DIRECTORS' REPORT
AND FINANCIAL STATEMENTS SAGAT

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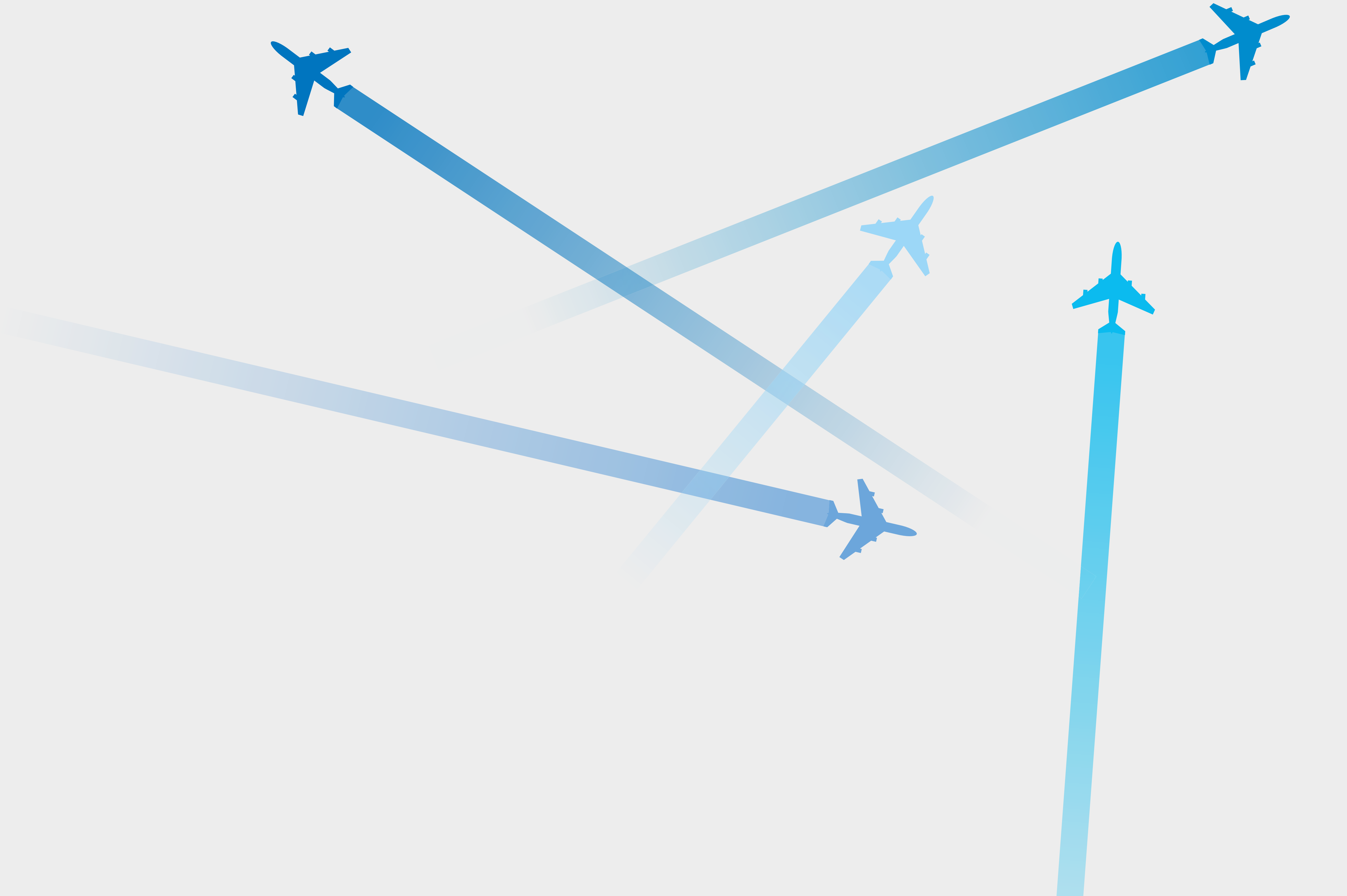

DIRECTORS' REPORT AND FINANCIAL STATEMENTS SAGAT AS AT 31 DECEMBER 2018

1. MEETING OF SHAREHOLDERS

FIRST CALL 30/04/2018
SECOND CALL 17/05/2018

2. AGENDA

FINANCIAL STATEMENTS AS AT 31/12/2018

SAGAT S.p.A.

Società Azionaria Gestione Aeroporto Torino
Strada San Maurizio, 12
10072 Caselle Torinese (TO)
www.aeroportoditorino.it

Share capital € 12,911,481 fully paid in
Company subject to the management and coordination of the company 2i Aeroporti S.p.A.
Economic Administrative Register (R.E.A.) no. 270127
Register of Companies of Turin, Tax ID and VAT no. 00505180018

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Shareholding structure

as at 31/12/2018

2i Aeroporti S.p.A.	90,28%
Tecno Holding S.p.A.	6,76%
Own shares	2,96%
Total	**100%**

Governance bodies

as at 31/12/2018

Board of directors

Giuseppe DONATO	Chairman
Roberto BARBIERI	Chief Executive Office until 24/01/2019
Rita CICCONE	Director
Jean Jacques DAYRIES	Director
Antonio LUBRANO LAVADERA	Director
Rosario MAZZA	Director
Paolo MIGNONE	Director
Elisabetta OLIVERI	Director
Laura PASCOTTO	Director
Daniele RIZZOLINI	Director

Board of Auditors

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

Secretary

Pietro Paolo PAPALE

01

Directors' report for the company

as at 31/12/2018

SAGAT S.p.A. Highlights 2018

Traffic

In 2018 the Turin Airport exceeded 4 million passengers for the second consecutive year, with 4,084,923 in transit, although less by 2.2% compared to 2017.

Income result

The most relevant income components for the year 2018 are shown below, providing their comparison with the figures from the preceding year.

The **value of production,** net of grants and of income from seconded staff, amounts to €58,596 thousand and has decreased by 5.7% compared to the €62,128 thousand recorded in 2017.

The **GOM** amounts to €16,179 thousand (27.6% of the billing volume) and was €19,053 thousand in 2017.

The **EBITDA** amounts to €15,382 thousand (€17,479 thousand in 2017).

The **EBIT** amounts to €9,921 thousand (€12,421 thousand in 2017).

The **EBT** amounts to €10,207 thousand (€14,535 thousand in 2017).

The **profit** amounts to €7,470 thousand (€11,087 thousand in 2017).

The **net financial position** is positive by €11,458 thousand and has decreased by €3,062 thousand compared to the €14,520 thousand recorded as at 31 December 2017.

Investments in 2018

About €6.64 million on aggregate were invested during the year in infrastructures and systems that allowed the company to improve the quality of the services provided and maintain high airport safety standards.

Significant events occurred after 31 december 2018

On 24 January 2019 the Board of Directors of SAGAT S.p.A. appointed Andrea Andorno as Chief Executive Officer of the Company.

Passenger traffic data at the Turin airport showed, in the opening two months of 2019, a positive trend with a 4.8% increase compared to the first bimester 2018. However, the removal of certain Blue Air routes due to their corporate reorganization and the removal of the Blue Panorama flight to Rome since March 2019 will affect the performance in the coming months.

Developments

The effects of a plurality of causes not attributable to the Company, such as the downsizing of Blue Air, the removal of the Blue Panorama flight to Rome, the continuing uncertainties about Alitalia and the negative macro-economic situation in the reference territory, will be counterbalanced by a new strategy for the promotion of the Turin Airport's potential, also through sophisticated ways to strengthen its position in its catchment area and reduce the drain of passengers towards other airports. The efforts to achieve this will focus on network enlargement through commercial policies aimed at supporting carrier growth and marketing initiatives aimed at promoting the services and connections offered by the Turin Airport. Other growth drives might come from the new landside retail offer and from the process of digital transformation of the airport.

1.1
Report on the financial position and performance

Dear Shareholders,

Further on in this report, the results recorded during the year 2018 are illustrated in detail. Despite the unfavourable regional macroeconomic context and the sudden cancellation of the multiple daily flights to Naples by Alitalia, the new routes initiated in 2018 made it possible to maintain levels of traffic, despite a decrease of 2.2% compared to 2017, above 4 million passengers, in line with the size and the features of the catchment area.

The year was characterised by initiatives of development in the aviation sector, leading to the expansion of both the international and the domestic markets, as well as the start-up of operations to modernise the terminal (arrivals area) and the related retail areas, all while carefully controlling costs: a multi-facetted effort that has made it possible to keep the company's profitability at satisfactory levels, despite the influence, in part, of traffic results on certain routes, as well as the fact that one-time benefits from the previous year were no longer present.

Looking at traffic on a monthly basis, there was a gradual improvement in performance in the later portion of 2018, following the lower results recorded in the first three quarters of the year, as compared to 2017, thanks to the initiatives undertaken to compensate for the cancellations on the part of Alitalia and Blue Air. Indeed starting from October, the Airport recorded a turnaround, as was confirmed by the first three months of 2019 as well.

Analyses show that the Turin Airport's potential for traffic is hindered by its geographic location, as well as the competition of the nearby Milan Malpensa Airport and the growing gap between the regions of Piedmont and Lombardy, due to their two different rates of growth.

To maintain and further increase the levels of traffic achieved to date, SAGAT intends, in the year 2019, to further refine the tools needed to define the true size of the catchment area that can be serviced by the Airport while, at the same time, working to stem the flow of traffic siphoned off by other airports. The Company also plans to reinforce its business strategies focussed on supporting the air carriers and implementing marketing initiatives to promote the Turin Airport, its service and the flights it offers to the general public.

Of particular note, in terms of improving performance, is the start of work to upgrade the air terminal. The worksites for the expansion and restyling of the entire arrivals area of the terminal for underway at the end of 2018. Starting in 2019, this major investment, geared towards revamping services, shall usher in further prospects for growth on the part of the Turin Airport.

Finally, mention should be made of the green strategy recently undertaken by SAGAT, as the Turin Airport obtained Level 1 (mapping) certification under the "Airport Carbon Accreditation" program of environmental sustainability – the joint framework for the active management of emissions in airports based on measurable results - promoted by ACI Europe.

The present Management Report, which accompanies the Financial Statements closed on 31 December 2018, was drafted in accordance with the provisions of art. 2428 of the Italian Civil Code, and it contains the Directors' observations on the operating performance, plus the most important events that occurred during the year 2018 and after the date of 31 December 2018.

The income figures, the balance-sheet and the net financial figures for the year 2018 are compared with the closing balances as of 31 December 2017.

The international and domestic scenario

The international outlook

The global economic overview for 2018 was highlighted by an overall slowdown compared to the previous year. For 2019, it is likely that the initial estimate of 3% growth for 2018 will be limited to 2.9% in 2019. Based on figures released by the World Bank, international trade and manufacturing activity has weakened, trade tensions remain high and a number of large emerging basins have been subjected to noteworthy pressure by financial markets.

Growth among the advanced economies is forecast to fall to 2%. The slowdown in external demand, rising funding costs and persistent uncertainty over policy will have a negative effect on prospects for emerging markets and developing economies, with the estimated growth for such economies remaining stable at 4.2%.

The recovery of commodity exporting countries has proven stagnant, while business among importers of raw materials is slowing down. Per capita growth will not be enough to counter the income gap with the advanced economies suffered by approximately 35% of the emerging and developing countries in 2019, a figure that rises to 60% in countries plagued by fragility, conflicts and violence.
Global prospects are threatened by the risk of a negative outcome to the trade negotiations between the United States and China, along with a possible exacerbation of financial tensions in the emerging countries, plus the procedures under which Brexit will occur.

Souce: World Bank, Global Economic Prospects, January 2019

The Euro Area

Forecasts for 2019 for the macro-region of Europe are in line with the general trend of a moderate slowdown. Growth weakened in the Euro area during 2018, falling to 1.9 percent, or 0.2 percentage points less than initial projections. In particular, exports were down, reflecting the rise in the Euro and the slowdown in external demand.

Meanwhile unemployment fell, inflation remained decidedly low, at a level of approximately 1%, as part of a downward trend traceable to the slowdown in prices of energy.

The Governing Council of the ECB reaffirmed its intention to maintain a noteworthy level of monetary stimulus for a prolonged period, at least until mid-2019. The loan activity and profitability of the financial system have continued to increase, though some European banks have been exposed to financial stress in a number of emerging or developing markets.
Overall, growth in the Eurozone is forecast to slow down even further, falling from 1.6 percent in 2019 to an average of 1.4 percent in 2020-21, in response to a moderate drop in the growth of world trade.

Source: World Bank, Global Economic Prospects, January 2019

The situation in Italy

In Italy, after the interruption of growth in the third quarter of 2018, the available economic indexes point to the possibility of a further decrease in the fourth quarter. Contributing to the weakening recorded in the summer months was a drop in domestic demand, in particular as regarded investments and, to a lesser degree, in terms of family spending. Capital expenditure plans of industrial and service enterprises are proving more limited on account of political and economic uncertainty, as well as trade tensions.

Levels of Italian exports remained favourable in the second half of the year, though the slowdown in global trade influenced the future assessments of businesses regarding foreign orders. The current-account balance remained decidedly positive, while the country's net foreign debt position continued to improve, having been reduced, by the end of September, to slightly more than 3 percent of the GDP.

The summer quarter saw total hours worked rise, while the number of employed workers fell slightly; according to the earliest figures available, employment remained essentially stable in autumn. The rise in contractual wages continued in all sectors.

Inflation dropped to an overall figure of 1.2 percent in December, primarily on account of a slowdown in prices for energy resources, with the rate of the underlying component remaining weak (0.5 percent). Companies' expectations on price momentum were revised slightly downwards.

The central forecast for GDP growth was 0.6 percent for 2019, or 0.4 points lower than previously predicted. This downward adjustment is the result of a variety of factors: less favourable figures for economic activity in the last part of 2018, reducing the average growth recorded in the course of the year by 0.2 points; a downward adjustment in the investment plans of businesses, based on the latest surveys; the prospects of a slowdown in world trade. In contrast, the agreement reached by the Italian government with the European Commission has had a moderately positive effect on growth: the favourable impact of lower long-term interest rates has more than made up for the corrective measures implemented under the budget act. Central growth projections for 2020 and 2021 are 0.9 percent and 1.0 percent respectively. The spread of the distribution of probability around these central figures is especially wide.
Inflation is expected to rise gradually, from this year's figure of 1 percent to an average of 1.5 percent in the subsequent two-year period, following an increase in private-sector wages and a gradual readjustment in response to expected levels of inflation.

Source: the Bank of Italy, Economic Bulletin no. 1 – 2019

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The economy of Piedmont

Based on the entries in the Companies Register of the Chamber of Commerce, there were 24,156 new companies founded in Piedmont in 2018, compared to the 25,011 new entries recorded in 2017. Minus the 26,136 companies that ceased operation, the balance is a negative 1,980 units. The sum total of the enterprises entered in the Companies Register of the Piedmont Chamber of Commerce as of the end of December 2018 was 432,583 units, confirming Piedmont's 7th-place ranking among the regions of Italy, with its businesses accounting for 7.1% of the national total.

The crisis affecting the regional business structure continues: the growth rate of Piedmont's enterprises remains negative and, more to the point, in contrast with that of Italy as a whole. In fact, the backbone of the regional production system continues to consist, first and foremost, of small and medium-size enterprises, though there are some large-scale industries as well. The marked fragmentation of production has certainly not helped the region's businesses resist the prolonged difficulties as effectively as possible.

Source: Union of Piedmont Chambers of Commerce, "The Birth-Mortality Rate for Piedmont's Businesses stays in the Red in 2018"

The signs of the slowdown that the regional textile manufacturing sector had already begun to show in the first part of 2018 were confirmed in the 3rd quarter of the year. The average growth of industrial production in Piedmont was +3.6% in 2017. In 2018, the production recovery gradually lost momentum. The first quarter, a period that registered an increase of 2.7%, was followed by a slowdown in quarter II (+1.8%). In the period July-September 2018, the performance of the regional manufacturing sector slipped further, recording its first negative result (-0.2%) after 13 consecutive quarters of growth. The decrease was limited, essentially amounting to a stable result compared to the same quarter for the previous year, but it was the first time since the 1st quarter of 2015 that the manufacturing companies of Piedmont recorded a negative result for industrial production. The disheartening production result is matched by the less than splendid performance of all the other indexes analysed: the figure for the domestic market is flat (+0,1%), and that for foreign orders shows only a weak positive sign (+0.9%); the total average turnover of the manufacturing concerns surveyed rose by only one percentage point compared to the period of July-September 2018, with the foreign component registering an increase of 0.9%; capacity utilisation rate stood at 66.0%.

In terms of the various industrial sectors, the worst news comes from the transport vehicle industry, which registered a drop of 6.1% in industrial production, significantly affecting the overall average result. A detailed examination of the sector shows that automobile production suffered the steepest decline (-21.9%); the output of the vehicle parts industry was stable (+0.1%); and there was a positive variation in aerospace industrial production (+4.8%). The quarter under examination also saw mechanical enterprises register a negative result, though of limited size (-0.3%). The sectors of wood (+0.0%) and metals (+0.1%), and the chemical and plastics industries (+0.2%), turned in stable results. The production of electricity and electronics manufacturers grew by half a percentage point. A better result was recorded by the textile and clothing industries (+0.9%). The only truly positive figure was that for the food industry (+2.4%).

Penalised by the performance of the automotive sector, the regional seat of Turin registered a decrease of 1.6%. Negative results were also turned in by Novara (-0.7%) and Asti (-0.6%). A mildly positive trend characterised two areas of northeast Piedmont: Vercelli (+0.6%) and Verbania (+0.5%). Thanks in large part to the result registered by the food industry, Cuneo showed growth of 0.9%. The best results were those of Biella (+2.0%), thanks to the trend that characterised textile enterprises, and Alessandria (+3.4%), which was buoyed by the performance of the food and chemical sectors.

Source: Union of Piedmont Chambers of Commerce, The Current Economic Outlook in Piedmont, December 2018

The airport industry

The global scenario

The growth in passenger traffic at the world's airports continues. According to the preliminary figures issued by Airport Council International (ACI) World, in 2018 total passengers worldwide numbered 8.8 billion, for growth of 6% over the previous year. The year 2017 had already set a record for the sector, registering traffic of more than 8.2 billion passengers for a 7.5% growth compared to 2016. In contrast, cargo traffic did not perform as well in 2018, showing a more limited increase of +3.2% compared to 2017, a sharp drop from the +7.7% growth recorded for 2016.

Passenger traffic

Passenger traffic in the world's 20 busiest airports – which accounts for 17% of all passenger traffic worldwide – grew by 4.7% in 2018, with more than 1.5 billion passengers using these airports, of which the Atlanta-Hartsfield-Jackson Airport retained the top ranking, handling more than 107 million passengers, while the Beijing Airport, which serviced more than 100 million passengers in 2018, for a 5.4% growth, retained second place; the Dubai Airport held onto third place as, after years of double-figure percentage growth in traffic, it registered a 1% increase.

Though the world geopolitical climate grew increasingly tense during the year, passenger traffic was not unduly affected by this factor, which was offset by ever lower travel costs in a number of markets driving the trends, as well as by a growing middle class in emerging basins of passengers. The global forecasts of the ACI for the medium term foresee growth of almost 30% in the demand for air services between 2018 and 2023.

In terms of the basins feeding passengers into the air-travel market, India has taken solid hold of third place, after the United States and China. India is moving in the direction of a more liberalised aviation market, while the reinforcement of the country's key economic indicators has helped it become one of the world's most rapidly expanding markets.

In terms of aircraft movements, the world's 20 leading airports registered growth of 2.4% in 2018. Chicago's O'Hare Airport moved past the Atlanta-Hartsfield-Jackson Airport to become the most heavily trafficked airport in the world in terms of aircraft movements. Both airports recorded a slight decrease in 2017, but have since registered a growth of 4.2% and 1.8%, respectively.

Cargo traffic

The final figures for the cargo sector in 2018 were affected by global trade tensions between the United States and some of its closest trading partners, one of the main reasons for the sharp drop in the growth rate for the year (+3.2%), as compared to that for the previous year (+7.7%). The total volume of air traffic in the 20 most heavily trafficked airports, which accounts for 42% of the overall volume of cargo transported by air worldwide, grew by a modest 1.3%, as 51 million tons of cargo were handled.

The Hong Kong Airport remains the most important cargo hub, handling more than 5 million tons, for growth of 1.4% compared to 2017; in second place is the Memphis Airport (+3.7%, at 4.4 million tons), while third place is held by Shanghai, though its volume fell by 1.5%, to 3.7 million tons of cargo. The outlook for cargo was not good, given the context of global tension over trade. The trade war underway between the United States and some of its closest trading partners came as a shock for the industry and for global supply chains.

Source: Aci.aero

The European scenario

Passenger traffic in European airports grew by 6.1% in 2018, bringing the total volume of passengers who use the airports of the continent to the new record of 2.34 billion. Though growth proved to be more moderate than the boom registered in 2017 (+8.5%), it still constituted an extremely dynamic trend, especially considering the economic context and geopolitical tensions. Passenger traffic in EU airports grew by +5.4% in 2018, compared to the rate of +7.7% in 2017, with the trend pointing upwards from January to December. The highest growth was recorded at the main airports in the countries of the continent's eastern and southern zones, such as Lithuania, Slovakia, Latvia, Hungary, Estonia, Malta, Poland, Italy, Luxemburg, Greece and Finland, as well as Austria and Luxembourg, which registered results above 10%. As for the least impressive results, they were turned in by countries such as Sweden (following the introduction of the aviation tax) and the United Kingdom (as a result of the growing concern tied to Brexit).

Traffic in non-EU airports registered average growth of 8.3% (compared to +7.7% in 2017), at rates that descended throughout the year, unlike the EU market. In this area, the airports of Russia, Belarus, Ukraine, Georgia, Israel, Albania, Macedonia, Montenegro and Bosnia Herzegovina grew at above-average rates.

The top five airports in Europe showed a 4.8 % increase in traffic in 2018, down from the +5.5% of the previous year. The below-average performance was due primarily to factors like limitations on capacity, more intense competition among hubs and strikes. All the same, Europe's main hubs handled additional passenger traffic volume of 16.5 million passengers. Frankfurt recorded the greatest growth (+7.8%, at 69.51 million passengers), thanks to a diversification strategy; it was followed by Istanbul Ataturk (+6.4%) and Paris Charles De Gaulle (+4%), where a series of strikes had hampered performance. It was limited capacity, on the other hand, that kept down the development of both Amsterdam Schiphol (+3,3% in 2018, compared to +7.7% in 2017) and London Heathrow (+2.7%), which

Company Report

still represents Europe's most heavily trafficked airport, with its 80.12 million passengers.
Unlike the trend that characterised passenger traffic, the cargo sector was marked by a sharp curtailment of its growth trend, which rose by only 1.8%, as compared to +8.4 recorded in 2017.

Source: ACI Europe

Il the Italian scenario

According to the Assaeroporti industry association, air traffic in Italian airports has continued to grow, in keeping with a positive trend that has run for 4 years now, and that registered 185.7 million passengers in 2018 (+5.9% over 2017) and 1.6 million aircraft movements (+3-1%). Cargo traffic, on the other hand, dropped slightly, by 0.5 %, to 1.1 million tons of cargo transported.

Specifically, 185,681,351 passengers passed through the 39 airports monitored by Assaeroporti in 2018, making for an increase of 10.3 million over 2017. The driving force behind the result was the healthy growth in international traffic, which rose above a total of 121 million passengers, for an increase of 7.2% over 2017: traffic grew both in the Eurozone (+5.6%) and in non-EU countries (+13.2%).
Italy's ten leading airports, in terms of traffic, were Rome-Fiumicino, Milan-Malpensa, Bergamo, Venice, Catania, Naples, Milan Linate, Bologna, Palermo and Rome Ciampino.
Overall aircraft movements totalled 1,600,873, confirming the growth trend compared to 2017, a development favoured primarily by the increase of +5.1% in international destinations, and in particular by the rise of +9.2% in non-EU destinations.
Air transport in Italy continued to grow at significant rates that were higher than the European average, demonstrating the appeal of the Italian market within a highly competitive context. Italian airports stimulate and intercept flows of passengers, with noteworthy positive economic fallout, to the point where the incidence of the sector amounts to 3.6% of the GDP.

Source: Assaeroporti

The airlines

According to the International Air Transport Association (IATA), the demand for air passenger traffic grew by 6.5% in 2018, as compared to 2017. Though the result is lower than the overall growth of 8% registered in 2017, the year still marked an above-average performance. In 2018 capacity fell to 6.1% from the figure of 6.3% of 2017, while the load factor grew by 0.3 percentage points, at a record rate of 81.9%.

International traffic increased by 6.3% compared to 2017. Capacity in this segment grew by 5.7%, while the load factor rose by 0.4 percentage points, reaching 81.2%. All the different regions recorded increased demand compared to the previous year, led by the Asia-Pacific.
The carriers of the Asia-Pacific region registered overall growth of 7.3% in demand, as compared to 2017, fuelled by the economic expansion of the region and the increase in the number of routes available to travellers. Although this constituted slower growth than the +10.5% recorded in 2017, as compared to 2016, the result was still able to drive growth in the entire global segment for the second year in a row. Capacity increased by 6.4%, while the load factor rose by 0.7 points, reaching 80.6%.

International traffic serviced by European carriers increased by 6.6% in 2018. There was a 5.9% growth in capacity, and the load factor rose by 0.6 percentage points, to 85%, an all-time records for any area in the world. Viewed on a seasonal basis, the increase was more limited in the last months of the year, presumably on account of unknown factors tied to Brexit.
The carriers of the Middle East recorded an increase of 4.2% international traffic, though this constituted a drop from the growth of +6.9% of the previous year. In 2018 the airlines of North America showed a growth trend stronger than anything they had registered since 2011, though the pace slowed in the last two quarters of 2018, presumably due to the outlook for the US economy and the trade tensions with China.
The international traffic of South American carriers recorded an increase of 6.9% in demand, compared to 2017, a rate lower than the +8.8% of the previous year.
Finally, African airlines experienced growth in 2018, with an increase of 6.5% in their international traffic compared to 2017.

In the domestic sector, the IATA reports an overall increase of 7% in traffic for 2018, with growth proving widespread, though India and China were definitely driving forces, as both recorded double-figure growth.

Source: IATA

1.2
The shareholding structure

With regard to the Company's shareholding structure, and any variations in the same during the year, it should be noted that, on the date of 15 March 2018, the Metropolitan City of Turin sold its shareholding in SAGAT, equal to 125,168 shares, or 5% of the share capital, to the company 2iAeroporti S.p.A..
Finally, the company FCT Holding sold its shareholding in SAGAT, equal to 250,223 shares, or 10% of the share capital, to 2iAeroporti S.p.A. on the date of 30 November 2018

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 the Turin 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 the Turin Airport, but never enacted – constituted the achievement of a historic objective for SAGAT, establishing a tool that enhances the Company's value by providing unequivocal guidelines for the operating accord, together with stable underpinnings for management of the airport.
In fact, the operating agreement runs through 3 August 2035, the expiration date for the extension of the private management arrangement stipulated for the airport under Law no. 187 of 12 February 1992; however it also stipulates, under its premise no. 22, that "should SAGAT – as the expiration of the current extension granted through 3 August 2035 under Special Law no. 187/1992 draws near, request a further twenty-year extension of the arrangement for the all-inclusive management of 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 procedure for setting fees

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

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

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

In accordance with the provisions of the rules and standards governing the sector, the Company, during the year, drew up the "Annual Information Document" to provide users with appropriate updates on the elements that contribute to the determination of airport charges, as well as further updates for the period 2018-2019.
This document was made available to users through its publication, on the date of 28 September 2018, on the Airport's institutional website, and it was illustrated and shared with them on 26 October 2018, when the annual gathering of the users was convened.

Signing of the planning agreement

In order to initiate the procedure for the signing of the Planning Agreement for the period 2016-

2019, the Company presented to the ENAC, on the date of 27 July 2015, the Four-Year Plan of Initiatives, Traffic Forecasts, the Quality Plan and the Plan of Environmental Defence, receiving a favourable technical opinion in the form of Memorandum no. 118442, dated 11 November 2015.

In order to procure the information and assessments needed from the interested parties, doing so in accordance with the measures governing proper procedure and transparency in administrative activities, and in application of Directive 12/2009/EC, as well as the fee guidelines drawn up by the Transportation Regulation Authority, the Company, having first received a favourable technical opinion from the competent departments of the ENAC, submitted for consultation:

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

On the date of 11 July 2016, the final text of the Agreement was sent and signed by the parties, while additional documentation was prepared to accompany, with respect both to economic and financial considerations (Economic Financial Plan 2016-2019) and as regards infrastructures, in terms of annual monitoring, which was performed in the month of September 2018, of investments, quality and the environment, as called for under articles 10, 11, 12, 13 and 14 of the Agreement.

1.4 Traffic

Traffic at the Turin airport

In 2018 the Turin Airport exceeded the threshold of 4 million passengers for the second straight year, transporting **4,084,923**.

Passengers	Current year	Previous year	Variation from previous year	%
Domestic (regularly scheduled)	1,989,838	2,116,653	-126,815	-6%
International (regularly scheduled)	1,932,138	1,890,215	41,923	2.2%
Total regularly scheduled	**3,921,976**	**4,006,868**	**-84,892**	**-2.1%**
Charter	150,636	159,053	-8,417	-5.3%
General aviation	7,744	7,700	44	0.6%
In transit	4,567	2,935	1,632	55.6%
Total	**4,084,923**	**4,176,556**	**-91,633**	**-2.2%**

Despite the unfavourable regional macroeconomic context, plus the sudden cancellation of Alitalia's multiple daily flights to Naples, the new routes opened in 2018 made it possible to keep traffic above 4 million passengers a year, in line with the size and the features of the catchment area.

Though total traffic decreased by -2.2%, regularly scheduled international traffic grew by +2.2%, making for an increase of 41,923 units over the previous year. Regularly scheduled domestic traffic, on the other hand, fell by -6.0%, for a decrease of -126,815 units. Charter traffic registered a drop of -5.3% compared to the figures for 2017, the year in which the segment benefitted from the traffic generated by the Champions League final played by the Juventus team in Cardiff, an event that resulted in over 5,400 passengers being transported on charter flights.

The results achieved were possible thanks to the growth of the network:

- new flights were introduced to Stockholm Arlanda, Paris Charles de Gaulle, Ibiza, Reggio Calabria, Stuttgart and Cracow by Blue Air; to Naples by Volotea; to Athens by Aegean, plus, in the last months of the year, to Naples and Berlin Schönefeld by easyJet and to Fez by Ryanair. Blu Express inaugurated a flight to Cagliari, and in October it revived its low-cost connection to the capital city of Rome, a route that it had suspended for a year, reintroducing it with 12 flights weekly. The winter season of ski flights was further expanded with regularly scheduled connections with London Stansted and Leeds by Jet2.com and with Warsaw by Lot;

- TUI fly increased the frequency of its summer flights to Marrakech. Blue Air doubled the frequency of the Stockholm Arlanda connection for the summer and increase its rotating fights to a number of different destinations: Lisbon, Bacau and Naples. Volotea doubled the frequency of its flights to Cagliari, going from 2 a week to 4; Ryanair increased the frequency of its flights to Palermo, and of those to London Stansted, in the last months of the year. With the introduction of a British Airways flight to London Heathrow at the end of 2017, and the start of operations in the early months of 2018, as well as the increased frequency of its flights to London Gatwick, that airline registered an overall increase of +13.1% in movements and growth of +15.8% in the number of passengers. Operations were also increased by Blu Express with Tirana and by easyJet on the ski route from London Gatwick.

In contrast, the closing of a number of direct connections has had negative repercussions on traffic:

- to Istanbul, operated by Turkish Airlines;
- to Iasi and Suceava, operated by Tarom;
- to Naples, operated by Alitalia, and to Reggio Calabria;
- to Madrid, operated by Blue Air. Blue Air also stopped operating 14 weekly connections to Rome Fiumicino, starting from 29 September 2018. The negative effect on traffic was felt for all of 2018, especially in the first 10 months;
- Luxemburg, operated by Luxair.

The most pronounced negative trend for 2018 was recorded in domestic traffic, which occasioned alone a loss of -126,815 units, making for a decrease of -6.0% compared to the previous year, so that it represented the main cause for the overall decrease in traffic.

Destinations

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

Destinations – REGULARLY SCHEDULED				
Passeggeri	**Current year**	**Previous year**	**Variation from previous year**	**% of total**
Rome Fiumicino	513,367	546,325	-6.0%	13.1%
London grouping	332,753	319,416	4.2%	8.5%
Catania	296,724	341,090	-13.0%	7.6%
Palermo	272,640	256,796	6.2%	7%
Naples	262,166	276,154	-5.1%	6.7%
Frankfurt	210,350	192,104	9.5%	5.4%
Bari	195,922	215,608	-9.1%	5%
Barcelona	187,983	178,920	5.1%	4.8%
Paris Charles de Gaulle	186,818	171,355	9.0%	4.8%
Munich	178,149	180,845	-1.5%	4.5%
Madrid	119,868	114,953	4.3%	3.1%
Amsterdam	112,418	116,252	-3.3%	2.9%
Lamezia Terme	107,716	127,081	-15.2%	2.7%
Brindisi	91,167	89,955	1.3%	2.3%
Total 14 leading destinations	**3,068,041**	**3,126,854**	**-1.9%**	**78.2%**
Other destinations	853,935	880,014	-3.0%	21.8%
Total	**3,921,976**	**4,006,868**	**-2.1%**	**100%**

Taken as a whole, regularly scheduled traffic recorded a decrease of -2.1% over the previous year.
Rome remained the leading destination serviced, with more than 513 thousand passengers transported, though the figure was down by -6% from the previous year, on account of the closing of the low-cost Blue Air route referred to earlier, as well as the increasingly strong competition from high-speed trains, in terms of both price and travel time. Next came London (connected with flights to and from the airports of Gatwick, Heathrow, Luton and Stansted), with 332,753 passengers and growth of +4.2%. This destination has benefitted to an exceptional extent from the increase in British Airways flights, and specifically from the introduction of the new winter flight from London Heathrow, as well as the increased frequency of the winter flights from London Gatwick. The third destination in terms of volume of passengers is Catania, with 296,724 passengers.

The destination of Naples, once serviced by Alitalia, was hurt by the cancellation of the flight by that carrier in May, meaning that for the entire summer period only one airline provided a connection to the destination, until September, when Volotea and easyJet revived the presence of more than one carrier on the route.

Traffic to Spain continued to grow as well: there was an overall increase of +2.4% on regularly scheduled flights to and from Barcelona, Madrid, Valencia, Ibiza, Palma de Mallorca, Malaga and Seville, as compared to the previous year, making for a total of almost 409,069 passengers transported.
The traffic results registered for Morocco were also excellent, reaching 59,122 units (+61.4%), thanks to the reinforcement of existing connections, including not only the Turin-Casablanca route operated by Royal Air Maroc, but also the first year that saw TUI fly operate 2 weekly flights on the Turin-Marrakech route, plus the launch, on 29 October 2018, of a biweekly Turin-Fez flight by Ryanair.

The following table compares movements for the leading destinations of regularly scheduled traffic in 2018 to the figures for 2017:

Movements				
Destinations-REGULARLY SCHEDULED	**Current year**	**Previous year**	**Variation from previous year**	**% of total**
Rome Fiumicino	4.791	5.412	-11,5%	13,1%
Munich	2,931	2,973	-1.4%	8%
Paris Charles De Gaulle	2,767	2,533	9.2%	7.6%
Frankfurt	2,739	2,770	-1.1%	7.5%
Naples	2,509	2,836	-11.5%	6.9%
London Grouping	2,484	2,375	4.6%	6.8%
Catania	1,966	2,316	-15.1%	5.4%
Palermo	1,708	1,670	2.3%	4.7%
Madrid	1,492	1,467	1.7%	4.1%
Amsterdam	1,451	1,471	-1.4%	4%
Bari	1,306	1,423	-8.2%	3.6%
Barcelona	1,214	1,202	1.0%	3.3%
Lamezia Terme	762	880	-13.4%	2.1%
Cagliari	648	721	-10.1%	1.8%
Total 14 Leading Destinations	**28,768**	**30,049**	**-4.3%**	**79%**
Other Destinations	7,668	8,009	-4.3%	21%
Total	**36,436**	**38,058**	**-4.3%**	**100%**

Overall movements decreased by -4.9%. Movements of commercial aviation alone (regularly scheduled + charter) totalled 37,539 in 2018, for a drop of -4.3%.

The airlines

The main **regularly scheduled airlines** that operated at our airport in 2018, together with their respective passenger figures, are shown below:

Passengers				
Carriers-Regularly scheduled	Current year	Previous year	Variation from previous year	% of total
Ryanair	984,297	991,534	-0.7%	25.1%
Blue Air	817,693	984,102	-16.9%	20.85%
Alitalia Group	561,578	617,578	-9.1%	14.32%
Lufthansa	348,594	338,251	3.1%	8.89%
Volotea	182,968	122,948	48.8%	4.67%
Air France	167,019	171,355	-2.5%	4.26%
British Airways	136,475	117,871	15.8%	3.48%
Klm	112,418	112,479	-0.1%	2.87%
Air Nostrum	95,909	68,080	40.9%	2.45%
Easyjet	85,506	39,578	116%	2.18%
Total 10 Leading Carriers	**3,492,457**	**3,563,776**	**-2%**	**89.05%**
Other Carriers	429,519	443,092	-3.1%	10.95%
Total	**3,921,976**	**4,006,868**	**-2.1%**	**100%**

Ryanair remains the leading carrier at the Turin Airport, while Blue Air retains second place.
Also worthy of note are the positive performances registered by a number of carriers during the year:

- Volotea, which increased its traffic by +48.8% and its movements by +23.9%, thanks to the excellent performance of the domestic network;
- Air Nostrum, whose traffic rose by +40.9% while it registered an increase of +16.1% in movements;
- EasyJet was up +116% in 2018, thanks to the introduction of new operations to Berlin and Naples.

In 2018, **low-cost traffic** accounted for 58.6% of total regularly scheduled passenger traffic, for a decrease of -1.5%. Of particular note in this sector is the performance of Jet2.com, which achieved significance results, thanks to the ski routes.

