

Consolidated Interim Financial Report at 31 March 2020

AEROPORTO G. MARCONI DI BOLOGNA S.P.A.





Consolidated Interim Financial Report
Aeroporto Guglielmo Marconi di Bologna Group
at March 31, 2020

This document is a courtesy translation from Italian into English. In case of any inconsistency between the two versions, the Italian original version shall prevail

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Aeroporto Guglielmo Marconi di Bologna Spa
Via Triumvirato, 84 - 40132 Bologna
Bologna Economic and Administrative Register No.:268716
Bologna Company Registration Office, Tax and VAT No.: 03145140376
Share capital: Euro 90,314,162.00 fully paid-in

Ownership of the Parent Company Aeroporto Guglielmo Marconi di Bologna Spa

According to the shareholder register and the notices received pursuant to Article 120 of Legislative Decree No. 58/98, the shareholders of the Parent Company, Aeroporto Guglielmo Marconi di Bologna S.p.A., with holdings of more than 3% were as follows at March 31, 2020:

SHAREHOLDER	% held
BOLOGNA CHAMBER OF COMMERCE	39.10%
ATLANTIA S.P.A. (EDIZIONE S.R.L.)	29.38%
F2I FONDI ITALIANI PER LE INFRASTRUTTURE SGR SPA	9.99%
MUNICIPALITY OF BOLOGNA	3.88%

The following have been considered in presenting the Parent Company's ownership structure:

- interests held by the party reporting the holding, or by the party at the head of the chain of control of the holding
- interests deriving from notices submitted by shareholders or notices relating to significant shareholdings pursuant to Article 152 of the CONSOB Issuers' Regulation.

The list was updated as above as a result of the notice received from the Municipality of Bologna on April 17, 2020, in accordance with Consob Resolution No. 21326 of April 9, 2020, according to which any party who, as at the date of entry into effect of the rule, holds an interest in voting capital in excess of 3% (for SMEs) but below the threshold set out in Article 120, paragraph 2, of the TUF, was required to report this fact in the manner and on the terms provided for in that same Article 120, paragraph 2, of the TUF, within ten business days of the date concerned.

Furthermore, on June 5, 2018 the Bologna Chamber of Commerce, Municipality of Bologna, Metropolitan City of Bologna, Region of Emilia-Romagna, Modena Chamber of Commerce, Ferrara Chamber of Commerce, Reggio Emilia Chamber of Commerce and Parma Chamber of Commerce (collectively, the "Public Shareholders") entered into a shareholders' agreement (the "Shareholders' Agreement") governing certain rights and obligations in respect of the shareholder structure and corporate governance of Aeroporto Guglielmo Marconi di Bologna S.p.A.

This Shareholders' Agreement, filed at the Bologna Companies Registration Office on June 8, 2018 and sent to Consob on June 9, 2018, includes provisions on voting and transfer restrictions.

Following the purchase by the Bologna Chamber of Commerce of 565,500 Company shares on January 31, 2020, the number of voting rights subject to voting agreements changed, without any change in the number of voting rights subject to transfer restriction agreements, as shown in the following tables:

PUBLIC SHAREHOLDERS**% Share Capital subject to
Voting Agreement**

BOLOGNA CHAMBER OF COMMERCE	39.10%
MUNICIPALITY OF BOLOGNA	3.88%
METROPOLITAN CITY OF BOLOGNA	2.31%
REGION OF EMILIA ROMAGNA	2.04%
MODENA CHAMBER OF COMMERCE	0.30%
FERRARA CHAMBER OF COMMERCE	0.22%
REGGIO EMILIA CHAMBER OF COMMERCE	0.15%
PARMA CHAMBER OF COMMERCE	0.11%

PUBLIC SHAREHOLDERS**% Share Capital
subject to Transfer
Restriction Agreement**

BOLOGNA CHAMBER OF COMMERCE	37.53%
MUNICIPALITY OF BOLOGNA	3.85%
METROPOLITAN CITY OF BOLOGNA	2.30%
REGION OF EMILIA ROMAGNA	2.02%
MODENA CHAMBER OF COMMERCE	0.08%
FERRARA CHAMBER OF COMMERCE	0.06%
REGGIO EMILIA CHAMBER OF COMMERCE	0.04%
PARMA CHAMBER OF COMMERCE	0.03%

Board of Directors

The Board of Directors, appointed by the Shareholders' Meeting of April 29, 2019 and in office until the approval date of the financial statements as at December 31, 2021 are:

Name	Office
Enrico Postacchini	Chairman
Nazareno Ventola	Chief Executive Officer (*)
Silvia Giannini	Director (B)
Giada Grandi	Director (A)
Eugenio Sidoli	Director (A)
Valerio Veronesi	Director
Marco Troncone	Director (B)
Gennarino Tozzi	Director
Laura Pascotto	Director (A) (B)

(*) confirmed Chief Executive Officer by the Board of Directors on May 6, 2019, maintaining the position of General Manager. He has also been appointed as Director responsible for the Internal Control and Risk Management System.

(A) Member of the Remuneration Committee (Chairman Eugenio Sidoli)

(B) Member of the Control & Risks Committee (Chairperson Silvia Giannini)

Board of Statutory Auditors

The Board of Statutory Auditors, appointed by the Shareholders' Meeting of April 29, 2019 and in office until the approval date of the financial statements as at December 31, 2021 are:

Name	Office
Pietro Voci	Chairman
Samantha Gardin	Statutory Auditor
Alessandro Bonura	Statutory Auditor
Violetta Frasnedi	Alternate Auditor
Alessia Bastiani	Alternate Auditor

Independent Audit Firm

EY S.p.a. was appointed as the independent audit firm by the Shareholders' Meeting of May 20, 2015 for the financial years 2015-2023.

Directors' Report of Aeroporto Guglielmo Marconi di Bologna S.p.A. Group at March 31, 2020

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INTRODUCTION

This report, accompanying the interim Condensed Consolidated Financial Statements of the Aeroporto Guglielmo Marconi di Bologna Group (hereinafter also the “Aeroporto Group”, “Aeroporto” or “AdB”) for the three months ended March 31, 2020, in presenting the Group's performance indirectly analyses also the performance of the Parent Company, Aeroporto Guglielmo Marconi di Bologna S.p.A., the holder of the concession for the full management of Bologna Airport, i.e. Full Management Concession No. 98 of July 12, 2004 and subsequent Additional Deeds, approved by Decree of the Ministry of Transport and Infrastructure and of the Economy and Finance of March 15, 2006, with a term of 40 years starting on December 28, 2004.

The Group's structure at March 31, 2020 and a brief description of the type and businesses of its subsidiaries and associates is presented below:



- Tag Bologna S.r.l. (hereinafter also “TAG”), formed in 2001 and operational since 2008, following the completion and opening of the General Aviation Terminal and hangar. In addition to managing the above infrastructure at Bologna airport, the company operates as a handler in the General Aviation sector; The Parent Company on October 2, 2018, taking the opportunity to better control the dedicated airside flight infrastructure, acquired 49% of TAG to gain full ownership;
- Fast Freight Marconi Spa (hereinafter also “FFM”), formed in 2008 by the former subsidiary Marconi Handling S.r.l. (GH Bologna Spa with effect from April 1, 2017), following the contribution of a cargo and mail handling business unit based out of Bologna airport. The Parent Company acquired a 100% interest in FFM in 2009;
- Ravenna Terminal Passeggeri S.r.l. (hereinafter also “RTP”), formed in 2009 together with various public and private shareholders operating in the cruise industry to carry out activities related to the concession for managing the Porto Corsini Maritime Station Service (Ravenna).

The amounts in the tables in this Directors’ Report are in thousands of Euro, whereas those in the comments are in millions of Euro, unless otherwise indicated. The data is from internal company sources unless otherwise indicated.

Business Description

Airport business may be divided into aviation and non-aviation activities. Aviation activities primarily consist of managing, maintaining and developing airports, which also includes security checks and surveillance, as well as aviation services for passengers, other users and airport operators and marketing activities to develop passenger and cargo traffic. Non-aviation activities primarily consist of developing airport real estate and commercial potential.

Based on the nature of operations, the Group manages the airport through the following Strategic Business Units (SBU's):

- *Aviation Strategic Business Unit*
- *Non-Aviation Strategic Business Unit.*

Aviation SBU

The Aviation SBU's main activities involve managing and developing airport infrastructure and in particular of:

- providing customers and operators with efficient access to all infrastructure, both land side (terminal, baggage sorting, car parking, traffic and cargo storage) and air side (aircraft runways and aprons);
- providing security services and services for passengers with reduced mobility (PRM's);
- informing the public and airport users;
- developing, revamping and expanding airport infrastructure, including installations and equipment, ensuring compliance with applicable legislation.

Consideration for such services takes the form of airport charges of the following types paid by airlines, airport operators and passengers:

- passenger service fees: these fees are due for the use of infrastructure, installations and common areas required for passenger boarding, disembarkation and hospitality and are based on the number of departing passengers, as well as whether they are bound for destinations within or outside the EU, with reductions for minors;
- take-off and landing fees: these fees are due for all aircraft that take off and land and are calculated on the basis of the aircraft's maximum authorised weight at take-off and the type of flight (commercial or general aviation);
- aircraft parking fees, calculated according to maximum weight at take-off;
- freight fees for boarding and disembarking cargos based on the weight of the cargo carried by aircraft;
- refuelling fees, assessed per cubic metre of fuel supplied to aircraft.

The Aviation SBU's other major revenue sources are:

- departing passenger security fees: these fees are due for providing security check services, including the personnel and equipment used by the manager to provide this service;
- checked baggage security fees: these fees are due for the equipment and personnel responsible for performing such checks;
- PRM fees: they include the fees paid for services for passengers with reduced mobility and are based on the number of departing passengers (PRM and otherwise);

- fees for the exclusive use of premises: they include fees for using airport infrastructure dedicated to individual carriers or operators (check-in desks, offices, operating premises), calculated according to the duration of use, floor area and/or location and type of the premises used;
- centralised infrastructure fees: these fees refer solely to aircraft de-icing services and are based on the number of winter flights;
- cargo handling and general aviation fees and fees due for the related activities such as customs clearance and refuelling.

Non-Aviation SBU

The Non-Aviation SBU's main activities relate to parking management, retail sub-concessions, advertising, services for passengers and real estate management.

Parking

Bologna airport's directly operated paid parking areas offer approximately 5,300 available car parking spaces, located in three parking areas: the first close to the terminal, the second close to airport grounds and the third located at approx. 1.5 KM away. The airport's increasing popularity in recent years has also driven a number of private companies to enter the market, creating competing parking lots in the vicinity of the airport, with shuttle bus services to the terminal.

Retail

Bologna airport's retail offerings include internationally recognised brands with local ties and some of the leading local, domestic and international retail and catering chains. The shopping area extends over approximately 4,500 m² and includes 43 shops. The latest airport upgrade developed the Duty-free areas – one of the SBU's main revenue sources.

Advertising

Advertising is managed using digital and large-format back-lit displays located in areas of the terminal's interior and exterior where the advertisements are highly visible. Campaigns involving the personalisation of particular areas or furnishings located in the airport are sometimes conducted.

Passenger services

Passenger services include a business lounge operated directly by the Parent Company. The *Marconi Business Lounge* (MBL) is an exclusive, comfortable environment used mostly by business passengers travelling with the major legacy carriers. In addition, the "You First" service provides arriving and departing passengers with access to exclusive services such as check-in and baggage collection assistance, portage, gate assistance and priority boarding.

The other services available to passengers include car rentals. Nine rental companies are based at Bologna airport, offering a total of 17 specialised brands and 489 vehicles available at the airport.

Real Estate

Real estate activity is divided into two general areas: sub-concession revenues for aviation-related commercial activities, above all express couriers, and sub-concession revenues for handling services, which are subject to regulated tariffs.

The total commercial premises under sub-concession extend to over 90,000 square metres, of which over 70,000 square metres of offices, warehouses, technical service areas and hangars and approximately 20,000 square metres of outdoor space used for parking operating vehicles, manoeuvring in loading and loading areas and aircraft refuelling vehicle areas.

1 STRATEGIES AND RESULTS

1.1 AIR TRANSPORT GENERAL SECTOR AND PERFORMANCE: G. MARCONI AIRPORT OVERVIEW AND POSITIONING

In the first few months of 2020, the global economy had already begun to suffer the negative effects of the Covid-19 pandemic and the strict containment measures adopted to prevent its spread: the consequences of the health emergency will have a substantial impact on global economic performance throughout this year. It was this very deterioration of growth prospects for 2020 that translated into a sharp decline in market indices and an abrupt rise in volatility and risk averseness on financial markets. Given the extraordinary nature of the situation, the monetary and tax authorities in all major countries implemented considerable expansionary measures designed to support household incomes and business continuity, while also ensuring the necessary liquidity and promoting supported access to credit.

The impact of the pandemic on global growth – extremely complex to quantify – is likely to be very significant: international institutions have repeatedly revised their forecasts sharply downwards. The International Monetary Fund estimates that global GDP will contract by 3.0% in 2020, to a greater degree in advanced nations than in emerging economies, owing to containment measures that are broader and more stringent on average.

In the main advanced economies, within a scenario in which consumer prices were already growing more slowly than the target rates set by central banks, the long-term inflation expectations based on financial market returns have now fallen even further.

The global macroeconomic situation in the first quarter of the year is completed by the sharp drop in the price of oil to well below the lows reached during the 2008-09 financial crisis, exacerbated in recent months by concerns of slowing economic activity as a result of the pandemic. In mid-April the members of OPEC+, with the support of the G20 nations, reached an agreement regarding a dramatic cut to oil production.

Within the Eurozone, after an initially faster start in Italy, the epidemic spread to all countries. To counteract the decline in aggregate activity and demand and to prevent permanent economic consequences, the main European institutions (European Commission, ECB and EIB) prepared several significant initiatives in response to the spread of the epidemic, mainly in support of healthcare spending, employment and access to credit.

In Italy, the effects of the spread of the disease on economic activity swept over the national economy when economic activity was already slowing, with GDP already contracting slightly (-0.3%) in the final three months of 2019. According to the Bank of Italy, while on the one hand the extension of the measures to contain the Covid-19 pandemic will continue to entail a significant decline in GDP in the second quarter, on the other the financial structure with which businesses and households are facing this difficult economic phase is substantially more balanced than that which they presented on the eve of the sovereign debt crisis. In addition, the banking system's initial balance sheet and liquidity conditions are more robust than in the past (*source: Economic Bulletin, Bank of Italy, April 2020*).

Within this scenario, according to IATA figures, global passenger traffic declined by 22.2% in the first quarter of 2020: attention should be drawn to the particularly negative performance in March (-52.9%), when the pandemic began its rapid spread to the entire planet.

However, cargo traffic was less negative at the global level, with a decline in volumes of 7.7% on the same period of 2019 (*Air Passenger and Air Freight Market Analysis (IATA), March 2020*).

The decline in passenger traffic within the European Continent came to -18% overall in the first quarter of 2020, with a peak drop, according to ACI Europe, of -97% at the end of March, at the height of the health emergency. Cargo traffic performance was also less negative than passenger traffic performance in Europe, with cargo volumes handled in the first quarter down by 10% (www.aci-europe.org (ACI Europe) e *Air Freight Market Analysis* (IATA), March 2020).

In the first three months of 2020 the Italian market was severely affected by the restrictive measures designed to contain the pandemic, with a decline in passenger traffic of -31.8% (*source: Assaeroporti*, March 2020). Bologna airport also ended the first quarter of 2020 with a significant decline in traffic of 28.9%, in line with the national trend. However, the airport was number-four in Italy by number of passengers.

1.2 STRATEGIC OBJECTIVES

The Group in 2020 continues to pursue the strategic objectives underlying all operations. The core strategic guidelines are:

“Connect”

The Group seeks to maintain a varied range of flight offerings suited to various types of users by adding to the number of airlines operating out of the airport, while continuing to maintain good margins also on the new traffic generated. In terms of traffic development, the Group targets the adding of routes, with the introduction of new Eastern and long-haul destinations, while boosting frequencies to existing destinations. The Group also focuses on improving airport accessibility, through the development of ground connections and the expansion of its catchment area.

“Develop”

The investments outlined in the Master Plan and Regulatory Agreement are fundamental to the development of the company's business. The strategy in question calls for an efficient use of the existing infrastructure's capacity and modular implementation of new investments to ensure that infrastructure capacity keeps pace with expected traffic development. The passenger terminal expansion project is a key part of the infrastructure development plan, permitting the development of - in particular - the security control areas and the boarding gates, in addition to extending dedicated commercial space.

The Group also plans to develop non-aviation business with the opening of new stores, new car spaces and the extension of the range of services available to passengers.

“Experience”

The Group is focused on ensuring the constant improvement of the services offered to airport users in its fields of operation, both directly and indirectly, while also constantly improving its standards of security, quality and respect for the environment. In order to support and improve all aspects of operations and generate Customer loyalty, the Group considers it key to develop a culture of innovation which revolves around the installation of technology that facilitates greater interaction with passengers and optimises the airport travelling experience.

“Care”

The Group is committed to all aspects of sustainability, ranging from those of an environmental nature to compliance with ethical and social principles, in view of the important role which Bologna airport plays as a vital hub for the region. The Group also strives to develop those who work at the Airport and build an organisation which responds to the evolving demands of the market and which supports the individual in their work.

The Group has furthermore identified two overarching guidelines to the strategic objectives identified above which are viewed as a touchpoint for company operations:

“Maximise financial performance”

The Group is focused on consistently improving the financial performance and on ensuring an adequate return for shareholders.

“Performing and sustainable corporation”

The Group aims to improve the efficiency and efficacy of its processes and internal structure, with a view to improving company performance and development, while paying increasing attention to sustainability in its environmental, social and governance components.

1.3 SHARE PERFORMANCE

AdB's shares began trading on the STAR segment of the Milan Stock Exchange on July 14, 2015.

The following graphs present:

- the share performance between January 1, 2020 and March 31, 2020;
- tracking of the company's share performance against the FTSE Italia all-share index.

On March 31, 2020, the official share price was Euro 7.76 per share, resulting in an AdB Group market capitalisation of Euro 280.3 million at that date.

