DIRECTORS' REPORT
AND
FINANCIAL STATEMENTS

as at 31 December 2017

DIRECTORS' REPORT

1. SHAREHOLDERS' MEETING

1st call: 30 April 2018

2nd call: 18 May 2018

2. AGENDA

Financial Statements as at 31 December 207

SAGAT S.p.A.

Società Azionaria Gestione Aeroporto Torino

Strada San Maurizio 12

10072 Caselle Torinese (TO)

www.aeroportoditorino.it

Share capital € 12,911,481 fully paid in

Company subject to the management and coordination of the company 2i Aeroporti S.p.A.

Economic Administrative Register (R.E.A.) no. 270127

Register of Companies of Turin, Tax ID and VAT no. 00505180018

GENERAL CONTENTS

CONTENTS

CONTENTS

CONTENTS

SHAREHOLDING STRUCTURE AS AT 31/12/2017

2i Aeroporti S.p.A.	75.28%
FCT Holding S.p.A.	10.00%
Tecno Holding S.p.A.	6.76%
Metropolitan City of Turin	5.00%
Own shares	2.96%
Total	**100%**

GOVERNANCE BODIES

BOARD OF DIRECTORS

Giuseppe DONATO	Chairman
Roberto BARBIERI	Chief Executive Officer
Rosaria CALABRESE	Director
Rita CICCONE	Director
Jean Jacques DAYRIES	Director
Rosario MAZZA	Director
Paolo MIGNONE	Director
Elisabetta OLIVERI	Director
Laura PASCOTTO	Director
Daniele RIZZOLINI	Director

BOARD OF AUDITORS

Roberto NICOLO’	Chairman of the Board of Auditors
Ernesto CARRERA	Standing Auditor
Edoardo FEA	Standing Auditor
Lorenzo GINISIO	Standing Auditor
Renato STRADELLA	Standing Auditor
Alessandro COTTO	Alternate Auditor
Maddalena COSTA	Alternate Auditor

SECRETARY

Dario MAFFEO

1. DIRECTORS' REPORT FOR THE COMPANY AS AT 31/12/17

SAGAT S.p.A. HIGHLIGHTS 2017

TRAFFIC

Torino Airport has recorded an unprecedented passenger traffic volume in one year, surpassing its previous record struck in 2016. In 2017 there have been **4,176,556** passengers in transit, corresponding to a 5.7% growth.

INCOME RESULT

The most relevant income components for the year 2017 are shown below, providing their comparison with the figures from the preceding year.

The value of production, net of grants, amounts to €62,128 thousand and has increased by 9.6%, compared to €56,695 thousand recorded in 2016.

The GOM amounts to €19,053 thousand (31% of the billing volume) and has increased by 23.9%, compared to €13,379 thousand recorded in 2016.

The EBITDA amounts to €17,479 thousand and has increased by 16%, compared to €15,070 thousand recorded in 2016.

The EBIT amounts to €12,421 thousand and has increased by 32.4%, compared to €9,380 thousand recorded in 2016.

The EBT amounts to €14,535 thousand and has increased by 58.1%, compared to €9,195 thousand recorded in 2016.

Net earnings amount to €11,087 thousand and have increased by 71.8%, compared to €6,453 thousand recorded in 2016.

The net financial position is positive by €14,520 thousand and has decreased by €3,003 thousand compared to €17,523 thousand as at 31 December 2016.

INVESTMENTS IN 2017

During the year about €6.4 million on aggregate were invested in infrastructures and systems that allowed the Company to improve the quality of the services provided and maintain high airport safety standards.

SIGNIFICANT EVENTS OCCURRED AFTER 31 DECEMBER 2017

Passenger traffic data at Torino Airport showed, in the first two months of 2018, a slight decrease, owing exclusively to the elimination of the twice-daily low-cost flight between Turin and Rome.

DEVELOPMENTS

In a year when the concurrence of multiple causes not attributable to the Company is bound to curb any further growth potential for the traffic performance of Torino Airport (reduction in the number of passengers on the Turin-Rome route due to the exit of a low-cost carrier, failed growth of Alitalia due to continuing uncertainties about its future, uncertainties in ski charter flights from Great Britain after the Brexit, lower traffic potential of Turin's catchment area due to the conspicuous regaining of competitiveness of the nearby airport of Milan Malpensa), SAGAT's efforts will focus on increasing its network further, improving its commercial policies in support of carriers and its marketing initiatives to promote Torino Airport's services and flights offer, through the allocation of more resources to those budget items. Additional efforts will focus on improving the quality of the services offered to passengers to increase their loyalty to the airport and on detecting new sources of earning and growth, that might come, for instance, from turning the airport digital, through e-commerce platforms, to set the Company's commercial course towards a more effective and widespread economic exploitation of the retail areas inside the terminal.

1.1 REPORT ON THE FINANCIAL POSITION AND PERFORMANCE

Dear Shareholders:

further on in this report, the gratifying results recorded by the Airport in 2017 for growth in passenger traffic shall be examined in detail. As is known, this marks the continuation of a growth trend that, having begun in 2014, has continued in the four years since, making possible an increase of more than one million in the annual number of passengers served, for a total that now exceeds four million, representing overall growth of 32% for the four-year period.
This rapid and significant growth in aviation operations, the result of a refocussing of the Company's marketing strategy to increase domestic flights, as well as those to hub destinations and along new international point-to-point routes, has been accompanied by improved performance of the non-aviation retail sector, plus an exemplary attention to containing costs. The combination of these factors has led the Company to decidedly higher levels of profitability than in the past, together with extremely positive income results, as illustrated further on in this report.
Looking at traffic on monthly basis, however, as early the last months of 2017 growth had gradually begun to slow, with the trend even starting to turn downward in the last weeks of the year and in the first months of 2018.
Timely analyses of this development showed that potential traffic level of the Turin catchment area, already at a disadvantage due to the Airport's geographic location, was further weakened by the noteworthy recovery in competitive strength showed by Milan's Malpensa airport, which returned to growth in the double figures in 2017, after a period of relative stagnation. The opening of the Ryanair base, plus a general increase in the capacity offered, point to the likelihood, for 2018, of a further acceleration in the growth of point-to-point and short-medium range traffic for the airport in the Lombardy region. Also foreseeable is a recovery in terms of long-range traffic, thanks to the carrier Air Italy (formerly Meridiana, but now a part of the Qatar Airways group), which recently announced its decision to use Malpensa as its main hub.
Therefore, to maintain and further increase the levels of traffic achieved, SAGAT must reinforce its business strategies in support of carriers, together with marketing initiatives designed to promote the Torino Airport to the general public, featuring the services and flights offered, if necessary allocating increased resources to these items of its budget.
And to maintain its levels of profitability, the Company must augment the driving force of passenger traffic growth with additional, brand-new sources of revenues and growth.
A noteworthy investment made towards this end is the process of digitalising the Airport, which shall not only contribute to modernising the services provided to passengers but also give SAGAT as to with which to establish potential new sources of revenues, by using e-commerce platforms, for example, or by creating passenger-profile databases that can guide the Company's business policies towards ensuring that the Airport's retail areas prove to be ever more efficient and widespread sources of income.

The present Directors' Report, which accompanies the Financial statements closed on 31 December 2017, was drafted in accordance with the provisions of art. 2428 of the Italian Civil Code, and it contains the Directors' observations on the operating performance, plus the most important events that occurred during the year 2017 and after the date of 31 December 2017.

The income figures, the balance-sheet and the net financial figures for the year 2017 are compared with the closing balances as of 31 December 2016.

THE INTERNATIONAL AND DOMESTIC SCENARIO

THE INTERNATIONAL OUTLOOK

In 2017 the global economy recorded a cyclical recovery, thanks to a revival of investments, manufacturing activity and trade. Global growth is estimated to have reached 3 percentage points, exceeding the figure of 2.4% recorded in 2016.

A far-reaching economic recovery was registered in more than half of the world's economies.

Specific support for the revival in investment – responsible for three-quarters of the increased global growth between 2016 and 2017 – came from favourable lending costs, growing profits and increased business confidence in both the advanced economies and the EMDEs, or emerging and developing economies. This investment-driven growth is bringing about a significant short-term increase in global imports and exports. The advanced economies are estimated to have regained 2.3% in 2017, thanks to a resumption in capital spending, improved turnaround of inventory and stronger foreign demand. In the Euro area in particular, growth was more significant than predicted.

As for the emerging and developing economies (EMDEs), estimates show a 4.3% rise in growth in 2017, reflecting stable exports and strong, ongoing growth in imports.

Forecasts for 2018 show global growth reaching 3.1%, thanks to the favourable economic cycle, while an average rate of 3% is predicted for 2019-2020. There are noteworthy differences between growth forecasts for the advanced economies and the emerging and developing markets (EMDEs). Growth in the advanced economies is expected to slow, while, for the EMDEs, it is predicted to reach 4.5% in 2018 and an average of 4.7% in 2019-2020.

The Euro area

The Euro area recorded positive growth in 2017, reaching an estimated 2.4%, which exceeded predictions by +0.7%, pointing to widespread improvement in economic conditions in all the member states, encouraged by economic policy and stronger demand. In particular, private-sector lending continues to respond in positive fashion to encouragement from the European Central Bank, strengthening both domestic demand and growth in imports.

The unemployment rate reached its lowest levels since 2009, with an increased shortage of labour, though only in certain countries, and somewhat weaker growth in salaries.

With the Euro having grown stronger in 2017, and inflation remaining lower than forecast, the European Central Bank is expected to keep its interest rates unchanged in 2018 as well.

According to the European Commission, in 2017 the aggregate orientation of Euro area budgets was towards expansion. The revival is expected to remain cyclical in 2018, though at a lower rate, on account of a less vibrant domestic demand, as compared to the sharp revival of 2017, and a fall-off in policies of economic stimulus. Estimates for 2018 show growth reaching 2.1%, lower than in 2017 but still better than predicted. Forecasts for the period 2019-2020 point to average growth of 1.6%, tied to the performance of the labour market.

Long-term growth prospects continue to be limited by the shrinkage of the working-age population in the majority of the economies of the Euro area, plus the persistent gap in productivity and competitiveness with the member states found on the fringes of the Euro area.

Taken from: World Bank, Global Economic Prospects | January 2018

THE SITUATION IN ITALY

The Bank of Italy estimates that Italy's GDP rose by 1.5% in 2017.

The GDP grew by 0.4% in the fourth quarter of 2017, confirming the favourable trend of recent quarters, but at a level still below the European average. The increase involved services and industrial activity in the strict sense of the term.

Surveys showed business confidence returning to pre-recession levels, as well as favourable conditions for the accumulation of capital. These assessments were confirmed by increased investment spending in the second half of the year.

The expansion of manufacturing activity continued in the fourth quarter of 2017, though at a lower rate than the strong increase recorded in the summer. Business confidence remained high in all

the most important sectors of activity; as estimated by the Bank of Italy, corporate assessments of prospective demand showed further improvement in industry and the services, while investment conditions were confirmed as being decidedly favourable. In November industrial prediction remained stable relative to the current economic scenario.
Employment continued to rise, both in the third quarter and in the last months of 2017, while the number of working hours per employee also grew, though the figure is still sits below the pre-crisis levels. The unemployment rate for November was 11%.
Despite the revival of prices at origin, consumer inflation in Italy remained weak, at 1% in December, while underlying inflation proved far lower, at 0.5%. Business inflation was limited, though still higher than the minimum levels recorded in 2016, with an increase of only slightly more than 1% forecast for 2018.
Projections for the Italian economy for the three-year period 2018-2020 show the GDP, which increased by 1.5% in 2017, growing by 1.4% in 2018 and by 1.2% in 2019-2020. Economic activity will be driven primarily by domestic demand. Inflation shall decrease temporarily in 2018, before once again rising, but gradually. This outlook is premised on economic conditions continuing to be favourable, including a very gradual adjustment of short and long-term interest rates.
On the whole, the GDP is likely to continue to depend on the support of expansionary economic policies, but to a lesser degree than in the past..

Source: Banca d’Italia – Economic Bulletin no. 1 – 2018

THE ECONOMY OF PIEDMONT

According to the figures of the Companies Register of the Chambers of Commerce, in 2017 there were 25,011 new companies founded in Piedmont. Minus companies that ceased operating, the balance is a negative 965 units, for a growth rate of -0.22%.
The figure is in line with that recorded in 2016 (-0.12%), though it still contrasts with the trend shown by the national average (+0.75%).
The sum total of enterprises registered as of the end of December 2017 was 436,043 units, meaning that Piedmont still ranks 7th among the regions of Italy, accounting for more than 7.2% of the country’s businesses. The growth rate of Piedmont’s businesses remains negative, running counter to the figure for Italy a whole. The backbone of the regional production system continues to consist primarily of small and medium-sized companies, though it also has a number of larger enterprises, while production activity as a whole is highly fragmented.

Source: Union of Piedmont Chambers of Commerce, “Birth and Mortality Rates for Businesses in Piedmont in 2017”.

Looking at the year 2017 as a whole, industrial manufacturing in Piedmont registered an average annual increase of +3.6%, better than the figure of +2.2% for 2016 or the +0.7% recorded in 2015.

Piedmont’s manufacturing sector began 2017 on a positive note: in the first quarter, industrial production showed growth of 4.5% compared to the same quarter of 2016. All the different manufacturing sectors contributed to the positive result, with the exception of wood and furniture, which showed a decrease of 3.2% in production. The best result was turned in by the transportation vehicle sector, which registered growth in double figures (+22.4%). The results of the other key indicators analysed are also encouraging, including the upward trends in domestic orders and, to an even greater extent, foreign orders.
The second quarter of 2017 confirmed the solid performance of manufacturing production in Piedmont, with growth of 3.2% in industrial production, compared to the same quarter of 2016, the result of positive outcomes in almost all the most important sector and in all areas of the region. The overall increase in manufacturing involved practically every major sector of economic activity, except for the textile and clothing industries. Transportation vehicles provided the greatest impetus, thanks to the excellent performance of the automobile industry, spare-parts manufacturing and the aerospace sector.
Large-scale companies, those with more than 250 employees, recorded the best figures for industrial production (+5%), while the output of medium-size companies (50-249 employees) grew

by 3.9%, small-scale enterprises (10-49 employees) registered a 2.9% increase and micro-businesses, those with fewer than 9 employees, grew by 1.1%. Growth in industrial production was recorded in all the different local areas of the regional system. In the second quarter of 2017, manufacturing production in Piedmont was again driven by the Province of Turin, with the companies of the territory recording a 4.8% increase in levels of production compared to the period of April-June 2016.
The positive results continued in the third quarter of 2017, with industrial production showing growth of 2.7% compared to the same quarter of 2016. Braking down the results of overall industrial production by the various sectors, the majority turned in positive results for the quarter in question, apart from the wood and furniture sector. After recording superlative results in the first six months of the year, transportation vehicles closed the third quarter of 2017 with a stable performance (-0.5%). This result was the product of different levels of performance within the sector, with automobile production showing a decrease of 6% while the production of auto parts fared better (+5,5%) and the aerospace sector showed almost no variation in production (-0.6%).
In the third quarter of 2017, trends were positive for companies of all different sizes. Medium-size enterprises showed the healthiest increase (+5.5%), while production output grew by 3.8% for small-scale companies and 0.4% for the largest enterprises, with the performance of micro-companies remaining stationary.
The fourth quarter of 2017 provided further confirmation of the excellent health of Piedmont's manufacturing sector, with industrial production recording growth of 3.9% compared to the same quarter of 2016, making for eleven straight quarters of growth. The production increase went hand in hand with the positive results of the other indicators analysed, as upward trends were recorded for orders from both domestic sources (+3.1%) and abroad (+5%). Breaking down the results for industrial performance by the individual sectors, the majority showed positive outcomes, with the exception of transportation vehicles (-3.2%), whose decrease was caused entirely by lower automobile production, seeing that the automotive parts and aerospace sectors grew. The positive trends recorded in the fourth quarter of 2017 regarded companies of all different sizes. Small and medium-size companies recorded the largest increases (at respective figures of +6.2% and +5.3%), while micro-enterprises increased their production by 2.5% and large-scale companies turned in growth of 0.7%.
The growth also involved all areas of the region, with Verbano Cusio Ossola leading the way (+6.8%).

Source: Union of Piedmont Chambers of Commerce, Surveys 182-183-184-185 of the state of Piedmont's manufacturing industry.

THE AIRPORT INDUSTRY

THE GLOBAL SCENARIO

The ACI, or Airports Council International World, recorded growth of 6.4% in passenger traffic for the year 2017, marking the third straight year of an increase of more than 6%. Cargo transport registered record growth of +7.9% in 2017, the best result since 2010, the year in which the recovery from the drastic decline of 2009 began.

Passenger traffic

Passenger traffic continued to grow at annual rates above the averages from past years. Despite concerns over trade protectionism and geopolitical tensions, there was no slowing the worldwide flow of passengers, as growth in tourism and travel persisted throughout the globe. After years of healthy, constant growth, passenger traffic for 2017 exceeded the level of 8.2 billion. Similar encouraging results could point to the fact that worrisome isolationist policies have not the full effect expected on the different sectors of the economy.
The European and Asian-Pacific markets led the wave of growth. Despite uncertainty over the outcome of Great Britain leaving the European Union, air travel in Europe continued to grow, recording an increase of +8.5% from one year to the next. The widespread strengthening of the

economy and the increase in consumer confidence, as well as the increasingly competitive offerings of the carriers, contributed to heightening the propensity for air travel.
Along with Europe, the Asia-Pacific region also registered growth in the demand for air transport. Many Indiana and Chinese airports continued to experience growth in double figures. Preliminary estimates for 2017 point to growth of 7.8% for the entire region.
Both the Latin America – Caribbean region and Africa find themselves in a phase of recovery, following the recessions suffered by their largest economies: Brazil and Nigeria, respectively. For the year 2017 as a whole, Africa and the Latin America – Caribbean grew by respective figures of 5.9% and 4.3%.
Compared to the previous year, the airports of the Middle East recorded modest growth for 2017, at +4.7%, due primarily to the diplomatic crisis with Qatar, which led to a ban on travel and a trade blockades between Qatar and the other Middle Eastern countries, slowing growth.
In North America, despite the maturity of the market, growth totalled 3.5% in 2017, exceeding the average yearly figure of 1.1% recorded over the last twenty years. The constant advances achieved by companies such as Southwest Airlines, the world's largest low-cost carrier, and the overall growth of the more promising markets of the Pacific and of Central America are two of the driving forces behind this growth. A number of the larger hubs have registered a resumption of growth in recent years, with airports of Denver, San Francisco and Los Angeles growing by respective figures of 5.3%, 5.1% and 4.5% in 2017.

Cargo traffic

Cargo traffic recorded a strong recovery in 2017, with a total of almost 120 million tons handled, for record growth of 7.9% as compared to 2016. All the major economic zones were involved, with the chief driving forces represented by cross-border trade, as the leading markets - Europe, Asia-Pacific and North America – registered respective increases in total cargo volume of 8.7%, 8.5% and 7.3%.
Despite the undercurrent of uncertainty tied to the trade policies of the United States and Great Britain, two of the world's largest air transport markets, confidence in the market as a whole continued to hold. Global trade and industrial production have benefitted from a cyclical recovery of the global economy, leading to growth in air traffic volumes.
Accumulated stocks, increased exports and heightened consumer demand, as reflected by the growth in on-line purchasing, constitute an important short-term catalyst of growth. In addition, air cargo transport has temporarily taken the place of seaborne cargo shipping, following the crisis of the maritime transport sector, with the reliability of shipping by air for rapid delivery having made it a feasible option, especially for goods with elevated value-added and perishable products. In the same way, the express parcel deliveries generated by on-line purchases have played a significant role in the spectacular increase in air cargo volumes.

From 2010 to the present, passenger traffic worldwide has grown at an average yearly rate of 5.5%, demonstrating the resilience of air transport.
But consideration must still be given to factors that could potentially undermine the growth in demand, such as changes in geopolitical conditions, terrorism or threats to security in certain parts of the world. Also to be taken into account are the limitations presented by the physical and infrastructural capabilities of the air transport sector, which intercepting the demand a challenge. Finally, there are protectionist policies that could hinder increased economic integration and liberalisation of air transport sector, reducing the demand for air transport.

Source: Aci.aero

THE EUROPEAN SCENARIO

Passenger traffic in European airports grew by 8.5% in 2017. Factors contributing to this exceptional result included both the renewed growth of markets outside of the European Union, as well as the ongoing expansion of volumes of passengers in Europe itself.
The passenger traffic of airports outside of the European Union recorded average growth of 11.4% (compared to a decrease of 0.9% in 2016), thanks to the recovery of airports in Russia and Turkey.

The airports of Georgia, Ukraine, Moldova and Iceland grew by an average of 20%. Meanwhile, the airports of the European Union experienced an increase of 7.7% in passenger traffic, a significant improvement over 2016 (+6.7%). The strongest growth was recorded in airports in the Eastern and Southern zones of the European Union – those of Latvia, Estonia, Poland, the Czech Republic, Slovakia, Hungary, Croatia, Slovenia, Romania, Bulgaria, Cyprus, Malta and Portugal – with growth on double figures.

The year 2017 proved to be the best for European airports since 2004, when air traffic was stimulated by 10 new countries joining the European Union. This result comes in the wake of many years of strong growth, showing that the demand for air transport is able to outperform economic trends and withstand geopolitical risks. Even on the more mature European markets, there has been growth of roughly 30% since 2012, with the result that infrastructures and airport staffs are beginning to approach their maximum operating capacity, especially in peak travel times.

Cargo traffic at European airports grew by 8.5% in 2017, reflecting a cycle of constant expansion of the global economy, and in Europe in particular.
Movements increased by 3.8%, in the wake of the airlines' ongoing expansion of their capacity.
Europe's five leading airports recorded growth of 5.5% in passenger traffic in 2017 – servicing a total of 18 million additional passengers.
This noteworthy performance, in terms of growth compared to the previous year (+1.5% in 2016), reflects both the ongoing expansion of low-cost carriers on the primary markets and the performance of the hub airports of these airlines. Amsterdam registered the highest growth of the major airports (+7.7%), at 68.5 million passengers, though it came after Paris - Charles de Gaulle in terms of total passengers (69.5 million, +5.4%), while London - Heathrow held onto first place as Europe's most heavily trafficked airport, with 78 million passengers (+3%). The Frankfurt airport turned in the second best growth performance (+6.1%, 64.5 million passengers), staying in fourth place for number of passengers, followed by Istanbul-Ataturk, which grew by +5.9%, with 63.9 million passengers transported.
In 2017, airports handling more than 25 million passengers grew by an average of 5.6%, those with between 10 million and 25 million passengers by 11.3% and those with between 5 million and 10 million by 10.2%, while airports with less than 5 million passengers grew by 10.9%.

The lower growth of passenger traffic in the last quarter, and in the month of December, was caused by the bankruptcy of the Monarch and Air Berlin companies and by Ryanair's decision to slow its growth, so as to be able to resolve the problems tied to the crews' shifts.

Source: ACI Europe

THE ITALIAN SCENARIO

According to the Assaeroporti industry association, air traffic in Italian airports has continued to grow, registering 175.4 million passengers in 2017, with 1.5 million aircraft movements and the best result ever in terms of cargo traffic, at 1.1 million tons of cargo transported.
The percentage increases compared to 2016 are: 6.4% for passenger traffic, 3.2% for the number of aircraft movements and 9.2% for the volumes of cargo transported.
A specifically regards passenger traffic, 175,413,402 travellers were handled in the course of 2017 at the 38 Italian airports monitored by Assaeroporti, making for an increase of 10.7 million passengers compared to 2016. Driving the result is the strong growth in international traffic, both with the rest of the Euro zone (+8.5%) and with countries outside of the European Union (+7.9%), plus the increase in the domestic segment, which grew by +3% compared to 2016.
Italy's ten leading airports, in terms of traffic, were Rome-Fiumicino, Milan-Malpensa, Bergamo, Venice, Milan-Linate, Catania, Naples, Bologna, Rome-Ciampino and Palermo.
For the cargo sector, 2017 was a record year, with a total of 1,145,219 tons of cargo moved in 2017, making for an increase of almost 102 thousand tons compared to 2016.

Also worthy of note is the positive increase in aircraft movements, which grew by 3.2% compared to 2016, driven primarily by international destinations, which showed growth of +3.4%, and in particular those outside of the EU, which rose by 4.8 %.
The growth of Italian air transport is in line with that recorded worldwide by the ICAO, or International Civil Aviation Organisation, which recorded a 7.1% increase in passengers in 2017.

Source: Assaeroporti

THE AIRLINES

According to the International Air Transport Association (IATA), the demand for air passenger traffic grew by 7.6% in 2017, as compared to 2016, a result well above the average annual growth rate for the last ten years (5.5%). Capacity rose by 6.3% in the year 2017, while the load factor grew by 0.9%, reaching the record level of 81.4%.

International traffic increased by 7.9% compared to 2016. Capacity in this segment grew by 6.4%, while the load factor rose by 1.1%, reaching 80.6%. All the different regions recorded increased demand compared to the previous year, led by the Asia-Pacific and Latin America regions.
The carriers of the Asia-Pacific area registered total growth in demand of 9.4%, compared to 2016, fuelled by the economic expansion of the region and the increase in the number of routes available to travellers. For the first time since 1994, the Asia-Pacific area led the other regions in terms of annual growth. Capacity rose by 7.9% and the load factor by 1.1%, reaching 79.6% in 2017.
International traffic serviced by European carriers increased by 8.2% in 2017, thanks to the positive economic conditions. Capacity rose by 6.1% and the load factor by 1.6%, arriving at 84.4%, an absolute record for any of the economic zones.
The carriers of the Middle East recorded an increase of 6.6% international traffic. The Middle Eastern area was the only zone to record lower growth than in 2016, registering a lower share of global traffic (9.5%) for the first time in twenty years.
The market segment showing the largest downturn for Middle Eastern carriers was North America, due to facts that included a temporary ban against bringing portable electronic devices aboard, plus a ban on travelling to the United States applied to a number of countries. Nevertheless, capacity rose by 6.4% and load factor by 0.1%, reaching 74.7%.
The airlines of North America recorded increased demand for international traffic, up 4.8% compared to 2016. Capacity rose by 4.5%, and the load factor increased by 0.3%, reaching 81.7%. Economic conditions supported outgoing passenger demand, partially offsetting the slowdown in incoming travel, a development attributable in part to the new restrictions on immigration and security established for travel to the United States, as well as to the extreme weather events that struck the country during the year.
The international passenger traffic carried by the airlines of Latin America rose by 9.3%, the highest growth rate since 2011. This growth trend weakened, however, towards the end of the year, in part due to the dire season of hurricanes that also affected travel to the United States. Capacity increased by 8% and the load factor by 1%, reaching 82.1%, the second highest level for any of the regions.
Finally, the African airlines experienced a growth year in 2017, with traffic increasing by 7.5% compared to 2016. Capacity rose only half as much as demand (3.6%), whole the load factor reached 70.3%, for an increase of 2.5%.

In terms of domestic air traffic, the IATA, or International Air Transport Association, reports that the sector showed overall growth of 7% in 2017, albeit with noteworthy variations between the different national markets.
Increases were registered in all the domestic markets, led by India, China and Russia. Capacity rose by 6.2%, and the load factor was 83%, representing an increase of 0.7% compared to 2016.
India’s domestic market registered the best performance for the third year in a row (+17.5%), followed by China (+13.3%). The growth was driven primarily by economic expansion and the development of new routes, with the resulting impact comparable to that obtained by lowering air fares.

The domestic market in Russia grew by 10.1% in 2017, its most rapid growth since 2014, thanks to improved economic conditions, higher oil prices and the development of a network of routes, all of which made it possible to the levels that had been reached prior to the crisis of 2015 involving the Transaero carrier.
Japan recorded its most rapid rate of annual growth (+5.8%) since 2013, fuelled in part by an improved economic situation. Brazil's domestic market returned to a situation of growth, with an increase of 3.5% in demand.

Source: IATA

1.2 THE SHAREHOLDER STRUCTURE

With regard to the Company's shareholder structure, the management reports of recent years have referred to the action taken by the Metropolitan City of Turin to obtain recognition of the termination, for all effects and purposes, effective from the date of 31 December 2014, as per art.1, paragraph 569, of Law 147/2013, of the Metropolitan City of Turin's shareholding in SAGAT, entitling the sane to obtain from SAGAT liquidation in cash of the value of the holding.

It should be remembered, with respect to the above action, that SAGAT decoded to oppose the City's claims, bringing an appeal before the administrative courts, with the result that the Council of State handed down a final ruling on the dispute, on the date of 11 November 2016, sustaining SAGAT's appeal and nullifying the divestment procedure undertaken by the Metropolitan City of Turin.

On that occasion, the State Council stipulated that the Metropolitan City of Turin must undertake a new investment procedure. Said procedure was enacted during the year 2017, with the shareholding assigned on 23 February 2018 to the company 2i Aeroporti S.p.A., based on a bid totalling 6,068,520.14 Euro (equal to 48.483 Euro per share).
On the date of 15 March 2018, the act transferring the shares was signed.

1.3 THE REGULATORY FRAMEWORK

THE OPERATING AGREEMENT WITH THE ENAC

On the date of 8 October 2015, following lengthy and wide-ranging negotiations, an operating agreement was signed by SAGAT and the ENAC to govern their relations with respect to the management and development of activities at Torino Airport, including those involved in the planning, construction, assignment, maintenance and use of the plants and infrastructures utilised in the performance of such activities.
The signing of the operating agreement – already called for under Law no. 914/1965 on the privatisation of Torino Airport, but never enacted – constituted the achievement of an historic objective for SAGAT, establishing a tool that enhances the Company's value by providing unequivocal guidelines for the operating accord, together with stable underpinnings for management of the airport.
In fact, the operating agreement runs through 3 August 2035, the expiration date for the extension of the private management arrangement stipulated for the airport under Law no. 187 of 12 February 1992; however it also stipulates, under its premise no. 22, that "*should SAGAT – as the expiration of the current extension granted through 3 August 2035 under Special Law no. 187/1992 draws near, request a further twenty-year extension of the arrangement for the all-inclusive management of Torino Airport, then the ENAC, following presentation of a plan of initiatives to be carried out by the concession-holder, and after having issued its approval upon completion of all the necessary preliminary procedures, shall see to it that the all-inclusive management arrangement is extended for an additional twenty-year period*".

THE PROCEDURE FOR SETTING FEES

As was described in detail in the last year's Management Report, the procedure for revising the fees charged at Torino Airport was concluded during the year 2016.

The final fee structure to be applied to the period 2016-2019 was approved by the Authority under Resolution 46/2016, which it published on its site on the date of 21 April 2016.

The new fees went into effect starting from 1st May 2016.

In accordance with the provisions of the rules and standards governing the sector, the Company, during the year, drew up the "Annual Information Document" to provide users with appropriate updates on the elements that contribute to the determination of airport charges, as well as further updates for the period 2017-2019.
This document was made available to users through its publication, on the date of 30 September 2017, and it was illustrated and shared with them on the date of 25 October 2017, when the annual gathering of the users was convened.

SIGNING OF THE PLANNING AGREEMENT

In order to initiate the procedure for the signing of the Planning Agreement for the period 2016-2019, the Company presented to the ENAC, on the date of 27 July 2015, the Four-Year Plan of Initiatives, Traffic Forecasts, the Quality Plan and the Plan of Environmental Defence, receiving a favourable technical opinion in the form of Memorandum no. 118442, dated 11 November 2015.
In order to procure the information and assessments needed from the interested parties, doing so in accordance with the measures governing proper procedure and transparency in administrative activities, and in application of Directive 12/2009/EC, as well as the fee guidelines drawn up by the Transportation Regulation Authority, the Company, having first received a favourable technical opinion from the competent departments of the ENAC, submitted for consultation:

- traffic forecasts for the contractual period of reference;
- the Four-Year Plan of Initiatives, together with the related timeline, indicating, when present, works of particular importance to the development of the airport, regarding which a supplementary rate of remuneration (WACC) shall be applied;
- the Quality Plan;
- the Plan for Environmental Defence.

On the date of 11 July 2016, the final text of the Agreement was sent and signed by the parties, while additional documentation was prepared to accompany, with respect both to economic and financial considerations (Economic Financial Plan 2016-2019) and as regards infrastructures, in terms of annual monitoring, which was performed in the month of September 2017, of investments, quality and the environment, as called for under articles 10, 11, 12, 13 and 14 of the Agreement.

1.4 TRAFFIC

TRAFFIC AT THE TORINO AIRPORT

Torino Airport recorded its all-time record number of passengers transported in a year – topping its previous yearly record set in 2016, while also breaking the threshold of 4 million passenger for the first time ever – by transporting **4,176,566** passengers during 2017, for growth of +5.7% compared to the previous year, further reinforcing the trend that had started in January of 2014.

Passengers	Current year	Previous year	Variation from previous year	%
Domestic	2,116,653	1,994,336	122,317	6.1%
International	1,890,215	1,820,201	70,014	3.8%
Charter	159,053	123,945	35,108	28.3%
General aviation	7,700	7,613	87	1.1%
In transit	2,935	4,813	(1,878)	-39%
Total	**4,176,556**	**3,950,908**	**225,648**	**5.7%**

Specifically, regularly scheduled domestic traffic grew by +6.1%, for an increase of 122,317 units compared to the previous year, while regularly scheduled international traffic showed growth of +3.8%, for an increase of 70,014 units.

The positive results were made possible by:

1) the development of the network, as new routes were established: to Copenhagen, Malaga, Lisbon, Seville, Iasi and Trapani with Blue Air; to Pantelleria with Volotea; to Suceava with Tarom; and to Reggio Calabria with Blu Express. Plus, in the last few months of the year, Marrakech with TUI fly. The winter season of ski flights was further enriched by new regularly scheduled flights from London-Heathrow with British Airways, Birmingham with Jet2.com and St. Petersburg with the company S7 Airlines. The year 2017 also benefitted from the contributions made by the ski routes opened in the Winter ’16 season, launched at the end of 2016 and in operation in the early months of 2017: Bristol, London-Luton and Manchester by easyJet, Edinburgh by Jet2.com, London-Gatwick and Manchester by Monarch;
2) the increased frequency of direct flights to a number of domestic destinations: Alghero, Bari, Catania, Lamezia Terme, Lampedusa and Palermo.

The flights that were introduced in 2016, but first operated for a full year in 2017, also had a positive effect on traffic results:

- Blue Air: Madrid, London-Luton, Alghero, Naples and Pescara;
- Ryanair: Valencia.

And also, for the last two months:

- Luxair: Luxembourg;
- Blu Express: Tirana;
- S7 Airlines: Moscow.

It should be noted that the effect of the interruption during 2017 of Ryanair’s operations to the Trapani airport, as well as Monarch’s ski routes to Manchester, Birmingham and London- Gatwick on account of the carrier going out of business, were absorbed by the introduction of the same connections operated by other carriers, meaning, respectively: Blue Air, Jet2.com and British Airways. The interruption of Ryanair’s flight to Trapani was also absorbed by that same company increasing the frequency of its flight to the other Sicilian airport of Palermo.

On the other hand, Blue Air’s closing of the Turin-Rome route starting from 29 September 2017 did have negative effect on traffic results in the last months of the year, seeing that passengers of this low-cost company did not switch to flights operated by the full-carrier Alitalia.

DESTINATIONS

Below is a break-down of regularly scheduled traffic by route:

Destinations – REGULARLY SCHEDULED				
PASSENGERS	Current year	Previous year	Variation from previous year	% of total
ROME Fiumicino	546,325	635,310	-14%	13.6%
CATANIA	341,090	300,360	13.6%	8.5%
LONDON grouping	319,416	303,441	5.3%	8%
NAPLES	276,154	238,612	15.7%	6.9%
PALERMO	256,796	173,766	47.8%	6.4%
BARI	215,608	174,283	23.7%	5.4%
FRANKFURT	192,104	186,412	3.1%	4.8%
MUNICH	180,845	164,697	9.8%	4.5%
BARCELONA	178,920	180,157	-0.7%	4.5%
PARIS Charles de Gaulle	171,355	174,346	-1.7%	4.3%
LAMEZIA TERME	127,081	110,789	14.7%	3.2%
AMSTERDAM	116,252	143,658	-19.1%	2.9%
MADRID	114,953	104,509	10%	2.9%
BRINDISI	89,955	88,613	1.5%	2.2%
Total first 14 destinations	**3,126,854**	**2,978,953**	**5%**	**78%**
Other destinations	880,014	835,584	5.3%	22%
Total	**4,006,868**	**3,814,537**	**5%**	**100%**

Taken as a whole, regularly scheduled traffic recorded an increase of +5% over the previous year.

Rome remained the leading destination serviced, with more than 546 thousand passengers transported, though the figures was down from the previous year, on account of the closing of the low-cost Blue Air route referred to earlier, as well as the increasingly strong competition from high-speed trains, in terms of both price and travel time, with Catania the next most popular destination at 341,090 passengers, for growth of 13.6% compared to 2016, followed by London (serviced by flights to the airports: Gatwick, Heathrow, Luton and Stansted) with 319,416 passengers and growth of 5.3%.

In 2017, traffic to the following destinations in Southern Italy followed a positive trend: Alghero, Bari, Brindisi, Cagliari, Catania, Lamezia Terme, Lampedusa, Naples, Pantelleria, Palermo and Pescara, which, taken altogether, registered an increase of +25.3% compared to 2016, with Catania becoming the second most popular destination from Torino Airport.

Traffic to Spain continued to grow as well, with an overall increase of +7.2%, compared to the previous year, on the regularly scheduled flights to Barcelona, Madrid, Valencia, Ibiza and Palma di Majorca, as well as the new connections to Malaga and Seville, for a total of almost 400 thousand passengers transported.

The positive trend for Romania as a destination, which began in 2016, was also confirmed, as more than 159 thousand passengers flew to and from this country, for growth of +11.4% compared to the previous year.

The following table compares movements for the leading destinations of regularly scheduled traffic in 2017 to the figures for 2016:

Destinations-REGULARLY SCHEDULED	Movements Current year	Previous year	Variation from previous year	% of total
ROME Fiumicino	5,412	5,799	-6.7%	14.2%
MUNICH	2,973	2,837	4.8%	7.8%
NAPLES	2,836	2,279	24.4%	7.5%
FRANKFURT	2,770	2,841	-2.5%	7.3%
PARIS Charles de Gaulle	2,533	2,596	-2.4%	6.7%
LONDON grouping	2,375	2,190	8.4%	6.2%
CATANIA	2,316	1,885	22.9%	6.1%
PALERMO	1,670	1,238	34.9%	4.4%
AMSTERDAM	1,471	1,703	-13.6%	3.9%
MADRID	1,467	1,381	6.2%	3.9%
BARI	1,423	1,065	33.6%	3.7%
BARCELONA	1,202	1,226	-2%	3.2%
LAMEZIA TERME	880	750	17.3%	2.3%
CAGLIARI	721	554	30.1%	1.9%
Total first 14 destinations	**30,049**	**28,344**	**6%**	**79%**
Other destinations	8,009	7,454	7.4%	31%
Total	**38,058**	**35,798**	**6.3%**	**100%**

Overall movements increased by +2.9%. Movements of commercial aviation alone (regularly scheduled + charter) totalled 39,232 in 2017, for growth of +6.7%.

The aircraft tonnage of commercial aviation rose by 3.7% compared to January-December 2016.

Charter traffic recorded a +28.3% increase in passengers, thanks to a number of factors: confirmation of the positive results of the ski routes, and especially the strong growth in traffic from Northern Europe (Stockholm, Goteborg, Malmo, Tallinn, Oslo), plus the resumption of charter traffic from Moscow and the scheduling as charters of flights that, in 2016, were operated as regularly scheduled flights to the Baleares Islands and Greece.

It should also be kept in mind that charter traffic for the first half of 2015 benefitted from the thousands of passengers who passed through our airport to reach the Champions League final played by the Juventus football team in Cardiff.

General aviation recorded 7,700 passengers, for growth of 1.1%.

The overall volume of cargo transported decreased (-5.9%).

THE AIRLINES

The main **airlines** that operated at our airport in 2017, together with their respective passenger figures, are shown below:

Carriers- REGULARLY SCHEDULED	Passengers Current year	Previous year	Variation from previous year	% of total
RYANAIR	991,534	975,924	1.6%	24.7%
BLUE AIR	984,102	717,180	37.2%	24.6%
ALITALIA GROUP	617,578	713,859	-13.5%	15.4%
LUFTHANSA	338,251	328,749	2.9%	8.4%
AIR FRANCE	171,355	174,346	-1.7%	4.3%
VOLOTEA	122,948	92,989	32.2%	3.1%
BRITISH AIRWAYS	117,871	119,952	-1.7%	2.9%
KLM	112,479	107,590	4.5%	2.8%
VUELING AIRLINES	74,639	78,983	-5.5%	1.9%
AIR NOSTRUM	68,080	64,948	4.8%	1.7%
Total top 10 carriers	**3,598,837**	**3,374,520**	**6.6%**	**89.8%**
Other carriers	408,031	440,017	-7.3%	10.2%
Total	**4,006,868**	**3,814,537**	**5%**	**100%**

Ryanair remains the leading carrier, with its growth of 1.6% essentially due to the increase in the load factor, while Blue Air confirms its possession of second place, with growth of 37.2% compared to the previous year. This growth is due to the impact of the opening of 6 new routes, plus increased frequency of flights on the routes already serviced and, more in general, an increase in the load factor.

In 2017, **low-cost** traffic accounted for 58.2% of all regularly scheduled passenger traffic, showing an increase of 16.6%.

Carriers-LOW COST	Passengers Current year	Previous year	Variation from previous year		% of total
RYANAIR	991,534	975,924	15,610	1.6%	42.5%
BLUE AIR	984,102	717,180	266,922	37.2%	42.2%
VOLOTEA	122,948	92,989	29,959	32.2%	5.3%
VUELING AIRLINES	74,639	78,983	(4,344)	-5.5%	3.2%
BLU EXPRESS	48,752	8,016	40,736	508.2%	2.1%
EASYJET AIRLINE	39,578	17,327	22,251	128.4%	1.7%
WIZZ AIR,LTD	37,798	36,510	1,288	3.5%	1.6%
JET2.COM	15,798	5,324	10,474	196.7%	0.7%
MONARCH AIRLINES	14,595	6,199	8,396	135.4%	0.6%
TRANSAVIA AIRLINES	3,773	36,068	(32,295)	-89.5%	0.2%
Other carriers	315	26,836	(26,521)	-98.8%	0%
Overall total	**2,333,832**	**2,001,356**	**332,476**	**16.6%**	**100%**

Finally, the figures for **regularly scheduled movements** are shown below for the individual carriers:

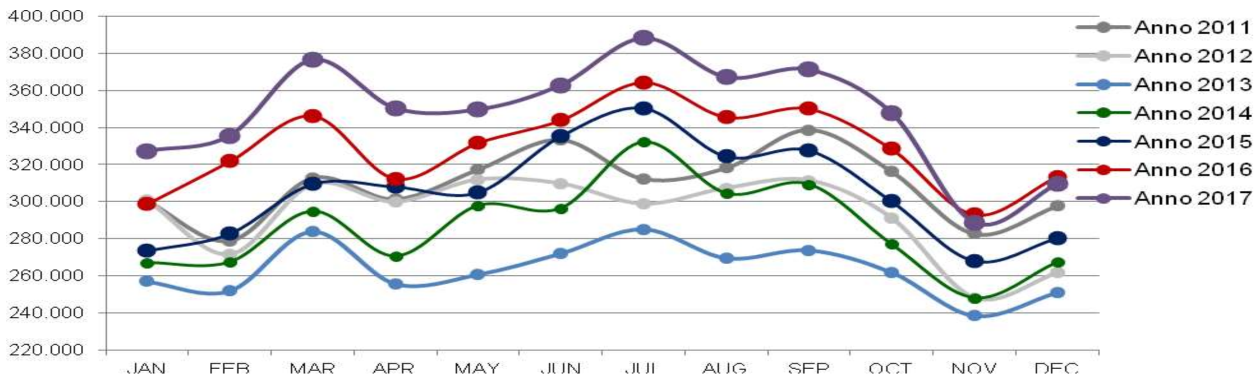
Carriers-REGULARLY SCHEDULED	MOVEMENTS Current year	Previous year	Variation from previous year	% of total
BLUE AIR	8,690	5,953	46%	22.8%
ALITALIA GROUP	6,090	6,311	-3.5%	16%
RYANAIR	5,800	5,813	-0.2%	15.2%
LUFTHANSA	4,984	5,174	-3.7%	13.1%
AIR FRANCE	2,533	2,595	-2.4%	6.7%
KLM	1,445	1,457	-0.8%	3.8%
VOLOTEA	1,198	1,095	9.4%	3.1%
AIR NOSTRUM	1,065	1,063	0.2%	2.8%
BRITISH AIRWAYS	976	970	0.6%	2.6%
AIR DOLOMITI	760	505	50.5%	2%
Total top 10 carriers	**33,541**	**30,936**	**8.4%**	**88.1%**
Other carriers	4,517	4,862	-7.1%	11.9%
Total	**38,058**	**35,798**	**6.3%**	**100%**

Below is a summary of past trends and seasonal performance for the total number of **passengers** at our airport:

IL TRAFFICO TOTALE PASSEGGERI (INCLUSI TRANSITI E AVIAZIONE GENERALE)

NB: sono stati evidenziati i mesi di maggiore traffico.

ANNO	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTALE
2006	260.461	321.034	301.479	275.236	268.880	279.790	286.999	246.939	270.742	259.835	231.318	258.261	**3.260.974**
2007	280.182	283.146	314.788	294.648	291.032	301.010	322.412	286.258	308.790	297.291	257.152	272.544	**3.509.253**
2008	290.081	297.462	338.402	289.135	304.187	314.022	307.055	269.285	279.529	268.527	219.513	243.635	**3.420.833**
2009	257.144	264.156	302.360	276.737	266.173	266.112	297.407	271.464	272.958	262.865	220.185	269.697	**3.227.258**
2010	279.036	269.824	312.431	270.799	308.544	307.732	313.081	323.100	322.070	304.788	271.619	277.145	**3.560.169**
2011	300.575	278.985	312.781	301.429	317.306	333.399	312.366	318.216	338.719	316.164	282.739	297.806	**3.710.485**
2012	300.967	271.516	309.360	299.873	311.909	309.811	298.850	307.339	311.482	291.052	248.093	261.595	**3.521.847**
2013	256.862	251.752	283.835	255.685	260.621	271.987	285.113	269.502	273.759	261.745	238.387	251.039	**3.160.287**
2014	266.969	267.388	294.766	270.509	297.841	296.379	332.116	304.432	309.331	277.005	248.069	267.181	**3.431.986**
2015	273.531	282.862	309.705	308.141	305.091	335.412	350.572	324.484	327.808	300.326	268.149	280.343	**3.666.424**
2016	298.806	321.833	346.471	312.453	331.793	344.008	364.466	345.742	350.210	328.576	**293.054**	**313.496**	**3.950.908**
2017	**327.356**	**335.644**	**376.805**	**350.588**	**349.838**	**363.002**	**388.502**	**367.396**	**371.427**	**347.842**	288.536	309.620	**4.176.556**

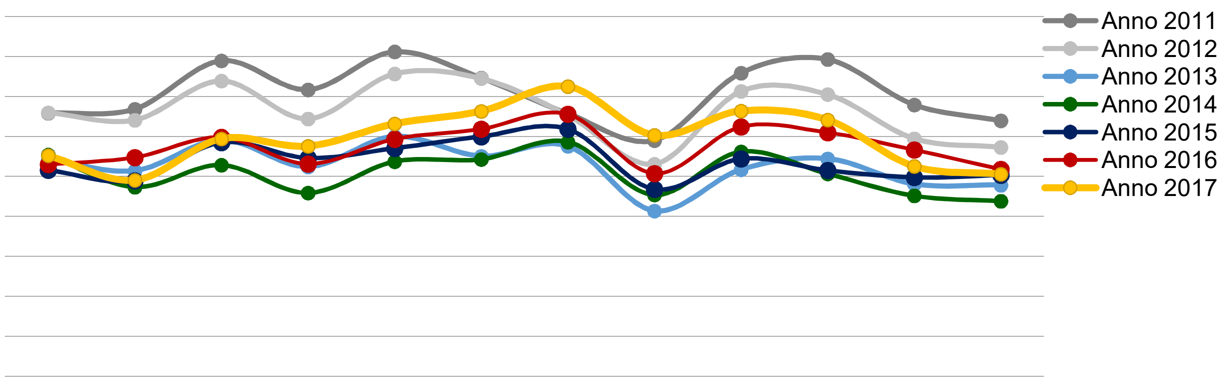


Here, on the other hand, is a summary of past trends and seasonal performance in terms of the total number of **movements** at our airport:

IL TRAFFICO TOTALE MOVIMENTI

NB: sono stati evidenziati i mesi di maggiore traffico.

ANNO	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTALE
2006	4.612	**6.210**	5.460	4.738	5.263	5.340	5.044	4.071	5.062	5.378	**5.076**	4.584	**60.838**
2007	4.927	5.110	**5.580**	5.001	**5.487**	**5.364**	**5.636**	**4.331**	**5.443**	**5.636**	4.847	**4.774**	**62.136**
2008	**4.972**	4.922	5.242	**5.198**	5.079	5.053	5.212	3.997	4.827	4.975	4.385	4.286	**58.148**
2009	4.867	5.001	5.568	4.789	5.088	4.737	5.088	3.804	4.681	4.871	3.904	4.021	**56.419**
2010	4.180	4.254	4.850	4.318	4.927	4.978	4.714	3.938	4.952	4.976	4.527	4.226	**54.840**
2011	4.292	4.341	4.947	4.584	5.060	4.732	4.286	3.949	4.793	4.965	4.395	4.197	**54.541**
2012	4.297	4.204	4.695	4.220	4.784	4.726	4.266	3.654	4.565	4.526	3.972	3.864	**51.773**
2013	3.714	3.570	3.953	3.620	3.999	3.753	3.879	3.068	3.585	3.720	3.404	3.391	**43.656**
2014	3.770	3.367	3.642	3.294	3.685	3.713	3.931	3.269	3.808	3.533	3.259	3.191	**42.462**
2015	3.579	3.446	3.925	3.730	3.851	3.997	4.092	3.340	3.720	3.576	3.488	3.517	**44.261**
2016	3.650	3.737	3.990	3.656	3.966	4.092	4.279	3.536	4.121	4.049	3.832	3.589	**46.497**
2017	3.761	3.452	3.970	3.878	4.158	4.315	4.625	4.015	4.319	4.207	3.627	3.528	**47.855**



CARGO

In 2017, Torino Airport handled 5,970,521 kg of cargo, down -5.9% from 2016, a year that had been characterised by a temporary airlift to meet a special production demand of the Turin automobile industry.