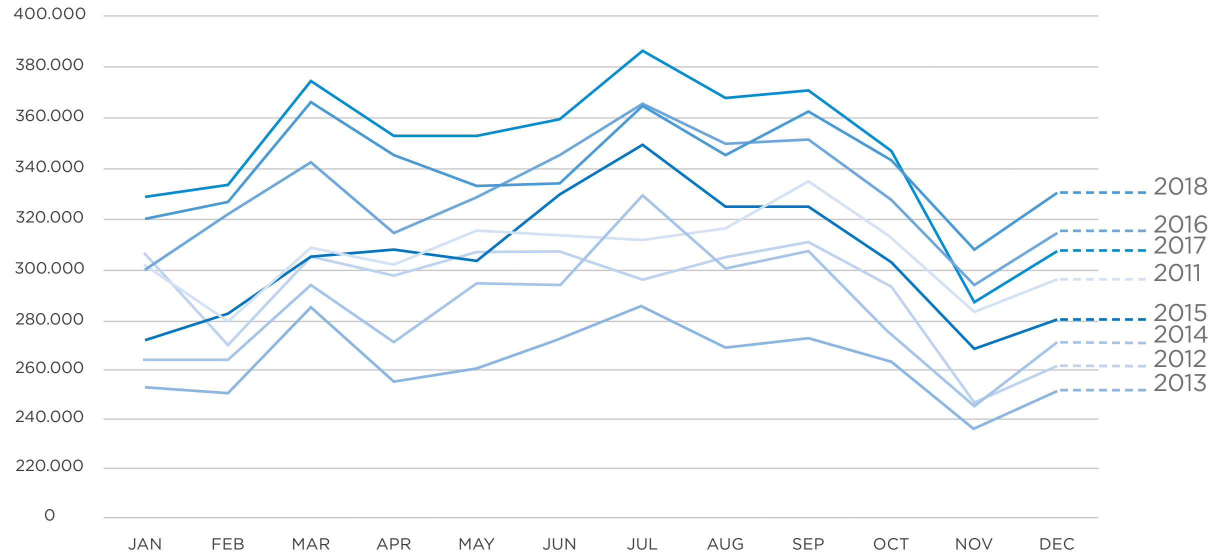
Passengers					
LOW COST Carriers	Current year	Previous year	Variation from previous year		% of total
Ryanair	984,297	991,534	-7,237	-0.7%	42.8%
Blue Air	817,693	984,102	-166,409	-16.9%	35.6%
Volotea	182,968	122,948	60,020	48.8%	8%
Easyjet	85,506	39,578	45,928	116%	3.7%
Vueling Airlines	81,176	74,639	6,537	8.8%	3.5%
Blu Express	73,092	48,752	24,340	49.9%	3.2%
Wizz Air	45,368	37,798	7,570	20%	2%
Jet2.Com	28,299	15,798	12,501	79.1%	1.2%
Other Carriers	348	18,683	-18,335	-98.1%	0%
Overall Total	**2,298,747**	**2,333,832**	**-35,085**	**-1.5%**	**100%**

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

MOVEMENTS				
REGULARLY SCHEDULED Carriers	**Current year**	**Previous year**	**Variation from previous year**	**% of total**
Ryanair	5,715	5,800	-1.5%	15.7%
Blue Air	7,600	8,690	-12.5%	20.9%
Alitalia Group	5,181	6,090	-14.9%	14.2%
Lufthansa	4,919	4,984	-1.3%	13.5%
Volotea	1,484	1,198	23.9%	4.1%
Air France	2,525	2,533	-0.3%	6.9%
British Airways	1,104	976	13.1%	3%
Klm	1.453	1.445	0.6%	4%
Air Nostrum	1236	1065	16.1%	3.4%
Easyjet	644	323	99.4%	1.8%
Total 10 Leading Carriers	**31,861**	**33,104**	**-3.8%**	**87.4%**
Other Carriers	4,575	4,954	-7.7%	12.6%
Total	**36,436**	**38,058**	**-4.3%**	**100%**

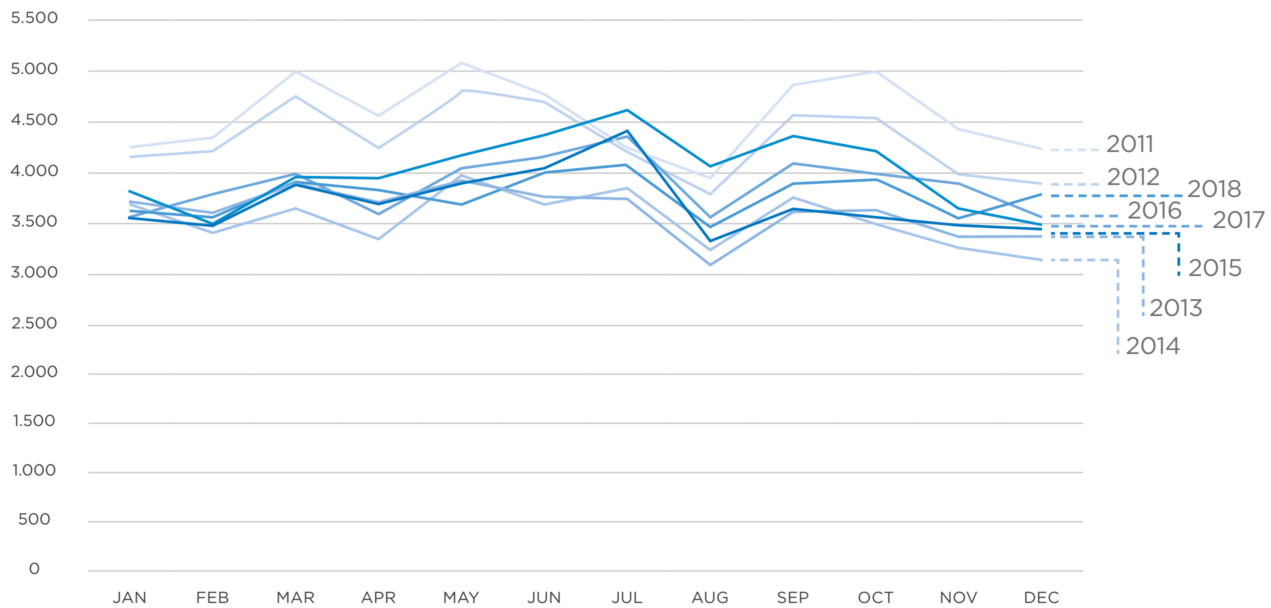
Below is a summary of past trends and seasonal performance for the total number of **passengers** at our airport:

Total passenger traffic (including transit and general aviation)													
Year	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Total**
2006	260,461	321,034	301,479	275,236	268,880	279,790	286,999	246,939	270,742	259,835	231,318	258,261	**3,260,974**
2007	280,182	283,146	314,788	294,648	291,032	301,010	322,412	286,258	308,790	297,291	257,152	272,544	**3,509,253**
2008	290,081	297,462	338,402	289,135	304,187	314,022	307,055	269,285	279,529	268,527	219,513	243,635	**3,420,833**
2009	257,144	264,156	302,360	276,737	266,173	266,112	297,407	271,464	272,958	262,865	220,185	269,697	**3,227,258**
2010	279,036	269,824	312,431	270,799	308,544	307,732	313,081	323,100	322,070	304,788	271,619	277,145	**3,560,169**
2011	300,575	278,985	312,781	301,429	317,306	333,399	312,366	318,216	338,719	316,164	282,739	297,806	**3,710,485**
2012	300,967	271,516	309,360	299,873	311,909	309,811	298,850	307,339	311,482	291,052	248,093	261,595	**3,521,847**
2013	256,862	251,752	283,835	255,685	260,621	271,987	285,113	269,502	273,759	261,745	238,387	251,039	**3,160,287**
2014	266,969	267,388	294,766	270,509	297,841	296,379	332,116	304,432	309,331	277,005	248,069	267,181	**3,431,986**
2015	273,531	282,862	309,705	308,141	305,091	335,412	350,572	324,484	327,808	300,326	268,149	280,343	**3,666,424**
2016	298,806	321,833	346,471	312,453	331,793	344,008	364,466	345,742	350,210	328,576	293,054	313,496	**3,950,908**
2017	327,356	335,644	376,805	350,588	349,838	363,002	388,502	367,396	371,427	347,842	288,536	309,620	**4,176,556**
2018	318,941	327,546	366,789	346,722	335,869	337,565	363,923	341,458	358,011	347,013	307,296	333,790	**4,084,923**



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

Total traffic in movements													
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	TOT
2006	4,612	6,210	5,460	4,738	5,263	5,340	5,044	4,071	5,062	5,378	5,076	4,584	**60,838**
2007	4,927	5,110	5,580	5,001	5,487	5,364	5,636	4,331	5,443	5,636	4,847	4,774	**62,136**
2008	4,972	4,922	5,242	5,198	5,079	5,053	5,212	3,997	4,827	4,975	4,385	4,286	**58,148**
2009	4,867	5,001	5,568	4,789	5,088	4,737	5,088	3,804	4,681	4,871	3,904	4,021	**56,419**
2010	4,180	4,254	4,850	4,318	4,927	4,978	4,714	3,938	4,952	4,976	4,527	4,226	**54,840**
2011	4,292	4,341	4,947	4,584	5,060	4,732	4,286	3,949	4,793	4,965	4,395	4,197	**54,541**
2012	4,297	4,204	4,695	4,220	4,784	4,726	4,266	3,654	4,565	4,526	3,972	3,864	**51,773**
2013	3,714	3,570	3,953	3,620	3,999	3,753	3,879	3,068	3,585	3,720	3,404	3,391	**43,656**
2014	3,770	3,367	3,642	3,294	3,685	3,713	3,931	3,269	3,808	3,533	3,259	3,191	**42,462**
2015	3,579	3,446	3,925	3,730	3,851	3,997	4,092	3,340	3,720	3,576	3,488	3,517	**44,261**
2016	3,650	3,737	3,990	3,656	3,966	4,092	4,279	3,536	4,121	4,049	3,832	3,589	**46,497**
2017	3,761	3,452	3,970	3,878	4,158	4,315	4,625	4,015	4,319	4,207	3,627	3,528	**47,855**
2018	3,695	3,562	3,958	3,816	3,768	4,010	4,090	3,533	3,914	3,929	3,521	3,715	**45,511**



Cargo

Cargo traffic at the Turin Airport totalled 4,730,888 kg in 2018, making for a decrease of 20.8% compared to 2017, within the context of a general downward trend for the Italian market as a whole (-0.5% the figure for Italy in the year 2018 – source: Assaeroporti).

The reduction was caused a decrease of 5.8% in the aeronautical component, and in particular by the drop of 21.9% suffered by the air-truck freight component. This last sector was hit particularly hard by the loss of the traffic of the carriers Lufthansa and Air France, which accounted for 85% of the overall loss in annual terms.

In terms of total traffic, the Airport's leading companies continued to be Lufthansa (which recorded a decrease of 28% compared to 2017), followed by Air France (-29%), Alitalia (-1%) and KLM (-5%).

With regard to markets: USA, Brazil, Mexico and China are the first four countries in terms of volumes of cargo in transit, followed by other countries of the Americas and Asia (including Canada, India, Argentina and Hong Kong). The leading short-range markets include Romania and Morocco.

Infrastructure initiatives in 2018 included the construction and opening in the Cargo Terminal of the new P.E.D., or "Point of Designated Entry" facility for inspection by the Ministry of Health of cargo arriving from outside the EU, as per the provisions of (EC) Reg. 669/2009, giving the Turin Airport the capacity to receive even imports of non-EU merchandise subject to healthcare inspection.

1.5
Analysis of the income statement

The Income Statement 2018, presented in summary form in the reclassified table below, closes at a net operating profit of €7,470 thousand, lower by €3,617 thousand compared to the €11,087 thousand profit recorded in 2017.

The 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) and of income from seconded staff, amounts to €58,596 thousand, -5.7% compared to the €62,127 thousand recorded in 2017. This result is due to the negative performance of aviation and extra-aviation components, which have decreased by 3.6% and 1.8% respectively, and to a significant decrease in the "Other income" component, which has dropped from €3,805 thousand in 2017 to €2,106 thousand in 2018.

Staff costs amount to €13,159 thousand and have decreased by €255 thousand, i.e. by 1.9% compared to 2017.

Operating costs amount in total to €29,257 thousand and have decreased by €404 thousand compared to the previous year, due basically to the decrease in the costs of security systems.

The "Provisions and write-downs" line amounts in total to €797 thousand and has decreased by €777 thousand compared to the €1,574 thousand recorded in the previous year, that included the allocation of €1,418 thousand to the provision for bad debts.

The "Amortization and depreciation" line amounts in total to €6,133 thousand and has increased by €404 thousand compared to the previous year, due to the fact that the Company has made more investments in 2018 than in 2017 and that the investments 2017 have started being depreciated at full rate (and these were in turn more than the investments 2016).

The balance between financial income and expense, positive by €286 thousand, has decreased by €1,828 thousand compared to 2017, essentially due to the €2,077 thousand gain earned in 2017 from the closing of the liquidation process for the subsidiary SAGAT Engineering.

A detailed analysis of the main changes in these captions is given in the Notes.

The table below shows the main Income Statement components. A comparison with 2017 figures is also provided.

Euro thousand

	2018	2017	Diff. € 2018/2017	Diff. % 2018/2017
Production value *	58,596	62,128	-3,532	-5.7%
Staff costs **	13,159	13,414	-255	-1.9%
Operating costs	29,257	29,661	-404	-1.4%
GOM	**16,179**	**19,053**	**-2,873**	**-15.1%**
Provisions and write-downs	797	1,574	-777	-49.4%
EBITDA	**15,382**	**17,479**	**-2,096**	**-12.0%**
Amortization and depreciation	6,133	5,729	404	7.1%
Grants	671	671	0	0.0%
EBIT	**9,921**	**12,421**	**-2,500**	**-20.1%**
Balance of financial components	286	2,114	-1,828	-86.5%
EBT	**10,207**	**14,535**	**-4,329**	**-29.8%**
Income taxes	2,736	3,448	-711	-20.6%
Net profit (loss)	**7,470**	**11,087**	**-3,617**	**-32.6%**
Financial independence **	**14,752**	**18,739**	**-3,988**	**-21.3%**

(*) The value of production is the total of earnings minus the grants received and the income from staff seconded to third parties
(**) The staff costs are shown net of the earnings from seconded staff
(**) The index of financial independence is calculated as follows: profit (loss) of the year + amortization 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 2018 and 2017:

Euro thousand

	2018	%	2017	%	Diff. € 2018/2017	Diff. % 2018/2017
Value of production	**58,596**	**100.0%**	**62,128**	**100.0%**	**-3,532**	**-5.7%**
Aviation	**37,989**	**64.8%**	**39,409**	**63.4%**	**-1,420**	**-3.6%**
of which:						
Fees	26,561		27,622		-1,061	-3.8%
Centralized infrastructures	1,648		1,678		-30	-1.8%
Security	8,446		8,776		-330	-3.8%
Aviation services	1,334		1,334		0	0.0%
Handling	**245**	**0.4%**	**324**	**0.5%**	**-79**	**-24.3%**
Non-aviation	**18,255**	**31.2%**	**18,589**	**29.9%**	**-334**	**-1.8%**
of which:						
Non-aviation services	1,040		1,008		32	3.2%
Ticketing	372		385		-14	-3.6%
Retail and restaurant subcontracts	3,940		4,325		-385	-8.9%
Other business subcontracts	2,213		2,124		89	4.2%
Sublease of spaces	3,376		3,449		-73	-2.1%
Parking lots	6,118		6,163		-44	-0.7%
Advertising	1,196		1,135		60	5.3%
Other revenues	**2,106**	**3.6%**	**3,805**	**6.1%**	**-1,699**	**-44.6%**

Aviation income in 2018 amounts to €37,989 thousand and has decreased by €1,420 thousand (-3,6%). The reduction is basically due to the lower traffic volumes and lower airport fees compared to 2017.

Non-aviation income in 2018 has decreased by €334 thousand (-1.8%), from €18,589 thousand in 2017 to €18,255 thousand in 2018. The decrease is basically due to the fact that in 2018 the Company did not earn any direct income from the running of the supermarket, that was subcontracted to third parties.
The most relevant factors affecting non-aviation income trends are described below:

- **Retail / restaurant subleases**
  In 2018, shop and restaurant subleases have decreased by €385 thousand compared to 2017, reaching a total of €3,940 thousand, due to the dismissal of direct retailing activities in 2018.

- **Other business subcontracts**
  The revenues from this segment amount to €2,213 thousand and have increased by €89 thousand thanks to the improved performance of car rental activities.

- **Parking lots**
  The revenues from this segment amount to €6,118 thousand and have slightly decreased by €44 thousand compared to the previous year.

- **Advertising**
  The revenues from this segment amount to €1,196 thousand and have increased by €60 thousand compared to 2017.

The "Other income" figure (€2,106 thousand) has decreased significantly compared to the figure recorded in 2017 due to the presence, in that year, of income components of high amount.

Staff costs

Staff costs for 2018, inclusive of outsourced staff, amount to €13,159 thousand, decreasing by €255 thousand compared to the previous year.
The difference is due mostly to administrative efficiency, a lesser use of outsourced staff, internal re-organizations and secondments, that improved efficiency and generated cost savings. For more details please refer to the corresponding sections in the Directors' Report and in the Notes.

Operating costs

Operating costs have reached the amount of €29,257 thousand, decreasing by €404 thousand compared to the year ended as at 31/12/2017. The decrease is due to the following circumstances:

- lower costs for maintenance, utilities and services, that have decreased from €14,191 thousand to €13,226 thousand, (€965 thousand less);
- greater costs incurred for the boosting of air traffic (about €582 thousand in total).

Gross operating margin

As a result of the variations in each of the income and expense components commented above, the GOM 2018 has reached €16,179 thousand, or 27.6% of the production value (30.7% in 2017).

Provisions and write-downs

The provisions and write-downs amount in total to €797 thousand and have decreased by €777 thousand compared to the previous year, due mostly to the effects of the write-down by the holding company of the accounts receivable from Alitalia Società Aerea Italiana S.p.A., implemented in 2017 before the latter was put under receivership procedure.

EBITDA

Due to the reasons explained above, the EBITDA 2018 has reached €15,382 thousand, or 26.3% of the value of production (28.1% in 2017).

Amortization and depreciation

The amount of amortization and depreciation, totalling €6,133 thousand, has increased by €404 thousand as a consequence of ordinary asset life cycle and of new investments in 2018.

Grants

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

EBIT

The EBIT 2018 amounts to €9,921 thousand, decreasing by €2,500 thousand compared to the previous year and corresponding to 16.9% of the value of production (20.0% in 2017).

Financial income (expense)
The balance between financial income and expense, positive by €286 thousand, is affected by the €2,077 thousand gain earned in 2017 from the closing of the liquidation process for the subsidiary SAGAT Engineering.

EBT

Therefore, the EBT amounts to €10,206 thousand, diminishing by €4,329 thousand compared to 2017.

Taxes

The aggregate tax burden has increased by €711 thousand compared to the previous year. The total tax liability for the year amounts to €2,736 thousand.
The difference between the actual 2018 tax rate and the theoretical IRES/IRAP rate is described in detail in the dedicated section of the Notes.

Profit

In the light of the above, the net profit earned in 2018 amounts to €7,470 thousand, decreasing by €3,617 compared to 2017 (-32.6%).

1.6 Analysis of the balance sheet

The table below shows the Balance Sheet components reclassified according to financial standards. A comparison with 2018 figures is also provided.

Euro thousand

	31/12/2018	31/12/2017	Variation
A) Fixed assets			
Intangible assets	5,679	3,828	1,852
Tangible assets	45,307	47,008	-1,701
Financial assets	8,953	8,953	0
	59,940	**59,789**	**151**
B) Working capital			
Inventory	330	314	16
Trade receivables	12,897	13,400	-504
Other assets	16,655	13,544	3,111
Trade payables	-16,991	-16,984	-7
Provisions for liabilities and charges	-4,773	-4,607	-166
Other liabilities	-33,577	-31,066	-2,510
	-25,459	**-25,399**	**-60**
C) Invested capital (less liabilities for the year)	**34,481**	**34,390**	**91**
D) Provision for staff severance pay	**2,284**	**2,292**	**-8**
E) Invested capital (less liabilities for the year and staff severance pay)	**32,197**	**32,098**	**99**
Funded with:			
Own capital			
Paid-in share capital	12,911	12,911	0
Reserves and profit (loss) carried forward	23,274	22,620	654
Profit (loss) of the year	7,470	11,087	-3,617
	43,655	**46,618**	**-2,963**
G) Medium/long-term financial indebtedness	**0**	**1,500**	**-1,500**
H) Net short-term financial debt (net liquidity)			
Short-term financial payables	1,500	1,500	0
Short-term financial payables to subsidiaries	0	0	0
Financial income (expense)	0	0	0
Cash and short-term financial receivables	-12,958	-17,520	4,562
	-11,458	**-16,020**	**4,562**
I) Indebtedness (Net financial position)	**-11,458**	**-14,520**	**3,062**
L) Total as in "E"	**32,197**	**32,098**	**99**

As shown in the table, the capital invested, less liabilities for the year and staff severance pay, has increased by €91 thousand due to the following changes:

- increase in fixed assets by €151 thousand, due essentially to:

  - increase in intangible assets by €1,852 thousand, due to the effects of ordinary amortization (€1,304 thousand), to the new investments made during the year (€3,202 thousand), and to other changes (€46 thousand);

  - decrease in tangible assets by €1,701 thousand, due to the effects of ordinary depreciation (€4,828 thousand) and to the new investments made during the year (€3,442 thousand); the reduction compared to 2017 also owes to sales of assets having a residual net value of €5 thousand, assets no longer existing and other variations (€310 thousand);

- Decrease of working capital by €60 thousand, due basically to:

  - decrease in trade receivables by €504 thousand, owing in turn to sales volume trends and ordinary credit collection activities;

  - increase in other assets by €3,111 thousand, due mostly to the increase in the receivables from the parent company on payments made for tax consolidation purposes.

  - Increase by €166 thousand in the provisions for contingencies, due to:

- increase in the provision for future contingencies (€241 thousand) deriving, on one hand, from 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, from the amounts released and used during the course of the year. In particular, as at 31 December 2018 the provision amounted to €4,743 thousand, as detailed in the dedicated section of the Notes;

- reduction in the mark-to-market value (negative as at 31 December 2018 compared to 21 December 2017) of the derivative instrument that the Company has subscribed in order to cover interest rate fluctuation risks associated to an existing loan (€76 thousand). In accordance with Italian accounting standard no. 32, the variation above has not affected the income statement for the year.

  - Increase in other liabilities by €2,510 thousand, due essentially to:

- increase in the payables to the parent company on taxes, as a consequence of tax consolidation agreements (€1,598 thousand);

- increase other payables (€1,387 thousand), mostly due to the greater amount of additional taxes payable on boarding fees (+€1,029 thousand), and to the increase in other payables for the remaining part;

The severance pay payable to the employees has decreased by €8 thousand compared to 2017.

The capital has decreased by €2,963 thousand due to the joint effect of the profit earned in the year (€7,470thousand), the distribution of dividends (€10,509 thousand) and the effects on the equity of the new reserve for the hedging of expected cash flows (€76 thousand).

Medium to long term indebtedness has decreased by €1,500 thousand, due to the repayment, according to the plan, of the instalments 2018 of the loan obtained in 2010, which originally amounted to €15,000 thousand.

Net cash in hand has decreased by €4,562 thousand due to the reduction in the cash deposits held with banks and in the company treasury.

As a result of these changes, in 2018 the Company has reduced its net financial position by €3,063 thousand, from €14,520 thousand as at 31 December 2017 to a balance of €11,458 thousand as at 31 December 2018.

1.7
Analysis of cash flow

The operations in the year used €3,062 thousand in financial resources. Such figure is the result of the cash flow generated by income less costs.

The cash flow from operations, €14,015 thousand in total, derives from the self-financing generated by ordinary and extraordinary operations (€14,752 thousand) and from the variation in the net working capital (€-737 thousand), less write-downs and provisions made in the period (€797 thousand).
The cash flow was used to fund investments in intangible and tangible assets (€6,644 thousand) and to distribute dividends (€10,509 thousand).

The net cash flow from operations was therefore negative and amounts to €3,062 thousand on aggregate. The net financial position as at 31 December 2010 is €11,458 thousand, decreasing compared to €14,520 thousand as at 31 December 2017).

The changes described above are summarised in the table below:

Euro thousand

Statement of cash flow	
Net opening financial position	**14,520**
Self-financing from ordinary and extraordinary operations	14,752
Profit (Loss) of the year	7,470
Amortization, depreciation and write-down of fixed assets	6,493
Provisions for bad debts	797
Net variation of staff severance pay	-8
Variation of net working capital after amortization, depreciation and write-downs	(737)
Cash flow generated by operations	**14,015**
Net cash flow from investments	(6,644)
Cash flow from financial assets	0
Dividends	(10,509)
Other equity variations (IRS)	76
Net cash flow from operations	**(3,062)**
Net closing financial position	**11,458**

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
Trends of principal financial ratios

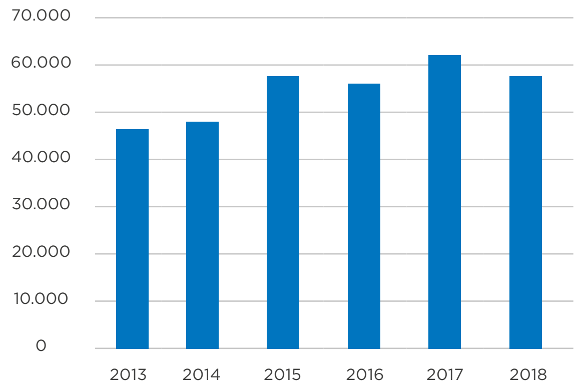
La tabella che segue evidenzia le principali voci del Conto economico, confrontandole con i rispettivi valori del precedente esercizio.

Euro thousand

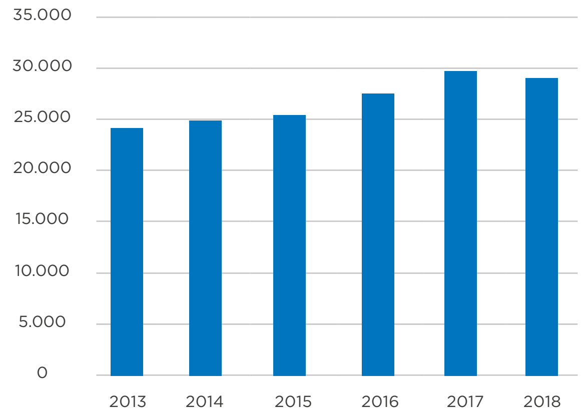
	2013	2014	2015 (a)	2016	2017	2018
Production value*	48,203	48,724	57,799	56,696	62,128	58,596
Operating costs	23,946	24,994	25,135	27,822	29,661	29,257
Staff costs**	11,873	12,629	13,050	13,494	13,414	13,159
GOM	12,384	11,101	19,614	15,379	19,053	16,179
Net result	215	795	8,498	6,453	11,087	7,470
Shareholders' equity	60,227	39,722	43,396	47,620	46,619	43,655
ROI	1.90	3.55	27.62	31.16	38.91	28.77
ROE	0.36	2.00	19.58	13.55	23.78	17.11
Trend of investments	2,755	3,010	3,140	4,664	6,401	6,644
Trend of financial autonomy***	13,792	11,603	19,889	13,437	18,740	14,752
Trade receivables	8,863	10,592	9,579	11,495	13,400	12,897
Average length of trade receivables	71	84	75	77	84	83
Trade payables	8,788	8,931	10,039	14,900	16,984	16,991
Average length of trade payables	134	130	146	196	209	212
Net EPS	0.09	0.32	3.40	2.58	4.43	2.99

(*) Value of production: the total of earnings minus the grants received
(**) Staff costs net of the earnings from seconded staff
(***) Financial independence: profit (loss) of the year + amortization and depreciation + write-downs and provisions + net change in the provision for staff severance pay
ROI: net profit / investments The figures from the preceding financial years were adjusted in order to align the calculation methods across all Group companies.
ROE: net income / shareholders' equity
AVERAGE LENGTH OF RECEIVABLES: trade receivables / trade earnings (caption A1 of IV CEE financial statements)
AVERAGE LENGTH OF PAYABLES: trade payables / cost of vendor services
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.
(a) After 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, ROI and ROE) has changed.
The net result relating to 2015 has not changed.

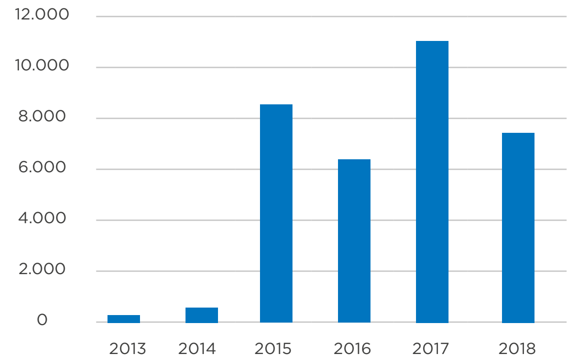
Production value*



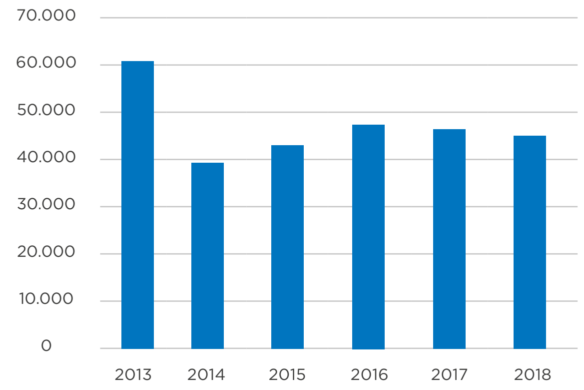
Operating costs



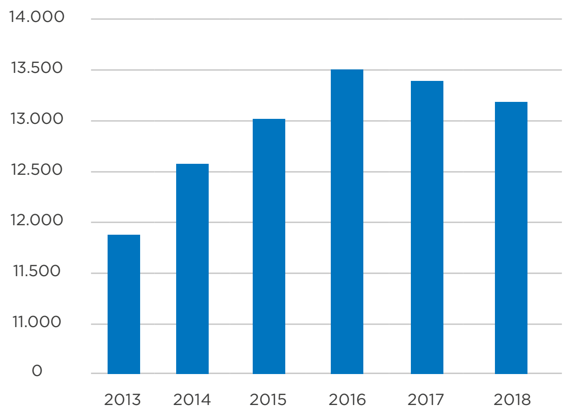
Net result



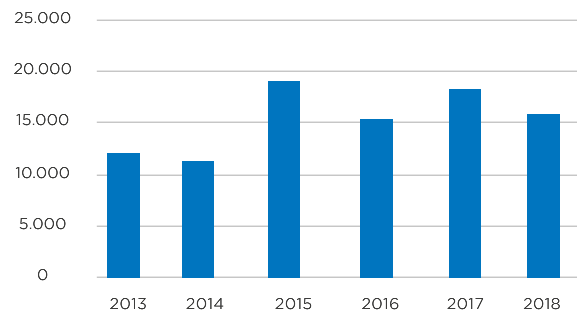
Shareholders' equity



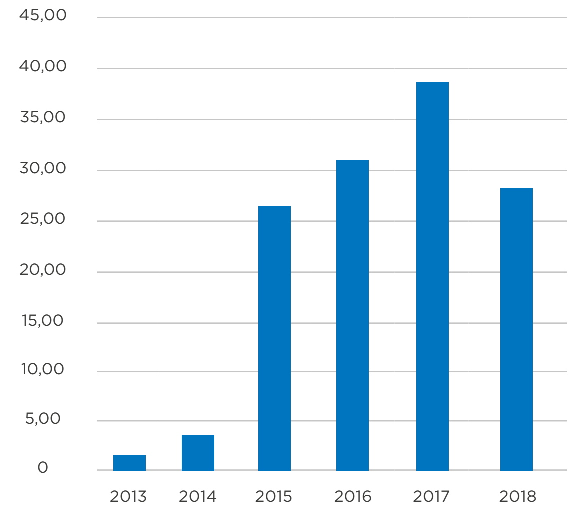
Staff costs**



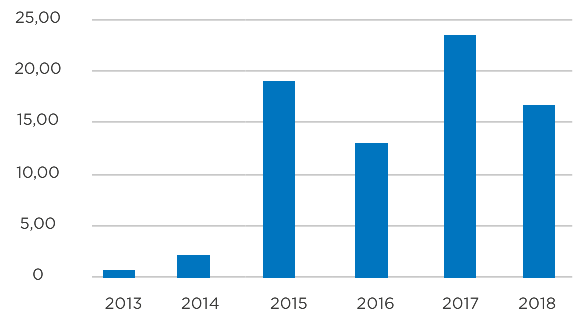
GOM



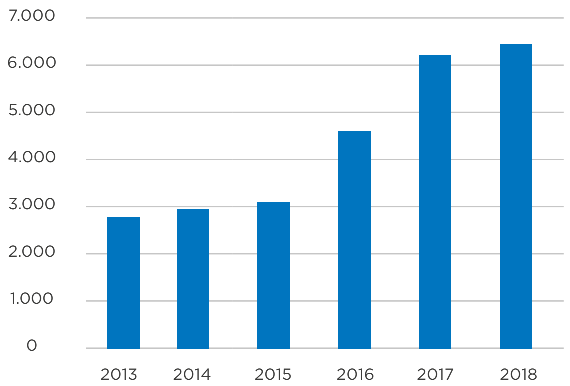
ROI



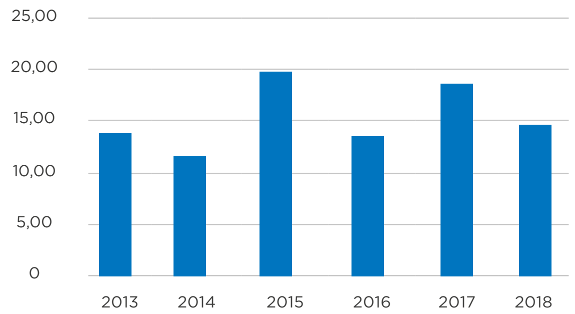
ROE



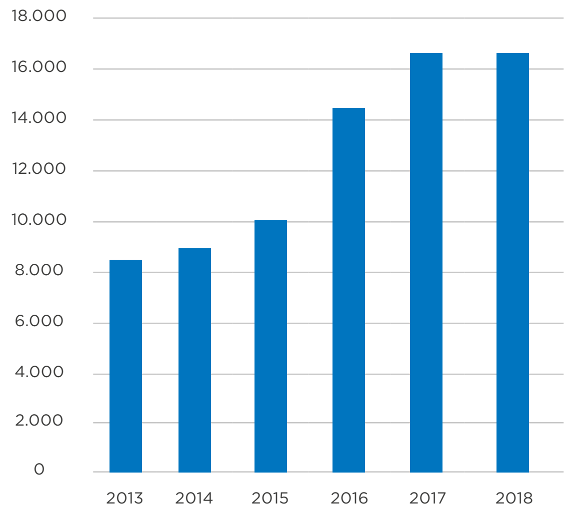
Trend of investments



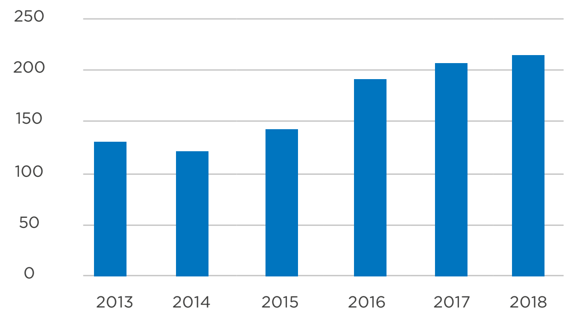
Trend of financial autonomy***



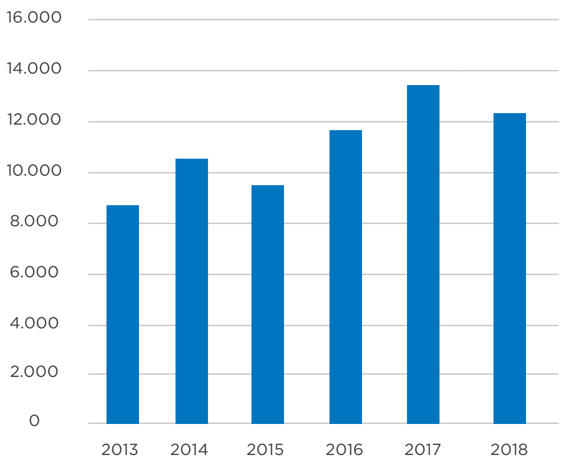
Trade payables



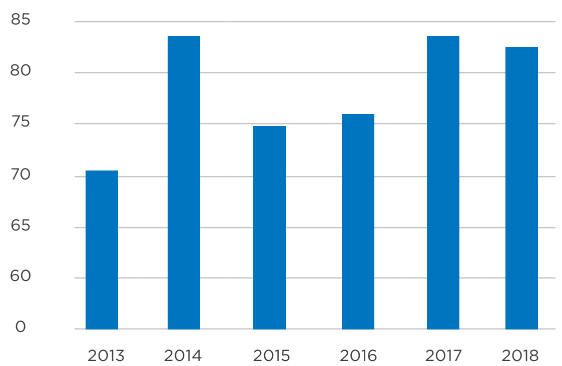
Average length of trade payables



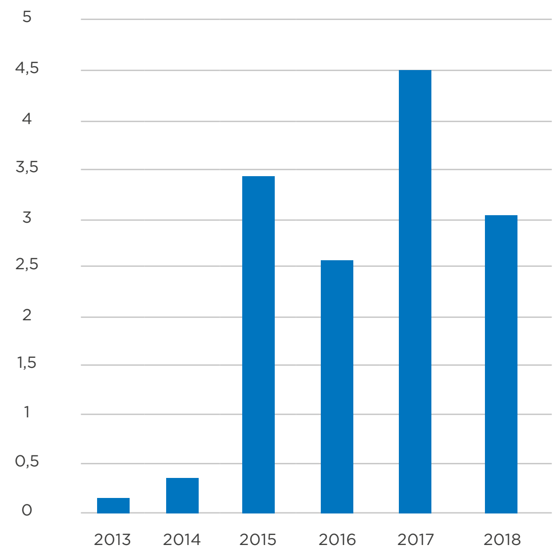
Trade receivables



Average length of trade receivables



Net EPS



1.9
Retail activities

In 2018, all the innovations made to optimise non-aviation retail offerings were in full operation for the entire year.

At the same time, plans were drawn up for a full architectural restyling and retail restructuring of the landside arrivals and departure areas, work that will take place in the year 2019.

The most significant developments include:

- a full year of operations on the part of the establishments that opened in 2017, and in particular the Baladin hamburger/beer outlet, the Agrishop, with its food service section, WHSmith, Barbieri B'Joux, Marina Militare and Relay, with the sale of tobacco products;
- looking at the parking areas, there was a decrease in on-street parking, together with a significant rise in on-line purchases via multi-channel e-commerce. Retail strategies were implemented in order to intercept as many customers as possible and to improve the quality of the service offered, including exclusive on-line sale of level 5 of the multi-floor parking facility and, by the end of the year, expansion of the Bye&Fly express-stopping area on the departure level, which has resolved a critical problem of automobile traffic at the airport.

Non-aviation revenues showed a slightly negative overall result, down -1.8% compared to 2017. This decrease can essentially be traced to the fact that the revenues generated by the direct operation of the supermarket ceased in the year 2018, following the outsourcing of the establishment.

A number of facts of note regarding the individual business areas are listed below:

Retail and food service subcontracting

Within this sector, the Food&Beverage performed very well, despite the lower level of passenger, thanks to the expansion of the retail offerings with Baladin and Agrishop, enterprises that began full operation in 2018. The Beauty&Fashion sector, on the other hand, registered a 0.9% decrease in revenues, though this downturn was less pronounced than the drop in airport traffic, thanks to the consolidation of the retail offerings, the excellent results of the enterprises that have already been operating for a number of years, such as Borbonese and +39 (an Italian leather goods brand) and the start of operations by new stores, including Barbieri B'joux and Marina Militare.

Non-retail subcontracting and other activities

The revenues of the car-rental sector rose on account of the entry into full operation of the new operators (Sixt and Autovia) and the excellent performance registered by the operators already in place, such as Locauto and Maggiore, in keeping with the overall growth trend of the sector.

The aircraft refuelling business was down 2.2% on account of the lower number of aircraft movements.

The subleasing of non-retail spaces registered decreased revenues in 2018, 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 2018, equal to 6.118 million euro, marked a decrease compared to the previous year (-0.7%).

This result, which fell to a lesser degree than the decrease in traffic, points to a consolidation of business-travel habits (shorter stops, evaluation of offers), as well as to the increasing tendency to purchase parking through e-commerce channels that offer lower prices. The competition from operators found outside the airport grounds, together with a rise in the number of passengers who arrange to be given rides to the Airport, are two factors that continued to be highly influential in 2018.

The restructuring of the Bye&Fly area reserved for express stops, necessary to improve traffic conditions and increase the number of available spaces from 20 to more than 100, has increased both customer satisfaction with the service and revenues. Patterns of customer behaviour are constantly evolving, as shown by the increasing preference for payments made by electronic means, or with the Telepass remote highway-toll device, as opposed to cash: a factor to be taken into consideration in optimising the user experience of the new Bye&Fly area, which offers the option of entering and exiting with the Telepass remote device, or paying with credit or debit cards at the electronic exit poles.

Constant monitoring of the results of the Google Adwords campaign confirms that the use of the e-commerce platform for purchasing parking and ad-on products, builds customer loyalty.

Advertising

Advertising income showed growth of 5.3% compared to 2017.

Most of the revenues were earned through the main subcontractor, IGPDecaux, 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.

Non-aviation services

Good performance was recorded by the Sala Vip and Fast Track services, which are offered to the carriers that signed with SAGAT S.p.A. a contract for their customers: Air France, Air Nostrum, British Airways, Brussels Airlines, KLM, Lufthansa for forfait contracts; Alitalia, Air Moldova, Air Italy, Blue Air, Blue Panorama, easyJet, Ryanair, RAM, Siberia Airlines, Lot, Vueling, as well as the Dragon Pass, Priority Pass, Priority Pass Diners, KEY Priority Pass Lounge, No. 1 Traveler, Loungebuddy.

The services can also be purchased by the final customer directly at the airport or via e-commerce.

The number of accesses increased by + 4% for the VIP Lounge and by + 1% for the Fast Track.

1.10 Quality

Quality Policy

The Quality Policy of SAGAT S.p.A. 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 S.p.A. 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 2018, the DNV GL agency carried out the audit needed to renew the ISO 9001:2015 certification for three years.

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

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

- practically effective and farsighted approach on the part of the upper management;
- process of digitalisation underway in different sectors of the Company;
- monitoring of the services provided, if necessary through the Quality Observatory;
- capacity for managing training activities, including those on an e-learning platform.

Service Charter 2018

In 2018, the standard activities were carried out to monitor the quality supplied and assess perceived quality.

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

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

The responses to the surveys are given on a uniform scale (as recommended by the ENAC) featuring six levels of satisfaction, ranging from 1 = poor to 6 = excellent.
Percentages of satisfaction are calculated by determining the percentage of positive responses (4, 5 and 6) out of total responses, both positive and negative.

The overall level of satisfaction for 2018 stood at 98.8%.

The parameters of the Service Charter measuring passenger satisfaction (perceived quality) that were not met:

- perceived level of cleanliness and operating efficiency of the toilettes (89.8% vs. 90%);
- perceived adequacy of the city-airport transport connections (90.7% vs. 92%).

As for the objectives of quality supplied, meaning those expressed in objective terms (services times), three of the indicators on the Service Charter were not met:

- time for return to the passenger of the first bag off the plane;
- time for return to the passenger of the last bag off the plane;
- overall punctuality of the flights.

Regarding the parameters of the 2018 Services Charter not reached, the following points should be made.

- The index for "Perception of level of cleanliness and operating efficiency of the toilettes" is only slightly below the target of 90%

(89.8%), meaning that no critical problems were observed, and it assumed that these will reliably be prevented by the intense and recurring monitoring operations (i.e. weekly inspections by the Quality Observatory).

- As for the "Perceived adequacy of the city-airport transport connections", the Manager clearly lacks any way of applying operating leverage in this instance, nor is it able to resolve problems springing from the objective difficulties of the Turin roadway, and specifically the railway junction that complicates routes to and from the Airport.
- As is common knowledge, the baggage return service is run by the Handler. In 2018, the retrain operations registered negative results, compared to the target, on account of:
  - an increase in the quantity of baggage;
  - new Ryanair and Wizzair policies that resulted in placement in the hold of an average of 90 additional pieces of luggage for each flight;
  - extension of the "Delivery At Aircraft" operating procedure, which slows the process of loading and unloading passengers and baggage considerably.

  The Manager has taken additional measures of oversight and control, plus further measures to mitigate any risk, such as supplying to the Handler, free of charge, an IT tool capable of monitoring performance in real time.