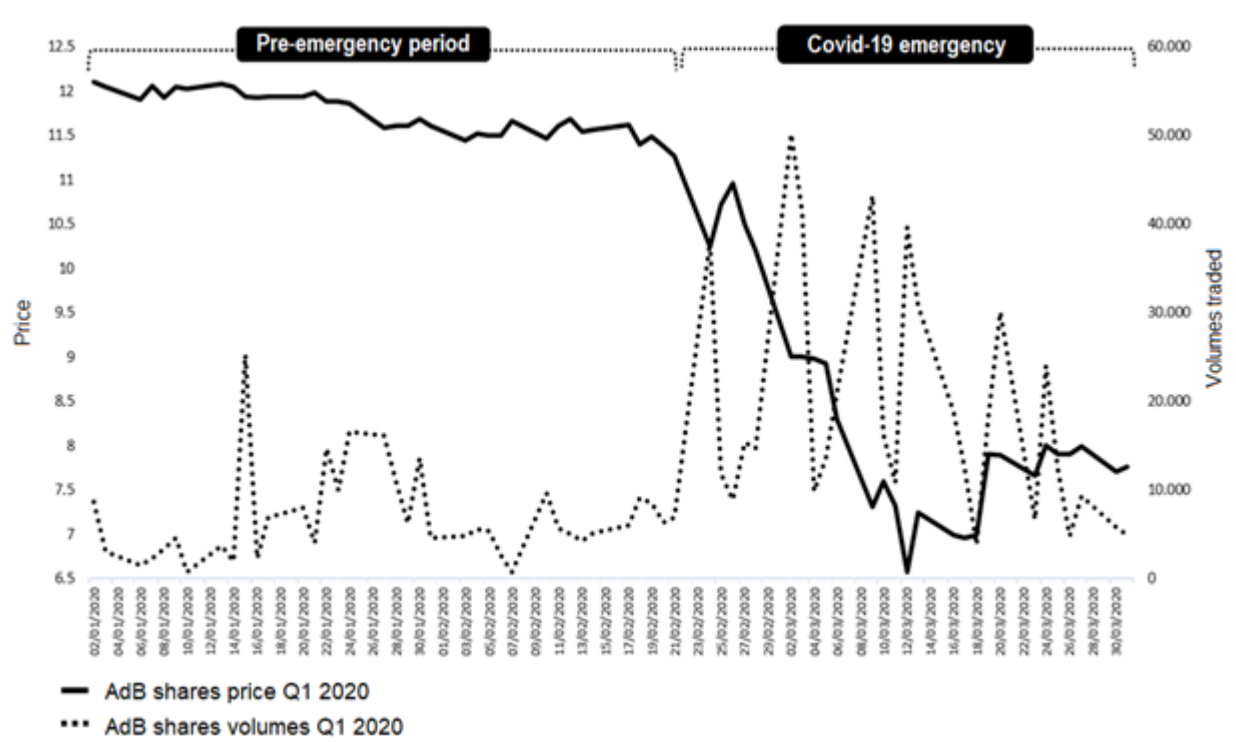
AdB share performance (01/01/2020-31/03/2020)



AdB share and FTSE Italia All-Share performance (01/01/2020-31/03/2020) (01/01/2019-31/03/2019)



AdB share performance – prices and volumes (01/01/2020-31/03/2020)



The prices and volume performance of AdB shares in the first quarter of 2020 was characterised by two distinct phases: a first, from the beginning of the year until February 23, 2020, the day of the first Prime Ministerial Decree containing restrictive and containment measures, and a second, from February 24 until the end of the quarter.

In the first phase the price was stable, between Euro 11.50 and Euro 12.00, with fewer than 7,000 shares traded daily. Following the outbreak of the health crisis tied to the spread of Covid-19, the shares declined rapidly, reaching a low of Euro 6.57 on March 12, 2020, with volumes fluctuating between 40 and 50 thousand shares traded daily in several sessions. In the second half of March volatility declined considerably, with the price stabilising at Euro 8.00 a share.

2. KEY OPERATING RESULTS ANALYSIS

2.1 AVIATION STRATEGIC BUSINESS UNIT

2.1.1 AVIATION STRATEGIC BUSINESS UNIT: TRAFFIC DATA

Following the excellent performance recorded in January (+9.9% on 2019), in February the airport reported **passenger traffic** in line with 2019 (+0.3%) due to a sound performance in the first three weeks of the month (+5.3% on 2019), followed by a sharp reversal of course starting on February 22 (-25.1% in the final eight days of the month) due to the effect of the Covid-19 health emergency.

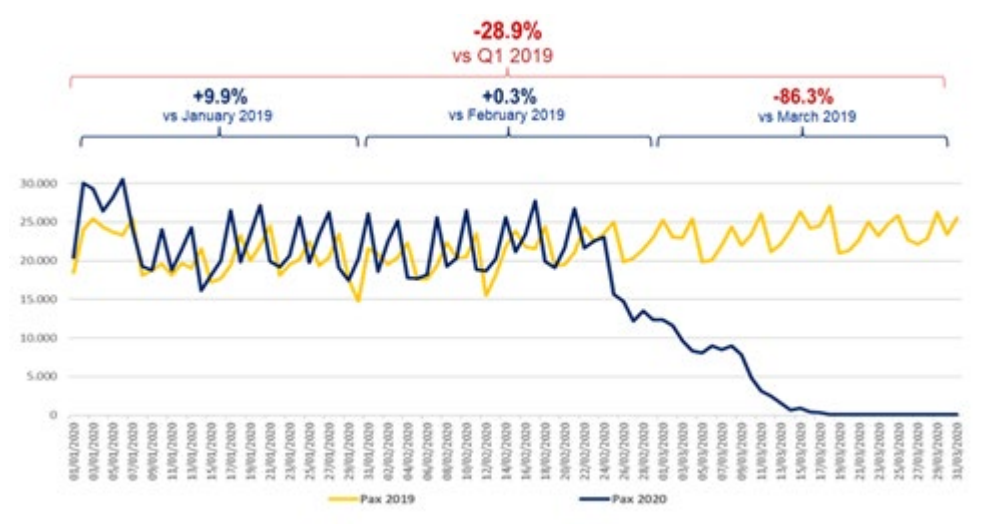
Due to the cancellations gradually announced by the airlines as the emergency worsened, passenger traffic declined by 69.9% in the first two weeks of March and by 99% in the third and fourth weeks of the month, resulting in an overall decrease in March of approximately 86% (-65% at the level of flights) compared to 2019.

In response to the spread of the epidemic, the Decree of the President of the Council of Ministers of February 23, 2020 established “red zones” in Lombardy, Veneto and Emilia-Romagna, imposing limitations on movement within Italy that also affected airport traffic; in the preceding days, the authorities had halted flights from China and required arriving passengers to have their temperature measured at airports. The subsequent Decrees of March 4 and 11, 2020 extended the restrictions on movement to the entire country, resulting in the cancellation of almost all domestic and international flights at airports.

Despite the minimal traffic volumes, Bologna airport remained open and operational throughout the quarter, since it was included in the list of airports in Ministerial Decree No. 112 of March 12, 2020.

Consequently, in the first quarter of 2020 passenger traffic declined by 28.9% and flights by 21.1% overall on the same period of 2019.

Passenger traffic performance Q1 2020



Cargo traffic in the first quarter of 2020 amounted to 10,635,534 kg, reducing 15.7% on 2019. This decline was primarily due to the decrease in air freight in March as a result of the Covid-19 health emergency, which entailed a sharp reduction in business, whereas ground freight shipments slowed only slightly compared to 2019.

	January – March 2020	January – March 2019	Change %
Passengers	1,395,671	1,961,807	-28.9%
Movements	13,349	16,922	-21.1%
Tonnage	910,212	1,116,241	-18.5%
Cargo	10,635,534	12,622,100	-15.7%

Data includes General Aviation and transits

The decline in passenger traffic volumes affected all components since the cancellations since the cancellations in March applied equally to legacy and low-cost carriers. In contrast, in the first two months of 2020 low cost traffic performed very robustly, whereas legacy traffic remained essentially unchanged on 2019.

Passenger traffic breakdown	January – March 2020	% of total	January – March 2019	% of total	% Change
Legacy	522,913	37.5%	791,467	40.3%	(33.9%)
Low cost	862,141	61.8%	1,155,977	58.9%	(25.4%)
Charter	8,073	0.6%	10,282	0.5%	(21.5%)
Transits	1,604	0.1%	2,821	0.1%	(43.1%)
Total Commercial Aviation	1,394,731	99.9%	1,960,547	99.9%	(28.9%)
General Aviation	940	0.1%	1,260	0.1%	(25.4%)
Total	1,395,671	100.0%	1,961,807	100.0%	(28.9%)

All destinations served from Bologna airport declined as a result of the Covid-19 health emergency.

2.1.2 AVIATION STRATEGIC BUSINESS UNIT: FINANCIAL HIGHLIGHTS

<i>in thousands of Euro</i>	for the quarter ended 31.03.2020	for the quarter ended 31.03.2019	Change	% Change
Passenger Revenues	8,243	12,455	(4,212)	-33.8%
Carrier Revenues	4,821	5,805	(984)	-17.0%
Airport Operator Revenues	508	728	(220)	-30.2%
Traffic Incentives	(3,750)	(5,698)	1,948	-34.2%
Revenues from Construction Services	1,442	3,735	(2,293)	-61.4%
Other revenues	352	352	0	0.0%
Aeronautical and FSC Revenue Reduction	(17)	0	(17)	n.a.
Total AVIATION SBU Revenues	11,599	17,377	(5,778)	-33.3%

The Aviation Strategic Business Unit's revenues consist of fees paid by users (passengers and airlines) and airport operators for the use of the infrastructure and services provided on an exclusive basis by the Group for landing, take-off, lighting, aircraft parking and passenger and cargo operations, in addition to centralised infrastructure and exclusive-use premises.

Given the public utility aspect of airport services, airport charges are regulated by both national and EU legislation. The new regulations and implementation measures – including the models approved by the

Transport Regulation Authority – require that changes to the system or amount of airport fees be made with the consent, on the one hand, of the airport manager, and of the airport's users on the other.

The decline in revenues in the first quarter of 2020 compared with the same period of 2019 is primarily due to the reduction in traffic volumes recorded from the end of February due to the effect of the Covid-19 health emergency, in addition to a decrease in the average tariff and in revenues for construction services. It should be noted that until the health emergency began, revenues had exceeded 2019, driven by a positive traffic performance in the first two months of the year.

Group revenues from the *Aviation Strategic Business Unit* were down 33.3% overall on 2019. The individual accounts broke down as follows:

- Passenger Revenues (-33.8%): the decline in passenger revenues slightly exceeded the decrease in passenger traffic (-28.9%) due to the tariff update applied from January 1, 2020, which resulted in a decrease in tariffs for this category of revenues;
- Carrier Revenues (-17.0%): Carrier revenues fell slightly less than total tonnage, due to the increased take-off and landing tariffs;
- Airport Operator Revenues (-30.2%): revenues declined due to the decrease in traffic volumes and the revision of fees due for premises and operating equipment granted by the manager to support operators during this emergency phase;
- Incentives: the decline in incentives on 2019 (-34.2%) is related to the decrease in incentivised traffic;
- Construction Service Revenues: the decline (-61.4%) related to lesser investments compared to the same period of the previous year, also considering the rescheduling of work required by the ongoing health emergency.

2.2 NON-AVIATION STRATEGIC BUSINESS UNIT

2.2.1 NON-AVIATION STRATEGIC BUSINESS UNIT: FINANCIAL HIGHLIGHTS

<i>in thousands of Euro</i>	for the quarter ended 31.03.2020	for the quarter ended 31.03.2019	Change	% Change
Retail and Advertising	2,755	3,378	(623)	-18.4%
Parking	2,658	3,663	(1,005)	-27.4%
Real Estate	605	602	3	0.5%
Passenger services	1,118	1,413	(295)	-20.9%
Revenues from Construction Services	1,314	369	945	256.1%
Other revenues	762	687	75	10.9%
Total NON AVIATION SBU Revenues	9,212	10,112	(900)	-8.9%

Total *non-aviation business* revenues in the period declined 8.9%, with all the main revenue items decreasing.

The individual areas of this business unit performed as follows.

Retail and Advertising

The decrease in revenues on 2019 (-18.4%) was due to the Covid-19 emergency, which caused a dramatic decline in traffic volumes as result of the progressive cancellation of flights at the airport, followed by the shutdown of almost all commercial establishments (stores and restaurants) per the Decree of March 11, 2020 and by the progressive reduction of the sale of advertising spaces. This situation resulted in the reduction of the variable component to zero, in addition to a decline in fixed fees granted by the manager to sub-concessionaires to support them during this emergency phase.

Parking

In the first quarter of 2020, parking and rail access revenues declined 27.4% over the same period of the previous year due to the progressive cancellation of flights at the airport, which reduced revenues essentially to zero in the final days of March.

Real Estate

Real-estate revenues are in line with the first quarter of 2019, due to the minimal impact of the ongoing emergency on this business.

Passenger services

In Q1 2020, passenger services were down 20.9% over 2019, due to both premium (*lounge and accessory services*) and self-hire services, whose performance is outlined below.

Premium services

In the first quarter of 2020 this business reported a decline in revenues in line with passenger traffic performance. Due to the progressive cancellation of flights, the Business Lounge was closed to the public from March 17, 2020.

Self-hire sub-concessions

Car rental revenues showed a decline in both the variable component and fixed fees, the latter granted by the manager to sub-concessionaires to support them during this emergency phase. Car rental activities were not entirely suspended since service must be ensured for passengers travelling through Bologna airport.

Revenues from Construction Services

This item's growth (+256.1%) relates to increased investment in the business unit over the same period of the previous year.

Other revenues: the growth of other revenues (+10.9%) is mainly due to the new management of aircraft de-icing fluid, purchased and managed by AdB and sold to the handler to provide the service.

3 ANALYSIS OF THE OPERATING RESULTS, FINANCIAL POSITION AND CASH FLOWS:

3.1 CONSOLIDATED OPERATING RESULTS ANALYSIS

<i>in thousands of Euro</i>	for the quarter ended 31.03.2020	for the quarter ended 31.03.2019	Change	% Change
Revenues from aeronautical services	9,906	13,400	(3,494)	-26.1%
Revenues from non-aeronautical services	8,029	9,794	(1,765)	-18.0%
Revenues from construction services	2,757	4,104	(1,347)	-32.8%
Other operating revenues and income	119	191	(72)	-37.7%
REVENUES	20,811	27,489	(6,678)	-24.3%
Consumables and goods	(508)	(425)	(83)	19.5%
Service costs	(4,730)	(5,013)	283	-5.6%
Construction service costs	(2,625)	(3,908)	1,283	-32.8%
Leases, rentals and other costs	(1,418)	(1,885)	467	-24.8%
Other operating expenses	(794)	(765)	(29)	3.8%
Personnel costs	(6,537)	(7,145)	608	-8.5%
COSTS	(16,612)	(19,141)	2,529	-13.2%
GROSS OPERATING PROFIT (EBITDA)	4,199	8,348	(4,149)	-49.7%
Amortisation of concession rights	(1,643)	(1,500)	(143)	9.5%
Amortisation of other intangible assets	(302)	(273)	(29)	10.6%
Depreciation of tangible assets	(648)	(697)	49	-7.0%
DEPRECIATION, AMORTISATION AND IMPAIRMENT	(2,593)	(2,470)	(123)	5.0%
Provisions for doubtful accounts	(225)	(25)	(200)	800.0%
Provision for renewal of airport infrastructure	(478)	(475)	(3)	0.6%
Provisions for other risks and charges	(4)	(94)	90	-95.7%
PROVISIONS FOR RISKS AND CHARGES	(707)	(594)	(113)	19.0%
TOTAL COSTS	(19,912)	(22,205)	2,293	-10.3%
OPERATING RESULT	899	5,284	(4,385)	-83.0%
Financial income	94	39	55	141.0%
Financial expenses	(101)	(299)	198	-66.2%
RESULT BEFORE TAXES	892	5,024	(4,132)	-82.2%
TAXES FOR THE PERIOD	(273)	(1,477)	1,204	-81.5%
PROFIT FOR THE PERIOD	619	3,547	(2,928)	-82.5%
Profit (loss) for the period - Minority interests	0	0	0	0
Profit for the period – Group	619	3,547	(2,928)	-82.5%

The consolidated net profit for the first quarter of 2020 was **Euro 619 thousand**, down 82.5% on **Euro 3.5 million** in 2019. The negative result was due to the decline in traffic caused by the Covid-19 emergency, with an impact on all main components of the business from the end of February.

Operating **revenues** overall declined 24.3% on 2019. Specifically:

- **revenues from aeronautical services** were down 26.1% due to the traffic decline and the tariff update;
- **revenues from non-aeronautical services** declined 18.0% due to the performance of all category components, as outlined in the relative section;
- **revenues from construction services** declined 32.8% following the reduction of investments in the aviation sector, not fully offset by the greater investments in the non-aviation sector;

- other **operating revenues and income**: the decrease of 37.7% on 2019 is mainly due to lower sales of energy efficiency certificates.

The **costs** for the period declined by 13.2% overall on the same period in 2019 following the decrease in traffic and efficiency enhancement measures implemented to reduce the impact of the decline in volumes on profitability, with benefits that, however, were contained in March.

These break down as follows:

- ✓ **consumables and goods** increased (+19.5%) due to the direct purchase of aircraft de-icing fluid, previously governed by the contract with the handler, offset by the corresponding sales revenue;
- ✓ **service costs** were lower (-5.6%) than in the same period of 2019, in particular owing to the reduction of various services correlated to traffic (e.g., PRM, MBL, etc.), the containment of utilities costs due to the lesser use of some areas of the terminal and the renegotiation of several service contracts, with an impact that, however, remained minimal in the first quarter.
- ✓ **construction service costs** declined by 32.8% due to the lesser investments made;
- ✓ the decrease of 24.8% over 2019 in the **lease, rentals and other costs** account is mainly due to the decline in traffic volumes, on whose basis the concession and security fees are calculated.
- ✓ **other operating expenses** were substantially in line with the previous year, as these are costs not directly correlated with operating activity.

Reference should be made to the personnel costs section of this report for further details.

Overall, in the period January-March 2020 **EBITDA** was down by 49.7% on the same period in 2019, due to lower revenues and more rigid costs, considering the high fixed cost structure characteristic of airport managers.

In terms of **overheads**, amortisation and depreciation were up by 5% on the basis of the amortisation and depreciation schedule and new Group investments, whereas provisions rose by 19%, mainly due to the greater debt provision in view of the current crisis.

