

**Interim Report on Operations at 30 September 2016
of the Enav Group**

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Main operating data

Income statement figures	30.09.2016	30.09.2015	Change	%
Total revenues	662.105	641.977	20.128	3,1%
EBITDA	208.019	195.272	12.747	6,5%
EBITDA margin	31,4%	30,4%	1,0%	3,3%
EBIT	107.459	88.806	18.653	21,0%
EBIT margin	16,2%	13,8%	2,4%	17,3%
Group portion of profit for the period	70.436	63.054	7.382	11,7%

Thousands of euro

Figures from statement of financial position	30.09.2016	31.12.2015	Change	%
Net invested capital	1.256.480	1.279.052	(22.572)	-1,8%
Shareholder's equity	1.107.523	1.090.550	16.973	1,6%
Net financial position	148.957	188.502	(39.545)	-21,0%

Thousands of euro

Other indicators	30.09.2016	30.09.2015	Change	%
En-route service units	6.492.564	6.365.487	127.077	2,0%
Service units - 1st terminal charge band	173.569	169.766	3.803	2,2%
Service units - 2nd terminal charge band	228.953	218.155	10.798	4,9%
Service units - 3rd terminal charge band	301.731	291.532	10.199	3,5%
Free cash flow	86.807	71.911	14.896	20,7%
Workforce at end of period	4.327	4.299	28	0,7%

Introduction

This document reports and comments on the schedules for the reclassified consolidated income statement, statement of financial position, statement of changes in net financial debt and statement of cash flows of the Enav Group at 30 September 2016, compared with the values for the same period of the previous financial year in the case of the income statement data and statement of cash flows, and with the corresponding values at 31 December 2015 in the case of the statement of financial position.

The consolidated financial statements were prepared in accordance with the evaluation criteria established by the International Financial Reporting Standards (IFRS) issued by the International Financial Standards Board (IASB) and endorsed by the European Commission, in force at 30 September 2016, and are broadly consistent with the criteria used to prepare the consolidated financial statements for the year ended 31 December 2015, as the amendments to the existing standards that came into force on 1 January 2016 have not affected the consolidated data.

Following the entry into force on 18 March 2016 of Legislative Decree No. 25 of 15 February 2016, which implemented Directive 2013/50/EU in Italy, the requirement to publish interim financial statements, previously laid down in paragraph 5 of Article 154-ter of the TUF, was eliminated, and CONSOB was given the power to require, through regulation, the disclosure of additional periodic financial information. Currently, therefore, there are no requirements to publish financial information relating to the third quarter of 2016. However, Enav felt it was appropriate to ensure continuity of information to the market by voluntarily preparing and publishing this Interim Report on Operations at 30 September 2016 for the Enav Group.

The Interim Report on Operations at 30 September 2016 does not represent interim financial statements prepared in accordance with international accounting standard IAS 34 and has not been audited by the independent auditors.

The publication of this Interim Report on Operations was authorised by the Board of Directors on 10 November 2016.

The consolidation principles used to prepare the Interim Report on Operations at 30 September 2016 conform to those used to prepare the Consolidated Financial Statements at 31 December 2015, approved on 29 March 2016 and available on the www.enav.it website at the following address <https://www.enav.it/sites/public/en/InvestorRelations/Financial-Statements-and-Reports.html>

The scope of consolidation at 30 September 2016 is the same as at 31 December 2015.

Market and air traffic trends

En-route traffic

En-route traffic, which relates to flights passing through Italian airspace with or without stopovers, saw an increase in service units invoiced for the third quarter of 2016 compared with 30 September 2015. According to the traffic figures reported by Eurocontrol, the number of service units increased by 2% for Italy. The number of flights invoiced was also up 1% (down 1.3% including the category of *Exempt flights not reported to Eurocontrol*).

En-route traffic (Number of flights)	30.09.2016	30.09.2015	No.	Change %
Domestic	225.050	240.376	(15.326)	-6,4%
International	694.415	661.557	32.858	5,0%
Overflight	438.796	433.249	5.547	1,3%
Total paying traffic	1.358.261	1.335.182	23.079	1,7%
Military	26.300	27.457	(1.157)	-4,2%
Other exempt	16.478	23.953	(7.475)	-31,2%
Total exempt traffic	42.778	51.410	(8.632)	-16,8%
Total reported by Eurocontrol	1.401.039	1.386.592	14.447	1,0%
Exempt traffic not reported to Eurocontrol	37.095	70.879	(33.784)	-47,7%
Overall total	1.438.134	1.457.471	(19.337)	-1,3%