  Based on a comparative analysis of the time needed to supply the service at other airports in 2018, it is safe to say that the performance of the Turin Airport, as an absolute value, is adequate (source: Service Charter 2018):

	Results 2017							
	TRN	BLQ	NAP	AHO	BGY	LIN	MXP T1	MXP T2
First bag	19'49"	24'	25'	20'	22'	16'15"	19'55"	23'20"
Last bag	26'54"	31'	32'	28'	28'	22'05"	32'55"	27'

- The overall punctuality of flights departing from Turin has been affected by the general increase in delays observed in 2018 (Eurocontrol Report: +53%, from 9.3 million minutes in 2018 to 14.3 million in 2018). Furthermore, the Airport's voluntary participation in the EAPN benchmark makes possible a 2018 vs. 2018 comparative analysis with other national-level airports that are also part of the benchmark, and which, the analysis shows, have also seen their punctuality indexes drop, in particular on account of ATC delays. It can be conclude that the dip in the punctuality index is not a problem specific to the Turin Airport, but rather a dilemma inherent to all airports.

Shown below are comparisons of some of the quality commitments made, and the results achieved, in 2018.

Indicators	Unit of measure	STD 2018	RES 2018
Overall perception of service of security control of individuals and carry-on luggage	% of passengers satisfied	96%	98,5%
Overall perception of levels of security for one's person and property inside the airport	% of passengers satisfied	95%	99,2%
Overall on-time performance of flights	% of flights on-time out of total departing flights	81%	74,8%
Overall misplaced departing luggage under the airport's responsibility	number of pieces of luggage not boarded with departing pax/1,000 departing passengers	1 ogni 1.000	0,6
Time needed for delivery of the first piece of luggage to passenger pick-up following the block-on of the aircraft	Time in minutes from the block-on of the aircraft to delivery of the first piece of luggage for passenger pick-up in 90% of the cases	18'20"	21'35"
Time needed for delivery of the last piece of luggage to passenger pick-up following the block-on of the aircraft	Time in minutes from the block-on of the aircraft to delivery of the last piece of luggage for passenger pick-up in 90% of the cases	25'	30'01"
Waiting time aboard before disembarkation of the first passenger	Time in minutes from the block-on in 90% of the cases	4'	03'48"
Overall perception of services inside the airport being provided correctly and on time	% of passengers satisfied	97,5%	98,8%
Perception of the level of cleanliness and operational efficiency of the toilets	% of passengers satisfied	90%	89,8%
Perception of the level of cleanliness of the air terminal	% of passengers satisfied	95,5%	98,2%
Perception of the availability of luggage carriers	% of passengers satisfied	95%	99,5%
Perception of the selection/quality/prices of stores and newsstands	% of passengers satisfied	95%	99,1%
Perception of the selection/quality/prices of coffee shops and restaurants	% of passengers satisfied	95%	99,3%
Perception of the clarity, ease of understanding and effectiveness of internal signs and markings	% of passengers satisfied	94%	97,3%
Perception of the professionalism of the personnel (info-point, security)	% of passengers satisfied	96%	96,9%
Overall perception of the effectiveness and accessibility of information services to the public (monitors, announcements, internal signs and markings etc.)	% of passengers satisfied	95,5%	98,8%
Waiting time at check-in	Waiting time in minutes in 90% of the cases recorded	8'30"	5'04"
Perception of waiting time for passport control	% of passengers satisfied	8'15"	5'05"
Perception of adequacy of city-airport transportation	% of passengers satisfied	92%	90,7%

2018 Quality Plan – The Planning Agreement

One of the fundamental documents of the Planning Agreement is the Quality Plan, which calls for the monitoring of a mix of ten indicators identified in accordance with the instructions of the ENAC, based on the results effectively recorded in the benchmark year (2014).
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.

Of the targets set for 2018, only two involving the return of luggage to passengers were not met, as has already been thoroughly explained in the section on the Service Charter.

Indicators	Unit of measure	OBJT 2018	RES 2018
Time for delivery of 1st piece of luggage to passenger pick-up	time in 90% of the cases	18'18"	21'35"
Time for delivery of last piece of luggage to passenger pick-up	time in 90% of the cases	23'50"	30'01"
Perception of the level of cleanliness and operational efficiency of the toilets	% pax satisfied	87%	89,8%
Waiting time for security controls	time in 90% of the cases	8'20"	5'05"
PRM – Waiting time for departing pax who reserved assistance to receive it once they announce their presence	waiting time (in 90% of the cases)	6'30"	2'52"
PRM – Perception of the effectiveness of the assistance	% pax satisfied	99,1%	99,9%
Overall misplaced departing luggage under the airport's responsibility	number of bags misplaced/ total departing bags	0,14%	0,14%
Reliability of the baggage handling system (BHS)	% functioning/ operating time at airport	100%	100%
Efficiency of internal transfer systems (elevators and escalators)	% functioning/ operating time at airport	98,3%	99,2%
Perception of services inside the airport being provided correctly and on time	% pax satisfied	97,4%	98,8%

ACI ASQ index – Airport Service Quality

SAGAT is a part of the ASQ - Airport Service Quality – benchmark of the Airport Council International, the sole instrument recognised by the international airport industry for monitoring levels of customer satisfaction, as it does in almost 350 airports, including over a hundred on the European Union.

In 2018, its second full year of use, information was gathered, as always, under regulations drawn up by ACI ASQ (sampling plans based on the traffic forecasts received by the ACI from each airport). The quarterly field survey must cover all the days of the week and all the hours during which the Airport is open.
The information is collected with a questionnaire that passengers fill out themselves, responding to a set of questions based on a scale with 5 different options ranging 1 = poor to 5 = excellent.

The responses for overall satisfaction, the general index for satisfaction, followed a trend of steady growth in 2018, resulting in a total value of 3.86:

Overall satisfaction				
Q1 2018	Q2 2018	Q3 2018	Q4 2018	**2018**
3.88	3.79	3.81	3.96	**3.86**

The trend recorded from the Airport's initial entry in the benchmark, in the last quarter of 2016, has also been consistently positive:

2016	2017	2018
3,66	3,73	3,86

Passengers with disability or reduced mobility (PRM)

To survey the customer satisfaction of passengers with reduced mobility, SAGAT S.p.A. interviewed a sample group of no fewer than 2,927 passengers in 2018.
The satisfaction of arriving and departing PRM passengers at the Turin Airport continued to register levels of excellence this year as well.

In 2018, traffic of passengers with reduced mobility once again grew at a higher rate (+9%) than overall traffic growth. This makes the level of customer satisfaction achieved an especially gratifying result, as well as additional.

On questions pertinent to service to passengers with disabilities or reduced mobility, the ongoing collaboration with the CPD, the Advisory Board for Individuals in Difficulty, continued.
In 2018, our Company once again provided the CPD with economic support for carrying out 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, including the

special needs airport-city transport service (which can be reserved by calling a toll-free number operated by the CPD and described on the site of Turin Airport on the page www.aeroportoditorino.it/it/tofly/informazioni-utili-per-il-volo/passeggeri-a-ridotta-mobilita/trasporti-e-parcheggi).

At the end of 2018, SAGAT S.p.A. became a participant in the project "Autism – travelling through the airport", an initiative designed by the ENAC civil aviation authority, in collaboration with Assaeroporti, industry associations and airport-management companies, to make airports and air travel more accessible to individuals with autism.
Thanks to specific training provided by the CPD – the non-profit Advisory Board for Individuals in Difficulty, and with the involvement of the local association Luce per l'Autismo (Light for Autism), A.M.A, the personnel of the Turin Airport is able to provide autistic passengers with qualified help, assisting those who accompany them in making the airport and air-travel experiences as trouble-free as possible, in this way guaranteeing that people affected by this ability are able to take full advantage of their right to mobility.

Complaint management

In 2018 SAGAT S.p.A. received and handled 66 comments and/or complaints from passengers (only four of which came from a passenger with reduced mobility).
The overall number, therefore, remained essentially stable compared to the previous year.
The follow-up on each report showed that almost 30% of the complaints were unfounded. The Manager still responded to each customer, even in the cases where there were no grounds for the complaint.

1.11 Public relations and communication

In 2108, SAGAT S.p.A. again carried out numerous initiatives designed to spread awareness of its activities and promote its network of destinations, in addition to working alongside various organisation and institutional partners in promoting the local territory and various events while working on projects with charitable ends.

Advertising campaigns and promotional activities

The Turin Airport ran advertising campaigns to promote the destinations to which it offers direct flights, in addition to contributing to campaigns for the launching and promotion of flights operated by Blue Air, Aegean Airlines, Blue Panorama, Jet2.com, easyJet, TUI fly, Vueling and Volotea.
Promotional initiatives were launched to promote the parking services offered by the Turin Airport, while Adwords activities continued, in order to optimise the positioning of the product on-line.

SAGAT S.p.A. also supported numerous activities promoting the surrounding territory and air-travel routes, doing so on both local and international markets: at Eataly in Stockholm, at the Fitur fair in Madrid, at the Italian Market fair in Lisbon, at the Russia Business Forum organised by the Chamber of Commerce in Turin.

Participation in local events

During the year, the Turin Airport took part in the noteworthy events held in the local territory, in order to promote its network of flights:

- at the Turin Taste Fair, where it had an information desk;
- at the Turin Film Festival, were it had an information desk and participated as a technical partner with sweatshirts displaying its logo;
- at the Turin Car Show, with an exhibition stand and promotional materials distributed to the public.

The Airport's image was also promoted in the course of:

- the Collisioni Festival, as a partner given visibility on billboard advertising;
- Artissima, as an in-kind partner.

Exhibitions and events at the Airport

In 2018, the Turin Airport intensified its working relationships with local partners, providing outstanding initiatives with opportunities for visibility inside the Airport and on the occasion of major events in the region:

- renewing its working relationship with Thales Alenia Space by setting up an exhibit on successful spaces programs in the Departures Area;
- with the Parco Valentino Auto Show to host a preview of "Masters of Car Design at the Parco Valentino Auto Show on exhibit at the Turin Airport", with prototypes and designer projects on display in the Airport;
- with the Turin Film Museum to renew the exhibits found in the permanent exposition site set up in the arrivals area;
- with the Luxemburg bookstore to organise the BookCrossing station in the Boarding Hall;
- with the Teatro Regio Opera House for the

“Teatro Regio’s Season of Music at the Turin Airport”, plus the traditional Christmas concert featuring the ‘Voci Bianche’ boys choir;
- in collaboration with the Turin Music Festival Movement and the La Stampa newspaper, the "La Stampa SoundJourney” – premiere of a live electronic music performance

In addition to placing a piano in the boarding area for the enjoyment of passengers, the Turin Airport has given additional space to music by hosting the concert of the “La Novella” Philharmonic Society of Caselle Torinese, an event held in the boarding lobby and open to everyone, followed by the musical season of music of the Teatro Regio at the Turin Airport, whose grand finale came on June 21st with the national event “Festa della Musica”, held in collaboration with Assaeroporti.

Media relations

Through its relations with the media, SAGAT S.p.A. has promoted all the new flights and services introduced during the year, including press events held for the opening of the new Blue Air routes.
In collaboration with SADEM, SAGAT S.p.A. organised a press conference to present the new system for contactless payment on the bus service between the downtown area and the Airport.

One of the achievements of the Turin Airport that obtained significant attention in the media was the “Highly Recommended” rating received on the occasion of the ACI Europe Best Airport Awards for the category of airports handling up to 5 million passengers a year.

Further media visibility was focused on the Turin Airport with the launching of its network of winter flights and its participation in the autism project of the ENAC and Assaeroporti.

Report on Corporate and Social Responsibility

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

Public relations

SAGAT S.p.A. organised a number of events during the year to make different segments of the public aware of its activities.
With the event “Digital is in the Air”, held in July, the Turin Airport officially unveiled its strategy of digital transformation, with the goal of improving the passenger experience while focussing the Company’s organisational efforts on change. In addition to providing glimpses of some of the more innovative initiatives underway, the event acquainted the public with the first concrete results (upgraded wi-fi, a web app to publicise the Airport’s offerings, e-gates to read boarding cards, digital baggage lockers, the system for managing and monitoring security control codes and the Safety Management System digital platform for real-time sharing of data by the different subjects operating as part of the Airport’s infrastructure), in addition to previewing solutions currently in the implementation phase (the new e-commerce platform, a native app, the installation of a digital locker t sue to shop ad pick up the goods upon arrival at the Airport, or to retrieve purchases made at the time of departure) and marking the opening of the Innovation Lab, a symbol of the Turin Airport’s strategy of innovation made available to businesses, start-ups, study centres and universities seeking to develop and test innovative solutions meant for the full range of airport operations and interactions with passengers.
In March of 2018, “The Turin Airport meets Travel Agencies” was held once again, an event meant to bring together airlines, tourism authorities and travel agents, in order to bring them up to date on the flight networks and the services of the Airport.

Collaborative efforts involving culture and sports

SAGAT S.p.A. continued to promote the visibility of major initiatives throughout the local area, including:
- the Torino Film Lab and the Bocuse d’Or Europe, setting up a welcome desk in the Airport;
- the TODays Festival of the City of Turin, providing logistical assistance, plus the Turin Events 2018 communication campaign, with spaces guaranteeing visibility in the Airport;
- the sports initiative “Just the Woman I Am” of the University Sports Centre of Turin, in support of university research;
- Lunatica, an international street theatre festival, in collaboration with the towns of Ciriè, Balangero, Fiano Lanzo, Nole, San Francesco and San Maurizio;
- Movement, Kappa Future Festival, Artissima and Turin Film Festival, providing opportunities for visibility in the Airport;
- the Turin International Auto Show, with exhibition of a number of prototype vehicles in the arrivals area;
- the 2nd International Congress of the Institute for the Conservation of Historic and Artistic Works, in collaboration with Turismo Torino;
- the Teatro Stabile repertory theatre of Turin.

Charitable collaborations

In late 2018, the Turin Airport began supporting the project “Autism – travelling through the airport”, an initiative designed by the ENAC civil aviation authority, in collaboration with Assaeroporti, industry associations and airport-management companies, to make airports and air travel more accessible to individuals with autism.
The CPD – the non-profit Advisory Board for Individuals in Difficulty - working together with the local associations Light for Autism, A.M.A. Asti and A.M.A. Turin, provided the airport personnel with specific training, enabling them to support passengers with autism in a qualified manner, assisting those who accompany them, in order to air travel as trouble-free as possible, in this way guaranteeing that passengers are able to take full advantage of their right to travel. A number of different tools have been created, including a webpage, an information brochure and a “Social Story”, or a description of the

settings and an illustration of the procedure that the passengers will be dealing with.
Other benefit initiatives carried out in 2018 included: support of the #VolaaGenova / #FlytoGenoa campaign, in order to lend visibility to the city of Genoa and its sights and events, in the wake of the tragic collapse of the Morandi bridge; visibility was given to the "La Gardensia" e "La Mela" national events to raise awareness and funds for the AISM, or Italian Multiple Sclerosis Association, as well as to #salvAli, a similar campaign for the non-profit flying angles foundation, carried out together with the AIL and AIDO non-profit associations. Finally, the "Travel Safe" campaign of the Italian Foreign Ministry was run this year as well, in collaboration with ENAC and Assaeroporti.
Together with the store Giunti al Punto, the Airport contributed to the purchase and donation of a small but complete library for the Regina Margherita Hospital.

The Airport for schools and children

In 2018, families once again had the chance to visit the Airport, thanks to the initiative "Open-Door Airport", held in the third week of September, so that youngsters could become better acquainted with the Airport's various operating units: the Falconry Squad and its birds of prey, the Fire-Fighters Corps and its equipment, the Treasury Police and the State Police Corps with their canine units. In addition to getting an up-close look at the planes used by the flying school, for the second year in a row the youngsters were able to visit the hangars holding the historic aircraft of the Leonardo company. As in the past, the experience concluded with visits to the boarding are and the departures lobby.
Students of schools in the greater Turin area (including the towns of Borgaro, Caselle Torinese, Fiano, Castiglione Torinese, Leinì, Coassolo and San Maurizio), and in Vercelli and Biandrate (Province of Novara) were also able to become better acquainted with the Airport: more than 400 primary and secondary-school students, as well as 150 students from various vocational institutes, were accompanied on visits to the Airport during the year, for an increase of 50% over the number of visitors hosted last year.
Finally, SAGAT S.p.A. once more assisted the Turin Flying Institute, helping it hold its Open Day for 2018.

1.12
The environment

The environmental management system

SAGAT S.p.A. pays special attention to environmental topics, in particular holding that the environment and sustainable development are crucial factors in the management of its own operations. It is with this in mind that the company has made a commitment, at its every level, to promoting a culture of environmental responsibility and taking concrete steps to protect the environment.

SAGAT is a company approved by the TÜV Italia certification agency, in accordance with international standards regarding on-the-job health and safety (ISO 45001:2018) and the environment (ISO 14001:2015).

By adopting and fully complying with the protocols and procedures of the System for the Management of Health, Safety and the Environment, SAGAT S.p.A. ensures integrated management of the various considerations tied to worker health and safety, fire prevention, the wholesomeness and healthiness of buildings and other places of work, plus environmental matrixes (water, air and soil).
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, aeronautical operations, the management of services, whether enacted directly or indirectly, the planning, construction and maintenance of infrastructures and plants.

With specific reference to the environmental sector, SAGAT S.p.A. has focused its attention, in the year 2018 as well, on respecting and further developing the Plan for the defence of the Environment, a document that contains the indexes based on which the management company undertakes to achieve its goals of improvement, together with descriptions of the activities and investments meant to achieve those goals.
Given the current state of the environmental matrixes found on the airport grounds, as well as the results already achieved, in terms of organisational measures and the operation of the Airport itself, thanks to the System for the Management of the Environment and the Energy Management System, identification was made of a set of performance indicators (KPI) tied to the completion of the specific investments called for under the airport development plan.

Plan for the defence of the environment

In compliance with the Plan for the Defence of the Environment – approved by the ENAC civil aviation authority as part of the Planning Agreement contemplated under Legislative Decree 133/2014, plus the subsequent Law no. 164/2014 on the Turin Airport, for the fee period 2016-2019 – the following initiatives were carried out by SAGAT S.p.A. during the year 2018:

- continuation of the work of replacing the lighting units of the airport buildings by installing new equipment that features LED technology and reduced energy consumption;

- completion of the work meant to heighten the efficiency of the cooling system (north area) servicing the passenger terminal;
- completion of a multiyear plan for the replacement of operating vehicles with models of lower environmental impact.

Airport noise

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

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

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

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

- continuous monitoring of airport noise levels with the airport noise monitoring network of 8 measurement stations;
- calculation of the sound indexes called for under Italian and EU regulations;
- verification of compliance with noise-prevention procedures;
- study of the acoustic impact in the area surrounding the Airport through simulations based on INM software;
- handling of residents' complaints through analysis of the aviation factors that caused them, followed by proposals for mitigating actions;
- sharing of airport and land planning instruments with the local government authorities;
- cooperation with the authorities in charge of airport noise pollution management through roundtables on the issue.

The energy management system

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

SAGAT S.p.A. has completed begun the activities needed to satisfy the requirements of the ACA – Airport Carbon Accreditation protocol, and in the month of September it obtained Level-1 accreditation – Mapping.
The ACA is an ISO 14064 (Green Gas Accounting) certified protocol promoted by ACI Europe in the interests of upgrading the environmental sustainability of airports through coordinated actions of environmental defence, reduction of energy consumption and limitation of CO_2 emissions released by airports into the atmosphere. The Mapping level consists of the calculation of the Carbon Footprint, meaning the conversion into CO_2 equivalent of the energy resources used by the Airport.

In the month of April, maintenance work was completed for the revamping of the north cooling unit servicing the passenger terminal, with the placement in service of 2 new high-yield machines for the production of refrigerated water for the cooling plants, capable of an overall refrigeration power of 2.6 MW.

The north and south cooling pants have also benefitted from the implementation of new systems of regulation and monitoring.

Work continued on the upgrading of the lighting systems (indoor and outdoor) using LED lighting units.

In compliance with one of the priority objectives of SAGAT S.p.A.'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 2018 by energy source and CO_2 emissions.

Energy sources consumed 2018

Energy source	consumption 2018	coefficient in toe	toe
Electric energy	18.101 MWh	0,187 toe x MWh	3.385,3
Heating oil	81.191 kg	1,02 toe x 1.000 kg	82,8
Diesel fuel	69.524 kg	1,02 toe x 1.000 kg	70,9
Methane	820.735 Sm3	0,836 toe x 1.000 Sm^3	686,1
Total toe			**4.225,6**

CO_2 emissions 2018

Synthesis of thermal energy and CO_2 emissions data processed by SAGAT February 2019		
Total electric energy consumption of the site	65,164	GJ/year
Total thermal energy consumption of the site	2,955	GJ/anno
Total energy consumption	**68,119**	**t/anno**
CO_2 emissions associated with electric energy	7,863	t/anno
CO_2 emissions associated with thermal energy	1,954	t/anno
Total CO_2 emissions	**9,817**	**t/anno**

Compared to the previous year, there was a noteworthy reduction in consumption, especially of electric energy, which decreased by more than 1600 MWh, thanks to the investments made on the refrigeration units and on the revamping of the light sources.

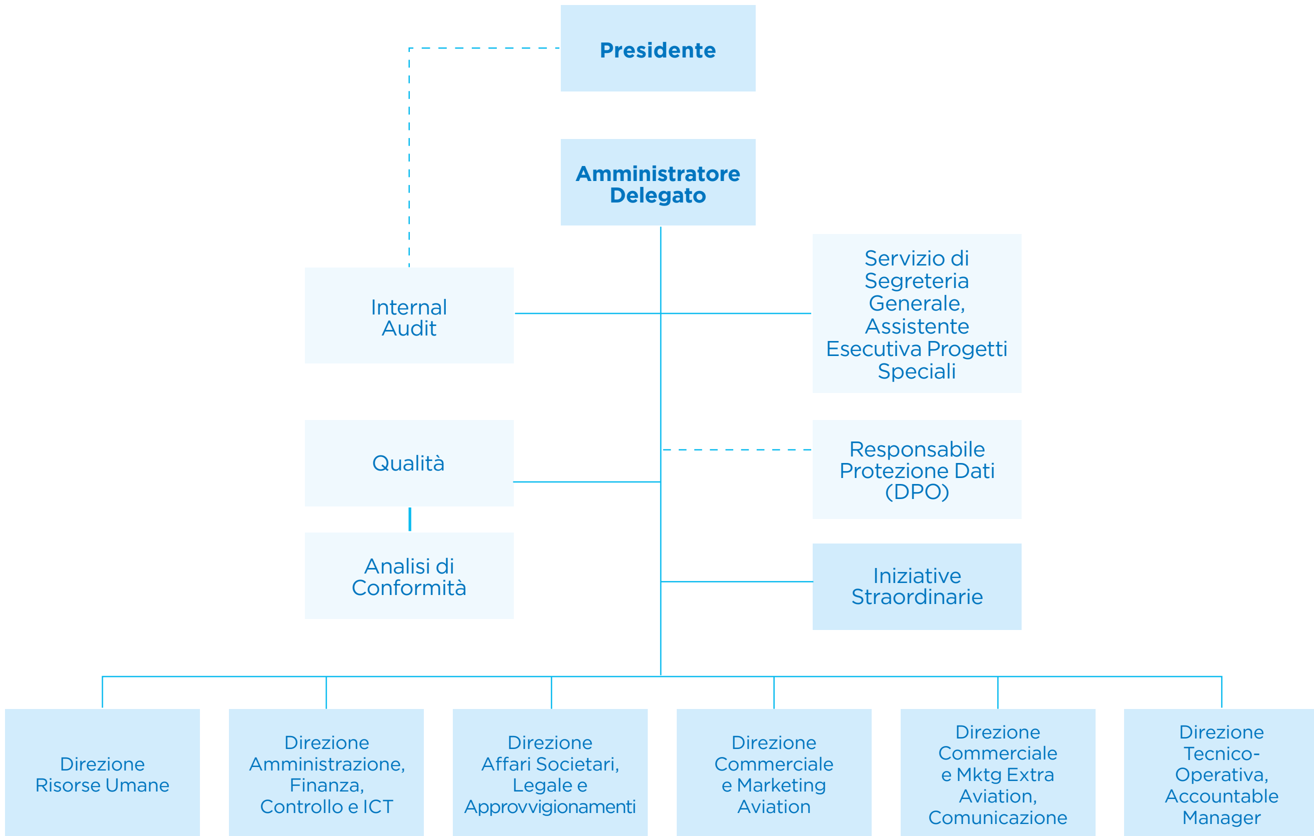
CO_2 emissions decreased, as a result, from 2.56 kg to 2.40 kg of CO_2 per passenger, despite the only limited reduction in the total number of passengers.

1.13 Staff and organisation

Under Operating Directive 5/2019, in force since 1 January 2018, an internal reorganisation has been carried out, with the key measures consisting of the elimination of the Department of Human Resources, Corporate Affairs and Quality, together with the establishment of two new departments: the Department of Human Resources and the Department of Corporate and Legal Affairs and Procurement.

In the wake of these changes, the Quality Service, starting from the same date, reports directly to the Managing Director.
Furthermore, starting from the month of May, following application of (EU) Regulation 2016/679 (GDPR), a Data Protection Officer was appointed, under the supervision of the Managing Director.
The Company's organisational chart is shown below.

Organisational chart of SAGAT S.p.A. as of 31 December 2018



The staff

In the year 2018, the average annual staff size of SAGAT S.p.A., expressed in FTE, grew by 0.46% compared to the previous year, for an increase of + 1.1 FTE, making for a total of 234.06 FTE.

During the same period, the average headcount rose by 0.28%, with the total reaching 241.9.

The following tables provide a precise analysis of the staff, updated to 31 December 2018 and broken down by category of employee.

Staff as of 31 December 2018

Table A - Permanent employees		
	EMPLOYEES	FTE
Executives	6	6
Total clerical workers	148	146.9
Total manual workers	64	62.4
Total Table A	**218**	**215.3**

Table B - Set-term employees		
	EMPLOYEES	FTE
Set-term employees	20	13,5
Entry contracts	0	0
Appendices	0	0
Total Table B	**20**	**13.5**

Total A + B	**238**	**228.8**

During the year 2018, SAGAT S.p.A. once again pursued a policy attentive to ensuring optimal management and efficiency of the staff. The index of company productivity, calculated as the ratio between the number of passengers and the average annual number of FTE, showed growth of 1.49% over the three-year period 2016-2018.

SAGAT S.p.A.	2016	2017	2018	2016-2018 Δ%
Annual passengers	3,950,908	4,176,556	4,084,923	3,39
Average FTE	229,77	232,98	234,06	1,87
Productivity PAX/FTE	17,195	17,927	17,452	1,49

There was a slight divergence in 2018, compared to the previous year, tied exclusively to a higher number of instances of assistance provided to PRM, an increase of 20% during the three-year period, requiring an investment in operational resources to guarantee the quality of the service. The exceptional increase in this type of service, of general interest to the entire airport sector, registered an inverse trend, for 2018, that was more than proportionate to the result for total passengers

PRM sector	2016	2017	2018	2016-2018 Δ	2016-2018 Δ%
instances of assistance provided	23,833	26,482	28,524	4,691	20

It should also be noted that the cost of personnel fell for the second straight year, going, during the year 2018, from 13.414 million euro to 13.159 million euro, not accounting outsourcing, making for a decrease of 255 thousand euro (-1.9%).

Industrial relations

A number of important agreements signed with union representatives during the previous year were confirmed during 2018.

In June, an extension was signed to the agreement governing the SAGAT S.p.A performance bonus for the three-year period 2015-2018, giving it the same timeframe as the bonus of the company Sagat Handling, which remains in force for the year 2018. All this to ensure that the general bonus criteria are the same for all the companies of the group.

In the month of October, the calendar of collective closings for the year 2019 was set, confirming the stipulation of a plan for disposing of back vacation time: this plan, which is similar to the prior agreements of this type, actually improves upon what is called for under the collective bargaining contract and has proven to be a very important tool for the containment of labour costs and the overall organisation of company activities. There was also an extension, until October 2019, of the agreement governing the use of fixed-term employment agreements, on account of the exceptionally seasonal nature of certain periods of the year. This opportunity provides the Company with a major means of recouping organisational efficiency while ensuring the flexibility needed to adjust to peak production periods; the use of a more flexible form of contract also makes it possible to avoid losing specific professional know-how in which the Company has invested in terms of training.

Training

During the year 2018, SAGAT Training registered a higher volume of training activities for the Group's personnel, the subcontracting companies and government bodies and authorities.

Training in 2018 for the personnel of the company SAGAT S.p.A., including employees of outsourcing firms and those of contractors, totalled 2,404 of training and/or instruction, consisting of 4,350 hours of teaching, for a total of 3,937 participants and 12,606 hours of training overall.

Of the total hours of teaching, 67.1 % were handled by in-house trainers with the remaining 32.9% covered by outside instructors, as shown by the following table:

Totals SAGAT Group Year 2018	SAGAT trainers		Outside trainers		Totals
	Figure	%	Figure	%	
Courses	1,996	83.03	408	16.97	**2,404**
Participants	2,725	69.22	1,212	30.78	**3,937**
Hours of teaching	2,919	67.10	1,431	32.90	**4,350**
Hours of training participants	6,157	48.84	6,449	51.16	**12,606**

A portion of the training provided during the year was financed by drawing on grants for vocational training, such as Fondimpresa and others, which covered the costs of organisation and teaching for 37.31% of the total hours of training.

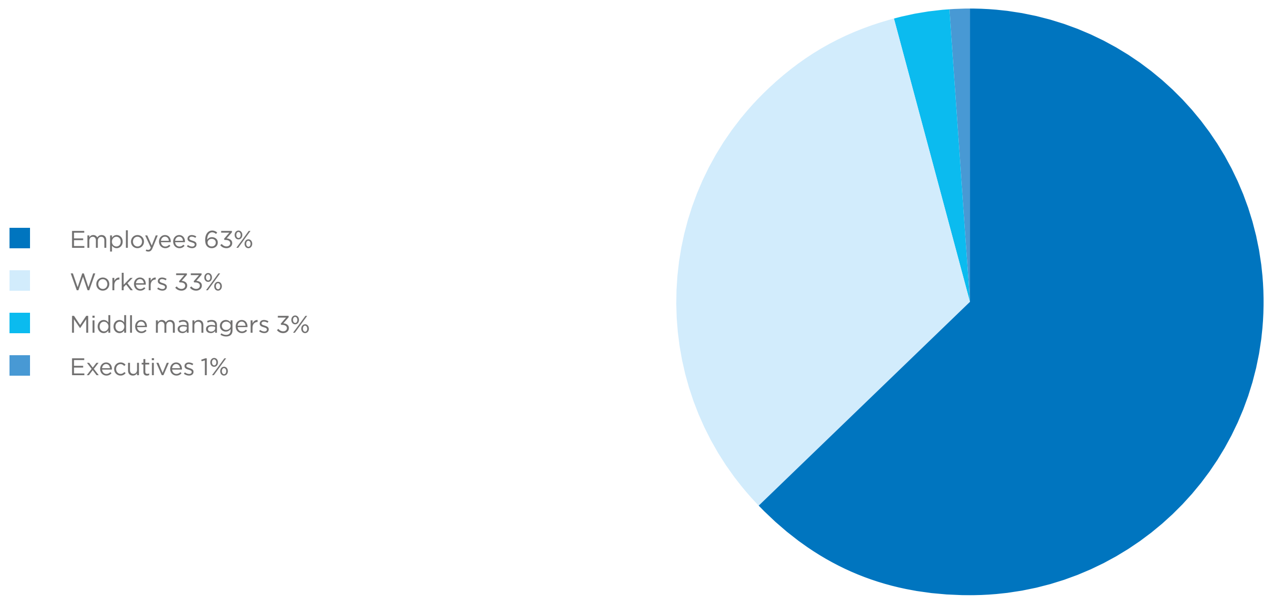
In 2018, the training activities of SAGAT S.p.A. involved 99.6% of the Company's employees at all levels of the organisation; all the executives, clerical workers and annual workers have taken part in basic training or periodic sessions or recurring training, as have 95.85 of the middle-management personnel.

Total carried out training for SAGAT S.p.A. in 2018

Position	Staff	Training	Difference	Carried out	Not carried out
Executives	6	6	0	100%	0%
Middle managers	24	23	(1)	95,83%	-4,17%
Employees	131	131	0	100%	0%
Workers	77	77	0	100%	0%
Interns	1	1	0	100%	0%
SAGAT S.p.A. total	**239**	**238**	**(1)**	**99,58%**	**-0,42%**
Temporary workers	87	87	0	100%	0%
Subcontractors	186	186	0	100%	0%
Others total	**273**	**273**	**0**	**100%**	**0%**
All total	**512**	**511**	**(1)**	**99,8%**	**-0,2%**

The break-down of the hours of training received by the personnel of SAGAT S.p.A. was: 63% by clerical staff, 33% by blue collar staff, 3% by middle-management personnel and 1% by executives, as shown by the table below:

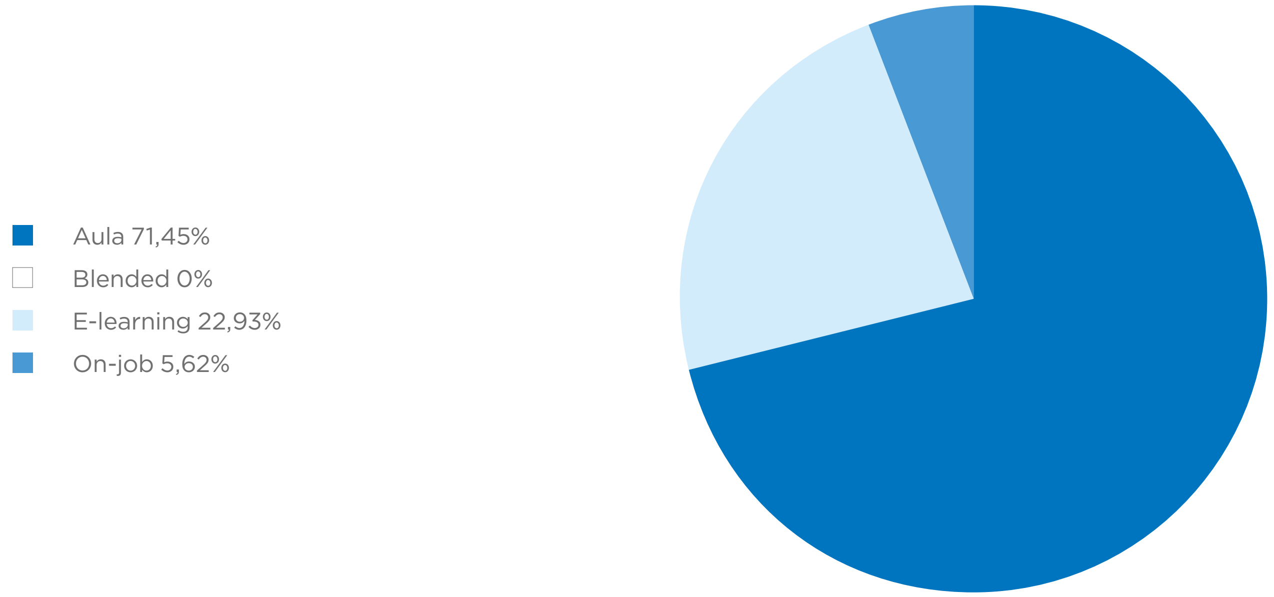
Training carried out in 2018 by SAGAT SpA - Percentage



During 2018, use of the LMS system for DOCEBO e-learning became fully operative, in order to increase the course offerings available in that mode of training. The platform, which can be accessed by any device connected to the internet, was used for almost 23% of the hours of training provided, for growth of more than 15% compared to the previous year.

The main modes through which the hours of training are supplied are summarised below:

Modes of SAGAT S.p.A. training supplying in 2018
Training hours - Percentage



1.14 Investments

In 2018, infrastructure and plant-engineering works called for under the Planning Agreement signed with ENAC civil aviation authority were carried out for a total of 6.64 million euro.
A brief illustration of the most noteworthy investments follows.

Infrastructures and plants

The infrastructure and plant-engineering projects carried out in 2018 were geared both towards upgrading existing buildings and operative areas of the Airport and to making other improvements called for under the four-year Planning Contract for 2016-2019.

The most important initiatives involving and servicing the aircraft manoeuvring areas in 2018 included:

- the work of restoration and expansion on RESA 18 (Runway End Safety Area) initiated in the month of June and scheduled for completion in the Spring of 2019. The project calls for the open-air drainage canal on the south portion of the grounds to be covered, the service road on the perimeter to be lengthened, and the customs perimeters at the south end of the manoeuvring area to be modified, all at the same time;
- in-depth renovation of juncture C (Charlie);
- the upgrading of the paving and the wire conduits servicing the lighted visual aids at head-point 36 of runway;
- the first phase of the renovation project for the touch-down portion of the runway;
- extraordinary maintenance work on the aircraft parking aprons, consisting primarily of the upgrading of the asphalt paving, together with extensive reconstruction of the joints of the concrete slabs;

Worthy of mention among projects involving the passenger terminal are:

- the planning and start of architectural and functional work on the arrivals level of the passenger terminal, scheduled for completion in 2019. The project calls for a redistribution of the spaces allocated for passengers, airport services and retail areas, with a reworking on the architectonic look and modernisation of all the plant-engineering systems serving the area;;
- set-up of new checkpoints for automatic control of boarding cards in the area leading from the departures lounge to the security controls for passengers and hand luggage;
- revamping of the passport control areas;
- installation of the Airport's "Innovation Lab" in the departure hall area;

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

- the construction of a new short-term parking facility for users of the departures level of the terminal and the introduction of a new, automated system for controlling vehicle access;
- total restoration of the north air-conditioning substation for the passenger terminal;
- initiatives designed to improve climate-related comfort while limiting energy consumption

through renewal of the systems for the regulation of climate control at the passenger terminal and the general-aviation facility;
- complete upgrading of the lighting systems at the various airport buildings, including the introduction of led systems;
- restructuring of the Treasury police offices at the Airport's customs checkpoint no. 3;
- implementation of dedicated airport security systems;
- continuation of the program of gradual renewal of the pool of airport equipment and operational vehicles, with the purchase of three new, high-productivity snow-removal machines of particular note.

Digital innovation and it systems

During the year 2018, SAGAT pursued a process of thoroughgoing innovation of the Airport ("Digital Airport"), exploring a full range of potential developments in services to passengers through the use of the latest technological advances. These efforts involved the use of a specific infrastructure, the Innovation Lab, found in a public area on the departure level and designed for the testing, within a highly operational setting, of the widest possible range of solutions, with the possibility of staging simulations of the passenger's digital experience for subsequent sharing with employees of the group, potential suppliers and airport operators.
Precisely with the aim of developing digital services designed for passengers, SAGAT has initiated the development of a new e-Commerce platform integrated with an application for Android and IOS mobile devices ("App"), so as to favour the development of a channel for the on-line sale of the airport services (car parking, access to the Piedmont Lounge and use of the "Fast Track" service), as well as for their utilisation through the display of QRCodes. The App will also allow the passenger to receive real-time notifications on the status of the flight that interests him or her or to confirm the forecast time needed to go "from home to the check-in gate"; a locker has been installed at the Piemonte Lounge to provide users with a temporary storage facility for hand luggage, available for use following scanning of the boarding pass.

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

In terms of the Airport's infrastructures, latest-generation portable scanners were installed at the check-in counters, so that, following reading or the web or mobile boarding card, all the operations involved in the confirmation and registration of any luggage can be carried out in extremely reduced periods of time.

Another airport infrastructure project, this one involving the FIDS/BIDS system, saw continuation of the renewal of the monitors, through the use of new "Smart Public display" models that improved legibility of information with simplified management of the hardware connected in native fashion to the airport network.

As part of the core set of infrastructures, a new platform for the management of IT security was purchased, with the capacity to manage the Company's privacy policy as well, in accordance with the GDPR regulations.

In the administrative sector, the process necessary for the introduction of electronic billing, in accordance with current rules and regulations, was initiated.

A number of activities and projects initiated in 2017 were completed in the first weeks of 2018; of these, the following are deemed to be of particular note:

- the signing with Microsoft Italy of an enterprise contract (entitled MPSA) covering the supply to SAGAT of 250 perpetual user's licenses for the Microsoft Office product and 400 user's licenses for access to the Windows Active Directory domain, as well as the corporate e-mail services based on the Microsoft Exchange Server. Under this contract, the versions of the software cited above may be used in their most recent releases, with the right to free upgrades of subsequent versions released by Microsoft up to the end of 2020 (Software Assurance).
- The start-up of a project to reinforce the performance of the company servers through the purchase of a highly reliable platform of virtualisation based on the VMware technology; this hardware/software infrastructure will make it possible to rationalise services based on server infrastructures, while also updating the technology to the necessary degree, at the same time as it gives the Company a suitable environment for supplying new service and new applications rapidly and when necessary, at a minimal investment cost.
- The purchase of the hardware and software infrastructures needed to introduce more secure technology for access control; in fact, the new airport badges shall be equipped with proximity chips on which the information needed to open/close the airport access points shall be codified in an encrypted mode.

1.15 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 S.p.A. 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 S.p.A. 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 S.p.A..
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), in order to determine which body should have ultimate jurisdiction over 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 S.p.A.) 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 S.p.A., 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.

With Sentence no. 167 of 20 July 2018, the Constitutional Court approved the appeal of the management companies in full, declaring art.1, paragraph 478, of the 2016 Budget Act to be constitutionally illegitimate and confirming that the contributions to the fund established under art. 1, paragraph 1328, of Law no. 296 of 27 December 2006 constitute a tax.
In a subsequent sentence of 1 February 2019, the Supreme Court, ruling on the dispute for the year 2008, once again sustained the legal grounds put forth by SAGAT S.p.A., confirming the underpinnings of the legal reasoning behind the position, of the airports. The Court did not, however, reach a definitive decision on the dispute for the year 2008, referring the case to the Regional Tax Commission of Lazio, requesting that it verify whether in actual fact the variation introduced under art. 4, paragraph 3 b, of Legislative Decree no. 185 of 29 November 2008 was also operative for the year 2008, in terms of the original goals of the fund, meaning the financing of the operations of the Fire-Fighters Corps at the airports.