The 10.3% decrease in overall costs against the 24.3% reduction in revenues resulted in the **Operating Result** declining 83%: from Euro 5.3 million in the first three months of 2019 to Euro 900 thousand in Q1 2020.

Net financial expenses amounted to Euro 7 thousand, compared to expenses of Euro 260 thousand in the first quarter of 2019, due mainly to the discounting income on provisions and financial liabilities of Euro 82 thousand, compared to discounting charges of Euro 173 thousand in the first quarter of 2019, in addition to the reduction in bank interest expense as a result of the decline in debt (-Euro 22 thousand).

As a result of that outlined above, the **Result before taxes** for Q1 2020 was Euro 892 thousand, against Euro 5 million in Q1 2019, a decline of 82.2%.

Due to the reduction in the result before taxes, **income taxes** fell to Euro 273 thousand from Euro 1.5 million in the first quarter of 2019. The **profit** for the period, entirely concerning the Group, was **Euro 619 thousand**, compared with Euro 3.5 million in Q1 2019.

The **EBITDA** adjusted for the construction services margin is presented below:

<i>in thousands of Euro</i>	for the quarter ended 31.03.2020	for the quarter ended 31.03.2019	Change	% Change
Revenues from aeronautical services	9,906	13,400	(3,494)	-26.1%
Revenues from non-aeronautical services	8,029	9,794	(1,765)	-18.0%
Other operating revenues and income	119	191	(72)	-37.7%
ADJUSTED REVENUES	18,054	23,385	(5,331)	-22.8%
Consumables and goods	(508)	(425)	(83)	19.5%
Service costs	(4,730)	(5,013)	283	-5.6%
Leases, rentals and other costs	(1,418)	(1,885)	467	-24.8%
Other operating expenses	(794)	(765)	(29)	3.8%
Personnel costs	(6,537)	(7,145)	608	-8.5%
ADJUSTED COSTS	(13,987)	(15,233)	1,246	-8.2%
ADJUSTED GROSS OPERATING PROFIT (ADJUSTED EBITDA)	4,067	8,152	(4,085)	-50.1%
Revenues from construction services	2,757	4,104	(1,347)	-32.8%
Construction service costs	(2,625)	(3,908)	1,283	-32.8%
Construction Services Margin	132	196	(64)	-32.7%
GROSS OPERATING PROFIT (EBITDA)	4,199	8,348	(4,149)	-49.7%

The table below shows the monthly **passenger traffic** performance and **EBITDA** of the Parent Company adjusted for the construction services margin to emphasise the incidence of the dramatic decline in traffic and profitability caused by the outbreak of the pandemic in March on the results for the entire quarter:

	JANUARY 2020	FEBRUARY 2020	1ST TWO MONTHS 2020	Cge % vs 2019	MARCH 2020	Cge % vs 2019
PASSENGER TRAFFIC	704,948	590,722	1,295,670	5.3%	100,001	-86.3%
INCOME STATEMENT (in thousands of Euro)	JANUARY 2020	FEBRUARY 2020	1ST TWO MONTHS 2020	Cge % vs 2019	MARCH 2020	Cge % vs 2019
ADJUSTED REVENUES	7,885	6,851	14,736	5.4%	2,353	-71.3%
REVENUES FROM AERONAUTICAL SERVICES	4,129	3,733	7,862	2.1%	1,161	-74.5%
REVENUES FROM NON-AERONAUTICAL SERVICES	3,696	3,059	6,755	9.1%	1,158	-66.8%
OTHER OPERATING REVENUES AND INCOME	60	59	119	24.0%	34	-75.7%
ADJUSTED COSTS	-5,168	-4,833	-10,001	9.6%	-3,174	-39.0%
PERSONNEL COSTS	-2,428	-2,283	-4,711	5.1%	-1,495	-35.8%
OTHER OPERATING EXPENSES	-2,740	-2,550	-5,290	14.0%	-1,679	-41.6%
ADJUSTED EBITDA	2,717	2,018	4,735	-2.7%	-821	n.a.
EBITDA MARGIN	34.5%	29.5%	32.1%	n.a.	-34.9%	n.a.

3.2 CASH FLOW ANALYSIS

The consolidated cash flow statement, indicating cash flows generated/absorbed from operating, investing and financing activities, is summarised below:

Euro thousands	As at 31.03.2020	As at 31.03.2019	Change
Cash flow generated / (absorbed) by operating activities before working capital changes	4,120	8,185	(4,065)
Cash flow generated / (absorbed) by net operating activities	639	3,361	(2,722)
Cash flow generated / (absorbed) by investment activities	(3,018)	9,660	(12,678)
Cash flow generated / (absorbed) by financing activities	(57)	(220)	163
Change in closing cash flow	(2,436)	12,801	(15,237)
Cash and cash equivalents at beginning of period	29,253	15,762	13,491
Change in closing cash flow	(2,436)	12,801	(15,237)
Cash and cash equivalents at end of period	26,817	28,563	(1,746)

Cash flows generated by operating activities before changes in working capital amount to Euro 4.1 million, decreasing sharply on the same period of 2019 (-Euro 4 million), in line with the operating performance for the quarter outlined in the foregoing sections. Working capital absorbed resources of Euro 3.5 million, down on the first quarter of 2019, mainly due to the reduction in trade receivables and the ensuing **positive cash flow from net operating activities** of Euro 0.6 million compared with Euro 3.4 million at March 31, 2019.

Investing activities absorbed Euro 3 million, consisting solely of infrastructure investments, compared to positive cash flows of Euro 9.7 million generated in the first quarter of 2019 by the maturity of temporary investments of liquidity of Euro 13.4 million.

Finally, **financing activities absorbed cash flows** of Euro 0.06 million, due solely to the settlement of finance lease liabilities.

Consequently, the **change in closing cash flow** in the period indicates the use of Euro 2.4 million, against generation of cash of Euro 12.8 million in the first quarter of 2019.

The Group's net financial position at March 31, 2020, compared to December 31, 2019 and March 31, 2019, is presented below:

	<i>in thousands of Euro</i>	As at 31.03.2020	As at 31.12.2019	As at 31.03.2019	Change 31.03.2020 31.12.2019	Change 31.03.2020 31.03.2019
A	Cash	24	26	25	(2)	(1)
B	Other cash equivalents	26,793	29,227	28,538	(2,434)	(1,745)
C	Securities held for trading	0	0	0	0	0
D	Liquidity (A)+(B)+(C)	26,817	29,253	28,563	(2,436)	(1,746)
E	Current financial receivables	501	501	75	0	426
F	Current bank debt	(115)	(28)	(144)	(87)	29
G	Current portion of non-current debt	(3,194)	(3,059)	(4,434)	(135)	1,240
H	Other current financial debt	(1,517)	(3,086)	(2,323)	1,569	806
I	Current financial debt (F)+(G)+(H)	(4,826)	(6,173)	(6,901)	1,347	2,075
J	Net current financial position (I)-(E)-(D)	22,492	23,581	21,737	(1,089)	755
K	Non-current bank debt	(11,518)	(11,643)	(14,567)	125	3,049
L	Bonds issued	0	0	0	0	0
M	Other non-current liabilities	(1,322)	(1,437)	(1,742)	115	420
N	Non-current financial debt (K)+(L)+(M)	(12,840)	(13,080)	(16,309)	240	3,469
O	Net financial position (J)+(N)	9,652	10,501	5,428	(849)	4,224

The Group **Net Financial Position** at March 31, 2020 was a cash position of Euro 9.6 million, compared to Euro 10.5 million at December 31, 2019 (-Euro 0.8 million) and Euro 5.4 million at March 31, 2019 (+Euro 4.2 million).

Compared with the first quarter of 2019, the improvement is due to the collection of financial assets that were classified as non-current financial assets at March 31, 2019 as temporary uses of liquidity maturing after 12 months.

The decrease compared to December 31, 2019 is due to the reduction in cash and cash equivalents, both due to a typically seasonal effect with the payment of the concession fee in the second half of 2019 and to the reduction in receipts resulting from the drop in turnover.

3.3 FINANCIAL POSITION ANALYSIS

The Group financial position, classified according to “sources” and “uses”, is presented below:

USES <i>in thousands of Euro</i>	As at 31.03.2020	As at 31.12.2019	As at 31.03.2019	Change 31.03.2020 31.12.2019	Change 31.03.2020 31.03.2019
- Trade receivables	12,341	15,464	16,289	(3,123)	(3,948)
- Tax receivables	629	189	348	440	281
- Other Receivables	5,840	5,014	5,718	826	122
- Inventories	641	622	559	19	82
Sub-total	19,451	21,289	22,914	(1,838)	(3,463)
- Trade payables	(15,408)	(18,537)	(17,131)	3,129	1,723
- Tax payables	(4,055)	(3,598)	(3,360)	(457)	(695)
- Other payables	(27,395)	(27,514)	(25,472)	119	(1,923)
Sub-total	(46,858)	(49,649)	(45,963)	2,791	(895)
Net operating working capital	(27,407)	(28,360)	(23,049)	953	(4,358)
Fixed assets	198,686	198,143	192,080	543	6,606
- Deferred tax assets	6,276	6,190	6,061	86	215
- Other non-current assets	13,630	13,624	17,721	6	(4,091)
Total fixed assets	218,592	217,957	215,862	635	2,730
- Provisions for risks, charges & severance	(19,469)	(19,229)	(18,345)	(240)	(1,124)
- Deferred tax liabilities	(2,573)	(2,558)	(2,471)	(15)	(102)
- Other non-current liabilities	0	(136)	(168)	136	168
Sub-total	(22,042)	(21,923)	(20,984)	(119)	(1,058)
Fixed Operating Capital	196,550	196,034	194,878	516	1,672
Total Uses	169,143	167,674	171,829	1,469	(2,686)

SOURCES <i>in thousands of Euro</i>	As at 31.03.2020	As at 31.12.2019	As at 31.03.2019	Change 31.03.2020 31.12.2019	Change 31.03.2020 31.03.2019
Net Financial Position	9,652	10,501	5,428	(849)	4,224
- Share Capital	(90,314)	(90,314)	(90,314)	0	0
- Reserves	(87,862)	(67,009)	(83,396)	(20,853)	(4,466)
- Result for the period	(619)	(20,852)	(3,547)	20,233	2,928
Group Shareholders' equity	(178,795)	(178,175)	(177,257)	(620)	(1,538)
Minority Interests	0	0	0	0	0
Total Shareholders' Equity	(178,795)	(178,175)	(177,257)	(620)	(1,538)
Total Sources	(169,143)	(167,674)	(171,829)	(1,469)	2,686

The Group's equity structure as at March 31, 2020 reported negative **net operating working capital** of Euro 27.4 million, compared to Euro 28.4 million at the end of 2019 due to a reduction in payables - mainly trade payables - greater than the reduction in receivables and other current assets.

Compared to the first quarter of 2019, net operating working capital (-Euro 23 million) reported an increase of over Euro 4 million, mainly due to the significant reduction in receivables and other current assets, including passenger boarding fee surtaxes.

There were no particular changes in **fixed operating capital** of Euro 196 million compared with December 31, 2019, while the increase with respect to March 31, 2019 (Euro 194.9 million) is due to the progress made in the Group's investment plan, net of the divestment of cash and cash equivalents due beyond one year.

At March 31, 2020, **Consolidated and Group Shareholders' Equity** amounts to Euro 178.8 million, against a **net financial position** of Euro 9.6 million.

The Parent Company Shareholders' Meeting of April 30, 2020, in addition to approving the 2019 Financial Statements, accepted the prudent approach proposed by the Board of Directors to support the capital base and limit the economic impact of COVID-19, resolving to fully allocate the 2019 net profit to reserves.

3.4 INDICATORS

The Directors deemed the Group's major income statement and statement of financial position indicators at and for the period ended March 31, 2020 to be immaterial due to their interim nature.

3.5 INVESTMENTS

Investments totalled Euro 3.0 million in Q1 2020, of which approx. Euro 1.2 million for Masterplan investments and the remainder on airport operations.

The state of progress of the main investments in the Masterplan is illustrated below:

- **Cargo building:** construction work commenced on a specialist operators dedicated building; work at the site was suspended on March 22 following provisions related to COVID-19, and restarted on May 4 2020.
- **New de-icing apron and building:** construction of the de-icing apron and building concluded in 2019, some minor/ancillary activities are currently underway to complete the project;
- **Raised area of the Express car park:** the design of the Express Parking extension concluded and construction works are pending;
- **Terminal expansion:** the executive design phase of the existing terminal extension was concluded and the review of the executive design was successfully completed at the end of January 2020, the executive project has been sent to ENAC for approval;
- **New Multi-story car park:** the design of the parking lot close to the terminal concluded; approval of the project by ENAC is pending.

Further to the Masterplan investments, others focused on airport operations and the improvement of the service offered to passengers, in addition to boosting the efficiency of company processes. In particular, we highlight:

- the supply of three new legally compliant x-ray machines, and the related expansion of the BHS system;
- various IT interventions;
- installation of a new low-voltage electrical panel to power the terminal.

Provisions for renewal

The total works for the realisation of the cyclical renewal and maintenance of the airport infrastructure and plant at March 31, 2020 amount to Euro 145 thousand.

3.6 PERSONNEL

Workforce breakdown

	for the quarter ended 31.03.2020	for the quarter ended 31.03.2019	Change	% Change
Full Time Equivalent average workforce	472	477	-5	-1%
Executives	9	10	(1)	-10%
Managers	34	31	3	10%
White-collar	338	338	0	0%
Blue-collar	91	98	(7)	-7%

	for the quarter ended 31.03.2020	for the quarter ended 31.03.2019	Change	% Change
Average workforce	536	531	5	1%
Executives	9	10	(1)	-10%
Managers	34	31	3	10%
White-collar	398	388	10	3%
Blue-collar	95	102	(7)	-7%

Source: Company workings

The workforce has decreased by five full-time employees compared to Q1 2019. This is due to the recruitment of fewer resources in operational areas (security and terminals), which tend to be more closely linked to traffic trends.

Costs

In addition to the drop in staff numbers mentioned above, the Group has reduced its costs by 8.5% compared to the same period in 2019 by taking actions to limit labour costs, given that they represent one of the Group's primary expenses. Current employment levels have however been maintained.

In particular, action was taken to block overtime and to encourage employees to take accrued holidays. In addition, on March 21, 2020, AdB launched an Extraordinary Redundancy Fund for all employees, maintaining only the operational services deemed essential, resulting in a significant reduction in the activities of other employees.

	for the quarter ended 31.03.2020	for the quarter ended 31.03.2019	Change	% Change
Personnel costs	6,537	7,145	-608	-8.5%

TRADE UNION RELATIONS

An agreement for the AdB employee Extraordinary Redundancy Fund was signed by trade unions on March 19, 2020, with the Emilia Romagna Region issuing a favourable opinion. The Redundancy Fund may be in place for up to 12 months, and provides for a rotational system based on interchangeable job roles, in line with a set of criteria that guarantee fairness.

TRAINING OF PERSONNEL

Spending on employee training was lower in Q1 2020 compared to the same time last year due to the suspension, from mid-March, of internal and external training courses following ministerial provisions related to the COVID-19 pandemic.

All non-compulsory training activities were cancelled at the end of February in order to contain costs.

4 MAIN NON-FINANCIAL RESULTS

4.1 QUALITY

Q1 of 2020 delivered some very positive quality results, improving on this time last year. Quantitative and qualitative surveys were correctly carried out, despite the ongoing health emergency. The current emergency, and the consequent reduction in traffic, has had a positive effect on some quality indicators, despite the complex operating environment.

Improved quality performance continued into Q1 of 2020, confirming Bologna Airport's ability to meet passenger expectations throughout the passenger journey. The elements that most contributed to satisfaction levels were passenger information, way finding, security control processes, and the courtesy and professionalism of staff during security checks, for example.

Key Quality Indicators		Q1 2020	Q1 2019
Overall satisfaction	% of satisfied passengers	99.9%	98.9%
Service regularity and speed	% of satisfied passengers	98.8%	98.7%
General cleaning level perception	% of satisfied passengers	99.9%	96.3%
Toilet cleanliness and functionality level perception	% of satisfied passengers	98.1%	90.2%
Check-in queue waiting	Time in 90% of cases	7'57"	11'48"
Waiting time for baggage screening control	Time in 90% of cases	4'51"	5'08"
First/last bag return time from aircraft block-on (from system)	First bag (time in 90% of cases)	21'59"	23'00"
	Last bag (time in 90% of cases)	28'59"	30'00"

Source: Company workings

Also within the framework of the Airport Service Quality programme of ACI World, Bologna maintained its satisfaction levels. Overall satisfaction was in fact excellent (3.85), improving on the same period of the previous year (3.80).

5 REGULATORY FRAMEWORK

5.1 REGULATORY AGREEMENT AND NEW TARIFF DYNAMIC 2020-2023

2020 represents the first year of the new 2020-2023 regulatory period. The parent company initiated in 2019 preliminary activities with ENAC for the drafting of the Regulatory Agreement for the 2020-2023 four-year period and with the Transport Regulation Authority (TRA), for the calculation of the airport “tariffs” for the same four-year period.

On January 16, 2020, the Transport Regulation Authority passed and published the resolution definitively approving the tariff model of reference with regard to the proposed airport fees submitted by AdB.

It should be noted that, following the suspension of deadlines for administrative proceedings established by the emergency health regulations (see below), the deadline to review the new ART tariff models has been extended from March 12, 2020 to July 31, 2020.

5.2 EMERGENCY HEALTH REGULATIONS (COVID-19 PANDEMIC) AND THEIR IMPACT ON AIRPORT MANAGEMENT

Pursuant to Article 107 of the EU Treaty, the global spread of COVID-19 has been defined by Italy's emergency health legislation as an exceptional and unforeseeable event (“force majeure”), resulting in serious economic upheaval. The pandemic has had a significant, direct impact on the air sector following the grounding of international flights, the closure of many national airspaces and the implementation of social containment measures by the Italian Government, which have limited movement and resulted in the closure of commercial establishments, including those in airport terminals. The resulting medium-term outlook is therefore very pessimistic, taking into account the significant drop in traffic followed by the near zeroing of air travel since mid-March 2020. The sector has also seen a reduction in the revenues of airport management companies, which have yet to benefit from specific support measures. The only support measure, announced in the Enac press release of April 23, 2020 regarding the suspension of the payment of the airport concession fee, to support the sector’s restart, commensurate with the actual 2020 traffic and a payment deadline of January 31, 2021, was formalized by the Enac measure of May 11, 2020, although which appears at the moment to be unclear and difficult to interpret.

