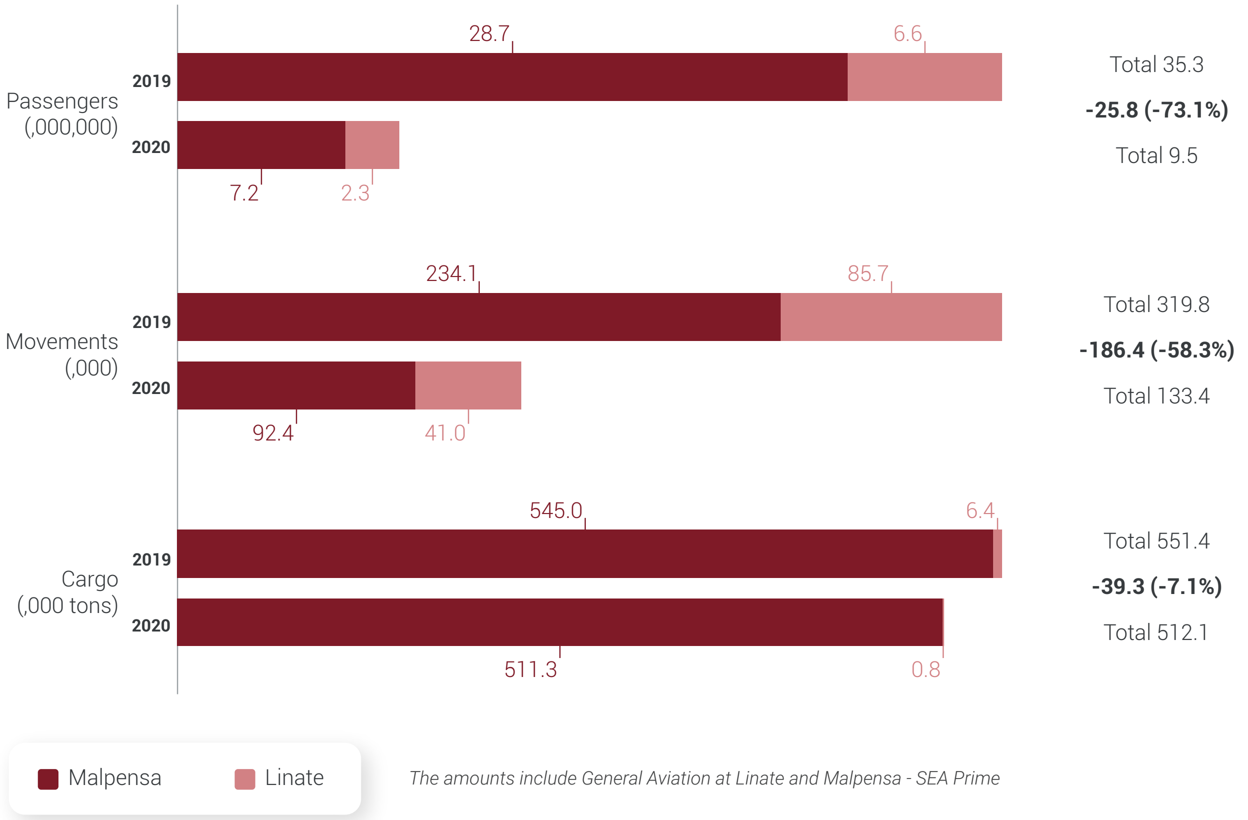
Investments

(Euro thousands)	December 31, 2020	December 31, 2019	Change
Tangible and intangible asset investments	61,830	123,827	(61,997)

Other Indicators

	December 31, 2020	December 31, 2019
NFP/EBITDA	(23.60)	1.64
HDC Employees (at year end)	2,788	2,853

Traffic (Commercial and General Aviation)



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

Directors' Report 2020

DIRECTORS' REPORT 2020

SIGNIFICANT EVENTS IN 2020

Covid-19 pandemic

On January 30, 2020, the World Health Organization defined the Covid-19 epidemic as a public health emergency of international importance, declaring it a pandemic on March 11, 2020.

The spread of the pandemic and shutdowns imposed by national governments to combat the rise in case numbers significantly affected the economy at all levels; in particular, the limitation on travel had a strong impact on the air transport sector, with negative consequences on the SEA Group's operations.

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

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

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

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

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

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

The series of new ministerial measures continued to affect passenger traffic performance in 2020: ministerial Decree of July 1, 2020 reopened travel within Europe, while Ministerial Decree of July 13, 2020 restarted Linate airport operations, allowing for a passenger traffic recovery. This recovery held over the summer period, with peaks in July, August and September (2.9 million passengers managed in three months).

Following the second wave of the pandemic and consequent Ministerial Decree of October 25, which restricted travel between regions and mainly hit air travel between domestic destinations, there was another decrease in traffic. Accordingly, from November 11 only the central satellite remained operative at Malpensa, while the Northern and Southern satellites were temporarily closed.

For the duration of the lockdown, Cargo City remained open, becoming the sorting hub for the majority of anti-Covid equipment imported by air from the Far East (China, Korea and Vietnam) and the airport of reference for carriers devoted to the e-commerce logistics sector.

The SEA Group, in compliance with the provisions set out by Italian national and local health institutions and authorities, promptly activated its crisis response protocol and, through the management committee (renamed "Permanent Crisis Committee" or "Crisis Committee"), launched an emergency management plan, immediately implementing a series of measures at all levels of the organisation to prevent any risk, guarantee the health and safety of passengers, customers, suppliers and employees, and ensure the continuity of its operating activities in compliance with the provisions issued by the competent bodies. The commitment to ensuring safety is borne out by the award of Airport Health Accreditation certification, which attests that both Milan airports offer passengers and all operators a safe stay at the airport, in line with the operational and health recommendations of ACI World, Airports Council International and ICAO, International Civil Aviation Organization.

While flight activity was on hold, all areas were managed in order to guarantee that passengers could return safely when the airports reopened. Accordingly cutting-edge thermal scanners were installed which allowed the temperatures of multiple people to be taken simultaneously, as well as hand sanitiser dispensers which automatically inform the departments responsible for refilling them when they are empty and ways to limit passenger numbers in smaller areas were also identified. In addition, technological solutions were introduced to ensure a touchless and seamless experience, such as the EDS CB machines, which prevent the need to open hand luggage to take out liquids and face-boarding technology, based on facial recognition.

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

To support those commercial partners affected by the health crisis, and to mitigate its economic and financial consequences, SEA identified and adopted a number of "relief" measures, implemented through contractual addenda, which partially and temporarily modify the original terms of pre-existing agreements. Asset management activities designed to create additional value during the post-pandemic period also continued.

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

From February, following governmental measures which imposed movement restrictions, a series of employee initiatives were adopted including the obligatory use of accrued holidays, extensions to the smart working scheme, a freeze on overtime, and from March the activation of the Extraordinary Temporary Lay-off Scheme (CIGS) for a period of 12 months. In addition, various measures were aimed directly at prevention and employee health, such as serology and molecular tests, an influenza vaccination campaign and insurance cover for positive Covid diagnoses. Starting from September employees may, on a voluntary basis, return to the office in accordance with safety rules.

Recently Law 178 of December 30, 2020, "Government budget for fiscal year 2021 and spending plan for 2021-2023", paragraphs 714-720, to mitigate the economic effects of the emergency on the entire airport sector extended the duration of the provisions on exceptional wage supplementation and established a fund covering 2021. For further details, see the paragraph "New significant domestic and EU regulations".

New lines of credit were taken out and new bonds maturing in October 2025 were issued

Despite a particularly complex market as a result of the evolving Covid-19 pandemic, in October 2020 the SEA Group successfully refinanced the bonds maturing in April 2021, through a new bond issue reserved for institutional investors, for a total of Euro 300 million and listed on the Irish Stock Exchange regulated market (Euronext Dublin). The issue, the notes of which have a minimum denomination of Euro 100 thousand, maturity on October 9, 2025, paying a gross annual coupon of 3.5% (placed at par), allowed the SEA Group to extend the average maturity if its debt significantly.

In order to strengthen the financial structure, with the goal of ensuring sufficient cash flow to cover requirements stemming from the temporary slowdown in operations as a result of the Covid-19 emergency, new funding lines totalling Euro 400 million were also agreed.

These lines, fully disbursed and repayable on demand by SEA without additional charges, come in addition to the irrevocable lines of credit still available for Euro 390 million (Euro 260 million in committed lines and Euro 130 million in an EIB line).

New turbine for Malpensa plant

The assembly of the new turbine for the Malpensa plant managed by SEA Energia began in early December 2020. This investment of Euro 12.4 million will permit a dramatic reduction in pollutant emissions in line with the Group's objectives.

Extension of the airport concession

With the conversion into law of Legislative Decree No. 34 of May 19, 2020 ("Relaunch Decree"), Law No. 77 of July 17, 2020, published in Official Gazette No. 180 of July 18, 2020, S.O. No. 25, the extension of the existing airport concessions for a further two years was approved, according to that reported in Article 202, par. 1-bis, until May 4, 2043.

Malpensa: a new base for Wizzair

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

Sale of minority shares in Signature Flight Support Italy Srl

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

ECONOMIC OVERVIEW

After recovering faster than expected in the summer, global economic activity slowed in the fourth quarter due to the new wave of the pandemic and the resulting containment measures. The launch of vaccination campaigns reflects favourably on long-term prospects, although the timing of the recovery relating to the large-scale distribution and administration of vaccines remains uncertain. In the service sector - the most severely affected by the pandemic containment measures - prospects remain negative on the whole, and especially for tourism and recreational services.

In the main advanced economies, consumer inflation remains below pre-pandemic levels, reflecting weak demand.

In the eurozone, economic activity continued to weaken in the latter part of the year with the resurgence of cases and the intensification of containment measures.

In the third quarter, eurozone GDP rose more quickly than expected, by 12.5% after a cumulative loss of 15% in the first half of the year, to then continue to fall in the fourth quarter. The projections drawn up in December by the experts at the Eurosystem indicate a decline in GDP in 2020 of 7.3%; over the next three years, GDP is projected to grow by 3.9%, 4.2% and 2.1%, respectively.

Inflation is affected by the weakness of demand: consumer prices during the 12 months of 2020 decreased 0.3%, whereas according to projections consumer prices will increase 1% in 2021 and then climb to +1.1 % in 2022 and +1.4% in 2023.

At its meeting on December 10, the ECB's Governing Council adjusted monetary policy instruments to be more expansionary, in order to contribute to preserving favourable financing conditions in response to the effects of the pandemic on the economy and prices, which seem destined to last longer than previously imagined. At that same session, the Governing Council reached an agreement on the EU budget and the European Union's recovery mechanism, Next Generation EU (NGEU).

International financial market conditions improved progressively, following the resolution of the uncertainty surrounding the US elections and growing optimism regarding the efficacy of several vaccines. However, prices remain vulnerable to the course of the pandemic.

After recovering faster than expected in summer 2020, the Italian economy - and above all its service sector - declined in the fourth quarter due to the sharp rise in cases. The support measures mitigated the increased need for liquidity among non-financial companies and contained the risks of insolvency, while, however, further increasing debt.

In the third quarter, household spending, after contracting sharply in the first half of the year, grew by 12.4% on the previous period, with the increase spread across all components, and was particularly acute for purchases of durable goods. The savings rate dropped considerably, while remaining high, reflecting both precautionary reasons of an economic nature and the waiver of certain expenses to prevent transmission. The fourth quarter was marked by further weakening of consumer spending and a sharp decline in spending on services, particularly recreation and tourism services.

AIR TRANSPORT AND AIRPORTS

Global air transport performance[1]

The spread of the pandemic and shutdowns imposed by national governments to combat the rise in case numbers had a strong impact on the air transport sector at global level.

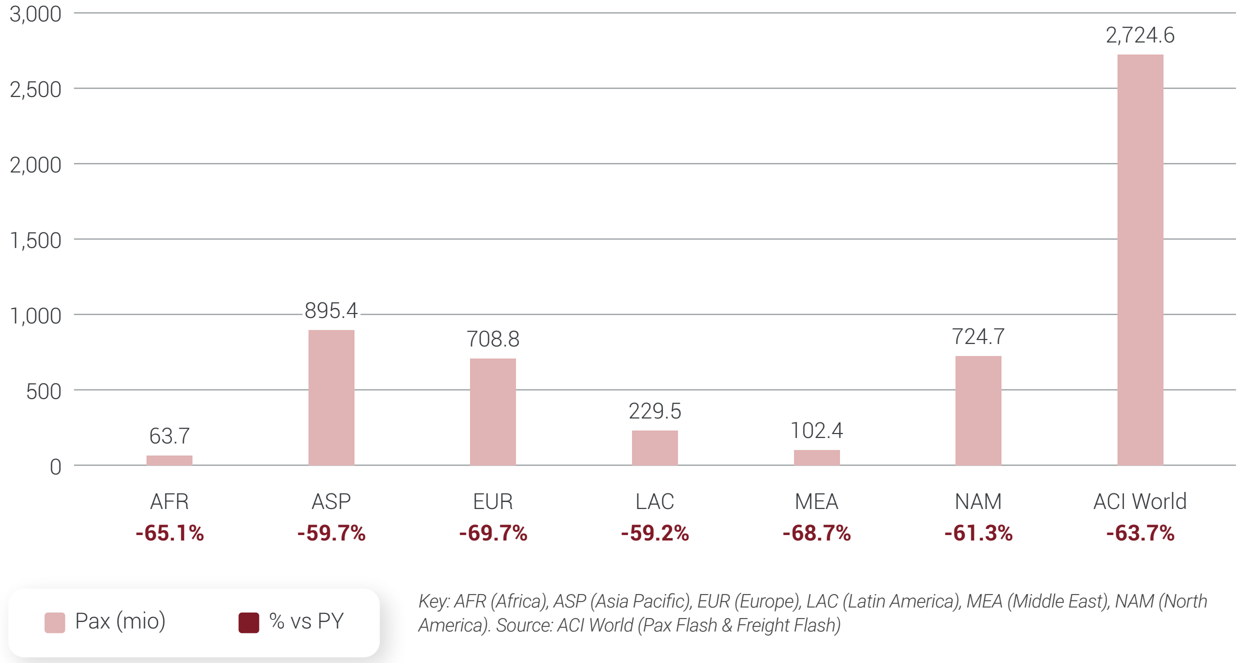
In 2020, passenger traffic at a sample of 1,077 airports totalled 2.72 billion passengers, down by 63.7% on 2019.

The performance was significantly negative across all regions: the decline was 59.7% in Asia, -61.3% in North America, -69.7% in Europe, -59.2% in Central/South America, -68.7% in the Middle East and -65.1% in Africa.

Guangzhou (China) was the busiest passenger airport with 43.8 million passengers (-40.4%), followed by Atlanta (USA) with 42.9 million (-61.2%) and Chengdu (China) with 40.7 million (-27.0%).

Global air traffic 2020

Passengers (2.72 billion)

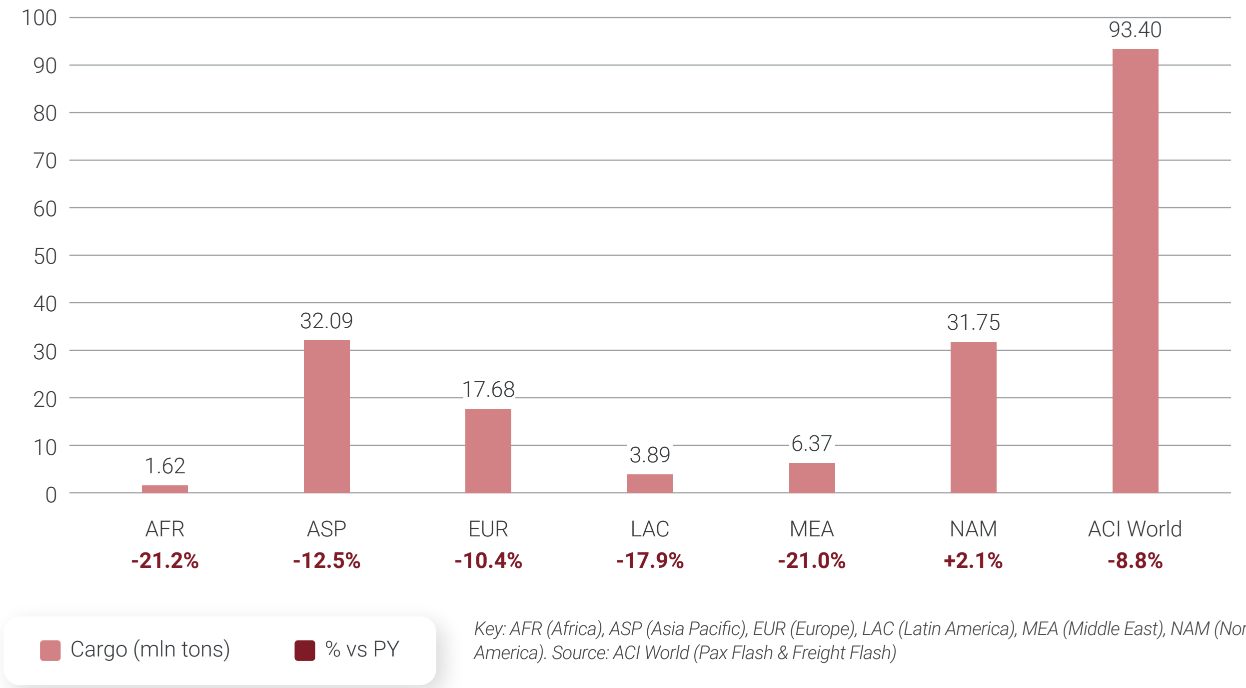


Key: AFR (Africa), ASP (Asia Pacific), EUR (Europe), LAC (Latin America), MEA (Middle East), NAM (North America). Source: ACI World (Pax Flash & Freight Flash)

Total cargo traffic at a sample of 716 airports amounted to 93.4 million tons, down by -8.8%. Only North America reported growth of 2.1%, whereas Asia was down by 12.5%, Europe by 10.4%, the Middle East by 21.0%, Central/South America by 17.9% and Africa by 21.2%.

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

Total cargo (93.4 million tonnes)

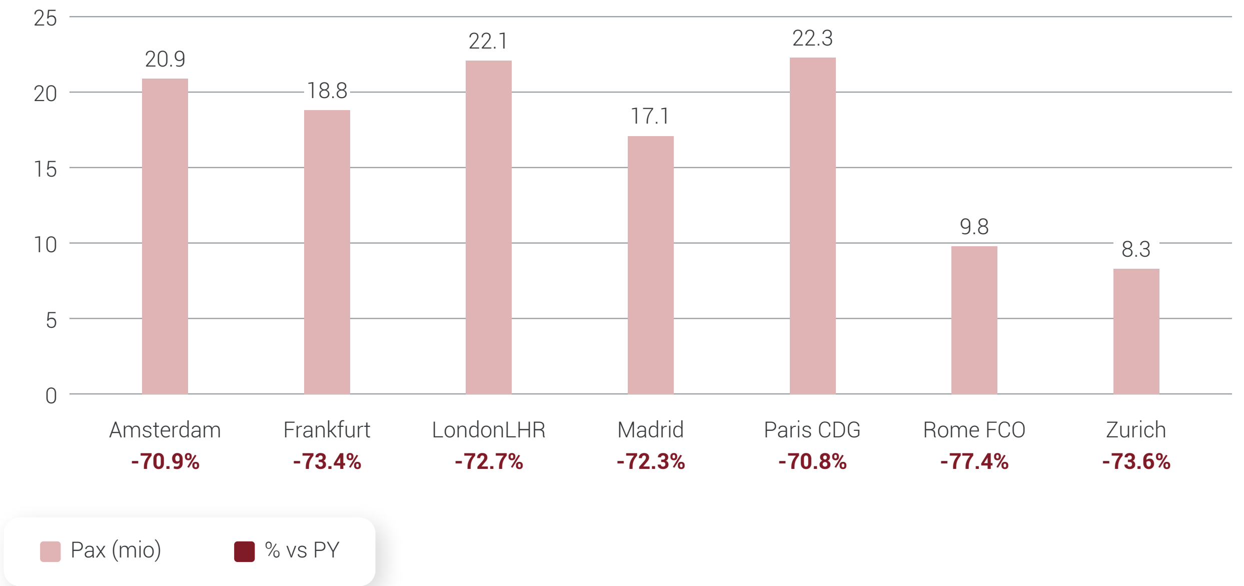


Key: AFR (Africa), ASP (Asia Pacific), EUR (Europe), LAC (Latin America), MEA (Middle East), NAM (North America). Source: ACI World (Pax Flash & Freight Flash)

European airport traffic performance [2]

In 2020 passenger traffic at ACI European member airports amounted to 400.9 million passengers (-71.2%). The chart shows the figures for the main airport hubs, which together account for 30% of European traffic.

European air traffic - main hubs



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

Cargo traffic was 11 million tons, down -17.5% on 2019. Malpensa remains in sixth place, up one spot compared to 2019, at 511.3 thousand tons, behind Frankfurt (1.9 million tons), Paris Charles de Gaulle (1.6 million tons), Amsterdam (1.4 million tons), London Heathrow (1.1 million tons) and Istanbul (824 thousand tons).

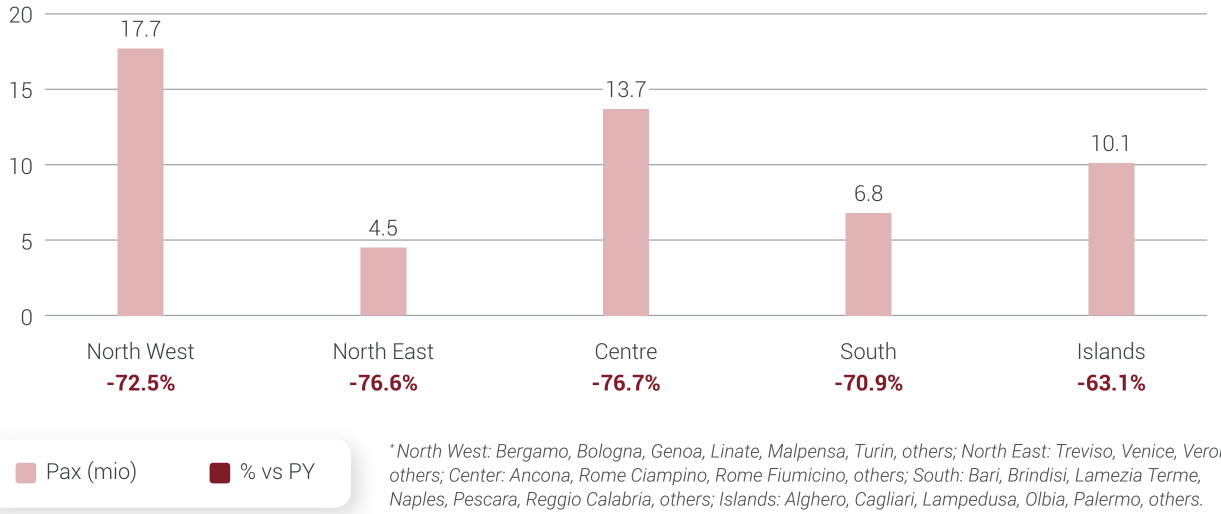
After a strong first two months of 2020, European Business and General Aviation movements declined 22.8% in 2020 as a result of the pandemic, the effects of which began to be seen in Europe and Italy in March 2020; in Italy, in line with the European market trend, it declined by over 30%, and it is the sixth market in Europe, accounting for 7.4% of the European total (source: WingX).

Italian airport traffic performance [3]

Traffic at Italian Assaeroporti member airports amounted to 52.8 million passengers, down by 72.6% on 2019, whereas flights decreased by 61.5% to 560.2 thousand.

Cargo traffic was more resilient, down by 24.4% on the previous year to 768.5 thousand tons.

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



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

In the North West, the airport system in Lombardy (25% of total domestic traffic) served 13.3 million passengers (-72.9% compared to 2019). Specifically, Milan Malpensa served 7.2 million (-74.9%), Linate 2.3 million (-65.5%), and Bergamo Orio al Serio 3.8 million (-72.3%).

In Central Italy, the Rome airport system (22% of total domestic traffic) managed 11.4 million passengers (-76.8%): Rome Fiumicino 9.8 million (-77.4%) and Rome Ciampino 1.6 million (-72.6%).

Turning to the islands, Catania airport recorded 3.7 million passengers (-64.3%), whereas in the North-East Venice reported 2.8 million passengers (-75.8%) and in the South Naples airport reported a decline of 74.4%, with 2.8 million passengers managed.

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

REGULATORY FRAMEWORK

Publication of airport charge regulation Models

With Resolution No. 136/2020 of July 16, 2020, the Transport Regulation Authority approved and published the new models for regulating airport fees which enter into force on July 1, 2021. The publication of the new Models concluded the revision process that began on August 1, 2019 with Resolution No. 118/2019.

The new models are immediately applicable as regards the part concerning reporting models pertaining to regulatory accounting and flight incentives and also apply to those airports currently governed by an "exemption" programme contract (including those managed by SEA), subject to specific additional agreements with ENAC.

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

In its note of April 27, 2020, ENAC, granting SEA's petition, postponed the signing of the new Regulatory Agreement, which was to enter into effect in 2021, by one year. The reasons relate to "the impossibility in the current context of reliably predicting the development of traffic in the short/medium-term, a prediction which underlies all planning decisions".

In light of the aforementioned uncertainty, on July 13, 2020, SEA submitted a formal request to ART requesting confirmation of the 2020 tariffs for financial year 2021, subject to compliance with the timescales of the consultation procedure and while also ensuring full compliance with the principles enshrined in Article 80 of Decree-Law No. 1 of January 24, 2012.

Consequently, i) ENAC, in its note of August 21, 2020, expressed a favourable opinion of the documentation presented by SEA with regard to the plans for investments, quality, environmental protection and traffic relating to 2021, while reserving the possibility of reviewing the plans in question on the basis of any requests for additions or modifications that might be received from users, upon completion of the consultations; ii) in its note of September 4, 2020, the Transport Regulation Authority invited SEA to comply with its disclosure and reporting obligations to users, and therefore to inform ART of the results of the annual consultation.

Annual consultations with the Users Committee for 2021 tariffs

The annual consultations with the Users were held for Malpensa and Linate airports on October 26 and 27, 2020, respectively. Within the framework of these consultations, SEA proposed that the regulatory fee levels applied in 2020 be "frozen" and extended to also apply in 2021. Since there were no opinions to the contrary, this proposal was forwarded to the Transport Regulation Authority for formal approval.

Upon the conclusion of the procedure in question, by communication of December 17, 2020, the Transport Regulation Authority approved the application of the tariff level applied in 2020 to 2021.

New significant domestic and EU regulations

Regulations and measures relating to the Covid-19 pandemic health emergency

On January 30, 2020, the World Health Organization defined the Covid-19 epidemic as a public health emergency of international importance, declaring it a pandemic on March 11, 2020.

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

There followed a series of national legislative measures, ministerial decrees and regional ordinances that entailed various impacts on airport operations. By virtue of these legislative and regulatory measures, Linate Airport remained essentially closed to commercial aviation traffic from March 16, 2020 to July 13, 2020.

A new Ministerial Decree was issued on April 26, 2020. This was valid from May 4 to May 17, 2020, and sanctioned the beginning of "Phase 2 of living with the virus" as well as, among other things, the reopening of construction sites (closed initially in March). Annex 7 of the Decree also set out the shared regulatory protocol to contain the spread of Covid-19 on work sites. Also attached to the Decree were the "User guidelines and organisational procedures to contain the spread of Covid-19", which, with specific reference to air transport, included containment measures for passengers regarding the correct use of both airports and aircraft. Specifically, this regulation, as followed by subsequent legislation in this area, introduced an obligation to comply with a series of measures to be taken by airport operators, carriers and passengers, including:

- social distancing;
- foot traffic separation;
- mandatory face mask use;
- sterilisation and sanitisation of terminals and aircraft;
- introduction of thermal scanners to measure the temperatures of all those who enter the airport;
- quarantine and reporting obligations for those who come from certain foreign countries;
- a ban on travel to and from a number of countries and territories, except for proven occupational needs, cases of the utmost urgency, or for health reasons.

The Ministerial Decree of October 24, 2020 reintroduced restrictions on travel to and from foreign countries, and specifically prohibited travel from and to the countries and territories set out in List E of Annex 20, the entry into and transit through Italian territory of individuals who have transited through or entered the countries and territories set out in the said List E in the last 14 days and travel to the countries and territories set out in List F in Annex 20, unless there are justified reasons. The entry into and transit through Italian territory of individuals who have transited through or entered the countries and territories set out in List E of Annex 20 in the last 14 days remain prohibited, with some exceptions. The foregoing is without prejudice to the limitations imposed for specific areas of Italian territory pursuant to Article 1, paragraph 3, of Decree-Law 33 of 2020, as well as the limitations ordered with regard to origin in specific countries and territories pursuant to Article 1, paragraph 4, of Decree-Law 33 of 2020.

The Ministerial Decree of November 3, 2020 classified the regions of Italy into three different risk classes (red, orange and yellow), for which different containment measures and restrictions on travel were adopted.

Finally, specific containment measures were adopted for the Christmas holiday period. With Ministerial Decree of December 3, 2020, which contains measures for Italy and travel to and from foreign countries, in effect from December 4 to January 15, 2021. With specific reference to the limitations and travel throughout Italian territory, regardless of the classification by risk levels and scenarios.

Additional measures were then taken in support of the sectors most severely affected by the epidemic emergency. Of particular relevance is Decree-Law No. 34 of May 19, 2020 ("Relaunch Decree"), converted into Law No. 77 of July 17, 2020, published in Official Gazette No. 180 of July 18, 2020. This Law provides for a number of expenditures to support, including health, work, social policies, credit and production activity. In particular, Article 202, paragraph 1-bis, extends pre-existing airport concessions for a further two years.

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

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

Law 178 of December 30, 2020, "Government budget for fiscal year 2021 and spending plan for 2021-2023", paragraphs 714-720, to mitigate the economic effects of the Covid-19 epidemic emergency on the entire airport sector extended the duration of the provisions on exceptional wage supplementation and established a fund with assets of Euro 500 million for 2021, intended to provide compensation for; a) with the limit of Euro 450 million, the damages suffered by airport operators possessing the prescribed valid certificate issued by the Italian Civil Aviation authority; and b) with the limit of Euro 50 million, the damages suffered by airport ground service providers in possession of the prescribed valid certificate issued by the Italian Civil Aviation authority. In order to determine the contribution that may be paid to the beneficiary companies, account is taken of the lower revenues and higher costs directly attributable to the Covid-19 epidemic emergency recorded in the period from February 23, 2020 to January 31, 2021, compared to the period from February 23, 2019 to January 31, 2020, with regard to the services offered and, in order to avoid over-compensation: a) the reductions in costs recorded during the period from February 23, 2020 to January 31, 2021 compared to the period from February 23, 2019 to January 31, 2020, due to access to social redundancy schemes, as well as the other support measures of a public nature intended to mitigate the economic effects of the Covid-19 epidemic emergency; and b) any amounts that may be recovered from insurance, litigation, arbitration or other sources of compensation for the same damages. The Ministry of Infrastructure and Transport and the Ministry of the Economy and Finance will adopt decrees, subject to the opinion of the competent Parliamentary committees, defining the contents, deadline and methods of submission of applications for access to contributions and the criteria for determining and paying the contribution.

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

ENAC provisions

In view of the Covid-19 epidemic emergency situation, and in order to support aviation companies and the entire air transport industry, ENAC took several measures to mitigate the impact of the consequences of the pandemic on financial needs. Specifically, by agreement with the Ministry of Infrastructure and Transport, ENAC ordered the suspension of airport fee payments due in July. In addition, for 2020 payment will be commensurate with the traffic actually recorded during the year and must be made in a single instalment by April 30, 2021, thanks to the further deferral, announced on January 25, 2021, extending the original due date of January 31, 2021, and also making it possible to convert the amounts to be paid to an instalment plan.

Directive 2009/12/EC

In view of the severe crisis precipitated by the ongoing health emergency and the difficulties encountered in formulating the new framework of reference, the European Commission decided temporarily to suspend the process of revising the Directive.

Regulation (EU) No 2020/459, amending Regulation (EC) No. 95/93 (regulation on time slots)

The Covid-19 pandemic has had an enormous impact on air travel and the aviation industry generally. Air traffic levels remain low and the recovery appears slower than expected. In this scenario, the lack of certainty regarding the use of time slots made it difficult for airlines to plan their schedules, thus rendering airport planning problematic.

To meet the need for greater certainty among airports, airlines and time slot coordinators, on March 30, 2020 the European Union adopted Regulation (EU) No 2020/459, amending Regulation (EC) No. 95/93 (regulation on time slots) to provide airlines with an exception to the "use-it-or-lose-it" rule. In fact, the existing rules require airlines to operate at least 80% of scheduled flights in order to protect market competition. Under the exception in question, the airlines may also operate below the 80% threshold without thereby forfeiting the right to the use of slot in the next corresponding IATA season: consequently, there is no longer any obligation to use the slots for a part of the 2019/2020 winter season and 2020 summer season until October 24, 2020.

Given the continuation of the pandemic situation, on October 14, 2020 the European Commission ordered the extension, until March 2021 (end of the IATA winter season), of the temporary exception to the rules on the use of airport slots. A specific EU Regulation is expected.

Brexit

On December 24, 2020 the European Union and United Kingdom, after lengthy negotiations, reached an agreement known as the "EU-UK Trade and Cooperation Agreement", which will govern their future relations, thus avoiding a hard Brexit scenario.

On December 28 this agreement was unanimously approved by the ambassadors of the 27 Member States to the European Union (Coreper). Its formal adoption now requires a favourable vote by the European Parliament and the United Kingdom House of Commons. In the light of the steps still to be completed, the Agreement will enter into effect on a provisional basis from January 1, 2021 to April 30, 2021 (the original expiry of February 28, 2021 was recently extended by the European Commission), the date by which it is expected to have obtained all necessary approvals.

The Agreement calls for cooperation between the parties in the various fields, including aviation, in order to ensure a level playing field between operators in the European Union and United Kingdom. In particular, the agreement concerns themes relating to traffic rights, airport safety and security, codesharing agreements, protection of passengers' rights and environmental issues.

In the aviation sector, United Kingdom airlines will no longer be considered European Union carriers and will lose their existing traffic rights in the European Union. European Union and United Kingdom carriers may carry out unlimited transport of passengers and cargo between points in the European Union and points in the United Kingdom and vice-versa (third and fourth freedom rights). If the Member States reach a bilateral, reciprocal agreement with the United Kingdom, it will be possible to continue transport (fifth freedom) of cargo to and from a third country (for example, Milan-London-New York). The agreement also guarantees cooperation on air traffic safety, protection and management.

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

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

Closed Distribution Systems (CDSs) are private power grids that distribute electricity within an industrial or commercial site or within geographically limited services and, except for particular, express exceptions, do not supply individual customers. These grids, which are owned and operated by parties other than Terna and the distribution companies, are electrical systems characterised by the fact that for specific technical or safety reasons, the operations or production process of users of the system in question are integrated or by the fact that the system distributes electricity primarily to the owner or operator of the system or their related companies.

Designation as both SEU/SEESEU and CDS entails the maintenance of subsidised tariff conditions for self-generated electricity consumed on site, or exemption from fees on electricity consumed on site, as limited to the variable parts of general system fees (exemption applicable solely for SEUs/SEESEUs) and the network (applicable to both SEUs/SEESEUs and CDSs).

After initially opting for SEU/SEESEU designation, following a favourable judgment by the Milan Regional Administrative Court, which ruled that the payment of dispatching fees in a CDS is discriminatory, and the decision by ARERA, which in its resolution 526/2020/R/eel postponed by one year (to January 1, 2022) the application of the methods of provision of connection, measurement, transmission, distribution, dispatching and sale services within SDCs, the SEA Group suspended all activities, already partially launched in 2019 and 2020, reserving the right to further exploration of the advisability of opting for designation as SDC rather than SEU/SEESEU. The final decision is expected to be reached by the first half of 2021 so that all technical, operational and administrative activities required to obtain and implement one designation or another may then be completed.

OPERATING AND FINANCIAL OVERVIEW

Traffic data

Milan Malpensa and Milan Linate airport traffic

	Movements		Passengers [1]		Cargo[2]	
	2020	**% vs 2019**	**2020**	**% vs 2019**	**2020**	**% vs 2019**
Malpensa	89,264	-60.4%	7,202.3	-74.9%	511,292	-6.2%
Linate	28,513	-59.1%	2,251.6	-65.6%	765	-88.0%
Total commercial traffic	**117,777**	**-60.1%**	**9,453.9**	**-73.2%**	**512,057**	**-7.1%**
General Aviation [3]	15,655	-36.1%	26.3	-47.8%	-	-
SEA Group Airport System	**133,432**	**-58.3%**	**9,480.2**	**-73.1%**	**512,057**	**-7.1%**

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

[2] *Arriving+departing cargo in tonnes*

[3] *General Aviation Source: SEA Prime*

In 2020 the Milan Airport System managed by the SEA Group served a total of 9.5 million passengers, down 73.1% on 2019.

2020 was marked by the Covid-19 outbreak which significantly hit passenger traffic from early February, partly due to the range of measures introduced to place a series of restrictions on domestic and international traffic to limit the spread of the pandemic.

Commercial aviation reported growth only for the month of January on 2019 (+7.0%), while contracting 6.2% in February, owing to the initial phase of the pandemic.

Over the next four months, traffic fell sharply, declining 99% in March and April on the same months of 2019.

Ministerial Decree No. 112 of March 12, 2020 enforced the closure of Linate airport from March 16, while at Malpensa the limited residual traffic was managed from Terminal 2 until June 14. In order to comply with the social distancing rules, it was decided from June 15 to transfer operations to Terminal 1 and simultaneously close Terminal 2 (lower capacity terminal).

Ministerial Decree of July 1, 2020 reopened travel within Europe, while Ministerial Decree of July 13, 2020 restarted Linate airport operations, allowing for a passenger traffic recovery. This recovery held over the summer period, with peaks in July, August and September (2.9 million passengers managed in three months).

Traffic again fell following the issue of the Ministerial Decree of October 25, which restricted travel between regions and mainly hit air travel between domestic destinations. In response to the new traffic levels, from November 11 only the central satellite remained operative at Malpensa, while the Northern and Southern satellites were temporarily closed.

The general aviation operations managed by SEA Prime in 2020 totalled 15,655 movements, contracting 36.1% on the previous year; the decline in traffic starting in March was entirely due to the effects of the pandemic and the restrictions on air traffic during the lockdown months, despite uninterrupted general aviation terminal operations.

Milan Linate Prime, Italy's number-one general aviation airport, recorded 12,487 flights with a reduction in traffic of 21.7% compared to one year earlier, whereas Milan Malpensa Prime, with 3,168 flights managed, was down by 62.9%; however, it should be noted that 2019 was affected by the closure of Linate airport from July 27 to October 26, with partial transfer of traffic to the new Malpensa Airport, operational from July 2019. As travel restrictions were eased, there was a gradual increase in flights at both airports, which made it possible to make up for part of the downtrend in the first few months of the lockdown. The new restrictions implemented in early November 2020 by various European countries, including Italy, considerably reduced traffic volumes. The total tons managed by both airports decreased by -47.1% on 2019; the size of the average aircraft transiting through the two airports was down significantly, by -17.1%, from 16.6 to 13.8 tons, due in part to the sharp drop in long-haul flights.

Cargo traffic in 2020 reported 512 thousand tonnes, contracting 7.1% on the previous year. Despite the significant repercussions the pandemic has had for air transport, the effects on the cargo sector were limited. This was thanks mainly to the contribution of carriers also involved in e-commerce logistics during the lockdown period and the new DHL base at Malpensa's Cargo City. From the standpoint of load capacity, the reduction in the available belly capacity, as a consequence of the loss of passenger aircraft holds, was largely offset by the increase in all-cargo aircraft flights. There was a significant degree of conversion of passenger aircraft to cargo transport, exploiting not only aircraft hold capacity, but also cabin space.

Income Statement

The accounting policies applied in preparing the 2020 consolidated figures are in line with those utilised for the 2019 consolidated financial statements. In 2020, the associate of SEA Prime, Signature Flight Support Italy Srl, exited the consolidation scope on completion of the sale of the investment in June.

(Euro thousands)	**2020**	**2019**	**Change**	**Change % 2020/2019**
Operating revenues	257,010	706,868	(449,858)	(63.6%)
Revenue for works on assets under concession	29,024	51,142	(22,118)	(43.2%)
Total revenues	**286,034**	**758,010**	**(471,976)**	**(62.3%)**
Operating costs				
Personnel costs	136,551	191,627	(55,076)	(28.7%)
Other operating costs	149,364	245,403	(96,039)	(39.1%)
Total operating costs	**285,915**	**437,030**	**(151,115)**	**(34.6%)**
Costs for works on assets under concession	26,680	46,321	(19,641)	(42.4%)
Total costs	**312,595**	**483,351**	**(170,756)**	**(35.3%)**
Gross Operating Margin / EBITDA (1)	**(26,561)**	**274,659**	**(301,220)**	**(109.7%)**
Provisions & write-downs	13,058	555	12,503	2252.8%
Restoration and replacement provision	17,195	22,052	(4,857)	(22.0%)
Amortisation & Depreciation	76,263	77,400	(1,137)	(1.5%)
EBIT	**(133,077)**	**174,652**	**(307,729)**	**(176.2%)**
Investment income/(charges)	(9,947)	17,521	(27,468)	(156.8%)
Net financial charges	20,087	16,964	3,123	18.4%
Pre-tax Result	**(163,111)**	**175,209**	**(338,320)**	**(193.1%)**
Income taxes	(34,536)	50,788	(85,324)	(168.0%)
Net Result	**(128,575)**	**124,421**	**(252,996)**	**(203.3%)**
Minority interest profit	1	2	(1)	(50.0%)
Group Net Result	**(128,576)**	**124,419**	**(252,995)**	**(203.3%)**

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

Operating revenues amounted to Euro 257,010 thousand in 2020, down Euro 449,858 thousand (-63.6%). This drop is due to the significant reduction in traffic starting in March as a result of the Covid-19 outbreak. Revenues for the initial two months (Euro 104,161 thousand) were in fact in line with the previous year (Euro 105,164 thousand), while significantly declining over the subsequent ten months. The slight recovery over the summer - as a direct effect of the loosening of travel restrictions provided for in the Ministerial Decrees - was interrupted in the autumn following the second wave of the pandemic.

To tackle this significant reduction in business, action was swiftly taken from March onwards to reduce operating costs and limit cash use. Operating costs amounted to Euro 285,915 thousand, down Euro 151,115 thousand. This was due, on the one hand, to reduced variable costs as a result of lower traffic volumes and, on the other, to the effects of cost-saving actions implemented by the Company. Principal among which were the utilisation of the extraordinary temporary lay-off scheme (CIGS) from March 16, the renegotiation of the main goods and services supply contracts, also following a review of the overall infrastructure, and the containment of costs at all levels.

The margin resulting from the difference between revenues and costs of works on assets under concession amounted to Euro 2,344 thousand (Euro 4,821 thousand in 2019), down due to the decline in the volume of investments made during the year.

As a result of the developments outlined above, EBITDA reported a loss of Euro 26,561 thousand, compared to a profit of Euro 274,659 thousand in the previous year.

EBIT was a loss of Euro 133,077 thousand, compared to a profit of Euro 174,652 thousand in 2019 and reflects higher doubtful debt provisions, partially offset by reduced amortisation and depreciation as a result of the extension of the concession period and the reduction in the restoration provision following the review to the investment, replacement and maintenance plan at December 31, 2020.

The net loss was Euro 128,575 thousand, compared to a net profit of Euro 124,421 thousand in the previous year.

Revenues

Operating revenues for 2020 (net of work on assets under concession) amounted to Euro 257,010 thousand and include Aviation revenues of Euro 144,949 thousand (Euro 425,810 thousand in 2019), Non-Aviation revenues of Euro 91,308 thousand (Euro 253,634 thousand in 2019), General Aviation revenues of Euro 9,717 thousand (Euro 10,818 thousand in 2019) and Energy revenues of Euro 11,036 thousand (Euro 16,606 thousand in 2019).

Operating revenues decreased Euro 449,858 thousand (-63.6%) on the previous year. This performance was due to:

- Aviation revenues decreased by Euro 280,861 thousand. The first two months of 2020 recorded a result substantially in line with the previous year, whereas the negative performance for the year began to be seen in March due to the decline in passenger traffic volumes; cargo revenues showed greater resilience: after an initial period of adaptation, sales returned to pre-Covid levels and their growth trend, generating higher revenues in 2020 than in the previous year.
- Non-aviation revenues declined by Euro 162,326 thousand, in this case as well attributable to the mounths between March and December. This decrease is due to lower traffic volumes, terminal closures during the year and the more favourable conditions granted to tenants.
- Energy revenues declined Euro 5,570 thousand compared with 2019 due to a reduction in the amount of electricity sold - was partly a result of the changed production structure adopted as the terminals were closed - and a drop in the market price of that energy during the year.
- General aviation revenues decreased by Euro 1,101 thousand, mainly due to lower traffic volumes and the temporary reshaping of active lease contracts in particular during the first months of the pandemic.