In contrast to the drop of -72.2% in the air component, combined air-truck freight showed an increase of 15%, representing the third best performance among all Italian airports in 2017 for surface traffic.

Underlying the growth in surface cargo traffic were the activities of the logistics operator Hellmann with the carriers Lufthansa and Tap, involving a significant flow of food cargo for export (the Piedmont sweets industry) to North America in the last three months of 2017.

In terms of total traffic, the Airport’s leading company continued to be Lufthansa (with growth of 22% compared to 2016), followed by Air France (+33%), Alitalia (-25%) and KLM (+30%). With regard to markets, North America, South America and the Far East are the three leading geographic areas in terms of volumes of cargo shipped. The leading short-range market is Turkey, followed by Morocco and Israel.

Major investments were made in infrastructure in 2017:

- new loading bays for trucks on the landside lot, with noteworthy improvement of the space for manoeuvring and for docking operations;
- new signs and signage for the Cargo Terminal, significantly increasing the visibility of the building in the airport area.

1.5 ANALYSIS OF THE INCOME STATEMENT

The income statement 2017, presented in summary form in the table below, closes at a net operating profit of €11,087 million, an increase of €4,634 million compared to the €6,453 million profit recorded in 2016.

This variation is due to various factors, explained below, that have affected the various components of the income statement.

The value of production net of grants (€671 thousand) amounts to €62,128 million, an increase of 9.6% compared to the €56,695 million recorded in 2016. This result is due to the positive performance of both the aviation and the non-aviation components, which recorded increases of 9.2% and 1.7% respectively, as well as the noteworthy growth of "Other income", which went from €1,888 million in in 2016 to €3,805 million in 2017.

Staff costs amount to €13,414 million, for a decrease of €80 thousand, or 0.6%, compared to 2016.

Operating costs amount in total to €29,661 million and have increased by €1,839 million compared to the previous year, due primarily to the increase in the airport concession fee paid to the ENAC civil aviation authority and to higher security service costs.

The "Provisions and write-downs" line amounts in total to €1,574 million and has increased by €1,265 million, compared to the figure of €309 thousand for the previous year, with all of the increase attributable to an allocation of 1,418 million to the bad debt provision.

The "Amortization and depreciation" line amounts in total to €5,729 million and has decreased by €632 thousand compared to the prior year, as the result of ordinary asset life cycle.

The balance of financial income shows a positive result of €2,114 million Euro, making for an improvement €2,299 million compared to 2016, essentially attributable to the capital gain of €2,077 million earned upon conclusion of the liquidation of the subsidiary SAGAT Engineering.

A detailed analysis of the main variations listed above is provided in the Notes.

The following table illustrates the main items from the income statement, comparing them to the corresponding figures for the previous year.

thousands of Euro

	2017	2016	Var. € 2017/2016	Var. % 2017/2016
Value of production *	62,128	56,695	5,433	9.6%
Staff costs	13,414	13,494	(80)	-0.6%
Operating costs	29,661	27,822	1,839	6.6%
GOM	**19,053**	**15,379**	**3,674**	**23.9%**
Provisions and write-downs	1,574	309	1,265	408.9%
EBITDA	**17,479**	**15,070**	**2,409**	**16%**
Amortisation and depreciation	5,729	6,361	(632)	-9.9%
Grants	671	671	0	0%
EBIT	**12,421**	**9,380**	**3,041**	**32.4%**
Balance of financial operations	2,114	(185)	2,299	-1243.6%
Year-end pre-tax result	**14,535**	**9,195**	**5,340**	**58.1%**
Income taxes	3,448	2,742	706	25.7%
Year-end net result	**11,087**	**6,453**	**4,634**	**71.8%**
Self-financing **	**18,739**	**13,437**	**5,302**	**39.5%**

(*) The value of production is equal to total revenues minus grants
(**) Self-financing is calculated as follows: year-end profit (loss) + amortisation and depreciation + write-downs and provisions + net severance-pay variation.

INCOME

The table below shows the main income items for the years 2017 and 2016:

thousands of Euro

	2017	%	2016	%	Var. € 2017/2016	Var. % 2017/2016
Value of production	**62,128**	**100%**	**56,695**	**100%**	**5,433**	**9.6%**
Aviation	**39,409**	**63.4%**	**36,096**	**63.7%**	**3,313**	**9.2%**
of which:						
Fees	27,622		23,244		4,378	18.8%
Centralised infrastructures	1,678		3,279		(1,601)	-48.8%
Assets of shared use	-		147		(147)	-100%
Security	8,776		7,902		874	11.1%
Aviation assistance	1,334		1,524		(190)	-12.5%
Handling	**324**	**0.5%**	**426**	**0.8%**	**(102)**	**-23.9%**
Extra-Aviation	**18,589**	**29.9%**	**18,285**	**32.3%**	**304**	**1.7%**
of which:						
Extra-aviation assistance	1,008		980		28	2.8%
Issue of tickets	385		361		24	6.6%
Subcontracting -retail-food service	4,325		4,320		5	0.1%
Subcontracting operations	2,124		1,861		263	14.2%
Subcontracting spaces	3,449		3,698		(249)	-6.7%
Parking	6,163		5,970		193	3.2%
Advertising	1,135		1,095		40	3.7%
Other income	**3,805**	**6,1%**	**1,888**	**3,3%**	**1,917**	**101.5%**

Aviation income totalled €39,409 million in 2017, for an increase of €3,313 million, or +9.2%. This noteworthy rise can essentially be attributed to the increase in volumes of traffic referred to earlier, as well as to the fact that the new airport fee plan was applied for the entire year, whereas in 2016 it only went into effect in the month of May, as is explained in detail in the section on developments in the regulatory framework.

Non-aviation income increased by €304 thousand (+1.7%) in 2017, going from €18,285 million in 2016 to €18,589 million in 2017.
The most relevant factors affecting non-aviation income trends are described below:

- Retail – food services subleases

Service subleases have increased by €5 thousand in 2017, compared to 2016, reaching an overall total of €4,325 million, benefiting in particular from increased revenues from the sectors of Beauty&Fashion and Food Service.

- Subleases for miscellaneous operations and spaces

The sector stood at €5,573 million, an increase of €14 thousand over the previous year, when the total was €5,559 million.

- Parking areas

The revenues from this segment amount to €6,163 million and have increased by €193 thousand compared to the prior year. During the year, new e-commerce sales channels were introduced and the range of product offerings was expanded, making it possible to reach new types of customers.

- Advertising

The revenues from this segment amount to €1,135 million, showing an increase of €40 thousand compared to the final results for 2016.

As already commented at the beginning of this section, the "Other income" figure (€3,805 million) has increased significantly compared to the final amount recorded in 2016, due to the presence, in the current year, of non-recurrent income components.

STAFF COSTS

Staff costs for 2017, inclusive of outsourced staff, amounts to €3,414 million, for a decrease of €80 thousand compared to the prior year.
This variation is mainly due to more efficient operating practices, together with a far-reaching internal reorganisation that, starting from 1st January 2017, made it possible to regain efficiency and reduce costs. For more details, please refer to the corresponding sections in the Notes.

OPERATING COSTS

Operating costs have reached the amount of €29,661 million, increasing by €1,839 million compared to the year ended as at 31 December 2016, mainly due to the following circumstances:

- greater costs for services (approximately €937 thousand), due primarily to increased costs for security and maintenance, offset by a decrease of approximately €445 thousand in spending on the development of air traffic;

- an increase of approximately €692 thousand in the cost of the airport concession fee, essentially attributable to the increased volumes of traffic referred to earlier, as well as to application for the entire year of the new procedures of calculation, following the adjustment of handling rates effective from 1st May 2016 and the resulting elimination of the 75% reduction (as per art. 11 decies of Law 248/2005). Of one is the fact that, compared to the situation prior to the adjustment of the handling fees, the cost sustained for the concession fee went from €519 thousand in 2015 to €1,736 million in 2016, and then €2,428 million in 2017.

GROSS OPERATING MARGIN

As a result of the variations in the income and expense components commented above, the GOM for 2017 stood at €19,053 million, or 30.7% of the production value (27.1% in 2016).

PROVISIONS AND WRITE-DOWNS

Provisions and write-downs, which totalled €1,574 million, increased by €1,265 million. This significant rise was attributable primarily to the write-down of accrued receivables owed by the carrier Alitalia Società Aerea Italiana S.p.A. prior to its admission to court-ordered stewardship. For more details, see the section of these Notes on litigation.
The item also includes an allocation of €156 thousand to the Risks and charges provision, an amount covering, among other things, the sums presumed to be needed for pre-litigation expenses occasioned by two audit notifications received on the date of 22 December 2017 from the Revenues Agency of Turin for the tax period 2012.

EBITDA
Due to the reasons explained above, the EBITDA for 2017 stood at €17,479 million, or 28.1% of the value of production (26.6% in 2016).

AMORTISATION AND DEPRECIATION
Amortisation and depreciation on tangible and intangible fixed assets totalled €5,729 million, with the decrease of €633 thousand traceable to the normal course of the asset life cycle.

GRANTS
These amount to €671 thousand, the same as in the previous year. For more details, see the corresponding section in the Notes.

EBIT
The operating result for 2017 stands at €12,421 million, an increase of €3,041 million compared to the previous, for a total that represents 20% of the value of production (16.5% in 2016).

FINANCIAL OPERATIONS
The balance of financial operations, a positive figure of €2,114 million overall, benefitted from the capital gain of €2,077 million earned upon conclusion of the liquidation of the subsidiary SAGAT Engineering.

EBT
The EBT therefore amounts to €14,535 million, an improvement of €5,340 million compared to 2016.

TAXES
The aggregate tax burden has increased by €706 thousand compared to the prior year. Total taxes for the year amount to €3,448 million.
The difference of 28.2% between the actual 2017 tax rate and the theoretical IRES/IRAP rate is described in detail in the relevant section of the Notes.

PROFIT
In the light of the above, the net profit earned in 2017 amounts to €11,087 million, for an increase of €4,634 million compared to 2016 (+71.8%).

1.6 ANALYSIS OF THE BALANCE SHEET

The table below shows the balance sheet components reclassified according to financial criteria. A figures for the year 2017 are also compared with those for the previous year.

thousands of Euro

				31712/2017	31/12/2016	Variation
A	**Fixed assets**					
		Intangible fixed assets		3,828	3,085	743
		Tangible fixed assets		47,008	47,460	(452)
		Financial fixed assets		8,953	9,007	(54)
				59,789	**59,552**	**237**
B	**Working capital**					
		Warehouse inventory		314	313	1
		Trade receivables		13,400	11,494	1,906
		Other assets		13,544	10,975	2,569
		Trade payables		(16,984)	(14,900)	(2,084)
		Provisions for risks and charges		(4,607)	(5,274)	667
		Other assets		(31,066)	(29,740)	(1,326)
				(25,399)	**(27,132)**	**1,733**
C	**Capital invested (minus liabilities for the year)**		**(A+B)**	**34.390**	**32,420**	**1,970**
D	**Severance pay**			**2,292**	**2,324**	**(32)**
E	**Capital invested (minus liabilities for the year and severance pay)**		**(C-D)**	**32.098**	**30,096**	**2,002**
covered by:						
F	**Own capital**					
		Share capital paid in		12,911	12,911	0
		Reserves and results carried forward		22,620	28,256	(5,636)
		Profit (loss) for year		11,087	6,453	4,634
				46,618	**47,620**	**(1,002)**
G	**Medium/long term financial debt**			**1.500**	**3,000**	**(1,500)**
H	**Net short-term financial debt (net liquidity)**					
		Short-term financial debt		1,500	1,603	(103)
		Short-term financial debt owed to subsidiaries		0	0	0
		Financial assets		0	0	0
		Short-term liquidity and financial receivables		(17,520)	(22,127)	4,606
				(16,020)	**(20,523)**	**4,503**
I	**Indebtedness (net financial position)**		**(G+H)**	**(14,520)**	**(17,523)**	**3,003**

L	**Total as in "E"**	**(F+I)**	**32,098**	**30,096**	**2,002**

As shown in the table, the capital invested, less liabilities for the year and staff severance pay ("TFR"), has increased by €1,970 million due to the following changes:

- increase of €237 thousand in the fixed assets, essentially due to:
    - increase in intangible assets by €743 thousand, due to the effects of ordinary asset depreciation (€1,177 million) and to the new investments made during the year (€1,920 million);
    - decrease in tangible assets by €452 thousand, due to the effects of ordinary asset depreciation (€4,552 million) and to the new investments made during the year (€4,532 million); also contributing to the reduction compared to the previous year were sales of assets with a residual value of €38 thousand and write-offs of assets and other variations (€470 thousand in total);
    - decrease in financial assets by €54 thousand, due to elimination of the value of the holding in the subsidiary SAGAT Engineering (€11 thousand) following completion of its liquidation, plus a write-off of €43 thousand the receivable owed by Air Cargo Torino, again following completion, during the year 2017, of the liquidation procedure.
- Decrease for the year of €1,733 million in the working capital, primarily due to:
    - an increase of €1,906 million in trade receivables, traceable, in turn, to the rise of more than 6 percentage points in sales volumes, as well as the temporary payment extension granted to one of the main clients of the companies of the Group. The resumption of the normal payment schedule with this client is scheduled to occur by the end of next year, once the repayment plan agreed to with the carrier has been fulfilled;
    - an increase of € 2,569 million in other assets, traceable to a rise of €2,499 million in miscellaneous receivables, due primarily to receivables from carriers for supplementary municipal charges that grew by €1,701 million, together with an increase registered in the receivables item of the Notes for €1,179 million, as is described in detail in the pertinent section of the Notes. The variation in the item in question is also attributable to a decrease of €375 thousand in receivables from companies of the Group, together with an increase of €325 thousand in tax receivables and deferred tax assets;
    - an increase of €2,084 million in trade payables, primarily attributable to the temporary suspension of payment – in application of the contractual pacts currently in force – of amounts due to carriers, until such time as they fulfil their obligations to SAGAT for the services provided to them by the latter.
    - A reduction of €667 thousand in provisions for contingencies, attributable to:
        - a net decrease of €545 thousand in the contingencies provision, the combined result of the allocations made at the end of the year to bring the balance of the provision in line with the Company's actual needs, based on potential risks, and of releases and uses registered during the year. As of 31

December 2017, the provision held €4,502 million, as is detailed in the relevant section of the Notes;

- a decrease of €122 thousand in the mark to market value, negative as of 31 December 2017, as compared to 31 December, of the derivative instrument subscribed by the Company to hedge the interest-rate volatility risk on an existing loan. It should be noted that, under OIC accounting principle no. 32, the aforementioned variation has no effect on the income statement for the year.

- An increase of €1,326 million in other liabilities, essentially due to:

  - an increase of €22 thousand in payables to subsidiaries, the result of normal business and administration relations with these companies;

  - an increase of €937 thousand in payables to parent companies, due to the entry, for a corresponding amount, of a payable tied to the transfer to the parent company 2i Aeroporti of the tax charges for the year, following the decision to participate, from the year 2017, as a consolidated company, in the group regulations governing application of the national tax consolidation provisions;

  - a decrease of € 1,26 million in tax payables, due to the abovementioned decision to participate in the national tax consolidation strategy of the group led by the parent company 2i Aeroporti;

  - a €54 thousand reduction in payables to social security authorities, a result of the Company's normal administrative operations;

  - an increase of €2,250 million in miscellaneous payables, primarily attributable to the increase in the payable owed to the revenues office for supplementary charges on boarding fees (+€1,611 million), with the remainder consisting of an increase in other miscellaneous payables;

  - a €654 thousand reduction registered for delayed revenues, almost all traceable to the standard entry on the Income statement of the works performed on the occasion of the 2006 Turin Winter Olympics and pertaining to the current year.

The payable for severance pay owed to the Company's salaried employees decreased by €32 thousand compared to the previous year.

The capital decreased by €1,022 million, under the combined effect of the positive year-end result of €11,087 million, the distribution of dividends of €12,211 million and the variation, in terms of the net equity, in the reserve for the hedging of expected cash flows, at €122 thousand.

Medium to long-term indebtedness decreased by €1,5 million, following repayment, according to the plan, of the instalments for 2017 on the loan obtained in 2010, whose original amount was €15 million.

Net cash on hand decreased by €4,503 million, following a reduction of €103 thousand in short-term financial payables, as well as a decrease of €4,606 million in cash and equivalents held with banks and in the Company treasury.

As a result of the variations illustrated above, the Company's net financial position decreased by €3,003 million during the year, going from €17,523 million as of 31 December 2016 to a balance of €14,52 million on 31 December 2017.

1.7 ANALYSIS OF THE CASH FLOW

The operations in the year absorbed €3,003 million in financial resources. This variation is the net result of the cash flow generated by income minus costs.

The cash flow from operations, €15,556 million in total, derives from the self-financing generated by ordinary and extraordinary operations (€18,739 million) and from the variation in the net working capital (-€3,184 million), less write-downs and provisions made in the period (€1,574 million).

This cash flow, which included the increase resulting from the €54 thousand reduction in the financial fixed assets, was used in part (€6,402 million) to fund investments in intangible and tangible assets, and to distribute dividends of €12,211 million.

The net cash flow from operations is therefore negative, amounting to €3,003 million on aggregate. The net financial position, as at 31 December 2017, stood at €14,520 million, as compared to the figure of €17,523 million as of 31 December 2016.

The variations described above are summarised on the following table.

ANALYSIS OF THE CASH FLOW

Thousands of Euro

Net financal position as at 31/12/2016		**17,523**
Self-financing generated by ordinary and extraordinary operations		18,739
Year-end profit (loss)	11,087	
Depreciation and write-downs of fixed assets	6,111	
Provisions and write-downs for payables	1,574	
Net variation in severance pay	(32)	
Variation in net working capital minus provisions, write-downs and net variation in the provision for liabilities from derivatives		(3,184)
Cash flow generated by income management		**15,556**
Net cash flow from investment activities		(6,402)
Net variation in fixed assets from elimination of residual value of divested assets		0
Cash flow from financial fixed assets		54
Other variations		0
Dividends		(12,211)
Net operating cash flow		**(3,003)**
Net financial position as at 31/12/2017		**14,520**

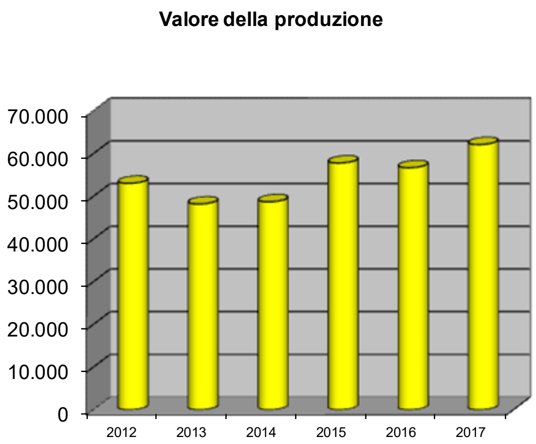
The net financial position is calculated as the sum total of the liquidity, the short-term financial receivables and the financial assets, minus the financial payables to banks and to subsidiaries

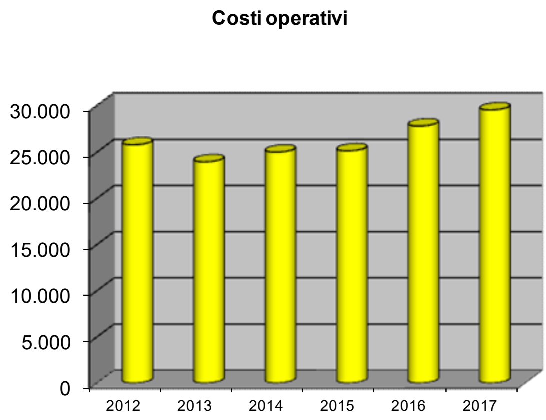
1.8 EVOLUTION OF THE MAIN FINANCIAL RATIOS

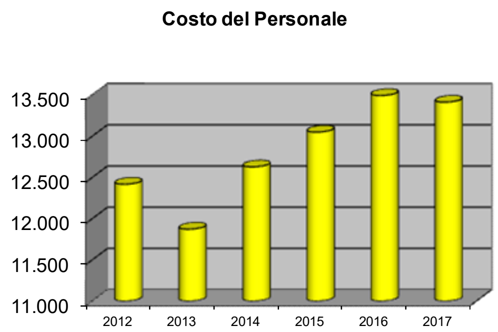
	2012	2013	2014	2015*	2016	2017
Value of production	53,051	48,203	48,724	57,799	56,696	62,128
Operating costs	25,792	23,946	24,994	25,135	27,822	29,661
Staff costs	12,418	11,873	12,629	13,050	13,494	13,414
GOM	14,841	12,384	11,101	19,614	15,379	19,053
Net result	(1,167)	215	795	8,498	6,453	11,087
Net equity	60,012	60,227	39,722	43,396	47,620	46,619
ROI	-0.50	1.90	3.55	27.62	31.16	38.91
ROE	-1.94	0.36	2.00	19.58	13.55	23.78
Investment performance	12,718	2,755	3,010	3,140	4,664	6,402
Self-financing performance	16,534	13,792	11,603	19,889	13,437	18,739
Trade receivables	9,376	8,863	10,592	9,579	11,495	13,400
Average duration of trade receivables	68	71	84	75	77	84
Payables to suppliers	12,400	8,788	8,931	10,039	14,900	16,984
Average duration of trade payables	175	134	130	146	196	209
Net result per share	-0.47	0.09	0.32	3.40	2.58	4.43

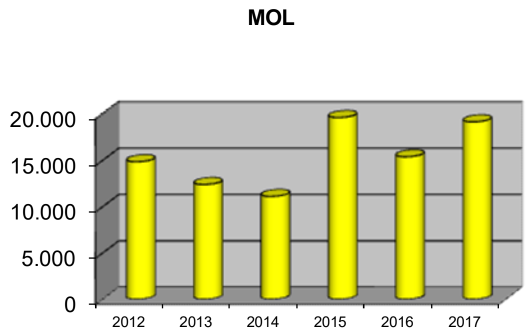
SELF-FINANCING: year-end profit (loss) + depreciation + write-downs and provisions + net severance-pay variation
ROI: operating result / capital invested
ROE: net result / net equity
AVERAGE DURATION RECEIVABLES: trade receivables / income (item A1 of EEC IV balance-sheet)
AVERAGE DURATION PAYABLES: trade payables / costs for outside suppliers
NET RESULT PER SHARE: during the year 2009, following an increase in the share capital without cost, the number of shares went from 1,970,000 to 2,502,225.

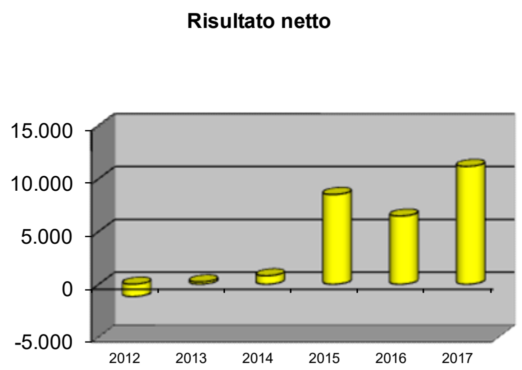
* As a result of the introduction of Legislative Decree 139/2015, under which Directive 2013/34/EU was implemented, the 2015 figures were recalculated on the basis of the principles currently in force. It follows that some of the figures for 2015 (including GOM, ROI and ROE) have changed. The net result for 2015 has not undergone any modification.

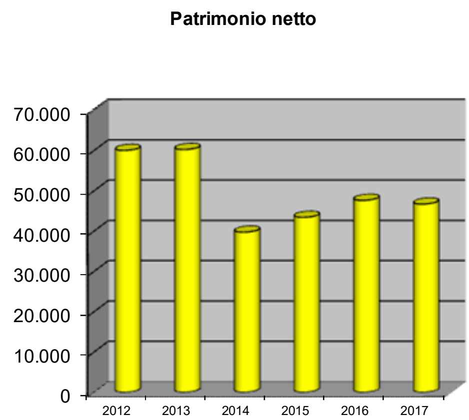

Valore della produzione
70.000
60.000
50.000
40.000
30.000
20.000
10.000
0
2012
2013
2014
2015
2016
2017

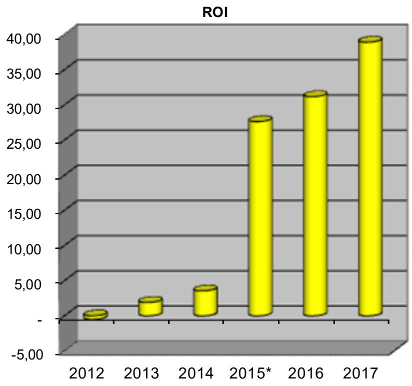

Costi operativi
30.000
25.000
20.000
15.000
10.000
5.000
0
2012
2013
2014
2015
2016
2017

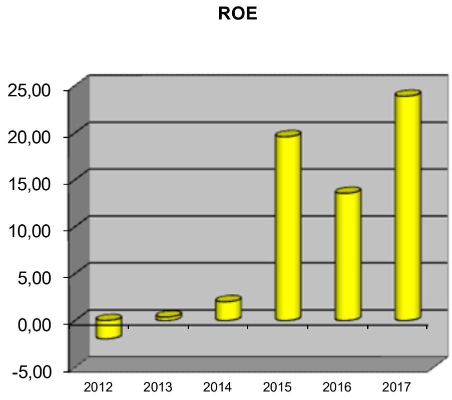

Costo del Personale
13.500
13.000
12.500
12.000
11.500
11.000
2012
2013
2014
2015
2016
2017

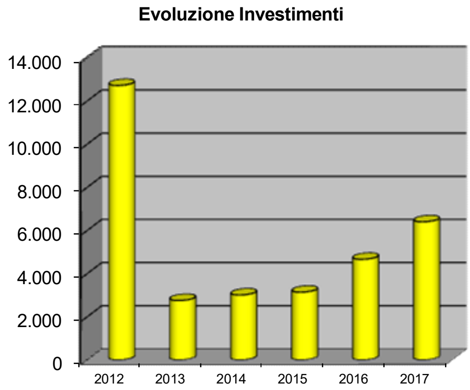

MOL
20.000
15.000
10.000
5.000
0
2012
2013
2014
2015
2016
2017

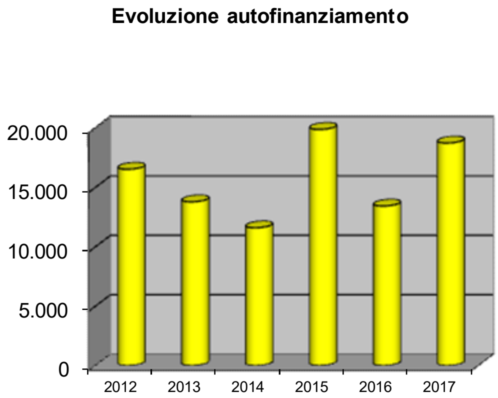

Risultato netto
15.000
10.000
5.000
0
-5.000
2012
2013
2014
2015
2016
2017

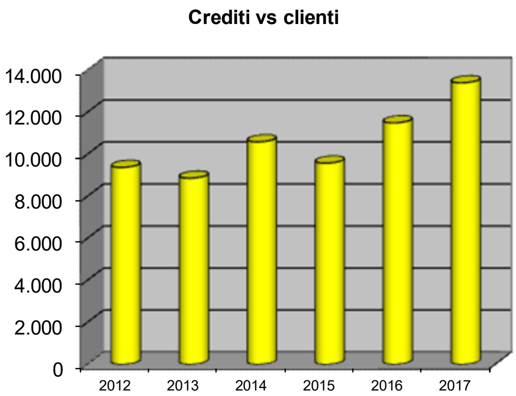

Patrimonio netto
70.000
60.000
50.000
40.000
30.000
20.000
10.000
0
2012
2013
2014
2015
2016
2017

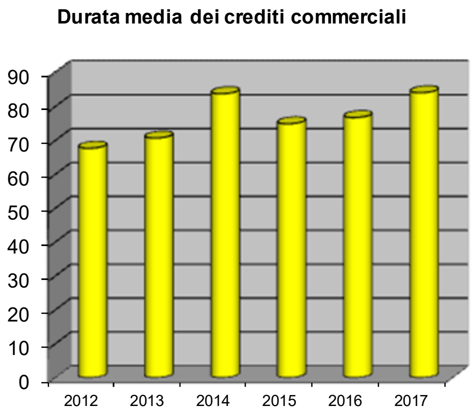

ROI
40,00
35,00
30,00
25,00
20,00
15,00
10,00
5,00
-
-5,00
2012
2013
2014
2015*
2016
2017

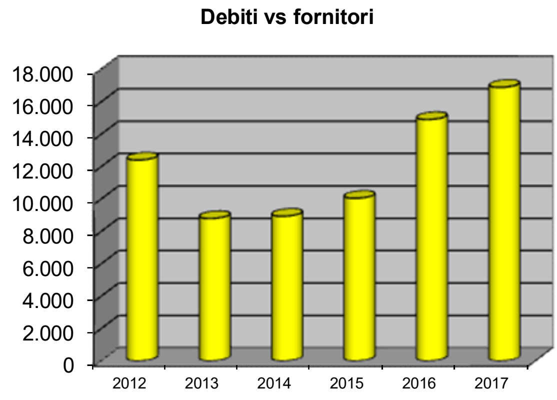

ROE
25,00
20,00
15,00
10,00
5,00
0,00
-5,00
2012
2013
2014
2015
2016
2017

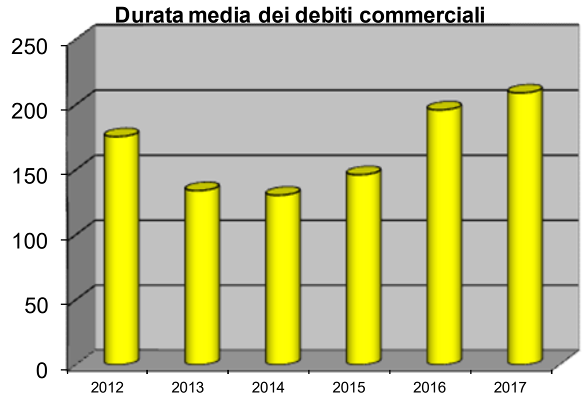

Evoluzione Investimenti
14.000
12.000
10.000
8.000
6.000
4.000
2.000
0
2012
2013
2014
2015
2016
2017


Evoluzione autofinanziamento
20.000
15.000
10.000
5.000
0
2012
2013
2014
2015
2016
2017


Crediti vs clienti
14.000
12.000
10.000
8.000
6.000
4.000
2.000
0
2012
2013
2014
2015
2016
2017


Durata media dei crediti commerciali
90
80
70
60
50
40
30
20
10
0
2012
2013
2014
2015
2016
2017


Debiti vs fornitori
18.000
16.000
14.000
12.000
10.000
8.000
6.000
4.000
2.000
0
2012
2013
2014
2015
2016
2017


Durata media dei debiti commerciali
250
200
150
100
50
0
2012
2013
2014
2015
2016
2017


Risultato netto per azione
5
4
4
3
3
2
2
1
1
0
-1
2012
2013
2014
2015
2016
2017

1.9 AVIATION SERVICES

GROUND HANDLING

Having transferred the handling business to the subsidiary SAGAT Handling in 2001, SAGAT is no longer directly engaged in this business. For a detailed analysis, please see the Directors' Report for SAGAT Handling S.p.A., highlights of which are provided further on in this report.

FEES

Airport fees were adjusted in accordance with the relevant measures of the law, as was illustrated earlier in the section on the regulatory framework.

1.10 RETAIL SERVICES

In 2017, all the innovations made to optimise the non-aviation retail offerings, as well as the profitability of the same, became fully operative. The elements most worthy of note include:

- operation at full functional capacity of the new airside retail plaza in the departures area, subject at the end of 2016 to major renovation work and now a focal point of attraction for passengers, thanks in part to the opening, in August of 2017, of the Baladin beer and hamburger establishment;

- the introduction of new operators and well-known brands (WHSmith, Barbieri You B'jou and Marina Militare, which has opened the first virtual store) that guarantee heightened quality while setting apart the offering for airport users;

- a balanced mix of offerings that includes both international and domestic operators (Heinemann, Lagardère, WHSmith, first facility opened in Italy, Barbieri You B'jou, Max Mara, Camicissima, Yamamay, Carpisa) and top-flight establishments (Venchi, Gobino, Pepino, Baladin and Agrishop, which completed its sales point with the opening of a restaurant in 2017);

- for the parking facilities, consolidation of the growth achieved in the last two years, featuring increased net profitability. The multichannel e-commerce sales option has been enhanced, with steps taken to expand the offerings, in order to intercept new customers in both the business and leisure sectors (corporate offerings, car sharing).

Thanks in large part to these initiatives, overall extra-aviation revenues grew by +1.7%.
Listed below are some facts of note regarding the individual business areas:

- Retail and Food&Beverage subcontracting
  Within this sector, the areas of Food&Beverage and Beauty&Fashion have performed extremely well, thanks to the growth in passenger volumes and the expanded retail offerings. The overall earnings margin definitely benefitted from the new openings, plus the fact that establishments already present are now fully operative (Giappo, l'Amme, Agrishop).

- Non-retail subcontracting and other activities
  Earnings from the rent-a-car segment increased as a result of higher volumes of traffic, plus the start-up of the activities of the new operators (Sixt and Autovia), demonstrating the intensity of activity in the sector. The aircraft refuelling business also showed noteworthy growth.

Earnings from the subleasing of non-retail spaces decreased by 6.7% in 2017, due to rationalisation initiatives undertaken by aviation and cargo operators, as well as adjustments in fees in the regulated sub-sector.

- Parking facilities

  Revenues from parking facilities in 2017, equal to 6,163 million Euro, marked an increase over the previous year (+3.2%).
  This result is especially worthy of note, seeing that the positive effects of the initiatives described above were offset in part by factors that include increasingly common trends in business travel (shorter trips, cost cutting), developments which have a direct impact on the length of the average parking stay, along with the increasingly aggressive competition from operators outside the airport grounds, plus the greater extent to which passengers use public transportation to travel to and from the Airport. Customers' perceptions of quality have improved, thanks to efforts made to provide continuous assistance, both on-the-road and on-line, with specific measures including the introduction of a chat-line, ongoing monitoring of the ratings expressed by users and the technological innovation of a system for reading license plates, making it possible to enter the parking facility after an on-line purchase carried out in collaboration with an external aggregator.

- Advertising

  Advertising income showed growth of 3.7% compared to 2016.
  Most of the revenues were earned through the main subcontractor, a leading force on the market, and one that guarantees not only continuity and future prospects for growth, but also a noteworthy modernisation of the facilities in operation at the airport, thanks to sizeable investments of its own funds.
  The presence of this operator also facilitates efforts to deal with the difficulties of a sector that, in recent years, has recorded sharp decreases in volume.

1.11 QUALITY

QUALITY POLICY

SAGAT's Quality Policy is based on a dual awareness.
On the one hand, the manager of a public service as vitally important as an airport must necessarily view customers-passengers as a key element of its corporate mission.
At the same time, the increasingly intense competition among airports, as well as the alternative offer of high-speed rail connections, means that close attention must be paid to the quality of the offerings and services provided to clients.

To this end, the Company continues to pursue its plan for improving the infrastructure and quality of passenger services.

SAGAT has made quality a strategic priority in all its corporate procedures, committing itself to rigorous enactment and constant improvement of its quality management system.

The Quality Policy summarises the Company's key objectives:

- to pursue excellence in the airport management services offered, interacting with business and institutional partners in a dynamic and reliable form;

- to play a supervisory role in ensuring the quality of the "airport system" as a whole, by raising awareness and, where necessary, taking action in dealings with airport operators;

- to make Company organization even more efficient, through training, refresher courses and qualification of its human resources, plus evaluations of the relevant effectiveness in terms of service quality and compliance with procedures;

- to consistently monitor indicators of quality offered and perceived, reviewing the results, so as to formulate possible lines of action or opportunities for further improvement of performance;

- to operate in strict compliance with the laws in force on Service Quality and with the provisions of the UNI EN ISO 9001 standard.

Familiarity with the Quality Policy is promoted within the Company, through the systems of in-house communications, on the part of all the personnel whose activities contribute to the supply of services or who are otherwise involved in the strategic process of quality management.
The policy is also made available to passengers, customers and suppliers over the airport's internet site, in the section on the Manager's commitment to quality.

ISO 9001:2015 CERTIFICATION

In November of 2017, the DNV GL agency carried out the audit needed to maintain UNI EN ISO 9001:2015 certification..

The Certification, already obtained under the most recent standard in 2016, stipulates that the Company must combine high levels of performance with the creation of value, a key consideration for an endeavour that, as on the case of an airport enterprise, is of noteworthy importance to its local territory.

The audit was concluded successfully, without detecting any shortcomings. Positive comments were made on the following aspects:

- support of the top management with the implementation of the Quality Management System;
- transparency and cooperation of the personnel interviewed;
- exercise by SAGAT S.p.A. of the role of overseer of the airport system;
- synergy between the manager and the regulatory body;
- increase of non-aviation retail offerings;
- monitoring of the services provided, potentially through a Quality Observatory;
- centralised management of training activities supporting the Airport's various professional figures.

SERVICE CHARTER

In 2017, the standard activities were carried out to monitor the quality supplied and assess perceived quality.

Performance was monitored at the same time as the data recorded by the airport's information systems with regard to various service considerations analysed.
In the case of the surveys conducted to gauge customer satisfaction, the pertinent rules and standards were complied with.

ENAC Memorandum GEN-06 (Annex 2 - Methodology, page 11) calls for the surveys of airports with traffic of between 2 million and 5 million passengers a year to have a minimum sample group of 1,100 interviewees, presenting a statistical error of ± 3%.

The responses to the surveys are given on a uniform scale (as recommended by the ENAC) featuring six levels of satisfaction, ranging from 1 = poor to 6 = excellent.

Percentages of satisfaction are calculated by determining the percentage of positive responses (4, 5 and 6) out of total responses, both positive and negative.

The overall level of satisfaction rose even further in 2017 (at 99.53%, as compared to 99.4% in 2016), a result that appears all the more significant in light of the sizeable increase in passenger traffic compared to the previous year.

In 2017, all the parameters of the Service Charter measured in terms of passenger satisfaction were met, meaning that the slight discrepancies observed the previous year with regard to security (one involving travel and one inside the airport), as well as satisfaction with the wi-fi, the retail offerings and the indoor signage, had been resolved.

As for the objectives of quality supplied, meaning those expresses in objective terms (services times), only two of the indicators on the Service Charter were not meant: the time needed to return the first and the last piece of luggage.

In response, and even though – as is known – the handlers are responsible for returning luggage, the Manager is constantly engaged not only in activities of supervision and assessment in the field, but also in a series of initiatives designed to mitigate risk and ensure that problems do not persist.

Listed below are a number of the commitments undertaken, together with the quality results achieved, in 2017.

INDICATORS	UNIT OF MEASURE	STD 2017	RES 2017
Overall perception of service of security control of individuals and carry-on luggage	% of passengers satisfied	**96%**	96.9%
Overall perception of levels of security for one's person and property inside the airport	% of passengers satisfied	**94%**	96.76%
Overall on-time performance of flights	% of flights on-time out of total departing flights	**80.5%**	81.3%
Overall misplaced departing luggage under the airport's responsibility	number of pieces of luggage not boarded with departing pax/1,000 departing passengers	**1/1,000**	0.88%
Time needed for delivery of the first piece of luggage to passenger pick-up following the block-on of the aircraft	Time in minutes from the block-on of the aircraft to delivery of the first piece of luggage for passenger pick-up in 90% of the cases	**18'20"**	19'49''
Time needed for delivery of the last piece of luggage to passenger pick-up following the block-on of the aircraft	Time in minutes from the block-on of the aircraft to delivery of the last piece of luggage for passenger pick-up in 90% of the cases	**25'**	26'54''

Waiting time aboard before disembarkation of the first passenger	Time in minutes from the block-on in 90% of the cases	4'	4’
Overall perception of services inside the airport being provided correctly and on time	% of passengers satisfied	**97.5%**	98.81%
Perception of the level of cleanliness and operational efficiency of the toilets	% of passengers satisfied	**88.1%**	94.56%
Perception of the level of cleanliness of the air terminal	% of passengers satisfied	**95.5%**	98.9%
Perception of the availability of luggage carriers	% of passengers satisfied	**90%**	99.4%
Perception of the selection/quality/prices of stores and newsstands	% of passengers satisfied	**91.5%**	98.1%
Perception of the selection/quality/prices of coffee shops and restaurants	% of passengers satisfied	**90.5%**	99%
Perception of the clarity, ease of understanding and effectiveness of internal signs and markings	% of passengers satisfied	**93%**	97.24%
Perception of the professionalism of the personnel (info-point, security)	% of passengers satisfied	**96%**	99.11%
Overall perception of the effectiveness and accessibility of information services to the public (monitors, announcements, internal signs and markings etc.)	% of passengers satisfied	**95.5%**	98.57%
Waiting time at check-in	Waiting time in minutes in 90% of the cases recorded	**9'**	06’12’’
Perception of waiting time for passport control	% of passengers satisfied	**93%**	94.57%
Perception of adequacy of city-airport transportation	% of passengers satisfied	**91,5%**	93.97%

As is known, one of the fundamental documents for the signing of the Planning Agreement is the Quality Plan, which calls for the monitoring of a mix of ten indicators identified in accordance with the instructions of the ENAC, based on the results effectively recorded in the benchmark year.

A number of these indexes regard areas of services that are still under the management of handlers, though the Manager is responsible for their oversight, seeing that they are of use in rating the performance of the airport as a whole.

Three of the targets set for 2017 were not reached:

INDICATORS	UNIT OF MEASURE	OBJT	RES
Time for delivery of 1st piece of luggage to passenger pick-up	time in 90% of the cases	18'20"	19’49’’
Time for delivery of last piece of luggage to passenger pick-up	time in 90% of the cases	23'52"	26’54’’
Perception of the level of cleanliness and operational efficiency of the toilets	% pax satisfied	86%	94.6%
Waiting time for security controls	time in 90% of the cases	8'40"	05’47’’
PRM – Waiting time for departing pax who reserved assistance to receive it once they announce their presence	waiting time (in 90% of the cases)	7'	04'38''
PRM – Perception of the effectiveness of the assistance	% pax satisfied	99.1%	100%
Overall misplaced departing luggage under the airport’s responsibility	number of bags misplaced/total departing bags	0.14%	0.21%
Reliability of the baggage handling system (BHS)	% functioning/operating time at airport	100%	100%
Efficiency of internal transfer systems (elevators and escalators)	% functioning/operating time at airport	98.3%	98.99%
Perception of services inside the airport being provided correctly and on time	% pax satisfied	97.4%	98.8%

The time needed for luggage to be returned to passengers has already been addressed in the paragraph on the Service Charter.

In terms of the number of misplaced pieces of luggage out of total departing luggage, an analysis of the codes shows that the result depends on insufficient aircraft hold capacity, a factor totally under the control of the carrier, though it accounts for almost 60% of all left-behind luggage.

ACI ASQ – AIRPORT SERVICE QUALITY

At the end of 2016, SAGAT became part of the ASQ - Airport Service Quality – benchmark of the Airport Council International, the sole instrument recognised by the international airport industry for monitoring levels of customer satisfaction, as it does in more than 300 airports, including over a hundred on the European Union.
In 2017, its first full year of use, information was gathered under regulations drawn up by ACI ASQ (sampling plans based on the traffic forecasts received by the ACI from each airport). The quarterly field survey must cover all the days of the week and all the hours of the Airport’s operating schedule.

The information is collected with a questionnaire that passengers fill out themselves, responding to a set of questions based on a scale with 5 different options ranging 1 = poor to 5 = excellent.

The responses for overall satisfaction, the general index for satisfaction, followed a trend of steady growth in 2017:

- Q1_2017 3.64
- Q2_2017 3.66
- Q3_2017 3.76
- Q4_2017 3.84

The figure recorded in the first quarter of participation in the benchmark (Q4_2016) was 3.66. The final figure for 2017 was 3.73.

PASSENGERS WITH DISABILITY OR REDUCED MOBILITY (PRM)

To survey the customer satisfaction of passengers with reduced mobility, SAGAT interviewed a sample group of no fewer than 1,600 passengers in 2017.
The satisfaction of arriving and departing PRMs proved to be unquestionably excellent (all the results fell between 99% and 100%).

On questions pertinent to service to passengers with disabilities or reduced mobility, SAGAT continued to work in constant collaboration with the CPD, the Advisory Board for Individuals in Difficulty. As in the past, SAGAT provided the CPD with economic support in 2017 as well for the "Caselle for All" project, designed to render use of the airport increasingly trouble-free for travellers with specific needs or psycho-motor or sensorial disabilities. An example is the airport-city transport service for those with particular needs (the CPD manages a toll-free number to reserve the service).

COMPLAINT MANAGEMENT

In 2017 SAGAT S.p.A. received and handled 71 comments and/or complaints from passengers (only two of which came from a passenger with reduced mobility). The overall number, therefore, remained essentially stable compared to the previous year, a result worthy of note, given the growth in traffic and the more than proportionate increase in PRM customers.

1.12 PUBLIC RELATIONS AND COMMUNICATION

In 2017, SAGAT worked through all the available channels in promoting its network of flights, together new aviation features and non-aviation retail offerings, both through efforts of its own and by supporting the airlines and subcontractors.
As the manager of Torino Airport, it has also strengthened ties with leading local figures and organisations, augmenting its own visibility and presence by participating in events of note in the city and the rest of the Piedmont region. Through direct ties with local businesses, authorities and governments, the Airport intends to increasingly serve as a tool for getting to know the world, doing business and promoting travel and exploration of new destinations, while also offering an increasingly pleasant site to experience, as well as a venue in which companies can gain visibility or events highlighting examples of local excellence can be held.
To make the renewal of the Company's image complete, new signage has been installed in the Cargo Terminal.

ADVERTISING CAMPAIGNS

In 2017, Torino Airport promoted the destinations it offers through a number of different advertising campaigns:

- the first, entitled “From Turin, the rest of Europe costs as much a souvenir”, was designed to showcase Torino Airport’s new destinations with billboards, print media and advertising on the radio and the web through the Piedmont region and in Liguria;
- summer routes were promoted with a “Keep on Dreaming!” campaign that was featured on billboards in Turin and in radio advertising throughout the Piedmont region;
- the campaign “Take flight in the Fall”, designed to promote the network of winter flights and the parking services, was run with posters, dynamic ads, radio commercial and posted notices in railway stations;
- the campaign “Treat yourself to the world” continued, covering the Airport’s entire network of flights and running whenever there was an opportunity for visibility.

Additional joint campaigns promoting to/from Turin were undertaken with the carriers Blue Air, Volotea, Blu Express, Ryanair, TUI fly and Jet2.com.
SAGAT also worked with Lufthansa on an initiative promoting the program “Lufthansa Plusbenefit”, providing hostesses specifically assigned to the event, together with an information space in the Boarding Hall.
The ongoing campaign by AdWords, meant to optimise the on-line positioning of the parking facilities of Torino Airport, continued.

PARTICIPATION IN LOCAL EVENTS

During the year 2017, Torino Airport took part in the most noteworthy events held in the local territory, in order to further consolidate its image and promote its network of flights:
- the Turin Book Fair: full branding of the exhibition stand and the zone for encounters and direct-marketing activities in the BABEL international area;
- the Turin Car Show: an exhibition stand and distribution of promotional materials;
- the Collisioni Festival: an exhibition stand and presentation of the campaign “Treat yourself to the World”;
- the “Sottodiciotto” (“Under Eighteen”) Film Festival, featuring a competition open to young video-maker whose entries focus on one of the destinations reachable from Torino Airport;
- straight ahead to the Turin Marathon, with distribution of information materials on the flights offered.

EXHIBITIONS AND EVENTS AT THE AIRPORT

During the year 2017, Torino Airport intensified its working relationships with local partners, providing outstanding local initiatives a chance to gain visibility while also taking part in major events in the region:
- with Thales Alenia Space to celebrate “Turin, Space City” by displaying a set of exhibits on successful space programs: the IXV (Intermediate Experimental Vehicle), a demonstration of European atmospheric re-entry and ExoMars, the European program for the exploration of the planet Mars, all positioned in the departures area, next the security control checkpoint and the balcony of the Boarding Hall;
- with the Parco Valentino Auto Show to host a preview of “Masters of Car Design at the Parco Valentino Auto Show on exhibit at the Torino Airport”, with prototypes and designer projects on display in the Airport;
- with the Turin Film Museum to renew the exhibits found in the permanent exposition site set up in the arrivals area;
- with the Luxemburg bookstore to organise the BookCrossing station in the Boarding Hall, offering a selection of more than 100 titles made available to domestic and international passengers of all ages;
- with the University Sports Centre of Turin to set up, in the new retail plaza of the Airport’s Boarding Hall, the interactive station: “Procedures of wellness to prepare for flying”, an information totem offering passengers tips on how to relax before flying;

- with the IGAV – the Garuzzo Institute for the Visual Arts – for the project “FLY ART”, an exhibit of the works of modern Italian artists in the Boarding Hall and the Piedmont Lounge, meant to expose the creations to an international public;
- with the Teatro Regio Opera House for the “Teatro Regio’s Season of Music at the Torino Airport”, a series of concerts held in the unusual setting of the Boarding Hall, open to all, providing passengers with a one of a kind travel experience while giving anyone else who wishes to attend the chance to discover the airport to a musical accompaniment;
- in collaboration with the Turin Music Festival movement and the La Stampa newspaper for "La Stampa SoundJourney”, a live performance of electronic music that, in the first event of its kind, involves the travellers waiting for take-off;
- with Baladin for a concert by the pianist Matthew Lee, on the occasion of the opening of the beer and hamburger outlet “Baladin at the Caselle Airport”, and for a gospel Christmas concert with the group “Michael Smith and Friends”.

The Airport has also made available welcome desks and advertising panels for major events that draw international travellers to the terminal: Artissima, the International Lions Convention, the World Convention of Chambers of Commerce, the Work Festival, the Turin Film Festival, the View Conference. In September, Torino Airport has welcomed the delegates to a summit of Ministries of Industry, Science and Labour, making a room available for the purpose in the General Aviation building.

