DIRECTORS' REPORT
AND
FINANCIAL STATEMENTS

as of 31 DECEMBER 2016

DIRECTORS' REPORT

1. SHAREHOLDERS' MEETING

   1st call: 28 April 2017

   2nd call: 12 May 2017

2. AGENDA

   Financial Statements as of 31 December 2016

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

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

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

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SHAREHOLDERS as of 31/12/2016

2i Aeroporti S.p.A.	54.88%
Equiter S.p.A.	12.40%
FCT Holding S.p.A.	10.00%
Finpiemonte Partecipazioni S.p.A.	8.00%
Tecno Holding S.p.A.	6.76%
Metropolitan City of Turin	5.00%
Treasury stock	2.96%
Total	**100.00%**

CORPORATE BODIES

BOARD OF DIRECTORS

Giuseppe DONATO	Chairman
Paolo VERNERO	Vice Chairman
Roberto BARBIERI	Chief Executive Officer
Rosaria CALABRESE	Director
Davide CANAVESIO	Director
Jean Jacques DAYRIES	Director
Alberto EICHHOLZER	Director
Mauro MAIA	Director
Rosario MAZZA	Director
Paolo MIGNONE	Director
Elisabetta OLIVERI	Director

BOARD OF STATUTORY AUDITORS

Roberto NICOLO’	Chairman of the Board of Statutory 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 as of 31/12/2016

SAGAT S.p.A. HIGHLIGHTS 2016

TRAFFIC

Torino Airport has recorded an unprecedented passenger traffic volume in one year, surpassing its previous record struck in 2011. In 2016 there have been 3,950,908 passengers in transit, corresponding to a 7.8% growth.

INCOME RESULTS

The most relevant income components for the year 2016 are shown below, providing their comparison with the figures from the preceding year. Please note that the 2015 income result was affected by non-repeat components that had contributed to increasing the EBITDA by €8.5 million on aggregate. Such components were referred to the full release of the provision for the maintenance of leased assets, which had turned out to be excessive.
Therefore, for a clearer comparative review of the income, the figures from 2016 are given in comparison with the figures from 2015 adjusted with the removal of the above-referred non-repeat components.
The **value of production,** net of grants, amounts to €56,695 thousand and has increased by +16.6% compared to the €48,609 thousand shown for 2015, after adjustments as described above.
The **GOM** amounts to €15,379 thousand (27% of the billing volume) and has increased by +46.5% compared to the €10,499 thousand shown for 2015 (adjusted).
The **EBITDA** amounts to €15,070 thousand and has increased by +54.2% compared to the €9,773 thousand shown for 2015 (adjusted).
The **EBIT** amounts to €9,380 thousand and has increased by +337.8% compared to the €2,143 thousand shown for 2015 (adjusted).
The **EBT** amounts to €9,195 thousand and has increased by +389.8% compared to the €1,877 thousand shown for 2015 (adjusted).
The **net profit** amounts to €6,453 thousand**.**
The **net financial position** is positive by €17,523 thousand and has improved by €12,646 thousand compared to €4,877 as at 31 December 2015.

INVESTMENTS IN 2016

The company has invested about €4.7 million on aggregate in infrastructures and systems during the course of the year.
The investments made allowed the company to improve the quality of the services provided and maintain high airport safety standards.

SIGNIFICANT EVENTS OCCURRED AFTER 31 DECEMBER 2016

Passenger traffic data at Torino Airport showed, in the first two months of 2017, a 6.9% increase in passengers and a +4.1% increase in movements compared to the corresponding period in 2016.

DEVELOPMENTS

The growth forecasts for the European scenario in 2017 suggest rather dynamic trends in the opening months of the year. There are risks that the growth might weaken in the short term due to expected rises in oil prices and to capacity re-modulation initiatives by the airline companies. In addition, the market is becoming less and less predictable and prone to setbacks due to the greater geopolitical risks (e.g. terrorism threats, Brexit, trends against globalization and free exchange).
The domestic scenario is further complicated by the management of the airline Alitalia, that is presently experiencing difficulties and that will be subject to a drastic rearrangement in the opening months of 2017, the outcome of which is unpredictable.
Due to the above, SAGAT is putting efforts on continuing to expand its network, by seeking new carriers that presently do not operate at Torino Airport. It is also focusing its attention on interventions aimed at filling the gaps that might originate if Alitalia ceases to operate on its current routes.
The company is also carrying on interventions aimed at improving passenger service quality, in terms of comfort in the airport and timeliness of operations, and in general at a greater care for passengers in all the phases pre- and post-flight, through the continuing improvement of airport facilities.

1.1 Report on financial position and performance

Dear Shareholders,

though the economic situation produced lower growth than was expected, the year 2016 was a positive one for the Company, which recorded volumes and traffic and improvements in its main revenue indicators.
The competitive approach taken by SAGAT S.p.A. in 2016 featured a series of actions to obtain improvements, making it possible to increase traffic by +7.8% over 2015, compared to average national growth of 4.6%.

On the macro-economic level, the situation remained uncertain in the Euro zone and in Italy, with the fragile recovery proving weaker than expected, registering results lower than those for 2015.
In the specific case of the air industry, the growth in international traffic had a positive effect, especially on traffic within the European continent. Domestic traffic showed modest growth (+2.2%) compared to 2015.

Within this general overview, Torino Airport continued its growth trend in terms of passenger volume, with a resulting rise in the profitability of its aviation and extra-aviation operations as well.
Increased connections to European hubs and the opening of new international routes in Europe boosted growth in the international scheduled passenger traffic (11.1%). The opening of new routes was actively supported by SAGAT S.p.A. through transparent and sustainable incentive policies aimed at maintaining balanced and diversified growth over time by reinforcing the presence of traditional carriers and adding new low-cost carriers.

Initiatives designed to revitalise extra-aviation retail offerings were intensified, benefitting from initiatives meant to optimise both the make-up of the offerings and their profitability. In particular, major work to modernise and redefine the existing areas in the departure lobby was carried out.

Furthermore, efforts already underway to contain costs and heighten their efficiency were continued, helping to maintain, in combination with development policies, the Company's excellent revenue performance and the further improvement in its net financial position, which reached €17.523 million, a clear-cut improvement over the figure of €4.877 million recorded as of 31 December 2015.

This Directors' Report, which accompanies the financial statements as of 31 December 2016, was prepared in compliance with the provisions in art. 2428 of the Italian Civil Code and contains the Directors' observations on the overall performance and the most significant events that occurred during the year 2016 and after 31 December 2016.

The income figures, the balance sheet and the net financial position for the year 2016 are presented in comparison with the closing balances as of 31 December 2015.

THE INTERNATIONAL AND DOMESTIC ECONOMIC SCENARIO

THE INTERNATIONAL OUTLOOK

In 2016 word economic activity went through a depressive phase caused by stalled world trade, weak investment and increased political uncertainty. Global growth is expected to fall to 2.3% in 2016 – the weakest performance since the start of the global financial crisis – finishing at 0.1 percentage points below the forecasts available as of June 2016.
In 2017, on the other hand, global growth should increase to 2.7%, thanks primarily to the revival of emerging markets and developing economies (EMDEs). Meanwhile the advanced economies continue to struggle with modest growth and low inflation, in an overall climate of heightened political uncertainty, moderate investment activity and stagnant growth in production.
Economic activity slowed down in the United States in 2016, as also occurred in a number of the other major economies, though to a lesser extent. It is estimated that the growth of the advanced economies slowed by 1.6% in 2016, finishing at 0.1 percentage points below the forecast levels; still, a revival is expected at an average rate of 1.8 percent.
In the United States, stronger manufacturing activity is forecast, contributing to a modest increase in growth, from 1.6 percent in 2016 to an average of 2.2 percent in 2017-18. Still, this forecast does not take into account the effects of the policies proposed by the new United States administration, which remain uncertain with respect both to their form and their impact.
In the Euro area and Japan, supportive monetary policies shall continue to stimulate activity, while inflation should rise gradually, though it will remain below the objective of the central banks.
The already anaemic growth in the advanced economies was accompanied in 2016 by a further weakening of world trade. Partially offsetting these unfavourable portents was the fact that the prices of raw materials stabilised and are forecast to show moderate increases during the period 2017-19, a positive development

for exporting countries. The EMDEs grew at a rate of 3.4 percent in 2016, essentially in line with previous expectations.

The Euro area

Growth in the Euro zone slowed from 2 percent in 2015 to 1.6 percent in 2016, as both internal demand and exports lost vigour. Confidence in the Euro area remained intact, however, despite the vote in the United Kingdom, in June of 2016, to leave the European Union (EU). The fallout from the United States election could cause increased political uncertainty in Europe.

Rebounding oil prices, from a low point in the early months of 2016, could translate into a decrease in real income, placing a damper on private consumption compared to the period of 2014-15.

Rates of investment were especially low in the outlying areas of the Euro zone, where the higher levels of political uncertainty will probably have a detrimental effect on capital spending in 2017 as well.

The labour market and credit conditions continued to improve in 2016. Employment returned to its pre-crisis levels, as did the rate of unemployment, even though it was starting from very high levels and there were noteworthy variations among the different countries. Negative official interest rates, together with large-scale asset-purchase programs on the part of the European Central Bank, have resulted in a noteworthy lessening of financial burdens, with a generally positive effect on credit flows. Nonetheless, renewed concern over the banking sector and the profitability of the large number of bad loans in certain countries (such as Italy) could continue to limit credit in the Euro area, contributing to market volatility. Despite the continuous relaxation of monetary policy, inflation remains significantly below the objective.

Budget policy has been slightly expansive in 2016, in part due to problems involving refugees, but its overall effect on growth in 2017 is forecast to be neutral. The problem of fiscal sustainability continues to be a source of worry in a number of countries, even though debt-service costs have fallen in most of the states of the Eurozone, thanks to exceptionally low interest rates. It is thought that uncertainty over the Brexit process will have a negative effect on growth in the United States in 2017-18 and, though to a lesser degree, in the Eurozone as well.

Taken from: World Bank, Global Economic Prospects | January 2017

THE SITUATION IN ITALY

In order to maintain sufficiently expansive monetary conditions to ensure a rise in inflation, the Management Council of the ECB has extended the program for the purchase of securities to at least December 2017, and will prolong it even further, if necessary.

Based on the available indicators, Italy's economic recovery continued in autumn, though at a moderate rate. The levels of industrial production, consumption of electricity and transportation of merchandise, which all grew, plus the elevated indexes of confidence on the part of business enterprises, created a situation in which the GDP rose by 0.2 percent in the fourth quarter of 2016, as compared to the previous period. Economic activity was stimulated by a revival of investments and expanded family spending, confirming the signs of stabilisation received from the construction sector, with regard to residential housing in particular. In December the consumer confidence index interrupted the downward trend it had followed since the start of the year.

The Bank of Italy's debt position with respect to TARGET2 remained essentially stable in the last quarter of 2016, sitting at 357 billion euro at the end of December. Taking into account the figures for the balance of payments (available for the situation up to November), the gradual expansion of the balance between January and November represents, first and foremost, a response to the diversification of the portfolios of Italian families in favour of managed savings and insurance – in which the investment policies of brokers have less of a distortive effect on national activities – and to the decrease in funding collected by banks on international markets, a development that paralleled the creation of liquidity through the Eurosystem programs. The current account surplus showed further improvement.

In the third quarter of 2016, total employment stabilised; the number of salaried employees, both fixed-term and permanent, increased. The latest updates on the situation point to a limited expansion in employment in the final months of 2016. During the year, growth in wages in the private sector feel significantly, due both to delays in the signing of numerous contract renewals and to wages increases not paid out in 2016; the essential freeze on contractual wages affected approximately half of all salaried employees.

In recent months, credit continued to expand in the non-financial private sector, with loans to businesses increase as well, though growth remained modest. The quality of the credit held by Italian banks continued to benefit from the improved overall outlook, recording a further decrease in the flow of bad credits. The premiums for risk on Italian state bonds, which had increased in autumn, remained sizeable. In the last part of the year, share prices rose; a recovery of the listings of Italian banks preceded the introduction of government measures in support of liquidity and reinforcement of the capitalisation of the banks, initiatives anticipated, in part, by the banks themselves. The Government authorised the financing of eventual

initiatives taken in support of Italian banks and banking groups, in the form of measures to reinforce their capital or grant guarantees on newly issued liabilities, up to a maximum of 20 billion euro; it shall move forward with the precautionary recapitalisation requested by the Monte dei Paschi di Siena bank, in accordance with European regulations governing remedies and resolutions for bank crises, as well as those on state aid.
Forecasts for the Italian economy, updated on the basis of the most recent results, have been confirmed, with the GDP, which grew by 0.9 percent in 2016 (though the figure corrected for the effect of the calendar, seeing that the year 2016 had two fewer business days than 2015, showed an increase of 1,0%) expected once again to grow by 0.9% in 2017, and then by 1.1% in both 2018 and 2019. The driving force behind economic activity will continue to be domestic demand, plus, as early as 2017, the gradual reinforcement of foreign demand. The level of the GDP for 2019 will still be roughly four percentage points lower than that for 2007. The economic outlook assumes that the levels of long-term yields shall remain limited, while credit conditions, in terms of cost and availability, shall continue to be relatively relaxed. This reflects a forecast lack of tension on financial and banking markets in the Euro area and in Italy, as well as an absence of episodes involving significant increases in premiums for risk and volatility; it also reflects the underlying assumption, as embodied by the market prices, that the reform process initiated in the last few years in our country shall not be interrupted. On the whole, growth risk evaluations, based on these projections, still point downward, with the main factors of uncertainty traceable not only to financial conditions, but from the world outlook in general. There is an especially high risk that the global economic expansion pointed to in the forecasts may be dampened by the onset and spread of protectionist sentiment, as well as by possible turbulence in emerging companies. Recent agreements on production cutbacks by the main oil-producing could lead to greater than expected consumer price increases, especially in 2017. As for the risk of inflation falling below forecast levels, this is tied to the growth of salaries in the private sector.

Taken from: Bank of Italy – Economic Bulletin no. 1 – 2017

THE ECONOMY OF PIEDMONT

According to the figures of the Companies Register of the Chambers of Commerce, in 2016 there were 26,447 new companies founded in Piedmont, compared to the figure of 26,155 new entries in 2015. Accounting for the 26,966 companies that ceased operation, the balance is a negative 519 units.
The total number of companies entered in the Companies Register of the Chambers of Commerce of Piedmont as of the end of 2016 was 438,966 units, putting Piedmont in 7th place among the regions of Italy, with more than 7% of domestic companies. The balance between newly registered companies and those that ceased operations was -0.12%, in line with the figure recorded in 2015 (-0.11%), and a marked improvement over the results for 2014 (-0.44%) and 2013 (-0.54%), though still out of step with the national average (+0.68%).

Taken from: Union of Piedmont Chambers of Commerce, Birth and Mortality Rates for Businesses in Piedmont in 2016

Viewed in terms of results for the year 2016 as a whole, manufacturing production in Piedmont registered an overall average increase of +2.2% for the year, further reinforcing the rise of +0.7% recorded in 2015.
The year 2016 started off for the region's manufacturing sector not only with growth in industrial production, but with encouraging results in terms of the other primary indicators analysed as well. In particular, orders rose both on the domestic market (+1.7%), symptomatic of an effective revival in consumption, and at an even higher level from abroad (+8.6%).
The performance of the transportation vehicle sector was the overall result of a number of different domestic trends. During the quarter under examination, aerospace production made a negative contribution to the overall result, though it registered excellent figures in terms of domestic and foreign orders. Motor vehicle production proved essentially stationary, while the production of motor vehicle parts rose.
In the 1st quarter of the year, regional manufacturing production turned in an overall positive result, recording growth of 2.2% compared to the first three months of 2015. The result appears especially positive, in light of the fact that it involves all the operating sectors and areas of the region. Particularly encouraging is the excellent result registered for micro-enterprises, which by far constitute the largest portion of the region's production system, in addition to which they suffered the effects of the crisis to a greater extent than other sectors.
In the first three months of 2016, the least impressive levels of performance, in terms of production, were turned in by large companies (more than 249 employees), which recorded a decrease of 1.0% compared to the same period of 2015, while medium-size companies (50-249 employees) registered the best trend (+4.9%), followed by small-scale companies (10-49 employees), which presented a positive variation of 2.6%. A good level of performance was also recorded by micro-enterprises, or those with fewer than 10 employees (+1.3%).

In the 2nd quarter of 2016, regional industrial production registered growth of 1.5% compared to the same period for 2015, the result of positive levels of performance in all the leading sectors and in the majority of the different areas of the region. The result for the period of April-June 2016, coming after the growth of 2.2% observed in the 1st quarter of the year, is rendered all the more significant by the fact that the variation was calculated in comparison with the 2nd quarter of 2015, a period in which production had already risen by 2.2%.
Positive results were recorded for industrial production, foreign and domestic orders, total turnover and level of use of plants. The improvement was observed in all sectors and in almost every province.
The least important performance figures, in terms of production, were recorded for large enterprises (more than 249 employees) and micro-enterprises (0-9 employees), sectors that showed only slight growth (+0.2% and +0.5% respectively) compares to the same period of 2015. All the different categories of business size, on the other hand, registered more noteworthy increases in levels of production. The strongest trend (+3.9%) was recorded by medium-sized enterprises (50-249 employees), followed by small-scale companies (10-49 employees), which enjoyed a positive variation of 1.2%.
Orders on the domestic market increase only slightly (+0.3%), with a healthier increase in foreign orders (+5.2%). The rise in output involved all the main production sectors. The excellent result turned in by the transportation vehicle sector is traceable both to the growth registered in motor vehicle production (+3.3%) and to the even healthier increase in the production of motor vehicle parts (+7.0%). The aerospace sector, on the other hand, remained essentially stationary.
In the 3rd semester of 2016, the positive trend of the regional manufacturing industry continued: in the 3rd semester of 2016, industrial production in Piedmont rose by 2.7%. This result was the outcome of the positive performances of almost all the leading sectors, though growth was not recorded in all the different provinces of the region.
The regional average was pushed upwards by Turin, the regional seat, whose growth of +5.3% was reinforced by the overall performance of the transportation vehicle sector. Less impressive results, in terms of production, were turned in by micro-enterprises (0-9 employees), whose levels of production fell, compared to the same period of 2015, by 2.1%. Small-scale businesses (10-49 employees) and medium-size enterprises (50-249 employees) also showed similar levels of growth on output, registering respective figures of +2.6% and +2.7%.
The healthiest increase in levels of production for the quarter in question came from large-scale enterprises (companies with more than 249 employees), which recorded growth of 7.9%.
Orders on the domestic market were essentially stable (-0.1%), while orders on foreign markets rose (+4.7%). Almost all the main production sectors showed increased output, though the driving force once again came from transportation equipment, as companies in the sector registered the highest levels of production growth in the period of July–September (+20.3%).
The excellent performance of the transportation sector was traceable primarily to the strong growth recorded in motor vehicle production.
The growth in industrial production in the 3rd quarter of 2016 was not found in all areas of the region. Results were extremely positive in the regional seat (+5.3%), thanks mainly to the excellent performance of the transportation equipment sector.
The 4th quarter of 2016 confirmed the excellent health of the manufacturing sector in Piedmont, as industrial production recorded growth of 2.5% compared to the same quarter of 2015, following variations of +2.2%, +1.5% and +2.7% registered in the previous quarters of the year. This result meant that the regional manufacturing system had chalked up seven straight quarters of growth.
Still, it is too early to speak of a trend of sustained growth, even though the figures are positive. The revival that has been underway since 2015 is gaining strength. The expectations of the majority of companies are cautiously optimistic, as indicators, overall, have proven to be in line with those of earlier months. In the specific case of the manufacturing sector, expectations regarding employment and orders show a small amount of improvement, while those for production point slightly downward. Export activity shows positive signs, while general indicators remain stable (use of unemployment subsidies, investments, rate of use of resources). The climate of confidence in the services sector has cooled off slightly, compared to previous quarters, though the outlook remains favourable.
The increase in industrial production is linked to the positive results shown by the other indicators analysed, with upward growth registered for both domestic orders (+2.1%) and foreign orders (+3.7%).
An analysis of growth in industrial production in the 4th quarter of 2016 broken down by the number of employees in companies confirmed the trends observed in the period July-September: large companies (more than 250 employees) recorded the most significant increase (+9.2%), while the production of small companies (10-49 employees) rose by 1.3% and both micro-enterprises (less than 9 employees) and medium-size enterprises (50-249 employees) showed growth of 0.2%. In terms of the different sectors of economic activity, the increase in production levels involved them all. With its increase of 22.4% in industrial production, compared to the 4th quarter of 2015, the transportation equipment sector again proved to be the

driving force. The result recorded by the sector is traceable primarily to excellent growth in motor vehicle manufacturing; the production of motor vehicle parts also registered an increase, while production levels in the aerospace sector once again decreased.
The growth in industrial production was not observed in all local production systems. The Province of Turin was the driving force for Piedmont's manufacturing sector in the 4th quarter of 2016 as well, as the companies of the Turin area registered an increase of 4.9% in production levels compared to the period of October-December 2015.

Source: Union of Piedmont Chambers of Commerce, 178-179-180-181ª Survey on the state of Piedmont's manufacturing industry.

THE AIRPORT INDUSTRY

THE GLOBAL SCENARIO

As far as worldwide air transport is concerned, 2016 proved to be a year that left its mark, despite terrorist attacks, geopolitical tension and political uncertainty. Whether the underlying cause was Brexit, the presidential election in the United States or the hostilities in Syria, the spectre of uncertainty was felt throughout the global economy and the aviation sector for all of 2016. The heightened rhetoric regarding protectionist policies in certain western countries also posed a threat to increased liberalisation of air routes, or "Open Skies" agreements.
But ultimately the air-travel sector demonstrated its innate ability to adjust and bounce back from adversity, no matter what the events or circumstances to be dealt with. Microeconomic factors felt throughout the sector, such as the increased competition from low-cost carriers, combined with historically low fuel prices, served as catalysts, stimulating demand through the offer of lower prices. Since the end of the great recession in 2009 – early 2010, global passenger traffic has risen at an annual rate of 5.5%, proof of the resilience of the air-transport sector.
In 2016, the world in general, and the business world in particular, was affected by the terrorist attacks that occurred more or less throughout the world, including the incidents at Istanbul's Atatürk Airport and the Brussels Airport. Though these atrocities were setbacks for aviation activities in the countries involved, the net effect on the demand for air transport in Europe was minimal. While, in the months after the attacks, passenger traffic fell in the airports involved, the global versatility of the air-transport sector was demonstrated by the way passengers changed their airports of departure and destination. The vast range of options available for reaching airports throughout Europe and the Middle East on medium and long-range flights allowed passengers to rapidly replace the airports needed to carry out their travels.

Passenger Traffic

Passenger traffic grew by 5.5% overall in 2016, with international traffic growing at a more rapid rate than domestic traffic (6.5% compared to 4.9%). All geographic areas, with the exception of Africa, recorded growth in passenger volumes, ranging from 2.2% in the Latin America-Caribbean area (in the midst of a recession) to growth of more than 9.0% in the Asian-Pacific and Middle East regions. Passenger traffic in Africa fell by 1.9%. The mature markets of Europe and North America grew by respective figures of 5.0% and 3.9% in 2016, continuing to significantly outperform the levels of growth typically recorded for those regions.

Cargo Traffic

The cargo transport sector underwent a recovery in the second half of 2016. Volumes rose by 3.5% for the year as a whole, with a noteworthy increase of 8.9% in the month of December as a result of higher volumes in the airports of Europe, the Middle East and the Asia-Pacific regions. In actual fact, air-transport volumes in each of these regions rose by more than 10.0% in the month of December.

Taken from: Aci.aero

THE EUROPEAN SCENARIO

Passenger traffic in European airports showed strong momentum in 2016, recording average growth of +5.1%. All of the growth volume was generated by the market of the European Union, whose airports, take as a whole, registered an increase of +6.7% in passenger volume.
While the terrorist attacks that occurred affected air traffic in Belgium, France and, to a lesser extent, Germany, their impact remained local, decreasing even further towards the end of the year. In contrast, passenger traffic in non-EU airports registered an average decrease of -0.9%, due primarily to the drop in traffic at Turkish airports (-6.6%) as a result of terrorism and political instability. Even though the situation gradually improved after Summer, passenger traffic in Russian airports remained weak throughout the year, while the other non-EU market failed to register strong growth.

The noteworthy drop in demand for leisure travel in Turkish airports made a negative contribution to the overall performance of the European market, causing demand to shift to airports in Croatia, Cyprus, Bulgaria, Greece, Portugal, Romania and Spain. This situation favoured double-figure growth in most of these markets – as well as in Hungary, Ireland, Lithuania, Luxemburg and Poland.
In the ultimate analysis, European airports have serviced an additional 300 million passengers since 2013, of whom 80% - 240 million –in the EU market. It should come as no surprise that this increase is beginning to test the levels of capacity, operational performance and resources of the airports involved. Much of this impressive performance is the outcome of 3 interconnected factors: improved economic conditions, led by levels of private consumption and lower unemployment; lower oil prices and expanded capacity on the part of airlines.
Cargo traffic in European airports grew by +4.1% - the best result since 2010, confirming the improved economic conditions of Europe as a whole. Movements increased by +3.2%, reflecting the noteworthy expansion in air-transport capacity compared to previous years.
Low-cost carriers were the primary driving force behind growth in passenger traffic in 2016; in the wake of their success, low-cost spin-offs were initiated by traditional carriers while low-cost lights began to be offered on long-range routes.
These developments meant that growth in passenger traffic was concentrated in secondary and emerging hubs, as well as medium-sized airports.
Such was the case with the airports of Barcelona (+11.2%), Dublin (+11.5%), Manchester (+10.8%), Lisbon (+11.7%), Athens (+10.6%), Warsaw (+14.5%), Edinburgh (+11.1%), Cologne (+15.2%), Berlin (+36.7%), Birmingham (+14.3%), Budapest (+11.1%), Bucharest (+18.3%), Venice (+10%), Bologna (+11.5%), Keflavik (+40.4%), Thessaloniki (+12.1%), Cracow (+18.1%), Sofia (+21.8%) and Vilnius (+14.3%).
Meanwhile, the 5 largest European hubs, together with small regional airports, have underperformed significantly, compared to the European average, growing by respective figures of +1.5% and +4.3%.
Of the large airports, only Amsterdam-Schiphol showed significant growth (+9.2%), taking the place of Istanbul-Atatürk as the third most heavily trafficked airport in Europe, with 63.6 million passengers, trailing London-Heathrow (75.7 million passengers and growth of +1%) and Paris-Charles de Gaulle (65.9 million passengers and growth of +0.3%). Istanbul-Atatürk fell to fifth place (60 million passengers and growth of -2.1%), while Frankfurt held onto its ranking as the fourth most heavily trafficked European airport (60.7 million passengers and growth of -0.4%).
In 2016, the airports of group 1 (more than 25 million passengers a year) recorded average growth of +2.6%; the airports of group 2 (between 10 and 25 million), +6.7%; the airports of group 3 (between e 5 and 10 million), +10.3%, while the airports of group 4 (up to 5 million passengers) grew by an average of +5.8%.

Taken from: ACI Europe

THE ITALIAN SCENARIO

The Italian airport system closed 2016 with positive results of more than 164 million passengers, 1 million tons of cargo and 1.5 million aircraft movements, providing a strong impetus for both the growth of tourism in our country and the export of Italian products in the rest of the world.
Compared to 2015, sizeable increases were recorded in the three macro-categories monitored, with passenger traffic growing by 4.6%, volumes of cargo transported by 5.9% and the number of aircraft movements by 2.6%.
It should be noted that a key positive factor in the overall result for passenger traffic was the strong growth of international traffic, equal to 6.2%, and in particular EU traffic, which registered an increase of 7.6% compared to 2015. The result for domestic traffic was also positive, showing an increase of 2.2% over 2015.
More specifically, the overall number of passengers handled by the 36 Italian airports monitored was 164,691,059 million, making for an increase of almost 7.5 million passengers compared to 2015.
Within this context, the 10 leading airports in terms of number of passengers handled were: Rome Fiumicino, Milan Malpensa, Bergamo, Milan Linate, Venice, Catania, Bologna, Naples, Rome Ciampino and Palermo.
Of noteworthy importance were the figures registered for the cargo sector, whose total of 1,043,421.72 of cargo moved in 2016 constituted an increase of almost 60 thousand tons over 2015, confirming the growth trend recorded in recent years.
As for aircraft movements, the increase of 2.6% stands as the highest growth rate achieved in recent years. The main driving factor behind the greater number of flights was once again international destinations, which rose by 5.1%, and EU destinations in particular, which recorded growth of 6.5%.
In light of the figures recently released by the ICAO on the global rise in air traffic – showing that air transport accounts for more than half of all tourists who cross national borders, approximately 35% of the value of cargo shipped and more than 90% of cross-border b2c e-commerce – there can be no mistaking the fact that our country, apart from the increases recorded, needs to do everything in its power to intercept the growing demand for the transport of people and cargo.

With this in mind, emphasis should be placed on the strategic importance, within the sector, of the role of airport managers, who are currently engaged in carrying out approximately 4 million euro of investments in order to bring domestic airports in line with the highest European and international standards in terms of safety, reliability and quality of service offered.

Taken from: Assaeroporti

THE AIRLINES

According to the International Air Transport Association (IATA), the demand for air passenger traffic in 2016 grew by 6.3% compared to 2015 (by 6.0% hen the leap year is accounted for). This excellent performance far exceeded average growth over the last 10 years, which stood at roughly 5.5%. Capacity rose by 6.2% compared to the previous year, pushing the load factor upward by 0.1 percent, to an annual average of 80.5%. The best result of the year was recorded in December, when demand increased by 8.8% and capacity by 6.6%.

International passenger traffic grew by 6.7% in 2016, compared to the previous year.

Capacity rose by 6.9%, while the load factor fell by 0.2 percentage points, to 79.6%. All the geographic areas recorded growth in demand, compared to 2015.

The carriers of the Asia-Pacific area, for example, registered growth of 8.3% in demand in 2015, the second beast result of the various areas and a growth rate higher than the average for the last five years, which stood at 6.9%. Capacity rose by 7.7%, increasing the load factor by 0.4 percentage points, to 78.6%. The international traffic of European carriers increased to 4.8% in 2016. Capacity grew by 5%, and despite a drop of 0.1%, the load factor remained the highest of all the different regions, registering 82.8% of capacity filled.

European carriers benefitted from a net improvement in the second half of the year, as passenger volumes grew by an annual average of 15% from June onward, more than making up for the declining figures in the first half of 2016.

American carriers saw demand increase by 2.6% overall in 2016. Much of the growth in demand was recorded in the second quarter, with the increases arriving primarily from Pacific routes. In contrast, growth in the Northern Atlantic area remained flat. Capacity increased by 3.3%, lowering the load factor by half a percentage point, to 81.3%.

For the fifth consecutive year, the carriers of the Middle East recorded the highest level of growth of all the different geographic areas, with demand rising by an overall figure of 11.8%, good for third place in the ranking of the largest markets in terms of international passengers. The rise in capacity (13.7%) exceeded growth in demand, pushing the load factor down by 1.3 %, to 74.7%.

The carriers of Latin America recorded growth of 7.4% in 2016. Capacity rose by 4.8%, and the load factor was strengthened by 1.9 percentage points, increasing to 81,3%. International traffic on routes to/from Latin America remained solid, despite a certain amount of economic and political uncertainty in Brazil, the region’s largest market.

African carriers recorded their best performance since 2012, at +7.4%. Growth was supported by strong demand on routes to/from Asia and the Middle East. Increases in capacity and demand matched each other perfectly, with the load factor remaining unchanged at 67.7%.

Domestic passenger traffic grew by an overall figure of 5.7% in 2016. Capacity rose by 5.1%, and the final figure for the load factor was 82.2%, making for an increase of half a percentage point compared to 2015.

All the major markets, with the exception of Brazil, recorded growth, with India and China producing excellent results, at respective rates of +23.3% e +11.7%, thanks to the increased number of routes and the greater frequency of flights, a trend that should continue in 2017 as well. In the case of Brazil, domestic traffic fell by 5.5% in 2016, reflecting the country’s economic situation; nonetheless, its carriers still managed to increase their load factor to 80.1%, the highest ever recorded by the IATA.

On the whole, the figures for 2016 were positive, as air connectivity worldwide grew, thanks to the 700 new routes introduced in the past year. A total of more than 3.7 billion passengers flew during the year, with the demand for air transport in continuous expansion.

Taken from: IATA

1.2 The shareholder structure

With regard to the Company’s shareholder structure, it should be noted that – as was already given extensive attention in the latest Report on the Financial Statements – the Province of Turin, in light of art. 3, paragraph 27, of Law 244/2007 (the 2008 Budget Act), under which government bodies and authorities are required to sell holdings that are not necessary to the pursuit of their institutional objectives, issued a resolution of 5 June 2012, deeming that the grounds for maintaining its holding in SAGAT, equal to 5% of the share capital, did not exist and authorising the sale of the holding.

In December of 2014, the provincial government notified SAGAT that:
- there had been no participants in the tender for the sale of the holding;
- with the holding not having been sold, it would be terminated “for all effects and purposes on 31 December 2014”, in accordance with art. 1, paragraph 569, of the Stability Act;
- SAGAT was required to liquidate the value of the holding in cash, no later than 31 December 2015;
- the Metropolitan City of Turin would take over the provincial government’s relationship with SAGAT, starting from 1 January 2015.

The Board of Directors of SAGAT, at a meeting held on 19 February 2015, examined the communication from the Province of Turin and, based on the legal opinions received, deemed it worthwhile to bring a petition before the Regional Administrative Court of Piedmont.
The proceeding brought before the Regional Administrative Court of Piedmont concluded with a ruling handed down on 4 December 2015 rejecting SAGAT’s petition.
SAGAT appealed the decision before the State Council.
While the appeal was pending, and seeing that execution of the initial ruling has not been suspended, on the date of 18 December 2015, the Board of Directors of SAGAT set the liquidation value of the holding, having received the opinion of the Board of Auditors, as well as that of the firm assigned to carry out the statutory audit of the Company’s accounts, and having made the determination in accordance with art. 2437-*third part* of the Italian Civil Code, at €3,600,000,00, communicating as much to the Metropolitan City of Turin on the same date, while expressly reserving the right to appeal and with the pending litigation remaining undiminished.
In consideration of the provisions of art. 1, paragraph 569, of Law no. 147 of 27 December 2013, the Board of Directors of SAGAT, on the date of 11 February 2016, deemed it necessary, though without relinquishing the right of appeal referred to above, to initiate the liquidation of the holding, doing so under the procedure provided for in art. 2437-*fourh part* of the Italian Civil Code, through the offer of an option on the shares of the Metropolitan City of Turin to the other shareholders.
On the date of 15 February, the City of Turin objected that the liquidation value, determined by the SAGAT Board of Directors at 3,600,000.00 euro, was unsuitable, communicating that it had initiated the procedure provided for under art. 2437-third part of the Italian Civil Code, so as to properly determine the value of the aforementioned shareholding.
On the date of 13 April 2016, the Court of Turin, in a ruling handed down pursuant to art. 2437-thir part of the Italian Civil Code, appointed an expert to determine the value of the shares held by the Metropolitan City.
At the outcome of the procedure of objection, the expert deemed the liquidation value of the holding, in a report of 26 July 2016 (the “report” – sent to SAGAT on 31 August 2016), to be €5,300,000.00.
Before the liquidation procedures for the liquidation of the holding, once again undertaken by SAGAT, on the basis of the estimate issued by the expert, could be completed, the State Council, in a ruling handed down on the date of 11 November 2016, endorsed the appeal brought by SAGAT, nullifying the divestment procedure undertaken by the City of Turin on account of the flawed value that was to be used as the basis for the tender of the shares to be divested.
The State Council further stipulated that the city administration must organise a new divestment procedure, based on the value of the shares as determined in the estimate evaluation called for by the Court of Turin.

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, but it also provides for de facto duration of the agreement until 2055. For, as stated in underlying premise no. 22, “*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 the Turin 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 text of the operating agreement also includes key guarantees – of far greater effect than those obtained by Italy's other major airports in their operating agreements, with the exception of Rome – with regard to financial stability and suitable remuneration on the capital invested.

THE PROCEDURE FOR SETTING FEES

In implementation of the new measures governing airport fees, described in detail in last year's managers' report, it should be noted that the procedure for revising the fees charged at Torino Airport was concluded during the year 2016.
More specifically, an initial public hearing of users was held on the date of 8 January 2016, in the interests of sharing with the airport users the consultation document drawn up by SAGAT following a detailed analysis of the technical documentation regarding traffic, infrastructure initiatives, quality and the environment. This first hearing concluded with the drafting by the users of proposals for modification of the fees applied and of the levels of the services to be guaranteed to the users (SLA).
During a second public hearing, held on the date of 22 January 2016, the Company and the users, following an in-depth and fruitful discussion, and with an important contribution on the part of the Transportation Regulation Authority, reached an agreement, approved with the favourable vote of a large majority of the users, on the airport's fee levels for the period 2016 – 2019, as well as on the SLAs and the date on which the new fees were to go into effect.
As required under the statutes and regulations currently in force, the Company then published the final fee proposal on its website, specifying that the new fees would go into effect from 1 May 2016.
On the date of 9 March 2016, the Transportation Authority (ART) published Resolution no. 23/2016 on its website, regarding the "Proposed Revision of the Airport Fees of the Sandro Pertini International Airport of Turin – fee period 2016-2019. In accordance with the regulatory guidelines approved under Resolution no. 64/2014".
In this resolution, the Transportation Regulatory Authority confirmed compliance with the fee guidelines, requesting the application of a number of corrective measures to be shared and discussed with users in a subsequent hearing.
SAGAT then posted, on the date of 11 March 2016, in a special area of its website, the fee proposal that resulted from application of the corrective measures called for under the aforementioned Resolution 23/2016.
On the date of 23 March 2016, the third and last consultation was held with the users of Torino Airport, marking the essential completion of the procedure for updating the airport's fee schedule for the period 2016 – 2019.
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 1 May 2016.

In accordance with the provisions of par. 5.2 of Form 2, the Company 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, on the Airport's institutional website, and it was illustrated and shared with them on the date of 26 October, 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 of investments, quality and the environment, as called for under articles 10, 11, 12, 13 and 14 of the Agreement.

1.4 Traffic scenario

TRAFFIC AT THE TORINO AIRPORT

Torino Airport recorded its all-time record number of passengers transported in the course of a year – topping its previous yearly record set in 2011 – by transporting **3,950,908** passengers during 2016, for growth of 7.8% over the previous year, while the average national growth rate was 4.6%. Looking at commercial aviation alone (regularly scheduled flights plus charters), there was an increase for the same figure of +7.8%, further reinforcing the trend that, having started in January 2014, had registered 36 straight months of growth as of December 2016.

	Year To Date			
PASSENGERS	**Act**	**LY**	**Var. vs LY**	**%**
Domestic	1,994,336	1,858,557	135,779	7.3%
International	1,820,201	1,638,097	182,104	11.1%
Charter	123,945	158,158	-34,213	-21.6%
Gen. Aviation	7,613	6,936	677	9.8%
Transit	4,813	4,676	137	2.9%
Total	**3,950,908**	**3,666,424**	**284,484**	**7.8%**

Specifically, regularly scheduled international traffic grew by 11.1%, for an increase of 182,104 units compared to the previous year, while regularly scheduled domestic traffic showed growth of 7.3%, for an increase of 135,779 units.

The positive results were made possible by:
1) the development of the network, as new routes were established: to Madrid, Berlin, London Luton, Palma di Mallorca, Alghero, Naples and Pescara with Blue Air; to Valencia and Ibiza with Ryanair; flights to Lampedusa, Skiathos and Corfu with Volotea. Plus, in the last few months of the year, flights to Luxemburg with Luxair, to Tirana with Blu-Express and the Moscow flight of the company Siberian Airlines. The winter season of ski flights was further enriched by new regularly scheduled flights to Bristol, London Luton and Manchester with EasyJet, to Edinburgh with Jet2.com and to London Gatwick and Manchester with Monarch Airlines;
2) the increased frequency of direct flights to a number of domestic and international destinations: Naples, Bari, Catania, Reggio Calabria, Bucharest, London Gatwick, Charleroi and Manchester.

The year-end flights inaugurated at the end of 2015 also had a positive effect on traffic results:
Royal Air Maroc: Casablanca, from late October 2015
Blue Air: Lamezia Terme, from late October 2015
Volotea: Cagliari, from December 2015

It should be noted that the effect of the interruption of operations, in the course of 2016, by Meridiana to Naples, by Alitalia to Tirana and by Ryanair to Alghero was offset by the introduction of the same flights operated by other carriers: respectively Blue Air, Blu-Express and, once again, Blue Air. The interruption of the flight to Eindhoven di Ryanair is explained by the carrier's decision to operate in its place the new year-round flight to Valencia mentioned earlier. Meridiana interrupted its summer route to Kos due to the humanitarian emergency that broke out on the island in the Summer of 2016.
It should also be remembered that in 2015, following the temporary declassification of the service tower at the Cuneo Airport, Ryanair scheduled rotating flights from Turin to Alghero, Cagliari and Trapani.