Bologna Airport features on a list accompanying Ministerial Decree 112 of March 12, 2020, which limits the operation of Italian airports. An ENAC memo issued on March 13 designates Bologna Airport as a key operating airport for central and northern Italy, and a means of guaranteeing essential air transport services to the public.

In light of the regulatory uncertainty and the complex nature of forecasts relating to the recommencement of air traffic, the Company has taken all possible measures to reduce its operating costs, while tackling all non-routine costs needed to keep the airport running, and to guarantee the safety of staff members and airport activities.

5.3 FIRE PREVENTION FUND

Article 1, paragraph 1328, of Law No. 296 of December 27, 2006 (2007 Finance Law) requires the payment by Italian airport management companies of an amount, to be calculated proportionally to its airline traffic, in order to lower the cost to the State for the provision of fire prevention services (so-called Fire Prevention Fund). This purpose was modified by Article 4, paragraph 3-*bis* of Law Decree No. 185/2008, entering into force on January 29, 2009, which separated the relationship between those required to fund the so-called Fire Prevention Fund and the benefit deriving from the activity financed, allocating the Fund to differing purposes than its original scope related to airport fire prevention services.

Following the entry into force, from January 1, 2016 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 Legislature, through Law Decree No. 159 of October 1, 2007 converted with modifications by Law No. 222 of November 29, 2007, introduced the qualification of "payments", with reference to the contributions allocated to the Fire Prevention Fund. This latter was subject to a constitution legality opinion, following the deferral by the Court of Cassation, through reasoned ordinance issued on December 28, 2016. From July 26, 2018, as per Article 30 of Law No. 87 of 1953, the challenged provision of Article 1, paragraph 478 of Law No. 208 of December 28, 2015, declared illegal, with the Constitutional Court order No. 167/2018, may no longer be applied.

Within the judicial framework we must also mention the important judgement of the Court of Cassation of February 1, 2019, No. 3162, which outlines a definitive framework encompassing the complex Fire Prevention Fund, in which the following was definitively ascertained and declared:

- the nature of the tax contribution to be paid;
- the competent tax jurisdiction.

This pronouncement of the Cassation recalls, in addition, with particular importance from a general judicial principle viewpoint, the ruling handed down by the Rome Provincial Tax Commission No. 10137/51/14, which ascertained the "non-obligation to pay the tax from 2009, due to the non-applicability of its original legislative purpose as per Article 4, paragraph 3-*bis* of Legislative Decree No. 185 of 2008".

Finally, in 2019 the Regional Tax Commission of Lazio rendered judgment no. 7164/2019 which, after reviewing all the facts and legal arguments examined by the various courts (Constitutional Court, Court of Cassation, Provincial Tax Commission, etc.), lays down a thorough legal basis and sets out the tax case law on the treatment of the Fire Prevention Fund.

An appeal of this ruling by the administrations and State's Attorney is currently pending before the Court of Cassation.

For further details, reference should be made to the Disputes section.

5.4 BOARDING FEE MUNICIPAL SURTAX TO BE ALLOCATED TO INPS

Article 26 of Legislative Decree No. 4/2019 (Air transport and airport system solidarity fund), converted with amendments by Law No. 26/2019, postpones to January 1, 2020 the transfer to the INPS (management of assistance) of the Euro 3 portion of the municipal boarding fees surtax (as per Article 6-*quater*, paragraph 2 of Legislative Decree 7/2005), contributed until December 31, 2018 to the Solidarity Fund for the air transport sector and the airport system.

5.5 NEW "TERMINAL VALUE" REGULATION.

Following the entry into force of the amended Article 703 of the Italian Navigation Code, as updated by Article 15-*quinquies*, paragraph 1 of Legislative Decree No. 148 of October 16, 2017, converted, with amendments, by Law No. 172 of December 4, 2017, the Parent Company has examined various aspects, from both a legal and an accounting and financial reporting standpoint, and has obtained a specific legal opinion establishing that, in view of the concession agreement with ENAC, the provisions on the value of succession, reimbursements and indemnities apply in full. Consequently, it applied for the first time the

Terminal Value regulation in the 2019 financial statements, which may be consulted for all further information.

5.6 NON-FINANCIAL INFORMATION REPORT

The Group in accordance with Article 5, paragraph 3, letter b of Legislative Decree 254/2016 has drawn up for the second year the consolidated disclosure of non-financial information as a separate report. The 2019 consolidated disclosure of non-financial information, drawn up as per the “GRI Standards”, is available on the Group website.

5.7 PRIVACY COMPLIANCE

The Parent Company implemented on May 25, 2018 a specific model in order to ensure adequate compliance with European Regulation No. 679/2016 (GDPR - General Data Protection Regulation) - and the necessary adjustment of the organisation, processes, company deeds and procedures. The model is implemented and developed in accordance with the principles outlined in the GDPR of privacy by design and privacy by default through a dedicated inter-departmental body (Data Protection Committee) comprising internal specialist personnel. The Company periodically updates its Register of processing operations and risk analysis in order to adopt adequate security measures. Periodic audits are undertaken to ensure correct compliance with legislation by the DPO team. The Company renewed the appointment of its Data Protection Officer (DPO) until 2022.

5.8 CONTINUITY OF SERVICES PROVIDED BY ALITALIA IN EXTRAORDINARY ADMINISTRATION

By order of the Ministry of Economic Development of May 2, 2017, published in edition No. 104 of Italy's Official Gazette dated May 6, 2017, Alitalia - Società Aerea Italiana S.p.A was admitted to the extraordinary administration procedure, with immediate effect and three Extraordinary Commissioners were appointed. The Court of Civitavecchia declared Alitalia - Società Aerea Italiana S.p.A. in extraordinary administration (“Alitalia SAI in EA”) insolvent by judgment of May 11, 2017. The decree of the Ministry of Economic Development of May 12, 2017 was then published in edition no. 124 of the Official Gazette of May 30, 2017, also admitting Alitalia Cityliner S.p.A. to the extraordinary administration procedure and appointing the same panel of commissioners as for Alitalia.

The Parent Company, as part of the extraordinary administration procedure, in a timely manner raised the receivable matured to May 2, 2017 of Euro 0.78 million, of which Euro 0.66 million requested in preference form as per Article 1023 No. 1 of the navigation code, and Euro 0.12 million as unsecured. At the statement of liabilities hearing fixed for February 6, 2018, only the receivables of employees were examined. For the examination of the various receivables, after various postponements, the hearing was fixed for February 20, 2019, but this date was again postponed for a date to be determined.

At present, the total amount of the liabilities of Alitalia SAI admitted to the extraordinary administration procedure have yet to be formally established.

Finally, the tenth statement of liabilities, including the claim lodged by the Parent Company, was filed on December 17, 2019. At this juncture, full priority was granted to the airport fees accrued in the final months of operation prior to the declaration of insolvency, amounting to Euro 0.66 million.

However, it should be noted that, on the basis of the emergency health regulations mentioned above, a potential avenue to re-nationalise the airline has been explored. In fact, while failed attempts were being made to privatise the airline, the Italian government made recourse to Article 107(2)b – through the provisions of Article 79(2) of the “Italian Healthcare” Decree (Leg. Decree No. 18 of March 17, 2020) – in order to bring the new Alitalia airline under public control for Euro 500 million, without going against the EU ban on state aid, given the exceptional event that has occurred. However, said potential recapitalisation is subject to authorisation by the European Commission. As such, the establishment of an Alitalia newco is on the horizon, either as a 100% state-controlled entity, or under the public control of the Ministry for the Economy and Finance, with ample powers awarded to the Extraordinary Commissioner to distribute the

assets owned by the two companies in extraordinary administration. This situation further complicates the outcome of AdB's filing of claims in the bankruptcy proceedings.

5.9 IRESA

The IRESA - regional tax on airplane noise emissions - was instigated as a tax by the Emilia-Romagna Region through Regional Law No. 15 of December 21, 2012. The regulation was subsequently suspended for an undetermined period by Regional Law No. 28 of December 20, 2013. On June 27, 2019, Regional Law No. 8 introduced amendments to the law setting up the IRESA, establishing application from **January 1, 2020** and amending the assessable base of the tax, which is no longer calculated only on the basis of the maximum take-off weight (MTOW) and the level of aircraft sound emissions, but also by considering the day/night-time bracket of the movement, the type of propulsion (propeller or jet) and the aircraft's take-off and landing direction; this latter parameter for application of the levy – which is very complex and not currently available to the airport manager – is still being defined and requires a subsequent motion of the Regional Council.

Airlines are liable for IRESA with effect from January 1, 2020, per the terms in the accounting document issued by the airport manager, which then pays the sums in question to the Emilia Romagna Region in the manner established in a specific agreement approved by Regional Council Motion Resolution No. 2410 of December 19, 2019. The funds shall be allocated, net of the above-mentioned convention costs, to the completion of the acoustic monitoring system and acoustic anti-pollution, in addition to further investments and/or indemnities for the residents in zones A and B in the airport's surrounding area as defined by the Environmental Ministry Decree of October 31, 1997. In light of the national health emergency, Emilia-Romagna Regional Council Resolution No. 402/2020 establishes the postponement until July 31, 2020 of tax compliance measures relating to the sending of information flows and IRESA payments by airport managers.

5.10 BREXIT

On May 24, 2019, Law No. 41 of May 20, 2019 converting Legislative Decree No. 22 of May 25, 2019, was published in the Official Gazette of 24/05/2019, regarding urgent measures to ensure security, financial stability and market integrity, and to protect the health and freedom of movement of citizens of Italy and the United Kingdom in the event of the withdrawal of the latter from the European Union" (the "Brexit Decree").

Article 17-ter, in introducing provisions on airport tariffs, requires that EU airport charges will continue to apply to passengers travelling from Italian airports to the United Kingdom, on the condition of reciprocity, from the date of Brexit up to the date of entry into force of a global agreement governing the provision of transport services with the United Kingdom, or, failing that, until 30/03/2020.

Thereafter, on January 29, 2020, the European Parliament ratified the text of the agreement on the withdrawal of the United Kingdom from the European Union, which officially took place on **February 1, 2020**. This agreement governs Britain's withdrawal, establishing a further transitional period from February 1 to **December 31, 2020** in which everything remains unchanged, including the collection of airport fees. The EU regulations and procedures on the free circulation of persons, services, capital and goods will remain in effect in the United Kingdom and only with effect from January 1, 2021, **barring a new agreement to the contrary**, will the United Kingdom no longer be a part of the European Union customs and tax (VAT and excise) territory.

6 DISPUTES

This section outlines the main - fundamental in financial terms - disputes and/or those which in the period saw significant legal and/or non-legal developments, without therefore providing an exhaustive outline of all positions for which specific amounts have been allocated to the disputes risk provision.

Fire Prevention Fund

In relation to the contribution to the Fund set up by the 2007 Finance Act in order to reduce the cost to the State for the organisation and provision of the **fire prevention service** at Italian airports, the Parent Company promoted, in 2012, a specific judicial action before the Rome Civil Tax Court, substantially requesting the Judge to ascertain and declare the cessation of the obligatory contribution following the change in the purpose of the afore-mentioned Fund, i.e. from January 1, 2009. In fact, from that date the resources accumulated in the Fund were allocated to the generic requirements of the public purse and civil defence, as well as for financing salary increases of the Fire Prevention Service.

Currently the Rome Court, following a series of postponements and suspensions deriving from the systematic reassignment of the case to different judges, has not outlined its conclusions and the next hearing is currently fixed for October 28, 2020. However, with the existence, over the years, of a consolidated jurisprudence (ex pluris Rome Provincial Tax Court No. 10137/51/2014 - passed into Law - and Rome Provincial Tax Court No. 2517/2019) sealed by the pronouncement of the Court of Cassation No. 3162 of February 1, 2019 and, latterly, by the Lazio Regional Tax Commission No. 7164/2019, which affirmed: i) the nature of the contribution to the Fire Prevention Fund, ii) the consequent competent tax jurisdiction, iii) the non-obligation to pay the tax from 2009, due to the non-applicability of its original legislative purpose, the Company is awaiting a definitive pronouncement of non-competence by the civil judge.

In relation to the above-mentioned civil case, promoted by the Company before the Rome Court, the Tax Administrations notified however on January 16, 2015 an injunctive decree relating to the presumed contribution to the Fire Prevention Fund for the years 2007, 2008, 2009 and 2010. This decree, containing clear material and formal errors, was immediately opposed, requesting the cancellation of the decree or, in replacement, to declare upon its jurisdiction and to order the reinstatement of the case before the Rome Court. On December 20, 2017, the Bologna Court issued a jurisdiction ordinance, declaring the Tax Commission as the competent judge, which cancelled Injunction Decree No. 20278/14. Unexpectedly and incomprehensively, on May 24, 2018, the State District Lawyer notified an appeal against the ordinance of the Bologna Court of December 20, 2017.

The Company therefore appealed (RG No. 2020/18), fully outlining its defence and invoking, preliminarily, the clear lack of jurisdiction of the Bologna Court. The appeal was definitively rejected as inadmissible by the Bologna Court of Appeal in judgment no. 1718/19. This judgment became *res judicata* on October 28, 2019, definitively ending the dispute initiated by the administrations, which, additionally, were ordered to reimburse AdB in full for all legal costs incurred.

The company in order to obtain a direct recognition of the principles embodied universally by the Court of Cassation and by the Rome Provincial Tax Court will present its case before the tax judge, once proceedings may take place, of the cases currently before the Rome Court (RG No. 22375/12). In parallel, in January 2020 a series of discussions were held with the administrations of a possible settlement and promotion of rewriting the statute that changed the Fund's initial purpose. There are no significant developments to report; ENAC has invited airport management companies to continue to adopt as prudential an approach as possible, above all with regard to the sums contributed to the Fire Service Fund subject to tariff coverage. Accordingly, at present there are no new judicial – in absence of judgments directly applicable to AdB – or extrajudicial issues, such as to result in a change in the treatment in the financial statements of the contribution to the Fire Protection Fund.

Alitalia – Revocatory Action

At the beginning of May 2020, the Company received notification of the revocatory action submitted by the Extraordinary Commissioner of ALITALIA SAI in limited partnership. As such, Alitalia is essentially rescinding its application to file for bankruptcy by submitting a request to the court to render it ineffective. As a consequence, Alitalia would obtain a refund of any payments made during the “suspect period,” i.e. the six months before bankruptcy was declared (November 1, 2016 - May 1, 2017), starting on the date the company entered into extraordinary administration.

The first hearing is scheduled for February 22, 2021. While challenging its legal basis and condemning the timing of such an action, the Company will launch an appropriate legal defence to effectively oppose the rescindment.

Out-of-court dispute- TE2C design company reserves

The Parent Company received a request for higher compensation from Tecno Engineering 2C, an engineering company tasked with designing the Group's “terminal expansion” project, which amounts to approximately Euro 2.2 million. The Company does not consider the contractual counterparty's request to be legitimate, and is carrying out preliminary investigations, in addition to those that have already been completed, in order to present an adequate counter appeal and rejection – for multiple reasons – of the request as received.

7 MAIN RISKS AND UNCERTAINTIES

Risks relating to the COVID-19 pandemic

The COVID-19 health emergency is having a significant impact on the airport sector. According to data released by ACI Europe, European airports lost 235 million passengers between March 1 and April 19, 2020 alone. According to estimates by ACI Europe, the impact of the pandemic in 2020 is expected to be 14 times greater than that of the previous global financial crisis, translating into a drastic drop in profitability and the financial resources required for business operations.

The pandemic's long-term impact on the air transport sector remains difficult to quantify, even if it is possible to make radical changes to current business models. Furthermore, passenger traffic might be impacted beyond 2020, considering the “psychological” effect the emergency has had on people's propensity to travel by plane, as well as the maintenance or further tightening of restrictive traffic measures on domestic and international flights, and geographical areas, and the maintenance or further tightening of health protection measures (“social distancing”), which significantly reduces the capacity of airport infrastructures.

A medium-to-long-term reduction in traffic could risk undermining the sustainability of business models, and may influence the airport's infrastructure development plan.

Taking into account the and uncertainties deriving from the developing pandemic, the areas listed below may be affected by these issues.

In accordance with the disclosure requirements set out in Article 2428(2), No. 6-bis of the Italian Civil Code, the Group holds financial instruments that qualify as significant in quantitative terms. However, considering the criteria that inform its choice of investments, such as:

- minimising the risk of the return of invested capital;
- the differentiation of the credit institutions;
- the duration, normally less than two years;
- the return offered;

the Group believes the **financial risks** – understood as the risks of changes in the value of the financial instruments – to be limited.

The Group is not subject to **foreign exchange risk** since it does not undertake transactions in foreign currencies.

In view of the significant commitments to infrastructure development, **liquidity risk** could manifest as difficulty in obtaining timely, cost-effective financing. While the Group's commitment to develop existing airport infrastructures remains unchanged, its operations plan is currently undergoing strategic re-assessment following the drastic reduction in traffic. Due to the current extraordinary financial crisis, the need to finance the Net Working Capital cycle must also be taken into consideration with regard to the operations plan, which has nevertheless been pared down and remodelled. The Parent Company is working to obtain access to credit lines and bank loans in order to fund the Group's financial needs, given the publication of the Liquidity Decree of April 9, 2020. Discussions are currently underway with the issuing credit institution with regard to a failure to comply with mortgage covenants due to worsening margins as the current crisis progresses.

Furthermore, in addition to approving the 2019 Financial Statements, the Parent Company Shareholders' Meeting of April 30, 2020 decided to allocate the 2019 profit entirely to reserves in order to maintain a solid capital base and to limit the economic impact of COVID-19.

The Group has sought to minimise **interest rate risk**, in view of its outstanding financing, by entering into both fixed-rate and floating-rate facilities.

Finally, the Group's **credit risk** is concentrated, in that 44% of its accounts receivable are claimed from its top ten clients. This risk is offset through specific trade payable management and control tools and procedures, in addition to adequate provisioning for doubtful accounts, according to the principles of prudence and in compliance with the accounting standards IFRS 15 and IFRS 9, which strengthens the *ex-ante* analysis approach, rather than existing receivable recovery, in the credit risk assessment processes.

The commercial policies pursued by the Group to limit its exposure involve:

- requesting immediate payment for transactions with end consumers or occasional counterparties (i.e., parking areas);
- requesting advance payment from occasional airlines or airlines without an appropriate credit profile or collateral;
- requesting performance bonds from sub-concessionaire clients.