MEDIA RELATIONS

Through its relations with the media, SAGAT promoted all the new flights and services introduced during the year.
In joint efforts with airlines, flights were introduced to Malaga, Lisbon, Seville and Trapani together with Blue Air, while a flight from London’s Heathrow Airport was introduced by British Airways, with a festive welcome for the first passengers.
SAGAT hosted an educational session for journalists from St. Petersburg, organised by the firm DMO Piemonte, in addition to welcoming a delegation from Seville as part of a joint effort with Visit Sevilla, Blue Air, Turismo Torino and Province and the City of Turin.
SAGAT also promoted presentations on the Piedmont region in Seville, in collaboration with Turismo Torino and Province, in addition to sporting an event in Copenhagen, together with DMO Piemonte and Blue Air, for the promotion of direct flights to Turin.

In collaboration with SADEM, a press conference was held presenting the new SADEM buses providing service between the downtown area and the Airport.

The following encounters were held with the press:
- a press conference for the exhibition “Torino Space City”, held in collaboration with Thales Alenia Space in March, with the Mayor of Turin in attendance;
- a press encounter with Lufthansa, to share the group’s strategies for growth, held in February in the Airport;
- a press conference on “The Masters of Car Design”, held together with the Turin Car Show in April, at the Fas.To hall;
- a press conference presenting the BookCrossing project at the Torino Airport in May, at the Book Fair, with the director of the Fair in attendance;
- a press conference presenting “Procedures of wellness to prepare for flying”, in collaboration with the University Sports Centre in July, at the new retail plaza in the departures area;
- a press conference presenting the “Teatro Regio’s Season of Music at the Torino Airport” in September.

Press releases were issued and opportunities for media visibility were organised to announce new routes (Iasi, Trapani, Stockholm and Paris by Blue Air, Pantelleria by Volotea, Suceava by

Tarom, Reggio Calabria by Blu Express, St. Petersburg by S7 Airlines, Marrakech by TUI fly and Athens by Aegean Airlines) and important company milestones (the yearly passenger record set in 2016, the monthly records set in March and July, the drafting and approval of the financial statements for 2016, the new Airport Certificate, marking completion in August of the process for converting the current certificate to meet the new regulations of the European Community). Press release were also issue on the new stores that opened at the Airport (the WHSmith sales point, the Baladin food service and technological outlet and the Marina Militare sales outlet).

DIRECT EMAIL AND SOCIAL MEDIA MARKETING ACTIVITIES

SAGAT has used a newsletter to keep both end users and travel agencies informed with regard to its seasonal networks of flights, flight promotions and parking services. The SAGAT newsletter reaches more than 47,500 passengers and 830 travel agencies.
In collaboration with Collisioni, the Kappa Future Festival and Movement, digital PR activities have been undertaken to promote the destinations from which participants in these events reach the Airport every year from points throughout Italy and abroad. The campaign “Take Flight in the Fall” was promoted on the social media channels of the University Sports Centre of Turin and the GTT transit company, while the Facebook page of the Turin Convention Bureau promoted the winter network of flights.
As part of its digital PR activities, SAGAT also participated in welcoming opinion influencers arriving from Germany for the “Good Food Tour” project organised by Lufthansa and Foodora.
In addition to the activities referred to above, direct e-mail marketing efforts targeted users on the mailing lists of Turismo Torino and Province and the Business Union.

REPORT ON CORPORATE AND SOCIAL RESPONSIBILITY

SAGAT S.p.A. once again used the Report on Corporate and Social Responsibility to make known the initiatives taken by the Company in favour of environmental, social and economic sustainability while reporting on the positive social repercussions of the activities undertaken during the year.

PUBLIC RELATIONS

A number of events were organised during the year for both the trade & corporate segment and the airport community, with the aim of introducing new flights and services, together with the Airport’s new strategies for growth.

The event “Torino Airport meets Travel Agencies” was organised in January, with the objective of rising awareness of the new offerings of the flight network while facilitating b2b encounters between travel agents, airline and tour operators. The event, organised as a roadshow, will consist of three stops (Cuneo, Turin and Asti-Alessandria), in order to increase the participation of travel agencies in provincial areas.

In November, Torino Airport organised the event “Cargo Transport – new business strategies, cargo services and infrastructures of the Torino Airport”, with the objective of presenting the plan for infrastructure development currently being implemented, plus cargo developments at the Airport. All the cargo carriers and shippers operating at the Airport took part, along with the airport authorities and a number of major enterprises of the Piedmont region with an interest in flows of import/export cargo at the Airport.

SAGAT has also taken part in the organisation of educational trips to lend increased visibility to international routes:

- welcoming buyers from Northern Europe, Canada and the United States who came to Piedmont to take part in the “Pre-tour TTG Encounters” organised by the Piedmont Region;
- providing support for the arrival of English golfing agents, in collaboration with the Royal Park i Roveri course, in order to raise awareness of Turin as a golfing destination.

As part of its working relations with institutional authorities, the Airport hosted the General Council of the Business Union of Turin.
Finally, the Torino Airport served as the set for a promotional video by UNIDO welcoming the delegates to the Entrepreneurs for Social Change event held in Turin in October.

COLLABORATIVE EFFORTS INVOLVING CULTURE AND SPORTS

In addition to the joint efforts already referred to in the fields of culture and sports, the following initiatives also continued in 2017:

- together with the City of Turin, logistical assistance for the festival TODays and Jazz Refound, plus efforts to increase the visibility of the Turin Contemporary Art exhibition;
- with the University Sports Centre of Turin to increase the visibility of the sporting event "Just the Woman I Am", held in support of university research;
- with the Teatro Stabile repertory theatre of Turin;
- with the towns of Ciriè, Nole, San Francesco and San Maurizio for the promotion of the International Street Theatre Festival;
- with Club2Club, providing logistical support for the event;
- with Movement and the Kappa Future Festival, supplying them with visibility at the Airport.

CHARITABLE COLLABORATIONS

There has been no lack of support on the part of SAGAT for charitable initiatives. For the first time, Torino Airport is promoting, together with Blue Air, the "Volans" project of the Levi Montalcini association and the non-profit organisation Au.Di.Do for the self-sufficiency of diversely able individuals: 25 people with mental disabilities were able to experience, in an event specially designed for them, full and complete contact with the world of aircraft and aviation at the aircraft, by going aboard a Blue Air plane, overcoming any and all architectonic or cognitive barriers.

Inside the Airport, SAGAT continued to lend visibility to fund drives sponsored by associations with socially beneficial aims, such as the Italian Multiple Sclerosis Association and Telethon, acting in concert with the Assaeroporti airport industry association. With the cooperation of Assaeroporti, it took part in the "Travel Safe" campaign, while it worked with the ENAC civil aviation authority on the project "Johnny; a consumer's journey amidst rights denied, the sharing economy and new purchasing channels", in the interests of heightening awareness of digital consumer rights. Efforts continued, in collaboration with the CPD, or Advisory Board on Individuals in Difficulty, for the transport of those affected by reduced mobility to and from the Airport, while the working relationships with the AIL, or Italian Association against Leukaemia, and the Italian Multiple Sclerosis Association also moved forward, through efforts to heighten the visibility of their campaigns.

OTHER JOINT EFFORTS WITH THE AIRPORT COMMUNITY AND NEIGHBOURING MUNICIPALITIES

This year SAGAT once again took part in the open day held in collaboration with Blue Air and the Turin Flying Institute to recruit new on-board personnel for the airline, as well as the Institute's open day for prospective students. Together with the ENAC civil aviation authority, the campaign on articles that cannot be brought aboard was run this year as well.
SAGAT allowed the Town of San Francesco in Campo to use a light tower for its horse festival.
Torino Airport hosted the children of employees of the ENAV, Italy's air traffic control authority, for the "Kids at the Office 2017" say, giving the younger ones the chance to visit the Airport.

OPENING THE AIRPORT TO KIDS

In 2017, Torino Airport was again welcomed families to the yearly event "Open-Door Airport", held during the second weekend in September, a two-day event in which more than 1,000 children and their parents took part. The youngest were able to get an up-close look at the

Airport and some of its individual operating units: the falconry squad, the Fire Fighters Corps and the canine squad of the Treasury Police. Also on display were the small aircraft used by the flight school to train its students. In 2017, the children also had the chance, for the first time, to visit the hanger of the Leonardo company, which faces onto the runway, and see for themselves aircraft that are part of the history of aviation. Completing the youngsters' experience was a chance to feel like real passengers with a visit to the Boarding Hall inside the Departure Lobby.
The students of schools in the greater Turin area (Borgaro, Leinì, Fiano, San Maurizio) were also given the chance to get to know the Airport first-hand: more than 360 students of primary and secondary schools, as well as institutes of professional training, were taken on guided tours during the year.

1.13 THE ENVIRONMENT

ENVIRONMENTAL POLICY

The SAGAT Group considers attention to the environment to be a key element in the sustainable development of its operations, a consideration reflected in its operational and technical activities, and so it promotes a culture keyed on taking responsibility and pursuing an active commitment to defend the environment.
SAGAT operates with a System for the Management of Health, Safety and the Environment certified under the international standards OHSAS 18001:2007 and ISO 14001:2015.

PLAN FOR THE DEFENCE OF THE ENVIRONMENT

SAGAT's Plan for the Defence of the Environment lists the environmental indexes regarding which the management Company undertakes, within the four-year period in question, to achieve the goals set for improvement.
In compliance with Plan for the Defence of the Environment – approved by the ENAC civil aviation authority as part of the Planning Agreement contemplated under Legislative Decree 133/2014, plus the subsequent Law no. 164/2014 on the Torino Airport, for the fee period 2016-2019, the following initiatives were carried out during the year 2017:

- completion of the work involved in replacing the lighting units in the boarding lobbies (north area and the south retail plaza) of the passenger terminal by installing new equipment that utilises Led technology and comes with a dimming option;
- start of the work to heighten the efficiency of the cooling system (north area) servicing the passenger terminal;
- replacement of a portion of the existing motor pool with new vehicles whose engines satisfy the most recent directives on emissions (EURO 6).

ENVIRONMENTAL MANAGEMENT SYSTEM

In the month of November 2017, a year after certification of the System for the Management of Health, Safety and the Environment, the certifying agency, TÜV Italia, carried out the audit for maintenance of the certification, which was concluded successfully.
The implementation of the environmental management system, as well as scrupulous compliance with the system's protocols and procedures, allow SAGAT to maintain the highest standards of environmental performance recognised internationally, above and beyond the minimum requirements set under Italian regulations.

The operational effectiveness of the System for the Management of Health, Safety and the Environment guarantees:

- updated mapping of all the environmental considerations relevant to the airport facility;

- identification and updating of the regulatory references applicable to each environmental consideration;
- identification and implementation of the structural or management initiatives needed to guarantee defence of the environment;
- modification and/or expansion of the operating and management protocols, as well as the procedures pertinent to each environmental consideration.

In short, the System for the Management of Health, Safety and the Environment has proven to be of strategic importance to all activities carried out on the airport grounds: development, the management of services, whether enacted directly or indirectly, the planning, construction and maintenance of infrastructures, and aviation operations.

AIRPORT NOISE

Airport noise is the environmental factor that most affects the communities found closest to the Airport. SAGAT is constantly working to achieve efficient, effective noise management, guaranteeing on-going communication and contact with the competent authorities and developing noise monitoring and abatement procedures.

The Airport Noise Commission, created pursuant to former art. 5 of a Ministerial Decree of 31 October 1997, "Methods of Airport Noise Measurement", and formed by ENAC, ENAV, the Ministry of the Environment, the Piedmont Environmental Protection Agency, the Piedmont Regional Government, the Province of Turin, the Town of Caselle Torinese, the Town of San Francesco al Campo, the Town of San Maurizio Canavese, the airlines (AOC) and SAGAT, approved airport zoning for the Torino Airport on 16 January 2013.
The territory surrounding the airport was classified, in accordance with regulatory provisions, into three buffer zones (A, B and C) characterized by escalating maximum airport noise thresholds, with corresponding types of construction allowed inside the zones.
To define the portions of land included in these buffer zones (A, B and C), the "planning approach", a state-of-the-art method to find a balance between the Airport's plans for growth, municipal zoning plans and noise classification plans, was utilised. The result obtained can reconcile the need for protection and development of the local territory with the Airport's growth forecasts for the coming years.
Zones A and B cover a limited area in the territory of the neighbouring municipalities (Caselle Torinese, San Francesco al Campo and San Maurizio Canavese), while all of Zone C is found within the airport grounds.

During the period June 2014 – May 2015, SAGAT carried out an airport noise monitoring campaign with 21 days of measurements (3 separate weeks, one every four months) at nine points of sensitive reception (all school buildings) found inside the airport grounds, as called for under a ruling issued by the Ministry of the Environment and the Defence of the Territory and the Sea on 17 September 2013 with regard to the project "Revision of the Plan for Airport Development (PSA) - Master Plan 2009-2015".
The noise readings taken showed that the acoustic levels recorded inside the school buildings were lower than the allowed limits. As a result, the technical commission for the environmental impact statement held, in a ruling issued on 29 January 2016, that the aforementioned requirement had been met.

SAGAT's strategy to ensure that increases in air traffic at the Airport are compatible with the acoustic climate of the surrounding area is based on the following initiatives and investments:

- continuous monitoring of airport noise levels with the airport noise monitoring network of 8 measurement stations;
- calculation of the sound indexes called for under Italian and EU regulations;
- verification of compliance with noise-prevention procedures;

- study of the acoustic impact in the area surrounding the Airport through simulations based on INM software;
- handling of residents' complaints through analysis of the aviation factors that caused them, followed by proposals for mitigating actions;
- sharing of airport and land planning instruments with the local government authorities;
- cooperation with the authorities in charge of airport noise pollution management through roundtables on the issue.

THE ENERGY MANAGEMENT SYSTEM

The Torino Airport's energy management system is certified by DNV-GL under the ISO 50001:2011 standard, and control audit was successfully carried out in the month of June.

SAGAT has begun the activities needed to satisfy the requirements of the ACA – Airport Carbon Accreditation protocol for Level 1 accreditation – Mapping and identification of possibilities for integration between the systems of energy and environmental management and the ACA protocol.

Though the ISO 50001 and 14000 certifications remain separate, integration of the energy and environmental systems makes it possible to rationalise the documentation of the two systems and unify the procedures for obtaining and analysing data.

In the month of October, work began on the revamping of the North cooling unit servicing the passenger terminal, with the operation to be completed by the placement in service of 2 new high-yield machines for the production of refrigerated waster for the cooling plants, capable of an overall refrigeration power of 2.6 MW.
Significant work will also be done on the piping of the South cooling plant, in order to install a system for cleaning the condensers of the existing refrigeration groups.

Completing this major work on the mechanical systems, new systems of regulation and monitoring for the two cooling plants shall be placed in operation, in order to guarantee maximum levels of efficiency.

Work continued on the upgrading of the lighting systems (indoor and outdoor) using LED lighting units, with operations focussed on replacing the lighting units servicing the operational buildings.

In compliance with one of the priority objectives of SAGAT's energy policy, and as an incentive to production from renewable sources, at least 20% of electric energy supplies shall continue to be procured from certified renewable sources.

The following tables illustrate the break-down of consumption for 2017 by energy source and CO_2 emissions. Despite a 5.8% increase in passenger traffic compared to the previous year, consumption remained essentially unvaried.

ENERGY SOURCES CONSUMED 2017

ENERGY SOURCE	CONSUMPTION 2017		COEFFICIENT IN TOE	TOE
Electric energy	19,706	MWh	0.187 toe x MWh	**3,685.0**
Heating oil	95,905	kg	1.02 toe x 1.000 kg	**97.8**
Diesel fuel	42,999	kg	1.02 toe x 1.000 kg	**43.9**

Methane	890,251	Sm^3	0.836 toe x 1.000 Sm^3	**744.2**
Gasoline	1,029	lt	0.765 toe x 1.000 lt	**0.8**
			TOTAL toe	**4,571.7**

CO_2 EMISSIONS 2017

SYNTHESIS OF THERMAL ENERGY AND CO2 EMISSIONS data processed by SAGAT March 2017		
Total electric energy consumption of the site	70,942	GJ/year
Total thermal energy consumption of the site	3,205	GJ/year
Total energy consumption	**74,146**	**GJ/year**
Primary energy consumption associated with electric energy	3,685	TOE/year
Primary energy consumption associated with thermal energy	887	TOE/year
Total consumption of primary energy	**4,572**	**TOE/year**
CO_2 emissions associated with electric energy	8,560	t/year
CO_2 emissions associated with thermal energy	2,061	t/year
Total CO_2 emissions	**10,621**	**t/year**

1.14 STAFF AND ORGANISATION

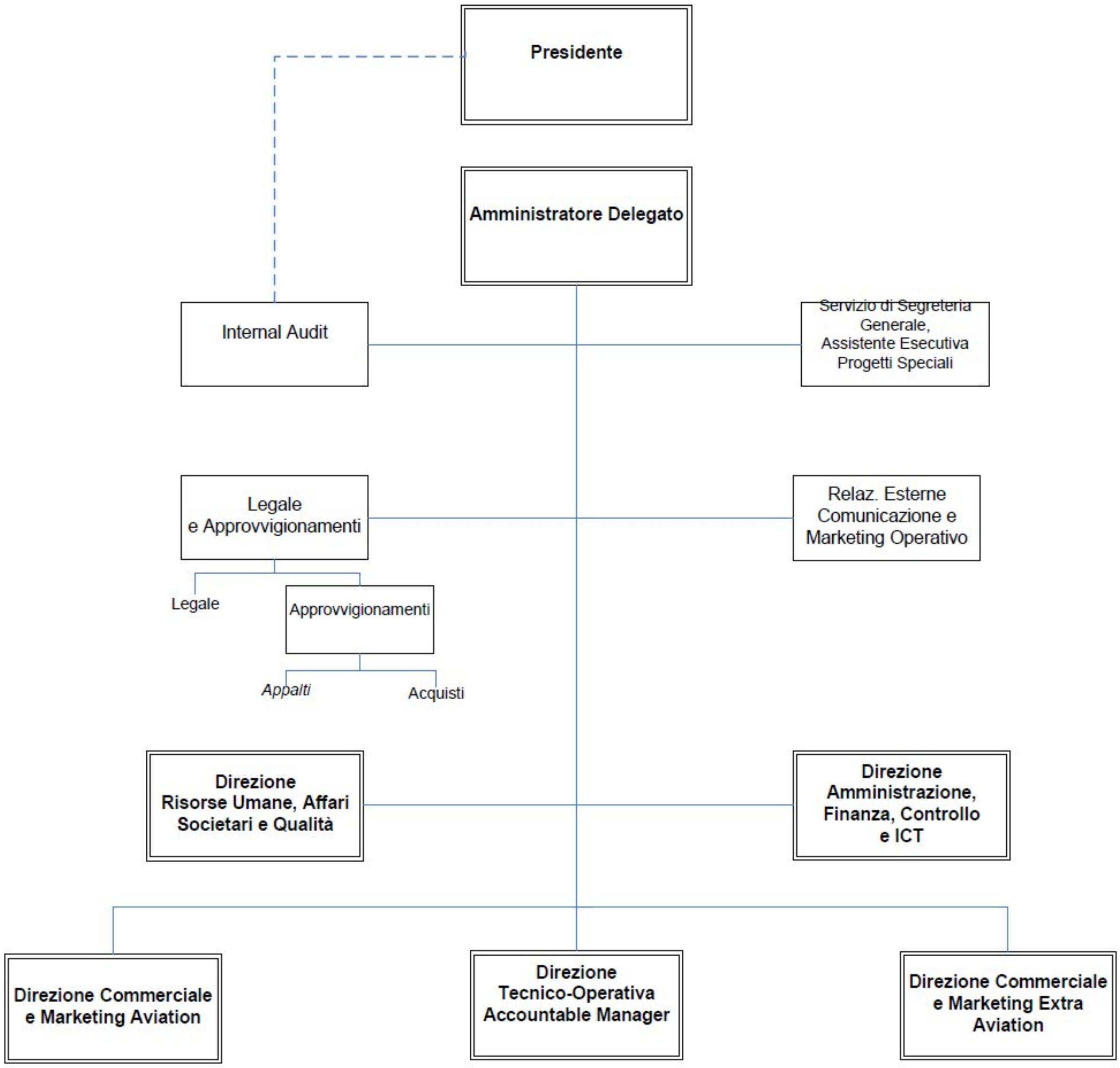
Under Operating Directive 5/2016, in force since 1st January 2017, an extensive, well-planned reorganisation was carried out, involving 22 employees whose qualifications were retooled for new positions.

The reorganisation made it possible to restore efficiency and reduce costs.

The change essentially consisted of elimination of the executive secretary positions, with the creation of a secretarial pool that also handled filing and the credentials office; thanks to this operation, the number of employees was reduced from 11 to 7, with the 4 remaining resources assigned to other activities, such as management of the VIP Room and the Fast Track program, which was transferred to the internal structure, as was the management of the sales point of the company with the brand name CRAI.

Finally, the Operating Technicians Office was eliminated, with the three resources reassigned to other positions that would have required new hiring.

ORGANISATIONAL CHART OF SAGAT S.p.A. AS AT 31 DECEMBER 2017



THE STAFF

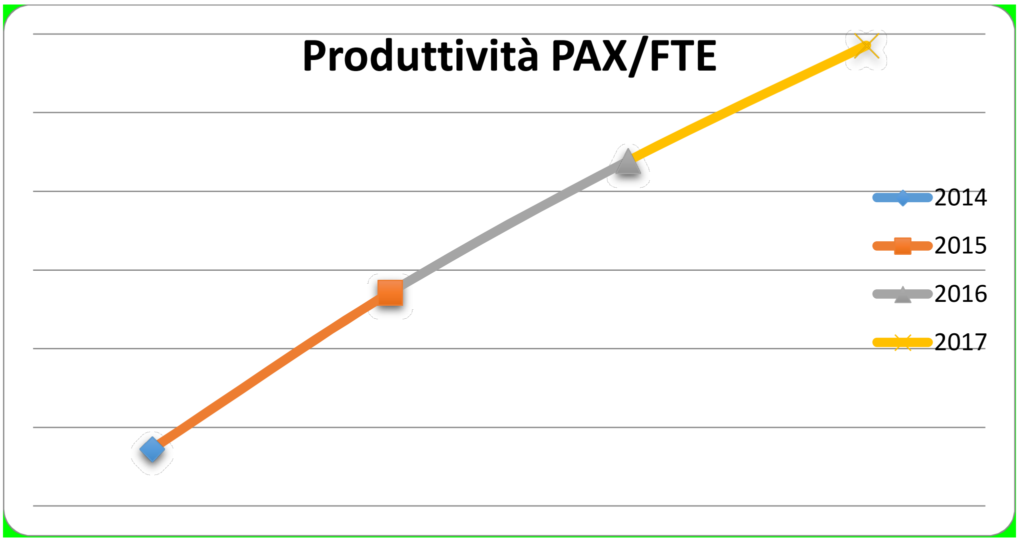
With traffic having increased by 5.8%, the average annual staff size of SAGAT S.p.A. expressed in FTE grew by 1.4% in 2017, as compared to the previous year, for an increase of 3.21 FTE, bringing the total to 232.98 FTE.
During the same period, the average headcount rose by 5%, equal to 4.08 heads, with the total reaching 241.25.
The following table shows the break-down of the staff by category.

STAFF AS AT 31/12/2017

TABLE A PERMANENT EMPLOYMENT	EMPLOYEES	FTE
Executives	4	4
Total clerical employees	129	128.13
Tota blue collars	86	84.63
Total Table A	**219**	**216.76**
TABLE B SET-TERM EMPLOYMENT		
Set-term employees	23	16,22
Entry contracts	0	0
Apprentices	0	0
Total Table B	**23**	**16.22**
Total A + B	**242**	**232.98**

During 2017, SAGAT S.p.A. pursued an attentive policy of management and control of the staff and working hours, resulting in a significant increase in Company productivity. As is shown by the table below, whole traffic grew by 21.7% in the three-year period 2015–2017, the staff grew by 4.29%. This increased efficiency led to ongoing growth in the index of Company productivity, calculated as the ratio of the number of passengers to the annual average FTE, which proved to be 16.69% for the period in question.

SAGAT S.p.A.	2014	2015	2016	2017	%
Annual passengers	3,431,986	3,666,424	3,950,908	4,176,556	21.7%
FTE	223.4	224.14	229.77	232.98	4.29%
PRODUCTIVITY PAX/FTE	15,363	16,358	17,195	17,927	16.69%



Another extremely important result is that for the cost of personnel: in fact, in the year 2017, the cost of personnel went from 13,494,137 Euro in 2016 to 13,413,819 in 2017, form a percentage decrease of 0.6%.

INDUSTRIAL RELATIONS

A number of important agreements were signed with union representatives in 2017.
In the month of July, an agreement on the Company bonus for the year 2016 was signed.
In November of 2017, the Company signed two additional agreements with the unions. The first set the calendar for collective closings in the year 2018 and confirmed plans for a schedule for disposing of back vacation time: these plans which reiterated an earlier agreement, actually exceeded what had been called for under the collective bargaining contract, proving to be a key factor in containing labour costs and achieving proper organisational management. The possibility of drawing on seasonal employment was also confirmed for the year 2017, up until October 2018. The agreement, under which set-term seasonal employment contracts can be signed, provides the Company with a major means of recouping organisational efficiency, by allowing for the flexibility needed to adjust to peak production periods without having to release specific professional know-how that could not otherwise be given employment.
Under the second agreement, general aviation security activities, currently handled by an outside contractor, can be carried out internally. The agreement calls for in-house personnel of the SAGAT Group to be trained and retooled for the performance of these activities.
Finally, an agreement was signed with union representatives in the month of November clarifying a number of doubts on the interpretation of working hours.

TRAINING

In the year 2017, the SAGAT training office department continued its training activities for the personnel of the SAGAT Group, the subcontracting companies and government bodies and authorities.
The LMS e-learning system DOCEBO went into operation in 2017, with the objective of increasing the range of course offerings available in that mode. The platform, accessible via any device connected to the internet, can also make the courses available to personnel outside the Company, providing them with the credentials needed to access the course they wish to take in return for payment of a fee. The SAGAT Training Centre creates the courses and/or loads them on the platform, providing all the users, both internal and external, with whatever support they need while accessing the training.
During the audit of November 2017 to maintain certification under the ISO 9001:2015 standard, the certifying agency pointed to this system as a positive development for the centralised

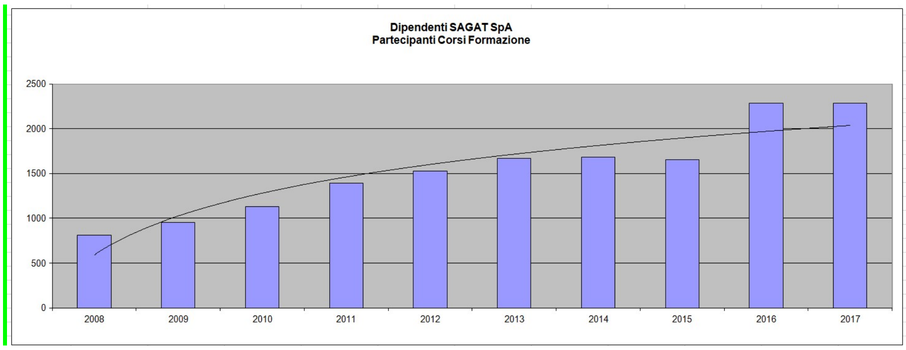
management of the activities of training and refresher instruction undertaken by SAGAT in support of all operators at the Airport.

In total, the training and/or instruction provided to personnel of SAGAT S.p.A. in 2017, as well as to the personnel of outsourcing firms and contractors, amounted to 991 courses involving 2,961 hours of teaching to 2,288 participants for 9,983 hours overall. A portion of this training (27.44%) was financed by drawing on grants for vocational training, such as Fondimpresa, or by implementing company training plans, in order to cover costs for the organisation, teaching and holding of the courses.

TRAINING CARRIED OUT IN 2017 BY SAGAT S.p.A.

Position	Women		Men		Total	
	Participants	Hours of training	Participants	Hours of training	Participants	Hours of training
Executives	0	0	9	115	9	115
Middle managers	27	196	33	183	60	379
Clerical employees	141	951	182	1,016	323	1,967
Blue collars	147	579	580	1,949	727	2,528
Interns	4	9	10	42	14	51
Temporary workers	425	1,670	578	2,584	1,003	4,254
Subcontractors	22	64	130	535	152	599
TOTAL	**766**	**3,469**	**1,522**	**6,424**	**2,288**	**9,893**

Position	Personnel	Tranining	Difference	Coverage
Executives	4	4	0	100%
Middle managers	26	23	3	88.46%
Clerical employees	106	88	18	83.02%
Blue collars	127	127	0	100%



For the most part, the courses consisted of classroom instruction (82.12%), though there was also a noteworthy amount of side-by-side training (9.09%), while implementation of the DOCEBO LMS system during the year led to a more than 50% increase in the courses provided in the e-learning mode, as compared to 2016, accounting for 8.78% of overall training.

EVALUATION OF THE TEACHING

The internal training procedure calls for all training activities engaged in by employees of SAGAT S.p.A. to be followed by compilation of a form containing information on their satisfaction with the training received. Each employee must select from a range of four levels of satisfaction (poor, adequate, good, excellent) regarding eight different factors: interest in the topics addressed, in-depth study of the content, materials received, efficiency of teaching supports, logistical organisation, comfort of the classroom, presentation skills of the trainer and thoroughness of the explanations requested. To be considered “positive”, the judgment of any one of the eight factors must be at least “good”. Judgments of “poor” or “adequate” are deemed to be negative for statistical purposes.

During the year 2017, 2,117 evaluation forms were collected, showing 94.66% satisfaction with the courses held. Satisfaction with the courses given by SAGAT trainers was 95.48% while the score for outside trainers was 92.2%.

1.15 INVESTMENTS

In 2017, infrastructure and plant-engineering works called for under the Planning Agreement signed with ENAC civil aviation authority were carried out for a total of 6.4 million Euro.
A brief illustration of the most noteworthy investments follows.

INFRASTRUCTURES AND SERVICE SYSTEMS

Infrastructure and plant-engineering projects carried out in 2017 were geared primarily towards upgrading existing portions of airport buildings or infrastructures, with a particular focus on purchasing specific airport equipment.

The most important initiatives involving and servicing the aircraft and roadway manoeuvring areas in 2017 included:

- upgrading of the asphalt paving of the west shoulder of the runway between junctures C-D, D-E, E-F and F-G;
- renewal of the profiling of grassy areas by the golf taxiways;
- the purchase of four airport ploughs for snow removal;
- modernisation of boarding bridges.

Worthy of mention among projects involving the passenger terminal are:

- architectonic renovation of a noteworthy portion of the North Boarding Lobby, involving a surface area of approximately 1,800 square metres, with replacement of suspended ceilings, lighting fixtures and systems servicing the common areas;
- work involved in the construction, plant-engineering and outfitting of the following retail establishments found in the passenger terminal, for a total surface area of approximately 250 square metres:
    - Baladin;
    - WHSmith;
    - Marina Militare;

- implementation and upgrading of low-current systems (smoke detection and sound system);
- establishment of a new path for passengers in transit on the mezzanine level;
- the supply and installation of 11 x-ray machines for controlling carry-on luggage, 2 x-ray machines for controlling parcels/supplies and 8 machines ETD (Explosive Trace Detector) machines.

Of particular note in the category of work involving other airport buildings and infrastructures were:

- upgrading of the airside roller conveyors and the landside loading bays of the cargo terminal;
- completion of the construction upgrading of the airport perimeter fence and start of the plant-engineering installation work agreed to with the authorities;
- work designed to achieve energy savings, including the installation of new LED lighting units in the cargo terminal and in the technical services building;
- start of the revamping work on the north cooling plant servicing the passenger terminal;
- various works along the airport roadways to improve security for pedestrians while rationalising the routes and parking and stopping spots for vehicles;
- the purchase of equipment and devices such as: ambulift hoist, tow cart for removing malfunctioning aircraft, skid meter and hand-operate baggage carts;
- supply and installation of 3 x-ray machines to control parcels/supplies in the general aviation and cargo terminals.

IT SYSTEMS

The year 2017 saw SAGAT continue its thoroughgoing renovation of the IT platforms of greatest strategic importance to its operational and administrative-accounting activities. Initiated in 2015, the effort involves the implementation of new, advanced solutions for the ERP system and business intelligence, with the goal of increase the percentage of coverage and automation of the primary operating procedures (i.e. the handling of accounts receivable and payable, payroll management, general accounting and cash, plus analytical accounting) while promoting the utilisation of the new functional features.

Steps were taken to reinforce the platform used by SAGAT to collect sales data cross-referenced to the purchaser's boarding card from the retail establishments operating in the passenger terminal; this information, of critical importance in properly profiling passengers, is currently gathered using specially designed hardware devices owned by SAGAT and interfaced with the cash register recorders of the establishments. The business-intelligence analysis structure tied to this database was successfully upgraded.

Work on the terminal infrastructures included technological renovation of the check-in counters in the remote terminal, used each winter season for the check-in of chartered ski flights; at the same time, latest-generation boarding-card readers were installed at the gates, capable of supporting the NFC protocol and fully compatible with the technological standards identified by the IATA to accelerate and simplify passenger check-in and boarding operations through interaction with their smartphone devices; in addition, a second boarding-card reader was installed at a number of gates to speed up boarding operations.

In other work involving terminal infrastructures, reinforcement of the FIDS/BIDS system (flight information to the public), initiated in 2016, was continued, with the installation and placement in operation of additional monitors of the latest generation ("Smart Public Display"). Featuring easier-to-read information, these monitors, with their direct, native connection to the airport network, also ensure simplified hardware management.

New monitors technologically similar to those described above, but with larger displays, at diagonal dimensions of 84”, and UltraHD resolution (4K), were also installed. Service and retail information is dynamically published on these monitors using a specially designed content management system.

Work continued on the implementation of an access control system designed to extend correct management of flows of boarding and disembarking passengers, channelling them through the retail area of the Boarding Hall, while installation of a new control room to be used exclusively for video surveillance, initiated in 2016 and now fully operative, was also been completed.

Steps were also taken to equip the airport information service with a fully digital system for managing incoming telephone calls (CISCO Call Manager CISCO), so as to guarantee not only a significant increase in the efficiency and flexibility of the information desks, but also precise monitoring of the quality of the service provided; this hardware/software structure can also be extended to similar services (such as support of the offices responsible for handling lost luggage).

Finally, as part of its growth strategy, SAGAT has initiated an in-house project to draw up a plan for the innovation and digitalisation of the Airport, based on the following strategic objectives:
1. increasing passenger/consumer knowledge and interaction;
2. proposing new and innovative services enabled by digital solutions;
3. increasing internal know-how while distributing the benefits and opportunities that arise from digital transformation.

During 2017, a digital transformation plan was drawn up, together with a plan for implementing digital solutions geared towards enhancing the travel experience, optimising the devices offered in retail areas and facilitating the use of modes of mobility for transport to and from the Airport.

On the landside, an area named the Innovation Lab has been set aside for simulation of the path followed by passengers from their arrival at the Airport until their departure. All the technology currently in operation at the Airport has been installed in this area, in order to test new digital solutions and assess their compatibility, together with the advisability of integrating them within the existing ICT framework.

A number of activities and projects initiated during the year 2017 were completed in the early weeks of 2018, with the most noteworthy including:

- the signing with Microsoft Italy of an enterprise contract (entitled MPSA) covering the supply to SAGAT of 250 perpetual user’s licenses for the Microsoft Office product and 400 user’s licenses for access to the Windows Active Directory domain, as well as the corporate e-mail services based on the Microsoft Exchange Server. Under this contract, the versions of the software cited above may be used in their most recent releases, with the right to free upgrades of subsequent versions released by Microsoft up to the end of 2020 (Software Assurance).

- The start-up of a project to reinforce the performance of the company servers through the purchase of a highly reliable platform of virtualisation based on the VMware technology; this hardware/software infrastructure will make it possible to rationalise services based on server infrastructures, while also updating the technology to the necessary degree, at the same time as it gives the Company a suitable environment for supplying new service and new applications rapidly and when necessary, at a minimal investment cost.

- The purchase of the hardware and software infrastructures needed to introduce more secure technology for access control; in fact, the new airport badges shall be equipped with proximity chips on which the information needed to open/close the airport access points shall be codified in an encrypted mode.

1.16 LITIGATION

FIRE-FIGHTING SERVICES

As already explained in previous Directors' Reports, art. 1 (1328) of Law 27 December 2006 no. 296 (2007 Budget Act) called for the creation of a specific provision, to be paid by airport management companies in proportion to the traffic they generate, of €30 million per year, meant to fund the fire-fighting services provided at the airports by the brigades of the National Fire-Fighters Corps. art. 4, paragraph 3-bis, of Legislative Decree no. 185 of 29 November 2008 subsequently confirmed the amount and terms of contribution to the fund, establishing that it was not to be used only for airport fire-fighting services but was to contribute, together with other resources, to the general funding of the national Fire Department.
SAGAT and other airport management companies challenged the constitutionality of the provisions governing the creation of the fire-fighting fund and the legitimacy of the provisions establishing and implementing the fund and filed two separate complaints, one before the Regional Administrative Court ("TAR") of Lazio and the other before the Provincial Tax Commission of Rome, asking that such provisions be repealed.

Subsequently, the companies reformulated their complaints year after year, filing new complaints against the ENAC civil aviation authority's requests for payments to the fund.
In this complex dispute, the Provincial Tax Commission (in a ruling dated 21 December 2010) expressed itself in favour of the complainants, noting that the cost that the latter were required to pay under the provision that created the fire-fighting fund qualified as a "targeted levy" that should be characterized by an explicit connection between the payers and the benefits arising from the levy. Therefore, the Commission declared that "effective from 1 January 2009 the complainants are not required to pay the contribution established under art. 1 (1328) of Law 296/2006, as amended by art. 4 (3 bis), (3 ter) and (3 quater) of Law no. 185/2008, to the so-called 'fire-fighting fund', because it has been proven that these resources will be used for other purposes, beyond those established under the act".

In the consequent appeal, the Regional Tax Commission decided in the opposite sense, with its ruling of 14 July 2011, no. 252/10/11, repealing the ruling handed down in first instance for lack of a jurisdiction of the part of the Tax Commission, stating that ordinary Courts have jurisdiction over the matter.
Given the importance of this issue, SAGAT filed an appeal before the tax courts against the judgement of the Regional Commission of Lazio, but also brought suit in civil court, without prejudice of the appeal pending at the TAR Lazio, for which a ruling has not been issued yet, despite repeated requests from SAGAT.
In 2013, the TAR Lazio, in ruling no. 4588/2013, also declared its lack of jurisdiction and qualified the contribution to the fire-fighting fund as a targeted levy over which the tax courts had sole jurisdiction. In other words, the controversy was to be submitted to the full and sole jurisdiction of the tax courts.
The complainants then filed a petition with the Italian Supreme Court (*Corte di Cassazione*) for definition of jurisdiction (which is still pending), in order to ultimately determine which body should have jurisdiction on the matter.
In the course of 2014, the Provincial Tax Commission of Rome, with ruling no. 10137/51/14 on the requests for payment of the contributions to the fire-fighting fund for the year 2010, ruled that the appeal filed by the airport management companies (including SAGAT) was well founded, accepting it for the second time while reaffirming its own jurisdiction over the matter

and recognizing that the complainants are under no obligation to pay any contribution having other purposes than the implementation of the fire-fighting service. This ruling was not appealed in timely fashion by the ENAC civil aviation authority, and so it became definitive.

With regard to this same case, it should also be noted that, with the obvious intent of delegitimizing the legal proceedings pursued by the airport management companies before the tax commissions, the national legislature added to the "Stability Act" of 2016 (Law no. 208 of 28 December 2015) a measure (art. 1, paragraph 478) expressly excluding that "amounts charged to airport management companies for fire-fighting services" can be considered taxes.
In response, the complainant airport management companies, including SAGAT, immediately filed motions in the pending proceedings, seeking to prevent the new measure from retroactively affecting the rulings already handed down, in addition to raising the question of the constitutional legitimacy of art. 1, paragraph 478, of the Act of Stability of 2016.
In ruling 27074 of 28 December 2016, the Italian Supreme Court, accepting the petitions of the airport management companies proposing the appeal, brought the question of the constitutional legitimacy of art. 1, paragraph 478, of the Act of Stability for 2016 before the Constitutional Court.

The year 2017 saw the definitive confirmation of Sentence no. 10137/51/14 regarding the requests for payment of the contribution to thefFund for the year 2010, a development that further reinforces SAGAT's position, though the final settlement of this travailed, complex legal proceeding must still await the ruling of the Constitutional Court, as well as the final decision of the Italian Supreme Court as to whether or not the tax courts have jurisdiction over the case.

ALITALIA REVOCATION ACTIONS

As explained in our Reports for the past years, on 29 August 2008 Alitalia was placed in receivership under a decree of the Prime Minister, pursuant to Legislative Decree 347/2003 (the so-called "Marzano Act") as amended by Decree Law 134/2008. On 12 January 2009, Alitalia Linee Aeree Italiane in Amministrazione Straordinaria (Alitalia Airline in Receivership) ceased its operations, and on 13 January 2009 Alitalia Compagnia Aerea Italiana went into operation, acquiring the business units of Alitalia transferred by the Receiver.

Information on the initiatives taken by SAGAT to recover its credits in the receivership has already been provided in previous Directors' Reports.
On 9 August 2011, Alitalia in Receivership served SAGAT with a summons to appear before the Court of Rome, requesting revocation of the payments made by Alitalia in the six months preceding the declaration of insolvency and the start of receivership. SAGAT payments affected by the revocation action amount to €2,208,622.

SAGAT, after obtaining formal assurance from its legal counsel as to the legitimacy of its claims, replied by claiming, among other things, that both the subjective and objective grounds called for under art. 67 of the Bankruptcy Code for the revocation of the payments made to SAGAT are lacking.
Therefore, no allocations were made to Risk and Charges Provisions.
A similar action was brought also against our subsidiary SAGAT Handling S.p.A.. In this case, the payments subject to revocation amount to €956 thousand. SAGAT Handling S.p.A. also appealed against the revocation, on grounds similar to those asserted by SAGAT.

These cases reached their conclusions at first instance in 2014, with ruling 14238/14 of 1 July 2014 for SAGAT Handling and ruling 16469/14 of 29 July 2014 for SAGAT. Both rulings reject Alitalia's claims in full and find in favour of SAGAT and SAGAT Handling.
During 2015, Alitalia notified that it was appealing both sentences. The resulting proceedings are still pending.

There were no further developments in 2017.

INFLATION

As is already known, in 2006 SAGAT sued the Ministry of Infrastructure and Transport to claim damages arising from the failure to adjust airport fees to inflation, which should have been done annually, pursuant to art. 2 (190) of Law 23 December 1996, no. 662: damages which SAGAT estimated in the amount of over three million Euro.
During the course of the proceeding, the Court appointed an expert to verify the reasonableness of SAGAT's requests. The expert's opinion was favourable to SAGAT.
In a ruling of 15 September 2011, the Court ordered the Ministry to pay to SAGAT €2.65 million, plus interest and revaluation, thus accepting SAGAT's requests for the period 1999-2005. On the other hand, the Court rejected SAGAT's further request for damages for the subsequent years, affirming its lack of jurisdiction over that request.
In an appeal notified on 6 December 2011, the Ministry requested nullification of the ruling of first instance. SAGAT responded to the appeal, filing a counter-claim to obtain damages for the years following 2005, which had been denied by the court of first instance.

The appeal is still pending.

However, in February 2013, following solicitation on the part of SAGAT, the Ministry announced its intention to comply spontaneously with the award of first instance, communicating that arrangements had been made to pay to SAGAT €3,724 million, inclusive of interest, revaluation and legal costs.
There were no further developments in 2017.

ANNUAL FEE AS PER ART. 7 OF THE CITY OF TURIN – SAGAT S.P.A. OPERATING AGREEMENT

Following the signing on 8 October 2015 of the operating agreement between SAGAT and the ENAC civil aviation authority governing the management and development of the activities of the Torino Airport, SAGAT's Board of Directors requested legal advice as to whether or not SAGAT remained obligated to pay to the City of Turin the annual fee contemplated under article 7 of the operating agreement signed by the City and SAGAT on 30 September 2002.
The legal opinion arrived at by an outside law firm held that the obligation to pay the fee contemplated under the operating agreement of 2002 could be deemed to no longer exist.
SAGAT notified the City of Turin of the above finding in a letter sent in October of 2016, subsequently rejecting requests received from the City of Turin for payment of the fee for the years 2016 and 2017, citing to the arguments of the legal opinion referred to above.
On the date of 15 December 2017, SAGAT received a notification from the City of Turin enjoining it to pay the amount of 832,239 Euro for the fees not paid for the years 2016 and 2017, plus interest at the legal rate.
SAGAT has appealed the injunction in question before the Court of Turin. The case is still pending.

ACT OF REVOCATION BY BLUE PANORAMA UNDER COURT-ORDERED STEWARDSHIP

In subpoena served on 20 March 2017, Blue Panorama under court-ordered stewardship requested revocation, as per the combined provisions of art. 67, paragraph 2, and art. 67, paragraph 3, letter A), of the Bankruptcy Act, of the payments it had made to SAGAT during the six months preceding publication in the company's register of the request for prior settlement with creditors, as per art. 161, paragraph 6, of the Bankruptcy Act.
The payments for which revocation was requested total 1,063 million Euro.
SAGAT filed a brief of response, objecting to:

- erroneous determination of the 'period of suspicion', due to the opposing party holding that principle of 'continuation between proceedings' applied;

- the lack of any *scientia decoctionis*, or effective knowledge of the critical nature of the creditor's situation;
- the fact that the payments, in any event, would have been made under the 'terms of use', rendering them exempt from revocation;
- the failure to allege or to demonstrate the *eventus damni*, meaning the detrimental effect on the creditor.

The case is currently pending, being in the initial stages of the preliminary investigation.

A similar action was bought by Blue Panorama - under court-ordered stewardship - against the company SAGAT Handling; in that case, the payments subject to the request for revocation total 517 thousand Euro.

ENTRY ON THE LIST OF ALITALIA CREDITORS

On the date of 2 May 2017, Alitalia – Società Aerea Italiana S.p.A. – was admitted to the procedure of court-ordered stewardship, as per Legislative Decree 347/2003, converted into law, following modification, by Law 3/2004, plus any subsequent modifications or additions.
In Sentence no. 17 of 11 May 2017, the Court of Civitavecchia declared the company to be insolvent, scheduling the hearing for assessment of its liabilities.
In preparation for this hearing, SAGAT filed a petition on 7 December 2017 for admission to the list of creditors, as per arts. 93 and following of the Bankruptcy Act, art. 53 of Legislative Decree 270/1999 and art. 4-ter of Legislative Decree 347/2003, with which SAGAT requested, as a first priority, to be admitted to the list of credits with a preliminary determination of the entire credit owed to it, including supplementary municipal charges, for a total, as of that date, of 3,327 million Euro, in accordance with the provisions of arts. 74 and 111 of the Bankruptcy Act and in consideration of the fact that all the credits arose under a contract of ongoing and periodic execution that is still being regularly fulfilled by SAGAT. In particular, it is requested that a portion of the credit indicated above, for 2,568 million Euro, be admitted under the privileged status referred to under arts. 1023 and 1025 of the Navigation Code (given that this portion consists of credits tied to airport fees and, as such, is eligible for privileged status), with the remainder be admitted as ordinary credits.

Should the primary request not be accepted, despite the ample grounds for doing so, then SAGAT has also drawn up a full series of subordinate requests covering the various levels of privilege that could apply.
In a notification of filing of the preliminary list of creditors, communicated on 7 February 2018, the receiver announced that, given the large number of requests for inclusion on the list of creditors received, authorisation had been requested from the Court of Civitavecchia – which granted the authorisation - to divide the filing of the preliminary list of creditors into more than one part, with the result that the related operations of verification would be carried out according to a timeline (the first partial preliminary list of creditors on 6 February; the second partial preliminary list of creditors on 18 April; the third partial preliminary list of creditors on 16 July; the fourth partial preliminary list of creditors on 22 October 2018), with enactment of this timeline making it unlikely that the request for inclusion on the list of creditors presented by SAGAT shall be examined before 22 October 2018, seeing that the preceding partial preliminary lists of creditors are reserved exclusively for requests presented by salaried employees of Alitalia.
Finally, it should also be noted that the subsidiary SAGAT Handling S.p.A. has filed a petition for admission to the list of creditors of Alitalia as well, for credits that totalled, as of the date of 11 December 2017 – the date on which the petition was filed - 29 thousand Euro.

1.17 PRIVACY

Since the year 2000 the Company has put into effect privacy measures pursuant to Law 675/96, in implementation of Presidential Decree 318/99. The adoption of these measures was reported in the Document on Security Planning, in a manner compatible with the provisions of Legislative Decree 196/03.

1.18 RISK FACTORS

The main operating and financial risks that might affect the performance of the Company, and the actions taken to mitigate them, are described below:

CREDIT RISK

The Company deems to be adequately protected against this risk in 2017, having made a specific provision for bad debts in its annual accounts, which is deemed to be consistent with the relevant estimates of bad debts. Taking legal action to secure these accounts receivable has also been considered.

LIQUIDITY RISK

The liquidity risk for SAGAT might arise from difficulties in obtaining in due time loans to support its business.
In order to be able to face possible liquidity requirements promptly, SAGAT secured the availability of credit lines. In 2017, these lines were not used.
Cash flows, funding needs and liquidity are monitored or managed at a central level under the control of the Treasury Department, in order to guarantee an efficacious and effective management of financial resources not only at SAGAT but across the Group that it leads. Therefore, at year-end 2017, we deem that the Company is not subject to liquidity risk.

EXCHANGE RISK AND INTEREST RATE RISK

SAGAT is not subject to market risk arising from exchange fluctuations because it is no longer doing business in an international scenario where transactions are made in different currencies and at different interest rates.
The exposure to interest rate risk derives from the need, arisen in 2006, to fund the interventions on infrastructures made in connection with the Turin Winter Olympics 2006, as well as to the need to employ the cash temporarily available.
Interest and market rate fluctuation may have a negative or positive impact on the Company's result for the year, by affecting indirectly the cost of borrowing and the yield of financial investments. SAGAT has "cleaned" most of its interest rate risk by entering into an interest rate swap agreement aimed at ensuring the stability of the debtor interest rate applicable to the long-term loan referred to above. The Company also verifies regularly its residual exposure to the risk of interest rate fluctuation and has the option, in different forms and time frames on a case by case basis, to proceed with the entire or partial repayment of its existing loans.