En-route traffic (Service units) (*)	30.09.2016	30.09.2015	No.	Change %
Domestic	1.232.687	1.206.404	26.283	2,2%
International	2.726.484	2.642.599	83.885	3,2%
Overflight	2.420.346	2.399.752	20.594	0,9%
Total paying traffic	6.379.517	6.248.755	130.762	2,1%
Military	100.914	100.609	305	0,3%
Other exempt	9.167	11.787	(2.620)	-22,2%
Total exempt traffic	110.081	112.396	(2.315)	-2,1%
Total reported by Eurocontrol	6.489.598	6.361.151	128.447	2,0%
Exempt traffic not reported to Eurocontrol	2.966	4.336	(1.370)	-31,6%
Overall total	6.492.564	6.365.487	127.077	2,0%

(*) "service unit" is the unit of measurement used by Eurocontrol to calculate the value of the service provided, obtained by combining two elements: aircraft weight at take-off and distance travelled.

In particular, en-route traffic included:

- *international commercial traffic*, a category of flights with departure or arrival for stopover located in the Italian territory, which in the period in question posted positive results in terms of service units (SU), up 3.2%, as well as the number of assisted flights, up 5%. Lower growth in service units compared

with the number of assisted flights mainly reflects the decrease in the average distance travelled (down 2.2%).

These results were mainly achieved due to the excellent performance of connections between Italy and the rest of Europe (SU up 4.6%; number of flights up 5.7%), which represent approximately 80% of total international traffic service units. Difficulties still persist, however, for air traffic connecting Italy with Africa, which was down 17.6% in terms of service units and down 8.9% in terms of the number of assisted flights, mainly due to the presence of no-fly zones over Libyan airspace and social and political instability in North African countries

- *commercial overflight traffic*, a category of movements over domestic airspace only, which increased in terms of both service units (0.9%) and the number of assisted flights (1.3%). Strong performances in July and September, when service units increased by 5.6%, contributed to this positive result. A substantial increase was recorded for connections between continents in flights between European countries (SU up 4.1%; number of flights up 4.5%) which represent around 70% of total flights, while connections between Europe and Africa fell (SU down 12.5%; number of flights down 12.6%);
- *domestic commercial traffic* recorded an increase of 2.2% in service units in the period in question and a decrease of 6.4% in the number of assisted flights. The difference between service unit trends and the number of assisted flights reflects an increase in the average distance flown (up 8.4%) and the average weight of individual aircraft (up 7.3%). The figure for average distance travelled points to the return to more frequent long-distance connections between destinations in the north and south of the country, which are also less affected by competition from high-speed trains. The frequency of these flights rose by just under 10%;
- *exempt traffic* broken down into: i) *exempt traffic reported by Eurocontrol*, which decreased by 2.1% in service units and by 16.8% in the number of assisted flights (the latter figure mainly due to the decrease in circular flights, government flights and police flights); and ii) *exempt traffic not reported to Eurocontrol*, with an insignificant effect on revenues, which decreased by 31.6% in service units and by 47.7% in the number of assisted flights.

Terminal traffic

Terminal traffic, which refers to take-off and landing within 20km of the runway, reported by Eurocontrol, performed well at 30 September 2016 in terms of both service units, which were up 3.9%, and the number of assisted flights, which rose by 1.2%. This result was mainly due to the increase in the paying commercial traffic component, up 4.1% in terms of service units and up 2% in numbers of assisted flights. Exempt traffic

not reported to Eurocontrol, on the other hand, was down 13.1% in terms of service units and down 18.8% in numbers of assisted flights, a change that had a significant effect on the revenues representing approximately 1% of the service units.

Terminal traffic (Number of flights)		30.09.2016	30.09.2015	No.	Change %
Domestic					
	Chg. Zone 1	41.455	41.906	(451)	-1,1%
	Chg. Zone 2	43.782	44.570	(788)	-1,8%
	Chg. Zone 3	129.723	133.633	(3.910)	-2,9%
	Total domestic flights	214.960	220.109	(5.149)	-2,3%
International					
	Chg. Zone 1	78.748	78.521	227	0,3%
	Chg. Zone 2	128.685	121.858	6.827	5,6%
	Chg. Zone 3	137.598	128.275	9.323	7,3%
	Total international flights	345.031	328.654	16.377	5,0%
Total paying traffic		559.991	548.763	11.228	2,0%
Exempt flights					
	Chg. Zone 1	69	66	3	4,5%
	Chg. Zone 2	1.000	1.900	(900)	-47,4%
	Chg. Zone 3	17.429	20.818	(3.389)	-16,3%
	<i>Total exempt flights</i>	<i>18.498</i>	<i>22.784</i>	<i>(4.286)</i>	<i>-18,8%</i>
Total reported by Eurocontrol		578.489	571.547	6.942	1,2%
Exempt traffic not reported to Eurocontrol					
	Chg. Zone 1	2	13	(11)	-84,6%
	Chg. Zone 2	703	2.510	(1.807)	-72,0%
	Chg. Zone 3	24.774	46.265	(21.491)	-46,5%
Total exempt flights not reported to Eurocontrol		25.479	48.788	(23.309)	-47,8%
Totals per chg Zone					
	Chg. Zone 1	120.274	120.506	(232)	-0,2%
	Chg. Zone 2	174.170	170.838	3.332	2,0%
	Chg. Zone 3	309.524	328.991	(19.467)	-5,9%
Overall total		603.968	620.335	(16.367)	-2,6%