Revenues for works on assets under concession decreased from Euro 51,142 thousand in 2019 to Euro 29,024 thousand in 2020 (-43.2%). These revenues refer to construction work on assets under concession increased by a mark-up representing the best estimate of the remuneration of the internal cost for the management of the works and design activities undertaken, which corresponds to a mark-up which a third-party general constructor would request to undertake such activities. This account is strictly related to investment activities on assets under concession.

Operating costs

Operating costs for 2020, net of costs for works on assets under concession, amount to Euro 285,915 thousand, decreasing Euro 151,115 thousand on the previous year (-34.6%).

Group **personnel costs** reduced by Euro 55,076 thousand (-28.7%) compared to 2019 (Euro 191,627 thousand in 2019, Euro 136,551 thousand in 2020). This reduction was achieved through reliance on the sector's social security schemes (Extraordinary Temporary Lay-Off Scheme) and other containment measures, such as the review of remuneration policies and the reduction of overtime and travel. The headcount in 2019 amounted to 2,758 full-time equivalents, down by 44 FTEs on 2019 (2,802 FTEs).

Other operating costs reduced by Euro 96,039 thousand (-39.1%) compared to 2019 (from Euro 245,403 thousand to Euro 149,364 thousand in 2020) This decrease is due, on the one hand, to the lower traffic volumes managed (with the resulting lower charges for public fees, security and assistance services and parking management), and, on the other, to the cost-cutting actions introduced, including the renegotiation of the main contracts and the temporary freeze on new expenses unless strictly necessary.

Costs for works on assets under concession

Costs for works on assets under concession increased from Euro 46,321 thousand in 2019 to Euro 26,680 thousand in 2020. These costs refer to the costs for the works undertaken on assets under concession. This movement is strictly related to investment activities.

Provisions & write-downs

In 2020, provisions and write-downs report a net provision of Euro 13.058 thousand, on the basis of Euro 2,343 thousand of net provisions to the future charges provision (Euro 2,469 thousand in 2019) and net provisions of Euro 10,295 thousand (Euro 1,914 thousand net reversals in 2019) from the doubtful debt provision and from the write-down of assets under concession of Euro 420 thousand.

The accruals to the future charges provision includes an accrual for labour of Euro 2,259 thousand and an accrual of Euro 580 thousand for new disputes and insurance deductibles. These new accruals are only partially offset by releases within the framework of insurance deductibles due to the redefinition of the risk and the release of provisions due to the closure of the litigation for which they had been accrued.

Accruals to the doubtful debts provision are determined by the need to reflect the risk of the expected loss of each position as prescribed by IFRS 9, a risk that was higher than in the previous year due to the situation of extreme risk in which the air travel industry finds itself. The accruals are only partially offset by the releases from the provisions accrued in previous years following the absence of the conditions for which they were originally established.

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

Restoration and replacement provision

In 2020, the net accrual to the restoration and replacement provision decreased Euro 4,857 thousand. This reduction was due to the fact that some investments were postponed due to the continuation of the crisis in the industry, meaning that maintenance and restoration work was also deferred. The extension of the concession by two years only partially offset these effects.

Amortisation & depreciation

Amortisation and depreciation decreased by Euro 1,137 thousand compared to 2019, from Euro 77,400 thousand to Euro 76,263 thousand. This reduction was justified by the two-year extension for airport managers of the concession period established with the conversion into law of Decree-Law 34 of May 19, 2020, the "Relaunch Decree", Law 77 of July 17, 2020. This effect was only partially offset by the increase in fixed assets, amortisation and depreciation of which began in the second half of 2019.

Investment income and charges

In 2020, net income from investments decreased Euro 27,468 thousand, from a net income of Euro 17,521 thousand in 2019 to a net loss of Euro 9,947 thousand in 2020 and include investments measured under the Equity method and other revenues and charges.

The share of the result of Equity-accounted associates was negative at Euro 9,922 thousand in 2020 (Euro 17,461 thousand in 2019). The decrease, amounting to Euro 27,383 thousand, is attributable to the downturn in the results of the associates.

Other income decreased Euro 85 thousand. This decline is attributable to the dividends from unconsolidated investments recorded in the 2019 financial statements, but not in the 2020 financial statements, and the impairment loss of Euro 25 thousand on other equity investments recorded in the 2020 financial statements.

Financial income and charges

In 2020, net financial charges increased Euro 3,123 thousand, from Euro 16,964 thousand in 2019 to Euro 20,087 thousand in 2020.

This performance is mainly due to the greater financial charges tied to new loans taken out in 2020, which resulted in an increase in both interest charges and fees. The increase in interest charges was only partly offset by the increase in financial income due to the return on the cash held in some of the Group's current accounts.

Income taxes

Deferred tax income of Euro 34,536 thousand was recognised in 2020, calculated on the IRES tax loss for the period on the presumption that a reasonable certainty therefore exists of generating in future periods sufficient assessable income to allow for its gradual reabsorption. Further information is available in Note 8.7 of the Consolidated Financial Statements.

Group Net Result

As a result of the dynamics outlined above, the Group's net result was a loss of Euro 128,576 thousand, contracting Euro 252,995 thousand on 2019 (Group net profit of Euro 124,419 thousand).

Reclassified statement of financial position

(Euro thousands)	December 31, 2020	December 31, 2019	Change
Intangible assets	968,767	994,659	(25,892)
Property, plant & equipment	212,591	215,657	(3,066)
Leased assets right-of-use	10,662	10,106	556
Investment property	3,402	3,404	(2)
Investments in associates	66,127	76,674	(10,547)
Other investments	1	26	(25)
Deferred tax assets	93,735	58,163	35,572
Other non-current receivables	48,651	6,470	42,181
Fixed assets (A)	**1,403,936**	**1,365,159**	**38,777**
Inventories	2,027	1,848	179
Trade receivables	51,400	123,241	(71,841)
Tax receivables	1,936	2,071	(135)
Other receivables	7,654	11,067	(3,413)
Current assets	**63,017**	**138,227**	**(75,210)**
Trade payables	110,465	182,085	(71,620)
Other payables	154,402	287,522	(133,120)
Income tax payables	8,351	10,689	(2,338)
Current liabilities	**273,218**	**480,296**	**(207,078)**
Net Working Capital (B)	**(210,201)**	**(342,069)**	**131,868**
Provisions for risks and charges (C)	(202,343)	(157,408)	(44,935)
Employee provisions (D)	(45,622)	(48,172)	2,550
Other non-current payables (E)	(87,808)	(7,961)	(79,847)
Net capital employed (A+B+C+D+E)	**857,962**	**809,549**	**48,413**
Group Shareholders' equity	(231,208)	(358,593)	127,385
Minority interest Shareholders' equity	(28)	(27)	(1)
Net financial debt [1]	(626,726)	(450,929)	(175,797)
Total sources of financing	**(857,962)**	**(809,549)**	**(48,413)**

All fixed assets, including those falling under IFRIC 12, are expressed net of those funded by State and European Union contributions. At December 31, 2020, they amounted to Euro 511,873 thousand and Euro 7,019 thousand respectively (at December 31, 2019, Euro 506,135 thousand and Euro 7,019 thousand respectively).

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

Fixed assets of Euro 1,403,936 thousand increased by Euro 38,777 thousand over December 31, 2019, mainly due to: i) the amount of investments and amortisation and depreciation in the period, respectively of Euro 46,461 thousand (net of restoration provision utilisations) and Euro 73,982 thousand (amortisation and depreciation stated net of the effect of IFRS 16); ii) the increase in the leased assets right-of-use, amounting to Euro 556 thousand over December 31, 2019; iii) the decrease in the value of investment in associates (Euro -10,547 thousand), which reflects their measurement at Equity; iv) the increase in net deferred tax assets of Euro 35,572 thousand; v) the increase in Other non-current receivables of Euro 42,181 thousand due to the better presentation of the indemnification right guaranteed to the Company, related to the sub-entry as per Article 703 (paragraph 5) of the Aviation Code under non-current assets, in accordance with IAS 8 paragraphs 10 and 11. Net working capital of -Euro 210,201 thousand decreased by Euro 131,868 thousand over December 31, 2019.

This movement is based on a range of factors. The reduction in trade receivables due to the decline in revenues was offset by the lower trade payables, mainly as a result of the lower investment charges incurred in 2020 than in 2019. The reduction in other payables is mainly due to the reclassification among long-term liabilities of the amount payable to shareholders relating to the second instalment of the extraordinary dividend approved by the Shareholders' Meeting on September 30, 2019, amounting to Euro 84,728 thousand, the reduction of employee payables due to the lower remuneration accrued, and lower tax payables, since in 2020 the Parent Company did not accrue current tax payables due to the loss recorded.

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

Net capital employed at December 31, 2020 amounted to Euro 857,962 thousand, an increase of Euro 48,413 thousand over December 31, 2019.

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

(Euro thousands)	December 31, 2020	December 31, 2019	Change
Inventories	2,027	1,848	179
Trade receivables	51,400	123,241	(71,841)
Trade payables	(110,465)	(182,085)	71,620
Other receivables/(payables)	(153,163)	(285,073)	131,910
Total net working capital	**(210,201)**	**(342,069)**	**131,868**

Net financial debt

The net financial debt, amounting to Euro 626,726 thousand, increased by Euro 175,797 thousand over December 31, 2019 (Euro 450,929 thousand) due to the use of cash in current operations and investment outlays.

Reconciliation between equity of the SEA SpA and consolidated equity

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

(Euro thousands)	Net Equity at December 31, 2019	Equity movements	OCI Reserve	Net profit /(loss)	Net Equity at December 31, 2020
Parent Company Financial Statements	**277,229**	**0**	**1,191**	**(120,367)**	**158,053**
Share of net equity and net profit of the consolidated subsidiaries attributable to the Group, net of the carrying amount of the relative investments	28,547			1,929	30,475
Adjustments for measurement at equity of associates	58,538			(10,378)	48,160
Other consolidation adjustments	(5,692)			241	(5,451)
Consolidated Financial Statements	**358,620**	**0**	**1,191**	**(128,575)**	**231,236**

ALTERNATIVE PERFORMANCE MEASURES

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

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

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

SEA GROUP INVESTMENTS

In 2020 the SEA Group remained committed - albeit to a lesser extent than in previous years - to supporting infrastructure investments at the Malpensa and Linate airports. However, the contingent situation due to the Covid-19 emergency resulted in the postponement of a series of investment activities deemed not strictly necessary. The following table shows the investments made in 2020 of Euro 61,830 thousand. It should be noted that no research and development activities were carried out in 2020.

(Euro thousands)	**2020**
Flight infrastructure	4,208
Airports (including BHS)	33,629
Cargo	536
Miscellaneous buildings	3,209
Roadways and parking	621
Networks and plant	12,133
Ecology	290
ICT Systems/Projects	5,327
Various equipment	1,876
Total investments	**61,830**

The amounts are reported net of the 6% remuneration based on IFRIC 12 (Euro 2.3 million), the portion of financial charges (Euro 0.03 million) and other components of an exclusively monetary nature. Total investments do not include increases for the recognition of fixed assets IFRS 16.

The work on the Malpensa flight infrastructure primarily related to the upgrading of the existing areas and maintaining and raising the airport's security and operational functionality levels. Investments at Linate airport regard the upgrading of the pavement of a section of taxiway C and the area of the apron in front of the new F building of the terminal.

The most significant investments in the airports include, for Malpensa airport, the upgrading of the hold baggage security (HBS) screening systems to comply with the new European directives (ECAC standard 3), the completion of works to build the new A arrivals bus shelter, the revamping of boarding bridges, the continuation of upgrading and standardization of bathrooms open to the public, seismic upgrading and the continuation of works to upgrade the fire detection system. At Linate airport work continued on the construction of the new F building and the expansion of the gates on the ground floor, which will become operational in October 2020. In the area dedicated to baggage checks, new next-generation radiogenic equipment was installed to optimise flows and increase the quality of the service offered to passengers. In addition, work is underway on upgrading the terminal's check-in areas and building new vertical links to the M4 station.

The main investments in the networks and plant account relate to the new turbine at the Malpensa plant owned by SEA Energia, the revamping of the UPS electrical cabins and work on the Malpensa overheated water network.

Investments in information and communication technology primarily related to airport operating systems, technologies for managing the Covid-19 emergency and cybersecurity issues. Despite the particular nature of the period, the SEA Group invested in innovative projects such as the Indoor Navigation system at Malpensa Terminal 1 and the development of a Digital Marketplace for the airport. Design work also began on the APOC-AirPortOperation Centre system (a centralised system for the integrated management of information at the airport) and the testing of biometric technology for seamless passenger services continued.

Finally, the other equipment account is composed primarily of the purchase of equipment functional to the project to upgrade the HBS system to the 3 ECAC standard.

SUBSEQUENT EVENTS

The Board of Directors of SEA S.p.A. examined and approved the SEA Group's 2021 - 2025 Industrial Plan

In view of the volatile macroeconomic environment and the uncertain industrial situation, the Board of Directors approved the 2021-2025 Industrial Plan which reflects the effects of the industrial discontinuity from the 2020-2024 Plan approved in February 2020. The plan was developed on the basis of different traffic "scenarios", with the common assumption of a faster recovery for short/mid-range flights, driven by the low-cost carriers, and with a further development of the cargo traffic.

The amounts and actions earmarked in the investment plan were significantly revised against that approved on presenting the 2020-2024 Plan: the infrastructure maintenance and regulatory compliance actions were confirmed, while the commercial development initiatives were limited to those already underway.

The 2021-2025 Business Plan includes the effects of the lower traffic handled and the application of the new ART tariff models: the efficiency initiatives (such as the mobility plan) and the income generated from the investments in development being implemented will make it possible to mitigate their negative impacts on the SEA Group's operating margin.

New trade union agreements

On February 19, 2021, the basis of an agreement was signed with the Trade Union Representative (RSU) and all of the trade union organisations, targeting the containment of personnel costs and the introduction of efficiencies to the workforce in the 2021-2025 period. In particular, the use of social security schemes was established until 2023 and, simultaneously, a plan of 550 redundancies. These latter shall be managed through an early pension plan and a voluntary redundancy plan. The technical agreements required to implement the basis of the framework agreement shall be signed according to the timeframes set out in the applicable rules.

On March 11, 2021, a trade union agreement was signed for the introduction of the Extraordinary Temporary Lay-Off Scheme, effective for the period from March 16, 2021 to June 6, 2021.

Ministerial Decree of March 2, 2021

Prime Minister Mario Draghi signed the new Ministerial Decree, in effect from March 6 to April 6, 2021, laying out measures to combat the pandemic and prevent the spread of Covid-19, confirming the ban on travel between regions until March 27 and expanding the list of countries running "Covid-tested" flights.

Opening of the new DHL hub at Malpensa

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

OUTLOOK

The economic and industrial environment in which the SEA Group will operate in 2021 will be characterised by a significant degree of uncertainty. Global GDP is forecast to recover and return to 2019 levels in 2022. The most recent forecasts of the International Air Transport Association (IATA)[4] link the passenger traffic recovery globally to the effective and symmetric distribution of vaccines. According to these forecasts, the United States, the United Kingdom and Canada may reach Covid-19 immunity by H1 2021, while European Union immunity is expected during Q3. Subsequently, in 2022, the countries of Latin America and the leading Asian countries, including Japan and China, are expected to achieve immunity. India and Russia are also expected to reach immunity only by 2023.

IATA forecasts the recovery of 2019 global passenger traffic volumes between 2023 and 2025, with domestic segments initially recovering and continental and international traffic only rebounding subsequently. In particular, for the European market, 2019 traffic volumes are not expected to recover before 2024.

Taking account that outlined above and of performances and most recent projections, the SEA Group currently expects the effects of the crisis to continue for the entire year of 2021; in the subsequent two-year period, an accelerated recovery for passenger traffic is forecast, with a return to 2019 volumes only from 2024.

Due to the strong uncertainties linked to the Covid-19 emergency, both in terms of the duration of the restrictions and the structural macro-economic impacts, an accurate forecast process for the current year is extremely difficult. The Group is closely monitoring developments of the scenario, updating its sensitivity analyses on the impacts of the Covid-19 epidemic, and has already identified measures to contain also in the current year the possible negative economic/financial effects.

Traffic volumes in the initial months of 2021, due to the second wave of the pandemic and the related restrictions, were down 85% on the corresponding months of 2019 - the last year before the pandemic - and are in line with the final months of 2020. A gradual recovery is expected in the summer season, provided that the vaccination campaign and the containment of the virus variants are successful.

In order to mitigate the economic and financial impacts deriving from the reduction of the traffic volumes, the Group promptly took significant cost saving actions to curb the economic damage and postponed the investments not tightly related to airport safety and security or to compliance to rules and regulations, focusing on the completion of works in progress.

The liquidity and the credit lines available at December 31, 2020 will allow the Group to cover the debt maturities and to manage the cash requirements deriving from the scenario analyses developed, until the gradual recovery of traffic.

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

[4] *Air Passenger Forecasts: - Febbraio 2021*

OPERATING PERFORMANCE - SECTOR ANALYSIS

Commercial Aviation

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

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

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

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

General Aviation

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

Energy

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

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

	Commercial Aviation		General Aviation		Energy		Consolidated	
(Euro thousands)	2020	2019	2020	2019	2020	2019	2020	2019
OPERATING REVENUES	236,257	679,444	9,717	10,818	11,036	16,606	257,010	706,868
EBITDA	(31,636)	268,516	6,189	6,509	(1,114)	(366)	(26,561)	274,659
EBIT	(135,665)	170,789	3,988	4,557	(1,400)	(694)	(133,077)	174,652

The EBITDA shown above includes the IFRIC margin.

Commercial Aviation

Traffic data

Milan Malpensa and Milan Linate airport traffic

	Movements		Passengers [1]		Cargo [2]	
	2020	**% vs 2019**	**2020**	**% vs 2019**	**2020**	**% vs 2019**
Malpensa	89,264	-60.4%	7,202.3	-74.9%	511,292	-6.2%
Linate	28,513	-59.1%	2,251.6	-65.6%	765	-88.0%
Total commercial traffic	**117,777**	**-60.1%**	**9,453.9**	**-73.2%**	**512,057**	**-7.1%**

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

[2] *Arriving+departing cargo in tonnes*

In 2020, the Milan Airport System managed by the SEA Group served a total of 9.5 million commercial aviation passengers, down 73.2%.

Commercial aviation reported growth on 2019 in January only (+7.0%), while contracting 6.2% in February, owing to the initial phase of the pandemic.

Over the next four months, traffic fell sharply, declining 99% in March and April on the same months of 2019.

Ministerial Decree No. 112 of March 12, 2020 enforced the closure of Linate airport from March 16, while at Malpensa the limited residual traffic was managed from Terminal 2 until June 14. In order to comply with the social distancing rules, it was decided from June 15 to transfer operations to Terminal 1 and simultaneously close Terminal 2 (the terminal with the lowest capacity).

Passenger traffic recovered slightly in the summer, following the Ministerial Decree of July 1, 2020, which reopened travel within Europe, and the Ministerial Decree of July 13, 2020, which restarted Linate airport operations. This recovery concerned the entire the summer period, with peaks in July, August and September, during which 2.9 million system passengers were managed.

Traffic again fell following the issue of the new Ministerial Decree of October 25, which restricted travel between regions and mainly hit air travel between domestic destinations. In response to the new traffic levels, from November 11 only the central satellite remained operative at Malpensa, while the Northern and Southern satellites were temporarily closed.

Cargo traffic in 2020 reported 512 thousand tonnes, contracting 7.1% on the previous year. Despite the significant repercussions the pandemic has had for air transport, the effects on the cargo sector were limited, re-adapting the operating model to the new traffic conditions, with particular regard to the substantial elimination of hold capacity. In particular, at Malpensa volumes benefited particularly from e-commerce sector logistics and the opening of the new DHL base at Cargo City. Mention should be made of the passenger carriers that converted their operations (and a part of their fleet) to carry cargo, using both cabin and hold space for this purpose.

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

Catania, London (five airports) and Paris (Charles de Gaulle and Orly) were the three most popular destinations served by the SEA Group in 2020; followed by Palermo, Rome and Cagliari among the main domestic destinations connected by Milan.

		2020	% vs 2019	% of total
1	CATANIA	710.6	-57.3%	7.5%
2	LONDON	620.2	-75.2%	6.6%
3	PARIS	492.8	-75.9%	5.2%
4	PALERMO	480.6	-58.1%	5.1%
5	ROME	389.4	-67.3%	4.1%
6	CAGLIARI	346.8	-59.7%	3.7%
7	AMSTERDAM	317.8	-73.7%	3.4%
8	LAMEZIA TERME	315.8	-62.1%	3.3%
9	NAPLES	296.4	-67.1%	3.1%
10	BARI	292.0	-58.5%	3.1%
11	MADRID	272.7	-75.5%	2.9%
12	OLBIA	250.4	-60.5%	2.6%
13	BRINDISI	235.4	-52.1%	2.5%
14	FRANKFURT	196.5	-75.9%	2.1%
15	BARCELONA	178.9	-79.9%	1.9%
	Others	4,057.6	-77.8%	42.9%
	Total	**9,453.9**	**-73.2%**	**100.0%**

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

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

With a 24% share, easyJet is the main airline operating from the Milan Airport System, followed by Alitalia (22%), Ryanair (10%), Wizz Air - which doubled its share compared to 2019 (4%) - and Lufthansa (4%); the international airlines Neos and Emirates come in at seventh and eighth place.

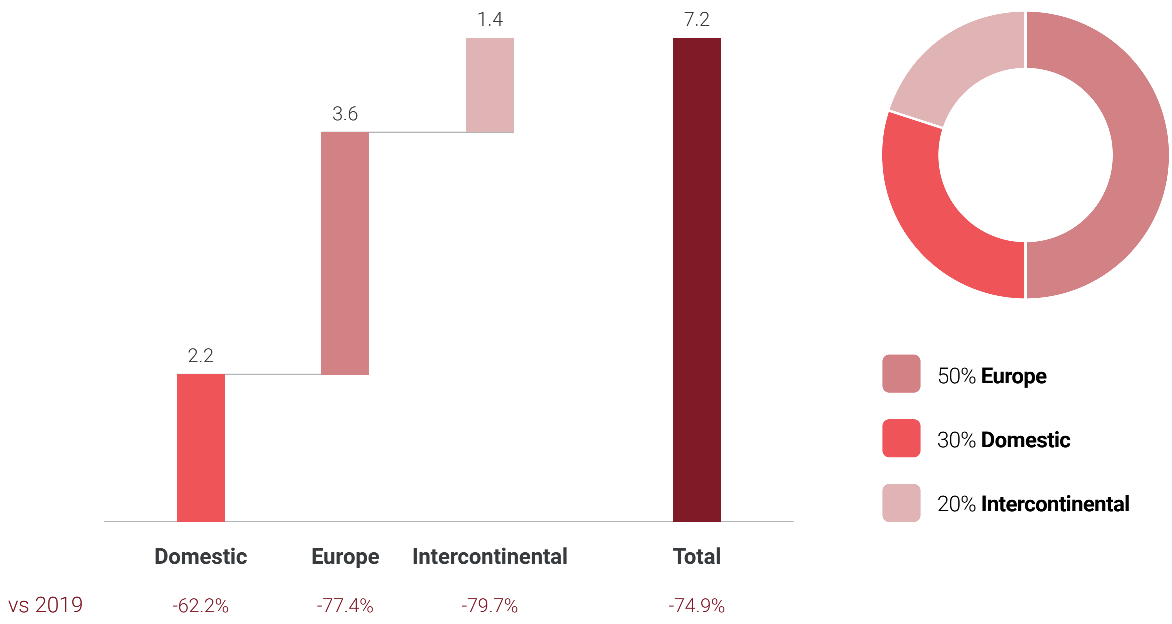
		2020	% vs 2019	% of total
1	Easyjet	2,244.3	-73.0%	23.7%
2	Alitalia	2,092.8	-64.1%	22.1%
3	Ryanair	950.8	-63.1%	10.1%
4	Wizz Air	399.9	-33.3%	4.2%
5	Lufthansa	398.1	-76.0%	4.2%
6	Air Italy	238.2	-86.8%	2.5%
7	Neos	237.6	-70.9%	2.5%
8	Emirates	205.0	-78.2%	2.2%
9	British Airways	200.8	-77.1%	2.1%
10	Vueling Airlines	192.8	-81.1%	2.0%
11	Air France	186.2	-69.3%	2.0%
12	Klm	139.4	-67.3%	1.5%
13	Qatar Airways	129.8	-69.0%	1.4%
14	Iberia	125.8	-74.6%	1.3%
15	Turkish Airlines	119.7	-75.3%	1.3%
	Others	1,592.7	-81.0%	16.9%
	Total	**9,453.9**	**-73.2%**	**100.0%**

Traffic by region

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

Malpensa

Year 2020 - Breakdown by region of Malpensa passenger traffic (in millions)



During the 2020 financial year, Milan airport moved 7.2 million passengers, a drop of 74.9% on 2019. This significant reduction in volume (-21.5 million passengers) penalised legacy airlines in particular, with losses of over 12.2 million passengers (-79.4%). Low-cost and leisure traffic responded more promptly to the easing of restrictions, losing 69.4% and 73.1% of passenger traffic on 2019 respectively.

Good results were only recorded in January (+9.4%) compared to the same period in 2019. From February performance was affected by the liquidation of Air Italy and the initial phase of the pandemic, with passenger numbers falling 3.9%.

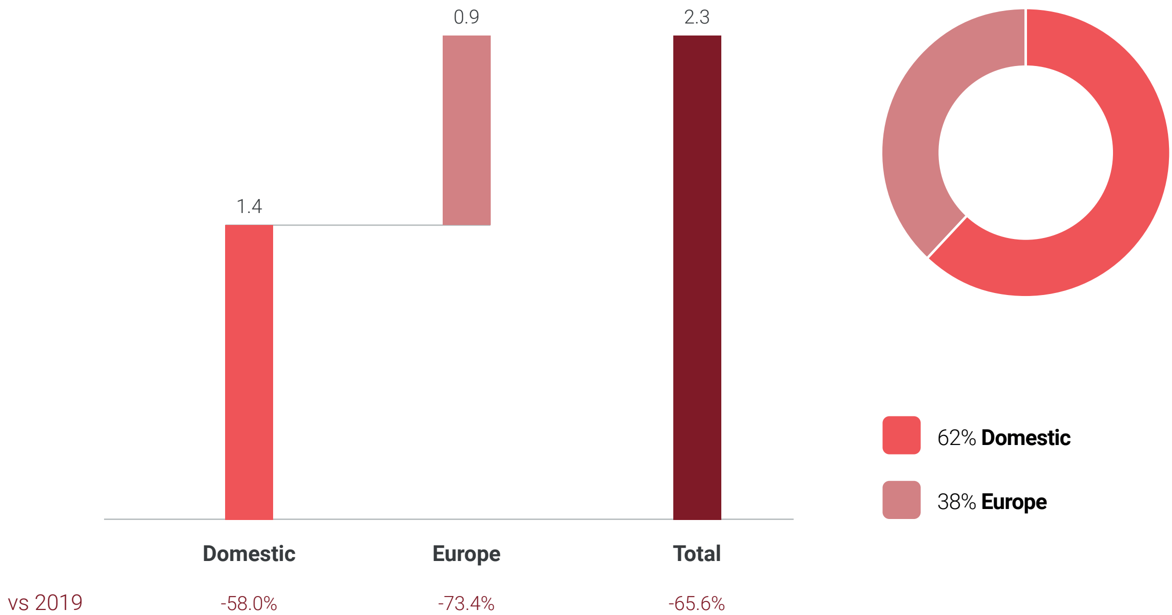
At the start of the year, and during the lockdown in particular, SEA opted to concentrate its residual traffic at Terminal 2, serving almost exclusively rescue flights operated by Alitalia and Neos. As traffic began to return from June 15, a decision was made to transfer traffic to Terminal 1 and to close Terminal 2. The terminal at Linate re-opened on 13 July, allowing some of the flights operated by Malpensa to be transferred to the city airport. The main carriers by number of annual passengers transported were easyJet (2.1 million passengers, -72.7%), Ryanair (1 million passengers, -63.1%), Alitalia (449 thousand passengers, -74.0%), Wizz Air (400 thousand passengers, -33.3%), Lufthansa (293 thousand passengers, -78.8%) and Neos (238 thousand -70.9%).

The main destinations were Catania and Palermo, served by easyJet, Ryanair, Alitalia and Wizz Air, Paris Charles de Gaulle, served by easyJet, Lamezia Terme served by Ryanair, and Amsterdam, served by easyJet and Vueling.

The main intercontinental destinations were Cairo, Istanbul, Doha, Dubai and Nanjing (some of which were the departure and/or destination points of repatriation flights).

Linate

Year 2020 - Breakdown of Linate Airport passenger traffic (in millions)



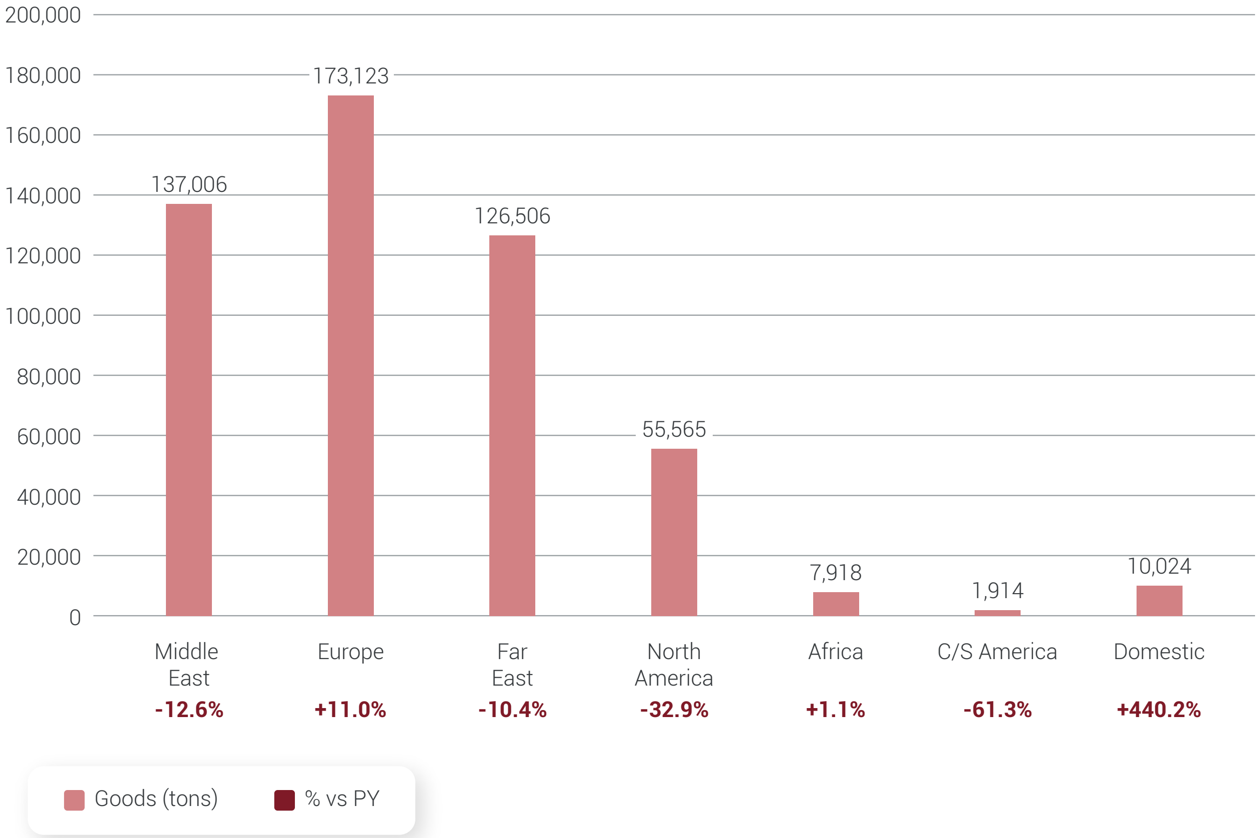
In 2020 Linate airport moved 2.3 million passengers, down 65.6% on 2019. To better understand the absolute values and percentage changes compared to 2019, it is worth specifying that Linate airport was closed from March 16 to July 12 in response to the altered traffic conditions, resulting in the transfer of flights to Malpensa airport. However, traffic in 2019 was also affected by the temporary closure of the terminal in order to resurface the runway.

Once the terminal reopened in July, Linate operated a limited service at a reduced hourly frequency (in addition to those required by law), significantly reducing its total capacity (these limitations will remain in place until the end of the 2021 winter season). The airport was fully operational in January (up 0.4%), while February saw daily traffic fall - despite the extra leap day - resulting in a 12.3% drop at the end of the month.

Some airlines resumed operations when the airport reopened on July 13. The main airlines by annual number of passengers transported were Alitalia (1.6 million passengers, -59.9%), British Airways (130 thousand passengers, -75.5%), easyJet (123 thousand -77, 0%) and Lufthansa (105 thousand passengers, -62.2%).

The most popular national destinations served were Rome Fiumicino, Cagliari and Catania; the top ranked international airport was London Heathrow.

2020 Freight traffic by geographical area - SEA managed



Cargo business remained active throughout 2020, and 512 thousand tonnes of cargo were moved (-7.1% on 2019), despite air transport suffering heavily from the spread of the pandemic, leading to a 65.7% drop in hold tasport (belly).

Despite suffering the effects of the pandemic, all-cargo carriers reported positive results in the months following April, with a 19.8% rise in cargo moved at the end of the year thanks to the increase in movements (+55.7%) and goods transported.

In the second quarter of the year, Malpensa airport was used as the main delivery and distribution hub for anti-Covid devices.

The operators European Air Transport (DHL) and Fedex contributed most to the performance of the all-cargo segment, increasing their business over the course of the year and eventually exceeding pre-pandemic levels, partly as a result of the growth in online sales. Air China (not present in 2019) and Qatar Airways also recorded strong results.

The distribution of cargo traffic by geographical area highlights general contractions in all areas except in Europe (+11% in goods transported) and in domestic traffic. The Middle and Far East, on the other hand, fell 12.6% and 10.4% respectively. North America, hit particularly hard by the spread of the virus, recorded a 32.9% drop in passenger traffic.

Revenues

Due to the lack of passenger traffic from March, revenues significantly reduced to Euro 236,257 thousand, down Euro 443,187 thousand on the previous year (-65.2%).

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

- Aviation revenues declined Euro 280,861 thousand (from Euro 425,810 thousand in 2019 to Euro 144,949 thousand in 2020). The first two months of 2020 reported a result substantially in line with the previous year, with the poor performance in the period March-December, due to the drop in passenger traffic caused by the Covid emergency. In this context, and for the aforementioned reasons, cargo revenues grew 5% on last year, from Euro 24,185 thousand in 2019 to Euro 25,489 thousand in 2020.
- Non-aviation revenues declined Euro 162,326 thousand (from Euro 253,634 thousand in 2019 to Euro 91,308 thousand in 2020). The decrease can be almost entirely attributed to the March to December period. This effect is due to the combination of lower traffic volumes and the more favourable conditions granted to tenants, such as the suspension of guaranteed minimum conditions and the adjustment of fixed fees (e.g., spaces rental). Renegotiation was necessary due to the temporary closure of the terminals in which the players operate.

The retail segment (Shops, Food & Beverage, Car Rental and Bank Services) saw a reduction of Euro 76,611 thousand (-74.0%), and in particular:

- revenues from shops fell by Euro 42,622 thousand (-78.7%) due to reduced volumes, the traffic mix, and the partial closure of the terminals;
- despite recording positive results in the first two months of the year, revenues in the food & beverage segment fell to Euro 16,062 thousand (-69.8%) owing mainly to the reduced volumes of traffic handled.

Similarly, also the parking segment saw a reduction of Euro 49,923 thousand (-68.1%). Revenues in the premium services segments fell by Euro 17,905 thousand (-78.8%) following the complete closure of the VIP lounges and the fast track service. The real estate and advertising segments saw turnover drop by Euro 2,393 thousand (-55.2%) and Euro 6,355 thousand (-60.3%) respectively, while revenues from services fell Euro 7,230 thousand (-35.2%).

As stated above, although cargo activity reacted promptly to the limitations on passenger flights and adapted its operating model to meet evolving market needs, the volumes of goods transported dropped in 2020. Revenues in this sector fell by Euro 1,713 thousand compared to the previous year, amounting to Euro 16,644 thousand (-9.3%).

Operating costs

Operating costs for the Commercial Aviation business decreased from Euro 415,749 thousand in 2019 to Euro 270,237 thousand in 2020, reducing Euro 145,512 thousand (-35.0%).

This movement was based on:

- personnel costs, decreasing Euro 54,167 thousand (-28.8%). This reduction was achieved through reliance on the sector's social security schemes (Extraordinary temporary lay-off scheme) and other containment measures, such as the review of remuneration policies and the reduction of overtime and travel;
- the decrease of Euro 91,344 thousand in operating and consumable materials costs compared to 2019 is due to lower costs related to traffic volumes of Euro 52,360 thousand (public entity fees, parking management, passenger assistance and security costs), the decrease in energy costs of Euro 9,493 thousand and lower core operational costs of Euro 29,491 thousand (of which: Euro 9,112 thousand maintenance, Euro 4,330 thousand cleaning, Euro 2,461 spare parts, Euro 7,758 advertising, Euro 1,724 disabled assistance and Euro 2,183 thousand professional services). The reduction was possible thanks to the renegotiation of contracts with suppliers and the containment of expenditures during the year.

EBITDA and EBIT

As a result of these effects, EBITDA in 2020 stood at a loss of Euro 31,636 thousand (Euro 268,516 in 2019), down Euro 300,152 thousand on the previous year.

Amortisation and depreciation, and net restoration, risks and charges and doubtful debt provision accruals, are higher than in 2019 by Euro 6,302 thousand, of which Euro 12,507 thousand for increased accruals to the doubtful debt provision and Euro -6,205 thousand for the reduction in amortisation and depreciation and of net accruals to the restoration and replacement provision for the year, owing mainly to the two-year extension of the concession.

As a result, EBIT for the Commercial Aviation business saw a loss of Euro 135,665 thousand, down Euro 306,454 thousand over the previous year.

Investments

The main Commercial Aviation business investments were:

- the updating of the hold baggage screening (HBS) system to meet new European directives and interventions to improve security levels and operational functionality at Malpensa airport;
- works to construct the new "F" building and to expand gates on the ground floor, the upgrading of check-in areas, and the paving of taxiway C and a section of the apron at Linate airport.

Other information

Retail development

During 2020, retail performance was strongly impacted by the infrastructural changes enforced to comply with regulatory provisions and/or owing to Company decisions in response to the drop in traffic levels.

In addition to traffic volumes, retail revenues were impacted by the terminals and terminal areas that remained open to the public from March to December, resulting in significantly altered commerce services. The segment was further penalised by the traffic mix. After non-Schengen traffic was restricted, passengers considered "top spenders" (such as visitors from China, Russia and the Middle East) all but disappeared.

To mitigate the impact, a series of asset management activities were carried out in the "Luxury Piazza" to create additional value during the post-pandemic period:

- in July the new Loro Piana boutique was moved to a much larger location, to which Ermenegildo Zegna is due to move. Ermenegildo Zegna's previous location will be occupied by another luxury brand;
- in December, work began on a new Rolex -Damiani boutique;
- a pop-up Gucci store was set up in October, confirming the desire to invest in T1 and to continue with the boutique expansion project;
- while waiting for a permanent location, Montblanc set up a temporary shop to guarantee business continuity at the airport.

After remaining closed from March 16 to July 13, shops and the check-in area at Linate airport gradually reopened over the summer months, and construction continued on the new "F" building. Negotiations progressed with retailers to determine the future commerce offer. It should be noted that once measures and protocols were in place to guarantee worker safety, a decision was made to extend construction works. As such, some points of sale offering catering services remained closed.

Destination management and co-marketing activities

Collaborative efforts with the Chamber of Commerce, the Municipality of Milan and the Region of Lombardy also continued in 2020 with the aim of increasing the international visibility of Milan's airports and the wider region.

The World Routes 2020 event was rescheduled for October 2021.

Bilateral Agreements

In 2020, the competent national authorities signed bilateral agreements with the aviation authorities in: China, Armenia, and Ukraine. An agreement between the European Union and the United Kingdom, effective January 1, 2021 as a result of Brexit, was also finalized.

General Aviation

Traffic data

In 2020, Milan Linate and Malpensa airports handled a total of 15,655 movements, down 36.1% on the previous year; the drastic reduction in traffic since March is entirely due to the effects of the Covid-19 pandemic and the limitations on air traffic in the months of lockdown.

Revenues and Operating Costs

General Aviation revenues in 2020 amounted to Euro 9,717 thousand, down Euro 1,101 thousand (-10.2%) compared to 2019, due to the travel restrictions imposed by the authorities following the Covid-19 virus.

Operating costs of Euro 3,528 thousand reduced Euro 781 thousand (-18.1%), of which Euro 680 thousand due to the reduction in personnel costs following the introduction of the social security schemes from March 2020, and for Euro 101 thousand mainly as a result of lower costs incurred for maintenance of the airports and renegotiation of contracts.

EBITDA and EBIT

As a result of the developments outlined above, EBITDA for the year 2020 was Euro 6,189 thousand, down by Euro 320 thousand (-4.9%) over the previous year.

EBIT decreased Euro 569 thousand (-12.5%), due to the operating issues outlined above and mainly as a result of increased amortisation and depreciation in 2020, relating to the new investments at the Terminal and other infrastructure entering into use from the second half of 2019 at Malpensa airport.

Investments

The main investments in the General Aviation sector concerned Fire Prevention Certificate (CPI) requirements for the hangars and terminal at Linate, and the design of a new hangar.

Energy

Quantitative data

Total energy production in 2020 was 284.3 million kWh, down 11.72% (-37.7 million kWh) on 2019. This decrease is mainly due the drop in energy consumption owed to the temporary closure of Terminal 1 at Malpensa and Linate airport during the year in response to the regulatory measures to contain the spread of the pandemic and the consequent productive restructuring of the power plants owned by the subsidiary SEA Energia.

Electricity production for the Group's own uses, including ancillary services, losses and imbalances, amounted to 167.7 million kWh, down 16% (-3.5 million kWh) compared to 2019.

Electricity production for third parties also decreased, totalling 116.6 million kWh, down 4.7% (-5.8 million kWh) on 2019.

In 2020, heat production decreased by 5.1% on 2019 (-18.5 million kWh) to 342.2 million kWh - of which 66.4% serving the needs of Linate and Malpensa airports.

Sales to third-party customers increased by 13.4%, rising to 115.1 million kWh compared to 101.4 million kWh in 2019 (+13.6 million kWh). This increase is owed to the A2A Calore e Servizi district heating network's increased demand for thermal energy, to which the Linate plant sends most of the thermal energy it produces throughout the year.

Revenues and Operating Costs

In 2020, the Energy business reported revenues of Euro 11,036 thousand, decreasing Euro 5,570 thousand on 2019 (-33.5%).

This performance is due mainly to a sharp contraction in the PUN, which decreased by 25.7% (Euro 52.35 per MWh in 2019 to Euro 38.90 per MWh in 2020), and a reduction in the quantity produced compared to the previous year.

Operating costs for the year 2020 amounted to Euro 12,150 thousand, a decrease of Euro 4,822 thousand on the previous year. This contraction is mainly due to a reduction in the value of methane purchased (Euro -949 thousand in procurement costs and lower quantities) and to the reduced quantities of electricity purchased to cover extraordinary customer demand for Euro 2.864 thousand (a reduction of Euro 2.489 thousand in purchases from the operator and of Euro 375 thousand from the exchange), due to the gradual reduction in retail sales operations.

EBITDA and EBIT

As a result of the developments outlined above, 2020 EBITDA was a loss of Euro 1,114 thousand, decreasing by Euro 748 thousand on 2019.

2020 EBIT was a loss of Euro 1,400 thousand, a decrease of Euro 706 thousand compared to the previous year. This result is due both to the aforementioned EBITDA results and to lower amortisation, depreciation and provisions in 2020, which were down Euro 42 thousand compared to 2019.

Investments

The main business energy investments made by the Malpensa power station relate to the most recent advances paid to the supplier to purchase the new TGE turbine, which is expected to come into operation by April 2021, plus the completion of works to install a new auxiliary boiler and to revamp the TV4 steam turbine and the steam generator belonging to "combined cycle 1". The main investments made by the Linate power plant relate to the ongoing atmospheric emissions monitoring and control system. Software to manage ordinary and extraordinary maintenance was also purchased for both plants.

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.

19,772 tonnes of free quotas were issued in 2020, while the quantity of EUA ETS certificates to be returned is equal to over 160,700 tonnes for 2020.

Having to return a number of rights (EUA ETS certificates) greater than those received free of charge for the specific year of operation, in 2019, SEA Energia took steps to purchase CO_2 quotas on a number of occasions to cover its 2019 production needs and future needs.192,700 tonnes of quotas were purchased in total, amounting to Euro 4.8 million and corresponding to an average unit price of Euro 24.99/tonne.

