

**Draft Enav S.p.A. Separate Financial Statements
and Enav Group consolidated Financial Statements
at 31 December 2016**



Annual Financial Report 2016

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Introduction

Group financial and operational highlights

Financial data	2016	2015	Variations	%
Total revenues	865,271	849,565	15,706	1.8%
EBITDA	254,879	242,972	11,907	4.9%
EBITDA margin	29.5%	28.6%	0.9%	3.0%
EBIT	116,884	93,438	23,446	25.1%
EBITDA margin	13.5%	11.0%	2.5%	22.8%
Fiscal year result of the Group	76,345	66,083	10,262	15.5%
Equity and Financial data	31.12.2016	31.12.2015	Variations	%
Net invested capital	1,219,947	1,279,052	(59,105)	-4.6%
Equity	1,119,826	1,090,550	29,276	2.7%
Net Financial Debt	100,121	188,502	(88,381)	-46.9%
Other indicators	2016	2015	Variations	%
En route service units	8,299,670	8,171,509	128,161	1.6%
Terminal service unit 1st charging zone	225,696	221,861	3,835	1.7%
Terminal service unit 2nd charging zone	300,716	286,465	14,251	5.0%
Terminal service unit 3rd charging zone	382,518	372,497	10,021	2.7%
Free cash flow	135,760	136,056	(296)	-0.2%
Headcount at end of period	4,233	4,236	(3)	-0.1%

Enav on the stock exchange

Trading in the shares of the Parent company Enav S.p.A. on the Italian Online Stock Market (MTA), organised and operated by Borsa Italiana SpA, began on 26 July 2016. The public offering ended with the placement of an initial 230 million shares representing around 42.5% of Enav's share capital. Of these shares, 207 million, or 90% of the public offering, were reserved for institutional investors in Italy and abroad, and 23 million, or 10% of the initial public offering, were targeted at retail investors in Italy and employees. The greenshoe option was exercised on 2 August 2016 by the Ministry of the Economy and Finance and by the banks to control prices, on a package of 22.6 million shares, corresponding to 4.172% of the share capital of the Parent company, bringing the proportion of the share capital available on the market to 46.627%. The Italian Ministry of Economy and Finance (MEF) holds 53.373% of the share capital, amounting to €289,144,385.

The placement price was set at €3.30 per ordinary share. The Enav shareholder base, which includes a significant component of retail investors, also features some of the leading American, Australian and European institutional investors.

Following an acceleration during the post-listing period, the share price then felt the effects of certain external factors such as the increase of interest rates in the United States, the results of the American election and the Italian political uncertainties, which led to a defensive rotation of segments by the investment funds towards stocks with higher risk/return profiles.

In the last part of the year the share price's performance stabilised.

Report on Operations

Corporate and Control Boards

Board of Directors

Chair	Ferdinando Falco Beccalli
Chief Executive Officer	Roberta Neri
Board Members	Maria Teresa Di Matteo
	Nicola Maione
	Alessandro Tonetti
	Stefano Siragusa (*)
	Mario Vinzia (*)

Committee for Risk Management and Related Parties (**)

Chair	Nicola Maione
Members	Stefano Siragusa
	Mario Vinzia

Remuneration and Appointments Committee (**)

Chair	Stefano Siragusa
Members	Nicola Maione
	Alessandro Tonetti

Board of Statutory Auditors (***)

Chair	Franca Brusco
Statutory Auditors	Mattia Berti (****)
	Donato Pellegrino
Alternate Auditors	Maria Teresa Cuomo

Magistrate appointed by the Italian Court of Auditors to Audit Enav

Angelo Buscema

Independent Auditors (*****)

EY SPA

(*) in office since 29 April 2016, date of appointment by the Shareholders' Meeting.

(**) the Committees were established by the Board of Directors on 8 June 2016 with effect from the start date of trading of ENAV shares on the Italian Online Stock Market.