Terminal traffic (Service units)		30.09.2016	30.09.2015	No.	Change %
Domestic					
	Chg. Zone 1	50.288	49.797	491	1,0%
	Chg. Zone 2	49.917	50.153	(236)	-0,5%
	Chg. Zone 3	141.488	141.322	166	0,1%
	Total domestic SU	241.693	241.272	421	0,2%
International					
	Chg. Zone 1	123.113	119.876	3.237	2,7%
	Chg. Zone 2	178.544	167.232	11.312	6,8%
	Chg. Zone 3	152.383	140.069	12.314	8,8%
	Total international SU	454.040	427.177	26.863	6,3%
Total paying traffic		695.733	668.449	27.284	4,1%
Exempt flights					
	Chg. Zone 1	168	92	76	82,6%
	Chg. Zone 2	433	582	(149)	-25,6%
	Chg. Zone 3	6.140	7.084	(944)	-13,3%
	Total exempt SU	6.741	7.758	(1.017)	-13,1%
Total reported by Eurocontrol		702.474	676.207	26.267	3,9%
Exempt traffic not reported to Eurocontrol					
	Chg. Zone 1	0	1	(1)	-100,0%
	Chg. Zone 2	59	188	(129)	-68,6%
	Chg. Zone 3	1.720	3.057	(1.337)	-43,7%
Total exempt SU not reported to Eurocontrol		1.779	3.246	(1.467)	-45,2%
Totals per chg Zone					
	Chg. Zone 1	173.569	169.766	3.803	2,2%
	Chg. Zone 2	228.953	218.155	10.798	4,9%
	Chg. Zone 3	301.731	291.532	10.199	3,5%
Overall total		704.253	679.453	24.800	3,6%

As already highlighted for the en-route traffic performance, the *international traffic* component is the real driver of commercial terminal traffic compared with other components, with an increase in service units of 6.3%, attributable specifically to the results achieved by airports in the second and third charging bands, which posted respective improvements of 6.8% (including Venice Tessera (up 12.7%), Bergamo Orio al Serio (up 8%) and Milan Malpensa (up 5%) and +8.8% (including Bologna (up 15.4%), Naples (up 15%), Catania (up 11.2%) and Olbia (up 18.3%)).

The national component, meanwhile, registered an increase in service units of 0.2% and a decrease in assisted flights of 2.3%. This result reflects the negative figure recorded due, in particular, to the reduction in second and third charging band airport activities, which recorded respective decreases in numbers of assisted flights of 1.8% (including Milan Linate (down 3.4%) and Bergamo Orio al Serio (down 3.2%) and 2.9%. The main airports with reduced traffic figures were those with medium-to-low volumes, while airports with greater traffic volumes recorded growth (such as Catania, Palermo, Cagliari, Bari, Bologna, Turin and Olbia).

Overall, the results at 30 September 2016 compared with the corresponding period of 2015 showed positive trends for all three charging bands, specifically: i) the first band, represented by Rome Fiumicino, registered an overall increase of 2.2% in service units and a decrease of 0.2% in assisted flights, performing well both nationally and internationally due to the activation of new connections by both Alitalia and the low-cost airlines; and ii) the second band, represented by the Milan Linate, Milan Malpensa, Bergamo Orio al Serio and Venice Tesserà airports, registered a 4.9% increase in service units and a 2% increase in assisted flights, with a very strong performance in international traffic at all the airports thanks to the activities of carriers such as Ryanair and Vueling, and a reduction in national traffic; the third band, represented by 38 airports, registered an overall increase in service units of 3.5% and a 5.9% decrease in the number of flights, with an 8.8% increase in international flights and a 0.1% increase in national flights.