DESTINATIONS

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

	Destinations - SCHEDULED			
PASSENGERS	**Act**	**LY**	**Var. vs LY**	**% of total**
ROMA Fiumicino	635,310	666,999	-4.8%	16.7%
LONDON Grouping	303,441	247,071	22.8%	8.0%
CATANIA	300,360	241,452	24.4%	7.9%
NAPOLI	238,612	216,508	10.2%	6.3%
FRANKFURT	186,412	206,337	-9.7%	4.9%
BARCELONA	180,157	176,543	2.0%	4.7%
PARIS Charles de Gaulle	174,346	181,407	-3.9%	4.6%
BARI	174,283	146,724	18.8%	4.6%
PALERMO	173,766	151,779	14.5%	4.6%
MUNICH	164,697	167,320	-1.6%	4.3%
AMSTERDAM	143,658	130,447	10.1%	3.8%
LAMEZIA TERME	110,789	38,387	188.6%	2.9%
TRAPANI	109,958	127,550	-13.8%	2.9%
MADRID	104,509	65,723	59.0%	2.7%
Total top 14 destinations	**3,000,298**	**2,764,247**	**8.5%**	**78.7%**
Others	814,239	732,407	11.2%	21.3%
Total	**3,814,537**	**3,496,654**	**9.1%**	**100.0%**

Taken as a whole, regularly scheduled traffic recorded an increase of +9.1% over the previous year.

Rome remained the leading destination serviced, with more than 635 thousand passengers transported, followed by London (connected by flights to the airports of Gatwick, Luton and Stansted), with 303,441 passengers and growth of 22.8%, and then by Catania, with 300,360 passengers and growth of 24.4% compared to 2015.

In 2016 there was a boom in traffic to Spain: overall growth of +34% in traffic on regularly scheduled flights to Barcelona, Madrid, Valencia, Ibiza, Minorca and Palma di Mallorca, compared to the previous year, for a total of more than 373 thousand passengers transported.

Lamezia benefited from the year-round impact of the Blue Air flights, recording an increase of +188.6%.

Romania also showed strong growth: more than 143 thousand passengers flew to and from the country, making for an increase of +23% over the previous year.

The following table compares movements for the leading destinations of regularly scheduled traffic in 2016 to the figures for 2015:

MOVEMENTS	Destinations - SCHEDULED Act	LY	Var. vs LY	% of total
ROMA Fiumicino	5,799	5,945	-2.5%	16.2%
FRANKFURT	2,841	2,783	2.1%	7.9%
MUNICH	2,837	2,818	0.7%	7.9%
PARIS Charles de Gaulle	2,596	2,654	-2.2%	7.3%
NAPOLI	2,279	2,196	3.8%	6.4%
LONDON Grouping	2,190	1,719	27.4%	6.1%
CATANIA	1,885	1,604	17.5%	5.3%
AMSTERDAM	1,703	1,712	-0.5%	4.8%
MADRID	1,381	1,065	29.7%	3.9%
PALERMO	1,238	1,153	7.4%	3.5%
BARCELONA	1,226	1,236	-0.8%	3.4%
BARI	1,065	922	15.5%	3.0%
LAMEZIA TERME	750	363	106.6%	2.1%
TRAPANI	666	772	-13.7%	1.9%
Total top 14 destinations	**28,456**	**26,942**	**5.6%**	**79.5%**
Others	7,342	6,428	14.2%	20.5%
Total	**35,798**	**33,370**	**7.3%**	**100.0%**

Overall movements increased by +5.0%. Movements of commercial aviation alone (regularly scheduled + charter) totalled 36,782 in 2016, for growth of +6.3%.

The aircraft tonnage of commercial aviation rose by 4.4% compared to January-December 2015.

Charter traffic recorded a -21.6% drop in traffic, due to the collapse of destinations normally serviced by charter flights, as in the case of the negative impact of the terrorist attacks that continued to occur in Egypt, together with the international economic outlook, which led to a reduction in Russian tourism (Moscow) in the '15/'16 Winter season, plus the switch by the carrier Thomas Cook from charter to regularly scheduled flights.

Limiting the overall decrease in the sector was the strong growth in charter traffic from northern Europe (Stockholm, Gothenburg, Malmo, Tallinn, Oslo).

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 Berlin.
General aviation recorded 7,613 passengers, for growth of 9.8%.

The overall volume of cargo transported showed an increase (+5.2%).

THE AIRLINES

The main **airlines** that operated at our airport in 2016, together with their respective passenger figures, are shown below:

Carriers - SCHEDULED

PAX	Act	LY	Var. vs LY	% of total
RYANAIR	975,924	960,688	1.6%	25.6%
BLUE AIR	717,180	215,909	232.2%	18.8%
ALITALIA GROUP	713,859	703,937	1.4%	18.7%
LUFTHANSA	328,749	373,657	-12.0%	8.6%
AIR FRANCE	174,346	181,407	-3.9%	4.6%
MERIDIANA FLY S.p.A.	127,001	232,263	-45.3%	3.3%
BRITISH AIRWAYS	119,952	105,483	13.7%	3.1%
KLM	107,590	93,193	15.4%	2.8%
VOLOTEA	92,989	71,643	29.8%	2.4%
VUELING AIRLINES	78,983	236,422	-66.6%	2.1%
Total top 10 carriers	**3,436,573**	**3,174,602**	**8.3%**	**90.1%**
Others	377,964	322,052	17.4%	9.9%
Total	**3,814,537**	**3,496,654**	**9.1%**	**100.0%**

Ryanair remains the leading carrier, but Blue Air took over second place, with growth of 232.2% compared to the previous year, thanks to the impact of its expanded operating base (4 aircraft in 2016 compared to 2 based at the airport in 2015) and its 9 new routes, together with the increased frequency of flights on routes already serviced and, more in general, the higher load factor.

In 2016, **low-cost** traffic accounted for 48% of all regularly scheduled passenger traffic, for an increase of 24.5%.

Low Cost

PAX	Act	LY	Var. vs LY		% of total
RYANAIR	975,924	960,688	15,236	1.6%	49.6%
BLUE AIR	717,180	215,909	501,271	232.2%	36.4%
VOLOTEA	92,989	71,643	21,346	29.8%	4.7%
VUELING AIRLINES	78,983	236,422	-157,439	-66.6%	4.0%
WIZZ AIR,LTD	36,510	39,485	-2,975	-7.5%	1.9%
TRANSAVIA AIRLINES	36,068	37,254	-1,186	-3.2%	1.8%
EASYJET AIRLINE	17,327	14,501	2,826	19.5%	0.9%
BLU EXPRESS	8,016	0	8,016	new	0.4%
JET2.COM	5,324	4,083	1,241	30.4%	0.3%
AIR ARABIA MAROC	275	251	24	9.6%	0.0%
Total	**1,968,596**	**1,580,236**	**388,360**	**24.6%**	**100.0%**

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

MOVEMENTS	Act	LY	Var. vs LY	% of total
		Carriers - SCHEDULED		
ALITALIA GROUP	6.311	6.216	1,5%	17,6%
BLUE AIR	5.953	1.822	226,7%	16.6%
RYANAIR	5.813	5.784	0.5%	16.2%
LUFTHANSA	5.174	5.601	-7.6%	14.5%
AIR FRANCE	2.595	2.655	-2.3%	7.2%
KLM	1.457	1.449	0.6%	4,1%
MERIDIANA FLY S.p.A.	1.226	2.257	-45.7%	3.4%
VOLOTEA	1.095	810	35.2%	3.1%
AIR NOSTRUM	1.063	1.064	-0.1%	3.0%
BRITISH AIRWAYS	970	866	12.0%	2.7%
Total top 10 carriers	**31.657**	**28.524**	**11.0%**	**88.4%**
Others	4.141	4.846	-14.5%	11.6%
Total	**35.798**	**33.370**	**7.3%**	**100,0%**

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

TOTAL PASSENGERS (TRANSIT AND GENERAL AVIATION INCLUDED)

NW: months of traffic peaks are shown in blu

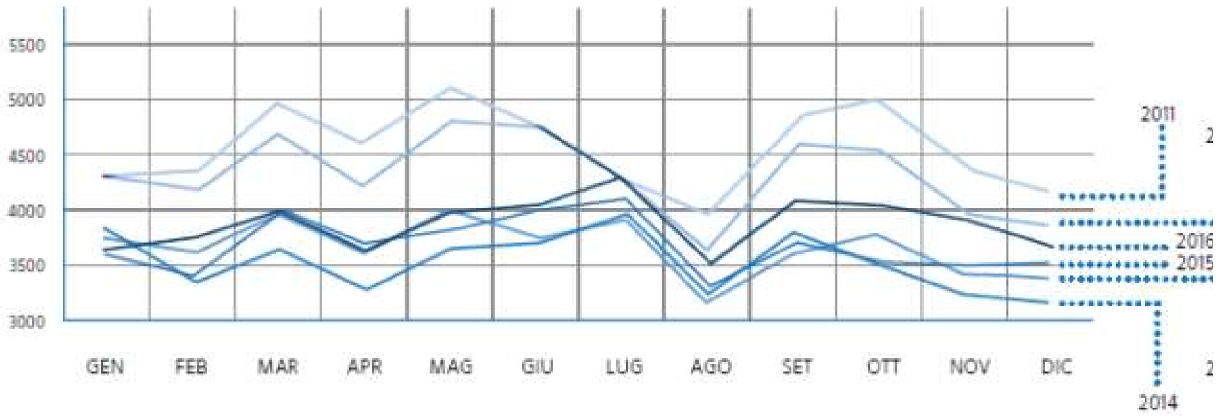
YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
2003	242,651	253,547	269,792	216,202	222,940	229,513	236,931	213,648	239,606	236,740	223,582	235,296	**2,820,448**
2004	248,667	268,862	285,441	256,073	256,393	261,153	281,007	273,104	272,942	251,980	229,887	256,379	**3,141,888**
2005	286,726	276,762	309,092	256,510	255,798	271,960	276,087	236,800	257,884	239,290	227,697	254,201	**3,148,807**
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**

Past trends and seasonal performance in terms of total **movements** at our airport are summarised below:

TOTAL MOVEMENTS (TRANSIT AND GENERAL AVIATION INCLUDED)

NW: months of traffic peaks are shown in blu

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
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	3,831	3,589	**46,496**



CARGO

In 2016, with a total of 6,340,341 kg of merchandise handled, Turin recorded growth of 5% in the cargo sector, essentially traceable to the excellent performance of air-cargo transport, a rise of +27,8%, as compared to the more or less static result for surface transport of cargo, which decreased by -0.7% compared to 2015.
This growth represents a noteworthy turnaround in the negative trend that had characterised the previous three-year period, and it is to be leveraged under a specific marketing plan for the development of cargo traffic in the years to come through focussed commercial initiatives and investments for the further revival of the related infrastructures.

1.5 Analysis of the Income Statement

After the passing of Legislative Decree 139/2015, enforcing Directive 2013/34/EU, and the reformulation of accounting standard OIC 12, the expense and income items previously shown in the line "Exceptional Income (Expenses)" line are now shown in other lines of the income statement. For a clearer comparison between 2016 and 2015 figures, 2015 figures were recalculated according to the accounting standards currently applicable. Therefore, the value of certain 2015 figures (including GOM, EBITDA and EBIT) has changed. The gross and net results relating to 2015 have not changed.

The income statement 2016, presented in summary form in the table below, closes at a net operating profit of €6,453 thousand, lower by €2,045 thousand compared to the €8,498 thousand profit recorded in 2015.

This reduction 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 €56,695 thousand, -1.9% compared to the €57,799 thousand recorded in 2015. This result is due to the presence of a significant exceptional, non-repeat component in 2015, which amounted to €9,212 thousand, shown in the "Other income" line. In fact, the "Other income" has dropped from €11,101 thousand in 2015 to €1,899 thousand in 2016, mostly because in 2015 the entire provision for the maintenance of leased assets (€8,481 thousand) was released to the income statement.

Staff costs amount to €13,494 thousand and have increased by €444 thousand, growing by 3.4% compared to 2015.

Operating costs amount in total to €27,822 thousand and have increased by €2,687 thousand compared to the previous year, due basically to the increase in the airport concession fee and in the costs of security systems:

The "Provisions and write-downs" line amounts in total to €309 thousand and has decreased by €1,035 thousand compared to €1,344 thousand.

The "Amortization and depreciation" line amounts in total to €6,361 thousand and has decreased by €3,540 thousand compared to the prior year, as the result of ordinary asset life cycle. For a detailed analysis of the main changes in this line, please refer to the Notes.

The balance of financial income (expense), negative by €185 thousand, has improved by €67 thousand compared to 2015.

The table below shows the main components of the income statement, comparing them with the equivalent figures from the previous year:

Euro thousand

	2016	2015	Difference	Difference %
Value of production *	56,695	57,799	-1,104	-1.9%
Staff costs	13,494	13,050	444	3.4%
Operating costs	27,822	25,135	2,687	10.7%
GOM	**15,379**	**19,614**	**-4,235**	**-21.6%**
Amortisation, depreciation & write-downs	309	1,344	-1,035	-77.0%
EBITDA	**15,070**	**18,270**	**-3,200**	**-17.5%**
Amortisation and depreciation	6,361	9,901	-3,540	-35.8%
Grants	671	2,270	-1,599	-70.5%
EBIT	**9,380**	**10,639**	**-1,259**	**-11.8%**
Balance of interest	-185	-265	80	-30.3%
Gross profit for the year	**9,195**	**10,374**	**-1,179**	**-11.4%**
Income taxes	2,742	1,876	866	46.2%
Net profit of the year	**6,453**	**8,498**	**-2,045**	**-24.1%**
Index of financial independence **	**13,437**	**19,889**	**-6,452**	**-32.4%**

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

INCOME

The table below shows the main income items for the years 2016 and 2015:

Euro thousand

	2016	%	2015	%	Difference	%
Value of production	**56,695**	**100.0%**	**57,799**	**100.0%**	**-1,104**	**-1.9%**
Aviation	**36,096**	**63.7%**	**29,610**	**51.2%**	**6,486**	**21.9%**
of which:						
Fees	23,244		14,665		8,579	58.5%
Centralised infrastructures	3,279		6,015		-2,736	-45.5%
Assets used in common	147		698		-551	-78.9%
Security	7,902		6,502		1,399	21.5%
Aviation services	1,524		1,729		-205	-11.8%
Handling	**426**	**0.8%**	**345**	**0.6%**	**81**	**23.6%**
Non-aviation	**18,285**	**32.3%**	**16,744**	**29.0%**	**1,541**	**9.2%**
of which:						
Non-aviation services	980		977		3	0.3%
Ticketing	361		172		190	110.5%
Retail and restaurant subcontracts	4,320		3,778		542	14.3%
Other business subcontracts	1,861		1,510		350	23.2%
Sublease of spaces	3,698		3,753		-55	-1.5%
Parking Lots	5,970		5,396		574	10.6%
Advertising	1,095		1,158		-63	-5.4%
Other revenues	**1,889**	**3.3%**	**11,101**	**19.2%**	**-9,212**	**-83.0%**

The value of production in 2016 amounts to €56,695 thousand. **Aviation income** amount to €36,096 and have increased by €6,486 (+21.9%). Such a major increase is essentially due, apart from the increase in traffic volumes, to the impact of the new handling rates applied since May 2016 and broadly described in the section on reference regulation developments.

Non-aviation income has increased in 2016 by €1,541 thousand (+9.2%), from €16,744 thousand in 2015 to €18,285 thousand in 2016.
The most relevant factors affecting non-aviation income trends are described below:

- Retail/restaurant subleases:
  Service subleases have increased by €542 thousand between 2015 and 2016 and amount in total to €4,320 thousand. They have benefited in particular from an increase in the revenues from duty-free and other shops and from restaurants.

- Business/space subleases:
  The revenues from this segment amount to €5,559 thousand and have increased by €295 thousand compared to the prior year (€5,263 in 2015).

- Parking areas:
  The revenues from this segment amount to €5,970 thousand and have increased by €574 thousand compared to the prior year. The increase was due to the introduction of new sales channels, competitive rates and a rearrangement of parking areas.

- Advertising:
  The revenues from this segment amount to €1,095 thousand and have slightly decreased compared to the amount recorded in 2015.

As already commented at the beginning of this section, the "Other income" figure (€1,889 thousand) has decreased significantly compared to the amount recorded in 2015 due to the presence, in that year, of non-repeat income components.

STAFF COSTS
Staff costs for 2016, inclusive of outsourced staff, amounts to €13,494 thousand and has increased by about €444 thousand compared to the prior year.
This is mainly due to several factors, such as the increase in traffic volumes and the impact of the new collective bargaining agreement. For more details, please refer to the corresponding sections in the Notes.

OPERATING COSTS
Operating costs have reached the amount of €27,822 thousand, increasing by €2,687 thousand compared to the year ended as at 31/12/2015. The increase is basically due to the following circumstances:

- greater costs incurred for the boosting of air traffic (about €1,755 thousand);

- greater costs for services (about €837 thousand) due to the increase in the costs of security, cleaning and ticketing services;

- greater costs for concession fees (about €886 thousand), essentially due to the lifting of the 75% reduction (pursuant to art. 11-decies, Law 248/2005) of the airport concession fee after the adjustment of handling rates effective from 1 May 2016. In detail, the cost of the concession fee has increased from €519 thousand in 2015 to €1,736 thousand in 2016;

- less costs (about €508 thousand), essentially because the company has spent less on interventions at runways and aprons during 2016;

- less costs incurred on utilities, especially electricity and heating fuel (about €177 thousand).

GROSS OPERATING MARGIN
As a result of the variations in the income and expense components commented above, the GOM 2016 has reached €15,379, or 27.1% of the production value.

PROVISIONS AND WRITE-DOWNS
The provisions and write-downs amount in total to €309 thousand and have decreased by €1,035 thousand compared to the previous year.

EBITDA
Due to the reasons explained above, the EBITDA 2016 has reached €15,070 thousand, or 26.5% of the value of production.

AMORTIZATION AND DEPRECIATION
The amount of amortization and depreciation totals €6,361 thousand and has decreased by €3,450 thousand as the result of ordinary asset life cycle.

GRANTS
These amount to €671 thousand and have decreased compared to the €2,270 thousand recorded in 2015. The decrease is due to the developments in the underlying assets' useful life. For more details, please refer to the corresponding sections in the Notes.

EBIT
The EBIT 2016 amounts to €9,380 thousand, or 16.5% of the value of production.

FINANCIAL INCOME (EXPENSE)
The balance of interest and other financial components, €-185 thousand, has improved by €80 thousand compared to 2015, basically due to the following:

- improvement (by €67 thousand) in the difference between financial income and expense, that passed from €-252 thousand in 2015 to €-185 thousand in 2016. This change is due essentially to lower interest expense;

- no adjustments in 2016 against the write-down by €13 thousand, implemented in 2015, of the equity investment in Air Cargo in liquidazione.

EBT
The EBT therefore amounts to €9,195 thousand, diminishing by €1,179 thousand compared to the prior year.

TAXES
The aggregate tax burden has increased by €866 thousand compared to the prior year. Total taxes for the year amount to €2,742 thousand.
The difference between the actual 2016 tax rate and the theoretical IRES/IRAP rate (31.70%) is described in detail in the dedicated section of the Notes.

PROFIT
In the light of the above, the net profit earned in 2016 amounts to €6,453 thousand and shows a decrease by €2,405 thousand compared to 2015 (which, as explained earlier herein, was affected by significant non-repeat income components).

1.6 Analysis of the Balance-Sheet

After the passing of Legislative Decree 139/2015, enforcing Directive 2013/34/EU, and the reformulation of accounting standard OIC 12, the structure of the balance sheet has been changed, as described in better detail in the Notes to these annual accounts. For a clearer comparison between 2016 and 2015 figures, 2015 figures were recalculated according to the accounting standards currently applicable.

The table below shows the balance sheet components reclassified according to financial principles. A comparison with 2015 figures is also provided.

	BALANCE SHEET		31/12/2016	31/12/2015	Difference
			Euro thousand		
A	**Fixed assets**				
		Intangible assets	3,085	3,159	-74
		Tangible assets	47,461	49,504	-2,430
		Financial assets	9,007	9,178	-172
			59,552	**61,841**	**-2,289**
B	**Working capital**				
		Inventory	313	288	25
		Trade receivables	11,495	9,579	1,916
		Other assets	10,975	12,186	-1,211
		Trade payables	-14,900	-10,039	-4,862
		Provisions for liability and charges	-5,274	-6,545	1,271
		Other liabilities	-29,740	-26,438	-3,302
			-27,132	**-20,968**	**-6,164**
C	**Invested capital (less liabilities of the year) (A+B)**		**34,420**	**40,873**	**-8,453**
D	**Staff severance pay**		**2,324**	**2,354**	**-30**
E	**Invested capital (less liabilities for the year and staff severance pay) (C-D)**		**30,096**	**38,519**	**-8,423**
	funded with:				
F	**Own capital**				
		Paid-in share capital	12,911	12,911	0
		Reserves and results carried forward	28,256	21,987	6,269
		Profit (loss) of the year	6,453	8,498	-2,045
			47,620	**43,396**	**4,224**
G	**Medium / long-term financial indebtedness**		**3,000**	**4,500**	**-1,500**
H	**Short-term financial indebtedness (net cash available)**				
		Short-term financial payables	1,603	1,500	103
		Short-term financial payables to subsidiary companies	0	1,500	-1,500
		Financial assets	0	0	0
		Cash and short-term financial receivables	-22,127	-12,377	-9,750
			-20,523	**-9,377**	**-11,146**
I	**Indebtedness (net financial position) (G+H)**		**-17,523**	**-4,877**	**-12,646**
L	**Total, as in “E” (F+I)**		**30,096**	**38,519**	**-8,423**

As shown in the table, the capital invested, less liabilities for the year and staff severance pay ("TFR"), has decreased by €8,423 thousand due to the following changes:

- decrease in fixed assets by €2,289 thousand, due essentially to:

- decrease in intangible assets by €74 thousand, due to the effects of ordinary asset depreciation (€2,087 thousand), and to the new investments made during the year (€2,013 thousand);

- decrease in tangible assets by €2,043 thousand, due to the effects of ordinary asset depreciation (€4,274 thousand) and to the new investments made during the year (€2,666 thousand); the reduction compared to the previous year also owes to the sale of full-depreciated assets (€75 thousand), write-off of assets and other variations (€379 thousand in total);

- decrease in financial assets by €172 thousand, due to the reduction (by €12 thousand) in the value of investments in other Group companies after the completion of the liquidation procedure for the subsidiaries Torino Servizi and Sistema, and to the reduction in non-current receivables by €160 thousand. This change is due to the classification under short-term receivables of the €200 thousand interest-bearing loan, now fully repaid by the company Aeroporti Holding at the due deadline of 2 January 2017, and to the combined effects of: i) recording of receivables from the associated company Air Cargo Torino in liquidazione, against a payment of €43 thousand made during the year to the liquidator of the company to provide him with the funds required for his activities, and ii) reduction by €3 thousand in deposits lodged previously. Please note that, 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 has removed 74,178 treasury shares from its fixed assets. For further details on the removal of the value of treasury shares from the fixed assets and on the concomitant recording of a negative reserve for treasury shares of €-4,824 thousand, please refer to the Shareholder's Equity section of the Notes.

* decrease of working capital by €6,164 thousand, due basically to:

  - increase in trade receivables by €1,916 thousand, due to:

    - increase in aggregate trade receivables by €1,959 thousand, essentially due to a significant rise in sales volumes and deriving from an increase in actual trade receivables (€2,045 thousand), a decrease in credit notes to be issued (€56 thousand), and a decrease in invoices be issued (€143 thousand);

    - variations in the provisions for bad debts, that have increased on aggregate by €43 thousand (€26 thousand used and €69 thousand allocated).

  - Decrease in other assets by €1,211 thousand, mostly due to a decrease in the receivables from Group companies (€1,023 thousand, of which €784 thousand deriving from the closing of the liquidation procedure for the subsidiary Torino Servizi), a decrease in tax receivables and deferred tax assets (€593 thousand) mostly due to the use of VAT receivables, and for the remaining part to an increase in other receivables;

  - increase in trade payables by €4,721 thousand, relating mostly to payables associated to the investments made towards the end of the year;

  - decrease by €1,271 thousand in the provisions for contingencies, due to:

    - net reduction of the provision for future contingencies (€1,498 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 2016 the provision amounted to €5,047 thousand, as detailed in the dedicated section of the Notes;

    - adoption of the new accounting standard OIC 32 (€227 thousand), whereby the Company is required to record under the provisions for contingencies the mark-to-market value of the derivative instrument it has subscribed to cover interest rate fluctuation risks associated to an existing loan. The allocation of this provision pursuant to OIC 32 has only affected the balance sheet and not the income statement 2016;

  - increase in other liabilities by €3,443 thousand, due essentially to:

- reduction in the payables to subsidiary companies (€1,457 thousand), deriving almost entirely by the full repayment of the €1,500 thousand loan previously received from the subsidiary SAGAT Engineering;

- increase in tax payables (€1,452 thousand), basically related to the recording of the IRES (corporate income) and IRAP (regional) taxes payable less the relevant advances paid during the course of the year;

- increase in other payables (€2,587 thousand) mostly due to the greater amount of concession fees payable (€+933 thousand), to the additional taxes payable on boarding fees (€+333 thousand) and to the increase in other payables;

- decrease in deferred income (€673 thousand) in connection with the ordinary release of the portions accruing in 2016 of the grants obtained on works carried out on the occasion of the Turin 2006 Olympic Games.

- Decrease by €30 thousand in the exposure towards the employees companies on account of their severance pay.

The capital has increased by €4,224 thousand due to the positive result of the year (€6,453 thousand), the distribution of dividends (€2,002 thousand) and the effects on the equity of the new reserve for the hedging of expected cash flows (€-227 thousand).

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

Net cash in hand has increased by €11,146 thousand due to the following variations:

- reduction in the payables to subsidiary companies (€1,500 thousand), after the full repayment of the loan previously received from the subsidiary SAGAT Engineering;

- increase in current financial payables after recording of payables to shareholders on dividends not distributed (€103 thousand);

- increase by €9,750 thousand in the cash and equivalents with banks and in the company treasury.

As a result of these changes, in 2016 the Company has improved its net financial position by €12,646 thousand, from €4.877 thousand as at 31 December 2015 to a balance of €17,523 thousand as at 31 December 2016.

1.7 Analysis of the Cash Flow

The operations in the year generated €12,646 thousand in financial resources. Such figure is the result of the cash flow generated by income less costs.

The cash flow from operations, €19,265 thousand in total, derives from the self-financing generated by ordinary and extraordinary operations (€13,437 thousand) and from the variation in the net working capital (€5,828 thousand), less write-downs and provisions made in the period (€309 thousand).
The cash flow was used to fund investments in intangible and tangible assets (€4,664 thousand) and to distribute dividends (€1,899 thousand). The adjustment to the new accounting standards introduced effective from 1 January 2016 by Legislative Decree 139/15 in enforcement of Directive 2013/34 on annual financial statements, consolidated financial statements and related reports, has implied variations in the equity for a total of €227 thousand. For further details on these variations, please refer to the sections on the provisions for contingencies and on the equity of the Notes.

The net cash flow from operations is therefore positive and amounts to €12,646 thousand on aggregate. The net financial position as at 31 December 2016 is positive (€17,523 thousand, improving compared to €4,887 thousand as at 31 December 2015).

The variations described above are summarised in the table below:

SUMMARY OF CASH FLOW

Euro thousand

Net financial position as of 31/12/2015		**4,877**
Self-financing from ordinary and extraordinary operations		13,437
Profit (Loss) of the year	6,453	
Amortisation, depreciation and write-downs of fixed assets	6,705	
Provisions for bad debts	309	
Net difference in the provision for staff severance pay	-30	
Variation of the working capital (WC) after allocations to provisions, write-downs, reclassification of the dividends payable to the shareholders, and net variations of other liabilities		5,828
Cash flow generated by income		**19,265**
Net cash flow from investments		-4,664
Net difference in fixed assets after write off of dismissed assets		0
Cash flow from financial assets		172
Other variations due to the new accounting standards		-227
Dividends		**-1,899**
Net cash flow from operations		**12,646**
Net financial position as of 31/12/2016		**17,523**

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

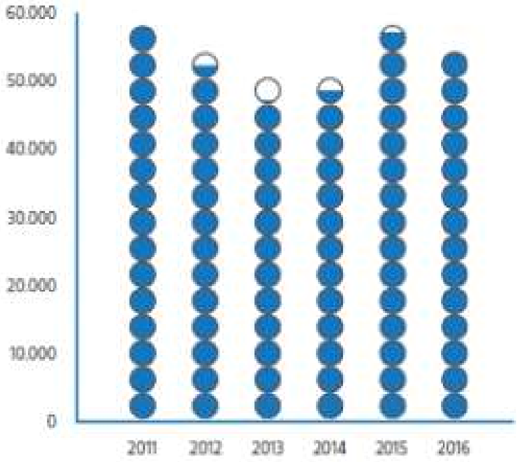
1.8 Analysis of the principal financial ratios

	2011	2012	2013	2014	2015*	2016*
Production value	58,984	53,051	48,203	48,724	57,799	56,696
Operating costs	26,687	25,792	23,946	24,994	25,135	27,822
Staff	12,823	12,418	11,873	12,629	13,050	13,494
GOM	19,474	14,841	12,384	11,101	19,614	15,379
Net result	3,496	-1,167	215	795	8,498	6,453
Shareholders'equity	64,582	60,012	60,227	39,722	43,396	47,621
ROI	8.72	-0.50	1.90	3.55	27.62	31.27
ROE	5.41	-1.94	0.36	2.00	19.58	13.55
Investments	9,846	12,718	2,755	3,010	3,140	4,664
Financial autonomy	18,526	16,534	13,792	11,603	19,889	13,437
Accounts receivable from customers	16,797	9,376	8,863	10,592	9,579	11,495
Average length of trade receivables	118	68	71	84	75	77
Accounts payable to vendors	11,841	12,400	8,788	8,931	10,039	14,900
Average length of trade payables	162	175	134	130	148	196
Net earnings per share	1.40	-0.47	0.09	0.32	3.40	2.58

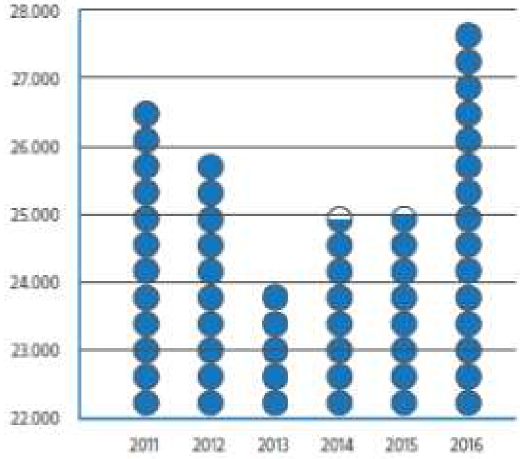
FINANCIAL INDEPENDENCE: profit (loss) of the year + amortisation and depreciation + write-downs and provisions + net change in the provision for staff severance pay
ROI: net profit / investments
ROE: net income / shareholders' equity
AVERAGE LENGTH OF RECEIVABLES: trade receivables / trade earnings (caption A1 of IV EEC financial statements)
AVERAGE LENGTH OF PAYABLES: trade payables / cost of vendor services
NET EARNINGS PER SHARE: in 2009. following a capital increase at no charge. the number of shares increased from 1,970,000 to 2,502,225

* Due to the introduction of Legislative Decree 139/2015, under which directive 2013/34/EU was enacted, the figures for 2015 were recalculated on the basis of the principles currently in force. As a result, some of the figures for 2015 are different (including MOL, ROI and ROE). But there is no change in the net result for 2015.

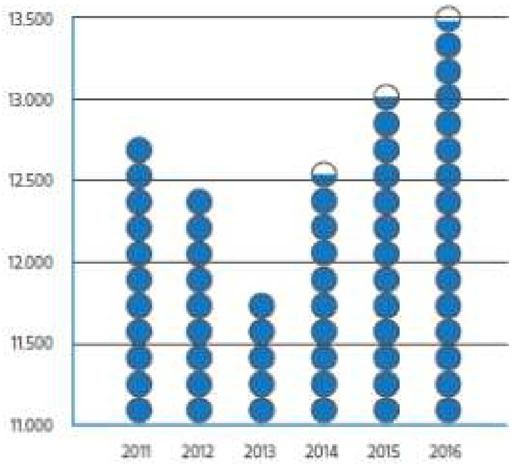
PRODUCTION VALUE



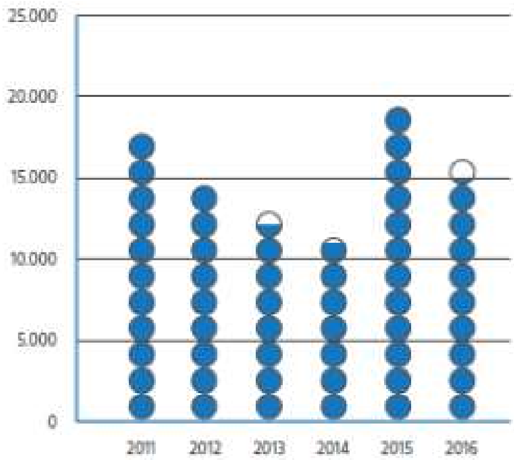
OPERATING COSTS



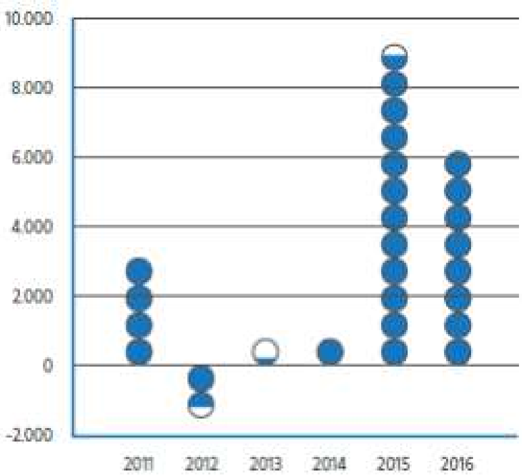
STAFF COSTS



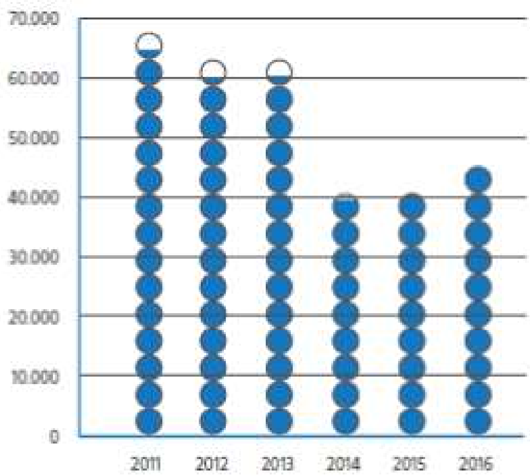
GOM



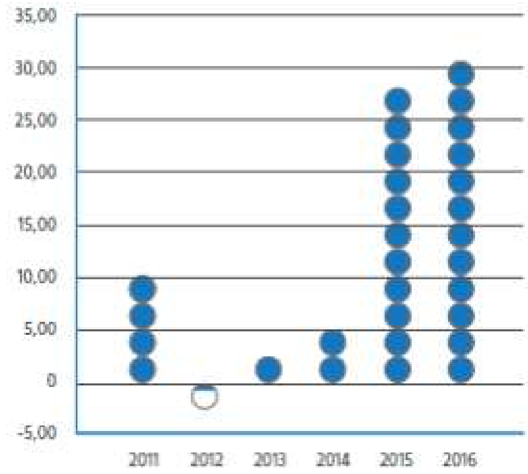
NET RESULT



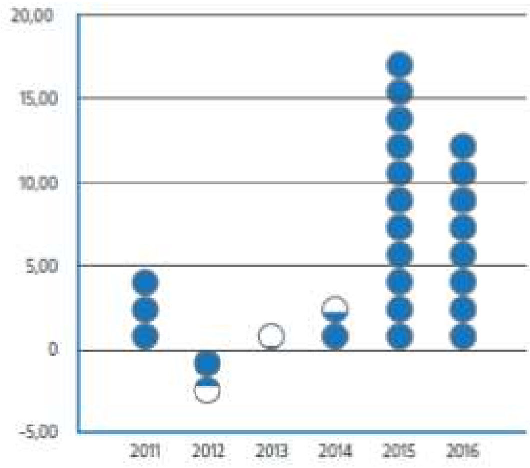
SHAREHOLDERS'EQUITY



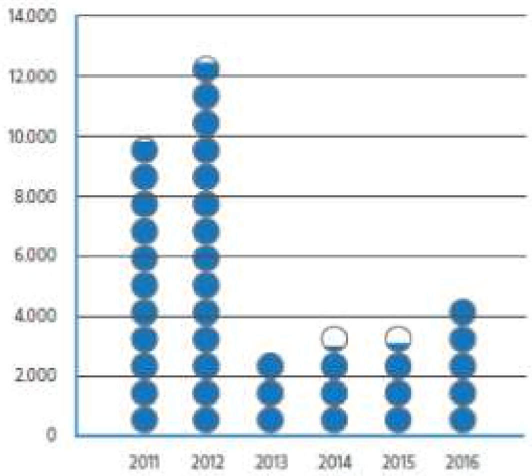
ROI



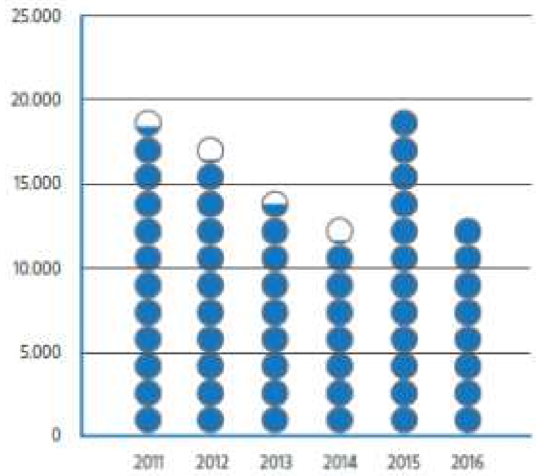
ROE



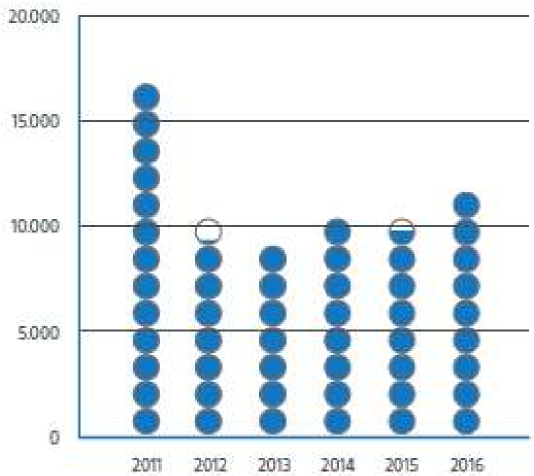
INVESTMENTS



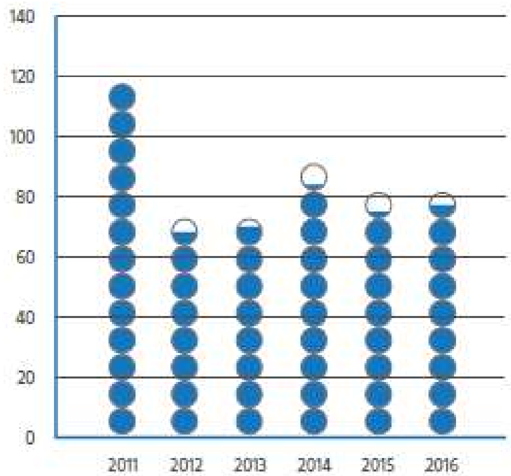
FINANCIAL AUTONOMY

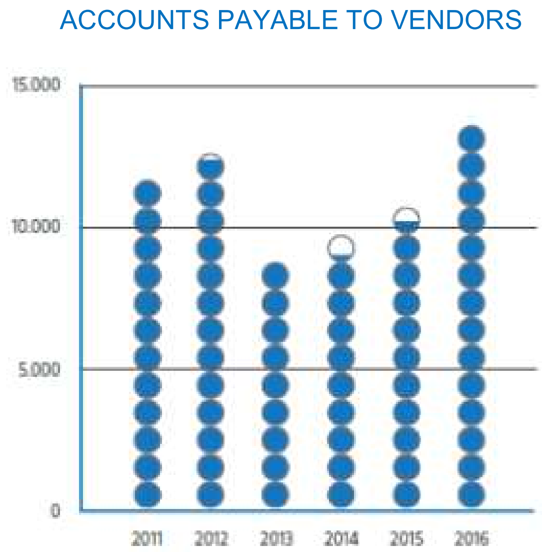


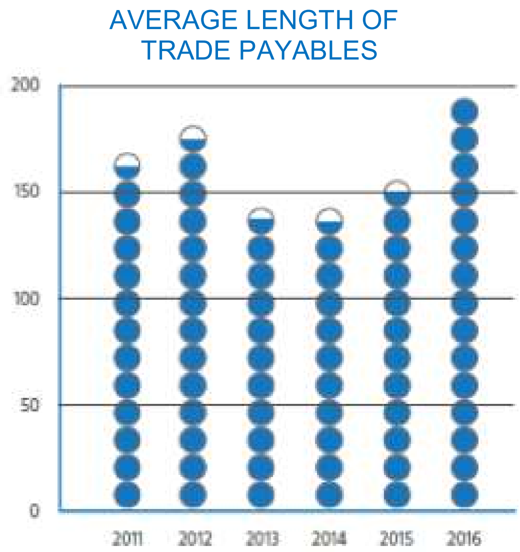
ACCOUNTS RECEIVABLE FROM CUSTOMERS

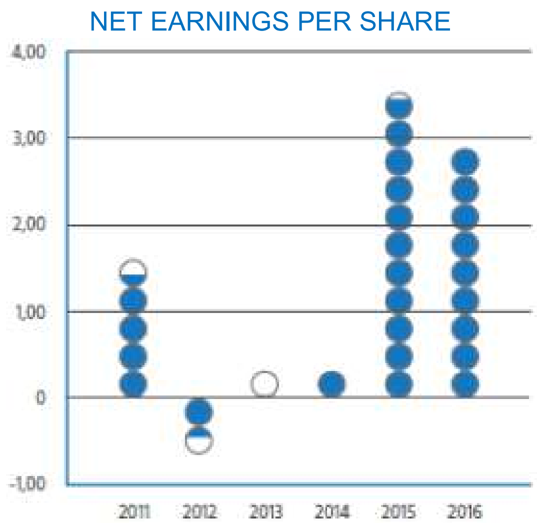


AVERAGE LENGTH OF TRADE RECEIVABLES









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

During 2016, the thoroughgoing innovation of non-aviation retail activities continued, with the goal of optimising the offerings and their profitability. The efforts most worthy of note included:

1. The airside zone of the Terminal underwent major restoration work, with the result that the southern portion, by the end of the year, had a completely revamped layout featuring a newly created shopping

plaza revised in terms of both its architecture and retail offerings, with the introduction of new operators of primary importance.
The increase in the floor space set aside for assorted retail activities and food service establishments guarantees, with an eye towards the future, the potential for growth and maximisation of profitability.
The introduction of increasingly upscale operators and brands also reinforces the airport's power of attraction while ensuring higher levels of quality for users.
The start-up of new retail activities at our airport, centred around the presence of international operators (Heinemann and Tiger) and of major names of the Turin region and Italy as a whole (Gobino, Borbonese, Venchi, Max Mara, Camicissima, the Gruppo Pianoforte), together with the differentiation of food & beverage offerings, have provided the underpinnings for the overall performance of non-aviation revenues.
In this way, the duty-free zones, designed according to a modern, walk-through concept, are joined by additional areas of the terminal with an elevated potential for retail activity and top-quality service for passengers.