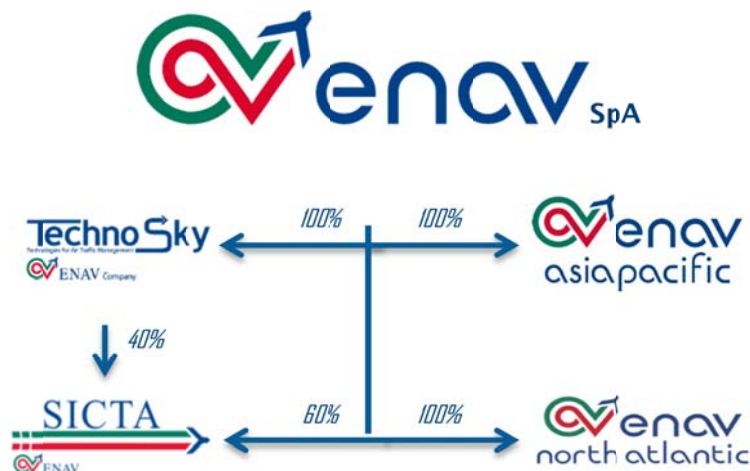
(***) the Board of Auditors was appointed by the Shareholders' meeting dated 29 April 2016, for the period 2016 – 2018.

(****) the Auditor was appointed on 20 June 2016 to replace the retiring Auditor Gennaro Pappacena who was appointed by the Shareholders' meeting on 29 April 2016.

(*****) the Shareholders' meeting of 29 April 2016 appointed the Auditing Firm for the nine-year period 2016 – 2024.

Group structure

A brief description of the companies within the scope of consolidation is provided below.



ENAV, active in the *flight assistance services* operating segment, provides air traffic control and management services and other essential air navigation services, in Italian airspace and in the national civil airports for which it is responsible, ensuring the highest technical and system standards in flight safety and the enhancement of the technology and infrastructure of flight assistance systems. This infrastructure requires constant maintenance and ongoing development to ensure operational safety, punctuality and continuity. Moreover, this is clearly stated in the European Union's Single European Sky regulations that on the one hand define the structure of the air traffic management system and on the other set the technological, qualitative, economic and environmental targets that all service providers must meet.

Techno Sky, active in the *maintenance services* operating segment, is wholly owned by ENAV and is engaged in managing, assisting and maintaining the technological and operational infrastructure for national air traffic control, ensuring its full and constant availability and operational efficiency.

Enav Asia Pacific Sdn Bhd, active in the residual *other segment*, is a Malaysian company wholly owned by ENAV, engaged in developing the Group's sales and marketing activities in countries within Asia and Oceania.

Consorzio Sicta in liquidation, active in the residual *other segment*, is 60% owned by ENAV and 40% owned by Techno Sky, and is engaged in researching, development, testing, simulation and validation of innovative solutions in the field of air traffic control systems for the consortium members and for European programmes (principally for the SESAR project).



Enav North Atlantic LLC, active in the residual *other segment*, is a US company based in Delaware that is wholly owned by ENAV. The company was incorporated in January 2014 as a limited liability company, in order to participate in an investment by the acquisition of 12.5% of the share capital of Aireon LLC, a US company in the IRIDIUM Group, which is responsible for planning, financing and implementing a global satellite surveillance service using ADS-B technology.



Corporate governance

The *Report on Corporate Governance and Company's Ownership Structure* envisaged by art. 123-bis of Legislative decree no. 58 of 24 February 1998 – Consolidated Finance Act (TUF) was prepared as an independent document approved by the Board of Directors on 16 March 2017, published on the Company's Internet site at the address www.enav.it, in the *governance* section.

The Report was drafted in line with the recommendations of the Self-Governance Code for listed companies promoted by Borsa Italiana and using the corporate governance report and ownership structure format provided by Borsa Italiana S.p.A.

The report provides a general and complete picture of the corporate governance system adopted by ENAV. It illustrates the Company's profile and guiding principles, information on the ownership structure and compliance with the Self-Governance Code, including the primary governance practices applied and the main characteristics of the risk management and internal control system.