Seasonal effects

The type of business in which the parent company operates is affected by fluctuating revenues over the course of the year. Air traffic is, by its very nature, heavily influenced by seasonal factors, and particularly activities linked to tourism, with passenger traffic increasing in the seasons of the year when Italian and foreign passengers typically travel more.

Specifically, revenue performance, which is closely connected to air traffic volumes, is not uniform throughout the year, peaking in the summer months in particular.

In support of what has been stated, note that turnover for the third quarter alone represented 41% of total turnover at 30 September 2016, while for the first and second quarters it represented 25% and 34%, respectively. Consequently, the Group's interim results, as already shown in the first and second quarters, do not contribute evenly to the economic and financial results for the year.

Group economic and financial performance

The reclassified consolidated income statement, statement of financial position and statement of cash flows, the consolidated statement of net financial position and the key economic and financial indicators used by management to monitor performance are shown below.

Reclassified consolidated income statement

	30.09.2016	30.09.2015	Amount	Change %
Revenues from operations	626.388	604.955	21.433	3,5%
Balance	10.094	11.124	(1.030)	-9,3%
Other operating income	25.623	25.898	(275)	-1,1%
Total revenues	662.105	641.977	20.128	3,1%
Personnel costs	(354.164)	(348.852)	(5.312)	1,5%
Costs for capitalised internal work	20.315	19.978	337	1,7%
Other net costs	(120.237)	(117.831)	(2.406)	2,0%
Total operating costs	(454.086)	(446.705)	(7.381)	1,7%
EBITDA	208.019	195.272	12.747	6,5%
EBITDA margin	31,4%	30,4%	1,0%	3,3%
Amortisation, depreciation less investment grants	(100.113)	(101.719)	1.606	-1,6%
Write-downs, impairment, (write-backs) and provisio	(447)	(4.747)	4.300	-90,6%
EBIT	107.459	88.806	18.653	21,0%
EBIT margin	16,2%	13,8%	2,4%	17,3%
Financial income/(expenses)	(2.630)	2.811	(5.441)	-193,6%
Profit (loss) before taxes	104.829	91.617	13.212	14,4%
Taxes for the period	(34.393)	(28.563)	(5.830)	20,4%
Net profit (loss) for the period	70.436	63.054	7.382	11,7%

Thousands of euro

Analysis of revenues

Operating revenues stood at €626.4 million, up 3.5% compared with the corresponding period of the previous year. Revenues from parent company operations were €617.4 million (up 3.1% at 30 September 2015), with operations by the Group in the third-country market representing the remaining €8.9 million (up 41.6% on 30 September 2015).

	30.09.2016	30.09.2015	Amount	Change %
Route revenues	456.470	441.876	14.594	3,3%
Terminal revenues	150.975	138.435	12.540	9,1%
Route and terminal exemptions	9.961	10.688	(727)	-6,8%
Charge stabilisation supplementary contributions	0	7.613	(7.613)	-100%
Third party market revenues	8.982	6.343	2.639	41,6%
Total revenues from operations	626.388	604.955	21.433	3,5%

Commercial route revenues came to €456.5 million, representing an increase of 3.3% on 30 September 2015. This was due to growth of 2.1% in service units at 30 September 2016, as well as the tariff applied of €80.08, which was slightly higher than in 2015 (€78.80).

Commercial terminal revenues stood at €150.9 million, up 9.1% compared with the corresponding period of the previous year, due to an increase in service units at individual airports differentiated by charging bands of 4.1% in total, and to the charges applied. Analysing the revenues for the three charging bands, we can see a general increase in commercial service units in all three areas and an increase in charges for the first two bands, with the third remaining unchanged. Specifically, the first charging band, represented by Rome Fiumicino Airport, registered a 2.2% increase in service units compared with 30 September 2015, and applied a charge of €200.68 (€195.57 in 2015); the second charge zone, represented by Milan Malpensa, Milan Linate, Venice Tesserà and Bergamo Orio al Serio registered a 4.9% increase in service units and applied a charge of €233.33 (€214.2 in 2015); the third zone, which includes 38 airports, registered a 3.5% increase in terms of service units and also benefited from the effects of the transfer of two military airports open to civilian traffic (Treviso and Brindisi) to the management of the parent company ENAV in July and December 2015, respectively. The charge applied for the third band was €260.96, the same as in 2015, as required by the Ministry of Economy and Finance and the Ministry of Infrastructure and Transport. Note that the natural charge determined on the basis of costs estimated for 2016 would have been higher, at €358.08. Pending identification of the instrument needed to cover the spread deriving from the difference between the natural charge and the charge applied by the above ministries, this amount of €18.7 million is recognised as a balance item in compliance with the regulations in force.