2. Under this scenario, the flows of both arriving and departing passengers guarantee the utmost in passenger comfort while creating a setting that brings Torino Airport in line with internationally recognised standards.
   What is more, the new flow of arriving passengers routed through the departures lobby once they disembark from their flights at the loading bridges results in both a simpler, more convenient path and a noteworthy increase in potential customers.

3. Noteworthy changes were also made in the parking areas in 2016, in order to reinforce the profitability of the airport's parking facilities in the face of intense competition from competing parking concerns and interrupt the erosion of income that had been underway for a number of years.
   New sales procedures have become fully operative, such as e-commerce and the most widely used web aggregators on the market, and initiatives have been taken to expand the range of offerings, in an effort to regain both business and leisure customers.
   Finally, a rationalisation of the characteristics of certain parking facilities, in terms of lengths of stay and locations, has improved the way in which users perceive them while more fully satisfying user needs and expectations.

Thanks to these and other efforts, non-aviation revenues, despite the work and closings made necessary by the thoroughgoing renovation of infrastructure and layout described, recorded overall growth of +9.2%.
A number of relevant facts regarding the individual retail areas are listed below.

RETAIL AND FOOD & BEVERAGE SUBCONTRACTING
Within this sector, the areas of Food&Beverage and Beauty&Fashion have performed extremely well, thanks to the strong level of passenger volume and the expanded retail offerings. The overall earnings margin benefitted from the start-up of activities by some of the operators cited above, as well as the new arrangement of the duty-free shops.

NON-RETAIL SUBCONTRACTING AND ACTIVITIES
Earnings from the rent-a-car segment increased as a result of the higher underlying volumes, while the aircraft refuelling business showed noteworthy growth.
Earnings from the subleasing of non-retail spaces decreased slightly (-1.5%) in 2016, 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 2016, equal to 5.970 million euro, marked a significant increase over the previous year (+11%).
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 competition from operators outside the airport grounds, whose intensity only rises, seeing that there are now more than 10 such operators.

ADVERTISING
Advertising income remained essentially stable compared to 2015.

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 2016, the DNV GL agency carried out an oversight audit during which SAGAT S.p.A. obtained certification in accordance with the most recent version of the UNI EN ISO 9001:2015 standard.
The new standard represents a further evolution in the concept of quality, which has gone from being a principle of mere compliance to one of sustainability. In fact, in addition to meeting the regulatory requirements, 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.
During 2016, a new mapping of the Company’s procedures was drawn up, identifying the related risks, along with solutions suitable to preventing them. First-level audits were performed by in-house auditors certified with respect to the Quality System.
SAGAT S.p.A. is one of the first airport managers to have brought its Quality System in line with the new version of the ISO standard in timely fashion.

This confirms the Manager's commitment to provide services that meet the highest international parameters, in what constitutes a further guarantee for Customers and, more in general, for all stakeholders.

SERVICE CHARTER

Ongoing, coordinated monitoring activities were carried out to assess the levels of quality provided at Torino Airport in 2016.
Controls of performance (quality supplied) were conducted at the same time as analyses of the data recorded by the airport's systems with regard to various aspects of service.
To gauge customer satisfaction (perceived quality), almost two thousand interviews were held with passengers by suitably trained in-house personnel.
It should be remembered that ENAC memorandum JAN-06 (Annex 2 - Methodology, page 11) stipulates that, for airports with traffic of between 2 and 5 million passengers, the minimum sample size is 1,100 interviews, making for 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 remained essentially unchanged in 2016 (at 99.4%, as compared to 99.6% in 2015), a result that appears all the more positive in light of the increase of +7.8% in passenger traffic compared to the previous year.
The targets pledged to passengers in the Service Charter of 2016 (34 indexes + 16 of them regarding PRM, or passengers with reduced mobility) were all met, with the exception of the six following indexes:

INDEXES	UNIT OF MEASURE	STD 2016	RES 2016
Overall perception of service of security control of individuals and carry-on luggage	% of passengers satisfied	95%	94.21%
Overall perception of levels of security for one's person and property inside the airport	% of passengers satisfied	94%	93.16%
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	23'54"	25'08"
Perception of wi-fi connectivity inside the air terminal	% of passengers satisfied	85%	82.92%
Perception of the selection/quality/prices of stores and newsstands	% of passengers satisfied	91.5%	89.97%
Perception of the clarity, ease of understanding and effectiveness of internal signs and markings	% of passengers satisfied	93%	92.88%

- For the first two factors, the target was missed by less than a percentage point. The result, which still falls within the range of excellence, was traceable in part to the terrorist attacks in Paris and Brussels and the subsequent impact on the perception of passengers, who felt less secure, despite the increased measures of control.

- The time for delivery of the last piece of luggage for passenger pick-up essentially depended on the performance level of one of the two handlers (Aviapartner), which had to deal with the higher volumes of traffic to be serviced.

- The need for improved wi-fi connectivity inside the air terminal was tied to the fact that the renovation work to expand the retail areas obscured the signal in certain zones.

- The temporary closings and related inconveniences during the expansion work also influenced customer satisfaction with regard to retail offerings.

- Internal signs and markings, which have been changed and modernised, have led to a certain amount of inconvenience, though the result (which, when rounded off, is still in line with the target) shows that passenger are becoming accustomed to the new approach.

Shown below are comparisons of some of the quality commitments made and the results achieved in 2016:

INDEXES	UNIT OF MEASURE	STD 2016	RES 2016
Overall perception of service of security control of individuals and carry-on luggage	% of passengers satisfied	95%	94.21%
Overall perception of levels of security for one's person and property inside the airport	% of passengers satisfied	94%	93.16%
Overall on-time performance of flights	% of flights on-time out of total departing flights	80%	82.10%
Overall misplaced departing luggage under the airport's responsibility	number of pieces of luggage not boarded with departing pax/1,000 departing passengers	1 each 1,000	0.65
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	18'22"	17'49"
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	23'54"	25'08"
Waiting time aboard before disembarkation of the first passenger	Time in minutes from the block-on in 90% of the cases	4'	03'32"
Overall perception of services inside the airport being provided correctly and on time	% of passengers satisfied	97.4%	98.72%
Perception of the level of cleanliness and operational efficiency of the toilets	% of passengers satisfied	88%	88.78%
Perception of the level of cleanliness of the air terminal	% of passengers satisfied	95%	98.28%
Perception of the availability of luggage carriers	% of passengers satisfied	89.5%	98.13%
Perception of the selection/quality/prices of stores and newsstands	% of passengers satisfied	91.5%	89.97%
Perception of the selection/quality/prices of coffee shops and restaurants	% of passengers satisfied	90%	93.49%
Perception of the clarity, ease of understanding and effectiveness of internal signs and markings	% of passengers satisfied	93%	92.88%

Perception of the professionalism of the personnel (info-point, security)	% of passengers satisfied	95%	97.25%
Overall perception of the effectiveness and accessibility of information services to the public (monitors, announcements, internal signs and markings etc.)	% of passengers satisfied	95%	97.73%
Perception of waiting time for check-in	% of passengers satisfied	94%	97.78%
Perception of waiting time for passport control	% of passengers satisfied	92.5%	96.30%
Perception of adequacy of city-airport transportation	% of passengers satisfied	91%	95.35%

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 2,400 passengers in 2016.
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, which, among other things, sits on the Piedmont Regional Transportation Commission – in order to monitor and confirm the accessibility of spaces and services.
SAGAT provided the CPD with economic support in 2016 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 2016 SAGAT S.p.A. received and handled 73 comments and/or complaints from passengers (only one of which came from a passenger with reduced mobility). This means that the overall number decreased, despite the increase in passenger traffic.
The average response time was 4.5 days.

THE QUALITY PLAN – PLANNING AGREEMENT

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 indexes 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.
This is the situation for the targets set for 2016:

INDEX	U.M.	OBJT	RES
Time for delivery of 1st piece of luggage to passenger pick-up	time in 90% of the cases	18'22"	17'49"
Time for delivery of last piece of luggage to passenger pick-up	time in 90% of the cases	23'54"	25'08"
Perception of the level of cleanliness and operational efficiency of the toilets	% pax satisfied	84.0%	88.78%
Waiting time for security controls	time in 90% of the cases	9'10"	07'56"
PRM – Waiting time for departing pax who reserved assistance to receive it once they announce their presence	waiting time (in 90% of the cases)	7'30"	04'18"
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%	0.145%
Reliability of the baggage handling system (BHS)	% functioning/operating time at airport	100%	99.98%
Efficiency of internal transfer systems (elevators and escalators)	% functioning/operating time at airport	98.3	98.30%
Perception of services inside the airport being provided correctly and on time	% pax satisfied	97.4%	98.72%

The failure to meet the "time for delivery of the last piece of luggage to passenger pick-up" is explained in the comments on the results for the Service Charter.

With regard to index no. 8, "reliability of the baggage handling system (BHS)", it should be noted that the target of 100%, synonymous with absolutely uninterrupted service, was practically achieved (as 99.98%, when rounded off, meets the target). The imperceptible divergence was caused by a system shut-down for a total of one hour.

1.12 Public relations and communication

In 2016 our Company devoted considerable effort and attention to ties with the most important local institutions, significantly expanding its presence in the surrounding territory while participating in the most noteworthy events of the city and the region and organising the exhibition "Flying Home" by the superlative German artist and leading figure in the pop art movement Thomas Bayrle, an initiative in which a number of sponsors were involved, including the Lufthansa airline.
The increased commitment and presence in the local territory has been accompanied by press and public relations activities meant to work in parallel with the development of the aviation and non-aviation sectors through the promotion of new routes, in synergy with the carriers, as well as the retail offerings of the airport.
In terms of relations with its stakeholders, in 2016 SAGAT continued pursuing its commitment to sustainability by publishing the second edition of its Report on Corporate Social Responsibility.
At the same time, direct relations were intensified with businesses, public authorities and local government bodies, in the interests of bringing the key protagonists of regional development in ever closer contact with the reality of the airport.
Work also continued on the renewal of the company's image, including the installation of a new sign identifying the airport at the entrance to the terminal on the departures side.
In addition to confirming its commitment to work alongside various charitable associations, SAGAT made a direct donation to the Italian Red Cross, and involved it employees in a fund drive, in response to the exceptional calamity of the earthquake that struck central Italy.

ADVERTISING CAMPAIGNS

In 2016, TORINO AIRPORT promoted itself through a number of different advertising campaigns:

- the first, entitled *"Book a Flight"*, was specifically designed to be publicised during the Turin Book Fair;
- the campaign *"Dreaming of Summer?"* was rolled out in the Spring to promote the airport's Summer destinations and tie in with the Collisioni Festival;
- the campaign *"Treat Yourself to the World"* was run during the Turin Taste Fair and the Artissima festival;
- the campaign *"Blue Air Network*" was developed to promote the new Blue Air destinations, combining the carrier's image with the monumental Mole Antonelliana building, a symbol of Turin, in order to increase awareness of the carrier's brand and knowledge of its continually expanding network. The campaign was planned for a variety of local media.

Other joint campaigns were carried out with the air carriers Volotea, Luxair, Blu Express, Air France, Monarch and Jet2.com.
The promotion of the parking facilities also continued, in the form of a constant campaign on the platform AdWords, with the goal of increasing awareness of the service and on-line sales.

PARTICIPATION IN LOCAL EVENTS

During the year 2016, Torino Airport took part in the most noteworthy events held in the surrounding territory, seeking to promote its network of flights and increase the number of subscribers to Torino Airport newsletter:

- *The Turin Book Fair:* corporate presence at the 19th Turin Book Fair, in the BABEL international area, with fill branding of the exhibition stand and the area for encounters and direct marketing activities;
- *Spain in Turin:* activities on behalf of Blue Air to promote its new flights to Spain during the event organised by the Spanish Tourism Bureau;
- *Kappa Future Festival:* corporate presence with an exhibition stand and distribution of information materials;
- *Turin Car Show:* corporate presence with an exhibition stand and distribution of promotional materials;
- *Collisioni Festival:* corporate presence with an exhibition stand and presentation of the campaign *"Dreaming of Summer?"*;
- *Turin Taste Fair:* corporate presence with an exhibition stand, distribution of information materials on the airlines and presentation of the campaign *"Treat Yourself to the World".*

EXHIBITIONS AND EVENTS AT THE AIRPORT

During the year 2016, Torino Airport established increasingly close contact with the surrounding territory, not only serving as a favoured showcase for the key events on the calendar of the City of Turin and the Piedmont Region, but also taking the initiative in organising the exhibition "Flying Home" by the German artist Thomas Bayrle, an unprecedented collateral project especially designed for the city and carried out in collaboration with Artissima, which transformed the baggage pick-up area into an unexpected, highly stimulating exposition space. The work displayed large-scale images tied to the topic of flight, as the artist established a conceptual link between the airplane as icon and the human element needed for the operation of the airport structure.
The exhibition, in addition to being seen by arriving travellers, can also be visited by passengers who make reservations on the airport's internet site. The airport also hosted, on the balcony of the Boarding Lobby, the press conference for the 2017 edition of Artissima, while the Artissima party, the glamour event par excellence of the Turin art world, was held in the unusual location of the terminal's baggage pick-up atrium, a space rearranged for the occasion to host 500 specially invited guests.

The creation of Thomas Bayrle's work at our airport came with various types of positive fallout: it increased knowledge and awareness of the airport, thanks to the media exposure attracted by a high-level artistic operation held in the far from customary site of an airport; the tie to the world of modern art added lustre to the positioning of Torino Airport's brand while further reinforcing ties with the surrounding area, seeing that the airport, after upgrading and restyling its atrium, served as the focal point of Turin's most international cultural event.

To make the time passengers spend waiting at the airport more pleasurable, and to add a little zest to the Boarding Lobby, a piano that anyone can use has been provided. In partnership with the Teatro Regio Opera House, concerts are held periodically, such as:

- "*Arias and Music from the Boheme"*, which featured soprano Erika Grimaldi and tenor Ivan Ayon Rivas, plus members of the orchestra of Turin's Teatro Regio, to mark the installation of the piano and the opening of the opera season;

- “*Everyone Wants to Play Jazz…even for Christmas!”*, with the boys choir of the Teatro Regio Opera House and the Giuseppe Verdi Conservatory of Turin, for the opening of the new retail area in the departures zone.

As well as:

- a photography exhibit organised by Slow Food under the title *“Loving the Land”*, held in combination with the Taste Fair in the arrivals sector
- a flash mob put on by the Piedmont Special Olympics Team on the occasion of World Disability Day.

Torino Airport was also chosen as the site of an encounter between the mascots of the Bayern Munich and Juventus football teams on the occasion of the first of the two home-and-away games of their round-of-sixteen Champions League challenge, played in Turin.

In further efforts of collaboration and cooperation with the airlines, the inauguration of new flights to Pescara and Naples by Blue Air, and to Luxembourg by Luxair, saw the first passengers receive a special welcome; the launch of the new “One.Tray” object holders for security checks was promoted in tandem with the Lufthansa brand by recording a video commercial with the participation of bloggers; steps were taken to heighten awareness of Air France’s Blue Biz program.

The airport was also selected as the location for the filming of a commercial by the Blue Air airline.

MEDIA RELATIONS

Through its relations with the media, SAGAT promoted all the new flights and services introduced during the year.

Of particular note was the press conference held in November at the Palazzo Madama, with the Mayor of Turin in attendance, to announce the new international destinations of Blue Air for 2017.

Other press conferences, press releases and further occasions for visibility were organised for the launches of all the new flights and services, and to announce corporate news, including:

- the new Blue Air flights to Alghero, Berlin, London, Madrid, Naples and Pescara;
- a flash mob held to inaugurate Blue Air’s Turin-Athens summer flight, with passengers dressed as Greek divinities;
- the promotion of Volotea’s summer flights to Olbia, Lampedusa, Pantelleria, Skiathos and Corfu;
- Luxair’s new Turin-Luxemburg route;
- the new Turin-Moscow flight of S7 Airlines;
- the new Air Dolomiti flight to Munich;
- press releases on figures for traffic in the months of January and February 2016; July 2016 as the best month ever for traffic at TORINO AIRPORT; December 2016, when the all-time record for passengers in a single year was broken;
- the opening of the new retail establishments Pinguineria Pepino 1884 and the Giappo Sushi Bar inside the airport;
- a new retail plaza, with full restyling of the southern wing of the Boarding Lobby, plus the opening of 4 new point of sale: Camicissima, Yamamay, Carpisa and Jaked;
- signing of the ENAC-SAGAT Planning Agreement, marking renewal of then operating authorisation;
- renewal of the company motor pool, in collaboration with Fiat Chrysler Automobiles.

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 the new flights and services while making users feel involved in the complete renovation of the air terminal. Of particular note was the announcement of Blue Air’s new summer flights, made at the Turin Film Museum in March with leading trade figures, tour operators and travel agencies on hand.

SAGAT has also taken part in press tours meant to heighten the visibility of international routes:

- a tour of journalists from Berlin, in collaboration with Blue Air, to stimulate flows of incoming passengers from Germany;
- a tour of English golf agents, in collaboration with the Royal Park I Roveri Golf Club, to heighten awareness of Turin as a golf destination, increasing the flow of lovers of the sport from abroad.

REPORT ON CORPORATE AND SOCIAL RESPONSIBILITY

The second edition of the Report on Corporate and Social Responsibility of SAGAT S.p.A. gain proved to be a valuable tool in terms of further expanding the culture of sustainability within the Company, heightening awareness of the social repercussions of the various operating activities. The focussed management approach that emerged from an analysis of the initiatives undertaken, an assessment based on the Piedmont Method, as was the case the previous year as well, led to practical results that included: an upgrading of the services and infrastructures offered to passengers, thanks to the renovation of the retail area; establishment of attention to quality as a priority consideration in all company procedures; compliance with environmental objectives and awareness of the needs and demands of the surrounding territory.

COLLABORATIVE EFFORTS INVOLVING CULTURE AND SPORTS

During 2016, the following new joint efforts involving sports were undertaken:

- a new collaboration with the Turin CUS (University Sports Centre) to heighten visibility of the sports initiative *"Just the Woman I Am"* while welcoming foreign students arriving at the airport;
- collaboration with RCS Sport on the occasion of the 2016 International Basketball Federation Olympic Qualifying Tournament.

During 2016, SAGAT continued ongoing joint efforts with:

- Turin's Teatro Regio Opera House, expanding the existing working arrangement to include exhibits on opera sets in a corner of the departures lobby;
- the Zoom Bio-Park, continuing the *"Zoomaginario on Tour"* collaboration with the creation of an exhibition space in the departures zone;
- the National Cinema Museum of Turin, with a new series of exhibitions in the permanent display area found in the arrivals zone;
- Club2Club, providing the event with logistical support;
- TFF, supplying the staff with sweatshirts carrying Torino Airport logo;
- The Turin Urban Centre, holding the customary treasure hunt designed to lead to increased exploration and discovery of the City of Turin.

Joint efforts also continued with the Interfaith Committee of Turin, leading to the opening of the Hall of Silence, which joins the Ecumenical Chapel and the Muslim Prayer Room already available at the terminal, while cooperation was reinforced with the Stabile Repertory Theatre and the City of Turin with regard to events organised directly by the municipality.
Efforts in collaboration with the Tourist Board of the City and Province of Turin continued to bear fruit, such as the interactive, multimedia station that welcomes tourists at the airport, giving them to contact the tourist office in downtown Turin as soon as they arrive, plus other initiatives promoting Turin as a destination for tourism.

CHARITABLE COLLABORATIONS

SAGAT has donated 100 thousand euro to the residents of earthquake stricken areas, in addition to donations from the Company's employees collected through a bank account set up for the purpose. It has also set up, working alongside the Red Cross, two stations for the collection of donations from passengers at the airport.

Inside the airport, SAGAT has also lent visibility to the fund-raising initiatives of socially concerned associations, such as the AISM, the Italian Multiple Sclerosis Association, and Telethon, doing so in concert with the Assaeroporti airport operators association, while collaboration has continued with the CPD, or Advisory Board on Individuals in Difficulty, regarding transport to and from the airport for persons with reduced mobility, and with the IRCC clinic in Candiolo to raise funds through the "PRO AM of Hope". Other ongoing collaborative efforts include those with the AIL, or Italian Association against Leukaemia, with the non-profit association for social cohesion through sports "No One Offside", with "Emergenza Sorrisi – Doctors for Smiling Children", with Aido, the Italian Organ Donors Association, and with the MurialdoFor fundraising association.

OTHER JOINT EFFORTS

SAGAT worked together with Blue Air and with the Turin Flying Institute on an "Open Day" for recruitment by the company of on-board personnel, making available the General Aviation Lobby; in collaboration with the ENAC civil aviation authority, it has carried out the campaign on articles that cannot be brought aboard planes this year as well.

SPECIAL EVENTS

In 2016, Torino Airport once again opened its doors to families, hosting more over 400 children accompanied by parents in the course of the two-day event "Open-Door Airport", held during the second weekend of September. The children were able to visit the airport and take an up-close look at many of its operating units: the falconry squad, the Fire-Fighters Corps and the canine squad of the Treasury Police plus, this year, the National Police Command. For the third straight year, the initiative proved to be an enormous success, as all the available places were spoken in just a few hours' time.

The students of Turin's schools were also given a chance to get to know the airport, as more than 300 primary and secondary-school were taken on free guided tours during the year.

1.13 The environment

ENVIRONMENTAL POLICY

The SAGAT Group considers 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.
To this end, SAGAT undertook and completed a certification procedure entailing enactment of an SGSSA, or System for the Management of Health, Safety and the Environment.
As part of the certification of this system, SAGAT revised its environmental policy document, issuing a new one.

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 goals of improvement, and it also describes the activities and investments included in the four-year plan of initiatives to be carried out to achieve the objectives.
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 Torino Airport, for the fee period 2016-2019 – the following initiatives were carried out during the year 2016:

- replacement of the lighting units on the towers illuminating the north aircraft apron was completed, with the installation of new equipment based on LED technology;
- work was started on the replacement of the lighting units in the boarding lobbies (north and south areas) of the passenger terminal through the installation of new LED-technology equipment with a dimming option;
- completion of the plans for heightening the efficiency of the cooling system (north area) servicing the passenger terminal by replacing the three refrigeration units with a new high-yield generator group. The installation work will begin in 2017;
- replacement of the existing motor pool was begun, with new vehicles whose engines satisfy the most recent directives on emissions (EURO 6) replacing those currently used by the operating units.

ENVIRONMENTAL MANAGEMENT SYSTEM

The Approval Committee of TÜV Italia, together with the Swiss certification agency TS Technical Services AG, having first examined the documentation regarding the certification process, and following their favourable assessment of the same, issued to SAGAT certification showing that its System for the Management of Health, Safety and the Environment meets the most up-to-date standards in the field (OHSAS 18001:2007 - ISO 14001:2015).
By obtaining environmental certification in line with the ISO 14001:2015 standard, SAGAT has demonstrated its commitment to meet the highest levels of environmental performance recognised internationally, going beyond mere satisfaction of the minimum requirements set under Italian regulations and statutes.

The procedure followed in the progressive development of the system of environmental management is structured as follows:

- mapping of all the environmental considerations relevant to the airport facility;
- identification 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 and compliance with the pertinent regulations;
- formulation of the operating and management protocols, as well as the procedures pertinent to each environmental consideration.

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 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

SAGAT is a company that consumes large amounts of energy, and so it has always considered energy management to be a factor of critical importance in the sustainable development of its activities.

Starting from the second half of 2012, the energy management system of Torino Airport was certified by TÜV Italia under the ISO 50001:2011 standard. In the first quarter of operations under the certification, consumption of primary energy was reduced by more than 22%, going from 5,800 to approximately 4,500 tons of oil equivalent.

In the month of July 2016, SAGAT renewed its certification with DNV-GL, having first updated its energy diagnosis in accordance with the procedures contemplated under Legislative Decree 102/2014 and drawn up an energy improvement plan focused on limiting consumption through investments in plants and systems of management and control.

The two main areas in which work is to be done are:
- upgrading of lighting systems (indoors and outdoors), using LED lights with a dimmer option to achieve the goal of raising the performance levels of the new systems in terms of energy efficiency, lighting quality and reliability with respect to maintenance;
- increasing the energy efficiency of climate-control plants by upgrading monitoring systems and revamping the cooling units through the installation of high-performance machinery.

The investments called for under the improvement plan are part of the Four-Year Plan (2016 – 2019) of initiatives to be taken by the SAGAT Group and included as an annex to the Planning Agreement signed with the ENAC civil aviation authority.

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 2016 by energy source and CO_2 emissions, showing that, compared to the year 2015, total energy consumption decreased by approximately 2% at the same time as there were significant increases in the figures for passengers and retail services offered. Electric energy remained the primary source used at the airport, accounting for more than a 80% of overall consumption.

Energy sources consumed 2016

ENERGY SOURCE	CONSUMPTION 2016		COEFFICIENT IN TOE	TOE
Electric Energy	19,692	MWh	0.187 toe x MWh	**3,682**
Heating Oil	81,192	kg	1.02 toe x 1000 kg	**83**
Diesel Fuel	38,384	kg	1.02 toe x 1000 kg	**39**
Methane	858,810	Sm^3	0.836 toe x 1000 Sm^3	**718**
Gasoline	1,542	lt	0.765 toe x 1000 lt	**1**
			TOTAL toe	**4,524**

CO_2 emissions 2016

SUMMARY OF THERMAL ENERGY AND CO2 EMISSIONS formulated by SAGAT in March of 2016		
Total consumption of electric energy on-site	70,893	GJ/year
Total consumption of thermal energy on-site	3,092	GJ/year
Total energy consumption	**73,985**	**GJ/year**
Consumption of primary energy associated with electric energy	3,682	TOE/year
Consumption of primary energy associated with thermal energy	841	TOE/year
Total consumption of primary energy	**4,524**	**TOE/year**
CO_2 emissions associated with electric energy	8,554	t/year
CO_2 emissions associated with thermal energy	1,954	t/year
Total CO_2 emissions	**10,508**	**t/year**

1.14 Staff and organization

ORGANISATION AND MANAGEMENT

During 2016, the organisational structure underwent a number of changes that affected all the departments, and in particular what had been the Technical Department and the Operations Department in 2015. The main organisational measures carried out were:

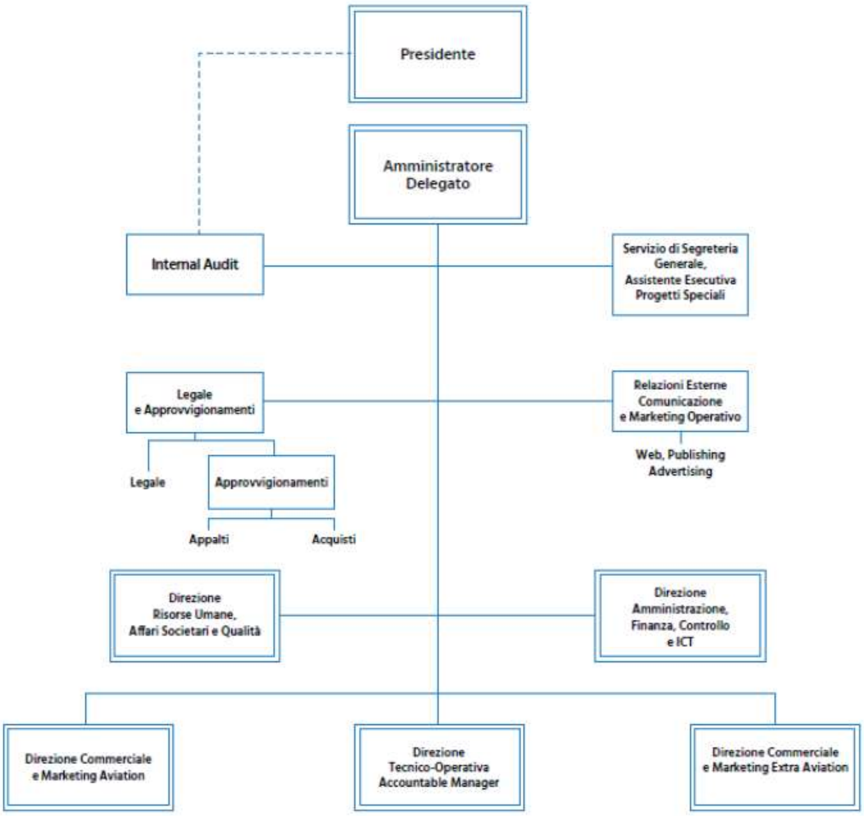
- No. 1/2016 (29 January 2016), which combined the Technical Department and the Operations Department into the new Technical-Operations Department, reorganising the administrative services of the Department of Administration, Finance, Oversight and ICT; a Procedures and Project Development Service was established under the Department of Human Resources, Corporate Affairs and Quality, while a Commercial Support Service was instituted by the Department of Commercial Operations and Extra-Aviation Marketing.

- No. 2/2016 (15 February 2016), under which appointment was made of the Overseers of Planning and Maintenance and the Accountability Manager, all of whom are certified by the ENAC civil aviation authority.

- No. 3/2016 (10 June 2016), which affected the Technical-Operating Departments, with the establishment of the services of Infrastructure Development & Paving, Prevention, Protection and the Environment, Asset Management and Implementation of the National Safety Plan, Terminal&Security and Operations Area, Overseer of the Movement Sector and Overseer of the Terminal; in the Department of Commercial Operations and Aviation Marketing, the Passenger Traffic Development Service was established. Finally, a Cargo Traffic Development Service was also established.

- No. 4/2016 (19 July 2016), which reorganised ICT services under the Department of Administration, Finance, Oversight and ICT.

ORGANISATIONAL CHART OF SAGAT S.P.A. AS OF 31 DECEMBER 2016



THE STAFF OF SAGAT S.p.A.

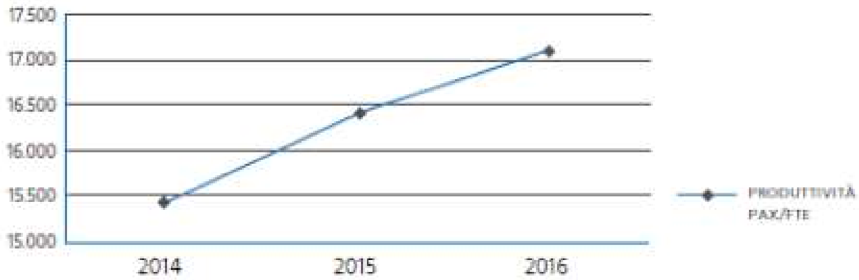
The average staff size grew by 5.7 FTE in 2016, as compared to 2015, reaching 229.77 FTE.

Category	Average figure 2016	Average figure 2015	Absolute variation	Percentage variation
Executives	4.08	4.58	-0.50	-11%
White collars	128.71	127.15	1.56	1%
Blue collars	96.98	92.41	4.57	5%
Total	**229.77**	**224.14**	**5.63**	**2.51%**

During 2016, SAGAT S.p.A. continued to pursue an attentive policy of staff management and control, with respect to the Company's growth, monitoring the size of the operating units while providing suitable support for staff services. This judicious management policy made it possible to obtain further increases in company productivity in 2016 as well.

As shown by the table below, while traffic grew by 15.1% in the two-year period 2014 – 2016, the staff increased by 2.9%. This efficiency resulted in ongoing growth in the index of company productivity, calculated as the ratio between the number of passengers and the average number of FTE during the year, with productivity rising by 11.9% overall between 2014 and 2016.

SAGAT SpA	2014	2015	2016	2016 vs. 2014	%
Passengers during year	3,431,986	3,666,424	3,950,908	518,922	15,10%
FTE	223,4	224,14	229,77	6,4	2,90%
PRODUCTIVITY PAX/FTE	**15,363**	**16,358**	**17,195**	**1,832,50**	**11.90%**



STAFF AS OF 31 DECEMBER 2016

TABLE A – PERMANENT EMPLOYMENT	EMPLOYEES	EQUIVALENT FULL TIME
Executives	4	4
Total white collars	131	129.63
Total blue collars	87	84.88
Total Table A	**222**	**218.51**

TABLE B – SET-TERM EMPLOYMENT	EMPLOYEES	EQUIVALENT FULL TIME
Set-term workers	18	11.44
Total Table B	**18**	**11.44**

INDUSTRIAL RELATION

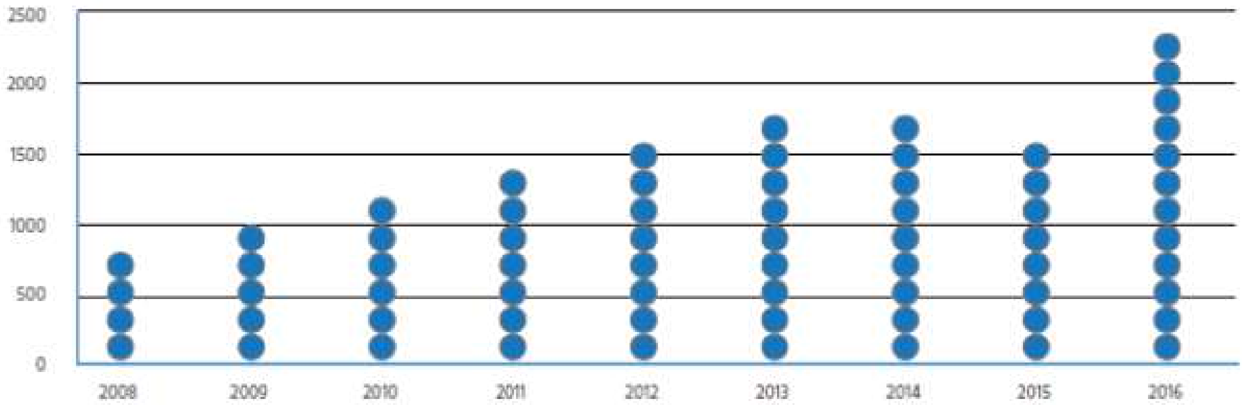
A number of important agreements were signed with union representatives in 2016.
An initial agreement, signed on 12 July, in application of the mandate for bargaining on the company level, governed the new procedures for enacting restoration of the increase in working hours called for under the collective bargaining contract currently in force. In particular, these new procedures make it possible to heighten organisational efficiency while increasing the productivity of the work performed.
Also in the month of July, an agreement was signed on the company bonus for the year 2015.
In November of 2016, the Company and the union representatives signed two additional agreements.
The first set the calendar for the company-wide closings for the year 2017, in addition to approving a plan for the elimination of back vacation time during the same year, so as to limit the backlog o unused vacation time. This last provision, which confirms similar agreements signed in the three previous years, in what represents an extension of the collective–bargaining contract for the sector and of the regulations and statutes governing such matters, proves to be of fundamental importance in terms of limiting the cost of labour and properly managing organisational affairs.
The second agreement regards the “social clause”, under which, when ground-assistance operations are transferred between two companies subject to the airport transportation collective bargaining contract, they must also engage in an exchange of personnel proportionate to the operating activities transferred.

More specifically, SAGAT S.p.A., in its capacity as the airport manager, confirmed its interest in arriving at the signing of an on-site agreement on handling operations, in enactment of art. H37 of the collective bargaining contract.
Such an agreement must make possible preliminary determination of the criteria to be applied when assistance contracts are transferred from one company to another, in terms of the selection of the personnel to be transferred, all with an eye towards safeguarding levels of employment and minimising the possibility of arbitrary decisions.
One final, important agreement was signed on 7 December 2016: this accord, drawn up under the contractual mandate provided for bargaining on the company level, determined the periods of the year in which the Company can sign fixed-term seasonal employment contracts, making it possible to increase organisational efficiency.

TRAINING

This document provides figures on the training received in the year 2016 by the personnel of the company SAGAT S.p.A., as well as by the personnel of outsourcing firms and contractors, meaning both the training supplied by the in-house training department and that provided by trainers from outside firms.

The year 2016 set records for training activities at SAGAT, registering increases in both the average hours of training per employee and the overall number of participants. The total of 2,282 participants in training during 2016 represented an increase of 37.97% over the 1,654 employees who received training the previous year.



There were 1,024 courses of training and/or instruction in 2016, making for a total of 2,860 hours of classroom/training.

	DONNE		UOMINI		TOTALI	
Inquadramento	Partecipanti	Ore formazione	Partecipanti	Ore formazione	Partecipanti	Ore formazione
Dirigenti	0	0	9	112	9	112
Quadri	30	255	68	432	98	687
Impiegati	148	862	284	1.658	432	2.520
Operai	221	1.379	698	3.236	919	4.615
Stagisti	3	11	3	10	6	21
Interinali	7	21	562	2.389	569	2.410
Subappalti	70	209	179	550	249	759
TOTALE	**479**	**2.737**	**1.803**	**8.387**	**2.282**	**11.124**

In greater detail, SAGAT's training in 2016 involved 81.67% of its employees at all the different levels of the Company.

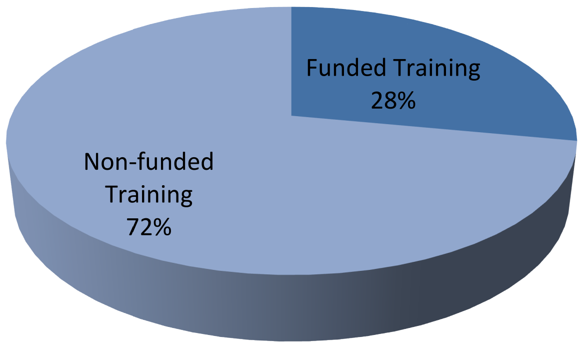
FUNDED TRAINING

A portion of the obligatory and/or non-obligatory training carried by SAGAT S.p.A. during the year 2016 was financed by drawing on the inter-professional funds of Fondimpresa, an initiative in which the Company has taken part for years now, and which covered the costs of the organisation, the teachers and the actual holding of the courses.

The use of these inter-professional funds financed 28% of the total hours of training performed. The training covered by the funds included courses in customer care for the personnel of SAGAT S.p.A., both line personnel and managers, as well as the five-year courses of training in RT contemplated under Legislative Decree 81/08 on prevention, protection and safety on the job, both for line employees and company supervisors, plus training for basic fire-prevention operators and a three-year course for RT recertification, along with periods of instruction in the English language.

Training for temporary workers was used to provide professional instruction to the employees of the firm that supplies our Company with temporary personnel, with the courses including obligatory training in on-the-job safety, training in airport security, courses required under memorandums of the ENAC civil aviation authority and the procedures of the IATA, as well as specific professional training for the performance of tasks inside the operating areas of the terminal and the BHS zone to which the temporary personnel are assigned.

Type of Training, SAGAT S.p.A., Year 2016
Training Hours - Percentage Data



THE SAGAT TRAINING CENTRE

In the year 2016, the Training Centre once again carried out and oversaw training not only for the employees of SAGAT and SAGAT Handling, but also for the personnel of SAGAT's subcontractors, as well as that of all the other organisations operating on the airport grounds, including government authorities. The airport personnel that drew on SAGAT training for obligatory courses, in-depth professional instruction or the procurement of airport operating licenses numbered more than 3,300 individuals. For each of them, the Training Centre handled the training requested, recorded and filed the related documentation, managed the scheduling and deadlines and notified the different companies in the event that their employees needed to renew or recertify their skills and know-how or authorisations.
The work done by the in-house training service in terms of the classroom training it provided directly, as well as all the other tasks assigned to it, amounted to 1,782 courses in 2016, for a total of 4,604 hours of teaching to 3,846 participants, making for an overall total of 17,479 hours of participation. Of this, the courses carried out specifically for SAGAT S.p.A, including its subcontractors, numbered 424, involving 930 participants for 925 hours of teaching and a total of 3,634 employee/hours of training, while the courses held for SAGAT Handling numbered 939, involving 1,288 participants who received 1,967 hours of teaching, making for an overall total of 5,369 employee/hours of training. As for the courses held for outside firms and companies, they numbered 419, involving 1,628 participants and 1,712 hours of training, making for a total of 8,476 employee/hours of training.
The following tables summarise the total hours of training provided by the SAGAT training service for employees of the companies of the SAGAT Group, including the personnel of outsourcers and subcontractors, and for the personnel of outside organisations as well.
Looking at the break-down of the training activities, it should be noted 62.81% of the instruction provide in 2016 was meant for employees of SAGAT, while the courses held by the SAGAT training service for companies outside of the group accounted for 37.19% of the total. SAGAT personnel represented 57.67% of the participants, while the remaining 42.33% were employees of outside firms and companies.
The 17,479 total hours of training carried out by the Training Centre in 2016 marked a record for both SAGAT employees and outside personnel, as the latter, in particular, recorded an increase of more than 80% in participation compared to 2015.