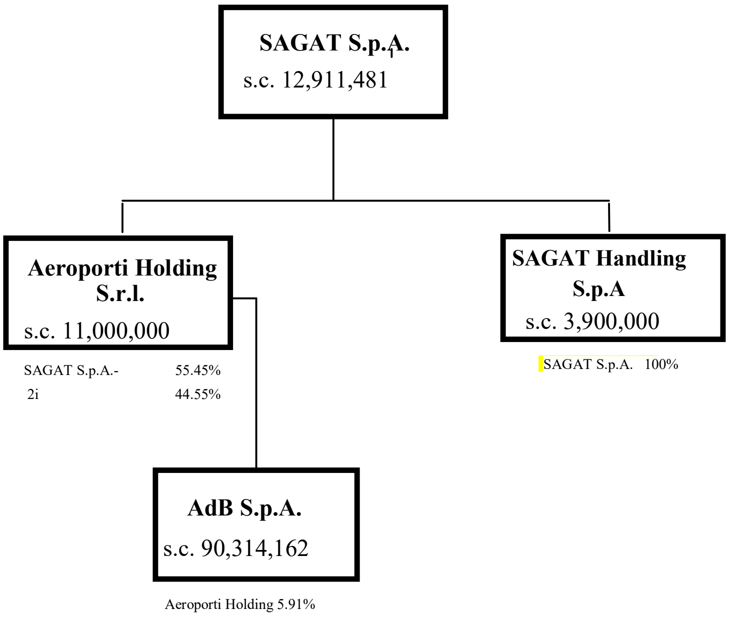
1.19 FINANCIAL INSTRUMENTS

On the date of 8 February 2010, upon entering into a long-term loan agreement with an initial value of 15 million Euro, SAGAT, so as to set the cost at a fixed amount for the entire duration of the loan, signed an interest rate swap agreement (I.R.S.) for a period equal to that of the loan, and with a negative mark to market value, as of 31 December, of 105 thousand Euro.
To ensure that the operation remained non-speculative throughout its duration, the amount of capital underlying the interest-rate swap contract shall follow the payment plan for the loan itself, gradually being reduced, until it finally is cancelled upon repayment of the last loan instalment.

1.20 EQUITY INVESTMENTS

The most relevant details of SAGAT's holdings as of 31 December 2017 are shown below.
It should be noted that, during the year, preparations were in the final stages for the liquidation of the companies SAGAT Engineering S.r.l. and Air Cargo Torino S.r.l. . As such, these companies have ceased their operations.

EQUITY INVESTMENTS OF SAGAT S.p.A. AS OF 31 DECEMBER 2017
(figures in Euro)



SAGAT Handling S.p.A.

SAGAT Handling S.p.A., fully owned by SAGAT, is engaged in the airport industry and provides handling services to the airlines operating at the Torino Airport. The company's staff, as of 31 December 2017, numbered 140 employees (125.4 FTE).

As of 31 December 2017, the value of production was 11,769 million Euro and the gross operating margin (GOM) was a positive figure of 220 thousand Euro. The company recorded a year-end profit of 33 thousand Euro.

Statistic data on traffic show a decrease, compared to the previous year, in both aircraft movements assisted and cargo handled.
The decrease in aircraft movements (-9%) is primarily attributable to the negative impact of the flights of the loss of Alitalia as a client in October 2016.
A similar result was presented by the traffic component, which consists of the number of passengers transported and fell by -6.6%.
The share of traffic handled by SAGAT Handling in 2017, compared to the total traffic in transit at Turin, was 70.5% of commercial aviation tonnage (82.4% as of 31 December 2016), 73.8% of passenger traffic (83.6% as of 31 December 2016) and 69.6% of aircraft movements (80% as of 31 December 2016).

Cargo traffic showed a decrease of -5.9%, settling at a level of more than 5.968 million kilograms of goods handled.

The table below summarises the main income results of the activities carried out by SAGAT Handling during the year 2017.

thousands of Euro

	2017	2016	VARIATION
Value of production	11,769	13,077	(1,308)
Cost of labour	7,084	7,220	(136)
Operating costs	4,465	5,375	(910)
GOM	**220**	**482**	**(262)**
Depreciation and write-downs	16	100	(84)
EBITDA	**204**	**382**	**(178)**
Depreciation	120	151	(31)
EBIT	**84**	**231**	**(147)**
Balance financial operations	0	1	(1)
Year-end result before taxes	**84**	**232**	**(148)**
Year-end taxes on income	(51)	(103)	52
Year-end net result	**33**	**129**	**(96)**

The value of production, €11,769 million, is made up mostly of ordinary and extra handling fees paid by carriers, which amount to €9,071 million and are recorded as income from sales and services.
The decrease of €1,308 million in the value of production, as compared to 2016, is essentially attributable to the decrease in the volumes of traffic referred to earlier and its effect on aircraft movements and the amount of cargo handled.

The most significant item among production costs is the cost of staff, which will continue to be the highest cost item in the future as well.

The most significant operating costs, at €2,139 million on aggregate, are intercompany costs.

As a consequence of the above, the gross operating margin was positive by €220 thousand. The decrease of €262 thousand in the gross operating margin compared to the previous year is essentially due to the termination of the contract with the client Alitalia, which switched to a competing handler starting in October 2016.

Due to the above, as well as the amortisation, depreciation and provisions, the operating result reached a positive figure of €84 thousand, compared to the result of €231 thousand for the previous year.

Not taking into account the balance of financial operations, the pre-tax result for the year was a positive figure of 84 thousand Euro, down 148 thousand Euro from 2016.

The tax burden for the year amounts on aggregate to €51 thousand and is represented by current income taxes (IRES and IRAP), before deduction of deferred tax and after allocation of deferred tax assets and of the earnings arising from the tax consolidation of the Group the company belongs to.

In this way, SAGAT Handling recorded a net year-end profit of 33 thousand Euro, confirming, even in a year that featured the loss of one of its most important clients, that it has reached a position of balance in terms of both income and finances, all while continuing to guarantee top-flight levels of service.

Aeroporti Holding S.r.l.

As is known, the company's activities essentially revolve around the management of the holding it possesses in the company that manages the G. Marconi Airport of Bologna (hereinafter, AdB), an enterprise authorised on 14 July 2015 to trade its share capital on the STAR segment of the on-line market of the firm Borsa Italiana ("Italian Stock Exchange").

As of 31 December 2017, the company held 2,134,614 ordinary shares of AdB, a quantity unchanged compared to the previous year and equal, following the operations carried out on the share capital as a result of the market listing that took place in 2015, to 5.91% of the share capital.

The aggregate book value of the holding is equal to €17,640,883, and the per-share book value is €8.26. Both figures are unvaried compared to the previous year.
Along these lines, it is worth noting that, as had already occurred in the previous year, the market value of the stock has risen systematically, until it stood at 16.040 Euro per share on the last day of listings for the year. Also of interest is the fact that, in the first two months of 2018, the per-share price stood consistently above 15 Euro, with a peak for the year higher than the price at the close of 2017.

The table below summarises the main income results of the activities carried out by Aeroporti Holding in the year 2017.

thousands of Euro

	2017	2016	VARIATIONS
Value of production	0	5	(5)
Cost of labour	0	0	0
Operating costs	(45,538)	(47,848)	2,310
GOM	**(45,538)**	**(47,843)**	**2,305**
Depreciation and write-downs	0	0	0
Operating result	**(45,538)**	**(47,843)**	**2,305**
Financial revenues	591,319	362,502	228,817
Adjustments in value of financial assets	0	0	0
Year-end result before taxes	**545,781**	**314,659**	**231,122**
Taxes on income	3,824	7,746	(3,922)
Year-end net result	**549,605**	**322,405**	**227,200**

The company has no employees.

1.21 INFORMATION ON THE MANAGEMENT AND COORDINATION OF COMPANIES

SAGAT S.p.A. is subject to the management and coordination of the company 2i Aeroporti S.p.A., as per arts. 2497 – 2497-sexies of the Italian Civil Code.

1.22 RELATIONS WITH SUBSIDIARIES, ASSOCIATED ENTERPRISES, PARENT COMPANIES AND OTHER ENTERPRISES SUBJECT TO THE CONTROL OF THE PARENT COMPANIES

The equity and income relations between SAGAT and its subsidiaries, associated enterprises, parent companies and other enterprises subject to the control of the parent companies are illustrated on the following table:

thousands of Euro

COMPANY	REVENUES	COSTS	RECEIVABLES AS OF 31/12/2017	PAYABLES AS OF 31/12/2017
Subsidiaries				
SAGAT Handling S.p.A.	2,133	1,698	299	598
Aeroporti Holding S.r.l.	11	0	28	8
Total subsidiaries	**2,144**	**1,698**	**327**	**606**
Parent companies				
2i Aeroporti S.p.A.	3	0	0	937
Total parent companies	**3**	**0**	**0**	**937**
Companies controlled by parent company				
Software Design S.p.A.	0	105	0	99
Total companies controlled by parent company	**0**	**105**	**0**	**99**

1.23 OWN SHARES AND SHARES OF THE PARENT COMPANY

The Company holds shares of its own that amount to 2.96% of its share capital, making for a total of €4,824 million, a level unvaried from the previous year. The Company holds a total of 74,178 of its own shares, for an overall face value of €383 thousand.
During the year, the Company has neither purchased nor sold shares of the parent company, not even through trustee companies or middlemen. As of the date 31 December 2017, the Company does not possess any shares in its parent company, not even through trustee companies or middlemen.

1.24 RESEARCH AND DEVELOPMENT ACTIVITIES

The Company did not incur any research and development costs during the year.

1.25 SECONDARY OFFICES

As per article 2428 of the Italian Civil Code, is it stated that the Company does not have any secondary offices.

1.26 FORESEEABLE DEVELOPMENTS FOR 2018

The potential for further growth in the traffic performance of Torino Airport in 2018 is limited, given the onset of a number of contributing causes: the persistence of a monopoly situation in terms of offerings on the Turin-Rome route, provided only by Alitalia, now that Blue Air is no longer in operation, with the result being a noteworthy reduction in the number of passengers on our Airport's most heavily trafficked route; the continuation of the situation of uncertainty with regard to the future of Alitalia, which prevents the carrier from planning a marketing strategy for growth; the uncertainty over whether levels of skier traffic from Great Britain will hold steady following Brexit; but above all else the diminuished potential for traffic generated by the Turin catchment area, which already suffers from the Airport's geographic condition, and now has to deal with the noteworthy revival in the competitive strength of the nearby airport of Milan-Malpensa, where the recent opening of the Ryanair base, plus a general rise in the capacity on offer, point to the likelihood, for 2018, of a further acceleration in the growth of this airport in the Lombardy region in terms of short/medium-range point-to-point traffic.
A revival of its long-range traffic is also likely, thanks to the carrier Air Italy (formerly Meridiana and now part of the Qatar Airways Group), which recently announced that it intends to make Malpensa its main hub.

In light of the above considerations, SAGAT's efforts shall be focussed on further expansion of the network ad on the recruitment of carriers not currently operating out of Turin, reinforcing its business strategies in support of carriers, together with marketing initiatives designed to promote the Torino Airport, its services and the flights offered with the general public, if necessary by allocating increased resources to these items on its budget. Further efforts shall also be made to improve the quality of the services offered to passengers, so as to turn them into loyal customers of the Airport, while also identifying new elements of revenue and growth.
To this end, a major investment will be that in the digitalisation of the Airport, a process that will provide SAGAT with a tool for drawing on new sources of potential revenue, such as e-commerce platforms capable orienting the Company's business strategies towards a more efficient, more extensive profitability of the Airport's retail areas.

1.27 PROPOSALS FOR THE ALLOCATION OF THE YEAR-END RESULT

Dear Shareholders:

the financial statements as of 31 December 2017, which are illustrated herein and have undergone the required audit, on the part of the firm of Deloitte & Touche S.p.A., present a net year-end profit of €11,087,346.94, of which we propose that €10,509,345.00 be allocated to dividends and €578,001.94 to the extraordinary reserve.

Original signed by:

The Chairman
Giuseppe Donato

2. FINANCIAL STATEMENTS OF THE COMPANY AS AT 31/12/2017

2.1 BALANCE SHEET AND INCOME STATEMENT OF SAGAT S.P.A. (amounts in Euro)

2.1.1 BALANCE SHEET OF ASSETS	FINANCIAL STATEMENTS AS AT 31/12/2017	FINANCIAL STATEMENTS AS AT 31/12/2016
A) SHAREHOLDER CONTRIBUTIONS YET TO BE PAID IN		
B) FIXED ASSETS		
I. Intangible assets		
1) Start-up and improvement costs	0	0
2) Development costs	0	0
3) Industrial patent and intellectual property rights	159,834	478,064
4) Concessions, licenses, trademarks and similar rights	0	0
5) Goodwill	0	0
6) Investments in progress	1,098,109	955,717
7) Other fixed assets	2,569,772	1,650,806
Total	**3,827,715**	**3,084,587**
II. Tangible assets		
1) Land and buildings	3,515,794	3,515,794
2) Plant and machinery	0	0
3) Operating and sales equipment	2,914,765	1,068,138
4) Other assets	891,333	847,974
5) Investments in progress and payments on account	2,487,683	2,670,611
II.bis Transferable tangible assets		
1) Land and buildings	30,681,717	32,842,215
1-bis) Runways and land used for runways	361,824	381,926
2) Plant and machinery	6,155,047	6,133,874
3) Operating and sales equipment	0	0
4) Other assets	0	0
5) Investments in progress and payments on account	0	0
Total	**47,008,163**	**47,460,532**

2.1.1 BALANCE SHEET OF ASSETS	FINANCIAL STATEMENTS AS AT 31/12/2017	FINANCIAL STATEMENTS AS AT 31/12/2016
III. Financial assets		
1) Equity investments in:		
a) Subsidiary companies	8,943,098	8,954,098
b) Associated companies	0	0
c) Parent companies	0	0
d) Companies controlled by parent companies	0	0
d-bis) Other companies	0	0
2) Accounts receivable:		
a) From subsidiary companies:		
due within 12 months	0	0
due beyond 12 months	0	0
b) from associated companies:		
due within 12 months	0	43,200
due beyond 12 months	0	0
c) From parent companies:		
due within 12 months	0	0
due beyond 12 months	0	0
d) From companies controlled by parent companies:		
due within 12 months	0	0
due beyond 12 months	0	0
d-bis) From others:		
due within 12 months	0	0
due beyond 12 months	9,577	9,577
Total accounts receivable:		
due within 12 months	0	43,200
due beyond 12 months	9,577	9,577
3) Other credit instruments:		
due within 12 months	0	0
due beyond 12 months	0	0
4) Derivative financial instruments	0	0
Total	**8,952,675**	**9,006,875**
TOTAL FIXED ASSETS (B)	**59,788,553**	**59,551,994**

2.1.1 BALANCE SHEET OF ASSETS	FINANCIAL STATEMENTS AS AT 31/12/2017	FINANCIAL STATEMENTS AS AT 31/12/2016
C) CURRENT ASSETS		
I. Inventory		
1) Raw and ancillary materials and consumables	314,172	312,877
2) Products in process and semi-finished products	0	0
3) Orders in progress	0	0
4) Finished products and goods	0	0
5) Payments on account	0	0
Total	**314,172**	**312,877**
II. Accounts receivable		
1) Trade receivables:		
due within 12 months	13,400,151	11,494,592
due beyond 12 months	0	0
2) Receivables from subsidiary companies		
due within 12 months	326,833	702,233
due beyond 12 months	0	0
3) Receivables from associated companies:		
due within 12 months	0	0
due beyond 12 months	0	0
4) Receivables from parent companies:		
due within 12 months	0	0
due beyond 12 months	0	0
5) Receivables from companies controlled by the parent companies		
due within 12 months	0	0
due beyond 12 months	0	0
5-bis) Tax receivables:		
due within 12 months	1,359,735	1,034,489
due beyond 12 months	58,341	68,523
5-ter) Deferred tax assets:		
due within 12 months	0	0
due beyond 12 months	2,002,674	1,747,939
5-quater) Other receivables:		
due within 12 months	9,492,642	6,993,310
due beyond 12 months	133,788	56,080
Total accounts receivable:		
due within 12 months	**24,579,361**	**20,224,624**
due beyond 12 months	**2,194,803**	**1,872,542**
Total	**26,774,164**	**22,097,166**

2.1.1 BALANCE SHEET OF ASSETS	FINANCIAL STATEMENTS AS AT 31/12/2017	FINANCIAL STATEMENTS AS AT 31/12/2016
III. Financial assets other than fixed assets		
1) Investments in subsidiary companies	0	0
2) Investments in associated companies	0	0
3) Investments in parent companies	0	0
3-bis) Investments in companies controlled by parent companies	0	0
4) Other equity investments	0	0
5) Derivative financial instruments	0	0
6) Other credit instruments	0	0
Total	**0**	**0**
IV. Cash and cash equivalents		
1) Bank accounts	17,462,111	22,076,616
2) Cheques	8,000	8,000
3) Cash in hand	50,301	41,993
Total	**17,520,412**	**22,126,609**
TOTAL CURRENT ASSETS (C)	**44,608,748**	**44,536,652**
D) ACCRUED INCOME AND PREPAYMENTS		
Accrued income	0	399
Prepayments	170,596	372,275
TOTAL ACCRUED INCOME AND PREPAYMENTS (D)	**170,596**	**372,674**
TOTAL ASSETS	**104,567,897**	**104,461,320**

2.1.2 BALANCE SHEET OF LIABILITIES	FINANCIAL STATEMENTS AS AT 31/12/2017	FINANCIAL STATEMENTS AS AT 31/12/2016
A) SHAREHOLDERS' EQUITY		
I. Share capital	12,911,481	12,911,481
II. Share premium reserve	6,104,521	6,104,521
III. Revaluation reserve:		
- Revaluation reserve per Law 342/2000	7,362,627	7,362,627
IV. Legal reserve	2,582,296	2,582,296
V. Reserves established under the by-laws	0	0
VI. Other reserves, itemized:		
- Provision for extraordinary investment	4,906,340	4,906,340
- Extraordinary reserve	6,592,644	12,350,959
VII. Reserve for the hedging of expected cash flows:		
- Reserve for derivative financial instruments	(104,932)	(226,646)
VIII. Losses carried forward	0	0
IX. Profit (or Loss) of the year	**11,087,347**	**6,452,543**
X. Negative reserve for treasury shares	(4,823,612)	(4,823,612)
TOTAL SHAREHOLDERS' EQUITY (A)	**46,618,712**	**47,620,509**
B) PROVISIONS FOR LIABILITIES AND RISKS		
1) Pension and similar funds	0	0
2) Provision for taxes, including deferred taxes	0	0
3) Provision for loss on derivative financial instruments	104,932	226,646
4) Other provisions:		
- Provision for currency fluctuations	0	0
- Provision for future liabilities	4,502,085	5,046,875
- Provision for maintenance costs on leased assets	0	0
TOTAL PROVISIONS FOR LIABILITIES AND RISKS (B)	**4,607,017**	**5,273,521**
C) PROVISION FOR STAFF SEVERANCE PAY	2,291,722	2,323,955
TOTAL (C)	**2,291,722**	**2,323,955**

2.1.2 BALANCE SHEET OF LIABILITIES	FINANCIAL STATEMENTS AS AT 31/12/2017	FINANCIAL STATEMENTS AS AT 31/12/2016
D) ACCOUNTS PAYABLE		
1) Bonds:		
due within 12 months	0	0
due beyond 12 months	0	0
2) Convertible bonds:		
due within 12 months	0	0
due beyond 12 months	0	0
3) Shareholder loans:		
due within 12 months	0	0
due beyond 12 months	0	0
4) Accounts payable to banks:		
due within 12 months	1,500,000	1,500,000
due beyond 12 months	1,500,000	3,000,000
5) Accounts payable to other lenders:		
due within 12 months	0	0
due beyond 12 months	0	0
6) Payments on account:		
due within 12 months	0	0
due beyond 12 months	0	0
7) Trade payables:		
due within 12 months	16,984,351	14,900,166
due beyond 12 months	0	0
8) Payables in the form of credit instruments:		
due within 12 months	0	0
due beyond 12 months	0	0
9) Payables to subsidiary companies:		
due within 12 months	605,668	584,164
due beyond 12 months	0	0
10) Payables to associated companies:		
due within 12 months	0	6,100
due beyond 12 months	0	0

2.1.2 BALANCE SHEET OF LIABILITIES	FINANCIAL STATEMENTS AS AT 31/12/2017	FINANCIAL STATEMENTS AS AT 31/12/2016
11) Payables to parent companies:		
due within 12 months	936,523	0
due beyond 12 months	0	0
11-bis) Payables to companies controlled by the parent companies:		
due within 12 months	99,113	109,800
due beyond 12 months	0	0
12) Tax payables:		
due within 12 months	1,140,564	2,400,588
due beyond 12 months	0	0
13) Social security payables:		
due within 12 months	714,170	767,943
due beyond 12 months	0	0
14) Other payables:		
due within 12 months	18,751,267	16,513,707
due beyond 12 months	151,577	139,327
TOTAL:		
due within 12 months	**40,731,656**	**36,782,468**
due beyond 12 months	**1,651,577**	**3,139,327**
TOTAL ACCOUNTS PAYABLE (D)	**42,383,233**	**39,921,795**
E) ACCRUED EXPENSES AND DEFERRED INCOME		
Accrued expenses	1,763	0
Deferred income	8,665,450	9,321,540
TOTAL ACCRUED EXPENSES AND DEFERRED INCOME (E)	**8,667,213**	**9,321,540**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**104,567,897**	**104,461,320**

2.1.3 INCOME STATEMENT	FINANCIAL STATEMENTS AS AT 31/12/2017	FINANCIAL STATEMENTS AS AT 31/12/2016
A) PRODUCTION VALUE		
1) Revenues from sales and services	58,315,782	54,805,380
2) Variations in the inventory of in-process, semi-finished and finished products	0	0
3) Variations of orders in progress	0	0
4) Fixed assets developed internally	0	0
5) Other revenues and proceeds, with operating grants stated separately	4,482,610	2,561,004
TOTAL PRODUCTION VALUE (A)	**62,798,392**	**57,366,384**
B) PRODUCTION COSTS		
6) Cost of raw and ancillary materials, consumables and goods	1,633,852	1,411,595
7) Cost of services	23,300,723	22,363,096
8) Leasehold costs	2,646,236	1,965,835
9) Staff costs:		
a) salaries and wages	9,786,918	9,816,257
b) social security	2,786,174	2,842,876
c) severance pay	641,737	632,935
d) pensions and the like	0	0
e) other costs	198,991	202,070
Total staff costs	**13,413,820**	**13,494,138**
10) Amortisation, depreciation and write-downs:		
a) amortisation	1,176,945	2,086,822
b) depreciation	4,551,714	4,274,372
c) other write-downs of fixed assets	0	0
d) write-down of current receivables and of cash and equivalents	1,418,261	68,509
Total amortisation, depreciation and write-downs	**7,146,920**	**6,429,703**
11) Variations in the inventory of raw and maintenance materials, consumables and goods	(1,295)	(25,039)
12) Provisions for liabilities and risks	155,848	240,792
13) Other provisions	0	0
14) Miscellaneous operating costs	2,081,645	2,106,726
TOTAL PRODUCTION COSTS (B)	**50,377,749**	**47,986,846**
PRODUCTION VALUE LESS PRODUCTION COSTS (A-B)	**12,420,643**	**9,379,538**

2.1.3 INCOME STATEMENT	FINANCIAL STATEMENTS AS AT 31/12/2017	FINANCIAL STATEMENTS AS AT 31/12/2016
C) FINANCIAL INCOME (EXPENSE)		
15) Income from equity investments:		
- dividends and other proceeds from subsidiary companies	2,243,572	0
- dividends and other proceeds from associated companies	0	0
- dividends and other proceeds from parent companies	0	0
- dividends and other proceeds from companies controlled by parent companies	0	0
- dividends and other proceeds from others	0	0
16) Other financial income:		
a) on non-current receivables		
- subsidiary companies	0	0
- associated companies	0	0
- parent companies	0	0
- companies controlled by parent companies	0	0
- other	0	0
b) on securities recorded under fixed assets other than equity investments	0	0
c) on securities recorded under current assets other than equity investments	0	0
d) other income:		
- subsidiary companies	1	407
- associated companies	0	0
- parent companies	0	0
- companies controlled by parent companies	0	0
- other	22,250	24,324
Total	**2,265,823**	**24,731**
17) Interest and other financial expense:		
- subsidiary companies	0	0
- associated companies	0	0
- parent companies	0	0
- companies controlled by parent companies	0	0
- other	(150,931)	(209,153)
17-bis) Exchange gains (losses)	(303)	(472)
TOTAL FINANCIAL INCOME (EXPENSE) (C)	**2,114,589**	**(184,894)**

2.1.3 INCOME STATEMENT	FINANCIAL STATEMENTS AS AT 31/12/2017	FINANCIAL STATEMENTS AS AT 31/12/2016
D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS		
18) Revaluation:		
a) of equity investments	0	0
b) of financial assets other than equity investments	0	0
c) of securities recorded under current assets other than equity investments	0	0
d) of derivative financial instruments	0	0
19) Write-downs:		
a) of equity investments	0	0
b) of financial assets other than equity investments	0	0
c) of securities recorded under current assets other than equity investments	0	0
d) of derivative financial instruments	0	0
TOTAL ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS (D)	**0**	**0**
EBT (A-B+/-C+/-D)	**14,535,232**	**9,194,644**
20) Income taxes for the year:		
a) Current taxes	(3,702,621)	(2,599,398)
b) Deferred taxes:	254,736	(142,703)
21) PROFIT (LOSS) OF THE YEAR	**11,087,347**	**6,452,543**

We declare that the financial statements above match with the contents of the accounting books.

On behalf of the Board of Directors
The Chairman

2.1.4 STATEMENT OF CASH FLOW OF SAGAT S.p.A.	2017	2016
A) Cash flow from operations		
Profit (loss) of the year	11,087,347	6,452,543
Income taxes	3,447,885	2,742,101
Interest expense (income)	128,986	184,894
(Dividends)	(166,350)	0
(Gains) Losses on disposal of assets	(2,068,137)	(9,288)
1) Profit (loss) of the year before income taxes, interest, dividends and gains/losses on disposals	**12,429,730**	**9,370,250**
Adjustments to allow for non-cash items not affecting the net working capital:		
Amounts allocated to provisions	155,848	240,792
Amortization & depreciation	5,728,659	6,361,194
Write-downs for durable impairment of assets	316,450	351,858
Other increases (decreases) to allow for non-cash items	0	0
Total adjustments to allow for non-cash items not affecting the net working capital	**6,200,957**	**6,953,843**
2) Cash flow before net working capital variations	**18,630,687**	**16,324,093**
Net working capital variations:		
Decrease (increase) in inventory	(1,295)	(25,039)
Decrease (increase) in trade receivables	(1,905,559)	(1,915,246)
Increase (decrease) in trade payables	2,111,900	4,861,665
Decrease (increase) in accrued income and prepayments	202,078	273,519
Increase (decrease) in accrued expenses and deferred income	(654,327)	(673,188)
Other decreases (other increases) in the net working capital	(113,970)	1,650,263
Total variations of net working capital	**(361,173)**	**4,171,974**
3) Cash flow after net working capital variations	**18,269,513**	**20,496,068**
Other adjustments		
Interest income (expense)	(128,640)	(185,302)
(Income taxes paid)	(4,042,030)	(971,207)
Dividends collected	166,350	0
(Use of provisions)	(689,671)	(1,769,025)
Other amounts collected (disbursed)	0	0
Total other adjustments	**(4,693,991)**	**(2,925,534)**
CASH FLOW FROM OPERATIONS (A)	**13,575,522**	**17,570,534**

2.1.4 STATEMENT OF CASH FLOW OF SAGAT S.p.A.	2017	2016
B) Cash flow generated from investments		
Tangible assets:		
(Cash flow from investments)	(4,531,983)	(2,582,108)
Cash flow from divestments	29,110	9,288
Intangible assets:		
(Cash flow from investments)	(1,869,794)	(2,012,665)
Cash flow from divestments	0	0
Financial assets:		
(Cash flow from investments)	0	(40,300)
Cash flow from divestments	2,005,000	203,500
Current financial assets:		
(Cash flow from investments)	0	0
Cash flow from divestments	0	0
Acquisition or disposal of subsidiaries or business lines, net of cash and cash equivalents	0	0
CASH FLOW GENERATED FROM INVESTMENTS (B)	**(4,367,667)**	**(4,422,285)**
C) Cash flow generated from financing		
Third-party resources:		
Increase (decrease) in short-term bank borrowing	0	0
New loans	0	0
(Repayment of loans)	(1,500,000)	(1,500,000)
Own resources:		
Paid-in capital increase	0	0
Refund of paid-in capital increase	0	0
Sale (purchase) of treasury shares	0	0
Dividends paid and payments on account on dividends	(12,314,052)	(1,898,586)
CASH FLOW GENERATED FROM FINANCING (C)	**(13,814,052)**	**(3,398,586)**
INCREASE (DECREASE) IN CASH AND EQUIVALENTS (A ± B ± C)	**(4,606,197)**	**9,749,662**
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	**22,126,609**	**12,376,947**
CASH AND EQUIVALENTS AT END OF YEAR	**17,520,412**	**22,126,609**

2.2 NOTES TO THE FINANCIAL STATEMENTS OF SAGAT S.p.A.

2.2.1 INTRODUCTION

FINANCIAL STATEMENTS – INTRODUCTION

The financial statements are made up of the balance sheet, the income statement and these Notes (art. 2423 (1) of the Civil Code). The tables annexed to the Notes are a material part of the notes and of the financial statements themselves.
The Company prepares the consolidated financial statements pursuant to Legislative Decree 127 of 09/04/91.
The Company's financial statements and the consolidated financial statements were audited pursuant to article 2409 bis of the Civil Code by the independent auditors Deloitte & Touche S.p.A.

2.2.2 GENERAL PRINCIPLES

1. These financial statements were prepared in a clear form in order to provide a faithful and accurate picture of the Company's financial position and standing, as well as of its operating result (art. 2423 (2) of the Civil Code). In particular, the drafting of these financial statements complies with art. 2423 et seq. of the Civil Code and takes into account the Italian accounting standards issued by the National Committees of Tax Consultants and Professional Accountants and, where appropriate, of compatible international accounting standards.

2. The mandatory disclosures as per the laws governing the preparation of financial statements were deemed sufficient to provide a faithful and accurate presentation. However, additional information was presented as regarded appropriate for a more complete and detailed information.
   In particular, these include, in the Directors' Report:
   - statement of cash flow, variation of net working capital and net financial position;
   - analysis of the balance sheet by financial criteria;
   - additional relevant information based on the characteristics and size of the company (art. 2423 (3) of the Civil Code).

3. The true and accurate presentation of the financial position and standing and of the operating result was given without any deviation from the principles described above, because no exceptional circumstance of incompatibility occurred, requiring us to avail ourselves of the provisions in art. 2423 (4) of the Civil Code.

4. The financial statements are stated in Euro; the figures in these Notes are in Euro thousand, except as otherwise indicated (art. 2423 (5) of the Civil Code).

2.2.3 DRAFTING PRINCIPLES

The drafting of the financial statements follows the principles described below.

1. Financial statement items were valued according to the principle of conservatism and going concern, also taking into account the substantiveness of each transaction or agreement (art. 2423-bis (1.1) of the Civil Code).

2. Only the profits realised as at the closing date of the reference year are shown (art. 2423-bis (1.2) of the Civil Code).

3. The income and costs accruing in the year were taken into account, regardless of when collected or disbursed (art. 2423-bis (1.3) of the Civil Code). The costs related to the income recorded for the year were considered as accruing in the year.

4. The risks and losses accruing in the year were taken into account, even where known after year-end (art. 2423-bis (1.4) of the Civil Code). Non-comparable elements included in each item were valued separately (art. 2423-bis (1.5) of the Civil Code).

5. In compliance with art. 2423-ter of the Civil Code, all financial statement items are comparable.

6. The criteria followed for the composition of the balance sheet and Income statement are those described below:

   6.a the items provided for in articles 2424 and 2425 of the Civil Code, even when amounting to nil, were recorded separately and in the order indicated (art. 2423-ter (1) of the Civil Code);
   6.b. the items preceded by Arab numerals were further broken down where required by the accounting standards or deemed appropriate for the sake of clarity;
   6.c. in connection with the nature of the business carried out by the company, the following captions were added to the assets section of the balance sheet: B.II.bis, referring to assets that will become freely transferable upon expiration of the concession, and B.II bis 1 bis), referring to runways and land used for runways, previously recorded under caption B.II.2);
   6.d. the items preceded by Arab numerals were not adjusted, there being no need for it considering the nature of the company's business (art. 2423-ter (4) of the Civil Code);
   6.e. for each item in the balance sheet and income statement, the corresponding item from the prior year is also shown;
   6.f. no offsetting of entries was made (art. 2423-ter (6) of the Civil Code).

7. There are no assets or liabilities items falling under multiple captions (art. 2424 (2) of the Civil Code).

2.2.4 CRITERIA FOLLOWED IN ITEM VALUATION, VALUE ADJUSTMENT AND FOREIGN CURRENCY TRANSLATION.

The valuation principles followed in the preparation of the consolidated financial statements as at 31 December 2016 in accordance with art. 2426 of the Civil Code and with the above-referred accounting standards are described below.

FIXED ASSETS

The assets intended for durable use were recorded under fixed assets.

Intangible assets

Intangible assets were valued at purchase or production cost, inclusive of ancillary costs, and amortised on a straight-line basis year after year, according to their residual useful life. The amortisation schedule, drafted by the principle explained above, is shown below.

INTANGIBLE ASSETS	
Type of asset	**Amortisation rate**
Industrial patent and intellectual property rights	33%
Other intangible fixed assets	according to their estimated residual useful life

The amortisation criteria and rates were the same applied in the prior year (art. 2426 (1.2) of the Civil Code).
At year-end, there were no intangible assets with a value permanently lower than their purchase cost inclusive of ancillary costs, after amortisation; therefore, there was no need to write down any asset (art. 2426 (1.3) of the Civil Code).

Tangible assets

Tangible assets were valued at purchase or production cost, inclusive of ancillary costs, except the assets subject to revaluation pursuant to Law 72/83 and to Law 342/2000.
The cost of the assets includes the interest expense incurred for the making of the assets until ready for use, for the portion reasonably attributable to the assets. The amount of interest expense recorded under balance sheet assets is shown in Part IV of these Notes (art. 2427 (1.8) of the Civil Code).
The cost of the tangible assets of limited duration is depreciated on a straight-line basis according to their residual useful life.

The depreciation schedule, drafted by the principles explained above, is shown below:

TANGIBLE ASSETS	
Type of asset	**Amortisation rate**
Buildings and related roads	4%
Aircraft runways and aprons	5.26%
Flight assistance systems	31.5%
Other systems	10%
Ramp and runway equipment	31.5%
Other equipment	20%
Special-purpose equipment	12.5%
Prefabricated structures	10%
Cars	25%
Cargo vehicles	20%
Furniture and fittings	12%
Electric and electronic equipment	20%
Other tangible assets	20%
Minor tangible assets	100%

In previous years, for certain categories of assets, where required due to their particular obsolescence, the rates above were doubled in the first three year of use of the assets.
For the assets that started being used in the reference year, the rates were halved in order to take

account, on a flat basis, of their reduced use.

At year-end, there were no tangible assets, according to the Company's plans, with a value permanently lower than their purchase cost (revalued as appropriate) inclusive of ancillary costs, after depreciation (art. 2426 (1.3) of the Civil Code).
Please note that, as a consequence of the amendment to art. 104 of the Income Tax Code ("TUIR") introduced by Decree Law 669 of 31/12/1996, whereby depreciation over concession length is only allowed alternatively (and no longer in addition) to conventional depreciation over useful life, the Company had decided to adopt conventional depreciation in previous years, deducting from the historical cost of each asset the respective concession-based accumulated depreciation, except for the category "runways and aprons".
Routine maintenance and repair costs are recorded directly in the Income statement for the year in which they are incurred, while the costs that add value to the assets are capitalised.

FINANCIAL ASSETS

Equity and other financial investments are long-term investments and are recorded at purchase or subscription cost.
If a subsidiary suffers a presumably durable loss, its carrying value is written down accordingly.
If the reasons for such write-down cease to exist in subsequent years, then the original value is reinstated.
Treasury shares are shown, at a value corresponding to the relevant purchase cost, in the negative equity reserve for treasury stock.
Non-current receivables were subject to the evaluation of the applicability of the amortized cost method as defined by art. 2426 of the Civil Code, taking however into account time and presumable realization value, in accordance with art. 2426 (1.8) of the Civil Code.
A verification of the relevance of the amortized cost method was made for all the receivables recorded under fixed assets. In other words, if the transaction costs, the fees paid as between the parties, and any other difference between original value and value at expiration have scarce relevance, or if the receivables are short-term ones (i.e. are due before 12 months), the amortized cost method is irrelevant.

INVENTORY

The inventory of raw and ancillary materials, consumables and goods is recorded at purchase cost, inclusive of ancillary costs. Such cost was calculated —as in previous years— by the weighted average method.
The assets that do not appear to be actually eligible for use in the production process were recorded at realisation value, if lower than the purchase cost.
In any case, the value at which inventory items are recorded does not exceed their market value, taking into account the usefulness/instrumentality of the assets within the production process.
The value of fungible assets does not differ significantly from the costs current as at year-end.

ACCOUNTS RECEIVABLE

Non-current receivables were subject to the evaluation of the applicability of the amortized cost method as defined by art. 2426 of the Civil Code, taking however into account time and presumable realization value, in accordance with art. 2426 (1. 8) of the Civil Code, after value adjustments and after making allocations to the provision for bad debts in an amount deemed consistent with the risk of non-collection of the total of trade receivables taken as a whole.
A verification of the relevance of the amortized cost method was made for all the accounts receivable. In other words, if the transaction costs, the fees paid as between the parties, and any other difference between original value and value at expiration have scarce relevance, or if the receivables are short-term ones (i.e. are due before 12 months), the amortized cost method is irrelevant.

The accounts receivable on interest in arrears were written off in the years in which they have

respectively accrued.
There are no accounts receivable for which collection terms were contractually postponed and that should therefore be written down and adjusted to current rates, in accordance with accounting standards.

CASH AND CASH EQUIVALENTS

These are recorded at face value.

ACCRUALS AND DEFERRALS

Accrual and deferral items in both the assets and liabilities section include the income or costs accruing in the year but to be collected or disbursed in future years, and the costs or income incurred or collected before year-end but accruing in future years. These captions only include portions of costs and income in common to two or more years, the amount of which varies in time.

PROVISIONS FOR LIABILITIES AND RISKS

The provisions for liabilities and risks include solely the amounts allocated in order to cover losses or payables of probable or certain occurrence, the amount or exact date of occurrence of which was however uncertain at year-end.

PROVISION FOR STAFF SEVERANCE PAY

Law no. 296 passed on 27 December 2006 (2007 Finance Act) introduced new rules for the employees' severance pay ("TFR") accumulated effective from 1 January 2007.
As a consequence of the pension reform:

- the portions of TFR accrued as until 31/12/2006 remain with the Company;
- the portions of TFR accrued effective from 1 January 2007, at each employee's individual option based on express or tacit subscription, were either:
  a) contributed to pension funds;
  b) kept with the Company, that transferred the portions of TFR to the Treasury Fund created by INPS, the Italian social security institution.

The portions accrued in the reference year since 1st January 2007 are still shown in caption B.9 c) of the income statement, “Staff severance pay”.
Caption C in the balance sheet, “Provision for staff severance pay”, shows the residual amount of the provision as at 31 December of he current year; captions D.13, “Social security payables” and D.14, “Other payables” show the accounts payable as at 31 December for portions of TFR still to be contributed to the Treasury Fund of INPS and to pension funds.

ACCOUNTS PAYABLE

The accounts payable recorded in the liabilities section were subject to the evaluation of the applicability of the amortized cost method as defined by art. 2426 of the Civil Code, taking however into account time and presumable realization value, in accordance with art. 2426 (1.8) of the Civil Code.
A verification of the relevance of the amortized cost method was made for all the accounts payable. In other words, if the transaction costs, the fees paid as between the parties, and any other difference between original value and value at expiration have scarce relevance, or if the receivables are short-term ones (i.e. are due before 12 months), the amortized cost method is irrelevant. These are recorded at face value.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are financial assets and liabilities carried at fair value.
Derivatives are classified as hedging instruments only if there is a strict and documented correlation, upon hedge inception, between the features of the item hedged and those of the hedging instrument, if such correlation is based on formal documentary evidence and if hedge effectiveness —which is subject to regular checks— is high.

The effective portion of the gains or losses arising from derivatives used to protect from interest rate fluctuation risks is suspended in the shareholders' equity. The ineffective portion of the gains and losses associated to a hedging instrument is released to the income statement. When the hedging transaction materializes, the cumulated gains and losses that up to that moment had been recorded in the shareholders' equity are released to the income statement (by adjustment of, or addition to, the Income statement items affected by the cash flows being hedged).

MEMORANDUM ACCOUNTS

The risks that are likely to arise are described in the Notes and covered by specific provisions.
The risks that might give rise to a liability are described in the Notes, but no specific allocation is made to the provisions for risks.

Commitments are shown at their contractual value, while guarantees are recorded according to the existing risk at year-end; both are detailed in the Notes.

REVENUES AND EXPENSES

Revenues, expenses and other income and costs were recognised according to the principles of conservatism and accrual, after deduction of discounts, allowances, incentives and facilitations. The earnings from services were recognised when the corresponding services were rendered.

GRANTS

Grants are recorded in the income statement under the caption “Other income and proceeds” in the year where reasonable certainty arises that the Company is entitled to receive them, and posted as deferred income accruing in future years; at the end of each year, such deferred income is reduced and reversed to the income statement, at the same rate used for the amortisation or depreciation of the asset that the grant refers to.

DIVIDENDS

The dividends paid by the subsidiaries are recorded in the year when the relevant profit accrues if the Board of the subsidiary company proposes their distribution before the Board of the parent company approves the draft financial statements. Dividends are recorded as financial proceeds, regardless of the nature of the reserves being distributed.

INCOME TAXES

The corporate income taxes ("IRES" and "IRAP") payable, shown in line E.20, are calculated in accordance with tax regulations on the basis of the estimated taxable income.

As from 2017, the Company has agreed to the group policy governing the enforcement of the National Tax Consolidation rules set forth in art. 117 et seq. of the Income Tax Act ("TUIR"), also followed by the subsidiary companies SAGAT Handling S.p.A., Aeroporti Holding S.r.l., GESAC S.p.A., Software Design S.p.A. and 2i S.A.C. (fomerly F2i SAC S.p.A.) whose parent company is 2i Aeroporti S.p.A..
The option for National Tax Consolidation for the three-year period 2017-2019 was exercised by the Company in order to make use of the benefits that the law establishes for such profile, including the possibility for the parent company to offset the results of each consolidated company.
The notice of extension of the option pursuant to art. 5 (1) of the decree of the Ministry of Economy and Finance of 9 June 2004 was submitted online on 31 October 2017 by 2i Aeroporti S.p.A. to the Revenue Office.
The following are the main points of the above-referred group policy: a) if, and insofar as, in any tax year in which the option for group taxation applies, one party brings to consolidation, pursuant to art. 96 (7) of the TUIR, interest and similar financial expense in excess, that party is entitled to a compensation in the same amount; b) if the taxable income of the subsidiary, net of tax losses pursuant to art. 84 of the TUIR arising before the start of tax consolidation, is positive, that consolidated company will pay to the holding company an amount equal to the corresponding net

tax due, calculated as if the tax consolidation option did not apply; c) if the taxable income of the subsidiary in one or more tax years included in the consolidation option term is negative, the holding company will pay to the subsidiaries an amount equal to either: 1) the tax savings actually realised by using such tax losses, or 2) the receivables due to the subsidiaries on the excess amounts brought to consolidation as per b) above; d) if one of the parties brings to consolidation interest in excess, the holding company will deduct that excess, subject to the applicable limits, from the aggregate income; e) in the case of d) above, the party that has brought the excess interest to consolidation will receive a compensation equal to 100% of the notional IRES calculated by applying to the consolidated excess the IRES rate in force when such excess is used.
The adoption of tax consolidation allows the parent company 2i Aeroporti S.p.A. to aggregate the positive or negative taxable bases of the parent company and of the resident consolidated companies that also exercised the option. The taxable income and losses of the companies included in the consolidation are assumed in their entire amount, regardless of the share of interest attributed to the consolidating company (line by line consolidation method). The consolidating company is liable for determining the aggregate income tax and for the payment of the relevant advances and balance to the Revenue Office. However, the consolidated companies remain individual taxpayers.

The accounting standards characterizing tax consolidation are reported below, insofar as they apply:

<u>Current taxes</u>
The taxes accruing in the year are recorded in the income statement under "Current taxes for the year" and the relevant liability (or credit) is recorded in the balance sheet under the “Accounts Payable (or Receivable) to (or from) the parent company”. Those consolidation adjustments that generate benefits in the consolidated tax return are recorded in the income statement under "Tax gains from consolidated taxation", classified as "Current taxes for the year" with a contra entry in the balance sheet, under "Accounts receivable from the parent company".

<u>Deferred taxes</u>
Deferred corporate income tax ("IRES") assets and the provision for deferred IRES liabilities for both the consolidating and the consolidated companies arising from transactions occurred in the year during which the option is effective remain in the assets of the company that generated them. Therefore, as long as the tax consolidation regime applies, they are not recorded in the financial statements of the consolidating company. The compliance with the requirements for recording deferred taxes is assessed with reference to the expected future taxable income of the companies included in the consolidation. Otherwise, if deferred tax assets or liabilities arise from transactions occurred outside the period of effectiveness of the consolidation regime, they are assessed with reference to the specific position of the company concerned.
The Company has recorded deferred taxes according to the temporary differences in the taxable base arisen during the course of the year. In particular, the deductible temporary differences arising from negative income components to be deducted totally or partially in future years will generate deferred tax assets, recorded under caption C.II.5-ter of the assets section, while the temporary differences arising from positive income components to be taxed in years subsequent to the reference one, or from negative income components deducted in a year preceding the one in which they were recorded in the income statement, will generate deferred tax liabilities, recorded under caption B.2 of the liabilities section. Deferred taxes are calculated at the tax rates currently in force and taking into account the tax rates expected in future years.
The amount shown under the caption “Income taxes for the year” is the result of the algebraic sum of current and deferred taxes, so as to represent the actual tax burden pertaining to the reference year.
No deferred tax assets that cannot be reasonably expected to be recovered in the future were recorded. Similarly, no deferred tax liabilities that are unlikely to arise were recorded.
The description of the temporary differences that led to recording deferred tax assets and liabilities,

the indication of their rates and of the differences compared to the prior year, of the amounts recorded in the income statement and as equity components, as well as of the prepaid taxes recorded with respect to losses, are shown in the tables commenting the deferred tax assets and liabilities for the year in the paragraph dedicated to the "Income taxes for the year" (art. 2427 (1.14) of the Civil Code).

Remuneration of economic benefits in favour of the consolidated companies
The remuneration of the taxable losses of the companies included in the consolidation is recognized at the moment when those losses are actually used in the consolidation (and are therefore not subject to the earning of future taxable profits by each consolidated company), at the IRES rate applicable in the tax year when the taxable loss is deducted from the consolidated taxable income. The economic benefits arising from the consolidation adjustments made by the consolidating company but pertaining to a consolidated company are remunerated in favour of such consolidated company.

PRINCIPLES FOR THE TRANSLATION OF ITEMS STATED IN FOREIGN CURRENCIES

Any assets and liabilities other than non-monetary fixed assets are recorded at the exchange rate in force as of year-end; any net gains are allocated to a specific non-distributable reserve at the moment of calculating the operating result.

2.2.5 BALANCE SHEET DETAILS

The additional information to be disclosed under articles 2426 and 2427 of the Civil Code, and any information required under art. 2423 (3) of the Civil Code, are given in the same order as in mandatory financial statements patterns.

BALANCE SHEET - ASSETS

INTANGIBLE ASSETS

These are the costs of permanent, non-tangible production factors, after deduction of the relevant amortisation. They relate to permanent ownership and utilisation rights (or similar) or concession rights, to improvements made to leased assets, or to outstanding costs that will affect future years.
Intangible assets, totalling €3,828 thousand, have decreased on aggregate by €743 thousand in the year.

The summary table below reports a detailed description of the variations in the various intangible assets components occurred during the year.

	Start up and improvement costs	Development costs	Industrial patent and intellectual property rights	Concessions, licenses, trademarks and similar rights	Goodwill	Investments in progress and payments on account	Other intangible fixed assets	Total intangible assets
Amount at beginning of year								
Cost	0	0	478,064	0	0	955,717	1,650,806	3,084,587
Revaluation								
Amortisation (Amortisation provision)								
Write-downs								
Amount carried	**0**	**0**	**478,064**	**0**	**0**	**955,717**	**1,650,806**	**3,084,587**
Variations during the year								
New acquisitions	0	0	73,042	0	0	159,893	1,636,860	1,869,794
Reclassifications (of carrying value)	0	0	0	0	0	(17,500)	67,778	50,278
Decreases due to sales and divestments (of carrying value)								
Economic revaluation in the reference year								
Amortisation in the year	0	0	391,271	0	0	0	785,673	1,176,945
Write-downs in the reference year								
Other variations								
Total variations	0	0	(318,230)	0	0	142,393	918,965	743,128
Balance at end of year								
Cost	0	0	551,105	0	0	1,098,110	3,355,445	5,004,660
Revaluation								
Amortisation (Amortisation provision)	0	0	391,271	0	0	0	785,673	1,176,945
Write-downs								
Amount carried	**0**	**0**	**159,834**	**0**	**0**	**1,098,110**	**2,569,771**	**3,827,715**

The decrease shown in caption B.I.3, "Industrial patent and intellectual property rights", relates to the higher value of the amortisation made in the year (€391 thousand), compared to the purchase and installation of new software during the year (€73 thousand).
The caption "Investments in progress and payments on account" (B.I.6) has increased by €143 thousand compared to the prior year, mostly due to the project for digital development and innovation at the Airport, as described in detail in the Directors' Report section on investments.
The caption "Other assets" (B.I.7) has increased by €919 thousand. The most significant investments relate to the remake of the asphalt concrete pavement of the shoulder on the west side of the runway between junctions C-D, D-E, E-F and F-G, the redesigning of the areas next to taxiway Golf. Among the works inside the passenger terminal, there are the architectural renovation of the Boarding Hall North, that included the replacement of false ceiling and the creation of new retail spaces.
The aggregate amortisation of the "Other assets", which includes improvements to and investments in assets held on lease by the Company, amounts to €786 thousand.