On June 6, 2019, an application to allocate free quotas for the fourth period (2021-25) was submitted to the National Committee for the Management of Directive 2003/87/EC. The Group is expected to be allocated around 15,000 EUA/year for Malpensa and 5,000 EUA/year for Linate. Unlike the amount allocated previously, the quantity assigned each year should remain fairly constant.

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 objectives.

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

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

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

Methodological approach

The adopted risk governance model is based on:

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

The SEA Group Risk Model is a list of all the potential risks to the Company, and consists of four categories: external risks, operational and business risks, financial risks and legal and compliance risks. The Risk Model also includes specific risk categories within the Environmental, Social and Governance area to facilitate the identification and analysis of ESG risks.

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

The risk prioritisation methodology was updated in 2020 to acknowledge the need to assign greater importance to short-term financial risks in light of the pandemic, which has significantly influenced the Group's results and business activities.

Risk Management Governance

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

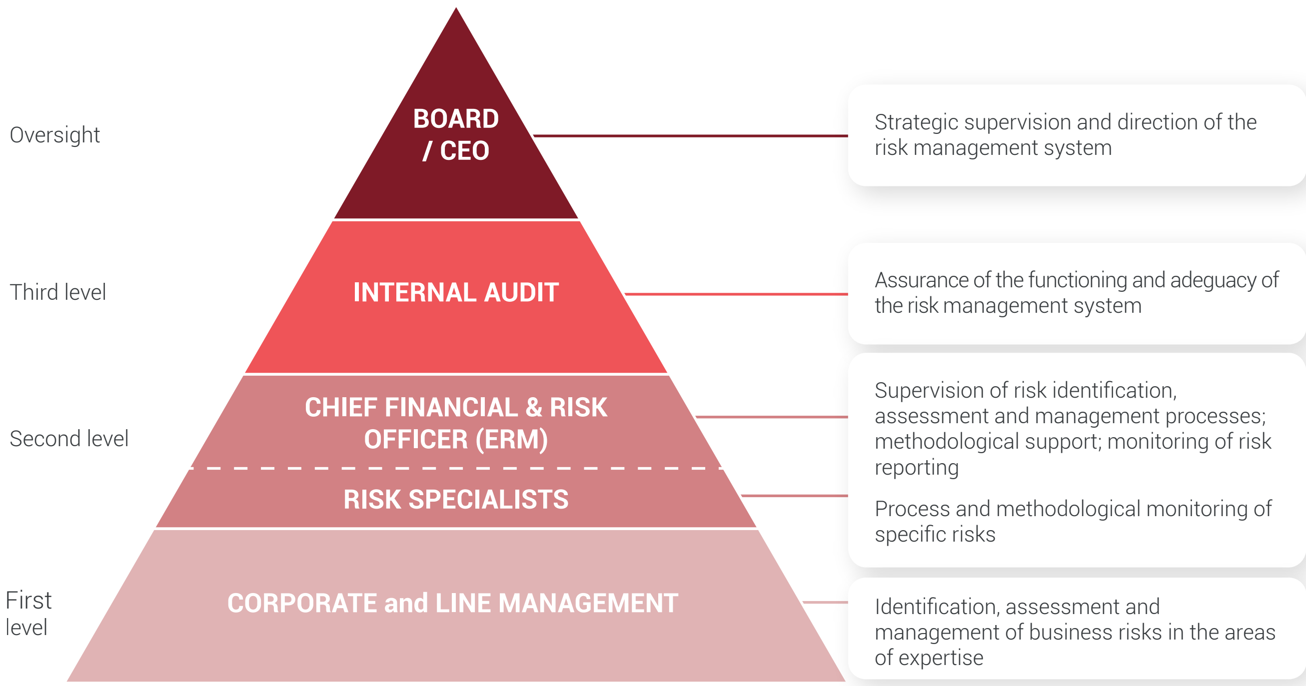
This defines a second level of risk management control in the ERM division, with the aim of supporting corporate structures in the identification and management of corporate risks and at the same time guaranteeing periodic reporting to top management on the risk profile's evolution.

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

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

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

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



SEA GROUP MAIN RISK FACTORS

The periodic Risk Assessment to update the Risk Heat Map, which identifies the most significant risk factors for the Group, was performed during the last quarter of 2020. The activity involved corporate senior management in one-to-one meetings between individual departments and the ERM Risk Assessment department, in addition to cross-departmental meetings to analyse specific risk types.

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

The most significant risks for the Group, as included in the Risk Heat Map, are summarised below.

External risks

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

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

Air traffic development

The spread of Covid-19

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

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

At Milan's Malpensa and Linate airports, overall system passenger traffic fell by 6% in February 2020 compared with the same month of the previous year, primarily due to the closure of connections to China, with a sudden collapse from March onwards, reaching a drop of 89% in the month and an almost total absence of passengers (-99%) in April. In the months that followed, movements were limited in line the spread of infection and traffic fluctuated, with a "peak" of -64% recorded in August.

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

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

The situation remains uncertain and complex. Despite the development and recent approval of effective vaccines against Covid-19, and the launch of large-scale vaccination campaigns across Europe and around the world, the situation remains critical in a large number of countries. The vaccination campaigns represent an unprecedented organisational effort to administer the biologic to a high percentage of the population in a very short space of time, in order to build an effective defence against the spread of the virus. There have been second and third waves of the virus in Europe and around the world, and there is a risk that further waves of infection could halt the recovery of the air transport sector, consequently prolonging recovery times and the return to pre-crisis levels. The effects of the pandemic on the Italian and international economy could also have an impact on the recovery, affecting passengers' propensity to travel with consequent repercussions for the results and operations of the Group managed airports.

Brexit

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

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

However, by virtue of Ministerial Decree No. 15 of March 3, 2000 and subsequent amendments, Linate airport will not be able to operate flights to and from non-EU destinations from the second half of 2021 onwards (extension of the transitional period granted by Law No. 41 of May 20, 2019), and in the absence of further regulatory interventions, the United Kingdom will no longer be served by the Forlanini airport.

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

Airline strategies

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

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

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

Development of the regulatory framework and applicable rules

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

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

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

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

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

New tariff models

Following the transfer of tariff regulation competence from the Italian civil aviation authority ENAC to the Italian transport regulation authority ART in 2019, we report the recent revision in the tariff models. The new models published by ART will come into force on January 1, 2022. Some elements of the model implementation methods and measurement parameters remain uncertain, which could impact the Group's future economics.

Anti-Covid-19 regulations

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

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

Operating and business risks

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

These factors may affect short to long term performance.

Activity and Service Interruptions

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

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

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

Infrastructure investment

The new Malpensa Master Plan, currently undergoing approval by the competent bodies, constitutes the Group's main long-term planning tool. Following technical approval by ENAC at the end of 2019, Environmental Impact Assessment (EIA) approval was initiated in July 2020. The Master Plan envisages a 60 hectare expansion south of the current airport structure.

As the Master Plan, whose approval is of great importance for the Group's continued long-term development and for the connectivity of the local area, involves the transformation of a portion of the Ticino Park that may have environmental and economic consequences for neighbouring municipalities, the Group has paid a great deal of attention to local communities in developing the project.

Safety & security

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

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

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

Information Technology

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

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

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

Supplier Reliability

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

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

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

Financial Risks

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

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

Credit risk

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

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

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

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

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

Market risks

Market risks to which the SEA Group is exposed comprises all types of risks directly and indirectly related to market price trends. In 2020, the market risks to which the SEA Group were subject were:

a) Interest rate risk

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

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

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

At December 31, 2020 the gross financial debt of the SEA Group was comprised of medium/long-term loans (medium/long term portions of loans) and short-term loans (exclusively the medium/long-term portion of loans maturing within 12 months). At this date, the SEA Group did not make recourse to short-term debt.

b) Currency risk

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

c) Commodity risk

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

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

Liquidity risk

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

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

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

From February 2020, the gradual halting of air traffic caused by the increasing global outbreak of Covid-19 and the consequent lack of related revenue resulted in an extraordinary absorption of liquidity, causing the above risk to materialise for the Group.

Nevertheless, the Group promptly took action to manage the event and, thanks to a solid balance sheet, was able to quickly access the financial markets by signing new funding contracts and a new bond issue of Euro 300 million, to guarantee the financial needs of the next two years, including the repayment of the bond maturing in April 2021.

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

Legal and compliance risks

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

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

MAIN DISPUTES OUTSTANDING AT DECEMBER 31, 2020

Action brought by ATA Handling

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

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

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

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

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

Action brought by Emilio Noseda before the Court of Buenos Aires

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

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

- transfer 2% of the shares of AA2000 against payment of their current market value;
- compensate Delta Group for the loss of chance it sustained because it was unable to resell the shares during the time when their value was greater than the price then paid (USD 2 million). No damage amount was specified.

- compensate Delta Group for the expected profit that failed to materialise because Delta Group was not awarded concessions at three Argentine airports. No damage amount was specified.

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

On December 30, 2016 Commercial Court No. 2 of Buenos Aires entered judgment, which was served on February 2, 2017, dismissing Mr. Noseda's action to compel fulfilment of the aforesaid commitments made in 1997, and ordering him to pay court costs. Mr. Noseda appealed against the judgment. The case is now waiting to be transferred to the Court of Appeal and will remain suspended pending the appearance in court of the heirs of one of the third parties summoned by the court. In addition, the Argentine courts have been closed for six months due to the pandemic.

In September and December 2020, the court further notified the heirs of the third party of the existence of the case, which is still suspended at the Court of Appeal pending a final judgement, which will presumably take place in the second half of 2021.

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

Ruling on fees for fire-fighting services

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In 2013, SEA Energia filed appeal No. RGN 5811/13 with the Lazio Regional Administrative Court in order to obtain the cancellation of the measures with which the Electricity Services Operator rejected the application for recognition of the High Yield Cogeneration qualification of the Malpensa plant for the year 2011. During April 2019, following notice from the Lazio Regional Administrative Court of the five-year expiry of the above appeal, SEA Energia expressed its interest in continuing the case by filing a new request for a hearing on April 20, 2019. In 2020, the Lazio Regional Administrative Court delivered a judgement and, addressing its previous decision on the matter, rejected SEA's appeal.

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

The Company has allocated adequate provisions regarding these disputes.

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

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

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

In 2017, the Italian grid operator, Energy Services Operator, opened an audit on white certificates assigned for the period 2012-2015. The Electricity Services Operator assessed that no subsidies should be paid for the heating and cooling energy used for certain internal services. Following this assessment, in February 2019, the subsidiary SEA Energia made a payment of Euro 76 thousand in response to the request from the Electricity Services Operator to return 167 certificates. In June 2020, the Electricity Services Operator informed the company of its recalculation of the white certificates owed to SEA Energia for energy production between 2012 to 2015. This shows a discrepancy of 2,631 between certificates recognised and certificates due, equal to Euro 294 thousand, as communicated by the Electricity Services Operator on October 7, 2020. In response to this request, SEA Energia made the payment on time. The provision for future risks and charges, allocated at the beginning of the audit, was found to be sufficient.

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

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

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

Tax Agency - VAT assessment notices

The local customs office at Linate and Malpensa airports audited SEA to ascertain whether excise duty had been correctly paid on the electricity used to operate Linate and Malpensa airports. As a result of this audit and of the notes, on November 16, 2016, SEA received service of an assessment notice for 2011 concerning the VAT profiles in the matter. An appeal was filed against the assessment at the Provincial Tax Commission of Milan, which ruled in favour of the Tax Agency. On December 11, 2017, judgment No. 6835/2017 was filed, against which an appeal was lodged with the Lombardy Regional Tax Commission. On June 27, 2019, the Regional Tax Commission filed ruling No. 2776/2019 fully in favour of the company, by which the reasons for the appeal were accepted and the 2011 VAT Assessment Notice was cancelled. The ruling of the Regional Tax Commission was further challenged by the Tax Agency, which, on January 30, 2020, notified the company of its filing with the Court of Appeal. On August 9, 2017 the Tax Agency served four more assessment notices in respect of the subsequent years from 2012 to 2015. Reiterating its view that the tax claim in question was baseless, the Company, as it had done in reference to 2011, filed separate appeals against each notice with the Provincial Tax Commission. After the proceedings were joined, these appeals were then rejected with judgement no. 3573/12/2018. An appeal was filed with the Regional Tax Commission against this judgement, which was discussed on October 26, 2020 with a favourable outcome for the Company and the consequent nullification of the VAT Assessment Notices for the years from 2012 to 2015 as a result of judgement no. 2527/2020. With respect to the aforementioned judgement, similarly to what happened in 2011, it is expected that the Tax Agency will not file before the deadline for the definitive res judicata, thus providing for the filing of an independent appeal to the Supreme Court.

Tax Agency - Notice of assessment for registration tax

Several assessments were received for registration tax relating to the application of the tax on the refund of sums as ordered in the judgments entered by the regular Court of Milan. The Company objected to the Tax Agency that the tax had been mistakenly applied as a proportional tax instead of at a flat rate. The first appeal filed and argued at the Provincial Tax Commission of Milan was granted. The Company's request was deemed reasonable and the Tax Agency was ordered to reimburse the expenses. On December 28, 2017, the Tax Agency lodged an appeal with the Regional Tax Commission, whereupon the Company joined the proceedings. On December 13, 2019, the Regional Tax Commission filed judgement no. 5081/2019 fully in favour of the company, accepting its reasons and requests at the second level. On October 21, 2020, judgement no. 5081/2019 filed by the Regional Tax Commission became final due to expiry of the appeal deadline for the Tax Agency, thus determining full closure of the dispute in favour of the Company and ordering the Tax Agency to pay the litigation expenses.

With reference to the other Liquidation Notices notified during 2018 and 2019, eight appeals were discussed by the Provincial Tax Commission of Milan, the first-instance outcome of which was also fully in favour of the company and ordered the Tax Agency to pay the litigation expenses. The Tax Agency filed independent appeals with the Lombardy Regional Tax Commission against judgements no. 5163/2018, no. 5296/2018, no. 5298/2018, no. 518/2019, no. 534/2019, no. 1711/2019 and no. 3304/2019, which were all in favour of the company and following which the company also filed for legal action, reiterating its motivations and reasons in terms of law. The appeals were discussed in 2020 and, among these, six appeals resulted in a ruling fully in favour of the Company and in two cases, the same court accepted the defence put forward by the Tax Agency.

With regard to the favourable decisions filed by the Regional Tax Commission, on October 21, 2020, judgements no. 5246/2019 and no. 966/2020 became final due to the expiry of the terms of appeal for the Tax Agency, thus determining the positive conclusion of the respective disputes and ordering the Tax Agency to pay the litigation expenses in both cases. With regard to the remaining four favourable judgements, the standard deadlines for the Tax Agency to submit a potential appeal to the Supreme Court are pending.

Finally, with regard to judgements no. 1167/2020 and no. 1168/2020, both of which were found against the Company's favour, on November 3, 2020, the Tax Agency was notified of the appeal to the Supreme Court in order to amend and consequently nullify the second-level ruling.

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

Other disputes

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

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

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

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

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

Given the above, the only appeal currently pending against the Commission's decision is that brought by the Municipality of Milan. The hearing was held on February 28, 2018. With the judgment of December 13, 2018, the Court of the European Union rejected the Municipality of Milan's appeal. The Municipality appealed to the Court of Justice against this decision, which rejected its appeal on December 10, 2020 with a ruling definitively sanctioning the discontinuation of proceedings.

There were no direct consequences for SEA with respect to said ruling, which, as indicated above, was unrelated to the matter, given that SEA had also complied with the requirements of the Commission's decision.

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

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

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

Following admittance to liabilities, SEA S.p.A. received payments from Alitalia in Extraordinary Administration amounting to a total of Euro 9,530,245.37 relating to pre-deducted receivables post-May 2 (originally amounting to Euro 9,622,397.82 Euro). Therefore, receivables admitted to pre-deduction amounted to Euro 92,152.45 at February 10, 2021, of which Euro 23,822.50 were for additional rights and Euro 68,329.95 for various invoices.

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

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

With a court order dated November 30, 2020, the delegated Judge ordered the appointment of an expert to determine the exact amount of senior debt abstractly imposed on each aircraft owned by Alitalia at the date the case was opened, assigning creditors a term to appoint an expert witness.

The expert investigations took place on January 7, 2021 and the deadline for filing the final expert statement is set for May 7, 2021.

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

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

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

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

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

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

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

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

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

OTHER INFORMATION

Consolidated Non-Financial Report

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

Customer Care

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

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

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

In addition, specific surveys were sent out during 2020 to gauge evolving passenger needs and expectations, with particular attention paid to the impact of Covid-19 on travel experiences. The instant feedback system remains in place and has been improved thanks to the installation of two touchless totems as part of a pilot project in Europe.

Activities regarding the fight against Covid-19

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

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

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

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

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

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

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

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

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

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

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

Passenger travel inside the airport has been made safer by touchless and seamless technological solutions, which allow passengers to avoid making contact with surfaces, and help to reduce congestion and waiting times. The specific solutions adopted include:

- EDS CB (Explosive Detection System for Cabin Baggage) machines with CT technology to check hand luggage, allowing passengers to avoid opening their luggage to extract liquids and electronic equipment. Linate is the first airport in Italy to adopt this technology for all departing passengers, which improves security levels and reduces waiting times.
- The use of Face Boarding technology, which uses facial recognition and offers passengers the opportunity to complete security and boarding checks by showing their face rather than presenting their identity documents and boarding passes.
- The sanitation of hand luggage storage trays through the use of UVC lamps along the return route.
- The use of automated systems to manage the flow of passenger access to toilets ("no need to knock").

The environmental dimension

The SEA Group is committed to combining the fundamental value of protecting our environmental heritage with development. The airport business environmental and energy policy has been revised in 2019 in order to integrate the renewed commitment of SEA to address sustainability over the coming years through the adoption of the guidelines identified by the European air transport industry. In 2020, the pandemic forced the Group to reshape both its strategy and planned interventions, but it did not affect their validity.

Airport Carbon Accreditation and Carbon Neutrality of the Milan airports

SEA 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)[4]. In June 2019, following positive assessments by the Italian certifier and the London firm managing the Airport Carbon Accreditation program, SEA renewed its level 3+ 'Neutrality' accreditation for both of the airports it manages. This accreditation was automatically extended to 2021 as a result of the Covid-19 pandemic.

Environmental management processes

With reference to the Linate Master Plan 2030, the EIA procedure was successfully completed with the publication of the Environmental Compatibility Provision, a decree issued by the Ministry of the Environment, together with the Ministry of Cultural Heritage and Activities and Tourism. Following subsequent publication in the Official Gazette of the Italian Republic, it was agreed with ENAC to introduce the procedures for the launch of the Service Conference necessary to achieve urban compliance, request which was formally sent in October 2020.

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

[4] Scope 1 - Direct emissions - Emissions associated with sources owned or under the control of the company.

Scope 2 - Indirect Emissions - Emissions associated with the generation of electricity or thermal energy acquired or consumed by the company, which is physically emitted within the corporate scope.

content to the bodies with greatest involvement (Municipalities of the CUV, Lombardy Region, Ticino Regional Park). Observations and requests for clarifications and additions from local and private entities were received between September and December. The EIA procedure is expected to be completed by the first quarter of 2022.

Environmental protection

On the regulatory issue of the mitigation of impacts on residences close to Linate, the plan for the complete mapping of noise sensitive areas around the airport has been completed, which will provide a complete and reliable database on which to plan the actions that will follow the approval of the new Linate Master Plan. During 2020, technical specifications were finalised in order to assign preparation of the noise containment action plan pursuant to Ministerial Decree 29/11/00. The plan will be completed between the end of 2021 and the beginning of 2022 and will be sent to the Ministry for the Environment for approval. The mapping plan of noise sensitive areas cited for Linate will also be extended to the Malpensa area, with a similar objective although as part of the process of defining the acoustic zoning and analysing the environmental impacts from the airport's development as per the new Master Plan to 2035.

European project

It confirms the strong presence of SEA in the field of international research and innovation projects, co-financed by the European Union, mainly focusing on environmental, sustainable transport and safety/security topics. Activities related to the following projects are ongoing under the Horizon 2020 and CEF (Connecting Europe facilities) programme:

- SATIE: Security of Air Transport Infrastructure of Europe: beginning in May 2019, a 24-month project, which adopts a holistic approach to cyber and physical security threat prevention, detection, response and mitigation at airports that guarantees the protection of critical systems, sensitive data and passengers;
- ClimOp: Climate assessment of innovative mitigation strategies towards Operational improvements in Aviation. The project will last 42 months and has an official start date of January 2020. The project seeks to evaluate, define and support the implementation of mitigation strategies to promote and implement operational improvements, in order to minimise the negative effects of air transport on climate change.
- FENIX: beginning in April 2019, a 36-month project engaging stakeholders in the field of logistics in the collaborative planning and monitoring of various scenarios and contexts relating to trans-European transport, telecommunications and energy networks.
- ITAIR ISAC: the operating phase began in October 2020 and will last 36 months. The project seeks to improve the IT capabilities of Italian airport operators through the creation of an "Information Sharing Analysis Centre".

Furthermore, in 2020, SEA participated in a series of new European tenders on environmental issues, sustainable transport, and safety/security, with a view to innovating and optimising its resources and processes. SEA has received a positive evaluation for a project co-financed under the Horizon 2020 programme:

- ORCHESTRA: Coordinating and synchronising multimodal transport improving road, rail, water and air transport through increased automation and user involvement.

  The project seeks to create a multi-modal traffic management ecosystem (MTME) which will enhance the coordination and synchronisation of operations within and between different modes of transport, and will help to improve safety, increase accessibility, and reduce emissions.

Following the results of the 2019 Reflow Call, SEA was awarded three strategically important projects as part of the CEF Programme, together with several partners. These include:

- PASS4CORE, for the development and improvement of a safe and protected parking network for HGVs along the Italian road network.
- MXP-NLINE, in partnership with FERROVIENORD, which will connect Malpensa Terminal 2 to the Simplon RFI railway line.
- MILAN EAST HUB GATE, in partnership with the Municipality of Milan/Municipality of Segrate/RFI, relating to the Technical Economic Feasibility (FTE) project for a new high-speed station on the RFI line in Segrate and the extension of the M4 underground line to connect Linate airport to the new station.

Airport Safety

Although 2020 was marked by the pandemic, the safety system boasted excellent stability and no events significantly impacted airport safety.

Human resources

Category	HEADCOUNT at December 31		Change	FTE January/December		Change
	2020	2019		2020	2019	
Executives	50	52	(2)	53	54	(1)
Senior Managers	284	291	(7)	286	292	(6)
White-collar	1,760	1,786	(26)	1,723	1,742	(19)
Blue-collar	657	634	23	638	635	3
Temporary	37	90	(53)	58	79	(21)
Total	**2,788**	**2,853**	**(65)**	**2,758**	**2,802**	**(44)**

At December 31, 2020, SEA Group employees numbered 2,788, decreasing by 65 on the end of 2019 (-2.3%). Full Time Equivalent employees in 2020 decreased by 44 on 2019 (from 2,802 to 2,758, -1.6%).

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

Organisation and management of personnel

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

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

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

A Head of Incident Reporting was appointed in the second half of the year to comply with the European NIS (Network and Information Security) directive.

Two key "Operations - PRM Assistance" projects were also developed to implement a new mission management system and an assistance forecasting system.

Refinements were made to the duties of the Public Affairs and External Communication Department and the Non-Aviation Business Development Department to ensure optimal supervision of communication and social media activities.

Organisational interventions were made to the ICT structure to enhance its ability to manage service contracts.

Training

Despite difficulties providing in-classroom training sessions, there was a greater need to maintain engagement levels and to deliver training sessions on how to use new meeting and collaboration tools.

To this end, in May 2020, the "Support for People" project was launched to provide training sessions and to improve employee well-being, boost individual productivity, and refine remote team management techniques.

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

2020 saw the creation of a Talent Manager role for some employees, with the aim of ensuring skill sets were aligned with the business model in order to define new roles and cover key positions. An onboarding process was also implemented for new hires, as was the "Look Up" training path for under-35s.

Various initiatives were launched in 2020 with regard to the mandatory training required by current regulations:

- senior executives were informed of regulatory updates to the Organisation and Management Model pursuant to Legislative Decree 231/2001 and the Anti-Corruption and Whistleblowing Measures;
- training was provided for all new hires on Legislative Decree 231/01, the SEA Organisational Model, the Anti-Corruption Management System pursuant to ISO 3700, and Whistleblowing;
- four-hour online workshops were held in November on the issue of GDPR - Privacy issues and "focal points" for managing the processing databases.

A training initiative entitled "Cybersecurity Awareness for Senior Management" was launched on the topic of IT security issues and best practices and the Open Innovation scheme (belonging to the SEA Insight project) was completed in collaboration with Cefriel and Milan Polytechnic. The project has been running for three years and seeks to accelerate changes to the airport's complex system. The CONEY trial was launched during the year to analyse the perceived quality of airport services in an innovative way. CONEY is a Conversational Survey tool and the survey was entitled "Travelling in the new normal: your opinion".

Welfare

2020 was greatly impacted by the pandemic and Covid-related issues influenced the personal and professional lives of the airport community on a daily basis. SEA adapted its corporate welfare initiatives as the health emergency progressed to provide support in ways that were compatible with the new situation.

Online income-support initiatives were provided on an ongoing basis, while the delivery of some initiatives was altered and others were suspended entirely. New health care services were also devised and launched in relation to the pandemic:

- "Future Lab" and initiatives dedicated to educating the children of employees and promoting their employability provided over 740 merit scholarships in 2020, while the "Push to Open Junior" and "Push to Open" courses were conducted online;
- "Parents School" seminars were streamed live;
- the departure date for some Intercultura scholarship winners was postponed;
- yearly summer camps for the children of employees were not able to go ahead and were replaced by a refund for registration at external summer centres.
- as regards commuter transport, annual passes for the ATM line, the Malpensa Express and Trenord's IVOL lines continued to be made available, with the additional support of extensions and refunds if season tickets could not be used;
- the Listening and Help desk launched a telephone counselling service with the support of social workers;
- a significant attempt was made in the "Health and Prevention" area to develop ways to effectively respond to issues relating to the pandemic and the health emergency. Screenings, testing agreements, a flu jab campaign, and Covid insurance coverage were implemented.

Internal Communications and the Smart-Working Project

Internal communication activities focused on issues relating to the pandemic, with the objective of offering support and information, and making services and content available online.

Microsoft Teams was made available to all employees (shift workers and non-shift workers) and a specific communication campaign, which is still in progress, was launched on SEAnet to encourage a positive attitude to new digital tools and to promote a culture of collaboration.

Remote working was continuously rolled out following the lockdown and the Ministerial Decree on March 8, 2020, and remained in place throughout the year for all non-shift workers. It represented a fundamental contribution to the continuity of services provided by the main company departments.

Employees were asked to work from home when infection levels peaked to protect their health and to comply with anti-Covid-19 regulations. During September, a dedicated communication campaign was launched to provide information and instructions on a "safe" return to the office.

Industrial Relations

Ongoing discussions with trade unions continued in 2020. Operational issues were routinely examined (e.g., the restructuring of airport spaces), as were issues relating to crisis management (e.g., the use of the temporary lay-off scheme, protocols to combat the spread of the virus) and to traffic. In particular:

- on February 27, 2020, an agreement was signed governing the applicational methods for insourcing of the BHS service at Linate, previously operated by Airport Handling.
- On March 13, 2020, an Agreement was signed for the requesting of the social security schemes to handle the Covid-19 related crisis. The instrument identified was the Extraordinary Temporary Lay-off Scheme for a total duration of 12 months (from March 16, 2020) and for a total of 2,699 workers at the Linate and Malpensa airports. This Agreement was subsequently implemented at Regional level.
- By Deed of March 18, 2020, the "Committee to apply and verify the rules of protocol 14/03/2020" was set up and between March and June met regularly to discuss both the safety procedures and regulations introduced to fight Covid-19 and updates on operating issues.
- On June 4, 2020, a Memorandum of Understanding was signed to access a funded training plan that provides for the participation of 500 workers, operating at Linate and Malpensa airports, for a total of 1,360 hours of training. This plan seeks to support people to manage the crisis both emotionally and operationally, with a particular focus on remote working.
- With the Agreement Statement of November 2, 2020, welfare credits accrued in 2019 and not used due to the pandemic were extended until November 2021.

Workplace health and safety

In 2020, SEA completed the process of transitioning its Workplace Health and Safety Management System (SGSSL) from the OHSAS 18001:2007 Standard to the new UNI ISO 45001:2018 Standard. The TUV Italia Certification Body confirmed the validity of its certification, thus aligning its content with the new standard.

Following the spread of Covid-19 in March, routine audit activities (internal, with third-party operators, and on construction sites) were temporarily suspended before being modified and relaunched in the second half of the year, as communicated to the Certification Body. In order to effectively monitor application of the containment measures introduced by SEA to deal with the Coronavirus emergency:

- monitoring activities were expanded to combine conventional safety walks with those aimed at verifying the correct application of anti-Covid measures;
- dedicated questionnaires were sent out to managers, supervisors and workers to assess employee awareness of the Covid provisions prepared by the Prevention and Protection Service.
- Lastly, two unannounced audits were conducted to check that anti-Covid measures were being implemented, such as the correct use of PPE, social distancing, and the presence of adequate horizontal and vertical signage.

Since the end of January, occupational safety activities have been almost exclusively focused on managing the Covid-19 emergency. Initial measures to protect against the risk of contagion concerned employees in close contact with passengers arriving from the epicentre of the pandemic (China, Taiwan, Hong Kong).

A first update of the company DVR, in agreement with the Competent Doctor, for the part relating to the potential biological risk from Covid-19. The measures assessed concerned the supply of PPE to employees and the provision of information to all staff through the publication on SEAnet of "instructions for service/business operators coming into contact with the public". Subsequent revisions (five in total) made it possible to anticipate and/or align company measures with those introduced by local and/or national regulatory provisions, ensuring that measures were updated on an ongoing basis as the company's situation and risk level progressed. The Prevention and Protection Service informed company managers that they needed to check employees were correctly wearing PPE and enforcing anti-Covid measures.

Regarding workplaces, offices and airport terminals:

- a specific protocol was devised in accordance with the USMAF and the provisions of Circular No. 5443 issued by the Ministry for Health on February 22, 2020, regarding the sanitation of environments in which someone with a suspected or confirmed case of Covid-19 had worked or stayed.
- A new protocol for routine cleaning operations was also devised, providing for the use of special detergents with additional cleansing properties and the greater frequency of interventions. A specific Safety Operating Procedure was also devised for the disinfection of company vehicles. Particular attention was paid to the management of air conditioning systems in shared areas and in those used by SEA employees. The use of changing rooms and showers was also monitored as the pandemic progressed. Posters and guidelines on hygiene and behavioural measures to be followed were displayed in all company departments and a number of hand gel dispensers were also installed.
- Timely partnerships with third-party companies were agreed to monitor the effectiveness of certain anti-Covid-19 measures (e.g., tests on the use of products with certain antibacterial and antiviral properties on banisters, luggage trolley handles, and bus handrails).
- The Prevention and Protection Service carried out ongoing inspections and safety walks to monitor safety conditions and to define risk mitigation interventions, in relation to the regulatory provisions and applicable guidelines.

As regards SEA personnel, a specific Covid-19 Corporate Protocol was drawn up in line with the agreement signed by social partners, the Government and Confindustria on March 14, 2020. Up-to-date information on prevention measures and complete documentation has been published on SEAnet (e.g., Prime Ministerial Decrees, MDs, Memorandums, Court Orders, Company Announcements, etc.). In addition to those listed above, the main measures included:

- Remote working, which was rolled out to all administrative employees in March (a total of about 800 people), allowing them to return to the office and to use shared spaces as the situation evolved over time, in accordance with the provisions of the Company Protocol.
- Employee temperatures were taken before work by qualified health care professionals at the Airport Emergency Departments, and then later, through the use of thermal scanners and tablets for self-monitoring at the main entry points, and "stamping".
- Technological solutions such as conference calls and video conferences were used in place of in-person meetings to allow activities to be carried out remotely.
- An internal procedure was drawn up for people tasked with managing employees or visitors who had tested positive for Covid after coming into contact with regulatory or SEA employees, in agreement with HR and the Company Doctor, in order to diagnose illnesses with Covid-like symptoms, which proved to be very useful during the first few months of the pandemic in particular.

As regards contractors working on construction sites pursuant to Title IV of Legislative Decree 81/08, the measures enforced to combat the spread of contagion between workers were coordinated, as was the provision of specific communications and the preparation and posting of a document containing the information and the provisions to be adopted at points of contact. In particular, specific guidelines were issued to update the operational safety plan and the coordination and safety plan in collaboration with the competent company departments.

Information and instructions were also prepared and displayed for visitors, users and third-party operators accessing the SEA site for various reasons.

Furthermore, among the numerous activities and initiatives implemented to manage the pandemic, the following should be noted:

- the compilation and submission of an online questionnaire sent by the ATS (Health Service) for the

Milan/Lombardy Region, which sought to assess the application of anti-Covid measures by local companies.

- Participation in various working groups to draw up and subsequently update the Malpensa and Linate Health Operations Protocols, which are prepared in line with the guidelines issued by the Technical Scientific Committee at GSD and the San Raffaele Vita-Salute University. The guidelines include and define the anti-Covid measures implemented by Airport Operators.
- Receipt of "Hygiene-Synopsis" certification, developed at an international level by TUV Italia for Healthcare Operations Protocols and the Company Protocol, with regard to passenger management services in terminals, including general aviation, construction sites, and working environments.
- Receipt of Airport Health Accreditation, which certifies that both Milan airports offer all passengers and operators a safe stay at the airport, in line with the operational and health recommendations of ACI World, Airports Council International and ICAO, International Civil Aviation Organization.

As regards Fire Prevention and Emergency Management activities, a three-year schedule for emergency and evacuation drills was drawn up and mapped all areas in which Group employees are present.

In 2020, drills were carried out at the airports managed by the Group in full compliance with Covid regulations. The drills had positive results. All the anomalies/discrepancies that emerged during the inspections, audits and Evacuation Evidence are managed and reported in the Fire Fighting Register, where the analysis of the causes and the identification of improvement and/or corrective actions, if necessary, are also entered.

During 2020, a new Emergency Plan was devised for the Security Education Centre (Building 79), the Ecological Island Plan for the Malpensa site was reviewed, the Special Procedures for Managing Employees with Reduced Mobility during Emergencies were updated, and the Emergency Plan coordinated with APCOA, Sheraton, and FNM at Terminal 1 was revised.

The Risk Assessment Documents were also updated.

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.

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

Following lockdown and the substantial reduction in airport activities, the incident rate decreased significantly in 2020, resulting in a 61% drop in work-related incidents and a 66% drop in commuter incidents compared to 2019. Incident analysis did not reveal any particular and/or critical situations such as to require targeted interventions. However, as in previous years, routine employee awareness activities continued.

CORPORATE GOVERNANCE SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Introduction

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

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

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

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

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

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

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

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

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

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

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

Control, Risks and Sustainability Committee

The Control, Risks and Sustainability Committee (CRSC), appointed by the Board of Directors on May 22, 2019 and in office at December 31, 2020, is composed of Directors Patrizia Giangualano (Committee Chairperson), Rosario Mazza and Pierfrancesco Barletta.

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

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

Internal Audit Manager

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

Independent Audit Firm

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

Supervisory Board as per Legislative Decree 231/2001

The Supervisory Board, appointed by the Board of Directors on May 22, 2019 and in office at December 31, 2020, is composed of four members: two external independent members, Giovanni Maria Garegnani and Lorenzo Enrico Lamperti, one non-executive and independent Director, Luciana Rovelli, and a Director in charge of the Auditing function, Ahmed Laroussi B.

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

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

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

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

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

Related Parties Transactions Policy

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

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

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

Code of Conduct

The Code of Conduct reflects the Group's value system and ethical vision. It also dictates the rules of conduct recipients are required to follow and the conduct behaviour to be adopted with regard to stakeholders. The Code of Conduct is a component of the Organisation and Management Model as per Legislative Decree 231/2001. The Ethics Committee, appointed by the Board of Directors on May 22, 2019, is chaired by the Chairperson of the Board of Directors, Michaela Castelli, and includes as members the Non-Executive Director of SEA Davide Corritore, and the managers of the corporate departments of Human Resources and of Auditing, respectively Massimiliano Crespi and Ahmed Laroussi B. The main duties of the Ethics Committee are to promote the dissemination of the Code of Ethics and to monitor compliance with it.

Anti-Corruption Focal Point

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

Anti-corruption Measures

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

Diversity policies

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

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

BOARD OF DIRECTORS' PROPOSALS TO THE SHAREHOLDERS' MEETING

The Board of Directors approves the 2020 Financial Statements of SEA S.p.A., prepared in accordance with IFRS, which report a net loss of Euro 120,366,865.50.

The Board of Directors has resolved to propose to the Shareholders' AGM to carry forward the 2020 net loss of Euro 120,366,865.50.

The Chairperson of the Board of Directors
Michaela Castelli

Consolidated Financial Statements

SEA GROUP

CONSOLIDATED FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		December 31, 2020		December 31, 2019	
(Euro thousands)	Note	Total	of which related parties	Total	of which related parties
Intangible assets	8.1	968,767		994,659	
Property, plant & equipment	8.2	212,591		215,657	
Leased assets right-of-use	8.3	10,662		10,106	
Investment property	8.4	3,402		3,404	
Investments in associates	8.5	66,127		76,674	
Other investments	8.6	1		26	
Deferred tax assets	8.7	93,735		58,163	
Other non-current receivables	8.8	48,651		6,470	
Total non-current assets		**1,403,936**	**0**	**1,365,159**	**0**
Inventories	8.9	2,027		1,848	
Trade receivables	8.10	51,400	6,372	123,241	13,326
Tax receivables	8.11	1,936		2,071	
Other current receivables	8.11	7,654		11,067	
Cash and cash equivalents	8.12	588,313		87,521	
Total current assets		**651,330**	**6,372**	**225,748**	**13,326**
TOTAL ASSETS		**2,055,266**	**6,372**	**1,590,907**	**13,326**
Share capital	8.13	27,500		27,500	
Other reserves	8.13	332,284		206,674	
Group Net Result	8.13	(128,576)		124,419	
Group Shareholders' equity		**231,208**		**358,593**	
Minority interest shareholders' equity		**28**		**27**	
Group & Minority int. share. equity	**8.13**	**231,236**		**358,620**	
Provision for risks and charges	8.14	202,343		157,408	
Employee provisions	8.15	45,622		48,172	
Non-current financial liabilities	8.16	871,102		505,692	
Other non-current payables	8.17	87,808		7,961	
Total non-current liabilities		**1,206,875**		**719,233**	
Trade payables	8.18	110,465	7,150	182,085	11,520
Income tax payables	8.19	8,351		10,689	
Other payables	8.20	154,402		287,522	
Current financial liabilities	8.16	343,937		32,758	
Total current liabilities		**617,155**	**7,150**	**513,054**	**11,520**
TOTAL LIABILITIES		**1,824,030**	**7,150**	**1,232,287**	**11,520**
TOTAL LIAIBILITIES & SHAREHOLDERS' EQUITY		**2,055,266**	**7,150**	**1,590,907**	**11,520**

CONSOLIDATED INCOME STATEMENT

		2020		2019	
(Euro thousands)	Note	Total	of which related parties	Total	of which related parties
Operating revenues	9.1	257,010	20,377	706,868	57,654
Revenue for works on assets under concession	9.2	29,024		51,142	
Total revenues		**286,034**	**20,377**	**758,010**	**57,654**
Operating costs					
Personnel costs	9.3	(136,551)		(191,627)	
Consumable materials	9.4	(33,042)		(47,437)	
Other operating costs	9.5	(116,322)		(197,966)	
Costs for works on assets under concession	9.6	(26,680)		(46,321)	
Total operating costs		**(312,595)**	**(19,988)**	**(483,351)**	**(42,846)**
Gross Operating Margin / EBITDA*		**(26,561)**	**389**	**274,659**	**14,808**
Provisions & write-downs	9.7	(13,058)		(555)	
Restoration and replacement provision	9.8	(17,195)		(22,052)	
Amortisation & Depreciation	9.9	(76,263)		(77,400)	
Operating Result		**(133,077)**	**389**	**174,652**	**14,808**
Investment income/(charges)	9.10	(9,947)	(9,947)	17,521	17,521
Financial charges	9.11	(20,326)		(17,120)	
Financial income	9.11	239		156	
Pre-tax Result		**(163,111)**	**(9,558)**	**175,209**	**32,329**
Income taxes	9.12	34,536		(50,788)	
Net Result		**(128,575)**	**(9,558)**	**124,421**	**32,329**
Minority interest profit		1		2	
Group Net Result		**(128,576)**	**(9,558)**	**124,419**	**32,329**
Basic net result per share (in Euro)	9.13	(0,51)		0,50	
Diluted net result per share (in Euro)	9.13	(0,51)		0,50	

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

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

	2020		2019	
(Euro thousands)	Total	of which related parties	Total	of which related parties
Group Net Result	**(128,576)**	**(9,558)**	**124,419**	**32,329**
- Items reclassifiable in future periods to the net result:				
Fair value measurement of derivative financial instruments	1,772		1,784	
Tax effect from fair value measurement of derivative financial instruments	(425)		(428)	
Total items reclassifiable, net of tax effect	**1,347**		**1,356**	
- Items not reclassifiable in future periods to the net result:				
Actuarial gains/(losses) on post-employment benefits	(205)		(3,793)	
Tax effect on actuarial gains/(losses) on post-employment benefits	49		910	
Total items not reclassifiable, net of tax effect	**(156)**		**(2,883)**	
Total other comprehensive income items	**1,191**		**(1,527)**	
Total comprehensive result	**(127,385)**		**122,892**	
Attributable to:				
- Parent company shareholders	(127,386)		122,890	
- Minority interest	1		2	

CONSOLIDATED CASH FLOW STATEMENT

(Euro thousands)	2020 Total	2020 of which related parties	2019 Total	2019 of which related parties
Cash flow from operating activities				
Pre-tax result	(163,111)		175,209	
Adjustments:				
Amortisation, depreciation and write-downs	76,683		77,400	
Net change in provisions (excl. employee provision)	3,490		(14,659)	
Changes in employee provisions	(2,971)		(2,289)	
Net changes in doubtful debt provision	10,295		(1,914)	
Net financial charges	20,087		16,963	
Investment (income)/charges	9,947		(17,521)	
Other non-cash changes	(3,285)		(2,636)	
Cash flow from operating activities before changes in working capital	**(48,865)**		**230,553**	
Change in inventories	(154)		85	
Change in trade and other receivables	64,963	(6,954)	(4,127)	86
Change in other non-current assets	8		(34)	
Change in trade and other payables	(121,453)	4,370	35,501	(96)
Cash flow (absorbed) or generated from changes in working capital	**(56,636)**	**(2,584)**	**31,425**	**(10)**
Income taxes paid	(6,307)		(62,829)	
Cash flow (absorbed) or generated from operating activities	**(111,808)**	**(2,584)**	**199,149**	**(10)**
Investments in fixed assets:				
- intangible assets (*)	(32,106)		(58,184)	
- tangible assets and property	(17,996)		(36,925)	
Divestments from fixed assets:				
- tangible assets and property	728		434	
Dividends received	625	625	10,766	10,766
Proceeds from the Ministry of Infrastructure and Transport for execution of works	5,307			
Cash flow (absorbed) or generated from investing activities	**(43,442)**	**625**	**(83,909)**	**10,766**
Change in gross financial debt				
- increase/(decrease) of short & medium-term debt	676,496		(21,360)	
Changes in other financial assets/liabilities	(2,237)		(3,745)	
Dividends distributed	(6)		(138,650)	
Interest and commissions paid	(18,444)		(17,100)	
Interest received	233		100	
Cash flow (absorbed) or generated from financing activities	**656,042**		**(180,755)**	
Increase/(decrease) in cash and cash equivalents	**500,792**	**(1,959)**	**(65,515)**	**10,756**
Opening cash and cash equivalents	87,521		153,036	
Closing cash and cash equivalents	588,313		87,521	
Cash and cash equivalents at year-end reported in financial statements	588,313		87,521	

(*) *The investments in intangible assets are net of the utilisation of the restoration provision, which in 2020 amounted to Euro 13,157 thousand (Euro 36,160 thousand in 2019).*

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(Euro thousands)	Share capital	Legal reserve	Other reserves and retained earnings	Actuarial gains/ (losses) reserve	Derivative contracts hedge accounting reserve	Net result	Consolidated shareholders' equity	Minority interest capital & reserves	Group & Minority int. share. equity
Balance at December 31, 2018	**27,500**	**5,500**	**294,022**	**(381)**	**(3,616)**	**136,076**	**459,101**	**25**	**459,126**
Transactions with shareholders									
Allocation of 2018 net profit			136,076			(136,076)			0
Dividend deliberated (*)			(223,400)				(223,400)		(223,400)
Other movements									
Other comprehensive income statement items result				(2,883)	1,356		(1,527)		(1,527)
Net profit						124,419	124,419	2	124,421
Balance at December 31, 2019	**27,500**	**5,500**	**206,698**	**(3,264)**	**(2,260)**	**124,419**	**358,593**	**27**	**358,620**
Transactions with shareholders									
Allocation of 2019 net profit			124,419			(124,419)	0		0
Other movements									
Other comprehensive income statement items result				(156)	1,347		1,191		1,191
Net result						(128,576)	(128,576)	1	(128,575)
Balance at December 31, 2020	**27,500**	**5,500**	**331,117**	**(3,420)**	**(913)**	**(128,576)**	**231,208**	**28**	**231,236**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

With the conversion into law of Legislative Decree No. 34 of May 19, 2020 ("Relaunch Decree"), the extension of the existing airport concessions for a further two years was approved, so the duration of the concession has been extended to 2043.