Instruction provided by the SAGAT Training Centre

Company	2016	2015	Variation
SAGAT S.p.A.	925	629	47.06%
SAGAT Handling	1,967	1,809	8.73%
Outside companies	1,712	1,586	7.94%

Course participants SAGAT Training Centre

Company	2016	2015	Variation
SAGAT S.p.A.	2,282	1,654	37.97%
SAGAT Handling	1,682	1,504	11.84%
Outside companies	1,628	897	81.49%

MANAGEMENT PROCEDURE FOR SAGAT TRAINING

Under the PG08 Management Procedure for Training, each instance of training received by employees of SAGAT S.p.A. concludes with the compilation of a form gauging the individual's satisfaction with the training received. Each employee must indicate one of four levels of satisfaction (scarce, adequate, good and excellent) regarding eight different factors: interest in the topics dealt with during the course; in-depth presentation and consideration of the contents of the course; materials and documentation received; effectiveness of the teaching supports used; logistical organisation of the course; comfort and convenience of the classroom; presentation skills of the instructor and thoroughness of the explanations requested. In order to be considered "positive", the assessment of any one of the eight factors considered must at least be "good". Judgments of "scarce" or "adequate" count as negative responses for statistical purposes.

During 2016, the forms collected totalled 1,606, presenting a level of satisfaction of 97.1% with respect to the courses held by in-house trainers and 96.5% as regards the courses given by outside trainers. The level of satisfaction of the employees of outside companies with the courses held by SAGAT trainers was a positive 97.8%.

1.15 Investments

In 2016, infrastructure and plant-engineering works called for under the Planning Agreement signed with ENAC civil aviation authority were carried out for a total of 4.664 million euro.

A brief illustration of the most noteworthy investments follows.

INFRASTRUCTURES AND SERVICE SYSTEMS

Infrastructure and plant-engineering projects carried out in 2016 were geared primarily towards upgrading existing portions of airport buildings or infrastructures, with a particular focus on retail areas and service spaces in the passenger terminal.

The most important initiatives involving and servicing the aircraft and roadway manoeuvring areas in 2016 included:

- plant-engineering work to upgrade the light towers of the north apron and the Kilo apron;
- construction of a multipurpose apron for the Fire-Fighters Corps and to be used for equipment storage/snow removal;
- start of extraordinary maintenance work on the dilation joints of the aircraft parking aprons;
- renovation of the airport perimeter barrier;
- upgrading of the shoulder on the runway between the Bravo and Charlie junctures;
- upgrading of the airport's airside perimeter roadway between stands 103 and 108.

Worthy of particular mention among projects involving the passenger terminal are:

- renovation of a noteworthy portion of the South Boarding Lobby, involving a total surface area of 1100 square metres, with creation of a new shopping plaza resulting in modification of the sales points Oscalito and S.T.G., as well as replacement of the flooring, suspended ceilings and lighting systems servicing the common areas;

- full renovation of the group of sanitary services located on the North Arrivals level of the airside zone, with upgrading of the group of sanitary services in the South Arrivals area of the airside zone;

- work involved in the construction, plant-engineering and outfitting of the following retail establishments found in the forward portion of the departure area and in the boarding zones of the passenger terminal, for a total surface area of approximately 600 square metres:

- Giappo Sushi Bar;
- Agrishop;
- Yamamay;
- Jaked;
- Carpisa;
- Camicissima;

- construction of new rooms to support operating activities of passenger assistance;

- construction and plant-engineering to upgrade the basement floor of the air terminal;

- implementation and upgrading of low-current systems (smoke detection and sound system) in the passenger terminal.

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

- replacement of the generator unit servicing the barracks of the Fire-Fighters Corps;

- work designed to save energy, including the installation of new LED lighting units on the uppermost floor of the multi-level parking facility, plus extension of the LED lighting on the landside arrivals level to cover the entire roadway deck.

IT SYSTEMS

The year 2016 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 both the airport terminal system (a pivotal component in terms of managing and distributing operating information) and the ERP system, with the upgrading of the latter meant to increase the percentage of coverage and automation of its primary operating procedures (i.e. the handling of accounts receivable and payable, payroll management, general accounting and cash, plus analytical accounting) while expanding the user base and promoting the utilisation of new functional features.

The Business Intelligence and e-commerce platform was reinforced, augmenting the information available.
As for the terminal IT system, a new hardware/software infrastructure was purchased and installed for the tracking of passengers (check-in, boarding) and flights (processing of flight documentation).

In the case of the terminal infrastructures, there was partial renewal of the dedicated hardware of the CUTE (Common Use Terminal Equipment) platform, in response to the gradual introduction in the airport industry of the new NFC technology. To this end, tests were begin on boarding-card readers of the latest generation, devices fully compatible with the technological standards identified by the IATA for accelerating and simplifying passenger check-in and boarding operations through interaction with their smartphones; once these tests have been completed, the devices shall be installed at all the boarding gates.

In other work involving terminal infrastructures, the FIDS/BIDS system (flight information to the public) was reinforced through 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. In addition, a highly flexible system has been installed to provide passengers with information on their boarding gate in timely fashion, indicating in equally rapid fashion the key features of any given flight (the carrier, the airports of destination, the time for proceeding to the passport checkpoint etc.).

Pre-security stations equipped with a computerised system for preliminary validation of boarding cards were placed in operation. This system also provides the data needed for more accurate planning of the opening of filters and for the processing of various types of statistics.

In order to improve the flow of information to the fire-fighters stationed at the airport "ramp monitor" posts were installed, under an agreement with the provincial headquarters of the Fire Fighters Corps. Using screens providing visualisations that can be customised, the system also the personnel on duty at the fire-fighters station to procure all information regarding operations on the runways and the aprons in real time.

The access control system was significantly upgraded to enhance proper management of the flows of passengers boarding and disembarking, routing the arriving passengers through the retail area at the boarding lobby. A new control room for video surveillance was also outfitted with the necessary equipment.

Noteworthy improvements were made in the computer system managing the cargo terminal. In particular, new communications protocols were implemented with the customs agency so that information previously handled using paper documentation could be exchanged via web, in line with the program of document “dematerialisation” underway on a planetary level.

A first automated cash register was purchased, tested and placed in production for purchase of the services offered at the airport by passengers (for now, access to the Fast Track and to the Piedmont Lounge).
Finally, specially designed devices were introduced at a number of test stores to record purchase receipts and associate them with the boarding passes of passengers, in order to obtain statistics for commercial purposes, together with the profiles of the passengers who pass through our airport.

1.16 Research and development activities

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

1.17 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 ("T.A.R.") 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.

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 €2,208,621.76.
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 €956,458.85. 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.

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 €2,650,301.97, 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 of Transportation announced its intention to comply spontaneously with the award of first instance, communicating that

arrangements had been made to pay to SAGAT €3,724,371.86, inclusive of interest, revaluation and legal costs.

SAGAT vs. FORMER UNION DELTA EMPLOYEES

Until May 2013, Union Delta performed passenger, luggage and cargo security control services at Torino Airport as a contractor of SAGAT. As a result of financial difficulties, Union Delta advised SAGAT that it had leased its business branch to a company entitled All System. Having carried out the controls called for under art. 116 of the Contracts Code, SAGAT acknowledged that the business branch lease was effective as regarded its dealings with the company.
After a few weeks, the former employees of Union Delta initiated a series of legal actions against Union Delta, in order to recover unpaid wages and social security contributions.
The claimants first involved SAGAT as a garnishee, based on the accounts receivable still owed to Union Delta by SAGAT as contractor fees.
However, starting from September 2013, SAGAT was served several claims in which the claimants sought payment of reimbursable expenses on business travel and wage imbalances.
The claims were brought primarily against the former employer Union Delta, and SAGAT is involved in the action in its capacity as the client that is jointly liable pursuant to art. 29 (2) of Legislative Decree no. 276/2003.
The language of the Contracts Code speaks of such broad joint liability on the part of the client that the latter has very little possibility of defence when held accountable as a joint obligor court.
In total, twenty-four suits were served on SAGAT, six of which were concluded by settlement between the plaintiffs and Union Delta, without any involvement on SAGAT's part. The eighteen residual appeals amount to a total of €215,000 and are suspended at present, following a ruling handed down by the Court of Rome after the close of the year 2014, ruling no. 4 of 8 January 2015, declaring Union Delta to be bankrupt.
None of the suspended appeals have been renewed within the relative deadline by the claimants. Still, failure to resume the appeals does not prevent the claimants from bringing a new appeal for the same claim, with this being the case up until expiration of the period of liability of two years following the conclusion of the contract, as provided for under article 29, paragraph 2, of Legislative Decree no. 276/2003. For the sake of prudency, this two-year period is held to start not from May 2013 (the date on which All System, the lessee of the company line, took over the contract), but rather from 1 February 2016, the date of the effective conclusion of the contractual relationship that continued with the lessee of the company line.

1.18 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.

1.19 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 2016, 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 2016, 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 2016, we deem that the Company is not subject to liquidity risk.

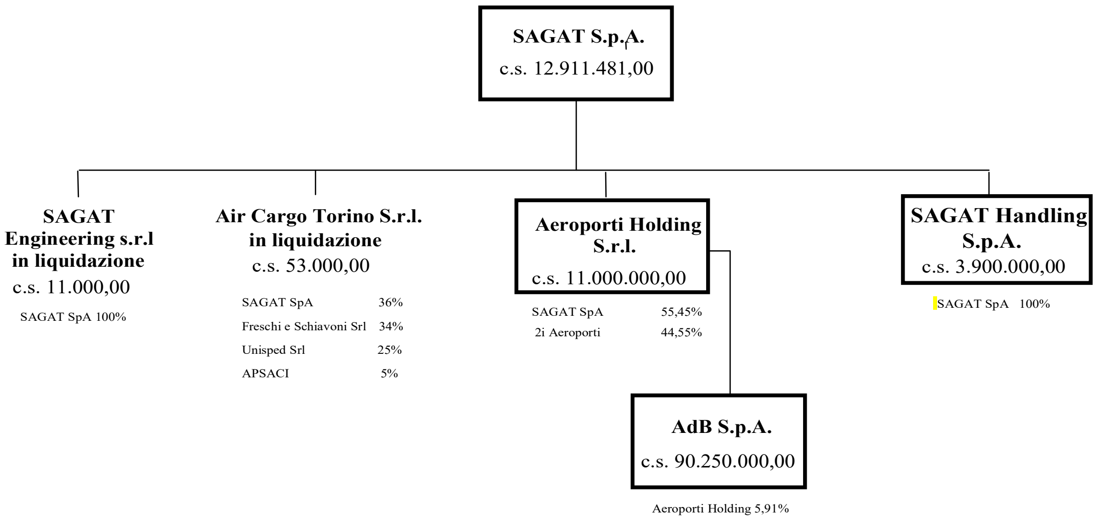
EXCHANGE RISK AND INTEREST RATE RISK

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.

1.20 Equity investment

The most relevant details of SAGAT's holdings as of 31 December 2016 are shown below.
With regard to investments in other companies, please note that the figures shown relate to the latest financial statements approved; where the financial statements for 2016 were not available, the data relating to 2015 were reported.
It should be noted that, during the year, preparations were in the final stages for the liquidation of the companies Sistema S.r.l. and Torino Servizi S.r.l. As such, these companies have ceased their operations.

EQUITY INVESTMENTS OF SAGAT S.p.A. AS OF 31 DECEMBER 2016 (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 Torino Airport.

As of 31 December 2016, the value of production was 13.077 million euro and the gross operating margin (GOM) was a positive figure of 482 thousand euro. The company recorded a year-end profit of 129 thousand euro.

Statistic data on the traffic handled show an increase, compared to the previous year, in both aircraft movements assisted and cargo handled.

The increase in aircraft movements (15.5%) is attributable to the positive impact of the flights of the airlines Blue Air and Lufthansa, which offset the reduced number of flights operated out of airport by the carriers Vueling and Meridiana, as well as the loss of Alitalia as a client starting from October.

The same positive trend affected passenger traffic, which increased by 8.7%.

The share of traffic handled by SAGAT Handling in 2016, compared to the total traffic in transit at Turin, was 82.4% of commercial aviation tonnage (80.4% as of 31 December 2015), 83.6% of passenger traffic (82.9% as of 31 December 2015) and 80.0% of aircraft movements (74.7% as of 31 December 2015).

Cargo traffic went back to showing growth, recording an increase of 5.4%, or over 325 thousand more kilograms of goods handled during the year.

The table below summarises the main income results of the activities carried out by SAGAT Handling during the year 2016.

Euro thousand

Income Statement	2016	2015	Variation
Value of production	13,077	12,633	444
Cost of staff	7,220	6,658	562
Operating costs	5,375	5,206	169
GOM	**482**	**769**	**-287**
Provisions and write-downs	100	151	-51
EBITDA	**382**	**618**	**-236**
Amortisation and depreciation	151	221	-70
EBIT	**231**	**396**	**-166**
Balance of financial and extraordinary assets	1	4	-3
Year-end result before taxes	**232**	**401**	**-169**
Taxes on year-end result	-103	-172	69
Year-end result after taxes	**129**	**229**	**-100**

The value of production, €13.077 million, is made up mostly of ordinary and extra handling fees paid by carriers, which amount to €10.433 million and are recorded as income from sales and services. The rise of €444 thousand in the value of production compared to 2015 is essentially attributable to the increased volumes of traffic referred to earlier and their effect on aircraft movements and the amount of cargo handled.

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

The most significant operating costs, at €2.635 million on aggregate, are intercompany costs.

As a consequence of the above, the gross operating margin was positive by €482 thousand. The decrease of €287 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, and to the effects of amortisation, depreciation and provisions, the operating result reached a positive figure of €231 thousand, compared to the result of €397 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 €232 thousand, down €169 thousand from 2015.

The tax burden for the year amounts on aggregate to €103 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 €129 thousand, 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 2016, 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 €17,640,882.86, 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 9.90 euro per share on the last day of listings for the year. During the period preceding the drafting of the present financial statements, the daily listings for the stock constantly moved further beyond this figure, going as high as 18.92 euro per share.

The table below summarises the main income results of the activities carried out by Aeroporti Holding in the year 2016.

	2016	2015	Variations
Value of production	5	0	5
Cost of staff	0	0	0
Operating costs	-47,848	-56,478	8,630
GOM	**-47,843**	**-56,478**	**8,635**
Depreciation and provisions	0	0	0
Operating result	**-47,843**	**-56,478**	**8,635**
Financial income and expenses	362,502	-1,177	363,679
Adjustments in value of financial assets	0	0	0
Year-end result before taxes	**314,659**	**-57,655**	**372,314**
Taxes in income	-7,746	-15,125	7,379
Year-end result after taxes	**322,405**	**-42,530**	**364,935**

The company has no employees.

Air Cargo Torino S.r.l. in liquidation

The operations of Air Cargo S.r.l., which was placed in voluntary liquidation on the date of 9 September 2015, consisted of the handling or cargo at the airport.
As of the closing date for the 2016 financial statements, the company was no longer in operation, and the liquidation procedure had not yet been concluded.
The main results from the company's financial statements closed as of 31 December 2015, the latest available, are shown below (in thousands of euro):

Euro thousand

FINANCIAL STATEMENT AS OF 31/12/2015	
Production value	489
Shareholders'equity	-57
Loss of the year	-47

SAGAT Engineering S.r.l. in liquidation

Having ceased operations on the date of 1 August 2014, the company was placed in voluntary liquidation on the date of 12 May 2015, as part of the ongoing efforts to augment the efficiency of the Group's structure.
As of the date of the closing of the 2016 financial statements, the liquidation procedure had not yet been concluded.

1.21 Information on the management and coordination of companies

SAGAT S.p.A. engages in activities of "management and coordination" with regard to its subsidiaries SAGAT Handling S.p.A. and Aeroporti Holding S.r.l..

1.22 Relations with subsidiaries and other related parties

The equity and income relations between SAGAT and its subsidiary and associated companies are shown on the following table:

Euro thousand

COMPANY	REVENUES	COSTS	RECEIVABLES AS OF 31 DEC. 2016	PAYABLES AS OF 31 DEC. 2016
Subsidiaries				
SAGAT Handling S.p.A.	2,598	1,925	487	560
Aeroporti Holding S.r.l.	11	0	215	8
SAGAT Engineering S.r.l. in liquidation	0	0	0	16
Total	**2,609**	**1,925**	**702**	**584**
Associated enterprises				
Air Cargo Torino S.r.l. in liquidation	0	5	44	6
Total	**2,609**	**1,930**	**746**	**590**

1.23 Significant events that occurred following the closing of the year and predictable developments for 2017

SIGNIFICANT EVENTS THAT OCCURRED FOLLOWING 31 DECEMBER 2016

- On 6 April 2017, the company 2i Aeroporti S.p.A. announced that it had acquired from the company Equiter S.p.A., on the date of 31 March 2017, the latter's shareholder in SAGAT S.p.A., equal to 12.40% of the share capital. As a result of this operation, the holding of the company 2i Aeroporti S.p.A. in the share capital of SAGAT S.p.A. rose to 67.28%.
  In light of the above development, ownership of the share capital of SAGAT S.p.A., as of 31 March 2017, breaks down as follows:

Shareholders	Number of shares at a face value of € 5.16 each	%	Share capital
2i Aeroporti S.p.A.	1,683,417	67.28%	8,686,431.72
FCT Holding S.p.A.	250,223	10.00%	1,291,150.68
Finpiemonte Partecipazioni S.p.A.	200,211	8.00%	1,033,088.76
Tecno Holding S.p.A.	169,028	6.76%	872,184.48
Metropolitan City of Turin	125,168	5.00%	645,866.88
Own shares	74,178	2.96%	382,758.48
Share capital SAGAT S.p.A.	**2,502,225**	**100%**	**12,911,481.00**

- The airport's retail offerings continue to grow, as the new Agrishop Piemonte, featuring traditional food of the Piedmont region, shall become fully operative in 2017.

- The February 2017 report of the Assaeroporti airport managers, with regard to commercial aviation traffic in the first two months of 2017, pointed to an increase of 5.1% in the number of passengers and a decrease of 0.8% in movements compared to the same period of 2016.

- The figures for **commercial-aviation** traffic at Torino Airport in the first two months of 2017 registered an increase of +6.9% in the number of passengers and + 4.5% in movements, compared to the same period of 2016, bringing the number of consecutive months of growth to 38, a result made all the more significant by the fact that 2016 was a leap year, meaning that the normalised cumulative figure for passenger growth was 8.7%.

- The rise in passenger traffic was tied to growth in both regularly scheduled domestic traffic and regularly scheduled international traffic (+4.1% and +9.4%).

	Year to date			
PAX	**Act**	**LY**	**Var. vs LY**	**%**
Domestic	289,876	278,372	11,504	4.1%
International	297,430	271,954	25,476	9.4%
Charter	74,366	67,927	6,439	9.5%
Gen. Aviation	886	1,059	-173	-16.3%
Transit	439	1,327	-888	-66.9%
Total	**662,997**	**620,639**	**42,358**	**6.8%**
Total Gen. Aviation	**662,111**	**619,580**	**42,531**	**6.9%**

NEW FLIGHTS ALREADY ANNOUNCED FOR 2017

The new flights to be introduced during the rest of the year 2017 have already been announced. The newly inaugurated flights planned to date are:

- Blue Air to Copenhagen, 3 flights a week, starting from 27 March 2017;
- Blue Air to Oradea, 2 flights a week, starting from 13 April 2017;
- Blue Air to Malaga, 3 flights a week, starting from 28 April 2017;
- Blue Air to Lisbon, 2 flights a week, starting from 1 June 2017;
- Blue Air to Seville, 3 flights a week, starting from 1 June 2017.

The Summer Route 2017 will also get underway, including:

- Volotea to Pantelleria, 2 flights a week, starting from 27 May 2017.

A new regularly scheduled Ski Route will be introduced in Winter 2017:

- Jet2.com to Birmingham, 1 flight a week, starting from 24 December 2017.

In addition, flights will become more frequent on the Blue Air routes to Catania, Lamezia Terme, Bari and Alghero, on the Ryanair route to Palermo and on the Volotea route to Lampedusa.
The Domodedovo route to Moscow, inaugurated on 24 December 2016 as a ski route, shall be kept in operation year-round, with 1 flight a week.

SHAREHOLDER STRUCTURE

On the date of 15 February 2017, the company Finpiemonte Partecipazioni S.p.A. published a call to tender for sale of its holding in SAGAT S.p.A., which consisted of 200,211 shares, equal to 8% of the share capital, for a face value of 1,033,088.76 euro.

The call to tender stipulated that:

- the price of the shareholding used as the basis for the tender, determined by means of an estimate drawn up by a professional expert, was equal to 10,720,000.00 euro;
- only bids greater than or equal to the starting price would be accepted;
- bids were to be received no later than 12:00 pm on the date of 8 March 2017.

Given that no bids had been received by the above deadline, on the date of 8 March 2017, Finpiemonte Partecipazioni S.p.A. published a second call to tender with the same object but the following conditions:

- a starting price of 9,706,830 euro for the tender;
- only bids greater than or equal to the starting price would be accepted;
- deadline for bids to be received: 12:00 pm on the date of 29 March 2017.

FORESEEABLE DEVELOPMENTS

The European growth outlook for 2017 foresees a certain level of vitality in the first months of the year. The risks that could result in lower growth over the short term have to do with the price of oil – forecast to rise this year by almost 30% over the average for 2016 – and adjustments in the capacities of airlines. What is more, the market is becoming increasingly unpredictable and subject to momentary downturns on account of ever greater geopolitical risks. These include the persistence of the threat of terrorism, a cause of heightened political instability both inside and outside of Europe, and Brexit. Similar risks reflect a set of trends that pose a challenge to globalisation and free trade, and that could significantly modify the long-term business prospects of airports.

In terms of the domestic outlook, the situation is further complicated by the corporate situation of the Alitalia airline, which currently finds itself in a difficult period, with a major restructuring whose results are anything but predictable to be dealt with in the early months of the year. The initial signals are negative, as Alitalia has declared its intention to concentrate on long-range travel, withdrawing from servicing short-range routes. The first result of this change in strategy has been the cancellation of flights at the Reggio Calabria Airport, including those to Torino Airport. The carrier also services the connections between Turin and Rome, the airport's single most heavily trafficked route, and Turin and Naples, accounting for 19% of the traffic at the airport overall. In the short-term, there is a great deal of uncertainty over what Alitalia will do next, creating a situation in which the outcome could go in any one of a number of directions.

In light of the above considerations, SAGAT is making every effort to continuously expand its network, thanks both to the flights operated by the carrier Blue Air, as well as by increasing the number of that company's planes based at the airport, and by looking for carriers that do not operate in Turin at present. Significant attention is also being focused on initiatives designed to fill the void that could open up, should Alitalia decide to abandon the routes it currently services.

Initiatives to raise the quality of the services offered to passengers have also continued, in terms of their comfort during the time they spend at the airport and ensuring that operations are on-time, plus, in general terms, more attention focussed on the passenger during all the phases that come before and after the flight, together with a constant renewal of the airport facilities.

1.24 Own shares

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.
Following the introduction, on January first of 2016, of the new Principle 21 of the Italian Accounting Association, own shares are no longer entered under the assets of the balance-sheet, where they were classified among the financial fixed assets. For further details, see the relevant section of the Notes.

1.25 Proposals for the allocation of the year-end result

Dear Shareholders,

the financial statements as of 31 December 2016, 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 €6,452,543.41, of which we propose that €2,201,958.00 be allocated to dividends and €4,250,585.41 to the extraordinary reserve.

On behalf of the Board of Directors
The Chairman

2. FINANCIAL STATEMENTS
as of 31/12/2016

2.1 BALANCE SHEET AND INCOME STATEMENT OF SAGAT S.p.A. (figures shown in Euro)

2.1.1 Balance Sheet: Assets

BALANCE SHEET: ASSETS	FINANCIAL STATEMENTS AS OF 31/12/2016	FINANCIAL STATEMENTS AS OF 31/12/2015
A) CONTRIBUTIONS RECEIVABLE FROM SHAREHOLDERS	0	0
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	478,064	561,151
4) Concessions. licenses. trademarks and similar rights	0	0
5) Goodwill	0	0
6) Investments in progress	955,717	1,068,250
7) Other non current assets	1,650,806	1,529,342
Total	**3,084,587**	**3,158,743**
II. Tangible assets		
1) Land and buildings	3,515,794	3,515,794
2) Plant and machinery	0	0
3) Operating and sales equipment	1,068,138	1,134,399
4) Other assets	847,974	859,313
5) Investments in progress and payments on account	2,670,611	4,331,377
II.bis Transferable assets		
1) Land and buildings	32,842,215	33,815,243
1bis) Runways and land used for runways	381,926	402,027
2) Plant and machinery	6,133,874	5,446,501
3) Operating and sales equipment	0	0
4) Other assets	0	0
5) Investments in progress and payments on account	0	0
Total	**47,460,532**	**49,504,654**

BALANCE SHEET: ASSETS	FINANCIAL STATEMENTS AS OF 31/12/2016	FINANCIAL STATEMENTS AS OF 31/12/2015
III. Financial assets		
1) Investments in:		
a) Subsidiary companies	8,954,098	8,965,951
b) Associated companies	0	0
c) Parent companies	0	0
d) Companies controller by parent companies	0	0
d-bis) Others	0	0
2) Accounts receivable:		
a) From subsidiary companies:		
due within 12 months	0	0
due beyond 12 months	0	200,000
b) From associated companies:		
due within 12 months	43,200	0
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	12,477
Total accounts receivable:		
due within 12 months	43,200	0
due beyond 12 months	9,577	212,477
3) Other securities:		
due within 12 months	0	0
due beyond 12 months	0	0
4) Derivative financial instruments		
Total	**9,006,875**	**9,178,428**
TOTAL FIXED ASSETS (B)	**59,551,994**	**61,841,826**

BALANCE SHEET: ASSETS	FINANCIAL STATEMENTS AS OF 31/12/2016	FINANCIAL STATEMENTS AS OF 31/12/2015
C) CURRENT ASSETS		
I. Inventory		
1) Raw and maintenance materials. consumables	312,877	287,838
2) In-process and semi-finished products	0	0
3) Orders in progress	0	0
4) Finished products and goods	0	0
5) Advances		
Total	**312,877**	**287,838**
II. Accounts receivable		
1) From customers:		
due within 12 months	11,494,592	9,579,346
due beyond 12 months	0	0
2) From subsidiary companies:		
due within 12 months	702,233	940,533
due beyond 12 months	0	784,138
3) From associated companies:		
due within 12 months	0	0
due beyond 12 months	0	0
4) From parent companies:		
due within 12 months	0	0
due beyond 12 months	0	0
5) From companies controlled by parent companies:		
due within 12 months	0	0
due beyond 12 months	0	0
5-bis) Tax receivables:		
due within 12 months	1,034,489	1,484,586
due beyond 12 months	68,523	68,524
5-ter) Deferred tax assets:		
due within 12 months	0	0
due beyond 12 months	1,747,939	1,890,642
5-quater) Other accounts receivable:		
due within 12 months	6,993,310	6,315,947
due beyond 12 months	56,080	56,080
Total accounts receivable:		
due within 12 months	**20,224,624**	**18,320,412**
due beyond 12 months	**1,872,542**	**2,799,384**
Total	**22,097,166**	**21,119,796**

BALANCE SHEET: ASSETS	FINANCIAL STATEMENTS AS OF 31/12/2016	FINANCIAL STATEMENTS AS OF 31/12/2015
III. Current financial 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) Investments in other companies	0	0
5) Derivative financial instruments	0	0
6) Other securities	0	0
Total	**0**	**0**
IV. Cash and cash equivalents		
1) Cash in bank	22,076,616	12,290,672
2) Cheques	8,000	52,000
3) Cash and valuables in hand	41,993	34,275
Total	**22,126,609**	**12,376,947**
TOTAL CURRENT ASSETS (C)	**44,536,652**	**33,784,581**
D) ACCRUED INCOME AND PREPAYMENTS		
Accrued income	399	1,554
Prepayments	372,275	644,639
TOTAL ACCRUED INCOME AND PREPAYMENTS (D)	**372,674**	**646,193**
TOTAL ASSETS	**104,461,320**	**96,272,600**

2.1.2 Balance Sheet: Liabilities

BALANCE SHEET: LIABILITIES	FINANCIAL STATEMENTS AS OF 31/12/2016	FINANCIAL STATEMENTS AS OF 31/12/2015
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 no. 342/2000	7,362,627	7,362,627
IV. Legal reserve	2,582,296	2,582,296
V. Reserve for treasury shares in the portfolio		
VI. Other reserves:		
Fund extraordinary investment	4,906,340	4,906,340
Extraordinary reserve	12,350,959	5,854,713
VII. Reserve for the hedging of expected cash flows		
Reserve for derivative financial instruments	-226,646	0
VIII. Loss carried forward		
IX. Profit (loss) of the year	6,452,543	8,498,026
X. Negative reserve for treasury shares	-4,823,612	-4,823,612
TOTAL SHAREHOLDERS' EQUITY (A)	**47,620,509**	**43,396,392**
B) PROVISIONS FOR LIABILITIES AND CHARGES		
1) Pension and similar funds	0	0
2) Fund for tax disputes	0	0
3) Provision for loss on derivative financial instruments	226,646	0
4) Other provisions:		
Exchange rate fluctuation fund	0	0
Future liabilities fund	5,046,875	6,544,977
Maintenance expenses fund for assets held under concess.	0	0
TOTAL PROVISIONS FOR LIABILITIES AND CHARGES (B)	**5,273,521**	**6,544,977**
C) PROVISION FOR STAFF SEVERANCE PAY	2,323,955	2,354,088
TOTAL (C)	**2,323,955**	**2,354,088**

BALANCE SHEET: LIABILITIES	FINANCIAL STATEMENTS AS OF 31/12/2016	FINANCIAL STATEMENTS AS OF 31/12/2015
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) Payables to banks:		
due within 12 months	1,500,000	1,500,000
due beyond 12 months	3,000,000	4,500,000
5) Payables to other lenders:		
due within 12 months	0	0
due beyond 12 months	0	0
6) Advances:		
due within 12 months	0	0
due beyond 12 months	0	0
7) Trade payables:		
due within 12 months	14,900,166	10,038,501
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	584,164	2,041,433
due beyond 12 months	0	0
10) Payables to associated companies:		
due within 12 months	6,100	0
due beyond 12 months	0	0
11) Payables to parent companies:		
due within 12 months	0	0
due beyond 12 months	0	0
11-bis) Payables to companies controlled by parent companies:		
due within 12 months	109,800	140,720
due beyond 12 months	0	0
12) Taxes payable:		
due within 12 months	2,400,588	948,913
due beyond 12 months	0	0
13) Payables to social security institutions:		
due within 12 months	767,943	733,563
due beyond 12 months	0	0
14) Other payables:		
due within 12 months	16,513,707	13,926,871
due beyond 12 months	139,327	152,415
Total	**16,653,034**	**14,079,286**
Total:		
due within 12 months	**36,782,468**	**29,330,001**

due beyond 12 months	**3,139,327**	**4,652,415**
TOTAL ACCOUNTS PAYABLE (D)	**39,921,795**	**33,982,416**

BALANCE SHEET: LIABILITIES	FINANCIAL STATEMENTS AS OF 31/12/2016	FINANCIAL STATEMENTS AS OF 31/12/2015
E) ACCRUED EXPENSES AND DEFERRED INCOME		
Accrued expenses	0	31
Deferred income	9,321,540	9,994,696
TOTAL ACCRUED EXPENSES AND DEFERRED INCOME (E)	**9,321,540**	**9,994,727**
TOTAL LIABILITIES AND EQUITY	**104,461,320**	**96,272,600**

2.1.3 Income Statement

INCOME STATEMENT	FINANCIAL STATEMENTS AS 31/12/2016	FINANCIAL STATEMENTS AS 31/12/2015
A) PRODUCTION VALUE		
1) Revenues from sales and services	54,805,380	46,660,658
2) Variations in the inventory of in-process. semi-finished and finished products	0	0
3) Variations in orders in progress	0	0
4) Fixed assets developed internally	0	0
5) Other income and proceeds - operating grants shown separately	2,561,004	13,408,768
TOTAL PRODUCTION VALUE (A)	**57,366,384**	**60,069,426**
B) PRODUCTION COSTS		
6) Purchase of raw and maintenance materials. consumables and goods	1,411,595	1,366,240
7) Cost of services	22,363,096	20,363,907
8) Rent. lease and similar costs	1,965,835	1,101,227
9) Staff costs:		
a) salaries and wages	9,816,257	9,468,040
b) social security	2,842,876	2,765,095
c) severance pay	632,935	615,834
d) pension and similar benefits	0	0
e) other costs	202,070	200,908
Total staff costs	**13,494,138**	**13,049,877**
10) Amortisation. depreciation and write-downs:		
a) amortisation of intangible assets	2,086,822	2,613,290
b) depreciation of fixed assets	4,274,372	7,287,595
c) other write-down of assets	0	26,398
d) write-down of current receivables and of cash and equivalents	68,509	100,010
Total amortisation. depreciation and write-downs	**6,429,703**	**10,027,293**
11) Variations in the inventory of raw and maintenance materials. consumables and goods	-25,039	84,492
12) Provisions for liabilities and charges	240,792	1,217,599
13) Other provisions	0	0
14) Miscellaneous operating costs	2,106,726	2,219,573
TOTAL PRODUCTION COSTS (B)	**47,986,846**	**49,430,208**
OPERATING PROFIT – PRODUCTION VALUE LESS PRODUCTION COSTS (A-B)	**9,379,538**	**10,639,218**

INCOME STATEMENT	FINANCIAL STATEMENTS AS 31/12/2016	FINANCIAL STATEMENTS AS 31/12/2015
C) FINANCIAL INCOME AND CHARGES		
15) Income from equity investments	0	0
dividends and other proceeds from subsidiary companies	0	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) from non current receivables	0	0
subsidiary companies	0	0
associated companies	0	0
parent companies	0	0
companies controlled by the parent companies	0	0
other	0	0
b) from securities recorded under fixed assets other than equity investments	0	0
c) from securities recorded under current assets other than equity investments	0	0
d) other income		
subsidiary companies	407	0
associated companies	0	0
parent companies	0	0
companies controlled by the parent companies	0	0
other	24,324	39,629
Total	24,731	39,629
17) Interest and other financial charges:		
subsidiary companies	0	0
associated companies	0	0
parent companies	0	0
companies controlled by the parent companies	0	0
other	-209,153	-291,288
17bis) Exchange gains (losses)	-472	-422
TOTAL FINANCIAL INCOME AND CHARGES (C)	**-184,894**	**-252,081**
D) VALUE ADJUSTMENTS ON 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	-13,234
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 VALUE ADJUSTMENTS ON FINANCIAL ASSETS (D)	**0**	**-13,243**
PROFIT (LOSS) BEFORE TAXES (A-B+/-C+/-D+/-E)	**9,194,644**	**10,373,903**

INCOME STATEMENT	FINANCIAL STATEMENTS AS 31/12/2016	FINANCIAL STATEMENTS AS 31/12/2015
20) Income taxes for the year		
a) Current taxes	-2,599,398	-1,062,360
b) Deferred tax assets (liabilities):	-142,703	-813,517
23) PROFIT (LOSS) OF THE YEAR	**6,452,543**	**8,498,026**

These financial statements are accurate and match with the contents of corporate accounting books.
On behalf of the Board of Directors
The Chairman

2.1.5 Statement of Cash Flow

STATEMENT OF CASH FLOW	FINANCIAL STATEMENTS AS OF 31/12/2016	FINANCIAL STATEMENTS AS OF 31/12/2015
A) CASH FLOW FROM OPERATIONS		
Profit (loss) of the year	6,452,543	8,498,026
Income taxes	2,742,101	1,875,877
Interest expense (income)	184,894	252,081
(Dividends)	0	0
(Gain) Loss from disposal of assets	-9,288	0
1) Profit (loss) of the year before taxes. interest. dividends and gains or losses from disposals	**9,370,250**	**10,625,984**
Adjustments of non-monetary items not reflected in the net working capital		
Amount allocated to provisions	240,792	1,217,599
Amortisation and depreciation of fixed assets	6,361,194	9,900,886
Write-downs for durable value impairment	351,858	343,259
Other increases (decreases) of non-monetary items	0	0
Total adjustments of non-monetary items not reflected in the net working capital	**6,953,843**	**11,461,743**
2) Cash flow before working capital variation	**16,324,093**	**22,087,727**
Difference in net working capital		
Decrease (increase) in inventory	-25,039	84,492
Decrease (increase) in trade receivables	-1,915,246	1,012,751
Increase (decrease) in trade payables	4,861,665	1,243,202
Decrease (increase) in accrued income and prepayments	273,519	33,592
Increase (decrease) in accrued expenses and deferred income	-673,188	-2,255,592
Other decreases (increases) in working capital	1,650,263	-1,226,509
Total difference in net working capital	**4,171,974**	**-1,108,064**
3) Cash flow after working capital variation	**20,496,068**	**20,979,663**
Other adjustments		
Interest collected (paid)	-185,302	-341,191
(Income taxes paid)	-971,207	-176,252
Dividends collected	0	304,975
(Amount of provisions used)	-1,769,025	-8,798,888
Other amounts collected (paid)		
Total other adjustments	**-2,925,534**	**-9,011,356**
CASH FLOW FROM OPERATIONS (A)	**17,570,534**	**11,968,308**

STATEMENT OF CASH FLOW	FINANCIAL STATEMENTS AS OF 31/12/2016	FINANCIAL STATEMENTS AS OF 31/12/2015
B) CASH FLOW FROM INVESTMENTS		
Tangible assets		
(Flow from investments)	-2,582,108	-2,492,275
Flow from divestments	9,288	0
Intangible assets		
(Flow from investments)	-2,012,665	-648,034
Flow from divestments	0	0
Financial assets		
(Flow from investments)	-40,300	-200,571
Flow from divestments	203,500	0
Current financial assets		
(Flow from investments)	0	0
Flow from divestments	0	0
Acquisition or alienation of subsidiaries or business lines, net of cash and equivalents	0	0
CASH FLOW FROM INVESTMENTS (B)	**-4,422,285**	**-3,340,879**
C) CASH FLOW FROM BORROWING		
Borrowed resources		
Increase (decrease) in short-term payables to banks	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 stock	0	0
Dividends and advances on dividends paid	-1,898,586	0
CASH FLOW FROM BORROWING (C)	**-3,398,586**	**-1,500,000**
INCREASE (DECREASE) IN CASH AND EQUIVALENTS (A+/-B+/-C)	**9,749,662**	**7,127,429**
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	**12,376,947**	**5,249,519**
CASH AND EQUIVALENTS AT END OF YEAR	**22,126,609**	**12,376,947**

2.2 Notes to the Financial Statements of SAGAT S.p.A.

2.2.1 Introduction

THE 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 themselves and of the financial statements.

The company prepares the consolidated financial statements pursuant to Legislative Decree 127 of 9/4/91.

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 under 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:
   - analysis of the 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 principles 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. The accounting standards used in the preparation of these financial statements 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 released on 22 December 2016.

6. Legislative Decree 139/2015 has amended art. 2423 of the Civil Code, providing that recognition, valuation, presentation and disclosure obligations need not be complied with if they are irrelevant for the purposes of giving a faithful and accurate picture of the balance sheet, financial position and income statement of the Group (while the obligation to keep accurate accounting records remains without question). Moreover, art. 2423-bis (1-bis) of the Civil Code has been amended with the introduction of a principle whereby financial statements items must be recognized and presented taking into account the substantiveness of each transaction or agreement. This principle therefore expresses the prevalence of substantiveness over form, which implies that events and transactions are recorded according to their economic substantiveness and not to merely formal aspects.

7. In compliance with art. 2423-ter of the Civil Code, pursuant to Legislative Decree 139 of 18/8/2015, all financial statement items, except those relating to derivative financial instruments, are comparable. The principles followed in the preparation and valuation of the financial statements as at 31/12/2016 take into account the new rules introduced by Legislative Decree 139/2015, in enforcement of Directive 2013/34/EU. Legislative Decree 139/2015 has amended the Italian accounting standards, especially with regard to the application of the new standard denominated “OIC 12 – Formation and financial statements for the annual accounts”.
   The effects of the amended accounting standards were applied retroactively and, for comparison purposes, the non-recurring income and expenses and the assets and liabilities from the previous year were reclassified accordingly, with the only exception of the effects relating to derivative financial instruments.
   Under accounting standard #32 “Derivative financial instruments”, when calculating the effectiveness of derivative instruments subscribed to hedge cash flows as at the opening date of the financial year in which AS #32 is applied for the first time, any ineffective portion, where existing, must be computed in the gains or losses from previous years, while the effective portion must be included in line A) VII, Reserve for cash flow hedging transactions. This allows to record in the income statement for the year when first adopted only the effects of the hedging that accrue therein, with no need to show again the comparative figures from the financial statements 2015.

8. Where necessary, the items of the financial statements 2015 were recalculated in the light of the principles introduced by Legislative Decree 139/2015, according to the principle of comparability provided for in art. 2423-ter (5) of the Civil Code, to make them comparable with the figures as at 31/12/2016.

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

   9.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);

   9.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;

9.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);

   9.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);

   9.e. for each item in the balance sheet and income statement, the corresponding item from the prior year is also shown;

9.f. no offsetting of entries was made (art. 2423-ter (6) of the Civil Code).