TANGIBLE ASSETS

Tangible assets include the costs (revalued as applicable) of permanent production factors represented by capital equipment owned by the Company, including those that will be returned upon expiration of the concession, characterised by the dual requirement of long useful life and tangible nature, shown after deduction of depreciation, including concession-based depreciation.

Tangible assets amount in total to €47,008 thousand and have decreased on aggregate by €452 thousand in the year.

The summary table below reports a detailed description of the variations in the various tangible assets components occurred during the year.

	Land and buildings	Plant and machinery	Operating and sales equipment	Other tangible assets	Investments in progress and payments on account	Total tangible assets
Amount at beginning of year						
Cost	86,188,489	68,811,159	13,688,465	29,109,111	2,670,611	200,467,835
Revaluation						
Depreciation (Depreciation provision)	49,448,554	62,677,286	12,620,327	28,261,137	0	153,007,304
Write-downs						
Amount carried	**36,739,935**	**6,133,873**	**1,068,138**	**847,974**	**2,670,611**	**47,460,531**
Variations during the year						
New acquisitions	77,971	1,132,079	2,600,788	473,466	247,679	4,531,983
Reclassifications (of carrying value)	0	36,165	0	0	(86,443)	(50,278)
Decreases due to sales and divestments (of carrying value)	0	0	(4,575)	(33,620)	0	(38,195)
Economic revaluation in the reference year						
Depreciation in the year	2,258,570	1,147,071	749,586	396,487	0	4,551,714
Write-downs in the reference year						
Other variations	0	0	(9,150)	(67,240)	(344,164)	(420,554)
Total variations	(2,180,600)	21,173	1,846,627	43,359	(182,928)	(452,368)
Balance at end of year						
Cost	86,266,459	69,979,404	15,517,868	29,369,826	2,487,683	203,621,240
Revaluation						
Depreciation (Depreciation provision)	51,707,124	63,824,357	12,603,103	28,478,493	0	156,613,077
Write-downs						
Amount carried	**34,559,335**	**6,155,046**	**2,914,765**	**891,333**	**2,487,683**	**47,008,163**

Captions B.II.1, B.II.bis and 1 bis) – “Land and buildings” - includes freely transferable assets in the amount (post-depreciation) of €34,559 thousand, of which €362 thousand relate to runways and land used for runways. The caption "Plant and machinery", is entirely composed of freely transferable assets and amounts (post-depreciation) to €6,155 thousand as at 31 December 2017. The caption “Operating and sales equipment” (B.II.bis 1 and 1 bis) has decreased on aggregate by €2,181 thousand, due to purchases (€78 thousand) and annual depreciation (€2,259 thousand). No obsolete assets were disposed of during the year.

The caption "Plant and machinery" (B.II.bis 2) has increased on aggregate by €21 thousand, due to purchases (€1,132 thousand), capitalisation of the value of plant that started operating during the year and previously recorded as investments in progress (€36 thousand). Depreciation in the

year amounts to €1,147 thousand. In particular, the increases relate to the renovation of the Boarding Hall North, that included the replacement of lighting structures and common service systems (€146 thousand in total) and revamping interventions on boarding bridges (€88 thousand), plus works at existing systems and arrangement of new retail spaces in the Passenger Terminal (€141 thousand) and construction of a new transit pathway in the mezzanine (€62 thousand).
No obsolete assets were disposed of during the year.

The caption “Operating and sales equipment” (B.II.3) has increased on aggregate by €1,847 thousand, due to purchases (€2,601 thousand) and annual depreciation (€750 thousand). It includes in particular the supply and installation of x-ray equipment for hand luggage controls (€936 thousand), ETD explosive detection equipment (€193 thousand) and the purchase of snow plows (€1,140 thousand).
Obsolete assets were disposed of during the year for a value of €771 thousand.

The caption “Other assets” (B.II.4) has increased on aggregate by €43 thousand, due to depreciation (€396 thousand) and purchases (€473 thousand). The most significant increase relates to the purchase of gate reader devices (€41 thousand) and of two ambulift vehicles and a fork-lift (€132 thousand).
Obsolete assets were dismissed in the year for a total value of €212 thousand.

The caption “Investments in progress and payments on account” (B.II.5) has decreased by €183 thousand after the variations described above and the removal of assets recorded in previous year that did not come into use (€316 thousand).

The balance of the revaluation applied pursuant to Law 72 of 19/3/1983 (€566 thousand) and to Law 342 of 21/11/2000 (€8,423 thousand) has not changed compared to the prior year. The details of the revaluation applied are shown in the table below:

	Statutory revaluation	Economic revaluation	Total revaluation
Land and buildings	282,000	0	282,000
Plant and machinery	6,567,000	0	6,567,000
Operating and sales equipment	182,000	0	182,000
Other assets	1,958,000	0	1,958,000
Total	**8,989,000**	**0**	**8,989,000**

FINANCIAL ASSETS

These are the costs of long-term financial investments.

Equity investments are recorded at purchase cost in the total amount of €8,943 thousand and have decreased by €11 thousand compared to the prior year. The decrease reflects the completion of the voluntary liquidation of the subsidiary SAGAT Engineering.

The holdings in the subsidiaries SAGAT Handling and Aeroporti Holding are valued at the respective purchase cost.
Equity investments are recorded at a value not exceeding the share of equity as resulting from the latest financial statements.

There were no changes in the caption "Investments in associated companies", that since 2015 have been affected by the write-down of the entire holding in Air Cargo Torino S.r.l., that entered liquidation procedure on 9 September 2015. The liquidation procedure was closed on 28 December 2017.

The details of the investments in subsidiary, associated and other companies are summarised in the table below, prepared under art. 2427 (1.2).

	Investments in subsidiary companies	Investments in associated companies	Investments in parent companies	Investments in companies controlled by the parent companies	Investments in other companies	Total equity investments	Other credit instruments	Derivative financial instruments
Amount at beginning of year	8,954,098					8,954,098		
Cost								
Revaluation								
Write-downs								
Amount carried	8,954,098					8,954,098		
Variations during the year								
New acquisitions								
Reclassifications								
Disposals								
Revaluation								
Write-downs								
Other variations	(11,000)					(11,000)		
Total variations	(11,000)					(11,000)		
Balance at end of year	8,943,098					8,943,098		
Cost								
Revaluation								
Write-downs								
Amount carried	8,943,098					8,943,098		

Also, please note that the Company holds 74,178 treasury shares; after the coming into force of

Legislative Decree 139/15 on 1 January 2016, in enforcement of Directive 2013/34 on annual financial statements, consolidated financial statements and related reports, the Company had already removed their book value from the fixed assets.

Those shares had been acquired by the Company by resolution of the General Meeting on 10/12/2002, that authorised the purchase of a maximum of 58,400 treasury shares, entirely freed up. The company made such purchase on 14 March 2003. The value of the shares held had reached €4,824 thousand in 2008, after the closing of the stock option plan addressed to the Company's managers.

List of investments in subsidiary companies

Below are the details of the holdings in associated companies, pursuant to art. 2427 (1.5) of the

Civil Code.

Name	Aeroporti Holding S.r.l.	SAGAT Handling S.p.A.	Total
Town or foreign State	Italy	Italy	
Taxpayer ID (for Italian companies)	8704390015	5025470013	
Share capital in Euro	11,000,000	3,900,000	
Profit (Loss) of last financial year in Euro	549,605	33,209	
Shareholders' equity in Euro	18,062,753	3,130,598	
Share held in Euro	10,015,797	3,130,598	
Share held in %	55.45%	100%	
Value carried or corresponding creditor amount	6,099,500	2,843,598	**8,943,098**

List of investments in associated companies

Pursuant to art. 2427 (1.5) of the Civil Code, the Company has no holdings in associated companies.

Long-term receivables amount to €10 thousand in total and have decreased by €43 thousand compared to the prior year. For a review of the variations and maturity of these receivables, please see the table below, prepared in accordance with art. 2427 (1.2) and (1.6) of the Civil Code:

	Noncurrent receivables from subsidiary companies	Noncurrent receivables from associated companies	Noncurrent receivables from parent companies	Payables to companies controlled by the parent companies	Noncurrent receivables from others	Total noncurrent receivables
Amount at beginning of year	0	43,200	0	0	9,577	52,777
Variations during the year	0	(43,200)	0	0	0	(43,200)
Balance at end of year	0	0	0	0	9,577	9,577
Portion due before year-end	0	0	0	0	0	0
Portion due after year-end	0	0	0	0	9,577	9,577
Of these, due beyond 5 years	0	0	0	0	0	0

The €43 thousand decrease of noncurrent receivables from associated companies recorded during the year is due to the already mentioned completion of the liquidation of the associated company Air Cargo Torino.

Noncurrent receivables - Breakdown by territory

Below are the details of the breakdown of noncurrent receivables by territory, pursuant to art. 2427 (1.6) of the Civil Code:

Noncurrent receivables by territory		1	Total
	Territory	Italy	
	Noncurrent receivables from subsidiary companies	0	0
	Noncurrent receivables from associated companies	0	0
	Noncurrent receivables from parent companies	0	0
	Noncurrent receivables from companies controlled by parent companies	0	0
	Noncurrent receivables from others	9,577	9,577
	Total noncurrent receivables	**9,577**	**9,577**

Value of financial assets

The details of the value of financial assets is shown below pursuant to art. 2427 bis (1.2) of the Civil Code:

	Receivables from others
Book value	9,577
Fair value	9,577

The details of the value of noncurrent receivables from others is shown below pursuant to art. 2427 bis (1.2) of the Civil Code:

	Description	1 Cash deposits	2 Cash deposits to vendors	Total
Details of receivables from others	Book value	8,107	1,470	9,577
	Fair value	8,107	1,470	9,577

CURRENT ASSETS

INVENTORY

The inventory, totalling €314 thousand, refers basically to raw and ancillary materials, consumables and maintenance materials. The item has increased by €1,295 thousand compared to the prior year.
At year-end, the inventory did not include any component that might be expected to be realised at a lower price than the respective inventory value.

The breakdown and variation of individual components are shown below:

	Raw and maintenance materials, consumables	Products in process and semi-finished products	Orders in progress	Finished products and goods	Payments on account (made)	Total inventory
Amount at beginning of year	312,877	0	0	0	0	312,877
Variations during the year	1,295	0	0	0	0	1,295
Balance at end of year	314,172	0	0	0	0	314,172

ACCOUNTS RECEIVABLE

These are recorded for a total of €26,774 thousand, compared to €22,097 thousand in the previous year. The total relates mostly to customers based in Italy or in the European Union.

The caption "Accounts receivable from customers" has increased from €11,495 thousand as of 31/12/2016 to €13,400 thousand as of 31/12/2017 (+€1,905 thousand). The increase essentially reflects the increase in the sales volume by more than 6 percentage points, as well as the prolonged payment terms established for the time being by one major customer of the Company. The recovery of normal payment deadlines with this particular customer is expected by the end of the next year, according to a payment schedule agreed upon with the carrier in question.

The caption includes accounts receivable at a face value of €16,386 thousand net of write-downs (€2,986 thousand) related to the provision for bad debts.
During the year the provision for bad debts increased by €1,364 thousand due to releases to the income statement of amounts allocated in the past and no longer necessary (€54 thousand) and adjustments based on actual needs (€1,418 thousand). In detail, the allocation made at the end of 2017 provides for the amounts deemed necessary to cover the expenses related to the well-known vicissitudes of the carrier Alitalia Società Aerea Italiana S.p.A. presently under extraordinary administration procedure.
Therefore, the total value of the provisions for bad debts and credit risk is sufficient to cover the risks of non-collection of the accounts receivable existing at year-end. In any case, SAGAT has taken all the necessary measures to have its creditor positions recognised and to protect its rights. For more details please refer to the section in the Director's Report on controversies.

The caption "Accounts receivable from subsidiary companies", €327 thousand, has decreased by €375 thousand compared to the prior year.
The item is composed entirely of receivables due within 12 months. The significant decrease compared to the prior year is basically due to the entire repayment by the subsidiary Aeroporti Holding of the €200 thousand loan received by the latter in past years, and to the ordinary creditor/debtor relationships with the subsidiary SAGAT Handling.
The details of these receivables are shown in the table below, stated in thousands of Euro:

Accounts receivable from subsidiary companies	31/12/2017	31/12/2016
Aeroporti Holding S.r.l.	28	215
SAGAT Handling S.p.A.	299	487
Total	**327**	**702**

The tax receivables recorded amount to €1,418 thousand, increasing by €315 thousand compared to the €1,103 thousand recorded as at 31/12/2016.
Of these receivables, €58 thousand are due beyond 12 months as detailed in the table below (thousands of Euro):

Specification	Value as at 31/12/2017	Value as at 31/12/2016
IRES receivables	30	30
IRES refund receivable	866	882
Creditor VAT	511	172
Other receivables	11	19
Total	**1,418**	**1,103**

Please note that the "Account receivable on IRES refund", €866 thousand, relates to the application for refund of the extra taxes paid between 2007 and 2011, due to the omitted deduction of the IRAP tax due on the costs of subordinate and quasi-subordinate employees. The application for refund, filed on 18 February 2013 by the Holding Company for all Group companies by virtue of tax consolidation, pertains for €724 thousand to SAGAT, for €302 thousand to SAGAT Handling and for €15 thousand to SAGAT Engineering. The variation recorded is due entirely to a €16 thousand refund received during the year.

The caption "Deferred tax assets" shows a balance of €2,003 thousand; if the Company had considered an unlimited time horizon for the reversal of these assets, this balance would have been greater by €106 thousand. The details of deferred tax assets/liabilities are shown in the specific table of the Notes to the income statement. The caption "Receivables from others", €9,626 thousand in total, has increased by €2,577 thousand compared to the prior year, basically due to the increase in the receivables from carriers on municipal tax (€1,681 thousand) and to the increase in credit notes receivable (€1,198 thousand), basically due to the fact that one venditor issued invoices that contained certain formal errors and therefore had to be reversed and re-issued. Please note that, at the time of preparing these Notes, both the credit notes and the corresponding invoices had been correctly issued.

The details of receivables from others are shown in the table below (thousands of Euro):

Specification	31/12/2017	Of these, due beyond 12 months	31/12/2016	Of these, due beyond 12 months	Difference
Accounts receivable from the Municipality of Turin	211		211		-
Other accounts receivable from the P.A.	33		33		-
Payments on account to vendors and credit notes expected	2,176	11	978	11	1,198

Receivables from carriers on municipal tax	6,867		5,186		1,681
Other receivables	339	123	642	45	(302)
Total	**9,626**	**134**	**7,049**	**56**	**2,577**

The caption "Accounts receivable from the Municipality of Turin", unchanged from the prior year, represents the residual portion of an advance that the Company had to pay in 1992 for the completion of certain works at the control tower, in order to cover the insufficient funds earmarked by the Municipality after the construction contractor ICEM went bankrupt and the guarantor insurer FIRS was placed into forced liquidation, as neither of those honoured their obligation to repay the contractually agreed advances. The Company has filed proof of claim as creditor in the bankruptcy of ICEM and in the forced liquidation of FIRS. No decisive events in this proceeding have occurred during the year.

The receivables from carriers on municipal tax have increased in the year by €1,701 thousand and represent the contra entry of the payables by SAGAT to the Tax Office for the same reason.

Accounts receivable – Breakdown by due date

Below are the details of the breakdown of accounts receivable by due date, pursuant to art. 2427 (1.4) and (1.6) of the Civil Code:

	Current trade receivables	Current receivables from subsidiary companies	Current receivables from associated companies	Current receivables from parent companies	Current receivables from companies controlled by the parent companies	Current tax receivables	Current deferred tax assets	Current receivables from others	Total current receivables
Amount at beginning of year	11,494,592	702,233	0	0	0	1,103,012	1,747,939	7,049,391	22,097,166
Variations during the year	1,905,559	(375,400)	0	0	0	315,064	254,735	2,577,039	4,676,996
Balance at end of year	13,400,151	326,833	0	0	0	1,418,076	2,002,674	9,626,430	26,774,164
Portion due before year-end	13,400,151	326,833	0	0	0	1,359,735	0	9,492,642	24,579,361
Portion due after 12 months	0	0	0	0	0	58,341	2,002,674	133,788	2,194,803
Of these, due beyond 5 years	0	0	0	0	0	0	0	0	0

Current receivables - Breakdown by territory

Below are the details of the breakdown of current receivables by territory, pursuant to art. 2427 (1.6) of the Civil Code:

		1	2	Total
	Territory	**Italy**	**Foreign States**	
Current receivables by territory	Current trade receivables	8,115,021	5,285,130	13,400,151
	Current receivables from subsidiary companies	326,833	0	326,833
	Current receivables from associated companies	0	0	0
	Current receivables from parent companies	0	0	0
	Current receivables from companies controlled by the parent companies	0	0	0
	Current tax receivables	1,418,076	0	1,418,076
	Current deferred tax assets	2,002,674	0	2,002,674
	Current receivables from others	9,626,430	0	9,626,430
	Total current receivables	**21,489,034**	**5,285,130**	**26,774,164**

CASH AND CASH EQUIVALENTS

These include:

- as to bank and post office deposits, the funds immediately available on deposits or current accounts with banks and post offices;
- as to cash in hand, the liquidity existing as of 31/12/2017 in the treasuries of the Company;
- as to cheques, the credit instruments received before year-end and deposited with banks for collection in the opening days of the subsequent year.

Below are the details of the variations in the cash and equivalents pursuant to art. 2427 (1.4) of the Civil Code:

	Bank and post office accounts	Cheques	Cash and other valuables in hand	Total cash and cash equivalents
Amount at beginning of year	22,076,616	8,000	41,993	22,126,609
Variations during the year	(4,614,505)	0	8,308	(4,606,197)
Balance at end of year	17,462,111	8,000	50,301	17,520,412

ACCRUED INCOME AND PREPAYMENTS

These amount to €171 thousand on aggregate as at 31/12/2017, compared to €373 thousand as at 31/12/2016. The table below shows the details of the variations in the accrued income and prepayments pursuant to art. 2427 (1.4) of the Civil Code:

	Loan discount	Accrued income	Other prepayments	Total accrued income and prepayments
Amount at beginning of year	0	399	372,275	372,674
Variations during the year	0	(399)	(201,679)	(202,078)
Balance at end of year	0	0	170,596	170,596

Breakdown of prepayments:

The table below shows the details of the other prepayments:

	Amount
Insurance	44,715
Other	125,881
TOTAL	**170,596**

The caption "Insurance" includes the portions of insurance premiums paid in 2017 and accruing in the subsequent year.

Capitalized financial expense

Below are the details of financial expense attributed to the fixed assets recorded in the balance sheet pursuant to art. 2427 (8) of the Civil Code, unchanged from the prior year:

	Financial expense for the year attributed to fixed assets
Intangible assets	
Tangible assets	
Land and buildings	2,322,607
Plant and machinery	792,245
Inventory	
TOTAL	**3,114,852**

BALANCE SHEET - LIABILITIES AND EQUITY

SHAREHOLDERS' EQUITY

The shareholders' equity of the Company as at 31/12/2017 amounts to 46,618,712 Euro.

Pursuant to art. 2427 (7 bis) of the Civil Code, the changes in the components of the shareholders' equity are shown below.

The share capital amounts to €12,911,481, has not changed from the prior year, and is composed of 2,502,225 shares each with a face value of €5.16. As of year-end, it was distributed as follows among the shareholders:

2i Aeroporti S.p.A.	75.28%
FCT Holding S.p.A.	10.00%
Tecno Holding S.p.A.	6.76%
Metropolitan City of Turin *	5.00%
Treasury stock	2.96%
Total	**100.00%**

* For more details please refer to paragraph 1.2, “The shareholder structure”, of the Director's Report

The share premium reserve recorded amounts to €6,104,521. This reserve is tax-exempt in case of distribution and has not changed from the prior year.

The revaluation reserve, €7,363 thousand, was recorded to account for the revaluation of company assets made by the Company pursuant to Law 342/2000. The reserve has not changed in 2017.

The legal reserve, amounting to €2,582 thousand, has not changed compared to the prior year, as it has already reached one-fifth of the capital pursuant to art. 2430 of the Civil Code.

The other reserves comprise:

- the extraordinary reserve, €6,593 thousand, entirely made up of annual profits and decreasing by €5,758 thousand compared to the prior year, because €4,251 thousand of the profits earned in 2016 were partially allocated to this reserve, and an extraordinary dividend of €10,009 thousand was distributed on 17 December 2017, after being approved by the shareholders at the General Meeting of 1 December 2017;

- reserve for extraordinary investments, €4,906 thousand, entirely made up of provisions subject to ordinary taxation and unchanged from the prior year.

The reserve for the hedging of expected cash flows, €-105 thousand compared to €-227 thousand in 2016, created after recognizing the expected cash flows from an IRS hedge agreement stipulated by the Company in 2010 in order to secure the repayment at a permanently fixed cost of the €15 million loan obtained on 8 February 2010. The amount of €105 thousand reflects the negative mark-to-market of the hedge instrument as at 31 December 2017.

The negative reserve for treasury stock amounts to €-4,824 thousand. Those shares had been acquired by the Company by resolution of the General Meeting on 10/12/2002, that authorised the purchase of a maximum of 58,400 treasury shares, entirely freed up. The Company made such purchase on 14 March 2003. The value of the shares held had reached €4,824 thousand in 2008, after the closing of the stock option plan addressed to the Company's managers.

The tables below show the variations of each equity component during the year, and the breakdown of the "Other reserves".

	Share capital	Share premium reserve	Revaluation reserves	Legal reserve	Other reserves						
					Extraordinary reserve	Miscellaneous other reserves	Reserve for the hedging of expected cash flows	Profit (loss) carried forward	Profit (loss) of the year	Negative reserve for treasury shares	Total shareholders' equity
Amount at beginning of year	12,911,481	6,104,521	7,362,627	2,582,296	12,350,959	4,906,340	(226,646)		6,452,543	(4,823,612)	47,620,509
Destination of the result for the previous year:					4,250,585				(4,250,585)		0
Distribution of dividends					(10,008,900)				(2,201,958)		(12,210,858)
Other uses											
Other variations											
Additions							121,714				121,714
Decreases											
Reclassifications											
Profit (loss) of the year									11,087,347		11,087,347
Balance at end of year	12,911,481	6,104,521	7,362,627	2,582,296	6,592,644	4,906,340	(104,932)	0	11,087,347	(4,823,612)	46,618,712

	Description	Total
Miscellaneous other reserves	Reserve for non-routine investments 4,906,340	4,906,340

Explanation of availability and use of equity components

The tables below provide the information to be disclosed under article 2427 (7-bis) of the Civil Code regards to the specification of equity components as to origin, utilization options and eligibility for distribution, as well as to the uses made in previous years:

	Amount	Origin/ nature	Utiliza-tion options	Available portion	Summary of uses made in previous 3 years Coverage of losses	Other reasons
Share capital	12,911,481	Share capital				
Share premium reserve	6,104,521	Share capital	A,B,C	6,104,521		
Revaluation reserves	7,362,627	Share capital	A,B,C	7,362,627		
Legal reserve	2,582,296	Profits	B			
Other reserves						
Extraordinary or optional reserve	6,592,644	Profits	A,B,C	6,592,644		31,308,900
Miscellaneous other reserves	4,906,340	Profits	A,B,C	4,906,340		
Total other reserves	11,498,984			11,498,984		31,308,900
Reserve for the hedging of expected cash flows	(104,932)					
Profit (loss) carried forward						
Negative reserve for treasury shares	(4,823,612)			(4,823,612)		
TOTAL	**35,531,365**			**20,142,520**		**31,308,900**
PORTION NOT AVAILABLE FOR DISTRIBUTION						
RESIDUAL PORTION AVAILABLE FOR DISTRIBUTION				**20,142,520**		

Key: A: capital increases; B: coverage of losses; C: distribution to shareholders.

The uses shown in the "Other reasons" column relate to:

- distribution of an exceptional dividend approved by the shareholders on 17 April 2014 (€21,300,000);
- distribution of an exceptional dividend approved by the shareholders on 1 December 2017 (€10,008,900).

For exhaustiveness of information on equity, the following details are also provided below.

Revaluation reserves

These are composed as follows:

	Opening balance	Use for coverage of losses	Other variations	Closing balance
Law no. 342/2000	7,362,627	0	0	7,362,627
Total	**7,362,627**	**0**	**0**	**7,362,627**

PROVISIONS FOR LIABILITIES AND RISKS

This item is detailed below:

	Pension and similar funds	Provision for tax disputes, including deferred taxes	Derivative financial instruments	Other provisions	Total provisions for future liabilities
Amount at beginning of year	**0**	**0**	**226,646**	**5,046,875**	**5,273,521**
Variations during the year					
Amount allocated in the year	0	0	0	155,848	155,848
Amount used in the year	0	0	0	173,200	173,200
Other variations	0	0	(121,714)	(527,438)	(649,152)
Total variations	0	0	(121,714)	(544,790)	(666,504)
Balance at end of year	**0**	**0**	**104,932**	**4,502,085**	**4,607,017**

The provisions for future liabilities, €4,607 thousand, are recorded according to the principle of conservatism to account for possible liabilities arising from civil and administrative controversies, pending or merely probable. During the year these provisions have decreased by €667 thousand on aggregate, as a consequence of the following:

- allocation of €156 thousand in total, to account for potential liabilities already existing as at 31/12/2016 (€10 thousand) and for risks arisen in 2017 (€146 thousand). The allocation also includes the amounts deemed presumably necessary to cover the expenses of the preliminary phase of a tax controversy arising from two assessment notices received on 22 December 2017 from the Revenue Office of Turin and relating to tax year 2012;

- use of €173 thousand for the already mentioned completion of the liquidation of the associated company Air Cargo S.r.l.;

- release of €528 thousand because the provision for pending or potential lawsuits created in previous years is no longer necessary;

- decrease from the €227 thousand allocated in 2016 to €105 thousand allocated in 2017 to the provision for derivative instruments and corresponding reduction in the reserve for the hedging of the expected cash flows. For further details on these variations, please refer to the section on the shareholders' equity of these Notes.

PROVISION FOR STAFF SEVERANCE PAY

The table below shows the changes occurred during the year, stated in thousands of Euro:

	Provision for staff severance pay
Amount at beginning of year	**2,323,955**
Variations during the year	
Amount allocated in the year	641,737
Amount used in the year	673,970
Other variations	0
Total variations	(32,233)
Balance at end of year	**2,291,722**

In particular, during the year the provision has received €642 thousand and has decreased by €674 thousand, mostly due to amounts paid to pension funds ad to the INPS, and to amounts paid on terminated employment contracts and advances granted to requesting employees.

The caption “Amount allocated” includes the revaluation of the provision, calculated in accordance with the law, and the TFR accruing in the year that was contributed to pension funds and allocated to the INPS Treasury Fund.
The caption "Other variations" includes the portions of TFR relating to staff transferred to/from other SAGAT Group companies.

ACCOUNTS PAYABLE

The accounts payable are recorded for €42,383 thousand (€39,922 thousand as at year-end 2016) and relate mostly to vendors in Italy or in the European Union.

Their breakdown and most significant changes occurred during the year are shown below.

The accounts payable to banks, totalling €3,000 thousand (€4,500 thousand in the prior year) relate entirely to the long-term loan obtained on 8 February 2010 for an original amount of €15 million: This loan is not backed by guarantees and is subject to the compliance with the usual

financial parameters, that were actually complied with. In addition to the loan mentioned above, in order to stabilize its cost along its entire duration, an interest rate swap agreement of the same length as the loan was executed. Its mark-to-market is negative and amounts to €105 thousand. The portion of this loan expiring within 12 months amounts to €1,500 thousand.
In order to guarantee that the non-speculative nature of the fund is maintained throughout its duration, the amount of principal under the IRS agreement will follow the repayment schedule of the loan, and be reduced gradually until it reaches zero in concurrence with the repayment of the last instalment.

The accounts payable to vendors include the trade payables owed to other entities than subsidiary and associated companies and to companies controlled by parent companies. They amount on aggregate to €16,984 thousand (€14,900 thousand in the prior year) and have increased by €2,084 thousand. The increase is mostly due to the temporary suspension, pursuant to contractual covenants, of payments owed to carriers until they comply with their own obligations towards SAGAT, for services provided by SAGAT to them.

The payables to subsidiary companies amount to €606 thousand and have increased by €22 thousand in the year. They are all due within 12 months.

The details of the accounts payable to subsidiary companies are shown in the table below:

	31/12/2017	31/12/2016
Aeroporti Holding S.r.l.	8	8
SAGAT Handling S.p.A.	598	560
SAGAT Engineering S.r.l.	0	16
TOTAL	**606**	**584**

There are no payables to associated companies in connection with a €6 thousand loan as at the end of 2016. The variation relates to the completion during the year of the liquidation of the associated company Air Cargo Torino, the borrower of the said loan.

The payables to the parent company amount to €936 thousand and reflect the aggregate payables recorded by the Company against the transfer to the parent company 2i Aeroporti of the tax liabillity for the year as a consequence of joining, as subsidiary, the tax consolidation effective from 2017.

The payables to companies controlled by parent companies amount to €99 thousand and have decreased by €11 thousand in the year. They are all due within 12 months and reflect the exposure towards a software product vendor controlled by the parent company 2i Aeroporti S.p.A. .

Tax payables have decreased by €1,260 thousand compared to the prior year and amount in total to €1,141 thousand. Their detail is as follows:

	31/12/2017	31/12/2016
Corporate income tax - IRES	0	1,182
Regional tax - IRAP	164	264
PAYE tax on employment income	318	322
Taxes on fee increases	656	629
Other	3	3
TOTAL	**1,141**	**2,401**

The decrease in tax payables is basically due to the fact that the Company has joined, as consolidated company and effective from tax year 2017, to the tax consolidation of the Group, led by the parent company 2i Aeroporti.

The item does not include payables due beyond 12 months.

Social security payables amount to a total of €714 thousand and are shown in the table below:

	31/12/2017	31/12/2016
INPS/INAIL	694	747
Other	20	21
TOTAL	**714**	**768**

The other payables, totalling €18,903 thousand, relate to the following creditors and are stated in thousands of Euro:

	31/12/2017	31/12/2016
ENAC/Concession fee	1,295	1,218
Employees	1,009	1,108
Surtaxes on boarding fees	7,638	6,027
Miscellaneous payables	8,961	8,300
TOTAL	**18,903**	**16,653**

Please note that, in accordance with the laws in force, the entire amount of the account payable to ENAC on airport fees will be paid in the coming year and be therefore brought to nil.

The account payable to the Tax Office on municipal taxes (€7,638 thousand) has increased in the year by €1,611 thousand and represents the contra entry of the accounts receivable by SAGAT from the carriers for the same reason. Please note that SAGAT is only required to proceed with the payments as it collects the amounts owed by the carriers.

The caption "Other payables" also includes, for a total of €6,912 thousand, the account payable on fire-fighting services at the Airport as governed by the 2007 Finance Act.

Accounts payable – Variations and breakdown by due date

Below are the details of the breakdown of accounts payable by due date, pursuant to art. 2427 (1.6) of the Civil Code:

	Bonds	Convertible bonds	Loans from shareholders	Payables to banks	Payables to other lenders	Payments on account	Trade payables	Payables in the form of credit instruments	Payables to subsidiary companies	Payables to associated companies
Amount at beginning of year				4,500,000			14,900,166		584,164	6,100
Variations during the year				(1,500,000)			2,084,185		21,504	(6,100)
Balance at end of year				3,000,000			16,984,351		605,668	0
Portion due before year-end				1,500,000			16,984,351		605,668	0
Portion due after 12 months				1,500,000			0		0	0
Of these, payable beyond 5 years				0			0		0	0

	Payables to parent companies	Payables to companies controlled by the parent companies	Tax payables	Social security payables	Other payables	Total accounts payable
Amount at beginning of year	0	109,800	2,400,588	767,943	16,653,034	39,921,795
Variations during the year	936,523	(10,687)	(1,260,024)	(53,773)	2,249,810	2,461,438
Balance at end of year	936,523	99,113	1,140,564	714,170	18,902,844	42,383,233
Portion due before year-end	936,523	99,113	1,140,564	714,170	18,751,267	40,731,656
Portion due after 12 months	0	0	0	0	151,577	1,651,577
Of these, payable beyond 5 years	0	0	0	0	0	0

Accounts payable - Breakdown by territory

Below are the details of the breakdown of accounts payable by territory, pursuant to art. 2427 (1.6) of the Civil Code:

		1	2	Total
	Territory	**Italy**	**Foreign States**	
	Bonds			
	Convertible bonds			
	Loans from shareholders			
	Payables to banks	3,000,000		3,000,000
	Payables to other lenders			
	Payments on account			
	Trade payables	12,848,700	4,135,651	16,984,351
	Payables in the form of credit instruments			
Accounts payable by territory	Payables to subsidiary companies	605,668		605,668
	Payables to associated companies			
	Payables to parent companies	936,523		936,523
	Payables to companies controlled by the parent companies	99,113		99,113
	Tax payables	1,140,564		1,140,564
	Social security payables	714,170		714,170
	Other payables	18,902,844		18,902,844
	Total accounts payable	**38,247,582**	**4,135,651**	**42,383,233**

Accounts payable with company assets as collaterals

Below are the details of company assets used as collaterals, pursuant to art. 2427 (1.6) of the Civil Code:

	Bonds	Convertible bonds	Loans from shareholders	Payables to banks	Payables to other lenders	Payments on account	Trade payables	Payables in the form of credit instruments	Payables to subsidiary companies
Payables with collaterals									
Mortgage payables									
Lien payables									
Special privilege payables									
Total payables with collaterals									
Payables without collaterals				3,000,000			16,984,351		605,668
TOTAL				**3,000,000**			**16,984,351**		**605,668**

	Payables to associated companies	Payables to parent companies	Payables to companies controlled by the parent companies	Tax payables	Social security payables	Other payables	Total accounts payable
Payables with collaterals							0
Mortgage payables							0
Lien payables							0
Special privilege payables							0
Total payables with collaterals							0
Payables without collaterals		936,523	99,113	1,140,564	714,170	18,902,844	42,383,233
TOTAL		**936,523**	**99,113**	**1,140,564**	**714,170**	**18,902,844**	**42,383,233**

ACCRUED EXPENSES AND DEFERRED INCOME

These total €8,667 thousand and have decreased by €654 thousand compared to 31/12/2016, as better detailed below:

	Accrued expenses	Discount on loans granted	Deferred income	Total accrued expenses and deferred income
Amount at beginning of year	0	0	9,321,540	9,321,540
Variations during the year	1,763	0	(656,090)	(654,327)
Balance at end of year	1,763	0	8,665,450	8,667,213

Breakdown of accrued expenses and deferred income

The caption “Deferred income” (€8,665 thousand) relates, in the amount of €8,463 thousand, to portions of construction grants deferred because not pertaining to the reference year. These grants were recorded according to the specific accounting criteria described above. The decrease recorded in the reference year relates mostly to the 2017 portion of these grants released to the income statement.

COMMITMENTS AND NATURE OF MEMORANDUM ACCOUNTS

In accordance with the new accounting standard OIC 22, memorandum accounts are no longer presented at the end of the balance sheet but detailed in the Notes, as they are in any case worth knowing in order to assess the company's financial position and standing (per art. 2425 (2) of the Civil Code.

Their breakdown and nature are shown below (thousands of Euro):

NATURE	2017	2016
Third-party assets obtained in concession	59,654	59,654
Personal guarantees received from third parties	12,145	10,872

The Company has not given collaterals as a guarantee for its own or third parties' obligations.

Third-party assets held under concession are the fixed assets received in concession. These, however, are only the investments made by the entity granting the concession since the 1980's to this date, as the value of the assets built before then —which include aircraft movement areas— is unknown.

They also include the value of the airport enlargement works carried out and funded by the Municipality of Turin on the occasion of the Winter Olympics.

The personal guarantees received from third parties are the bank guarantees received from carriers and from third parties in general.

There are no personal guarantees given to third parties.

2.2.6 INFORMATION ON THE INCOME STATEMENT

The most relevant income statement components for 2017 are shown below.

Production value

REVENUES FROM SALES AND SERVICES

The revenues from sales and services earned by the Company, entirely in the territory of Italy and from customers based mostly in Italy or in the European Union, amount in total to €58,316 thousand are broken down as follows (art. 2427 (1.10 of the Civil Code):

	1	2	3	4	5
Revenues from sales and services by business category					
Business category	Air traffic	Security	Handling and air traffic services	Car parking services	Sub-contracting of services
AMOUNT FOR CURRENT YEAR	**27,672,548**	**8,775,646**	**2,936,297**	**6,162,855**	**4,091,574**

	6	7	8	9	TOTAL
Revenues from sales and services by business category					
Business category	Subcontracted businesses and airport spaces	Centralized infrastructures	Assets in exclusive use	Other income	
AMOUNT FOR CURRENT YEAR	**4,897,665**	**1,677,943**	**2,044,659**	**56,593**	**58,315,782**

Revenues from sales and services by territory

In accordance with the provisions in art. 2427 (1.10) of the Civil Code, the tables below show the breakdown of revenues by territory:

	1	2	Total
Territory	**Italy**	**Foreign States**	
AMOUNT FOR CURRENT YEAR	**35,315,555**	**23,000,227**	**58,315,782**

OTHER REVENUES AND PROCEEDS

The other proceeds (stated in thousands of Euro) are broken down as follows:

	YEAR 2017	YEAR 2016
Recovery of utilities in common and miscellaneous expenses	178	142
Other proceeds	3,634	1,748
Grants for plant and equipment investments	671	671
TOTAL	**4,483**	**2,561**

This caption, totalling €4,483 thousand, has increased by €1,922 thousand compared to the prior year.

Please note that, with the coming into force of Legislative Decree 139/15, in enforcement of Directive 2013/34 on annual financial statements, consolidated financial statements and related reports, this item also includes those income items that were previously recorded as "Exceptional income", a caption that does not exist anymore.

Please note that the increase in this caption is due mostly to miscellaneous contingent gains arising from the release, for cessation of the underlying reasons, of provisions for risks and for bad debts made in previous years for a total of €700 thousand, and to contingent liabilities for a total of €1,248 thousand. In detail, the latter caption relates to the removal from liabilities of payables on expected invoices for a total of €1,179 thousand, arising from certain arrangements with customers about the interpretation of contractual clauses against a consideration of €793 thousand, and to the lapse of limitation terms for €386 thousand.

The grants for plant and equipment investments include, according to the criteria described above, the portion accruing in 2017 of the grants obtained from Regione Piemonte for the enlargement works at the passenger building, general aviation and luggage logistics building included in the Master Programme Agreement for the improvement of airport infrastructures in view of the "Turin 2006" 20th Winter Olympics (agreement no. 9313 of 12 July 2004), recorded according to the criteria described above in the amount of €665 thousand.

PRODUCTION COSTS

Production costs amount in total to €50,378 thousand and are broken down as follows:

PURCHASE OF RAW AND ANCILLARY MATERIALS, CONSUMABLES AND GOODS

These costs are stated in thousands of Euro and broken down as follows:

	YEAR 2017	YEAR 2016
Maintenance materials	224	276
Miscellaneous materials	41	42
Materials intended for resale	355	366
Fuels and lubricants	418	424
De-icing	553	260
Stationery and printing	43	43
TOTAL	**1,634**	**1,412**

COSTS OF SERVICES

These costs are stated in thousands of Euro and broken down as follows:

	YEAR 2017	YEAR 2016
Other services	1,664	1,640
Support, storage and PRM services	1,231	1,165
Electricity and other utilities	3,224	3,203
Technical, management and marketing consulting services	463	657
Security services	3,870	2,880
Cleaning and waste collection services	1,109	939
Maintenance / repair and other contractual costs	1,747	1,381
Maintenance / repair on leased assets	320	304
Business and general insurance policies	361	360
Miscellaneous staff costs (cafeteria, training, travel, etc.)	477	476
Services performed by subsidiary companies	365	666
Other	8,472	8,693
TOTAL	**23,301**	**22,363**

LEASEHOLD COSTS

These costs are stated in thousands of Euro and broken down as follows:

	YEAR 2017	YEAR 2016
Airport fee	2,428	1,736
Other concession fees	117	117
Leases and rentals	101	113
TOTAL	**2,646**	**1,966**

STAFF COSTS

Staff costs for 2017, inclusive of outsourced staff, amount to €13,414 thousand, decreasing by about €80 thousand compared to the prior year. The difference is due mostly to administrative efficiency and to a broad internal re-organization implemented effective from 1 January 2017, that improved efficiency and generated cost savings.

	YEAR 2017	YEAR 2016
Salaries and wages	9,787	9,816
Social security	2,786	2,843
Staff severance pay	642	633
Other costs	199	202
TOTAL	**13,414**	**13,494**

AMORTISATION, DEPRECIATION AND WRITE-DOWNS

These are stated in thousands of Euro and broken down as follows:

	YEAR 2017	YEAR 2016
Amortisation	1,177	2,087
Depreciation	4,552	4,274
Write-down of accounts receivable	1,418	69
TOTAL	**7,147**	**6,430**

Amortisation and depreciation, €5,729 thousand in total, have decreased compared to the prior year by €632 thousand, basically due to ordinary life cycle and replacement of fixed assets; in particular, the depreciation cycle for the investments in flight infrastructures made between 2010 and 2012 has ended.

No fixed asset was written down during the year.

As mentioned earlier, the provision for bad debts received an allocation of €1,418 thousand, in order to be adjusted to the Company's actual needs.
The provision was sized also taking into account the start of the extraordinary administration procedure on 2 May 2017, pursuant to Decree Law 347/2003, for Alitalia – Società Aerea Italiana S.p.A., a circumstance that required the full write-down of the receivables from this particular carrier.

VARIATIONS IN THE INVENTORY OF RAW AND ANCILLARY MATERIALS, CONSUMABLES AND GOODS

The stock of raw and ancillary materials, consumables and goods has increased by about €1,3 thousand in the year, and the relevant purchase costs have decreased accordingly. In 2016 the caption had shown an increase by €25 thousand.

PROVISIONS FOR LIABILITIES AND RISKS

An amount of €156 thousand was allocated in the year to the provision for liabilities and charges in order to cater for the losses or payables of probable or certain occurrence, the amount or date of occurrence of which is however uncertain as at the closing date. For details about the nature of the amounts allocated, please refer to the section in these Notes dedicated to the provision for liabilities and risk and its variations.

OTHER OPERATING COSTS

These costs, stated in thousands of Euro, are broken down as follows:

	YEAR 2017	YEAR 2016
Guest entertainment expenses	35	59
Contingent liabilities / assets no longer existing	547	487
Membership fees	114	114
Damages liquidated to third parties	2	2
Fire Department fee	649	649
IMU (municipal property tax)	225	225
Other	510	570
TOTAL	**2,082**	**2,107**

This caption has decreased slightly (€25 thousand) compared to the prior year.

FINANCIAL INCOME (EXPENSE)

This caption amounts on aggregate to €2,115 thousand and is broken down as follows:

INCOME FROM EQUITY INVESTMENTS

In accordance with art. 2427 (1.11) of the Civil Code, the Company has earned income from its equity investments for €2,244 thousand. This income arises from the completion of the liquidation procedure for the subsidiary SAGAT Engineering and the gain earned as difference between the carrying value of this subsidiary and the amount received as distribution in the liquidation procedure (€2,077 thousand), and also from dividends distributed by the subsidiary Aeroporti Holding out of its profits for 2016 (€167 thousand).

FINANCIAL INCOME

The €22 thousand recorded as financial income are almost entirely interest income earned on money deposited with banks.

Interest and other financial expense - breakdown by nature of underlying payables

Interest and other financial expense, €151 thousand in total, are made up of interest charges on short and long-term bank loans granted to the Holding Company.
The table below shows the breakdown of interest and other financial expense by nature of underlying payables, in accordance with art. 2427 (1.12) of the Civil Code:

	Bonded loans	Payables to banks	Other	Total
Interest and other financial expense	0	150,889	42	150,931

ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS

No adjustments to the value of financial assets were made during the year.

INCOME TAXES FOR THE YEAR

This item, totalling €3,448 thousand, reflects the estimated amount of income taxes for the year, the gain arising from joining, as consolidated company, the national tax consolidation of Gruppo 2i Aeroporti, and the deferred tax assets and liabilities.
The table below shows the breakdown of the tax burden for the year (thousands of Euro):

	YEAR 2017	YEAR 2016
IRES	3,079	2,137
IRAP	627	463
Gain from tax consolidation	(3)	0
Deferred tax assets	(255)	143
TOTAL	**3,448**	**2,742**

The table below shows the reconciliation between the theoretical tax burden and the tax burden recorded in the consolidated financial statements as at 31 December 2017, compared with the corresponding period in 2016.

	YEAR 2017	YEAR 2016
EBT	14,535,232	9,194,644
Theoretical IRES rate (%)	24%	27.5%
Theoretical income tax	3,488,456	2,528,527
Tax effects of IRES variations	(412,712)	(391,865)
Effect of deferred taxes	(254,736)	142,703
IRAP	626,877	462,736
Income taxes recorded (current and deferred)	**3,447,885**	**2,742,101**

The theoretical tax burden was calculated by applying the current corporate income tax ("IRES") rate (24%) to the EBT.
The effects of the regional tax ("IRAP") rate were calculated separately, because this tax is not levied on the same taxable base used for IRES purposes.

The table below shows the breakdown of deferred tax assets and liabilities and the effects arising as a consequence of the provisions in art. 2427 (1.14) of the Civil Code:

	IRES	IRAP
A) Temporary differences		
Total deductible temporary differences	7,713,946	5,112,604
Total deductible temporary differences	264,166	0
Net temporary differences	(7,449,780)	(5,112,604)
B) Fiscal effect		
Provision for deferred tax liabilities (assets) at beginning of year	(1,524,301)	(223,638)
Deferred tax liabilities (assets) for the year	(263,645)	8,909
Provision for deferred tax liabilities (assets) at end of year	(1,787,946)	(214,729)

The table below shows the breakdown of deductible temporary differences pursuant to art. 2427 (1.14.a) of the Civil Code:

DEDUCTIBLE TEMPORARY DIFFERENCES							
Description	Amount at beginning of previous year	Variations during the year	Amount at closing of previous year	IRES rate applied	Tax effect of IRES	IRAP rate	Tax effect of IRAP
Provision for bad debts	1,137,614	1,334,706	2,472,320	24	593,357	0	0
Provision for future liabilities	4,657,591	(102,814)	4,554,777	24	1,093,146	4.2	191,301
Other minor	797,182	(110,333)	686,849	24	164,844	4.2	23,429

The table below shows the breakdown of taxable temporary differences pursuant to art. 2427 (1.14.a) of the Civil Code:

TAXABLE TEMPORARY DIFFERENCES							
Description	Amount at beginning of previous year	Variations during the year	Amount at closing of previous year	IRES rate applied	Tax effect of IRES	IRAP rate	Tax effect of IRAP
Gains	0	23,034	23,034	24	5,528	0	0
Greater fiscal amortisation/depreciation	241,132	0	241,132	24	57,872	0	0

2.2.7 OTHER INFORMATION

SIGNIFICANT EVENTS OCCURRED AFTER THE CLOSING OF THE YEAR

The auction launched by the Metropolitan City of Turin for the sale of its holding in SAGAT (no. 125,168 shares) was finalized.
The auction was awarded by order of 27 February 2018 to 2i Aeroporti S.p.A. against a cumulative offer of €6,068,520.14 (or €48,483 per share).
The share transfer was executed on 15 March 2018.

Passenger traffic data at the Torino Airport showed, in the first two months of 2018, a slight decrease, owing exclusively to the removal by Blue Air of its twice-daily low-cost flight between Turin and Rome.

The opening of new flights was announced for 2018. This item is detailed below:

- Blue Air to Stockholm (initially with one weekly flight on 20 January 2018 and bound to operate twice a week starting from 27 March 2018);
- Blue Air to Paris, three flights per week starting from 25 March 2018;
- Blue Panorama to Cagliari, four flights per week starting from 2 June 2018;
- Aegean to Athens, two flights per week starting from 6 June 2018;
- easyJet to Naples, seven flights per week starting from 3 September 2018.

RELATIONSHIPS WITH RELATED PARTIES

All transactions with related parties were stipulated on an arm's length basis.

EMPLOYMENT FIGURES

The table below shows the average headcount broken down by category pursuant to art. 2427 (1.15) of the Civil Code:

	Executives	Junior executives	White collars	Blue collars	Other employees	Total employees
Average headcount	4	26	104.3	98.3	0	232.6

EMOLUMENTS OF DIRECTORS AND AUDITORS

The total of emoluments paid to directors and auditors is shown in the table below. These emoluments are recorded under "Costs of services" and take into account all the people who have held offices as directors and statutory auditors during the reference year, even if only for a part of it:

	Directors' emoluments	Auditors' emoluments	Total emoluments paid to Directors and Auditors
Amount	594,722	58,719	653,441

INDEPENDENT AUDITORS' FEES

The total amount of the fees paid to the independent auditors for the mandatory annual audit of the accounts as well as for other services provided during the year is shown in the table below:

	Amount
Mandatory annual audit	15,150
Other audit services	5,700
Other non-audit services	9,450
Total independent auditors' fees	30,300

CATEGORIES OF SHARES ISSUED BY THE COMPANY

Disclosure as required under article 2427 (17) of the Civil Code concerning the stock making up the capital of the Company, the number and the face value of the stock underwritten in the year, is provided in the tables below:

		1	**Total**
Stock issued by class	Description	Common	
	Number at beginning of year	2,502,225	2,502,225
	Face value at beginning of year	12,911,481	12,911,481
	Number at end of year	2,502,225	2,502,225
	Face value at end of year	12,911,481	12,911,481

INFORMATION ABOUT THE COMPANIES OR ENTITIES EXERCISING SUPERVISION AND COORDINATION FUNCTIONS PURSUANT TO ART. 2497 BIS OF THE CIVIL CODE

Disclosure as required under article 2427 (17) of the Civil Code concerning the stock making up the capital of the Company, the number and the face value of the stock underwritten in the year, is provided in the tables below:

please note that this Company prepares consolidated annual accounts.