Revenues for route and terminal exemptions stood at €9.9 million, down 6.8% compared with 30 September 2015 in both revenue components, due to fewer service units on exempt flights.

The charge stabilisation supplementary contributions, relating exclusively to the parent company's operations, stood at zero in 2015. The share recognised at 30 September 2015 was for the direct support of the band three terminal charge.

Third-country market revenues totalled €8.9 million, up by €2.6 million overall. Specifically, revenues for flight inspection services increased by €0.8 thousand for services provided in Saudi Arabia; revenues increased by €1.3 million for operations conducted in Malaysia by Enav Asia Pacific, which was awarded a

contract at the end of 2015 by the Malaysian Ministry of Transport, as the *Independent Checking Consultant for the new Kuala Lumpur Air Traffic Control Center*; maintenance activities carried out by the parent company recorded revenues of €0.6 million in the period under review.

The adjustment component for balances, also part of the parent company's operations, totalled €10 million and resulted from the elements reported in the following table:

	30.09.2016	30.09.2015	Change
Balance charge adjustments for the period	21.759	15.630	6.129
Discount effect	(419)	45	(464)
Balance changes	(185)	1.584	(1.769)
Balance utilisation	(11.061)	(6.135)	(4.926)
Total	10.094	11.124	(1.030)

The balance charge adjustments for the period of €21.7 million chiefly includes the route balance for traffic risk, weather risk and the negative inflation balance recorded, totalling €5.8 million (€16.3 million at 30 September 2015, and the terminal balances of €15.9 million in total (down €0.6 million at 30 September 2015), mainly relating to the third terminal charging band for €18.7 million, recorded as reported previously. At 30 September 2015, there was no terminal balance for the third band for the contribution of the parent company to preventive stabilisation when calculating the charges.

The discounting effect, equal to €0.4 million, derives from stripping out the financial component inherent in the balance mechanism, carried out by discounting the balance generated during the period in accordance with a pre-defined recovery plan.

The changes for balances item, negative by €0.2 million, includes the difference between Eurocontrol costs stated during performance and the actual figures for 2015.

The utilisation of the balance for €11 million refers to the transfer to the income statement and the 2016 charge of the portion of balances recognised in previous years.

Cost trends

Operating costs stood at €454 million in total, a net increase of 1.7% compared with 30 September 2015. Specifically, personnel costs increased by 1.5%, due mainly to: i) an increase in the fixed portion of remuneration due to natural growth in pay and an increase in the workforce of 28 employees at 30 September 2016 compared with the end of the third quarter of 2015; and ii) an increase in the variable portion of remuneration, specifically the public holidays falling on a non-working day item, attributable to 1 May, which was a Sunday in 2016, holidays for fewer days taken compared with the corresponding previous period and decreases in relocation benefits. The increase in personnel costs also reflects voluntary redundancy costs for employees who left the company in the period in question (21 employees for a total amount of approximately €2 million).

Other operating costs stood at €120 million, up 2% compared with 30 September 2015, mainly due to the costs incurred for the privatisation process, and specifically relates to advertising costs and activities carried out by legal and financial advisors, totalling €7.4 million. Without these expenses, the trend for costs for the period would have been down by 4.2% compared with the corresponding period in 2015.

	30.09.2016	30.09.2015	Change
Costs for purchases of goods	6.150	5.959	191
Costs for services:			
Maintenance costs	15.589	16.820	(1.231)
Eurocontrol contribution costs	30.995	29.099	1.896
Costs for utilities and telecommunications	26.782	30.051	(3.269)
Insurance costs	4.467	5.374	(907)
Cleaning and security	3.965	4.339	(374)
Other personnel-related costs	7.285	6.898	387
Professional services	7.891	8.234	(343)
Other costs for services	9.933	4.718	5.215
Total costs for services	106.907	105.533	1.374
Leases and rentals	4.512	4.256	256
Other operating costs	2.668	2.083	585
Total	120.237	117.831	2.406

In the analysis of the individual costs, excluding what has been reported previously, we can see a generalised reduction, such as the decrease in costs for utilities and telecommunications of €3.2 million, relating to both operating data connection costs (E-net) due to the reduction in prices by the provider with effect from June 2015, which reduced costs for electricity due to the lower rates applied by the operators, and lower insurance costs due to the new contracts agreed with effect from 1 July 2016; there was an increase in costs for Eurocontrol contributions of €1.9 million, already provided for in the charge.