Lastly, in a sentence filed on 20 February 2019, the Provincial Tax Commission of Rome, before which SAGAT S.p.A. and other airport companies had appealed the contribution to the Fund required for the year 2014, fully sustained the arguments of the appellants. The Commission also recognised Sentence no. 10137/51/14, cited above and rendered final, having been handed down by the same authority, as having the value of an external ruling, endorsing its findings and declaring that the tax was not due, inasmuch as its original legislative purpose, as per art. 4, paragraph 3 - b, of Legislative Decree no. 185 of 2008, no longer held.

Alitalia revocation action

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 S.p.A. to recover its credits in the receivership has already been provided in previous Directors' Reports.
On 9 August 2011, Alitalia in Receivership served SAGAT S.p.A. 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 admission to the receivership procedure. For SAGAT S.p.A., the payments affected by the revocation action amount to €2,208,622.
SAGAT S.p.A., after obtaining formal assurance from its legal counsel as to the legitimacy of its claims, replied by claiming, among other things, that a considerable portion of the payments made by Alitalia actually occurred following the enactment of what is known as the Alitalia Decree (Legislative Decree 80/2008), which declared that payments made subsequent to its enactment were irrevocable. Regarding the remaining payments, SAGAT S.p.A. has objected 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 S.p.A. are lacking.
Therefore, no allocations were made to Risk and Charges Provisions.
It should be noted that a similar action was brought also against our subsidiary SAGAT HANDLING. In this case, the payments subject to revocation amount to €956 thousand. SAGAT HANDLING also appealed against the revocation, on grounds similar to those asserted by SAGAT S.p.A..

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 S.p.A.. Both rulings reject Alitalia's claims in full and find in favour of SAGAT S.p.A. and SAGAT Handling.
During 2015, Alitalia notified that it was appealing both sentences. The resulting proceedings are still pending.
On 8 June 2018, the Court of Appeals of Rome filed its sentence on the case involving SAGAT S.p.A., a ruling that partially modified the decision of the court of first instance. Specifically, the Court of Appeals confirmed that the payments made after 24 April 2008 (for a total of € 1,308,103.88) were not revocable, having been made following the enactment of the 'Alitalia Decree'. But this same Court ruled that other payments, having been made outside of the protection of the 'Alitalia Decree', for a total of € 689,323.49, could be revoked.
In December of 2018, SAGAT S.p.A. brought an appeal before the Italian Supreme Court.
As for the suit involving SAGAT Handling, the sentence of the Court of Appeals must still be filed.

Inflation

As is already known, in 2006 SAGAT S.p.A. 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 3 million Euro.
In the course of the proceeding, the Court appointed an expert to verify the reasonableness of the request of SAGAT S.p.A.. The expert's opinion was favourable to SAGAT S.p.A..
In a ruling of 15 September 2011, the Court ordered the Ministry to pay to SAGAT €2.65 million, plus interest and revaluation, thus accepting the request of SAGAT S.p.A. for the period 1999-2005. On the other hand, the Court rejected the further request for damages of SAGAT S.p.A. 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 S.p.A. 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 S.p.A., 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 million, inclusive of interest, revaluation and legal costs.
There were no further developments in 2018.

Annual fee as per art. 7 of the City of Turin – SAGAT S.p.A. Operating Agreement

Following the signing on 8 October 2015 of the operating agreement between SAGAT S.p.A. and the ENAC civil aviation authority governing the and development of the activities of the Turin Airport, the Board of Directors of SAGAT S.p.A. requested legal advice as to whether or not SAGAT S.p.A. remained obligated to pay to the City of Turin the annual fee contemplated under article 7 of the operating agreement signed by the City and SAGAT S.p.A. on 30 September 2002.
The legal opinion arrived at by an outside law firm held that the obligation to pay the fee contemplated under the operating agreement of 2002 could be deemed to no longer exist.
SAGAT S.p.A. notified the City of Turin of the above finding in a letter sent in October of 2016, subsequently rejecting requests received from the

City of Turin for payment of the fee for the years 2016 and 2017, citing to the arguments of the legal opinion referred to above.
On the date of 15 December 2017, SAGAT received a notification from the City of Turin enjoining it to pay the amount of 832,239 euro for the fees not paid for the years 2016 and 2017, plus interest at the legal rate.
In the month of January 2018, SAGAT S.p.A. appealed the injunction in question before the Court of Turin, requesting that its enforcement be suspended.
The City of Turin responded to the appeal, requesting a preliminary ruling on the question of jurisdiction from the Italian Supreme Court.
The Court of Turin, taking note of the request for a ruling on jurisdiction praised by the City, suspended the case, in an ordinance of May 2018, until such time as the Supreme Court handed down a decision. In the meantime, holding that it did not possess jurisdiction over the matter, which rather fell under the purview of the administrative courts, the Court of Turin rejected the petition to suspend the effect of the injunction, as proposed by SAGAT S.p.A., at which point SAGAT S.p.A. promptly appealed the ordinance, but that appeal was rejected as well.

Act of revocation by Blue Panorama under court-ordered stewardship

In a subpoena served on 20 March 2017, Blue Panorama under court-ordered stewardship requested revocation, as per the combined provisions of art. 67, paragraph 2, and art. 67, paragraph 3, letter A), of the Bankruptcy Act, of the payments it had made to SAGAT S.p.A. during the six months preceding publication in the companies register of the request for prior settlement with creditors, as per art. 161, paragraph 6, of the Bankruptcy Act.
The payments for which revocation was requested total 1.063 million euro.
SAGAT S.p.A. filed a brief of response, objecting to:

- erroneous determination of the 'period of suspicion', due to the opposing party holding that principle of 'continuation between proceedings' applied;
- the lack of any scientia decoctionis, or effective knowledge of the critical nature of the creditor's situation;
- the fact that the payments, in any event, would have been made under the 'terms of use', rendering them exempt from revocation;
- the failure to allege or to demonstrate the eventus damni, meaning the detrimental effect on the creditor.

At present, the case is still pending.

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

Entry on the list of Alitalia creditors

On the date of 2 May 2017, Alitalia – Società Aerea Italiana S.p.A. – was admitted to the procedure of court-ordered stewardship, as per Legislative Decree 347/2003, converted into law, following modification, by Law 39/2004, plus any subsequent modifications or additions.

In Sentence no. 17 of 11 May 2017, the Court of Civitavecchia declared the company to be insolvent, scheduling the hearing for assessment of its liabilities.
In preparation for this hearing, SAGAT S.p.A. filed a petition on 7 December 2017 for admission to the list of creditors, as per arts. 93 and following of the Bankruptcy Act, art. 53 of Legislative Decree 270/1999 and art. 4-ter of Legislative Decree 347/2003, with which SAGAR requested, as a first priority, to be admitted to the list of credits with a preliminary determination of the entire credit owed to it, including supplementary municipal charges, for a total, as of that date, of 3.327 million euro, in accordance with the provisions of arts. 74 and 111 of the Bankruptcy Act and in consideration of the fact that all the credits arose under a contract of ongoing and periodic execution that is still being regularly fulfilled by SAGAT S.p.A.. In particular, it is requested that a portion of the credit indicated above, for 2.568 million euro, be admitted under the privileged status referred to under arts. 1023 and 1025 of the Navigation Code (given that this portion consists of credits tied to airport fees and, as such, is eligible for privileged status), with the remainder be admitted as ordinary credits.

Should the primary request not be accepted, despite the ample grounds for doing so, then SAGAT S.p.A. has also drawn up a full series of subordinate requests covering the various levels of privilege that could apply.
In a notification of filing of the preliminary list of creditors, communicated on 7 February 2018, the receiver announced that, given the large number of requests for inclusion on the list of creditors received, authorisation had been requested from the Court of Civitavecchia – which granted the authorisation - to divide the filing of the preliminary list of creditors into more than one part, with the result that the related operations of verification would be carried out according to a timeline, based on which the request for inclusion on the list of creditors presented by SAGAT S.p.A. has not yet been examined.
Finally, it should also be noted that the subsidiary SAGAT Handling has filed a petition for admission to the list of creditors of Alitalia as well, for credits that totalled, as of the date of 11 December 2017 – the date on which the petition was filed - 29 thousand euro. This petition is also still awaiting examination.

State Revenues Agency

In the months of October 2017 and January of 2018 two audit reports were issued on the Company by the Treasury Police, the first regarding the year 2012 and the second the years between 2013 and 2016. The only possible recovery of taxes on the part of the State raised as a possibility in these audits regards the alleged violation of the accrual principle that the Company supposedly committed in its entries for a number of extraordinary maintenance costs, and this despite the fact that the existence, the relevance and the documentation for the costs were recognised as valid. These costs were deducted by the Company over a time period of five years, whereas, according to the position taken by the tax authorities, they should have been deducted during a span of time between the tax period in which the work was done (which varies, depending on the specific case, from 2010 to 2012) and 2035. To date, these two audit reports have resulted in four notifications of collection, of which two, regarding the year 2012, were issued in the month of December 2017, one on the IRES corporate tax and the other on the IRAP regional tax, while the other two, regarding the year 2013, were issued in the month of July 2018, once again with one addressing the IRES tax and the other the IRAP tax.

The claims made by the revenues office in the first notification total 1,433,496 Euro, including duties, penalties and interest; those formulated under the second notification total 1,353,950 Euro, again including duties, penalties and interest.

The arguments on which the claims of the tax office are based present more than one point open to criticism, and so SAGAT has appealed the abovementioned rulings before the Provincial Tax Commission of Turin. Once the appeal had been brought, the amounts required under the measures governing preliminary collection were paid, seeing that it was impossible to obtain a provisional suspension of the audit reports opposed, basically on account of the financial solidity of the Company. The payments made to date total 635,426 Euro, which shall be returned should the Company win the appeal.

The appeals referred to above are still pending.

1.16 Privacy

During the year 2018, SAGAT S.p.A. implemented the new European regulations on the processing of the personal information of individuals, as per EU Reg. 2016/679. To this end, SAGAT S.p.A. and SAGAT Handling designated, on the date of 23 May 2018, a data Protection Manager, as per art. 37 of the EU Regulation. They subsequently adopted a company manual on the protection of persona information, a document that also contains the registers of data processing activities called for under art. 30 of the aforementioned Regulation

1.17
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 The main operating and financial risks that might affect the performance of the company, and the actions taken to mitigate them, are described below 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 2018, 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 2018, 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 2018, 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.

1.18
Financial instruments

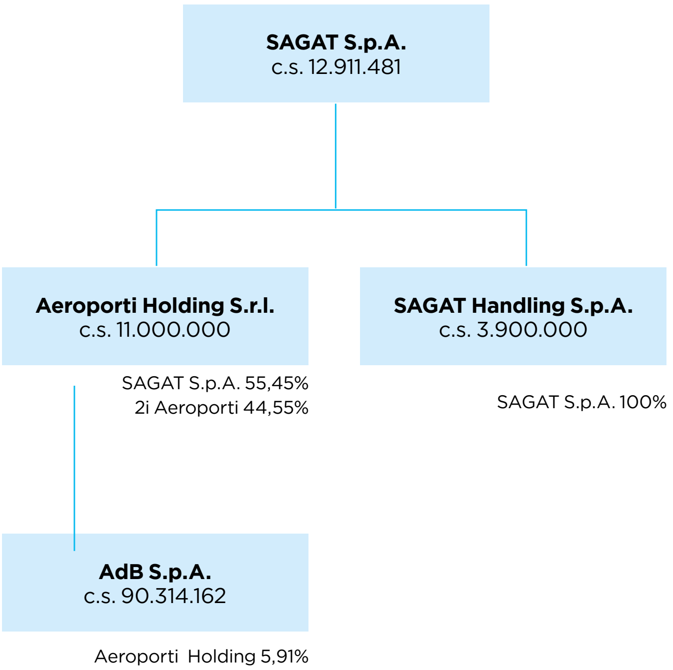
On the date of 8 February 2010, upon entering into a long-term loan agreement with an initial value of 15 million euro, SAGAT, so as to set the cost at a fixed amount for the entire duration of the loan, signed an interest rate swap agreement (I.R.S.) for a period equal to that of the loan, and with a negative mark to market value, as of 31 December, of 29 thousand euro.

To ensure that the operation remained non-speculative throughout its duration, the amount of capital underlying the interest-rate swap contract shall follow the payment plan for the loan itself, gradually being reduced, until it finally is cancelled upon repayment of the last loan instalment, scheduled for 30 December 2019.

1.19
Equity investments

The most relevant details of SAGAT's holdings as of 31 December 2018, which are shown below, are unchanged from the previous year.

Equity investments of SAGAT S.p.A. as of 31 December 2018
(Figures in euro)



SAGAT Handling S.p.A.

LSAGAT Handling S.p.A., fully owned by SAGAT, is engaged in the airport industry and provides handling services to the airlines operating at the Turin Airport. The company's staff, as of 31 December 2018, numbered 143 employees (126.3 FTE).
As of 31 December 2018, the value of production was 11.698 million euro and the gross operating margin (GOM) was a positive figure of 234 thousand euro. The company recorded a year-end profit of 49 thousand euro.

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

The decrease in aircraft movements (-2.2%) is primarily attributable to the negative impact of the reduction in the operations of the carrier Blue Air, offset only in part by the new routes of Blu Express and EasyJet.

A similar result was presented by the traffic component, which consists of the number of passengers transported and fell by -0.8%.
The share of traffic handled by SAGAT Handling in 2018, compared to the total traffic in transit at Turin, was 72.1% of commercial aviation tonnage (70.5% as of 31 December 2017), 74.9% of passenger traffic (73.8% as of 31 December 2017) and 71.0% of aircraft movements (69.6% as of 31 December 2017).

Cargo traffic showed a decrease of -20.7%, settling at a level of 4.731 million kilograms of goods handled Cargo traffic showed a decrease of -20.7%, settling at a level of 4.731 million kilograms of goods handled.

The table below summarises the main income results of the activities carried out by SAGAT Handling during the year 2018.

Euro thousand

	2018	2017	Var. € 2018/2017	Var. % 2018/2017
Value of production	11,698	11,769	(71)	-0.6%
Staff costs	6,418	7,084	(666)	-9.4%
Operating costs	5,046	4,465	581	13.0%
GOM	**234**	**220**	**14**	**6.1%**
Provisions and write-downs	64	16	48	294.1%
EBITDA	**170**	**204**	**(34)**	**-16.7%**
Amortization and depreciation	120	120	0	0.3%
EBIT	**50**	**84**	**(34)**	**-40.8%**
Balance of financial components	30	0	30	100%
EBT	**80**	**84**	**(4)**	**-5.7%**
Income taxes	31	51	(20)	-39.7%
Net profit (loss)	**49**	**33**	**16**	**46.7%**

The value of production, €11,698 thousand, is made up mostly of ordinary and extra handling fees paid by carriers, which amount to €9,175 thousand and are recorded as income from sales and services.

The decrease in the value of production by €71 thousand compared to 2017 is essentially due to the already mentioned decrease in the volume of passenger and cargo traffic handled.

The most significant of all production cost items is the cost of staff, that will continue to be the highest cost item also in the future.

The most relevant among operating costs, €2,179 thousand on aggregate, are intercompany costs.

Therefore, the GOM amounts to €234 thousand. The €14 thousand increase in the gross operating margin compared to the prior year is essentially due to the higher efficiency in staff costs, which counterbalanced the lesser earnings and the increase in baggage reconciliation service costs.

Due to the above, and to the effects of amortization, depreciation and provisions, the operating result reached a positive value of €50 thousand, compared to €84 thousand in 2017.

After deducting financial components, the EBIT is positive and amounts to €80 thousand, decreasing by €4 thousand compared to 2017.

The tax burden for the year amounts on aggregate to €31 thousand and is represented by current income taxes (IRES and IRAP), before deduction of deferred taxation and after allocation of taxes.

Therefore, Sagat Handling has recorded a net profit for the year of €49 thousand, confirming the achievement of economic and financial balance, while continuing to assure high service quality standards.

Aeroporti Holding S.r.l.

The business of Aeroporti Holding is the administration of the equity investment in the company that operates the airport "G. Marconi" of Bologna (hereinafter, AdB), admitted to the trading of its stocks in the STAR segment of the Italian online stock market since 14 July 2015.

As at 31 December 2018, the company owns 2,134,614 common shares in AdB, the value of which has remained unchanged compared to the prior year and -taking into account the effects on equity of the listing of such shares in 2015- accounts for 5.91% of its share capital.
The carrying value of this equity investment amounts to €17,640,883 in total and the carrying value per share is €8.26. Both these figures have not changed compared to 2017.
Please note that the market value of these stock has been decreasing since August, from €16.04 per share, i.e. the value at the closing of 2017, to €11.48 per share on the last trading day of 2018. Also, please note that the value in the first bimester 2019 has always been above the closing value 2018.

The table below summarises the main income results of the activities carried out by Aeroporti Holding during the course of 2018.

Euro thousand

	2018	2017	Difference
Value of production	0	0	0
Staff costs	0	0	0
Operating costs	(44)	(46)	2
GOM	**(44)**	**(46)**	**2**
Amortization, depreciation and provisions	0	0	0
OPERATING RESULT	**(44)**	**(46)**	**2**
Financial income and expense	837	591	246
Adjustments to the value of financial assets	0	0	
EBT	**793**	**545**	**248**
Income taxes	0	4	(4)
Net profit (loss)	**793**	**549**	**244**

The company does not have any employees.

Please note that on 6 February 2019 the Boards of Directors of SAGAT, Aeroporti Holding and 2i Aeroporti have approved the plan for the entire demerger of Aeroporti Holding into the beneficiary companies SAGAT and 2i Aeroporti, with a view to streamlining the structure of the Group. As a consequence of such demerger, the entire equity investment in AdB held by the demerged company, about 5.91% of its share capital, will be transferred pro-rata to SAGAT (3.28%) and to 2i Aeroporti (2.63%). As of this date the process, approved by the respective Shareholders, is not yet completed.

1.20
Information on the management and coordination of companies

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

1.21
Relations with subsidiaries, associate enterprises, parent companies and other enterprises subject to the control of the parent companies

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

thousands of euro

Company	Revenues	Costs	Payables as of 31/12/2018	Payables as of 31/12/2018
Subsidiaries				
SAGAT Handling S.p.A.	2,179	1,811	290	295
Aeroporti Holding S.r.l.	11	0	7	0
Total subsidiaries	**2,190**	**1,811**	**297**	**295**
Parent companies				
2i Aeroporti S.p.A.	4	0	3,237	2,555
Total parent companies	**4**	**0**	**3,237**	**2,555**
Companies controlled by parent company				
SO.GE.A.L. S.p.A.	121	0	62	0
GE.S.A.C. S.p.A.	0	7	0	9
Software Design S.p.A.	0	105	0	94
Total companies controlled by parent company	**121**	**112**	**62**	**102**
TOTAL	**2,314**	**1,923**	**3,596**	**2,953**

1.22
Own shares and those of the parent company

The Company holds shares of its own that amount to 2.96% of its share capital, making for a total of €4.824 million, a level unvaried from the previous year. The Company holds a total of 74,178 of its own shares, for an overall face value of €383 thousand.
During the year, the Company has neither purchased nor sold shares of the parent company, not even through trustee companies or middlemen. As of the date 31 December 2018, the Company does not possess any shares in its parent company, not even through trustee companies or middlemen.

1.23
Research and development activities

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

1.24
Secondary office

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

1.25
Foreseeable developments for 2019

The potential for further growth in 2019 of the traffic performance of the Turin Airport proves difficult to determine, due to a number of different factors: first, the reduced number of operating commitments at the Airport of the airline Blue Air, which reorganised its ownership structure and its network in the first quarter of the year; a further factor is the closing of the Blue Panorama base, which had contributed to increasing the offerings of the Turin Airport to Rome in the winter season of 2018-2019. Offsetting positive developments include the moves made by easyJet, which in 2019 will have a full summer to gauge the seasonal appeal of flights to Berlin Schoenefeld and Naples, as well as the launching of a new Wizz Air flight to Krakow.

All these factors must be viewed within a macroeconomic framework that, on both the local and macro-regional levels, presents undeniable challenges: on the local and national scenes, the decrease in the production of the Piedmont Region, together the signs of recession presented by the Italian economy; internationally, the uncertainty over the uncertainty of the Brexit issue, plus the renewed use in the future by the air-travel industry of the B737MAX aircraft.

The repercussions of the multiple factors lying outside the control of the Company – the downsizing of the Blue Air base, Blue Panorama's cancellation of its Rome route, the ongoing uncertainty over the situation of Alitalia and the negative macroeconomic outlook of the pertinent geographic area – shall be attenuated in part by a new strategy for promoting the potential of the Turin Airport, plus further refinement of the tools used to reinforcement its positioning in its catchment area and reduce the amount of traffic lost to other airports. With all this in mind, efforts shall be focussed on expanding the network through commercial strategies designed to support the growth of the carriers, plus marketing initiatives meant to promote the services and flights offered by the Turin Airport. Other potential growth factors include renewal of the landside retail offerings and the digitalisation of the Airport.

1.26
Proposals for the allocation of the profit of the year

Dear Shareholders,

The annual accounts as at 31 December 2018 commented herein, that was audited by the independent auditors Deloitte & Touche S.p.A., show a net profit of €7,470,215.64, that we propose distributing entirely as dividends

Signed in original by:

The Chairman
Giuseppe Donato

02

Financial statements of the company

as at 31/12/2018

TORINO AIRPORT CONNECTED TO | SAGAT

2.1
Balance sheet and income statement of SAGAT S.p.A.

2.1.1 Balance sheet: Assets

amounts stated in Euro

Balance sheet: Assets	Financial statements as at 31/12/2018	Financial statements as at 31/12/2017
A) Contributions receivable from shareholders		
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	209,062	159,834
4) Concessions, licenses, trademarks and similar rights	0	0
5) Goodwill	0	0
6) Investments in progress	2,362,934	1,098,109
7) Other fixed assets	3,107,503	2,569,772
Total	**5,679,499**	**3,827,715**
II. Tangible assets		
1) Land and buildings	3,515,794	3,515,794
2) Plant and machinery	0	0
3) Operating and sales equipment	3,099,376	2,914,765
4) Other assets	1,055,106	891,333
5) Investments in progress and payments on account	2,242,170	2,487,683
II.bis Transferable tangible assets		
1) Land and buildings	28,585,930	30,681,717
1-bis) Runways and land used for runways	341,723	361,824
2) Plant and machinery	6,467,263	6,155,047
3) Operating and sales equipment	0	0
4) Other assets	0	0
5) Investments in progress and payments on account	0	0
Total	**45,307,362**	**47,008,163**

amounts stated in Euro

Balance sheet: Assets	Financial statements as at 31/12/2018	Financial statements as at 31/12/2017
III. Financial assets		
a) Subsidiary companies		
b) Associated companies	8,943,098	8,943,098
c) Parent companies	0	0
d) Companies controlled by parent companies	0	0
d-bis) Other companies	0	0
d-bis) Altre imprese	0	0
2) Accounts receivable:		
a) From subsidiary companies:		
due within 12 months	0	0
due beyond 12 months	0	0
b) From associated companies:		
due within 12 months	0	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	9,577
Total accounts receivable:		
due within 12 months	0	0
due beyond 12 months	9,577	9,577
3) Other securities:		
due within 12 months	0	0
due beyond 12 months	0	0
4) Derivative financial instruments	0	0
Total	**8,952,675**	**8,952,675**
Total fixed assets (B)	**59,939,536**	**59,788,553**

amounts stated in Euro

Balance sheet: Assets	Financial statements as at 31/12/2018	Financial statements as at 31/12/2017
C) Current assets		
I. Inventory		
1) Raw and maintenance materials, consumables	330,102	314,172
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	**330,102**	**314,172**
II. Accounts receivable		
1) From customers:		
due within 12 months	12,896,576	13,400,151
due beyond 12 months	0	0
2) From subsidiary companies:		
due within 12 months	297,214	326,833
due beyond 12 months	0	0
3) From associated companies:		
due within 12 months	0	0
due beyond 12 months	0	0
4) From parent companies:		
due within 12 months	3,137,557	0
due beyond 12 months	0	0
5) From companies controlled by the parent companies:		
due within 12 months	62,438	0
due beyond 12 months	0	0
5-bis) Tax receivables:		
due within 12 months	608,493	1,359,735
due beyond 12 months	693,803	58,341
5-ter) Deferred tax assets:		
due within 12 months	0	0
due beyond 12 months	2,292,694	2,002,674
5-quater) Other receivables:		
due within 12 months	9,105,087	9,492,642
due beyond 12 months	133,788	133,788
Total accounts receivable:		
due within 12 months	**26,107,365**	**24,579,361**
due beyond 12 months	**3,120,285**	**2,194,803**
Total	**29,227,650**	**26,774,164**

amounts stated in Euro

Balance sheet: Assets	Financial statements as at 31/12/2018	Financial statements as at 31/12/2017
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	12,917,438	17,462,111
2) Cheques	0	8,000
3) Cash and valuables in hand	40,751	50,301
Total	**12,958,189**	**17,520,412**
Total current assets (C)	**42,515,941**	**44,608,748**
D) Accrued income and prepayments		
Accrued income	0	0
Prepayments	324,067	170,596
Total accrued income and prepayments (D)	**324,067**	**170,596**
TOTAL ASSETS	**102,779,544**	**104,567,897**

2.1.2 Balance sheet: Liabilities

amounts stated in Euro

Balance sheet: Liabilities	Financial statements as at 31/12/2018	Financial statements as at 31/12/2017
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 reserves, itemized:		
Provision for extraordinary investment	4,906,340	4,906,340
Extraordinary reserve	7,170,646	6,592,644
VII. Reserve for the hedging of expected cash flows:		
Reserve for derivative financial instruments	(29,166)	(104,932)
VIII. Loss carried forward	0	0
IX. Profit (loss) of the year	7,470,216	11,087,347
X. Negative reserve for treasury shares	(4,823,612)	(4,823,612)
Total shareholders' equity (A)	**43.655.349**	**46.618.712**
B) Provisions for liabilities and charges		
1) Provisions for pension and similar funds	0	0
2) Provision for taxes, including deferred taxes	0	0
3) Provision for loss on derivative financial instruments	29,166	104,932
4) Other provisions:		
Provision for currency fluctuations	0	0
Provision for future liabilities	4,743,482	4,502,085
Provision for maintenance expenses on leased or rented assets	0	0
Total provisions for liabilities and charges (B)	**4,772,648**	**4,607,017**
C) Provision for staff severance pay	**2,283,734**	**2,291,722**
TOTAL (C)	**2,283,734**	**2,291,722**

amounts stated in Euro

Balance sheet: Liabilities	Financial statements as at 31/12/2018	Financial statements as at 31/12/2017
D) Accounts payable		
1) Bonds:		
due within 12 months	0	0
due beyond 12 months	0	0
2) Convertible bonds:		
due within 12 months	0	0
due beyond 12 months	0	0
3) Shareholder loans:		
due within 12 months	0	0
due beyond 12 months	0	0
4) Payables to banks:		
due within 12 months	1,500,000	1,500,000
due beyond 12 months	0	1,500,000
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	16,991,264	16,984,351
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	295,351	605,668
due beyond 12 months	0	0
10) Payables to associated companies:		
due within 12 months	0	0
due beyond 12 months	0	0

amounts stated in Euro

Balance sheet: Liabilities	Financial statements as at 31/12/2018	Financial statements as at 31/12/2017
11) Payables to parent companies:		
due within 12 months	2,534,909	936,523
due beyond 12 months		0
11-bis) Payables to companies controlled by the parent companies:		
due within 12 months	102,491	99,113
due beyond 12 months		0
12) Tax payables:		
due within 12 months	991,436	1,140,564
due beyond 12 months		0
13) Social security payables:		
due within 12 months	675,891	714,170
due beyond 12 months		0
14) Other payables:		
due within 12 months	20,138,295	18,751,267
due beyond 12 months	831,566	151,577
Total:		
due within 12 months	**43,229,367**	**40,731,656**
due beyond 12 months	**831,566**	**1,651,577**
Total accounts payable (D)	**44,061,203**	**42,383,233**
E) Accrued expenses and deferred income		
Accrued expenses	492	1,763
Deferred income	**8,006,118**	8,665,450
Total accrued expenses and deferred income (E)	**8,006,610**	**8,667,213**
TOTAL LIABILITIES AND EQUITY	**102,779,544**	**104,567,897**

2.1.3 Income statement

amounts stated in Euro

Income statement	Financial statements as at 31/12/2018	Financial statements as at 31/12/2017
A) Production value		
1) Revenues from sales and services	56,494,339	58,315,782
2) Changes in the inventory of in-process, semi-finished and finished products	0	0
3) Changes in orders in progress	0	0
4) Fixed assets developed internally	0	0
5) Other revenues and proceeds, with operating grants stated separately	2,889,989	4,482,610
Total production value (A)	**59,384,328**	**62,798,392**
B) Production costs		
6) Cost of raw and ancillary materials, consumables and goods	1,252,87	1,633,852
7) Cost of services	23,128,819	23,300,723
8) Leasehold costs	2,978,497	2,646,236
9) Staff costs:		
a) salaries and wages	9,625,541	9,786,918
b) social security	2,751,038	2,786,174
c) severance pay	633,657	641,737
d) pension and similar benefits	0	0
e) other costs	266,912	198,991
Total staff costs	**13,277,148**	**13,413,820**
10) Amortization, depreciation and write-downs:		
a) amortization of intangible assets	1,304,445	1,176,945
b) depreciation of tangible assets	4,828,129	4,551,714
c) other write-down of assets	0	0
d) write-down of current receivables and of cash and equivalents	525,009	1,418,261
Total amortization, depreciation and write-downs	**6,657,583**	**7,146,920**
11) Changes in the inventory of raw and maintenance materials, consumables and goods	(15,930)	(1,295)
12) Provisions for liabilities and charges	271,781	155,848
13) Other provisions	0	0
14) Miscellaneous operating costs	1,912,986	2,081,645
Total production costs (B)	**49,463,755**	**50,377,749**
Production value less production costs (A-B)	**9,920,573**	**12,420,643**

amounts stated in Euro

Income statement	Financial statements as at 31/12/2018	Financial statements as at 31/12/2017
C) Financial income (expense)		
15) Income from equity investments:		
- dividends and other proceeds from subsidiary companies	277,250	2,243,572
- 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 noncurrent receivables		
- subsidiary companies	0	0
- associated companies	0	0
- parent companies	0	0
- companies controlled by parent companies	0	0
- other	0	0
b) from noncurrent securities other than equity investments	0	0
c) from current securities other than equity investments	0	0
d) other income:		
- subsidiary companies	0	1
- associated companies	0	0
- parent companies	0	0
- companies controlled by parent companies	0	0
- other	103,044	22,250
Total	**380,294**	**2,265,823**
17) Interest and other financial expense:		
- subsidiary companies	0	0
- associated companies	0	0
- parent companies	0	0
- companies controlled by parent companies	0	0
- other	(93,960)	(150,931)
17-bis) Exchange gains (losses)	(215)	(303)
Total financial income (expense) (c)	**286,119**	**2,114,589**

amounts stated in Euro

Income statement	Financial statements as at 31/12/2018	Financial statements as at 31/12/2017
D) Adjustments to the value of financial assets		
18) Revaluation:		
a) of equity investments	0	0
b) of financial assets other than equity investments	0	0
c) of current securities other than equity investments	0	0
d) of derivative financial instruments	0	0
19) Write-downs:		
a) of equity investments	0	0
b) of financial assets other than equity investments	0	0
c) of current securities other than equity investments	0	0
d) of derivative financial instruments	0	0
Total adjustments to the value of financial assets (D)	**0**	**0**
EBT (A-B+/-C+/-D)	**10,206,692**	**14,535,232**
20) Income taxes for the year:		
a) Current taxes	(3,026,496)	(3,702,621)
b) Deferred taxes:	290,020	254,736
21) Profit (loss) of the year	**7,470,216**	**11,087,347**

We declare that the Financial Statements above match with the contents of the accounting books.

On behalf of the Board of Directors
The Chairman

2.1.4 SAGAT S.p.A. statement of cash flow

amounts stated in Euro

SAGAT S.p.A. statement of cash flow	2018	2017
A) Cash flow from operations		
Profit (loss) of the year	7,470,216	11,087,347
Income taxes	2,736,476	3,447,885
Interest expense (income)	(9,084)	128,986
(Dividends)	(277,250)	(166,350)
(Gains) Losses on disposal of assets	(6,147)	(2,068,137)
1) Profit (loss) of the year before income taxes, interest, dividends and gains/losses on disposals	**9,914,211**	**12,429,730**
Adjustments to allow for non-cash items not reflected in the net working capital:		
Amount allocated to provisions	271,781	155,848
Amortization and depreciation of fixed assets	6,132,574	5,728,659
Write-downs for durable value impairment	360,255	316,450
Other increases (decreases) of non-monetary items	0	0
Total adjustments of non-monetary items not reflected in the net working capital	**6,764,610**	**6,200,957**
2) Cash flow before working capital variations	**16,678,821**	**18,630,687**
Variations in the working capital:		
Decrease (increase) in inventory	(15,930)	(1,295)
Decrease (increase) in trade receivables	503,575	(1,905,559)
Increase (decrease) in trade payables	6,913	2,111,900
Decrease (increase) in accrued income and prepayments	(153,471)	202,078
Increase (decrease) in accrued expenses and deferred income	(660,603)	(654,327)
Other decreases (other increases) in the net working capital	2,453,373	(113,970)
Total variations in the working capital	**2,133,857**	**(361,173)**
3) Cash flow after working capital variations	**18,812,678**	**18,269,513**
Other adjustments:		
Interest income (expense)	79,688	(128,640)
(Income taxes paid)	(4,858,345)	(4,042,030)
Dividends collected	277,250	166,350
(Amount of provisions used)	(67,108)	(689,671)
Other amounts collected (paid)	0	0
Total other adjustments	**(4,727,891)**	**(4,693,991)**
CASH FLOW FROM OPERATIONS (A)	**14,084,787**	**13,575,522**

amounts stated in Euro

SAGAT S.p.A. statement of cash flow	2018	2017
B) Cash flow from investments		
Tangible assets:		
(Cash flow from investments)	(3,441,867)	(4,531,983)
Cash flow from divestments	6,147	29,110
Intangible assets:		
(Cash flow from investments)	(3,201,945)	(1,869,794)
Cash flow from divestments	0	0
Financial assets:		
(Cash flow from investments)	0	0
Cash flow from divestments	0	2,005,000
Current financial assets:		
(Cash flow from investments)	0	0
Cash flow from divestments	0	0
Acquisizione o cessione di società controllate o di rami d'azienda al netto delle disponibilità liquide	0	0
Cash Flow From Investments (B)	**(6,637,665)**	**(4,367,667)**
C) Cash flow from borrowing		
Third-party 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	(10,509,345)	(12,314,052)
Cash flow from borrowing (C)	**(12,009,345)**	**(13,814,052)**
INCREASE (DECREASE) IN CASH AND EQUIVALENTS (A ± B ± C)	**(4,562,223)**	**(4,606,197)**
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	**17,520,412**	**22,126,609**
CASH AND EQUIVALENTS AT END OF YEAR	**12,958,189**	**17,520,412**

2.2
Notes to the financial statements of SAGAT S.p.A

2.2.1 Introduction

Financial statements – introduction

The Financial Statements are made up of the Balance Sheet, the Income Statement and these Notes (art. 2423 (1) of the Civil Code). The tables annexed hereto are a material part of these Notes and of the Financial Statements themselves.

The Company prepares the Consolidated Financial Statements pursuant to Legislative Decree 127 of 09/04/91.

The Company's Financial Statements and the Consolidated Financial Statements were audited pursuant to article 2409 bis of the Civil Code by the independent auditors Deloitte & Touche S.p.A.

2.2.2 General principles

1. These financial statements were prepared with clarity, 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, as well as compatible international accounting standards where appropriate.
2. The mandatory information to be disclosed under the laws governing the preparation of financial statements were deemed sufficient to provide a faithful and accurate presentation. However, additional information is presented insofar as it was deemed appropriate for a more complete and detailed disclosure.
   In particular, these include, in the Directors' Report:
   - statement of cash flow, variation of net working capital and net financial position;
   - analysis of the balance sheet by financial criteria;
   - additional relevant information based on the characteristics and size of the company (art. 2423 (3) of the Civil Code).
3. The true and accurate presentation of the financial position and standing and of the operating result was given without any deviation from the principles described above, because no exceptional circumstance of incompatibility occurred, requiring us to avail ourselves of the provisions in art. 2423 (4) of the Civil Code.
4. The financial statements are stated in Euro; the figures in these Notes are in Euro thousand, except as otherwise indicated (art. 2423 (5) of the Civil Code).

2.2.3 Drafting Principles

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

1. The 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 (1.5) of the Civil Code).

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

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

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

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

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

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

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

The valuation principles followed in the preparation of the Consolidated Financial Statements as at 31 December 2018 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 are recorded under fixed assets.

Intangible assets

Intangible assets are 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. Their amortization schedule, according to the principle explained above, is shown below:

Intangible assets	
Type of asset	**Amortization rate**
Industrial patent and intellectual property rights	33%
Other intangible assets	according to their estimated residual useful life

The amortization criteria and rates applied are the same as in the previous 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 are 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.

Their depreciation schedule, according to the principle explained above, is shown below:

Tangible assets	
Buildings and related roads	**Depreciation rate**
Aircraft runways and aprons	4%
Flight assistance systems	5.26%
Other systems	31.5%
Ramp and runway equipment	10%
Other purpose equipment	31.5%
Special-purpose equipment	20%
Cars	12.5%
Cargo vehicles	25%
Furniture and fittings	20%
Electric and electronic equipment	12%
Other tangible assets	20%
Minor tangible assets	100%

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

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

Financial assets

Equity and other financial investments are long-term investments and are recorded at purchase or subscription cost.
If a subsidiary suffers a presumably durable loss, its carrying value is written down accordingly.
If the reasons for such adjustments cease to exist in subsequent years, then the value is reinstated.
Treasury shares are shown, at a value corresponding to the relevant purchase cost, in the negative equity reserve for treasury stock.
Noncurrent 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 are 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

Noncurrent receivables are 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 are written off in the years in which they have respectively accrued.

There are no accounts receivable for which collection terms are 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 charges

The provisions for liabilities and charges 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 as of 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 1 January 2007.

As a consequence of the pension reform:

- the portions of TFR accrued as until 31.12.2006 remain with the company;
- the portions of TFR accrued effective from 1 January 2007, to each employee's individual option based on express or tacit subscription, are either:
    - a) contributed to pension funds;
    - b) kept with the Company, that transferred the portions of TFR to the Treasury Fund created by INPS, the Italian social security institution.

The portions accrued in the reference year since 1 January 2007 are still shown in caption 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 are 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. Payables 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 are recognised according to the principles of conservatism and accrual, after deduction of discounts, allowances, incentives and facilitations. The earnings from services are recognised when the corresponding services are 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.

As from 2017, the Company has agreed to the Group policy governing the enforcement of the National Tax Consolidation rules set forth in art. 117 et seq. of the Income Tax Act ("T.U.I.R."), also followed by the subsidiary companies SAGAT Handling S.p.A., Aeroporti Holding S.r.l., GESAC S.p.A., Software Design S.p.A. and 2i S.A.C. (formerly F2i SAC S.p.A.), whose parent company is 2i Aeroporti S.p.A.
The option for National Tax Consolidation for the three-year period 2017-2019 was exercised by the Company in order to make use of the benefits that the law establishes for such profile, including the possibility for the parent company to set off the results of each consolidated company.
The notice of extension of the option pursuant to art. 5 (1) of the decree of the Ministry of Economy and Finance of 9 June 2004 was submitted online on 31 October 2017 by 2i Aeroporti S.p.A. to the Revenue Office.
The following are the main points of the above-referred Group policy: a) if, and insofar as, in any tax year in which the option for group taxation applies, one party brings to consolidation, pursuant to art. 96 (7) of the T.U.I.R., interest and similar financial expense in excess, that party is entitled to a compensation in the same amount; b) if the taxable income of the subsidiary, net of tax losses pursuant to art. 84 of the T.U.I.R. arising before the start of tax consolidation, is positive, that consolidated company will pay to the holding company an amount equal to the corresponding net tax due, calculated as if the tax consolidation option did not apply; c) if the taxable income of the subsidiary in one or more tax years included in the consolidation option term is negative, the holding company will pay to the subsidiaries an amount equal to either: 1) the tax savings actually realised by using such tax losses, or 2) the receivables due to the subsidiaries on the excess amounts brought to consolidation as per b) above; d) if one of the parties brings to consolidation interest in excess, the holding company will deduct that excess, subject to the applicable limits, from the aggregate income; e) in the case of d) above, the party that has brought the excess interest to consolidation will receive a compensation equal to 100% of the notional IRES calculated by applying to the consolidated excess the IRES rate in force when such excess is used.
The adoption of tax consolidation allows the parent company 2i Aeroporti S.p.A. to aggregate the positive or negative taxable bases of the parent company and of the resident consolidated companies that also exercised the option. The taxable income and losses of the companies included in the consolidation are assumed in their

entire amount, regardless of the share of interest attributed to the consolidating company (line by line consolidation method). The consolidating company is liable for determining the aggregate income tax and for the payment of the relevant advances and balance to the Revenue Office. However, the consolidated companies remain individual taxpayers.

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

Current taxes

The taxes accruing in the year are recorded in the Income Statement under "Current taxes for the year" and the relevant liability (or credit) is recorded in the Balance Sheet under the Accounts Payable (or Receivable) to (or from) the parent company. Those consolidation adjustments that generate benefits in the consolidated tax return are recorded in the Income Statement under "Tax gains from consolidated taxation", classified as "Current taxes for the year" with a contra entry in the Balance Sheet, under "Accounts receivable from the parent company".