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

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

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

The Group holds at December 31, 2020, the following investments in associates and measured under the equity method: (i) Dufrital (held 40%), which undertakes commercial activities at other Italian airports, including Bergamo, Florence, Genoa and Verona; (ii) Malpensa Logistica Europa (held 25%), which undertakes integrated logistic activities; (iii) SEA Services (held 40%) which operates in the catering sector for the Milan airports; (iv) Disma (held 18.75%), which manages a plant for the storage and distribution of aviation fuel at Milan Malpensa Airport; (v) SACBO (held 30.98%), which manages the airport of Bergamo, Orio al Serio; and (vi) Airport Handling (held 30%), which provides passenger, cargo and aircraft and crew support services to all airlines.

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

As mentioned previously, the most significant event for the 2020 financial year-end was the spread of the Covid-19 virus and its consequences for the air transport sector. For further information, reference should be made to the Directors' Report.

2. SUMMARY OF ACCOUNTING PRINCIPLES ADOPTED

The main accounting principles adopted in the preparation of the Consolidated Financial Statements at December 31, 2020, are reported below.

The Consolidated Financial Statements at December 31, 2020, and the tables included in the Explanatory Notes are prepared in thousands of Euro.

2.1 Basis of preparation

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

The Consolidated Financial Statements at December 31, 2020, were prepared in accordance with IFRS in force at the approval date of the financial statements and the provisions enacted as per Article 9 of Leg. Decree No. 38/2005. The term IFRS includes all of the International Financial Reporting Standards, all of the International Accounting Standards and all of the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) previously called the Standing Interpretations Committee (SIC) approved and adopted by the European Union.

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

Statement and Comprehensive Income Statement and the indirect method for the Cash Flow Statement. Where present the balances and transactions with related parties are reported.

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

It should also be noted that Law 178 of December 30, 2020, "Government budget for fiscal year 2021 and spending plan for 2021-2023", paragraphs 714-720, to mitigate the economic effects of the Covid-19 epidemic emergency on the entire airport sector, established a fund with assets of Euro 500 million, intended to provide compensation, with the limit of Euro 450 million, for the damages suffered by airport operators possessing the prescribed valid certificate issued by ENAC.

In light of the fact that:

- the implementing ministerial decree has not yet been issued, and
- authorisation by the European Commission to exclude the entirety of the legislation on State Aid has not yet been released,

the SEA Group has not recognised this "operating grant" in the 2020 income statement.

For further information, reference should be made to the Directors' Report.

The Consolidated Financial Statements were prepared in accordance with the going concern concept, therefore utilising the accounting principles of an operating business. Company Management evaluated that, although within a difficult economic and financial environment, there are no significant uncertainties concerning the capacity of the Group to meet its obligations in the foreseeable future, and in particular in the 12 months subsequent to approval of this report. In this regard, please refer to the observations in the Directors' Report. In the preparation of the Consolidated Financial Statements at December 31, 2020, the same accounting principles were adopted as in the preparation of the Consolidated Financial Statements at December 31, 2019. Following the issue on a regulated market of the "SEA 3 1/8 2014-2021" bond, IFRS 8 and IAS 33 concerning segment reporting and earnings per share were utilised.

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

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

2.2 IFRS accounting standards, amendments and interpretations applied from January 1, 2020

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

Description	Date approved	Publication in the Official Gazette	Effective date as per the standard	Effective date applied by SEA
Amendments to IAS 1 and IAS 8: Definition of Material	Nov 29, 2019	Dec 10, 2019	Periods which begin from Jan 1, 2020	Jan 1, 2020
Amendments to References to the Conceptual Framework in IFRS Standards	Nov 29, 2019	Dec 6, 2019	Periods which begin from Jan 1, 2020	Jan 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform	Jan 15, 2020	Jan 16, 2020	Periods which begin from Jan 1, 2020	Jan 1, 2020
Amendments to IFRS 3 Business Combinations	Apr 21, 2020	Apr 22, 2020	Periods which begin from Jan 1, 2020	Jan 1, 2020
Amendment to IFRS 16 Leases Covid-19 - Related Rent Concessions	Oct 9, 2020	Oct 12, 2020	Periods which begin from Jan 1, 2020	Jan 1, 2020

The adoption of these amendments and interpretations, where applicable, has not had any significant impact on the Statement of Financial Position or on the result of the Group.

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

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

Description	Approved at the date of the present document	Effective date as per the standard
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform -Phase 2	YES	Periods which begin from Jan 1, 2021
Amendments to IFRS 4 Insurance Contracts - deferral of IFRS19	YES	Periods which begin from Jan 1, 2021
Amendments to IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Annual Improvements 2018-2020	NO	Periods which begin from Jan 1, 2022
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date	NO	Periods which begin from Jan 1, 2023
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies	NO	Periods which begin from Jan 1, 2023
Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	NO	Periods which begin from Jan 1, 2023
IFRS 17 Insurance Contracts	NO	Periods which begin from Jan 1, 2023

No accounting standards and/or interpretations were applied in advance whose application is obligatory for periods commencing after December 31, 2020, and the Directors no not expect any material effects.

2.4 Consolidation method and principles

The financial statements of the companies included in the consolidation scope were prepared as at December 31, 2020, and were appropriately adjusted, where necessary, in line with Group accounting principles.

The consolidation scope includes the financial statements at December 31, 2020 of SEA, of its subsidiaries, and of those subsidiaries upon which it exercises a significant influence.

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

a) power over the entity;

b) exposure, or rights, to variable returns deriving from involvement with the same;

c) the capacity to utilise its power to influence the amount of these variable returns.

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

- the assets and liabilities and the charges and income of the companies fully consolidated are recorded line-by-line, attributing to the minority shareholders, where applicable, the share of net equity and net result for the period pertaining to them; this share is recorded separately in the net equity and in the consolidated income statement;

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

Associated Companies

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

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

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

2.5 Consolidation scope and changes in the year

The registered office and the share capital (at December 31, 2020, and December 31, 2019) of the companies included in the consolidation scope under the full consolidation method and equity method are reported below:

Company	Registered office	Share capital at 31/12/2020 (Euro)	Share capital at 31/12/2019 (Euro)
SEA Energia S.p.A.	Aeroporto di Milano Linate - Segrate (MI)	5,200,000	5,200,000
SEA Prime S.p.A.	Viale dell'Aviazione, 65 - Milano	2,976,000	2,976,000
Signature Flight Support Italy S.r.l.	Viale dell'Aviazione, 65 - Milano		420,000
Dufrital S.p.A.	Via Lancetti, 43 - Milano	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 - Milano	105,000	105,000
Malpensa Logistica Europa S.p.A.	Aeroporto di Milano Linate - Segrate (MI)	6,000,000	6,000,000
Disma S.p.A.	Aeroporto di Milano Linate - Segrate (MI)	2,600,000	2,600,000
Airport Handling S.p.A.	Aeroporto di Malpensa - Terminal 2 - Somma Lombardo (VA)	5,000,000	5,000,000

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

The companies included in the consolidation scope at December 31, 2020, and the respective consolidation methods are reported below:

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

2.6 Translation of foreign currency transactions

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

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

2.7 Accounting policies

Intangible assets

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

(a) Rights on assets under concession

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

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

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

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

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

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

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

(b) Industrial patents and intellectual property

Patents, concessions, licenses, brands and similar rights

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

Computer software

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

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

Property, plant & equipment

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

Property

Property, in part financed by the State, relates to tangible assets acquired by the Group in accordance with the 2001 Agreement (which renewed the previous concession of May 7, 1962). The 2001 Agreement provides for the obligation of SEA to maintain and manage airport assets for the undertaking of such activities and the right to undertake structural airport works, which remain the property of SEA until the expiry of the 2001 Agreement, i.e. May 4, 2043. The fixed assets in the financial statements are reported net of State grants.

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

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

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

Plant & Equipment

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

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

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

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

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

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

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

Leased assets right-of-use

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

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

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

Investment property

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

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

Impairments

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

Impairment test

It should also be noted that, in preparing the annual report, the Parent Company conducted impairment testing, when indicated, in order to determine whether there have been any losses in the value of assets.

The trigger events that required the carrying out of an impairment test were the following:

- a significant reduction in passenger traffic in 2020, with the Milan Airport System serving 9.5 million passengers, down 73% on 2019;
- airlines experiencing financial difficulties despite public stimulus policies;
- liquidation of Air Italy, a core Malpensa airline, not strictly related to the Covid-19 outbreak;
- structural re-sizing by many airlines in terms of fleet size, crews, destinations served, and operating hubs;
- financial tensions of non-aviation partners, who have requested adjustments to their contracts.

The impairment test, approved by the Board of Directors on March 25, 2021, was carried out based on the 2021-2025 Business Plan, approved by the Board of Directors on January 19, 2021. From this basis, medium and long-term financial forecasts on traffic were made through 2043, year of expiration of the concession as extended by Legislative Decree No. 34 of May 19, 2020 (the "Relaunch Decree").

The long-term (beyond 2025) forecasts were made based on the following:

- estimates of expected traffic were made based on the latest industry studies and on available expert reports. In this regard, the Parent Company has developed three separate scenarios based on macroeconomic profile, travel restrictions, supply and demand, and a recovery in air traffic, and this was done with the help of outside experts. With these multiple scenarios, the forecasts took account of an intermediate scenario that calls for a return to pre-Covid-19 volumes beginning in 2024, which is in line with the latest IATA forecasts (subject to a specific sensitivity analysis to be conducted);

- the investment plan has been prepared (with regard to years beyond 2025) by taking account of actions needed to maintain infrastructures and of the development investments under the Linate and Malpensa master plans;
- regulated revenues were calculated based on ART regulatory criteria (see resolution No. 136/2020);
- non-aviation revenues were calculated based on expected traffic and planned infrastructure-development investemets;
- recognition of a portion of the "Relief" provision to cover losses incurred due to the Covid-19 emergency was not taken into account.

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

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

The value in use of the CGU was calculated through discounting future cash flows at December 31, 2020. For the discounting of cash flows, the nominal post-tax WACC of 6.76% was used, in line with the estimated future unlevered free cash flows. This value in use was thereafter compared with the total value at December 31, 2020, of tangible and intangible assets, leased assets rights-of-use and property investments.

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

Impairment test was also conducted on the investments in associates, which, given the type of activities conducted at the airports, have been impacted by the described market dynamics in the same manner as the SEA Group. The equity investments subjected to this impairment testing were Sacbo, Dufrital, SEA Services, and Airport Handling. The results of the impairment tests on these investments were approved by the Board of Directors on March 25, 2021.

The investment in Malpensa Logistica Europa was not subject to impairment test because the verification conducted did not point to any impairment indicator, given that the company is engaged in the ground handling cargo and logistics segments, which proved to be more resilient through the crisis and that the positive performances are confirmed also in the 2021 budget.

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

In order to determine the value in use of the equity investments, the most recently approved financial statements, the financial forecasts provided by the companies, where available, and the main drivers of operations based on the SEA Group's 2021-2025 Business Plan were taken into account. Based on this information, financial forecasts were made for each company involved in the impairment test.

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

The impairment tests were carried out on these investees, indicating no losses in value at December 31, 2020.

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

In light of the results of these impairment tests at December 31, 2020, it has not been necessary to recognise impairment losses on property, plant and equipment, on intangible assets, on leased assets rights-of-use, on investment property, or on investments in associates.

Financial assets

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

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

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

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

Derivative financial instruments

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

The hedging relations are of three types:

1. fair value hedge in the case of hedging the exposure against changes in the fair value of assets or liabilities recorded which is attributable to a risk which could impact the result for the year. The profit or losses on the hedging instrument are recorded in the income statement (or in "Other items of the comprehensive income statement", if the hedging instrument hedges an equity instrument for which the Group has chosen to present the changes in fair value under "Other items of the comprehensive income statement");
2. cash flow hedge in the case of hedging the exposure against changes in the cash flows attributable to a particular risk associated with all the assets or liabilities recorded or one of their components or a highly probable scheduled transaction and which could impact on the result for the year. The hedging is recorded as follows: a) the net equity reserve for the hedging of the cash flows is adjusted to the lower between the cumulative profit or loss on the hedging instru-

ment from the commencement of the hedge and the cumulative change in the fair value of the item hedged from the commencement of the hedge; b) the part of the profit or loss on the hedging instrument which is an effective hedge is recorded in a net equity reserve (and in specifically under "Other items of the comprehensive income statement"). Any residual profit or loss on the hedge instrument represents the ineffective part of the hedge which is recorded in the income statement in the account "Financial income/charges";

3. hedges of a net investment in a foreign operation (as defined in IAS 21), recognised in a similar manner to the hedging of financial cash flows.

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

Environmental securities: emission quotas, Green Certificates and White Certificates

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

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

Trade and other receivables

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

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

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

Inventories

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

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

Cash and cash equivalents

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

Provisions for risks and charges

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

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

Restoration and replacement provision of assets under concession

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

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

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

Employee provisions

Pension provisions

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

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

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

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

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

Post-employment benefits

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

Financial liabilities

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

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

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

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

Trade and other payables

Trade and other payables are initially recognised at amortised cost.

Reverse factoring transactions - indirect factoring

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

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

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

Revenue recognition

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

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

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

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

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

Green certificates, white certificates and emission quotas

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

Revenue for works on assets under concession

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

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

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

Government grants

Public grants, in the presence of a formal resolution, are recorded on an accrual basis in direct correlation to the costs incurred (IAS 20). Public grants, including non-monetary grants measured at fair value, do not need to be recognised until there is reasonable certainty that:

a. the entity will respect the established conditions; and
b. the grants will actually be received.

Capital grants

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

Operating grants

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

Recognition of costs

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

Financial income

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

Financial charges

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

Income taxes

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

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

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

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

Dividends

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

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

3. ESTIMATES AND ASSUMPTIONS

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

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

(a) Impairments

The tangible and intangible assets and investments in associated companies and property investments are verified to ascertain if there has been a loss in value which is recorded by means of a write-down, when it is considered there will be difficulties in the recovery of the relative net book value through use. The verification of the existence of the above-mentioned indicators requires the Directors to make valuations based on the information available within the Group and from the market, as well as historical experience. In addition, when it is determined that there may be a potential impairment loss, the Group determines this through using the most appropriate technical valuation methods available. The correct identification of the indicators of the existence of a potential reduction in value, as well as the estimates for their determination, depends on factors which may vary over time impacting upon the valuations and estimates made by the Directors. Due to the major uncertainties linked to the Covid-19 emergency, both in the duration of the restrictions and in the structural macro-economic impacts, an accurate forecast process for the current year is extremely difficult. The Group is carefully monitoring the development of the situation and is updating the sensitivity analyses on the effects of the epidemic and has, in order to mitigate uncertainty, prepared impairment tests that take account of separate scenarios and specific sensitivity analyses. Reference should be made in addition to the paragraph above "Impairments".

(b) Depreciation

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

(c) Provisions for risks and charges

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

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

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

Provisions are recorded against risks of a legal and tax nature and employee disputes. The amount of the provisions recorded in the financial statements relating to these risks therefore represents the best estimate at that date made by the Directors. This estimate results in the adoption of assumptions concerning factors which may change over time and which may, therefore, have significant effects compared to the present estimates made by the Directors for the preparation of the financial statements. In addition, the restoration and replacement provision of the assets under concession, recorded in accordance with IFRIC 12, includes the best estimate of the charges matured at the balance sheet date for scheduled maintenance in future years in order to ensure the functionality, operations and security of the assets under concession. When measuring the restoration and replacement provision, the Group has taken account of expected investments and has not noted a particular impact from Covid-19.

(d) Trade receivables

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

(e) Leases

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

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

4. RISK MANAGEMENT

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

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

4.1 Credit risk

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

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

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

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

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

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

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

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

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

Trade receivables

(Euro thousands)	December 31, 2020	December 31, 2019
Trade receivables - customers	155,175	210,447
- of which overdue	125,648	123,769
Doubtful debt provision - customers	(110,147)	(100,532)
Trade receivables - associates	6,563	13,467
Doubtful debt provision - associates	(191)	(141)
Total net trade receivables	**51,400**	**123,241**

The aging of the overdue receivables is as follows:

Trade receivables

(Euro thousands)	December 31, 2020	December 31, 2019
less than 180 days	25,050	18,442
more than 180 days	100,598	105,327
Total trade receivables overdue	**125,648**	**123,769**

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

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

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

Trade receivables

(Euro thousands)	December 31, 2020	December 31, 2019
Trade receivables - customers	161,738	223,914
(i) receivables from parties subject to administration procedures	92,190	96,237
(ii) receivables subject to dispute	19,159	19,214
Total trade receivables, net of the receivables at points (i) and (ii)	**50,389**	**108,463**
Overdue receivables, other than at points (i) and (ii)	14,299	8,318
Sureties and deposits	78,876	82,886
% of receivables guaranteed by sureties and deposits vs total trade receivables, net of the receivables at points (i) and (ii)	156.5%	76.4%

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 2020, the market risks to which the SEA Group were subject were:

a) interest rate risk;

b) currency risk;

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

a) Interest rate risk

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

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

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

At December 31, 2020 the gross financial debt of the SEA Group was comprised of medium/long-term loans (medium/long term portions of loans) and short-term loans (exclusively the medium/long-term portion of loans maturing within 12 months). At this date, the SEA Group did not make recourse to short-term debt.

The medium/long term debt at December 31, 2020, is reported in the following table, which shows each loan at the nominal value (which includes a spread of between 0.25% and 1.62%, not considering the hedging operations and any accessory guarantees):

Medium/long term loans

	December 31, 2020			December 31, 2019		
(Euro thousands)	Maturity	Amount	Average rate	Maturity	Amount	Average rate
Bonds	**from 2021 to 2025**	**600,000**	**3.313%**	**2021**	**300,000**	**3.125%**
Bank loans - EIB funding	**from 2023 to 2037**	**197,308**	**0.86%**	**from 2020 to 2037**	**220,767**	**0.93%**
o/w at Fixed Rate		*31,017*	*3.91%*		*38,128*	*3.90%*
o/w at Variable Rate (*)		*166,291*	*0.29%*		*182,639*	*0.30%*
Other bank loans	**from 2022 to 2023**	**400,000**	**0.39%**	**2020**	**44**	**0.50%**
o/w at Fixed Rate					*44*	*0.50%*
o/w at Variable Rate		*400,000*	*0.39%*			
Medium/long-term gross financial debt		**1,197,308**	**1.93%**		**520,811**	**219%**

(*) Includes: (i) variable rate tranche subject to interest rate hedge (ca. 28% at 31.12.2020 & 29% at 31.12.2019);

(ii) Euro 74 million of EIB loans with specific bank guarantee

The total value of medium/long-term loans at December 31, 2020, amounts to Euro 1,197,308 thousand, an increase of Euro 676,497 thousand compared to December 31, 2019, following the issue of the 10/2025 SEA bond in October 2020 in the amount of Euro 300 million and Euro 400 million in term loans from May to December 2020, partially offset by the repayments on EIB loans. The average cost of medium/long-term debt at the end of December 2020 came to 1.93%, down 26 bps on the end of December 2019, having benefited from the favourable cost conditions on the new term loans stipulated during the year. Also considering the hedging transactions against the interest rate risk and the cost of bank guarantees on EIB loans, the average cost of debt amounts to 2.16%, down 60 bps compared to the end of 2019.

At December 31, 2020, the Group had the following bond issues with a total nominal value of Euro 600 million.

Description	Issuer	Listing market	ISIN Code	Terms (years)	Maturity	Par value (in million of Euro)	Coupon	Annual rate
SEASPA 3 1/8 04/17/21	SEA S.p.A.	Irish Stock Exchange	XS1053334373	7	04/17/21	300	Fixed annual	3.125%
SEASPA 3 1/2 10/09/25	SEA S.p.A.	Irish Stock Exchange	XS2238279181	5	10/09/25	300	Fixed annual	3.50%

The fair value of the overall bank and bond medium/long-term Group debt at December 31, 2020, amounts to Euro 1,232,458 thousand (an increase on Euro 536,831 thousand at December 31, 2019). This value was calculated as follows:

- for the loans at fixed interest rates, the capital portion and interest were discounted utilising the spot rates for each contractual maturity, extrapolated from the market rates;
- for bonds listed on a regulated market, reference was made to the market values at December 31, 2020;
- for the loans at variable interest rates, the interest portion was calculated utilising the estimate of the expected rates at the end of each contractual maturity, increased by the spread defined contractually. The interest portion defined as outlined above and the capital on maturity was discounted utilising the spot rate for each contractual maturity, extrapolated from the market rate.

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

In response to the Covid-19 emergency, the SEA Group requested and obtained a covenant holiday on outstanding loans and committed lines of credit available at the beginning of 2020 from the lending banks for the test dates of June 30 and

December 31, 2020, and June 30, 2021. For the new term loans stipulated and disbursed in 2020, 25% include covenant holidays for the same period, while, for the remainder, the first test date is set for June 30, 2021, for covenants that have been set based on scenarios that already take account of the impact of the Covid-19 pandemic.

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 December 31, 2020	Date of signing	Start	Maturity	Fair value at December 31, 2020	Fair value at December 31, 2019
IRS	10,000	6,452	5/18/2011	9/15/2012	9/15/2021	(258.4)	(520.1)
	5,000	3,226	5/18/2011	9/15/2012	9/15/2021	(129.2)	(260.0)
	15,000	8,276	5/18/2011	9/15/2012	9/15/2021	(328.1)	(668.7)
	10,000	4,643	6/6/2011	9/15/2012	9/15/2021	(177.3)	(366.1)
	11,000	4,931	6/6/2011	9/15/2012	9/15/2021	(188.0)	(388.3)
	12,000	4,966	6/6/2011	9/15/2012	9/15/2021	(188.2)	(391.3)
	12,000	4,966	6/6/2011	9/15/2012	9/15/2021	(188.2)	(391.3)
Collar	10,000	4,643	6/6/2011	9/15/2011	9/15/2021	(145.8)	(298.1)
	11,000	4,552	6/6/2011	9/15/2011	9/15/2021	(141.1)	(290.3)
Total	**96,000**	**46,655**				**(1,744.3)**	**(3,574.1)**

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

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

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

b) Currency risk

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

c) Commodity risk

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

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

4.3 Liquidity risk

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

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

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

At December 31, 2020, also thanks to the process to strengthen the financial structure during the year, the Group has significant financial resources available:

- liquidity of Euro 588 million, based on robust cash at the end of 2019 (Euro 88 million), in addition to the issue of term loans of Euro 400 million and the issue of a new bond in the amount of Euro 300 million;
- 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;
- Euro 143 million of uncommitted credit lines available for immediate cash requirements.

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

Liabilities at December 31, 2020

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

Liabilities at December 31, 2019

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

At December 31, 2020, loans due within one year relate to the bond maturing in April 2021, the principal portion to be paid on some of the loans, EIB loans in particular, and interest due on the total debt. The loan repayment scheduling reflects the capacity of the SEA Group funding to cover medium/long-term needs.

4.4 Sensitivity

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

In particular, the analysis considered:

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

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

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

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

The results of the sensitivity analysis are reported below:

	December 31, 2020		December 31, 2019	
(Euro thousands)	-50 bp	+50 bp	-50 bp	+50 bp
Current accounts (interest income)[1]	-232.74	1,414.20	-99.99	731.90
Loans (interest charges)[2]	1,001.36	-1,713.38	309.12	-982.04
Derivative hedging instruments (flows)[3]	-196.45	196.45	-294.33	294.33
Derivative hedging instruments (fair value)[4]	-114.38	120.41	-376.14	370.35

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

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

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

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

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

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

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

5. CLASSIFICATION OF THE FINANCIAL INSTRUMENTS

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

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

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

(Euro thousands)	December 31, 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		222			222
Trade receivables		123,241			123,241
Tax receivables		2,071			2,071
Other current receivables		11,067			11,067
Cash and cash equivalents		87,521			87,521
Total	**26**	**224,122**	**0**	**0**	**224,148**
Non-current financial liabilities exc. leasing			3,574	495,347	498,921
-of which payables to bondholders				*299,369*	*299,369*
Non-current financial payables for leasing				6,771	6,771
Other non-current payables				7,961	7,961
Trade payables				182,085	182,085
Tax payables				10,689	10,689
Other current payables				287,522	287,522
Current financial liabilities excl. leasing				31,052	31,052
Current financial liabilities for leasing				1,706	1,706
Total	**0**	**0**	**3,574**	**1,023,133**	**1,026,707**

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

6. DISCLOSURE ON FAIR VALUE

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

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

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

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

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

7. DISCLOSURE BY OPERATING SEGMENT

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

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

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

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

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

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

(Euro thousands)	Commercial Aviation	General Aviation	Energy	IC Eliminations	Consolidated Financial Statements
Revenues	242,405	12,276	36,550	(34,221)	257,010
of which Intercompany	(6,148)	(2,559)	(25,514)	34,221	
Total operating revenues (third parties)	**236,257**	**9,717**	**11,036**	**0**	**257,010**
EBITDA	**(31,636)**	**6,189**	**(1,114)**		**(26,561)**
EBIT	**(135,665)**	**3,988**	**(1,400)**		**(133,077)**
Investment income/(charges)					(9,947)
Financial charges					(20,326)
Financial income					239
Pre-tax result					**(163,111)**
Fixed asset investments	**39,158**	**642**	**6,661**		**46,461**
Tangible assets	10,825	642	6,538		18,005
Intangible assets	28,333	0	123		28,456

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

(Euro thousands)	Commercial Aviation	General Aviation	Energy	IC Eliminations	Consolidated Financial Statements
Revenues	688,980	15,185	51,338	(48,635)	706,868
of which Intercompany	(9,536)	(4,367)	(34,732)	48,635	
Total operating revenues (third parties)	**679,444**	**10,818**	**16,606**	**0**	**706,868**
EBITDA	**268,516**	**6,509**	**(366)**		**274,659**
EBIT	**170,789**	**4,557**	**(694)**		**174,652**
Investment income/(charges)					17,521
Financial charges					(17,120)
Financial income					156
Pre-tax result					**175,209**
Fixed asset investments	**86,145**	**3,563**	**8,203**		**97,911**
Tangible assets	25,174	3,554	8,203		36,931
Intangible assets	60,971	9			60,980

More information on operating business activities is available in the “Operating Performance - Sector Analysis” section in the Directors’ Report.

8. NOTES TO THE STATEMENT OF FINANCIAL POSITION

8.1 Intangible assets

The table below reports the changes in intangible assets in 2020:

Intangible assets

(Euro thousands)	December 31, 2019	Increases in the year	Reclassifications /transfers	Destruct. /sales	Amortisation /write-downs	December 31, 2020
Gross value						
Rights on assets under concession	1,552,769	2,330	23,992	(595)	(420)	1,578,076
Rights on assets under concess. in prog. & advances	43,876	23,028	(23,808)			43,096
Patents and right to use intellectual property & others	89,098		8,959		(89)	97,968
Assets in progress and advances	7,780	3,098	(8,959)	(463)		1,456
Other	18,568			2	(160)	18,410
Total Gross Value	**1,712,091**	**28,456**	**184**	**(1,056)**	**(669)**	**1,739,006**
Accumulated amortisation						
Rights on assets under concession	(625,356)			594	(44,956)	(669,719)
Rights on assets under concess. in prog. & advances						
Patents and right to use intellectual property & others	(76,749)				(8,443)	(85,192)
Assets in progress and advances						
Other	(15,328)					(15,328)
Total accumulated amortisation	**(717,434)**	**0**	**0**	**594**	**(53,399)**	**(770,239)**
Net value						
Rights on assets under concession	927,414	2,330	23,992	(1)	(45,376)	908,357
Rights on assets under concess. in prog. & advances	43,876	23,028	(23,808)			43,096
Patents and right to use intellectual property & others	12,349		8,959		(8,532)	12,776
Assets in progress and advances	7,780	3,098	(8,959)	(463)		1,456
Other	3,240			2	(160)	3,082
Total net value	**994,659**	**28,456**	**184**	**(462)**	**(54,068)**	**968,767**

As per IFRIC 12, rights on assets under concession, net of accumulated amortisation, amount to Euro 908,357 thousand at December 31, 2020, and Euro 927,414 thousand at December 31, 2019. These rights are amortised on a straight-line basis over the duration of the concession from the State, as they will be returned to the grantor at the end of the concession. The amortisation for 2020 amounts to Euro 44,956 thousand, and impairment losses total Euro 420 thousand. The increases in the year, amounting to Euro 26,322 thousand, derive mainly from the entry into use of investments made in previous years and recorded under "Rights on assets under concession in progress and advances". The direct increases during the period of Euro 2,330 thousand refer above all to the purchase of new explosive detection system equipment for inspecting checked baggage and x-ray equipment used to check carry-on baggage. For assets under concession, SEA has the obligation to record a restoration and replacement provision, in relation to which reference should be made to Note 8.14.

The account "Rights on assets under concession in progress and advances", amounting to Euro 43,096 thousand, refers to the work in progress on concession assets, not yet completed at December 31, 2020.

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

In 2020, the SEA Group continued its commitment to the infrastructural development of the Malpensa and Linate airports. This development, in view of the contingent Covid-19 emergency, led to the postponement of a number of initiatives, which are, in any event, not deemed to be indispensable in terms of security and compliance with applicable law.

The main works done during the year at Malpensa by the Parent Company, SEA, amounted to Euro 13,731 thousand and primarily related to: i) at Terminal 1, the completion of the new Arrivals A bus shelter, the continuation of refurbishment and standardisation of the public toilets, the seismic upgrades to the spatial coverage, and the continuation of upgrades to the fire-detection system; ii) at Terminal 2, the upgrades to hygiene to deal with the Covid-19 emergency regulations; it should be noted that, following the decision to shift all traffic to Terminal 1, investments directly related to passenger traffic were suspended, including construction of the self-service bag drop and upgrades to the hold baggage screening (HBS) system to ECAC standard 3, and will be completed when levels of traffic will allow for the reopening of Terminal 2; iii) the works on air-side infrastructures at Malpensa, which solely concerned the redevelopment of existing areas and projects related to maintaining and increasing the levels of security and operational functioning of the airport.

At Linate, amounting to Euro 14,573 thousand, works principally concerned continuation of the functional upgrading and restyling of the terminal. In particular, the main works involved the construction of a new building F (ground floor, first and second floor, and roof) with a façade facing the aircraft apron, expansion of the gates on the ground floor (which became operational in late October 2020) and departure security checks with the creation, in the carry-on baggage screening area, of new next-generation radiogenic equipment to optimise traffic flow and increase the quality of service provided to passengers, as well as creation of new retail areas and a new food & beverage area on the second floor, scheduled for completion in the spring of 2021. In addition, work is underway on upgrading the terminal's check-in areas and building new vertical links to the M4 arrival station.

The reclassifications to assets under concession principally related to the gradual entry into service of the terminal restyling works at Linate and Malpensa, the portion of new construction related to Linate runway, and construction of the new Arrivals A bus shelter at Malpensa's Terminal 1.

Patents and right to use intellectual property and other intangible assets, amounting to Euro 12,776 thousand at December 31, 2020 (Euro 12,349 thousand at December 31, 2019), relate to the purchase of software components for the airport and operating IT systems. Specifically, the increases for Euro 8,959 thousand in 2020 principally related to the development and implementation of the administrative and airport management systems, relating to investments in previous years and recorded in the account "Assets in progress and advances" which at December 31, 2020, record a residual amount of Euro 1,456 thousand, relating to software developments in progress. The amortisation for the year 2020 amounts to Euro 8,532 thousand.

The changes in intangible assets during 2019 were as follows

Intangible assets

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

8.2 Property, plant and equipment

The following tables summarises the movements in property, plant and equipment in 2020.

Property

(Euro thousands)	December 31, 2019	Increases in the year	Reclassifications/ transfers	Destruct./ sales	Depreciation /write-downs	December 31, 2020
Gross value						
Property	231,691		3,888	(37)		235,542
Plant and machinery	114,267	73	895	(9,039)		106,196
Industrial and commercial equipment	46,295	279		(2)		46,572
Other assets	79,778	1,211	9,902	(25)		90,865
Assets in progress and advances	26,796	16,442	(14,869)			28,369
Total Gross Value	**498,826**	**18,005**	**(184)**	**(9,103)**	**0**	**507,543**
Accumulated depreciation & write-downs						
Property	(107,924)			27	(6,748)	(114,647)
Plant and machinery	(73,665)			8,518	(2,909)	(68,056)
Industrial and commercial equipment	(40,554)				(3,470)	(44,025)
Other assets	(61,024)			2	(7,204)	(68,225)
Assets in progress and advances						
Total accumulated depreciation & write-downs	**(283,167)**	**0**	**0**	**8,547**	**(20,331)**	**(294,953)**
Net value						
Property	123,766		3,888	(10)	(6,748)	120,895
Plant and machinery	40,602	73	895	(521)	(2,909)	38,140
Industrial and commercial equipment	5,740	279		(2)	(3,470)	2,547
Other assets	18,753	1,211	9,902	(23)	(7,204)	22,640
Assets in progress and advances	26,796	16,442	(14,869)			28,369
Total net value	**215,657**	**18,005**	**(184)**	**(556)**	**(20,331)**	**212,591**

The investments relate to the development of the Aviation sector which, as already reported, in accordance with IFRIC 12 are classified as assets under concession and current airport concessions and those in the Non-Aviation sector, amounting to Euro 3,888 thousand at December 31, 2020, principally related to the restyling work at Terminal 1 of Malpensa and the Terminal of Linate, in addition to the development and consolidation of network infrastructure.

Increments in "Property, plant and equipment" by the Parent Company SEA also include the purchase of new video terminals for Euro 626 thousand and furniture and furnishings (counters, benches, seats, etc.) for Euro 578 thousand.

The increases in "Assets in progress and advances" include Euro 6,535 thousand related to SEA Energia. This amount mainly refers to advances for the purchase of the new TGE turbine. The disposal of the TGC turbine at the Malpensa Station of SEA Energia took place in 2020. Once definitively in service (expected to occur in April 2021), the new gas turbine will reduce pollutant fallout by approximately 70%, while also cutting CO_2, albeit to a modest degree, through the increased co-generation efficiency of the electric and thermal energy produced by the combined cycle co-generation (CC1 cycle) system in which it will be installed.

All fixed assets, including those falling under IFRIC 12, are expressed net of those funded by State and European Union contributions. These latter at December 31, 2020, amounted to Euro 511,873 thousand and Euro 7,019 thousand respectively.

The changes in property, plant and equipment during 2019 were as follows:

Property

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

8.3 Leased assets rights-of-use

“Leased asset rights-of-use” concern rights-of-use recognised as per IFRS 16. As a lessee, the SEA Group identified the relevant issues, principally industrial equipment, land and the long-term hire of vehicles, with the consequent recognition of a 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 payable. The net value of leased assets right-of-use at December 31, 2020, is Euro 10,662 thousand, with depreciation in the year of Euro 2,282 thousand. For the calculation of these amounts, the Group availed of an exemption permitted under IFRS 16 and which resulted in a single discount rate for each leasing portfolio.

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

Leased assets rights-of-use

(Euro thousands)	December 31, 2019	Increases in the year	Destruct./sales	Depreciation/ write-downs	December 31, 2020
Gross value					
Runway/Apron/Street equipment	11		(11)		0
Miscellaneous & minor equipment	3,069	208	(89)		3,188
Complex equipment	188				188
Transport vehicles	3,257	2,655	(829)		5,083
EDP	908		(46)		862
Loading and unloading vehicles	7		(7)		0
Land	4,377				4,377
Total Gross Value	**11,817**	**2,863**	**(982)**	**0**	**13,698**
Accumulated depreciation & write-downs					
Runway/Apron/Street equipment	(8)		11	(3)	0
Miscellaneous & minor equipment	(614)		89	(686)	(1,211)
Complex equipment	(54)			(54)	(108)
Transport vehicles	(668)		804	(956)	(820)
EDP	(175)		46	(184)	(313)
Loading and unloading vehicles	(5)		7	(2)	0
Land	(188)			(397)	(585)
Total accumulated depreciation & write-downs	**(1,712)**	**0**	**957**	**(2,282)**	**(3,037)**
Net value					
Runway/Apron/Street equipment	3			(3)	0
Miscellaneous & minor equipment	2,455	208		(686)	1,977
Complex equipment	134			(54)	80
Transport vehicles	2,589	2,655	(25)	(956)	4,263
EDP	733			(184)	549
Loading and unloading vehicles	2			(2)	0
Land	4,189			(397)	3,792
Total net value	**10,106**	**2,863**	**(25)**	**(2,282)**	**10,662**

The changes in leased assets rights-of-use during 2019 were as follows:

Leased assets rights-of-use

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

8.4 Investment property

Information on investment property is provided below:

Investment property

(Euro thousands)	December 31, 2020	December 31, 2019
Gross value	4,134	4,134
Accumulated depreciation	(732)	(730)
Net total investment property	**3,402**	**3,404**

Movement Accumulated Depreciation

(Euro thousands)	December 31, 2020	December 31, 2019
Opening balance	(730)	(730)
Decreases/Reclassification		2
Depreciation	(2)	(2)
Closing balance	**(732)**	**(730)**

The account includes buildings not utilised in the operated activities of the Group (apartments and garages).

In view of the results of the impairment test at December 31, 2020, described in Note 2, the non-financial assets were not written down.

8.5 Investments in associated companies

The changes in the account "investments in associated companies" at December 31, 2020 and December 31, 2019 are shown below.

Investments in associates

(Euro thousands)	December 31, 2019	Movements Increases / (decreases)	Dividends distributed	Decreases for disposal	December 31, 2020
SACBO SpA	45,815	(6,242)			39,573
Dufrital SpA	13,919	(2,819)			11,100
Disma SpA	2,721	(251)			2,470
Malpensa Logistica Europa SpA	3,612	748	(625)		3,735
SEA Services Srl	515	102			617
Airport Handling SpA	9,734	(1,102)			8,632
Signature Flight Support Italy Srl	358			(358)	0
Total	**76,674**	**(9,564)**	**(625)**	**(358)**	**66,127**

The companies held are all resident in Italy.

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

The SEA Group share of adjusted net equity at December 31, 2020 amounts to Euro 66,127 thousand (Euro 76,674 thousand at December 31, 2019).

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

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

8.6 Other investments

The list of "Other investments" is presented below:

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

The tables below report the changes in other investments in 2020:

Other investments

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

On September 22, 2020 ORSNA (Organismo Regulador del Sistema Nacional de Aeropuertos) authorised the transfer of the AA 2000 shares from SEA to Cedicor, for which an agreement had been concluded on June 30, 2011. On November 9, 2020 the Board of Directors of AA2000 acknowledged the completed transfer. The SEA Group then definitively transferred 8.5% of the share capital of AA2000.

In addition, on December 31, 2020 the SEA Group wrote down the 10% equity investment in Consorzio Milano Sistema in liquidation.

8.7 Deferred tax assets

The changes in the net deferred tax assets for the year 2020 are shown below:

Deferred tax assets

(Euro thousands)	December 31, 2019	(Released) / allocated to P&L	(Released) / allocated to Equity	December 31, 2020
Restoration prov. as per IFRIC 12	30,874	2,150		33,024
Write-downs assets	684	40		724
Provisions for risks and charges	11,717	(2,495)		9,222
Non-deductible doubtful debt provision	6,862	424		7,286
Labour dispute	5,058	3		5,061
Fair value measurement of derivatives	715		(425)	290
Post-em. bens. prov. discounting (IAS 19)	1,467	(66)	49	1,450
Ord. main. on assets under concession	12,717	(3,946)		8,771
Amortisation and Depreciation	2,173	105		2,278
Other	4,110	198		4,308
SEA tax losses		33,678		33,678
Total deferred tax assets	**76,377**	**30,091**	**(376)**	**106,092**
Amortisation & Depreciation	(12,272)	5,749		(6,523)
Allocation gain acquisition SEA Prime	(4,683)	218		(4,465)
Restoration provision	(1,499)	(119)		(1,618)
Other	240	9		249
Total deferred tax liabilities	**(18,214)**	**5,857**	**0**	**(12,357)**
Total deferred tax assets, net of liabilities	**58,163**	**35,948**	**(376)**	**93,735**

The movement in deferred tax assets mainly regards the positive impact from the 24% accrual of the deferred tax asset on the 2020 tax loss, which assumes that the current situation is temporary and that a reasonable certainty therefore exists, also on the basis of the 2021-2025 Business Plan approved by SEA's Board of Directors on January 19, 2021, of generating in future periods sufficient taxable income to allow for its gradual reabsorption.

When calculating 2020 deferred taxes, account was not taken of the current increase of 3.5 percentage points in the IRES rate, as introduced by the Law of December 27, 2019 for public service concessionaires, applicable to the years 2019, 2020 and 2021, since there is no certainty, given the current crisis situation in the airport sector, that use will fall during the period in which the law is in effect.

This change was therefore affected by the consequent realignment of the previously calculated deferred tax assets with the increase of 3.5%, which became necessary following the changed scenarios in terms of the recoverability of the aforementioned increase in IRES by 2021.

8.8 Other non-current receivables

Other non-current receivables of Euro 48,651 thousand as at December 31, 2020 (Euro 6,470 thousand as at December 31, 2019) refer to:

- Employee receivables and guarantee deposits of Euro 214 thousand (Euro 222 thousand as at December 31, 2019);
- Euro 48,437 thousand (Euro 6,248 thousand at December 31, 2019) for the asset relating to the indemnification right to which the Company is entitled, associated with the takeover value and arising from Article 703 (paragraph 5), of the Navigation Code among non-current assets in accordance with IAS 8, paragraphs 10 and 11.

8.9 Inventories

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

Inventories

(Euro thousands)	December 31, 2020	December 31, 2019
Raw material, ancillary and consumables	3,291	3,136
Inventory obsolescence provision	(1,264)	(1,288)
Total Inventories	**2,027**	**1,848**

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

The comparison of inventories with the realisable value or replacement necessitated an obsolescence inventory provision amounting to Euro 1,264 thousand at December 31, 2020 (Euro 1,288 thousand at December 31, 2019).

8.10 Trade receivables

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

Trade receivables

(Euro thousands)	December 31, 2020	December 31, 2019
Trade receivables - customers	45,028	109,915
Trade receivables - associates	6,372	13,326
Total net trade receivables	**51,400**	**123,241**

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

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

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

The changes in the doubtful debt provision were as follows:

Doubtful debt provision

(Euro thousands)	December 31, 2020	December 31, 2019
Opening provision	(100,673)	(102,701)
(Increases)/releases	(10,295)	1,914
Utilisations	630	114
Total doubtful debt provision	**(110,338)**	**(100,673)**

Accruals to the provision are shown net of reversals and amount to Euro 10,295 thousand in 2020 (net releases of Euro 1,914 thousand in 2019). The doubtful debt provision was calculated to take into account the risk in deterioration of the financial positions of the principle operators with which disputes exist and write-downs for receivables under administration, and of the risk assessed by the Group which reflects the expected loss on each receivable, as per IFRS 9.

8.11 Tax receivables and other current receivables

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

Tax receivables and other current receivables

(Euro thousands)	December 31, 2020	December 31, 2019
Tax receivables	1,936	2,071
Other current receivables	7,654	11,067
Total tax receivables and other current receivables	**9,590**	**13,138**

Tax receivables of Euro 1,936 thousand as at December 31, 2020 refer to VAT receivables of Euro 132 thousand (Euro 464 thousand as at December 31, 2019), current tax receivables of Euro 1,045 thousand (Euro 1,182 thousand as at December 31, 2019) and other tax receivables of Euro 759 thousand (Euro 425 thousand as at December 31, 2019).

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

Other current receivables

(Euro thousands)	December 31, 2020	December 31, 2019
CO_2 quota receivables	1,722	5,183
Other receivables	4,220	4,773
Employee & soc. sec. receivables	544	204
Receivables from insurance companies	949	488
Miscellaneous receivables	169	371
Post & tax stamps	50	48
Total other current receivables	**7,654**	**11,067**

“Other current receivables” amount to Euro 7,654 thousand at December 31, 2020 (Euro 11,067 thousand at December 31, 2019) and is comprised of the accounts outlined below.

CO_2 quota receivables amounted to Euro 1,722 thousand as at December 31, 2020 (Euro 5,183 thousand as at December 31, 2019) and refer to greenhouse gas emission rights quotas purchased in advance.