	CURRENT YEAR	PREVIOUS YEAR
Date of last financial statements approved	**31/12/2016**	**31/12/2015**
B) Fixed assets	625,610,519	610,724,102
C) Current assets	3,478,334	5,017,706
D) Accrued income and prepayments	0	0
Total assets	**629,088,853**	**615,741,808**
A) Shareholders' equity		
Share capital	2,620,000	2,620,000
Reserves	573,136,318	578,133,567
Profit (loss) of the year	22,772,120	21,152,751
Total shareholders' equity	**598,528,438**	**601,906,318**
B) Provisions for liabilities and risks	0	44,441
C) Provision for staff severance pay	0	0
D) Accounts payable	30,472,782	13,716,427
E) Accrued expenses and deferred income	87,633	74,622
Total net liabilities	**629,088,853**	**615,741,808**

	CURRENT YEAR	PREVIOUS YEAR
Date of last financial statements approved	**31/12/2016**	**31/12/2015**
A) Value of production	37	2
B) Costs of production	321,378	273,287
C) Financial income (expense)	23,025,239	21,330,835
D) Adjustments to the value of financial assets	0	0
Income taxes for the year	(68,222)	(95,201)
Profit (loss) of the year	**22,772,120**	**21,152,751**

STATEMENT OF CASH FLOW

The statement of cash flow is reported below in accordance with the recommendation formulated by OIC, in the indirect format provided for in accounting standard No. 10. In addition to the figures shown in accordance with OIC standard #10, the Company has included in the Directors' report another statement of reconciliation of the cash flows, in order to highlight the relationships between financial resources and business operations.

EARNINGS PER SHARE

The earnings per each share worth €5.16 were calculated by dividing the EBIT, the EBT and the net profit by the total number of shares, including treasury shares. The share capital amounts to €12,911,481 and is formed by 2,502,225 shares.

	2017	2016
EBIT per share	4.96	3.75
Gross EPS	5.81	3.67
Net EPS	4.43	2.58

PROFIT DISTRIBUTION PROPOSALS

Dear Shareholders:

the financial statements as at 31 December 2017 commented herein, that were audited by the independent auditors Deloitte & Touche S.p.A., show a net profit of €11,087,346.94, that we propose distributing as dividends in the amount of €10,509,345.00, and allocating to the extraordinary reserve in the amount of €578,001.94.

Signed in original by:

The Chairman

2.3 REPORT OF THE STATUTORY AUDITORS OF SAGAT S.p.A.

S.A.G.A.T. S.p.A.

Board of Auditors' Report to the General Meeting pursuant to article 2429 (2) of the Civil Code.

Dear Shareholders:

in the year ended on 31 December 2017, we have performed the audits provided for in art. 2403 of the Civil Code, and hereby present the relevant report.

As to the manner in which our auditing duties were performed, please note that:

- *the Board of Auditors has duly met in accordance with art. 2404 of the Civil Code;*
- *we have taken part in all Board of Directors meetings, and obtained from them, also for the purposes of art. 2381 (5) of the Civil Code, timely information about the operations in general and their predictable developments, as well as about the most significant transactions, by size or nature, implemented by the Company and its subsidiaries;*
- *we have exchanged, pursuant to art. 2409-septies of the Civil Code, with the independent auditors the necessary information for the performance of our respective duties; no element worth reporting emerged from such exchanges;*
- *we have audited the adequateness of the organization, meeting with the competent functions of the Company; as a result of these meetings, we have not found any evidence of particular problematic points with respect to the adequateness of the organization and the compliance with the Company's management requirements;*
- *we acknowledge that the administration and accounting structure is apt to correctly recognise and present operations. Our audit did not detect any particular critical area concerning the adequateness of the administrative and accounting structure;*
- *we have taken due note, as regards internal audit and the provisions in Legislative Decree no. 231/2001, of the regular reports issued by the internal auditor and by the Supervisory Committee, that do not present any particular problem. The fact that one of the Auditors is also a member of the Supervisory Board has facilitated the exchange between the two organs.*

We have obtained due information about the transactions of most significant economic and financial impact performed by the Company and its subsidiaries, that allowed us to verify the compliance of such transactions with the law and the Company's by-laws. We have no specific remark to make about those transactions. Also, we have not found any non-typical or unusual transaction.

The transactions with related parties are disclosed in the Notes and in the Directors' report pursuant to articles 2427 and 2428 of the Civil Code.
Based on what we found by taking part in the Board of Directors meetings, the resolutions passed by the Directors were compliant with the law and with the by-laws as well as with the principles of fair management, and were consistent and compatible with the size and the assets of the Company.
We have received no reports pursuant to section 2408 of the Civil Code, from anyone.
Similarly, none of the delays or omissions mentioned in art. 2406 of the Civil Code have occurred during the year.
The financial statements under review close at a profit of €11,087,347 (against €6,452,543 in 2016).
Taking the profits into account, the shareholders' equity amounts to €46,618,712 (against €47,620,509 in 2016).
As to our duties in respect of the preparation of the financial statements, while the statutory audit is the responsibility of the independent auditors, please note that:

- *we have verified, within the scope of our assignment, the compliance with the provisions of law on the formation and layout of the financial statements; in particular, we recognise that the financial statements were prepared according to the principles established in art. 2423 bis of the Civil Code; we also acknowledge that the layout of the balance sheet and income statement as it is provided for in the Civil Code was respected, and that the Directors did not request the exemption provided for in articles 2423 (4) and 2423 bis (2) of the Civil Code;*
- *the Notes explain the valuation criteria followed in the preparation of the financial statements and contain the mandatory disclosures under the law.*

The Board of Auditors has verified that the Directors' Report is compliant with the laws in force and consistent with the resolutions adopted by the Board of Directors, with the circumstances presented in the financial statements and with the information available to the Auditors; therefore, the Board of Auditors deems that the Directors' Report complies with the provisions of law on the matter and provides a clear and exhaustive picture of the Company's position and performance, as well as of their predictable developments.
Lastly, we acknowledge that on 12 April 2017 the Independent Auditors released their unqualified opinion pursuant to art. 14 of Legislative Decree no. 39/2010.
Based on the contents of this report, the Board of Auditors releases its favourable opinion to the approval of the financial statements as at 31 December 2017 and on the profit distribution proposal formulated by the Directors, which is consistent with the law and with the by-laws as well as with the Company's financial position.

* * *

As far as the consolidated financial statements are concerned, the Board of Auditors acknowledges that they were prepared in accordance with the laws and the accounting standards governing their preparation, and that the relevant Directors' report complies with the disclosure obligations and is consistent with the financial statements.

On 12 April 2017 the Independent Auditors released their unqualified opinion also for the consolidated financial statements, pursuant to art. 14 of Legislative Decree no. 39/2010.

Signed, sealed and delivered.

Caselle Torinese, 13 April 2018

The Board of Auditors

Dr. Roberto NICOLO’ (Chairman)

Dr. Ernesto CARRERA (Auditor)

Dr. Edoardo FEA (Auditor)

Dotto. Lorenzo GINISIO (Auditor)

Dr. Renato STRADELLA (Auditor)

2.4 INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS OF SAGAT S.p.A.

INDEPENDENT AUDITORS' REPORT
PURSUANT TO ART. 14 OF LEGISLATIVE DECREE 27 JANUARY 2010, No. 39

To the Shareholders of
SAGAT S.p.A.

REPORT ON THE ACCOUNTING AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of SAGAT S.p.A. (the "Company"), comprising the balance sheet as at 31 December 2017, the income statement and the statement of cash flow for the financial year ended on that date, and the notes.

In our opinion, the financial statements provide a faithful and accurate picture of the financial position and standing of the Company as at 31 December 2017 and of its operating result and cash flows for the financial year closed on that date, in accordance with the Italian provisions of law governing the drafting of financial statements.

Grounds for our opinion

We have performed our audit based on international auditing standards (ISA Italia). Our responsibilities under those standards are further described in the section of this Report regarding the independent auditors' responsibilities for the audit of the annual financial statements. We are independent from the Company in compliance with statutory provisions and with the principles of ethics and autonomy applicable to the audits of financial statements under the laws of Italy. We believe we have obtained enough evidence for us to express our opinion.

Directors' and Statutory Auditors' responsibilities for the annual financial statements

The Directors are responsible for preparing the annual financial statements so as to provide a true and accurate picture in compliance with the Italian rules governing the preparation of annual financial statements, for those internal audit activities that they deem necessary to consent them to prepare financial statements that are free from material errors caused by fraud or unintentional behaviours or events.

The Directors are responsible for assessing the Company's ability to go on as a continuing business and, when preparing the annual financial statements, they should verify the adequateness of the going concern principle and the provision of sufficient information on that matter. The Directors are required to use the going concern principle in the preparation of the annual financial statements, unless they deem that there are the conditions for liquidating the Company or interrupting its activities, or that there are no realistic alternatives to such options.

The Board of Statutory Auditors is responsible for the general supervision, in accordance with the law, on the process of preparing the Company's financial information.

Independent auditors' responsibility for the audit of the annual financial statements

Our goal is to ascertain with reasonable certainty that the annual financial statements as a whole do not contain material errors caused by fraud or unintentional behaviours or events, and to release our auditors' report inclusive of our opinion. By reasonable certainty we intend a high level of certainty, which, however, does not guarantee that an audit performed according to international auditing standards (ISA Italia) is always capable of detecting a material error, where such error exists. Errors may be caused by fraud or by unintentional behaviours or events and are deemed material if there is reason to expect that, taken individually or together, they might affect the financial decisions made by users who rely on these financial statements.

In our audit performed according to international auditing standards (ISA Italia), we have used our professional judgment and maintained professional detachment throughout our audit. Moreover:

- We have identified and assessed significant risks in the financial statements, due to fraud or unintentional behaviour or events; we have defined and implemented auditing procedures to address such risks, and have obtained sufficient and appropriate evidence as grounds for our opinion. The risk that we fail to detect a material error caused by fraud is higher than the risk that we fail to detect a material error caused by unintentional behaviours or events, because a fraud may imply the existence of collusion, falsifications, intentional omissions, misleading presentations or internal audit distortions.

- We have developed an understanding of the internal audit processes that are relevant for our audit in order to determine the appropriate auditing procedures given the circumstances, and not in order to express an opinion on the efficacy of the Company's internal audit process.

- We have assessed the appropriateness of the accounting standards adopted, the reasonableness of the accounting estimates made by the Directors, and the overall presentation of the annual financial statements.

- We came to a conclusion on the adequate use of the going concern principles by the Directors and, based on the evidence collected, on the possible existence of material uncertainties about events or circumstances that might cast doubt on the Company's ability to continue its business. In the presence of material uncertainties, we need to verify that they are properly disclosed in the management report; or, where such disclosure is insufficient, to reflect such circumstance in our opinion. Our conclusions are based on the evidence collected until the date of this report. Hovever, subsequent events or circumstances may imply that the Company ceases to meet the requirements of a going concern.

- We have considered the presentation, structure and contents of the financial statements as a whole, including the notes, and whether such financial statements disclose the underlying transactions and give a correct picture.

We have informed the governance bodies, identified at the appropriate level required under ISA Italia standards, among other things, of the scope and schedule of our audits and of their most significant results, including any material internal audit deficiencies detected during our audits.

REPORT ON OTHER STATUTORY PROVISIONS

Opinion pursuant to art. 14 (2.e), of Legislative Decree 39/10

The Directors of SAGAT S.p.A. are responsible for preparing the Directors' report of SAGAT S.p.A. as at 31 December 2017, consistent with the relevant financial statements, and for its compliance with the law.

We have followed the procedures indicated in audit standard (SA Italia) no. 720B in order to express our opinion on the consistency of the Directors' report with the financial statements of SAGAT S.p.A. as at 31 December 2017 and on its compliance with the law, and also in order to release our statement on any material errors.

In our opinion, the Directors' report is consistent with the financial statements of SAGAT S.p.A. as at 31 December 2017 and is compliant with the law.

Regards to the statement as per art. 14 (2. e) of Legislative Decree 39/10, released based on our knowledge and understanding of the enterprise and its environment that we have gained during our audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Giuseppe Pedone
Partner

Turin, 12 April 2018

3. DIRECTORS' REPORT FOR THE GROUP AS AT 31/12/2017

SAGAT GROUP HIGHLIGHTS 2017

TRAFFIC

The Torino Airport has recorded an unprecedented passenger traffic volume in one year, surpassing its previous record struck in 2016. In 2017 there have been **4,176,556** passengers in transit, corresponding to a 5.7% growth.

INCOME RESULTS

The most relevant income components for the year 2017 are shown below, providing their comparison with the figures from the preceding year.
The value of production, net of grants, amounts to €69,975 thousand and has increased by 7.3%, compared to €65,238 thousand recorded in 2016.
The GOM amounts to €19,147 thousand (27.4% of the billing volume) and has increased by 21.1%, compared to €15,813 thousand recorded in 2016.
The EBITDA amounts to €17,557 thousand and has increased by 13.9%, compared to €15,404 thousand recorded in 2016.
The EBIT amounts to €12,387 thousand and has increased by 29.5%, compared to €9,562 thousand recorded in 2016.
The EBT amounts to €14,927 thousand and has increased by 53.2%, compared to €9,741 thousand recorded in 2016.
The Group's net profit amounts to €11,187 thousand.
The net financial position is positive by €17,022 thousand and has decreased by €3,949 thousand compared to €20,970 thousand as at 31 December 2016.

INVESTMENTS IN 2017

The Group has invested about €6,5 million on aggregate in infrastructures and systems during the course of the year.
The investments made allowed the Group to improve the quality of the services provided and maintain high airport safety standards.

SIGNIFICANT EVENTS OCCURRED AFTER 31 DECEMBER 2017

Passenger traffic data at the Torino Airport showed, in the first two months of 2018, a slight decrease, owing exclusively to the elimination of the twice-daily low-cost flight between Turin and Rome.

DEVELOPMENTS

In a year when the concurrence of multiple causes not attributable to the Company is bound to curb any further growth potential for the traffic performance of the Torino Airport (reduction in the number of passengers on the Turin-Rome route due to the exit of a low-cost carrier, failed growth of Alitalia due to continuing uncertainties about its future, uncertainties in ski charter flights from Great Britain after the Brexit, lower traffic potential of Turin's catchment area due to the conspicuous regaining of competitiveness of the nearby airport of Milan Malpensa), SAGAT's efforts will focus on increasing its network further, improving its commercial policies in support of carriers and its marketing initiatives to promote the Torino Airport's services and flights offer, through the allocation of more resources to those budget items. Additional efforts will focus on improving the quality of the services offered to passengers to increase their loyalty to the airport and on detecting new sources of earning and growth, that might come, for instance, from turning the airport digital, through e-commerce platforms, to set the Company's commercial course towards a more effective and widespread economic exploitation of the retail areas inside the terminal.

As to SAGAT Handling, the process of optimization of its own resources will continue through 2018, with the aim of maintaining the high quality standard of the services offered and continuing on the path of keeping the balance of company accounts in the short to medium term.

3.1 REPORT ON CONSOLIDATED FINANCIAL POSITION AND PERFORMANCE

Dear Shareholders:

the Directors' Report accompanying the consolidated financial statements as at 31 December 2017 was prepared in compliance with the provisions in Legislative Decree no. 127/1991 and contains the Directors' remarks on the overall performance and the most significant events occurred during the year 2017 and after 31 December 2017.

The income statement, balance sheet and net financial position for 2017 are shown compared to the closing balances as at 31/12/2016.

The figures in the financial statements and in the report are shown in thousands of Euro, except where otherwise stated.

3.2 TRAFFIC

For a detailed analysis of air traffic volumes from/to the Torino Airport and for specific information on the subsidiary SAGAT Handling, please refer to the sections on air traffic and holding structure of the report prepared by the Directors of the Holding Company.

3.3 ANALYSIS OF THE INCOME STATEMENT

The income statement 2017, presented in summary form in the table below, closes at a net operating profit of €11,187 thousand for the Group, greater by €4,426 thousand compared to the €6,761 thousand profit recorded in the prior year.

This difference is due to various factors, explained below, that have affected the various components of the income statement.

The value of production, net of grants (€671 thousand), amounts to €69,975 thousand, +7.3% compared to the €65,238 thousand recorded in 2016. This result is due to the positive performance of aviation and extra-aviation components, which have grown by 9.8% and 3.1% respectively, and to a significant increase in the "Other income" component, which has increased from €1,337 thousand in 2016 to €3,523 thousand in 2017.

Staff costs amount to €20,497 thousand and have decreased by €216 thousand, more than one percentage point compared to the prior year.

Operating costs amount in total to €30,331 thousand and have increased by €1,619 thousand compared to the previous year, due basically to the increase in the costs incurred by the Holding Company SAGAT on the airport concession fee paid to ENAC and on security systems.

The "Provisions and write-downs" line amounts in total to €1,590 thousand compared to €409 thousand in the previous year. The €1,181 increase is due entirely to the allocation of €1,434 thousand to the provision for bad debts.

The "Amortization and depreciation" line amounts in total to €5,841 thousand and has decreased by €672 thousand compared to the prior year, as the result of ordinary asset life cycle.

The balance of financial income (expense), positive by €2,540 thousand, has improved by €2,361 thousand compared to 2016, essentially due to the gain earned by the Holding Company SAGAT from the closing of the liquidation of the subsidiary SAGAT Engineering (€2,077 thousand), plus the total dividends (€228 thousand) collected by Aeroporti Holding from its share in the company that operates the Bologna Airport.

thousands of Euro

	2017	2016	Difference
Production value (*)	69,975	65,238	4,737
Staff costs	20,497	20,713	(216)
Operating costs	30,331	28,712	1,619
GOM	**19,147**	**15,813**	**3,334**
% GOM	**27.4%**	**24.2%**	**3.1%**
Provisions and write-downs	1,590	409	1,181
EBITDA	**17,557**	**15,404**	**2,154**
EBITDA %	**25.1%**	**23.6%**	**1.5%**
Amortisation and depreciation	5,841	6,513	(672)
Grants	671	671	0
EBIT	**12,387**	**9,562**	**2,825**
EBIT %	**17.7%**	**14.7%**	**3%**
Balance of financial operations	2,540	179	2,361
EBT	**14,927**	**9,741**	**5,186**
Income taxes	3,495	2,836	659
Net consolidated profit (loss)	**11,432**	**6,904**	4,528
Share of profit (loss) pertaining to minority shareholders	245	144	101
Net Group profit (loss)	**11,187**	**6,761**	**4,426**
Self-financing (**)	**18,979**	**13,789**	**5,197**

(*) The value of production is the total of earnings minus the grants received.
(**) The index of self-financing is calculated as follows: profit (loss) of the year + amortisation and depreciation + write-downs and provisions + net change in the provision for staff severance pay

INCOME

The table below shows the main income items for the years 2017 and 2016:

thousands of Euro

	2017	%	2016	%	DIFFERENCE
Production value	**69,975**	**100%**	**65,238**	**100%**	**4,737**
Aviation	**39,384**	**56.3%**	**35,876**	**55%**	**3,508**
of which:					
Fees	27,621		23,244		4,378
Centralized infrastructures	1,677		3,260		(1,584)
Assets used in common	-		54		(54)
Security	8,776		7,902		874
Aviation services (PRM and luggage)	1,310		1,416		(106)
Handling	**9,733**	**13.9%**	**11,216**	**17.2%**	**(1,484)**
of which:					
Ground handling	9,015		10,431		(1,416)
Cargo handling	718		785		(67)
Non-aviation	**17,335**	**24.8%**	**16,809**	**25.8%**	**526**
of which:					
Non-aviation services	1,008		980		28
Ticketing	385		361		24
Retail and restaurant subcontracts	4,325		4,320		5
Other business subcontracts	2,124		1,861		263
Sublease of spaces	2,195		2,222		(27)
Parking facilities	6,163		5,970		193
Advertising	1,135		1,095		41
Other income	**3,523**	**5%**	**1,337**	**2%**	**2,187**

Aviation income has increased on aggregate by €3,508 thousand (+9.8%). Such a major increase is essentially due to already mentioned increase in traffic volumes and to the impact of the new handling rates applied by SAGAT on the entire year, that already had its effect starting from May 2016, as broadly described in the section on regulatory framework.

Regards to handling income and with specific reference to the subsidiary SAGAT Handling, the decrease compared to 2016 is essentially due to the decrease in the volume of cargo traffic in terms of flights operated and goods handled. We must mention here the negative effect of having lost the customer Alitalia to a third-party handler operating at the Torino Airport, which occurred in October 2016.

Non-aviation income has increased by €526 thousand (+3.1%) in 2017, from €16,809 thousand in 2016 to €17,335 thousand in 2017.
For a detailed review of each variation, please refer to the dedicated section of the report prepared by the Directors of the Holding Company, which materially directs non-aviation services.

As already commented at the beginning of this section, the "Other income" figure (€3,523 thousand) has decreased significantly compared to the amount recorded in 2016 due to the presence in the current year of non-repeat income components.

STAFF COSTS

Staff costs for 2017, inclusive of outsourced staff, amounts to €20,497 thousand, decreasing by €216 thousand compared to the prior year.

The difference is due essentially to a broad and articulated rearrangement within the Holding Company SAGAT, which gave rise to major Group synergies and allowed to improve efficiency and cut costs. Worth of mention is also the positive effect on staff costs of the fact that Alitalia shifted to a third-party handler, as a consequence of which a number of staff units were transferred to the latter. For more details please refer to the corresponding sections in the Notes.

OPERATING COSTS

Operating costs have reached the amount of €30,331 thousand, increasing by €1,619 thousand compared to 2016. The increase is basically due to the following circumstances:

- greater costs for services (about €701 thousand) mostly due to the increase in the costs of the security and maintenance services, offset by less costs for the boosting of air traffic (€445 thousand);

- greater costs incurred by the Holding Company on the airport concession fee (about €692 thousand). Such a major increase is essentially due to already mentioned increase in traffic volumes and to the impact of the new calculation method applied to the entire year after the adjustment of airport fees effective from 1 May 2016 and the consequent removal of the 75% discount (pursuant to art. 11-decies of Law 248/2005). Compared to the situation existing before the fee adjustment, the cost of the airport concession fee has increased from €519 thousand in 2015 to €1,736 thousand in 2016, to €2,428 thousand 2017.

GROSS OPERATING MARGIN

As a result of the variations in the income and expense components commented above, the GOM 2017 has reached €19,147 thousand, or 27.2% of the production value (24.4% in 2016).

PROVISIONS AND WRITE-DOWNS

Amortisation, depreciation and write-downs, €1,590 thousand on aggregate, have increased by €1,181 thousand, due mostly to the effects of the write-down by the Holding Company of the accounts receivable from Alitalia Società Aerea Italiana S.p.A. before the latter entered into Extraordinary Administration procedure. For more details please refer to the section in the Director's Report of SAGAT on litigation.

The line also includes an allocation of €156 thousand to the provision for liabilities which in turn includes the amounts deemed presumably necessary to cover the expenses of the preliminary phase of a tax controversy arising from two assessment notices received on 22 December 2017 from the Revenue Office of Turin and relating to tax year 2012.

EBITDA

Due to the reasons explained above, the EBITDA 2017 has reached €17,557 thousand, or 25.1% of the value of production (23.6% in 2016).

AMORTIZATION AND DEPRECIATION

The amount of amortization and depreciation totals €5,841 thousand and has decreased by €672 thousand as the result of ordinary asset life cycle.

GRANTS

These amount to €671 thousand have not changed compared to the previous year. For more details please refer to the corresponding section in the Notes.

EBIT

The EBIT 2017 amounts to €12,387 thousand, or 17.7% of the value of production (14.7% in 2016).

FINANCIAL INCOME (EXPENSE) COMPONENTS

The balance of financial income (expense), positive by €2,540 thousand, has improved by €2,361 thousand compared to 2016, as explained earlier.

EBT

The EBT therefore amounts to €14,927 thousand, increasing by €5,186 thousand compared to the prior year.

TAXES

The aggregate tax burden has increased by €658 thousand compared to 2016. Total taxes for the year amount to €3,495 thousand.
The difference between the actual 2017 tax rate and the theoretical IRES/IRAP rate is described in detail in the dedicated section of the Notes.

PROFIT (LOSS)

In the light of the above, the net profit earned by the Group in 2017 amounts to €11,187 thousand, improving by €4,426 thousand compared to 2016.

3.4 ANALYSIS OF THE BALANCE SHEET

The table below shows the Balance sheet components reclassified according to financial principles. A comparison with 2016 figures is also provided.

thousands of Euro

				31/12/2017	31/12/2016	DIFFERENCE
A	**Fixed assets**					
		Intangible assets		3,866	3,098	768
		Tangible assets		47,124	47,647	(523)
		Financial assets		17,650	17,705	(54)
				68,640	**68,449**	**191**
B	**Working capital**					
		Inventory		367	376	(9)
		Trade receivables		15,557	12,892	2,665
		Other assets		14,305	11,801	2,504
		Trade payables		(17,822)	(16,020)	(1,802)
		Provisions for liabilities		(4,684)	(5,514)	830
		Other liabilities		(31,338)	(30,093)	(1,245)
				(23,615)	**(26,556)**	**2,941**
C	**Invested capital (less liabilities for the year)**		**(A+B)**	**45,025**	**41,893**	**3,132**
D	**Provision for staff's severance indemnity**			**3,250**	**3,275**	**(25)**
E	**Invested capital (less liabilities for the year and staff severance pay)**		**(C-D)**	**41,775**	**38,618**	**3,157**
	funded with:					
F	**Own capital**					
		Paid-in share capital		12,911	12,911	0
		Reserves and profit (loss) carried forward		27,152	32,480	(5,328)
		Profit (loss) of the year		11,187	6,761	4,426
		Equity pertaining to minority shareholders		7,547	7,436	111
				58,797	**59,588**	**(791)**
G	**Medium / long-term financial indebtedness**			**1,500**	**3,000**	**(1,500)**
H	**Short-term financial indebtedness (net cash available)**					
		Short-term financial payables		1,500	1,603	(103)
		Short-term financial payables to subsidiaries		0	0	0
		Financial income (expense)		0	0	0
		Cash and short-term financial receivables		(20,022)	(25,573)	5,552
				(18,522)	**(23,970)**	**5,448**
I	**Indebtedness (net financial position)**		**(G+H)**	**(17,022)**	**(20,970)**	**3,948**
L	**Total as in "E"**		**(F+I)**	**41,775**	**38,618**	**3,157**

As shown in the table, the capital invested, less liabilities for the year and staff severance pay ("TFR"), has decreased by €3,132 thousand due to the following changes:

- increase in fixed assets by €191 thousand, due essentially to:

- increase in intangible assets by €768 thousand, due to the effects of ordinary amortization (€1,205 thousand), to the new investments made during the year (€1,922 thousand), and reclassification of other assets (€50 thousand);

- decrease in tangible assets by €523 thousand, due to the effects of ordinary depreciation (€4,636 thousand) and to the new investments made during the year (€4,550 thousand); the reduction compared to the previous year also owes to the sale of assets (residual net value: €42 thousand), assets no longer existing and other variations (€395 thousand);

- decrease in financial assets by €54 thousand, due to the elimination (€11 thousand) of the investment in the subsidiary SAGAT Engineering after completion of its liquidation procedure, and to the elimination of the residual receivables from the associated company Air Cargo Torino, also due to completion of its liquidation procedure (€43 thousand).

- Decrease of working capital by €2,941 thousand, due basically to:

  - reduction of total inventory by €9 thousand on aggregate;

  - increase in trade receivables by €2,665 thousand, which in turn reflects the increase in the sales volume by more than 4 percentage points, as well as the prolonged payment terms established for the time being by one major customer of the Company. The recovery of normal payment deadlines with this particular customer is expected by the end of the next year, according to a payment schedule agreed upon with the carrier in question;

  - increase in other assets by €2,504 thousand, mostly due to an increase in other receivables (€2,548 thousand) due mostly to the increase in the amounts receivable by the Holding Company from carriers on municipal taxes (€1,681 thousand) and on credit notes to be received (€1,198 thousand);

  - increase in trade payables by €1,802 thousand, mostly due to the temporary suspension, pursuant to contractual covenants, of payments owed to carriers until they comply with their own obligations towards SAGAT, for services provided by SAGAT to them;

  - decrease by €830 thousand in the provisions for contingencies, due to:
    - net reduction of the provision for future contingencies (€708 thousand) as the result, on one hand, of the amounts allocated at the closing of the year to adjust the amount of the provision to the Company's actual need based on prospective risks, and, on the other hand, of the amounts released and used during the course of the year. In particular, as at 31 December 2017 the provision amounted to €4,579 thousand, as detailed in the dedicated section of the Notes;

    - reduction in the mark-to-market value (negative as at 31 December 2017 compared to 21 December 2016) of the derivative instrument that SAGAT subscribed to cover interest rate fluctuation risks associated to an existing loan (€122 thousand). In accordance with accounting standard no. 32, the variation referred to above has not affected the income statement for the year;

  - increase in other liabilities by €1,245 thousand, due essentially to:
    - €22 thousand decrease in the payables to associated and subsidiary companies, due to the completion of the liquidation of the subsidiary SAGAT Engineering and the associated company Air Cargo Torino;

    - €937 thousand increase in the payables to the parent company, due to the recording for the same amount of the payable related to the transfer to the parent company 2i Aeroporti of the tax liabillity for the year as a consequence of joining, as subsidiary, the tax consolidation effective from 2017;

- €1,245 thousand decrease in tax payables, due to the fact that the Company has joined, as consolidated company and effective from tax year 2017, the tax consolidation of the Group led by the parent company 2i Aeroporti;

- €70 thousand decrease in payables to social security institutions in connection with ordinary Group companies administration;

- €2,207 increase in other payables, mostly due to the greater amount of additional taxes payable on boarding fees (€+1,611 thousand), and to the increase in other payables for the remaining part;

- €654 thousand decrease in deferred income in connection with the ordinary release by SAGAT of the portions accruing in 2017 of the grants obtained on works carried out on the occasion of the Turin 2006 Olympic Games.

- €25 thousand decrease in the exposure towards the employees of Group companies on account of their severance pay.

The own capital has decreased by €791 thousand due to:

- the net profit of €11,187 thousand;

- the distribution of dividends for €12,211 thousand;

- the net increase in the equity pertaining to minority shareholders by €111 thousand, which reflects an increase due to the distribution of the portion of 2017 dividends pertaining to them by the subsidiary Aeroporti Holding (€245 thousand) and a €133 thousand decrease arising from the distribution, by the same company, of an aggregate dividend of €300,000;

- the decrease by €122 thousand in the cash flow hedging reserve created by the Holding Company (€-105 thousand versus €-227 thousand in 2016).

Medium to long term indebtedness has decreased by €1,500 thousand, due to the repayment, according to the plan, of the 2017 instalments of the loan obtained in 2010, which originally amounted to €15,000 thousand.

Net cash in hand has decreased by €5,448 thousand due to the following variations:

- decrease short-term financial receivables by €103 thousand;

- decrease by €5,551 thousand in the cash and equivalents with banks and in the Group treasury.

As a result of these changes, in 2017 the Group has reduced its net financial position by €3,948 thousand, from €20.970 thousand as at 31 December 2016 to a balance of €17,022 thousand as at 31 December 2017.

Please refer to the Notes to these consolidated financial statements for a more extensive explanation of the operations described above.

3.5 ANALYSIS OF THE CASH FLOW

The operations in the year generated €3,948 thousand in financial resources. Such figure is the result of the cash flow generated by income less costs.

The cash flow from operations, €14,569 thousand in total, derives from the self-financing generated by ordinary and extraordinary operations (€18,979 thousand) and from the variation in the net working capital (€-4,410 thousand), less write-downs and provisions made in the period (€1,590 thousand).
The cash flow has increased by €54 thousand due to the reduction in financial assets and was used to fund investments in intangible and tangible assets (€6,472 thousand) and to distribute dividends (€12,211 thousand).
The net cash flow from operations, less the changes descrived above and the increase in the equity of minority shareholders by €111 thousand, is therefore negative and amounts to €3,948 thousand. The net financial position as at 31 December 2017 is €17,022 thousand, decreasing compared to €20,970 thousand as at 31 December 2016.

The variations described above are summarised in the table below:

STATEMENT OF CASH FLOW - SAGAT GROUP

	thousands of Euro	
Net financial position as of 31/12/2016		**20,970**
Self-financing from ordinary and extraordinary operations		**18,979**
Profit (Loss) of the year	11,187	
Amortisation, depreciation and write-down of fixed assets	6,226	
Provisions for bad debts	1,590	
Net difference in the provision for staff severance pay	(25)	
Difference in net working capital after amortisation, depreciation, write-downs and net variation in the provision for derivative instruments		**(4,410)**
Cash flow generated by operations		**14,569**
Net cash flow from investments		**(6,472)**
Cash flow from financial assets		**54**
Dividends		**(12,211)**
Other variations due to the new accounting standards		**0**
Difference in the equity pertaining to minority shareholders		**111**
Net cash flow from operations		**(3,948)**
Net financial position as of 31/12/2017		**17,022**

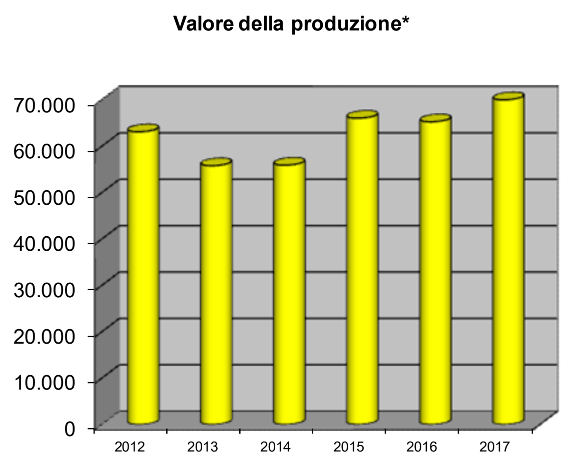
The net financial position is computed as the sum of: cash in hand, short-term financial receivables and financial assets, less interest expense payable to banks and financial payables to subsidiaries outside the scope of consolidation.

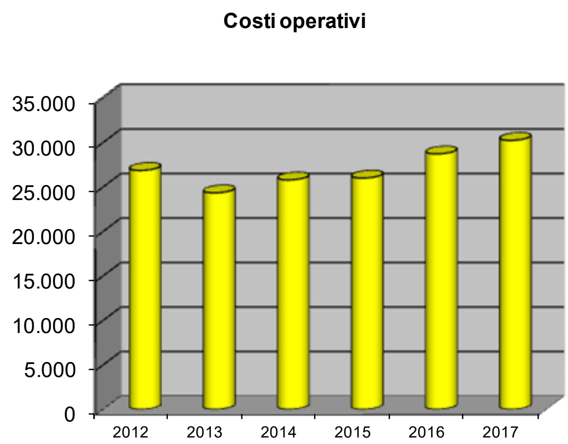
3.6 EVOLUTION OF THE MAIN FINANCIAL RATIOS

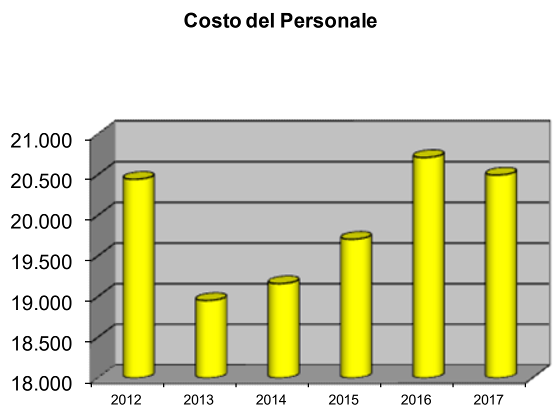
	2012	2013	2014	2015*	2016	2017
Production value	63,084	55,774	55,888	66,020	65,238	69,975
Operating costs	26,855	24,335	25,784	25,992	28,712	30,331
Staff costs	20,445	18,954	19,161	19,708	20,713	20,497
GOM	15,784	12,485	10,942	20,320	15,813	19,147
Net profit	(962)	267	3,357	8,709	6,761	11,187
Equity pertaining to the Group	63,481	63,747	45,804	47,618	52,152	51,249
ROI	-1.07	1.01	3.25	22.93	24.76	27.68
ROE	-1.52	0.42	7.33	18.29	12.96	21.80
Investments	13,162	2,908	3,136	3,263	4,735	6.470
Self-financing	18,402	14,301	14,301	20,450	13,789	18,979
Accounts receivable from customers	11,535	10,937	13,292	11,979	12,892	15,557
Average length of trade receivables	69	74	90	79	74	86
Accounts payable to vendors	13,738	9,489	9,904	10,842	16,020	17,822
Average length of trade payables	184	144	144	152	204	215

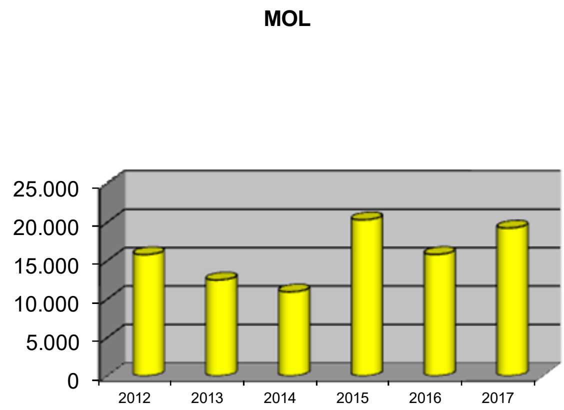
(*) VALUE OF PRODUCTION: the total of earnings minus the grants received
SELF-FINANCING: profit (loss) of the year + amortisation and depreciation + write-downs and provisions + net change in the provision for staff severance pay
ROI: net profit / capital invested
ROE: net income / equity
AVERAGE LENGTH OF RECEIVABLES: trade receivables / trade earnings (caption A1 of IV CEE financial statements)
AVERAGE LENGTH OF PAYABLES: trade payables / cost of vendor services

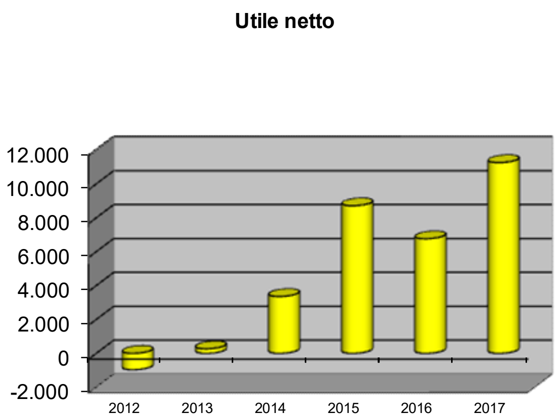
* After the passing of Legislative Decree enforcing Directive 2013/34/EU, 2015 figures were recalculated according to the accounting standards currently applicable. Therefore, the value of certain 2015 figures (including GOM, ROI and ROE) has changed. The net result relating to 2015 has not changed.

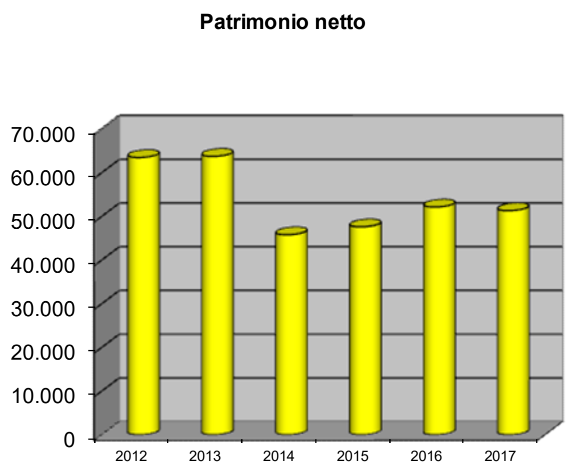

Valore della produzione*
70.000
60.000
50.000
40.000
30.000
20.000
10.000
0
2012
2013
2014
2015
2016
2017


Costi operativi
35.000
30.000
25.000
20.000
15.000
10.000
5.000
0
2012
2013
2014
2015
2016
2017

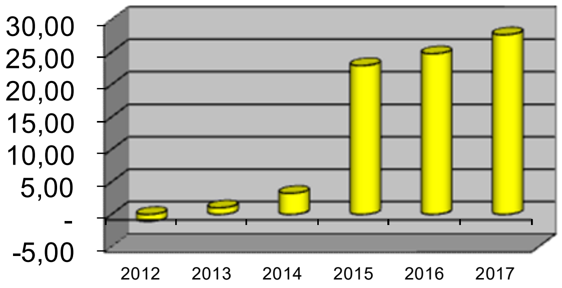

Costo del Personale
21.000
20.500
20.000
19.500
19.000
18.500
18.000
2012
2013
2014
2015
2016
2017


MOL
25.000
20.000
15.000
10.000
5.000
0
2012
2013
2014
2015
2016
2017

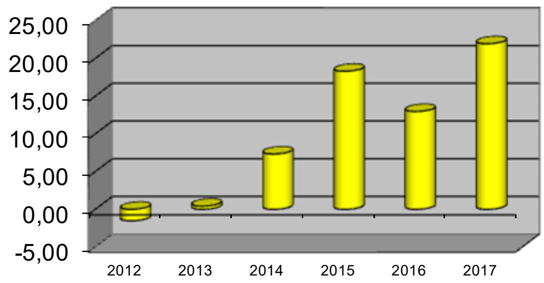

Utile netto
12.000
10.000
8.000
6.000
4.000
2.000
0
-2.000
2012
2013
2014
2015
2016
2017


Patrimonio netto
70.000
60.000
50.000
40.000
30.000
20.000
10.000
0
2012
2013
2014
2015
2016
2017

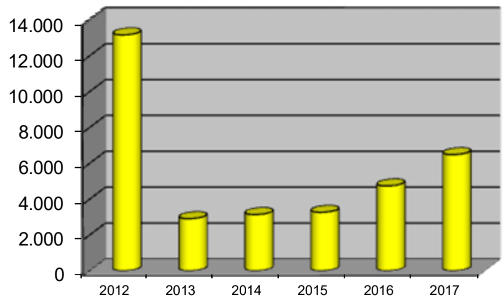
ROI



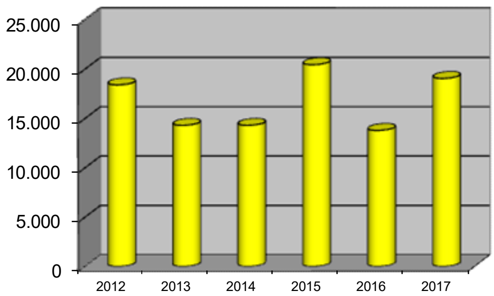
ROE



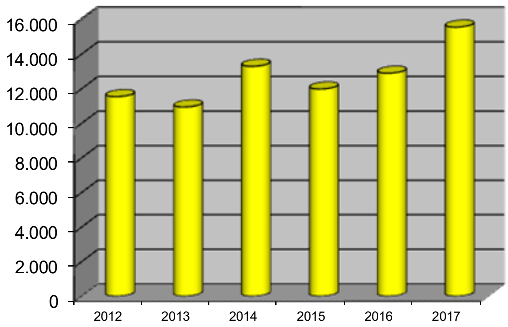
Evoluzione Investimenti



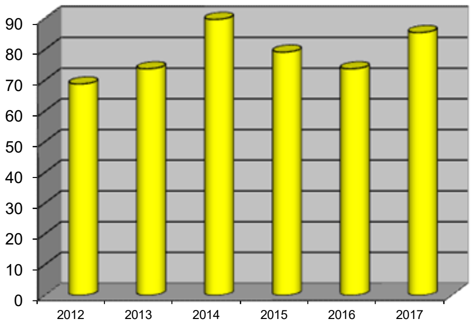
Evoluzione autofinanziamento

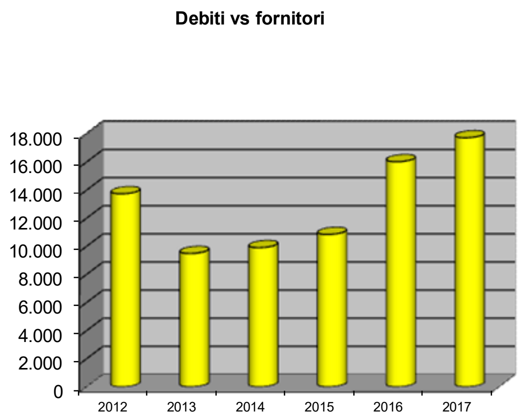


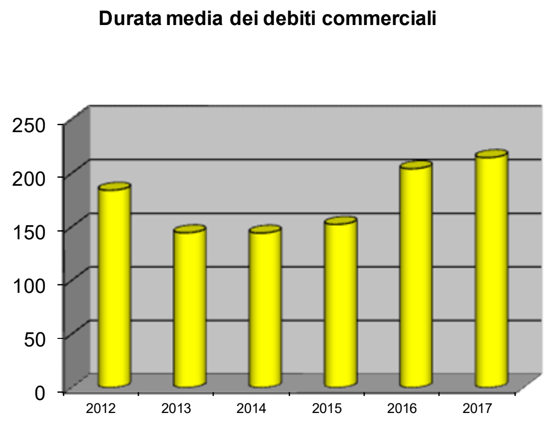
Crediti vs clienti



Durata media dei crediti commerciali







3.7 AVIATION SERVICES

For a more detailed analysis, please see the dedicated section in the Directors' Report for the Holding Company.

3.8 RETAIL SERVICES

For a more detailed analysis, please see the dedicated section in the Directors' Report for the Holding Company.

3.9 QUALITY

For a more detailed analysis, please see the dedicated section in the Directors' Report for the Holding Company.

3.10 STAFF AND ORGANISATION

ORGANISATION AND MANAGEMENT

During 2017, the parent company SAGAT S.p.A. enacted organisational modifications that raised levels of efficiency within the Group, resulting in noteworthy savings.
Put briefly, starting on 1 January 2017, the parent company undertook a reorganisation that involved 9% of its employees, whose skills were retooled, so that they could be reassigned to new positions. SAGAT also reassigned activities that had been carried out by other companies to its own internal organisation, and specifically the VIP Room and Fast Track services, which had been managed by SAGAT Handling, as well as operations of the CRAI brand sales point.
This allowed SAGAT Handling to transfer the resources previously assigned to the VIP Room and the Fast Track to passenger check-in services, in order to reduce the use of outsourced personnel, overtime and set-term employment contracts.
SAGAT Handling also transferred the management of its working shifts, previously taken care of by the parent company, to its own internal structure.
During the year 2017, the companies of the Group continued the efforts to increase efficiency that had begun in 2014: during the period 2014-2017, despite the marked in volume of business (+21.7%), the Group's staff remained practically unchanged (+0.27%). As a result, its productivity, calculated as the ratio between the annual number of passengers and the Group's annual average

number of FTE, or full-time equivalent employees, rose by 21.37% in the period under consideration.

SAGAT GROUP	2014	2015	2016	2017	%
Annual passengers	3,431,986	3,699,024	3,950,908	4,176,556	21.7%
FTE	362	361	374	363	0.27%
PAX/FTE	9,487	10,259	10,567	11,514	21.37%

Another very meaningful result is that for the cost of labour, which went form 20,714,160 Euro in 2016 to 20,497,505 in 2017, for a decrease of 1.46%.

COMPANY	COST OF LABOUR 2016	COST OF LABOUR 2017	VARIATION
SAGAT S.p.A.	13,494,137	13,413,819	(80,318)
SAGAT Handling S.p.A.	7,220,024	7,083,686	(136,338)
SAGAT GROUP	20,714,161	20,497,505	(216,656)

INDUSTRIAL RELATIONS

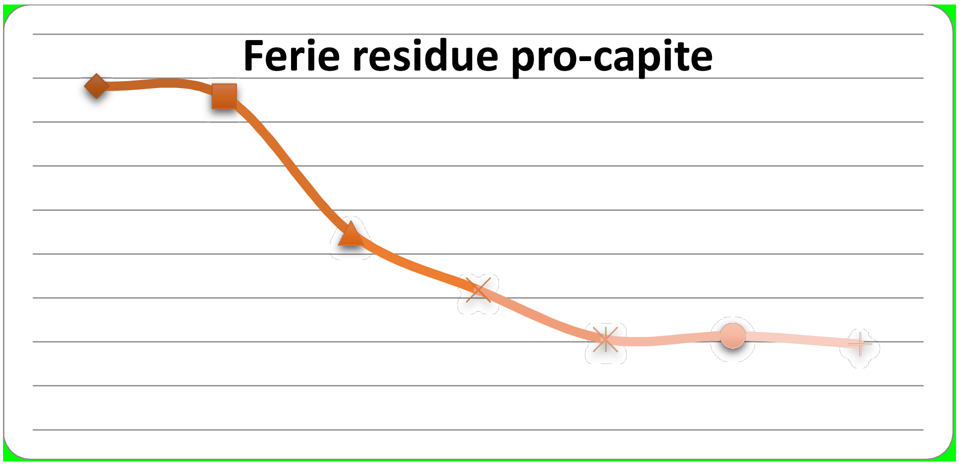
A number of important agreements were signed with union representatives in 2017.
In the month of July, an agreement was signed on the company bonus for the year 2016.
In November of 2017, the Company and the union representatives signed two additional agreements. The first set the calendar for the company-wide closings for the year 2018, in addition to confirming a plan for the elimination of back vacation time. This last provision, which confirms previous agreements on the same subject, actually goes beyond the measures called for in the collective–bargaining contract, creating a tool of fundamental importance when it comes to limiting labour costs and properly managing organisational affairs. The possibility of employing staff on a seasonal basis was confirmed for 2017 as well, up through October of 2018. This agreement, which provides for the signing of contracts of seasonal employment, gives companies important

support in reviving organisational efficiency, seeing that it allows for the flexibility needed to handle peak production periods without having to release specific professional know-how that could not otherwise be given employment.
Finally, an agreement was signed with union representatives in the month of November clarifying a number of doubts on the interpretation of working hours.

In one final development, marking enactment of the provisions of the National Collective Bargaining Contract on the social clause, a number of meetings were held during the year involving the union representatives, SAGAT S.p.A., acting in its capacity as the airport manager, plus the handlers that operate at the Airport, in order to draw up a Site Protocol. The encounters led to progress on the negotiations, contributing to the likelihood that an agreement will be assigned during 2018. This protocol will stipulate in advance, bases on jointly endorsed criteria, the procedures for transferring personnel in cases where a landside service worker leaves the employ of one handler for that of another, so as to guarantee that levels of employment are maintained while preventing strategies of marketing dumping and the onset of social tension.

The following table confirms that, thanks to agreements signed with the unions on collective company closing and programs for eliminating backlogs of vacation time, the average number of days of back vacation or leave time registered a per capita figure of 4 for 2017, a result that points to effective management and efficient organisation of the Group's personnel.

	2011	2012	2013	2014	2015	2016	2017	Diff. 2017/2011	%
Back vacation days	5,958	5,764	3,268	2,300	1,486	1,602	1,412	(4,546)	-76%
Annual average FTE	381	380	365	362	361	374	363	(18)	-5%
Per capita back vacation days	16	15	9	6	4	4	4	(12)	-75%



THE GROUP'S STAFF

The Group's annual average number of employees was equal to 362.73 FTE, for a decrease of 11.15 FTE compared to the previous year.