The criteria for calculating directors' payments are illustrated in the *Remuneration Report*, prepared according to the obligations envisaged by art. 123-ter of the TUF and art. 84-quater of the CONSOB Regulations for Issuers and published in the *governance* section of the company Internet site.

Scenario and operating results

During 2016 the Italian economy showed signs of moderate growth, stimulated by the resumption of investment and expansion of consumer spending. According to the Bank of Italy Economic Report during June 2016 the first positive signs were seen in terms of business confidence and industrial activity also showed signs of recovery. Based on available estimates for the fourth quarter of 2016, the Bank of Italy indicates that GDP should be around 0.9% for the year, although with inflation at levels close to zero.

The air transport market, which historically correlates with the trend of the main macroeconomic indicators, while it saw increased volumes at the end of 2016, was also notable for its fluctuating trend during the year. Specifically as regards scheduled traffic, the Service Units (SUs) figure was found to have consolidated a positive value at the yearend (1.5%) thanks to the good performance recorded in the first and third quarters of the year, with a slowdown however between the second and third quarters. Alongside the economy-related effects, demand in 2016 was again affected by the socio-political situation in North Africa, meaning both the continuation of the no-fly zone of Libyan airspace, which has been in force since the second half of 2014, and therefore limited air traffic to and from Africa through 2016, and by the instability of countries such as Egypt, Tunisia and Turkey which caused traffic flows, in particular tourist flows, to be diverted to other areas which do not involve flying through Italian airspace. As regards the main airlines operating in Italian skies, there was a positive contribution of the low-cost carriers, in particular Ryanair and Wizzair (up 9.7% and 11.5% in terms of Service Units respectively), while Alitalia operations remain broadly unchanged (+0.1% SUs). We also report the reduction of the market shares of certain *full service* carriers such as Air France (-12.2% in terms of SUs) and British Airways (-8.1%, SUs).

Given this scenario, according to its business lines and strategy set by the Business Plan, the Company implemented a series of management actions not only for achieving the aims of optimising scheduled expenditure, but also for maximising the revenue component associated with operating excellence.

The results in terms of cost limitation and the quality of performance of the service provided illustrate this achievement. The latter continues on its positive trajectory, confirming the Company's leading role in the European panorama. In actual fact, the performance relating to punctuality confirms ENAV as one of the most effective providers in Europe, with an average delay per flight close to zero (0.002 minutes average delay en route). The results achieved in terms of flight punctuality have allowed focusing on the capacity targets established in the *Performance Plan* and achieving also for 2016 the anticipated bonus in terms of both En-route and Terminal services.

As regards the economic component, although in the presence of a lower final traffic volume than forecast and having a different inflation dynamic than anticipated in the Performance Plan agreed with the European regulator, ENAV Group has managed to achieve increasing margins in terms of EBITDA (+€12 million over 2015), thanks to actions on specific cost components and optimisation of processes between

Group companies. All this has been achieved in respect of the Group's mission, which is to guarantee safe movement of aircraft en route and in the airport, and at the same time guarantee full operational efficiency of traffic control systems and equipment.

More specifically, the savings achieved in terms of costs, which benefit ENAV thanks to the economic performance mechanism the company is subject to, and the increased value of revenue, related primarily to the increased traffic, the operating capacity incentive and the development of the non-regulated market, has permitted achieving an EBITDA of €254.9 million in the year, 4.9% greater than the value of the previous year (€242.9 million). With particular reference to costs, the figure for the end of 2016 was €610.3 million, an increase of 0.6%, through the presence of the costs of the listing process (€7.5 million). Excluding these extraordinary items from the 2016 costs, the comparison with the previous year amounts show a decrease equal to 4%.

In 2016, the second year of the performance plan (2015-2019), the Company was doubly engaged in the collaboration with the national and international institutions, both for the definitive approval of the financial planning of the 2015-2019 Performance Plan, and for the even more delicate process which led to becoming the first provider in the air traffic control services world to be listed on a stock exchange.