The current economic crisis has increased the Group's credit risk due to the general lack of company liquidity; this increased risk has been factored into the doubtful debts provision as of March 31, 2020, and will be appropriately monitored and adjusted as events unfold in the coming months, and in line with the expected recovery time frame.

For further information on Group risks, please refer to the 2019 Directors' Report.

8 ALTERNATIVE PERFORMANCE INDICATORS

In this Directors' Report, various performance indicators are presented in order to permit a better assessment of operating performance and financial position.

On December 3, 2015, Consob published Communication No. 92543/15, rendering applicable the Guidelines issued on October 5, 2015 by the European Security and Markets Authority (ESMA) regarding the presentation of such indicators in regulated information circulated or financial statements published on or after July 3, 2016. These Guidelines, updating the previous CESR Recommendation (CESR/05-178b), seek to promote the utility and transparency of alternative performance indicators included in regulated information or financial statements within the scope of application of Directive 2003/71/EC in order to improve their comparability, reliability and comprehensibility.

The criteria utilised for these indicators, in line with the above communications, are provided below:

- **EBITDA:** EBITDA (earnings before interest, taxation, depreciation and amortisation) is defined by management as the result before taxes for the year, financial income and charges, income and charges from equity investments, depreciation, amortisation and impairment. It therefore coincides, in this case, with the gross operating margin. EBITDA is not identified as an accounting measure as per IFRS and therefore should be considered as an alternative measure for the evaluation of the Group's performance. Since calculation of this indicator is not governed by the accounting standards that form the basis of preparation of the Group's Consolidated Financial Statements, the criterion used to determine and measure the indicator might not be uniform with that adopted by other groups. Accordingly, the figure in question might not be comparable with that presented by such other groups;
- **Adjusted EBITDA:** this is a measure used by the Group's management to monitor and assess the Group's operating and financial performance. It is calculated by subtracting from EBITDA the margin calculated as the difference between the Group's construction revenues and construction costs as the Airport's manager;
- **Net Financial Position:** the composition of net financial position is represented in accordance with the Consob Communication of July 28, 2006 and ESMA recommendation ESMA/2011/81.

9 GUARANTEES PROVIDED

The following table summarises the guarantees granted by the Group.

Euro thousands	As at 31/03/2020	As at 31/03/2019	Change	Change %
Sureties	8,163	7,573	591	7.8%
Pledge on Equity Financial Instruments	10,873	10,873	0	0%
Patronage letters	3,267	3,651	(384)	-10.5%
Total guarantees provided	22,303	22,096	207	0.9%

At March 31, 2020, the guarantees provided by the Group total Euro 22.3 million and principally concern:

- sureties, mainly:

- to ENAC (the Italian Civil Aviation Authority) pursuant to the Full Management Agreement (Euro 5.6 million);
- to the Bologna Customs Agency for various custom deposits of the subsidiary Fast Freight Marconi Spa totalling Euro 2.4 million.

- a pledge of the equity financial instrument issued by Marconi Express S.p.a. and subscribed for by the Parent Company for a nominal value of Euro 10.87 million, securing the obligations of Marconi Express to the credit institutions that financed the People Mover project;

- a letter of patronage concerning the mortgage loan granted to the subsidiary Tag Bologna S.r.l. by Banca Agricola Mantovana (now Monte dei Paschi di Siena), equal to the residual principal, which at the end of the period amounted to Euro 3.3 million.

Inter-company and other related party transactions

Reference should be made to the specific paragraph of the Notes to the consolidated financial statements at March 31, 2020 for information concerning transactions undertaken during the period with subsidiaries, associates and related parties.

10 SUBSEQUENT EVENTS AND BUSINESS OUTLOOK

No events have occurred subsequent to period end that would require changes in terms of the presented performance or equity and financial position and that would therefore necessitate adjustments and/or additional disclosures in the financial statements.

However, some significant events occurred after the end of the period or are set to occur in the coming months.

Traffic performance

Only one flight was running to Rome Fiumicino in April 2020, operated by Alitalia. The flight took off on a daily basis in the first half of April, and every two days in the second half of the month, with a consequent drop in traffic of around 99.8% compared to April 2019.

Overall, a total of 1,396,034 passengers travelled by plane in the first four months of 2020 – a reduction of around 49% compared to 2019.

Operating and financial performance and business outlook

Uncertainty surrounding the duration and future evolution of the current health emergency makes it difficult to predict traffic trends and the Group's economic and financial situation in the coming months. Financial results are likely to worsen further in Q2 of 2020, given the substantial lack of flights in April and May, and a flight schedule that has yet to be determined for June.

The Group's main customer, Ryanair, has stated that it plans to resume flights in the July-September 2020 quarter. Ryanair tickets are now on sale, with flights scheduled to depart Bologna Airport from the end of June. Volotea has announced a new connection to Olbia starting on July 3, while KLM also expects to restart operations at the beginning of July. Several companies, including Air France, Lufthansa and British Airways, have hinted at the partial relaunch of operations in June, while Emirates and Aeroflot currently state that flights from Bologna airport will only recommence in August. The above information is subject to change, given the frequent updates released by airlines. To summarise, at the time of this report, the time frame for initial traffic recovery is yet to be determined, and hints at only a partial recommencement of flights during the summer months.

The outlook is equally uncertain for the non-aviation sector, and is characterised by the potential risk of lower revenues; in addition to a reduction in revenues from car parks and other passenger-related services – including sub-concession contracts covering various aviation and non-aviation airport operator areas and premises – discounts have been provided to operators whose activities have been most severely affected by the urgent decree, while payment extensions have been granted to customers whose activities have been, as mentioned, significantly impacted by the contingency plans still in place. Further discussions have taken place with clients in order to find a fair balance and to share the burden of the impact of external events, given that they are not the fault of any contractual parties, all while evaluating the prospects for a future – albeit gradual – recovery. The Group also intends to assess the legislative provisions of the “Relaunch Decree” in order to make use of all relevant assessment factors to establish discounts that are in line with the impact and duration of COVID-19, and in order to equally distribute the burden of the interim contingency plans.

With regard to costs, the Group immediately started reducing its outgoings by analysing existing contracts, renegotiating fairly with suppliers with a view to sharing the burden of contingency measures, and halting the purchase of non-strategic or unnecessary supplies during times when air traffic demand was in sharp decline. These activities will continue, as will the monitoring of results, with the assessment of further initiatives, and are expected to have an effect on the second quarter. However, given the structure of the income statement – which is typical of airport operators and contains a high number of fixed outgoings – these actions will only allow for savings that are not proportional to the decrease in sales.

With regard to employee costs, the actions put in place will mainly come into effect in April, as recourse to the Extraordinary Redundancy Fund was fairly modest in March, both because it was only implemented towards the end of the month and because other labour cost mitigation actions were used (blocking overtime, use of accrued holiday, etc.).

From a financial perspective the Group is currently reviewing the timing of its non-urgent investments, and the Parent Company is working to obtain access to credit lines and bank loans in order to fund the Group's financial needs, given the publication of the Liquidity Decree of April 9, 2020.

In addition to approving the 2019 Financial Statements, the Parent Company Shareholders' Meeting of April 30, 2020 agreed not to distribute dividends to shareholders and to allocate the 2019 profit entirely to reserves in order to maintain a solid capital base and to limit the economic impact of COVID-19.

Despite the mitigation actions outlined above, and taking into account the difficulties that come with estimating the economic impact of an event whose duration and scope are still unknown, the Group currently has reason to believe that the impact will be significant, especially in reference to the first half of this year.

Within this context, the Aeroporto G. Marconi di Bologna S.p.A. Group is paying the utmost attention to the safety of its passengers and employees in accordance with the regulations and best practices implemented by similar companies. The Group also intends to maintain current employment levels and to pursue its infrastructure development plans, with the aim of overcoming this emergency and re-igniting a phase of recovery and development for Bologna Airport that was abruptly interrupted by the pandemic.

The Chairman of the Board of Directors
(Enrico Postacchini)

Bologna, May 15, 2020

Consolidated Financial Statements at March 31, 2020

Statement of Consolidated Financial Position
Consolidated Income Statement
Consolidated Statement of Comprehensive Income
Consolidated Cash Flow Statement
Statement of changes in Consolidated Shareholders' Equity

Statement of Consolidated Financial Position

<i>in thousands of Euro</i>	Note	As at 31.03.2020	As at 31.12.2019
Concession rights		177,297	176,184
Other intangible assets		2,222	2,276
Intangible assets	1	179,519	178,460
Land, property, plant and equipment		14,435	14,951
Investment property		4,732	4,732
Tangible assets	2	19,167	19,683
Investments	3	44	44
Other non-current financial assets	4	12,595	12,586
Deferred tax assets	5	6,276	6,190
Other non-current assets	6	991	994
Other non-current assets		19,906	19,814
NON-CURRENT ASSETS		218,592	217,957
Inventories	7	641	622
Trade receivables	8	12,341	15,464
Other current assets	9	6,469	5,203
Current financial assets	10	501	501
Cash and cash equivalents	11	26,817	29,253
CURRENT ASSETS		46,769	51,043
TOTAL ASSETS		265,361	269,000

<i>in thousands of Euro</i>	Note	As at 31.03.2020	As at 31.12.2019
Share capital		90,314	90,314
Reserves		87,862	67,009
Profit for the period		619	20,852
GROUP SHAREHOLDERS' EQUITY	12	178,795	178,175
MINORITY INTERESTS	12	0	0
TOTAL SHAREHOLDERS' EQUITY		178,795	178,175
Severance and other personnel provisions	13	4,241	4,257
Deferred tax liabilities	14	2,573	2,558
Provision for renewal of airport infrastructure	15	9,777	9,524
Provisions for risks and charges	16	1,391	1,390
Non-current financial liabilities	17	12,840	13,080
Other non-current liabilities		0	136
NON-CURRENT LIABILITIES		30,822	30,945
Trade payables	18	15,408	18,537
Other liabilities	19	31,450	31,112
Provision for renewal of airport infrastructure	20	4,040	4,040
Provisions for risks and charges	21	20	18
Current financial liabilities	22	4,826	6,173
CURRENT LIABILITIES		55,744	59,880
TOTAL LIABILITIES		86,566	90,825
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES		265,361	269,000

Consolidated Income Statement

<i>In thousands of Euro</i>	Note	for the quarter ended 31.03.2020	for the quarter ended 31.03.2019
Revenues from aeronautical services		9,906	13,400
Revenues from non-aeronautical services		8,029	9,794
Revenues from construction services		2,757	4,104
Other operating revenues and income		119	191
Revenues	23	20,811	27,489
Consumables and goods		(508)	(425)
Service costs		(4,730)	(5,013)
Construction service costs		(2,625)	(3,908)
Leases, rentals and other costs		(1,418)	(1,885)
Other operating expenses		(794)	(765)
Personnel costs		(6,537)	(7,145)
Costs	24	(16,612)	(19,141)
Amortisation of concession rights		(1,643)	(1,500)
Amortisation of other intangible assets		(302)	(273)
Depreciation of tangible assets		(648)	(697)
Depreciation, amortisation and impairment	25	(2,593)	(2,470)
Provisions for doubtful accounts		(225)	(25)
Provision for renewal of airport infrastructure		(478)	(475)
Provisions for other risks and charges		(4)	(94)
Provisions for risks and charges	26	(707)	(594)
Total Costs		(19,912)	(22,205)
Operating result		899	5,284
Financial income	27	94	39
Financial expenses	27	(101)	(299)
Result before taxes		892	5,024
Taxes for the period	28	(273)	(1,477)
Profit for the period		619	3,547
Minority interest profit (loss)		0	0
Group profit		619	3,547
Undiluted earnings/(loss) per share (in Euro)		0.02	0.10
Diluted earnings/(loss) per share (in Euro)		0.02	0.10

Consolidated Statement of Comprehensive Income

<i>in thousands of Euro</i>	for the quarter ended 31.03.2020	for the quarter ended 31.03.2019
Profit for the period (A)	619	3,547
<i>Other profits (losses) that will be reclassified in the net result for the period</i>		
Total other profits (losses) that will be reclassified in the net result for the period (B1)	0	0
<i>Other profits (losses) that will not be reclassified in the net result for the period</i>		
Actuarial profits (losses) on severance and other personnel provisions	0	0
Tax impact on actuarial profits (losses) on severance and other personnel provisions	0	0
Total other profits (losses) that will not be reclassified in the net result for the period (B2)	0	0
Total other profits (losses), net of taxes (B1 + B2) = B	0	0
Total profits, net of taxes (A + B)	619	3,547
of which Minority Interests	0	0
of which Group	619	3,547

Consolidated Cash Flow Statement

<i>in thousands of Euro</i>	As at 31.03.2020	As at 31.03.2019
Core income-generating operations		
Result for the period before taxes	892	5,024
Adjustments to items with no impact on cash and cash equivalents		
- Margin from construction services	(132)	(196)
+ Depreciation and amortisation	2,593	2,470
+ Provisions	707	594
+ Interest expense (income) for discounting and severance provisions	(74)	173
+/- Interest income and financial charges	81	87
+/- Losses/gains and other non-monetary costs/revenues	33	0
+/- Severance provisions and other personnel expenses	20	33
Cash flow generated/(absorbed) by operating activities before changes in working capital	4,120	8,185
Change in inventories	(19)	35
(Increase)/decrease in trade receivables	2,881	(2,042)
(Increase)/decrease in other receivables and current/non-current assets (non financial)	(1,249)	(1,391)
Increase/(decrease) in trade payables	(3,129)	(1,880)
Increase/(decrease) in other liabilities, various and financial	(1,765)	806
Interest paid	(2)	(18)
Interest collected	2	2
Taxes paid	0	0
Severance and other personnel provisions paid	(55)	(122)
Use of provisions	(145)	(214)
Cash flow generated / (absorbed) by net operating activities	639	3,361
Purchase tangible assets	(148)	(169)
Proceeds on sale of tangible assets	3	0
Purchases of intangible assets/concession rights	(2,873)	(3,571)
Proceeds on sale of intangible assets/concession rights	0	0
Purchase/capital increase of equity investments	0	0
Proceeds on sale of equity investments	0	0
Changes in current and non-current financial assets	0	13,400
Cash flow generated / (absorbed) by investment activities	(3,018)	9,660
Proceeds from the issuance of shares and other equity instruments	0	0
Dividends paid	0	0
Loans received	0	0
Loans repaid	0	(128)
Payments of leasing capital share	(57)	(92)
Cash flow generated / (absorbed) by financing activities	(57)	(220)
Change in closing cash flow	(2,436)	12,801
Cash and cash equivalents at beginning of period	29,253	15,762
Change in closing cash flow	(2,436)	12,801
Cash and cash equivalents at end of period	26,817	28,563

Statement of changes in Consolidated Shareholders' Equity

<i>in thousands of Euro</i>	<i>Share capital</i>	<i>Share Premium Reserve</i>	<i>Legal Reserve</i>	<i>Other Reserves</i>	<i>FTA Reserve</i>	<i>Actuarial profits/(losses) reserve</i>	<i>Profits (losses) Carried Forward</i>	<i>Assets held-for-sale reserve</i>	<i>Profit (loss) for the year</i>	<i>Group shareholders' equity</i>	<i>Minority interests</i>	<i>Shareholders' Equity</i>
Shareholders' Equity as at 31.12.2018	90,314	25,683	6,310	36,437	(3,272)	(821)	1,132	0	17,927	173,710	0	173,710
Allocation of the 2018 financial year result	0	0	0	566	0	0	17,361	0	(17,927)	0	0	0
Share capital increase	0	0	0	0	0	0	0	0	0	0	0	0
Dividends paid	0	0	0	0	0	0	0	0	0	0	0	0
Assets held-for-sale	0	0	0	0	0	0	0	0	0	0	0	0
Total comprehensive profit (loss)	0	0	0	0	0	0	0	0	3,547	3,547	0	3,547
Shareholders' Equity as at 31.03.2019	90,314	25,683	6,310	37,003	(3,272)	(821)	18,493	0	3,547	177,257	0	177,257

<i>in thousands of Euro</i>	<i>Share capital</i>	<i>Share Premium Reserve</i>	<i>Legal Reserve</i>	<i>Other Reserves</i>	<i>FTA Reserve</i>	<i>Actuarial profits/(losses) reserve</i>	<i>Profits (losses) Carried Forward</i>	<i>Assets held-for-sale reserve</i>	<i>Profit (loss) for the period</i>	<i>Group shareholders' equity</i>	<i>Minority interests</i>	<i>Shareholders' Equity</i>
Shareholders' Equity as at 31.12.2019	90,314	25,683	7,170	37,029	(3,272)	(988)	1,387	0	20,852	178,175	0	178,175
Allocation of the 2019 financial year result	0	0	0	562	0	0	20,290	0	(20,852)	0	0	0
Share capital increase	0	0	0	0	0	0	0	0	0	0	0	0
Dividends paid	0	0	0	0	0	0	0	0	0	0	0	0
Assets held-for-sale	0	0	0	0	0	0	0	0	0	0	0	0
Total comprehensive profit (loss)	0	0	0	0	0	0	0	0	619	619	0	619
Shareholders' Equity as at 31.03.2020	90,314	25,683	7,170	37,591	(3,272)	(988)	21,677	0	619	178,795	0	178,795

Notes to the consolidated financial statements

Group activities

The Group operates in the airport management business. In particular:

- Aeroporto Guglielmo Marconi di Bologna S.p.A. (hereinafter “AdB” or the “Parent Company”) is full manager of Bologna airport under Full Management Agreement No. 98 of July 12, 2004 and subsequent additional instruments, approved by Decree of the Ministry of Transport and Infrastructure and the Ministry of the Economy and Finance on March 15, 2006, with a term of 40 years from December 28, 2004. Its registered office is located at Via del Triumvirato 84, Bologna and it is registered with the Bologna Companies Register.
- Fast Freight Marconi S.p.A. (hereinafter FFM) operates in the cargo and mail handling business at Bologna airport. Its registered office is located at Via del Triumvirato 84, Bologna and it is registered with the Bologna Companies Register. It is subject to management and coordination by Aeroporto Guglielmo Marconi di Bologna S.p.A..
- TAG Bologna S.r.l. (hereinafter TAG) operates in the general aviation business as a handler and manager of the related infrastructure at the Bologna airport. Its registered office is located at Via del Triumvirato 84, Bologna and it is registered with the Bologna Companies Register. It is subject to management and coordination by Aeroporto Guglielmo Marconi di Bologna S.p.A..