“Other receivables” of Euro 4,220 thousand principally concerns accrued income related to revenues accrued in the year and costs relating to future years. The account also includes supplier advances, operating grants and other minor positions. The change during the year was mainly due to the decreased receivables recognised due to prepayments during the year of costs set to accrue in the following year.

Miscellaneous receivables amounting to Euro 169 thousand at December 31, 2020 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 949 thousand at December 31, 2020 (Euro 488 thousand at December 31, 2019) relates to amounts paid on insurance policies in advance of the period to which the cost refers. The movement was mainly due to the different payment timing than in 2019.

8.12 Cash and cash equivalents

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

Cash and cash equivalents

(Euro thousands)	December 31, 2020	December 31, 2019
Bank and postal deposits	588,240	87,458
Cash in hand and similar	73	63
Total	**588,313**	**87,521**

Cash and cash equivalents at December 31, 2020 increased Euro 500,792 thousand on the previous year, following the issue of the new bond of Euro 300 million and the new term loans of Euro 400 million, while however decreasing due to the absorption of cash flows from operating management, particularly as a result of the Covid-19 emergency.

The account at December 31, 2020 comprises bank and postal deposits on demand for Euro 588,137 thousand (Euro 87,354 thousand at December 31, 2019), restricted bank deposits of Euro 103 thousand (in line with December 31, 2019) and cash amounts for Euro 73 thousand (Euro 63 thousand at December 31, 2019). It should be noted that a significant portion of this liquidity is held in treasury current accounts that ensure adequate returns.

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

8.13 Shareholders' Equity

At December 31, 2020, the share capital of the Company amounted to Euro 27,500 thousand.
The par value of each share was Euro 0.11.
The changes in shareholders' equity in the year are shown in the Financial Statements.

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

(Euro thousands)	Net Equity at December 31, 2019	Equity movements	OCI Reserve	Net profit /(loss)	Net Equity at December 31, 2020
Parent Company Financial Statements	**277,229**	**0**	**1,191**	**(120,367)**	**158,053**
Share of net equity and net profit of the consolidated subsidiaries attributable to the Group, net of the carrying amount of the relative investments	28,547			1,929	30,475
Adjustments for measurement at equity of associates	58,538			(10,378)	48,160
Other consolidation adjustments	(5,692)			241	(5,451)
Consolidated Financial Statements	**358,620**	**0**	**1,191**	**(128,575)**	**231,236**

On May 4, 2020, the Shareholders' Meeting of the Parent Company SEA approved, according to a prudent approach, in view of the emergency situation due to the effects of the Covid-19 pandemic and in order to support the Company's capital solidity and contain the future operating and financial impacts, the allocation of the 2019 net profit of Euro 111,565,580.68 to the extraordinary reserve.

8.14 Provisions for risks and charges

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

Provision for risks and charges

(Euro thousands)	December 31, 2019	Provisions	(Utilisation)	(Releases)	Other movements	December 31, 2020
Restoration and replacement provision	129,725	16,929	(13,157)		42,455	175,952
Provision for future charges	27,683	2,839	(3,635)	(496)		26,391
Total provision for risks and charges	**157,408**	**19,768**	**(16,792)**	**(496)**	**42,455**	**202,343**

The restoration and replacement provision on assets under concession, created in accordance with IFRIC 12, amounting to Euro 175,952 thousand at December 31, 2020 (Euro 129,725 thousand at December 31, 2019), refers to the estimate of the amount matured relating to the maintenance on assets under concession from the State which will be undertaken in future years. The provision for the year takes into account the updated long-term scheduled maintenance and replacement plans on these assets, while the utilisations in the year refer to the restoration works carried out covered by the provisions made in previous years. The utilisation for the year was mainly due to the restoration work tied to the functional upgrading of the Linate terminal, the revamping of the overheated water system line and the roofs of the Malpensa terminal and, in the airside area, the resurfacing of several segments of the runways, taxiways and aircraft parking aprons. In order to better present the financial position information, the Group reports, starting from the current year, the asset relating to the indemnification right to which the Company is entitled, associated with the takeover value and arising from Article 703 (paragraph 5), of the Navigation Code among non-current assets in accordance with IAS 8, paragraphs 10 and 11. This amount was accounted for through the account "Other movements".

The movements of the future charges provision were as follows:

Provision for future charges

(Euro thousands)	December 31, 2019	Provisions	(Utilisation)	(Releases)	December 31, 2020
Labour provisions	5,854	2,259	(1,773)	(162)	6,178
Insurance excesses	1,272	32	(310)	(168)	826
Tax risks	1,860			(35)	1,825
Green & white certificates	914		(293)	(131)	490
Other provisions	17,783	548	(1,259)		17,072
Total provision for future charges	**27,683**	**2,839**	**(3,635)**	**(496)**	**26,391**

The labour provision relates to the expected streamlining actions to be undertaken on the Group's operations. The utilisations in the year are related to the incentivised resignations for which a specific provision was made in the accounts in 2019.

"Insurance excesses" equal to Euro 826 thousand refers to the charges payable by the SEA Group for damages deriving from civil responsibility.

The "Tax risks" account refers to:

- Euro 1,500 thousand for the amount allocated by SEA Prime SpA, to cover liabilities related to the non-payment of Group VAT by the former parent company for the years 2011 and 2012;
- Euro 325 thousand for the amount provisioned by the Parent SEA in relation to the VAT assessment and the registration tax settlement notice (for further information, reference should be made to the Directors' Report).

"Green and white certificates", amounting to Euro 490 thousand at December 31, 2020, refers to SEA Energia. The residual balance at December 31, 2020 refers solely to the provision for future charges for Green Certificates as the GSE's verification of the Malpensa plant with regard to the return of a part of the White Certificates received in the period 2012-2015 was definitively concluded. For further details, reference should be made to the Directors' Report to the chapter "Main disputes outstanding at December 31, 2020".

The account "Other provisions" for Euro 17,072 thousand at December 31, 2020 is composed of the following items:

- Euro 5,072 thousand for legal disputes related to the operational management of the airports;
- Euro 9,000 thousand relating to charges from the acoustic zoning of the peripheral areas to the Milan Airports (Law No. 447/95 and subsequent Ministerial Decrees). Although the Milan Airport Commission has approved a reference scenario, no noise zoning yet exists. A plan to map all noise-sensitive areas near Linate Airport was launched in late 2019 and will later be extended to the Malpensa area with similar goals;
- Euro 3,000 thousand for various legal disputes.

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

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

8.15 Employee provisions

The changes in the employee provisions are shown below:

Employee provisions

(Euro thousands)	December 31, 2020	December 31, 2019
Opening provision	48,172	46,214
Financial (income)/charges	216	454
Utilisations	(2,972)	(2,289)
Actuarial losses/(profits)	206	3,793
Total employee provisions	**45,622**	**48,172**

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

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

Economic-financial technical parameters

	December 31, 2020	December 31, 2019
Annual discount rate	0.01%	0.77%
Annual inflation rate	0.80%	1.50%
Annual increase in employee leaving indemnity	2.10%	2.63%

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

The sensitivity analysis for each of the significant assumptions at December 31, 2020 is shown below, indicating the effects that would arise on the post-employment benefit provision for the Parent Company SEA.

Change

(Euro thousands)	December 31, 2020	December 31, 2019
+ 1 % on turnover rate	44,314	46,814
- 1 % on turnover rate	45,119	47,657
+ 1/4 % on annual inflation rate	45,300	47,863
- 1/4 % on annual inflation rate	44,106	46,578
+ 1/4 % on annual discount rate	43,744	46,189
- 1/4 % on annual discount rate	45,684	48,277

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

Average duration of the obligation

(in years)	December 31, 2020	December 31, 2019
Duration of the plan	9.2	9.4

Expected disbursements

(Euro thousands)	December 31, 2020	December 31, 2019
Year 1	4,473	4,397
Year 2	1,996	3,438
Year 3	2,077	2,073
Year 4	2,157	2,099
Year 5	2,326	2,297

8.16 Current and non-current financial liabilities

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

	December 31, 2020		December 31, 2019	
(Euro thousands)	Current portion	Non-current portion	Current portion	Non-current portion
Long-term loans	30,580	564,849	23,459	195,978
Loan charges payable	1,137		939	
Derivatives fair value	1,744			3,574
Bank payables	**33,461**	**564,849**	**24,398**	**199,552**
Payables to bondholders	299,856	298,490		299,369
Payables for charges on bonds	9,014		6,610	
Lease liabilities (Financial Payables)	1,606	7,763	1,706	6,771
Payables for subsidised loans			**44**	
Payables to other lenders	**310,476**	**306,253**	**8,360**	**306,140**
Total current and non-current liabilities	**343,937**	**871,102**	**32,758**	**505,692**

The financial debt of the Group at the end of 2020, as illustrated in the table below, is almost exclusively comprised of medium/long-term debt - of which approximately half concerning the “SEA 3 1/2 2014 -2021” and “SEA 3 1/2 2020-2025” bond issues (expressed at amortised cost). The remainder of the debt is comprised of new term loans disbursed in 2020 (maturing in 2022 and 2023) and EIB subsidised loans (of which 42% with maturity beyond 5 years and only 12% due in the next 12 months).

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

Net financial debt

	(Euro thousands)	December 31, 2020	December 31, 2019
A.	Cash and Cash Equivalents	(588,313)	(87,521)
B.	Other cash equivalents		
C.	Securities held for trading		
D.	**Liquidity (A)+(B)+(C)**	**(588,313)**	**(87,521)**
E.	**Financial receivables**		
F.	Current financial payables	10,152	7,549
G.	Current portion of medium/long-term bank payables	30,580	23,503
H.	Other current financial payables	303,206	1,706
I.	**Payables and other current financial liabilities (F) + (G) + (H)**	**343,937**	**32,758**
J.	**Net current financial debt (D) + (E) + (I)**	**(244,376)**	**(54,763)**
K.	Non-current portion of medium/long-term bank payables	564,849	195,977
L.	Bonds issued	298,490	299,369
M.	Other non-current financial payables	7,764	10,346
N.	**Payables and other non-current financial liabilities (K) + (L) + (M)**	**871,102**	**505,692**
O.	**Net Financial Debt (J) + (N)**	**626,726**	**450,929**

At the end of December 2020, the net debt of Euro 626,726 thousand increased Euro 175,797 thousand on the end of 2019 (Euro 450,929 thousand).

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

a) an increase in cash and cash equivalents of Euro 500,792 thousand, due to the following main factors: i) the issuance of the new bond of Euro 300 million and the disbursement of new term loans of Euro 400 million; ii) the continuation of the repayment of part of the loans held, principally EIB loans, with principal amounts repaid in 2020 totalling Euro 23,504 thousand;

b) lower IAS adjustments for Euro 799 thousand principally deriving from: i) the improvement in the fair value of the derivatives for Euro 1,830 thousand related to the continuation of the amortisation of the relative notional value; ii) greater accruals on loans for Euro 2,603 thousand, primarily relating to the issuance of the new bond in October 2020; iii) the positive impact for Euro 1,572 thousand from the continued amortisation of the costs for the new loans and bond;

c) greater lease payables for Euro 892 thousand.

"Other current financial payables" and "Other non-current financial payables" include the lease liabilities, as per IFRS 16 and representing the obligation to make contractually established payments. As per the table presented below, the current financial liabilities (maturity within 12 months) and non-current liabilities (maturity beyond 12 months) for leasing amount at December 31, 2020 respectively to Euro 1,606 thousand and Euro 7,763 thousand:

Lease liabilities (Financial Payables)

	December 31, 2020	
(Euro thousands)	current	non-current
Miscellaneous & minor equipment	680	1,571
Complex equipment	55	37
Transport vehicles	678	3,727
EDP	156	432
Land	37	1,996
Total	**1,606**	**7,763**

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

The following is a breakdown of the variations of current and non-current financial assets and liabilities, with a separate indication of cash flows recorded in the year 2020 and other variations.

(Euro thousands)	Loans	Bond loans	Payables for charges on loans and bonds	Derivative liabilities	Lease payables	Total
December 31, 2019	**219,481**	**299,369**	**7,549**	**3,574**	**8,477**	**538,450**
Issue new tranches of loans	400,000					400,000
Issue new bond loans		300,000				300,000
Cash flows	(23,504)		(7,549)		(2,055)	(33,108)
Other changes						
- Amortised cost effect	(548)	(1,023)				(1,571)
- Fair value change				(1,830)		(1,830)
- Accrued interest on loans and bonds			10,151			10,151
- Change in finance lease obligations IFRS16					2,947	2,947
December 31, 2020	**595,429**	**598,346**	**10,151**	**1,744**	**9,369**	**1,215,039**

8.17 Other non-current payables

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

Other non-current payables

(Euro thousands)	December 31, 2020	December 31, 2019
Payables to shareholders for non-current extraordinary dividends	84,737	
Employee payables	2,537	6,560
Social security institutions	534	1,401
Total	**87,808**	**7,961**

Other non-current payables increased significantly due to the reclassification of amounts payable to shareholders for extraordinary dividends approved in 2019, which were reclassified by the Parent Company SEA among non-current liabilities and thus were due beyond one year. For the disbursement of the second and final tranche to be paid with effect from June 24, 2020, the Company reserved the right to re-define the date of payment of said tranche when, once the Covid-19 emergency has passed, economic and financial conditions allow it. At December 31, 2019, this amount was classified among other current payables.

"Other non-current payables" also 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)	December 31, 2020	December 31, 2019
Supplier payables	98,746	168,413
Advances	4,569	2,152
Payables to associates	7,150	11,520
Total trade payables	**110,465**	**182,085**

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

The payables for advances at December 31, 2020 amounted to Euro 4,569 thousand (Euro 2,152 thousand at December 31, 2019).

In order to optimise operations with suppliers, trade payables at December 31, 2020 include sums ceded under indirect factoring contracts for Euro 1,415 thousand (Euro 4,076 thousand at December 31, 2019).

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

8.19 Income tax payables

Income tax payables at December 31, 2020 of Euro 8,351 thousand (Euro 10,689 thousand at December 31, 2019) consist of:

Income tax payables

(Euro thousands)	December 31, 2020	December 31, 2019
IRPEF payables on employees and sub-contractors	4,571	4,856
Direct income taxes	446	4,872
VAT payables	2,807	955
Other tax payables	527	6
Total income tax payables	**8,351**	**10,689**

8.20 Other payables

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

Other payables

(Euro thousands)	December 31, 2020	December 31, 2019
Payables to shareholders for dividends	96	84,839
Airport fire service	77,279	71,187
Payables for additional landing rights	26,109	51,416
Other items	11,799	22,866
Employee payables for amounts matured	12,205	24,047
Payables to the state for concession fee	10,349	14,664
Payables to social security institutions	12,110	14,126
Employee payables for vacations not taken	2,769	2,676
Third party guarantee deposits	1,379	1,296
Payables to others post-employee benefits	220	237
Payables to BoD & Boards of Statutory Auditors	74	72
Payables to the state for concession fee security service	13	96
Total	**154,402**	**287,522**

“Other payables” decreased by Euro 133,120 thousand, from Euro 287,522 thousand at December 31, 2019 to Euro 154,402 thousand at December 31, 2020.

Payables to shareholders for short-term dividends decreased significantly, following the reclassification of the extraordinary portion to “Other non-current payables”.

Relating to the payables to the State for airport fire services, on July 20, 2018 the constitutional court notice of July 3, 2018 was published in the Official Gazette which declared the unconstitutionality of Article 1, paragraph 478 of Law No. 208 of December 28, 2015 implementing “Provisions for the drawing up of annual and multi-year budgets of the State (2016 Stability Law)”. The established taxation status of the fire-fighting fund and the condition of exclusive tax jurisdiction were subsequently confirmed by the Court of Cassation on January 15, 2019. For further details and more in-depth information, reference should be made to the Directors’ Report in the section “Main disputes outstanding at December 31, 2020”.

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

The account “Other payables”, amounting to Euro 11,799 thousand at December 31, 2020 (Euro 22,866 thousand at December 31, 2019), mainly relates to deferred income for future periods and other minor payables. Deferred income in 2020 was affected by the renegotiation of existing commercial contracts due to the Covid-19 health emergency.

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

9. INCOME STATEMENT

9.1 Operating revenues

The table below shows the breakdown of operating revenues for the years 2020 and 2019. These data, as shown in Note No. 7 “Disclosure by operating segment” reflect the operational and managerial view of the businesses in which the Group operates. Therefore, these data differ with respect to those presented at the level of the individual legal entity.

The decline in revenues is mainly due to the negative effects of the spread of the Covid-19 virus, which resulted in a strong reduction in airport activities due to the dramatic decline in passenger traffic.

For details and analysis of traffic data in 2020, reference should be made to the Directors’ Report.

Operating revenues

(Euro thousands)	2020	2019
Commercial Aviation Operating Revenues	236,257	679,444
General Aviation Operating Revenues	9,717	10,818
Energy Operating Revenues	11,036	16,606
Total operating revenues	**257,010**	**706,868**

Commercial Aviation Operating Revenues

The breakdown of Aviation operating revenues is reported below.

Aviation operating revenues

(Euro thousands)	2020	2019
Fees and centralised infrastructure	127,108	367,658
Revenues from security controls management	11,217	44,637
Use of regulated spaces	6,624	13,515
Total Aviation operating revenues	**144,949**	**425,810**

The decline in aviation revenues is described in detail in the Directors’ Report, to which reference should be made.

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

Non Aviation operating revenues

(Euro thousands)	2020	2019
Retail	26,975	103,587
Parking	23,396	73,319
Cargo	16,644	18,357
Advertising	4,193	10,547
Premium services	4,816	22,721
Real estate	1,944	4,336
Services and other revenues	13,340	20,767
Total Non Aviation operating revenues	**91,308**	**253,634**

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

The breakdown of retail revenues is reported below.

Retail Revenues

(Euro thousands)	2020	2019
Shops	11,570	54,192
Food & Beverage	6,952	23,014
Car Rental	5,997	17,456
Bank services	2,456	8,925
Total Retail	**26,975**	**103,587**

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

General Aviation Operating Revenues

As mentioned above, the General Aviation business includes the full range of services relating to business traffic at the western apron of Linate airport and, with effect from August 2019, at Malpensa airport also. Revenues from the General Aviation business amounting to Euro 9,717 thousand registered a slight decrease over the previous year; for commentary, see the Directors' Report.

Energy Operating Revenues

The breakdown of Energy operating revenues is reported below.

Energy Operating Revenues

(Euro thousands)	2020	2019
Sale of Electricity	6,250	11,662
Sale of Thermal Energy	4,540	4,888
Other Revenues & Services	246	56
Total Energy operating revenues	**11,036**	**16,606**

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

9.2 Revenue for works on assets under concession

Revenue for works on assets under concession increased from Euro 51,142 thousand in 2019 to Euro 29,024 thousand in 2020.

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

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

9.3 Personnel costs

The breakdown of personnel costs is as follows.

Personnel costs

(Euro thousands)	2020	2019
Wages, salaries & social security charges	125,924	178,348
Post-employment benefits	7,812	7,895
Other personnel costs	2,815	5,384
Total	**136,551**	**191,627**

Group personnel costs in 2020 decreased Euro 55,076 thousand (-28.7%) compared to 2019, from Euro 191,627 thousand to Euro 136,551 thousand.

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

In fact, the average number of full-time equivalent employees decreased from 2,802 in 2019 to 2,758 in 2020.

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

Average Full Time Equivalent

	January-December 2020	%	January-December 2019	%
Executives	53	1.9%	54	1.9%
Managers	286	10.4%	292	10.4%
White-collar	1,723	62.5%	1,742	62.2%
Blue-collar	638	23.1%	635	22.7%
Total full-time employees	**2,700**	**97.9%**	**2,723**	**97.2%**
Temporary workers	58	2.1%	79	2.8%
Total employees	**2,758**	**100.0%**	**2,802**	**100.0%**

9.4 Consumable materials

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

Consumable materials

(Euro thousands)	2020	2019
Raw materials, ancillaries, consumables and goods	29,759	44,483
Purchase of CO_2 quotas	3,461	2,869
Change in inventories	(178)	85
Total	**33,042**	**47,437**

Consumable materials decreased from Euro 47,437 thousand in 2019 to Euro 33,042 thousand in 2020, a reduction of Euro 14,395 thousand, primarily due to the lower costs of methane and electricity.

9.5 Other operating costs

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

Other operating costs

(Euro thousands)	2020	2019
Public fees	15,884	35,513
Ordinary maintenance costs	25,461	37,118
Terminal services provided by handling company	14,536	24,548
Cleaning	12,532	16,862
Other costs	7,252	15,480
Parking management	7,063	17,430
Professional services	4,565	6,780
Utilities & security expenses	5,307	11,355
Miscellaneous and local taxes	8,393	8,382
Hardware and software fees & rental	7,785	8,156
Commercial costs	2,039	7,847
Disabled assistance	1,876	3,600
Hire of equipment & vehicles	904	2,068
Insurance	1,840	1,518
Emoluments & costs of Board of Statutory Auditors & BoD	855	728
Losses on disposal of assets	30	581
Total other operating costs	**116,322**	**197,966**

"Other operating costs", amounting to Euro 116,322 thousand in 2020, decreased Euro 81,644 thousand on the previous year. The lower costs reflect the reduced volumes of traffic and passengers served. This reduction is almost entirely attributable to the period from March to December and is due to the absence of costs following lower traffic volumes and the effects of cost saving actions taken by the Company to limit the impact of the crisis.

The decrease in concession fees to Public Entities for Euro 19,629 thousand is due to the lower concession fee which SEA must pay for the year 2020 to ENAC. This decrease is strictly correlated to the traffic numbers. The "Public fees" include: i) concession fees to the State for Euro 9,327 thousand (Euro 28,120 thousand in 2019); ii) costs for fire-fighting services at the airports for Euro 6,092 thousand (Euro 6,074 thousand in 2019); iii) concession fees to the tax authorities for security services of Euro 317 thousand (Euro 1,184 thousand in 2019); other fees to various entities for Euro 148 thousand (Euro 135 thousand in 2019).

Finally, the change in the account "Other costs" is mainly attributable to lower accessory costs for electricity (-Euro 567 thousand), charges relating to catering services for the VIP lounges (-Euro 3,903 thousand) and shuttle services (-Euro 985 thousand).

9.6 Costs for works on assets under concession

Costs for works on assets under concession increased from Euro 46,321 thousand in 2019 to Euro 26,680 thousand in 2020. This movement is strictly related to investment activities, for which reference should be made to Notes 8.1 and 8.2.

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

9.7 Provisions and write-downs

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

Provisions and write-downs

(Euro thousands)	2020	2019
Write-downs / (releases) of current receivables & cash and cash equivalents	10,295	(1,914)
Provisions/(releases) to provisions for future charges	2,343	2,469
Write down of fixed assets	420	
Total provisions and write-downs	**13,058**	**555**

In 2020 the provisions and write-downs amount to a charge to the income statement of Euro 13,058 thousand.

The doubtful debt provisions amounted to Euro 10,295 thousand and were recorded in line with IFRS 9.

The net provisions for future risks and charges, amounting to Euro 2,343 thousand (Euro 2,469 thousand at December 31, 2019), principally refer to adjustments on valuations related to legal disputes with employees and operational activities of the Milan Airports. For further information reference should be made to Note 8.14.

Impairment losses of Euro 420 thousand on intangible assets included in the rights to assets under concession also had a negative impact on the 2020 income statement.

9.8 Restoration and replacement provision

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

Restoration and replacement provision

(Euro thousands)	2020	2019
Restoration and replacement provision	17,195	22,052

This account includes the provision for the year of Euro 16,929 thousand relating to the scheduled replacement and maintenance of the assets within the so-called "Concession Right" and Euro 266 thousand relating to the release to the income statement of the annual portion of the restoration and replacement work recorded in previous years in the account "Other non-current receivables".

In 2020 the utilisation of the provision amounted to Euro 13,157 thousand.

9.9 Amortisation & depreciation

The account "Amortisation & depreciation" is comprised of:

Amortisation & Depreciation

(Euro thousands)	2020	2019
Amortisation of intangible assets	53,648	55,298
Depreciation of tangible assets & investment property	20,333	20,380
Depreciation Leased assets right-of-use	2,282	1,722
Total amortisation & depreciation	**76,263**	**77,400**

Amortisation and depreciation in the period relates to tangible and intangible assets held based on the estimated useful life by the Group, which however does not exceed the duration of the concession and the depreciation of new assets entering into service in the year.

With the conversion into law of Legislative Decree No. 34 of May 19, 2020 ("Relaunch Decree"), Law No. 77 of July 17, 2020, published in Official Gazette No. 180 of July 18, 2020, S.O. No. 25, the extension of the existing airport concessions for a further two years was approved, according to that reported in Article 202, par. 1-bis. Consequently, the Parent Company, SEA, recalculated amortisation and depreciation according to the new conclusion date of the 2001 Agreement, extended until May 4, 2043.

9.10 Investment income (charges)

The breakdown of investment income and charges is as follows:

Investment income (charges)

(Euro thousands)	2020	2019
SACBO SpA	(6,242)	8,799
Dufrital SpA	(2,819)	5,332
Disma SpA	(251)	322
Malpensa Logistica Europa SpA	748	1,515
Sea Services Srl	102	899
Airport Handling SpA	(1,102)	536
Signature Flight Support Italy Srl	(358)	58
Valuation at equity of investments	**(9,922)**	**17,461**
Other income (charges)	**(25)**	**60**
Total income (charges) from investments	**(9,947)**	**17,521**

Net investment charges show a balance of Euro 9,947 thousand and include investments carried at equity and other income and charges. The account mainly includes the economic effects deriving from the measurement at Equity of the associated companies. The results of the associated companies were adjusted to take account of the Group international accounting principles and the measurement of investments as per IAS 28.

Compared to the previous year, a decrease is reported as all associates reflect the impacts caused by the Covid-19 pandemic, reporting a loss or however a reduced profit compared to the previous year.

For further details, reference should be made to that outlined above regarding the impairment process carried out by the Group at December 31, 2020 for the investments in associates.

9.11 Financial income (charges)

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

Financial income (charges)

(Euro thousands)	2020	2019
Exchange gains	4	51
Other financial income	235	105
Total financial income	**239**	**156**
Interest on medium/long term loans	(14,665)	(11,676)
Commissions on loans	(2,385)	(1,764)
Exchange losses	(10)	(6)
Other interest charges:	**(3,266)**	**(3,674)**
Financial charges on post-employee benefits	(216)	(454)
Financial charges on leasing	(206)	(136)
Financial charges on derivatives	(1,908)	(2,076)
Other	(936)	(1,008)
Total financial charges	**(20,326)**	**(17,120)**
Total financial income (charges)	**(20,087)**	**(16,964)**

Net financial charges in 2020 amount to Euro 20,087 thousand, an increase of Euro 3,123 thousand on the previous year.

This increase was a result of the following components:

- greater financial charges of Euro 3,206 thousand, in particular due to the impact of the new 2020 funding, which resulted in an increase in both interest expense and commissions on loans. This result was also impacted by (i) lower charges on derivatives, due to the continued amortisation of the related notional amount, and (ii) lower charges on Post-employment benefits;
- greater financial income of Euro 83 thousand, affected by the remuneration on cash deposits in several of the SEA Group’s current accounts, partially offset by lower exchange gains.

9.12 Income taxes

The breakdown of the account is as follows:

Income taxes

(Euro thousands)	2020	2019
Current income taxes	1,412	54,284
Deferred income taxes	(35,948)	(3,496)
Total	**(34,536)**	**50,788**

The IRES income tax rate applicable to the Parent Company for the three years concerned is 27.5% for 2019, 2020 and 2021, whereas it is 24% for the companies consolidated line-by-line. The IRAP tax rate for the Parent Company SEA SpA is equivalent to 4.2%, while for the other companies fully consolidated by the Group this is 3.9%.

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

(Euro thousands)	2020	%	2019	%
Profit/(Loss) before taxes	**(163,111)**		**175,209**	
Theoretical income taxes	(39,147)	24.0%	47,601	27.2%
Permanent tax differences effect	1,141	-0.7%	(2,172)	-1.2%
IRAP	(304)	0.2%	8,063	4.6%
Other	3,774	-2.3%	(2,704)	-1.5%
Total	**(34,536)**	**21.2%**	**50,788**	**29.0%**

In 2020, income taxes reduced the statutory loss for the year from Euro 50,788 thousand in 2019 to Euro -34,536 thousand in 2020. Income taxes had a contrary economic effect compared to 2019 and reduced the loss for the year, as substantially comprising the allocation of the deferred tax assets on the period IRES tax loss. See Note 8.7 for further details.

9.13 Earnings per share

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

Therefore, the basic earnings per share in 2020 was Euro -0.51 (net profit for the year of Euro -128,576 thousand /number of shares in circulation 250,000,000).

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

10. RELATED PARTIES TRANSACTIONS

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

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

The following tables show the balances with related parties at December 31, 2020 and at December 31, 2019 and the income statement amounts for the years 2020 and 2019, with indication of the percentage of the relative account.

Group transactions with related parties

	December 31, 2020			
(Euro thousands)	Trade receivables	Trade payables	Operating revenues	Net operating costs (excl. costs for works on assets under concession)
Investments in associates				
SACBO (*)	433	663	523	3,588
Dufrital	522	(15)	6,907	2
Malpensa Logistica Europa	2,230	1,078	4,307	(40)
SEA Services	305	9	1,298	664
Disma	173	102	210	(5)
Signature Flight Support Italy (**)			117	5
Airport Handling	2,710	5,312	7,016	15,773
Total related parties	**6,372**	**7,150**	**20,377**	**19,988**
Total book value	51,400	110,465	257,010	285,915
% on total book value	**12.40%**	**6.47%**	**7.93%**	**6.99%**

	December 31, 2019			
(Euro thousands)	Trade receivables	Trade payables	Operating revenues	Net operating costs (excl. costs for works on assets under concession)
Investments in associates				
SACBO (*)	283	352	1,171	11,865
Dufrital	5,908	696	33,476	16
Malpensa Logistica Europa	1,361	1,070	4,635	(40)
SEA Services	1,009	2,172	3,862	4,550
Disma	11		214	(3)
Signature Flight Support Italy	54	1	219	11
Airport Handling	4,700	7,229	14,076	26,447
Total related parties	**13,326**	**11,520**	**57,654**	**42,846**
Total book value	123,241	182,085	706,868	437,029
% on total book value	**10.81%**	**6.33%**	**8.16%**	**9.80%**

(*) *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.*

(**) *Equity investment held until June 22, 2020;*

The table below shows the cash flows from the transactions of the Group with related parties for the years ended December 31, 2020 and December 31, 2019, with indication of the percentage of the relative account:

Group cash flows with related parties

	December 31, 2020				
(Euro thousands)	Investments in associates	Investments in other companies	Total transactions with related entities	Consolidated balance	%
A) Cash flow from operating activities	(2,584)		(2,584)	(111,808)	2.3%
B) Cash flow from investing activities	625		625	(43,442)	-1.4%
C) Cash flow from financing activities				656,042	0.0%

Group cash flows with related parties

	December 31, 2019				
(Euro thousands)	Investments in associates	Investments in other companies	Total transactions with related entities	Consolidated balance	%
A) Cash flow from operating activities	(10)		(10)	199,149	0.0%
B) Cash flow from investing activities	10,766		10,766	(83,909)	-12.8%
C) Cash flow from financing activities				(180,755)	0.0%

The transactions between the Group and related parties for the year ended December 31, 2020 mainly related to

- parking management transactions at Orio al Serio-Bergamo airport (SACBO);
- 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.

10.1 Other transactions with related parties

Malpensa Logistica Europa SpA

In 2020, Malpensa Logistica Europa distributed dividends to SEA for Euro 625 thousand.

11. DIRECTORS' FEES

In 2020, the remuneration for the Board of Directors, including social security and accessory charges, amounted to Euro 564 thousand (Euro 435 thousand in 2019).

12. STATUTORY AUDITORS' FEES

In 2020, the remuneration for the Board of Statutory Auditors, including social security and accessory charges, amounted to Euro 290 thousand (Euro 294 thousand in 2019).

13. INDEPENDENT AUDIT FIRM FEES

The audit fees recognised by the Company SEA SpA and its subsidiaries to the audit firm Deloitte & Touche SpA for the year 2020 amounted to Euro 234 thousand for audit services and Euro 152 thousand for other services. The Fees of the Audit Firm are net of Consob contributions.

14. COMMITMENTS AND GUARANTEES

14.1 Investment commitments

The Group has investment contract commitments of Euro 65,144 thousand at December 31, 2020 (Euro 69,929 thousand at December 31, 2019), which are reported net of the works already realised and invoiced to the Group, as follows.

Breakdown project commitments

(Euro thousands)	December 31, 2020	December 31, 2019
Design and extraordinary maintenance civil works and plant at Linate & Malpensa	47,884	41,288
Design and extraordinary maintenance flight infrastructure and roadways at Linate and Malpensa	2,564	13,514
Supply and installation of a new gas turbine for the Malpensa plant	1,168	5,762
Works on electrical automation and control systems at Linate and Malpensa	3,091	4,970
Design and extraordinary maintenance of Linate & Malpensa AVL plant	7,485	2,962
Extraordinary maintenance for civil works and general aviation plant	2,952	1,433
Total project commitments	**65,144**	**69,929**

14.2 Guarantees

At December 31, 2020, the sureties in favour of third parties were as follows:

- two bank sureties both equal to Euro 40,031 thousand as guarantee on funds drawn down in June 2015 and June 2017, on the EIB line subscribed in December 2014;
- surety of Euro 25,000 thousand to Banca Popolare di Milano to guarantee credit lines received from companies within the centralised treasury system;
- surety of Euro 28,765 thousand in favour of ENAC, as guarantee of the concession fee;
- surety of Euro 2,000 thousand in favour of SACBO as guarantee for the parking management at Bergamo airport;
- surety of Euro 2,000 thousand in favour of the Ministry of Defence as guarantee of the obligations pursuant to the technical agreement of June 4, 2009 following the advance delivery of the “Cascina Malpensa” area;
- surety of Euro 2,200 thousand in favour of the Ministry of Defence as guarantee of the obligations pursuant to the technical agreement of June 4, 2009 following the advance delivery of the “E.I. training area” at Lonate Pozzolo;
- guarantee by Banca Popolare di Milano to the Customs Agency of Segrate (Milan 3) for Euro 75 thousand (General Aviation);
- surety by Banca Nazionale del Lavoro to Terna (National Electricity Grid) as guarantee of the provision of electricity for Euro 570 thousand;
- guarantee by Banca Nazionale del Lavoro to the Energy Market Operator for the Group’s participation in the electricity market platform for Euro 200 thousand;
- guarantee by Banca Popolare di Milano to Unareti for the transport of energy for Euro 173 thousand;
- guarantee by Banca Popolare di Milano to ENEL Distribuzione for the transport of energy for Euro 100 thousand;
- Euro 713 thousand for other minor sureties.

15. SEASONALITY

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

16. CONTINGENT LIABILITIES

Reference should be made to the Explanatory Notes in relation to receivables (Note 8.10) and operating risks (Note 8.14).

17. CONTINGENT ASSETS

With reference to Judgment 7241/2015 of the Milan Court, confirmed by the Milan Court of Appeal with Judgment No. 331/2017 concerning airport fees, as not all appeals have been made this contingent asset was not recognised in the income statement as per IAS 37.

For further details, reference should be made to the Directors' Report to the chapter "Main disputes outstanding at December 31, 2020".

18. TRANSACTIONS RELATING TO ATYPICAL OR UNUSUAL OPERATIONS

In accordance with Consob Communication of July 28, 2006, in 2020 the Company did not undertake any transactions deriving from atypical or unusual operations, as set out in the communication.

19. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

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

20. PUBLIC GRANTS (ARTICLE 1, PARAGRAPHS 125-129 OF LAW 124/2017)

Pursuant to Law No. 124/2017 and subsequent supplements, we communicate that the Group received public grants during the year totalling Euro 5,768 thousand.

Beneficiary	**Provider**	**Purpose**	**Amount** (Euro thousands)
SEA SpA	Ministry for Infrastructure and Transport	Grant for the extension of the Milan-Malpensa rail line from Terminal 1 to Terminal 2	5,307
SEA SpA *	Lombardy Region	Grant for regulation works on Lambro river	461

** The grants received by SEA SpA were forwarded to SEA Prime as the owner of the works on the Lambro river.*

As required by Article 1 Law No. 124/2017, paragraph 126, the grants received over an amount of Euro 10 thousand are listed below.

Beneficiary	Provider	Purpose	Amount (Euro thousands)
La Scala Theatre	SEA SpA	Founding shareholder annual quota	600
Archiepiscopal Curia of Milan	SEA SpA	Contribution for the Catholic religious service offered by the Chaplaincies at Linate and Malpensa Airports	30
Varese Insubria University	SEA SpA	Contribution in support of scientific research of the University of Insubria - Department of Surgery and Medicine, under the "Covid-19 Screening Scientific Research Protocol"	20

21. SUBSEQUENT EVENTS TO DECEMBER 31, 2020

Reference should be made to the Directors' Report.

The Chairperson of the Board of Directors
Michaela Castelli

Deloitte.

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
SOCIETÀ PER AZIONI ESERCIZI AEROPORTUALI - SEA S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of Società per Azioni Esercizi Aeroportuali – SEA and its subsidiaries (the "Group"), which comprise the Consolidated Statement of Financial Position as at December 31, 2020, the Consolidated Income Statement, the Consolidated Comprehensive Income Statement, Statement of Changes in Consolidated Shareholders' Equity and Consolidated Cash Flow Statement for the year then ended, and explanatory notes, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Covid-19 (Coronavirus)	
Description of the key audit matter	2020 has been characterized by the Covid-19 spread and its social and economic consequences, with significant impacts on the air transport sector and consequently on the Group revenues and profit. From February, the gradual spread of the virus and the consequent national government measures to contain the outbreak led to a first strong reduction in passengers' traffic, followed, from July, by a recovery phase held over the summer period. Following the second wave of the pandemic in October and consequent governmental measures, traffic fell again. The Group promptly activated its crisis response protocol, and, through the management committee (renamed "Permanent Crisis Committee"), launched an emergency management plan to ensure safety and to mitigate the economic and financial effects of lower traffic handled. In this context, in order to strengthen the financial structure, with the goal of ensuring sufficient cash flow to cover needs stemming from the temporary slowdown in operations as a result of the Covid-19 emergency, the Group successfully refinanced the bond maturing in April 2021, through a new bond issue for Euro 300 million and new credit lines totaling Euro 400 million were also agreed, in addition to the lines of credit still available for Euro 390 million. Moreover, the Group requested and obtained a covenant holiday on outstanding contracts from the lending banks. Given the pandemic impacts and as a result of the analysis carried out, on January 19, 2021 the Directors approved the 2021-2025 Business Plan (the "Business Plan"), that constitutes a revision of the previous 2020-2024 business plan approved in 2020. The Business Plan is based on three different traffic scenarios, developed with the help of external experts. Moreover, due to the identification of impairment indicators, mainly related to Covid-19, the Directors conducted an impairment test, approved on March 25, 2021, based on the Business Plan and medium and long-term financial forecasts. With three different available scenarios, the impairment test has been based on the intermediate scenario that calls for a return to pre-Covid-19 volumes starting from 2024, which is in line with the latest International Air Transport Association (IATA) forecasts. The result of the test did not indicate any impairment loss, also in the worst-case traffic scenario, considered in the sensitivity analysis carried out by the Directors. The Directors indicate that in any case due to the major uncertainties linked to the Covid-19 emergency, an accurate forecast process for the current year is extremely difficult. In this context, the Group is closely monitoring developments of the scenario, updating its sensitivity analysis on the impacts of the pandemic. Based on the scenario analysis developed, the Directors indicate that the liquidity and the credit lines available will allow the Group to cover the debt maturities and to manage its cash requirements until gradual recovery of traffic.

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	Considering the relevance of the effects of Covid-19 on the Group results and on its outlook, and the potential impacts in terms of impairment losses on assets, we considered the Covid-19 a key audit matter for the Group consolidated financial statements. The paragraph "Liquidity risk" of explanatory notes indicates the Group financial structure and the financial strengthening measures enacted by the Group during the year. The paragraphs "Significant events in 2020" and "Outlook" of the Management Report and paragraph "Impairments" in the explanatory notes include the information provided regarding the other aforementioned aspects.
Audit procedures performed	The procedures performed , also through the support of Deloitte network experts, included, among others, the following: • understanding of the process carried out by the Group to manage the emergency situation, through meetings and discussion with the management and examination of the relevant documentation; • understanding of any measures taken by the competent authorities to manage Covid-19 emergency; • reading the Board of Directors meeting minutes; • understanding of the relevant controls over the impairment test process; • analysis of the reasonableness of the main assumptions underlying the Business Plan and the scenario analysis; • evaluation of the reasonableness of the discount rate (WACC) used for the impairment test; • analysis of the funding transactions implemented by the Group; • analysis of the cash requirements forecast in the 12 months following the financial statements approval and related coverage in terms of lines of credit available; • analysis of subsequent events up to our report issuance; • assessment of the adequacy of the disclosure provided by the Directors.
Restoration and replacement provision	
Description of the key audit matter	The consolidated financial statements as at December 31, 2020 include the "Restoration and replacement provision" for Euro 176 million. The provision includes the best estimate of the present value of the charges the Group will bear to meet its contractual obligations with the Italian Civil Aviation Authority to ensure the functionality, operations and security of the assets under concession. The estimation process of the "Restoration and replacement provision" appears articulate and difficult and it is composed of different phases and based on different variables and assumptions that include the planning of the restoration and replacement operations. In particular, the main assumptions are about the assets deterioration, the useful life of the restoration and the charge estimates for operation category.

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	Given the above, we considered the estimation process of this provision as a key audit matter as at December 31, 2020. The notes 2.7 and 8.14 of the consolidated financial statements as at December 31, 2020 highlight the accounting policies and the 2020 changes of the provision, respectively.
Audit procedures performed	The procedures performed included, among others, the following: • understanding of the process carried out by the Group to estimate and update the provision and analysing of any difference due to the Covid-19 context and planned investments; • understanding of the key controls that the Group carries out to monitor this area and, in reference with the Company, testing of their actual implementation; • analysis through half-yearly meetings with the Operations and Maintenance Division and sample testing of the database containing expenses included in the restoration and replacement provision and of the fairness of the Division expectations and of any variance from forecasts; • understanding of any change in the regulatory framework that could impact the estimate of the provision value; • analysis of completeness and accuracy of accruals in the consolidated financial statements, also considering the latest Business Plan updates; • sample testing of the allocation criteria underlying the restoration percentages by discussion with the business units in-charge; • evaluation of the estimations underlying the provision; • assessment of the adequacy of the disclosure provided by the Directors as reported in the financial statements notes and its compliance with the relevant accounting standards.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Società per Azioni Esercizi Aeroportuali - SEA S.p.A. has appointed us on May 4, 2016 as auditors of the Company for the period 2016-2022.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Società per Azioni Esercizi Aeroportuali - SEA S.p.A. are responsible for the preparation of the report on operations including the information required by art. 123-bis, paragraph 2 (b) of the Group as at December 31, 2020, including its consistency with the related consolidated financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations including the information required by art. 123-bis, paragraph. 2 (b) of Legislative Decree 58/98, with the consolidated financial statements of the Group as at December 31, 2020 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations including the information required by art. 123-bis, paragraph 2 (b) is consistent with the consolidated financial statements of the Group as at December 31, 2020 and is prepared in accordance with the law.