Margins

These values had a positive effect on EBITDA, generating an increase of 3.3% on 30 September 2015, to €208 million, representing 31.4% of revenues (EBITDA margin). EBIT was €107.5 million, up €18.6 million on the corresponding period of the previous year (€88.8 million). The EBIT margin at 30 September 2016 was 16.2%, an improvement on the same period in 2015, when it stood at 13.8%.

Financial management

Financial income and expenses was negative at €2.6 million, representing a decrease on 30 September 2015 (€2.8 million).

	30.09.2016	30.09.2015	Change
Income from shareholdings in other companies	250	250	0
Financial income from balance discounting	487	4.145	(3.658)
Financial income from non-current financial assets	0	8	(8)
Interest income on VAT receivable to be repaid	356	600	(244)
Other interest income	1.443	2.096	(653)
Total financial income	2.536	7.099	(4.563)
	30.09.2016	30.09.2015	Change
Interest expense on bank loans	1.555	2.315	(760)
Interest expense on bond	2.601	541	2.060
Interest expense on employee benefits	722	732	(10)
Other interest expense	304	547	(243)
Total financial expenses	5.182	4.135	1.047
Exchange gains (losses)	16	(153)	169
Total financial income and expense	(2.630)	2.811	(5.441)

This change relates to financial income, which stood at €2.5 million, down €4.6 million due to the restatement of the present value of receivables for balances related to the third charging band as well as the lower default interest applied to carriers for late payment of route and terminal charges in the period.

Financial expenses increased by €1 million, mainly due to interest expense on the bond issue in August 2015, which came in at €2.6 million in the third quarter, up €2 million compared with 30 September 2015.

Result for the period

A tax loss of €34.3 million was registered in the period, up €5.8 million compared with 30 September 2015, due to the larger tax base.

Due to the above, the result for the period was positive for €70.4 million, up 11.7% on the same period a year earlier, entirely attributable to the Group.

Reclassified consolidated statement of financial position

	30.09.2016	31.12.2015	Change
Property, plant and equipment	1.047.425	1.083.836	(36.411)
Intangible assets	122.278	122.092	186
Investments in other companies	34.451	35.314	(863)
Other non-current assets and liabilities	84.318	66.709	17.609
Employee benefit provision	(62.723)	(58.068)	(4.655)
Total non-current assets	1.225.749	1.249.883	(24.134)
Inventories	61.621	62.027	(406)
Trade receivables	293.900	233.547	60.353
Trade payables	(123.051)	(128.348)	5.297
Provisions for risks and charges	(8.334)	(14.151)	5.817
Other current assets and liabilities	(193.405)	(123.906)	(69.499)
Total working capital	30.731	29.169	1.562
Net invested capital	1.256.480	1.279.052	(22.572)
Sources of funding			
Equity	1.107.523	1.090.550	16.973
Net financial position	148.957	188.502	(39.545)
Total sources of funding	1.256.480	1.279.052	(22.572)

Thousands of euro

Net invested capital stood at €1,256.5 million, down €226 million compared with 31 December 2015, due to the changes that took place in the following items.

Non- current assets

Non-current assets, equal to €1,225.7 million, was down by €24.1 million at 30 September 2016 compared with 31 December 2015, due to the decrease in tangible assets of €36.4 million due to higher amortisation and depreciation compared with the investments in progress recorded in the period. The positive change in the other non-current assets and liabilities item of €17.6 million mainly relates to the increase in receivables for balances recognised at fair value in the third quarter, totalling €34 million, and greater payables for balances of €12.4 million recorded at 30 September 2016.

Working capital

Working capital amounts to €30.7 million, increasing by €1.6 million compared with 31 December 2015. The main changes related to: i) the increase in trade receivables of €60.3 million (includes the positions toward airlines) including €57.8 million relating to Eurocontrol as higher turnover in the last two months of the third quarter due to the increase in traffic and therefore relating to items not past due, the contribution

for the safety of systems and operational security at 30 September 2016 of €22.5 million and the reduction in trade receivables of €4.9 million, mainly relating to the ending of credit positions in respect of Leonardo SpA (formerly Seles ES) due from Techno Sky, following arbitration proceedings that took place in May 2016, and the signing on 30 June 2016 of the deed of acknowledgement and settlement; ii) the decrease in trade payables of €5.3 million as the net effect of payments made to suppliers and the collection of the pre-financing obtained on the Connecting Europe Facility (CEF) 2014 -2020 project of €10.6 million; and iii) the negative change in other current assets and liabilities of €69.5 million, which relates to lower tax receivables following the collection of VAT for repayment of the tax years 2012 and 2014, totalling €40.5 million; the increase in other current assets of €7 million, mainly due to the deferral of the summer bonus payment to employees in June 2016; the increase in tax liabilities, mainly for IRES, recorded for the period; the increase in other current liabilities, mainly due to the net effect of the share of route and terminal proceeds pertaining to the Italian Air Force (AMI) and the Italian Civil Aviation Authority (ENAC) recorded in the period, totalling €59 million, and the decrease for the payment of the share of route and terminal payments pertaining to the AMI of €10 million.