Accounting standards adopted for the Preparation of the Consolidated interim financial statements as at March 31, 2020

Basis of preparation

The condensed consolidated interim financial statements of the Group (hereafter “the consolidated interim financial statements of the Group” or “consolidated financial statements”) were prepared for the quarter ended March 31, 2020 and include the comparative figures for the year ended December 31, 2019, limited to the Consolidated Statement of Financial Position and the comparative figures for the January 1, 2019-March 31, 2019 quarter, limited to the Consolidated Income Statement, Consolidated Statement of Comprehensive Income and Consolidated Cash Flow Statement. The consolidated financial statements were prepared under the historic cost convention, except for financial assets held-for-sale, and Intangible Assets comprising Energy Certificates, which were recognised at fair value, and in accordance with the going concern principle. The Group considers that, although enduring a difficult economic and financial environment, no significant uncertainties exist (as defined by paragraph 25 of IAS 1) on the going concern.

The consolidated financial statements are presented in thousands of Euro, which is also the Group functional currency, and all amounts are rounded to the nearest thousands of Euro, where not otherwise indicated.

The publication of the consolidated interim financial statements of Aeroporto Guglielmo Marconi di Bologna S.p.A. and its subsidiaries (the Group) for the quarter ended March 31, 2020 was approved by the Board of Directors on May 15, 2020.

Content and form of the consolidated financial statements

The Condensed Consolidated Interim Financial Statements at March 31 were prepared as per IAS 34 “Interim Financial Statements” including condensed explanatory notes in accordance with the above-mentioned international accounting standard and supplemented in order to provide greater disclosure where considered necessary. These Consolidated Financial Statements must therefore be read together

with the Consolidated Financial Statements for the year 2019 prepared in accordance with IFRS International Accounting Standards issued by the International Accounting Standards Board ("IASB") and prepared considering the transition date to IFRS (First Time Adoption "FTA") as January 1, 2012.

The accounting standards and policies utilised are those adopted for the preparation of the financial statements at December 31, 2019, as from January 1, 2020 the new amendments to international accounting standards entered into force which did not have an impact on the quarter under review.

This interim report has not been audited.

The Group opted to apply the Separate and Consolidated Statement of Comprehensive Income, as permitted by IAS 1, considering such more representative of operations. In particular, the Statement of Consolidated Financial Position has been prepared by separating assets and liabilities into current and non-current categories.

An asset is considered current where:

- it is expected to be realized, or is held for sale or consumption, in the normal course of the operating cycle;
- it is held mainly for the purpose of negotiating it;
- it is expected to be realised within twelve months from the statement of financial position date; or
- it comprises cash or cash equivalents, upon which no prohibition exists on their exchange or utilisation to settle a liability for at least 12 months from the statement of financial position date.

All other assets are classified as non-current.

A liability is considered current where:

- it is expected to be settled within the normal operating cycle;
- it is held principally for trading;
- it is expected to be settled within twelve months from the year-end;
- the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the statement of financial position date.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified respectively under non-current assets and liabilities.

The Consolidated Income Statement has been prepared by classifying income and expenses by their nature, whereas the Consolidated Cash Flow Statement has been prepared using the indirect method, according to which cash flows are classified into operating, investing and financing categories.

Consolidation scope

The consolidated financial statements were prepared based on the financial statements of the Parent Company and its subsidiaries, directly and indirectly held, approved by the respective shareholders' meetings or executive bodies, appropriately adjusted in line with IFRS. The subsidiary companies are fully consolidated from the date of acquisition, or from the date in which the Group acquires control, and ceases to be consolidated at the date on which the Group no longer has control.

The following tables summarise the information on the subsidiaries and associates at March 31, 2020 and December 31, 2019 in terms of the Group's direct and indirect holding.

<i>Subsidiaries (in thousands of Euro)</i>	Currency	Share capital	as at 31.03.2020	as at 31.12.2019
Fast Freight Marconi S.p.a. Società Unipersonale	Euro	520	100.00%	100.00%
Tag Bologna S.r.l. Società Unipersonale	Euro	316	100.00%	100.00%

<i>Associates (in thousands of Euro)</i>	Currency	Share capital	as at 31.03.2020	as at 31.12.2019
Ravenna Terminal Passeggeri S.r.l.	Euro	50	24.00%	24.00%

Operating Segment information

The Aeroporto Guglielmo Marconi di Bologna Group, in application of IFRS 8, identified its operating segments as the business areas which generate revenues and costs, whose results are periodically reviewed by the highest decision-making level in order to evaluate the outcome of the decisions concerning the allocation of resources and for which separate financial statements are available.

The Group operating segments as per IFRS 8 - Operating Segment are as follows:

- Aviation;
- Non-Aviation;
- Other.

The disclosure concerning operating segments for the Continuing Operations is outlined to reflect the future organisational structure of the Group, with separate disclosure for Discontinued Operations.

In relation to the operating segments, the Group evaluates their performance based on passenger revenues, separating those concerning the aviation sector from those concerning the non-aviation sector.

The account "Other" residually includes those businesses not directly attributable to the identified segments.

In Group operations, financial income and charges and taxes are not allocated to the individual operating segments.

The segment assets are those employed by the segment for operating activities or which may be allocated reasonably for the carrying out of operating activities.

The segment assets presented are measured utilising the same accounting policies adopted for the presentation of the Group consolidated financial statements.

<i>in thousands of Euro</i>	for the quarter ended 31.03.2020 Aviation	for the quarter ended 31.03.2020 Non-Aviation	for the quarter ended 31.03.2020 Other	Total for the quarter ended 31.03.2020
Revenues	11,599	9,212	0	20,811
Costs	(11,308)	(5,304)	0	(16,612)
EBITDA	291	3,908	0	4,199
Depreciation, amortisation & impairment	(1,597)	(996)	0	(2,593)
Provisions	(554)	(153)	0	(707)
Operating result	(1,860)	2,759	0	899
Financial income	0	0	94	94
Financial expenses	0	0	(101)	(101)
Result before taxes	(1,860)	2,759	(7)	892
Taxes for the period	0	0	(273)	(273)
Profit (loss) for the period	(1,860)	2,759	(280)	619
Minority interest profit (loss)	0	0	0	0
Group profit (loss) for the period	0	0	0	619

The decrease due to the impact of the COVID-19 emergency on the margins of the Aviation SBU in the first quarter of 2020 is greater than that of the Non Aviation SBU due to the higher cost rigidity of this Business Unit.

<i>in thousands of Euro</i>	for the quarter ended 31.03.2019 Aviation	for the quarter ended 31.03.2019 Non-Aviation	for the quarter ended 31.03.2019 Other	Total for the quarter ended 31.03.2019
Revenues	17,377	10,112	0	27,489
Costs	(14,467)	(4,674)	0	(19,141)
EBITDA	2,910	5,438	0	8,348
Depreciation, amortisation & impairment	(1,707)	(763)	0	(2,470)
Provisions	(512)	(82)	0	(594)
Operating result	691	4,593	0	5,284
Financial income	0	0	39	39
Financial expenses	0	0	(299)	(299)
Result before taxes	691	4,593	(260)	5,024
Taxes for the period	0	0	(1,477)	(1,477)
Profit (loss) for the period	691	4,593	(1,737)	3,547
Minority interest profit (loss)	0	0	0	0
Group profit (loss) for the period	0	0	0	3,547

The table below presents the segment information for assets:

<i>in thousands of Euro</i>	As at 31 03.2020 Aviation	As at 31 03.2020 Non-Aviation	As at 31 03.2020 Other	As at 31 03.2020 Total
Non-current assets	164,945	33,926	19,721	218,592
Intangible assets	160,814	18,705	0	179,519
Concession rights	159,721	17,576	0	177,297
Other intangible assets	1,093	1,129	0	2,222
Tangible assets	4,024	15,143	0	19,167
Property, plant and equipment	4,024	10,411	0	14,435
Investment property	0	4,732	0	4,732
Other non-current assets	107	78	19,721	19,906
Investments	0	0	44	44
Other non-current financial assets	0	0	12,595	12,595
Deferred tax assets	0	0	6,276	6,276
Other non-current assets	107	78	806	991
Current assets	11,213	7,023	28,533	46,769
Inventories	357	284	0	641
Trade receivables	7,761	4,580	0	12,341
Other current assets	4,702	552	1,215	6,469
Current financial assets	0	0	501	501
Cash and cash equivalents	0	0	26,817	26,817
Total assets	177,765	39,342	48,254	265,361

<i>in thousands of Euro</i>	As at 31.03.2019 Aviation	As at 31.03.2019 Non-Aviation	As at 31.03.2019 Other	Total As at 31.03.2019
Non-current assets	162,708	29,477	23,677	215,862
Intangible assets	156,661	14,362	0	171,023
Concession rights	155,576	13,319	0	168,895
Other intangible assets	1,085	1,043	0	2,128
Tangible assets	5,976	15,081	0	21,057
Property, plant and equipment	5,976	10,349	0	16,325
Investment property	0	4,732	0	4,732
Other non-current assets	71	34	23,677	23,782
Investments	0	0	43	43
Other non-current financial assets	0	0	16,207	16,207
Deferred tax assets	0	0	6,061	6,061
Other non-current assets	71	34	1,366	1,471
Current assets	17,437	4,733	29,382	51,552
Inventories	347	212	0	559
Trade receivables	12,673	3,616	0	16,289
Other current assets	4,417	905	744	6,066
Current financial assets	0	0	75	75
Cash and cash equivalents	0	0	28,563	28,563
Total assets	180,145	34,210	53,059	267,414

Segment disclosure regarding the identified operating segments is undertaken as outlined below.

Aviation: refers to the airport's core business. This includes aircraft landing, take-off and parking fees, passenger boarding fees, freight fees, in addition to passenger security control fees and hand-carry and checked baggage control fees. It includes also cargo handling, customs clearance and fuelling operations. Finally, this segment includes all centralised infrastructure and exclusive assets: the centralised infrastructure represents revenues received in relation to infrastructure under the exclusive operation of the airport management company for reasons of safety, security or in view of their economic impact. Exclusive assets concern check-in desks, the gates and spaces assigned to airport operators.

Non-Aviation: operations not directly connected to the aviation business. This include sub-concession, retail, catering, self-hire and parking management operations, the Marconi Business Lounge and advertising.

The breakdown of revenues and costs between the Aviation and Non-Aviation SBU's follows ENAC's guidelines for analytic/regulatory reporting for airport management companies, in line with Article 11 *decies* of Law No. 248/05 and the Ministry of Transport Guidelines of December 31, 2006.

The residual accounts excluded from regulatory reporting were subsequently allocated according to the operating criteria. The main differences were as follows:

- accounts not considered relevant for regulatory accounting purposes which are allocated through a specific review of the individual cost/revenue items;
- revenues and costs for construction services allocated according to an analytical breakdown of investments in the year between the two SBU's according to regulatory criteria;
- incentives for the development of air traffic, allocated entirely to the Aviation SBU in accordance with the financial statement breakdown.

COMMENTS ON THE MAIN ITEMS ON THE STATEMENT OF CONSOLIDATED FINANCIAL POSITION

ASSETS

1. Intangible assets

The following table breaks down intangible assets at March 31, 2020 (compared with December 31, 2019).

<i>in thousands of Euro</i>	<i>As at 31.03.2020</i>	<i>As at 31.12.2019</i>	<i>Change</i>
Concession rights	177,297	176,184	1,113
Software, licences and similar rights	1,536	1,752	(216)
Other intangible assets	59	60	(1)
Other intangible assets in progress	627	464	163
TOTAL INTANGIBLE ASSETS	179,519	178,460	1,059

In the first quarter of 2020, Concession rights increased by Euro 2.7 million, of which Euro 2.6 million (equal to the fair value of construction services provided in the period), principally due to:

- construction work on a new area consisting of a new cargo building with related annexes for a specialised operator;
- extension and modification of the departing baggage handling system (BHS) to comply with "STANDARD 3" security level as required by current regulations;
- other preparatory work for the extension of the passenger terminal.

Amortisation of concession rights in the period amounted to Euro 1.6 million and was applied according to the residual duration of the concession.

Software, licenses and similar rights, recorded an increase of Euro 85 thousand relating to the development of some software platforms and the modernization of the GSTAR System through the activation of the module serving the de-icing plant.

Other intangible assets in progress include software development not concluded at March 31, 2020.

Test on the recoverability of assets and group of assets

In light of the COVID-19 crisis, already at the closing of the 2019 financial statements, the Group has assessed the need to carry out a further sensitivity analysis of the 2018-2044 operating and financial forecasts formulated by the Board of Directors and used to carry out the impairment test with reference to the amounts recognised under Concession rights as at December 31, 2019. The sensitivity test allowed for an assessment of the effect of a potential reduction in EBITDA of nearly 40% over the next three years; this analysis showed that, even in this eventuality, no impairment indicators would result. At March 31, 2020, the Group considers that this estimate is still adequate and that therefore there are no impairments on the carrying amounts of Concession rights.

2. Tangible assets

The following table breaks down tangible assets at March 31, 2020 (compared with December 31, 2019).

<i>In thousands of Euro</i>	As at 31.03.2020	As at 31.12.2019	Change
Land	2,763	2,763	0
Buildings, light constructions and improvements	3,778	3,876	(98)
Machinery, equipment & plant	2,916	3,109	(193)
Furniture, EDP and transport	2,078	2,147	(69)
Building plant and machinery in progress and advances	1,063	1,087	(24)
Investment property	4,732	4,732	0
TOTAL TANGIBLE ASSETS	17,330	17,714	(384)
Land in leasing	1,623	1,732	(109)
Leased buildings and minor construction and improvements	0	2	(2)
Leased machinery, equipment & plant	18	11	7
Leased furniture, office machinery, transport equipment	196	224	(28)
TOTAL LEASED TANGIBLE ASSETS	1,837	1,969	(132)
TOTAL TANGIBLE ASSETS	19,167	19,683	(516)

In Q1 2020, this category increased overall by Euro 0.15 million and mainly concerns the purchase of furniture and EDP.

Investment property includes the total value of land owned by the Group earmarked for the construction of investment property; these amounts were initially recorded at purchase cost and subsequently measured using the cost method.

This land is not subject to amortisation but, as per IAS 40, a technical report is undertaken to support the fair value. The technical report undertaken internally by the Parent Company confirms that the value of the inscription cost approximates, for nature and strategic value of the investment, its fair value. At the preparation date of the financial statements, there were no impairment indicators on these assets.

3. Investments

The tables below breaks down investments at March 31, 2020 (compared to December 31, 2019); the values and composition of investments remain unchanged.

<i>in thousands of Euro</i>	As at 31.12.2019	Increases / Acquisitions	Decreases / Disposals	Write-downs	As at 31.03.2020
Other investments	44	0	0	0	44
TOTAL INVESTMENTS	44	0	0	0	44

The composition of the account is as follows:

<i>in thousands of Euro</i>	Quota	As at 31.03.2020	As at 31.12.2019	Change
Consorzio Energia Fiera District	14.3%	3	3	0
CAAF dell'Industria Spa	0.07%	0	0	0
Bologna Welcome Srl	10%	41	41	0
TOTAL OTHER INVESTMENTS		44	44	0

4. Other non-current financial assets

The following table shows the movements in other non-current financial assets for the quarter ended March 31, 2020 (compared with December 31, 2019).

<i>in thousands of Euro</i>	As at 31.12.2019	Increases/ Acquisitions	Decreases / Reclass.	Write- downs	As at 31.03.2020
Receivables from Terminal Value	364	3	0	0	367
Equity Financial Instruments	10,873	0	0	0	10,873
Escrow bank accounts/Saving bonds	70	0	0	0	70
Other financial assets	1,279	6	0	0	1,285
TOTAL OTHER NON-CURRENT FINANCIAL ASSETS	12,586	9	0	0	12,595

At March 31, 2020, the account “Other non-current financial assets” mainly comprises:

- Euro 0.4 million in receivables from Terminal Value for the portion of fees for construction/improvement services provided by the Group relating to investments, as well as a supplement to the performance obligation fee, in accordance with IFRS 15, on the interventions carried out on the provisions for renewal relating to the concession contract. This receivable for the Terminal Value corresponds to the present value at March 31, 2020 of the receivable from application of the Terminal Value regulation, as per the updated Article 703 of the Navigation Code (Article 15 quinquies, paragraph 1, Legislative Decree No. 148 of 16/10/2017, converted with amendments by Law No. 172/2017), which established that, for investments in concession rights, the airport manager shall receive from the succeeding concession holder, on conclusion of the concession, an amount equal to the residual value at that date of the investment, in addition to the interventions made on the provisions for renewal, both calculated according to the regulatory accounting rules;
- Euro 10.9 million of equity financial instruments in Marconi Express Spa, concession holder for the construction and management of the rapid rail link infrastructure between the Airport and Bologna Central Station called People Mover. This financial instrument, subscribed on January 21, 2016 for a total value of Euro 10.9 million, is recorded at March 31, 2020 corresponding to the amount effectively paid or rather the cost incurred at that date. The investment, in addition to the strategic/operating interest related to improving accessibility to the airport, meets the Group’s objective both in relation to the collection of the contractual cash flows and to any future sale of the financial asset. In accordance with IFRS 9, since it is an equity instrument, financial assets are measured at fair value through profit or loss. Specifically, considering the difficulty in measuring the fair value of this Equity Financial Instrument, the Group availed of the exemption permitted for equity financial instruments where the fair value may not be reliably measured. Consequently, the subsequent valuations of this SFP are at cost and any reductions in value, quantified comparing the book value with the present value of the expected cash flows discounted at the market rate for similar instruments, are recorded in the Income Statement and may not be written back;
- Euro 0.07 million to the account “Escrow bank accounts/Savings bonds” concerning an escrow bank account at Banco BPM for the payment of the amounts due on the provision to and/or withdrawal of goods from the “Temporary Custody” Warehouse at Bologna Airport;
- Euro 1.3 million of capitalisation products; the initial Euro 0.3 million of 5-year duration and May 2021 maturity and the second of Euro 1 million acquired in 2019, of 10-year duration and with 2029 maturity. In accordance with the standard IFRS 9, these assets are classified to the category “Held to collect – HTC”, as this complies with the Group’s need to invest temporary liquidity held in order to collect the contractual cash flows. In this specific case, the maturity is defined contractually, but the return is related to the capital management performance and therefore these financial instruments are measured at fair value through profit or loss.

5. Deferred tax assets

The following table presents the movements in deferred tax assets for the period ended March 31, 2020, compared with December 31, 2019.