10.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 adjustments and foreign currency translation

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 released on 22 December 2016.
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 amortized on a straight-line basis year after year, according to their residual useful life. The amortization 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 stimated residual useful life

The amortization 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 amortization; 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	**Depreciation rate**
buildings and pertaining roads	4%
aircraft runways and aprons	Expected useful life commensurate to the concession term, expiring in 2035
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. However, the full rates were applied to the assets that started being used at the beginning of the year.

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, in the previous years the Company had decided to adopt conventional depreciation, deducting from the historical cost of each asset the respective concession-based depreciation accumulated, except for the category "runways and aprons": for these assets the Company has continued to use concession-based depreciation as per art. 104 of the TUIR, because in this case it matches with the residual useful life of the assets.
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 capitalized.

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 adjustments 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 initial value and value upon 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 realization 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 initial value and value upon 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 27 December 2006, no. 296 (2007 Finance Act) introduced new rules for the employees' severance pay ("TFR") accumulated effective from January 1, 2007.
As a consequence of the pension reform:

- the portions of TFR accruing as until 31/12/2006 remain with the company;
- the portions of TFR accrued effective from 1 January 2007, according to 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 agency.

The portions accruing in the reference year since 1 January 2007 are still shown in line B9 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 D13, “Social security payables” and D14,

“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 initial value and value upon 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 -that 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 recognized according to the principles of conservatism and accrual, after deduction of discounts, allowances, incentives and facilitations. The earnings from services were recognized 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 amortization 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.22, are calculated in accordance with tax regulations on the basis of the estimated taxable income.

Already from the year ended 31 December 2004, the Holding Company SAGAT, acting as parent company, had opted for consolidated taxation pursuant to articles 117 et seq. of President's Decree 917/86.
The subsidiaries SAGAT Handling S.p.A., SAGAT Engineering S.r.l. and Aeroporti Holding Srl also joined the tax consolidation agreement in 2005.

Therefore, SAGAT S.p.A. calculates the IRES owed by the Group in accordance with the rules mentioned above, offsetting its result with the positive and negative taxable bases of the consolidated companies.
The economic relationships, the responsibilities and the mutual obligations that the consolidated companies have with one another are defined in the "bilateral agreements on tax consolidation and relevant information flows" signed by the Group companies, whereby:

- the subsidiaries with a positive taxable income will transfer to the parent company the funds corresponding to the greater tax owed by the latter on the consolidated income; in this case, instead of recording the taxes for the year, the subsidiaries will record the account payable to the holding company, that will pay the tax;

- the subsidiaries with a negative taxable income will receive a compensation corresponding to the tax saving that they would benefit from without the tax consolidation, regardless of whether the loss is included or not in the calculation of the Group's income; in this case, the subsidiary will record an account receivable from the parent company equal to the tax benefit that will become available to the latter, and deduct the corresponding consolidation gain from the current taxes for the year;

- by virtue of principal or joint and several liability, each subsidiary agrees to refund any amounts that the parent company may be required to pay to the Tax Office for facts under the responsibility of that subsidiary;

- the parent company is solely entitled to decide whether to file appeals against tax assessments and/or penalties in circumstances subject to joint and several liability of the parent company and the subsidiaries.

The current regional tax ("IRAP"), as well as deferred IRAP assets and liabilities, are calculated solely for SAGAT.

DEFERRED TAXES

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.4-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 temporary differences that led to recording deferred tax assets and liabilities, their rates and the differences (compared to the prior year) in the amounts credited and/or charged to the income statement and to the shareholders' equity, are described and shown in the tables commenting the deferred tax assets and liabilities for the year.

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 Information on the Balance Sheet - Assets

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 the relevant captions appear in mandatory financial statements patterns.

FIXED ASSETS

INTANGIBLE ASSETS

These are the costs of permanent, non-tangible production factors, after deduction of the relevant amortization. They relate to permanent ownership and utilization rights (or similar) or concession rights, to improvements made to leased assets, or to outstanding costs that will affect future years.
Intangible assets, totalling €3,085 thousand, have decreased on aggregate by €74 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	Development	Industrial patent rights and intellectual property rights	Concessions of licenses, trademarks and similar rights
Amount at beginning of year				
Cost	0	0	561,151	0
Revaluation				
Amortisation (Us of amort. Provision)				
Write-downs				
Amount carried	0	0	561,151	0
Variations during the year				
New acquisitions	0	0	301,070	0
Reclassifications (of carrying value)				
Decreases from disposals and write-offs (of carrying value)				
Revaluation in the year				
Amortisation in the year	0	0	384,157	0
Write-downs in the year				
Other variations				
Total variations	0	0	-83,087	0
Balance at end of year				
Cost	0	0	862,221	0
Revaluation				
Amortisation (Use of amort. Provision)	0	0	384,157	0
Write-downs				
Amount carried	0	0	478,064	0

	Goodwill	Investments in progress and payments on account	Other assets	Total assets
Amount at beginning of year				
Cost	0	1,068,250	1,529,342	3,158,743
Revaluation				
Amortisation (Us of amort, Provision)				
Write-downs				
Amount carried	0	1,068,250	1,529,342	3,158,743
Variations during the year				
New acquisitions	0	203,504	1,493,205	1,997,778
Reclassifications (of carrying value)	0	-316,037	330,924	14,887
Decreases from disposals and write-offs (of carrying value)				
Revaluation in the year				
Amortisation in the year	0	0	1,702,665	2,086,822
Write-downs in the year				
Other variations				
Total variations	0	-112,533	121,464	-74,156
Balance at end of year				
Cost	0	955,717	3,353,471	5,171,408
Revaluation				
Amortisation (Use of amort, Provision)	0	0	1,702,665	2,086,822
Write-downs				
Amount carried	0	955,717	1,650,806	3,084,587

The decrease shown in caption B.I.3, “Industrial patent and intellectual property rights”, relates to the higher value of the amortization made in the year (€384 thousand), compared to the installation of new software during the year (€301 thousand).
The caption “Investments in progress and payments on account” (B.I.6) has decreased by €113 thousand compared to the prior year, mostly due to the increase in the value of assets purchased in previous years and come into use during 2016, compared to the value of the assets purchased but that the Company has not yet started using.
The caption "Other assets" (B.I.7) has increased by €121 thousand. The main reasons for the increase were improvements made at the airport grounds and the passenger terminal. The aggregate amortization of the "Other assets", which includes improvements to and investments in assets held on lease by the Company, amounts to €1,703 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 €47,461 thousand and have decreased on aggregate by €2,044 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
Amount at beginning of year			
Cost	84,946,792	66,940,715	13,272,733
Revaluation			
Depreciation (Use of depreciation provision)	47,213,728	61,494,214	12,138,333
Write-downs			
Amount carried	37,733,064	5,446,501	1,134,400
Variations during the year			
New acquisitions	375,811	1,290,891	415,732
Reclassifications (of carrying value)	904,132	584,185	0
Decreases from disposals and write-offs (of carrying value)	0	0	0
Revaluation in the year			
Depreciation in the year	2,234,826	1,184,069	481,994
Write-downs in the year			
Other variations	-38,246	-3,635	0
Total variations	-993,129	687,372	-66,262
Balance at end of year			
Cost	86,188,489	68,811,159	13,688,465
Revaluation			
Depreciation (Use of depreciation provision)	49,448,554	62,677,286	12,620,327
Write-downs			
Amount carried	36,739,935	6,133,873	1,068,138

	Other tangible assets	Investments in progress & payments on account	Total tangible assets
Amount at beginning of year			
Cost	28,821,785	4,331,376	198,313,401
Revaluation			
Depreciation (Use of depreciation provision)	27,962,472	0	148,808,747
Write-downs			
Amount carried	859,313	4,331,376	49,504,654
Variations during the year			
New acquisitions	362,144	221,454	2,666,032
Reclassifications (of carrying value)	0	-1,503,204	-14,887
Decreases from disposals and write-offs (of carrying value)	74,818	0	74,818
Revaluation in the year			
Depreciation in the year	373,483	0	4,274,372
Write-downs in the year			
Other variations	74,818	-379,016	-346,078
Total variations	-11,339	-1,660,765	-2,044,123
Balance at end of year			
Cost	29,109,111	2,670,611	200,467,835
Revaluation			
Depreciation (Use of depreciation provision)	28,261,137	0	153,007,304
Write-downs			
Amount carried	847,974	2,670,611	47,460,531

Captions BII.1) B II bis 1 and 1bis), "Land and buildings", include freely transferable assets in the amount (post-depreciation) of €33,224 thousand of which €382 thousand relate to runways and land used for runways. The caption "Plant and machinery", totalling €6,134 thousand as at 31 December 201 after depreciation, is entirely composed of freely transferable assets.
The caption “Land and buildings” (B.II.bis 1 and 1 bis) has decreased on aggregate by €993 thousand due to purchases (€376 thousand), capitalisation of assets previously recorded as investments in progress (€904 thousand) and annual depreciation (€2,235 thousand). In particular, the construction works implemented at the passenger terminal and various airport buildings were capitalised for a total amount of €450 thousand.
No obsolete assets were disposed of during the year.

The caption “Plant and machinery” (B.II. bis 2) has increased on aggregate by €687 thousand, due to purchases (€1,291 thousand) and capitalisation of assets previously recorded as investments in progress (€584 thousand). Depreciation in the year amounts to €1,184 thousand. In particular, the increases relate to the capitalisation of new lighting structures at the passenger terminal (€180 thousand in total) and revamping interventions on boarding bridges (€155 thousand), plus installation of new restrooms and a new shopping plaza at the airport (€90 thousand).
No obsolete assets were disposed of during the year.

The caption “Operating and sales equipment” (B.II.3) has decreased on aggregate by €66 thousand, due

to purchases (€416 thousand) and annual depreciation (€482 thousand). Among the most significant additions there is a truck-mounted work platform valued €160 thousand.
No obsolete assets were disposed of during the year.

The caption "Other assets" (B.II.4) has decreased on aggregate by €11 thousand, due to depreciation (€373 thousand) and purchases (€362 thousand). The increase is due mostly to the capitalization of hardware for the CUTE system (€61 thousand).
Obsolete assets were dismissed in the year for a total value of €75 thousand.

The caption "Investments in progress and payments on account" (B.II.5) has decreased by €1,661 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 (€556 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 €8,954 thousand and have decreased by €12 thousand compared to the prior year. The decrease reflects the already mentioned completion of the voluntary liquidation of the subsidiaries Torino Servizi and Sistema.

The holdings in the subsidiaries SAGAT Handling, Aeroporti Holding and SAGAT Engineering 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, except for the investment in SAGAT Handling, that is recorded at a greater value because the loss incurred by the subsidiary during the year was not deemed permanent but recoverable in future years.

There were no changes in the caption "Investments in associated companies", that in 2015 was affected by the write-down of the entire holding in Air Cargo Torino S.r.l., that entered liquidation procedure on September 9, 2015. At the closing of 2016, the liquidation procedure was still open.

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 securities	Derivative financial instruments
Amount at beginning of year	8,965,951	0	0	0	0	8,965,951	0	0
Cost								
Revaluation								
Write-downs								
Amount carried	8,965,951	0	0	0	0	8,965,951	0	0
Variations during the year								
New acquisitions								
Reclassifications								
Disposals								
Revaluation								
Write-downs								
Other variations	-11,853	0	0	0	0	-11,853	0	0
Total variations	-11,853	0	0	0	0	-11,853	0	0
Balance at end of year	8,954,098	0	0	0	0	8,954,098	0	0
Cost								
Revaluation								
Write-downs								
Amount carried	8,954,098	0	0	0	0	8,954,098	0	0

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, the Company has removed their book value from the fixed assets.

The Company had acquired those shares 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.

For further details on the removal of the value of treasury shares from the fixed assets and on the concomitant recording of a negative reserve for treasury shares of €-4,824 thousand, please refer to the Shareholder's Equity section of these Notes.

List of investments in subsidiary companies

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

	Denomination	Town or State	Codice fiscale per imp. italiane	Capital in Euro	Profit (loss) of latest financial year in Euro	Equity in Euro	Share held in Euro	% Share held	Value carried or corresponding creditor amount
1	Aeroporti Holding S.r.l.	Italy	08704390015	11,000,000	322,405	17,813,149	9,877,391	55,45%	6,099,500
3	SAGAT Engineering S.r.l. in liquidation	Italy	08637140016	11,000	-312	2,091,805	2,091,805	100%	11,000
4	SAGAT Handling S.p.A.	Italy	05025470013	3,900,000	129,496	3,097,389	3,097,389	100%	2,843,599
	TOTAL								**8,954,098**

List of investments in associated companies

Below are the details of the holdings in associated companies, pursuant to art. 2427 (1.5) of the Civil Code. Please note that the data for Air Cargo Torino S.r.l. relate to the latest financial statements as of 31/12/2015.

	Denomination	Town or State	Capital in Euro	Profit (loss) of latest financial year in Euro	Equity in Euro	Share held in Euro	% Share held	Value carried or corresponding creditor amount
1	Air Cargo Torino S.r.l. in liquidation	Italy	53,000	-47,123	-56,698	-20,508	36%	0
	Total		**53,000**	**-47,123**	**-56,698**	**-20,508**	**36%**	**0**

Long-term receivables amount to €53 thousand in total and have decreased by €160 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	Noncurrent receivables from companies controlled by parent companies	Noncurrent receivables from others	Total noncurrent receivables
Amount at beginning of year	200,000	0	0	0	12,477	212,477
Variations during the year	-200,000	43,200	0	0	-2,900	-159,700
Balance at end of year	0	43,200	0	0	9,577	52,777
Portion due within 12 months	0	43,200	0	0	0	43,200
Portion due after 12 months	0	0	0	0	9,577	9,577
Of these, with residual duration above 5 years	0	0	0	0	0	0

Noncurrent receivables from subsidiary companies are no longer recorded because current receivables were reclassified, for €200 thousand, at year-end because the subsidiary did not request an extension of the loan obtained from the parent company. In fact, the loan was fully repaid at its maturity at the beginning of January 2017.

The €43 thousand increase recorded during the year is due to a payment by equal amount made to the liquidator of the associated company Air Cargo Torino, to provide him with the funds required for his activities. The decrease in the caption "Other noncurrent receivables" is due essentially to the reduction in deposits previously lodged.

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	43,200	43,200
Noncurrent receivables from parent companies		
Noncurrent receivables from companies controlled by parent companies		
Noncurrent receivables from others	9,577	9,577
Total noncurrent receivables	**52,777**	**52,777**

Adjustments to the 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 associated companies	Receivables from others
Book value	43,200	9,577
Fair value	43,200	9,577

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

Details of receivables from associated companies

Description	1 Receivables from Air Cargo Torino in liquidation	Total
Book value	43,200	43,200
Fair value	43,200	43,200

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

Details of receivables from others

Description	1 Cash deposits	2 Cash deposits to vendors	Total
Book value	8,107	1,470	9,577
Fair value	8,107	1,470	9,577

CURRENT ASSETS

INVENTORY

The inventory, totalling €313 thousand, includes basically raw and ancillary materials, consumables and maintenance materials. The item has increased by €25 thousand compared to the prior year.
At year-end, the inventory did not include any component that might be expected to be realized at a lower price than the respective inventory value.

The breakdown and variation of individual components are shown below:

Denomination	Raw and maintenance materials, consumables	In-process and semi-finished products	Orders in progress	Finished products and goods	Payments on account (disbursed)	Total inventory
Amount at beginning of year	287,838	0	0	0	0	287,838
Variation during the year	25,039	0	0	0	0	25,039
Balance at end of year	312,877	0	0	0	0	312,877

ACCOUNTS RECEIVABLE

These are recorded for a total of €22,097 thousand, compared to €21,120 thousand in 2015. The total relates mostly to customers in Italy or in European Union countries.

The caption “Accounts receivable from customers” has increased by €1,916 thousand, from €9,579 thousand as at 31/12/2015 to €11,495 thousand as at 31/12/2016. The increase, essentially reflects the significant increase in the sales volume by more than 17 percentage points, as well as the different breakdown of the amounts collected at year-end, compared to 2015.

This caption includes accounts receivable at a face value of €13,315 thousand net of the write-down (€1,740 thousand) allocated to the provision for bad debts (€1,621 thousand) and to the provision for bad debts on interest in arrears (€119 thousand).
During the year the provision for bad debts increased by €43 thousand due to the use of an amount of €22 thousand, releases to the income statement of amounts allocated in the past and no longer necessary (€3 thousand) and adjustments based on actual needs (€68 thousand).
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”, €702 thousand, has decreased by €1,022 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 completion of the voluntary liquidation of the subsidiary Torino Servizi S.r.l., that owed about €784 thousand to SAGAT. For the sake of complete disclosure, we remind that the amount of these receivables had been prudentially allocated to the provisions for liabilities and risks already in previous years.

The details of these receivables are shown in the table below, stated in thousand Euros:

From subsidiary companies	31/12/2016	31/12/2015
Aeroporti Holding S.r.l.	215	57
SAGAT Handling S.p.A.	487	853
Sistema S.r.l.	0	13
SAGAT Engineering S.r.l. in liquidation	0	2
Torino Servizi S.r.l.	0	947
Provision for bad debts	0	-147
Total	**702**	**1,725**

The tax receivables recorded amount to €1,103 thousand, decreasing by €450 thousand compared to the €1,553 thousand recorded as at 31/12/2015.
Of these receivables, €69 thousand are due beyond 12 months as detailed in the table below (thousand Euros):

Detail	31/12/2016	31/12/2015
IRES receivables	30	179
IRES refund receivables	882	882
IRAP receivables	0	36
Creditor VAT	172	446
Other	19	10
Total	**1,103**	**1,553**

Please note that the “Account receivable on IRES refund”, €882 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 balance of the captions “IRES receivables” and “IRAP receivables” represents, as far as IRES is concerned, the difference between the payments on account made during the year and the amount payable as it results from the tax consolidation and, as far as IRAP is concerned, the difference between the payments on account made during the year and the tax payable calculated.

The caption "Deferred tax assets" shows a balance of €1,748 thousand; if the Company had considered an unlimited time horizon for the reversal of these assets, this balance would have been greater by €201 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", €7,049 thousand, has increased by €677 thousand compared to the prior year, basically due to the increase in the receivables from carriers on municipal tax (€499 thousand) and to other minor changes.

The details of receivables from others are shown in the table below (thousand Euros):

DETAIL	31/12/2016	Of wich after 12 months	31/12/2015	Of which after 12 months	Difference
Accounts receivable from the Municipality of Turin	211		211		-
Other accounts receivable from the P.A.	33		33		-
From vendors on downpayments and credit notes	978		887		91
Accounts receivable from carriers on municipal taxes	5,186		4,687		499
Other accounts receivable	642		554		88
Total	**7,049**	**-**	**6,372**	**-**	**677**

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 of Turin after the construction contractor ICEM went bankrupt and the guarantor insurer FIRS was placed into forced liquidation, as neither of the latter 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 has increased in the year by €499 thousand and represents the contra entry of the account payable 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
Amount at beginning of year	9,579,346	1,724,671	0	0
Variations during the year	1,915,246	-1,022,438	0	0
Balance at end of year	11,494,592	702,233	0	0
Portion due within 12 months	11,494,592	702,233	0	0
Portion due after 12 months	0	0	0	0
Of these, with residual duration above 5 years	0	0	0	0

	Current receivables from companies controlled by parent companies	Current tax receivables	Current deferred tax assets	Current receivables from others	Total current receivables
Amount at beginning of year	0	1,553,110	1,890,642	6,372,027	21,119,796
Variations during the year	0	-450,098	-142,703	677,364	977,368
Balance at end of year	0	1,103,012	1,747,939	7,049,391	22,097,166
Portion due within 12 months	0	1,034,489	0	6,993,310	20,224,624
Portion due after 12 months	0	68,523	1,747,939	56,080	1,872,542
Of these, with residual duration above 5 years	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:

Current receivables by territory	**1**	**2**	**Total**
Territory	**Italy**	**Foreign**	
Current trade receivables	8,123,011	3,371,580	11,494,592
Current receivables from subsidiary companies	702,233	0	702,233
Current receivables from associated companies	0	0	0
Current receivables from parent companies	0	0	0
Current receivables from companies controlled by parent companies	0	0	0
Current tax receivables	1,103,012	0	1,103,012
Current deferred tax assets	1,747,939	0	1,747,939
Current receivables from others by territory	7,049,391	0	7,049,391
Total current receivables	**18,725,585**	**3,371,580**	**22,097,166**

CASH AND CASH EQUIVALENTS

These include:

- as to bank and post office deposits, the funds available immediately or in the short term on deposits or current accounts with banks and post offices;
- as to cash in hand, the liquidity existing as of 31/12/2016 in the treasuries of the Company;
- as to cheques, the credit instruments received from third parties, 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:

	Cash in bank and post office current accounts	Cheques	Cash and valuables in hand	Total cash and cash equivalents
Amount at beginning of year	12,290,672	52,000	34,275	12,376,947
Variation during the year	9,785,944	-44,000	7,718	9,749,662
Balance at end of year	22,076,616	8,000	41,993	22,126,609

ACCRUED INCOME AND PREPAYMENTS

These amount to €373 thousand on aggregate as at 31/12/2016, compared to €646 thousand as at 31/12/2015. 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 income and prepayments
Amount at beginning of year	0	1,554	644,639	646,193
Variation during the year	0	-1,155	-272,364	-273,519
Balance at end of year	0	399	372,275	372,674

Breakdown of prepayments

The table below shows the details of the other prepayments:

	Amount
Insurance	139,251
Subordinate employees	131,385
Other	101,639
Total	**372,275**

The caption “Insurance” includes the portions of insurance premiums paid in 2016 and accruing in the subsequent year.

The caption "Subordinate employees" represents the portion accruing in future years of the costs incurred by the Company for the lay-off procedure implemented in in 2015.

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**

2.2.6 Information on Liabilities and Equity in the Balance Sheet

SHAREHOLDERS' EQUITY

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

The capital stock 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.	54.88%
Equiter S.p.A.	12.40%
FCT Holding S.p.A.	10.00%
Finpiemonte Partecipazioni S.p.A.	8.00%
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 “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 2014.

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, €12,351 thousand, is entirely made up of annual profits and has increased by €6,496 thousand compared to the prior year, because the profits for 2015 were partially allocated to this reserve. Moreover, 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 balance of the extraordinary reserve as at 31 December 2015 has increased by €4,824 thousand due to the reclassification of the amount previously included in the reserve for treasury shares.

- The reserve for extraordinary investments, €4,906 thousand, is made up entirely of provisions subject to ordinary taxation and has not changed from the prior year.

The Company has created a reserve for the hedge of expected cash flows in the amount of €227 thousand after recognizing the expected cash flows from an I.R.S. 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 €227 thousand reflects the negative mark-to-market of the hedge instrument as at 31 December 2016. The amount was recorded in accordance with the above-referred Legislative Decree 139/15, with a corresponding contra entry to the provisions for risks.

The negative reserve for treasury stock amounts to €-4,824 thousand. It was created by the Company in accordance with the above-referred Legislative Decree 139/15 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 Company had acquired those shares 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.

					Other Reserves	
	Share capital	Share premium reserve	Revaluation reserves	Legal reserve	Extraordinary reserve	Miscellaneous other reserves
Amount at beginning of year	12,911,481	6,104,521	7,362,627	2,582,296	5,854,713	4,906,340
Destination of the result for the previous year:					6,496,246	
Distribution of dividends						
Other uses						
Other variations						
Increases						
Decreases						
Reclassifications						
Result of the year						
Balance at end of year	12,911,481	6,104,521	7,362,627	2,582,296	12,350,959	4,906,340

	Reserve for the hedging of expected cash flows	Profit (loss) carried forward	Profit (loss) of the year	Negative reserve for treasury shares	Total equity
Amount at beginning of year			8,498,026	-4,823,612	**43,396,392**
Destination of the result for the previous year:			-6,496,246		**0**
Distribution of dividends			-2,001,780		**-2,001,780**
Other uses					
Other variations					
Increases	-226,646				**-226,646**
Decreases					
Reclassifications					
Result of the year			6,452,543		**6,452,543**
Balance at end of year	-226,646	0	6,452,543	-4,823,543	**47,620,509**

Other reserves

Description	Amount
Reserve for non-routine investments	4,906,340
Total	**4,906,340**

Explanation of availability and use of equity componentsThe 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	Utilization options	Portion available	Summary of uses made in the previous 3 years	
					Coverage	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	1,150,596	
Legal reserve	2,582,296	Profits	B			
Other Reserves						
Extraordinary or optional reserve	12,350,959	Profits	A,B,C	12,350,959		21,300,000
Miscellaneous other reserves	4,906,340	Profits	A,B,C	4,906,340	16,781	
Total other reserves	17,257,299			17,257,299	16,781	21,300,000
Reserve for the hedging of expected cash flows	-226,646					
Profit (loss) carried forward						
Negative reserve for treasury shares	-4,823,612			-4,823,612		
Total	**41,167,966**			**25,900,835**	**1,167,377**	**21,300,000**
Portion not eligible for distribution						
Residual portion eligible for distribution				**25,900,835**		

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

The use shown in the "Other reasons" column relates to the distribution of an exceptional dividend approved by the Shareholders on 17 April 2014. Both the uses shown in the "Coverage of losses" column relate to the coverage of the loss recorded in 2012, as resolved by the Shareholders in the meeting of 16 May 2013.

	Description	Amount	Origin/nature	Utilization options	Portion available	Summary of uses made in previous 3 years - coverage of losses	Summary of uses made in previous 3 years - other reasons
1	Reserve for non-routine investments	4,906,340	Profits	A,B,C	4,906,340	0	0
2	Reserve as per art, 55 DPR 917/86	0	Profits	A,B,C	0	16,781	0
Total		**4,906,340**					

For the sake of exhaustiveness of the 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	Provision for loss on derivative financial instruments	Other provisions	Total provisions for liabilities and charges
Amount at beginning of year	**0**	**0**	**0**	**6,544,977**	**6,544,977**
Variations during the year					
Amount allocated in the year	0	0	0	240,792	240,792
Amount used in the year	0	0		1,726,981	1,726,981
Other variations	0	0	226,646	-11,912	214,734
Total variations	0	0	226,646	-1,498,101	-1,271,455
Balance at end of year	**0**	**0**	**226,646**	**5,046,875**	**5,273,521**

The provision for future liabilities and risks, €5,274 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 €1,271 thousand on aggregate, as a consequence of the following:

- amounts allocated to the provisions for liabilities and risks for a total of €241 thousand, entirely to adjust the coverage of possible liabilities already arisen as at 31/12/2015;

- amounts used for €1,727 thousand on expenses made or items recorded in 2016 but that had been foreseen and accounted for in previous years. The amounts used in the year related to:

  - closing of the liquidation procedure for the associated company Torino Servizi, that had entered into voluntary liquidation in 2004, and consequent removal from the balance sheet of assets of €819 thousand as receivables (already covered by provisions);

  - employees who left the Company (€413 thousand);

  - appeal judgement in the civil action brought by a contractor concerning the works for remake of the runway, that were awarded through a public auction in the summer of 2010. To honour the judgement, SAGAT temporarily paid to the contractor in question €514 thousand in recognition of the greater value of the works made, plus interest and costs. The provisions were used for €495 thousand to cover the depreciation of such greater value of the works throughout 2015, and to cover interest and costs.

  - €12 thousand were released because expected liabilities materialized, but for amounts lower than the amounts already allocated;

  - €227 thousand were added to the provision for derivative financial instruments to counter the creation of an equity reserve of identical amount to hedge the expected cash flows arising from an I.R.S. 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 €227 thousand reflects the negative mark-to-market of the hedge instrument as at 31 December 2016. The value of the provision for risks was adjusted in accordance with the above-referred Legislative Decree 139/15.

PROVISION FOR STAFF SEVERANCE PAY

The table below shows the changes occurred during the year, stated in thousand Euros:

	Provision for staff severance pay
Amount at beginning of year	**2,354,088**
Variations during the year	
Amount allocated in the year	632,935
Amount used in the year	663,068
Other variations	0
Total variations	-30,133
Balance at end of year	**2,323,955**

In particular, during the year the provision has received €633 thousand and has decreased by €663 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 between 1 January and 31 December 2016, kept with the Company, 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 €33,922 thousand (€35,982 thousand as at year-end 2015) 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 €4,500 thousand (€6,000 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 set its cost for 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 €227 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 to a total of €14,900 thousand (€10,179 in 2015) and have increased by €4,721 thousand, due mostly to payables associated to the investments made towards the end of the year.

The payables to subsidiary companies amount to €584 thousand and have decreased by €1,457 thousand in the year. They are all due within 12 months. The decrease is due to the full repayment, in March 2016, of the €1,500 thousand loan granted by the subsidiary SAGAT Engineering, on arm's length terms, with a view to maximising the use of financial resources Group-wide.

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

	31/12/2016	31/12/2015
Aeroporti Holding S.r.l.	8	15
SAGAT Handling S.p.A.	560	510
SAGAT Engineering S.r.l.	16	1,515
Totale	**584**	**2,041**

The accounts payable to subsidiary companies, totalling €6 thousand and increasing by an equal amount in 2016, reflect the exposure towards the associated company Air Cargo Torino in liquidazione, against the purchase of certain minor assets.

The payables to companies controlled by parent companies amount to €110 thousand and have decreased by €31 thousand in the year. They are all due within 12 months and reflect the exposure towards a software product vendor controlled by 2iAeroporti S.p.A.

Tax payables have increased by €1,452 thousand compared to the prior year and amount in total to €2,401 thousand. Their detail is as follows:

	31/12/2016	31/12/2015
Debiti erariali per IRES	1,182	
Debiti erariali per IRAP	264	
Witholdingtax payables	322	340
Surtaxes payable Fees	629	606
Other	3	3
Total	**2,401**	**949**

The item does not include payables due beyond 12 months.

Social security payables amount to a total of €768 thousand and are shown in the table below (stated in thousand Euros):

	31/12/2016	31/12/2015
INPS/INAIL	747	705
Other	21	29
Total	**468**	**734**

The other payables, totalling €16,653 thousand, relate to the following (thousand Euros):

	31/12/2016	31/12/2015
ENAC/Concession fee	1,218	285
Employees	1,108	959
Surtaxes on boarding fees	6,027	5,694
Other payables	8,300	7,141
Total	**16,653**	**14,079**

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 significant increase in this item is due to the removal of the 75% reduction (pursuant to art. 11-decies, Law 248/2005) of the airport concession fee after the adjustment of the handling rates effective from 1 May 2016.

The account payable to the Tax Office on municipal taxes (€6,027) has increased in the year by €333 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 €6,263 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
Amount at beginning of year				6,000,000
Variations during the year				-1,500,000
Balance at end of year				4,500,000
Portion due within 12 months				1,500,000
Portion due after 12 months				3,000,000
Of these, payable beyond 5 years				

	Payables to other lenders	Payments on account	Trade payables	Payables in the form of credit instruments
Amount at beginning of year			10,038,501	
Variations during the year			**4,861,665**	
Balance at end of year			14,900,166	
Portion due within 12 months			14,900,166	
Portion due after 12 months				
Of these, payable beyond 5 years				

	Payables to subsidiary companies	Payables to associated companies	Payables to parent companies	Payables to companies controlled by parent companies
Amount at beginning of year	2,041,433	0		140,719
Variations during the year	-1,457,269	6,100		-30,920
Balance at end of year	584,164	6,100		109,800
Portion due within 12 months	584,164	6,100		109,800
Portion due after 12 months				
Of these, payable beyond 5 years				

	Taxes payables	Social security payables	Other payables	Total accounts payable
Amount at beginning of year	948,913	733,563	14,079,286	33,982,416
Variations during the year	1,451,675	34,830	2,573,748	5,939,379
Balance at end of year	2,400,588	767,943	16,653,034	39,921,795
Portion due within 12 months	2,400,588	767,943	16,513,707	36,782,468
Portion due after 12 months			139,327	3,139,327
Of these, payable beyond 5 years				

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
Accounts payable by territory			
Territory	**Italy**	**Foreign**	
Bonds			0
Convertible bonds			0
Loans from shareholders			0
Payables to banks	4,500,000		4,500,000
Payables to other lenders			0
Payments on account			0
Trade payables	11,439,565	3,460,601	14,900,166
Payables in the form of credit instruments			0
Payables to subsidiary companies	584,164		584,164
Payables to associated companies	6,100		6,100
Payables to parent companies			0
Payables to companies controlled by parent companies	109,800		109,800
Taxes payable	2,400,588		2,400,588
Social security payables	767,943		767,943
Other payables	16,653,034		16,653,034
Total accounts payable	**36,461,194**	**3,460,601**	**39,921,795**

Accounts payable with company assets as collaterals

Below are the details of company assets used as collaterals, pursuant to art. 2427 (1) 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 with collaterals								
Mortgage payables								
Lien payables								
Special privilege payables								
Total payables with collaterals								
Payables without collaterals				4,500,000	0	0	14,900,166	0
Total	**0**	**0**	**0**	**4,500,000**	**0**	**0**	**14,900,166**	**0**

	Payables to subsidiary companies	Payables to associated companies	Payables to parent companies	Payables to companies controlled by parent companies	Taxes payables	Social security payables	Other payables	Total accounts payables
Payables with collaterals								0
Mortgage payables								0
Lien payables								0
Special privilege payables								0
Total payables with collaterals								0
Payables without Collaterals	584,164	6,100	0	109,800	2,400,588	767,943	16,653,034	39,921,795
Total	**584,164**	**6,100**	**0**	**109,800**	**2,400,588**	**767,943**	**16,653,034**	**39,921,795**

ACCRUED EXPENSES AND DEFERRED INCOME

These total €9,322 thousand and have decreased by €673 thousand compared to 31/12/2015, as better detailed below:

	Accrued expenses	Discount on loans granted	Deferred income	Total accrued expenses and deferred income
Amount at beginning of year	32	0	9,994,696	9,994,727
Variations during the year	-32	0	-673,157	-673,188
Balance at end of year	0	0	9,321,539	9,321,539

Breakdown of accrued expenses and deferred income

The caption “Deferred income” (€9,322 thousand) relates, in the amount of €9,128 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 2016 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 (Euro thousands):

Nature	31/12/2016	31/12/2015
Third-party assets obtained in concession	59,654	59,654
Personal guarantees given from third parties	10,872	9,836
Totale	**70,526**	**69,490**

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 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.

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

2.2.7 Information on the Income Statement

Income statement items are classified in accordance with the Civil Code and the new accounting standard "OIC 12 - Formation and financial statements for corporate annual accounts" issued by OIC in December 2016.

The effects of the amended accounting standards were applied retroactively and, for comparison purposes, the non-recurring income and expenses from 2015 were reclassified accordingly. Those reclassifications did not give rise to any change in the net result for the year.

The most relevant income statement components for 2016 are commented below.

PRODUCTION VALUE

REVENUES FROM SALES AND SERVICES

The revenues from sales and services obtained by the Company, 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):

	1	2	3	4	5
Revenues from sales and services by business category					
Business category	Air traffic	Security	Handling and air traffic services	Parking lots services	Subcontracted services
Amount for current year	**23,294,733**	**7,901,874**	**3,179,344**	**5,970,180**	**4,058,548**

	6	7	8	9	10	Total
Revenues from sales and services by business category						
Business category	Subcontracted businesses and airport spaces	Centralised infrastructures	Assets in exclusive use	Assets used in common	Other revenues	
Amount for current year	**4,900,791**	**3,278,936**	**2,040,999**	**120,172**	**59,804**	**54,805,380**

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
Revenues from sales and services by territory			
Territory	**Italy**	**Foreign**	
Amount for current year	**38,729,929**	**16,075,451**	**54,805,380**

OTHER REVENUES AND PROCEEDS

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

	Year 2016	Year 2015
Recoupment of utilities in common and other expenses	142	81
Other proceeds	1,748	11,058
Construction grants	671	2,270
Total	**2,561**	**13,409**

This caption, totalling €2,561 thousand, has decreased by €10,848 thousand compared to the prior year.

Please note that, after 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.

To this regard, please note that the significant reduction in this item is due mostly to the reduction in the "grants for plant and equipment investments" component by €1,599 thousand and to the presence of two major non-recurring income components in 2015. These were: i) the entire the provision for the maintenance of leased assets (€8,481) that was released to the income statement, and the portion of accounts payable for 2009 (€743 thousand) relating to the so-called Fire Prevention provision, that was adjudged as not owed by SAGAT under a final Court award.

The grants for plant and equipment investments include, according to the criteria described above, the portion accruing in 2016 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

PURCHASE OF RAW AND ANCILLARY MATERIALS, CONSUMABLES AND GOODS

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

	Year 2016	Year 2015
Maintenance materials	276	212
Miscellaneous materials	42	51
Materials for resale	366	289
Fuels and lubricants	424	510
De-icing	260	249
Stationery and prints	43	55
Total	**1,412**	**1,366**

COSTS OF SERVICES

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

	Year 2016	Year 2015
Miscellaneous services	1,640	1,679
Asistance, storage and PRM services	1,165	1,124
Electricity and other utilities	3,203	3,302
Technical, management, marketing advice	657	700
Watch service	2,880	2,498
Cleaning, waste collection and disposal	939	828
Maintenance / repair and misc, contractual costs	1,381	1,463
Maintenance / repair rent, lease and similar costs	304	720
Business and general insurance	360	348
Misc, staff costs (cafeteria, training, T&E, etc,)	476	410
Services rendered by subsidiary companies	666	577
Other	8,693	6,715
Total	**22,363**	**20,364**

LEASEHOLD COSTS

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

	Year 2016	Year 2015
Airport fee	1,736	519
Rent owed to Municipality of Turin	0	340
Other concession fees	117	112
Leases and rentals	113	130
Total	**1,966**	**1,101**

STAFF COSTS

Staff costs for 2016, inclusive of outsourced staff, amount to €13,494 thousand, increasing by about €444 thousand compared to the prior year. The increase is due mostly to the effects of the last tranches associated to the renewal of the collective bargaining agreement and to the new staff hired in order to handle the greater traffic volumes arisen during the year.

	Year 2016	Year 2015
Salaries and wages	9,816	9,468
Social security	2,843	2,765
Staff severance pay	633	616
Other costs	202	201
Total	**13,494**	**13,050**

AMORTIZATION, DEPRECIATION AND WRITE-DOWNS

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

	Year 2016	Year 2015
Amortisation of intangible assets	2,087	2,613
Depreciation of tangible assets	4,274	7,288
Other write-downs of fixed assets	0	26
Write-down of accounts receivable	69	100
Total	**6,430**	**10,027**

Amortization & depreciation have decreased compared to the prior year by €3,540 thousand, basically due to ordinary life cycle and replacement of fixed assets; in particular, the depreciation cycle for the investments made on the occasion of the Turin 2006 Olympics, that had higher depreciation rates, has ended.
No fixed asset was written down during the year.

As mentioned earlier, the provision for bad debts received an allocation of €69 thousand, in order to be adjusted to the Company's actual needs.

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 €25 thousand in the year, and the relevant purchase costs have decreased accordingly. In 2015 the caption had shown an increase by €84 thousand.

PROVISIONS FOR LIABILITIES AND RISKS

An amount of €241 thousand was allocated in the year to the provision for liabilities and risks in order to cater for the losses or payables of certain nature and of probable or certain occurrence, the amount or date of occurrence of which is however uncertain 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 Euro thousands, are broken down as follows:

	Year 2016	Year 2015
Entertainment / guest expenses	59	56
Contingent liabilities / assets no longer existing	487	740
Membership fees	114	111
Damages liquidated to third parties	2	4
Fire Department fees	649	649
Municipal property taxes	225	225
Other	570	435
Total	**2,107**	**1,910**

This caption has decreased by €113 thousand compared to the prior year, essentially due to the reclassification of exceptional income earned in 2015 (€301 thousand) and to the donation given to the Italian Red Cross for the earthquake in Central Italy (€100 thousand).

FINANCIAL INCOME (EXPENSE)

INCOME FROM EQUITY INVESTMENTS

In accordance with the provisions in art. 2427 (1.11) of the Civil Code, the Company has not earned any income from its equity investments.

FINANCIAL INCOME

The €25 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, totalling €209 thousand, are almost entirely interest expense on short and long-term bank loans and interest expense on loans obtained from Group companies (€229 thousand). 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	208,924	230	209,153

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 €2,742 thousand, is composed of the estimated amount of income taxes for the year plus deferred tax assets and liabilities.
The table below shows the breakdown of the tax burden for the year (Euro thousands):

	Year 2016	Year 2015
IRES	2,137	864
IRAP	463	198
Deferred tax assets and liabilities	143	814
Total	**2,742**	**1,876**

The table below shows the reconciliation between the theoretical tax burden and the tax burden recorded in the financial statements as of 31 December 2016, compared with the corresponding period in 2015.