Deferred taxes

Deferred corporate income tax ("IRES") assets and the provision for deferred IRES liabilities for both the consolidating and the consolidated companies arising from transactions occurred in the year during which the option is effective remain in the assets of the company that generated them. Therefore, as long as the tax consolidation regime applies, they are not recorded in the financial statements of the consolidating company. The compliance with the requirements for recording deferred taxes is assessed with reference to the expected future taxable income of the companies included in the consolidation. Otherwise, if deferred tax assets or liabilities arise from transactions occurred outside the period of effectiveness of the consolidation regime, they are assessed with reference to the specific position of the company concerned.

The company has recorded deferred taxes according to the temporary differences in the taxable base arisen during the course of the year. In particular, the deductible temporary differences arising from negative income components to be deducted totally or partially in future years will generate deferred tax assets, recorded under caption C.II.5-ter of the assets section, while the temporary differences arising from positive income components to be taxed in years subsequent to the reference one, or from negative income components deducted in a year preceding the one in which they were recorded in the income statement, will generate deferred tax liabilities, recorded under caption B.2 of the liabilities section. Deferred taxes are calculated at the tax rates currently in force and taking into account the tax rates expected in future years.

The amount shown in the caption "Income taxes for the year" is the result of the algebraic sum of current and deferred taxes, so as to represent the actual tax burden pertaining to the reference year. No deferred tax assets that cannot be reasonably expected to be recovered in the future were recorded. Similarly, no deferred tax liabilities that are unlikely to arise were recorded.

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

Remuneration of economic benefits in favour of the consolidated companies

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

Principles for the translation of items stated in foreign currencies

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

2.2.5 Balance sheet details

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

BALANCE SHEET - ASSETS

Intangible assets

These are the costs of permanent, non-tangible production factors, after deduction of the relevant amortization. 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 €5,680 thousand, have increased on aggregate by €1,852 thousand in the year.

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

	Start up and improvement costs	Development costs	Industrial patent and intellectual property rights	Concessions, licenses, trademarks and similar rights
Amount at beginning of year				
Cost	0	0	159,834	0
Revaluation				
Amortization (Use of relevant provision)				
Write-downs				
Amount carried	**0**	**0**	**159,834**	**0**
Variations during the year				
New acquisitions	0	0	263,352	0
Reclassifications (of carrying value)	0	0	1,700	0
Decreases (in carrying value) due to disposals and divestments				
Revaluation in the reference year				
Amortization in the year	0	0	215,823	0
Write-downs in the reference year				
Other variations				
Total variations	0	0	49,229	0
Balance at end of year				
Cost	0	0	424,886	0
Revaluation				
Amortization (Use of relevant provision)	0	0	215,822	0
Write-downs				
Amount carried	**0**	**0**	**209,062**	**0**

	Goodwill	Investments in progress and payments on account	Other intangible assets	Total intangible assets
Amount at beginning of year	**0**	**1,098,110**	**2,569,772**	**3,827,715**
Cost				
Revaluation				
Amortization (Use of relevant provision)				
Write-downs	0	1,098,110	2,569,772	3,827,715
Amount carried				
Variations during the year	**0**	**1,640,112**	**1,298,481**	**3,201,945**
New acquisitions	0	(299,180)	327,872	30,392
Reclassifications (of carrying value)				
Decreases (in carrying value) due to disposals and divestments				
Revaluation in the reference year	0	0	1,088,622	1,304,445
Amortization in the year				
Write-downs in the reference year		(76,107)		(76,107)
Other variations	0	1,264,825	537,731	1,851,785
Total variations				
Balance at end of year	**0**	**2,362,935**	**4,196,125**	**6,983,945**
Cost				
Revaluation	0	0	1,088,622	1,304,445
Amortization (Use of relevant provision)				
Write-downs	0	2,392,935	3,107,503	5,679,500
Amount carried	**0**	**2.392.935**	**3.107.503**	**5.679.500**

The increase shown in caption B.I.3, "Industrial patent and intellectual property rights", relates to the less amortization made in the year (€216 thousand), against the purchases and installation of new software during the year (€265 thousand).

The caption "Investments in progress and payments on account" (B.I.6) has increased by €1,265 thousand compared to the prior year, mostly due to the implementation of apps and e-commerce development projects at the Airport and to interventions for the requalification of flight infrastructures (RESA 18), as described in detail in the Directors' Report section on investments.

The caption "Other assets" (B.I.7) has increased by €538 thousand. The main factors of increase relate to interventions for runway upgrades, adjustment of touchdown area and pier 18, reconstruction of C intersection and other interventions at the shoulder and the aprons; worth of mention is also the start of the works for the construction of the new Arrivals floor at the Passenger Terminal.

The aggregate amortization of the "Other assets", which include improvements to and investments in assets held on lease by the Company, amounts to €1,089 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 having long useful life and tangible nature. These are shown after deduction of depreciation, including concession-based depreciation.

Tangible assets amount in total to €45,307 thousand and have decreased on aggregate by €1,701 thousand in the year.

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

	Land and buildings	Plant and machinery	Operating and sales equipment	Other tangible assets	Other investments in progress and payments on account	Total tangible assets
Amount at beginning of year						
Cost	86,266,459	69,979,404	15,517,868	29,369,826	2,487,683	203,621,240
Revaluation						
Depreciation (Use of relevant provision)	51,707,124	63,824,357	12,603,103	28,478,493	0	156,613,077
Write-downs						
Amount carried	**34,559,335**	**6,155,046**	**2,914,765**	**891,333**	**2,487,683**	**47,008,163**
Variations during the year						
New acquisitions	147,185	1,400,396	1,222,230	553,286	118,769	3,441,867
Reclassifications (of carrying value)	0	53,014	0	1,050	0	54,064
Decreases (in carrying value) due to disposals and divestments	0	0	0	(4,800)	0	(4,800)
Revaluation in the reference year						
Depreciation in the year	2,263,073	1,141,193	1,037,619	386,244	0	4,828,129
Write-downs in the reference year						
Other variations	0	0	0	(9,120)	(364,283)	(373,403)
Total variations	(2,115,888)	312,217	184,611	163,773	(245,514)	(1,700,801)
Balance at end of year						
Cost	86,413,644	71,432,814	16,740,099	29,876,881	2,242,170	206,705,607
Revaluation						
Depreciation (Use of relevant provision)	53,970,197	64,965,550	13,640,722	28,821,776	0	161,398,245
Write-downs						
Amount carried	**32,443,447**	**6,467,263**	**3,099,376**	**1,055,106**	**2,242,170**	**45,307,362**

Captions BII.1) B II bis 1 and 1bis), “Land and buildings” include freely transferable assets in the amount (post-depreciation) of €32,443 thousand, of which €342 thousand relate to runways and land used for runways. The caption “Plant and machinery”, is entirely composed of freely transferable assets and amounts (post-depreciation) to €6,1467 thousand as at 31 December 2018.

The caption “Operating and sales equipment” (B.II.bis and 1 bis) has decreased on aggregate by €2,116 thousand, due to purchases (€147 thousand) and annual depreciation (€2,263 thousand).

No obsolete asset was disposed of during the year.

The caption “Plant and machinery” (B.II.bis 2) has increased on aggregate by 312 thousand, due to purchases (€1,400 thousand), and capitalisation of the value of plant that started operating during the year and previously recorded as investments in progress (€53 thousand). Depreciation in the year amounts to €1,141 thousand. In particular, the increase relates mostly to the completion of works for the upgrade of air-conditioning systems at the terminal (€345 thousand) and for the automation of vehicle access monitoring at the short-term parking (€163 thousand); the item further includes the replacement of lights at the operating buildings, the installation of service systems at the BHS and the common areas (€257 thousand) and revamping interventions at boarding bridges (€55 thousand).

No obsolete asset was disposed of during the year.

The caption “Operating and sales equipment” (B.II.3) has increased on aggregate by €185 thousand, due to purchases (€1,222 thousand) and annual depreciation (€1,038 thousand). The item includes in particular the purchase of snow plows (€855) and the installation of turnstiles for automatic boarding pass control (€96 thousand).

No obsolete asset was disposed of during the year.

The caption “Other assets” (B.II.4) has increased on aggregate by €164 thousand, due to depreciation (€386 thousand) and purchases (€553 thousand). The most significant increase relates to the purchase of passport control counters (€130 thousand) and of operating vehicles (€99 thousand).

Obsolete assets were dismissed in the year for a total value of €46 thousand.

The caption “Investments in progress and payments on account” (B.II.5) has decreased by €246 thousand after the variations described above and the removal of assets recorded in previous years that did not come into use (€222 thousand).

The balance of the revaluation applied pursuant to Law 72 of 19/3/1983 (€566 thousand) and to Law 342 of 21/11/2000 (€8,423 thousand) has not changed compared to 2017. 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
Totals	**8,989,000**	**0**	**8,989,000**

Financial assets

These are the costs of long-term financial investments.

Equity investments, recorded at purchase cost in the total amount of €8,943 thousand, have not changed compared to the previous year.

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

The equity investments in associated companies have not changed.

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	**8,943,098**	**0**	**0**	**0**	**0**	**8,943,098**	**0**	**0**
Cost	0	0	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0	0	0
Write-downs	0	0	0	0	0	0	0	0
Amount carried	8,943,098	0	0	0	0	8,943,098	0	0
Variations during the year	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
New acquisitions	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0	0	0
Write-downs	0	0	0	0	0	0	0	0
Other variations	0	0	0	0	0	0	0	0
Total variations	0	0	0	0	0	0	0	0
Balance at end of year	**8,943,098**	**0**	**0**	**0**	**0**	**8,943,098**	**0**	**0**
Cost	0	0	0	0	0	0	0	0
Revaluation	00	0	0	0	0	0	0	0
Write-downs	0	0	0	0	0	0	0	0
Amount carried	8,943,098	0	0	0	0	8,943,098	0	0

Also, please note that the Company holds 74,178 treasury shares; after the coming into force of Legislative Decree 139/15 on 1 January 2016, in enforcement of Directive 2013/34 on annual financial statements, consolidated financial statements and related reports, in the past year SAGAT had already removed their book value from the fixed assets.

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

List of investments in subsidiary companies

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

Denomination	Aeroporti Holding S.r.l.	SAGAT Handling S.p.A.	Total
Town or foreign State	Italy	Italy	
Taxpayer ID (for Italian companies)	8704390015	5025470013	
Capital in Euro	11,000,000	3,900,000	
Profit (Loss) of last financial year in Euro	793,130	48,719	
Equity in Euro	18,355,883	3,179,317	
Share held in Euro	10,015,797	3,179,317	
Share held in %	55.45%	100%	
Value carried or corresponding creditor amount	6,099,500	2,843,598	**8,943,098**

List of investments in associated companies

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

Long-term receivables amount to €10 thousand in total and have not changed from the previous 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 the parent companies	Noncurrent receivables from others	Total noncurrent receivables
Amount at beginning of year	**0**	**0**	**0**	**0**	**9,577**	**9,577**
Variations during the year	0	0	0	0	0	0
Balance at end of year	**0**	**0**	**0**	**0**	**9,577**	**9,577**
Portion due within 12 months	0	0	0	0	0	0
Portion due after 12 months	0	0	0	0	9,577	9,577
Of these, due beyond	0	0	0	0	0	0
5 years	0	0	0	0	0	0

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:

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

Value of financial assets

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

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

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

Details of receivables from others			
Descrizione	**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 €330 thousand, refers basically to raw and ancillary materials, consumables and maintenance materials. The item has increased by €16 thousand compared to the previous year. As at year-end, the inventory did not include any element that might be expected to be realized at a lower price than the respective inventory value.

The breakdown and variations of each item are shown below:

	Raw and maintenance materials, consumables	In-process and semi-finished products	Orders in progress	Finished products and goods	Payments on account (made)	Total inventory
Amount at beginning of year	314,172	0	0	0	0	314,172
Variation during the year	15,930	0	0	0	0	15,930
Balance at end of year	330,102	0	0	0	0	330,102

Accounts receivable

These are recorded for a total of €29,228 thousand, compared to €26,774 thousand in 2017. Their total amount relates mostly to customers based in Italy or in the European Union.

The caption "Accounts receivable from customers" has decreased from €13,400 thousand as at 31/12/2017 to €12,897 thousand as at 31/12/2018 (-€504 thousand), basically due to the slightly decreasing trend of sales volumes and to the customers' ordinary payment policies.

The caption includes accounts receivable at a face value of €16,378 thousand net of write-downs (€3,482 thousand) related to the provision for bad debts.
During the year the provision for bad debts has increased by €496 thousand due to releases to the income statement of amounts allocated in the past and no longer necessary (€29 thousand) and adjustments based on actual needs (€525 thousand, of which €414 thousand derive from having posted under receivables the effects of the June 2018 decision of the Court of Appeal of Rome, that cancelled payments from Alitalia for a total of €689 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", comprising entirely accounts receivable within 12 months and amounting to €297 thousand, has decreased by €30 thousand from the previous year, essentially due to the normal trends of creditor/debtor positions for the subsidiaries SAGAT Handling and Aeroporti Holding.
The details of these receivables are shown in the table below, stated in thousand Euros

Receivables from subsidiary companies	31/12/2018	31/12/2017
Aeroporti Holding S.r.l.	7	28
SAGAT Handling S.p.A.	290	299
Total	**297**	**327**

The tax receivables recorded amount to €1,302 thousand, decreasing by €115 thousand compared to the €1,418 thousand recorded as at 31/12/2017.
Of these receivables, €609 thousand are due within 12 months and €694 thousand are due beyond 12 months, as detailed in the table below (thousand Euros):

Specification	Amount as at 31/12/2018	Amount as at 31/12/2017
IRES receivables	30	30
IRES refund receivable	23	866
IRAP receivables	133	0
VAT receivables	464	511
Other receivables	653	11
Total	**1,302**	**1,418**

The "IRES refund receivable" has decreased by €842 thousand from the previous year because the Revenue Office has refunded the interest and tax credit accrued by the Company in previous years, on 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 residual portion of such receivables as at 31 December 2018 amounts to €23 thousand.
IRAP receivables, €133 thousand as at 31 December 2018, are the difference between advances paid and amount of tax due for the year.
The "Other receivables", €653 thousand, have increased by €642 thousand from the previous year mainly due to the recording of payments made to the Revenue Office on assessment notices for tax years 2012 and 2013 issued within the framework of the controversy with the Revenue Office described in the section on controversies.

The caption "Deferred tax assets" shows a balance of €2,293 thousand; if the company had considered an unlimited time horizon for the reversal of these assets, this balance would have been greater by €76 thousand. The details of deferred tax assets/liabilities are shown in the specific table of the Notes to the Income Statement.

The caption "Receivables from others", €9,239 thousand in total, has decreased by €388 thousand compared to the previous year, basically due to the increase in the receivables from carriers on municipal tax (€718 thousand) and to the reclassification of credit notes receivable from vendors into trade payables, in order to provide a clear picture of the exposure towards our vendors.

The details of receivables from others are shown in the table below, in thousand Euro:

Specification	31/12/2018	Of these, due beyond 12 months	31/12/2017	Of these, due beyond 12 months	Difference
Other accounts receivable from the P.A.	33		33		-
Payments on account to vendors and credit notes expected	339	11	2,176	11	(1,837)
Receivables from carriers on municipal tax	7,585		6,867		718
Other receivables	389	123	339	123	50
Total	**9,239**	**134**	**9,626**	**56**	**(387)**

The account receivable from the Town Authority of Turin has increased compared to 2017 by €682 thousand due to the payment, made in accordance with the outcome of the petition for suspension filed by SAGAT against the payment injunction relating to the fees for the years 2016 and 2017, that was received in the course of 2018, as detailed in the Controversies section of the Directors' Report of the holding company. Before the payment, the amount in question had been recorded as a contra entry towards trade payables.

The account receivable from the Town Authority of Turin also includes, for €211 thousand and unchanged from the previous year, the residual portion of an advance that SAGAT had to pay in 1992 for the completion of certain works at the control tower, in order to cover the insufficient funds earmarked by the Town Authority after the construction contractor ICEM went bankrupt and the guarantor insurer FIRS was placed into forced liquidation, as neither of 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 have increased in the year by €718 thousand and represent a contra entry towards the payables by SAGAT to the Tax Office for the same reason.

Accounts receivable – Breakdown by due date

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

	Current trade receivables	Current receivables from subsidiary companies	Current receivables from associated companies	Current receivables from parent companies
Amount at beginning of year	13,400,151	326,833	0	0
Variation during the year	(503,575)	(29,620)	0	3,137,557
Balance at end of year	**12,896,576**	**297,214**	**0**	**3,137,557**
Portion due within 12 months	12,896,576	297,214	0	3,137,557
Portion due after 12 months	0	0	0	0
Of these, with residual duration beyond 5 years	0	0	0	0

	Current receivables from companies controlled by the parent companies	Current tax receivables	Current deferred tax assets	Current receivables from others	Total current receivables
Amount at beginning of year	0	1,418,076	2,002,674	9,626,430	26,774,164
Variation during the year	62,438	(115,780)	290,020	(387,555)	2,453,814
Balance at end of year	**62,438**	**1,302,296**	**2,292,694**	**9,238,875**	**29,227,650**
Portion due within 12 months	62,438	608,793	0	9,105,087	26,107,365
Portion due after 12 months	0	693,803	2,292,694	133,788	3,120,285
Of these, with residual duration beyond 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:

	1	2	Total
Current receivables by territory			
Territory	**Italy**	**Foreign**	
Current trade receivables	7,061,771	5,834,805	12,896,576
Current receivables from subsidiary companies	297,214	0	297,214
Current receivables from associated companies	0	0	0
Current receivables from parent companies	3,137,557	0	3,137,557
Current receivables from companies controlled by the parent companies	62,438	0	62,438
Current tax receivables	1,302,296	0	1,302,296
Current deferred tax assets	2,292,694	0	2,292,694
Current receivables from others	5,945,321	3,293,554	9,238,875
Total current receivables	**20,099,291**	**9,128,359**	**29,227,650**

Cash and cash equivalents

These include:

- as to bank and post office deposits, the funds immediately available on deposits or current accounts with banks and post offices;
- as to cash in hand, the liquidity existing as at 31/12/2018 in the treasury of the company;
- as to cheques, the credit instruments received before year-end and deposited with banks for collection in the opening days of the subsequent year.

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

	Bank and post office current accounts	Cheques	Cash and other valuables in hand	Total cash and cash equivalents
Amount at beginning of year	17,462,111	8,000	50,301	17,520,412
Variation during the year	(4,544,673)	(8,000)	(9,550)	(4,562,223)
Balance at end of year	12,917,438	0	40,751	12,958,189

Accrued income and prepayments

These amount to €324 thousand on aggregate as at 31/12/2018, versus €170 thousand as at 31/12/2017. 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	0	170,596	170,596
Variation during the year	0	0	153,471	153,471
Balance at end of year	0	0	324,067	324,067

Breakdown of prepayments

The table below shows the details of the other prepayments::

	Amount
Insurance	55,172
Subordinate employees	145,335
Other	123,560
Total	**324,067**

The caption "Insurance" includes the portions of insurance premiums paid in 2018 and accruing in the subsequent year

Capitalized financial expense

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

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

BALANCE SHEET - LIABILITIES AND EQUITY

Shareholders' equity

The Shareholders' Equity of the Company as at 31/12/2018 amounts to 43,655,349 Euro.

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

The share capital amounts to €12,911,481, has not changed from the previous year, and is composed of 2,502,225 common 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.	90.28%
Tecno Holding S.p.A.	6.76%
Treasury stock	2.96%
Total	**100.00%**

* For more details please refer to paragraph 1.2, "Ownership pattern", 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 previous 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 2018.

The legal reserve, amounting to €2,582 thousand, has not changed from the previous 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, €7,171 thousand, is entirely made up of annual profits and has increased by €578 thousand compared to the previous year, because the profits for 2017 were partially allocated to this reserve according to a decision adopted by the Shareholders meeting on 18 May 2018;

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

The company has recorded a reserve for the hedging of expected cash flows in the amount of €-29 thousand (€-105 thousand in 2017), 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 finally fixed cost, of the €15 million loan obtained on 8 February 2010. The amount of €29 thousand reflects the negative mark-to-market of the hedge instrument as at 31 December 2018.

The negative reserve for treasury stock amounts to €-4,824 thousand. Those shares had been acquired by the Company by decision of the General Meeting on 10/12/2002, that authorised the purchase of a maximum of 58,400 treasury shares, entirely freed up. On 14 March 2003 the company made such purchase. 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.

	Amount at beginning of year	Allocation of the profit (loss) from the previous year	Distribution of dividends	Other uses	Other variations
Share capital	12,911,481	0	0	0	0
Share premium reserve	6,104,521	0	0	0	0
Revaluation reserves	7,362,627	0	0	0	0
Legal reserve	2,582,296	0	0	0	0
Miscellaneous other reserves					
Extraordinary reserve	6,592,644	578,002	0	0	0
Miscellaneous other reserves	4,906,340	0	0	0	0
Reserve for the hedging of expected cash flows	(104,932)	0	0	0	0
Profit (loss) carried forward	0	0	0	0	0
Profit (loss) of the year	11,087,347	(578,002)	(10,509,345)	0	0
Negative reserve for treasury shares	(4,823,612)	0	0	0	0
Total equity	46,618,712	0	(10,509,345)	0	0

	Increases	Decreases	Reclassifications	Result of the year	Balance at end of year
Share capital	0	0	0	0	12,911,481
Share premium reserve	0	0	0	0	6,104,521
Revaluation reserves	0	0	0	0	7,362,627
Legal reserve	0	0	0	0	2,582,296
Miscellaneous other reserves					
Extraordinary reserve	0	0	0	0	7,170,646
Miscellaneous other reserves	0	0	0	0	4,906,340
Reserve for the hedging of expected cash flows	75,766	0	0	0	(29,166)
Profit (loss) carried forward	0	0	0	0	0
Profit (loss) of the year	0	0	0	7,470,216	7,470,216
Negative reserve for treasury shares	0	0	0	0	(4,823,612)
Total equity	75,766	0	0	7,470,216	43,655,349

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

Explanation of availability and use of equity components

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

					Summary of uses made in the previous 3 years	
	Amount	Origin/ nature	Utilization options	Portion available	Coverage of losses	Other reasons
Share capital	12,911,481	Share capital				
Share premium reserve	6,104,521	Share capital	A,B,C	6,104,521		
Revaluation reserves	7,362,627	Share capital	A,B,C	7,362,627		
Legal reserve	2,582,296	Profits	B			
Other reserves						
Extraordinary or optional reserve	7,170,646	Profits	A,B,C	7,170,646		
Miscellaneous other reserves	4,906,340	Profits	A,B,C	4,906,340		
Total other reserves	12,076,986			12,076,986		10,008,900
Reserve for the hedging of expected cash flows	(29,166)					
Profit (loss) carried forward						
Negative reserve for treasury shares	(4,823,612)			(4,823,612)		
Total	**36,185,133**			**20,720,522**		**10,008,900**
Portion not available for distribution						
Residual portion available for distribution				**20,720,522**		**10,008,900**

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

The uses shown in the "Other reasons" column relate to the distribution of an exceptional dividend approved by the General Meeting on 1 December 2017 (€10,008,900).

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

Avaluation 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
Totals	**7,362,627**	**0**	**0**	**7,362,627**

Provisions for liabilities and charges

This item is detailed below:

	Pension and similar funds	Provision for tax disputes, including deferred taxes	Derivative financial instruments	Other provisions	Total provisions for liabilities and charges
Amount at beginning of year	**0**	**0**	**104,932**	**4,502,085**	**4,607,017**
Variations during the year					
Amount allocated in the year	0	0	0	271,782	271,782
Amount used in the year	0	0	0	30,385	30,385
Other variations	0	0	(75,766)		(75,766)
Total variations	0	0	(75,766)		(165.631)
241,397	**(165,631)**	**0**	**29.166**	**4.743.482**	**4.772.648**
Balance at end of year	**0**	**0**	**29,166**	**4,743,482**	**4,772,648**

The provision for future liabilities and charges, €4,773 thousand, is recorded according to the principle of conservatism, to account for possible liabilities arising from civil and administrative controversies, pending or merely probable, that the Company might need to face. During the year the provision has decreased by €166 thousand on aggregate, as a consequence of the following:

- allocation of €272 thousand in total, to account for potential liabilities already existing as at 31/12/2017 (€33 thousand) and for risks arisen in 2018 (€239 thousand).
- an amount of €30 thousand was used for liabilities arisen during the year, but that had been foreseen and accounted for in previous years;
- decrease from the €105 thousand allocated in 2017 to €29 thousand allocated in 2018 to the provision for derivative instruments and corresponding reduction in the reserve for the hedging of the expected cash flows. For further details on these variations, please refer to the section on the Shareholders' Equity of these Notes.

Provision for staff severance pay

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

	Provision for staff severance pay
Amount at beginning of year	**2,291,722**
Variations during the year	
Amount allocated in the year	633,657
Amount used in the year	(641,645)
Other variations	0
Total variations	(7,988)
Balance at end of year	**2,283,734**

In particular, during the year the provision has received €634 thousand and has decreased by €642 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 severance pay accruing in the year that was contributed to pension funds and allocated to the INPS Treasury Fund.

The caption "Other variations" includes the portions of severance pay relating to staff transferred to/from other SAGAT Group companies.

Accounts payable

The accounts payable are recorded for €44,061 thousand (€42,383 thousand as of year-end 2017) 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 €1,500 thousand (€3,000 thousand in 2017) 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 €29 thousand. The portion of this loan expiring within 12 months amounts to €1,500 thousand.
in order to guarantee that the non-speculative nature of the fund is maintained throughout its duration, the amount of principal under the IRS agreement will follow the repayment schedule of the loan, and be reduced gradually until it reaches zero in concurrence with the repayment of the last instalment.

The accounts payable to vendors include the trade payables owed to other entities than subsidiary and associated companies and to companies controlled by parent companies. They amount on aggregate to €16,991thousand (€16,984 thousand in 2017) and have increased by €7 thousand.
The payables to subsidiary companies amount to €295 thousand and have decreased by €310 thousand in the year. They are all due within 12 months.

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

	31/12/2018	31/12/2017
Aeroporti Holding S.r.l.	0	8
SAGAT Handling S.p.A.	295	598
Total	**295**	**606**

There are no payables to associated companies

The payables to the parent company amount to €2,535 thousand and reflect the aggregate payables recorded by the Company against the transfer to the parent company 2i Aeroporti of the tax liability for the year as a consequence of joining, as subsidiary, the tax consolidation effective from 2018.

The payables to companies controlled by parent companies amount to €102 thousand and have increased by €3 thousand in the year. They are all due within 12 months and reflect the exposure towards a software product vendor and towards GE.S.A.C. S.p.a. both controlled by the parent company 2iAeroporti S.p.A. .

Tax payables have decreased by €149 thousand compared to the previous year and amount in total to €991 thousand. Their detail is as follows:

	31/12/2018	31/12/2017
Regional tax – IRAP	0	164
PAYE tax on employment income	309	318
Taxes on fee increases	679	656
Other	3	3
Total	**991**	**1,141**

This item does not include payables due beyond 12 months.

Social security payables amount in a total to €676 thousand and are shown in the table below:

	31/12/2018	31/12/2017
Contributions paid	652	694
Other	24	20
Total	**676**	**714**

The other payables, totalling €20,970 thousand, are stated in thousand Euro and are owed to:

	31/12/2018	31/12/2017
ENAC/Concession fee	1,172	1,295
Employees	923	1,009
Revenue Office on boarding fee surtax	8,667	7,638
Miscellaneous	10,208	8,961
Total	**20,970**	**18,903**

Si segnala che, come previsto dalla vigente normativa, l'intero ammontare del debito verso ENAC relativo al canone aeroportuale sarà versato nell'esercizio successivo azzerando il debito in questione.

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

The account payable to the Revenue Office on municipal taxes (€8,667 thousand) has increased in the year by €1,029 thousand and represents the contra entry towards 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 "Miscellaneous payables" also includes, for a total of €7,561 thousand, the account payable by the holding company on fire-fighting services at the airport under the 2007 Finance Act.

Accounts payable – Breakdown by due date

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

	Bonds	Convertible bonds	Loans from shareholders	Payables to banks	Payables to other lenders	Advances	Trade payables	Payables in the form of credit instruments
Amount at beginning of year				3,000,000			16,984,351	
Variation during the year				(1,500,000)			6,913	
Balance at end of year				1,500,000			16,991,264	
Portion due within 12 months				1,500,000			16,991,264	
Portion due after 12 months				0			0	
Of these, payable beyond 5 years				0			0	

	Payables to subsidiary companies	Payables to associated companies	Payables to parent companies	Payables to companies controlled by the parent companies	Taxes payable	Social security payables	Other payables	Total accounts payable
Amount at beginning of year	936,523	99,113	1,140,564	714,170	18,902,844	42,383,233	18.902.844	42.383.233
Variation during the year	1,598,386	3,378	(149,128)	(38,279)	2,067,017	1,677,970	2.067.017	1.677.970
Balance at end of year	2,534,909	102,491	991,436	675,891	20,969,861	44,061,203	20.969.861	44.061.203
Portion due within 12 months	2,534,909	102,491	991,436	675,891	20,138,295	43,229,637	20.138.295	43.229.637
Portion due after 12 months	0	0	0	0	831,566	831,566	831.566	831.566
Of these, payable beyond 5 years	0	0	0	0	0	0	0	0

Accounts payable - Breakdown by territory

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

	1	2	Total
Accounts payable by territory			
Territory	**Italy**	**Foreign**	
Bonds			
Convertible bonds			
Loans from shareholders			
Payables to banks	1,500,000		1,500,000
Payables to other lenders			
Advances			
Trade payables	13,621,521	3,369,743	16,991,264
Payables in the form of credit instruments	295,351		295,351
Payables to subsidiary companies			
Payables to associated companies			
Payables to parent companies	2,534,909		2,534,909
Payables to companies controlled by the parent companies	102,491		102,491
Taxes payable	991,436		991,436
Social security payables	675,891		675,891
Other payables	20,969,861		20,969,861
Total accounts payable	**40,691,460**	**3,369,743**	**44,061,203**

Accounts payable with company assets as collaterals

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

	Bonds	Convertible bonds	Loans from shareholders	Payables to banks	Payables to other lenders	Advances	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				1,500,000			16,991,264	
Total				**1,500,000**			**16,991,264**	

	Payables to associated companies	Payables to parent companies	Payables to companies controlled by the parent companies	Taxes payable	Social security payables	Other payables	Total accounts payable	Totale debiti
Payables with collaterals							0	0
Mortgage payables							0	0
Lien payables							0	0
Special privilege payables							0	0
Total payables with collaterals							0	0
Payables without collaterals		2,534,909	102,491	991,436	675,891	20,969,861	44,061,203	44.061.203
Total		**2,534,909**	**102,491**	**991,436**	**675,891**	**20,969,861**	**44,061,203**	**44.061.203**

Rued expenses and deferred income

These amount in total to €... thousand and have decreased by €661 thousand from 31/12/2017, as better detailed below:

	Accrued expenses	Discount on loans granted	Deferred income	Total accrued expenses and deferred income
Amount at beginning of year	1,763	0	8,665,450	8,667,213
Variation during the year	(1,271)	0	(659,332)	(660,603)
Balance at end of year	492	0	8,006,118	8,006,610

Breakdown of accrued expenses and deferred income

The caption "Deferred income" (€8,006 thousand) relates, in the amount of €7,798 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 2018 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 (thousand Euro):

Nature	2018	2017
Third-party assets received in concession	59,654	59,654
Personal guarantees received from third parties	12,433	12,145

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

Third-party assets in concession are the fixed assets received in concession. These however are only the investments made by the entity granting the concession since the 1980's to this date, as the value of the assets built before then — which include aircraft movement areas — is unknown.
They also include the value of the airport enlargement works carried out and funded by the Town Authority of Turin on the occasion of the Winter Olympics.
The personal guarantees received from third parties are the bank guarantees received from carriers and from third parties in general. There are no personal guarantees given to third parties.

2.2.6 Information on the income statement

The most relevant Income Statement components for 2018 are shown below..

PRODUCTION VALUE

Revenues from sales and services

The revenues from sales and services earned by the company, entirely in the territory of Italy and from customers based mostly in Italy or in the European Union, amount in total to €56,494 thousand are broken down as follows (art. 2427 (1.10 of the Civil Code):

	1	2	3	4	5
Revenues from sales and services by business category					
Business category	Air traffic	Security	Handling and air traffic services	Car parking services	Subcontracted services
Amount for current year	**26,612,455**	**8,445,818**	**2,738,520**	**6,118,434**	**3,736,772**

	6	7	8	9	Totale
Revenues from sales and services by business category					
Business category	Subcontracted businesses and airport spaces	Centralized infrastructures	Assets in exclusive use	Other revenues	
Amount for current year	**4,943,264**	**1,648,057**	**2,044,981**	**206,039**	**56,494,339**

Revenues from sales and services by territory

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

	1	2	Total
Territory	Italy	Foreign	
Amount for current year	**31,297,864**	**25,196,475**	**56,494,339**

Other revenues and proceeds

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

	Year 2018	Year 2017
Recovery of utilities in common and miscellaneous expenses	162	178
Other proceeds	2,057	3,634
Grants for plant and equipment investments	671	671
Total	**2,890**	**4,483**

This caption, totalling €2,890 thousand, has decreased by €1,593 thousand compared to the previous year.

Please note that the decrease in this item is due mostly to miscellaneous contingent gains arisen in 2017 from the release, due to cessation of the underlying reasons, of provisions for risks and for bad debts made in previous years for a total of €700 thousand, and to cancelled liabilities for a total of €1,248 thousand.

The grants for plant and equipment investments include, according to the criteria described above, the portion accruing in 2018 of the grants obtained from Regione Piemonte for the enlargement works at the Passenger and General Aviation terminals and at the luggage logistics buildings 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 by the principle of accrual in the amount of €665 thousand.

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

Production costs

Production costs amount in total to €49,464 thousand and are broken down as follows:

Purchase of raw and maintenance materials, consumables and goods

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

	Year 2018	Year 2017
Maintenance materials	320	224
Miscellaneous materials	37	41
Materials intended for resale	177	355
Fuels and lubricants	465	418
De-icing	199	553
Stationery and printing	55	43
Total	**1,253**	**1,634**

Costs of services

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

	Year 2018	Year 2017
Miscellaneous services	1,733	1,664
Support, storage and PRM services	1,216	1,231
Electricity and other utilities	3,018	3,224
Technical, management and marketing consulting services	517	463
Security services	3,323	3,870
Cleaning and waste collection services	1,114	1,109
Maintenance / repair and other contract costs	1,563	1,747
Maintenance / repair on leased assets	461	320
Business and general insurance policies	346	361
Miscellaneous staff costs (cafeteria, training, travel, etc.)	504	477
Services performed by subsidiary companies	505	365
Other	8,828	8,472
Total	**23,129**	**23,301**

Leasehold costs

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

	Year 2018	Year 2017
Airport fee	2,407	2,428
Fee owed to the Town Authority of Turin	347	0
Other concession fees	118	117
Leases and rentals	107	101
Total	**2,978**	**2,646**

These costs have increased by €332 thousand compared to the previous year and amount in total to €2,978 thousand. In particular, the fee owed to the Town Authority of Turin has increased from 2017 by €347 thousand due to the different accounting practice applied, in connection with the longer duration of the underlying controversy, that is described in detail in the Directors' Report of the holding company.

Staff costs

Staff costs for 2018, inclusive of outsourced staff, amount to €13,277 thousand, decreasing by about €137 thousand compared to the previous year. The table below shows the breakdown of these costs:

	Year 2018	Year 2017
Salaries and wages	9,626	9,787
Social security	2,751	2,786
Staff severance pay	634	642
Other costs	267	199
TOTAL	**13,277**	**13,414**

Amortization, depreciation and write-downs

These are stated in thousand Euro and broken down below:

	Year 2018	Year 2017
Amortization of intangible assets	1,304	1,177
Depreciation of tangible assets	4,828	4,552
Write-down of accounts receivable	525	1,418
Total	**6,657**	**7,147**

The caption "Amortization and depreciation", €6,132 thousand in total, has increased from the previous year by €403 thousand, basically due to ordinary life cycle and replacement of existing fixed assets.

No fixed asset was written down during the year.

As mentioned earlier, in 2018 the provision for bad debts received an allocation of €525 thousand, in order to be adjusted to the Company's actual needs. Of these, €414 thousand derive from having posted under receivables the effects of the June 2018 decision of the Court of Appeal of Rome, that cancelled payments from Alitalia for a total of €689 thousand.

Variations in the inventory of raw and maintenance materials, consumables and goods

The stock of raw and maintenance materials, consumables and goods has increased by about €16 thousand in the year, and the relevant purchase costs have decreased accordingly. Iin 2017 the caption had shown an increase by €1,3 thousand.

Provisions for liabilities and risksi

An amount of €272 thousand was allocated in the year to the provision for miscellaneous liabilities in order to cater for the losses or payables of probable or certain occurrence, the amount or date of occurrence of which is however uncertain as 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.

Other operating costs

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

	Year 2018	Year 2017
Guest entertainment expenses	49	35
Contingent liabilities / assets no longer existing	388	547
Membership fees	119	114
Damages liquidated to third parties	15	2
Fire Department fee	649	649
IMU (municipal property tax)	225	225
Other	468	510
Total	**1,913**	**2,082**

FINANCIAL INCOME (EXPENSE)

This caption amounts on aggregate to €285 thousand and is broken down as follows:

Income from equity investments

In accordance with art. 2427 (1.11) of the Civil Code, the Company has earned income from its equity investments for €277 thousand. This income arises from the dividends distributed by the subsidiary Aeroporti Holding out of the profits for 2017. Please note that in 2017 the caption amounted to €2,244 thousand because it included the effects of the closing of the liquidation procedure for the subsidiary SAGAT Engineering and the gain earned as difference between the carrying value of this subsidiary and the amount received as distribution in the liquidation procedure (€2,077 thousand).

Financial income

The €103 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 payables

Interest and other financial expense, totalling €94 thousand, are almost entirely interest expense on loans.

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	93,960	0	93,960

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 €2,736 thousand, reflects the estimated amount of income taxes for the year, the gain arising from joining, as consolidated company, the national tax consolidation of Gruppo 2i Aeroporti, and the deferred tax assets and liabilities.

The table below shows the breakdown of the tax burden for the year (thousand Euro):

	Year 2018	Year 2017
IRES (corporate income tax)	2,535	3,079
IRAP (regional tax)	495	627
Gain from tax consolidation	(3)	(3)
Prepaid and deferred taxes	(290)	(255)
Total	**2,736**	**3,448**

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 2018, compared with the corresponding period in 2017.

	Year 2018	Year 2017
EBT	10,206,692	14,535,232
Theoretical IRES rate (%)	24%	24%
Theoretical income tax	2,449,606	3,488,456
Tax effects of IRES variations	82,205	(412,712)
Effect of deferred taxes	(290,020)	(254,736)
IRAP (regional tax)	494,685	626,877
Income taxes recorded (current and deferred)	**2,736,476**	**3,447,885**

The theoretical tax burden was calculated by applying the current corporate income tax ("IRES") rate (24%) to the EBT.

The effects of the regional tax ("IRAP") rate were calculated separately, because this tax is not levied on the same taxable base used for IRES purposes.

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

	IRES (corporate income tax)	IRAP (regional tax)
A) Temporary differences		
Total deductible temporary differences	8,904,344	5,182,669
Total taxable temporary differences	258,407	0
Net temporary differences	(8,645,937)	(5,182,669)
B) Fiscal effect		
Provision for deferred tax liabilities (assets) at beginning of year	(1,787,946)	(214,729)
Deferred tax liabilities (assets) for the year	(287,077)	(2,943)
Provision for deferred tax liabilities (assets) at end of year	(2,075,023)	(217,672)

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

Deductible temporary differences							
Description	Amount at beginning of previous year	Variation occurred during the year	Amount at closing of previous year	IRES rate	Tax effects of IRES	IRAP rate	Tax effects of IRAP
Provision for bad debts	2,472,320	503,543	2,975,863	24%	714,207	0	0
Provision for future liabilities	4,554,777	188,705	4,743,482	24%	1,138,436	4.2%	199,226
Other minor	686,849	498,150	1,184,999	24%	284,400	4.2%	18,446

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

Taxable Temporary Differences							
Description	Amount at beginning of previous year	Variation occurred during the year	Amount at closing of previous year	IRES rate	Tax effects of IRES	IRAP rate	Tax effects of IRAP
Gains	23,034	23,034	17,275	24%	4,146	0	0
Greater fiscal amortization/ depreciation	241,132	0	241,132	24%	57,872	0	0

2.2.7 Other information

Significant events occurred after the closing of the year

Please note that on 6 February 2019 the Boards of Directors of SAGAT, Aeroporti Holding and 2i Aeroporti have approved the plan for the entire demerger of Aeroporti Holding into the beneficiary companies SAGAT and 2i Aeroporti, with a view to streamlining the structure of the Group. As a consequence of such demerger, the entire equity investment in AdB held by the demerged company, about 5.91% of its share capital, will be transferred pro-rata to SAGAT (3.28%) and to 2i Aeroporti (2.63%). As of this date the process, approved by the respective Shareholders, is not yet completed.

On 24 January 2019 the Board of Directors of SAGAT S.p.A. appointed Andrea Andorno as Chief Executive Officer of the Company.

Passenger traffic data at the Turin airport showed a positive trend in the opening two months of 2019. However, the removal of certain Blue Air routes due to their corporate reorganization and the removal of the Blue Panorama flight to Rome since March 2019 will affect the performance in the coming months.

These factors are countered by easyJet's strategies, that in the summer of 2019 will test in full season its flights to Berlin Schoenefeld and to Naples, and by the launch of the new flight to Krakow by Wizz Air.