Equity

Equity amounts to €1,107.5 million, recording a net increase of €16.9 million compared with 31 December 2015, due to profit for the period, which came to €70.4 million, and the decrease in shareholders' equity due to the payment of the dividend of €47.3 million, the negative effect of €4.8 million of the reserve for employee benefits, which recorded an actuarial loss for the period, and the negative change resulting from the conversion reserve of balances in foreign currencies, amounting to €1.2 million.

Net financial position

The net financial position was negative for €148.9 million, an improvement of €39.5 million over the figure at 31 December 2015, as shown in the table below.

	30.09.2016	31.12.2015	Change
Cash and cash equivalents	199.422	174.141	25.281
Current financial liabilities	(34.018)	(32.788)	(1.230)
Current net financial position	165.404	141.353	24.051
Non-current financial assets	848	968	(120)
Non-current financial liabilities	(315.209)	(330.823)	15.614
Non-current financial liabilities	(314.361)	(329.855)	15.494
Net financial position	(148.957)	(188.502)	39.545

Thousands of euro

At 30 September 2016, the positive change in the net financial position of €39.5 million essentially reflects the positive effect of the dynamics of receipts and payments associated with ordinary operations, in spite of the significant events that took place in the period in question, such as: i) the dividend payment of €47.3 million; ii) the payment to the Italian Air Force of its share of terminal receipts of €9.9 million; iii) the payment of the balance of current taxes and payments on account of €22.9 million; and iv) the payment of interest on the bond issue of €3.4 million. The effect of these disbursements was mitigated by the collections received in the period in relation to the VAT receivable of €40.5 million, the share of NOP-funded (National Operative Programme) projects for the years 2000/2006 and 2007/2013, totalling €10.3 million, and the pre-financing obtained for the 2014 - 2020 CEF (Connecting Europe Facility) project of €10.6 million.

Structure of the consolidated net financial position, in accordance with ESMA guidelines

	30.09.2016	31.12.2015
(A) Cash	169.421	174.141
(B) Other cash equivalents	30.001	0
(C) Securities held for trading	0	0
(D) Liquidity (A)+(B)+(C)	199.422	174.141
(E) Current financial assets	0	0
(F) Current financial liabilities	(2.341)	(219)
(G) Current portion of non-current debt	(31.677)	(32.569)
(H) Other current financial liabilities	0	0
(I) Current financial debt (F)+(G)+(H)	(34.018)	(32.788)
(J) Current net financial debt/(Liquidity) (D)+(E)+(I)	165.404	141.353
(K) Non-current bank borrowings	(135.209)	(150.823)
(L) Bonds issued	(180.000)	(180.000)
(M) Other non-current liabilities	0	0
(N) Non-current financial debt (K)+(L)+(M)	(315.209)	(330.823)
(O) ESMA net financial position (J)+(N)	(149.805)	(189.470)
(P) Current and non-current derivatives	848	968
(Q) Net financial debt for ENAV Group (O)+(P)	(148.957)	(188.502)

Consolidated cash flow

	30.09.2016	30.09.2015	Change
Cash flow generated/(absorbed) by operating activities	150.053	139.576	10.477
Cash flow generated/(absorbed) by investment activities	(63.246)	(67.665)	4.419
Cash flow generated/(absorbed) by financing activities	(61.148)	(12.884)	(48.264)
Net cash flow for the period	25.659	59.027	(33.368)
Cash and cash equivalents at the beginning of period	174.141	118.253	55.888
Exchange differences on cash and cash equivalents	(379)	0	(379)
Cash and cash equivalents at the end of period	199.421	177.280	22.141
Free cash flow	86.807	71.911	14.896

Thousands of euro

Cash flow from operating activities

Cash flow from operating activities generated in the period stood at €150 million at 30 September 2016, up €10.5 million compared with the corresponding period of the previous year, owing mainly to greater receipts in the period, partly due to increased traffic, and relating to: i) the VAT receivable refund of €40.5 million following the €21.4 million collected in 2015; ii) the receipt of grants for Networks and Mobility NOP-funded projects for the periods 2000/2006 and 2007/2013, for €10.3 million; iii) lower trade payables for €4.2 million; iv) the decrease in the provision for risks following the settlement of a dispute involving the subsidiary Techno Sky for €5.8 million; and v) the increase in profit for the period for €7 million.