	Year 2016	Year 2015
EBT	9,194,644	10,373,903
Theoretical IRES rate (%)	27.50%	27.50%
Theoretical income tax	2,528,527	2,852,823
Tax effects of IRES variations	-391,865	-1,988,974
Tax effects of accumulated losses	0	0
Effects of deferred tax	142,703	813,517
IRAP	462,736	198,511
Income taxes recorded (current and deferred)	**2,742,101**	**1,875,877**

The theoretical tax burden was calculated by applying the current corporate income tax ("IRES") rate (27.5%) 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 from the provisions in art. 2427 (1.14) of the Civil Code.
The tables below show the details of deferred tax assets and liabilities:

	IRES	IRAP
A) Temporary differences		
Total deductible temporary differences	6,592,387	5,324,712
Total deductible temporary differences	-241,132	0
Net temporary differences	6,351,255	5,324,712
B) Fiscal effects		
Provision for deferred tax liabilities (assets) at beginning of year	-1,645,041	-245,601
Deferred tax liabilities (assets) for the year	120,740	21,963
Provision for deferred tax liabilities (assets) at end of year	-1,524,301	-223,638

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

DEDUCTIBLE TEMPORARY DIFFERENCES							
	Balance as of year-end 2015	**Variations during the year**	**Balance as of year-end 2016**	**IRES rate**	**Tax effects of IRES**	**IRAP rate**	**Tax effects of IRAP**
1 Maintenance provisions	0	0	0	24%	0	4,2%	0
2 Provision for bad debts	1,137,614	0	1,137,614	24%	273,027		
3 Provision for future liabilities	5,336,613	-679,022	4,657,591	24%	1,117,822	4,2%	195,619
4 Other minor	621,243	175,939	797,182	24%	191,324	4,2%	28,019

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

TAXABLE TEMPORARY DIFFERENCES							
	Balance as of year-end 2015	**Variations during the year**	**Balance as of year-end 2016**	**IRES rate**	**Tax effects of IRES**	**IRAP rate**	**Tax effects of IRAP**
1 Dividends not collected	0		0	24%	0		
2 Greater fiscal amortisation/ depreciation	241,132		241,132	24%	57,872		

2.2.8 Other information

SIGNIFICANT EVENTS OCCURRED AFTER THE CLOSING OF THE YEAR

- On 6 April 2017, the company 2i Aeroporti S.p.A. notified its purchase from Equiter S.p.A., on 31 March 2017, of the 12.40% share of SAGAT S.p.A. held by Equiter. After such transaction, the share held by 2i Aeroporti S.p.A. in SAGAT S.p.A. has risen to 67.28%.
  Therefore, the ownership pattern of SAGAT S.p.A. as at 31 March 2017 is as follows:

Shareholders	No. of shares, each with a face value of €5.16	%	Share capital
2i Aeroporti S.p.A.	1,683,417	67.28%	8,686,431.72
FCT Holding S.p.A.	250,223	10.00%	1,291,150.68
Finpiemonte Partecipazioni S.p.A.	200,211	8.00%	1,033,088.76
Tecno Holding S.p.A.	169,028	6.76%	872,184.48
Metropolitan City of Turin	125,168	5.00%	645,866.88
Treasury stock	74.178	2.96%	382,758.48
Share capital of SAGAT S.p.A.	**2,502,225**	**100%**	**12,911,481.00**

- **Passenger traffic** data at Torino Airport showed, in the first two months of 2017, a 6.9% increase in passengers and a 4.5% increase in movements compared to the corresponding period in 2016. Therefore, the airport has now experienced 38 consecutive months of growth. This is even more important if we consider that 2016 was a leap year and the adjusted YTD passenger growth is 8.7%.
  The increase in passenger traffic relates to the growth in both domestic and international scheduled traffic (+4.1% and +9.4% respectively).
  The table below shows the main figures and variations for the period in question:

	Current year	Previous year	Difference compared to previous year	% of total
Domestic	289,876	278,372	11,504	4.1%
International	297,430	271,954	25,476	9.4%
Charter	74,366	67,927	6,439	9.5%
General Aviation	886	1,059	-173	-16.3%
Connecting	439	1,327	-888	-66.9%
Total	**662,997**	**620,639**	**42,358**	**6.8%**
Total Passenger Aviation	**662,111**	**619,580**	**42,531**	**6.9%**

RELATIONSHIPS WITH SUBSIDIARIES AND OTHER RELATED PARTIES

For a more detailed analysis, please see the dedicated section in the Directors' Report. It is however worth noting here that these relationships were all at arm's length.

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 Exec.	Clerical staff	Blue-collar staff	Other employees	Total Employees
Average headcount	4,1	24,8	103,9	97,0	0	229,8

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:

	Amount
Directors' emoluments	613,261
Auditors' emoluments	68,805
Total emoluments paid to Directors and Auditors	**682,066**

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 auditing services	5,700
Other services than auditing	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 shares making up the capital of the Company, the number and the face value of the shares 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

The Company is not subject to the supervision or coordination of other companies or entities.

The "Other information" section of the Notes is completed by the following:

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.

	2016	2015
EBIT per share	3.75	4.36
Gross EPS	3.67	4.15
Net EPS	2.58	3.40

PROFIT DISTRIBUTION PROPOSALS

Dear Shareholders,

the financial statements as at 31 December 2016 commented herein, that was audited by the independent auditors Deloitte & Touche S.p.A., show a net profit of €6,452,543.41, that we propose distributing as dividends in the amount of €2,201,958.00 and allocating to the extraordinary reserve in the amount of €4,250,585.41 .

THE BOARD OF DIRECTORS

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 2016 we, the Auditors, appointed by the General Meeting of 5 May 2016 and having taken office on 20 May 2016, have carried out our auditing duties in accordance with art. 2403 of the Civil Code, and hereby present the relevant report.

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

- *we have held regular Board of Auditors meetings as provided for in art. 2404 of the Civil Code;*
- *we have taken due note, by reading the minutes of the meetings and the information obtained from Auditors Lorenzo Ginisio and Ernesto Carrera, of what was done by the previous Board of Auditors, in office until we accepted our mandate;*
- *we have taken part in all the Directors' meetings, and obtained from them, also for the purposes of art. 2381 (5) of the Civil Code, timely information about the management in general and its predictable developments, as well as about the most significant transactions, by size or nature, implemented by the Company and its subsidiaries;*
- *we have exchanged with the independent Auditors, pursuant to art. 2409-septies of the Civil Code, the necessary information for the performance of our respective duties; no element worth reporting emerged from such exchanges;*
- *we have verified the adequacy of the Company's organizational structure, by meeting the competent organs of the Company; no evidence of any specific criticality emerged from such meetings and it is our opinion that the organizational structure of the Company is adequate and capable of meeting the Company's operational requirements;*
- *we have verified the adequacy of the Company's administrative and accounting system and its ability to give a correct picture of the administrative events; we did not detect from our audits any specific criticalities as to the adequacy of the Company's administrative and accounting system;*
- *we have taken due note, as regards internal audit and the provisions in Legislative Decree no. 231/2001, of the regular reports by the Internal Auditor and the Supervisory Board, that do not contain any specific issue. The fact that one of the Auditors is also a member of the Supervisory Board has facilitated the exchange between the two organs.*

We, the Auditors, 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. Moreover, we have not found any non-typical or unusual transaction.

Please note that, with letter no. 2650 of 8 November 2016, the CEO of the Company has replied to ENAC's remarks —that, however, did not contain any particular criticism— formulated in the report dated as of 3 May 2016. This report, signed by two inspectors, was the result of the administrative / accounting inspection carried out by ENAC between 23 November 2015 and 15 January 2016.
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. The Auditors recognize their compliance with the law and with the articles of association, as well as their correspondence with the Company's interests.

Based on what we found by taking part in 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 deem it worth noting that in 2015 the Auditors then in office released to the Board of Directors the opinion provided for in art. 2437-ter (2) of the Civil Code about the calculation of the value of the shares representing 5% of the capital held by the Province of Turin (now City of Turin) that, pursuant to art. 3 (27) of Law no. 244/2007 (paragraph repealed by art. 28 (1.f) of Legislative Decree no. 175/2016), exercised its withdrawal right. An opinion on the same matter was also released by the Independent Auditors then in office. The Directors' report 2015 includes information about the request formulated by the Province and the actions taken by the Company accordingly. Later, as explained in paragraph 1.2 ("Ownership structure") of the Directors' report as at 31 December 2016, other events occurred, the most recent of which was the award issued by the Council of State — Section V no. 4688 of 1 November 2016. Upholding SAGAT's appeal, the Council nullified the administrative proceedings implemented by the City of Turin to dispose of its shareholding in the Company. As a consequence of that award, SAGAT, with letter no. 2903 of 12 December 2016, revoked the option offer formulated with its letter no. 2301 of 3 October 2016.

The Board of Auditors 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 €6,452,543 (against €8,498,026 in 2015 that, however, was due almost entirely to exceptional components).

The shareholders' equity inclusive of the profit amounts to €47,620,509 (against €48,220,004 in 2015, that, due to the amendments to the Civil Code introduced with Legislative Decree no. 139/2015, was recalculated in the amount of €43,396.392) as at 1 January 2016.

As to our duties in respect of the preparation of the financial statements, it being understood that the statutory audit is the responsibility of the independent auditors, we have:

- verified, within the scope of our competence, that the provisions of law governing the formation and layout of the financial statements were complied with; in particular, we acknowledge that the preparation of the financial statements followed the principles provided for 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 principles followed in the preparation of the financial statements and provide the information required to be disclosed under the laws in force.

We, the Auditors, have verified that the Directors' report is compliant with the laws in force and consistent with the resolutions adopted by the Directors, with the operations presented in the financial statements and with the information made available to the Auditors. Therefore, it is our opinion that the information contained therein are compliant with the rules and capable of giving a clear and exhaustive picture of the position, management, operations and predictable developments of the Company.

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, we, the Auditors, release our favourable opinion on the approval of the financial statements as at 31 December 2016 and on the profit distribution proposal formulated by the Directors, which is compliant with the law and with the by-laws and consistent with the Company's financial position.

* * *

As far as the consolidated financial statements are concerned, the Auditors acknowledge 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.

Rome/Turin, 13th April 2017

The Board of Auditors
Dr Roberto NICOLO' (Chairman)
Dr Ernesto CARRERA (Auditor)
Dr Edoardo FEA (Auditor)
Dr Lorenzo GINISIO (Auditor)
Dr Renato STRADELLA (Auditor)

2.4 Independent Auditors'Report to 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.

Independent Auditors' Report

We have audited the financial statements of SAGAT S.p.A., comprising the balance sheet as of 31 December 2015, the income statement for the year ended on that date and the relevant supplementary notes.

Directors' responsibility for the financial statements

The Directors are responsible for preparing the financial statements so as to provide a faithful and accurate picture of the company accounts, in accordance with the Italian provisions of law governing their drafting principles.

Auditors' responsibilities

We are responsible for our professional opinion on the financial statements, based on our audit. We have performed our audit based on international auditing standards (ISA Italia) developed pursuant to art. 11 (3) of Legislative Decree 39/10. The standards in question require the compliance with ethical principles and the planning and performance of audits with the aim of obtaining reasonable certainty that the financial statements do not contain significant errors.

The audit implies the implementation of procedures aimed at obtaining evidence of the figures and the information contained in the financial statements. The choice of procedures depends on the auditor's professional judgment, which includes assessing the potential presence of significant errors in the financial statements that are due to fraud or to unintentional behaviour or events. In assessing such potential, the auditor takes into account the internal audit processes that the Company has into place for the faithful and accurate presentation of its financial statements, in order to determine the appropriate auditing procedures given the circumstances, and not to express an opinion on the efficacy of the Company's internal audit process. The audit also includes an assessment of the appropriateness of the accounting standards adopted, the reasonableness of the accounting estimates made by the Directors, and the overall presentation of the financial statements.

We believe we have obtained enough evidence for us to express our opinion.

Opinion

In our opinion, the financial statements provide a faithful and accurate picture of the financial position and standing of SAGAT S.p.A. as at 31 December 2016 and of the operating result and cash flows for the reference financial year, in compliance with the Italian rules governing annual accounts preparation.

Report on other provisions of law

Opinion about the consistency of the Directors' report with the financial statements

We have followed the procedures indicated in audit standard (SA Italia) no. 720B in order to express, in accordance with the law, our opinion on the consistency of the Directors' report, under the responsibility of the Directors of SAGAT S.p.A., with the financial statements of SAGAT S.p.A. as at 31 December 2016. In our opinion, the Directors' report is consistent with the financial statements of SAGAT S.p.A. as at 31 December 2016.

DELOITTE & TOUCHE S.p.A.

Giuseppe Pedone
Partner

Turin, 12 April 2017

3. DIRECTORS' REPORT– SAGAT GROUP
as of 31/12/2016

SAGAT GROUP HIGHLIGHTS 2016

TRAFFIC

Torino Airport has recorded an unprecedented passenger traffic volume in one year, surpassing its previous record struck in 2011. In 2016 there have been 3,950,908 passengers in transit, corresponding to a 7.8% growth.

INCOME RESULT

The most relevant income components for the year 2016 are shown below, providing their comparison with the figures from the preceding year. Please note that the 2015 income result was affected by non-repeat components that had contributed to increasing the EBITDA by €8.5 million on aggregate, and that related to the full release of the provision for the maintenance of leased assets, which had turned out to be excessive.

Therefore, for a clearer comparative review of the income, the figures from 2016 are given in comparison with the figures from 2015 adjusted with the removal of the above-referred non-repeat components.

The **value of production,** net of grants, amounts to €65,238 thousand and has increased by +14.8% compared to the €56,829 thousand shown for 2015, after adjustments as described above.

The **GOM** amounts to €15,813 thousand (24% of the billing volume) and has increased by +41.1% compared to the €11,205 thousand shown for 2015 (adjusted).

The **EBITDA** amounts to €15,404 thousand and has increased by +49.1% compared to the €10,328 thousand shown for 2015 (adjusted).

The **EBIT** amounts to €9,562 thousand and has increased by +286.3% compared to the €2,475 thousand shown for 2015 (adjusted).

The **EBT** amounts to €9,741 thousand and has increased by +337.5% compared to the €2,226 thousand shown for 2015 (adjusted).

The **Group's net profit** amounts to €6,761 thousand.

The **net financial position** is positive by €20,970 thousand and has improved by €13,913 thousand compared to €7,057 as at 31 December 2015.

INVESTMENTS IN 2016

The Group has invested about €4.7 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 2016

Passenger traffic data at Torino Airport showed, in the first two months of 2017, a 6.9% increase in passengers and a 4.1% increase in movements compared to the corresponding period in 2016.

3.1 Report on consolidated financial position and performance

Dear Shareholders,

the Directors' Report accompanying the consolidated financial statements as of 31 December 2016 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 2016 and after 31 December 2016.

The income statement, balance sheet and net financial position for 2016 are shown compared to the closing balances as at 31/12/2015.

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

3.2 Traffic scenario

For a detailed analysis of air traffic volumes from/to 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

As a consequence of the passing of Legislative Decree 139/2015, enforcing Directive 2013/34/EU, and of the reformulation of accounting standard OIC 12, the expense and income items previously shown in the "Exceptional Income (Expenses)" line are now shown in other lines of the income statement. For a clearer comparison between 2016 and 2015 figures, 2015 figures were recalculated according to the accounting standards currently applicable. Therefore, the value of certain 2015 figures (including GOM, EBITDA and EBIT) has changed. The gross and net results relating to 2015 have not changed.

The income statement 2016, presented in summary form in the table below, closes at a net operating profit of €6,761 thousand for the Group, lower by €1,948 thousand compared to the €8,709 thousand profit recorded in the prior year.

This reduction 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 €65,238 thousand, -1.2% compared to the €66,020 thousand recorded in 2015. This result is due to the presence of a significant exceptional, non-repeat component in 2015, which amounted to €9,212 thousand, shown in the other income line. In fact, the other income has dropped from €10,833 thousand in 2015 to €1,337 thousand in 2016, mostly because in 2015 the total value of the provision for the maintenance of leased assets (€8,481 thousand) was released to the income statement.

Staff costs amount to €20,713 thousand and have increased by €1,005 thousand, growing by 5.1% compared to the prior year.

Operating costs amount in total to €28,712 thousand and have increased by €2,720 thousand compared to the previous year, due basically to the increase in the airport concession fee and in the costs of security systems, directly related to the new rates implemented at the airport effective from May 2016.

The Provisions and write-downs line amounts in total to €409 thousand and has decreased by €1,086 thousand compared to €1,495 thousand.

The Amortization and depreciation line amounts in total to €6,512 thousand and has decreased by €3,610 thousand compared to the prior year, as the result of ordinary asset life cycle. For a detailed analysis of the main changes in this line, please refer to the Notes.

The balance of financial income (expense), positive by €179 thousand, has improved by €428 thousand compared to 2015.

	Thousands of euro		
	2016	**2015**	**Difference**
Value of production *	65,238	66,020	-782
Staff costs	20,713	19,708	1,005
Operating costs	28,712	25,992	2,720
GOM	**15,813**	**20,320**	**-4,507**
% GOM	**24,2%**	**30.8%**	**-6.5%**
Amortisation, depreciation & write-downs	409	1,495	-1,086
EBITDA	**15,404**	**18,825**	**-3,421**
% EBITDA	**23.6%**	**28.5%**	**-4.9%**
Amortisation & depreciation	6,512	10,123	-3,611
Grants	671	2,270	-1,599
EBIT	**9,562**	**10,972**	**-1,410**
% EBIT	**14.7%**	**16.6%**	**-2.0%**
Balance of financial income (expense)	179	-249	428
EBT	**9,741**	**10,723**	**-982**
Income taxes	2,836	2,033	803
Net consolidated operating result	**6,904**	**8,690**	**-1,786**
Portion pertaining to minority shareholders	144	-19	163
Net consolidated result of the Group	**6,761**	**8,709**	**-1,948**
Financial independence **	**13,789**	**20,450**	**-6,661**

* The value of production is the total of earnings minus the grants received.
** The index of financial independence 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 2016 and 2015:

Thousands of euro

	2016	%	2015	%	Difference
Value of production	**65,238**	**100.0%**	**66,020**	**100.0%**	**-782**
Aviation	**35,876**	**55.0%**	**29,067**	**44.0%**	**6,809**
of which:					
Fees	23,244		14,665		8,579
Centralised infrastructures	3,260		6,015		-2,755
Assets used in common	54		256		202
Security	7,902		6,502		1,400
Aviation services (PRM and luggage)	1,416		1,628		-212
Handling	**11,216**	**17.2%**	**10,564**	**16.0%**	**652**
of which:					
Ground handling	10,431		9,863		568
Cargo handling	785		701		84
Non-aviation	**16,809**	**25.8%**	**15,556**	**23.6%**	**1,253**
of which:					
Non-aviation services	980		977		3
Ticketing	361		172		189
Retail and restaurant subcontracts	4,320		3,778		542
Other business subcontracts	1,861		1,510		351
Sublease of spaces	2,222		2,565		-343
Parking Lots	5,970		5,396		574
Advertising	1,095		1,158		-63
Other revenues	**11,337**	**2.0%**	**10,833**	**16.4%**	**-9,496**

Aviation income has increased on aggregate by €6,809 thousand (+24.4%). Such a major increase is essentially due, apart from the increase in traffic volumes, to the previously mentioned impact of the new handling rates, which is broadly described in the section on reference regulation developments of the report prepared by the Directors of the Holding Company.

As far as handling income is concerned, and with specific reference to the subsidiary SAGAT Handling, the increase compared to 2015 figures is due to the increase in handled movements (+15.5%), which in turn owes to the positive effects of the flights operated by Blue Air and Lufthansa, that have counterbalanced the cuts in the flights operated at Turin by Vueling and Meridiana, and the loss of Alitalia as customer since past October.

Non-aviation income has increased by €1,253 thousand (+8.1%) in 2016, from €15,556 thousand in 2015 to €16,809 thousand in 2016.
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 (€1,337 thousand) has decreased significantly compared to the €19,833 thousand recorded in 2015 due to the presence, in that year, of non-repeat income components.

STAFF COSTS

Staff costs for 2016, inclusive of outsourced staff, amounts to €20,713 thousand and has increased by about €1,005 thousand compared to the prior year.
The increase owes mostly to the renewal of the collective bargaining agreement and to the new hirings implemented in order to handle the greater traffic volumes arisen during the year. For more details, please refer to the corresponding sections in the Notes.

OPERATING COSTS

Operating costs have reached the amount of €28,712 thousand, increasing by €2,720 thousand compared to 2015. The increase is basically due to the following circumstances:

- greater costs incurred for the boosting of air traffic (about €1,755 thousand);
- greater costs for services (about €947 thousand) due to the increase in the costs of security, cleaning and ticketing services;
- greater costs for concession fees (about €886 thousand), essentially due to the lifting of the 75% reduction (pursuant to art. 11-decies, Law 248/2005) of the airport concession fee after the adjustment of handling rates effective from 1 May 2016. In detail, the cost of the concession fee has increased from €519 thousand in 2015 to €1,736 thousand in 2016;
- less costs (about €514 thousand), essentially because the Holding Company has spent less on interventions at runways and aprons during 2016;
- less costs incurred by Group companies on utilities (€96 thousand in total). In particular, significant savings were achieved on electricity and heating fuel (about €130 thousand).

GROSS OPERATING MARGIN

As a result of the variations in the income and expense components commented above, the GOM 2016 has reached €15,813, or 24.2% of the production value.

PROVISIONS AND WRITE-DOWNS

The "Provisions and write-downs" line amounts in total to €409 thousand and has decreased on aggregate by €1,086 thousand, essentially because less funds were allocated to the provisoins for contingencies.

EBITDA

Due to the reasons explained above, the EBITDA 2016 has reached €15,404 thousand, or 23.6% of the value of production.

AMORTIZATION AND DEPRECIATION

The amount of amortization and depreciation totals €6,512 thousand and has decreased by €3,610 thousand as a consequence of ordinary asset life cycle.

GRANTS

These amount to €671 thousand and have decreased compared to the €2,270 thousand recorded in 2015. The decrease is due to the developments in the underlying assets' useful life. For more details, please refer to the corresponding sections in the Notes.

EBIT

The EBIT 2016 amounts to €9,562 thousand, or 14.7% of the value of production.

FINANCIAL INCOME (EXPENSE) COMPONENTS

The balance of financial income (expense), positive by €179 thousand, has improved by €428 thousand compared to 2015, essentially due to a dividend distributed by AdB, the company that manages the Bologna Airport, for about €363 thousand, and to the lower interest expense incurred by the Group.

EBT

The EBT therefore amounts to €9,741 thousand, diminishing by €982 thousand compared to the prior year.

TAXES

The aggregate tax burden has increased by €803 thousand compared to 2015. Total taxes for the year amount to €2,836 thousand.
The difference between the actual 2016 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 2016 amounts to €6,761 thousand and shows a decrease by €1,948 thousand compared to 2015 (which, as explained earlier herein, was affected by significant non-repeat income components).

3.4 Analysis of the Balance Sheet

As a consequence of the passing of Legislative Decree 139/2015, enforcing Directive 2013/34/EU, and of the reformulation of accounting standard OIC 12, the structure of the balance sheet has been changed, as described in better detail in the Notes to these annual accounts. For a clearer comparison between 2016 and 2015 figures, 2015 figures were recalculated according to the accounting standards currently applicable.

The table below shows the balance sheet components reclassified according to financial principles. A comparison with 2015 figures is also provided.

Thousands of euro

	RECLASSIFIED BALANCE SHEET		31/12/2016	31/12/2015	Difference
A	**Fixed assets**				
		Intangible assets	3,098	3,205	-108
		Tangible assets	47,647	49,737	-2,090
		Financial assets	17,705	17,664	41
			68,449	**70,606**	**-2,157**
B	**Working capital**				
		Inventory	376	341	35
		Trade receivables	12,892	11,979	913
		Other assets	11,801	13,104	-1,302
		Trade payables	-16,020	-10,842	-5,178
		Provisions for liability and charges	-5,514	-6,945	1,431
		Other liabilities	-30,093	-26,879	-3,214
			-26,556	**-19,241**	**-7,315**
C	**Invested capital (less liabilities of the year) (A+B)**		**41,893**	**51,365**	**-9,472**
D	**Staff severance pay**		**3,275**	**3,512**	**-237**
E	**Invested capital (less liabilities for the year and staff severance pay) (C-D)**		**38,618**	**47,853**	**-9,235**
	funded with:				
F	**Own capital**				
		Paid-in share capital	12,911	12,911	0
		Reserves and results carried forward	32,479	25,997	6,483
		Profit (loss) of the year	6,761	8,709	-1,948
		Equity pertaining to minority shareholders	7,436	7,293	144
			59,588	**54,910**	**4,678**
G	**Medium / long-term financial indebtedness**		**3,000**	**4,500**	**-1,500**
H	**Short-term financial indebtedness (net cash available)**				
		Short-term financial payables	1,603	1,500	103
		Short-term financial payables to subsidiary companies	0	1,500	-1,500
		Financial assets	0	0	0
		Cash and short-term financial receivables	-25,573	-14,557	-11,016
			-23,970	**-11,557**	**-12,413**
I	**Indebtedness (net financial position) (G+H)**		**-20,970**	**-7,057**	**-13,913**
L	**Total, as in “E” (F+I)**		**38,618**	**47,853**	**-9,235**

As shown in the table, the capital invested, less liabilities for the year and staff severance pay ("TFR"), has decreased by €9,236 thousand due to the following changes:

- decrease in fixed assets by €2,157 thousand, due essentially to:
  - decrease in intangible assets by €108 thousand, due to the effects of ordinary asset depreciation (€2,130 thousand), and to the new investments made during the year (€2,008 thousand);
  - decrease in tangible assets by €2,090 thousand, due to the effects of ordinary asset depreciation (€4,383 thousand) and to the new investments made during the year (€2,727 thousand); the reduction compared to the previous year also owes to the sale of full-depreciated assets (€75 thousand), write-off of assets and other variations (€420 thousand in total);
  - increase in financial assets by €41 thousand due to the combined effects of: i) recording of receivables from the associated company Air Cargo Torino in liquidation, against a payment of €43 thousand made during the year to the liquidator of the company to provide him with the funds required for his activities, and ii) reduction by €3 thousand in deposits lodged previously. Please note that, 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 Holding Company has removed 74,178 treasury shares from its fixed assets. For further details on the removal of the value of treasury shares from the fixed assets and on the concomitant recording of a negative reserve for treasury shares of €-4,824 thousand, please refer to the Shareholder's Equity section of the Notes;
- decrease of working capital by €7,316 thousand, due basically to:
  - increase in the total inventory by €35 thousand on aggregate;
  - increase in trade receivables by €913 thousand, essentially due to a significant rise in sales volumes and deriving from an increase in actual trade receivables (€959 thousand), a decrease in credit notes to be issued (€148 thousand), a decrease in invoices be issued (€153 thousand) and a net increase in the provisions for bad debts (€41 thousand);
  - decrease in other assets by €1,303 thousand, mostly due to a decrease in the receivables from Group companies (€802 thousand, of which €784 thousand deriving from the closing of the liquidation procedure for the subsidiary Torino Servizi), a decrease in tax receivables and deferred tax assets (€897 thousand in total) and to an increase in other receivables;
  - increase in trade payables by €5,178 thousand, relating mostly to payables associated to the investments made by the Holding Company towards the end of the year;
  - decrease by €1,431 thousand in the provisions for contingencies, due to:
    - net reduction of the provision for future contingencies (€1,658 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 2016 the provision amounted to €5,287 thousand, as detailed in the dedicated section of the Notes;

- adoption of the new accounting standard OIC 32 (€227 thousand), whereby the Holding Company SAGAT is required to record under the provisions for contingencies the mark-to-market value of the derivative instrument it has subscribed to cover the interest rate fluctuation risks associated to an existing loan. The allocation of this provision pursuant to OIC 32 has only affected the balance sheet and not the income statement 2016;

- increase in other liabilities by €3,214 thousand, due essentially to:

  - reduction in the payables to subsidiary companies (€1,501 thousand), deriving almost entirely by the full repayment by the Holding Company of the €1,500 thousand loan previously received from the subsidiary SAGAT Engineering;

  - increase in tax payables (€1,434 thousand), basically related to the recording of the IRES (corporate income) and IRAP (regional) taxes payable less the relevant advances paid during the course of the year;

  - increase in other payables (€2,565 thousand) mostly due to the greater amount of concession fees payable (€+933 thousand), to the additional taxes payable on boarding fees (€+333 thousand) and to the increase in other payables;

  - decrease in deferred income (€673 thousand) in connection with the ordinary release of the portions accruing in 2016 of the grants obtained by the Holding Company on works carried out on the occasion of the Turin 2006 Olympic Games;

- decrease by €237 thousand in the exposure towards the employees companies on account of their severance pay.

The Company's own capital has increased by €4,676 thousand due to:

- the profit earned in the year (€6,761 thousand);

- the distribution of dividends and consequent reduction in the equity (€2,002 thousand);

- the exit from the scope of consolidation of the subsidiary Sistema, that closed its liquidation in 2016, and consequent equity increase (€1 thousand);
- the increase in the equity pertaining to minority shareholders by €144 thousand due to distribution of the portion of 2016 dividends pertaining to them;

- the creation by the Holding Company, 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, of a cash flow hedging reserve (€-227 thousand).

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

Net cash in hand has increased by €12,413 thousand due to the following variations:

- reduction in the Holding Company's payables to subsidiary companies (€1,500 thousand), after the full repayment of the loan previously received from the subsidiary SAGAT Engineering;

- increase in current financial payables after recording of SAGAT's payables to shareholders on dividends not distributed (€103 thousand);

- increase by €11,017 thousand in the cash and equivalents with banks and in the Group treasury.

As a result of these changes, in 2016 the Group has improved its net financial position by €13,913 thousand, from €7.057 thousand as at 31 December 2015 to a balance of €20,970 thousand as at 31 December 2016.

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

3.5 Analysis of Cash Flow

The operations in the year generated €13,913 thousand in financial resources. Such figure is the result of the cash flow generated by income less costs.

The cash flow from operations, €20,669 thousand in total, derives from the self-financing generated by ordinary and extraordinary operations (€13,789 thousand) and from the change in the net working capital (€6,880 thousand), less write-downs and provisions made in the period (€409 thousand).
The cash flow was used to fund investments in intangible and tangible assets (€4,735 thousand), to increase financial assets (€40 thousand) and to distribute dividends (€1,889 thousand). The adjustment to the new accounting standards introduced effective from 1 January 2016 by Legislative Decree 139/15 in enforcement of Directive 2013/34 on annual financial statements, consolidated financial statements and related reports, has implied variations in the equity for a total of €227 thousand. For further details on these variations, please refer to the sections on the provisions for contingencies and on the equity of the Notes.

The net cash flow from operations, taking into account the above-referred increase in the equity pertaining to minority shareholders (€144 thousand) and the change in the scope of consolidation (€1 thousand), is therefore positive and amounts to €13,913 thousand on aggregate. The net financial position as at 31 December 2016 is positive (€20,970 thousand, improving compared to €7,057 thousand as at 31 December 2015).

The variations described above are summarised in the table below:

Statement of cash flow, SAGAT Group

		Thousands of euro
Net financial position as of 31/12/2015		**7,057**
Self-financing from ordinary and extraordinary operations		13,789
Profit (Loss) of the year	6,761	
Amortisation, depreciation and write-down of fixed assets	6,856	
Provisions for bad debts	409	
Net difference in the provision for staff severance pay	-237	
Difference in net working capital after amortisation, depreciation and write-downs		6,881
Cash flow generated by income		**20,670**
Cash flow from investments		-4,735
Cash flow from financial assets		-41
Dividends		-1,899
Other variations due to the new accounting standards		-227
Changes in consolidation area- Sistema		1
Difference in equity pertaining to minority shareholders		144
Net cash flow from operations		**13,913**
Net financial position as of 31/12/216		**20,970**

The net financial position is represented by cash in hand, short-term financial receivables and financial assets, less the financial payables to banks and the financial payables to subsidiaries outside the scope of consolidation.

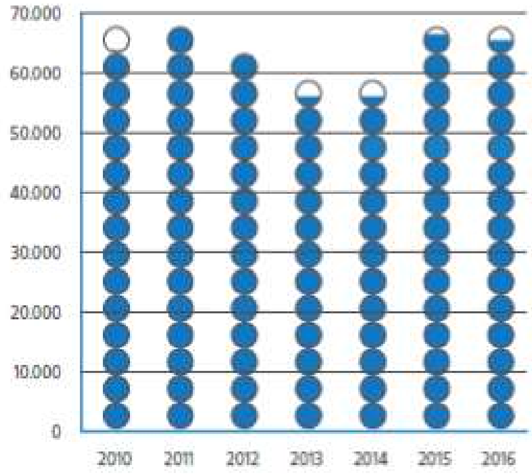
3.6 Principal financial ratios

	2010	2011	2012	2013	2014	2015 *	2016 *
Production value	64,073	68,102	63,084	55,774	55,888	66,020	65,238
Operating costs	24,929	27,343	26,855	24,335	25,784	25,992	28,712
Staff	20,073	20,852	20,445	18,954	19,161	19,708	20,713
GOM	19,071	19,907	15,784	12,485	10,942	20,320	15,813
Net profit	4,471	3,556	-962	267	3,357	8,709	6,761
Shareholders'equity	68,293	67,846	63,481	63,747	45,804	47,618	52,152
ROI	7.99	6.62	-1.07	1.01	3.25	22.93	24.76
ROE	6.55	5.24	-1,52	0.42	7.33	18.29	12.96
Investments	9,532	10,204	13,162	2,908	3,136	3,263	4,735
Financial autonomy	17,777	18,867	18,402	14,301	14,301	20,450	13,789
Accounts receivable from customers	21,040	20,869	11,535	10,937	13,292	11,979	12,892
Average length of trade receivables	125	122	69	74	90	79	75
Accounts payable to vendors	15,277	13,021	13,738	9,489	9,904	10,842	16,020
Average length of trade payables	225	174	184	144	144	152	204
Net earnings per share		1,40	-0,47	0,09	0,32	3,40	3,40

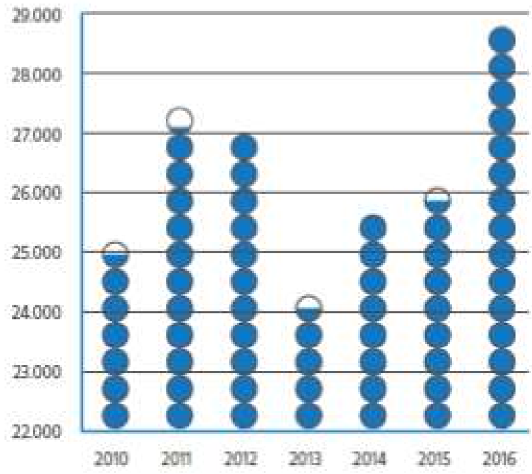
PRODUTION VALUE: the total of earnings minus the grants received
FINANCIAL AUTONOMY: profit (loss) of the year + amortisation and depreciation + write-downs and provisions + net change in the provision for staff severance pay
ROI: net profit / investments
ROE: net income / shareholders' equity
AVERAGE LENGTH OF RECEIVABLES: trade receivables / trade eamings (caption A1 of IV EEC financial statements)
AVERAGE LENGTH OF PAYABLES: trade payables / cost of vendor services

* As a consequence of the passing of Legislative Decree 139/2015, 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, EBITDA and EBIT) has changed. The net result relating to 2015 has not changed.

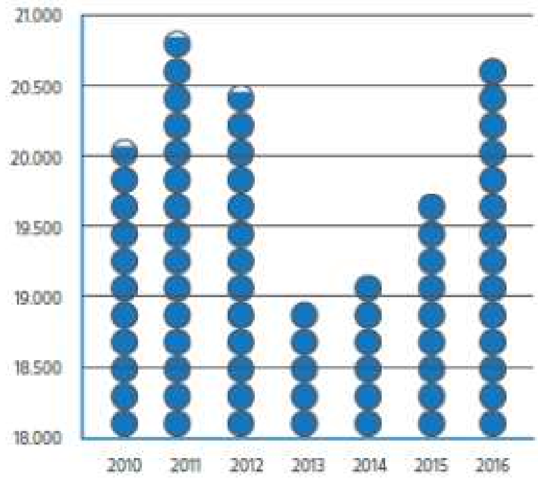
PRODUCTION VALUE



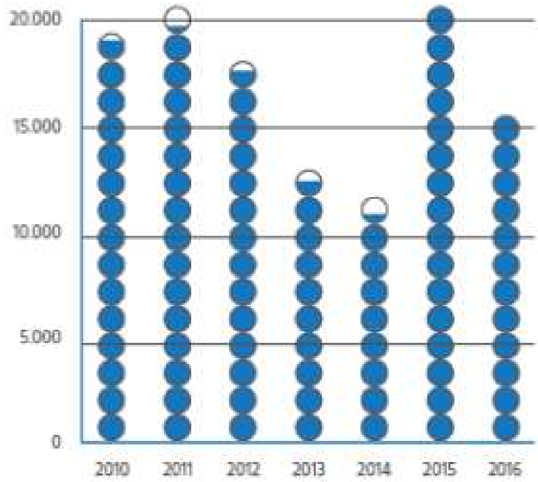
OPERATING COSTS



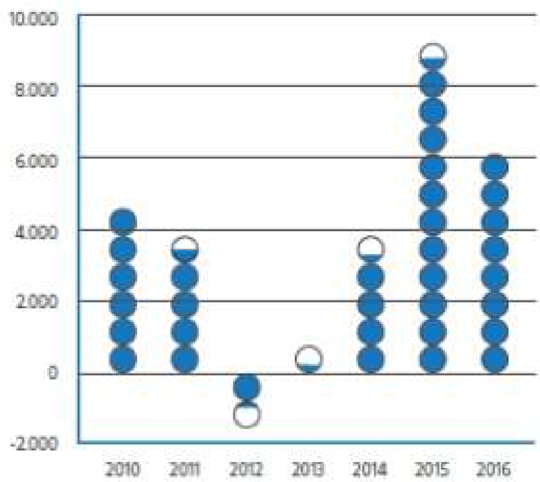
STAFF COSTS



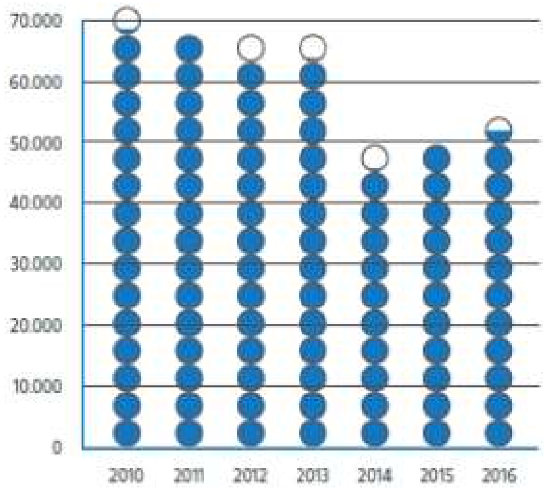
GOM



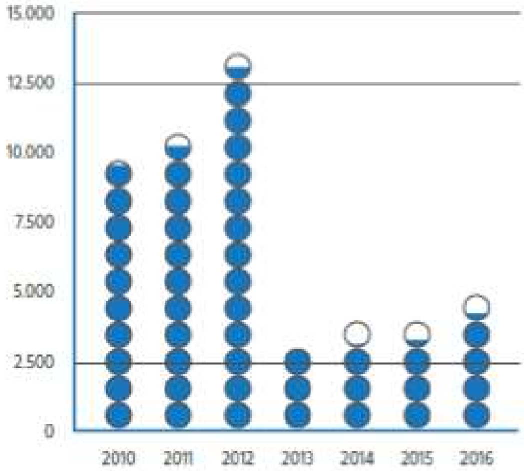
NET RESULT



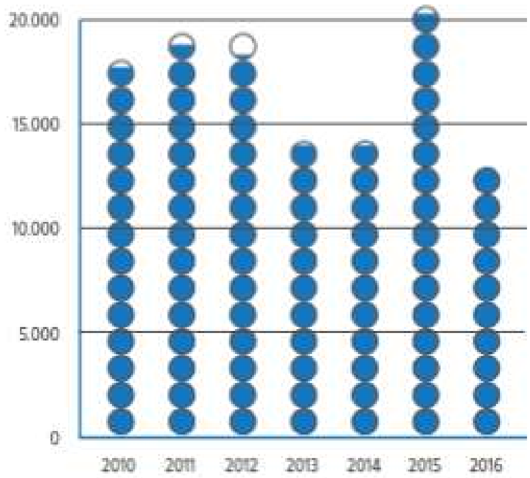
SHAREHOLDERS'EQUITY



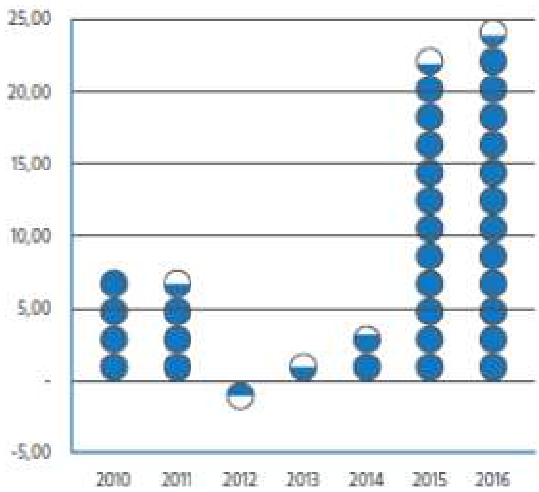
INVESTMENTS



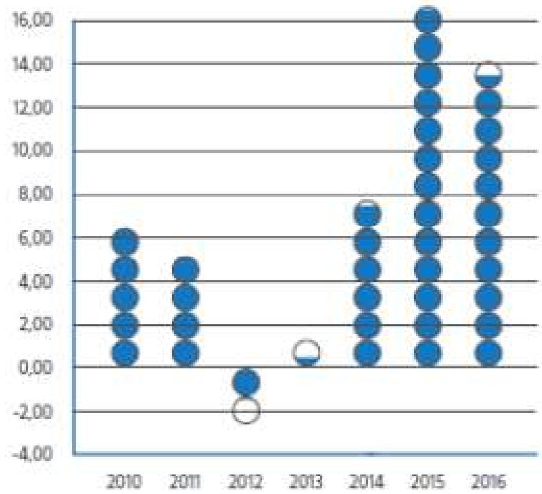
FINANCIAL AUTONOMY



ROI



ROE



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 2016, the organisational structure of the lead company, SAGAT S.p.A., underwent a number of changes that affected all the departments, and in particular what had been the Technical Department and the Operations Department in 2015.
The main organisational measures carried out by SAGAT S.p.A. were:

- No. 1/2016 (29 January 2016), which combined the Technical Department and the Operations Department into the new Technical-Operations Department, reorganising the administrative services of the Department of Administration, Finance, Oversight and ICT; a Procedures and Project Development Service was established under the Department of Human Resources, Corporate Affairs and Quality, while a Commercial Support Service was instituted by the Department of Commercial Operations and Extra-Aviation Marketing.