In relation to the Performance Plan, the Company gained formal and definitive approval on 15 April 2016, from the European Commission, for the financial planning submitted in the 2015-2019 Performance Plan. In actual fact, by Decision (EU) 2016/599, the European commission established that for Italy, "the essential industry performance targets for economic efficiency included in the revised plans, submitted pursuant to Regulation (EC) no. 549/2004, are in line with the performance targets of the EU for the second reference period".

As regards the privatisation process, the first half of 2016 saw the continuation and intensification of the Company's involvement in activities preparatory to listing on the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A.. Following the listing of the Company's shares on the Italian Online Stock Market and the approval of the Prospectus by CONSOB, the public offering of ENAV ordinary shares got underway on 11 July and concluded on 21 July 2016. ENAV was listed on the stock exchange on 26 July 2016.

The year 2016 ended positively as regards air-traffic control in the countries of the Eurocontrol area and, in line with the growth seen during 2015, 2016 also saw an increase in the number of service units (*) which, when compared with the previous period, saw an increase of traffic volumes of 4.2% for all of the Eurocontrol area countries.

With reference to En-route service units of the major European providers, there was a general increase in Spain of 8.5%, United Kingdom 7.1%, France 5.4% and Germany 4.5%.

Given this growth of En-route traffic area, the results recorded in Italy were also positive, at +1.6% compared to the previous period, while lower than the other European countries. The elements characterising the trend recorded in Italy are illustrated in the following paragraphs.

Total route traffic to service units (**)	31.12.2016	31.12.2015	Variations	
			no.	%
France	19,881,541	18,867,771	1,013,770	5.4%
Germany	13,560,219	12,976,261	583,958	4.5%
Great Britain	10,874,603	10,153,907	720,696	7.1%
Spain	9,760,665	8,997,417	763,248	8.5%
Italy (***)	8,299,670	8,171,509	128,161	1.6%
Eurocontrol	133,631,234	128,254,489	5,376,745	4.2%

(*) traffic flying over Italian air space, with or without stopover.

(**) "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.

(***) excluding exempt traffic not reported to Eurocontrol.

En-route traffic

En-route traffic in Italy, as at 31 December 2016, shows an increase of service units of 1.6% compared to the previous period and an increase of flights by 1.2% (-1.4% if you also consider the residual flights category, *Exempt traffic not communicated to Eurocontrol*).

Traffic en-route (Number of flights)	31.12.2016	31.12.2015	Variations	
			no.	%
Domestic	288,625	308,707	(20,082)	-6.5%
International	895,067	851,817	43,250	5.1%
Overflight	551,678	542,057	9,621	1.8%
Paying total	1,735,370	1,702,581	32,789	1.9%
Military	34,729	36,636	(1,907)	-5.2%
Other exempt	20,134	29,906	(9,772)	-32.7%
Total exempt	54,863	66,542	(11,679)	-17.6%
Total reported by Eurocontrol	1,790,233	1,769,123	21,110	1.2%
Exempt not reported to Eurocontrol	40,856	88,605	(47,749)	-53.9%
Total	1,831,089	1,857,728	(26,639)	-1.4%

Traffic en-route (service units)	31.12.2016	31.12.2015	Variations	
			no.	%
Domestic	1,597,509	1,573,222	24,287	1.5%
International	3,478,877	3,382,427	96,450	2.9%
Overflight	3,076,031	3,062,543	13,488	0.4%
Paying total	8,152,417	8,018,192	134,225	1.7%
Military	134,954	137,905	(2,951)	-2.1%
Other exempt	12,299	15,412	(3,113)	-20.2%
Total exempt	147,253	153,317	(6,064)	-4.0%
Total reported by Eurocontrol	8,299,670	8,171,509	128,161	1.6%
Exempt not reported to Eurocontrol	3,331	5,108	(1,777)	-34.8%
Total	8,303,001	8,176,617	126,384	1.5%