As of 31 December 2017, the overall headcount of the Group's staff had risen by 1 unit, compared to the same date for the previous year, to a total of 382 individuals, 32 of whom were employed under set-term contracts.
The following tables illustrate how the manpower was employed, with the break-down establishing the comparison with 2016: the first table shows the manpower as of December 31st, while the second traces the manner in which the average manpower was used during the year.

Table A – Permanent Employment	2016	2017
Executives	4	4
Total clerical employees	229	226
Total blue collars	121	120
Total Table A	354	350
Table B – Set-Term Employment	**2016**	**2017**
Set-term employees	18	32
Entry contracts	0	0
Apprentices	0	0
Total Table B	18	32
TOTAL A+B	**381**	**382**

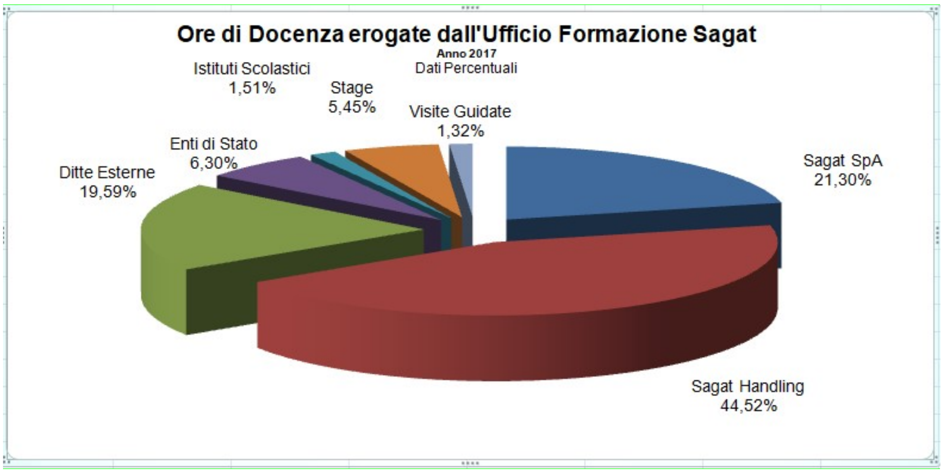
Category	Average manpower figures 2016	Average manpower figures 2017	Absolute variation	Percentage variation
Executives	4.08	4	(0.08)	-2%
Clerical employees	249.84	236.08	(13.76)	-6%
Blue collars	142.84	124.92	(17.92)	-13%
Total	**396.76**	**383**	(13.76)	-3.47%

TRAINING

The SAGAT Training Centre plays a key role in both organising training and/or instruction and supplying such services on its own, and not only for the approximately 400 employees of SAGAT and SAGAT Handling, but also for the companies that carry out various types of operations at the Airport, including government bodies and authorities.

A total of almost 5,000 workers employed at the Airport received training from SAGAT in some form, be it required courses, in-depth professional instruction or to obtain airport licenses. In the case of each of these individuals, the Training Centre oversaw the activities requested, recording and filing the necessary documentation, managing the deadlines and informing the participating companies of when their employees need to renew or recertify their authorisations or skills and know-how.

The efforts of the in-house Training Service in providing classroom training of its own, while also fulfilling the other tasks assigned to it, worked out to 1,845 courses in 2017, for a total of 4,840 hours teaching supplied to 3,760 participants, for a grand total of 19,191 hours of training received. In organising courses for the companies of the Group, the Training Centre has also drawn on the inter-professional with which the Company has been involved from years now, making it possible to recoup the costs sustained to organise and hold 23.81% of the total hours of training carried out during the year 2017.



TRAINING CARRIED OUT IN 2017 TOTAL FOR SAGAT GROUP

Position	Women		Men		Totals	
	Participants	Hours of training	Participants	Hours of training	Participants	Hours of training
Executives	0	0	9	115	9	115
Middle Managers	34	233	48	290	82	523
Clerical Workers	599	3,812	429	2,570	1,028	6,382
Blue collars	147	579	886	2,720	1,033	3,299
Interns	4	9	10	42	14	51
Temporary workers	641	3,390	1,152	4,687	1,793	8,077
Subcontractors	40	131	269	997	309	1,128
Total	**1,465**	**8,154**	**2,803**	**11,421**	**4,268**	**19,575**

The courses were carried out through a variety procedures. Face-to-face classroom instruction was the most widely used approach (82.61%), while e-learning, drawing on the new LMS DOCEBO platform, went into operation during the year, servicing 1% of the participants, which represents an increase of 53.72%.

3.11 INVESTMENTS

Investments made by the SAGAT Group totalled €6,47 million in the year 2017.

In addition to the investments of the parent company (for a total of €6,32 million), further acquisitions were made by the subsidiary SAGAT Handling, for an overall value of €150 thousand. These purchases on the part of SAGAT Handling were made primarily to reinforce the company motor pool and to obtain work clothes for the operating personnel.

For a detailed analysis of the investments of the parent company, see the SAGAT Management Report.

3.12 EQUITY INVESTMENTS

For a detailed analysis, see the dedicated section in the Directors' Report of the Holding Company.

3.13 LITIGATION

For a detailed analysis, see the dedicated section in the Directors' Report of the Holding Company.

3.14 PRIVACY

For a detailed analysis, see the dedicated section in the Directors' Report of the Holding Company.

3.15 RISK FACTORS

For a detailed analysis, see the dedicated section in the Directors' Report of the Holding Company.

3.16 OWN SHARES AND SHARES OF THE PARENT COMPANY

For a detailed analysis, see the dedicated section in the Directors' Report of the Holding Company.

3.17 RESEARCH AND DEVELOPMENT ACTIVITIES

For a detailed analysis, see the dedicated section in the Directors' Report of the Holding Company.

3.18 FINANCIAL INSTRUMENTS

For a detailed analysis, see the dedicated section in the Directors' Report of the Holding Company.

3.19 FORESEEABLE DEVELOPMENTS FOR 2018

The potential for further growth in the traffic performance of the Torino Airport in 2018 is limited, given the onset of a number of contributing causes: the persistence of a monopoly situation in terms of offerings on the Turin-Rome route, provided only by Alitalia, now that Blue Air is no longer in operation, with the result being a noteworthy reduction in the number of passengers on our

Airport's most heavily trafficked route; the continuation of the situation of uncertainty with regard to the future of Alitalia, which prevents the carrier from planning a marketing strategy for growth; the uncertainty over whether levels of skier traffic from Great Britain will hold steady following Brexit; but above all else the diminished potential for traffic generated by the Turin catchment area, which already suffers from the Airport's geographic condition, and now has to deal with the noteworthy revival in the competitive strength of the nearby airport of Milan-Malpensa, where the recent opening of the Ryanair base, plus a general rise in the capacity on offer, point to the likelihood, for 2018, of a further acceleration in the growth of this airport in the Lombardy region in terms of short/medium-range point-to-point traffic.
A revival of its long-range traffic is also likely, thanks to the carrier Air Italy (formerly Meridiana and now part of the Qatar Airways Group), which recently announced that it intends to make Malpensa its main hub.

In light of the above considerations, SAGAT's efforts shall be focussed on further expansion of the network and on the recruitment of carriers not currently operating out of Turin, reinforcing its business strategies in support of carriers, together with marketing initiatives designed to promote the Torino Airport, its services and the flights offered with the general public, if necessary by allocating increased resources to these items on its budget. Further efforts shall also be made to improve the quality of the services offered to passengers, so as to turn them into loyal customers of the Airport, while also identifying new elements of revenue and growth.
To this end, a major investment will be that in the digitalisation of the Airport, a process that will provide SAGAT with a tool for drawing on new sources of potential revenue, such as e-commerce platforms capable orienting the Company's business strategies towards a more efficient, more extensive profitability of the Airport's retail areas.

As for SAGAT Handling, during the year 2018 the company continued its efforts to optimise the use of its resources, with the objective of maintaining the high level of the services it offers while continuing to ensure the company's economic /financial stability over the short to medium term. For a detailed analysis, see the dedicated section in the Directors' Report of the Holding Company.

.

Original signed by:

The Chairman

Giuseppe Donato

4. CONSOLIDATED FINANCIAL STATEMENTS AS AT 31/12/2017

4.1 CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT (amounts in Euro)

4.1.1 CONSOLIDATED BALANCE SHEET: ASSETS	FINANCIAL STATEMENTS AS AT 31/12/2017	FINANCIAL STATEMENTS AS AT 31/12/2016
A) SHAREHOLDER CONTRIBUTIONS YET TO BE PAID IN		
B) FIXED ASSETS		
I. Intangible assets		
1) Start-up and improvement costs	0	0
2) Development costs	0	0
3) Industrial patent and intellectual property rights	161,233	480,863
4) Concessions, licenses, trademarks and similar rights	0	0
5) Goodwill	0	0
6) Investments in progress	1,098,110	955,717
7) Other fixed assets	2,606,525	1,661,267
Total	**3,865,868**	**3,097,847**
II. Tangible assets		
1) Land and buildings	3,515,794	3,515,794
2) Plant and machinery	0	0
3) Operating and sales equipment	2,929,946	1,091,112
4) Other assets	991,880	1,011,131
5) Investments in progress and payments on account	2,487,683	2,670,611
II.bis Transferable tangible assets		
1) Land and buildings	30,681,717	32,842,215
1-bis) Runways and land used for runways	361,824	381,926
2) Plant and machinery	6,155,046	6,133,874
3) Operating and sales equipment	0	0
4) Other assets	0	0
5) Investments in progress and payments on account	0	0
Total	**47,123,890**	**47,646,663**

4.1.1 CONSOLIDATED BALANCE SHEET: ASSETS	FINANCIAL STATEMENTS AS AT 31/12/2017	FINANCIAL STATEMENTS AS AT 31/12/2016
III. Financial assets		
1) Equity investments in:		
a) Subsidiary companies	0	11,000
b) Associated companies	0	0
c) Parent companies	0	0
d) Companies controlled by parent companies	0	0
d-bis) Other companies	17,640,883	17,640,883
2) Accounts receivable:		
a) From subsidiary companies:		
due within 12 months	0	0
due beyond 12 months	0	0
b) from associated companies:		
due within 12 months	0	43,200
due beyond 12 months	0	0
c) From parent companies:		
due within 12 months	0	0
due beyond 12 months	0	0
d) From companies controlled by parent companies:		
due within 12 months	0	0
due beyond 12 months	0	0
d-bis) From others:		
due within 12 months	0	0
due beyond 12 months	9,577	9,577
Total accounts receivable:		
due within 12 months	0	43,200
due beyond 12 months	9,577	9,577
Total	**9,577**	**52,777**
3) Other credit instruments	0	0
4) Derivative financial instruments	0	0
Total	**17,650,460**	**17,704,660**
TOTAL FIXED ASSETS (B)	**68,640,218**	**68,449,170**

4.1.1 CONSOLIDATED BALANCE SHEET: ASSETS	FINANCIAL STATEMENTS AS AT 31/12/2017	FINANCIAL STATEMENTS AS AT 31/12/2016
C) CURRENT ASSETS		
I. Inventory		
1) Raw and ancillary materials and consumables	366,678	376,033
2) Products in process and semi-finished products	0	0
3) Orders in progress	0	0
4) Finished products and goods	0	0
5) Payments on account	0	0
Total	**366,678**	**376,033**
II. Accounts receivable		
1) Trade receivables:		
due within 12 months	15,556,847	12,892,211
due beyond 12 months	0	0
2) Receivables from subsidiary companies:		
due within 12 months	0	0
due beyond 12 months	0	0
3) Receivables from associated companies:		
due within 12 months	0	0
due beyond 12 months	0	0
4) Receivables from parent companies:		
due within 12 months	98,521	0
due beyond 12 months	0	0
5) Receivables from companies controlled by the parent companies:		
due within 12 months	0	0
due beyond 12 months	0	0
5-bis) Tax receivables:		
due within 12 months	2,020,505	2,081,078
due beyond 12 months	58,341	68,523
5-ter) Deferred tax assets:		
due within 12 months	203,648	266,128
due beyond 12 months	1,979,790	1,748,313
5-quater) Other receivables:		
due within 12 months	9,624,747	7,153,937
due beyond 12 months	133,788	56,080
Total accounts receivable:		
due within 12 months	**27,504,268**	**22,393,354**
due beyond 12 months	**2,171,919**	**1,872,916**
Total	**29,676,187**	**24,266,270**

4.1.1 CONSOLIDATED BALANCE SHEET: ASSETS	FINANCIAL STATEMENTS AS AT 31/12/2017	FINANCIAL STATEMENTS AS AT 31/12/2016
III. Financial assets other than fixed assets		
1) Investments in subsidiary companies	0	0
2) Investments in associated companies	0	0
3) Investments in parent companies	0	0
3-bis) Investments in companies controlled by parent companies	0	0
4) Other equity investments	0	0
5) Derivative financial instruments	0	0
6) Other credit instruments	0	0
Total	**0**	**0**
IV. Cash and cash equivalents		
1) Bank accounts	19,962,383	25,521,687
2) Cheques	8,000	8,000
3) Cash in hand	51,234	43,629
Total	**20,021,617**	**25,573,316**
TOTAL CURRENT ASSETS (C)	**50,064,482**	**50,215,619**
D) ACCRUED INCOME AND PREPAYMENTS		
Accrued income	0	0
Prepayments	185,279	427,310
TOTAL (D)	**185,279**	**427,310**
TOTAL ASSETS	**118,889,979**	**119,092,099**

4.1.2 CONSOLIDATED BALANCE SHEET: LIABILITIES	FINANCIAL STATEMENTS AS AT 31/12/2017	FINANCIAL STATEMENTS AS AT 31/12/2016
I. Share capital	12,911,481	12,911,481
II. Share premium reserve	6,104,521	6,104,521
III. Revaluation reserve		
- Revaluation reserve per Law 342/2000	7,362,627	7,362,627
IV. Legal reserve	2,582,296	2,582,296
V. Reserves established under the by-laws	0	0
VI. Other reserves, itemized:		
- Extraordinary reserve	7,713,774	13,472,089
- Reserve for extraordinary investments	4,906,340	4,906,340
- Provision per art. 55 DPR 917/86	0	0
- Consolidation reserves	2,269,651	2,269,651
VII. Reserve for the hedging of expected cash flows	(104,932)	(226,646)
VIII. Profit (loss) carried forward	1,140,364	832,095
IX. Profit (or Loss) of the year	11,186,962	6,760,813
X. Negative reserve for treasury shares	(4,823,612)	(4,823,612)
Equity pertaining to the Group	**51,249,472**	**52,151,655**
Equity pertaining to minority shareholders	**7,547,493**	**7,436,294**
TOTAL SHAREHOLDERS' EQUITY (A)	**58,796,965**	**59,587,949**
B) PROVISIONS FOR LIABILITIES AND RISKS		
1) Pension and similar funds	0	0
2) Provision for taxes, including deferred taxes	0	0
3) Provision for loss on derivative financial instruments	(104,932)	(226,646)
4) Other provisions:		
- Provision for currency fluctuations	0	0
- Provision for future liabilities	4,578,753	5,286,968
TOTAL PROVISIONS FOR LIABILITIES AND CHARGES (B)	**4,683,685**	**5,513,614**

4.1.2 CONSOLIDATED BALANCE SHEET: LIABILITIES	FINANCIAL STATEMENTS AS AT 31/12/2017	FINANCIAL STATEMENTS AS AT 31/12/2016
C) PROVISION FOR STAFF SEVERANCE PAY	3,250,167	3,274,866
TOTAL (C)	**3,250,167**	**3,274,866**
D) ACCOUNTS PAYABLE		
1) Bonds:		
due within 12 months	0	0
due beyond 12 months	0	0
2) Convertible bonds:		
due within 12 months	0	0
due beyond 12 months	0	0
3) Loans from shareholders:		
due within 12 months	0	0
due beyond 12 months	0	0
4) Accounts payable to banks:		
due within 12 months	1,500,000	1,500,000
due beyond 12 months	1,500,000	3,000,000
5) Accounts payable to other lenders:		
due within 12 months	0	0
due beyond 12 months	0	0
6) Payments on account:		
due within 12 months	0	0
due beyond 12 months	0	0
7) Trade payables:		
due within 12 months	17,821,941	16,019,951
due beyond 12 months	0	0
8) Payables in the form of credit instruments:		
due within 12 months	0	0
due beyond 12 months	0	0
9) Payables to subsidiary companies:		
due within 12 months	0	15,841
due beyond 12 months	0	0
10) Payables to associated companies:		
due within 12 months	0	6,100
due beyond 12 months	0	0

4.1.2 CONSOLIDATED BALANCE SHEET: LIABILITIES	FINANCIAL STATEMENTS AS AT 31/12/2017	FINANCIAL STATEMENTS AS AT 31/12/2016
11) Payables to parent companies:		
due within 12 months	936,523	0
due beyond 12 months	0	0
11-bis) Payables to companies controlled by the parent companies:		
due within 12 months	99,113	109,800
due beyond 12 months	0	0
12) Tax payables:		
due within 12 months	1,281,908	2,527,376
due beyond 12 months	0	0
13) Social security payables:		
due within 12 months	1,023,640	1,093,865
due beyond 12 months	0	0
14) Other payables:		
due within 12 months	19,176,798	16,981,871
due beyond 12 months	151,577	139,327
Total:		
due within 12 months	**41,839,923**	**38,254,804**
due beyond 12 months	**1,651,577**	**3,139,327**
TOTAL ACCOUNTS PAYABLE (D)	**43,491,500**	**41,394,131**
E) ACCRUED EXPENSES AND DEFERRED INCOME		
Accrued expenses	2,212	0
Deferred income	8,665,450	9,321,539
TOTAL (E)	**8,667,662**	**9,321,539**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**118,889,979**	**119,092,099**

4.1.3 CONSOLIDATED INCOME STATEMENT	FINANCIAL STATEMENTS AS AT 31/12/2017	FINANCIAL STATEMENTS AS AT 31/12/2016
A) PRODUCTION VALUE		
1) Revenues from sales and services	66,579,658	64,001,357
2) Variations in the inventory of in-process, semi-finished and finished products	0	0
3) Variations of orders in progress	0	0
4) Fixed assets developed internally	0	0
5) Other revenues and proceeds, with operating grants stated separately	4,066,250	1,907,606
TOTAL PRODUCTION VALUE (A)	**70,645,908**	**65,908,963**
B) PRODUCTION COSTS		
6) Cost of raw and ancillary materials, consumables and goods	1,999,628	1,760,175
7) Cost of services	23,384,360	22,671,622
8) Leasehold costs	2,682,535	1,984,369
9) Staff costs:		
a) salaries and wages	15,119,644	15,137,583
b) social security	4,134,446	4,312,802
c) severance pay	934,851	950,598
d) pensions and the like	0	0
e) other costs	308,164	312,176
Total staff costs	**20,497,105**	**20,713,159**
10) Amortisation, depreciation and write-downs:		
a) amortisation	1,204,101	2,129,523
b) depreciation	4,636,424	4,382,888
c) other write-downs of fixed assets	0	0
d) write-down of current receivables and of cash and equivalents	1,434,450	85,802
Total amortisation, depreciation and write-downs	**7,274,975**	**6,598,213**
11) Variations in the inventory of raw and maintenance materials, consumables and goods	9,355	(34,643)
12) Provisions for liabilities and risks	155,848	323,659
13) Other provisions	0	0
14) Miscellaneous operating costs	2,254,598	2,330,347
TOTAL PRODUCTION COSTS (B)	**58,258,404**	**56,346,901**
PRODUCTION VALUE LESS PRODUCTION COSTS (A-B)	**12,387,504**	**9,562,062**

4.1.3 CONSOLIDATED INCOME STATEMENT	FINANCIAL STATEMENTS AS AT 31/12/2017	FINANCIAL STATEMENTS AS AT 31/12/2016
C) FINANCIAL INCOME (EXPENSE)		
15) Income from equity investments:		
a) dividends and other income from subsidiary companies	2,077,222	0
b) dividends and other income from associated companies	0	0
c) dividends and other proceeds from parent companies	0	0
d) dividends and other proceeds from companies controlled by parent companies	0	0
e) dividends and other income from others	591,288	362,884
16) Other financial income:		
a) on non-current receivables		
- subsidiary companies	0	0
- associated companies	0	0
- parent companies	0	0
- companies controlled by parent companies	0	0
- other	0	0
b) on securities recorded under fixed assets other than equity investments	0	0
c) on securities recorded under current assets other than equity investments	0	0
d) other income		
- subsidiary companies	0	0
- associated companies	0	0
- parent companies	0	0
- companies controlled by parent companies	0	0
- other	22,478	25,678
Total	**2,690,988**	**388,562**
17) Interest and other financial expense:		
- subsidiary companies	0	0
- associated companies	0	0
- parent companies	0	0
- companies controlled by parent companies	0	0
- other	(150,932)	(209,174)
17- bis) Exchange gains (losses)	(350)	(512)
TOTAL FINANCIAL INCOME (EXPENSE) (C)	**2,539,706**	**178,876**

4.1.3 CONSOLIDATED INCOME STATEMENT	FINANCIAL STATEMENTS AS AT 31/12/2017	FINANCIAL STATEMENTS AS AT 31/12/2016
D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS		
18) Revaluation:		
a) of equity investments	0	0
b) of financial assets other than equity investments	0	0
c) of securities recorded under current assets other than equity investments	0	0
d) of derivative financial instruments	0	0
19) Write-downs:		
a) of equity investments	0	0
b) of financial assets other than equity investments	0	0
c) of securities recorded under current assets other than equity investments	0	0
d) of derivative financial instruments	0	0
TOTAL ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS (D)	**0**	**0**
EBT (A-B+/-C+/-D)	**14,927,210**	**9,740,938**
20) Income taxes for the year:		
a) Current taxes	(3,664,397)	(2,636,697)
b) Prepaid tax assets (liabilities)	168,998	(199,797)
21. PROFIT (LOSS) OF THE YEAR, GROUP AND MINORITY SHAREHOLDERS	**11,431,811**	**6,904,444**
PROFIT (LOSS) PERTAINING TO THE GROUP	**11,186,962**	**6,760,813**
PROFIT (LOSS) PERTAINING TO MINORITY SHAREHOLDERS	**244,849**	**143,631**

We declare that the Financial statements above match with the contents of the accounting books.

On behalf of the Board
of Directors
The Chairman

4.1.4 STATEMENT OF CASH FLOW - SAGAT GROUP	2017	2016
A) CASH FLOW FROM OPERATIONS		
Profit (Loss) of the year for the Group	11,431,811	6,904,444
Income taxes	3,495,399	2,836,494
Interest expense (income)	128,804	184,008
(Dividends)	(591,288)	(362,884)
(Gains) Losses on disposal of assets	(2,109,237)	(9,288)
Profit (loss) of the year before income taxes, interest, dividends and gains/ losses on disposals	**12,355,489**	**9,552,774**
Adjustments to the value of non-cash items not affecting the net working capital:		
Amounts allocated to provisions	179,099	323,659
Amortization & depreciation	5,840,525	6,512,411
Write-downs for durable impairment of assets	316,450	351,858
Other increases (decreases) to allow for non-cash items	(3,492)	0
Total adjustments to the value of non-cash items not affecting the net working capital	**6,332,581**	**7,187,928**
2. Cash flow before net working capital variations	**18,688,070**	**16,740,701**
Net working capital variations:		
Decrease (increase) in inventory	9,355	(34,643)
Decrease (increase) in trade receivables	(2,664,636)	(913,513)
Increase (decrease) in trade payables	1,829,705	5,178,191
Decrease (increase) in accrued income and prepayments	242,031	316,553
Increase (decrease) in accrued expenses and deferred income	(653,877)	(674,743)
Other decreases (other increases) in the net working capital	(197,362)	1,539,983
Total variations of net working capital	**(1,434,784)**	**5,411,828**
3. Cash flow after net working capital variations	**17,253,285**	**22,152,529**
Other adjustments		
Interest income (expense)	(128,412)	(183,245)
(Income taxes paid)	(4,073,672)	(994,378)
Dividends collected	591,288	362,884
(Use of provisions)	(845,562)	(2,218,469)
Other amounts collected (disbursed)	0	0
Total other adjustments	(4,456,358)	(3,033,207)
CASH FLOW FROM OPERATIONS (A)	**12,796,927**	**19,119,321**

4.1.4 STATEMENT OF CASH FLOW - SAGAT GROUP	2017	2016
B) CASH FLOW GENERATED FROM INVESTMENTS		
Tangible assets:		
(Cash flow from investments)	(4,557,784)	(2,644,599)
Cash flow from divestments	73,702	9,288
Intangible assets:		
(Cash flow from investments)	(1,921,843)	(2,021,688)
Cash flow from divestments	0	0
Financial assets:		
(Cash flow from investments)	0	(40,300)
Cash flow from divestments	2,005,000	0
Current financial assets:		
(Cash flow from investments)	0	0
Cash flow from divestments	0	0
Acquisition or disposal of subsidiaries or business lines, net of cash and cash equivalents	0	(6,828)
CASH FLOW GENERATED FROM INVESTMENTS (B)	**(4,400,925)**	**(4,704,126)**
C) CASH FLOW GENERATED FROM FINANCING		
Third-party resources:		
Increase (decrease) in short-term bank borrowing	0	0
New loans	0	0
(Repayment of loans)	(1,500,000)	(1,500,000)
Own resources:		
Paid-in capital increase	0	0
Refund of paid-in capital increase	0	0
Sale (purchase) of treasury shares	0	0
Dividends paid and payments on account on dividends	(12,447,702)	(1,898,586)
CASH FLOW GENERATED FROM FINANCING (C)	**(13,947,702)**	**(3,398,586)**
INCREASE (DECREASE) IN CASH AND EQUIVALENTS (A ± B ± C)	**(5,551,699)**	**11,016,609**
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	**25,573,316**	**14,556,707**
CASH AND EQUIVALENTS AT END OF YEAR	**20,021,617**	**25,573,316**

4.2. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.2.1 GENERAL PRINCIPLES AND DRAFTING PRINCIPLES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION I

FORM AND CONTENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. The consolidated financial statements are made up of balance sheet, income statement, statement of cash flow and Notes, and are accompanied by the Directors' Report. They were prepared in compliance with Legislative Decree 127/1991 (enforcing European Community Directives IV and VII) and with the Italian accounting standards issued by the Italian Accounting Body.

2. The consolidated financial statements are meant to provide a faithful and accurate picture of the financial position and standing, as well as of the operating result, of the Group as a whole.

3. The form and contents of the balance sheet and income statement comply with the provisions of the Italian Civil Code for the holding company, in order to give a faithful and accurate presentation of the Group.

4. The consolidated financial statements refer to the closing date of the Holding Company's annual accounts, which corresponds to the closing date of the annual accounts of the other companies included in the consolidation.

5. While the mandatory disclosures under the laws of Italy concerning the form and contents of consolidated financial statements are deemed sufficient to provide a true and accurate picture, the following additional information is provided:

    - reconciliation between the net equity and net profit of the Holding Company and those of the Group, as resulting from the consolidated financial statements;
    - analysis of the balance sheet — included in the Directors' Report for the Group;
    - statement of cash flow;
    - additional relevant information based on the characteristics and size of the Group.

6. The consolidated financial statements were audited pursuant to article 2409 bis of the Civil Code by the independent auditors Deloitte & Touche S.p.A.

7. The balance sheet, income statement and statement of cash flow are presented in Euros; the figures in these Notes are shown in Euro thousand, except as otherwise indicated.

SECTION II

SCOPE OF CONSOLIDATION

1. The subsidiary companies, including those directly or indirectly controlled by the Holding Company according to the definition given in art. 26 of Legislative Decree no. 127/91, were consolidated line by line. The list of companies included in the consolidation is given below:

COMPANY	ADDRESS	SHARE CAPITAL	SHAREHOLDERS' EQUITY	INTEREST SHARE %
SAGAT S.p.A.	Caselle Torinese	12,911	46,688	Holding Company
SAGAT Handling S.p.A.	Caselle Torinese	3,900	3,131	100%
Aeroporti Holding S.r.l.	Caselle Torinese	11,000	18,063	55.45%

There are no companies consolidated by the equity method.
The following holdings are valued by the cost method:

COMPANY	ADDRESS	SHARE CAPITAL	SHAREHOLDERS' EQUITY	INTEREST SHARE AS AT 31/12/16
Aeroporto G.Marconi di Bologna S.p.A. (1)	Bologna	90,314	162,286	5.91%

(1) Figures from the latest financial statements available as of 31/12/2016.

Please note that the scope of consolidation has not changed compared to the previous year.

SECTION III

CONSOLIDATION PROCEDURES

1. The assets and liabilities of the subsidiaries, as well as their income and costs, were fully consolidated. In the consolidated financial statements, the carrying value of equity investments was eliminated, together with the share directly or indirectly owned by the Holding Company. The differences arising from the elimination of equity investments against the net book value of the subsidiaries' equities as at the date of purchase are released to the assets and liabilities of the consolidated subsidiaries, capped to their current amounts. Any residual positive amount is added to an assets item denominated "Goodwill" and amortised on a straight-line basis according to its estimated recoverability; any negative residual amount is added to the equity item as applicable from time to time.

2. Minority interests in the equities and operating results of the consolidated subsidiaries are shown separately.

3. The balances of accounts payable and receivables, and the intercompany transactions among consolidated companies, are fully eliminated. The consolidated financial statements do not show any profits or losses still unrealised by the Group as a whole, because arising from intercompany transactions.

4. The financial statements of the subsidiaries closed as at 31 December 2017, prepared by the respective Boards of Directors for the respective shareholders' approval, were used for consolidation purposes.

5. The consolidated financial statements were prepared following uniform accounting standard in the presence of comparable transactions.

SECTION IV

ACCOUNTING STANDARDS

1. Financial statement items were valued according to the principle of conservatism and going concern, also taking into account the substantiveness of each transaction or agreement (art. 2423-bis (1.1) of the Civil Code).

2. Only the profits realised as at the closing date of the reference year are shown.

3. The income and costs accruing in the year were taken into account, regardless of when collected or disbursed. The costs related to the income recorded for the year were considered as accruing in the year.

4. The risks and losses accruing in the year were taken into account, even where known after year-end.

5. Non-comparable items included in each caption were valued separately.

6. There are no assets or liabilities items falling under multiple captions (art. 2424 (2) of the Civil Code).

7. The items characterising the Group's business were added for the sake of clarity.

8. In compliance with art. 2423 ter of the Civil Code, all financial statement items are comparable.

9. The accounting standards below were adjusted to take into account the changes, additions to and innovations of Civil Code rules introduced by Legislative Decree 139/2015, in enforcement of Directive 34/2013/EU on accounting. In particular, the Italian Accounting Board has reformulated the Italian accounting standards into the version updated as at the date of drafting these financial statements.

4.2.2 CRITERIA APPLIED IN ITEM VALUATION, VALUE ADJUSTMENT AND FOREIGN CURRENCY TRANSLATION FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The valuation principles followed in the preparation of the consolidated financial statements as at 31 December 2017 are reported below.

FIXED ASSETS

The assets intended for durable use were recorded under fixed assets.

Intangible assets

Intangible assets were valued at purchase or production cost, inclusive of ancillary costs, and amortised on a straight-line basis year after year, according to their residual useful life. The amortisation schedule, drafted by the principle explained above, is shown below.

INTANGIBLE ASSETS	
Type of asset	**Amortisation rate**
Industrial patent and intellectual property rights	33%
Other intangible assets	according to their estimated residual useful life

The amortisation criteria and rates were the same applied in the prior year.
As of year-end, there were no intangible assets with a value permanently lower than their purchase cost inclusive of ancillary costs, after amortisation; therefore, there was no need to write down any asset.

Tangible assets

Tangible assets were valued at purchase or production cost, inclusive of ancillary costs, except the assets subject to revaluation pursuant to L. 72/83, as better explained in Part III of these Notes.
The cost of the assets includes the interest expense incurred for the making of the assets until ready for use, for the portion reasonably attributable to the assets. The amount of interest expense recorded under balance sheet assets is shown in Part III of these Notes.
The cost of the tangible assets of limited duration is depreciated on a straight-line basis according to their residual useful life.
The depreciation schedule, drafted by the principles explained above, is shown below.

TANGIBLE ASSETS	
Type of asset	**Amortisation rate**
Buildings and related roads	4%
Aircraft runways and aprons	5.26%
Flight assistance systems	31.5%
Other systems	10%
Ramp and runway equipment	31.5%
Other equipment	20%
Special-purpose equipment	12.5%
Prefabricated structures	10%
Cars	25%
Cargo vehicles	20%
Furniture and fittings	12%
Electric and electronic equipment	20%
Other tangible assets	20%
Minor tangible assets	100%

In previous years, for certain categories of assets, where required due to their particular obsolescence, the rates above were doubled in the first three year of use of the assets.
For the assets that started being used in the reference year, the rates were halved in order to take account, on a flat basis, of their reduced use.

As at year-end, there are no tangible assets, according to the Company's plans, with a value permanently lower than their purchase cost (revalued as appropriate) inclusive of ancillary costs, after depreciation.

Please note that, as a consequence of the amendment to art. 104 of the Income Tax Code ("TUIR") introduced by Decree Law 31 December 1996, no. 669, whereby depreciation over concession length is only allowed alternatively (and no longer in addition) to conventional depreciation over useful life, the Holding Company has decided to adopt conventional depreciation effective from 1997, deducting from the historical cost of each asset the respective accumulated concession-based depreciation. The only exception are aircraft runways and aprons: for these assets the Holding Company has continued to use concession-based depreciation.

Financial assets

These are the costs of long-term financial investments.

Investments in companies that are neither subsidiaries nor associated companies were recorded at cost, adjusted to take account of durable impairment, where applicable. If the reasons for such write-down cease to exist in subsequent years, then the original value is reinstated.

The accounts receivable are shown at their presumable realisation value.

Treasury shares are shown at a value corresponding to their purchase cost in the negative equity reserve for treasury stock.

Non-current receivables were subject to the evaluation of the applicability of the amortized cost method as defined by art. 2426 (2) of the Civil Code, taking however into account time and presumable realization value, in accordance with art. 2426 (1.8) of the Civil Code.

A verification of the relevance of the amortized cost method was made for all the receivables recorded under fixed assets. In other words, if the transaction costs, the fees paid as between the parties, and any other difference between original value and value at expiration have scarce relevance, or if the receivables are short-term ones (i.e. are due before 12 months), the amortized cost method is irrelevant.

Inventory

The inventory of raw and ancillary materials, consumables and goods, comprising mostly products materials and spares, was recorded at purchase cost, inclusive of ancillary costs. Such cost was calculated —as in previous years— by the weighted average method.

The assets that do not appear to be actually eligible for use in the production process were recorded at realisation value, if lower than the purchase cost.

In any case, the value at which inventory items are recorded does not exceed their market value, taking into account the usefulness/instrumentality of the assets within the production process.

The value of fungible assets does not differ significantly from the costs current at year-end.

Accounts receivable

Non-current receivables were subject to the evaluation of the applicability of the amortized cost method as defined by art. 2426 (2) of the Civil Code, taking however into account time and presumable realization value, in accordance with art. 2426 (1. 8) of the Civil Code, after value adjustments and after making allocations to the provision for bad debts in an amount deemed consistent with the risk of non-collection of the total of trade receivables taken as a whole. A verification of the relevance of the amortized cost method was made for all the accounts receivable. In other words, if the transaction costs, the fees paid as between the parties, and any other difference between original value and value at expiration have scarce relevance, or if the receivables are short-term ones (i.e. are due before 12 months), the amortized cost method is irrelevant.

The accounts receivable on interest in arrears were written off in the years in which they have respectively accrued.

There are no accounts receivable for which collection terms were contractually postponed and that should therefore be written down and adjusted to current rates, in accordance with accounting standards.

Cash and cash equivalents

These are recorded at face value.

Accruals and deferrals

Accrual and deferral captions include the income or costs accruing in the year but to be collected or disbursed in future years, and the costs or income incurred or collected before year-end but accruing in future years. These items only include portions of costs and income in common to two or more years, the amount of which varies in time.

Provisions for liabilities and risks

The provisions for liabilities and risks include solely the amounts allocated in order to cover losses or payables of probable or certain occurrence, the amount or exact date of occurrence of which was however uncertain at year-end.

Provision for staff severance pay

Law no. 296, passed on 27 December 2006 (2007 Finance Act) has changed the rules governing the employees' severance pay ("TFR") accumulated effective from January 1, 2007. These rules apply to the Group companies with more than 50 employees.
As a consequence of the pension reform, for the Holding Company and for SAGAT Handling:

- the portions of TFR accrued as until 31/12/2006 remain with the company;

- the portions of TFR accrued effective from 1 January 2007, at each employee's individual option based on express or tacit subscription, were either:
  a) contributed to pension funds;
  b) kept with the Company, that transferred the portions of TFR to the Treasury Fund created by INPS, the Italian social security institution.

The portions accrued in the reference year since 1 January 2007 are still shown in caption B.9 c) of the income statement, “Staff severance pay”.
Caption C in the balance sheet, “Provision for staff severance pay”, shows the residual amount of the provision as at 31 December 2017; captions D.13, “Social security payables” and D.14, “Other payables” show the accounts payable as at 31 December for portions of TFR still to be contributed to the Treasury Fund of INPS and to pension funds.

Accounts payable

The accounts payable recorded in the liabilities section were subject to the evaluation of the applicability of the amortized cost method as defined by art. 2426 (2) of the Civil Code, taking however into account time and presumable realization value, in accordance with art. 2426 (1.8) of the Civil Code.
A verification of the relevance of the amortized cost method was made for all the accounts payable. In other words, if the transaction costs, the fees paid as between the parties, and any other difference between original value and value at expiration have scarce relevance, or if the receivables are short-term ones (i.e. are due before 12 months), the amortized cost method is irrelevant.

Derivative financial instruments

Derivative financial instruments are financial assets and liabilities carried at fair value.
Derivatives are classified as hedging instruments only if there is a strict and documented correlation, upon hedge inception, between the features of the item hedged and those of the hedging instrument, if such correlation is based on formal documentary evidence and if hedge effectiveness —which is subject to regular checks— is high.
The effective portion of the gains or losses arising from derivatives used to protect from interest rate fluctuation risks is suspended in the shareholders' equity. The ineffective portion of the gains and losses associated to a hedging instrument is released to the income statement. When the hedging transaction materializes, the cumulated gains and losses that up to that moment had been

recorded in the shareholders' equity are released to the income statement (by adjustment of, or addition to, the income statement items affected by the cash flows being hedged).

Memorandum accounts

The risks that are likely to arise are described in the Notes and covered by specific provisions.
The risks that might give rise to a liability are described in the Notes, but no specific allocation is made to the provisions for risks.
Commitments are shown at their contractual value, while guarantees are recorded according to the existing risk at year-end; both are detailed in the Notes.

Revenues and expenses

Revenues, expenses and other income and costs were recognised according to the principles of conservatism and accrual, after deduction of discounts, allowances, incentives and facilitations. The earnings from services were recognised when the corresponding services were rendered.

Grants

Grants are recorded in the income statement under the caption "Other income and proceeds" in the year where reasonable certainty arises that the company is entitled to receive them, and posted as deferred income accruing in future years; at the end of each year, such deferred income is reduced and reversed to the Income statement, at the same rate used for the amortisation or depreciation of the asset that the grant refers to.

Income taxes

As from 2017, Group companies have agreed to the Group policy governing the enforcement of the National Tax Consolidation rules set forth in art. 117 et seq. of the Income Tax Code ("TUIR"), also followed by the subsidiary companies SAGAT Handling S.p.A., Aeroporti Holding S.r.l., GESAC S.p.A., Software Design S.p.A. and 2i S.A.C. (fomerly F2i SAC S.p.A.) whose parent company is 2i Aeroporti S.p.A.
The option for National Tax Consolidation for the three-year period 2017-2019 was exercised by the Company in order to make use of the benefits that the law establishes for such profile, including the possibility for the parent company to offset the results of each consolidated company.
The notice of extension of the option pursuant to art. 5 (1) of the decree of the Ministry of Economy and Finance of 9 June 2004 was submitted online on 31 October 2017 by 2i Aeroporti S.p.A. to the Revenue Office.
The following are the main points of the above-referred Group policy: a) if, and insofar as, in any tax year in which the option for group taxation applies, one party brings to consolidation, pursuant to art. 96 (7) of the TUIR, interest and similar financial expense in excess, that party is entitled to a compensation in the same amount; b) if the taxable income of the subsidiary, net of tax losses pursuant to art. 84 of the TUIR arising before the start of tax consolidation, is positive, that consolidated company will pay to the holding company an amount equal to the corresponding net tax due, calculated as if the tax consolidation option did not apply; c) if the taxable income of the subsidiary in one or more tax years included in the consolidation option term is negative, the holding company will pay to the subsidiaries an amount equal to either: 1) the tax savings actually realised by using such tax losses, or 2) the receivables due to the subsidiaries on the excess amounts brought to consolidation as per b) above; d) if one of the parties brings to consolidation interest in excess, the holding company will deduct that excess, subject to the applicable limits, from the aggregate income; e) in the case of d) above, the party that has brought the excess interest to consolidation will receive a compensation equal to 100% of the notional IRES calculated by applying to the consolidated excess the IRES rate in force when such excess is used.
The adoption of tax consolidation allows the parent company 2i Aeroporti S.p.A. to aggregate the positive or negative taxable bases of the parent company and of the resident consolidated companies that also exercised the option. The taxable income and losses of the companies included in the consolidation are assumed in their entire amount, regardless of the share of interest attributed to the consolidating company (line by line consolidation method). The consolidating

company is liable for determining the aggregate income tax and for the payment of the relevant advances and balance to the Revenue Office. However, the consolidated companies remain individual taxpayers.

The accounting standards characterizing tax consolidation are reported below, insofar as they apply:

Current taxes
The corporate income taxes ("IRES" and "IRAP") payable are calculated in accordance with tax regulations on the basis of the estimated taxable income.

The taxes accruing in the year are recorded in the Income statement under "Current taxes for the year" and the relevant liability (or credit) is recorded in the balance sheet under the accounts payable (or receivable) to (or from) the parent company. Those consolidation adjustments that generate benefits in the consolidated tax return are recorded in the income statement under "Tax gains from consolidated taxation", classified as "Current taxes for the year" with a contra entry in the balance sheet, under "Accounts receivable from the parent company".

Deferred taxes
Deferred corporate income tax ("IRES") assets and the provision for deferred IRES liabilities for both the consolidating and the consolidated companies arising from transactions occurred in the year during which the option is effective remain in the assets of the company that generated them. Therefore, as long as the tax consolidation regime applies, they are not recorded in the financial statements of the consolidating company. The compliance with the requirements for recording deferred taxes is assessed with reference to the expected future taxable income of the companies included in the consolidation. Otherwise, if deferred tax assets or liabilities arise from transactions occurred outside the period of effectiveness of the consolidation regime, they are assessed with reference to the specific position of the company concerned.
The Company has recorded deferred taxes according to the temporary differences in the taxable base arisen during the course of the year. In particular, the deductible temporary differences arising from negative income components to be deducted totally or partially in future years will generate deferred tax assets, recorded under caption C.II.5-ter of the assets section, while the temporary differences arising from positive income components to be taxed in years subsequent to the reference one, or from negative income components deducted in a year preceding the one in which they were recorded in the income statement, will generate deferred tax liabilities, recorded under caption B.2 of the liabilities section. Deferred taxes are calculated at the tax rates currently in force and taking into account the tax rates expected in future years.
The amount shown under the caption “Income taxes for the year” is the result of the algebraic sum of current and deferred taxes, so as to represent the actual tax burden pertaining to the reference year.
No deferred tax assets that cannot be reasonably expected to be recovered in the future were recorded. Similarly, no deferred tax liabilities that are unlikely to arise were recorded.
The description of the temporary differences that led to recording deferred tax assets and liabilities, the indication of their rates and of the differences compared to the prior year, of the amounts recorded in the income statement and as equity components, as well as of the prepaid taxes recorded with respect to losses, are shown in the tables commenting the deferred tax assets and liabilities for the year in the paragraph dedicated to the "Income taxes for the year" (art. 2427 (1.14) of the Civil Code).

Remuneration of economic benefits in favour of the consolidated companies
The remuneration of the taxable losses of the companies included in the consolidation is recognized at the moment when those losses are actually used in the consolidation (and are therefore not subject to the earning of future taxable profits by each consolidated company), at the IRES rate applicable in the tax year when the taxable loss is deducted from the consolidated

taxable income. The economic benefits arising from the consolidation adjustments made by the consolidating company but pertaining to a consolidated company are remunerated in favour of such consolidated company.

Principles for the translation of items stated in foreign currencies

Any assets and liabilities other than non-monetary fixed assets are recorded at the exchange rate in force at year-end; any net gains are allocated to a specific non-distributable reserve at the moment of calculating the operating result.

4.2.3 DETAILS OF THE MOST SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

The additional information to be disclosed under art. 38 of Legislative Decree no. 127/1991 are given in the same order as in mandatory financial statements patterns.

BALANCE SHEET

Intangible assets

These are the costs of permanent, non-tangible production factors, after deduction of the relevant amortisation. They relate to permanent ownership and utilisation rights (or similar) or concession rights, to improvements made to leased assets, or to outstanding costs that will affect future years.
Intangible assets, totalling €3,866 thousand, have decreased on aggregate by €768 thousand in the year.
The summary table below reports a detailed description of the variations in the various intangible assets components occurred during the year.

	01/01/2017			YEAR ON YEAR DIFFERENCE					31/12/2017
	Historical cost	Amortisation provision	**Amount carried**	Purchases / capitalisations	Reclass. + (-)	Disposals / Write-offs	Write-downs(-)/Reval.	Amortisation	**Amount carried**
B.I.1 Start up and improvement costs	35	35	**0**						**0**
B.I.3 Industrial patent and intellectual property rights (ex B.I.4)	3,510	3,029	**481**	73				(393)	**161**
B.I.4 Concessions, licenses, trademarks			**0**						**0**
B.I.6 Investments in progress and payments on account	956	0	**956**	160	(18)				**1,098**
B.I.7 Other assets	29,408	27,747	**1,661**	1,689	68			(812)	**2,607**
TOTAL INTANGIBLE ASSETS	**33,909**	**30,811**	**3,098**	**1,922**	**50**	**0**	**-**	**(1,205)**	**3,866**

The variation shown in caption B.I.3 “Industrial patent and intellectual property rights”, net of amortisation for €393 thousand, relates to the installation of new software or the implementation of existing software by the Holding Company (€73 thousand), as described in detail in the Directors' Report section on investments.

The caption “Investments in progress and payments on account” (B.I.6) has increased by €142 thousand compared to the prior year, mostly due to the increase in the value of assets purchased during 2017 but that the Company has not yet started using.
The caption “Other assets” (B.I.7) is formed almost entirely by the costs incurred by the Holding Company for improvements and additions to the passenger terminal and for renovation works within the airport grounds; this particular category of intangible assets has increased by €1,689 thousand and was amortised for €812 thousand, out of a total of €1,205 thousand on amortisation of all intangible assets.

Tangible assets

These include the costs (revalued as applicable) of permanent production factors represented by capital equipment owned by Group companies, including those that will be returned upon expiration of the concession, characterised by the dual requirement of long useful life and tangible nature, shown after deduction of depreciation, including concession-based depreciation.

Tangible assets amount in total to €47,124 thousand and have decreased on aggregate by €523 thousand in the year.

The summary table below reports a detailed description of the variations in the various tangible assets components occurred during the year.

	01/01/2017				YEAR ON YEAR DIFFERENCE						31/12/2017			
	Historical cost	Reval. as per Laws 72/1983 and 342/2000	(Depreciation provisions)	**Amount carried**	Purchases	Reclassifications	(Divestments Original cost)	Divest. Use of provision	(Revaluation difference)	(Depreciation)	Historical cost	Reval. as per Laws 72/1983 and 342/2000	(Depreciation provisions)	**Amount carried**
B.II.1 Land	3,516			**3,516**							3,516			**3,516**
B.II.bis 1 and B.II.bis 1bis Buildings and related roads 1	82,391	282	(49,450)	**33,223**	78					(2,258)	82,469	282	(51,708)	**31,043**
B.II.bis 2 Plant and machinery 1	62,244	6,567	(62,677)	**6,134**	1,132	36				(1,147)	63,412	6,567	(63,824)	**6,155**
B.II.3 Operating and sales equipment	14,569	182	(13,659)	**1,092**	2,602		(771)	766		(759)	16,400	182	(13,652)	**2,930**
B.II.4 Other assets	33,345	1,958	(34,292)	**1,011**	490		(642)	605		(472)	33,193	1,958	(34,159)	**992**
B.II.5 Investments in progress and payments on account	2,671			**2,671**	248	(431)					2,488			**2,488**
TOTAL TANGIBLE ASSETS	**198,736**	**8,989**	**(160,078)**	**47,647**	**4,550**	**(395)**	**(1,413)**	**1,371**	**-**	**(4,636)**	**201,478**	**8,989**	**(163,343)**	**47,124**

1 Transferable assets

The caption “Building and related roads” (B.II.bis 1 and 1 bis) has decreased on aggregate by €2,180 thousand. The variation, ascribable entirely to the Holding Company, was caused by the joint effect of purchases (€78 thousand) and annual depreciation (€2,258 thousand). In particular, the construction works implemented by the Holding Company at the passenger terminal and various airport buildings were capitalised. No obsolete assets were disposed of during the year.

The caption "Plant and equipment” (B.II bis 2) has increased on aggregate by €21 thousand. The variation, ascribable entirely to the Holding Company, is due to purchases (€1,132 thousand), capitalisation of assets previously recorded as investments in progress (€36 thousand) and annual depreciation (€1,147 thousand).
In particular, the increases relate to the renovation of the boarding hall North, that included the replacement of lighting structures and common service systems (€146 thousand in total) and revamping interventions on boarding bridges (€88 thousand), plus works at existing systems and arrangement of new retail spaces in the passenger terminal (€141 thousand) and construction of a new transit pathway in the mezzanine (€62 thousand).

The caption “Operating and sales equipment” (B.II.3) has increased on aggregate by €1,838 thousand, due to purchases (€2,602 thousand) and annual depreciation (€759 thousand).
It includes in particular the supply and installation of x-ray equipment for hand luggage controls (€936 thousand), ETD explosive detection equipment (€193 thousand) and the purchase of snow plows (€1,140 thousand).
Obsolete assets were disposed of during the year for a value of €771 thousand.

The caption “Other assets” (B.II.4) has decreased on aggregate by €19 thousand, due to depreciation (€480 thousand) and new purchases (€498 thousand in total).
The most significant increase relates to the purchase of gate reader devices (€41 thousand) and of two ambulift vehicles and a fork-lift (€132 thousand).
Obsolete assets were dismissed in the year for a total value of €642 thousand.