RELATIONSHIPS WITH RELATED PARTIES

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

EMPLOYMENT FIGURES

The table below shows the average headcount broken down by category pursuant to art. 2427 (7. 1.15) of the Civil Code:

	Average headcount
Executives	5,3
Junior executives	23,9
Clerical staff	123,6
Blue-collar staff	81,3
Other employees	0
Total employees	234,1

Emoluments of directors and auditors

The total amount of the 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	613,022
Auditors' emoluments	79,021
Total emoluments paid to Directors and Auditors	**692,043**

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 stock making up the capital of the Company, the number and the face value of the stock underwritten in the year, is provided in the tables below:

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

Information about the companies or entities exercising supervision and coordination functions pursuant to art. 2497 bis of the civil code

The Company is subject to the supervision and coordination of 2i Aeroporti S.p.A. pursuant to Sections 2497 – 2497-sexies of the Civil Code. In compliance in particular with Section 2497-bis of the Civil Code, a summary of the essential figures from the latest financial statements of 2i Aeroporti S.p.A. is provided below.

Please note that this Company prepares consolidated annual accounts.

	Current year	Previous year
Date of last financial statements approved	**31/12/2017**	**31/12/2016**
B) Fixed assets	712,344,522	625,610,519
C) Current assets	6,646,490	3,478,334
D) Accrued income and prepayments	24,236	0
Total assets	**719,015,248**	**629,088,853**
A) Shareholders' equity		
Share capital	2,620,000	2,620,000
Reserves	556,774,022	573,136,318
Profit (loss) of the year	36,183,852	22,772,120
Total shareholders' equity	**595,577,874**	**598,528,438**
B) Provisions for liabilities and charges	1,023,866	0
C) Provision for staff severance pay	0	0
D) Accounts payable	121,027,934	30,472,782
E) Accrued expenses and deferred income	1,385,574	87,633
Total net liabilities	**719,015,248**	**629,088,853**

	Current year	Previous year
Date of last financial statements approved	**31/12/2017**	**31/12/2016**
A) Value of production	1,028	37
B) Costs of production	276,487	321,378
C) Financial income (expense)	36,259,035	23,025,239
D) Adjustments to the value of financial assets	83,611	0
Income taxes for the year	(116,665)	(68,222)
Profit (loss) of the year	**36,183,852**	**22,772,120**

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

	2018	2017
EBIT per share	3.96	4.96
Gross EPS	4.08	5.81
Net EPS	2.99	4.43

Proposals for the allocation of the profit of the year

Dear Shareholders,

The annual accounts as at 31 December 2018 commented herein, that was audited by the independent auditors Deloitte & Touche S.p.A., show a net profit of €7,470,215.64, that we propose distributing entirely as dividends.

Signed in original by:

The Chairman

Giuseppe Donato

2.3
Report of the statutory auditors of SAGAT S.p.A.

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

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

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

Dear Shareholders:

in the year ended on 31 December 2018, we have performed the audits provided for in art. 2403 of the Civil Code, and hereby present the relevant report.

As a preliminary note, the Board observes that it was appointed on the occasion of the general meeting of the shareholders held on 5 May 2016, it took office at the time of its own meeting of 20 May 2016, and its term of office will expire upon the general meeting held to approve the financial statements closed on 31 December 2018.

Performance of the accounting controls and the statutory audit of the accounts was assigned to the auditing firm Deloitte for the fiscal years 2016-2018 under a resolution passed at the ordinary general meeting of the shareholders of 5 May 2016, as per the proposal presented, together with the grounds for the same, by the Board of Auditors.

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

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

- *we have taken due note, as regards internal audit and the provisions in Legislative Decree no. 231/2001, of the regular reports issued by the internal auditor and by the Supervisory Committee, that do not present any particular problem. The fact that one of the Auditors is also a member of the Supervisory Board has facilitated the exchange between the two organs.*

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

The transactions with related parties are disclosed in the Notes and in the Directors' report pursuant to articles 2427 and 2428 of the Civil Code.

Based on what we found by taking part in the Board of Directors meetings, the resolutions passed by the Directors were compliant with the law and with the by-laws as well as with the principles of fair management, and were consistent and compatible with the size and the assets of the Company.

We have received no reports pursuant to Section 2408 of the Civil Code, from anyone.

Similarly, none of the delays or omissions mentioned in art. 2406 of the Civil Code have occurred during the year.

The financial statements under review close at a profit of €7,470,216 (against €11,087,347 in 2017).

Taking the profits into account, the shareholders' equity amounts to €43,655,349 (against €46,618,712 in 2017).

As to our duties in respect of the preparation of the financial statements, while the statutory audit is the responsibility of the independent auditors, please note that:

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

The Board of Auditors has verified that the Directors' Report is compliant with the laws in force and consistent with the resolutions adopted by the Board of Directors,

with the circumstances presented in the financial statements and with the information available to the Auditors; therefore, the Board of Auditors deems that the Directors' Report complies with the provisions of law on the matter and provides a clear and exhaustive picture of the Company's position and performance, as well as of their predictable developments.

Lastly, we acknowledge that on 12 April 2019 the Independent Auditors released their unqualified opinion pursuant to art. 14 of Legislative Decree no. 39/2010.

Based on the contents of this report, the Board of Auditors releases its favourable opinion to the approval of the financial statements as at 31 December 2018 and on the profit distribution proposal formulated by the Directors, which is consistent with the law and with the by-laws as well as with the Company's financial position.

* * *

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

On 12 April 2019 the Independent Auditors released their unqualified opinion also for the consolidated financial statements, pursuant to art. 14 of Legislative Decree no. 39/2010.

Signed, sealed and delivered.

Caselle Torinese, 13 April 2019

The Board of Auditors

Dr. Roberto NICOLO' (Chairman)

Dr. Ernesto CARRERA (Auditor)

Dr. Edoardo FEA (Auditor)

Dotto. Lorenzo GINISIO (Auditor)

Dr. Renato STRADELLA (Auditor)

2.4
Independent auditors’ report on the financial statements of SAGAT S.p.A.

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

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

To the Shareholders of
Sagat S.p.A.

REPORT ON THE ACCOUNTING AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Sagat S.p.A. (the “Company”), comprising the balance sheet as at 31 December 2018, the income statement and the statement of cash flow for the financial year ended on that date, and the notes.

In our opinion, the financial statements provide a faithful and accurate picture of the financial position and standing of the Company as at 31 December 2018 and of its operating result and cash flows for the financial year closed on that date, in accordance with the Italian provisions of law governing the drafting of financial statements.

Grounds for our opinion

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

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

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

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

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

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

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

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

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

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

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

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

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

We have informed the governance bodies, identified at the appropriate level required under ISA Italia standards, among other things, of the scope and schedule of our audits

and of their most significant results, including any material internal audit deficiencies detected during our audits.

REPORT ON OTHER STATUTORY PROVISIONS

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

The Directors of Sagat S.p.A. are responsible for preparing the Directors' report of Sagat S.p.A. as at 31 December 2018, consistent with the relevant financial statements, and for its compliance with the law.

We have followed the procedures indicated in audit standard (SA Italia) no. 720B in order to express our opinion on the consistency of the Directors' report with the financial statements of Sagat S.p.A. as at 31 December 2018 and on its compliance with the law, and also in order to release our statement on any material errors.

In our opinion, the Directors' report is consistent with the financial statements of Sagat S.p.A. as at 31 December 2018 and is compliant with the law.

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

DELOITTE & TOUCHE S.p.A.

Giuseppe Pedone
Partner

Turin, 12 April 2019

03

Directors' report for the Group

as at 31/12/2018

TORINO AIRPORT CONNECTED TO TO | SAGAT

SAGAT Group Highlights 2018

Traffic

In 2018 the Turin Airport exceeded 4 million passengers for the second consecutive year, with 4,084,923 in transit, although less by 2.2% compared to 2017.

Income results

The most relevant income components for the year 2018 are shown below, providing their comparison with the figures from the preceding year.
The **value of production**, net of grants and of income from seconded staff, amounts to €66,292 thousand and has decreased by 5.3% compared to the €69,975 thousand recorded in 2017.
The **GOM** amounts to €16,369 thousand (24.6% of the billing volume) and was €19,147 thousand in 2017.
The **EBITDA** amounts to €15,509 thousand (€17,557 thousand in 2017).
The **EBIT** amounts to €9,935 thousand (€12,387 thousand in 2017).
The **EBT** amounts to €10,810 thousand (€14,927 thousand in 2017).
The Group's **net profit** amounts to €7,689 thousand.
The **net financial position** is positive by €14,524 thousand and has decreased by €2,498 thousand compared to the €17,022 thousand recorded as at 31 December 2017.

Investments in 2018

The Group has invested about €6.83 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 2018

On 24 January 2019 the Board of Directors of SAGAT S.p.A. appointed Andrea Andorno as Chief Executive Officer of the Company.
Passenger traffic data at the Turin airport showed, in the opening two months of 2019, a positive trend with a 4.8% increase compared to the first bimester 2018. However, the removal of certain Blue Air routes due to their corporate reorganization and the removal of the Blue Panorama flight to Rome since March 2019 will affect the performance in the coming months.

Developments

The effects of a plurality of causes not attributable to the Company, such as the downsizing of Blue Air, the removal of the Blue Panorama flight to Rome, the continuing uncertainties about Alitalia and the negative macro-economic situation in the reference territory, will be counterbalanced by a new strategy for the promotion of the Turin Airport's potential, also through sophisticated ways to strengthen its position in its catchment area and reduce the drain of passengers towards other airports. The efforts to achieve this will focus on network enlargement through commercial policies aimed at supporting carrier growth and marketing initiatives aimed at promoting the services and connections offered by the Turin Airport. Other growth drives might come from the new landside retail offer and from the process of digital transformation of the airport.

As far as SAGAT Handling is concerned, in 2019 the company will carry on a careful improvement of its trade relationships with carriers, with a view to maintaining the financial/economic balance achieved in recent years, also thanks to a continuing process of making its organization more efficient, while guaranteeing high quality standards of the services offered. For a more detailed analysis, please see the dedicated section in the Directors' Report of the Holding Company.

3.1
Report on the consolidated financial position and performance

Dear Shareholders,

The Management Report that accompanies the Financial Statements closed on 31 December 2018 was drafted in accordance with the standards and provisions of Legislative Decree 127/1991 and it contains the Directors' observations on the operating performance, plus the most important events that occurred during the year 2018 and after the date of 31 December 2018.

The income figures, the balance-sheet and the net financial figures for the year 2018 are compared with the closing balances as of 31 December 2017.

The income and financial figures on the tables and in the report are given in thousands of euro, unless indicated otherwise.

3.2
Traffic

For a detailed analysis of the traffic scenario of the Turin Airport, and for observations on the specific situation of the subsidiary SAGAT Handling, reference should be made to the sections of the management report of the parent company addressing traffic and equity holdings.

3.3
Analysis of the income statement

The Income Statement 2018, presented in summary form in the table below, reclassified for administrative purposes, closes at a net operating profit for the Group of €7,689 thousand, lower by €3,497 thousand compared to the €11,187 thousand profit recorded in the previous year.

The 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) and of income from seconded staff, amounts to €66,292 thousand, -5.3% compared to the €69,975 thousand recorded in 2017. This result is due to the negative performance of aviation and extra-aviation components, which have decreased by 3.6% and 2.0% respectively, and to a significant decrease in the "Other income" component, which has dropped from €3,523 thousand in 2017 to €1,660 thousand in 2018.

Staff costs amount to €19,577 thousand and have decreased by €920 thousand, i.e. by -4.5%.

Operating costs, totalling €30,346 thousand, have increased by €16 thousand compared to the previous year.

The provisions and write-downs amount in total to €861 thousand (€1,590 thousand in the previous year). The €730 decrease is due entirely to the allocation of €1,434 thousand to the provision for bad debts in 2017.

Amortization and depreciation amount in total to €6,245 thousand and have increased by €404 thousand compared to the previous year, as the result of ordinary asset life cycle.

The balance between financial income and expense, positive by €875 thousand, has decreased by €1,664 thousand compared to 2017, essentially due to the €2,077 thousand gain earned in 2017 from the closing of the liquidation process for the subsidiary SAGAT Engineering.

Euro thousand

	2018	2017	Difference
Production value(*)	66,292	69,975	(3,683)
Staff costs(**)	19,577	20,497	(920)
Operating costs	30,346	30,331	15
GOM	**16,369**	**19,147**	**(2,778)**
% GOM	**24.7%**	**27.4%**	**(2.7%)**
Provisions and write-downs	861	1,590	(730)
EBITDA	**15,509**	**17,557**	**(2,048)**
EBITDA %	**23.4%**	**25.1%**	**(1.7%)**
Amortization and depreciation	6,245	5,841	404
Grants	671	671	0
EBIT	**9,935**	**12,387**	**(2,453)**
EBIT %	**15.0%**	**17.7%**	**(2.7%)**
Balance of financial components	875	2,540	(1,664)
EBT	**10,810**	**14,927**	**(4,117)**
Income taxes	2,767	3,495	(728)
Net consolidated profit (loss)	**8,043**	**11,432**	**(3,389)**
Share of profit (loss) pertaining to minority shareholders	353	245	108
Net Group profit (loss)	**7,689**	**11,187**	**(3,498)**
Financial independence(***)	**15,132**	**18,979**	**(3,846)**

(*) The value of production is the total of earnings minus the grants received and the income from seconded staff .
(**) Staff costs are net of the earnings from seconded staff
(***) The index of financial independence is calculated as follows: profit (loss) of the year + amortization 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 2018 and 2017:

Euro thousand

	2018	%	2017	%	Variazioni
Value of production	**66,292**	**100.0%**	**69,975**	**100.0%**	**(3,683)**
Aviation	**37,956**	**57.3%**	**39,384**	**56.3%**	**(1,428)**
of which:					0
Fees	26,561		27,621		(1,060)
Centralised infrastructures	1,648		1,677		(29)
Security	8,446		8,776		(330)
Aviation services (PRM and luggage)	1,301		1,310		(9)
Handling	**9,687**	**14.6%**	**9,732**	**13.9%**	**(46)**
of which:					0
Ground handling	9,122		9,015		108
Cargo handling	564		718		(153)
Non-aviation	**16,990**	**25.6%**	**17,335**	**24.8%**	**(3459**
of which:					
Non-aviation services	1,040		1,007		33
Ticketing	372		385		(14)
Retail and restaurant subcontracts	3,940		4,325		(385)
Other business subcontracts	2,213		2,124		89
Sublease of spaces	2,111		2,195		(84)
Parking lots	6,118		6,163		(44)
Advertising	1,196		1,135		60
Other revenues	**1,660**	**2.5%**	**3,523**	**5.0%**	**(1,864)**

Aviation income has decreased on aggregate by €1,428 thousand (-5.3%). The reduction is basically due to the lower traffic volumes and lower airport fees compared to 2017.

Handling income, with specific reference to the subsidiary SAGAT Handling, has decreased by €46 thousand compared to 2017.

Non-aviation income has decreased by €345 thousand, from €17,335 thousand in 2017 to €16,990 thousand in 2018.
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.

The "Other income" figure (€1,660 thousand) has decreased significantly compared to the figure recorded in 2017 due to the presence, in that year, of income components of high amount.

Staff costs

Staff costs for 2018, inclusive of outsourced staff and net of fees charged back on seconded staff, amount to €19,577 thousand, decreasing by €920 thousand compared to the previous year.

Operating costs

Operating costs have reached the amount of €30,346 thousand, basically in line with 2017. The amount is basically due to the following circumstances:

- less costs on purchase of raw materials (€492 thousand) mostly due to shifting from direct operation to sublease of the supermarket;
- higher costs of the services provided by the subsidiary SAGAT Handling due to the outsourcing of luggage loading/unloading operations.

Gross operating margin

As a result of the variations in each of the income and expense components commented above, the GOM 2018 has reached €16,369 thousand, or 24.7% of the production value (27.4% in 2017).

Provisions and write-downs

Amortization, depreciation and write-downs, €861 thousand on aggregate, have decreased by €730 thousand, due mostly to the effects of the write-down by the holding company in 2017 of the accounts receivable from Alitalia Società Aerea Italiana S.p.A. before the latter was put under receivership procedure.

EBITDA

Due to the reasons explained above, the EBITDA 2018 has reached €15,509 thousand, or 23.4% of the value of production (25.1% in 2017).

Amortization and depreciation

The amount of amortization and depreciation, totalling €6,245 thousand, has increased by €404 thousand as the result of ordinary asset life cycle;

Grants

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

EBIT

The EBIT 2018 amounts to €9,935 thousand, or 15.0% of the value of production (17.7% in 2017).

Financial income (expense)

The balance between financial income and expense, positive by €875 thousand, has decreased by €1,664 thousand compared to 2017, as explained earlier.

EBT

The EBT therefore amounts to €10,810 thousand, decreasing by €4,117 thousand compared to the previous year.

Taxes

The aggregate tax burden has decreased by €729 thousand compared to 2017. Total taxes for the year amount to €2,767 thousand.
The difference between the actual 2018 tax rate and the theoretical IRES/IRAP rate is described in detail in the dedicated section of the Notes.

Profit

In the light of the above, the net profit earned by the Group in 2018 amounts to €7,689 thousand, decreasing by €3,497 thousand compared to 2017.

3.4
Analysis of the balance sheet

The table below shows the Balance Sheet components reclassified according to financial principles. A comparison with 2017 figures is also provided.

Euro thousand

	31/12/2018	31/12/2017	Difference
A) Fixed assets			
Intangible assets	5,725	3,866	1,859
Tangible assets	45,493	47,124	(1,631
Financial assets	17,650	17,650	0
	68,868	**68,640**	**228**
B) Working capital			
Inventory	393	367	26
Trade receivables	15,215	15,557	(341)
Other assets	17,312	14,305	3,007
Trade payables	(17,868)	(17,822)	(47)
Provisions for liabilities and charges	(4,867)	(4,684)	(184)
Other liabilities	(34,164)	(31,338)	(2,827)
	(23,981)	**(23,615)**	**(366)**
C) Invested capital (less liabilities for the year)	**44,887**	**45,025**	**(138)**
D) Provision for staff severance pay	**3,227**	**3,250**	**(23)**
E) Invested capital (less liabilities for the year and staff severance pay)	**41,660**	**41,775**	**(115)**
funded with:			
F) Own capital			
Paid-in share capital	12,911	12,911	0
Reserves and profit (loss) carried forward	27,904	27,152	753
Profit (Loss) of the year	7,689	11,187	(3,497)
Equity pertaining to minority shareholders	7,678	7,547	131
	56,183	58,797	(2,614)
G) Medium / long-term financial indebtedness	**0**	**1,500**	**(1,500)**
H) Short-term financial indebtedness			
Short-term financial payables	1,500	1,500	0
Short-term financial payables to subsidiaries	0	0	0
Financial income (expense)	0	0	0
Cash and short-term financial receivables	(16,024)	(20,022)	3,998
	(14,524)	**(18,522)**	**3,998**
I) Indebtedness (Net financial position)	**(14,524)**	**(17,022)**	**2,498**
L) Total as in "E"	**41,660**	**41,775**	**(115)**

As shown in the table, the capital invested, less liabilities for the year and staff severance pay, has decreased by €115 thousand due to the following changes:

- increase in fixed assets by €228 thousand, due essentially to:
  - increase in intangible assets by €1,859 thousand, due to ordinary amortization (€1,336 thousand), to the new investments made during the year (€3,243 thousand), and reclassification of other assets (€-48thousand);
  - decrease in tangible assets by €1,631 thousand, due mostly to the effects of ordinary depreciation (€4,904 thousand) and to the new investments made during the year (€3,587 thousand); the reduction compared to the previous year also owes to the sale of assets (residual net value: €4 thousand), assets no longer existing and other variations (€310 thousand);

- decrease of working capital by €366 thousand, due basically to:
  - increase of total inventory by €26 thousand on aggregate;
  - decrease of trade receivables by €341 thousand, from €15,557 thousand in 2017 to €15,215 thousand in 2018, basically due to the ordinary payment policies of the customers of Group companies;
  - increase in other assets by €3,007 thousand, due essentially to the increase in receivables from the parent company on tax consolidation:
  - essential stability of trade payables, that have increased by €47 thousand;
  - increase by €244 thousand in the provisions for liabilities and charges, due to:
    - net reduction of the provision for future contingencies (€259 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 needs 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 2018 the provision amounted to €4,838 thousand, as detailed in the dedicated section of the Notes;
    - reduction in the mark-to-market value (negative as at 31 December 2018 compared to 31 December 2017) of the derivative instrument that SAGAT subscribed to hedge the interest rate fluctuation risks associated to an existing loan (€76 thousand). In accordance with Italian accounting standard no. 32, the variation referred to above has not affected the income statement for the year;
  - increase in other liabilities by €2,827 thousand, due essentially to:
    - €1,620 thousand increase in the payables to the parent company, due to the recording of a corresponding account

Group Report

payable related to the transfer to the parent company 2i Aeroporti of the tax liability for the year as a consequence of joining, as subsidiary, the tax consolidation effective from 2017.
  - decrease in tax payables (€162 thousand);
  - €2,057 increase in other payables, mostly due to the greater amount of additional taxes payable by the holding company SAGAT on boarding fees (€1,029 thousand), to the increase of miscellaneous payables due beyond 12 months (€680) owing to the effects of the final Court decision in the action started by Alitalia, as detailed in the "Litigations" section of the Directors' Report of the holding company;
  - €661 thousand decrease in deferred income in connection with the ordinary release by SAGAT of the portions accruing in 2018 of the grants obtained on works carried out on the occasion of the Turin 2006 Olympic Games.

- decrease by €23 thousand in the exposure towards the employees companies on account of their severance pay.

The own capital has decreased by €2,614 thousand due to:

- the net profit of €7,689 thousand;
- the distribution of dividends for €10,509 thousand;
- the net increase in the equity pertaining to minority shareholders by €131 thousand, which reflects an increase in the distribution of the portion of 2017 dividends pertaining to them by the subsidiary Aeroporti Holding (€353 thousand) and a €223 thousand decrease arising from the distribution, by the same company, of an aggregate dividend of €500 thousand;
- the decrease by €76 thousand in the cash flow hedging reserve created by the holding company (€-29 thousand versus €-105 thousand in 2017).

Medium to long term indebtedness has decreased by €1,500 thousand, due to the repayment, according to the plan, of the instalments 2018 of the loan obtained in 2010, which originally amounted to €15,000 thousand.

Net cash in hand has decreased by €3,998 thousand due to the reduction in the cash deposits held with banks and in the company treasury.

As a result of these changes, in 2018 the Group has reduced its net financial position by €2,498 thousand, from €17.022 thousand as at 31 December 2017 to €14,524 thousand as at 31 December 2018.

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 used €2,498 thousand in financial resources. Such figure is the result of the cash flow generated by income less costs.

The cash flow from operations, €14,637 thousand in total, derives from the self-financing generated by ordinary and extraordinary operations (€15,132 thousand) and from the variation in the net working capital (€-495 thousand), less write-downs and provisions made in the period (€861 thousand).

The cash flow was used to fund investments in intangible and tangible assets (€6,833 thousand) and to distribute dividends (€10,509 thousand).

The net cash flow from operations, less the changes described above and the increase in the equity of minority shareholders by €131 thousand, is therefore negative and amounts to €2,498 thousand. The net financial position as at 31 December 2018 is €14,524 thousand, decreasing compared to €17,022 thousand as at 31 December 2017.

The changes described above are summarised in the table below:

Euro thousand

Statement of cash flow, SAGAT Group	
Net opening financial position	**17,022**
Self-financing from ordinary and extraordinary operations	15,132
Profit (Loss) of the year for the Grouo	7,689
Amortization, depreciation and write-down of fixed assets	6,605
Provisions for bad debts	861
Net variation of staff severance pay	-23
Variation of net working capital after amortization, depreciation and write-downs	-495
Cash flow generated by operations	**14,637**
Net cash flow from investments	-6,833
Variation in financial assets	0
Dividends	-10,509
Other equity variations (IRS)	76
Variation in the equity pertaining to minority shareholders	131
Net cash flow from operations	**-2,498**
Net closing financial position	**14,524**

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

3.6 Trends of principal financial ratios

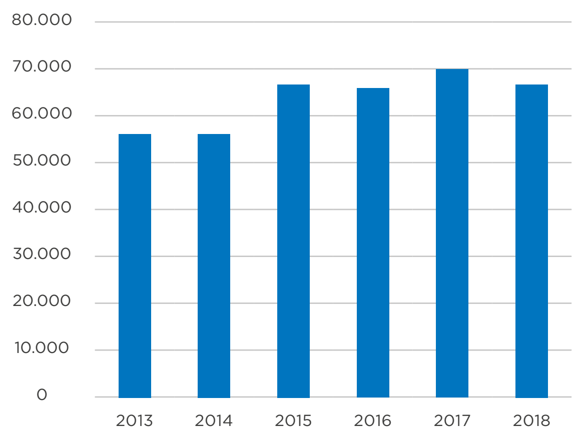
migliaia di euro

	2013	2014	2015(a)	2016	2017	2018
Production value*	55,774	55,888	66,020	65,238	69,975	66,292
Operating costs	24,335	25,784	25,992	28,712	30,331	30,346
Staff costs**	18,954	19,161	19,708	20,713	20,497	19,577
GOM	12,485	10,942	20,320	15,813	19,147	16,369
Net profit	267	3,357	8,709	6,761	11,187	7,689
Shareholders' equity	63,747	45,804	47,618	52,152	51,249	48,505
ROI	1.01	3.25	22.93	24.76	27.68	22.13
ROE	0.42	7.33	18.29	12.96	21.80	15.85
Trend of investments	2,908	3,136	3,263	4,735	6,470	6,833
Trend of financial autonomy ***	14,301	14,301	20,450	13,789	18,979	15,132
Trade receivables	10,937	13,292	11,979	12,892	15,557	15,215
Average length of trade receivables	74	90	79	74	86	86
Trade payables	9,489	9,904	10,842	16,020	17,822	17,868
Average length of trade payables	144	144	152	204	215	216

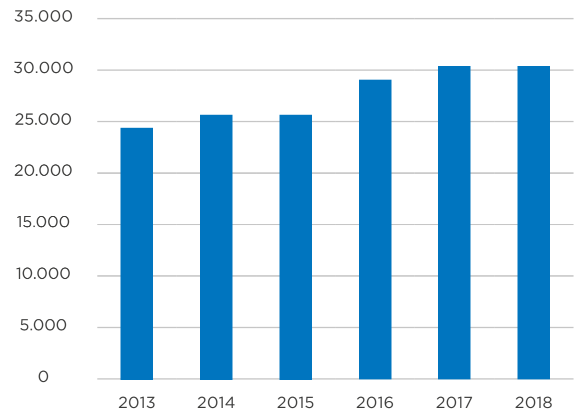
*VALUE OF PRODUCTION: the total of earnings minus the grants received and the income from staff seconded to third parties
**STAFF COSTS net of the earnings from seconded staff
***FINANCIAL INDEPENDENCE: profit (loss) of the year + amortization and depreciation + write-downs and provisions + net change 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 CEE financial statements)
AVERAGE LENGTH OF PAYABLES: trade payables / cost of vendor services

(a) After 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, ROI and ROE) has changed. The net result relating to 2015 has not changed.

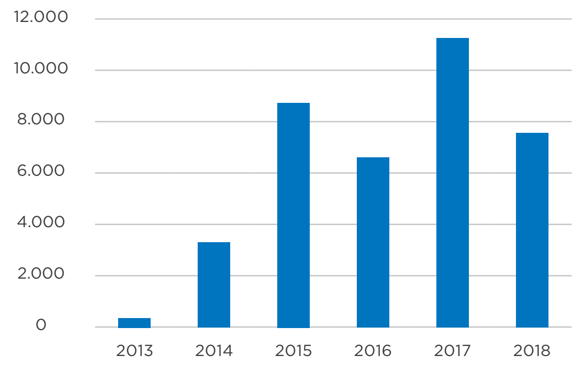
Production value*



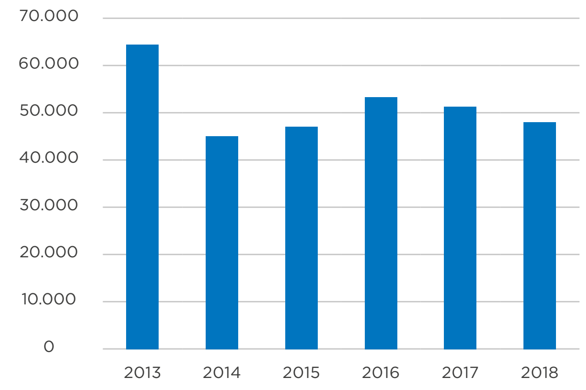
Operating costs



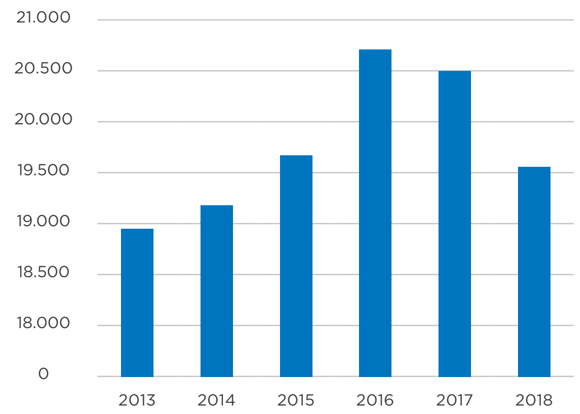
Net profit



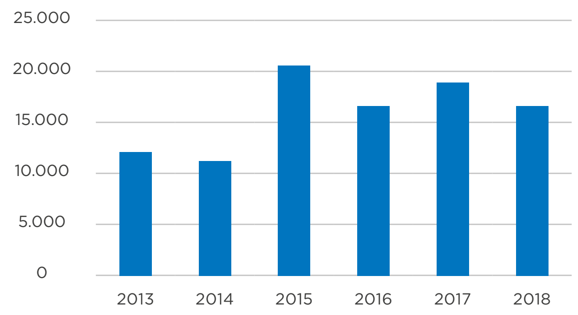
Shareholders' equity



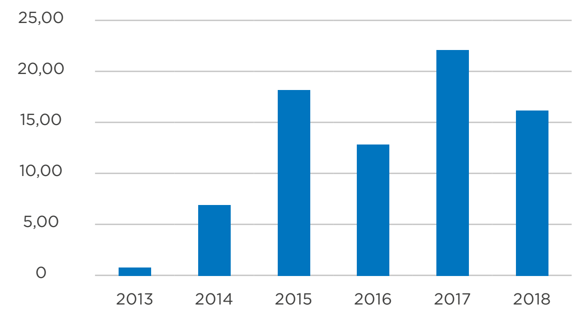
Staff costs**



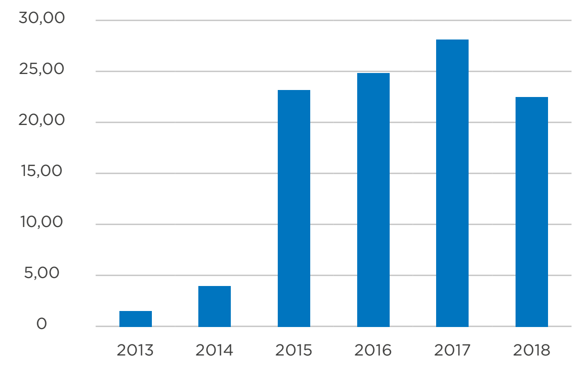
GOM



ROE

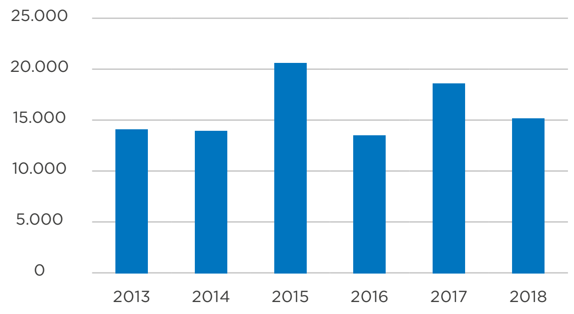


ROI

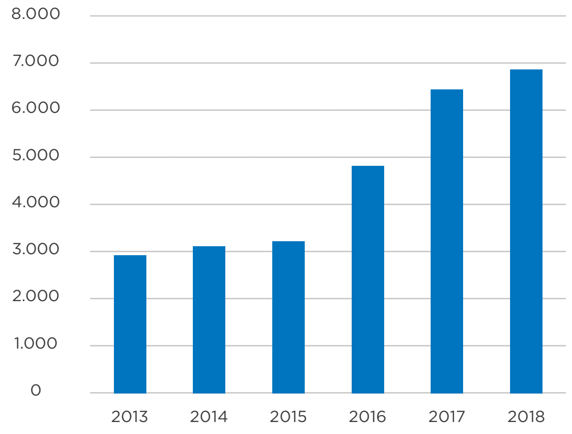


Group Report

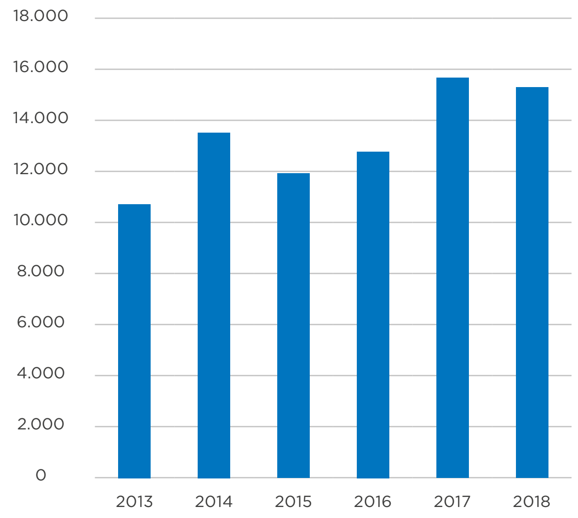
Trend of financial autonomy ***



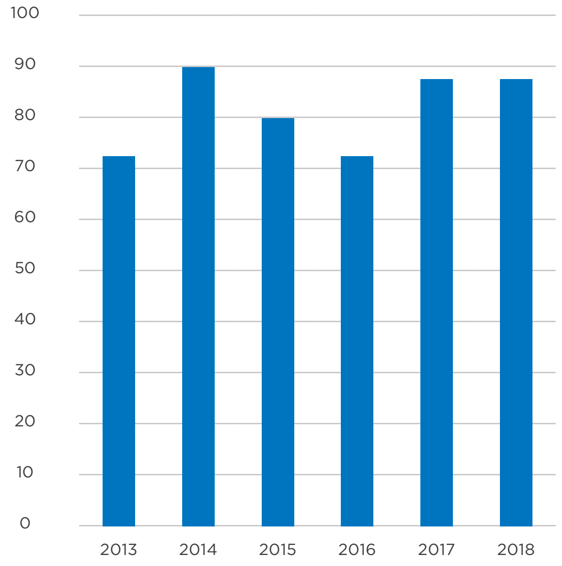
Trend of investments



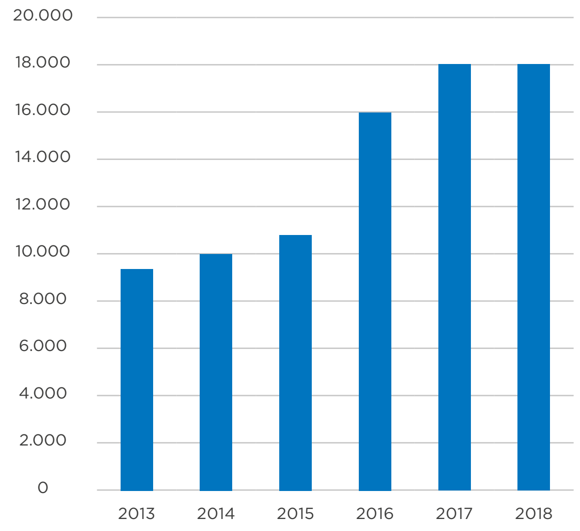
Trade receivables



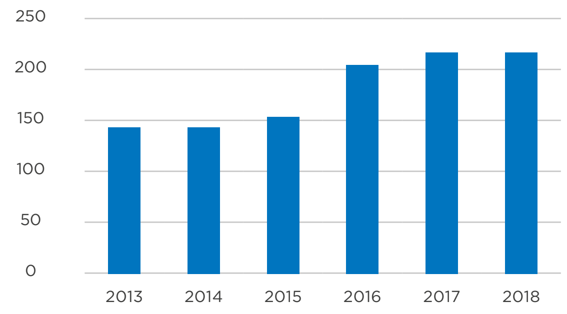
Average length of trade receivables



Trade payables



Average length of trade payables



3.7
Retail activities

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

3.8
Quality

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

3.9
Staff and organisation

Organisation and management

During 2018, the parent company SAGAT S.p.A. carried out an internal reorganisation with the elimination of the Department of Human Resources, Corporate Affairs and Quality, together with the establishment of two new departments: the Department of Human Resources and the Department of Corporate and Legal Affairs and Procurement.

In the wake of these organisational changes, the Quality Service, starting from the same date, reports directly to the Managing Director.

Furthermore, starting from the month of May, the figure of the Data Protection Officer (DPO) was introduced on the organisational chart, as per (EU) Regulation 2016/679 (GDPR). The individual in question operates for both companies.

At SAGAT Handling, starting from the month of August, the General Organisational Service has been eliminated, with the prerogatives pertaining to the management of the company having been assigned to the Managing Director at the same time as the employer was appointed.

During the year 2018, the companies of the Group continued the efforts to regain efficiency insisted in 2014: in the three-year period 2016-2018, the Group's staff has decreased by 13 FTE (-3.48%). The Group's productivity, calculated as the ratio between the number of passengers for a given year and the average annual number of FTEs, increased by 7.1%.

Gruppo SAGAT	2016	2017	2018	2016 - 2018 Difference
Annual passengers	3,950,908	4,176,556	4,084,923	3.39
AVERAGE FTE	374	363	361	-3.48
PAX/FTE	10,567	11,514	11,316	7.1

Another figure worthy of note is the Group's cost of labour, which went from 20.714 million euro in 2016 to 20.497 million euro in 2017, and then 19.577 million euro in 2018, not including costs charged through to third parties, making for a decrease of 920 thousand euro, or -4.5%, compared to 2017 (-5.5% compared to 2016).

Figures in thousands of euro

Company	Cost of labour 2018 (*)	Cost of labour 2017	Difference
SAGAT S.p.A.	13,159	13,413	(254)
SAGAT Handling S.p.A.	6,418	7,083	(665)
Gruppo SAGAT	19,577	20,497	(920)

(*) minus costs charged through to third parties

Industrial relations

Sono stati confermati nel corso A number of important agreements signed with union representatives during the previous year were confirmed during 2018.

In June, an extension was signed to the agreement governing the SAGAT S.p.A performance bonus for the three-year period 2015-2018, giving it the same timeframe as the bonus of the company Sagat Handling, which remains in force for the year 2018: all this to ensure that the general bonus criteria are the same for all the companies of the group.

In the month of October, the calendar of collective closings for the year 2019 was set, confirming the stipulation of a plan for disposing of back vacation time. This plan, which is similar to prior agreements of this type, actually improves upon what is called for under the collective bargaining contract, and has proven to be a very important tool for the containment of labour costs and the overall organisation of the Group's companies. There was also an extension, until October 2019, of the agreement governing the use of fixed-term employment contracts by the company SAGAT S.p.A., on account of the exceptionally seasonal nature of certain periods of the year. This possibility is a major means of recouping organisational efficiency while ensuring the flexibility needed to adjust to peak production periods; the use of a more flexible contractual form also makes it possible to avoid losing specific professional know-how in which the Company has invested in terms of training.

Finally, in enactment of the provisions of the National Collective Bargaining Contract on the social clause, meetings continued to be held during the year between union representatives and SAGAT S.p.A., acting in its capacity as the airport manager, as well as with the handlers that operate at the Airport, in order to draw up a Site Protocol.

The following table confirms that, Thanks to the agreements signed with the unions on collective company closings and programs for eliminating backlogs of vacation time, the average number of days of back vacation or leave time registered a per capita figure of 4 for 2018 as well, a result that points to effective management and efficient organisation of the Group's personnel.

	2012	2013	2014	2015	2016	2017	2018	Diff. 2018/2012	%
Back vacation days	5,764	3,268	2,300	1,486	1,602	1,412	1,443	4,321	-75%
Average annual FTE	380	365	362	361	374	363	361	19	-5%
Per capita back vacation days	15	9	6	4	4	4	4	11	-73%

The group's staff

The Group's annual average number of employees was equal to 361.4 FTE, for a decrease of 1.3 FTE compared to the previous year.
As of 31 December 2018, the overall headcount of the Group's staff had also decreased, by 1 unit compared to the same date for the previous year, to a total of 381 individuals, 34 of whom were employed under set-term contracts.
The following tables show the break-down of the Group's employees by category, compared to the situation in 2017: the first table shows the active manpower as of 31 December 2018, while the second traces the average use of the manpower during the year, showing a decrease of 0.65% compared to the previous year.