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With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the Group and of the related context acquired during the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 254

The Directors of the Company are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.
We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Marco Pessina
Partner

Milan, Italy
April 30, 2021

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

SEA SPA

SEPARATE FINANCIAL STATEMENTS

SEA SpA Separate Financial Statement

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

(in Euro)	Note	December 31, 2020 Total	December 31, 2020 of which related parties	December 31, 2019 Total	December 31, 2019 of which related parties
Intangible assets	6.1	940,236,476		964,367,866	
Property, plant & equipment	6.2	153,533,835		160,164,309	
Leased assets right-of-use	6.3	10,584,278		10,048,552	
Investment property	6.4	3,402,333		3,403,832	
Investments in subsidiaries and associates	6.5	50,445,566		50,445,566	
Other investments	6.6	1,133		26,134	
Deferred tax assets	6.7	94,318,350		58,941,744	
Other non-current receivables	6.8	48,533,653		6,351,979	
Total non-current assets		**1,301,055,624**	**0**	**1,253,749,982**	**0**
Inventories	6.9	2,015,128		1,830,197	
Trade receivables	6.10	49,124,426	9,618,417	120,161,542	16,413,108
Current financial receivables	6.11	28,244,140	28,244,140	26,127,757	26,127,757
Tax receivables	6.12	1,089,821		954,923	
Other current receivables	6.13	5,361,099		5,769,212	
Cash and cash equivalents	6.14	588,249,544		87,463,348	
Total current assets		**674,084,158**	**37,862,557**	**242,306,979**	**42,540,865**
TOTAL ASSETS		**1,975,139,782**	**37,862,557**	**1,496,056,961**	**42,540,865**
Share capital	6.15	27,500,000		27,500,000	
Other reserves	6.15	250,919,793		138,163,679	
Net Result	6.15	(120,366,865)		111,565,581	
SHAREHOLDERS' EQUITY		**158,052,928**	**0**	**277,229,260**	**0**
Provision for risks and charges	6.16	199,494,389		154,163,848	
Employee provisions	6.17	44,697,742		47,214,973	
Other non-current payables	6.21	87,808,329		7,961,736	
Non-current financial liabilities	6.18	871,043,088		505,654,458	
Total non-current liabilities		**1,203,043,548**	**0**	**714,995,015**	**0**
Trade payables	6.19	109,919,564	15,172,386	177,140,146	22,881,917
Income tax payables	6.20	7,722,000		10,520,287	
Other current payables	6.21	147,854,454		281,359,966	
Current financial liabilities	6.18	348,547,288	4,631,922	34,812,287	2,079,766
Total current liabilities		**614,043,306**	**19,804,308**	**503,832,686**	**24,961,683**
TOTAL LIABILITIES		**1,817,086,854**	**19,804,308**	**1,218,827,701**	**24,961,683**
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY		**1,975,139,782**	**19,804,308**	**1,496,056,961**	**24,961,683**

INCOME STATEMENT

(in Euro)	Note	2020 Total	2020 of which related parties	2019 Total	2019 of which related parties
Operating revenues	7.1	240,837,887	26,351,590	685,555,155	66,560,305
Revenue for works on assets under concession	7.2	29,023,864		51,142,370	
Total revenues		**269,861,751**	**26,351,590**	**736,697,525**	**66,560,305**
Personnel costs	7.3	(132,172,983)	685,087	(186,582,578)	815,983
Consumable materials	7.4	(6,954,164)		(12,082,864)	
Other operating costs	7.5	(139,329,056)	(48,605,233)	(228,001,778)	(83,036,751)
Costs for works on assets under concession	7.6	(26,679,969)		(46,321,253)	
Total operating costs		**(305,136,172)**	**(47,920,146)**	**(472,988,473)**	**(82,220,768)**
Gross Operating Margin / EBITDA (*)		**(35,274,421)**	**(21,568,556)**	**263,709,052**	**(15,660,463)**
Provisions & write-downs	7.7	(13,073,000)		(685,679)	
Restoration and replacement provision	7.8	(17,150,463)		(22,000,000)	
Amortisation & depreciation	7.9	(71,714,884)		(72,924,050)	
Operating Result		**(137,212,768)**	**(21,568,556)**	**168,099,323**	**(15,660,463)**
Investment income/(charges)	7.10	600,000	600,000	8,761,350	8,761,350
Financial charges	7.11	(20,312,925)		(17,112,583)	
Financial income	7.11	998,568	761,157	865,445	748,291
Pre-tax Profit/(Loss)		**(155,927,125)**	**(20,207,399)**	**160,613,535**	**(6,150,822)**
Income taxes	7.12	35,560,260		(49,047,954)	
Net Profit/(Loss)		**(120,366,865)**	**(20,207,399)**	**111,565,581**	**(6,150,822)**

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

COMPREHENSIVE INCOME STATEMENT

(in Euro)	2020	2019
Net Profit/(Loss)	**(120,366,865)**	**111,565,581**
Other comprehensive income statement items		
- Items reclassifiable in future periods to the net result:		
Profit/(Loss) on fair value measurement of derivative financial instruments cash flow hedge	1,772,026	1,783,572
Tax effect relating to Profit/(Loss) on fair value measurement of derivative financial instruments cash flow hedge	(425,286)	(428,057)
Total items reclassifiable, net of tax effect	**1,346,740**	**1,355,515**
- Items not reclassifiable in future periods to the net result:		
Actuarial gains/(losses) on post-employment benefits	(205,534)	(3,792,579)
Tax effect relating to actuarial gains/(losses) on post-employment benefits	49,328	910,219
Profit/(Loss) on other investments	(1)	
Total items not reclassifiable, net of tax effect	**(156,207)**	**(2,882,360)**
Total other comprehensive income statement items	**1,190,533**	**(1,526,845)**
Total comprehensive Profit /(Loss)	**(119,176,332)**	**110,038,736**

CASH FLOW STATEMENT

(in Euro)	2020	2019
Pre-tax Profit/(Loss)	(155,927,125)	160,613,535
Adjustments:		
Amortisation, depreciation and write-downs	72,134,828	72,924,050
Net accruals to provisions & write-downs (including personnel provision)	11,141,875	(18,320,222)
Net financial charges	19,314,357	16,247,138
Investment charges (income)	(600,000)	(8,761,350)
Other non-monetary changes	(3,101,270)	(2,772,288)
Cash flow from operating activities before changes in working capital	**(57,037,335)**	**219,930,863**
Change in inventories	(160,656)	84,944
Change in trade and other receivables	61,874,663	(297,412)
Change in trade and other payables	(117,645,223)	23,493,973
Cash flow from changes in working capital	**(55,931,216)**	**23,281,505**
Income taxes paid	(5,795,725)	(59,817,530)
Cash flow from operating activities	**(118,764,276)**	**183,394,838**
Investments in fixed assets:		
- intangible assets (*)	(31,983,293)	(58,174,362)
- tangible assets	(10,816,678)	(25,166,526)
Divestments from fixed assets:		
- tangible assets and property	24,480	432,981
Dividends received	625,000	10,766,225
Proceeds from the Ministry of Infrastructure and Transport for execution of works	5,306,691	
Cash flow from investing activities	**(36,843,800)**	**(72,141,682)**
Change in gross financial debt:		
- net increase short & medium-long term debt	676,497,646	(21,360,723)
Net increase / (decrease) in other financial assets and liabilities	(1,586,137)	(21,322)
Dividends distributed	(6,211)	(138,649,956)
Interest and commissions paid	(18,511,320)	(16,843,596)
Interest received	294	102,233
Cash flow from financing activities	**656,394,272**	**(176,773,364)**
Increase/(decrease) in cash and cash equivalents	**500,786,196**	**(65,520,208)**
Opening cash and cash equivalents	87,463,348	152,983,556
Closing cash and cash equivalents	588,249,544	87,463,348

(*) The investments in intangible assets are net of the utilisation of the restoration provision, which in 2020 amounted to Euro 13,158 thousand (Euro 36,091 thousand in 2019).

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in Euro)	Share capital	IFRS initial conversion reserve (exc. OCI)	Other Eq. investments reserve	Cash Flow Hedge reserve	Actuarial gains/ (losses) reserve	Extraordinary reserve	Legal reserve	Other reserves	Total reserves	Net Profit/ (Loss)	Total shareholders' equity
Balance at January 1, 2019	**27.500.000**	**14.813.951**	**1**	**(3.615.588)**	**(379.476)**	**162.994.060**	**5.500.000**	**60.288.176**	**239.601.124**	**123.489.400**	**390.590.524**
Transactions with shareholders											
Allocation of 2018 net profit & distrib. of dividends						24.689.400			24.689.400	(123.489.400)	(98.800.000)
Dividend distribution resolution of 30/09/2019 (*)						(124.600.000)			(124.600.000)		(124.600.000)
Other movements											
Other comprehensive income statement items result				1.355.515	(2.882.360)				(1.526.845)		(1.526.845)
Net Profit										111,565,581	111,565,581
Balance at December 31, 2019	**27.500.000**	**14.813.951**	**1**	**(2.260.073)**	**(3.261.836)**	**63.083.460**	**5.500.000**	**60.288.176**	**138.163.679**	**111.565.581**	**277.229.260**
Transactions with shareholders											
Allocation of 2019 net profit						111.565.581			111.565.581	(111.565.581)	0
Other movements											
Other comprehensive income statement items result			(1)	1.346.740	(156.206)				1.190.533		1.190.533
Net Profit/(Loss)										(120,366,865)	(120,366,865)
Balance at December 31, 2020	**27.500.000**	**14.813.951**	**0**	**(913.333)**	**(3.418.042)**	**174.649.041**	**5.500.000**	**60.288.176**	**250.919.793**	**(120.366.865)**	**158.052.928**

(*) *Distribution of available reserves*

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

The Company manages Milan Malpensa Airport and Milan Linate Airport under the 2001 Agreement signed between SEA and ENAC with a forty year duration (renewing the previous agreement of May 7, 1962). This concession was extended by an additional two years with the conversion into law of Legislative Decree No. 34 of May 19, 2020 ("Relaunch Decree"), Law No. 77 of July 17, 2020, published in Official Gazette No. 180 of July 18, 2020, S.O. No. 25.

At December 31, 2020, SEA does not hold treasury shares and the ownership is presented in the following table:

	Holding
Municipality of Milan	54.81%
Municipality of Busto Arsizio	0.06%
Other public shareholders	0.08%
Total public shareholders	**54.95%**
2i-Aeroporti SpA	36.39%
F2i Sgr SpA	8.62%
Other private shareholders	0.04%
Total private shareholders	**45.05%**
Total	**100.00%**

Following the issuance of the "SEA 3 1/8 2014-2021" and "SEA 3 1/2 2020-2025" bonds and the admission to listing of the notes on the regulated market organised and managed by the Irish Stock Exchange, the Company qualified as a Public Interest Entity (PIE) as defined in Article 16, paragraph 1, letter a) of Legislative Decree No. 39/2010.

The most significant event in 2020 was the Covid-19 outbreak and its consequences for the air transport sector, with the generation of a serious financial impact on the chain and in particular on the airport infrastructure system, mainly for SEA spa with a loss of Euro 120,366,865, entirely attributable to the above-stated pandemic. Reference should be made to the "Significant events in 2020" paragraph of the Directors' Report.

2. SUMMARY OF ACCOUNTING PRINCIPLES ADOPTED

The main accounting principles adopted in the preparation of the Separate Financial Statements of SEA for the year ended December 31, 2020 are reported below.

The financial statements are presented in Euro while the tables included in the explanatory notes are presented in thousands of Euro.

2.1 Basis of preparation

European Regulation (EU) No. 1606/2002 of July 19, 2002 introduced the obligation, from the year 2005, to apply International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and adopted by the European Union for the preparation of the consolidated financial statements of companies listed on regulated European markets. Following the above-mentioned European Regulation, Legislative Decree No. 38 was enacted on February 28, 2005 which governs the option to apply IFRS for the preparation of the consolidated financial statements of non-listed companies. SEA decided to apply this option for the preparation of the consolidated financial statements for the year end December 31, 2006. The same Legislative Decree (fourth paragraph of Article 4) also governs the option to apply IFRS for the preparation of standalone statutory financial statements included in the consolidated financial statements in accordance with IFRS. SEA decided to apply this option from the financial statements for the year ended December 31, 2011. For these Separate Financial Statements the transition date to IFRS was identified as January 1, 2010.

"IFRS" refers to the International Accounting Standards ("IAS") in force, as well as those of the IFRS Interpretation Committee, previously known as the International Financial Reporting Interpretations Committee ("IFRIC"), and before that the Standing Interpretations Committee ("SIC").

The financial statements were prepared in accordance with IFRS in force at the approval date of the financial statements and the provisions enacted as per Article 9 of Leg. Decree No. 38/2005.

In particular the IFRS were applied in a consistent manner for the periods presented in the document. The financial statements were prepared on the basis of the best information on the IFRS and taking into account best practice; any further orientations and interpretative updates will be reflected in subsequent years, in accordance with the provisions of the accounting standards, as detailed below.

The Separate Financial Statements were prepared in accordance with the going concern concept, therefore utilising the accounting principles of an operating business. Company Management evaluated that, although within a difficult economic and financial environment, there are no significant uncertainties in the capacity of the Company to meet its obligations in the foreseeable future, and in particular in the 12 months subsequent to the approval of these financial statements. In this regard, please refer to the observations in the Directors' Report.

It should also be noted that Law 178 of December 30, 2020, "Government budget for fiscal year 2021 and spending plan for 2021-2023", paragraphs 714-720, to mitigate the economic effects of the Covid-19 epidemic emergency on the entire airport sector, established a fund with assets of Euro 500 million, intended to provide compensation, with the limit of Euro 450 million, for the damages suffered by airport operators possessing the prescribed valid certificate issued by ENAC.

In light of the fact that:

- the implementing ministerial decree has not yet been issued, and
- authorisation by the European Commission to exclude the entirety of the legislation on State Aid has not yet been released,

SEA has not recognised this "operating grant" in the 2020 income statement.

For further information, reference should be made to the Directors' Report.

In relation to the presentation method of the financial statements "the current/non-current" criterion was adopted for the statement of financial position while the classification by nature was utilised for the income statement and the indirect method for the cash flow statement. Where present the balances and transactions with related parties are reported.

The financial statement presentations utilised, as outlined above, are those which best represent the equity and financial position of the Company.

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

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

The Company, following the "SEA 3 1/8 2014-2021" and "SEA 3 1/2 2020-2025" bond issue on the regulated market, adopted the accounting standards IFRS 8 "Operating Segments" and IAS 33 "Earnings per share", to which reference should be made to the Consolidated Financial Statements Notes 7 and 9.13.

The present financial statements were audited by the independent audit firm Deloitte & Touche S.p.A.

2.2 Accounting standards, amendments and interpretations adopted from January 1, 2020

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

Description	Date approved	Publication	Effective date as per the standard	Effective date applied by SEA
Amendments to IAS 1 and IAS 8: Definition of Material	Nov 29, 2019	Dec 10, 2019	Periods which begin from Jan 1, 2020	Jan 1, 2020
Amendments to References to the Conceptual Framework in IFRS Standards	Nov 29, 2019	Dec 6, 2019	Periods which begin from Jan 1, 2020	Jan 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform	Jan 15, 2020	Jan 16, 2020	Periods which begin from Jan 1, 2020	Jan 1, 2020
Amendments to IFRS 3 - Business Combinations	Apr 21, 2020	Apr 22, 2020	Periods which begin from Jan 1, 2020	Jan 1, 2020
Amendment to IFRS 16 Leases Covid 19 - Related Rent Concessions	Oct 09, 2020	Oct 12, 2020	Periods which begin from Jan 1, 2020	Jan 1, 2020

The adoption of these amendments and interpretations, where applicable, has not had any significant impact on the Statement of Financial Position or on the result of the Company.

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

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

Description	Approved at the date of the present document	Effective date as per the standard
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform -Phase 2	YES	Periods which begin from Jan 1, 2021
Amendments to IFRS 4 Insurance Contracts - deferral of IFRS19	YES	Periods which begin from Jan 1, 2021
Amendments to IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Annual Improvements 2018-2020	NO	Periods which begin from Jan 1, 2022
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date	NO	Periods which begin from Jan 1, 2023
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies	NO	Periods which begin from Jan 1, 2023
Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	NO	Periods which begin from Jan 1, 2023
IFRS 17 Insurance Contracts	NO	Periods which begin from Jan 1, 2023

No accounting standards and/or interpretations were applied in advance whose application is obligatory for periods commencing after December 31, 2020, and the Directors do not expect any material effects.

2.4 Accounting policies

Business combinations and goodwill

In the case of the acquisition from third parties of businesses or business combinations, the assets, the liabilities and the contingent liabilities acquired and identifiable are recorded at their fair value at the date of acquisition.

The positive difference between the acquisition cost and the present value of these assets and liabilities are recognised as goodwill and classified in the financial statements as an intangible asset with indefinite life.

Any negative difference ("badwill") is recognised in the income statement at the date of acquisition.

The costs related to business combinations are recognised in the income statement.

Goodwill is initially recorded at cost and subsequently reduced only for loss in value.

Annually, or more frequently if specific events or circumstances indicate the possibility of having incurred a loss in value, the goodwill is subject to an impairment test to identify any loss in value, in accordance with IAS 36 (Impairments); the original value is however not restored if the reasons for the write-down no longer exist.

The goodwill is not revalued, even in application of specific legislation.

Any liabilities related to business combinations for payments subject to conditions are recognised at the acquisition date of the businesses and business units relating to the business combination.

Where all or part of a previously acquired company (whose acquisition produced goodwill) is sold, the corresponding residual value of goodwill is considered when calculating the capital gains or losses generated by such sale.

Intangible assets

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

(a) Rights on assets under concession

The "Rights on assets under concession" represent the right of the Lessee to utilise the asset under concession (so-called intangible asset method) in consideration of the costs incurred for the design and construction of the asset with the obligation to return the asset at the end of the concession. The value corresponds to the "fair value" of the design and construction assets increased by the financial charges capitalised, in accordance with IAS 23, during the construction phase. The fair value of the construction work is based on the costs actually incurred increased by 6%, representing the remuneration of the internal costs for the management of the works and design activities undertaken by the Company which is a mark-up a third party general contractor would request for undertaking the same activities, in accordance with IFRIC 12. The lessee must recognise and measure service revenues in accordance with IFRS 15. If the fair value of the services received (specifically the usage right of the asset) cannot be determined reliably, the revenue is calculated based on the fair value of the construction work undertaken. The subsequent accounting of the amount received as financial asset and as intangible asset is described in detail in paragraphs 23-26 of IFRIC 12.

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

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

Assets under concession are amortised over the duration of the concession on a straight-line basis in accordance with the expiry of the concession, as it is expected that the future economic benefits of the asset will be utilised by the lessee. Amortisation begins where the rights in question begin to produce the relative economic benefits.

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

Reference should be made to the subsequent paragraph "Provision for risks and charges - Restoration and replacement provision of assets under concession".

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

(b) Industrial patents and intellectual property rights

Patents, concessions, licenses, brands and similar rights

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

Computer software

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

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

Property, plant & equipment

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

Property

Property, in part financed by the State, relates to tangible assets acquired by the Company in accordance with the 2001 Agreement (which renewed the previous concession of May 7, 1962). The 2001 Agreement provides for the obligation of SEA to maintain and manage airport assets for the undertaking of such activities and the right to undertake structural airport works, which remain the property of SEA until the expiry of the 2001 Agreement, i.e. May 4, 2043. The fixed assets in the financial statements are reported net of State grants.

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

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

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

Plant & Equipment

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

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

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

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

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

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

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

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

Leased assets right-of-use

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

Depreciation of such assets is charged to the income statement on a straight-line, monthly basis, according to rates that allow the right to be amortised over the term of the lease contract.

The interest charges accrued on the financial liability are taken monthly to the account of the income statement "Financial charges".

The IFRS 16 contracts entered into by SEA essentially concern equipment, electronic machines and lease contracts for motor vehicles and apron vehicles.

Lease contracts with short terms or values of less than Euro 5 thousand are expensed directly to the account of the income statement "Other operating costs"; cost is represented by the rentals provided for in the contract.

Investment property

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

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

Investments in subsidiaries and associates

The investments in subsidiaries and associated companies are measured at purchase cost (including any direct accessory costs), reduced for impairments in accordance with IAS 36.

Any positive difference, arising on acquisition from third parties, between the purchase cost and fair value of net assets acquired in an investee company is included in the carrying amount of the investment.

Investments in subsidiaries and associates are tested annually for impairment or more frequently if evidence of impairment exists. Where an impairment loss exists, it is recognised immediately through the income statement. Where the share of losses pertaining to the company in the investment exceeds the carrying value of the investment, and the company has an obligation to cover such losses, the investment is written down and the share of further losses is recorded as a provision for risks and charges under liabilities in the balance sheet. If an impairment loss is subsequently reversed, the increase in carrying amount (up to a maximum of purchase cost) is recognised through the income statement.

Impairments

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

Impairment test

It should be noted that, in preparing the annual report, the Company conducted impairment testing, when indicated, in order to determine whether there have been any losses in the value of assets.

The trigger events that required the carrying out of an impairment test were the following:

- a significant reduction in passenger traffic in 2020, with the Milan Airport System serving 9.5 million passengers, down 73% on 2019;
- airlines experiencing financial difficulties despite public stimulus policies;
- liquidation of Air Italy, a core Malpensa airline, not strictly related to the Covid-19 outbreak;
- structural re-sizing by many airlines in terms of fleet size, crews, destinations served, and operating hubs;
- financial tensions of non-aviation partners, who have requested adjustments to their contracts.

The impairment test, approved by the Board of Directors on March 25, 2021, was carried out based on the 2021-2025 Business Plan, approved by the Board of Directors on January 19, 2021. From this basis, medium and long-term financial forecasts on traffic were made through 2043, year of expiration of the concession as extended by Legislative Decree No. 34 of May 19, 2020 (the "Relaunch Decree").

The long-term (beyond 2025) forecasts were made based on the following:

- estimates of expected traffic were made based of the latest industry studies and on available expert reports. In this regard, the Company has developed three separate scenarios based on macro-economic profile, travel restrictions, supply and demand, and a recovery in air traffic, and this was done with the help of outside experts. With these multiple scenarios, the forecasts took account of an intermediate scenario that calls for a return to pre-Covid-19 volumes beginning in 2024, which is in line with the latest IATA forecasts (subject to a specific sensitivity analysis to be conducted);
- the investment plan has been prepared (with regard to years beyond 2025) by taking account of actions needed to maintain infrastructures and of the development investments under the Linate and Malpensa master plans;
- regulated revenues were calculated based on ART regulatory criteria (see resolution No. 136/2020);
- non-aviation revenues were calculated based on expected traffic and planned infrastructure-development investments;
- recognition of a portion of the "Relief" provision to cover losses incurred due to the Covid-19 emergency was not taken into account.

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

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

- SEA over the years has found a close link from an industrial viewpoint between the development of traffic at the two airports. This link also emerged in conjunction with the "bridge" with the closure of Linate for three months in 2019 and, in 2020, with the flexible use of the terminal by SEA and by the airlines.

The value in use of the CGU was calculated through discounting future cash flows at December 31, 2020. For the discounting of cash flows, the nominal post-tax WACC of 6.76% was used, in line with the estimated future unlevered free cash flows. This value in use was thereafter compared with the total value at December 31, 2020, of tangible and intangible leased assets, rights-of-use and property investments.

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

Impairment tests was also conducted on the investments in associates, which, given the type of activities conducted at the airports, have been impacted by the described market dynamics in the same manner as SEA. The equity investments subjected to this impairment testing were Sacbo, Dufrital, SEA Services, and Airport Handling. The results of the impairment tests on these investments were approved by the Board of Directors on March 25, 2021.

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

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

In order to determine the value in use of the equity investments, the most recently approved financial statements, the financial forecasts provided by the companies, where available, and the main drivers of operations based on the Company's 2021-2025 Business Plan were taken into account. Based on this information, financial forecasts were made for each company involved in the impairment test.

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

The impairment tests were carried out on these investees, indicating no losses in value at December 31, 2020.

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

In light of the results of these impairment tests at December 31, 2020, it has not been necessary to recognise impairment losses on property, plant and equipment, on intangible leased assets, on rights-of-use, on investment property, or on investments in associates.

Financial assets

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

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

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

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

Derivative financial instruments

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

The hedging relations are of three types:

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

The Company's hedging relationships qualify for hedge accounting under IFRS 9. Since the fundamental elements of the hedging instruments correspond to those of the hedged items, all hedging relationships are effective based on the evaluation of the effectiveness criteria of IFRS 9. When the option contracts are utilised to hedge highly probable scheduled transactions, the Company only designates the intricate value of the options as hedging instruments. Based on IFRS 9, the changes in the time value of options relating to the item hedged are recognised in the other items of the comprehensive income statement and are accumulated in the hedge reserve under net equity. IFRS 9 requires that the accounting treatment relating to the time value of an option not designated is applied in retrospective manner. Reference should be made to Note 4.2 for further information in relation to the management of the risk of the Company.

Trade and other receivables

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

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

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

Inventories

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

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

Cash and cash equivalents

Cash and cash equivalents includes cash, bank deposits, and other short-term forms of investment readily available, due within three months. At the reporting date, bank overdrafts are classified as financial payables under current liabilities. Cash and cash equivalents are recorded at fair value.

Provisions for risks and charges

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

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

Restoration and replacement provision of assets under concession

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

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

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

Employee provisions

Pension provisions

The Company has both defined contribution plans (National Health Service Contributions and INPS pension plan contributions) and defined benefit plans.

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

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

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

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

Post-employment benefits

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

Financial liabilities

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

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

Financial liabilities are derecognised from the Statement of Financial Position when they expire and the Company has transferred all the risks and rewards relating to the instrument.

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

Trade and other payables

Trade and other payables are initially recognised at amortised cost.

Reverse factoring transactions - indirect factoring

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

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

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

Revenue recognition

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

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

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

The revenues generated by the Company concern the sale of goods and services during the period, for which reference should be made to Note 7.1; as per IFRS 15, paragraph 114, the Company aggregates the revenues recorded deriving from contracts with customers into categories which illustrate how the economic factors impact upon the nature, the amount, the timing and the level of uncertainty of the revenues and of the cash flows.

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

Revenue for works on assets under concession

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

Government grants

Public grants, in the presence of a formal resolution from the issuer, are recorded on an accrual basis in direct correlation to the costs incurred (IAS 20). Public grants, including non-monetary grants measured at fair value, do not need to be recognised until there is reasonable certainty that: (a) the entity will comply with the conditions; and (b) the contributions will be received.

Capital grants

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

Operating grants

Operating grants are recorded in the income statement in the account “Operating income”.

Recognition of costs

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

Financial income

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

Financial charges

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

Income taxes

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

Deferred taxes are calculated on all differences between the assessable income of an asset or liability and the relative book value, with the exception of goodwill. Deferred tax assets for the portion not compensated by deferred tax liabilities are recognised only for those amounts for which it is probable there will be future assessable income to recover the amounts. The deferred taxes are calculated utilising the tax rates which are expected to be applied in the years when the temporary differences will be realised or settled. Deferred tax assets are recorded when their recovery is considered probable. These assets and liabilities are not recognised if the temporary differences deriving from the goodwill or the initial recognition (not in business combination) of other assets or liabilities in operations do not have an impact on the accounting result or on the assessable fiscal result.

The carrying value of deferred tax assets is revised at the end of the year and reduced to the extent that it is no longer likely that there will be sufficient taxable income against which to recover all or part of the assets.

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

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

Dividends

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

Translation of foreign currency transactions

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

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

3. ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements require the Directors to apply accounting principles and methods that, in some circumstances, are based on difficulties and subjective valuations and estimates based on the historical experience and assumptions which are from time to time considered reasonable and realistic under the relative circumstances. The application of these estimates and assumptions impact upon the amounts reported in the financial statements, such as the Statement of Financial Position, the Income Statement and the Cash Flow Statement, and on the disclosures in the Explanatory Notes.

The accounting principles which, relating to the Company, require greater subjectivity by the Directors in the preparation of the estimates and for which a change in the underlying conditions or the assumptions may have a significant impact on the financial statements are briefly described below:

(a) Impairments

The tangible and intangible assets and investments in subsidiaries and associated companies and property investments are verified to ascertain if there has been a loss in value which is recorded by means of a write-down, when it is considered there will be difficulties in the recovery of the relative net book value through use. The verification of the existence of the above-mentioned indicators requires the Directors to make valuations based on the information available internally and from the market, as well as historical experience. In addition, when it is determined that there may be a potential impairment loss, the Company determines this through using the most appropriate technical valuation methods available. The correct identification of the indicators of the existence of a potential reduction in value as well as the estimates for their determination depends on factors which may vary over time impacting upon the valuations and estimates made by the Directors. Due to the major uncertainties linked to the Covid-19 emergency, both in the duration of the restrictions and in the structural macro-economic impacts, an accurate forecast process for the current year is extremely difficult. The Company is carefully monitoring the development of the situation and is updating the sensitivity analyses on the effects of the epidemic and has, in order to mitigate uncertainty, prepared impairment tests that take account of separate scenarios and specific sensitivity analyses. Reference should be made in addition to the paragraph above "Impairments".

(b) Amortisation & depreciation

Depreciation represents a significant cost for the Company. The cost of property, plant and equipment is depreciated on a straight-line basis over the estimated useful life of the relative assets and components. The useful life of the fixed assets is determined by the Directors when the fixed assets are purchased. This is based on the historical experiences for similar fixed assets, market conditions and considerations relating to future events which could have an impact on the useful life, such as changes in technology. Therefore, the effective useful life may be different from the estimated useful life. The Company periodically evaluates technological and sector changes to update the residual useful life. This periodic update could result in a change in the depreciation period and therefore in the depreciation charge in future years.

(c) Provisions for risks and charges

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

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

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

Provisions are recorded against risks of a legal and tax nature and employee disputes. The amount of the provisions recorded in the financial statements relating to these risks therefore represents the best estimate at that date made by the Directors. This estimate results in the adoption of assumptions concerning factors which may change over time and which may, therefore, have significant effects compared to the present estimates made by the Directors for the preparation of the financial statements. In addition, the restoration and replacement provision of the assets under concession, recorded in accordance with IFRIC 12, includes the best estimate of the charges matured at the balance sheet date for scheduled maintenance in future years in order to ensure the functionality, operations and security of the assets under concession. When measuring the restoration and replacement provision, the Company has taken account of expected investments and has not noted a particular impact from Covid-19.

(d) Trade receivables

Company evaluates the expected losses on trade receivables in order to reflect, through a specific doubtful debt provision, the realisable value utilising reasonable and demonstrable information available, without excessive costs or effort at the reporting date on past events, current conditions and future economic conditions.

The doubtful debt provision represents the best estimate at the reporting date made by the Directors. This estimate is based on facts and expectations which may change over time and which may, therefore, have significant effects compared to the present estimates made by the Directives for the preparation of the Separate Financial Statements.

(e) Leases

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

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

4. RISK MANAGEMENT

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

The management of the above-mentioned risks is undertaken through identifying, evaluating and undertaking the hedging of financial risks.

4.1 Credit risk

The credit risks represent the exposure of SEA to potential losses deriving from the non-compliance of obligations by trading and financial partners.

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

For SEA, 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, SEA has implemented procedures and actions to monitor the expected cash flows and recovery actions.

In application of internal credit policies, clients are requested to procure the release of guarantees: this typically relates to first-demand bank guarantees issued by primary credit institutions or guarantee deposits. In 2020, in response to the Covid-19 epidemic, financial terms and conditions with a large part of the commercial operators were altered, which resulted in a sharp reduction in fixed fees for the current year, whereas the amounts of guarantees that had already been issued in previous years has remained essentially unchanged. This has resulted in a significant increase in the ratio of trade receivables to guarantees/security deposits.

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

Trade receivables are reported in the financial statements net of doubtful debt provisions, which are prudently made based on the rating grade and underlying disputes at the reporting date. The doubtful debt provision necessary to adjust the nominal value to the realisable value is determined analysing all receivables and utilising all available information on the debtor.

A summary of trade receivables with third parties and the relative doubtful debt provisions is reported below.

(Euro thousands)	December 31, 2020	December 31, 2019
Trade receivables - customers, gross of doubtful debt provision	147,456	202,185
- of which overdue	121,200	120,953
Doubtful debt provision - customers	(107,951)	(98,436)
Total trade receivables - customers	**39,505**	**103,749**

Receivables transferred following factoring operations are eliminated from the Statement of Financial Position only when the related risks and benefits of ownership have been substantially transferred. Non-recourse receivables which do not satisfy these requisites remain on the Statement of Financial Position of the Company, even if legally transferred. In this case a financial liability of a similar amount is recorded under liabilities against advances received.

The breakdown of overdue receivables at December 31, 2020 and the previous year is shown below:

Trade receivables - customers

(Euro thousands)	December 31, 2020	December 31, 2019
Trade receivables - customers	147,456	202,185
Of which overdue	121,200	120,953
less than 180 days	22,929	17,687
over 180 days	98,271	103,266
% overdue receivables	82.2%	59.8%
% overdue receivables of less than 180 days	15.5%	8.7%
% overdue receivables of more than 180 days	66.6%	51.1%

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

The table below illustrates the gross trade receivables at December 31, 2020 and for the comparative year, as well as the breakdown of receivables from counterparties under administration and in dispute, with indication of the bank and insurance sureties and deposit guarantees provided.

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

Trade receivables - customers

(Euro thousands)	December 31, 2020	December 31, 2019
Trade receivables - customers	147,456	202,185
(i) receivables from parties subject to administration procedures	90,672	94,746
(ii) receivables subject to dispute	18,809	18,809
Total trade receivables, net of the receivables at points (i) and (ii)	**37,975**	**88,630**
Overdue receivables, other than at points (i) and (ii)	11,719	7,398
Sureties and deposits	59,131	62,849
% of receivables guaranteed by sureties and deposits vs total trade receivables, net of the receivables at points (i) and (ii)	155.7%	70.9%

The doubtful debt provision, in line with the methods outlined in IFRS 9, whose key element is the move from the previous concept of "incurred loss" to the "expected loss" concept, was calculated by taking into consideration non-collection risks, relating not only to overdue receivables, but also those falling due, determining a 'risk ratio', representative of the riskiness of commercial counterparties, which varies according to the credit position (performing or expired, with different bands for those that expired based on overdue days). The write-down of receivables is therefore made through the use of a provision matrix which presents rating classes in rows and the different bands of past-due or falling due in columns. The calculated risk ratio represents the probability that the client does not honour its debt and the percentage of credit, obtained from a historical analysis, with the possibility of the client being in default. Forward looking elements were also utilised, such as the possibility of management undertaking further provisions, notwithstanding the indications taken from the matrix. The estimates concerning applicable risk and general economic developments are included in the definition of the rating model and therefore are constantly updated to reflect the effective risk, in order to ensure a complete coverage of the credit risk encountered by the Company.

4.2 Market risks

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

a) interest rate risk;
b) currency risk;
c) price risk of commodities.

a) Interest rate risk

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

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

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

At December 31, 2020 the gross financial debt of SEA was comprised of medium/long-term loans (medium/long term portions of loans) and short-term loans (exclusively medium/long-term portion of loans maturing within 12 months). At the reporting date, the Company does not hold any short term debt.

The medium/long term debt at December 31, 2020 is reported in the following table, which shows each loan at the nominal value (which includes a spread of between 0.25% and 1.62%, not considering the effect of the hedging operations and the cost of the relative guarantees).

Medium/long-term loans at December 31, 2020 and 2019

	December 31, 2020			December 31, 2019		
(Euro thousands)	Maturity	Amount	Average rate	Maturity	Amount	Average rate
Bonds	**from 2021 to 2025**	**600,000**	**3.313%**	**2021**	**300,000**	**3.125%**
Bank loans - EIB funding	**from 2023 to 2037**	**197,308**	**0.86%**	**from 2020 to 2037**	**220,767**	**0.93%**
o/w at Fixed Rate		31,017	3.91%		38,128	3.90%
o/w at Variable Rate (*)		166,291	0.29%		182,639	0.30%
Other bank loans	**from 2022 to 2023**	**400,000**	**0.39%**	**2020**	**44**	**0.50%**
o/w at Fixed Rate					44	0.50%
o/w at Variable Rate		400,000	0.39%			
Medium/long-term gross financial debt		**1,197,308**	**1.93%**		**520,811**	**2.19%**

(*) *Includes: (i) variable rate tranche subject to interest rate hedge (ca. 28% at 31.12.2020 & 29% at 31.12.2019);*

(ii) Euro 74 million of EIB loans with specific bank guarantee.

The total value of medium/long-term loans at December 31, 2020, amounts to Euro 1,197,308 thousand, an increase of Euro 676,497 thousand compared to the previous year, following the issue of the "SEA 10/2025" bond in October 2020 in the amount of Euro 300 million and Euro 400 million in term loans from May to December 2020, partially offset by the repayments on EIB loans.

The average cost of medium/long-term debt at the end of December 2020 came to 1.93%, down 26 bps on the end of December 2019, having benefited from the favourable cost conditions on the new term loans stipulated during the year. Also considering the hedging transactions against the interest rate risk and the cost of bank guarantees on EIB loans, the average cost of debt amounts to 2.16%, down 60 bps compared to the end of 2019.

At December 31, 2020, SEA had the following bond issues with a total nominal value of Euro 600 million.

Description	Issuer	Listing market	ISIN Code	Terms (years)	Maturity	Par value (in million of Euro)	Coupon	Annual rate
SEASPA 3 1/8 04/17/21	SEA S.p.A.	Irish Stock Exchange	XS1053334373	7	04/17/2021	300	Fixed annual	3.125%
SEASPA 3 1/2 10/09/25	SEA S.p.A.	Irish Stock Exchange	XS2238279181	5	10/09/2025	300	Fixed annual	3.50%

The fair value of SEA's overall bank and bond medium/long-term debt at December 31, 2020 amounts to Euro 1,232,458 thousand (an increase on Euro 536,831 thousand at December 31, 2019). This value was calculated as follows:

- for the loans at fixed interest rates, the capital portion and interest were discounted utilising the spot rates for each contractual maturity, extrapolated from the market rates;
- for bonds listed on a regulated market, reference was made to the market values at December 31, 2020;
- for the loans at variable interest rates, the interest portion was calculated utilising the estimate of the expected rates at the end of each contractual maturity, increased by the spread defined contractually. The interest portion defined as outlined above and the capital on maturity was discounted utilising the spot rate for each contractual maturity, extrapolated from the market rate.

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

In response to the Covid-19 emergency, SEA requested and obtained a covenant holiday on outstanding loans and committed lines of credit available at the end of 2020 from the lending banks for the test dates of June 30 and December 31, 2020, and June 30, 2021.

For the new term loans stipulated and disbursed in 2020, 25% include covenant holidays for the same period, while, for the remainder, the first test date is set for June 30, 2021, for covenants that have been set based on scenarios that already take account of the impact of the Covid-19 pandemic.

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

INTEREST RATE HEDGES (Euro/000)

	Notional at signing date	Residual Notional at 31/12/2020	Date of signing	Start	Maturity	Fair value at 31/12/2020	Fair value at 31/12/2019
IRS	10,000	6,452	5/18/2011	9/15/2012	9/15/2021	(258.4)	(520.1)
	5,000	3,226	5/18/2011	9/15/2012	9/15/2021	(129.2)	(260.0)
	15,000	8,276	5/18/2011	9/15/2012	9/15/2021	(328.1)	(668.7)
	10,000	4,643	6/6/2011	9/15/2012	9/15/2021	(177.3)	(366.1)
	11,000	4,931	6/6/2011	9/15/2012	9/15/2021	(188.0)	(388.3)
	12,000	4,966	6/6/2011	9/15/2012	9/15/2021	(188.2)	(391.3)
	12,000	4,966	6/6/2011	9/15/2012	9/15/2021	(188.2)	(391.3)
Collar	10,000	4,643	6/6/2011	9/15/2011	9/15/2021	(145.8)	(298.1)
	11,000	4,552	6/6/2011	9/15/2011	9/15/2021	(141.1)	(290.2)
Total	**96,000**	**46,655**				**(1,744.3)**	**(3,574.1)**

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

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

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

b) Currency risk

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

c) Commodity risk

SEA is exposed to the changes of the prices and the relative exchange rates of the energy commodities, or rather gas and environment certificates related to the operations of the company, utilised by SEA Energia for the procurement of the electricity, heating and air-conditioning service on behalf of the Parent Company. These variations directly impact on the final price which SEA pays for the supply from the subsidiary SEA Energia. These risks derive from the purchase of the above-mentioned commodities, which in the case of gas are principally impacted by fluctuations in the prices of the underlying fuels, denominated in US Dollars. These fluctuations are absorbed through formulas and indexations utilised in the pricing structures adopted in sales contracts.

In 2020, SEA did not undertake any hedging of this risk.

In 2019, the subsidiary SEA Energia purchased greenhouse gas emission rights, in order to anticipate future requirements and eliminate the impact resulting from the relative price movements.

4.3 Liquidity risk

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

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

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

At December 31, 2020, also thanks to the process to strengthen the financial structure during the year, SEA has significant financial resources available:

- liquidity of Euro 588 million, based on robust cash at the end of 2019 (Euro 87 million), in addition to the issue of term loans of Euro 400 million and the issue of a new bond in the amount of Euro 300 million;
- 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;
- Euro 143 million of uncommitted credit lines available for immediate cash requirements.

Trade payables are guaranteed by SEA through careful working capital management which largely concerns trade receivables and the relative contractual conditions established, in addition to the possibility of indirect factoring transactions which do not change the payment conditions contractually agreed between the parties, although better balancing outflows and requirements.

The tables below illustrate for SEA the breakdown and maturity of the financial debt (capital, medium/long-term interest, financial charges on derivative instruments and leasing) and trade payables at December 31, 2020 and December 31, 2019.

Liabilities at December 31, 2020

(Euro millions)	< 1 year	>1 year < 3 years	>3 years < 5 years	> 5anni	Total
Gross financial debt	356.3	468.1	364.8	88.8	1,278.0
Leasing	1.6	2.6	1.7	3.5	9.4
Trade payables	109.9				109.9
Total payables	**467.8**	**470.7**	**366.5**	**92.3**	**1,397.3**

Liabilities at December 31, 2019

(Euro millions)	< 1 year	>1 year < 3 years	>3 years < 5 years	> 5anni	Total
Gross financial debt	37.8	365.5	47.1	112.7	563.1
Leasing	1.7	3.0	0.6	3.1	8.4
Trade payables	177.1				177.1
Total payables	**216.6**	**368.5**	**47.7**	**115.8**	**748.6**

The table does not include the short-term Group cash pooling debt, amounting to Euro 4.6 million at the end of 2020 (Euro 2.1 million at the end of 2019), against which a receivable of a similar nature existed of Euro 28.2 million (Euro 26.1 million at the end of 2019).

At the end of 2020, loans due within one year relate to the bond maturing in April 2021, the principal portion to be paid on some of the loans, EIB loans in particular, and interest due on the total debt. The loan repayment scheduling reflects the capacity of the Company's funding to cover medium/long-term needs.

4.4 Sensitivity

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

In particular, the analysis considered:

- bank debt and cash pooling position;
- loans;
- interest risk derivative hedge instruments.

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

a) Assumptions: the effect was analysed on the SEA Income Statement for the years 2020 and 2019 of a change in market rates of +50 or of -50 basis points.

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

The results of the sensitivity analysis are reported below:

	December 31, 2020		December 31, 2019	
(Euro thousands)	-50 bp	+50 bp	-50 bp	+50 bp
Current accounts (interest income) (1)	-232.74	1,089.16	-99.99	731.71
Cash pooling position (interest income) (1)	-147.05	147.05	-144.37	144.37
Loans (interest charges) (2)	1,001.36	-1,713.38	309.12	-982.04
Cash pooling position (interest charges) (2)		-17.98		-11.87
Derivative hedging instruments (flows) (3)	-196.45	196.45	-294.33	294.33
Derivative hedging instruments (fair value) (4)	-114.38	120.41	-376.14	370.35

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

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

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

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

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

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

At the present moment, and following the covenant holidays granted, SEA is not aware of any default situations related to the loans held or violations of any of the above-mentioned covenants.

5. CLASSIFICATION OF THE FINANCIAL INSTRUMENTS

The following table provides a breakdown of the financial assets and liabilities by category at December 31, 2020 and at December 31, 2019:

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

	December 31, 2020				
(Euro thousands)	Financial assets and liabilities measured at Fair Value to the Income Statement	Financial assets measured at amortised cost	Financial assets and liabilities measured at Fair Value to the Comprehensive Income Statement	Financial liabilities measured at amortised cost	Total
Other investments	1				1
Other non-current receivables		97			97
Trade receivables		49,124			49,124
Current financial receivables		28,244			28,244
Tax receivables		1,090			1,090
Other current receivables		5,361			5,361
Cash and cash equivalents		588,250			588,250
Total	**1**	**672,166**	**0**	**0**	**672,167**
Non-current financial liabilities exc. leasing				863,339	863,339
-of which payables to bondholders				*298,490*	*298,490*
Non-current financial payables for leasing				7,704	7,704
Trade payables				109,919	109,919
Tax payables				7,722	7,722
Other current and non-current payables				235,663	235,663
Current financial liabilities excl. leasing			1,744	345,219	346,963
-of which payables to bondholders				*299,856*	*299,856*
Current financial liabilities for leasing				1,584	1,584
Total	**0**	**0**	**1,744**	**1,571,150**	**1,572,894**

	December 31, 2019				
(Euro thousands)	Financial assets and liabilities measured at Fair Value to the Income Statement	Financial assets measured at amortised cost	Financial assets and liabilities measured at Fair Value to the Comprehensive Income Statement	Financial liabilities measured at amortised cost	Total
Other investments	26				26
Other non-current receivables		104			104
Trade receivables		120,162			120,162
Current financial receivables		26,128			26,128
Tax receivables		955			955
Other current receivables		5,769			5,769
Cash and cash equivalents		87,463			87,463
Total	**26**	**240,581**	**0**	**0**	**240,607**
Non-current financial liabilities exc. leasing			3,574	495,346	498,920
-of which payables to bondholders				*299,369*	*299,369*
Non-current financial payables for leasing				6,734	6,734
Trade payables				177,140	177,140
Tax payables				10,520	10,520
Other current and non-current payables				289,322	289,322
Current financial liabilities excl. leasing				33,131	33,131
Current financial liabilities for leasing				1,681	1,681
Total	**0**	**0**	**3,574**	**1,013,874**	**1,017,448**

5.1 Disclosure on fair value

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

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

The following tables present the Company assets and liabilities measured at fair value at December 31, 2020 and at December 31, 2019:

	December 31, 2020		
(Euro thousands)	**Level 1**	**Level 2**	**Level 3**
Other investments			1
Derivative financial instruments		1,744	
Total	**0**	**1,744**	**1**

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

6. NOTES TO THE STATEMENT OF FINANCIAL POSITION

6.1 Intangible assets

The table below reports the changes in intangible assets in 2020:

Intangible assets

(Euro thousands)	December 31, 2019	Increases in the year	Reclassifications/ transfers	Destruct./ sales	Amorti- sation	Write- downs	December 31, 2020
Gross value							
Rights on assets under concession	1,514,694	2,330	23,807	(76)		(420)	1,540,335
Rights on assets under concess. in prog. & advances	43,876	23,027	(23,807)				43,096
Patents and right to use intellectual property & others	85,694		8,960				94,654
Assets in progress and advances	6,543	2,975	(8,960)				558
Total Gross Value	**1,650,807**	**28,332**	**0**	**(76)**	**0**	**(420)**	**1,678,643**
Accumulated amortisation							
Rights on assets under concession	(611,306)			74	(43,598)		(654,830)
Rights on assets under concess. in prog. & advances							
Patents and right to use intellectual property & others	(75,133)				(8,444)		(83,577)
Assets in progress and advances							
Total accumulated amortisation	**(686,439)**	**0**	**0**	**74**	**(52,042)**	**0**	**(738,407)**
Net value							
Rights on assets under concession	903,388	2,330	23,807	(2)	(43,598)	(420)	885,505
Rights on assets under concess. in prog. & advances	43,876	23,027	(23,807)				43,096
Patents and right to use intellectual property & others	10,561		8,960		(8,444)		11,077
Assets in progress and advances	6,543	2,975	(8,960)				558
Total net value	**964,368**	**28,332**	**0**	**(2)**	**(52,042)**	**(420)**	**940,236**

As per IFRIC 12, rights on assets under concession, net of accumulated amortisation, amount to Euro 885,505 thousand at December 31, 2020 and Euro 903,388 thousand at December 31, 2019. These assets are amortised on a straight-line basis over the duration of the concession from the State. The amortisation for the year 2020 amounts to Euro 43,598 thousand. The increases in the year, amounting to Euro 26,137 thousand, derive mainly for Euro 23,807 thousand from the entry into use of investments made in previous years and recorded under "Rights on assets under concession in progress and advances" and for Euro 2,330 thousand particularly from the purchase of new explosive detection system equipment for checked baggage control and x-ray equipment to screen carry-on baggage.