<i>in thousands of Euro</i>	As at 31.12.2019	Provisions	Util./Reclass.	As at 31.03.2020
DEFERRED TAX ASSETS	6,190	285	(199)	6,276

6. Other non-current assets

The following table breaks down other non-current assets at March 31, 2020 (compared with December 31, 2019).

<i>in thousands of Euro</i>	As at 31.03.2020	As at 31.12.2019	Change
Non-current prepaid expenses and accrued income	185	184	1
Guarantee deposits	88	88	0
Non-current tax receivables	718	722	(4)
OTHER NON-CURRENT ASSETS	991	994	(3)

7. Inventories

The following table breaks down inventories at March 31, 2020 (compared with December 31, 2019).

<i>in thousands of Euro</i>	As at 31.03.2020	As at 31.12.2019	Change
Inventories of raw materials, supplies and consumables	604	519	85
Inventories of finished products	37	103	(66)
INVENTORIES	641	622	19

8. Trade receivables

The table below illustrates the trade receivables and the relative doubtful debt provision:

<i>in thousands of Euro</i>	As at 31.03.2020	As at 31.12.2019	Change
Trade receivables	14,419	17,300	(2,881)
Provisions for doubtful accounts	(2,078)	(1,836)	(242)
TRADE RECEIVABLES	12,341	15,464	(3,123)

At March 31, 2020, trade receivables for Euro 12.3 million were recorded net of the provision for doubtful accounts of Euro 2 million. Gross trade receivables contracted from Euro 17.3 million at December 31, 2019 to Euro 14.4 million, mainly due to the drop in revenues as a result of the lower traffic due to the COVID-19 pandemic. The increase in the provision for doubtful accounts is due both to the write-downs carried out on the basis of specific analysis of cases in arrears and/or in dispute, whose probability of recovery reduced in the period and the write-down applied on the residual debtor balance, classified by customer category and overdue period, with the simplified parameter method applied, as permitted by IFRS 9 for companies with a diversified and fragmented client portfolio.

The movements in the provisions for doubtful accounts were as follows:

<i>in thousands of Euro</i>	As at 31.12.2019	Provisions	Utilizations	Releases	As at 31.03.2020
PROVISIONS FOR DOUBTFUL ACCOUNTS	(1,836)	(242)	0	0	(2,078)

9. Other current assets

The following table breaks down other current assets at March 31, 2020 (compared with December 31, 2019).

<i>in thousands of Euro</i>	As at 31.03.2020	As at 31.12.2019	Change
VAT Receivable	629	182	447
Other tax receivables	0	7	(7)
Employee receivables	64	83	(19)
Other receivables	5,776	4,931	845
OTHER CURRENT ASSETS	6,469	5,203	1,266

The increase in the VAT receivable is mainly due to the contraction in transactions since the end of February and throughout March 2020.

Other receivables are composed of:

<i>in thousands of Euro</i>	As at 31.03.2020	As at 31.12.2019	Change
Prepayments and accrued income	1,050	327	723
Advances to suppliers	599	61	538
Pension and social security institutions	298	19	279
Municipal surtax receivables	3,973	4,799	(826)
Other current receivables provision for doubtful accounts	(722)	(763)	41
IRESA receivables	234	0	234
Other current receivables	344	488	(144)
TOTAL OTHER RECEIVABLES	5,776	4,931	845

The increase in "prepayments and accrued income" is linked to the seasonality of the period, while the increase in "advances to suppliers" is due to a flight to transport medical cargo in April, for which the subsidiary FFM has advanced the payment following early collection received from the customer and classified under "other current payables".

The account "other current receivables provision for doubtful accounts" includes the provision for municipal surtax doubtful accounts obtained for reclassification under assets in the statement of financial position, as a deduction of the respective receivable, of the municipal surtax to the carriers which in the meantime were subject to administration procedures or which contested the charge.

This account:

- is exclusively an asset account,
- does not involve any provisions to the Income Statement,
- was classified as a deduction of the respective receivables due to the high improbability of recovery, reporting the following movements:

<i>in thousands of Euro</i>	As at 31.12.2019	Provisions/Increases	Utilizations	Releases	As at 31.03.2020
Municipal surtax receivable provision	(763)	0	41	0	(722)
TOTAL OTHER RECEIVABLES PROVISIONS FOR DOUBTFUL ACCOUNTS	(763)	0	41	0	(722)

Finally, the IRESA receivable is due to the invoicing to the carriers, on behalf of the Emilia-Romagna Region as from January 1, 2020, of the new regional Iresa - Regional Tax on Aircraft Sound Emissions - whose collection is fully paid to the Region itself.

10. Current Financial Assets

The following table breaks down current financial assets at March 31, 2020 (compared with December 31, 2019).

<i>in thousands of Euro</i>	As at 31.03.2020	As at 31.12.2019	Change
Deposit accounts	500	500	0
Other financial receivables	1	1	0
CURRENT FINANCIAL ASSETS	501	501	0

At December 31, 2019, this account comprised a deposit certificate of Euro 500 thousand, subscribed in 2019 and with maturity of October 2020. This category of financial investments also meets the Group's temporary needs to invest liquidity in order to obtain the contractual cash flows. As per IFRS 9, these investments are classified in the category "Held to collect - HTC". The contractual maturity defined, the yield defined and calculated on the notional amount permits the passing of the SPPI tests and therefore the valuation at amortised cost.

11. Cash and cash equivalents

<i>in thousands of Euro</i>	As at 31.03.2020	As at 31.12.2019	Change
Bank and postal deposits	26,793	29,227	(2,434)
Cash in hand and similar	24	26	(2)
CASH AND CASH EQUIVALENTS	26,817	29,253	(2,436)

"Bank and postal deposits" represent the bank current account balances.

LIABILITIES

12. Shareholders' Equity

The following table breaks down the Shareholders' Equity at March 31, 2020 (compared with December 31, 2019).

<i>in thousands of Euro</i>	As at 31.03.2020	As at 31.12.2019	Change
Share capital	90,314	90,314	0
Reserves	87,862	67,009	20,853
Profit	619	20,852	(20,233)
GROUP SHAREHOLDERS' EQUITY	178,795	178,175	620

i. Share capital

The share capital of the Parent Company at March 31, 2020 amounts to Euro 90,314,162, entirely paid-in and comprising 36,125,665 ordinary shares without par value.

The following table outlines the calculation of the basic and diluted earnings per share:

in Euro	for the quarter ended 31.03.2020	for the quarter ended 31.03.2019
Group profit	619,478	3,547,111
Average number of shares outstanding	36,125,665	36,125,665
Undiluted earnings/(losses) per share	0.02	0.10
Diluted earnings/(losses) per share	0.02	0.10

(*) Consolidated Statement of Comprehensive Income

The undiluted earnings and diluted earnings per share of the AdB Group at March 31, 2020 and at December 31, 2019 are the same due to the absence of potential dilutive instruments.

ii. Reserves

The following table breaks down the Reserves at March 31, 2020 (compared with December 31, 2019).

in thousands of Euro	As at 31.03.2020	As at 31.12.2019	Change
Share premium reserve	25,683	25,683	0
Legal reserve	7,170	7,170	0
Extraordinary Reserve	37,591	37,029	562
FTA Reserve	(3,272)	(3,272)	0
Profits (losses) carried forward	21,677	1,387	20,290
OCI Reserve	(988)	(988)	0
TOTAL RESERVES	87,862	67,009	20,853

The share premium reserve comprises:

- Euro 14.35 million following the paid-in share capital increase approved by the Shareholders' Meeting of February 20, 2006;
- Euro 11.33 million following the public offering of shares in July 2015.

Pursuant to Article 2431 of the Civil Code this reserve is available but may not be distributed until the legal reserve has reached the limit established as per article 2430 of the Civil Code.

The extraordinary reserve increased due to the allocation of the 2019 profit of the subsidiary FFM.

Retained earnings increased due to:

- the profits/losses deriving from the IAS accounting entries of the subsidiary companies;
- the allocation of result for the previous year of the subsidiary Tag;
- the result for the previous year of the Parent Company ahead of the allocation approved by the Shareholders' Meeting of April 30, 2020.

The OCI reserve is unchanged on December 31, 2019 as the Group proceeded with discounting the severance and other personnel provisions in accordance with IAS 19 revised, only for the half-year and annual financial statements

13. Severance and other personnel provisions

The following table breaks down severance and other personnel provisions at March 31, 2020 (compared with December 31, 2019).

<i>in thousands of Euro</i>	As at 31.03.2020	As at 31.12.2019	Change
Severance	4,054	4,088	(34)
Other personnel provisions	187	169	18
SEVERANCE AND OTHER PERSONNEL PROVISIONS	4,241	4,257	(16)

The table below shows the movements in the provisions in the period:

<i>in thousands of Euro</i>	As at 31.12.2019	Service cost	Net interest	Benefits paid	Actuarial profits/ (losses)	As at 31.03.2020
Severance	4,088	4	16	(55)	0	4,054
Other personnel provisions	169	16	0	0	0	187
SEVERANCE AND OTHER PERSONNEL PROVISIONS	4,257	20	16	(55)	0	4,241

Actuarial profits/losses did not report any movement in the quarter, due to that stated at note 12.

14. Deferred tax liabilities

The following table breaks down the deferred tax liabilities at March 31, 2020 (compared with December 31, 2019).

<i>in thousands of Euro</i>	As at 31.12.2019	Provisions	Utilizations	As at 31.03.2020
DEFERRED TAX LIABILITIES	2,558	15	0	2,573

15. Provision for renewal of airport infrastructure (non-current)

The provision for renewal of airport infrastructure includes the provision allocated to cover the conservation maintenance expenses and renewal of the assets held under concession which the Group must return at the end of the concession period, scheduled in 2044, in perfect functioning state.

The following table presents the movements in the provision in the first quarter of 2020:

<i>in thousands of Euro</i>	As at 31.12.2019	Provisions	Utilizations	Reclassification	As at 31.03.2020
PROVISION FOR RENEWAL OF AIRPORT INFRASTRUCTURE (NON-CURRENT)	9,524	398	0	(145)	9,777

The increases in the period totalled Euro 0.4 million, of which Euro 0.5 million classified under provisions in the income statement and net of Euro 0.1 million recorded under financial income from discounting. The utilisations of the provision total Euro 0.1 million and are stated in the current provision for renewal of airport infrastructure (note 20).
At March 31, 2020, the infrastructure renewal provision totals Euro 11.5 million.

16. Provisions for risks and charges (non-current)

The changes in the provision for risks and charges in the quarter ended March 31, 2020 are reported below:

<i>in thousands of Euro</i>	As at 31.12.2019	Provisions	Util./Other decreases	As at 31.03.2020
Risk provision for disputes	978	1	0	979
Provisions for other risks and charges	412	0	0	412
PROVISIONS FOR RISKS AND CHARGES (NON-CURRENT)	1,390	1	0	1,391

Contingent liabilities

With regards to the notification of invitation from the Municipality of Bologna, received on February 10, 2020, of a differing cadastral classification of a number of buildings - against that agreed with the administration since 2007 - with a consequent impact on the IMU tax for recent years and following which a provision for risks of Euro 215 thousand was recognised to the 2019 financial statements, the Directors, taking into account the factual and legal arguments shared with their tax advisors, have decided to qualify the contingent liability as possible for a further estimated amount of Euro 288 thousand and therefore to include appropriate information in the Notes.

On July 26, 2016, on the completion of a general review commenced on May 18, 2016 for the year 2013 of the Parent Company, the Bologna Tax Agency prepared a tax assessment highlighting a presumed derecognition of the IRES deductibility of the loss of Euro 5 million deriving from the enforcement of the surety guarantee issued in 2007 by AdB to the financial institutions of SEAF, Società di Gestione dell'Aeroporto di Forlì, company declared bankrupt in 2013.

The Directors, taking account of the factual and legal arguments of the Parent Company, as formalised in the petitions forwarded to the Tax Agency concerning the financial and therefore tax reasoning behind the choices made, categories the liability as potential and therefore only includes appropriate disclosure in the Notes.

In relation, finally, to the extraordinary administration of Alitalia, the Group assessed the potential liability related to the revocation of receivables arising in the six months before the procedure, for an amount of Euro 1.49 million, net of municipal surtaxes. At the preparation date of this document, and specifically taking account of the information noted and the defensive arguments against the advanced action (see the Directors' Report), the Directors considered it appropriate to provide disclosure in the Notes, without making any accrual, in view of the fact that in this case the conditions for action by the creditor do not exist, although while at the same time continuing to closely monitor the airline's situation.

17. Non-current financial liabilities

The following table breaks down non-current financial liabilities at March 31, 2020 (compared with December 31, 2019).

<i>in thousands of Euro</i>	As at 31.03.2020	As at 31.12.2019	Change
Bank loans – non-current	11,518	11,643	(125)
Non-current financial payables for leasing	1,322	1,437	(115)
NON-CURRENT FINANCIAL LIABILITIES	12,840	13,080	(240)

At March 31, 2020, the non-current portion of the loans or rather the medium/long-term portion of the loans undertaken by the Group and in place at this date amount to Euro 11.5 million, with the decrease in the period due to the reclassification of the instalment maturing on March 31, 2020 to current financial liabilities (account 22). At March 31, 2020, total bank loans did not change on December 31, 2019 (Euro 14.7 million, of which Euro 11.5 million non-current and Euro 3.2 million current).

The contractual conditions of the loans in place at March 31, 2020 are illustrated below:

Credit Institution	Type of loan	Interest rate applied	Rate	Maturity	Covenant
Intesa San Paolo S.p.A.	Loan	Fixed rate of 3%	Half-Yearly	2024	Yes
Monte dei Paschi di Siena (former Banca Agricola Mantovana)	Loan	Euribor variable 3 Months + spread 0.9%	Quarterly	2026	No

The loans are not covered by secured guarantees.

With reference to the cross-default clauses on the loan contracts of the Company, these include both clauses where the benefits are no longer applicable and where the Company financed is not in compliance with obligations of a credit or financial nature, or guarantees assumed with any party. We report that at March 31, 2020 the Group has not received any communication for application of cross default clauses by any of its lenders.

Discussions are in addition underway with Banca Intesa with regard to a failure to comply with loan covenants due to worsening margins as the current crisis progresses.

“Non-current financial liabilities for leasing” of Euro 1.3 million concern contractually due fees and with maturity beyond 12 months, for third party asset rights-of-use recognised to fixed assets from January 1, 2019 under IFRS 16.

We illustrate below the table required by the amended IAS 7 - Cash Flow Statement for a greater disclosure of changes in financial liabilities:

<i>in thousands of Euro</i>	31/12/2019	Cash flows	New contracts	Interest/Other Reclassifications	31/03/2020
Loans - current portion	3,059	0	0	135	3,194
Lease liabilities - current portion	521	(57)	4	117	585
Loans - non-current portion	11,643	0	0	(125)	11,518
Lease liabilities - non-current portion	1,437	0	6	(121)	1,322
Total	16,660	(57)	10	6	16,619

18. Trade payables

<i>in thousands of Euro</i>	As at 31.03.2020	As at 31.12.2019	Change
Trade payables	15,408	18,537	(3,129)
TRADE PAYABLES	15,408	18,537	(3,129)

At March 31, 2020, trade payables amounted to Euro 15.4 million, decreasing on December 31, 2019 due to seasonality and the reduction in costs in the quarter under review.

19. Other Liabilities

The following table breaks down current liabilities at March 31, 2020 (compared with December 31, 2019).

<i>in thousands of Euro</i>	As at 31.03.2020	As at 31.12.2019	Change
Current tax payables	4,055	3,598	457
Employee payables and social security institutions	4,484	4,708	(224)
ENAC concession fee and other State payables	15,976	17,669	(1,693)
Other current payables, accrued expenses and deferred income	6,935	5,137	1,798
TOTAL OTHER CURRENT LIABILITIES	31,450	31,112	338

The principal changes were as follows:

i. Current tax payables

The following table breaks down tax payables at March 31, 2020 (compared with December 31, 2019).

<i>in thousands of Euro</i>	As at 31.03.2020	As at 31.12.2019	Change
Direct income taxes	2,965	2,620	345
Other tax payables	1,090	978	112
TOTAL CURRENT TAX PAYABLES	4,055	3,598	457

The increase in this account mainly relates to the higher payable for estimated direct taxes in the quarter.

ii. Employee payables and social security institutions

The following table breaks down employee payables and social security institutions at March 31, 2020 (compared with December 31, 2019).

<i>in thousands of Euro</i>	As at 31.03.2020	As at 31.12.2019	Change
Employee salaries	916	1,030	(114)
Employee deferred compensation	2,339	2,365	(26)
Social security payables	1,229	1,313	(84)
EMPLOYEE PAYABLES AND SOCIAL SECURITY INSTITUTIONS	4,484	4,708	(224)

iii. ENAC concession fee and other State payables

The ENAC concession fees and other State payables mainly comprises:

- Euro 14.5 million (Euro 14.2 million at December 31, 2019) concerning the fire prevention service as governed by Article 1, paragraph 1328 of the 2007 Finance Act, modified by Article 4, paragraph 3bis of Law No. 2/2009. For further details, reference should be made to the Directors' Report to the 2019 Annual Accounts;
- Euro 1.5 million (Euro 3.5 million at December 31, 2019) as the variable airport concession fee payable.

iv. Other current liabilities, accrued liabilities and deferred income

The following table breaks down current liabilities, accrued liabilities and deferred income at March 31, 2020 (compared with December 31, 2019).

<i>in thousands of Euro</i>	As at 31.03.2020	As at 31.12.2019	Change
Municipal surtax payables and Iresa	3,486	4,036	(550)
Other current liabilities	2,539	1,018	1,521
Current accrued liabilities and deferred income	910	83	827
TOTAL OTHER CURRENT PAYABLES, ACCRUED EXPENSES AND DEFERRED INCOME	6,935	5,137	1,798

The main account concerns the municipal surtax and, from January 1, 2020 for Iresa, relating to the receivables from carriers not yet received at March 31 for Euro 3.5 million. The portion of the municipality surtax payable and for IRESA relating to receivables collected from carriers, not yet paid to the creditor entities on the other hand is classified under current financial liabilities (Note 22).

"Other current liabilities" include deposits and advances received from customers in addition to deferred income and miscellaneous payables. The increase is due to a flight to transport medical cargo in April, for which the subsidiary FFM has advanced the payment following early collection received from the customer and classified to the present item.