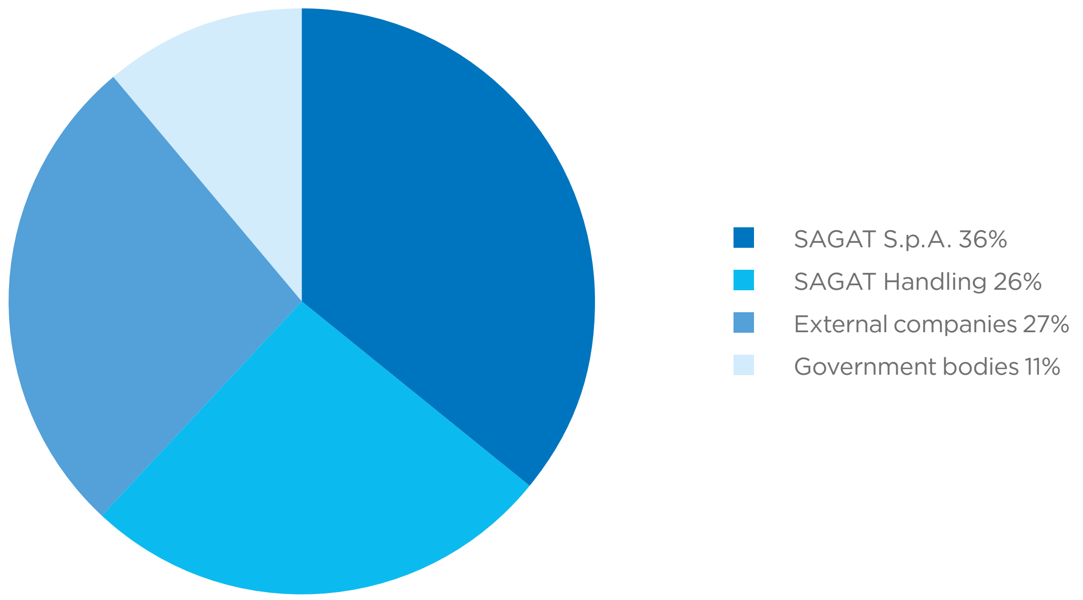
Table A – Permanent Employment	2017	2018
Executives	4	6
Total clerical staff	226	244
Total blue collar staff	120	97
Total A	350	347

Table B – Set-term employment	2017	2018
Set-term employees	32	34
Entry contracts	0	0
Apprentices	0	0
Total B	32	34
Total A + B	**382**	**381**

	Average head count 2017	Average head count 2018	Absolute variation	Percentage variation
Executives	4	5.25	1.25	21.25%
Clerical staff	236.08	250.83	14.75	6.25%
Blue collar staff	142.92	124.41	- 18.51	-12.95%
Total	**383**	**380.5**	**-2.5**	**-0.65%**

Training

The in-house Training Centre provides and oversees training not only for the approximately 400 employees of the Group, but also for the personnel of the subcontractors and government bodies and authorities that operate at the Airport. A total of almost 5,000 workers employed at the Airport received training from SAGAT in some form, be it required courses, in-depth professional instruction or to obtain airport licenses. In 2018, the Training Department provided 4,212 courses representing 8,269 hours of teaching involving 6,863 participants, for total overall attendance of 21,525 hours.
Of these courses, 3,078 were organised for companies of the SAGAT Group, while 1,134 were held for outside companies.
provided by the SAGAT Training Department broken down by category of recipient:



Group Report

Considering only the hours of training held for employees of the Group, the results show that each employee of SAGAT S.p.A received an average of 36.12 hours of training, while the figure for Sagat Handling S.p.A. was 27.54. The average figure for each employee of the Group was 32.83 hours.

Average hours of training	SAGAT S.p.A.	SAGAT Handling	Media Gruppo
Average hours of training year 2018	36,12	27,54	32,83

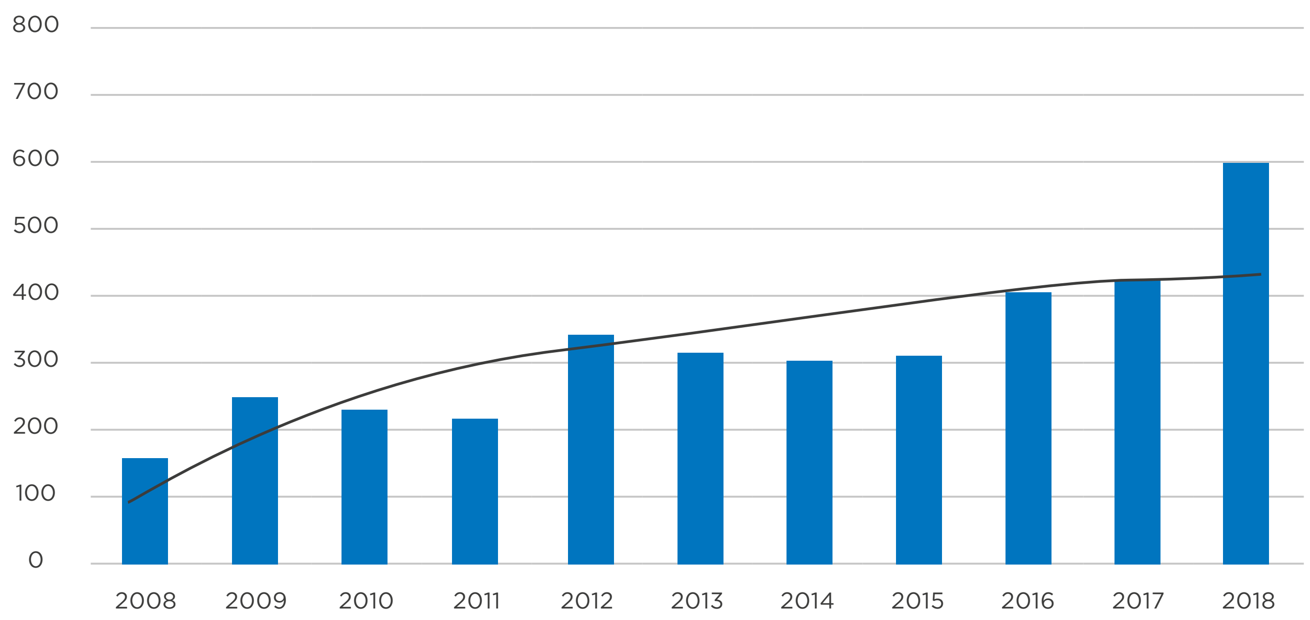
The participants in the training courses provided by Sagat Training in 2018 consisted of 4,155 employees of the companies of the Group, plus 1,841 employees of outsourcing firms and temporary workers of the same, for a total of di 5,996 employees subdivided as shown on the following table.
In the case of personnel employed directly by the SAGAT Group, 58.58% of those who received training were clerical staff, 38.07% were blue collar staff, and 2.50% were middle-managers, with executives accounting for 0.31%, in addition to which there were 1,063 employees of outsourcing firms and 778 of various other subcontracting companies and enterprises, accounting for respective percentages of 57.74% and 42.26%.

Carried out training - SAGAT Group total

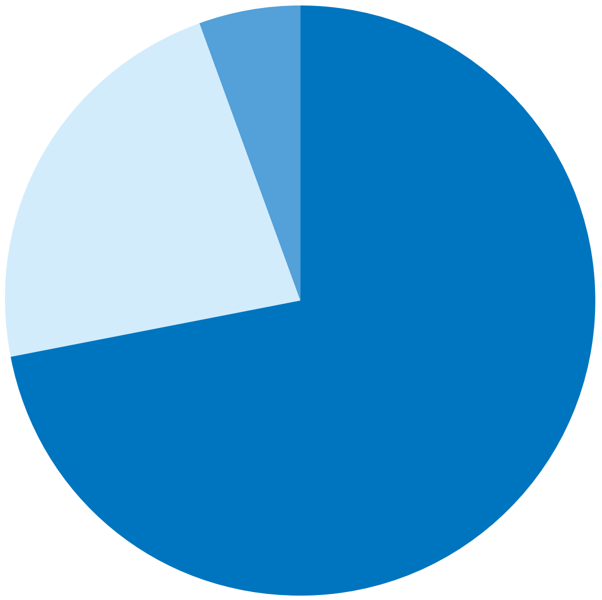
	Women		Men		Total		Pecentages	
Position	Participants	Hours of training	Participants	Hours of training	Participants	Hours of training	Participants	Hours of training
Executives	4	16	9	34	13	50	0,31%	0,4%
Middle managers	28	117	76	241	104	358	2,5%	2,86%
Employees	1.276	4.583	1.158	3.566	2.434	8.149	58,58%	65,16%
Workers	57	122	1.525	3.682	1.582	3.804	38,07%	30,41%
Interns	0	0	22	146	22	146	0,53%	1,17%
SAGAT S.p.A. total	1.365	4.838	2.790	7.669	4.155	12.507	100%	100%
Temporary workers	208	1.208	855	3.541	1.063	4.749	57,74%	65,49%
Subcontractors	96	251	682	2.251	778	2.502	42,26%	34,51%
Others total	304	1.459	1.537	5.792	1.841	7.251	100%	100%
All total	**1.669**	**6.297**	**4.327**	**13.461**	**5.996**	**19.758**	**100%**	**100%**

In 2018, the number of participants in training activities rose once again, compared to the previous year, for a figure of 45.08%, continuing the positive friend of recent years.

SAGAT Group employees
Training course participants



A portion of the compulsory and/or non-compulsory training carried out by SAGAT S.p.A. in 2018 was financed under Fondimpresa grants for vocational training, a program in which the Company has participated for years now, and which covered the costs of organising, staffing and holding the courses.
These funds for vocational training covered 35.34% of the total hours of training provided.
In 2018, the courses were once again offered under different training strategies: face-to-face classroom training was the most frequently used approach (72.02%); e-learning, through use of the DOCEBO platform, which went into operation in 2018, increased its percentage of overall use considerably, reaching 22.68%.
The following graph shows the main modes of teaching employed in the training courses taken by employees of the SAGAT Group.



- Classroom 72,02%
- Blended 0%
- E-learning 22,68%
- On-job 5,30%

Evaluation of the training

As required under the internal management procedure on the quality of training, each activity concluded with an evaluation form on the training received.
The students evaluated eight factors: interest in the topics addressed, in-depth study of the content, materials received, efficiency of teaching supports, logistical organisation, comfort of the classroom, presentation skills of the trainer and thoroughness of the explanations requested.
Taken as a whole, the levels of satisfaction, based on the 3,284 forms collected, showed the following percentages, with only the positive evaluations considered out of all the forms analysed.

Quality evaluation form percentage of positive judgments		
	Gruppo SAGAT	Outside companies
SAGAT in-house training	96.20%	97.17%
Outside training	93.29%	88.46%
Average	94.93%	96.65%

3.10 Investments

The figure for total investments by the SAGAT Group in the year 2018 was 6.833 million euro.

In addition to the investments made by the parent company (for a total of 6.644 million euro), purchases were made by the subsidiary SAGAT Handling for a total of 189 thousand euro, primarily to reinforce the company's pool of vehicles and heavy equipment and purchase work clothes for operating personnel.

For a detailed analysis of the investments carried out by the parent company, reference should be made to the SAGAT management report.

3.11 Equity investments

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

3.12 Litigation

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

3.13
Privacy

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

3.14
Risk factors

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

3.15
Own shares and those of the parent company

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

3.16
Activities of research and development

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

3.17
Financial instruments

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

3.18 Foreseeable developments in 2019

NThe potential for further growth in 2019 of the traffic performance of the Turin Airport proves difficult to determine, due to a number of factors: first, the reduced level of operating commitments at the Airport by the airline Blue Air, which reorganised its ownership structure and its network in the first quarter of the year; a further factor is the closing of the Blue Panorama base, which had contributed to increasing the offerings of the Turin Airport to Rome in the winter season of 2018-2019. Offsetting positive developments include the moves made by easyJet, which in 2019 will have a full summer to gauge the seasonal appeal of flights to Berlin Schoenefeld and Naples, as well as the launching of a new Wizz Air flight to Krakow.

All these factors must be viewed within a macroeconomic framework that, on both the local and macro-regional levels, presents undeniable challenges: on the local and national scenes, the decrease in the production figures of the Piedmont Region, together the signs of recession presented by the Italian economy; while internationally there is uncertainty over the Brexit issue, plus whether the air-travel industry wil resume using the B737MAX aircraft.

The repercussions of the multiple factors that lie outside the control of the Company – the downsizing of the Blue Air base, Blue Panorama's cancellation of its Rome route, the ongoing uncertainty over the situation of Alitalia and the negative macroeconomic outlook of the pertinent geographic area – shall be attenuated in part by a new strategy for promoting the potential of the Turin Airport, plus further refinement of the tools used to reinforce its positioning in its catchment area and reduce the amount of traffic lost to other airports. With all this in mind, efforts shall be focussed on expanding the network through commercial strategies designed to support the growth of the carriers, plus marketing initiatives meant to promote the services and flights offered by the Turin Airport. Other potential growth factors include renewal of the landside retail offerings and the digitalisation of the Airport.

As regards SAGAT Handling, in 2019 the company shall continue to devote significant energy to developing its business relations with client air-carriers, so as to be able to preserve the situation of economic/financial balance reached in recent years, thanks in large part to ongoing efforts to increase organisational efficiency, as well as the guarantee of the high standards of quality met by the services offered.

Signed in original by

The Chairman
Giuseppe Donato

Group Report

04

Consolidated financial statements

as at 31/12/2018

TORINO AIRPORT CONNECTED TO | SAGAT

4.1
Consolidated balance sheet and income statement

4.1.1 Consolidated balance sheet: assets

amounts stated in Euro

Consolidated balance sheet: asset	Financial statements as at 31/12/2018	Financial statements as at 31/12/2017
A) Contributions receivable from shareholders		
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	209,062	161,233
4) Concessions, licenses, trademarks and similar rights	0	0
5) Goodwill	0	0
6) Investments in progress	2,362,934	1,098,110
7) Other fixed assets	3,152,923	2,606,525
Total	**5,724,919**	**3,865,868**
II. Tangible assets		
1) Land and buildings	3,515,794	3,515,794
2) Plant and machinery	0	0
3) Operating and sales equipment	3,127,472	2,929,946
4) Other assets	1,212,296	991,880
5) Investments in progress and payments on account	2,242,170	2,487,683
II.bis Sferable tangible assets		
1) Land and buildings	28,585,930	30,681,717
1-bis) Runways and land used for runways	341,723	361,824
2) Plant and machinery	6,467,263	6,155,046
3) Operating and sales equipment	0	0
4) Other assets	0	0
5) Investments in progress and payments on account	0	0
Total	**45,492,648**	**47,123,890**

amounts stated in Euro

Stato patrimoniale consolidato: attivo	Financial statements as at 31/12/2018	Financial statements as at 31/12/2017
III. Financial assets		
1) Investments in:		
a) Subsidiary companies	0	0
b) Associated companies	0	0
c) Parent companies		
d) Companies controlled by parent companies		
d-bis) Other companies	17,640,883	17,640,883
2) Accounts receivable:		
a) Verso imprese controllate:		
due within 12 months	0	0
due beyond 12 months	0	0
b) From associated companies:		
due within 12 months	0	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	9.577
Total accounts receivable:		
due within 12 months	0	0
due beyond 12 months	9.577	9.577
Total	**9,577**	**9,577**
3) Other securities		
4) Derivative financial instruments	0	0
Total	**17,650,460**	**17,650,460**
TOTAL FIXED ASSETS (B)	**68,868,027**	**68,640,218**

amounts stated in Euro

Consolidated balance sheet: asset	Financial statements as at 31/12/2018	Financial statements as at 31/12/2017
C) CURRENT ASSETS		
I. Inventory		
1) Raw and maintenance materials, consumables	392,554	366,678
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	**392,554**	**366,678**
II. Accounts receivable		
1) From customers:		
due within 12 months	15,215,413	15,556,847
due beyond 12 months	0	0
2) From subsidiary companies:		
due within 12 months	0	0
due beyond 12 months	0	0
3) From associated companies:		
due within 12 months	0	0
due beyond 12 months	0	0
4) From parent companies:		
due within 12 months	3,236,604	98,521
due beyond 12 months	0	0
5) From companies controlled by the parent companies:		
due within 12 months	62,438	0
due beyond 12 months	0	0
5-bis) Tax receivables:		
due within 12 months	1,125,357	2,020,505
due beyond 12 months	693,803	58,341
5-ter) Deferred tax assets:		
due within 12 months	211,961	203,648
due beyond 12 months	2,275,256	1,979,790
5-quater) Other receivables:		
due within 12 months	9,225,044	9,624,747
due beyond 12 months	133,788	133,788
Total accounts receivable:		
due within 12 months	**29,076,817**	**27,504,268**
due beyond 12 months	**3,102,847**	**2,171,919**
Total	**32,179,664**	**29,676,187**

importi espressi in euro

Consolidated balance sheet: asset	Financial statements as at 31/12/2018	Financial statements as at 31/12/2017
III. Current financial asset		
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	15,981,580	19,962,383
2) Cheques	0	8,000
3) Cash and valuables in hand	41,929	51,234
Total	**16,023,509**	**20,021,617**
TOTAL CURRENT ASSETS (C)	**48,595,727**	**50,064,482**
D) Accrued Income And Prepayments		
Accrued income	0	0
Prepayments	347,274	185,279
TOTALE (D)	**347,274**	**185,279**
TOTAL ASSETS	**117,811,028**	**118,889,979**

4.1.2 Consolidated balance sheet: liabilities

amounts stated in Euro

Consolidated balance sheet: liabilities	Financial statements as at 31/12/2018	Financial statements as at 31/12/2017
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 reserves, itemized:		
Extraordinary reserve	8,291,776	7,713,774
Reserve for extraordinary investments	4,906,340	4,906,340
Provision per art. 55 DPR 917/86	0	0
Consolidation reserves	2,269,651	2,269,651
VII. Reserve for the hedging of expected cash flows:	(29,166)	(104,932)
VIII. Profit (loss) carried forward	1,239,979	1,140,364
IX. Profit (loss) of the year	7,689,476	11,186,962
X. Negative reserve for treasury shares	(4,823,612)	(4,823,612)
Equity pertaining to the Group	**48,505,369**	**51,249,472**
Equity pertaining to minority shareholders	**7,678,083**	**7,547,493**
Total shareholders' equity (A)	**56,183,452**	**58,796,965**
B) Provisions for liabilities and charges		
1) Provisions for pension and similar funds	0	0
2) Provision for taxes, including deferred taxes	0	0
3) Provision for loss on derivative financial instruments	29,166	(104,932)
4) Other provisions:		
Provision for currency fluctuations	0	0
Provision for future liabilities	4,838,157	4,578,753
TOTAL PROVISIONS FOR LIABILITIES AND CHARGES (B)	**4,867,323**	**4,683,685**

amounts stated in Euro

Consolidated balance sheet: liabilities	Financial statements as at 31/12/2018	Financial statements as at 31/12/2017
C) Provision for staff severance pay	3,227,467	3,250,167
Total (C)	**3.227.467**	**3.250.167**
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	0	1,500,000
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	17,868,486	17,821,941
due beyond 12 months	0	0
8) Payables in the form of credit instruments:		
due within 12 months	0	0
due beyond 12 months	0	0
9) Payables to subsidiary companies:		
due within 12 months	0	0
due beyond 12 months	0	0

amounts stated in Euro

Consolidated balance sheet: liabilities	Financial statements as at 31/12/2018	Financial statements as at 31/12/2017
10) Payables to associated companies:		
due within 12 months	0	0
due beyond 12 months	0	0
11) Payables to parent companies:		
due within 12 months	2,556,994	936,523
due beyond 12 months	0	0
11-bis) Payables to companies controlled by the parent companies:		
due within 12 months	102,491	99,113
due beyond 12 months	0	0
12) Tax payables:		
due within 12 months	1,119,777	1,281,908
due beyond 12 months	0	0
13) Social security payables:		
due within 12 months	992,671	1,023,640
due beyond 12 months	0	0
14) Other payables:		
due within 12 months	20,554,192	19,176,798
due beyond 12 months	831,565	151,577
Total:		
due within 12 months	**44,694,611**	**41,839,923**
due beyond 12 months	**831,565**	**1,651,577**
Total accounts payable (D)	**45,526,176**	**43,491,500**
E) Accrued expenses and deferred income		
Accrued expenses	492	2,212
Deferred income	8,006,118	8,665,450
Total (E)	**8,006,610**	**8,667,662**
TOTAL LIABILITIES AND EQUITY	**117,811,028**	**118,889,979**

4.1.3 Consolidated income statement

amounts stated in Euro

Consolidated income statement	Financial statements as at 31/12/2018	Financial statements as at 31/12/2017
A) Production value		
1) Revenues from sales and services	64,746,144	66,579,658
2) Changes in the inventory of in-process, semi-finished and finished products	0	0
3) Changes in orders in progress	0	0
4) Fixed assets developed internally	0	0
5) Other revenues and proceeds, with operating grants stated separately	2,334,455	4,066,250
TOTAL PRODUCTION VALUE (A)	**67,080,599**	**70,645,908**
B) Poduction costs		
6) Cost of raw and ancillary materials, consumables and goods	1,581,753	1,999,628
7) Cost of services	23,652,762	23,384,360
8) Leasehold costs	3,036,500	2,682,535
9) Staff costs:		
a) salaries and wages	14,311,886	15,119,644
b) social security	4,085,203	4,134,446
c) severance pay	920,710	934,851
d) pension and similar benefits	0	0
e) other costs	377,039	308,164
Total staff costs	**19,694,838**	**20,497,105**
10) Amortization, depreciation and write-downs:		
a) amortization of intangible assets	1,339,298	1,204,101
b) depreciation of tangible assets	4,905,489	4,636,424
c) other write-down of assets	0	0
d) write-down of current receivables and of cash and equivalents	541,993	1,434,450
Total amortization, depreciation and write-downs	**6,786,780**	**7,274,975**
11) Changes in the inventory of raw and maintenance materials, consumables and goods	(25,876)	9,355
12) Provisions for liabilities and charges	318,590	155,848
13) Other provisions	0	0
14) Miscellaneous operating costs	2,100,509	2,254,598
Total production costs (B)	**57,145,856**	**58,258,404**
Production value less production costs (A-B)	**9,934,743**	**12,387,504**

amounts stated in Euro

Consolidated income statement	Financial statements as at 31/12/2018	Financial statements as at 31/12/2017
C) Financial income (expense)		
15) Income from equity investments:		
a) dividends and other income from subsidiary companies	0	2,077,222
b) dividends and other income from associated companies	0	0
c) dividends and other proceeds from parent companies	0	0
d) dividends and other proceeds from companies controlled by parent companies	0	0
e) dividends and other income from others	836,769	591,288
16) Other financial income:		
a) from noncurrent receivables		
subsidiary companies	0	0
associated companies	0	0
parent companies	0	0
companies controlled by parent companies	0	0
other	0	0
b) from noncurrent securities other than equity investments	0	0
c) from current securities 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	132,834	22,478
Total	**969,603**	**2,690,988**
17) Interest and other financial expense:		
subsidiary companies	0	0
associated companies	0	0
parent companies	0	0
companies controlled by parent companies	0	0
other	(93,961)	(150,932)
17 - bis) Exchange gains (losses)	(201)	(350)
Total financial income (Expense) (c)	**875,441**	**2,539,706**

amounts stated in Euro

Consolidated income statement	Financial statements as at 31/12/2018	Financial statements as at 31/12/2017
D) Adjustments to the value of financial assets		
18) Revaluation:		
a) of equity investments	0	0
b) of financial assets other than equity investments	0	0
c) of current securities other than equity investments	0	0
d) of derivative financial instruments	0	0
19) Write-downs:		
a) of equity investments	0	0
b) of financial assets other than equity investments	0	0
c) of current securities other than equity investments	0	0
d) of derivative financial instruments	0	0
Total adjustments to the value of financial assets (D)	**0**	**0**
EBT (A-B+/-C+/-D)	**10.810.184**	**14.927.210**
20) Income taxes for the year:		
a) Current taxes	(3.071.148)	(3.664.397)
b) Deferred tax assets (liabilities)	303.779	168.998
21) Profit (loss) of the year, group and minority shareholders	**8.042.815**	**11.431.811**
Profit (loss) pertaining to the group	**7.689.476**	**11.186.962**
Profit (loss) pertaining to minority shareholders	**353.339**	**244.849**

We declare that the Financial Statements above match with the contents of the accounting books.

On behalf of the Board of Directors

The Chairman

4.1.4 Statement of cash flow - SAGAT Group

amounts stated in Euro

Statement of cash flow - SAGAT Group	2018	2017
A) Cash flow from operations		
Profit (Loss) of the year for the Group	7,689,475	11,431,811
Income taxes	2,767,369	3,495,399
Interest expense (income)	(39,673)	128,804
(Dividends)	(836,769)	(591,288)
(Gains) Losses on disposal of assets	(6,147)	(2,109,237)
1. Profit (loss) of the year before income taxes, interest, dividends and gains/ losses on disposals	**9,574,255**	**12,355,489**
Adjustments of non-monetary items not reflected in the net working capital:		
Amount allocated to provisions	318,589	179,099
Amortization and depreciation of fixed assets	6,244,788	5,840,525
Write-downs for durable value impairment	360,255	316,450
Other increases (decreases) of non-monetary items	0	(3,492)
Total adjustments of non-monetary items not reflected in the net working capital	**6,923,632**	**6,332,581**
2) Cash flow before working capital variations	**16,497,887**	**18,688,070**
Variations in the working capital:		
Decrease (increase) in inventory	(25,876)	9,355
Decrease (increase) in trade receivables	341,434	(2,664,636)
Increase (decrease) in trade payables	134,690	1,829,705
Decrease (increase) in accrued income and prepayments	(161,995)	242,031
Increase (decrease) in accrued expenses and deferred income	(661,052)	(653,877)
Other decreases (other increases) in the net working capital	2,716,666	(197,362)
Total variations in the working capital	**2,343,867**	**(1,434,784)**
3. Cash flow after working capital variations	**18,841,754**	**17,253,285**
Other adjustments:		
Interest income (expense)	(49,960)	(128,412)
(Income taxes paid)	(4,907,749)	(4,073,672)
Dividends collected	836,769	591,288
(Amount of provisions used)	(110,621)	(845,562)
Other amounts collected (paid)	0	0
Total other adjustments	**(4,231,561)**	**(4,456,358)**
Cash flow from operations (A)	**14,610,193**	**12,796,927**

amounts stated in Euro

Statement of cash flow - SAGAT Group	2018	2017
B) Cash flow from investments		
Tangible assets:		
(Cash flow from investments)	(3,588,787)	(4,557,784)
Cash flow from divestments	6,147	73,702
Intangible assets:		
(Cash flow from investments)	(3,244,065)	(1,921,843)
Cash flow from divestments	0	0
Financial assets:		
(Cash flow from investments)	0	0
Cash flow from divestments	0	2,005,000
Current financial assets:		
(Cash flow from investments)	0	0
Cash flow from divestments	0	0
Acquisition or disposal of subsidiaries or business lines, net of cash and cash equivalents	0	0
Cash flow from investments (B)	**(6,826,705)**	**(4,400,925)**
C) Cash flow from borrowing		
Third-party 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	(10,281,595)	(12,447,702)
Cash flow from borrowing (C)	**(11,781,595)**	**(13,947,702)**
Crease (decrease) in cash and equivalents (A ± B ± C)	**(3,998,107)**	**(5,551,699)**
Cash and equivalents at beginning of year	**20,021,616**	**25,573,316**
Cash and equivalents at end of year	**16,023,509**	**20,021,617**

4.2
Notes to the consolidated financial statements

4.2.1 General principles and drafting principles for the consolidated financial statements

SECTION I

Form and contents of the consolidated financial statements

1. The Consolidated Financial Statements are made up of Balance Sheet, Income Statement, Statement of Cash Flow and Notes, and are accompanied by the Directors' Report. They were prepared in compliance with Legislative Decree 127/1991 (enforcing European Community Directives IV and VII) and with the Italian accounting standards issued by the Italian Accounting Body.
2. The Consolidated Financial Statements are meant to provide a faithful and accurate picture of the financial position and standing, as well as of the operating result, of the Group as a whole.
3. The form and contents of the Balance Sheet and Income Statement comply with the provisions of the Italian Civil Code for the holding company, in order to give a faithful and accurate presentation of the Group.
4. The Consolidated Financial Statements refer to the closing date of the holding company's annual accounts, which corresponds to the closing date of the annual accounts of the other companies included in the consolidation.
5. While the mandatory disclosures under the laws of Italy concerning the form and contents of consolidated financial statements are deemed sufficient to provide a true and accurate picture, the following additional information is provided:
   - reconciliation between the net equity and net profit of the holding company and those of the Group, as resulting from the consolidated financial statements;
   - analysis of the balance sheet — included in the Directors' Report for the Group;
   - statement of cash flow;
   - additional relevant information based on the characteristics and size of the Group.
6. The Consolidated Financial Statements were audited pursuant to article 2409 bis of the Civil Code by the independent auditors Deloitte & Touche S.p.A.
7. The Balance Sheet, Income Statement and Statement of Cash Flow are presented in Euros; the figures in these Notes are shown in Euro thousand, except as otherwise

SECTION II

Scope of consolidation

1. The subsidiary companies, including those directly or indirectly controlled by the Holding Company according to the definition given in art. 26 of Legislative Decree no. 127/91, were consolidated line by line. The list of companies included in the consolidation is given below:

Company	Address	Share Capital	Shareholders' Equity	Interest Share %
SAGAT S.p.A.	Caselle Torinese	12,911	43,655	Holding company
SAGAT Handling S.p.A.	Caselle Torinese	3,900	3,179	100%
Aeroporti Holding S.r.l.	Caselle Torinese	11,000	18,356	55.45%

There are no companies consolidated by the equity method.
The following holdings are valued by the cost method:

Company	Address	Share Capital (1)	Shareholders' Equity (1)	interest share as at 31/12/2018
Aeroporto G. Marconi di Bologna	Bologna	90,314	167,220	5.91%

(1) Figures from the latest financial statements available as at 31.12.2017.

Please note that the scope of consolidation has not changed compared to the previous year.

SECTION III

Consolidation procedures

1. The assets and liabilities of the subsidiaries, as well as their income and costs, were fully consolidated. In the Consolidated Financial Statements, the carrying value of equity investments was eliminated, together with the share directly or indirectly owned by the holding company. The differences arising from the elimination of equity investments against the net book value of the subsidiaries' equities as 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 amortized on a straight-line basis according to its estimated recoverability; any negative residual amount is added to the equity item as applicable from time to time.
2. Minority interests in the equities and operating results of the consolidated subsidiaries are shown separately.
3. The balances of accounts payable and receivable, and the intercompany transactions among consolidated companies, are fully eliminated. The Consolidated Financial Statements do not show any profits or losses still unrealised by the Group as a whole, because arising from intercompany transactions.
4. The financial statements of the subsidiaries closed as at 31 December 2018, prepared by the respective Boards of Directors for the respective Shareholders' approval, were used for consolidation purposes.
5. The Consolidated Financial Statements were prepared following uniform accounting 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 (1.5) of the Civil Code).
2. Only the profits realised as of the closing date of the reference year are shown.
3. The income and costs accruing to 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 to the year were taken into account, even where known after year-end.
5. Non-comparable elements 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 captions characterising the Group's business were added for the sake of clarity.
8. In compliance with art. 2423 ter of the Civil Code, all financial statement items are comparable.
9. The accounting standards below were adjusted to take into account the changes, additions to and innovations of Civil Code rules introduced by Legislative Decree 139/2015, in enforcement of Directive 34/2013/EU on accounting. In particular, the Italian Accounting Board has reformulated the Italian accounting standards into the version updated as at the date of drafting these Financial Statements.

4.2.2 Standards applied in item valuation, value adjustment and foreign currency translation

The valuation principles followed in the preparation of the Consolidated Financial Statements as at 31 December 2018 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 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.
The amortization criteria and rates were the same applied in the previous year.
As of the year-end, there are 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.

Intangible assets

Type of asset	Amortization rate
Industrial patent and intellectual property rights	33%
other intangible assets	according to their estimated residual useful life

Tangible assets

Tangible assets were valued at purchase or production cost, inclusive of ancillary costs, except the assets subject to revaluation pursuant to L. 72/83, as better explained in Part III of these Notes.
The cost of the assets includes the interest expense incurred for the making of the assets until ready for use, for the portion reasonably attributable to the assets. The amount of interest expense recorded under balance sheet assets is shown in Part III of these Notes.
The cost of the tangible assets of limited duration is depreciated on a straight-line basis according to their residual useful life.
The depreciation schedule, drafted by the principles explained above, is shown below.

Tangible assets

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

In previous years, for certain categories of assets, where required due to their particular obsolescence, the rates above were doubled in the first three year of use of the assets.
For the assets that started being used in the reference year, the rates were halved in order to take account, on a flat basis, of their reduced use.
At year-end, there were no tangible assets, according to the company's plans, with a value permanently lower than their purchase cost (revalued as appropriate) inclusive of ancillary costs, after depreciation.
Please note that, as a consequence of the amendment to art. 104 of the Income Tax Code ("TUIR") introduced by Decree Law 31 December 1996, no. 669, whereby depreciation over concession length is only allowed alternatively (and no longer in addition) to conventional depreciation over useful life, the holding company has decided to adopt conventional depreciation effective from 1997, deducting from the historical cost of each asset the respective accumulated concession-based depreciation. The only exception are aircraft runways and aprons: for these assets the holding company has continued to use concession-based depreciation.

Financial assets

These are the costs of long-term financial investments.
Investments in companies that are neither subsidiaries 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 value is reinstated.
Accounts receivable are shown at their presumable realisation value.
Treasury shares are shown at a value corresponding to their purchase cost in the negative equity reserve for treasury stock.
Noncurrent 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 short-term ones (i.e. are due before 12 months), the amortized cost method is irrelevant.

Inventory

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

Accounts receivable

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

Cash and cash equivalents

These are recorded at face value.

Accruals and deferrals

Accrual and deferral captions include the income or costs accruing in the year but to be collected or disbursed in future years, and the costs or income incurred or collected before year-end but accruing in future years. These 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 charges

The provisions for liabilities and charges 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 as 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 accrued as until 31.12.2006 remain with the company;
- the portions of TFR accrued effective from 1 January 2007, 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 institution.

The portions accrued in the reference year since 1 January 2007 are still shown in caption B.9 c) of the income statement, "Staff severance pay".
Caption C in the balance sheet, "Provision for staff severance pay", shows the residual amount of the provision as at 31 December 2018; captions D.13, "Social security payables" and D.14, "Other payables" show the accounts payable as at 31 December for portions of TFR still to be contributed to the Treasury Fund of INPS and to pension funds.

Accounts payable

The accounts payable recorded in the liabilities section were subject to the evaluation of the applicability of the amortized cost method as defined by art. 2426 (2) of the Civil Code, taking however into account time and presumable

realization value, in accordance with art. 2426 (1.8) of the Civil Code.
A verification of the relevance of the amortized cost method was made for all the accounts payable. In other words, if the transaction costs, the fees paid as between the parties, and any other difference between 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.

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 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 amortization or depreciation of the asset that the grant refers to.

Income taxes

As from 2018, Group companies have agreed to the Group policy governing the enforcement of the National Tax Consolidation rules set forth in art. 117 et seq. of the Income Tax Code ("T.U.I.R."), also followed by the subsidiary companies SAGAT S.p.A., SAGAT Handling S.p.A., Aeroporti Holding S.r.l., GESAC S.p.A., Software Design S.p.A. and 2i S.A.C. (formerly F2i SAC S.p.A.), whose parent company is 2i Aeroporti S.p.A.
The option for National Tax Consolidation for the three-year period 2018-2019 was exercised by the Company in order to make use of the benefits that the law establishes for such profile, including the possibility for the parent company to set off the results of each consolidated company.
The notice of extension of the option pursuant to art. 5 (1) of the decree of the Ministry of Economy and Finance of 9 June 2004 was submitted online on 31 October 2017 by 2i Aeroporti S.p.A. to the Revenue Office.
The following are the main points of the above-referred Group policy: a) if, and insofar as, in any tax year in which the option for group taxation applies, one party brings to consolidation, pursuant to art. 96 (7) of the T.U.I.R., interest and similar financial expense in excess, that party is entitled to a compensation in the same amount; b) if the taxable income of the subsidiary, net of tax losses pursuant to art. 84 of the T.U.I.R. arising before the start of tax consolidation, is positive, that consolidated company will pay to the holding company an amount equal to the corresponding net tax due, calculated as if the tax consolidation option did not apply; c) if the taxable income of the subsidiary in one or more tax years included in the consolidation option term is negative, the holding company will pay to the subsidiaries an amount equal to either: 1) the tax savings actually realised by using such tax losses, or 2) the receivables due to the subsidiaries on the excess amounts brought to consolidation as per b) above; d) if one of the parties brings to consolidation interest in excess, the holding company will deduct that excess, subject to the applicable limits, from the aggregate income; e) in the case of d) above, the party that has brought the excess interest to consolidation will receive a compensation equal to 100% of the notional IRES calculated by applying to the consolidated excess the IRES rate in force when such excess is used.
The adoption of tax consolidation allows the parent company 2i Aeroporti S.p.A. to aggregate the positive or negative taxable bases of the parent company and of the resident consolidated companies that also exercised the option. The taxable income and losses of the companies included in the consolidation are assumed in their entire amount, regardless of the share of interest attributed to the consolidating company (line by line consolidation method). The consolidating company is liable for determining the aggregate income tax and for the payment of the relevant advances and balance to the Revenue Office. However, the consolidated companies remain individual taxpayers.

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

- **Current taxes**
  The corporate income taxes ("IRES" and "IRAP") payable are calculated in accordance with tax regulations on the basis of the estimated taxable income.
  The taxes accruing in the year are recorded in the Income Statement under "Current taxes for the year" and the relevant liability (or credit) is recorded in the Balance Sheet under the Accounts Payable (or Receivable) to (or from) the parent company. Those consolidation adjustments that generate benefits in the consolidated tax return are recorded in the Income Statement under "Tax gains from consolidated taxation", classified as "Current taxes for the year" with a contra entry in the Balance Sheet, under "Accounts receivable from the parent company".

- **Deferred taxes**
  Deferred corporate income tax ("IRES") assets and the provision for deferred IRES liabilities for both the consolidating and the consolidated companies arising from transactions occurred in the year during which the option is effective remain in the assets of the company that generated them. Therefore, as long as the tax consolidation regime applies, they are not recorded in the financial statements of the consolidating company. The compliance with the requirements for recording deferred taxes is assessed with reference to the expected future taxable income of the companies included in the consolidation. Otherwise, if deferred tax assets or liabilities arise from transactions occurred outside the period of effectiveness of the consolidation regime, they are assessed with reference to the specific position of the company concerned.
  The company has recorded deferred taxes according to the temporary differences in the taxable base arisen during the course of the year. In particular, the deductible temporary differences arising from negative income components to be deducted totally or partially in future years will generate deferred tax assets, recorded under caption C.II.5-ter of the assets section, while the temporary differences arising from positive income components to be taxed in years subsequent to the reference one, or from negative income components deducted in a year preceding the one in which they were recorded in the income statement, will generate deferred tax liabilities, recorded under caption B.2 of the liabilities section.
  Deferred taxes are calculated at the tax rates currently in force and taking into account the tax rates expected in future years.
  The amount shown in the caption "Income taxes for the year" is the result of the algebraic sum of current and deferred taxes, so as to represent the actual tax burden pertaining to the reference year.
  No deferred tax assets that cannot be reasonably expected to be recovered in the future were recorded. Similarly, no deferred tax liabilities that are unlikely to arise were recorded.
  The description of the temporary differences that led to recording deferred tax assets and liabilities, the indication of their rates and of the differences compared to the prior year, of the amounts recorded in the income statement and as equity components, as well as of the prepaid taxes recorded with respect to losses, are shown in the tables commenting the deferred tax assets and liabilities for the year in the paragraph dedicated to the "Income taxes for the year" (art. 2427 (1.14) of the Civil Code).

Remuneration of economic benefits in favour of the consolidated companies

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

Principles for the translation of items stated in foreign currencies

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

4.2.3. Details of the most significant items of the consolidated financial statements

The additional information to be disclosed under art. 38 of Legislative Decree no. 127/1991 are given in the same order as in mandatory financial statements patterns.

BALANCE SHEET

Intangible assets

These are the costs of permanent, non-tangible production factors, after deduction of the relevant amortization. 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 €5,725 thousand, have increased on aggregate by €1,859 thousand in the year.

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

	01/01/2018			Year on year differences				31/12/2018	
	Historical cost	Amortization provision	**Amount carried**	Purchases/ capitalisations	Riclass. + (-)	Disposals / Write-offs.	Write-downs(-)/ Reval	Amortization	**Amount carried**
B.I.1 Start up and improvement costs	0	0	**0**	0	0	0	0	0	**0**
B.I.3 Industrial patent and intellectual property rights (ex B.I.4)	3,583	3,422	**161**	263	0	0	0	(214)	**210**
B.I.4 Concessions, licenses, trademarks	0	0	**0**	0	0	0	0	0	**0**
B.I.6 Investments in progress and payments on account	1,098	0	**1,098**	1,640	(299)	0	(76)	0	**2,363**
B.I.7 Other assets	31,166	28,559	**2,607**	1,340	327	0	0	(1,122)	**3,152**
Total intangible assets	**35,847**	**31,981**	**3,866**	**3,243**	**28**	**0**	**(76)**	**(1,336)**	**5,725**

The variation shown in caption B.I.3 "Industrial patent and intellectual property rights", net of amortization for €214 thousand, relates to the installation of new software or the implementation of existing software by the holding company (€263 thousand), as described in detail in the Directors' Report section on investments.

The caption "Investments in progress and payments on account" (B.I.6) has increased by €1,640 thousand compared to the prior year, mostly due to the increase in the value of assets purchased during 2018 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 €1,340 thousand and was amortized for €1,122 thousand, out of a total of €1,336 thousand on amortization 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 €45,493 thousand and have decreased on aggregate by €1,631 thousand in the year.

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

	01/01/2018				Year on year differe						31/12/2018			
	Historic. cost	Reval. as per Laws 72/1983 and 342/2000	(Depreciat. provisions)	**Amount carried**	Purchases	Reclassificat.	(Divest. Original cost)	Divest. Use of provision	(Reval. difference)	(Depreciat.)	Historic. cost	Reval. as per Laws 72/1983 and 342/2000	(Depreciat. provisions)	**Amount carried**
B.II.1 Land	3,516			**3,516**							3,516			**3,516**
B.II.bis 1 and B.II.bis 1bis Buildings and related roads [1]	82,469	282	(51,708)	**31,043**	147					(2,262)	82,616	282	(53,970)	**28,928**
B.II.bis 2 Plant and machinery [1]	63,412	6,567	(63,824)	**6,155**	1,400	53				(1,141)	64,865	6,567	(64,965)	**6,467**
B.II.3 Operating and sales equipment	17,166	182	(14,418)	**2,930**	1,248					(1,051)	18,414	182	(15,469)	**3,127**
B.II.4 Other assets	33,798	1,958	(34,764)	**992**	674	1	(46)	42		(450)	34,427	1,958	(35,172)	**1,213**
B.II.5 Investments in progress and payments on account	2,488			**2,488**	118	(142)			(222)		2,242			**2,242**
Total Tangible Assets	**202,849**	**8,989**	**(164,714)**	**47,124**	**3,587**	**(88)**	**(46)**	**42**	**(222)**	**(4,904)**	**206,080**	**8,989**	**(169,576)**	**45,493**

(1) Transferable assets

The caption “Building and related roads” (B.II. bis 1 and 1 bis) has decreased on aggregate by €2,115 thousand. The variation, ascribable entirely to the holding company, was caused by the joint effect of purchases (€147 thousand) and annual depreciation (€2,262 thousand). In particular, the construction works implemented by the holding company at the passenger terminal and various airport buildings were capitalised. No obsolete asset was disposed of during the year.