For assets within the concession right, SEA has the obligation to record a restoration and replacement provision, in relation to which reference should be made to Note 6.16.

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

The account "Right on assets under concession in progress and advances", amounting to Euro 43,096 thousand, refers to the work in progress on concession assets, not yet completed at December 31, 2020. The increase of Euro 23,027 thousand is expressed net of the State contribution amounting to Euro 5,277 thousand, collected in 2020 (final tranche), for the construction of the Malpensa Terminal 2 railway station, whose works were completed in previous years.

In 2020, SEA continued its commitment to the infrastructural development of the Malpensa and Linate airports. This development, in view of the contingent Covid-19 emergency, led to the postponement of a number of initiatives, which are, in any event, not deemed to be indispensable in terms of security and compliance with applicable law.

The main works done during the year at Malpensa amounted to Euro 13,731 thousand and primarily related to: i) at Terminal 1, the completion of the new Arrivals A bus shelter, the continuation of refurbishment and standardisation of the public toilets, the seismic upgrades to the spatial coverage, and the continuation of upgrades to the fire-detection system; ii) at Terminal 2, the upgrades to hygiene to deal with the Covid-19 emergency regulations; it should be noted that, following the decision to shift all traffic to Terminal 1, investments directly related to passenger traffic were suspended, including construction of the self-service bag drop and upgrades to the hold baggage screening (BHS) system to ECAC standard 3, and will be completed when levels of traffic will allow for the reopening of Terminal 2; iii) air-side infrastructures at Malpensa, which solely concerned the redevelopment of existing areas and projects related to maintaining and increasing the levels of security and operational functioning of the airport.

At Linate, amounting to Euro 14,573 thousand, works principally concerned continuation of the functional upgrading and restyling of the terminal. In particular, the main works involved the construction of a new building F (ground floor, first and second floor, and roof) with a façade facing the aircraft apron, expansion of the gates on the ground floor (which became operational in late October 2020) and departure security checks with the creation, in the carry-on baggage screening area, new next-generation radiogenic equipment to optimise traffic flow and increase the quality of service provided to passengers, as well as creation of new retail areas and a new food & beverage area on the second floor, scheduled for completion in the spring of 2021. In addition, work is underway on upgrading the terminal's check-in areas and building new vertical links to the M4 arrival station.

The reclassifications to assets under concession principally related to the gradual entry into service of the terminal restyling works at Linate and Malpensa, the portion of new construction related to Linate runway, and construction of the new Arrivals A bus shelter at Malpensa's Terminal 1.

Patents and rights to use intellectual property and other intangible assets, amounting to Euro 11,077 thousand at December 31, 2020 (Euro 10,561 thousand at December 31, 2019), relate to the purchase of software components for the airport and operating IT systems. Specifically, the increases for Euro 8,960 thousand principally related to the development and implementation of the administrative and airport management systems, relating to investments in previous years and recorded in the account "Assets in progress and advances" which at December 31, 2020 record a residual amount of Euro 558 thousand, relating to software developments in progress. The amortisation for the year 2020 amounts to Euro 8,444 thousand.

In view of the results of the impairment test at December 31, 2020, described in Note 2, the non-financial assets were not impaired.

The changes in intangible assets during 2019 were as follows:

Intangible assets

(Euro thousands)	December 31, 2018	Increases in the year	Reclassifications/ transfers	Destruct./ sales	Amorti-sation	Write-downs	December 31, 2019
Gross value							
Rights on assets under concession	1,475,873	3,250	36,006	(435)			1,514,694
Rights on assets under concess. in prog. & advances	30,875	49,485	(36,006)	(478)			43,876
Patents and right to use intellectual property & others	78,934		6,760				85,694
Assets in progress and advances	5,068	8,235	(6,760)				6,543
Total Gross Value	**1,590,750**	**60,970**	**0**	**(913)**	**0**	**0**	**1,650,807**
Accumulated amortisation							
Rights on assets under concession	(564,942)			178	(46,542)		(611,306)
Rights on assets under concess. in prog. & advances							
Patents and right to use intellectual property & others	(67,762)				(7,371)		(75,133)
Assets in progress and advances							
Total accumulated amortisation	**(632,704)**	**0**	**0**	**178**	**(53,913)**	**0**	**(686,439)**
Net value							
Rights on assets under concession	910,931	3,250	36,006	(257)	(46,542)		903,388
Rights on assets under concess. in prog. & advances	30,875	49,485	(36,006)	(478)			43,876
Patents and right to use intellectual property & others	11,172		6,760		(7,371)		10,561
Assets in progress and advances	5,068	8,235	(6,760)				6,543
Total net value	**958,046**	**60,970**	**0**	**(735)**	**(53,913)**	**0**	**964,368**

6.2 Property, plant and equipment

The following tables summarises the movements in property, plant and equipment in 2020.

Property, plant and equipment

(Euro thousands)	December 31, 2019	Increases in the year	Reclassifications/ transfers	Destruct./ sales	Depreciation	December 31, 2020
Gross value						
Property	218,302		3,848	(37)		222,113
Plant and machinery	6,471	73				6,544
Industrial and commercial equipment	46,127	275		(2)		46,400
Other assets	78,962	1,204	9,901	(24)		90,043
Assets in progress and advances	18,997	9,273	(13,749)			14,521
Total Gross Value	**368,859**	**10,825**	**0**	**(63)**	**0**	**379,621**
Depreciation provision and write-downs						
Property	(103,664)			26	(6,442)	(110,080)
Plant and machinery	(4,133)				(375)	(4,508)
Industrial and commercial equipment	(40,436)				(3,460)	(43,896)
Other assets	(60,462)			2	(7,143)	(67,603)
Assets in progress and advances						
Total accum. deprec. & write-downs	**(208,695)**	**0**	**0**	**28**	**(17,420)**	**(226,087)**
Net value						
Property	114,638		3,848	(11)	(6,442)	112,033
Plant and machinery	2,338	73			(375)	2,036
Industrial and commercial equipment	5,691	275		(2)	(3,460)	2,504
Other assets	18,500	1,204	9,901	(22)	(7,143)	22,440
Assets in progress and advances	18,997	9,273	(13,749)			14,521
Total net value	**160,164**	**10,825**	**0**	**(35)**	**(17,420)**	**153,534**

The investments relate to the development of the Aviation sector which, as already reported, in accordance with IFRIC 12 are classified as assets under concession and airport concessions in progress and those in the Non-Aviation sector, amounting to Euro 3,848 thousand at December 31, 2020, principally related to the continuation of the restyling work at Terminal 1 of Malpensa and at Linate.

Increases in "Property, plant and equipment" also include the purchase of new video terminals for Euro 626 thousand and furniture and furnishings (counters, benches, seats, etc.) for Euro 578 thousand.

In view of the results of the impairment test at December 31, 2020, described in Note 2, the non-financial assets were not impaired.

All tangible and intangible fixed assets, including those falling under IFRIC 12, are expressed net of those funded by State and European Union contributions. These latter at December 31, 2020, amounted to Euro 509,660 thousand and Euro 7,019 thousand respectively.

The changes in property, plant and equipment during 2019 were as follows:

Property, plant and equipment

(Euro thousands)	December 31, 2018	Increases in the year	Reclassifications/ transfers	Destruct./ sales	Depreciation	December 31, 2019
Gross value						
Property	215,099		4,121	(918)		218,302
Plant and machinery	6,050	430		(9)		6,471
Industrial and commercial equipment	47,856	1,778		(3,507)		46,127
Other assets	72,241	4,914	5,070	(3,263)		78,962
Assets in progress and advances	11,784	18,051	(9,191)	(1,647)		18,997
Total Gross Value	**353,030**	**25,173**	**0**	**(9,344)**	**0**	**368,859**
Depreciation provision and write-downs						
Property	(97,776)			606	(6,494)	(103,664)
Plant and machinery	(3,798)			9	(344)	(4,133)
Industrial and commercial equipment	(39,206)			3,506	(4,736)	(40,436)
Other assets	(57,981)			3,262	(5,743)	(60,462)
Assets in progress and advances						
Total accum. deprec. & write-downs	**(198,761)**	**0**	**0**	**7,383**	**(17,317)**	**(208,695)**
Net value						
Property	117,323		4,121	(312)	(6,494)	114,638
Plant and machinery	2,252	430			(344)	2,338
Industrial and commercial equipment	8,650	1,778			(4,736)	5,691
Other assets	14,260	4,914	5,070	(1)	(5,743)	18,500
Assets in progress and advances	11,784	18,051	(9,191)	(1,647)		18,997
Total net value	**154,269**	**25,173**	**0**	**(1,961)**	**(17,317)**	**160,164**

6.3 Leased assets right-of-use

The following table presents the movement in 2020 for leased assets right-of-use:

Leased assets right-of-use

(Euro thousands)	December 31, 2019	Increases in the year	Destruct./sales	Depreciation /write-downs	December 31, 2020
Gross value					
Runway/Apron/Street equipment	11		(11)		0
Miscellaneous and minor equipment	3,068	207	(88)		3,187
Complex equipment	188				188
Transport vehicles	3,207	2,586	(784)		5,009
EDP	908		(46)		862
Land	4,348				4,348
Total Gross Value	**11,730**	**2,793**	**(929)**	**0**	**13,594**
Accumulated depreciation & write-downs					
Runway/Apron/Street equipment	(8)		11	(3)	0
Miscellaneous and minor equipment	(614)		88	(686)	(1,212)
Complex equipment	(54)			(53)	(107)
Transport vehicles	(649)		777	(932)	(804)
EDP	(175)		46	(185)	(314)
Land	(181)			(392)	(573)
Total accum. deprec. & write-downs	**(1,681)**	**0**	**922**	**(2,251)**	**(3,010)**
Net value					
Runway/Apron/Street equipment	3			(3)	0
Miscellaneous and minor equipment	2,454	207		(686)	1,975
Complex equipment	134			(53)	81
Transport vehicles	2,558	2,586	(7)	(932)	4,205
EDP	733			(185)	548
Land	4,167			(392)	3,775
Total net value	**10,049**	**2,793**	**(7)**	**(2,251)**	**10,584**

"Leased asset rights-of-use" concern rights-of-use recognised as per IFRS 16. As a lessee, the Company identified the relevant issues, principally industrial equipment, land and the long-term hire of vehicles, with the consequent recognition of a usage right to non-current assets equal to the present value of the outstanding instalments and with the counter-entry of a finance lease payable. The net value of leased assets right-of-use at December 31, 2020, is Euro 10,584 thousand, with depreciation in the year of Euro 2,251 thousand. For the calculation of these amounts, the Company availed of an exemption permitted under IFRS 16 and which resulted in a single discount rate for each leasing portfolio.

The changes in leased assets rights-of-use during 2019 were as follows:

Leased assets right-of-use

(Euro thousands)	January 1, 2019	Increases in the year	Destruct./sales	Depreciation /write-downs	December 31, 2019
Gross value					
Runway/Apron/Street equipment	11				11
Miscellaneous and minor equipment	2,203	865			3,068
Complex equipment	188				188
Transport vehicles	1,341	1,910	(44)		3,207
EDP	868	40			908
Land	108	4,240			4,348
Total Gross Value	**4,719**	**7,055**	**(44)**	**0**	**11,730**
Accumulated depreciation & write-downs					
Runway/Apron/Street equipment				(8)	(8)
Miscellaneous and minor equipment				(614)	(614)
Complex equipment				(54)	(54)
Transport vehicles			11	(660)	(649)
EDP				(175)	(175)
Land				(181)	(181)
Total accum. deprec. & write-downs	**0**	**0**	**11**	**(1,692)**	**(1,681)**
Net value					
Runway/Apron/Street equipment	11			(8)	3
Miscellaneous and minor equipment	2,203	865		(614)	2,454
Complex equipment	188			(54)	134
Transport vehicles	1,341	1,910	(33)	(660)	2,558
EDP	868	40		(175)	733
Land	108	4,240		(181)	4,167
Total net value	**4,719**	**7,055**	**(33)**	**(1,692)**	**10,049**

6.4 Investment property

The breakdown of investment property at December 31, 2020 is shown below:

Investment property

(Euro thousands)	December 31, 2020	December 31, 2019
Gross value	4,134	4,134
Accumulated depreciation	(732)	(730)
Total investment property	**3,402**	**3,404**

The changes in the accumulated depreciation provision of the property investments in 2020 is shown below:

Movement accumulated depreciation investment property

(Euro thousands)	December 31, 2020
Opening balance	(730)
Decreases	
Depreciation	(2)
Final value accumulated depreciation investment property	**(732)**

The account includes buildings not utilised in the operated activities (apartments and garages).

In view of the results of the impairment test at December 31, 2020, described in Note 2, the non-financial assets were not impaired.

6.5 Investments in subsidiaries and associates

The breakdown of the account "Investments in subsidiaries and associates" at December 31, 2020 and at December 31, 2019 are shown below:

Investments in subsidiaries and associates

(Euro thousands)	December 31, 2020	December 31, 2019
SEA Energia SpA	7,026	7,026
SEA Prime SpA	25,451	25,451
Investments in subsidiaries	**32,477**	**32,477**
Airport Handling SpA	7,190	7,190
SACBO SpA	4,562	4,562
Dufrital SpA	3,822	3,822
Malpensa Logistica Europa SpA	1,674	1,674
Disma SpA	421	421
SEA Services Srl	300	300
Investments in associates	**17,969**	**17,969**
Investments in subsidiaries and associates	**50,446**	**50,446**

"Investments in subsidiaries and associated companies" amount to Euro 50,446 thousand at December 31, 2020 (Euro 50,446 thousand at December 31, 2019).

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

Risk related to the European Commission's decision of December 19, 2012 concerning declarations of State Aid awarded to SEA Handling

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

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

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

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

Given the above, the only appeal remained pending against the Commission's decision is that brought by the Municipality of Milan. The hearing was held on February 28, 2018. With the judgment of December 13, 2018, the Court of the European Union rejected the Municipality of Milan's appeal. The Municipality appealed to the Court of Justice against this decision, which rejected its appeal on December 10, 2020 with a ruling definitively sanctioning the discontinuation of proceedings.

There were no direct consequences for SEA with respect to said ruling, which, as indicated above, was unrelated to the matter, given that SEA had complied with the requirements of the Commission's decision.

The key financial highlights at December 31, 2020 and for the previous year of the subsidiaries and associated companies are shown below.

	December 31, 2020						
(Euro thousands)	Assets	Liabilities	Revenues	Profit/ (loss)	Share. Equity	Pro-quota Shareholders' Equity	% held
Subsidiaries							
SEA Energia SpA	68,146	39,026	37,772	1,256	29,120	29,120	100.00%
SEA Prime SpA	30,801	12,628	9,775	1,789	18,173	18,157	99.91%
Associates							
Airport Handling SpA	40,983	12,052	57,146	(3,552)	28,931	8,679	30.00%
Dufrital SpA	38,989	11,333	42,815	(7,063)	27,656	11,062	40.00%
SACBO SpA	315,387	170,656	65,061	(20,596)	144,731	44,836	30.979%
SEA Services Srl (*)	4,088	2,674	8,709	639	1,414	566	40.00%
Malpensa Logistica Europa SpA	30,385	13,444	50,424	5,047	16,941	4,235	25.00%
Disma SpA	4,757	1,209	2,853	(870)	3,548	665	18.75%

	December 31, 2019						
(Euro thousands)	Assets	Liabilities	Revenues	Profit/ (loss)	Share. Equity	Pro-quota Shareholders' Equity	% held
Subsidiaries							
SEA Energia SpA	72,969	45,105	59,097	3,487	27,864	27,864	100.00%
SEA Prime SpA	28,369	11,985	11,247	2,595	16,384	16,369	99.91%
Associates							
Airport Handling SpA	57,484	25,001	127,612	1,769	32,483	9,745	30.00%
Dufrital SpA	62,776	28,057	182,238	13,053	34,719	13,888	40.00%
SACBO SpA	304,720	148,219	165,396	16,003	156,501	48,482	30.979%
SEA Services Srl (**)	5,877	2,872	18,015	2,233	3,005	1,202	40.00%
Malpensa Logistica Europa SpA	26,944	12,550	52,705	4,631	14,394	3,598	25.00%
Disma SpA	6,628	2,255	6,704	626	4,373	820	18.75%

(*) *Financial Statements at 30/09/2020*

(**) *Financial Statements at 30/09/2019*

6.6 Other investments

The breakdown of the "Other investments" at December 31, 2020 and at December 31, 2019 are shown below:

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

The following table presents for the years 2020 and 2019 other investments:

Other investments

(Euro thousands)	December 31, 2020	December 31, 2019
Aeropuertos Argentina 2000 SA		
Consorzio Milano Sistema in liquidation		25
Romairport Srl	1	1
Total other investments	**1**	**26**

AA2000

On September 22, 2020, ORSNA (Organismo Regulador del Sistema Nacional de Aeropuertos - the National Airport Authority) authorised the transfer of the equity investment in favour of CEDICOR and, therefore, SEA no longer holds any rights on the equity investment in Aeropuertos Argentina 2000 (AA2000). The value in the 2019 financial statements of Euro 1 was therefore eliminated.

The investment in Consorzio Milano Sistema in liquidation was fully written down.

6.7 Deferred tax assets

The changes in the net deferred tax assets for the year 2020 are shown below:

Net deferred tax assets

(Euro thousands)	December 31, 2019	Released / allocated to P&L	Released / allocated to Equity	December 31, 2020
Restoration prov. as per IFRIC 12	30,802	2,138		32,940
Write-downs Tan. assets	494	45		539
Provisions for risks and charges	11,470	(2,220)		9,250
Non-deductible doubtful debt provision	6,528	416		6,944
Other receivables provision	319			319
Inventory obsolescence provision	363	(7)		356
Fair value measurement of derivatives	714		(425)	289
Post-em. bens. prov. discounting (IAS 19)	1,467	(66)	49	1,450
Ord. main. on assets under concession	17,786	(3,946)		13,840
Tax loss		33,678		33,678
Other	86	85		171
Total deferred tax assets	**70,029**	**30,123**	**(376)**	**99,776**
Accelerated depreciation and lower depreciation on initial application IFRS	9,588	(5,749)		3,839
Restoration provision	1,499	120		1,619
Total deferred tax liabilities	**11,087**	**(5,629)**	**0**	**5,458**
Total deferred tax assets, net of liabilities	**58,942**	**35,752**	**(376)**	**94,318**

The movement in "Deferred tax assets" mainly regards the positive impact from the accrual of the deferred tax asset on the 2020 tax loss, which assumes that the current situation is temporary and that a reasonable certainty therefore exists, also on the basis of the 2021-2025 Business Plan approved by SEA's Board of Directors on January 19, 2021, of generating in future periods sufficient taxable income to allow for its gradual reabsorption.

When calculating 2020 deferred taxes, account was not taken of the current increase of 3.5 percentage points in the IRES rate, as introduced by the Law of December 27, 2019 for public service concessionaires, including those granted airport concessions, applicable to the years 2019, 2020 and 2021, since there is no certainty, given the current crisis situation in the airport sector, that the reversal period will fall during three years in which the law is in effect.

The movement in deferred taxes was therefore affected by the consequent realignment of deferred tax assets calculated at 3.5% and recorded in the previous year, which became necessary following the changed scenarios in terms of recoverability of the above-mentioned IRES surcharge within the current three-year period mentioned above.

6.8 Other non-current receivables

The breakdown of the "Other non-current receivables" is shown below:

Other non-current receivables

(Euro thousands)	December 31, 2020	December 31, 2019
Receivables from the state for contributions as per Law 449/85		
Other receivables	48,534	6,352
Total other non-current receivables	**48,534**	**6,352**

"Other non-current receivables" amount to Euro 48,534 thousand at December 31, 2020 (Euro 6,352 thousand at December 31, 2019).

The account mainly concerns the asset relating to the indemnification right to which the Company is entitled, associated with the takeover value and arising from Article 703 (paragraph 5) of the Navigation Code presented among non-current assets in accordance with IAS 8, paragraphs 10 and 11.

Other residual receivables, finally, refer to receivables from employees and guarantee deposits.

Receivables from the State for grants under Law 449/85, equal to Euro 1,328 thousand (Euro 1,328 thousand at December 31, 2019), are entirely covered by the doubtful debt provision and concern receivables based on the "Regulatory Agreement" between ENAC and SEA in January 1995 and revised in December 2004, which establishes the partial funding, pursuant to Law 449/85, of some infrastructure projects at Malpensa Airport.

6.9 Inventories

The table below reports the breakdown of "Inventories":

Inventories

(Euro thousands)	December 31, 2020	December 31, 2019
Raw material, ancillary and consumables	3,279	3,118
Inventory obsolescence provision	(1,264)	(1,288)
Total inventories	**2,015**	**1,830**

The account includes consumable materials for airport activities; no goods held in inventories comprised guarantees on loans or concerning other commitments.

Inventories were adjusted to their realisable or replacement value through an obsolescence provision which at December 31, 2020 amounts to Euro 1,264 thousand.

Utilisation of the inventory obsolescence provision amounted to Euro 38 thousand in 2020.

6.10 Trade receivables

The breakdown of "Trade receivables" at December 31, 2020 and for the previous year are shown below:

Trade receivables

(Euro thousands)	December 31, 2020	December 31, 2019
Trade receivables - customers	39,505	103,749
Trade receivables - subsidiaries	3,245	3,273
Trade receivables - associates	6,374	13,140
Total trade receivables	**49,124**	**120,162**

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

The significant reduction in trade receivables is due to the partial interruption of business operations, as a result of the Covid-19 outbreak containment measures and the significant drop in business volumes in 2020. For further details, reference should be made to the Directors' Report.

The criteria for the adjustment of receivables to their realisable value will take account of valuations regarding the state of the dispute and are subject to estimates which are described in the previous Note 3, to which reference should be made.

The changes in the doubtful debt provision were as follows:

Doubtful debt provision

(Euro thousands)	December 31, 2020	December 31, 2019
Opening provision	98,577	100,553
Net increases (decreases)	10,194	(1,862)
Utilisations	(629)	(114)
Final value doubtful debt provision	**108,142**	**98,577**

The net increases in the provision of Euro 10,194 thousand in 2020 (against net decreases of Euro 1,862 thousand in 2019) were made to take into account the risk in deterioration of the financial positions of the principle operators with which disputes exist and write-downs for receivables under administration and the risk assessed by the Company of the expected losses on each receivable, in accordance with IFRS 9.

The utilisations relating to the year 2020, amounting to Euro 629 thousand, refer to the closure during the year of disputes in which the provisions were accrued to cover such risks in previous years.

For details on the aging of the receivables reference should be made to Note 4.1.

For receivables from subsidiaries and associated companies reference should be made to Note 8, relating to transactions with related parties.

6.11 Current financial receivables

The account "Current financial receivables" amounts to Euro 28,244 thousand at December 31, 2020 (Euro 26,128 thousand at December 31, 2019) and relates entirely to financial receivables from subsidiaries. In particular the balance at December 31, 2020 is comprised of cash pooling receivables from SEA Energia SpA. Reference should be made to Note 8 relating to transactions with related parties.

6.12 Tax receivables

"Tax receivables" of Euro 1,090 thousand at December 31, 2020 (Euro 955 thousand at December 31, 2019) mainly concern for Euro 635 thousand the IRAP and IRES receivable from the higher advances paid in 2019 against the IRAP and IRES payable for 2019 and for Euro 60 thousand (Euro 60 thousand at December 31, 2019) tax receivables recorded following the liquidators distribution plan of the subsidiary SEA Handling SpA in liquidation.

6.13 Other current receivables

The breakdown of "Other current receivables" is shown below:

Other current receivables

(Euro thousands)	December 31, 2020	December 31, 2019
Other receivables	3,715	4,707
Receivables from insurance companies	947	488
Employee & social security receivables	530	202
Miscellaneous receivables	169	372
Total other current receivables	**5,361**	**5,769**

"Other current receivables" amount to Euro 5,361 thousand at December 31, 2020 (Euro 5,769 thousand at December 31, 2019) and is comprised of the accounts outlined below.

Other receivables, amounting to Euro 3,715 thousand at December 31, 2020 (Euro 4,707 thousand at December 31, 2019), includes miscellaneous receivables (reimbursements, supplier advances, arbitrations with subcontractors and other minor positions). The change during the year was mainly due to the decreased receivables recognised due to prepayments during the year of costs set to accrue in the following year.

Receivables from insurance companies, amounting to Euro 947 thousand at December 31, 2020 (Euro 488 thousand at December 31, 2019) relates to amounts paid on insurance policies in advance of the period to which the cost refers.

Employees & social security receivables, amounting to Euro 530 thousand at December 31, 2020 (Euro 202 thousand at December 31, 2019), mainly relate to INPS and INAIL receivables.

Miscellaneous receivables amounting amounting to Euro 169 thousand at December 31, 2020 (Euro 372 thousand at December 31, 2019) mainly refer to receivables from payments by Telepass, credit card and POS which have not yet been credited in the bank account.

6.14 Cash and cash equivalents

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

Cash and cash equivalents

(Euro thousands)	December 31, 2020	December 31, 2019
Bank and postal deposits	588,204	87,420
Cash in hand and similar	46	43
Total cash and cash equivalents	**588,250**	**87,463**

The account at year end comprises bank and postal deposits on demand for Euro 587,926 thousand (Euro 87,317 thousand at December 31, 2019), restricted bank deposits of Euro 103 thousand (Euro 103 thousand at December 31, 2019) receivables for interest income on current accounts matured in the year for Euro 175 thousand and cash amounts for Euro 46 thousand (Euro 43 thousand at December 31, 2019). For further information on the movements to cash and cash equivalents, reference should be made to the Cash Flow Statement.

6.15 Shareholders' Equity

Share capital

At December 31, 2020, the share capital of SEA is comprised of 250,000,000 shares of a value of Euro 0.11 each, with a total value of Euro 27,500 thousand.

Legal and extraordinary reserve

At December 31, 2020 the legal reserve of SEA amounts to Euro 5,500 thousand, while the extraordinary reserve amounts to Euro 174,649 thousand (Euro 63,083 thousand at December 31, 2019). This increase of Euro 111,566 thousand is due to the full allocation of the 2019 net profit.

Other Equity Investments Reserve

At December 31, 2020, the other investments reserve was closed (Euro 1 at December 31, 2019) following the formalisation by ORSNA of the authorisation to sell the investments held in Aeropuertos Argentina 2000. Reference should be made to Note 6.6.

Cash Flow Hedge Reserve

The balance of the reserve at December 31, 2020, amounting to Euro -913 thousand (Euro -2,260 thousand at December 31, 2019), relates to the change in the fair value of the effective part of the derivative hedge contracts and of the relative changes in the time value. For further information on derivative contracts, reference should be made to Note 4.2.

Actuarial gain/loss reserve

The balance of the reserve at December 31, 2020, equal to Euro -3,418 thousand (Euro -3,262 thousand at December 31, 2019), represents the actuarial losses matured at the balance sheet date on the Post-Employment Benefits provision.

Other Reserves

The other reserves, amounting to Euro 60,288 thousand at December 31, 2020, refer entirely to the reserves recorded in accordance with the revaluation laws 576/75, 72/83 and 413/911.

Allocation of the result for the year

On May 4, 2020, the Shareholders' Meeting approved the full allocation to the extraordinary reserve of the 2019 net profit of Euro 111,566 thousand.

For the net equity movements, reference is made to the "Statement of changes in Shareholders' Equity".

Available reserves

In accordance with Article 2427, No. 7-bis of the Civil Code, the equity accounts and their availability and possibility for distribution are reported below.

(Euro thousands)	Amount at 31/12/2020	Possibility of use (*)	Quota available	Summary of utilisations over last 3 years
Share capital	27,500			
Legal reserve	5,500	B		
Extraordinary reserve	174,649	A,B,C	174,649	124,600
IFRS initial conversion reserve	14,814			
Cash Flow Hedge Reserve	(913)			
Actuarial gain/loss reserve	(3,418)			
Other Reserves (1):				
- as per revaluation law 576/75	3,649	A,B,C	3,649	
- as per revaluation law 72/83	13,557	A,B,C	13,557	
- as per revaluation law 413/91	43,082	A,B,C	43,082	
Total	**278,420**		**234,937**	**124,600**
Total non-distributable amount		**43,483**		

(*) *A: for share capital increase; B: for coverage of losses; C: for distribution to shareholders*

(1) *Suspension of taxes reserve*

6.16 Provisions for risks and charges

The changes in the "Provisions for risks and charges" in the year are reported below: :

Provision for risks and charges

(Euro thousands)	December 31, 2019	Provisions/ Increases	Utilisations/ Decreases	Releases	Other movements	December 31, 2020
Restoration and replacement provision	129,469	16,885	(13,158)		42,455	175,651
Provision for future charges	24,695	2,818	(3,311)	(359)		23,843
Total provision for risks & charges	**154,164**	**19,703**	**(16,469)**	**(359)**	**42,455**	**199,494**

The restoration and replacement provision on assets under concession, created in accordance with IFRIC 12, amounting to Euro 175,651 thousand at December 31, 2020 (Euro 129,469 thousand at December 31, 2019), refers to the estimate of the amount matured relating to the maintenance on assets under concession from the State which will be undertaken in future years. The provision for the year takes into account the updated long-term scheduled maintenance and replacement plans on these assets, while the utilisations in the year refer to the restoration works carried out covered by the provisions made in previous years. The utilisation for the year was mainly due to the restoration work tied to the functional upgrading of the Linate terminal, the revamping of the overheated water system line and the roofs of the Malpensa terminal and, in the airside area, the resurfacing of several segments of the runways, taxiways and aircraft parking aprons. In order to better present the Financial Position Information, the Company reports, starting from the reporting year, the asset relating to the indemnification right to which the company is entitled, associated with the takeover value and arising from Article 703 (paragraph 5), of the Navigation Code among non-current assets in accordance with IAS 8, paragraphs 10 and 11. This amount was accounted for through the account "Other movements".

The movements of the future charges provision were as follows:

Provision for future charges

(Euro thousands)	December 31, 2019	Provisions/ Increases	Utilisations/ Decreases	Releases	December 31, 2020
Labour provisions	5,803	2,239	(1,765)	(162)	6,115
Tax risks	360			(35)	325
Other provisions	18,532	579	(1,546)	(162)	17,403
Total provision for future charges	**24,695**	**2,818**	**(3,311)**	**(359)**	**23,843**

The labour provisions relate to the expected streamlining actions to be undertaken on operations. The utilisations in the year are related to the incentivised resignations for which a specific provision was made in the accounts in 2019.

The "Tax risks" provision of Euro 325 thousand is related to the provision for disputes currently underway with the competent tax judicial bodies over VAT resulting from the tax audit by the Customs Agency in respect of the resale of electricity and registration tax applied on the transactions in accordance with a number of civil judgments.

The account "Other provisions" for Euro 17,403 thousand at December 31, 2020 (Euro 18,532 thousand at December 31, 2019) is mainly composed of the following items:

- Euro 3,775 thousand for legal disputes related to the operational management of the Milan Airports;
- Euro 821 thousand relating to disputes with insurance companies for requests for indemnities;
- Euro 9,000 thousand relating to charges from the acoustic zoning of the peripheral areas to the Milan Airports (Law No. 447/95 and subsequent Ministerial Decrees). A plan to map all noise-sensitive areas near Linate Airport was launched in late 2019 and will later be extended to the Malpensa area with similar goals; For further information, reference should be made to the Directors' Report;
- Euro 3,000 thousand for various legal disputes.

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

6.17 Employee provisions

The changes in the employee provisions in 2020 and in the previous year are shown below:

Employee provisions

(Euro thousands)	December 31, 2020	December 31, 2019
Opening provision	47,215	45,188
Financial (income)/charges	216	454
Utilisations	(2,939)	(2,220)
Actuarial losses / (profits) rec. to equity reserve	206	3,793
Total employee provisions	**44,698**	**47,215**

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

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

Economic-financial technical parameters

	December 31, 2020	December 31, 2019
Annual discount rate	0.01%	0.77%
Annual inflation rate	0.80%	1.50%
Annual increase in employee leaving indemnity	2.10%	2.63%

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

The sensitivity analysis for each of the significant assumptions at December 31, 2020 and the previous year is shown below, indicating the effects that would arise on the post-employment benefit provision.

Change

(Euro thousands)	December 31, 2020	December 31, 2019
+ 1 % on turnover rate	44,314	46,814
- 1 % on turnover rate	45,119	47,657
+ 1/4 % on annual inflation rate	45,300	47,863
- 1/4 % on annual inflation rate	44,106	46,578
+ 1/4 % on annual discount rate	43,744	46,189
- 1/4 % on annual discount rate	45,684	48,277

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

Average duration of the obligation

(in years)	December 31, 2020	December 31, 2019
Duration of the plan	9.2	9.4

Expected disbursements

(Euro thousands)	December 31, 2020	December 31, 2019
Year 1	4,473	4,397
Year 2	1,996	3,438
Year 3	2,077	2,073
Year 4	2,157	2,099
Year 5	2,326	2,297

6.18 Current and non-current financial liabilities

The breakdown of current and non-current financial liabilities at December 31, 2020 and at the end of the previous year is reported below:

	December 31, 2020		December 31, 2019	
(Euro thousands)	Current	Non-Current	Current	Non-Current
Bank payables	33,461	564,849	24,398	199,551
Payables to other lenders	315,086	306,194	10,414	306,103
Total financial liabilities	**348,547**	**871,043**	**34,812**	**505,654**

The breakdown of the accounts is shown below:

	December 31, 2020		December 31, 2019	
(Euro thousands)	Current portion	Non-current portion	Current portion	Non-current portion
Long-term loans	30,580	564,849	23,459	195,977
Loan charges payable	1,137		939	
Derivatives fair value	1,744			3,574
Bank payables	**33,461**	**564,849**	**24,398**	**199,551**
Payables to bondholders	299,856	298,490		299,369
Payables for charges on bonds	9,014		6,609	
Leased liabilities (Financial Payables)	1,584	7,704	1,681	6,734
Subsidised rate loans			44	
Financial payable to subsidiaries	4,632		2,080	
Payables to other lenders	**315,086**	**306,194**	**10,414**	**306,103**
Total current and non-current liabilities	**348,547**	**871,043**	**34,812**	**505,654**

As illustrated in the table above, the Company debt primary consists of medium/long term bank loans and the “SEA 3 1/8 2014-2021” and “SEA 3 1/2 2020-2025” bonds. The increase in the Company’s debt is mainly due to the issue of the new Euro 300 million bond loan, the drawdown of the new Term Loans for Euro 400 million, partially offset by the repayment of the maturing capital portions of outstanding loans.

For further information on bank loans and derivative contracts underwritten reference should be made to Note 4.

The breakdown of the Company net financial debt at December 31, 2020 and December 31, 2019, in accordance with CONSOB Communication of July 28, 2006 and ESMA/2012/81 recommendations are reported below.

Net financial debt

	(Euro thousands)	December 31, 2020	December 31, 2019
A.	Cash and Cash equivalents	(588,250)	(87,463)
B.	Other cash equivalents		
C.	Securities held for trading		
D.	**Liquidity (A)+(B)+(C)**	**(588,250)**	**(87,463)**
E.	**Financial receivables**	**(28,244)**	**(26,128)**
F.	Current financial payables	4,632	2,080
G.	Current portion of medium/long-term bank payables	30,580	23,459
H.	Other current financial payables (*)	313,335	9,273
I.	**Payables and other current financial liabilities (F) + (G) + (H)**	**348,547**	**34,812**
J.	**Net current financial debt (D) + (E) + (I)**	**(267,947)**	**(78,779)**
K.	Non-current portion of medium/long-term bank payables	564,849	195,977
L.	Bonds issued	298,490	299,369
M.	Other non-current financial payables	7,704	10,308
N.	**Payables and other non-current financial liabilities (K) + (L) + (M)**	**871,043**	**505,654**
O.	**Net Financial Debt (J) + (N)**	**603,096**	**426,875**

(*) The balance of the account at December 31, 2020 includes also the value of bonds issued of Euro 299,856 thousand and the fair value of derivatives of Euro 1,744 thousand, with maturity beyond 12 months. In the previous year, these accounts were classified to non-current financial liabilities.

At the end of December 2020, the net financial debt amounted to Euro 603,096 thousand, increasing by Euro 176,221 thousand compared to the end of 2019 (Euro 426,875 thousand).

As evident from the cash flow statement, the net financial debt has been impacted by the fact that cash flow of Euro 118,764 thousand has been absorbed by operating activities, which has therefore not even partially offset the cash flow absorbed by investment activities (Euro 36,844 thousand) and absorbed by financial activities for the payment of interest and commissions (Euro 18,511 thousand). 2020 in fact has been significantly impacted by the cash outflows which particularly owe to the Covid-19 pandemic. In terms of financial activities, the increase in cash and cash equivalents of Euro 500,787 thousand (Euro 588,250 thousand at the end of 2020 compared to Euro 87,463 thousand in 2019) derives mainly from the issue of the new Euro 300 million Bond and the disbursing of the new Term Loans totalling Euro 400 million, partially offset by the repayment of outstanding loans for Euro 23,503 thousand.

"Other current financial payables" and "Other non-current financial payables" include the lease liabilities, as per IFRS 16 and representing the obligation to make contractually established payments. As per the table presented below, the current financial liabilities (maturity within 12 months) and non-current liabilities (maturity beyond 12 months) for leasing amount at December 31, 2020 respectively to Euro 1,584 thousand and Euro 7,704 thousand.

Lease liabilities (Financial Payables)

	December 31, 2020		December 31, 2019	
(Euro thousands)	current	non-current	current	non-current
Runway/Apron/Street equipment			4	
Miscellaneous & minor equipment	680	1,571	624	2,082
Complex equipment	55	37	53	91
Transport vehicles	662	3,679	783	1,994
EDP	156	432	186	593
Land	31	1,985	31	1,974
Total	**1,584**	**7,704**	**1,681**	**6,734**

The following is a breakdown of the variations of current and non-current financial assets and liabilities, with a separate indication of cash flows recorded in the year 2020 and other variations.

Current & non-current financial assets & liabilities

(Euro thousands)	Med./long-term bank loans (current and non-current portion)	Bond loans	Subsidised loans (current and non-current portion)	Payables for charges on loans and bonds	Lease payables	Derivative liabilities	Financial receivables / payables to subsidiaries	Total
December 31, 2019	**219,436**	**299,369**	**44**	**7,548**	**8,415**	**3,574**	**(24,048)**	**514,338**
Cash flows:								
- Issue new tranches of Term loans	400,000							400,000
- Issue new Bond loan		300,000						300,000
- Repayments (capital portion)	(23,459)		(44)					(23,503)
- Cash pooling changes							436	436
- Payment interest on bank loans and bond loans recognised to FY 2019				(7,548)				(7,548)
- Repayment of principal and interest on finance leases IFRS16					(2,022)			(2,022)
Total Cash flows	**376,541**	**300,000**	**(44)**	**(7,548)**	**(2,022)**	**0**	**436**	**667,363**
Other changes:								
- Amortised cost effect	(548)	(1,023)						(1,571)
- Fair value change						(1,830)		(1,830)
- Accrued interest on loans and bonds				10,151				10,151
- Change in finance lease obligations IFRS16					2,895			2,895
Total other changes	**(548)**	**(1,023)**	**0**	**10,151**	**2,895**	**(1,830)**	**0**	**9,645**
December 31, 2020	**595,429**	**598,346**	**0**	**10,151**	**9,288**	**1,744**	**(23,612)**	**1,191,346**

6.19 Trade payables

The breakdown of the "Trade payables" is shown below::

Trade payables

(Euro thousands)	December 31, 2020	December 31, 2019
Supplier payables	88,194	150,318
Advances	6,553	3,940
Payable to subsidiaries	8,022	11,363
Payables to associates	7,150	11,519
Total trade payables	**109,919**	**177,140**

Trade payables of Euro 109,919 thousand at December 31, 2020 refers to the purchase of goods and services relating to the operating activity and investments. In order to optimise operations with suppliers, trade payables at December 31, 2020 include sums ceded under indirect factoring contracts for Euro 1,415 thousand (Euro 4,076 thousand at December 31, 2019).

Payables on account at December 31, 2020 of Euro 6,553 thousand increased Euro 2,613 thousand on the previous year, mainly due to advances from clients against payments on accounts.

For payables from subsidiaries and associated companies reference should be made to Note 8, relating to transactions with related parties.

6.20 Income tax payables

Income tax payables amounting to Euro 7,722 thousand at December 31, 2020 (Euro 10,520 thousand at December 31, 2019) mainly relate to employee and consultant's withholding taxes for Euro 4,516 thousand (Euro 4,757 thousand at December 31, 2019) and the VAT payable for Euro 2,741 thousand (Euro 939 thousand at December 31, 2019).

The 2019 balance also included a direct taxes payable of Euro 4,819 thousand.

6.21 Other current and non-current payables

The breakdown of the account "Other current and non-current payables" at December 31, 2020 is shown below:

Other current payables

(Euro thousands)	December 31, 2020	December 31, 2019
Payables to social security institutions	11,889	13,878
Employee payables for amounts matured	12,049	23,825
Employee payables for vacations not taken	2,712	2,621
Payables to the State for airport fire services	77,279	71,187
Payables to the State for concession fee	10,349	14,664
Payables to the state for concession fee security service	13	96
Payables for additional landing rights	26,109	51,416
Third party guarantee deposits	1,198	1,094
Payables to the Board of Directors and Board of Statutory Auditors	55	54
Payables to shareholders for dividends	96	84,839
Payables to others post-em. ben.	218	234
Other	5,887	17,452
Total other current liabilities	**147,854**	**281,360**

"Other current liabilities" decreased by Euro 133,506 thousand, from Euro 281,360 thousand at December 31, 2019 to Euro 147,854 thousand at December 31, 2020.

This decrease is due mainly to the opposing effects of the following factors: i) reclassification to the account "Other non-current payables" of the portion of the payables to shareholders for dividends, of Euro 84,737 thousand, concerning the second tranche of the extraordinary distribution of available equity reserves, as in the Financial Statements as at December 31, 2018 to the account "Other Reserves", for a total amount of Euro 124,600 thousand, approved by the Shareholders' Meeting of September 30, 2019. The first tranche of the amount approved was paid in 2019 while, for the issue of the second and final tranche from June 24, 2020, the Company reserved the right to reset the payment date once the emergency phase of the Covid-19 pandemic has concluded and the economic and financial conditions to permit the payment have been met; ii) lower payables to employees for amounts accrued, for Euro 11,776 thousand, mainly due to the personnel cost containment initiatives adopted by the Company; iii) increased charges of Euro 6,092 thousand concerning the contribution of the Company to the airport fire protection services fund, set up through Law No. 296 of December 27, 2006; iv) reduction of the payables to the State concerning the charges related to the payment of the concession fee, for

Euro 4,315 thousand, following the significant reduction in traffic in 2020. It should be noted that the balance at December 31, 2020 includes the fee for the entire year of 2020 and the balance for the year 2019, the maturity date of which has been extended to April 30, 2021; v) reduction of payables for Euro 25,307 thousand relating to additional landing rights established by Laws No. 350/2003, No. 43/2005, No. 296/2006, No. 166/2008, No. 92/2012 and No. 357/2015; vi) reduction of "Others" for Euro 11,565 thousand. The account "Other payables", amounting to Euro 5,887 thousand at December 31, 2020 (Euro 17,452 thousand at December 31, 2019), mainly relates to deferred income from clients for future periods and other minor payables. Deferred income in 2020 was impacted by the redefinition of existing commercial contracts and a significant reduction in airport operations due to the effects of the Covid-19 health emergency.