The caption “Investments in progress and payments on account” (B.II.5) has decreased by €183 thousand.

The balance of the revaluation applied pursuant to Law 72 of 19/3/1983 and to Law 342 of 21/11/2000 has not changed from the prior year. The details of the revaluation applied are shown in the table below:

ITEM	NET AMOUNT OF REVALUATION	STATUTORY REVALUATION 72/83	REVALUATION LAW 342/2000	TOTAL
B.II.1 Land	3,516	0	0	3,516
B.II.1 Buildings and related roads	82,469	282	0	82,751
B.II.2 Plant and machinery	63,412	50	6,517	69,979
B.II.3 Operating and sales equipment	16,400	182	0	16,582
B.II.4 Other assets	33,193	52	1,906	35,151
B.II.5 Investments in progress and payments on account	2,488	0	0	2,488
TOTAL TANGIBLE ASSETS	**201,478**	**566**	**8,423**	**210,467**

The amount of interest expense recorded under balance sheet assets is shown in the table below and has not changed from the prior year (art. 2427 (1. 8 of the Civil Code):

ITEM	GROSS AMOUNT
B.II.1 Buildings and related roads	2,323
B.II.2 Plant and machinery	792
TOTAL TANGIBLE ASSETS	**3,115**

Financial assets

These reflect the value of long-term financial investments and amount to €17,650 thousand in total.
The equity investments recorded amount to a total of €17,641 thousand and relate entirely to holdings in other companies.
In 2017 the caption "Investments in subsidiary companies" amounts to nil and has decreased by €11 thousand due to the final closing of the liquidation procedure for the subsidiary company SAGAT Engineering.
The caption "Investments in associated companies" has not changed and amounts to €0. The associated company Air Cargo Torino S.r.l. completed its liquidation proedure in 2017.

The caption “Investments in other companies" remains the same as in 2016 and relates to the book value of the share held by Aeroporti Holding in the company that manages the Bologna Airport (hereinafter referred to as AdB), as detailed in the table below.
Please note that the figures shown refer to the financial statements as at 31/12/2016 and are shown in accordance with art. 2427 (1.5) of the Civil Code:

COMPANY	ADDRESS	SHARE CAPITAL	SHAREHOLDERS' EQUITY AS AT 31/12/2016	INTEREST SHARE AS AT 31/12/2016
Aeroporto G.Marconi di Bologna S.p.A.	Bologna	90,314	162,286	5.91%

Please note that, as at 31 December 2017, Aeroporti Holding holds 2,134,614 common shares in AdB, the value of which remains unchanged compared to the prior year and, as at December 31, 2016, accounts for 5.91% of the share capital of Aeroporto di Bologna.

Noncurrent receivables for a total of €9 thousand are all cash deposits. The €43 thousand decrease recorded during the year owes to the completion of the liquidation of the associated company Air Cargo Torino S.r.l. and the consequent closing of all the accounts related to such company.

Also, please note that the Holding Company SAGAT holds 74,178 treasury shares; after the coming into force of Legislative Decree 139/15 on 1 January 2016, in enforcement of Directive 2013/34 on annual financial statements, consolidated financial statements and related reports, in the past year SAGAT had already removed their book value from the fixed assets.

Those shares had been acquired by the Company by resolution of the General Meeting on 10/12/2002, that authorised the purchase of a maximum of 58,400 treasury shares, entirely freed up. The company made such purchase on 14 March 2003. The value of the shares held had reached €4,824 thousand in 2008, after the closing of the stock option plan addressed to the Company's managers.

Inventory

The inventory, totalling €367 thousand, refers basically to raw and ancillary materials, consumables and maintenance materials belonging to the Holding Company. The item has decreased by €9 thousand compared to 2016.
At year-end, the inventory did not include any component that might be expected to be realised at a lower price than the respective inventory value.

Accounts receivable

These are recorded for a total of €29,676 thousand, compared to €24,266 thousand in 2016. The total relates mostly to customers based in Italy or in the European Union.

The caption “Accounts receivable from customers” has increased by €2,665 thousand, from €12,892 thousand as at 31/12/2016 to €15,557 thousand as at 31/12/2017. The increase essentially reflects the increase in the sales volume by more than 4 percentage points, as well as the prolonged payment terms established for the time being by one major customer of the Company. The recovery of normal payment deadlines with this particular customer is expected by the end of the next year, according to a payment schedule agreed upon with the carrier in question.
This caption includes accounts receivable at a face value of €19,330 thousand (€15,418 thousand in 2016) after write-downs (€3,773 thousand) allocated to the provision for bad debts. During the year the provision for bad debts has increased by €1,366 thousand due to releases to the income statement of amounts allocated in the past and no longer necessary (€62 thousand), use of €6 thousand and adjustments based on actual needs (€1,434 thousand). In detail, the allocation made by SAGAT at the end of 2017 provides for the amounts deemed necessary to cover the expenses related to the well-known vicissitudes of the carrier Alitalia Società Aerea Italiana S.p.A. presently under extraordinary

administration procedure. Therefore, the total value of the provisions is sufficient to cover risks of non-collection of the accounts receivable existing as at year-end.

The caption “Accounts receivable from subsidiary companies”, €0, has not changed compared to the prior year.

Tax receivables are recorded for €2,079 thousand (€2,150 thousand as at 31/12/2016). These receivables are due beyond 12 months in an amount of €58 thousand. The details of tax receivables are shown in the table below:

SPECIFICATION	2017	2016
IRES receivables	30	30
IRES refund receivable	866	882
IRAP receivables	9	24
Creditor VAT	1,004	1,036
Other	169	178
TOTAL	**2,079**	**2,150**

Please note that the “Account receivable on IRES refund”, €866 thousand, relates to the application for refund of the extra taxes paid between 2007 and 2011, due to the omitted deduction of the IRAP tax due on the costs of subordinate and quasi-subordinate employees.
The application for refund, filed on 18 February 2013 by the Holding Company for all Group companies by virtue of tax consolidation, pertains for €724 thousand to SAGAT, for €302 thousand to SAGAT Handling and for €15 thousand to SAGAT Engineering. The variation recorded is due entirely to a €16 thousand refund received during the year.

The caption "Deferred tax assets and liabilities" amounts to €2,183 thousand and is detailed in the table below:

	IRES	IRAP	TOTAL
A) Temporary differences			
Total deductible temporary differences	8,559,326	5,141,404	
Total deductible temporary differences	361,046	0	
Net temporary differences	(8,198,280)	(5,141,404)	
B) Fiscal effect			
Provision for deferred tax liabilities (assets) at beginning of year	(1,783,307)	(231,135)	(2,014,442)
Deferred tax liabilities (assets) for the year	(184,280)	15,283	(168,997)
Provision for deferred tax liabilities (assets) at end of year	(1,967,587)	(215,852)	(2,183,439)

The caption “Other accounts receivable”, €9,759 thousand, has increased by €2,549 thousand compared to the prior year.

SPECIFICATION	31/12/2017	OF THESE, DUE BEYOND 12 MONTHS	31/12/2016	OF THESE, DUE BEYOND 12 MONTHS	DIFFERENCE
Account receivable from the Town Authority of Turin	211		211		0
Other receivables from the Public Administration	33		33		0
Payments on account to vendors and credit notes expected	2,284	11	1,127	11	1,156
Receivables from carriers on municipal tax	6,867		5,186		1,681
Other receivables	364	123	653	45	(289)
TOTAL	**9,759**	**134**	**7,210**	**56**	**2,549**

The difference is due essentially to the following factors:

- the receivables from carriers on municipal tax have increased in the year by €1,681 thousand; for clarity we remind that these receivables represent the contra entry of the payables by the Holding Company SAGAT to the Tax Office for the same reason;

- the credit notes receivable have increased by €1,156 basically due to the fact that one vendor issued invoices that contained certain formal errors and therefore had to be reversed and re-issued. Please note that, at the time of preparing these Notes, both the credit notes and the corresponding invoices had been correctly issued.

The caption “Accounts receivable from the Town Authority of Turin”, unchanged from the prior year, represents the residual portion of an advance that SAGAT had to pay in 1992 for the completion of certain works at the control tower, in order to cover the insufficient funds earmarked by the Town Authority after the construction contractor ICEM went bankrupt and the guarantor insurer FIRS was placed into forced liquidation, as neither of those honoured their obligation to repay the contractually agreed advances. The company has filed proof of claim as creditor in the bankruptcy of ICEM and in the forced liquidation of FIRS. No decisive events in this proceeding have occurred during the year.

Cash and cash equivalents

These include:

- as to bank and post office deposits, the funds immediately available on deposits or current accounts with banks and post offices;

- as to cash in hand, the liquidity existing as of 31 December 2017 in the treasuries of Group companies;

- as to cheques, the credit instruments received from third parties as deposits.

Compared to the past year, the items are broken down as follows:

SPECIFICATION	2017	2016	DIFFERENCE
Bank and post office accounts	19,962	25,522	(5,559)
Cash in hand	51	44	8
Cheques	8	8	0
TOTAL	**20,022**	**25,573**	**(5,552)**

Accrued income and prepayments

These total €185 thousand (€427 thousand as at 31/12/2016), as better detailed below:

	2017	2016
Accrued income		
TOTAL ACCRUED INCOME	**0**	**0**
Prepayments		
Insurance	52	158
Other	133	109
Subordinate employees	0	160
TOTAL PREPAYMENTS	**185**	**427**
TOTAL	**185**	**427**

The caption “Insurance” includes the portions of insurance premiums paid in 2017 and accruing in the subsequent year.

Shareholders' equity

The equity of the Group as at 31/12/2017 amounts to €51,249,472; the total equity inclusive of the €7,547,493 portion pertaining to minority shareholders amounts to €58,796,965.

The variations in the individual components of the shareholders' equity are shown below.

The share capital of the Holding Company amounts to Euro 12,911,481, unchanged from the prior year, and is composed of 2,502,225 shares each with a face value of €5.16. As of year-end, it was distributed as follows among the shareholders:

2i Aeroporti S.p.A.	75.28%
FCT Holding S.p.A.	10.00%
Tecno Holding S.p.A.	6.76%
Metropolitan City of Turin *	5.00%
Treasury stock	2.96%
TOTAL	**100.00%**

* For more details please refer to paragraph 1.2, “The shareholder structure”, of the Director's Report

The share premium reserve recorded amounts to €6,104 thousand. This reserve is tax-exempt in case of distribution and has not changed from the prior year.

The revaluation reserve, €7,363 thousand, was recorded to account for the revaluation of Company assets made by the Company pursuant to Law 342/2000. The reserve has not changed in 2017.

The legal reserve, amounting to €2,582 thousand, has not changed compared to the prior year, as it has already reached one-fifth of the capital pursuant to art. 2430 of the Civil Code.

The other reserves comprise:

1. the extraordinary reserve, €7,714 thousand, entirely made up of annual profits and decreasing by €5,758 thousand compared to 2016 because €4,251 thousand of the profits earned in 2016 were partially allocated to this reserve, and an extraordinary dividend of €10,009 thousand was distributed on 17 December 2017, after being approved by the shareholders at the General Meeting of 1 December 2017;

2. reserve for extraordinary investments, €4,906 thousand, made up entirely of provisions subject to ordinary taxation and unchanged from the prior year;

3. consolidation reserve, €2,270 thousand, unchanged from 2016.

The Holding Company has created a reserve for the hedging of expected cash flows in the amount of €-105 thousand (€-227 in 2016) after recognizing the expected cash flows from an IRS hedge agreement stipulated by the Company in 2010 in order to secure the repayment at a permanently fixed cost of the €15 million loan obtained on 8 February 2010. The amount of €105 thousand reflects the negative mark-to-market of the hedge instrument as at 31 December 2017.

The caption "Profit (loss) carried forward" (€1,140 thousand), has increased by €308 thousand compared to the prior year.

The negative reserve for treasury stock amounts to €-4,824 thousand and has not changed from the previous year. It was created by the Holding Company in 2016 in compliance with the provisions of Legislative Decree after removing, in the same amount, the book value of the treasury shares held by the Company from the assets section of the balance sheet.

The caption "Equity pertaining to minority shareholders", €7,547,493 includes the capital and reserves of subsidiaries pertaining to minority shareholders and shows an increase by €111,199 in the year, after a €244,849 increase due to the attribution to minority shareholders of their portion of the 2017 profits of the subsidiary Aeroporti Holding, and a €133,650 decrease due to the distribution, by the same company, of an aggregate dividend of €300,000.

No deferred tax liabilities were recorded for untaxed reserves, because no transaction that may give rise to taxation is expected for the time being.

The reconciliation between the Holding Company's equity and result for the year and the consolidated equity and result for the year is given below:

	SHAREHOLDERS' EQUITY	NET PROFIT (LOSS)
Equity and net profit (loss), SAGAT	**46,618,713**	**11,087,347**
Difference between carrying value and equity of consolidated companies	4,702,760	337,965
Consolidation adjustments	(72,000)	(238,350)
Equity and profit (loss) pertaining to the Group	**51,249,472**	**11,186,962**
Equity and profit (loss) pertaining to minority shareholders	**7,547,493**	**244,849**
Equity and profit (loss) pertaining to the Group and minority shareholders	**58.796.966**	**11,431,811**

Provision for future liabilities

The details of this item are shown in the table below:

	Pension and similar funds	Provision for tax disputes, including deferred taxes	Derivative financial instruments	Other provisions	Total provisions for future liabilities
Amount at beginning of year	**0**	**0**	**227**	**5,287**	**5,514**
Variations during the year:					
Amount allocated in the year	0	0	0	156	156
Amount used in the year	0	0	0	(173)	(173)
Other variations	0	0	(122)	(691)	(813)
Total variations	0	0	(122)	(708)	(830)
Balance at end of year	**0**	**0**	**105**	**4,579**	**4,684**

The provision for future liabilities, €4,684 thousand, is recorded according to the principle of conservatism to account for possible liabilities arising from civil and administrative controversies, pending or merely probable. During the year the provision has decreased by €830 thousand, as a consequence of the following:

- allocation of €156 thousand in total, to account for potential liabilities already existing as at 31/12/2016 (€10 thousand) and for risks arisen in 2017 (€146 thousand). The line also includes an allocation of €156 thousand to the provision for liabilities which in turn includes the amounts deemed presumably necessary to cover the expenses of the preliminary phase of a tax controversy arising from two assessment notices received on 22 December 2017 from the Revenue Office of Turin and relating to tax year 2012;

- use of €173 thousand for the already mentioned completion of the liquidation of the associated company Air Cargo S.r.l.;
- release of €691 thousand because the provision for pending or potential lawsuits created in previous years is no longer necessary;
- decrease from the €227 thousand allocated in 2016 to €105 thousand allocated in 2017 to the provision for derivative instruments and corresponding reduction in the reserve for the hedging of the expected cash flows. For further details on these variations, please refer to the section on the shareholders' equity of these Notes.

Provision for employees' severance pay

The provisions for the employees' severance pay ("TFR") were calculated for each company and in accordance with the rules applicable to each company in the Group, as better explained in the paragraph on the drafting principles for the consolidated financial statements.
The caption "Amount allocated" includes the revaluation of the provision, calculated in accordance with the law, and the TFR accruing between 1 January and 31 December 2017, kept with the company, contributed to pension funds and allocated to the INPS Treasury Fund.
The caption "Amount used" includes the TFR accruing to pension funds and to the Treasury Fund as above, and the TFR paid to the employees, both in the form of advances and upon termination of employment.
The table below shows the variations occurred during the year:

	Provision for staff severance pay
Amount at beginning of year	**3,275**
Variations during the year:	
Amount allocated in the year	935
Amount used in the year	960
Other variations	0
Total variations	(825)
Balance at end of year	**3,250**

Accounts payable

The accounts payable are recorded for €43,491 thousand (€41,394 thousand as of year-end 2016). They relate mostly to vendors in Italy or in European Union countries.
The accounts payable on bonds, convertible bonds and to shareholders are nil in 2016 as they were in 2015.
Their breakdown and most significant changes occurred during the year are shown below.
The accounts payable to banks, totalling €3,000 thousand (€4,500 thousand in the prior year) relate entirely to the long-term loan entered into by the Holding Company on 8 February 2010 for an original amount of €15 million. This loan is not backed by guarantees and is subject to the compliance with the usual financial parameters, that were actually complied with. In addition to the loan mentioned above, in order to fix its cost definitely for its entire duration, an interest rate swap agreement of the same length

as the loan was executed. The portion of this loan expiring within 12 months amounts to €1,500 thousand.
In order to guarantee that the non-speculative nature of the fund is maintained throughout its duration, the amount of principal under the IRS agreement will follow the repayment schedule of the loan, and be reduced gradually until it reaches zero in concurrence with the repayment of the last instalment.

The accounts payable to vendors include the trade payables towards other entities than Group companies. They amount on aggregate to €17,822 thousand (€16,020 thousand in the prior year) and have increased by €1,802 thousand. The increase is mostly due to the temporary suspension, pursuant to contractual covenants, of payments owed to carriers until they comply with their own obligations towards SAGAT, on services provided by SAGAT to them.

There are no payables to associated companies in connection with a €16 thousand loan as at the end of 2016. The variation relates to the completion during the year of the liquidation of the subsidiary company SAGAT Engineering, the borrower of the said loan.

There are no payables to associated companies in connection with a €6 thousand loan as at the end of 2016. The variation relates to the completion during the year of the liquidation of the associated company Air Cargo Torino, the borrower of the said loan.

The payables to the parent company amount to €936 thousand and reflect the aggregate payables recorded by the Company against the transfer to the parent company 2i Aeroporti of the tax liabillity for the year as a consequence of joining, as subsidiary, the tax consolidation effective from 2017.

The payables to companies controlled by parent companies amount to €99 thousand and have decreased by €11 thousand in the year. They are all due within 12 months and reflect the exposure of the Holding Company SAGAT towards a software product vendor controlled by 2i Aeroporti S.p.A.

Tax payables, totalling €1,282 thousand, are detailed in the table below:

	31/12/2017	31/12/2016
Corporate income tax - IRES	0	1,182
Regional tax - IRAP	176	264
PAYE tax on employment income	446	447
Taxes on fee increases	656	629
Other	4	5
TOTAL	**1,282**	**2,527**

The item does not include payables due beyond 12 months.

Social security payables are all due within 12 months. They amount in total to €1,024 thousand and shown in the table below:

	31/12/2017	31/12/2016
Payables to INPS/INAIL	1,004	1,073
Other	20	21
TOTAL	**1,024**	**1,094**

The other payables, totalling €19,328 thousand, relate to:

	31/12/2017	31/12/2016
ENAC/Concession fee	1,295	1,218
Employees	1,339	1,459
Surtaxes on boarding fees	7,638	6,027
Miscellaneous payables	9,056	8,417
TOTAL	**19,328**	**17,121**

Please note that, in accordance with the laws in force, the entire amount of the account payable to ENAC on airport fees will be paid in the coming year.
The account payable by the Holding Company to the Tax Office on municipal taxes (€7,638) has increased in the year by €1,611 thousand and represents the contra entry of the accounts receivable by SAGAT from the carriers for the same reason. Please note that SAGAT is only required to proceed with the payments as it collects the amounts owed by the carriers.

The caption "Other payables" also includes, for a total of €6,912 thousand, the account payable on fire-fighting services at the Airport as governed by the 2007 Finance Act.

Accrued expenses and deferred income

As at 31 December 2017, these amount on aggregate to €8,668 thousand (€9,322 thousand as at 31/12/2016) and are composed as detailed below:

	Accrued expenses	Discount on loans granted	Deferred income	Total accrued expenses and deferred income
Amount at beginning of year	**399**	**0**	**9,321,140**	**9,321,539**
Variations during the year	1,813	0	(655,691)	(653,878)
Balance at end of year	**2,212**	**0**	**8,665,450**	**8,667,662**

The caption “Deferred income” relates mostly to portions of construction grants deferred by the Holding Company because not pertaining to the reference year. These grants were recorded according to the specific accounting criteria described above. The decrease recorded in the reference year relates mostly to the 2017 portion of these grants released to the income statement.

Payables, accrued and deferred income broken down by maturity and type

A breakdown of payables, accrued and deferred income by maturity and type is presented below:

	Bonds	Convertible bonds	Loans from shareholders	Payables to banks	Payables to other lenders	Payments on account	Trade payables	Payables in the form of credit instruments
Amount at beginning of year				4,500,000			16,019,951	
Variations during the year				(1,500,000)			1,801,990	
Balance at end of year				3,000,000			17,821,941	
Portion due before year-end				1,500,000			17,821,941	
Portion due after 12 months				1,500,000			0	
Of these, payable beyond 5 years				0			0	

	Payables to subsidiary companies	Payables to associated companies	Payables to parent companies	Payables to companies controlled by the parent companies	Tax payables	Social security payables	Other payables	Total accounts payable
Amount at beginning of year	15,841	6,100	0	109,800	2,527,376	1,093,865	17,121,199	41,394,132
Variations during the year	(15,841)	(6,100)	936,523	(10,687)	(1,245,468)	(70,225)	2,207,176	2,097,368
Balance at end of year	0	0	936,523	99,113	1,281,908	1,023,640	19,328,375	43,491,500
Portion due before year-end	0	0	0	99,113	1,281,908	1,023,640	19,176,798	41,839,923
Portion due after 12 months	0	0	0	0	0	0	151,577	1,651,577
Of these, payable beyond 5 years	0	0	0	0	0	0	0	0

Memorandum accounts

Their breakdown and nature are shown below:

NATURE	31/12/2017	31/12/2016
Third-party assets obtained in concession	59,654	59,654
Personal guarantees received from third parties	12,411	10,994
TOTAL	**72,065**	**70,648**
Personal guarantees given to third parties	0	78
TOTAL	**0**	**78**

Third-party assets in concession are the fixed assets received in concession by SAGAT. These, however, are only the investments made by the entity granting the concession since the 1980's to this date, as the value of the assets built before that date —which include aircraft movement areas— is unknown.
They also include the value of the airport enlargement works carried out and funded by the Municipality of Turin on the occasion of the Winter Olympics.
The personal guarantees received from third parties are the bank guarantees received from carriers and from third parties in general.
There are no personal guarantees given to third parties.

INCOME STATEMENT

The most relevant Income statement components for 2017 are shown below.

Revenues from sales and services

The revenues from sales and services obtained by the Group entirely in the territory of Italy and from customers based mostly in Italy or in the European Union, are broken down as follows (art. 2427 (1.10 of the Civil Code).

	YEAR 2017	YEAR 2016
Revenues from air traffic	27,717	23,295
Security	8,776	7,902
Handling and air traffic services	12,340	13,923
Car parking services	6,163	5,970
Sub-contracting of services	4,091	4,069
Subcontracted businesses and airport spaces	4,898	4,901
Centralized infrastructures	1,677	3,260
Assets in exclusive use	790	565
Assets used in common	-	17
Other income	128	100
TOTAL	**66,580**	**64,001**

Other revenues and proceeds

The other proceeds are broken down as follows:

	YEAR 2017	YEAR 2016
Recovery of utilities in common and miscellaneous expenses	171	136
Miscellaneous contingent gains	959	147
Other proceeds	2,265	954
Grants for plant and equipment investments	671	671
TOTAL	**4,066**	**1,908**

Please note that, with the coming into force of Legislative Decree 139/15, in enforcement of Directive 2013/34 on annual financial statements, consolidated financial statements and related reports, this item also includes those income items that were previously recorded as "Exceptional income", a caption that does not exist anymore.

The caption, totalling €4,066 thousand, has increased noticeably compared to the prior year.

Please note that the increase in this caption is due mostly to miscellaneous contingent gains arising, among the other revenues recorded by the holding company SAGAT, from the release, for cessation of the underlying reasons, of provisions for risks and for bad debts made in previous years for a total of €700 thousand, and to contingent liabilities for a total of €1,248 thousand. In detail, the latter caption relates to the removal from liabilities of payables on expected invoices for a total of €1,179 thousand, arising from certain arrangements with customers about the interpretation of contractual clauses against a consideration of €793 thousand, and to the lapse of limitation terms for €386 thousand.

The grants for plant and equipment investments include, according to the criteria described above, the portion accruing in 2017 of the grants obtained from Regione Piemonte for the enlargement works at the passenger building, general aviation and luggage logistics building included in the Master Programme Agreement for the improvement of airport infrastructures in view of the "Turin 2006" 20th Winter Olympics (agreement no. 9313 of 12 July 2004), recorded according to the criteria described above in the amount of €665 thousand.

PRODUCTION COSTS

Production costs amount in total to €58,258 thousand and are broken down as follows:

Purchase of raw and ancillary materials, consumables and goods

These costs (€2,000 thousand) are broken down as follows:

	YEAR 2017	YEAR 2016
Maintenance materials	382	415
Miscellaneous materials	116	110
Materials intended for resale	355	366
Fuels and lubricants	537	547
De-icing	553	260
Stationery and printing	57	62
TOTAL	**2,000**	**1,760**

Services

The costs of services (€23,384 thousand) are composed of:

	YEAR 2017	YEAR 2016
Other services	2,673	3,102
Support, storage and PRM services	388	368
Electricity and other utilities	3,216	3,215
Technical, management and marketing consulting services	551	752
Security services	3,870	2,880
Cleaning and waste collection services	1,109	940
Maintenance / repair and other contractual costs	1,872	1,426
Maintenance and repair of leased assets	320	304
Business and general insurance policies	411	414
Miscellaneous staff costs (cafeteria, training, travel, etc.)	626	662
Other	8,348	8,608
TOTAL	**23,384**	**22,672**

Leasehold costs

Leasehold costs (€2,682 thousand), are composed of:

	YEAR 2017	YEAR 2016
Airport fee	2,428	1,735
Fee owed to the Town Authority of Turin	0	0
Rent owed to the Town of San Maurizio	24	24
Other concession fees (radio)	93	93
Leases and rentals	137	132
TOTAL	**2,682**	**1,984**

Staff costs

Staff costs, inclusive of outsourced staff, amounted on aggregate to €20,497 thousand, with a decrease by €216 thousand compared to the prior year.
The difference is due mostly to a broad internal re-organization within SAGAT S.p.A. which gave rise to major Group synergies and allowed to improve efficiency and cut costs, and to the fact that Alitalia shifted to another third-party handler.

The average number of Group employees in the year is 362.73 FTE and has increased by 11.14 FTE compared to the previous year. The headcount is 383 (annual average), of which 31.3 on term employment contracts.

The breakdown of total Group employees by category in 2017 and 2016 is shown below.

CATEGORY	AVERAGE NUMBER 2017	AVERAGE NUMBER 2016	DIFFERENCE Absolute	PERCENTAGE DIFFERENCE
Executives	4	4.08	(0.08)	-1.96%
White collars	225.2	235.35	(10.15)	-4.31%
Blue collars	133.53	134.44	(0.91)	-0.68%
TOTAL	**362.73**	**373.87**	**(11.14)**	**-2.98%**

Amortisation, depreciation and write-downs

Amortisation, depreciation and write-downs amount in total to €7,276 thousand and are broken down as follows:

	YEAR 2017	YEAR 2016
Depreciation	4,637	4,383
Amortisation	1,205	2,129
Write-down of fixed assets	0	0
Write-down of accounts receivable	1,434	86
TOTAL	**7,276**	**6,598**

Amortisation & depreciation, €5,842 thousand in total, have decreased compared to the prior year by €671 thousand, basically due to ordinary life cycle and replacement of fixed assets; in particular, the depreciation cycle for the investments in flight infrastructures made between 2010 and 2012 has ended.

No fixed asset was written down during the year.

As mentioned earlier, the provision for bad debts received an allocation of €1,434 thousand, in order to be adjusted to the Company's actual needs.
The provision was sized also taking into account the start of the extraordinary administration procedure on 2 May 2017, pursuant to Decree Law 347/2003, for Alitalia – Società Aerea Italiana S.p.A., a circumstance that required the full write-down of the receivables from this particular carrier.

Variations in the inventory of raw and maintenance materials, consumables and goods

The stock of raw and ancillary materials, consumables and goods has increased by €9 thousand in the year, and the relevant purchase costs have decreased accordingly. In 2016 the caption had shown an increase by €35 thousand.

Provisions for liabilities and risks

An amount of €156 thousand was allocated in the year to the provision for liabilities and charges in order to cater for the losses or payables of probable or certain occurrence, the amount or date of occurrence of which is however uncertain as at the closing date. For details about the nature of the amounts allocated, please refer to the section in these Notes dedicated to the provision for liabilities and risk and its variations.

Miscellaneous operating costs

Miscellaneous operating costs, totalling €2,255 thousand, relate to:

	YEAR 2017	YEAR 2016
Guest entertainment expenses	34	59
Contingent liabilities / Downward adjustment of income	552	540
Membership fees	138	141
Damages liquidated to third parties	2	6
Fire Department fee	649	649
IMU (municipal property tax)	225	225
Other	655	709
TOTAL	2,255	2,330

This caption has decreased by €75 thousand compared to the prior year.

Financial income and expense

This caption, positive by €2,540 thousand compared to €179 thousand in 2016, is broken down as follows:

	YEAR 2017	YEAR 2016
Interest and other financial expense	(151)	(210)
Income from equity investments	2,668	363
Other financial income	23	26
TOTAL	2,540	179

During the year the Group has recorded income from equity investments for a total of €2,668 thousand. This income arises from the already mentioned closing of the liquidation of the subsidiary SAGAT Engineering (€2,077 thousand) and from the dividends received by the subsidiary Aeroporti Holding on its share in AdB, less the interest expense paid on bank loans (€591 thousand).

During the year the Group has recorded interest income on current accounts for a total of €23 thousand.

Adjustments to the value of financial assets

No adjustments to the value of financial assets were made during the year.

Income taxes

This item, totalling €3,495 thousand, is composed of the estimated amount of income taxes for the year plus deferred tax assets and liabilities.

	YEAR 2017	YEAR 2016
IRES	3,079	2,148
IRAP	664	488
Gain from tax consolidation	(79)	0
Deferred tax assets	(169)	200
TOTAL	3,495	2,836

The table below shows the reconciliation between the theoretical tax burden and the tax burden recorded in the consolidated financial statements as of 31 December 2017, compared with the corresponding period in 2016.

	YEAR 2017	YEAR 2016
EBT	14,927,210	9,740,938
Theoretical IRES rate (%)	24%	27.5%
Theoretical income tax	3,582,530	2,678,758
Tax effects of IRES variations	(582,563)	(530,499)
Effect of deferred taxes	(168,998)	199,797
IRAP	664,430	488,438
Income taxes recorded (current and deferred)	**3,495,399**	**2,836,494**

The theoretical tax burden was calculated by applying the current corporate income tax ("IRES") rate (24%) to the EBT.
The effects of the regional tax ("IRAP") rate were calculated separately, because this tax is not levied on the same taxable base used for IRES purposes.

Operating profit (loss)

The consolidated profit for the year, €11,431,811, is composed of the net profit of the Group (€11,186,962) and the profit pertaining to minority shareholders (€244,849).

4.2.4 OTHER INFORMATION

SIGNIFICANT EVENTS OCCURRED AFTER THE CLOSING OF THE YEAR

The auction launched by the Metropolitan City of Turin for the sale of its holding in SAGAT (no. 125,168 shares) was finalized.
The auction was awarded by order of 27 February 2018 to 2i Aeroporti S.p.A. against a cumulative offer of €6,068,520.14 (or €48,483 per share).
The share transfer was executed on 15 March 2018.

Passenger traffic data at the Torino Airport showed, in the first two months of 2018, a slight decrease, owing exclusively to the removal by Blue Air of its twice-daily low cost flight between Turin and Rome.

The opening of new flights was announced for 2018. This item is detailed below:

- Blue Air to Stockholm (initially with one weekly flight on 20 January 2018 and bound to operate twice a week starting from 27 March 2018);

- Blue Air to Paris, three flights per week starting from 25 March 2018;
- Blue Panorama to Cagliari, four flights per week starting from 2 June 2018;
- Aegean to Athens, two flights per week starting from 6 June 2018;
- easyJet to Naples, seven flights per week starting from 3 September 2018.

As far as SAGAT Handling is concerned, in the first two months of 2018 there has been a reduction, compared to 2017, in handled movements (-1.2%), and passengers (-1%) and an increase in the tonnage (+1.5%) of the aircraft handled. Compared to the corresponding period in the previous year, the market share has grown from 63.5% to 64.1%.
Cargo traffic has also increased slightly by +0.5%.

RELATIONSHIPS WITH SUBSIDIARIES AND OTHER RELATED PARTIES

For a detailed analysis, please see the dedicated section in the Directors' Report for the Holding Company. It is however worth noting here that these relationships were all at arm's length.

EMOLUMENTS OF DIRECTORS AND AUDITORS

The total amount of the emoluments paid to the directors and statutory auditors of the consolidated companies is shown in the table below:

	YEAR 2017
Directors	605
Statutory Auditors	86
TOTAL	**691**

These emoluments are recorded as costs of services and take into account all the people who have held offices as directors and statutory auditors during the reference year, even if only for a part of it.

INDEPENDENT AUDITORS' FEES

The total amount of the fees paid to the independent auditors for the mandatory annual audit of the accounts as well as for other services provided during the year is shown in the table below:

ACTIVITIES PERFORMED	2017		
	SAGAT	SAGAT HANDLING	TOTAL SAGAT GROUP
Annual statutory audit of the accounts	15	10	25
Other audit services	6	6	11
Other non-audit services	9	0	9
TOTAL	**30**	**16**	**46**

Signed in original by:

The Chairman

Giuseppe Donato

4.3 INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT
PURSUANT TO ART. 14 OF LEGISLATIVE DECREE 27 JANUARY 2010, No. 39

To the Shareholders of
SAGAT S.p.A.

REPORT ON THE ACCOUNTING AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of the SAGAT Group ("the Group"), comprising the balance sheet as at 31 December 2017, the income statement, the statement of cash flow for the year ended on that date, and the notes.

In our opinion, the consolidated financial statements provide a faithful and accurate picture of the financial position and standing of the Group as at 31 December 2017, of its operating result and cash flows for the financial year closed on that date in accordance with the Italian provisions of law governing the drafting of consolidated financial statements.

Grounds for our opinion

We have performed our audit based on international auditing standards (ISA Italia). Our responsibilities under those standards are further described in the section of this Report regarding the independent auditors' responsibilities for the audit of the consolidated financial statements. We are independent from the Company SAGAT S.p.A. in compliance with statutory provisions and with the principles of ethics and autonomy applicable to the audits of financial statements under the laws of Italy. We believe we have obtained enough evidence for us to express our opinion.

Directors' and Statutory Auditors' responsibilities for the consolidated financial statements

The Directors are responsible for preparing the consolidated financial statements so as to provide a true and accurate picture in compliance with the Italian rules governing the preparation of annual financial statements, for those internal audit activities that they deem necessary to consent them to prepare financial statements that are free from material errors caused by fraud or unintentional behaviours or events.

The Directors are responsible for assessing the Group's ability to go on as a continuing business and, when preparing the consolidated financial statements, they should verify the adequateness of the going concern principle and the provision of sufficient information on that matter. The Directors are required to use the going concern principle in the preparation of the consolidated financial statements, unless they deem that there are the conditions for liquidating the Holding Company SAGAT S.p.A. or interrupting its activities, or that there are no realistic alternatives to such options.

The Board of Statutory Auditors is responsible for the general supervision, in accordance with the law, on the process of preparing the Group's financial information.

Independent auditors' responsibility for the audit of the consolidated financial statements

Our goal is to ascertain with reasonable certainty that the consolidated financial statements as a whole do not contain material errors caused by fraud or unintentional behaviours or events, and to release our auditors' report inclusive of our opinion. By reasonable certainty we intend a high level of certainty, which, however, does not guarantee that an audit performed according to international auditing standards (ISA Italia) is always capable of detecting a material error, where such error exists. Errors may be caused by fraud or by unintentional behaviours or events and are deemed material if there is reason to expect that, taken individually or together, they might affect the financial decisions made by users who rely on these consolidated financial statements.

In our audit performed according to international auditing standards (ISA Italia), we have used our professional judgment and maintained professional detachment throughout our audit. Moreover:

- we have identified and assessed significant risks in the consolidated financial statements, due to fraud or unintentional behaviour or events; we have defined and implemented auditing procedures to address such risks, and have obtained sufficient and appropriate evidence as grounds for our opinion. The risk that we fail to detect a material error caused by fraud is higher than the risk that we fail to detect a material error caused by unintentional behaviours or events, because a fraud may imply the existence of collusion, falsifications, intentional omissions, misleading presentations or internal audit distortions.

- We have developed an understanding of the internal audit processes that are relevant for our audit in order to determine the appropriate auditing procedures given the circumstances, and not in order to express an opinion on the efficacy of the Group's internal audit process.

- We have assessed the appropriateness of the accounting standards adopted, the reasonableness of the accounting estimates made by the Directors, and the overall presentation of the annual financial statements.

- We came to a conclusion on the adequate use of the going concern principles by the Directors and, based on the evidence collected, on the possible existence of material uncertainties about events or circumstances that might cast doubt on the Group's ability to continue its business. In the presence of material uncertainties, we need to verify that they are properly disclosed in the management report; or, where such disclosure is insufficient, to reflect such circumstance in our opinion. Our conclusions are based on the evidence collected until the date of this report. Hovever, subsequent events or circumstances may imply that the Group ceases to meet the requirements of a going concern.

- We have considered the presentation, structure and contents of the consolidated financial statements as a whole, including the notes, and whether such consolidated financial statements disclose the underlying transactions and give a correct picture.

- We have obtained sufficient and appropriate evidence on the financial information of the enterprises or on the various business activities carried out within the Group as to allow us to release an opinion on the consolidated financial statements. We are responsible for directing, supervising and performing the accounting audit of the Group. We are the only responsible for our opinion as auditors on the consolidated financial statements.

We have informed the governance bodies, identified at the appropriate level required under ISA Italia standards, among other things, of the scope and schedule of our audits and of their most significant results, including any material internal audit deficiencies detected during our audits.

REPORT ON OTHER STATUTORY PROVISIONS

Opinion pursuant to art. 14 (2.e), of Legislative Decree 39/10

The Directors of SAGAT S.p.A. are responsible for preparing the Directors' report for the SAGAT Group as at 31 December 2017, for its consistency with the consolidated financial statements and for its compliance with the law.

We have followed the procedures indicated in audit standard (SA Italia) no. 720B in order to express our opinion on the consistency of the Directors' report with the financial statements of SAGAT S.p.A. as at 31 December 2017 and on its compliance with the law, and also in order to release our statement on any material errors.

In our opinion, the Directors' report is consistent with the consolidated financial statements of the SAGAT Group as at 31 December 2017 and was prepared in accordance with the law.

Regards to the statement as per art. 14 (2. e) of Legislative Decree 39/10, released based on our knowledge and understanding of the enterprise and its environment that we have gained during our audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Giuseppe Pedone
Partner

Turin, 12 April 2018

5. ANNEXES

BALANCE SHEET AND INCOME STATEMENT OF SAGAT HANDLING S.p.A. (amounts stated in Euro)

BALANCE SHEET OF ASSETS	FINANCIAL STATEMENTS AS AT 31/12/2017	FINANCIAL STATEMENTS AS AT 31/12/2016
A) SHAREHOLDER CONTRIBUTIONS YET TO BE PAID IN	**0**	**0**
B) FIXED ASSETS		
I. Intangible assets		
3) Industrial patent and intellectual property rights	1,400	2,800
7) Other fixed assets	36,753	10,461
Total	**38,153**	**13,261**
II. Tangible assets		
3) Operating and sales equipment	15,181	22,974
4) Other assets	172,546	163,157
5) Investments in progress and payments on account	0	0
Total	**187,727**	**186,131**
III. Financial assets		
1) Equity investments in:		
d-bis) Other companies	0	0
Total	**0**	**0**
TOTAL FIXED ASSETS (B)	**225,880**	**199,392**

BALANCE SHEET OF ASSETS	FINANCIAL STATEMENTS AS AT 31/12/2017	FINANCIAL STATEMENTS AS AT 31/12/2016
C) CURRENT ASSETS		
I. Inventory		
1) Raw and ancillary materials and consumables	52,506	63,156
Total	**52,506**	**63,156**
II. Accounts receivable		
1) Trade receivables:		
due within 12 months	2,156,696	1,397,619
4) Receivables from parent companies:		
due within 12 months	692,665	560,638
5-bis) Tax receivables:		
due within 12 months	492,794	876,538
due beyond 12 months	158,528	158,528
5-ter) Deferred tax assets:		
due within 12 months	203,648	266,128
due beyond 12 months	0	0
5-quater) Other receivables:		
due within 12 months	132,106	156,218
due beyond 12 months	0	0
Total accounts receivable:		
due within 12 months	3,677,909	3,257,141
due beyond 12 months	158,528	158,528
Total	**3,836,437**	**3,415,669**
III. Financial assets other than fixed assets		
6) Other credit instruments	0	0
Total	**0**	**0**
IV. Cash and cash equivalents		
1) Bank accounts	2,055,034	3,066,938
3) Cash in hand	933	1,635
Total	**2,055,967**	**3,068,573**
TOTAL CURRENT ASSETS (C)	**5,944,910**	**6,547,398**
D) ACCRUED INCOME AND PREPAYMENTS		
Accrued income	0	0
Prepayments	14,683	55,035
TOTAL ACCRUED INCOME AND PREPAYMENTS (D)	**14,683**	**55,035**
TOTAL ASSETS	**6,185,473**	**6,801,825**

BALANCE SHEET OF LIABILITIES	FINANCIAL STATEMENTS AS AT 31/12/2017	FINANCIAL STATEMENTS AS AT 31/12/2016
A) SHAREHOLDERS' EQUITY		
I. Share capital	3,900,000	3,900,000
IV. Legal reserve	192,761	192,761
VI. Other reserves, itemized:		
- Extraordinary reserve	149,403	149,403
- Reserve for coverage of losses	0	0
VIII. Losses carried forward	(1,144,775)	(1,274,271)
IX. Profit (or Loss) of the year	33,209	129,496
TOTAL SHAREHOLDERS' EQUITY (A)	**3,130,598**	**3,097,389**
B) PROVISIONS FOR LIABILITIES AND RISKS		
2) Provision for deferred taxes	23,251	0
4) Other provisions:		
- Provision for future liabilities	76,668	240,093
TOTAL PROVISIONS FOR LIABILITIES AND CHARGES (B)	**99,919**	**240,093**
C) PROVISION FOR STAFF SEVERANCE PAY	958,445	950,911
D) ACCOUNTS PAYABLE		
7) Trade payables:		
due within 12 months	826,717	1,110,304
11) Payables to parent companies:		
due within 12 months	298,706	482,978
12) Tax payables:		
due within 12 months	140,030	126,331
13) Social security payables:		
due within 12 months	308,702	325,655
14) Other payables:		
due within 12 months	421,907	468,164
Total:		
due within 12 months	1,996,062	2,513,432
due beyond 12 months	0	0
TOTAL ACCOUNTS PAYABLE (D)	**1,996,062**	**2,513,432**
E) ACCRUED EXPENSES AND DEFERRED INCOME		
Accrued expenses	449	0
Deferred income	0	0
TOTAL LIABILITIES	**6,185,473**	**6,801,825**

INCOME STATEMENT	FINANCIAL STATEMENTS AS AT 31/12/2017	FINANCIAL STATEMENTS AS AT 31/12/2016
A) PRODUCTION VALUE		
1) Revenues from sales and services	9,564,091	10,912,606
5) Other revenues and proceeds, with operating grants stated separately	2,204,889	2,163,992
TOTAL PRODUCTION VALUE (A)	**11,768,980**	**13,076,598**
B) PRODUCTION COSTS		
6) Cost of raw and ancillary materials, consumables and goods	658,890	539,674
7) Cost of services	2,322,980	3,028,054
8) Leasehold costs	1,307,912	1,608,289
9) Staff costs:		
a) salaries and wages	5,333,126	5,322,328
b) social security	1,348,272	1,469,926
c) severance pay	293,114	317,662
d) pensions and the like	0	0
e) other costs	109,174	110,107
Total staff costs	**7,083,686**	**7,220,023**
10) Amortisation, depreciation and write-downs:		
a) amortisation	27,157	42,701
b) depreciation	92,709	108,516
d) write-down of current receivables and of cash and equivalents	16,189	17,293
Total amortisation, depreciation and write-downs	**136,055**	**168,510**
11) Variations in the inventory of raw and maintenance materials, consumables and goods	10,650	(9,604)
12) Provisions for liabilities and risks	0	82,867
14) Miscellaneous operating costs	164,408	208,418
TOTAL PRODUCTION COSTS (B)	**11,684,581**	**12,846,231**
EBIT - PRODUCTION VALUE LESS PRODUCTION COSTS (A-B)	**84,399**	**230,367**

INCOME STATEMENT	FINANCIAL STATEMENTS AS AT 31/12/2017	FINANCIAL STATEMENTS AS AT 31/12/2016
C) FINANCIAL INCOME (EXPENSE)		
15) Income from equity investments:		
- dividends and other proceeds from others	0	0
16) Other financial income:		
d) other income:		
- from parent companies	0	0
- other	196	1,329
Total	**196**	**1,329**
17) Interest and other financial expense	(1)	(21)
17bis) Exchange gains (losses)	(47)	(40)
TOTAL FINANCIAL INCOME (EXPENSE) (C)	**148**	**1,268**
D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	**0**	**0**
EBT (A-B+/-C+/-D+/-E)	**84,547**	**231,635**
20) Income taxes for the year:		
a) Current taxes	34,393	(44,977)
b) Deferred tax assets (liabilities)	(85,731)	(57,162)
21) PROFIT (LOSS) OF THE YEAR	**33,209**	**129,496**

BALANCE SHEET AND INCOME STATEMENT OF AEROPORTI HOLDING S.R.L.
(amounts stated in Euro)

BALANCE SHEET OF ASSETS	FINANCIAL STATEMENTS AS AT 31/12/2017	FINANCIAL STATEMENTS AS AT 31/12/2016
A) SHAREHOLDER CONTRIBUTIONS YET TO BE PAID IN		
Shares not yet called up	0	0
B) FIXED ASSETS		
I. Intangible assets		
1) Start-up and improvement costs	0	0
Total intangible assets	**0**	**0**
III. Financial assets		
1) Equity investments in:		
a) subsidiary companies	0	0
b) associated companies	0	0
c) other companies	17,640,883	17,640,883
Total financial assets	**17,640,883**	**17,640,883**
TOTAL FIXED ASSETS (B)	**17,640,883**	**17,640,883**

BALANCE SHEET OF ASSETS	FINANCIAL STATEMENTS AS AT 31/12/2017	FINANCIAL STATEMENTS AS AT 31/12/2016
C) CURRENT ASSETS		
II. Accounts receivable		
1) Trade receivables:		
- due within 12 months	0	0
- due beyond 12 months	0	0
4) From parent companies:		
- due within 12 months	11,524	7,685
- due beyond 12 months	0	0
5-bis) Tax receivables:		
- due within 12 months	9,447	11,523
- due beyond 12 months	0	0
5-ter) Deferred tax assets:		
- due within 12 months	0	0
- due beyond 12 months	367	374
5-quater) Other receivables:		
- due within 12 months	0	0
- due beyond 12 months	0	0
Total accounts receivable:		
- due within 12 months	20,971	19,208
- due beyond 12 months	367	374
Total	**21,338**	**19,582**
IV. Cash and cash equivalents		
1) Bank and post office accounts	445,238	378,132
Total cash and cash equivalents	**445,238**	**378,132**
TOTAL CURRENT ASSETS (C)	**466,576**	**397,714**
D) ACCRUED INCOME AND PREPAYMENTS		
Prepayments	0	0
TOTAL ASSETS	**18,107,459**	**18,038,597**

BALANCE SHEET OF LIABILITIES	FINANCIAL STATEMENTS AS AT 31/12/2017	FINANCIAL STATEMENTS AS AT 31/12/2016
A) SHAREHOLDERS' EQUITY		
I. Share capital	11,000,000	11,000,000
II. Share premium reserve	1,544,963	1,544,963
IV. Legal reserve	311,111	294,992
VI. Other reserves	59,203	59,203
VIII. Profit (loss) carried forward	4,597,871	4,591,586
IX. Profit (loss) of the year	549,605	322,405
TOTAL SHAREHOLDERS' EQUITY (A)	**18,062,753**	**17,813,149**
B) PROVISIONS FOR CONTINGENCIES		
2) Provision for taxes, including deferred	0	0
TOTAL PROVISIONS FOR LIABILITIES AND CHARGES (B)	**0**	**0**
D) ACCOUNTS PAYABLE		
3) Shareholder loans:		
- due beyond 12 months	0	0
7) Trade payables:		
- due within 12 months	10,873	9,480
11) Payables to parent companies:		
- due within 12 months	28,128	214,845
- due beyond 12 months	0	0
12) Tax payables:		
- due within 12 months	1,313	457
13) Payables to social security institutions:		
- due within 12 months	768	267
14) Other payables:		
- due within 12 months	3,624	0
TOTAL ACCOUNTS PAYABLE (D)	**44,706**	**225,049**
E) ACCRUED EXPENSES AND DEFERRED INCOME		
Accrued expenses	0	399
TOTAL LIABILITIES AND EQUITY	**18,107,459**	**18,038,597**

INCOME STATEMENT	FINANCIAL STATEMENTS AS AT 31/12/2017	FINANCIAL STATEMENTS AS AT 31/12/2016
A) PRODUCTION VALUE		
5) Other revenues and proceeds, with operating grants stated separately	0	5
TOTAL PRODUCTION VALUE (A)	**0**	**5**
B) PRODUCTION COSTS		
6) Purchase of raw and ancillary materials, consumables and goods	0	0
7) Cost of services	27,176	30,061
10) Amortisation, depreciation and write-downs:		
a) amortisation	0	0
14) Miscellaneous operating costs	18,362	17,787
TOTAL PRODUCTION COSTS (B)	**45,538**	**47,848**
PRODUCTION VALUE LESS PRODUCTION COSTS (A-B)	**(45,538)**	**(47,843)**
C) FINANCIAL INCOME (EXPENSE)		
15) Income from investments in associated companies	591,288	362,884
16) Other financial income:		
d) other income than the above	32	25
17) Interest and other financial expense	(1)	(407)
TOTAL FINANCIAL INCOME (EXPENSE) (C)	**591,319**	**362,502**
EBT (A-B+/-C+/-D)	**545,781**	**314,659**
20) Income taxes for the year:		
a) current taxes	3,831	7,678
b) deferred taxes	(7)	68
TOTAL INCOME TAXES FOR THE YEAR	**3,824**	**7,746**
21) PROFIT (LOSS) OF THE YEAR	**549,605**	**322,405**