The caption "Plant and equipment (B.II bis 2) has increased by €312 thousand. The variation, ascribable entirely to the holding company, is due to purchases (€1,400 thousand), capitalisation of assets previously recorded as investments in progress (€53 thousand) and annual depreciation (€1,141 thousand).
In particular, the increase relates mostly to the completion of works for the upgrade of air-conditioning systems at the terminal (€345 thousand) and for the automation of vehicle access monitoring at the short-term parking (€163 thousand); the item further includes the replacement of lights at the operating buildings, the installation of service systems at the BHS and the common areas (€257 thousand) and revamping interventions at boarding bridges (€55 thousand).

The caption “Operating and sales equipment” (B.II.3) has increased on aggregate by €197 thousand, due to purchases (€1,248 thousand) and annual depreciation (€1,051 thousand).
The item includes in particular the purchase of snow plows (€855) and the installation of turnstiles for automatic boarding pass control (€96 thousand).

The caption “Other assets” (B.II.4) has decreased on aggregate by €221 thousand, due to depreciation (€450 thousand) and new purchases (€674 thousand in total).
The most significant increase relates to the purchase of passport control counters (€130 thousand) and of operating vehicles (€99 thousand).
Obsolete assets were dismissed in the year for a total value of €46 thousand.

The caption “Investments in progress and payments on account” (B.II.5) has decreased by €246 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 previous year. The details of the revaluation applied are shown in the table below:

Item	Net amount of revaluation	Statutory revaluation 72/83	Revaluation law 342/2000	Total
B.II.1 Land	3,516	0	0	3,516
B.II.1 Buildings and related roads	82,469	282	0	82,751
B.II.2 Plant and machinery	63,412	50	6,517	69,979
B.II.3 Operating and sales equipment	16,400	182	0	16,582
B.II.4 Other assets	33,193	52	1,906	35,151
B.II.5 Investments in progress and payments on account	2,488	0	0	2,488
Total tangible assets	**201,478**	**566**	**8,423**	**210,467**

The amount of interest expense recorded under balance sheet assets is shown in the table below and has not changed from the previous year (art. 2427 (1.8 of the Civil Code):

Item	Gross amount
B.II.1 Buildings and related roads	2,323
B.II.2 Plant and machinery	792
Total tangible assets	**3,115**

Financial assets

These reflect the value of long-term financial investments and amount to €17,650 thousand in total.
The equity investments recorded amount to a total of €17,641 thousand and relate entirely to holdings in other companies.
The caption "Investments in other companies" remains the same as in 2017 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 31/12/2017 and are shown in accordance with art. 2427 (1.5) of the Civil Code:

Company	Address	Share capital	Shareholders' equity as at 31/12/2017	Interest share as at 31/12/2018
Aeroporto G.Marconi di Bologna S.p.A.	Bologna	90,314	167,220	5,91%

As at 31 December 2018, Aeroporti Holding held 2,134,614 common shares in AdB, the value of which has remained unchanged compared to the previous year and, as at 31 December 2016, accounted for 5.91% of the share capital of Aeroporto di Bologna.
Noncurrent receivables for a total of €9 thousand are all cash deposits.

Also, the holding company SAGAT holds 74,178 treasury shares; after the coming into force of Legislative Decree 139/15 on 1 January 2016, in enforcement of Directive 2013/34 on annual financial statements, consolidated financial statements and related reports, in the past year SAGAT had already removed their book value from the fixed assets.

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

Inventory

The inventory, totalling €393 thousand, refers basically to raw and ancillary materials, consumables and maintenance materials belonging to the holding company. The item has increased by €26 thousand compared to 2017.
As at year-end, the inventory did not include any element that might be expected to be realized at a lower price than the respective inventory value.

Accounts receivable

These are recorded for a total of €32,180 thousand, compared to €29,676 thousand in 2017. Their total amount relates mostly to customers based in Italy or in the European Union.

The caption "Accounts receivable from customers" has decreased from €15,557 thousand as at 31/12/2017 to €15,215 thousand as at 31/12/2018 (-€342 thousand), basically due to the slightly decreasing trend of sales volumes and to the customers' payment policies.

The caption includes accounts receivable at a face value of €19,486 thousand (€19,330 thousand in 2017) after write-downs (€4,271 thousand) allocated to the provision for bad debts. During the year, the provision for bad debts has increased by €498 thousand due to releases to the income statement of amounts allocated in the past and no longer necessary (€34 thousand), €10 thousand used, and adjustments based on actual needs (€542 thousand, of which €414 thousand derive from having posted under receivables the effects of the June 2018 decision of the Court of Appeal of Rome, that cancelled payments from Alitalia for a total of €689 thousand).

Therefore, the total value of the provisions is sufficient to cover the risks of non-collection of the accounts receivable existing at year-end.

The caption "Accounts receivable from subsidiary companies", €0, have not changed compared to the previous year.

The "Account receivable from parent companies" are the receivables arisen within the Group towards the parent company 2i Aeroporti as a consequence of tax consolidation.

ax receivables are recorded for €1,819 thousand (€2,079 thousand as at 31/12/2017). The portion due beyond 12 months amounts to €694 thousand. The details of tax receivables are shown in the table below:

The "Account receivable on IRES refund", €23 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

Specification	2018	2017
IRES receivables	30	30
IRAP receivables	154	9
IRES refund receivable	23	866
Creditor VAT	800	1,004
Other	810	169
TOTAL	**1,819**	**2,079**

the costs of subordinate and quasi-subordinate employees.
The application for refund, filed on 18 February 2013 by the holding company on behalf of all Group companies by virtue of tax consolidation, pertains for €724 thousand to SAGAT, for €302 thousand to

SAGAT Handling and for €15 thousand to SAGAT Engineering. The variation recorded is due entirely to a €842 thousand refund received during the year.

The "Other receivables", €810 thousand, have increased by €641 thousand from the previous year, mainly due to the recording of payments made by the holding company to the Revenue Office pursuant to art. 15 of President's Decree 602/1973 within the framework of the controversy with the Revenue Office described in the section on controversies.

The caption "Deferred tax assets and liabilities" amounts to €2,487 thousand and is detailed in the table below:

	IRES (corporate income tax)	IRAP (regional tax)	TOTAL
A) Temporary differences			
Total deductible temporary differences	9,769,783	5,291,769	
Total taxable temporary differences	331,067	0	
Net temporary differences	(9,438,716)	(5,291,769)	
B) Fiscal effect			
Provision for deferred tax liabilities (assets) at beginning of year	(1,967,587)	(215,852)	(2,183,439)
Deferred tax liabilities (assets) for the year	(297,704)	(6,075)	(303,779)
Provision for deferred tax liabilities (assets) at end of year	(2,265,291)	(221,927)	(2,487,218)

The caption "Other accounts receivable", totalling €9,359 thousand, has decreased by €400 thousand compared to the previous year.

Specification	31/12/2018	Of these, due beyond 12 months	31/12/2017	Of these, due beyond 12 months	Difference
Account receivable from the Town Authority of Turin	893		211		682
Other receivables from the Public Administration	33		33		-
Payments on account to vendors and credit notes expected	452	11	2,284	11	(1,831)
Receivables from carriers on municipal tax	7,585		6,867		718
Other receivables	395	123	364	123	31
Total	**9.,359**	**134**	**9,759**	**134**	**(400)**

The difference is due essentially to the following factors:

- the receivables from carriers on municipal tax have increased in the year by €718 thousand; for clarity we remind that these receivables represent the contra entry of the payables by the holding company SAGAT to the Tax Office for the same reason;
- the payments on account from vendors and credit notes expected, €1,831 thousand, have decreased due to the reclassification of credit notes alone to caption D7 (total trade payables), made in order to give a better detail of the accounts.

The account receivable from the Town Authority of Turin has increased compared to 2017 by €682 thousand due to the payment, made in accordance with the outcome of the petition for suspension filed by SAGAT against the payment injunction relating to the fees for the years 2016 and 2017, that was received in the course of 2018, as detailed in the Controversies section of the Directors' Report of the holding company. Before the payment, the amount in question had been recorded as a contra entry towards trade payables.

The account receivable from the Town Authority of Turin also includes, for €211 thousand and unchanged from the previous year, the residual portion of an advance that

SAGAT had to pay in 1992 for the completion of certain works at the control tower, in order to cover the insufficient funds earmarked by the Town Authority after the construction contractor ICEM went bankrupt and the guarantor insurer FIRS was placed into forced liquidation, as neither of 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.

Cash and cash equivalents

These include:

- as to bank and post office deposits, the funds immediately available on deposits or current accounts with banks and post offices;
- as to cash in hand, the liquidity existing as at 31 December 2018 in the treasuries of Group companies;
- as to cheques, the credit instruments received from third parties as deposits.

Compared to the past year, the items are broken down as follows:

Specification	2018	2017	Difference
Bank and post office current accounts	15,982	19,962	(3,981)
Cash and valuables in hand	42	51	(9)
Cheques	0	8	(8)
Total	**16,024**	**20,022**	**(3,998)**

Accrued income and prepayments

These total €347 thousand (€185 thousand as at 31/12/2017), as better detailed below:

	2018	2017
Accrued income		**0**
Total accrued income	**0**	**0**
Prepayments		
Insurance	69	52
Other	133	133
Subordinate employees	145	0
Total Prepayments	**347**	**185**
Total	**347**	**185**

The caption “Insurance” includes the portions of insurance premiums paid in 2018 and accruing in the subsequent year.

Shareholders' equity

The equity of the Group as at 31/12/2018 amounts to €48,505,369; the total equity inclusive of the €7,678,083 portion pertaining to minority shareholders amounts to €56,183,451.

The variations in the individual components of the Shareholders' equity are shown below.

The share capital of the holding company amounts to Euro 12,911,481, unchanged from the previous year, and is composed of 2,502,225 shares each with a face value of €5.16. As at year-end, it was distributed as follows among the Shareholders:

2i Aeroporti S.p.A.	90.28%
Tecno Holding S.p.A.	6.76%
Azioni Proprie	2.96%
TOTAL	**100.00%**

* For more details please refer to paragraph 1.2, "Ownership pattern", 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 previous 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 2018.

The legal reserve, amounting to €2,582 thousand, has not changed from the previous 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, €8,292 thousand, is entirely made up of annual profits and has increased by €578 thousand compared to 2017, because the profits for 2017 were partially allocated to this reserve.
2. the reserve for extraordinary investments, €4,906 thousand, is made up entirely of provisions subject to ordinary taxation and has not changed from the previous year;
3. the consolidation reserve, €2,270 thousand, has not changed from 2017.

The holding company has posted a reserve for the hedging of expected cash flows in the amount of €-29 thousand (€-105 in 2017) after recognizing the expected cash flows from an IRS hedge agreement stipulated by the company in 2010 in order to secure the repayment at a permanently fixed cost of the €15 million loan obtained on 8 February 2010. The amount of €29 thousand reflects the negative mark-to-market of the hedging instrument as at 31 December 2018.

The caption "Profit (loss) carried forward" (€1,240 thousand), has decreased by €100 thousand compared to the previous year.

The negative reserve for treasury stock amounts to €-4,824 thousand and has not changed from the previous year. It was created by the holding company in 2016 in compliance with the provisions of Legislative Decree 139/15 after removing, for 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", €7,678,083 includes the capital and reserves of subsidiaries pertaining to minority shareholders and shows an increase by €353,339 in the year, after a €353,339 increase due to the attribution to minority shareholders of their portion of the 2017 profits of the subsidiary Aeroporti Holding, and a €222,750 decrease due to the distribution, by the same company, of an aggregate dividend of €500,000.

No deferred tax liabilities were recorded for untaxed reserves, because no transaction that may give rise to taxation is expected for the time being.

The reconciliation between the holding company's equity and result for the year and the consolidated equity and result for the year is given below:

	Shareholders' equity	Net profit (loss)
Equity and net result, SAGAT	**43,665,349**	**7,470,216**
Difference between carrying value and equity of consolidated companies	4,914,019	488,510
Consolidation adjustments	(64,000)	(269,250)
Equity and profit (loss) pertaining to the Group	**48,505,369**	**7,689,475**
Equity and profit (loss) pertaining to minority shareholders	**7,678,083**	**353,339**
Equity and profit (loss) pertaining to the Group and minority shareholders	**56,183,451**	**8,042,815**

Provision for liabilities and charges

The details of this item are shown in the table below:

	Pension and similar funds	Provision for tax disputes, including deferred taxes	Derivative financial instruments	Other provisions	Total provisions for liabilities and charges
Amount at beginning of year	**0**	**0**	**105**	**4,579**	**4,684**
Variations during the year:					
Amount allocated in the year	0	0	0	319	319
Amount used in the year	0	0	0	(30)	(30)
Other variations	0	0	(76)	(29)	(105)
Total variations	0	0	(76)	259	244
Balance at end of year	**0**	**0**	**29**	**4,838**	**4,928**

The provision for future liabilities, €4,928 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 increased by €244 thousand, as a consequence of the following:

- allocation of €319 thousand in total, to account for potential liabilities already existing as at 31/12/2017 (€33 thousand) and for risks arisen in 2018 (€286 thousand).
- an amount of €30 thousand was used for liabilities arisen during the year, but that had been foreseen and accounted for in previous years;
- release of €29 thousand because the provision for pending or potential lawsuits created in previous years was no longer necessary;
- decrease from the €105 thousand allocated in 2017 to €29 thousand allocated in 2018 to the provision for derivative instruments and corresponding reduction in the reserve for the hedging of the expected cash flows. For further details on these variations, please refer to the section on the Shareholders' Equity of these Notes.

Provision for employees' severance pay

The provisions for the employees' severance pay ("TFR") were calculated for each company and in accordance with the rules applicable to each company in the Group, as better explained in the paragraph on the drafting principles for the consolidated financial statements.
The caption "Amount allocated" includes the revaluation of the provision, calculated in accordance with the law, and the TFR accruing between 1 January and 31 December 2018, kept with the company, contributed to pension funds and allocated to the INPS Treasury Fund.
The caption "Amount used" includes the TFR accruing to pension funds and to the Treasury Fund as above, and the TFR paid to the employees, both in the form of advances and upon termination of employment.
The table below shows the changes occurred during the year:

	Provision for staff severance pay
Amount at beginning of year	**3,250**
Variations during the year:	
Amount allocated in the year	921
Amount used in the year	943
Other variations	0
Total variations	(23)
Balance at end of year	**3,227**

Accounts payable

The accounts payable are recorded for €45,526 thousand (€43,491 thousand as of year-end 2017) and relate mostly to vendors in Italy or in the European Union.
The accounts payable on bonds, convertible bonds and to shareholders are nil in 2018 as they were in 2017.

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

The accounts payable to banks, totalling €1,500 thousand (€3,000 thousand in the previous year) relate entirely to the long-term loan entered into by the holding company on 8 February 2010 for an original amount of €15 million. This loan is not backed by guarantees and is subject to the compliance with the usual financial parameters, that were actually complied with. In addition to the loan mentioned above, in order to set its cost for its entire duration, an interest rate swap agreement of the same length as the loan was executed. The residual portion of this loan, expiring within 12 months, amounts to €1,500 thousand. The loan is expected to be repaid entirely on or before 31 December 2019.
in order to guarantee that the non-speculative nature of the fund is maintained throughout its duration, the amount of principal under the IRS agreement will follow the repayment schedule of the loan, and be reduced gradually until it reaches zero in concurrence with the repayment of the last instalment.

The accounts payable to vendors include the trade payables towards other entities than Group companies. They amount on aggregate to €17,868 thousand (€17,822 thousand in 2017) and have increased by €7 thousand.

As in 2017, there are no payables to subsidiary nor to associated companies

The payables to the parent company amount to €2,557 thousand and reflect the aggregate payables recorded by the company against the transfer to the parent company 2i Aeroporti of the tax liability for the year as a consequence of joining, as subsidiary, the tax consolidation effective from 2018.

The payables to companies controlled by parent companies amount to €102 thousand and have increased by €3 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 €1,282 thousand, are detailed in the table below:

	31/12/2018	31/12/2017
Corporate income tax - IRES	0	0
Regional tax - IRAP	0	176
PAYE tax on employment income	436	446
Taxes on fee increases	679	656
Other	4	4
Total	**1,282**	**1,282**

This item does not include payables due beyond 12 months.

Social security payables are all due within 12 months. They amount in total to €1,024 thousand and shown in the table below:

	31/12/2018	31/12/2017
Payables to INPS/INAIL	969	1,004
Other	24	20
Total	**993**	**1,024**

The other payables, totalling €21,386 thousand, relate to:

	31/12/2018	31/12/2017
ENAC/Concession fee	1,172	1,295
Employees	1,258	1,339
Revenue Office on boarding fee surtax	8,667	7,638
Miscellaneous	10,289	9,056
Total	**21,386**	**19,328**

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

The account payable by the holding company to the Tax Office on municipal taxes (€8,667 thousand) has increased in the year by €1,029 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 "Miscellaneous payables" also includes, for a total of €7,561 thousand, the account payable by the holding company on fire-fighting services at the airport under the 2007 Finance Act.

Accrued expenses and deferred income

As at 31 December 2018, these amount on aggregate to €8,668 thousand (€9,322 thousand as at 31.12.2017) and are composed as detailed below:

	Accrued expenses	Discount on loans granted	Deferred income	Total accrued expenses and deferred income
Amount at beginning of year	**399**	**0**	**9,321,140**	**9,321,539**
Variation during the year	1,813	0	(655,691)	(653,878)
Balance at end of year	**2,212**	**0**	**8,665,450**	**8,667,662**

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 2018 portion of these grants released to the income statement.

Payables, accrued and deferred income broken down by maturity and type

A breakdown of payables, accruals and deferred income by maturity and type is presented below:

	Bonds	Convertible bonds	Loans from shareholders	Payables to banks	Payables to other lenders	Advances	Trade payables	Payables in the form of credit instruments
Amount at beginning of year	0	0	0	3,000,000	0	0	17,821,941	0
Variation during the year	0	0	0	(1,500,000)	0	0	46,545	0
Balance at end of year	0	0	0	1,500,000	0	0	17,868,486	0
Portion due within 12 months	0	0	0	1,500,000	0	0	17,868,486	0
Portion due after 12 months	0	0	0	0	0	0	0	0
Of these, payable beyond 5 years	0	0	0	0	0	0	0	0

	Payables to subsidiary companies	Payables to associated companies	Payables to parent companies	Payables to companies controlled by the parent companies	Taxes payable	Social security payables	Other payables	Total accounts payable
Amount at beginning of year	0	0	936,523	99,113	1,281,908	1,023,640	19,328,375	43,491,500
Variation during the year	0	0	1,620,471	3,378	(162,131)	(30,969)	2,057,383	2,034,676
Balance at end of year	0	0	2,556,994	102,491	1,119,777	992,671	21,385,758	45,526,177
Portion due within 12 months	0	0	2,556,994	102,491	1,119,777	992,671	20,554,192	44,694,611
Portion due after 12 months	0	0	0	0	0	0	831,566	831,566
Of these, payable beyond 5 years	0	0	0	0	0	0	0	0

Memorandum accounts

Their breakdown and nature are shown below:

Nature	31/12/2018	31/12/2017
Third-party assets received in concession	59,654	59,654
Personal guarantees received from third parties	12,717	10,994
TOTAL	**72,371**	**70,648**
Personal guarantees given to third parties	0	78
TOTAL	**0**	**78**

Third-party assets in concession are the fixed assets received in concession by SAGAT. These, however, are only the investments made by the entity granting the concession since the 1980's to this date, as the value of the assets built before that date —which include aircraft movement areas— is unknown.
They also include the value of the airport enlargement works carried out and funded by the Municipality of Turin on the occasion of the Winter Olympics.

The personal guarantees received from third parties are the bank guarantees received from carriers and from third parties in general.
There are no personal guarantees given to third parties.

INCOME STATEMENT

The most relevant Income Statement components for 2018 are shown below.

Revenues from sales and services

The revenues from sales and services obtained by the Group entirely in the territory of Italy and from customers based mostly in Italy or in the European Union, are broken down as follows (art. 2427 (1.10 of the Civil Code).

	Year 2018	Year 2017
Revenues from air traffic	26,612	27,717
Security	8,446	8,776
Handling and air traffic services	12,346	12,340
Car parking services	6,118	6,163
Subcontracted services	3,737	4,091
Subcontracted businesses and airport spaces	4,943	4,898
Centralized infrastructures	1,648	1,677
Assets in exclusive use	780	790
Assets used in common	-	-
Other revenues	115	128
TOTAL	**64,746**	**66,580**

Other revenues and proceeds

The other proceeds are broken down as follows:

	Year 2018	Year 2017
Recovery of utilities in common and miscellaneous expenses	156	171
Miscellaneous contingent gains	269	959
Other proceeds	1,238	2,265
Grants for plant and equipment investments	671	671
Total	**2,334**	**4,066**

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

The "Other income and proceeds", totalling €2,334 thousand, have decreased compared to 2017, mostly due to miscellaneous contingent gains arising, among the other revenues recorded by the holding company SAGAT in 2017, from the release, for cessation of the underlying reasons, of provisions for risks and for bad debts made in previous years for a total of €700 thousand, and to cancelled liabilities for a total of €1,248 thousand in 2017.

The grants for plant and equipment investments include, according to the criteria described above, the portion accruing in 2018 of the grants obtained from Regione Piemonte for the enlargement works at the Passenger and General Aviation terminals and at the luggage logistics buildings 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 by the principle of accrual in the amount of €665 thousand.

PRODUCTION COSTS

Production costs amount in total to €57,146 thousand and are broken down as follows:

Purchase of raw and maintenance materials, consumables and goods

These costs (€1,582 thousand) are broken down as follows:

	Year 2018	Year 2017
Maintenance materials	421	382
Miscellaneous materials	110	116
Materials intended for resale	0	355
Fuels and lubricants	610	537
De-icing	375	553
Stationery and printing	65	57
TOTAL	**1,582**	**2,000**

Services

The costs of services (€23,653 thousand) are composed of:

	Year 2018	Year 2017
Miscellaneous services	3,169	2,673
Support, storage and PRM services	645	388
Electricity and other utilities	3,009	3,216
Technical, management and marketing consulting services	582	551
Security services	3,323	3,870
Cleaning and waste collection services	1,116	1,109
Maintenance / repair and other contract costs	1,636	1,872
Maintenance and repair of leased assets	463	320
Business and general insurance policies	399	411
Miscellaneous staff costs (cafeteria, training, travel, etc.)	646	626
Other	8.664	8,348
TOTAL	**23,653**	**23,384**

Leasehold costs

Leasehold costs (€3,036 thousand), are composed of:

	Year 2018	Year 2017
Airport fee	2,407	2,428
Fee owed to the Town Authority of Turin	347	0
Fee owed to the Town of San Maurizio	24	24
Other concession fees (radio)	94	93
Leases and rentals	165	137
TOTAL	**3,036**	**2,682**

The increase in these costs (€354 thousand in total) is due essentially to the different accounting practice applied to the fee owed to the Town of Turin, in connection with the longer duration of the underlying controversy, that is described in detail in the Directors' Report of the holding company.

Staff costs

Staff costs, inclusive of outsourced staff, amounted on aggregate to €19,695 thousand, with a decrease by €802 thousand compared to 2017, as described in the Staff section of the Directors' Report for the Group.

The average number of Group employees in the year was 361.4 FTE and has decreased compared to the previous year (362.7).

The breakdown of total Group employees by category in 2018 and 2017 is shown below.

Category	Average number 2018	Average number 2017	Difference Absolute	Percentage difference
Executives	5.3	4	1.3	
Clerical staff	240.1	225.2	14.9	
Blue-collar staff	116.0	133.5	(17.5)	
Total	**361.4**	**362.7**	**(1.3)**	

Amortization, depreciation and write-downs

Amortization, depreciation and write-downs amount in total to €6,787 thousand and are broken down as follows:

	Year 2018	Year 2017
Depreciation of tangible assets	4,905	4,637
Amortization of intangible assets	1,339	1,205
Write-down of fixed assets	0	0
Write-down of accounts receivable	542	1,434
Total	**6,787**	**7,276**

The caption "Amortization and depreciation", €6,245 thousand in total, has increased from the previous year by €404 thousand, basically due to ordinary life cycle and replacement of existing fixed assets.

No fixed asset was written down during the year.

As mentioned earlier, in 2018 the provision for bad debts received an allocation of €542 thousand, in order to be adjusted to the Company's actual needs. Of these, €414 thousand derive from having posted under receivables the effects of the June 2018 decision of the Court of Appeal of Rome, that cancelled payments from Alitalia for a total of €689 thousand.

Changes in the inventory of raw and maintenance materials, consumables and goods

The stock of raw and ancillary materials, consumables and goods has increased by €26 thousand in the year, and the relevant purchase costs have decreased accordingly. In 2017 the caption had shown a decrease by €9 thousand.

Provisions for liabilities and charges

An amount of €319 thousand was allocated in the year to the provision for miscellaneous liabilities in order to cater for the losses or payables of probable or certain occurrence, the amount or date of occurrence of which is however uncertain as at the closing date. For details about the nature of the amounts allocated, please refer to the section in these Notes dedicated to the provision for liabilities and risk and its variations.

Miscellaneous operating costs

Miscellaneous operating costs, totalling €2,100 thousand, relate to:

	Year 2018	Year 2017
Guest entertainment expenses	49	34
Contingent liabilities / assets no longer existing	426	552
Membership fees	143	138
Damages liquidated to third parties	15	2
Fire Department fee	649	649
IMU (municipal property tax)	225	225
Other	594	655
TOTAL	**2,100**	**2,255**

This caption has decreased by €155 thousand compared to the previous year.

inancial income and expense

This caption, positive by €875 thousand compared to €2.50 thousand in 2017, is broken down as follows:

	Year 2018	Year 2017
Interest and other financial expense	(94)	(151)
Income from equity investments	837	2,668
Other financial income	133	23
TOTAL	**875**	**2,540**

During the year the Group has recorded income from equity investments for a total of €837 thousand, due to dividends collected by the subsidiary Aeroporti Holding from its investment in AdB.
The income from equity investments 2017 included €2,077 thousand deriving from the liquidation of the subsidiary SAGAT Engineering.

During the year, the Group has recorded interest income on current accounts for a total of €133 thousand, and interest expense for €94 thousand, due to the existing loan received from the holding company.

Adjustments to the value of financial assets

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

Income taxes

Income taxes, totalling €2,767 thousand, are the estimated amount of income taxes for the year, plus deferred tax assets and liabilities as shown in the table below.

	Year 2018	Year 2017
IRES (corporate income tax)	2,557	3,079
IRAP (regional tax)	517	664
Gain from tax consolidation	(4)	(79)
Prepaid and deferred taxes	(304)	(169)
TOTAL	**2,767**	**3,495**

The table below shows the reconciliation between the theoretical tax burden and the tax burden recorded in the consolidated financial statements as at 31 December 2018, compared with the corresponding period in 2017.

	Year 2018	Year 2017
EBT	10,810	14,927
Theoretical IRES rate (%)	24%	24%
Theoretical income tax	2,594	3,583
Tax effects of IRES variations	(41)	(583)
Effect of deferred taxes	(304)	(169)
IRAP (regional tax)	518	664
Income taxes recorded (current and deferred)	**2,767**	**3,495**

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

Operating profit (loss)

The consolidated profit for the year, €8,042,815, is composed of the net profit of the Group (€7,689,475) and the profit pertaining to minority shareholders (€353,339).

4.2.4 Other information

Significant events occurred after the closing of the year

Please note that on 6 February 2019 the Boards of Directors of SAGAT, Aeroporti Holding and 2i Aeroporti have approved the plan for the entire demerger of Aeroporti Holding into the beneficiary companies SAGAT and 2i Aeroporti, with a view to streamlining the structure of the Group. As a consequence of such demerger, the entire equity investment in AdB held by the demerged company, about 5.91% of its share capital, will be transferred pro-rata to SAGAT (3.28%) and to 2i Aeroporti (2.63%). As of this date the process, approved by the respective Shareholders, is not yet completed.

On 24 January 2019 the Board of Directors of SAGAT S.p.A. appointed Andrea Andorno as Chief Executive Officer of the Company.

Passenger traffic data at the Turin airport showed a positive trend in the opening two months of 2019. However, the removal of certain Blue Air routes due to their corporate reorganization and the removal of the Blue Panorama flight to Rome since March 2019 will affect the performance in the coming months.

These factors are countered by easyJet's strategies, that in the summer of 2019 will test in full season its flights to Berlin Schoenefeld and to Naples, and by the launch of the new flight to Krakow by Wizz Air.

As far as SAGAT Handling is concerned, in the first two months of 2019 there has been a steady growth, compared to 2018, in handled movements (703 movements, or +17.7%). Such growth is the outcome, in part, of the higher YOY number of rotations of winter charter flights, and in part to the coming into full operativeness of certain destinations and frequencies that had been launched in 2017.
Again compared to 2017, the market share has decreased from 64.1% to 71.1%.

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 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 2018
Directors	636
Statutory Auditors	106
Total	**742**

These emoluments are recorded as costs of services and take into account all the people who have held offices as directors and statutory auditors during the reference year, even if only for a part of it..

Independent auditors' fees

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

Activities performed	2018		
	SAGAT	SAGAT Handling	Total SAGAT Grupp
Annual statutory audit of the accounts	15	10	25
Other auditing services	6	6	11
Other services than auditing	9	0	9
Total	**30**	**16**	**46**

Signed in original by:

The Chairman
Giuseppe Donato

4.3
Report of the independent auditors on the consolidated financial statements

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

To the Shareholders of
Sagat S.p.A.

REPORT ON THE ACCOUNTING AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of the Sagat Group ("the Group"), comprising the balance sheet as at 31 December 2018, the income statement, the statement of cash flow for the year ended on that date, and the notes.

In our opinion, the consolidated financial statements provide a faithful and accurate picture of the financial position and standing of the Group as at 31 December 2018, of its operating result and cash flows for the financial year closed on that date in accordance with the Italian provisions of law governing the drafting of consolidated financial statements.

Grounds for our opinion

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

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

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

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

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

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

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

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

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

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

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

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

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

- We have obtained sufficient and appropriate evidence on the financial information of the enterprises or on the various business activities carried out within the Group as to allow us to release an opinion on the consolidated financial statements. We are responsible for directing, supervising and performing the accounting audit of the Group. We are the only responsible for our opinion as auditors on the consolidated financial statements.

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

REPORT ON OTHER STATUTORY PROVISIONS

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

The Directors of Sagat S.p.A. are responsible for preparing the Directors' report for the Sagat Group as at 31 December 2018, for its consistency with the consolidated financial statements and for its compliance with the law.

We have followed the procedures indicated in audit standard (SA Italia) no. 720B in order to express our opinion on the consistency of the Directors' report with the financial statements of Sagat S.p.A. as at 31 December 2018 and on its compliance with the law, and also in order to release our statement on any material errors.

In our opinion, the Directors' report is consistent with the consolidated financial statements of the Sagat Group as at 31 December 2018 and was prepared in accordance with the law.

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

DELOITTE & TOUCHE S.p.A.

Giuseppe Pedone
Partner

Turin, 12 April 2019

05

Annexes

TORINO AIRPORT CONNECTED TO
SAGAT

Balance sheet and Income statement of SAGAT Handling S.p.A.

amounts stated in Euro

Balance sheet: Assets	Financial statements as at 31/12/2018	Financial statements as at 31/12/2017
A) Contributions receivable from shareholders	**0**	**0**
B) Fixed assets		
I. Intangible assets		
3) Industrial patent and intellectual property rights	0	1,400
7) Other fixed assets	45,419	36,753
Total	**45,419**	**38,153**
II. Tangible assets		
3) Operating and sales equipment	28,096	15,181
4) Other assets	221,190	172,546
5) Investments in progress and payments on account	0	0
Total	**249,286**	**187,727**
III. Financial assets		
1) Investments in:		
d-bis) Other companies	0	0
Total	**0**	**0**
Total fixed assets (B)	**294,705**	**225,880**

amounts stated in Euro

Balance sheet: Assets	Financial statements as at 31/12/2018	Financial statements as at 31/12/2017
C) Current assets		
I. Inventory		
1) Raw and maintenance materials, consumables	62,452	52,506
Total	**62,452**	**52,506**
II. Accounts receivable		
1) From customers:		
due within 12 months	2,318,837	2,156,696
4) From parent companies:		
due within 12 months	390,092	692,665
5-bis) Tax receivables:		
due within 12 months	350,855	492,794
due beyond 12 months	158,528	158,528
5-ter) Deferred tax assets:		
due within 12 months	211,961	203,648
due beyond 12 months	0	0
5-quater) Other receivables:		
due within 12 months	119,957	132,106
due beyond 12 months	0	0
Total accounts receivable:		
due within 12 months	3,391,702	3,677,909
due beyond 12 months	158,528	158,528
Total	**3,550,230**	**3,836,437**
III. Current financial assets		
6) Other securities	0	0
Total	**0**	**0**
IV. Cash and cash equivalents		
1) Cash in bank	2,340,522	2,055,034
3) Cash and valuables in hand	1,179	933
Total	**2,341,701**	**2,055,967**
Total current assets (C)	**5,954,383**	**5,944,910**
D) Accrued income and prepayments		
Accrued income	0	0
Prepayments	23,207	14,683
Total accrued income and prepayments (D)	**23,207**	**14,683**
TOTAL ASSETS	**6,272,295**	**6,185,473**

amounts stated in Euro

Balance sheet: liabilities	Financial statements as at 31/12/2018	Financial statements as at 31/12/2017
A) Shareholders' equity		
I. Share capital	3,900,000	3,900,000
IV. Legal reserve	192,761	192,761
VI. Other reserves, itemized:		
Extraordinary reserve	149,403	149,403
Reserve for coverage of losses	0	0
VIII. Loss carried forward	(1,111,566)	(1,144,775)
IX. Profit (loss) of the year	48,719	33,209
Total shareholders' equity (A)	**3,179,317**	**3,130,598**
B) Provisions for liabilities and charges		
2) Provision for deferred taxes	17,438	23,251
4) Other provisions:		
Provision for future liabilities	94,676	76,668
Total provisions for liabilities and charges (B)	**112,114**	**99,919**
C) Provision for staff severance pay	943,732	958,445
D) Accounts payable		
7) Trade payables:		
due within 12 months	867,085	826,717
11) Payables to parent companies:		
due within 12 months	312,584	298,706
12) Tax payables:		
due within 12 months	128,341	140,030
13) Social security payables:		
due within 12 months	316,779	308,702
14) Other payables:		
due within 12 months	412,343	421,907
Total:		
due within 12 months	2,037,132	1,996,062
due beyond 12 months	0	0
Total accounts payable (D)	**2,037,132**	**1,996,062**
E) Accrued expenses and deferred income		
Accrued expenses	0	449
Deferred income	0	0
TOTALE LIABILITIES	**6,272,295**	**6,185,473**

amounts stated in Euro

Income statement	Financial statements as at 31/12/2018	Financial statements as at 31/12/2017
A) Production value		
1) Revenues from sales and services	9,572,773	9,564,091
5) Other revenues and proceeds, with operating grants stated separately	2,125,221	2,204,889
Total production value (A)	**11,697,994**	**11,768,980**
B) Production costs		
6) Cost of raw and ancillary materials, consumables and goods	680,566	658,890
7) Cost of services	2,860,791	2,322,980
8) Leasehold costs	1,341,313	1,307,912
9) Staff costs:		
a) salaries and wages	4,686,345	5,333,126
b) social security	1,334,165	1,348,272
c) severance pay	287,053	293,114
d) pension and similar benefits		0
e) other costs	110,127	109,174
Total staff costs	**6,417,690**	**7,083,686**
10) Amortization, depreciation and write-downs:		
a) amortization of intangible assets	34,853	27,157
b) depreciation of tangible assets	85,361	92,709
d) write-down of current receivables and of cash and equivalents	16,984	16,189
Total amortization, depreciation and write-downs	**137,198**	**136,055**
11) Changes in the inventory of raw and maintenance materials, consumables and goods	(9,946)	10,650
12) Provisions for liabilities and charges	46,809	0
14) Miscellaneous operating costs	173,620	164,408
Total production costs (B)	**11,648,041**	**11,684,581**
Production value less production costs (A-B)	**49,953**	**84,399**

amounts stated in Euro

Income statement	Financial statements as at 31/12/2018	Financial statements as at 31/12/2017
C) Financial income (expense)		
15) Income from equity investments:		
dividends and other proceeds from others	0	0
16) Other financial income:		
d) other income:		
from parent companies	0	0
other	29,730	196
Total	**29,730**	**196**
17) Interest and other financial expense	(1)	(1)
17bis) Exchange gains (losses)	14	(47)
Total financial income (expense) (C)	**29,743**	**148**
D) Adjustments to the value of financial assets	**0**	**0**
EBT (A-B+/-C+/-D+/-E)	**79,696**	**84,547**
20) Income taxes for the year:		
a) Current taxes	(45,103)	34,393
b) Deferred tax assets (liabilities)	14,126	(85,731)
21)) PROFIT (LOSS) OF THE YEAR	**48,719**	**33,209**

Balance sheet and Income Statement of Aeroporti Holding S.r.l.

amounts stated in Euro

Balance sheet: Assets	Financial statements as at 31/12/2018	Financial statements as at 31/12/2017
A) Shareholder contributions yet to be paid in		
Shares not yet called up	0	0
B) Fixed assets		
I. Financial assets		
1) Start up and improvement costs	0	0
Total intangible assets	**0**	**0**
III. Financial assets		
1) Equity investments in:		
a) subsidiary companies	0	0
b) associated companies	0	0
c) other companies	17,640,883	17,640,883
Total financial assets	**17,640,883**	**17,640,883**
Total fixed assets (B)	**17,640,883**	**17,640,883**

amounts stated in Euro

Balance sheet: Assets	Financial statements as at 31/12/2018	Financial statements as at 31/12/2017
C) Curent 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	4,306	11,524
due beyond 12 months	0	0
5-bis) Tax receivables:		
due within 12 months	7,481	9,447
due beyond 12 months	0	0
5-ter) Deferred tax assets:		
due within 12 months	0	0
due beyond 12 months	0	367
5-quater) Other receivables:		
due within 12 months	0	0
due beyond 12 months	0	0
Total accounts receivable:		
due within 12 months	11,787	20,971
due beyond 12 months	0	367
Total	**11,787**	**21,338**
IV. Cash and cash equivalents		
1) Bank and post office current accounts	723,619	445,238
Total cash and cash equivalents	**723,619**	**445,238**
Total current assets (C)	**735,406**	**466,576**
D) Accrued income and prepayments		
Prepayments	0	0
TOTAL ASSETS	**18,376,289**	**18,107,459**

amounts stated in Euro

Balance sheet: Liabilities	Financial statements as at 31/12/2018	Financial statements as at 31/12/2017
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	338,592	311,111
VI. Other reserves	59,203	59,203
VIII. Profit (loss) carried forward	4,619,995	4,597,871
IX. Profit (loss) of the year	793,130	549,605
Total shareholders' equity (A)	**18,355,883**	**18,062,753**
B) Provisions for liabilities and charges		
2) Provision for taxes, including deferred	0	0
Total provisions for liabilities and charges (B)	**0**	**0**
D) Debiti		
3) Shareholder loans:		
due beyond 12 months	0	0
7) Trade payables:		
due within 12 months	10,138	10,873
11) Payables to parent companies:		
due within 12 months	6,714	28,128
due beyond 12 months	0	0
12) Tax payables:		
due within 12 months	0	1,313
13) Social security payables:		
due within 12 months	0	768
14) Other payables:		
due within 12 months	3,554	3,624
Total accounts payable (D)	**20,406**	**44,706**
E) Accrued expenses and deferred income		
Accrued expenses	0	0
TOTAL LIABILITIES AND EQUITY	**18,376,289**	**18,107,459**

amounts stated in Euro

Income statement	Financial statements as at 31/12/2018	Financial statements as at 31/12/2017
A) Production value		
5) Other revenues and proceeds, with operating grants stated separately	63	0
Total production (A)	**63**	**0**
B) Production costs		
6) Purchase of raw and maintenance materials, consumables and goods	0	0
7) Cost of services	26,667	27,176
10) Amortization, depreciation and write-downs:		
a) amortization	0	0
14) Miscellaneous operating costs	17,179	18,362
Total production costs (B)	**43,846**	**45,538**
Production value less production costs (A-B)	**(43,783)**	**(45,538)**
C) Financial income (Expense)		
15) Income from investments in associated companies	836,769	591,288
16) Other financial income:		
d) other income than the above	60	32
17) Interest and other financial expense	0	(1)
Total financial income (Expense) (C)	**836,829**	**591,319**
EBT (A-B+/-C+/-D)	**793,046**	**545,781**
20) Income taxes for the year:		
a) current taxes	451	3,831
b) deferred taxes	(367)	(7)
Total income taxes for the year	**84**	**3,824**
21) PROFIT (LOSS) OF THE YEAR	**793,130**	**549,605**

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GRAPHIC PROJECT: NOODLES COMUNICAZIONE
LAYOUT: NOODLES COMUNICAZIONE
PHOTOGRAPHS: ARCHIVIO SAGAT

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