Cash flow from investment activities

Cash flow from investment activities absorbed at 30 September 2016 was €63.2 million and was in line, overall, with the figure recorded at 30 September 2015. The change of €4.4 million compared with the third quarter of 2015 refers to the payment in 2015 of the balance of the second tranche for the acquisition of the equity interest in Aireon.

Cash flow from financing activities

Cash flow from financing activities absorbed cash totalling €61.1 million, compared with €12.9 million at 30 September 2015. The cash flow absorbed in the third quarter essentially refers to the repayment of €15.7 million in loans, the payment of the dividend of €47.3 million, the payment of €3.4 million in interest on the bond issue and the contracting of short-term lines of credit by subsidiary Techno Sky, of which €1.8 million remain. The cash flow from financing activities absorbed at 30 September 2015 benefited from the taking out of short-term lines of credit that made it possible to offset the financial outgoings related to the payment of the dividend of €36 million and the repayment of loans, reabsorbed at year-end.

To conclude, at 30 September 2016, the cash flow of €150 million generated by operating activities covered both the requirement related to financing activities of €61.1 million and investment activities of €63.2 million and the maintenance of available cash of €25.3 million, resulting in cash and cash equivalents of €199.4 million compared with €177.3 million at 30 September 2015.

Business outlook

The growth in traffic volumes managed by the parent company and recorded in the summer season, which for en-route traffic was up 2% in terms of service units, confirms the forecast of an increase in traffic at the end of the year of around 2% compared with 2015.

There is also a general cost-cutting trend linked to the increase in revenues, specifically with regard to external operating costs, which is expected to be maintained over the coming months.

The Enav Group's strong focus on implementing its Business Plan continues, with the development in the next quarter of projects aimed not only at cutting costs, but also at developing both core Group and non-regulated market activities.

Declaration of the manager responsible for financial reporting

(pursuant to Article 154-*bis*, paragraph 2 of Legislative Decree No. 58/1998)

The manager responsible for financial reporting, Loredana Bottiglieri, declares, pursuant to Article 154-bis, paragraph 2, of Legislative Decree No. 58/1998, that the accounting information contained in this interim reporting at 30 September 2016 corresponds to the related accounting records, book and supporting documentation.

Rome, 10 November 2016.

Signed Loredana Bottiglieri

Alternative performance indicators

Enav's management also evaluates the Group's performance on the basis of several performance indicators not provided for by the IFRS, believed to be useful for the purpose of monitoring the Group's performance and representative of the economic and financial results produced by Group operations.

With regard to these indicators, on 3 December 2015, CONSOB issued Communication No. 92543, which transposes the guidelines issued on 5 October 2015 by the *European Securities and Markets Authority* (ESMA) No. 2015/1415 regarding the use of alternative performance indicators in distributed regulated information or in prospectuses published from 3 July 2016 in order to improve the comparability, reliability and comprehensibility of the data presented.

In line with the CONSOB communication, the criteria used to establish these indicators are provided below:

- *EBITDA*: an indicator which highlights the economic result before the effects of financial management and tax management, as well as amortisation, depreciation and write-downs on fixed assets, receivables and provisions, as reported in the financial statements and adjusted for investment grants directly associated with the amortised investments to which they relate;
- *EBITDA margin*: EBITDA as a percentage of total revenues, adjusted by the investment grants as specified above;
- *EBIT*: EBITDA net of depreciation and amortisation adjusted by investment grants and write-downs of fixed assets and receivables and provisions;
- *EBITDA margin*: EBIT as a percentage of total revenues, minus the investment grants as specified above;
- *Non-current assets*: a capital parameter equal to the non-current assets used in corporate operations, which includes items relating to tangible assets, intangible assets, equity investments, other non-current assets excluding the fair value of the derivative included in the non-current financial assets item, net of other non-current liabilities and the employee benefit provision;
- *Working capital*: the capital used for core corporate operations which includes the warehouse inventories, trade payables and other non-financial current assets items, net of trade payables, provisions for risk and charges and other current liabilities, excluding financial liabilities;
- *Net invested capital*: the sum of non-current assets and working capital;
- *Net financial position*: the sum of financial liabilities, financial assets related to the fair value of the derivative and cash and cash equivalents;
- *Free cash flow*: the sum of the cash flow generated or absorbed by operating activities and the cash flow generated or absorbed by investment activities.

Legal information and contacts

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Legal information

Issued capital: €541,744,385.00, fully paid-up.

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