- No. 2/2016 (15 February 2016), under which appointment was made of the Overseers of Planning and Maintenance and the Accountability Manager, all of whom are certified by the ENAC civil aviation authority.

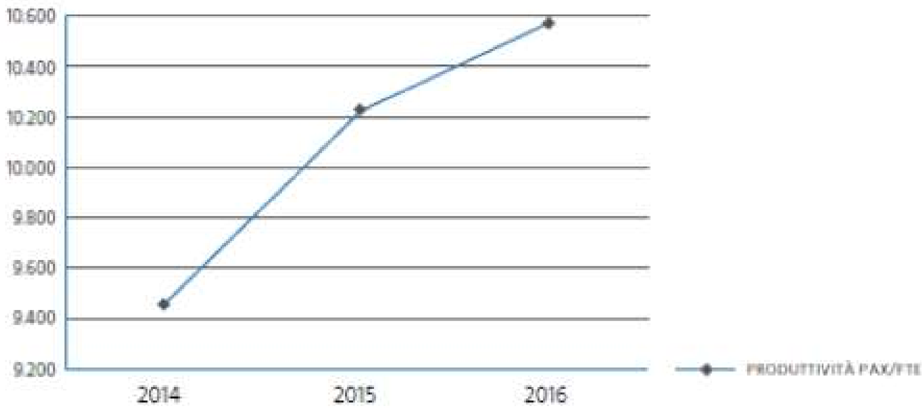
- No. 3/2016 (10 June 2016), which affected the Technical-Operating Departments, with the establishment of the services of Infrastructure Development & Paving, Prevention, Protection and the Environment, Asset Management and Implementation of the National Safety Plan, Terminal&Security and Operations Area, Overseer of the Movement Sector and Overseer of the Terminal; in the Department of Commercial Operations and Aviation Marketing, the Passenger Traffic Development Service was established. Finally, a Cargo Traffic Development Service was also established.

No organisational changes were made in SAGAT Handling S.p.A. compared to the previous year, as the organisational structure contemplated under measure no. 1/2015 remained unaltered.

During the year 2016, the companies of the Group continued to work to heighten efficiency, an effort already begun during the two previous years. The growth in the Group's staff was less than the increase in its volume of business, meaning that productivity rose by a corresponding differential.
As shown by the table below, while passenger traffic grew by 15.1% between 2014 and 2016, the size of the staff increased by 8.7%. Group productivity, or the ratio of the number of passengers for the year and the average number of the Group's FTE during the year, rose by 5.9% compared to the two previous years.

SAGAT Group	2014	2015	2016	2016 vs. 2014	%
Passengers during year	3,431,986	3,666,424	3,950,908	518,922	15,1%
FTE	361.77	360.56	373.88	31.49	8.7%
PAX/FTE	9,487	10,169	10,567	561.93	5.9%

PRODUCTIVITY TRENDS



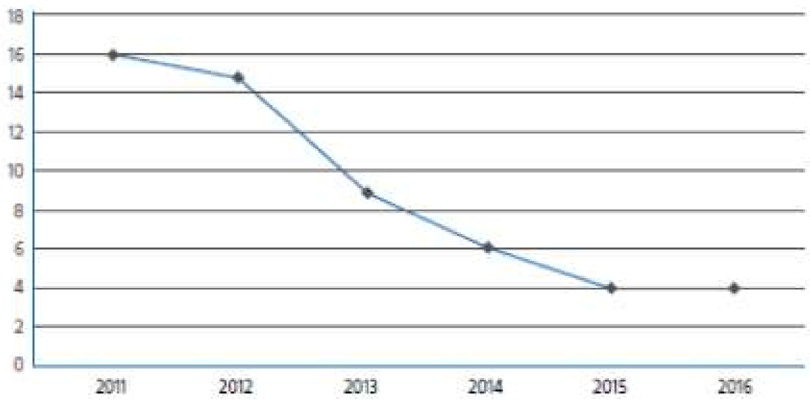
INDUSTRIAL RELATIONS

The year 2016 witnessed the signing of a number of very important labour agreements for the companies of the Group.
An initial agreement, signed in November of 2015 but with regard to the issue of back vacation time in 2016, established an obligatory reduction plan that set maximum levels of per capita back vacation time, as of 31 December 2016, of 3 days for SAGAT Handling and 4 for SAGAT S.p.A.. This agreement was of key importance in reducing the cost of labour and establishing parameters for comparison with earlier years.
In May of 2016, SAGAT Handling and the union representatives signed an agreement that made it possible to renew the supplementary company contract, stipulating disbursement of a lump-sum amount for the year 2015 and, even more importantly, establishing the criteria for calculation of a company performance bonus for the three following years. In compliance with the agreement signed on the same issue by the Group's lead company, and in implementation of the new collective bargaining contract for air transportation, as well as the section of the same on handlers, all of which went into force in December of 2015, determination was made of the factors of profitability, productivity and quality that could be used, should the year-end result be positive, to pay out a bonus whose calculated also considered the actual time worked by a given employee in the course of the year.
On 12 July 2016 SAGAT S.p.A. signed an important agreement governing, in application of the bargaining mandate on the company level, new procedures for application of the increase in working hours called for under the collective bargaining contract currently in force, drawing on an organisational system already in place in SAGAT Handling. These new procedures are specifically designed to heighten organisational efficiency and work productivity.
In November of 2016, the companies of the Group and the union representatives signed two additional agreements.
The first set the calendar for the company-wide closings for the year 2017, in addition to approving a plan for the elimination of back vacation time during the same year, so as to limit the backlog of unused vacation time.
The second agreement regards the "social clause", under which, when ground-assistance operations are transferred between two companies subject to the airport transportation collective bargaining contract, they must also engage in an exchange of personnel proportionate to the operating activities transferred. The companies of the Group, each within its own sphere of competence, confirmed their interest in signing, at some point in the future, an on-site agreement on handling operations, in enactment of art. H37 of the collective bargaining agreement.
Such an agreement must make possible preliminary determination of the criteria to be applied when assistance contracts are transferred from one company to another, in terms of the selection of the personnel

to be transferred, all with an eye towards safeguarding levels of employment and minimising the possibility of arbitrary decisions.
One final, important agreement was signed by SAGAT S.p.A. on 7 December 2016: this accord, drawn up under the contractual mandate provided for bargaining on the company level, determined the periods of the year in which the company can sign fixed-term seasonal employment contracts, making it possible to increase organisational efficiency. In the case of SAGAT Handling, the lack of a specific mandate for local bargaining on the matter meant that it was unable to sign the agreement in question.
The following table shows that, thanks to the union agreements signed with regard to company-wide closings, as well as the programs for reducing back vacation time, the average number of unused days of vacation and leave came out to a per capita figure of 4 for the year 2016 as well. This figure demonstrates that the personnel of the Group is effectively managed and efficiently organised.

	2011	2012	2013	2014	2015	2016	Diff. 2016/2011	%
Back vacation days	5,958	5,764	3,268	2,300	1,486	1,602	-4,357	-73%
Average annual FTE	381	380	365	362	361	374	7	-2%
Average backlog	16	15	9	6	4	4	12	-75%

Average backlog



THE GROUP'S STAFF IN THE YEAR 2016

The Group's average number of employees during the year was 373.87 FTE, representing an increase of 13.32 FTE over the previous year.

Category	Average figure 2016	Average figure 2015	Absolute variation	Percentage variation
Executives	4.08	4.58	-0.5	-10.92%
White collars	235.35	228.65	6.7	2.93%
Blue collars	134.44	127.32	7.12	5.59%
Total	**373.87**	**360.55**	**13.32**	**3.69%**

TRAINING

This document provides figures on the training received by the personnel of the companies of the SAGAT Group, including outsourcing firms and contractors, both the training supplied directly by the in-house training department and instruction provided by trainers of outside firms during the year 2016.

During 2016 the personnel of the companies SAGAT S.p.A. and SAGAT Handling S.p.A., as well as the employees of outsourcing firms and contractors, took part in 2,230 courses of training and/or instruction, engaging in 5,425 hours of training/classroom instruction involving 3,964 participants, for an aggregate total of 18,138 hours. Compared to 2015, the Group registered an increase of 16% in the number of training hours.

Of all these courses, the internal training staff held 1,363, engaging in 2,892 hours of training/classroom instruction involving 2,218 participants, for an overall total of 9,003 employee/hours, representing 49.64% of the total, while 867 courses were given by outside trainers for 2,533 hours of teaching involving 1,746 participant, making for an aggregate amount of 9,135 employee/hours of training, or 50.36% of the total. A portion of the training was financed through professional funds, such as Fondimpresa, or by implementing company training plans.

The following tables summarise all the hours of training received from internal and external staff by the employees of the companies SAGAT S.p.A. and SAGAT Handling, as well as the employees of outsourcing firms and contractors.

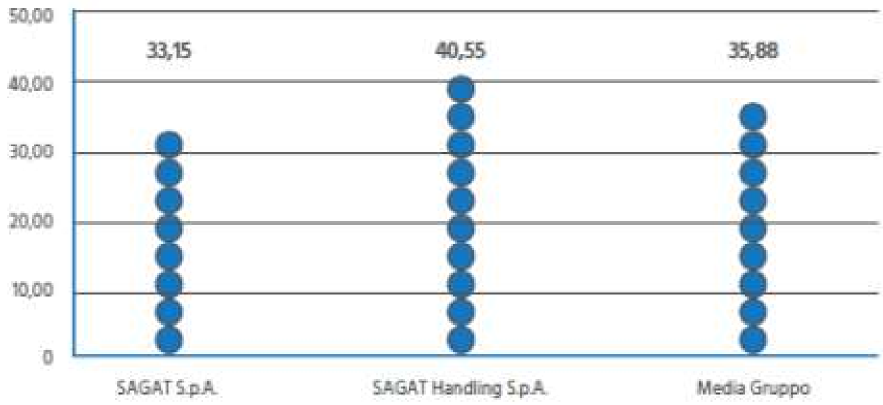
Totals SAGAT Group Year 2016	SAGAT trainers	Outside trainers	Totals
Courses	1,363	867	2,230
Participants	2,218	1,746	3,964
Hours of instruction	2,892	2,533	5,425
Participant training hours	9,003	9,135	18,138

Looking only at the hours of training received by personnel employed for set periods or on a permanent basis as of 31 December 2016, we see that each employee of SAGAT S.p.A. received an average of 33.15 hours of training, while the average for the employees of SAGAT Handling was 40.55, meaning that the average for the year of the two companies of the Group was 35.88 hours.

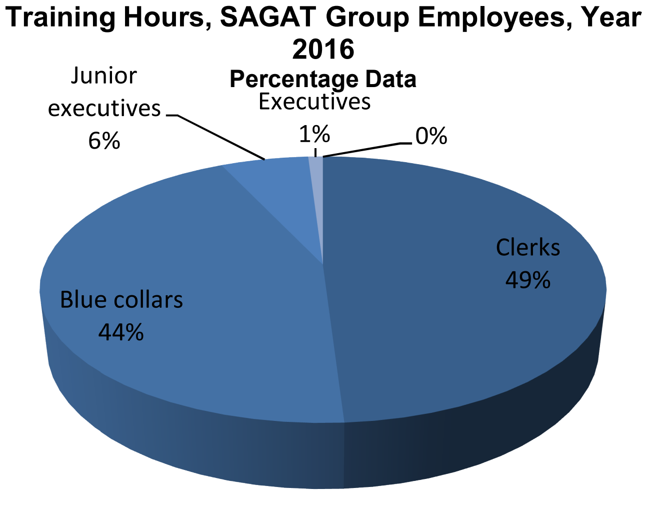
Training hours, SAGAT Group employees, 2015

	SAGAT S.p.A.	SAGAT Handling	Media Group
Annual average training hours per employee as of 31/12/2016	33.15	40.55	38.88

Training Hours 2016

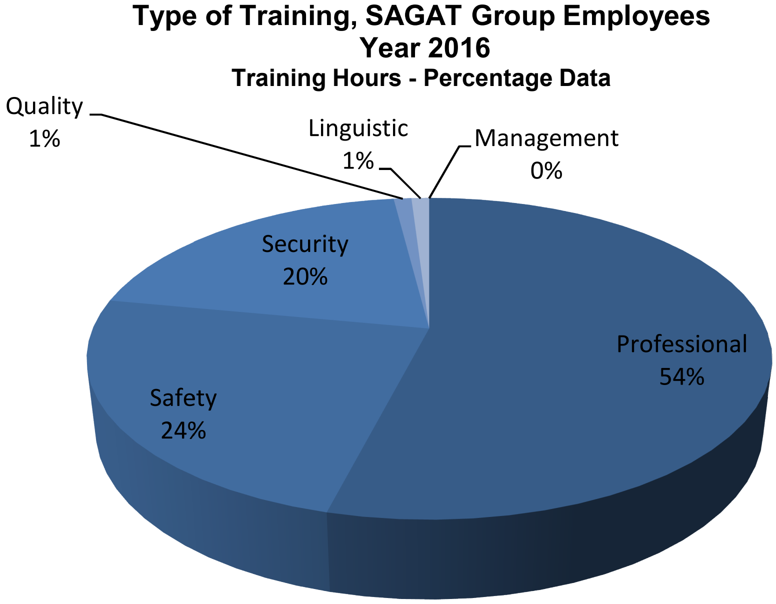


The training received by the personnel of the SAGAT Group totalled 18,138 employee/hours, with 1% involving executives, 6% mid-level managers, 49% clerical personnel and the remaining 44% manual labourers.



TYPES OF COURSES

During the year 2016, the personnel of the SAGAT Group took part in various types of training, most of it on professional-technical topics or regarding safety (as per Legislative Decree 81/2008 and subsequent modifications or supplements) or security (ENAC and EC Regulations 185/2010). Basic technical-professional training and ongoing refresher instruction accounted for the largest percentage of the overall hours of training, at 54%, followed by safety training (24%) and security training (20%). The following graph illustrates the percentages of participants in the individual types of courses.



PROFESSIONAL COURSES

Among the professional courses taken by SAGAT personnel, particular notice should be taken of the importance of SAGAT Handling courses involving both the passenger check-in area and the aircraft ramp assistance area. Numerous courses on basic knowledge and use, as well as specialised and refresher training, were held on the DCS operating systems of the carriers at the airport for check-in personnel and employees assigned to aircraft weight & balance operations or to loading and unloading, plus the operation of ramp equipment. Special courses were held for maintaining certification of knowledge of loading operations with hazardous cargo (DGR), in compliance with Italian regulations, and on the use of liquids for de/anti-icing of aircraft, as per AEA requirements.

During the year, courses were also held, in addition to those planned and scheduled under the 2016 Training Plan, on basic knowledge of the rights of disabled passengers, or of those with reduced mobility, to air transportation - training that is obligatory for all airport employees under ENAC memorandum GEN-02A - while further professional and safety training was provided at the request of the carriers British Airways, Ryanair and easyJet.

TRAINING FOR STUDENTS OF AERONAUTICAL PROFESSIONAL INSTITUTES

Along with the training provided for employees of the Group and for the employees of outside firms operating at the airport, the SAGAT Training Centre also organises hours of instruction for the aeronautical professional secondary schools of the greater Turin area, including the Turin Flying Institute, which is housed in Torino Airport itself.

In the case of the Turin Flying Institute, the SAGAT in-house trainers are full-fledged faculty members, with their teaching schedules incorporated in the Institute’s three-year curriculum.

At the end of the course of study, the students possess theoretical and practical knowledge of the main operating profiles of airport handling activities, in addition to having obtained basic certification of the specific professional skills required by the IATA and suitable for immediately seeking employment with handling companies.

3.11 Investments

Investments on the part of the SAGAT Group in 2016 totalled 4.735 million euro.

In addition to the investments of the lead company (for a total of 4.664 million euro), other acquisitions were made by the subsidiary SAGAT Handling, for a total amount of 71 thousand euro. The acquisitions on the part of SAGAT Handling primarily involved upgrading of the company motor pool, plus the purchase of operating equipment.

For a detailed analysis of the investments of the Lead Company, see the SAGAT Management Report.

3.12 Equity investments

For a detailed analysis, see the pertinent section of the Management Report of the Lead Company.

3.13 Research and development activities

For a detailed analysis, see the pertinent section of the Management Report of the Lead Company.

3.14 Litigation

For a detailed analysis, see the pertinent section of the Management Report of the Lead Company.

3.15 Privacy

For a detailed analysis, see the pertinent section of the Management Report of the Lead Company.

3.16 Risk factors

For a detailed analysis, see the pertinent section of the Management Report of the Lead Company.

3.17 Significant events that occurred following the close of the year and foreseeable developments for the future

For a detailed analysis, see the pertinent section of the Management Report of the Lead Company.

4. CONSOLIDATED FINANCIAL STATEMENTS as of 31/12/2016

4.1 Consolidated Balance Sheet and Income Statement (figures shown in euro)

4.1.1 Consolidated Balance Sheet: Assets

CONSOLIDATED BALANCE SHEET: ASSETS	FINANCIAL STATEMENTS AS OF 31/12/2016	FINANCIAL STATEMENTS AS OF 31/12/2015
A) CONTRIBUTIONS RECEIVABLE FROM SHAREHOLDERS		
B) FIXED ASSETS		
I. Intangible assets		
1) Start up and improvement costs	0	1,353
2) Development costs	0	0
3) Industrial patent and intellectual property rights	480,863	561,151
4) Concessions, licenses, trademarks and similar rights	0	0
5) Goodwill	0	0
6) Investments in progress	955,717	1,068,250
7) Other non current assets	1,661,267	1,574,929
Total	**3,097,847**	**3,205,682**
II. Tangible assets		
1) Land and buildings	3,515,794	3,515,794
2) Plant and machinery	0	0
3) Operating and sales equipment	1,091,112	1,140,159
4) Other assets	1,011,131	1,085,709
5) Investments in progress and payments on account	2,670,611	4,331,376
II.bis Transferable assets		
1) Land and buildings	32,842,215	33,815,243
1bis) Runways and land used for runways	381,926	402,027
2) Plant and machinery	6,133,874	5,446,501
3) Operating and sales equipment	0	0
4) Other assets	0	0
5) Investments in progress and payments on account	0	0
Total	**47,646,663**	**49,736,810**

CONSOLIDATED BALANCE SHEET: ASSETS	FINANCIAL STATEMENTS AS OF 31/12/2016	FINANCIAL STATEMENTS AS OF 31/12/2015
III. Financial assets		
1) Investments in:		
a) Subsidiary companies	11,000	11,001
b) Associated companies	0	0
c) Parent companies	0	0
d) Companies controlled by parent compagnies	0	0
dbis) 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	43,200	0
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
dbis) From others:		
due within 12 months	0	0
due beyond 12 months	9,577	12,477
Total accounts receivable:		
due within 12 months	43,200	0
due beyond 12 months	9,577	12,477
Total	52,777	12,477
3) Other securities	0	0
4) Derivative financial instruments	0	0
Total	**17,704,660**	**17,664,361**
TOTAL FIXED ASSETS (B)	**68,449,170**	**70,606,853**

CONSOLIDATED BALANCE SHEET: ASSETS	FINANCIAL STATEMENTS AS OF 31/12/2016	FINANCIAL STATEMENTS AS OF 31/12/2015
C) CURRENT ASSETS		
I. Inventory		
1) Raw and maintenance materials, consumables	376,033	341,390
2) In-process and semi-finished products	0	0
3) Orders in progress	0	0
4) Finished products and goods	0	0
5) Advances	0	0
Total	**376,033**	**341,390**
II. Accounts receivable		
1) From customers:		
due within 12 months	12,892,211	11,978,698
due beyond 12 months	0	0
2) From subsidiary companies:		
due within 12 months	0	18,304
due beyond 12 months	0	784,138
3) From associated companies:		
due within 12 months	0	707
due beyond 12 months	0	0
4) From parent companies:		
due within 12 months	0	0
due beyond 12 months	0	0
5) From companies controlled by parent companies:		
due within 12 months	0	0
due beyond 12 months	0	0
5bis) Tax receivable:		
due within 12 months	2,081,078	2,777,847
due beyond 12 months	68,523	68,523
5ter) Deferred tax assets:		
due within 12 months	266,128	323,290
due beyond 12 months	1,748,313	1,890,948
5quater) Other accounts receivable:		
due within 12 months	7,153,937	6,411,904
due beyond 12 months	56,080	84,490
Total accounts receivable:		
due within 12 months	22,393,354	21,510,750
due beyond 12 months	1,872916	2,828,099
Total	**24,266,270**	**24,338,849**

x

CONSOLIDATED BALANCE SHEET: ASSETS	FINANCIAL STATEMENTS AS OF 31/12/2016	FINANCIAL STATEMENTS AS OF 31/12/2015
III. Current financial assets		
1) Investments in subsidiary companies	0	0
2) Investments in associated companies	0	0
3) Investments in parent companies	0	0
3bis) Investments in companies controlled by parent companies	0	0
4) Investments in other companies	0	0
5) Derivative financial instruments	0	0
6) Other securities	0	0
Total	**0**	**0**
IV. Cash and cash equivalents		
1) Cash in bank	25,521,687	14,469,147
2) Cheques	8,000	52,000
3) Cash and valuables in hand	43,629	35,560
Total	**25,573,316**	**14,556,707**
TOTAL CURRENT ASSETS (C)	**50,215,619**	**39,236,946**
D) ACCRUED INCOME AND PREPAYMENTS		
Accrued income	0	0
Prepayments	427,310	743,863
TOTAL (D)	**427,310**	**743,863**
TOTAL ASSETS	**119,092,099**	**110,587,662**

4.1.2 Consolidated Balance Sheet: Liabilities

CONSOLIDATED BALANCE SHEET: LIABILITIES	FINANCIAL STATEMENTS AS OF 31/12/2016	FINANCIAL STATEMENTS AS OF 31/12/2015
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 no. 342/2000	7,362,627	7,362,627
IV. Legal reserve	2,582,296	2,582,296
V. Reserves provided for under the by-laws	0	0
VI. Other riserve, itemized:		
Extraordinary reserve	13,472,089	5,854,713
Reserve for extraordinary investments	4,906,340	4,906,340
Provision as per Art. 55 DPR 917/86	0	0
Consolidation reservs	2,269,651	2,269,651
VII. Reserve for the hedging of expected cash flows	-226,646	0
VIII. Profit (loss) carried forward	832,095	1,740,672
IX. Profit (loss) of the year	6,760,813	8,709,054
X. Negative reserve for treasury shares	-4,823,612	-4,823,612
Equity pertaining to the Group	52,151,655	47,617,744
Equity pertaining to minority shareholders	7,436,294	7,292,663
TOTAL SHAREHOLDERS' EQUITY (A)	**59,587,949**	**54,910,407**
B) PROVISIONS FOR LIABILITIES AND CHARGES		
1) Pension and similar funds	0	0
2) Fund for tax disputes, including deferred taxes	0	0
3) Provision for loss on derivative financial instruments	226,646	0
4) Other provisions:		
Exchange rate fluctuation fund	0	0
Future liabilities fund	5,286,968	6,944,868
Maintenance expenses fund for leased or rented assets	0	0
TOTAL PROVISIONS FOR LIABILITIES AND CHARGES (B)	**5,513,614**	**6,944,868**
C) PROVISION FOR STAFF SEVERANCE PAY	3,274,866	3,511,776
TOTAL (C)	**3,274,86**	**3,511,776**

CONSOLIDATED BALANCE SHEET: LIABILITIES	FINANCIAL STATEMENTS AS OF 31/12/2016	FINANCIAL STATEMENTS AS OF 31/12/2015
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) Payables to banks: due within 12 months	1,500,000	1,500,000
due beyond 12 months	3,000,000	4,500,000
5) Payables to other lenders: due within 12 months	0	0
due beyond 12 months	0	0
6) Advances: due within 12 months	0	0
due beyond 12 months	0	0
7) Trade payables: due within 12 months	16,019,951	10,841,760
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	15,841	1,516,364
due beyond 12 months	0	0
10) Payables to associated companies: due within 12 months	6,100	0
due beyond 12 months	0	0
11) Payables to parent companies: due within 12 months	0	0
due beyond 12 months	0	0

CONSOLIDATED BALANCE SHEET: LIABILITIES	FINANCIAL STATEMENTS AS OF 31/12/2016	FINANCIAL STATEMENTS AS OF 31/12/2015
11bis) Payables to companies controlled by parent companies:		
due within 12 months	109,800	140,720
due beyond 12 months	0	0
12) Taxes payable:		
due within 12 months	2,527,376	1,092,908
due beyond 12 months	0	0
13) Payables to social security institutions:		
due within 12 months	1,093,865	1,076,082
due beyond 12 months	0	0
14) Other payables:		
due within 12 months	16,981,871	14,404,080
due beyond 12 months	139,327	152,415
Total:		
due within 12 months	38,254,804	30,571,914
due beyond 12 months	3,139,327	4,652,415
TOTAL ACCOUNTS PAYABLE (D)	**41,394,131**	**35,224,329**
E) ACCRUED EXPENSES AND DEFERRED INCOME		
Accrued expenses	0	1,586
Deferred income	9,321,539	9,994,696
TOTAL (E)	**9,321,539**	**9,996,282**
TOTAL LIABILITIES AND EQUITY	**119,092,099**	**110,587,662**

4.1.3 Consolidated Income Statement

CONSOLIDATED INCOME STATEMENT	FINANCIAL STATEMENTS AS 31/12/2016	FINANCIAL STATEMENTS AS 31/12/2015
A) PRODUCTION VALUE		
1) Revenues from sales and services	64,001,357	55,229,193
2) Variations in the inventory of in-process, semi-finished and finished products	0	0
3) Variations in orders in progress	0	0
4) Fixed assets developed internally	0	0
5) Other income and proceeds - operating grants shown separately	1,907,606	13,060,362
TOTAL PRODUCTION VALUE (A)	**65,908,963**	**68,289,555**
B) PRODUCTION COSTS		
6) Purchase of raw and maintenance materials, consumables and goods	1,760,175	1,692,676
7) Cost of services	22,671,622	20,546,250
8) Rent, lease and similar costs	1,984,369	1,140,406
9) Staff costs:		
a) salaries and wages	15,137,583	14,352,193
b) social security	4,312,802	4,142,344
c) severance pay	950,598	900,858
d) pension and similar benefits	0	0
e) other costs	312,176	312,336
Total staff costs	**20,713,159**	**19,707,731**
10) Amortisation, depreciation and write-downs:		
a) amortisation of intangible assets	2,129,523	2,653,111
b) depreciation of tangible assets	4,382,888	7,469,580
c) other write-down of assets	0	26,398
d) write-down of current receivables and of cash and equivalents	85,802	115,796
Total amortisation, depreciation and write-downs	**6,598,213**	**10,264,884**
11) Variations in the inventory of raw and maintenance materials, consumables and goods	-34,643	86,753
12) Provisions for liabilities and charges	323,659	1,353,292
13) Other provisions	0	0
14) Miscellaneous operating costs	2,330,347	2,525,728
TOTAL PRODUCTION COSTS (B)	**56,346,901**	**57,317,718**
OPERATING PROFIT - PRODUCTION VALUE LESS PRODUCTION COSTS (A-B)	**9,562,062**	**10,971,837**

CONSOLIDATED INCOME STATEMENT	FINANCIAL STATEMENTS AS 31/12/2016	FINANCIAL STATEMENTS AS 31/12/2015
C) FINANCIAL INCOME AND CHARGES		
15) Income from equity investments:		
a) dividends and other proceeds from subsidiary companies	0	0
b) dividends and other proceeds from associated companies	0	0
c) dividends and other proceeds from parent companies	0	0
d) dividends an other proceeds from companies controlled by parent companies	0	0
e) dividends and other proceeds from others	362,884	0
16) Other financial income:		
a) from non current receivables	0	0
subsidiary companies	0	0
associated companies	0	0
parent companies	0	0
companies controlled by parent companies	0	0
other	0	0
b) from securities recorded under fixed assets other than equity investments	0	0
c) from 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	25,678	41,462
Total	**388,562**	**41,462**
17) Interest and other financial charges:		
subsidiary companies	0	0
associated companies	0	0
parent companies	0	0
companies controlled by parent companies	0	0
other	-209,174	-284,172
17bis) Exchange gains (losses)	-512	-358
TOTAL FINANCIAL INCOME AND CHARGES (C)	**178,876**	**-243,068**

CONSOLIDATED INCOME STATEMENT	FINANCIAL STATEMENTS AS 31/12/2016	FINANCIAL STATEMENTS AS 31/12/2015
D) VALUE ADJUSTMENTS ON 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	-5,685
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 VALUE ADJUSTMENTS ON FINANCIAL ASSETS (D)	**0**	**-5,685**
PROFIT (LOSS) BEFORE TAXES (A-B+/-C+/-D+/-E)	**9,740,938**	**10,723,083**
20) Income taxes for the year		
a) current taxes	-2,636,697	-1,194,851
b) deferred tax assets (liabilities)	-199,797	-838,125
21) PROFIT (LOSS) OF THE YEAR, GROUP AND MINORITY SHAREHOLDERS	**6,904,444**	**8,690,107**
PROFIT (LOSS) PERTAINING TO THE GROUP	**6,760,813**	**8,709,054**
PROFIT (LOSS) PERTAINING TO MINORITY SHAREHOLDERS	**143,631**	**-18,947**

These financial statements are accurate and match with the contents of corporate accounting books.

On behalf of the Board of Directors

The Chairman

4.1.4 Consolidated Statement of Cash Flow

CONSOLIDATED STATEMENT OF CASH FLOW	2016	2015
D) CASH FLOW FROM OPERATIONS		
Profit (loss) of the year	6,904,444	8,690,107
Income taxes	2,836,494	2,032,976
Interest expense (income)	184,008	243,068
(Dividends)	-362,884	0
(Gain) Loss from disposal of assets	-9,288	0
4) Profit (loss) of the year before taxes, interest, dividends and gains or losses from disposals	**9,552,774**	**10,966,151**
Adjustments of non-monetary items not reflected in the net working capital		
Amount allocated to provisions	323,659	1,353,292
Amortisation and depreciation of fixed assets	6,512,411	10,122,691
Write-downs for durable value impairment	351,858	343,259
Other increases (decreases) of non-monetary items	0	0
Total adjustments of non-monetary items not reflected in the net working capital	**7,187,928**	**11,819,242**
5) Cash flow before working capital variation	**16,740,701**	**22,785,393**
Difference in net working capital		
Decrease (increase) in inventory	-34,643	86,752
Decrease (increase) in trade receivables	-913,513	1,312,234
Increase (decrease) in trade payables	5,178,191	1,078,852
Decrease (increase) in accrued income and prepayments	316,553	32,110
Increase (decrease) in accrued expenses and deferred income	-674,743	-2,254,200
Other decreases (increases) in working capital	1,539,983	448,136
Total difference in net working capital	**5,411,828**	**703,884**
6) Cash flow after working capital variation	**22,152,529**	**23,489,277**
Other adjustments		
Interest collected (paid)	-183,245	-237,726
(Income taxes paid)	-94,378	-241,608
Dividends collected	362,884	0
(Amount of provisions used)	-2,218,469	-9,015,720
Other amounts collected (paid)	0	0
Total other adjustments	**-3,033,207**	**-9,495,054**
CASH FLOW FROM OPERATIONS (A)	**19,119,321**	**13,994,223**

CONSOLIDATED STATEMENT OF CASH FLOW	2016	2015
E) CASH FLOW FROM INVESTMENTS		
Tangible assets		
(Flow from investments)	-2,644,599	-2.609,796
Flow from divestments	9,288	0
Intangible assets	0	0
(Flow from investments)	-2,021,688	-667,040
Flow from divestments	0	0
Financial assets	0	0
(Flow from investments)	-40,300	-11,570
Flow from divestments	0	14,696
Current financial assets	0	0
(Flow from investments)	0	0
Flow from divestments	0	0
Acquisition or alienation of subsidiaries or business lines, net of cash and equivalents	-6,828	-2,071,674
CASH FLOW FROM INVESTMENTS (B)	**-4,704,126**	**-5,345,384**
F) CASH FLOW FROM BORROWING		
Borrowed resources		
Increase (decrease) in short-term payables to banks	0	0
New loans	0	0
(Repayment of loans)	-1,500,000	-1,500,000
Own resources	0	0
Paid-in capital increase	0	0
Refund of paid-in capital increase	0	0
Sale (purchase) of treasury stock	0	0
Dividends and advances on dividends paid	-1,898,586	-245,025
CASH FLOW FROM BORROWING (C)	**-3,398,586**	**-1,745,025**
INCREASE (DECREASE) IN CASH AND EQUIVALENTS (A+/-B+/-C)	**11,016,609**	**6,903,814**
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	**14,556,707**	**7,652,893**
CASH AND EQUIVALENTS AT END OF YEAR	**25,573,316**	**14,556,707**

4.2 Notes to the Consolidated Financial Statements
as of 31/12/2016

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 are 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
    - other 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 thousands, 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 127/91, were consolidated fully, except

for SAGAT Engineering S.r.l., that was put into liquidation effective from 12 May 2015. In accordance with the provisions in art. 28 (2) of Legislative Decree 127/91, considering also that its financial statements are drafted in a different form than those of the other SAGAT Group companies, it was not included in the consolidation. The list of companies included in the consolidation is given below:

Company	Registered address	Share capital	Shareholders' equity	Interest share %
SAGAT S.p.A.	Caselle T.se	12,911	47,621	Holding Company
SAGAT Handling S.p.A.	Caselle T.se	3,900	3,097	100%
Aeroporti Holding S.r.l.	Caselle T.se	11,000	17,813	55.45%

In 2016, the associated company Air Cargo Torino S.r.l. was put into liquidation. Therefore, the consolidation does not include any company consolidated by the equity method.
The following holdings are valued by the cost method:

Company	Registered address	Share capital	Shareholders' equity	Interest share %
Aeroporto G. Marconi di Bologna S.p.A. (1)	Bologna	90,250	158,048	5.91%

(1) Figures from the latest financial statements available as of 31/12/2015

Please note that the scope of consolidation has changed compared to the previous year due to the removal of the subsidiary Sistema S.r.l., that was finally liquidated on 22 December 2016.

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 of equity 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 of 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 in the 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 31.12.2016, prepared by the respective Boards of Directors for the respective shareholders' approval, were used for consolidation purposes. In the case of associated companies, the latest financial statements approved available for the year 2014 were used.

5. The consolidated financial statements were prepared following uniform accounting standards 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. Legislative Decree 139/2015 has amended art. 2423 (4) of the Civil Code, providing that recognition, valuation, presentation and disclosure obligations need not be complied with if they are irrelevant for the purposes of giving a faithful and accurate picture of the balance sheet, financial position and income statement of the Group (while the obligation to keep accurate accounting records remains without question). Moreover, art. 2423 bis (1-bis) of the Civil Code has been amended with the introduction of a principle whereby financial statements items must be recognized and presented taking into account the substantiveness of each transaction or agreement. This principle therefore expresses the prevalence of substantiveness over form, which implies that events and transactions are recorded according to their economic substantiveness and not to merely formal aspects.

9. In compliance with art. 2423-ter of the Civil Code, pursuant to Legislative Decree 139 of 18/8/2015, all financial statement items, except those relating to derivative financial instruments, are comparable. The principles followed in the preparation and valuation of the financial statements as at 31/12/2016 take into account the new rules introduced by Legislative Decree 139/2015, in enforcement of Directive 2013/34/EU. Legislative Decree 139/2015 has amended the Italian accounting standards, especially with regard to the application of the new standard denominated “OIC 12 – Formation and financial statements for the annual accounts”. The effects of the amended accounting standards were applied retroactively and, for comparison purposes, the non-recurring income and expenses and the assets and liabilities from the previous year were reclassified accordingly, with the only exception of the effects relating to derivative financial instruments. Under accounting standard #32, “Derivative financial instruments”, when calculating the effectiveness of derivative instruments subscribed to hedge cash flows as at the opening date of the financial year in which AS #32 is applied for the first time, any ineffective portion, where existing, must be computed in the gains or losses from previous years, while the effective portion must be included in line A) VII, Reserve for cash flow hedging transactions. This allows to record in the income statement for the year when first adopted only the effects of the hedging that accrue therein, with no need to show again the comparative figures from the consolidated financial statements 2015.

10. Where necessary, the items of the consolidated financial statements 2015 were recalculated in the light of the principles introduced by Legislative Decree 139/2015, according to the principle of comparability

provided for in art. 2423 ter (5) of the Civil Code, to make them comparable with the figures as at 31/12/2016.

4.2.2 Criteria followed in item valuation, value adjustment and foreign currency translation

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 released on 22 December 2016. The valuation principles followed in the preparation of the consolidated financial statements as at 31 December 2016 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. Their 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.
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.

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 those 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	**Depreciation rate**
buildings and pertaining roads	4%
aircraft runways and aprons	expected useful life commensurate to the concession term, expiring in 2035
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. However, the full rates were applied to the assets that started being used at the beginning of the year.

As 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.

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 as per art. 104 of the TUIR, because in this case it matches with the residual useful life of the assets.

Financial assets

These are the costs of long-term financial investments.
Investments in associated companies were recorded by the equity method. Investments in companies that are neither subsidiaries not associated companies were recorded at cost, adjusted to take account of durable impairment, where applicable. If the reasons for such adjustments cease to exist in subsequent years, then the original value will be reinstated.
The accounts receivable are shown at their presumable realisation value.
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 (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 initial value and value upon expiration have scarce relevance, or if the receivables are of short-term nature (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 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 (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 initial value and value upon expiration have scarce relevance, or if the receivables are of short-term nature (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 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 27 December 2006, no. 296 (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 accruing as until 31/12/2006 remain with the company;

- the portions of TFR accruing effective from 1 January 2007, according to 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 agency.

The portions accruing in the reference year since 1 January 2007 are still shown in line B9 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 of 31 December 2016; captions D13, “Social security payables” and D14, “Other payables” show the accounts payable as of 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 initial value and value upon expiration have scarce relevance, or if the receivables are of short-term nature (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 —that 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 lead 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

The corporate income taxes ("IRES" and "IRAP") payable, shown in line E.22, were calculated in accordance with tax regulations on the basis of the estimated taxable income.
Already from the year ended 31 December 2004, the holding company SAGAT, acting as parent company, had opted for consolidated taxation pursuant to articles 117 et seq. of President's Decree. 917/86. Therefore, SAGAT S.p.A. calculates the IRES owed by the Group in accordance with the rules mentioned above, offsetting its result with the positive and negative taxable bases of the consolidated companies.
The economic relationships, the responsibilities and the mutual obligations that the consolidated companies have with one another, are defined in the "bilateral agreements on tax consolidation and relevant information flows" signed by the Group companies, whereby:

- the subsidiaries with a positive taxable income will transfer to the parent company the funds corresponding to the greater tax owed by the latter on the consolidated income; in this case, instead of recording the taxes for the year, the subsidiaries will record the account payable to the holding company, that will pay the tax;

- the subsidiaries with a negative taxable income will receive a compensation corresponding to the tax savings that they would benefit from without the tax consolidation, regardless of whether the loss is included or not in the calculation of the Group's income; in this case, the subsidiary will record an account receivable from the parent company equal to the tax benefit that will become available to the latter, and deduct the corresponding consolidation gain from the current taxes for the year;

- by virtue of principal or joint and several liability, each subsidiary agrees to refund any amounts that the parent company may be required to pay to the Tax Office for facts under the responsibility of that subsidiary;

- the parent company is solely entitled to decide whether to file appeals against tax assessments and/or penalties in circumstances subject to joint and several liability of the parent company and the subsidiaries.

Deferred taxes

The Group 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.4-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 temporary differences that led to recording deferred tax assets and liabilities, their rates and the differences (compared to the prior year) in the amounts credited and/or charged to the income statement and to the shareholders' equity, are described and shown in the tables commenting the deferred tax assets and liabilities for the year.

As the consolidation agreements provide that the consolidated companies be entitled to a refund of the tax savings corresponding to the fiscal losses transferred to the parent company, where such losses exist, the corresponding amount of deferred tax assets was not recorded.

Principles for the translation of items stated in foreign currencies

Any assets and liabilities other than non-monetary fixed assets were recorded at the exchange rate in force at year-end; any net gains were 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 127/1991 are given in the same order as in mandatory financial statements patterns.

BALANCE SHEET

As a consequence of the passing of Legislative Decree 139/2015, enforcing Directive 2013/34/EU, and of the reformulation of accounting standard OIC 12, the structure of the balance sheet has been changed, as described in better detail in the relevant sections of these Notes. For a clearer comparison between 2016 and 2015 figures, 2015 figures were recalculated according to the accounting standards currently applicable.

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 €3,098 thousand, have decreased on aggregate by €107 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.

	01/01/2016			Difference					31/12/2016
	Historical cost	Amortisation provision	**Valued carried**	Purchases capitalisation	Reclass. +(-)	Disposals/Write-offs	Sv.(-)/Ripr.	Amortisation	**Valued carried**
B.I.1 Start up and improvement costs	35	34	1					-1	-
B.I.3 Industrial patent and intellectual property rights (ex B.I.4)	3,205	2,644	561	305				-385	481
B.I.6 Investments in progress and payments on account	1,068	-	1,068	204	-316				956
B.I.7 Other assets	27,578	23,003	1,575	1,499	331			-1,744	1,661
Total intangible assets	**31,886**	**28,681**	**3,205**	**2,008**	**15**	**0**	**-**	**-2,130**	**3,098**

The variation shown in caption B.I.3 “Industrial patent and intellectual property rights”, net of amortisation for €385 thousand, relates to the installation of new software or the implementation of existing software by the Holding Company (€301 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 decreased by €122 thousand compared to the prior year, mostly due to the increase in the value of assets purchased in previous years and come into use during 2016, compared to the value of the assets purchased 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 €1,839 thousand and was amortised for €1,744 thousand, out of a total of €2,130 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 €47,647 thousand and have decreased on aggregate by €2,090 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.