"Payables for additional landing rights" include the amounts recharged to airlines (and not yet received) and those already received and reversed to the INPS/Tax Agency in the initial months of 2021.

Relating to the payables to the State for airport fire services, on July 20, 2018 the constitutional court notice of July 3, 2018 was published in the Official Gazette which declared the unconstitutionality of Article 1, paragraph 478 of Law No. 208 of December 28, 2015 implementing "Provisions for the drawing up of annual and multi-year budgets of the State (2016 Stability Law)". The established taxation status of the Fire-fighting fund and the condition of exclusive tax jurisdiction were subsequently confirmed by the Court of Cassation on January 15, 2019. In the Company's appeal to the Rome Regional Administrative Court, the Administrative Judge also ruled in favour of the jurisdiction of the Tax Judge in the judgement issued in December 2019. For further details, reference should be made to the Directors' Report in the "Risk factors of the SEA Group" paragraph.

The breakdown of the account "Other non-current payables" at December 31, 2020 is shown below:

Other non-current payables

(Euro thousands)	December 31, 2020	December 31, 2019
Payables to shareholders for non current dividends	84,737	
Employee payables	2,538	6,561
Payables to social security institutions	533	1,401
Total other non-current liabilities	**87,808**	**7,962**

"Other non-current payables" refers to the non-current portion of payables to shareholders for dividends (in relation to which, reference should be made to that reported above) and 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.

6.22 Payables and receivables beyond five years

There are no receivables over five years.

Financial payables above five years amount to Euro 83,647 thousand relating to the repayment of principal on medium/long-term loans at December 31, 2020 and for Euro 3,513 thousand relating to the finance lease payable.

7. INCOME STATEMENT

7.1 Operating revenues

The breakdown of operating revenues by business unit is reported below:

Operating revenues by Business Unit

(Euro thousands)	2020	2019
Aviation	148,158	432,747
Non Aviation	92,680	252,808
Total operating revenues	**240,838**	**685,555**

The breakdown of Aviation operating revenues is reported below.

Aviation operating revenues

(Euro thousands)	2020	2019
Fees and centralised infrastructure	129,538	371,570
Security management revenues	11,246	44,692
Use of regulated spaces	7,374	16,485
Total Aviation operating revenues	**148,158**	**432,747**

Aviation revenue in 2020 significantly fell by Euro 284,589 thousand compared to the previous year, from Euro 432,747 thousand in 2019 to Euro 148,158 thousand in 2020. The decline in revenues is mainly due to the negative effects of the spread of the Covid-19 virus, which resulted in a strong reduction in airport activities due to the dramatic decline in passenger traffic.

For details and analysis of traffic data in 2020, reference should be made to the Directors' Report.

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

Non Aviation operating revenues

(Euro thousands)	2020	2019
Retail	24,930	100,239
Parking	23,741	73,426
Cargo spaces	15,567	17,105
Advertising	4,125	10,420
Premium services	3,568	18,311
Real Estate	1,302	2,913
Services and other revenues	19,447	30,394
Total Non Aviation operating revenues	**92,680**	**252,808**

The breakdown of retail revenues is reported below.

Retail Revenues

(Euro thousands)	2020	2019
Shops	10,571	52,387
Food & beverage	6,040	21,677
Car rental	5,905	17,311
Banking activities	2,414	8,864
Total Retail	**24,930**	**100,239**

Non-Aviation revenues decreased Euro 160,128 thousand compared to the previous year, from Euro 252,808 thousand in 2019 to Euro 92,680 thousand in 2020. This performance is mainly due to the effects from the Covid-19 outbreak which has significantly cut passenger traffic numbers, generating impacts for the entire airport sector chain.

“Services and other revenues” mainly relate to income from the design services, service activities and other income.

7.2 Revenue for works on assets under concession

Revenue for works on assets under concession decreased from Euro 51,142 thousand in 2019 to Euro 29,024 thousand in 2020.

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

This account is strictly related to investment and infrastructure upgrading activities. For further information on the principal investments, reference should be made to Note 6.1.

The account “Costs for work on assets under concession” (Note 7.6) reflects the increase in the year due to lower work on assets under concession.

7.3 Personnel costs

The breakdown of personnel costs is as follows:

Personnel costs

(Euro thousands)	2020	2019
Wages and salaries	92,361	136,277
Social security charges	29,475	37,435
Severance provisions	7,607	7,698
Other personnel costs	2,730	5,173
Personnel costs	**132,173**	**186,583**

Personnel costs decreased Euro 54,410 thousand, from Euro 186,583 thousand in 2019 to Euro 132,173 thousand in 2020 (-29.2%).

This movement is largely due to the use of rotating days through the Extraordinary Temporary Lay-off Scheme, accompanied by a reduction in variable remuneration costs and a contraction in the workforce. For further information, reference should be made to the Directors' Report.

The average number of FTE employees by category compared to the previous year is reported below:

Average Full Time Equivalent

	January - December 2020	%	January - December 2019	%
Executives	51	2%	52	2%
Managers	281	10%	287	11%
White-collar	1,682	63%	1,701	62%
Blue-collar	617	23%	614	22%
Total full-time employees	**2,631**	**98%**	**2,654**	**97%**
Temporary workers	54	2%	77	3%
Total employees	**2,685**	**100%**	**2,731**	**100%**

The employee Head-count (HDC) at year-end in the Company was as follows:

No. HDC (Headcount) Employees (at period end)

	December 31, 2020	December 31, 2019	change
HDC Employees (at period end)	2,720	2,780	(60)

7.4 Consumable materials

The breakdown of "Consumable materials" is as follows:

Consumable materials

(Euro thousands)	2020	2019
Raw materials, ancillaries, consumables and goods	7,139	11,998
Change in inventories	(185)	85
Total consumable materials	**6,954**	**12,083**

The account "Consumable materials" mainly includes the purchase of goods for airport activities (chemical products for de-icing and de-snowing, clothing, spare parts, etc). The reduction in costs on the previous year is due to the considerable drop in airport activities related to the Covid-19 outbreak. For further information, reference should be made to the Directors' Report.

7.5 Other operating costs

The table below reports the breakdown of the account "Other operating costs":

Other operating costs

(Euro thousands)	2020	2019
Utilities & security expenses	30,866	46,768
Ordinary maintenance costs	23,271	31,548
Public entity fees	15,882	35,510
Terminal services provided by handling company	13,937	22,885
Cleaning	12,417	16,735
Miscellaneous and local taxes	7,537	7,575
Hardware & software use licenses	7,512	7,329
Parking management	7,424	18,419
Professional legal, administrative and strategic services	4,276	6,447
Disabled assistance and passenger support	2,446	5,222
Commercial costs	2,028	7,667
Insurance	1,516	1,202
Hire of equipment & vehicles	854	2,017
Emoluments & costs of Board of Statutory Auditors & BoD	731	594
Rental charges	211	529
Losses on disposal of assets	13	518
Other costs	8,408	17,037
Total other operating costs	**139,329**	**228,002**

In 2020, the account "Other operating costs" decreased by Euro 88,673 thousand compared to the previous year. This movement is mainly due to the effects from the Covid-19 health emergency, which heavily impacted the air transport chain, resulting in a significant drop in airport operations due to the significant fall in passenger numbers.

The residual account "Other costs" mainly includes fees recognised by SEA for the collection of airport fees related to general aviation for Euro 2,528 thousand (Euro 4,357 thousand in 2019), catering service costs for the VIP lounges of Euro 662 thousand (Euro 4,565 thousand in 2019), commission and brokerage costs of Euro 639 thousand (Euro 1,846 thousand in 2019), other industrial and administration costs (principally certification and authorisation charges, reception and welcoming passengers and losses on receivables) of Euro 833 thousand (Euro 1,163 thousand in 2019), landside transportation services of Euro 750 thousand (Euro 1,735 thousand in 2019), association contributions paid by the Company of Euro 1,227 thousand (Euro 1,150 thousand in 2019), purchase and subscription of newspapers and magazines of Euro 365 thousand (Euro 514 thousand in 2019) and office running expenses and administration costs.

7.6 Costs for works on assets under concession

Costs for works on assets under concession increased from Euro 46,321 thousand in 2019 to Euro 26,680 thousand in 2020. The change in the account is related to the investment activities (Note 7.2).

7.7 Provisions & write-downs

The breakdown of Provisions & write-downs is as follows:

Provisions & write-downs

(Euro thousands)	2020	2019
Provisions / (releases) of current receivables & cash and cash equivalents	10,194	(1,862)
Provisions/(releases) to provisions for future charges	2,459	2,548
Write down of fixed assets	420	
Total provisions and write-downs	**13,073**	**686**

In 2020 "Provisions & write-downs" increased Euro 12,387 thousand on the previous year (from Euro 686 thousand in 2019 to Euro 13,073 thousand in 2020).

The doubtful debt provision in the year was calculated to take into account the risk in deterioration of the financial positions of the principle operators with which disputes exist and write-downs for receivables under administration and the risk of non-receipt concerning not only overdue receivables but also those with upcoming maturity. For further information on the method to calculate and manage the doubtful debt provision, reference should be made to Note 4.1.

The net provisions for future risks and charges, amounting to Euro 2,459 thousand mainly refers to provisions for personnel and adjustments on valuations related to legal disputes concerning the operational management of the Milan Airports.

The Company, finally, recognised write-downs to fixed assets of Euro 420 thousand in 2020, concerning assets which in the coming year will be subject to disposal.

7.8 Restoration and replacement provision

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

Restoration and replacement provision

(Euro thousands)	2020	2019
Accrual/(release) restoration and replacement provision	17,150	22,000
Total accrual to restoration and replacement provision	**17,150**	**22,000**

This account includes the provision for the year of Euro 16,885 thousand relating to the scheduled replacement and maintenance of the assets within the so-called "Concession Right" and Euro 265 thousand relating to the release to the income statement of the annual portion of the restoration and replacement work recorded in previous years in the account 6.8 "Other non-current receivables".

The Company annually undertakes a multi-year update to the scheduled replacement and maintenance plan for assets covered by the "Concession right".

7.9 Amortisation & depreciation

The account "Amortisation & depreciation" is comprised of:

Amortisation & Depreciation

(Euro thousands)	2020	2019
Amortisation of intangible assets	52,042	53,913
Depreciation of property, plant and equipment	17,420	17,317
Depreciation of real estate investments	2	2
Depreciation Leased assets right-of-use	2,251	1,692
Total amortisation & depreciation	**71,715**	**72,924**

The depreciation of tangible fixed assets reflects the estimated useful life made by the company while, for the intangible assets within the "Concession Right", consideration is taken of the concession duration.

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

7.10 Investment income (charges)

The breakdown of investment income and charges is as follows:

Investment income (charges)

(Euro thousands)	2020	2019
Dividends from Malpensa Logistica Europa SpA	625	875
(Write-downs) / releases of Consorzio Milano Sistema in liquidation	(25)	
Dividends from Dufrital SpA		3,543
Dividends from SACBO SpA		2,026
Dividends from Airport Handling SpA		1,200
Dividends from SEA Services Srl		892
Dividends from Disma SpA		225
Total income (charges) from investments	**600**	**8,761**

Investment income amounts to Euro 600 thousand in 2020 compared to Euro 8,761 thousand in the previous year.

Investment income concerning dividends distributed by investees decreased Euro 8,136 thousand on the previous year (from Euro 8,761 thousand in 2019 to Euro 625 thousand in 2020).

7.11 Financial income (charges)

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

Financial income (charges)

(Euro thousands)	2020	2019
Exchange gains	2	11
Other financial income	997	854
Total financial income	**999**	**865**
Interest charges on medium/long-term loans	(14,665)	(11,676)
Exchange losses	(2)	(4)
Other interest charges	(5,646)	(5,432)
Total financial charges	**(20,313)**	**(17,112)**
Total financial income (charges)	**(19,314)**	**(16,247)**

Net financial charges increased Euro 3,067 thousand (from Euro 16,247 thousand in 2019 to Euro 19,314 thousand in 2020). Against an improvement of Euro 134 thousand in financial income, financial charges saw an increase of Euro 3,201 thousand.

The increase in financial charges of Euro 3,201 thousand is mainly due to the higher gross debt (new 2020 funding), with higher interest expense of Euro 2,989 thousand. The reduction of Euro 238 thousand in interest expense on post-employment benefits and of Euro 168 thousand in interest expense on derivatives is entirely offset by an increase in commissions on loans.

For further information on the change in the financial liabilities, reference should be made to Note 6.18.

7.12 Income taxes

The breakdown of the account "Income taxes" is shown below:

Income taxes

(Euro thousands)	2020	2019
Current income taxes	192	52,386
Deferred tax charge/(income)	(35,752)	(3,338)
Total income taxes	**(35,560)**	**49,048**

The reconciliation between the theoretical and effective tax rate for 2020 is shown below:

(Euro thousands)	2020	%
Profit/(Loss) before taxes	**(155,927)**	
Theoretical income taxes	(37,422)	24.0%
Permanent tax differences effect	1,011	-0.6%
IRAP	(558)	0.4%
Other	1,409	-0.9%
Effective taxes	**(35,560)**	**22.8%**

The main permanent tax differences are related to the non-deductible portion of the Single Municipal Tax and other costs that are wholly or partly non-deductible; this effect is partially offset by the accelerated-depreciation tax break on capital goods purchased between 2016 and 2019 and the tax-exemption on dividends collected in fiscal year 2020 under the "participation exemption" system.

The "Other" account principally includes tax adjustments concerning both current and deferred taxes of previous years.

8. TRANSACTIONS WITH RELATED PARTIES

The table below shows the balances and transactions of the Company with related parties for the years 2020 and 2019 and an indication of the percentage of the relative account:

Transactions with Related Parties

	December 31, 2020			
(Euro thousands)	**Trade receivables**	**Current financial receivables**	**Trade payables**	**Current financial liabilities**
Subsidiaries				
SEA Energia SpA	569	28,244	7,069	
SEA Prime SpA	2,676		953	4,632
Associates				
Airport Handling SpA	2,710		5,313	
SACBO SpA	433		664	
Dufrital SpA	522		(15)	
Malpensa Logistica Europa SpA	2,230		1,078	
SEA Services Srl	304		8	
Disma SpA	175		102	
Total related parties	**9,619**	**28,244**	**15,172**	**4,632**
Total book value	49,124	28,244	109,919	348,547
% on total book value	**19.58%**	**100.00%**	**13.80%**	**1.33%**

	Year ended December 31, 2020				
(Euro thousands)	**Operating revenues**	**Other operating costs**	**Personnel costs**	**Net financial income (charges)**	**Investment income (charges)**
Subsidiaries					
SEA Energia SpA	504	25,985	(69)	761	
SEA Prime SpA	5,662	2,550	(529)		
Associates					
Airport Handling SpA	7,016	15,813	(40)		
SACBO SpA (*)	523	3,591	(2)		
Dufrital SpA	6,812	2			
Malpensa Logistica Europa SpA	4,307		(40)		625
SEA Services Srl	1,298	664			
Disma SpA	209		(5)		
Signature Flight Support Italy Srl (**)	21				
Other investments					
Consorzio Milano Sistema in liquidation					(25)
Total related parties	**26,352**	**48,605**	**(685)**	**761**	**600**
Total book value	240,838	139,329	132,173	(19,314)	600
% on total book value	**10.94%**	**34.89%**	**(0.52%)**	**(3.94%)**	**100.00%**

(*) The account "Other operating costs" relating to transactions with SACBO, equivalent to Euro 3,591 thousand, does not include that invoiced by SEA to the final clients and transferred to the associate.

(**) On June 22, 2020, Sea Prime SpA sold its minority holding in Signature Flight Support Italy S.r.l. Therefore, the data shown in the table refers to the period January 1, 2020 - June 22, 2020.

Transactions with Related Parties

(Euro thousands)	December 31, 2019			
	Trade receivables	Current financial receivables	Trade payables	Current financial liabilities
Subsidiaries				
SEA Energia SpA	569	26,128	10,148	
SEA Prime SpA	2,704		1,215	2,080
Associates				
Airport Handling SpA	4,700		7,229	
SACBO SpA	283		352	
Dufrital SpA	5,760		695	
Malpensa Logistica Europa SpA	1,361		1,070	
SEA Services Srl	1,010		2,173	
Signature Flight Support Italy Srl	14			
Disma SpA	12			
Total related parties	**16,413**	**26,128**	**22,882**	**2,080**
Total book value	120,162	26,128	177,140	34,812
% on total book value	**13.66%**	**100.00%**	**12.92%**	**5.97%**

(Euro thousands)	Year ended December 31, 2019				
	Operating revenues	Other operating costs	Personnel costs	Net financial income (charges)	Investment income (charges)
Subsidiaries					
SEA Energia SpA	495	35,760	(108)	748	
SEA Prime SpA	9,041	4,357	(625)		
Associates					
Airport Handling SpA	14,076	26,486	(38)		1,200
SACBO SpA (*)	1,171	11,867	(2)		2,026
Dufrital SpA	32,997	16			3,543
Malpensa Logistica Europa SpA	4,635		(40)		875
SEA Services Srl	3,862	4,550			892
Disma SpA	214		(3)		225
Signature Flight Support Italy Srl	69	1			
Total related parties	**66,560**	**83,037**	**(816)**	**748**	**8,761**
Total book value	685,555	228,002	186,583	(16,247)	8,761
% on total book value	**9.71%**	**36.42%**	**(0.44%)**	**(4.60%)**	**100.00%**

(*) The account "Other operating costs" relating to transactions with SACBO, equivalent to Euro 11,867 thousand, does not include that invoiced by SEA to the final clients and transferred to the associate.

8.1 Transactions with subsidiary companies

Commercial transactions between SEA and subsidiary companies are as follows:

- transactions between SEA and SEA Energia SpA concerning the supply to the Milan Airports, of electric energy and heat produced by the Co-generation plants, located at the afore-mentioned airports, for its energy requirements, as well as the agreement for the provision, by the Company in favour of SEA Energia, of administrative services (among which legal, fiscal, planning and control);
- the transactions with SEA Prime SpA concern the sub-concession contract for the General Aviation management operations, at Linate airport, extended by SEA on May 26, 2008 and expiring on April 30, 2041 for the utilisation of the general aviation infrastructure and the verification and collection, on behalf of SEA, of airport and security fees. An agreement is also in place between the company and SEA Prime SpA for administration services (including legal, tax and accounting services);

Financial receivables and payables relate to centralised treasury services (cash pooling) which SEA undertakes on behalf of the subsidiaries.

8.2 Transactions with associated companies

The transactions between the Company and the associated companies, in the periods above-mentioned, are indicated below:

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

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

8.3 Other transactions with related parties

Malpensa Logistica Europa SpA

In 2020, Malpensa Logistica Europa distributed dividends to SEA for Euro 625 thousand.

9. DIRECTORS' FEES

In 2020, the remuneration for the Board of Directors, including social security contributions and accessory charges, amounted to Euro 514 thousand (Euro 372 thousand in 2019).

10. STATUTORY AUDITORS' FEES

In 2020, the remuneration for the Board of Statutory Auditors, including welfare and accessory charges, amounted to Euro 217 thousand (Euro 222 thousand in 2019).

11. INDEPENDENT AUDIT FIRM FEES

The fees for the audit of the statutory financial statements of SEA recognised to the independent audit firm Deloitte & Touche SpA for the year 2020 amounted to Euro 184 thousand and Euro 152 thousand for other activities. The Fees of the Audit Firm are net of Consob contributions.

12. COMMITMENTS AND GUARANTEES

12.1 Investment commitments

The principal commitments for investment contracts under Consortium Regroupings are shown below net of works already realised:

Breakdown project commitments

(Euro thousands)	December 31, 2020	December 31, 2019
Design and extraordinary maintenance civil works and plant at Linate & Malpensa	47,884	41,288
Design and extraordinary maintenance flight infrastructure and roadways at Linate and Malpensa	2,564	13,514
Works on electrical automation and control systems at Linate and Malpensa	3,091	4,970
Design and extraordinary maintenance of Linate & Malpensa AVL plant	7,485	2,962
Total project commitments	**61,024**	**62,734**

12.2 Guarantees

At December 31, 2020, the sureties in favour of third parties were as follows:

- two bank sureties both of Euro 40,031 thousand as guarantee on funds drawn down in June 2015 and June 2017, on the EIB line subscribed in December 2014;
- surety of Euro 25,000 thousand to Banca Popolare di Milano to guarantee credit lines received from companies within the centralised treasury system;
- surety of Euro 28,765 thousand in favour of ENAC, as guarantee of the concession fee;
- bank sureties of Euro 2,200 thousand and 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 “Italian Army Training Area” in Lonate Pozzolo and “Cascina Malpensa” area;
- bank surety of Euro 2,000 thousand in favour of SACBO as guarantee for the parking management at Bergamo airport;
- Euro 563 thousand for other minor sureties.

13. SEASONALITY

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

2020 featured the emergence of the Covid-19 pandemic, which resulted in a drastic reduction in passenger traffic from March, affecting the usual seasonality of the business.

14. CONTINGENT LIABILITIES

Reference should be made to the explanatory notes in relation to disputes on receivables (Note 6.10) and operating risks (Note 6.16). For further information, reference should be made to the Directors’ Report.

15. CONTINGENT ASSETS

With reference to Judgment 7241/2015 of the Milan Court, confirmed by the Milan Court of Appeal with Judgment No. 331/2017, as not all appeals have been made this contingent asset was not recognised in the income statement as per IAS 37. For further details, reference should be made to the Directors’ Report.

16. TRANSACTIONS RELATING TO ATYPICAL OR UNUSUAL OPERATIONS

In accordance with Consob Communication of July 28, 2006, in 2020 the Company did not undertake any transactions deriving from atypical or unusual operations, as set out in the communication.

17. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

Pursuant to CONSOB Communication of July 28, 2006, in the view of Directors, in 2020 the Company did not undertake non-recurring significant operations.

The most significant event in 2020 was the Covid-19 outbreak and its consequences for the air transport sector, with the generation of a serious financial impact on the air transport chain and in particular on the airport infrastructure system. Reference should be made to the “Significant events in 2020” paragraph of the Directors’ Report.

18. PUBLIC GRANTS (ARTICLE 1, PARAGRAPHS 125-129 OF LAW 124/2017)

Pursuant to Law No. 124/2017 and subsequent supplements, we communicate that the Company received public grants during the year totalling Euro 5,768 thousand.

Beneficiary	Provider	Purpose	(Euro thousands)
SEA SpA	Ministry of Infrastructure and Transport	Grant for the extension of the Milan-Malpensa railway line from Terminal 1 to Terminal 2	5,307
SEA SpA *	Lombardy Region	Grant for regulation works on Lambro river	461

* *The grant received by SEA SpA was forwarded to SEA Prime as the owner of the works on the Lambro river*

As required by Article 1 Law No. 124/2017, paragraph 126, the grants paid over an amount of Euro 10 thousand are listed below.

Beneficiary	Provider	Purpose	(Euro thousands)
La Scala Theatre	SEA SpA	Founding shareholder annual quota	600
Archiepiscopal Curia of Milan	SEA SpA	Contribution for the Catholic religious service offered by the Chaplaincies at Linate and Malpensa Airports	30
Varese Insubria University	SEA SpA	Contribution in support of scientific research of the University of Insubria - Department of Surgery and Medicine, under the "Covid-19 Screening Scientific Research Protocol	20

19. SUBSEQUENT EVENTS TO DECEMBER 31, 2020

Reference should be made to the Directors' Report.

It should be noted that the Company maintains its Public Interest Entity (PIE) status through a new Euro 300 million bond issue completed in October 2020 and listed on the regulated market of the Irish Stock Exchange (Euronext Dublin).

The Chairperson of the Board of Directors
Michaela Castelli

BOARD OF STATUTORY AUDITORS' REPORT TO THE SHAREHOLDERS' AGM OF SEA - SOCIETÀ ESERCIZI AEROPORTUALI S.P.A.

as per Article 2429, second paragraph, of the Civil Code

Dear Shareholders,

The Board of Statutory Auditors in office at the date of this report was appointed by the Shareholders' Meeting of SEA S.p.A. of April 19, 2019 for the three-year period 2019-2020-2021 and comprises:

- Rosalba Cotroneo: (Chairperson);
- Statutory Auditors: Rosalba Casiraghi, Daniele Angelo Contessi [1], Stefano Pozzoli and Valeria Scuteri;
- Alternate Auditor: Antonia Coppola.

During the year ended December 31, 2020, the Board of Statutory Auditors carried out its supervisory duties as set out by current legislation and took into account the conduct rules of the "Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili" (National Council of Accountants).

The Board of Statutory Auditors also executed the role set out under Article 19 of Legislative Decree No. 39 of January 27, 2010, as the Internal Control and Audit Committee, with SEA qualifying as an Entity of Public Interest (EIP), as per Article 16, paragraph 1, letter a) of the stated Legislative Decree No. 39/2010, as an issuer of securities, i.e. the "SEA 3 1/8 2014-2021" bond listed on the market regulated and managed by the Irish Stock Exchange and as a company adopting a traditional governance model.

The Board of Statutory Auditors in this Report refers to the activities carried out during the year, broken down by each category of oversight under the applicable rules for Boards of Statutory Auditors, and regarding the result for the year ended December 31, 2020.

The Board of Statutory Auditors is required to indicate that at the date of this Report, the major health emergency from the spread of the Covid-19 virus (emerging in December 2019 in China) has continued, in view of which the Italian authorities have issued regulations which impose severe limitations on the movement of persons and bans on gatherings, while also circulating stringent health protocols for the protection of persons, particularly in the workplace.

For current purposes, this environment - in addition to requiring the Board meetings to be held by audio conference - has also required the Board of Statutory Auditors to operate exclusively through "remote" meetings with regards to the related tasks.

The Board of Directors at its meeting of March 25, 2021 approved the separate financial statements at December 31, 2020 on a going concern basis, as outlined in the "notes to the financial statements".

The Board of Directors evaluated that, although within a difficult economic and financial environment, there are no significant uncertainties concerning the capacity of the Company to meet its obligations in the foreseeable future, and in particular in the 12 months subsequent to approval of this report.

The Board of Directors is closely monitoring developments of the scenario, updating its sensitivity analyses on the impacts of the Covid-19 epidemic, and has already identified measures to contain also in the current year the possible negative economic/financial effects.

The SEA Group refinanced the bonds maturing in April 2021, through a new bond issue reserved for institutional investors, for a total of Euro 300 million and listed on the Irish Stock Exchange regulated market (Euronext Dublin).

The liquidity and the committed credit lines available at December 31, 2020 will allow the Group to cover the debt maturities and to manage the cash requirements.

The Board of Statutory Auditors continually monitored, as part of its periodic checks, the operating-financial and equity situation.

[1] *Following the resignation of the Statutory Auditor Andrea Manzoni on September 24, 2020, Daniele Angelo Contessi, who was already an Alternate Auditor, took over the position of Statutory Auditor.*

Oversight upon legal, regulatory and By-Law compliance

The Board of Statutory Auditors in 2020 met to carry out its periodic checks. During this supervisory activity, the required information was acquired through frequent meetings with the heads of the relative company units, and specifically those concerning controls, through the participation of the statutory auditors at the Board of Directors' and subcommittee meetings, ensuring the attendance of at least one member at the meetings of the Committees, while also meeting the Supervisory Board as per Legislative Decree 231/2001.

The Board of Statutory Auditors held during the year 10 verification meetings and attended all of the meetings of the Board of Directors and the Shareholders' AGM and (12 meetings of the Board of Directors and 1 Shareholders' AGM), in addition to the meetings of the Control, Risks and Sustainability Committee (7 meetings); in certain cases, it held its meetings on the same day as the Control, Risks and Sustainability Committee and the Supervisory Board, scheduling a section of matters to be handled jointly, in order to support he exchange and uniformity of information between the parties with relevant tasks in terms of internal controls and to have better access to the company resources involved.

The Board of Statutory Auditors continually monitored the Company's initiatives in response to the pandemic crisis, both in order to ensure the health and safety of passengers, employees, customers and suppliers and the continuity of operations in compliance with the provisions issued by the competent bodies.

Supervisory activities on compliance with applicable law and the By-Laws

On the basis of the information available, the Board of Statutory Auditors did not note violations of statutory provisions or the By-Laws, nor manifestly imprudent or hazardous transactions, in potential conflict of interest or against the Shareholders' AGM's motions or such as to comprise the integrity of the Company's asset base and its continuity.

The Board of Statutory Auditors continually acquired from the Directors during these meetings extensive and detailed information on the operating performance and on the outlook, on the activities carried out and on the main operating, financial and equity transactions carried out by the Company and/or by its subsidiaries, in addition to the development of activities and strategic projects, in relation to which the Board does not indicate any particular observations.

Oversight upon compliance with the principles of correct administration and regarding related party transactions

During the periodic checks, the Board of Statutory Auditors met the Chief Financial & Risk Officer and the Administration Manager of the Company responsible for preparing the corporate accounting documents, the Internal Audit department and the representatives of the Independent Audit Firm, to acquire information on the activities carried out and on the controls planning. No significant information warranting disclosure in this report has emerged on this point. The Board of Statutory Auditors also continuously and in a timely manner exchanged information for the undertaking of the respective duties, with the Control, Risks and Sustainability Committee and the Supervisory Board.

The Board of Statutory Auditors verified the impairment test procedures carried out in accordance with IAS 36 on the property, plant and equipment and intangible assets and on equity investments that were discussed at the joint meeting of the Control, Risks and Sustainability Committee and the Board of Statutory Auditors and specifically approved by the Board of Directors.

In addition, at the same meetings, the Board of Statutory Auditors received extensive information on the assessment of the credit risk in the 2020 financial statements, carried out in accordance with IFRS 9, in view of the Covid-19 health emergency and the extraordinary situation which the air sector commercial partners face.

In 2020, the Company did not carry out any atypical or unusual transactions with third parties, inter-company transactions or related party transactions or such as to significantly impact the operating, equity and financial situation of the Company. With regards to the inter-company transactions or with related parties of an ordinary nature undertaken in the year, of which the company provided specific and timely disclosure in the periodic financial reports (and in the notes to the consolidated financial statements of the Group), the Board of Statutory Auditors noted that these transactions were undertaken in compliance with the Related Party Transactions Policy approved by the Board of Directors (last update on February 22, 2018) and did not indicate any critical issues concerning their suitability and fulfilment of the company's interests. The Company does not hold treasury shares.

Oversight on the auditing of accounts and the independence of the Audit Firm

The Board of Statutory Auditors held periodic meetings with the managers of the Independent Audit Firm, also as per Article 19, paragraph 1 of Legislative Decree No. 39/2010, during which it reviewed the work plan adopted, received information on the accounting policies utilised, on the accounting representation of the main transactions carried out in the year, in addition to the outcome of the audit. The meetings did not highlight any events or situations requiring indication in this Report.

As a result of the worsening of the Covid-19 health emergency, the Board of Statutory Auditors monitored the impact of the "remote" working methods implemented by the Auditor, supported by Company structures, and noted the completion of the activities required to issue the prescribed reports in full compliance with the Auditing Standards.

The Independent Audit Firm, Deloitte & Touche S.p.A, issued on April 30, 2021 the reports as per Article 14 of Legislative Decree 39/2010 and Article 10 of Regulation (EC) No. 537/2014, respectively for the statutory financial statements and for the consolidated financial statements at December 31, 2019, prepared as per International Financial Reporting Standards - IFRS - adopted by the European Union. These reports indicate that the statutory financial statements and the consolidated financial statements of SEA provide a true and fair view of the statement of financial position of SEA S.p.A. and of the SEA Group at December 31, 2019 and of the result and of the cash flows for the year ending at the same date. With regards to the statutory financial statements and the consolidated financial statements, the independent audit firm stated that the Directors' Report and the Corporate Governance and Ownership Structure Report, limited to the disclosure indicated at Article 123-*bis,* paragraph 4 of Legislative Decree No. 58 of February 24, 1998, are consistent with the financial statements and were prepared in compliance with law.

In addition, the Independent Audit Firm, with regards to the statement as per Article 14, paragraph 2, letter e) of Legislative Decree No. 39 of January 27, 2010, concerning the identification of significant errors in the Directors' Report, on the basis of its knowledge and understanding of the company and the relative overview acquired during the audit activities, indicated the following key aspects of the audit:

- Covid 19;
- Restoration provision for concession works.

The Independent Audit Firm on April 30, 2021 released the SEA Group's Non-Financial Statement (NFS) as per Article 4 of the Consob Regulation implementing Legislative Decree No. 254 of December 30, 2016, which indicated, on the basis of the work carried out, that no elements emerged such as suggest that the Group NFS for the year ended December 31, 2020 was not prepared in all significant aspects in compliance with the requirements of Articles 3 and 4 of the above-stated Legislative Decree.

The Independent Audit Firm issued, finally, the Additional Report for the Internal Control and Audit Committee as per Article 11 of Regulation (EC) No. 537/2014.

The Board of Statutory Auditors oversaw compliance with the provisions of Legislative Decree No. 254 of December 30, 2016 concerning non-financial disclosure and information upon diversity, while the Independent Audit Firm verified the preparation of the non-financial disclosure and issued a limited assurance with regards to the consistency of the information provided against that required by the Decree and against the reporting standards/guidelines utilised for such disclosure. The Board also monitored Non-Audit Services (NAS).

The notes to the financial statements of the Company indicate the amount of fees accruing in the year to the independent audit firm and the amount regarding its network, including other services.

Taking account of the independence declarations issued by Deloitte & Touche S.p.A. and the transparency report produced by the former in accordance with Article 18 of Legislative Decree 39/2010 and published on its website, in addition to the assignments awarded to the company and the companies belonging to its network by SEA S.p.A. and by the Group companies, and the note confirming compliance with the ethics and independence principles under the "Code of Ethics for Professional Accounts" issued by the IESBA, the Board of Statutory Auditors does not indicate any critical aspects with regards to the independence of the Audit Firm.

Oversight of the internal control and risk management system and of the administrative and accounting system

The Board of Statutory Auditors, also as the Internal Control and Audit Committee, as per Article 19 of Legislative Decree No. 39 of 27.01.2010, oversaw the adequacy of the internal control and risk management system and of the administrative-accounting system, in addition to the appropriateness of this latter to correctly reflect operating events. In this context, it requested and obtained all necessary information from the Managers of the respective Departments, undertaking all verifications considered necessary.

In addition, the Board maintained constant and adequate liaison with the Internal Audit Department and verified that this department has the required capacity, autonomy and independence. It also verified that adequate collaboration and exchange of information took place between the bodies and departments undertaking control functions. Reciprocal exchange of information also took place with the Board of Statutory Auditors of the subsidiaries and associated companies.

In particular:

- it carried out investigations in order to assess whether the administrative-accounting system of the Company is appropriate to permit the presentation of a true and fair view in the financial statements of the operating events; it periodically oversaw the correct functioning of the system through meetings with the managers of the Administration, Finance and Control Department;
- it examined the audit plans, the periodic reports and the annual report prepared by the Auditing Department. These reports do not indicate any critical issues and confirmed that the at-risk areas with regards to internal control have been recorded and monitored;
- it examined the periodic report of the Supervisory Board, set up as per Legislative Decree No. 231/2001, which does not indicate events or situations which require highlighting in this Report;
- it monitored the project activities carried out in terms of risks, in particular the advancement and ongoing refinement of the Enterprise Risk Management (ERM) project designed to build a model for the identification, classification, measurement, monitoring and homogeneous and transversal assessment of operational risks, in addition to their continuous monitoring, in support of the strategic choices and decisions of management and for stakeholder assurance.

Oversight of the adequacy of the organisational structure

The Board of Statutory Auditors acquired knowledge upon and oversaw, to the extent of its remit, the adequacy of the organisational structure of the company, reviewing and obtaining information of an organisational and procedural nature, through:

- the acquisition of information from the managers of the competent company departments;
- meetings and exchanges of information with the Board of Statutory Auditors of the subsidiaries for the reciprocal exchange of data and information;
- meetings with the Independent Audit Firm and the results of specific audit activities carried out by the former.

Consolidated Non-Financial Statement

The Board of Statutory Auditors oversaw compliance with the provisions of Legislative Decree No. 254 concerning non-financial disclosure and information upon diversity, while the auditor verified the preparation of the non-financial disclosure, issuing a limited assurance with regards to its consistency against that required by the Decree and against the reporting standards/guidelines utilised for such disclosure.

In particular, the Board of Statutory Auditors received information on:

- the process of reviewing the materiality matrix, which takes into account the altered conditions due to the Covid-19 pandemic, highlighting the various mitigation actions taken;
- social and personnel issues, with a particular focus on health, safety at work and remote work, as well as the policies adopted in this regard towards its own employees and collaborators;
- the business model and value creation, highlighting the main trends and factors that may affect the SEA Group's business model, the degree of resilience of this model to the consequences of the pandemic and the consequences for the company's ability to continue to create value over time;
- the risks related to climate change, even in a complex and challenging environment such as that created by the spread of the new virus;
- the interconnections that exist between financial and non-financial information, highlighting how the company's financial position and performance have been impacted by the events generated by Covid-19.

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Other information

The Board of Statutory Auditors declares in addition to not having received requests for the issue of opinions and was not required to issue opinions on the basis of specific regulations.

In 2020, no petitions or notices to the Board of Statutory Auditors as per Article 2408 of the Civil Code.

During the verifications, as described above, there were no more significant facts meriting mention in this report.

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Proposals to the Shareholders' AGM on the Separate Financial Statements at December 31, 2020

The Board of Statutory Auditors, following the oversight activities outlined above, taking into account the specific duties of the Independent Audit Firm Deloitte & Touche S.p.A. concerning the accounting and verification of the reliability of the financial statements, unanimously expresses its favourable opinion for the approval of the financial statements at December 31, 2020.

Milan, May 6, 2021

On behalf of the Board of Statutory Auditors

Rosalba Cotroneo (Chairperson)

Deloitte.

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INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
SOCIETÀ PER AZIONI ESERCIZI AEROPORTUALI - SEA S.p.A.

REPORT ON THE AUDIT OF THE SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying separate financial statements of Società per Azioni Esercizi Aeroportuali – SEA S.p.A. (the "Company"), which comprise the Statement of Financial Position as at December 31, 2020, the Income Statement, the Comprehensive Income Statement, Statement of Changes in Shareholders' Equity and Cash Flow Statement for the year then ended, and explanatory notes, including a summary of significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of the Company as at December 31, 2020, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Covid-19 (Coronavirus)	
Description of the key audit matter	2020 has been characterized by the Covid-19 spread and its social and economic consequences, with significant impacts on the air transport sector and consequently on the Company revenues and profit. From February, the gradual spread of the virus and the consequent national government measures to contain the outbreak led to a first strong reduction in passengers' traffic, followed, from July, by a recovery phase held over the summer period. Following the second wave of the pandemic in October and consequent governmental measures, traffic fell again. The Company promptly activated its crisis response protocol, and, through the management committee (renamed "Permanent Crisis Committee"), launched an emergency management plan to ensure safety and to mitigate the economic and financial effects of lower traffic handled. In this context, in order to strengthen the financial structure, with the goal of ensuring sufficient cash flow to cover needs stemming from the temporary slowdown in operations as a result of the Covid-19 emergency, the Company successfully refinanced the bond maturing in April 2021, through a new bond issue for Euro 300 million and new credit lines totaling Euro 400 million were also agreed, in addition to the lines of credit still available for Euro 390 million. Moreover, the Company requested and obtained a covenant holiday on outstanding contracts from the lending banks. Given the pandemic impacts and as a result of the analysis carried out, on January 19, 2021 the Directors approved the 2021-2025 Business Plan (the "Business Plan"), that constitutes a revision of the previous 2020-2024 business plan approved in 2020. The Business Plan is based on three different traffic scenarios, developed with the help of external experts. Moreover, due to the identification of impairment indicators, mainly related to Covid-19, the Directors conducted an impairment test, approved on March 25, 2021, based on the Business Plan and medium and long-term financial forecasts. With three different available scenarios, the impairment test has been based on the intermediate scenario that calls for a return to pre-Covid-19 volumes starting from 2024, which is in line with the latest International Air Transport Association (IATA) forecasts. The result of the test did not indicate any impairment loss, also in the worst-case traffic scenario, considered in the sensitivity analysis carried out by the Directors. The Directors indicate that in any case due to the major uncertainties linked to the Covid-19 emergency, an accurate forecast process for the current year is extremely difficult. In this context, the Company is closely monitoring developments of the scenario, updating its sensitivity analysis on the impacts of the pandemic. Based on the scenario analysis developed, the Directors indicate that the liquidity and the credit lines available will allow the Company to cover the debt maturities and to manage its cash requirements until gradual recovery of traffic.

Deloitte.

	Considering the relevance of the effects of Covid-19 on the Company results and on its outlook, and the potential impacts in terms of impairment losses on assets, we considered the Covid-19 a key audit matter for the Company separate financial statements. The paragraph “Liquidity risk” of explanatory notes indicates the Company financial structure and the financial strengthening measures enacted by the Company during the year. The paragraphs “Significant events in 2020” and “Outlook” of the Management Report and paragraph “Impairments” in the explanatory notes include the information provided regarding the other aforementioned aspects.
Audit procedures performed	The procedures performed , also through the support of Deloitte network experts, included, among others, the following: • understanding of the process carried out by the Company to manage the emergency situation, through meetings and discussion with the management and examination of the relevant documentation; • understanding of any measures taken by the competent authorities to manage Covid-19 emergency; • reading the Board of Directors meeting minutes; • understanding of the relevant controls over the impairment test process; • analysis of the reasonableness of the main assumptions underlying the Business Plan and the scenario analysis; • evaluation of the reasonableness of the discount rate (WACC) used for the impairment test; • analysis of the funding transactions implemented by the Company; • analysis of the cash requirements forecast in the 12 months following the financial statements approval and related coverage in terms of lines of credit available; • analysis of subsequent events up to our report issuance; • assessment of the adequacy of the disclosure provided by the Directors.
Restoration and replacement provision	
Description of the key audit matter	The separate financial statements as at December 31, 2020 include the “Restoration and replacement provision” for Euro 175.7 million. The provision includes the best estimate of the present value of the charges the Company will bear to meet its contractual obligations with the Italian Civil Aviation Authority to ensure the functionality, operations and security of the assets under concession. The estimation process of the “Restoration and replacement provision” appears articulate and difficult and it is composed of different phases and based on different variables and assumptions that include the planning of the restoration and replacement operations. In particular, the main assumptions are about the assets deterioration, the useful life of the restoration and the charge estimates for operation category.

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	Given the above, we considered the estimation process of this provision as a key audit matter as at December 31, 2020. The notes 2.4 and 6.16 of the separate financial statements as at December 31, 2020 highlight the accounting policies and the 2020 changes of the provision, respectively.
Audit procedures performed	The procedures performed included, among others, the following: • understanding of the process carried out by the Company to estimate and update the provision and analysing of any difference due to the Covid-19 context and planned investments; • understanding of the key controls that the Company carries out to monitor this area and testing of their actual implementation; • analysis through half-yearly meetings with the Operations and Maintenance Division and sample testing of the database containing expenses included in the restoration and replacement provision and of the fairness of the Division expectations and of any variance from forecasts; • understanding of any change in the regulatory framework that could impact the estimate of the provision value; • analysis of completeness and accuracy of accruals in the separate financial statements, also considering the latest Business Plan updates; • sample testing of the allocation criteria underlying the restoration percentages by discussion with the business units in-charge; • evaluation of the estimations underlying the provision; • assessment of the adequacy of the disclosure provided by the Directors as reported in the financial statements notes and its compliance with the relevant accounting standards.

Responsibilities of the Directors and the Board of Statutory Auditors for the Separate Financial Statements

The Directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Deloitte.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Società per Azioni Esercizi Aeroportuali - SEA S.p.A. has appointed us on May 4, 2016 as auditors of the Company for the period 2016-2022.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the separate financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Società per Azioni Esercizi Aeroportuali - SEA S.p.A. are responsible for the preparation of the report on operations including the information required by art. 123-bis, paragraph 2 (b) of the Company as at December 31, 2020, including its consistency with the related separate financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations including the information required by art. 123-bis, paragraph. 2 (b) of Legislative Decree 58/98, with the separate financial statements of the Company as at December 31, 2020 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations including the information required by art. 123-bis, paragraph 2 (b) is consistent with the separate financial statements of the Company as at December 31, 2020 and is prepared in accordance with the law.

Deloitte.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the Company and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Marco Pessina
Partner

Milan, Italy
April 30, 2021

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

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

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

SEA MilanAirports