Finally, the increase in current accruals and deferred income is due to the invoicing process which provides for the advance invoicing of sub-license fees and other services.

20. Provision for renewal of airport infrastructure (current)

The following table shows the movement of the provision for renewal of airport infrastructure during the quarter.

<i>in thousands of Euro</i>	As at 31.12.2019	Provisions	Utilizations	Reclassifications	As at 31.03.2020
PROVISION FOR RENEWAL OF AIRPORT INFRASTRUCTURE (CURRENT)	4,040	0	(145)	145	4,040

Reference should be made to Note 15 for further information on this provision.

21. Provisions for risks & charges (current)

The changes in the provision for risks and current charges in the quarter are reported below:

<i>in thousands of Euro</i>	As at 31.12.2019	Provisions	Other increases	As at 31.03.2020
Employee back-dated provision	18	2	0	20
PROVISIONS FOR RISKS AND CHARGES (CURRENT)	18	2	0	20

The account concerns the employee back-dated provision on which, within the framework of the renewal of the Assohandlers Trade Union Agreement expired on June 30, 2017, an estimate of the liabilities for a One-off/back-dated employee payments was accrued for the period of the subsidiary FFM.

22. Current financial liabilities

The following table breaks down current financial liabilities at March 31, 2020 (compared with December 31, 2019).

<i>In thousands of Euro</i>	As at 31.03.2020	As at 31.12.2019	Change
Bank loans - current	3,194	3,059	135
Municipal surtax payables and Iresa	932	2,565	(1,633)
Current financial liabilities for leasing	585	521	64
Other current financial debt	115	28	87
CURRENT FINANCIAL LIABILITIES	4,826	6,173	(1,347)

For a breakdown of the Loans - current portion and other financial payables, reference should be made to account 17 Non-current Financial Liabilities which presents the outstanding Group loans at March 31, 2020 and the changes in the period.

Boarding fee municipal surtax payables and for IRESA concern the portion received by airlines and reversed to the credit institutions in April 2020.

Finally, finance lease liabilities concern the current portion of charges due for third party asset usage rights recognised to non-current assets from January 1, 2019 in application of IFRS 16.

NOTES TO THE MAIN CONSOLIDATED INCOME STATEMENT ACCOUNTS

The principal Q1 2020 income statement accounts are compared with Q1 2019 below.

REVENUES

23. Revenues

The tables below breakdown revenues for the quarters ending March 31, 2020 and 2019. In relation to the performance, reference should be made to the greater detail provided in the Directors' Report.

<i>in thousands of Euro</i>	for the quarter ended 31.03.2020	for the quarter ended 31.03.2019	Change
Revenues from aeronautical services	9,906	13,400	(3,494)
Revenues from non-aeronautical services	8,029	9,794	(1,765)
Revenues from construction services	2,757	4,104	(1,347)
Other operating revenues and income	119	191	(72)
TOTAL REVENUES	20,811	27,489	(6,678)

The reclassification of Group revenues based on revenue streams defined by IFRS 15 is shown in the following table:

<i>in thousands of Euro</i>	for the quarter ended 31.03.2020	for the quarter ended 31.03.2019	Change
Airport fees	8,745	11,876	(3,131)
Parking	2,658	3,663	(1,005)
Revenues from construction services	2,757	4,104	(1,347)
Other	2,385	2,770	(385)
TOTAL IFRS 15 REVENUE STREAMS	16,545	22,413	(5,868)

The reconciliation between IFRS 15 revenue streams and total revenues (note 24 of the Income Statement) is shown in the following table:

<i>in thousands of Euro</i>	for the quarter ended 31.03.2020	for the quarter ended 31.03.2019	Change
Airport fees	8,745	11,876	(3,131)
Parking	2,658	3,663	(1,005)
Revenues from construction services	2,757	4,104	(1,347)
Other	2,385	2,770	(385)
TOTAL IFRS 15 REVENUE STREAMS	16,545	22,413	(5,868)
Commercial/non-comm. sub-licenses	4,255	5,050	(795)
TOTAL NON IFRS 15 REVENUE STREAMS	4,255	5,050	(795)
TOTAL NON IFRS 15 Revenues	11	26	(15)
TOTAL REVENUES	20,811	27,489	(6,678)

i. Revenues from aeronautical services

The table below shows revenues from aeronautical services in Q1 2020 and Q1 2019.

<i>in thousands of Euro</i>	for the quarter ended 31.03.2020	for the quarter ended 31.03.2019	Change
Centralised infrastructure/other airport services	132	230	(98)
Exclusive use revenues	200	299	(99)
Airport fee revenues	11,492	16,165	(4,673)
PRM revenues	924	1,248	(324)
Air traffic development incentives	(3,750)	(5,697)	1,947
Handling services	497	618	(121)
Other aeronautical revenues	411	537	(126)
TOTAL REVENUES FROM AERONAUTICAL SERVICES	9,906	13,400	(3,494)

The breakdown of airport fee revenues is shown below:

<i>in thousands of Euro</i>	for the quarter ended 31.03.2020	for the quarter ended 31.03.2019	Change
Passenger boarding fees	5,132	7,950	(2,818)
Landing, take-off and parking fees	4,028	4,756	(728)
Passenger security fees	1,645	2,537	(892)
Baggage stowage control fees	541	720	(179)
Freight loading and unloading charges	163	202	(39)
Reduction for provision	(17)	0	(17)
TOTAL AVIATION FEE REVENUES	11,492	16,165	(4,673)

ii. Revenues from non-aeronautical services

The table below shows revenues from non-aeronautical services in Q1 2020 and Q1 2019.

<i>in thousands of Euro</i>	for the quarter ended 31.03.2020	for the quarter ended 31.03.2019	Change
Commercial premises and spaces sub-license	3,681	4,362	(681)
Parking	2,658	3,663	(1,005)
Other commercial revenues	1,690	1,769	(79)
TOTAL REVENUES FROM NON-AERONAUTICAL SERVICES	8,029	9,794	(1,765)

Other commercial revenues are broken down as follows:

<i>in thousands of Euro</i>	for the quarter ended 31.03.2020	for the quarter ended 31.03.2019	Change
Ticketing	6	10	(4)
Marconi Business Lounge	486	684	(198)
Advertising	413	424	(11)
Misc. commercial revenues	785	651	134
TOTAL OTHER COMMERCIAL REVENUES	1,690	1,769	(79)

iii. Revenues from construction services

Revenues from construction services concern the construction services undertaken by Aeroporto Guglielmo Marconi di Bologna S.p.A. on behalf of the ENAC granting entity for the capital investments previously commented upon in relation to the Concession Rights in Note 1.

These revenues amounted to Euro 2.8 million in Q1 2020 (Euro 4.1 million in Q1 2019).

iv. Other Revenue and Income

The table below shows other revenues and income in Q1 2020 and Q1 2019.

<i>in thousands of Euro</i>	for the quarter ended 31.03.2020	for the quarter ended 31.03.2019	Change
Indemnities, reimbursement and misc. income	119	191	(72)
TOTAL OTHER REVENUES AND INCOME	119	191	(72)

COSTS

24. Costs

i. Consumables and goods

The table below presents consumables and goods in Q1 2020 and Q1 2019.

<i>in thousands of Euro</i>	for the quarter ended 31.03.2020	for the quarter ended 31.03.2019	Change
Consumables and goods	295	124	171
Maintenance materials	47	64	(17)
Fuel and gasoline	166	237	(71)
TOTAL CONSUMABLES AND GOODS	508	425	83

This category presents an increase mainly due to the de-icing liquid for aircraft not purchased in the first quarter of 2019 as it was previously the subject of the contract with the handler providing the de-icing service at the airport.

ii. Service costs

The table below shows service costs in Q1 2020 and Q1 2019.

<i>in thousands of Euro</i>	for the quarter ended 31.03.2020	for the quarter ended 31.03.2019	Change
Maintenance costs	1,148	1,175	(27)
Utilities	480	530	(50)
Cleaning and accessory services	517	511	6
Services	1,559	1,753	(194)
MBL Services	58	79	(21)
Advertising, promotion and development	164	153	11
Insurance	263	218	45
Professional and consultancy services	337	306	31
Statutory board fees and expenses	235	216	19
Other service costs	-31	72	(103)
TOTAL SERVICE COSTS	4,730	5,013	(283)

Total service costs decreased mainly due to:

- ✓ reduction of some traffic-related services such as PRM and MBL;
- ✓ containment of utility costs due to the reduced use of certain areas of the terminal, and redrafting of some service contracts, although with minimal impact on the first quarter.

A further breakdown in maintenance expenses is provided below:

<i>in thousands of Euro</i>	for the quarter ended 31.03.2020	for the quarter ended 31.03.2019	Change
Owned asset maintenance expenses	255	238	17
Airport infrastructure maintenance expenses	744	671	73
Third party asset maintenance expenses	149	266	(117)
TOTAL MAINTENANCE COSTS	1,148	1,175	(27)

The breakdown of services is illustrated below:

<i>in thousands of Euro</i>	for the quarter ended 31.03.2020	for the quarter ended 31.03.2019	Change
Snow clearance	167	312	(145)
Porterage, transport third-party services	159	149	10
PRM assistance service	254	355	(101)
De-icing and other public service charges	228	217	11
Security service	289	279	10
Other outsourcing	462	441	21
TOTAL SERVICES	1,559	1,753	(194)

iii. Construction service costs

Construction service costs concern the construction costs incurred by Aeroporto Guglielmo Marconi di Bologna S.p.A. Group for the capital investments previously commented upon in relation to the Concession Rights in Note 1.

iv. Leases, rentals and other costs

The following table shows the breakdown of leases, rentals and other costs for Q1 2020 and Q1 2019.

<i>in thousands of Euro</i>	for the quarter ended 31.03.2020	for the quarter ended 31.03.2019	Change
Concession fees	935	1,400	(465)
Hire charges	37	39	(2)
Rental charges	21	30	(9)
EDP processing charges	423	413	10
Other rental & hire costs	2	3	(1)
TOTAL LEASES, RENTALS AND OTHER COSTS	1,418	1,885	(467)

Overall, the Leases, rentals and other costs account decreased, mainly due to the lower traffic volumes, on whose basis the concession and security fees are calculated.

v. Other operating expenses

The table below shows other operating expenses in Q1 2020 and Q1 2019.

<i>in thousands of Euro</i>	for the quarter ended 31.03.2020	for the quarter ended 31.03.2019	Change
Misc. and local taxes	366	334	32
Fire prevention service contribution	306	312	(6)
Capital losses	17	0	17
Other operating expenses	105	119	(14)
TOTAL OTHER OPERATING EXPENSES	794	765	29

vi. Personnel costs

The following table shows the breakdown of personnel costs for Q1 2020 and Q1 2019.

<i>in thousands of Euro</i>	for the quarter ended 31.03.2020	for the quarter ended 31.03.2019	Change
Salaries and wages	4,592	4,942	(350)
Social security charges	1,297	1,412	(115)
Severance provisions	318	321	(3)
Retirement pension and similar	46	46	0
Other personnel costs	284	424	(140)
TOTAL PERSONNEL COSTS	6,537	7,145	(608)

The reduction in personnel costs derives not only from the reduction in staff numbers (-21 units compared to March 31, 2020), but also from the actions taken to contain one of the main Group costs following firstly the healthcare crisis and subsequently the economic crisis. In particular, on March 21, 2020, the Parent Company launched an Extraordinary Redundancy Fund for all employees, maintaining only the operational services deemed essential, resulting in a significant reduction in the activities of other employees, after using the backlog of holidays and blocking overtime work.

Other personnel costs are broken down as follows:

<i>in thousands of Euro</i>	for the quarter ended 31.03.2020	for the quarter ended 31.03.2019	Change
Employee canteen	132	160	(28)
Personnel training and refresher courses	41	114	(73)
Employee expenses	28	72	(44)
Other personnel provisions	67	29	38
Misc. personnel costs	16	49	(33)
TOTAL OTHER PERSONNEL COSTS	284	424	(140)

The average headcount by category in the two periods under consideration is shown below:

<i>Average workforce (No.)</i>	for the quarter ended 31.03.2020	for the quarter ended 31.03.2019	Change
Executives	9	10	(1)
White-collar	432	419	13
Blue-collar	95	102	(7)
TOTAL PERSONNEL	536	531	5

The headcount at the end of the two periods under consideration was as follows:

<i>Workforce (No.)</i>	As at 31.03.2020	As at 31.03.2019	Change
Executives	9	9	0
White-collar	403	414	(11)
Blue-collar	92	102	(10)
TOTAL PERSONNEL	504	525	(21)

25. Depreciation, amortisation and impairment

The table below shows depreciation and amortization in Q1 2020 and Q1 2019.

<i>in thousands of Euro</i>	for the quarter ended 31.03.2020	for the quarter ended 31.03.2019	Change
Amortisation/write-downs Concession rights	1,643	1,500	143
Amortisation/write-down of other intangible assets	302	273	29
Depreciation of tangible assets	648	697	(49)
TOTAL DEPRECIATION AND AMORTISATION	2,593	2,470	123

The item comprised of Euro 2.6 million of amortisation and depreciation includes Euro 134 thousand of amortisation of leased assets.

26. Provisions for risks and charges

The following table shows the movement of the provisions for risks and charges for the periods ended March 31, 2020 and 2019.

<i>in thousands of Euro</i>	for the quarter ended 31.03.2020	for the quarter ended 31.03.2019	Change
Provisions for doubtful accounts	225	25	200
Provision for renewal of airport infrastructure	478	475	3
Provisions for other risks and charges	4	94	(90)
TOTAL PROVISIONS	707	594	113

The increase in this item is mainly related to the higher provision for doubtful accounts - for which reference should be made to note 8.

27. Net financial income and expenses

<i>in thousands of Euro</i>	for the quarter ended 31.03.2020	for the quarter ended 31.03.2019	Change
Income from securities	7	1	6
Other income	5	38	(33)
Discounting income on provisions	82	0	82
TOTAL FINANCIAL INCOME	94	39	55
Interest expenses and bank charges	(91)	(113)	22
Discounting charges on provisions	(6)	(173)	167
Interest charges for discounting of liabilities for leasing	(3)	(9)	6
Other financial expenses	(1)	(4)	3
TOTAL FINANCIAL EXPENSES	(101)	(299)	198
TOTAL FINANCIAL INCOME AND EXPENSES	(7)	(260)	253

Net financial expense improved due to higher financial income for the discounting of provisions and of liabilities. On the other hand, interest expense and bank charges decreased as a result of the lower overall debt.

28. Taxes for the period

The following table shows the taxes for the periods of Q1 2020 and Q1 2019.

<i>in thousands of Euro</i>	for the quarter ended 31.03.2020	for the quarter ended 31.03.2019	Change
Current and deferred taxes	(273)	(1,477)	(1,204)
TOTAL TAXES FOR THE PERIOD	(273)	(1,477)	(1,204)
% taxes in the period on result before taxes	30.57%	29.40%	1.17%

Income taxes decreased mainly due to the lower result before taxes (-Euro 4.1 million).

29. Related party transactions

For the definition of “Related Parties”, reference should be made to IAS 24, approved by Regulation (EC) No. 1725/2003.

Intercompany transactions are carried out within the scope of ordinary operations and at normal market conditions. Related party transactions principally concern commercial and financial transactions, in addition to participation in the tax consolidation.

None of these have particular economic or strategic significance for the Group, as the receivables, payables, revenues and costs regarding related parties do not account for a significant percentage of the total financial statement amounts.

The Bologna Chamber of Commerce shareholders were identified as a Government party, therefore exempt from the disclosure regarding related parties as defined by IAS 24. The categorisation of the Bologna Chamber of Commerce as a Government party therefore limited the checks required for the identification of related parties to the mere identification of the Bologna Chamber of Commerce. No additional information is reported in the financial statements concerning transactions undertaken by the Group with the Bologna Chamber of Commerce as no significant transactions are undertaken with this shareholder.

No transactions with related parties are reported in the period other than the inter-company transactions presented below.

Commercial transactions between the Parent Company and the subsidiary Tag Bologna Srl, in terms of receivables, principally concern the twenty-year sub-concession of the General Aviation traffic, in addition to certain staff services, personnel secondment and directors’ competences for Euro 23 thousand.

Adb payables to the subsidiary mainly concern the capital grant for the covering of General Aviation terminal infrastructure operation and maintenance costs for the boarding and disembarking of passengers, against the financial advantage for AdB of including these costs in the calculation of passenger boarding fees. Costs in the first quarter of 2020 to the subsidiary overall amount to Euro 45 thousand.

Non-commercial transactions with Tag concerned:

- the tax consolidation contract renewed in January 2018 for the years 2018-2020;
- the patronage letter issued by the Parent Company, in favour of Monte dei Paschi di Siena relating to the long-term loan granted by the bank to Tag. At March 31, 2019, the guaranteed portion of the loan, equal to the residual capital portion, amounts to Euro 3.3 million.

During the period, commercial transactions between the Parent Company and the subsidiary Fast Freight Marconi Spa concern the provision by AdB of the following services:

- sub-concession of offices, areas and operating rooms;
- management and staffing, including the following staff services: accounting, administration, finance, operating control, management reporting, personnel, legal, ICT, personnel secondment and directors’ competences;
- packages and goods x-ray controls.

Revenues in the first quarter of 2020 to the subsidiary overall amount to Euro 99 thousand.

The non-commercial transactions with FFM include the tax consolidation contract renewed in January 2018 for the years 2018-2020.

Types and management of other risks

With regards to the disclosure concerning the types and means of financial risk management under Article 2428, paragraph 2 No. 6 bis, reference should be made to the specific section of the Directors’ Report, also with regards to the comment upon the other risks to which the Group is subject.

SUBSEQUENT EVENTS AND BUSINESS OUTLOOK

No events have occurred subsequent to year end that would require changes in terms of the presented performance or equity and financial position and that would therefore necessitate adjustments and/or additional disclosures in the financial statements.

The Chairman of the Board of Directors
(Enrico Postacchini)

Bologna, May 15, 2020

Annex 1

Statement pursuant to Article 154-*bis*, paragraph 2 of the C.F.A.

Interim Financial Report at March 31, 2020

The officer in charge of preparing the corporate accounting documents, Patrizia Muffato, hereby declares, pursuant to paragraph 2 of article 154-bis of the Consolidated Finance Act (CFA), that the accounting information contained in this Report corresponds to information contained in the accounting documents, registers and entries.

*The officer in charge of preparing the
corporate accounting documents*
(Patrizia Muffato)



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