	01/01/2016				Difference						31/12/2016			
	Historical cost	Reval. As per Laws 72/1983 and 342/2000	(Depreciation provisions)	**Valued 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)	**Valued 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)	81,149	282	-47,215	**34,216**	338	904				-2,235	82,391	282	-49,450	**33,223**
B.II.bis 2 Plant and machinery (1)	60,373	6,567	-61,493	**5,447**	1,287	584				-1,184	62,244	6,567	-62,677	**6,134**
B.II.3 Operating and sales equipment	14,128	182	-13,169	**1,141**	441					-490	14,569	182	-13,659	**1,092**
B.II.4 Other assets	32,021	1,958	-33,893	**1,086**	399		-75	75		-474	33,345	1,958	-34,292	**1,011**
B.II.5 Investmens in progress and payments on account	4,331			**4,331**	262	-1,503	-419				2,671	-	-	**2,671**
Total tangible assets	**196,518**	**8,989**	**-155,770**	**49,737**	**2,609**	**-15**	**-494**	**75**	**-**	**-4,383**	**198,736**	**8,989**	**-160,078**	**47,647**

1] Freely transferable assets

The caption “Buildings and related roads” (B.II. bis 1 and 1 bis) has decreased on aggregate by €993 thousand. The variation, ascribable entirely to the Holding Company, was caused by the joint effect of purchases (€338 thousand), capitalisation of assets previously recorded as investments in progress (€904 thousand) and annual depreciation (€2,235 thousand). In particular, the construction works implemented by the Holding Company at the passenger terminal and various airport buildings were capitalised for a total amount of €450 thousand. No obsolete assets were disposed of during the year.

The caption “Plant and machinery” (B.II. bis 2) has increased on aggregate by €687 thousand. The variation, ascribable entirely to the Holding Company, is due to purchases (€1,287 thousand), capitalisation of assets previously recorded as investments in progress (€584 thousand) and annual depreciation (€1,184 thousand). In particular, the increases relate to the capitalisation of new lighting structures at the passenger terminal (€180 thousand in total) and revamping interventions on boarding bridges (€155 thousand), plus installation of new restrooms and a new shopping plaza at the airport (€90 thousand). No obsolete assets were disposed of during the year.

The caption “Operating and sales equipment” (B.II.3) has decreased on aggregate by €49 thousand, due to purchases (€441 thousand) and annual depreciation (€490 thousand). Among the most significant additions there is a truck-mounted work platform valued €160 thousand. No obsolete assets were disposed of during the year.

The caption “Other assets” (B.II.4) has decreased on aggregate by €75 thousand, due to depreciation (€474 thousand) and new purchases (€399 thousand in total). The increase is due mostly to the capitalization of hardware for the CUTE system (€61 thousand), as described in detail in the Directors' Report section on investments. Obsolete and fully depreciated assets were dismissed by the Holding Company in the year for a total value of €75 thousand.

The caption “Investments in progress and payments on account” (B.II.5) has decreased by €1,660 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 value revaluation*	*Statutory 72/83*	*Revaluation per Law 342/2000*	*Total*
B.II.1 Land	3,516			3,516
B.II.1 Buildings and related roads	82,391	282		82,673
B.II.2 Plant and machinery	62,244	50	6,517	68,811
B.II.3 Operating and sales equipment	14,569	182		14,751
B.II.4 Other assets	33,345	52	1,906	35,303
B.II.5 Investments in progress and payments on account	2,671			2,671
Total tangible assets	**198,736**	**566**	**8,423**	**207,725**

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. 2424 (1. 8) of the Civil Code):

Item	**Gross value**
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 €17,705 thousand in total.
The equity investments recorded amount to a total of €17,652 thousand, of which €11 thousand in subsidiary companies and €17,641 thousand in other companies.

In 2016 the caption "Investments in subsidiary companies" has decreased by €1 due to the final closing, on 26 July 2016, of the liquidation procedure for Torino Servizi, that had started on 18 October 2004; the item relates to the book value of the share held by the Holding Company in SAGAT Engineering, that started its voluntary liquidation procedure on 12 May 2015. As of the closing date of these financial statements, the liquidation procedure was still open.

The caption "Investments in associated companies" has not changed and amounts to €0. As of the date of preparation of these financial statements, the liquidation of the associated company Air Cargo Torino S.r.l., started on 15 September 2015, was still open.

The caption “Investments in other companies" remains the same as in 2015 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 31/12/2015 and are shown in accordance with art. 2427 (1.5) of the Civil Code:

Company	Registered address	Share capital	Shareholders' equity	Interest share %
Aeroporto G. Marconi di Bologna S.p.A.	Bologna	90,250	158,048	5.91%

Please note that, as at 31 December 2016, Aeroporti Holding holds 2,134,614 common shares of AdB, the value of which remains unchanged compared to the prior year and, as of December 31, 2016, accounts for 5.91% of the share capital of Aeroporto di Bologna.

Short-term receivables for a total of €53 thousand are short-term receivables from associated companies (€43 thousand) and cash deposits (€10 thousand). The €40 thousand increase recorded during the year is due to a payment of €43 thousand made to the liquidator of the associated company Air Cargo Torino S.r.l. to provide him with the necessary resources for the liquidation, and to a decrease in the cash deposits lodged in past years (€3 thousand).

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, the Company has 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.

For further details on the removal of the value of treasury shares from the fixed assets and on the concomitant recording of a negative reserve for treasury shares of €-4,824 thousand, please refer to the shareholder's equity section of these Notes.

Inventory

The inventory, totalling €376 thousand, relates basically to raw and ancillary materials, consumables and maintenance materials belonging to the Holding Company. The item has increased by €35 thousand compared to 2015.
At year-end, the inventory did not include any item that could be expected to be realised at a lower price than the respective inventory value.

Accounts receivable

These are recorded for a total of €24,266 thousand, compared to €24,339 thousand in 2015. The total relates mostly to customers in Italy or in European Union countries.

The caption “Accounts receivable from customers” has increased by €913 thousand, from €11,979 thousand as at 31/12/2015 to €12,892 thousand as at 31/12/2016. The increase, essentially attributable to the Holding Company, reflects the significant increase in the sales volume by more than 15 percentage points, as well as the different breakdown of the amounts collected at year-end, compared to 2015.

This caption includes accounts receivable at a face value of €15,418 thousand (€14,464 thousand in 2015) net of the write-down (€2,526 thousand) allocated to the provision for bad debts and to the provision for bad debts on interest in arrears. The provisions for bad debts were reduced during the year by a total amount of €41 thousand (of which €39 thousand released and €6 thousand used) and were then reinstated with a new allocation of €86 thousand. Therefore, the total value of the provisions is sufficient to cover risks of non-collection of the accounts receivable existing at year-end.
The caption “Accounts receivable from subsidiary companies” has been brought to nil from the €802 thousand recorded in 2015. The decrease reflects entirely the already mentioned completion of the voluntary liquidation of the subsidiary Torino Servizi S.r.l. For the sake of complete disclosure, we remind that the Holding Company had prudentially allocated the amount of these receivables to the provisions for liabilities and risks already in previous years.

Tax receivables are recorded for €2,150 thousand (€2,846 thousand as at 31/12/2015). Of these, the receivables due beyond 12 months amount to €69 thousand. The details of tax receivables are shown in the table below:

Detail	2016	2015
IRES receivables	30	127
IRES refund receivables	882	882
IRAP receivables	24	65
Creditor VAT	1,036	1,504
Other	178	268
Total	**2,150**	**2,846**

Please note that the “Account receivable on IRES refund”, €882 thousand as in 2015, 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 18/02/2013 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. A portion of the refund was collected in 2014.
The balance of the captions “IRES receivables” and “IRAP receivables” represents, as far as IRES is concerned, the difference between the payments on account made during the year and the amount payable as it results from the tax consolidation and, as far as IRAP is concerned, the difference between the payments on account made during the year and the amounts payable as they result from each company's tax return.

The caption "Deferred tax assets and liabilities" amounts to €2,014 thousand and is detailed in the table below:

	IRES	IRAP	TOTAL
A) Temporary differences			
Total deductible temporary differences	7,670	5,524	
Total taxable temporary differences	-241	0	
Net temporary differences	7,429	5,524	
B) Fiscal effect			
Provision for deferred tax liabilities (assets) at beginning of year	-1,953	-261	**-2,214**
Deferred tax liabilities (assets) for the year	170	30	**200**
Provision for deferred tax liabilities (assets) at end of year	-1,783	-231	**-2,014**

The caption “Other accounts receivable”, totalling €7,210 thousand, has increased by €714 thousand compared to the prior year. The variation in the components of this figure includes the increase in the accounts receivable by the Holding Company from airlines on municipal income tax. This account receivable represents the contra entry of the municipal income taxes payable by SAGAT to the Tax Office.

Specification	**31/12/2016**	**Of these, due beyond 12 months**	**31/12/2015**	**Of these, due beyond 12 months**	**Difference**
Receivable from the Municipality of Turin	211		211		-
Other receivables from the Public Administration	33		33		-
Payments on account to vendors and credit notes expected	1,127		975		152
Receivables from carriers on municipal tax	5,186		4,686		500
Other receivables	653		591		62
Total	7,210	-	6,496	-	714

The caption “Accounts receivable from the Municipality 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 Municipality of Turin after the construction contractor ICEM went bankrupt and the guarantor insurer FIRS was placed into forced liquidation, as neither of the latter 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 caption "Other accounts receivable" includes €5,186 thousand in receivables on municipal taxes owed to the Holding Company by the carriers working at the airport.

Cash and cash equivalents

These include:

- as to bank and post office deposits, the funds available immediately or in the short term on deposits or current accounts with banks and post offices;

- as to cash in hand, the liquidity existing as at 31 December 2016 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:

Detail	2016	2015	Difference
Cash in bank and post ofice current accounts	25,522	14,469	11,053
Cash and valuables in hand	44	36	8
Cheques	8	52	-44
Total	**25,573**	**14,557**	**11,017**

Accrued income and prepayments

These total €427 thousand (€744 thousand as at 31/12/2015), as better detailed below:

	2016	2015
Accrued income		
TOTAL ACCRUED INCOME		
Prepayments		
Insurances	158	188
Other	109	141
Employee	460	415
TOTAL PREPAYMENTS	**427**	**744**
TOTAL	**427**	**744**

The caption "Insurance" includes the portions of insurance premiums paid in 2016 and accruing in the subsequent year.

Shareholders' equity

The capital stock of the Holding Company amounts to Euro 12,911,481, unchanged from the prior year, composed of 2,502,225 shares each with a face value of €5.16. At year-end, it was distributed as follows among the shareholders:

2i Aeroporti S.p.A.	54.88%
Equiter S.p.A.	12.40%
FCT Holding S.p.A.	10.00%
Finpiemonte Partecipazioni S.p.A.	8.00%
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 “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 2016.

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, €13,472 thousand, entirely made up of annual profits and has increased by €7,617 thousand compared to the prior year. The increase is due, in the first place, to the allocation of the profits earned in 2015; moreover, 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 balance of the extraordinary reserve as at 31 December 2015 has increased by €4,824 thousand due to the reclassification of the amount previously included in the reserve for treasury shares.

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 2015;

The Holding Company has created a reserve for the hedge of expected cash flows for €227 thousand, after recognizing the expected cash flows from an I.R.S. 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 €227 thousand reflects the negative mark-to-market of the hedge instrument as at 31 December 2016. The amount was recorded in accordance with the above-referred Legislative Decree 139/15, with a corresponding contra entry to the provisions for risks.

The caption "Profit (loss) carried forward" (€832 thousand) has decreased by €908 thousand compared to the prior year.

The negative reserve for treasury shares (€-4,824 thousand) was created by the Holding Company in accordance with the above-referred Legislative Decree 139/15 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", €7,436,294 includes the capital and reserves of subsidiaries pertaining to minority shareholders and shows an increase by €143,631 in the year, due to the attribution to minority shareholders of their portion of the 2016 profits of the subsidiary Aeroporti Holding.
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 result
Equity and net result, SAGAT	**47,620,510**	**6,452,543**
Difference between carrying value and equity of consolidated companies	4,531,145	308,269
Consolidation adjustments	0	0
Equity and net result pertaining to the Group	**52,151,655**	**6,760,813**
Equity and net result pertaining to minority shareholders	**7,436,294**	**143,631**
Equity and net result pertaining to the Group and to minority shareholders	**59,587,949**	**6,904,444**

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 instrument s	Other provisions	Total provision s for future liabilities
Amount at beginning of year	0	0	0	6,945	6,945
Variations during the year					
Amount allocated in the year	0	0	0	324	324
Amount used in the year	0	0		-1,937	-1,937
Other variations	0	0	227	-45	182
Total variations	0	0	227	-1,658	-1,431
Balance at end of year	0	0	227	5,287	5,514

The provision for future liabilities, €5,514 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 €1,431 thousand, as a consequence of the following:

- provisions created in past years were used to cover the circumstances for which they were created (€1,937 thousand);
- €45 thousand were released because expected liabilities materialized but for amounts lower than the amounts already allocated;
- a total of €324 thousand were allocated to cover new potential liabilities arisen during the year;
- an adjustment of €227 thousand was made to the provision for risks to counter the creation of an equity reserve of identical amount to hedge the expected cash flows arising from an I.R.S. 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 €227 thousand reflects the negative mark-to-market of the hedge instrument as at 31 December 2016. The value of the provision for risks was adjusted in accordance with the above-referred Legislative Decree 139/15.

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 2016, kept with the company, contributed to pension funds and allocated to the INPS Treasury Fund.

The caption "Amount used" includes the TFR accrued in pension funds and in 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	**3,512**
Variations during the year	
Amount allocated in the year	951
Amount used in the year	1,188
Other variations	0
Total variations	-237
Balance at end of year	**3,275**

Accounts payable

The accounts payable are recorded for €41,394 thousand (€54,224 thousand as at year-end 2015). 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 €4,500 thousand (€6,000 thousand in the prior year) relate entirely to the long-term loan obtained 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 to a total of €16,020 thousand (€10,982 in 2015) and have increased by €5,178 thousand, due mostly to payables associated to the investments made by the Group towards the end of the year.

The accounts payable to subsidiary companies, totalling €16 thousand, reflect the exposure of Group companies towards other Group companies not included in the consolidation because under voluntary liquidation.

The accounts payable to subsidiary companies, totalling €6 thousand, reflect the exposure of the Holding Company SAGAT towards the associated company Air Cargo Torino in liquidation, against the purchase of certain minor assets.

The payables to companies controlled by parent companies amount to €110 thousand and have decreased by €31 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 2iAeroporti S.p.A.

Tax payables, totalling €2,527 thousand, are detailed in the table below:

	31/12/2016	31/12/2015
Corporate income tax - IRES	1,182	0
Regional tax - IRAP	264	0
PAY tax on employment income	447	483
Taxes on fee increases	629	606
Other	5	4
Total	**2,527**	**1,093**

The item does not include payables due beyond 12 months.

Social security payables are all due within 12 months. They amount in total to €1,094 thousand and shown in the table below:

	31/12/2016	31/12/2015
Payables to INPS/INAIL	1,073	1,047
Other	21	29
Total	**1,094**	**1,076**

The other payables, totalling €17,121 thousand, relate to:

	31/12/2016	31/12/2015
ENAC / Concession fee	1,218	285
Employees	1,459	1,301
Surtaxes on boarding fees	6,027	5,694
Other payables	8,417	7,276
Total	**17,121**	**14,556**

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 significant increase in this item is due to the removal of the 75% reduction (pursuant to art. 11-decies, Law 248/2005) of the airport concession fee after the adjustment of the Holding Company's handling rates effective from 1 May 2016.
The account payable to the Tax Office on municipal taxes (€6,027) has increased in the year by €333 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 €6,263 thousand, the account payable on fire-fighting services at the airport as governed by the 2007 Finance Act.

Accruals and deferred income

As at 31 December 2016, these amount on aggregate to €9,322 thousand (€9,996 thousand as at 31.12.2015) and are composed as detailed below:

	Accrued expenses	Premium on loans granted	Deferred income	Total accrued expenses and deferred income
Amount at beginning of year	**1,586**	**0**	**9,994,696**	**9,996,282**
Variations during the year	-1,187	0	-673,556	-674,742
Balance at end of year	**399**	**0**	**9,321,140**	**9,321,539**

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 2016 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				6,000,000			10,841,760	
Variations during the year				-1,500,000			5,178,192	
Balance at end of year				4,500,000			16,019,951	
Portion due within 12 months				1,500,000			16,019,951	
Portion due after 12 months				3,000,000				
Of these, payable beyond 5 years								

	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	1,516,364	0		140,720	1,092,908	1,076,082	14,556,495	35,224,329
Variations during the year	-1,500,523	6,100		-30,920	1,434,467	17,783	2,564,703	6,169,802
Balance at end of year	15,841	6,100		109,800	2,527,376	1,093,865	17,121,199	41,394,131
Portion due within 12 months	15,841	6,100		109,800	2,527,376	1,093,865	16,981,872	38,254,804
Portion due after 12 months							139,327	3,139,327
Of these, payable beyond 5 years								

Memorandum accounts

Their breakdown and nature are shown below:

Nature	31/12/2016	31/12/2015
Third-party assets received in concession	59,654	59,654
Personal guarantees received from third parties	10,872	9,836
Total	**70,526**	**69,490**
Personal guarantees given to third parties	78	78
Total	**78**	**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 Town 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.
The personal guarantees given to third parties, €78 thousand, relate to personal guarantess given by FINAIRPORT S.p.A: (now SAGAT Handling) to an insurance company —pro-rated with the other shareholders— against the bank guarantee given by the insurer to the Town of Ciriè on behalf of the subsidiary CIRIE' 2000 S.r.l. for urban development and construction costs relating to that company, and against an application for VAT refund, again on behalf of the subsidiary CIRIE' 2000 S.r.l.

INCOME STATEMENT

Income statement items are classified in accordance with the Civil Code and the new accounting standard "OIC 12 - Formation and financial statements for corporate annual accounts" issued by OIC in December 2016.
The effects of the amended accounting standards were applied retroactively and, for comparison purposes, the non-recurring income and expenses from 2015 were reclassified accordingly. Those reclassifications did not give rise to any change in the net result for the year.
The most relevant income statement components for 2016 are commented 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 2016	Year 2015
Revenues from air traffic	23,295	14,716
Security	7,902	6,052
Handling and air traffic services	13,922	13,259
Car parking services	5,970	5,396
Subcontracted services	4,069	3,440
Subcontracted businesses and airport spaces	4,901	5,167
Centralised infrastructures	3,260	6,015
Assets in exclusive use	565	576
Assets used in common	17	84
Other revenues	100	74
Total	**64,001**	**55,229**

Other revenues and proceeds

The other proceeds are broken down as follows:

	Year 2016	Year 2015
Recovery of utilities in common and miscellaneous expenses	136	76
Miscellaneous contingent gains	147	1,217
Other income	954	9,497
Construction grants	671	2,270
Total	**1,908**	**13,060**

Please note that, after 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 other revenues and proceeds, totalling €1,808 thousand, has decreased noticeably compared to the prior year.

To this regard, please note that the significant reduction in this item is due mostly to the reduction, among the other income recorded by the Holding Company, in the "grants for plant and equipment investments" component by €1,599 thousand and to the presence of two major non-recurring income components in 2015. These were: i) the entire the provision for the maintenance of leased assets (€8,481) that was released to the income statement, and the portion of accounts payable for 2009 (€743 thousand) relating to the so-called Fire Prevention provision, that was adjudged as not owed by SAGAT under a final Court award.

The grants for plant and equipment investments include, according to the criteria described above, the portion accruing in 2016 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 €65 thousand;

PRODUCTION COSTS

Purchase of raw and ancillary materials, consumables and goods

These costs are broken down as follows:

	Year 2016	Year 2015
Maintenance materials	416	344
Miscellaneous materials	109	105
Materials for resale	366	289
Fuels and lubricants	547	629
De-icing	260	251
Stationery and prints	62	75
Total	**1,760**	**1,693**

Services

The costs of services include:

	Year 2016	Year 2015
Miscellaneous services	3,102	2,679
Assistance, storage and PRM services	368	599
Electricity and other utilities	3,215	3,311
Technical, management, marketing advice	752	774
Watch services	2,880	2,498
Cleaning, waste collection and disposal	940	829
Maintenance / repair and misc. contractual costs	1,426	1,525
Maintenance and repair of leased assets	304	720
Business and general insurance	414	405
Misc. staff costs (cafeteria, training, T&E, etc.)	662	576
Other	8,608	6,629
Total	**22,672**	**20,546**

Leasehold assets

Leasehold costs include:

	Year 2016	Year 2015
Airport fee	1,736	519
Rent owed to Municipality of Turin	0	340
Rent owed to Municipality of San Maurizio	24	24
Other concession fees (radio)	93	87
Leases and rentals	131	170
Total	**1,984**	**1,140**

Staff costs

Staff costs, inclusive of outsourced staff, amounted on aggregate to €20,713 thousand (€19,708 thousand in 2015), with an increase by about €1,005 thousand compared to the prior year.
The increase is due mostly to the effects of the last tranches associated to the renewal of the collective bargaining agreement and to the new hirings implemented in order to handle the greater traffic volumes arisen during the year.
The average number of Group employees in the year is 373.9 FTE and has increased by 13.3 FTE ccompared to 2015. The headcount is 396 (annual average), of which 24.2 on term employment contracts.

The breakdown of total Group employees by category in 2016 and 2015 is shown below.

Category	Average number 2016	Average number 2015	Difference (in absolute terms)	Percentage variation
Executives	4.08	4.58	-0.5	-10.92%
White collars	235.35	228.65	6.7	2.93%
Blue collars	134.44	127.32	7.12	5.59%
Total	**373.87**	**360.55**	**13.32**	**3.69%**

Amortisation, depreciation and write-downs

These are broken down as follows:

	Year 2016	Year 2015
Depreciation of tangible assets	4,383	7,470
Amortisation of intangible assets	2,130	2,653
Other write-downs of fixed assets	0	26
Write-downs of accounts receivable	86	116
Total	**6,598**	**10,265**

This component has decreased compared to the prior year by €3,667 thousand, basically due to ordinary life cycle and replacement of fixed assets; in particular, the depreciation cycle for the investments made by the Holding Company on the occasion of the Turin 2006 Olympics, that had higher depreciation rates, has ended.
No fixed asset was written down during the year.

As mentioned earlier, the provision for bad debts received an allocation of €86 thousand, in order to be adjusted to the Company's actual needs.

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 €35 thousand in the year, and the relevant purchase costs have decreased accordingly. Iin 2015 the caption had shown a decrease by €87 thousand.

Provisions for liabilities and risks

An amount of €324 thousand was allocated in the year to the provision for liabilities and risks in order to cater for the losses or payables of certain nature and of probable or certain occurrence, the amount or date of occurrence of which is however uncertain as of 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 relate to the following:

	Year 2016	Year 2015
Entertainment / guest expenses	59	56
Contingent liabilities / assets no longer existing	540	745
Membership fees	141	133
Damages liquidated to third parties	6	169
Fire Department fees	649	649
Municipal property taxes	225	225
Other	710	549
Total	**2,330**	**2,526**

This caption has decreased by €195 thousand compared to the prior year.

Financial income and expense

The balance of this caption, €+179 thousand, arises almost entirely from the dividends received from the subsidiary Aeroporti Holding on the equity share held by that company in AdB, less the interest expense paid on bank loans.

	Year 2016	Year 2015
Interest and other financial expense	-210	-285
Income from equity investments	363	0
Other financial income	26	41
Total	**179**	**-243**

Adjustments to the value of financial assets

This caption amounts to nil in 2016, while it had increased by €6 thousand in 2015. The reason lies in the write-down of the equity share held by the Holding Company SAGAT in the subsidiary Air Cargo.

Income taxes

This item, totalling €2,836 thousand, is composed of the estimated amount of income taxes for the year plus deferred tax assets and liabilities.

	Year 2016	Year 2015
IRES	2,148,259	957,723
IRAP	488,438	237,128
Deferred tax assets (liabilities)	199,797	838,125
Total	**2,836,494**	**2,032,976**

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 2016, compared with the corresponding period in 2015.

	Year 2016	Year 2015
EBT	9,740,938	10,723,083
Theoretical IRES rate (%)	27.50%	27.50%
Theoretical income tax	2,678,758	2,948,848
Tax effects of IRES variations	-530,499	-1,991,125
Effects of deferred tax	199,797	838,125
IRAP	488,438	237,128
Income taxes carried (current and deferred)	**2,836,494**	**2,032,976**

The theoretical tax burden was calculated by applying the current corporate income tax ("IRES") rate (27.5%) 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, €6,904,444, is composed of the net profit of the Group (€6,760,813) and the profit pertaining to minority shareholders (€143,631).

4.2.4 Other information

SIGNIFICANT EVENTS OCCURRED AFTER THE CLOSING OF THE YEAR AND PREDICTABLE DEVELOPMENTS
On 6 April 2017, the company 2i Aeroporti S.p.A. notified its purchase from Equiter S.p.A., on 31 March 2017, of the 12.40% share of SAGAT S.p.A. held by Equiter. After such transaction, the share held by 2i Aeroporti S.p.A. in SAGAT S.p.A. has risen to 67.28%.
Therefore, the ownership pattern of SAGAT S.p.A. as at 31 March 2017 is as follows:

Shareholders	No. of shares, each with a face value of €5.16	%	Share capital
2i Aeroporti S.p.A.	1,683,417	67.28%	8,686,431.72
FCT Holding S.p.A.	250,223	10.00%	1,291,150.68
Finpiemonte Partecipazioni S.p.A.	200,211	8.00%	1,033,088.76
Tecno Holding S.p.A.	169,028	6.76%	872,184.48
Metropolitan City of Turin	125,168	5.00%	645,866.88
Treasury stock	74.178	2.96%	382,758.48
Share capital of SAGAT S.p.A.	**2,502,225**	**100%**	**12,911,481.00**

Passenger traffic data at Torino Airport showed, in the first two months of 2017, a 6.9% increase in passengers and a 4.5% increase in movements compared to the corresponding period in 2016. Therefore, the airport has now experienced 38 consecutive months of growth. This is even more important if we consider that 2016 was a leap year and the adjusted YTD passenger growth is 8.7%.
The increase in passenger traffic relates to the growth in both domestic and international scheduled traffic (+4.1% and +9.4% respectively).
The table below shows the main figures and variations for the period in question:

	Current year	Previous year	Difference compared to previous year	% of total
Domestic	289,876	278,372	11,504	4.1%
International	297,430	271,954	25,476	9.4%
Charter	74,366	67,927	6,439	9.5%
General Aviation	886	1,059	-173	-16.3%
Connecting	439	1,327	-888	-66.9%
Total	**662,997**	**620,639**	**42,358**	**6.8%**
Total Passenger Aviation	**662,111**	**619,580**	**42,531**	**6.9%**

As far as the activities of the subsidiary SAGAT Handling are concerned, in the opening months of 2017 there has been a reduction, compared to 2015, in handled movements (-16.6%), tonnage (-23.6%) and passengers (-11.7%). Again compared to 2015, the market share has decreased from 78.8% to 63.5%.
Cargo traffic has increased instead by +17.5%.

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 2016
Directors	627
Statutory Auditors	96
Total	**742**

These emoluments are recorded as costs for 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	2016		
	SAGAT	SAGAT HANDLING	TOTAL SAGAT GROUP
Annual statutory audit of the accounts	15	10	25
Other audit services	6	6	12
Other non-audit services	9		9
Total	**30**	**16**	**46**

On behalf of the Board of Directors

The Chairman

4.3 Independent Auditors'Report to 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.

Auditors' report to the consolidated financial statements

We have audited the consolidated financial statements of the Sagat Group, comprising the balance sheet as of 31 December 2016, the income statement for the year ended on that date and the relevant supplementary notes.

Directors' responsibilities for the consolidated financial statements

The Directors are responsible for preparing the consolidated financial statements so as to provide a faithful and accurate picture of the company accounts, in accordance with the Italian provisions of law governing their drafting principles.

Auditors' responsibilities

We are responsible for providing our professional opinion on the consolidated financial statements, based on our audit. We have performed our audit based on international auditing standards (ISA Italia) developed pursuant to art. 11 (3) of Legislative Decree 39/10. These standards require compliance with ethical principles as well as the planning and performance of the audit with a view to obtaining reasonable certainty that the consolidated financial statements do not contain material errors.

The audit implies the implementation of procedures aimed at obtaining evidence of the figures and the information contained in the financial statements. Audit procedures are chosen based on the auditors' professional opinion, which includes an assessment of the risk of material errors in the consolidated financial statements of fraudulent nature or caused by unintentional behaviour or events. As a basis for such risk assessment, the auditors take into account the internal audit process that accompanied the preparation of the company's consolidated financial statements to provide a faithful and accurate picture of the accounts, solely for the purpose of setting the auditing procedures most appropriate to the circumstances, and not for the purpose of expressing any judgement on the effectiveness of the company's internal audit. The independent audit also implies an evaluation of the suitability of the accounting standards adopted, of the rationale of the accounting estimates made by the Directors, and of the presentation of the consolidated financial statements as a whole.

We believe we have obtained enough evidence for us to express our opinion.

Opinion

In our opinion, the consolidated financial statements provide a faithful and accurate picture of the financial position and standing of the Sagat Group as at 31 December 2016 and of the 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.

Report on other provisions of law

Opinion on the consistency of the Directors' report with the consolidated financial statements

We have followed the procedures indicated in audit standard (SA Italia) no. 720B in order to express, in accordance with the law, our opinion on the consistency of the Directors' report, under the responsibility of the Directors of SAGAT S.p.A., with the consolidated financial statements of Sagat Group as of 31 December 2016. In our opinion, the Directors' report is consistent with the consolidated financial statements of Sagat Group as at 31 December 2016.

DELOITTE & TOUCHE S.p.A.

Giuseppe Pedone
Partner

Turin, 12 April 2017

5. ANNEXES

SAGAT Handling S.p.A. Financial Statements
(figures shown in Euro)

BALANCE SHEET: ASSETS	FINANCIAL STATEMENTS AS OF 31/12/2016	FINANCIAL STATEMENTS AS OF 31/12/2015
A) CONTRIBUTIONS RECEIVABLE FROM SHAREHOLDERS	**0**	**0**
B) FIXED ASSETS		
I. Intangible assets		
3) Industrial patent and intellectual property rights	2,800	0
7) Other non current assets	10,461	45,586
Total	**13,261**	**45,586**
II. Tangible assets		
3) Operating and sales equipment	22,974	5,760
4) Other assets	163,157	226,396
5) Investments in progress and payments on account	0	0
Total	**186,131**	**232,156**
III. Financial assets		
1) Investments in:		
D bis) Other companies	0	0
Total	**0**	**0**
TOTAL FIXED ASSETS (B)	**199,392**	**277,742**

BALANCE SHEET: ASSETS	FINANCIAL STATEMENTS AS OF 31/12/2015	FINANCIAL STATEMENTS AS OF 31/12/2015
C) CURRENT ASSETS		
I. Inventory		
1) Raw and maintenance materials, consumables	63,156	53,552
Total	**63,156**	**53,552**
II. Accounts receivable		
1) From customers:		
due within 12 months	1,397,619	2,400,059
4) From parent companies:		
due within 12 months	560,638	510,249
5 bis) Tax receivables:		
due within 12 months	876,538	1,101,906
due beyond 12 months	158,528	176,582
5 ter) Deferred tax assets:		
due within 12 months	266,128	323,290
due beyond 12 months	0	0
5 quater) Other accounts receivable:		
due within 12 months	156,218	93,722
due beyond 12 months	0	28,409
Total accounts receivable:		
due within 12 months	3,257,141	4,429,226
due beyond 12 months	158,528	204,991
Total	**3,415,669**	**4,634,217**
III. Current financial assets		
6) Other securities	0	0
Total	**0**	**0**
IV. Cash and cash equivalents		
1) Cash in bank	3,066,938	2,052,182
3) Cash and valuables in hand	1,635	1,284
Total	**3,068,573**	**2,053,466**
TOTAL CURRENT ASSETS (C)	**6,547,398**	**6,741,235**
D) ACCRUED INCOME AND PREPAYMENTS		
Accrued income	0	0
Prepayments	55,035	97,670
TOTAL ACCRUED INCOME AND PREPAYMENTS (D)	**55,035**	**97,670**
TOTAL ASSETS	**6,801,825**	**7,116,647**

BALANCE SHEET: LIABILITIES	FINANCIAL STATEMENTS AS OF 31/12/2016	FINANCIAL STATEMENTS AS OF 31/12/2015
A) SHAREHOLDERS' EQUITY		
I. Share capital	3,900,000	3,900,000
IV. Legal reserve	192,761	192,761
VII. Other reserves:		
- Extraordinary reserve	149,403	149,403
- Reserve for coverage of losses	0	0
VIII. Loss carried forward	-1,274,271	-1,502,857
IX. Profit (loss) of the year	129,496	228,586
TOTAL SHAREHOLDERS' EQUITY (A)	**3,097,389**	**2,967,894**
B) PROVISIONS FOR LIABILITIES AND CHARGES		
2) Provision for deferred taxes	0	0
3) Other:		
Future liabilities fund	240,093	399,892
TOTAL PROVISIONS FOR LIABILITIES AND CHARGES (B)	**240,093**	**399,892**
C) PROVISION FOR STAFF SEVERANCE PAY	950,911	1,157,688
D) ACCOUNTS PAYABLE		
7) Trade payables:		
due within 12 months	1,110,304	789,685
11) Payables to parent companies:		
due within 12 months	482,978	852,907
12) Taxes payable:		
due within 12 months	126,331	136,486
13) Payables to social security institutions:		
due within 12 months	325,655	340,098
14) Other payables:		
due within 12 months	468,164	471,998
TOTAL:		
due within 12 months	2,513,432	2,591,174
due beyond 12 months	0	0
TOTAL ACCOUNTS PAYABLE (D)	**2,513,432**	**2,591,174**
E) ACCRUED EXPENSES AND DEFERRED INCOME		
Accrued expenses	0	0
Deferred income	0	0
TOTAL LIABILITIES	**6,801,825**	**7,116,647**

INCOME STATEMENT	FINANCIAL STATEMENTS AS OF 31/12/2016	FINANCIAL STATEMENTS AS OF 31/12/2015
A) PRODUCTION VALUE		
1) Revenues from sales and services	10,912,606	10,320,590
5) Other income and proceeds - operating grants shown separately	2,163,992	2,327,815
TOTAL PRODUCTION VALUE (A)	**13,076,598**	**12,648,405**
B) PRODUCTION COSTS		
6) Purchase of raw and maintenance materials, consumables and goods	539,674	515,210
7) Cost of services	3,028,054	2,725,843
8) Rent, lease and similar costs	1,608,289	1,690,042
9) Staff costs:		
a) salaries and wages	5,322,328	4,885,353
b) social security	1,469,926	1,377,250
c) severance pay	317,662	285,023
d) pension and similar benefits	0	0
e) other costs	110,107	110,428
Total staff costs	**7,220,023**	**6,659,053**
10) Amortisation, depreciation and write-downs:		
a) amortisation of intangible assets	42,701	39,369
b) depreciation of fixed assets	108,516	181,984
d) write-down of current receivables and of cash and equivalents	17,293	15,787
Total amortisation, depreciation and write-downs	**168,510**	**237,140**
11) Variations in the inventory of raw and maintenance materials, consumables and goods	-9,604	2,261
12) Provisions for liabilities and charges	82,867	135,693
14) Miscellaneous operating costs	208,418	282,600
Total production costs (B)	**12,846,231**	**12,257,843**
OPERATING PROFIT – PRODUCTION VALUE LESS PRODUCTION COSTS (A-B)	**230,367**	**390,562**

INCOME STATEMENT	FINANCIAL STATEMENTS AS OF 31/12/2016	FINANCIAL STATEMENTS AS OF 31/12/2015
C) FINANCIAL INCOME AND CHARGES		
15) Income from equity investments:		
dividends and other proceeds from others	0	0
16) Other financial income:		
d) other income		
from parent companies	0	7,116
Other	1,329	3,008
Total	**1,329**	**10,124**
17) Interest and other financial charges	-21	-1
17bis) Exchange gains (losses)	-40	64
TOTAL FINANCIAL INCOME AND CHARGES (C)	**1,268**	**10,187**
D) VALUE ADJUSTMENTS ON FINANCIAL ASSETS	**0**	**0**
PROFIT (LOSS) BEFORE TAXES (A-B+/-C+/-D+/-E)	**231,635**	**400,748**
20) Income taxes for the year:		
a) Current taxes	-44,977	-147,248
b) Deferred tax assets (liabilities)	-57,162	-24,914
21) PROFIT(LOSS) OF THE YEAR	**129,496**	**228,586**

AEROPORTI HOLDING S.r.l. Financial Statements
(figures shown in Euro)

BALANCE SHEET: ASSETS	FINANCIAL STATEMENTS AS OF 31/12/2016	FINANCIAL STATEMENTS AS OF 31/12/2015
A) CONTRIBUTIONS RECEIVABLE FROM SHAREHOLDERS		
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) Investments in:		
a)subsidiary companies	0	0
b) associated companies	0	0
c) other companies	17,640,883	17,640,883
Write-downs of equity investments	0	0
Total financial assets	**17,640,883**	**17,640,883**
TOTAL FIXED ASSETS (B)	**17,640,883**	**17,640,883**

BALANCE SHEET: ASSETS	FINANCIAL STATEMENTS AS OF 31/12/2016	FINANCIAL STATEMENTS AS OF 31/12/2015
C) CURRENT ASSETS		
II. Accounts receivable		
1)From customers:		
-due within 12 months	0	0
-due beyond 12 months	0	0
4) From parent companies:		
- due within 12 months	7,685	14,819
- due beyond 12 months	0	0
5bis) Tax receivables:		
-due within 12 months	11,523	14,119
-due beyond 12 months	0	0
5ter) Deferred tax assets:		
- due within 12 months	0	0
- due beyond 12 months	374	306
5quater) Other accounts receivable:		
- due within 12 months	0	2,415
- due beyond 12 months	0	0
Total accounts receivable:		
- due within 12 months	19,208	31,353
- due beyond 12 months	374	306
Total accounts receivable	**19,582**	**31,659**
IV. Cash and cash equivalents		
1) Cash in bank and post office current accounts	378,132	104,855
Total cash and cash equivalents	**378,132**	**104,855**
TOTAL CURRENT ASSETS (C)	**397,714**	**136,514**
D) ACCRUED INCOME AND PREPAYMENTS		
Prepayments	0	0
TOTAL ASSETS	**18,038,597**	**17,777,397**

BALANCE SHEET: LIABILITIES	FINANCIAL STATEMENTS AS OF 31/12/2016	FINANCIAL STATEMENTS AS OF 31/12/2015
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	294,992	294,992
VI. Other reserves	59,203	59,203
VIII. Profit (loss) carried forward	4,591,586	4,634,115
IX. Profit (loss) of the year	322,405	-42,530
TOTAL SHAREHOLDERS' EQUITY (A)	**17,813,149**	**17,490,743**
B) PROVISIONS FOR LIABILITIES AND CHARGES		
2) Fund for tax disputes, including deferred taxes	0	0
TOTAL PROVISIONS FOR LIABILITIES AND CHARGES (B)	**0**	**0**
D) ACCOUNTS PAYABLE		
3) Loans from shareholders:		
- due beyond 12 months	0	0
7) Trade payables:		
- due within 12 months	9,480	13,386
11) Payables to parent companies:		
- due within 12 months	214,845	256,940
- due beyond 12 months	0	0
12) Taxes payable:		
- due within 12 months	457	7,168
13) Payables to social security institutions:		
- due within 12 months	267	2,421
14) Other payables:		
- due within 12 months	0	5,185
TOTAL ACCOUNTS PAYABLE (D)	**225,049**	**285,100**
E) ACCRUED EXPENSES AND DEFERRED INCOME		
Accrued expenses	399	1,554
TOTAL LIABILITIES AND EQUITY	**18,038,597**	**17,777,397**

INCOME STATEMENT	FINANCIAL STATEMENTS AS OF 31/12/2015	FINANCIAL STATEMENTS AS OF 31/12/2015
A) PRODUCTION VALUE		
5) Other income and proceeds – operating grants shown separately	5	5,701
TOTAL PRODUCTION VALUE (A)	**5**	**5,701**
B) PRODUCTION COSTS		
6) Purchase of raw and maintenance materials, consumables and goods	0	0
7) Cost of services	30,061	42,539
10) Amortisation, depreciation and write-downs:		
a) amortisation of intangible assets	0	0
14) Miscellaneous operating costs	17,787	19,640
TOTAL PRODUCTION COSTS (B)	**47,848**	**62,179**
OPERATING PROFIT - PRODUCTION VALUE LESS PRODUCTION COSTS (A-B)	**-47,843**	**-56,478**
C) FINANCIAL INCOME AND CHARGES		
15) Income from associated companies'equity investments	362,884	0
16) Other financial income:		
d) other income than the above	25	0
17) Interest and other financial charges	-407	-1,177
TOTAL FINANCIAL INCOME AND CHARGES (C)	**362,502**	**-1,177**
PROFIT (LOSS) BEFORE TAXES (A-B+/-C+/-D+/-E)	**314,659**	**-57,655**
20) Income taxes for the year:		
a) current taxes	7,678	14,819
b) deferred tax assets (liabilities)	68	306
TOTAL INCOME TAXES FOR THE YEAR	**7,746**	**15,125**
21) PROFIT (LOSS) OF THE YEAR	**322,405**	**-42,530**

CONTATTI:

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