In particular, the composition of En-route traffic was marked by:

- *international paying commercial traffic*, a category of flights with the departure or arrival being an airport located within the Italian territory, which recorded continually positive values during the entire year, up 2.9% at the end of 2016 in terms of service units (SUs) and 5.1% in terms of number of flights assisted. The average distance travelled, the factor varying with the average weight on takeoff for calculating the SU, was down by 2.2%, therefore contributing to the lower growth of service units compared to the number of flights assisted. In actual fact, the final figure shows a reduction of flights covering a distance greater than 700 km over Italian airspace (-3.7%), not offset by the increase of flights covering shorter distances.

As regards flight destinations in Europe, a positive trend was recorded for flights with European destinations to/from Italy (+4.3% SUs; +5.5% number of flights) which make up the majority of international traffic service units, being more than 80% of the total. Asian destinations to/from Italy have also grown slightly (+0.2% SUs; +5.0% number of flights) and represents around 10% of the total of international SUs. However the negative trend of 2016 continues for African flights to and from Italy, the service units of which were down 14.7%, and the number of flights assisted down 7.1%. The weakest are flights primarily to Egypt and Tunisia because of the precarious socio-political situation of those two countries.

- *overflight commercial traffic*, a category of flight overflying only Italian national airspace, which was up 0.4% at the end of 2016 in terms of service units and 1.8% by number of flights. For this category of flight destination, 2016 saw major volatility, which at the end of the first quarter of the year saw positive traffic data, followed by negative data in the second quarter, while in the second half of the year activity recovered, especially in terms of the number of flights assisted. As for international traffic, these overflying flights suffered a reduction of flights with the greater average distances travelled (more than 800 km over domestic airspace) down 6.0% in terms of service units and 5.1% number of flights assisted, while flights with an average difference covered between 400 and 800 km increased

(+11.6% service units; +10.1% number of flights). For flights between continents, in 2016 there was an increase of flights between European countries (+4.4% of service units; +4.5% number of flights) which represent little more than 68% of the total of flights while, as for international traffic the figure of flights between Europe and Africa was down (-11.0% service units; -10.2% number of flights). The trend of routes between Europe and Asia was however contrasting (-4.3% service units; +6.1% number of flights) because of the reduced average distance covered per individual flight which went from 550 km in 2015 to 500 km in 2016 (-9.1%);

- *domestic paying commercial traffic*, which recorded a contrasting result in 2016 compared to 2015, with an increase of service units by 1.5% compared to a significant reduction by 6.5% of number of flights billed. The reduction of the total of flights carried out on domestic routes remained almost constant throughout all months of 2016. The discrepancy in the trend of service units is due to the increase of the average distance travelled (+8.2%), and the average weight (+6.9%) of each individual aircraft. The increase in the average distance travelled is due to the increase of flights of a greater distance (more than 700 km) over domestic airspace increasing by 9.6%, while those with an average distance below 350 km were much lower (-22.3% by number of flights). It is worth recalling that flights over 700 km are the ones which connect the north of Italy to the south (Milan – Catania for instance), where there is less competition from High Speed, while those of a shorter distance than 350 km are those where the road transport alternative has consolidated over the years and is now a competitive option;
- *exempt traffic* divided into: i) *exempt traffic reported by Eurocontrol*, which saw a decrease of 4.0% in terms of service units, with number of flights assisted down by 17.6%, due primarily to the reduced activity of circular flights, state flights, police flights and military flights of Eurocontrol member countries; ii) *exempt traffic not reported to Eurocontrol*, with only a slight effect on revenue, down in terms of service units (-34.8%) and number of flights assisted (-53.9%).

Terminal traffic

Terminal traffic, which covers the takeoff and landing activities within a radius of 20 km from the runway, reported by Eurocontrol, saw a positive trend in 2016 both in terms of service units (3.5%) and flights assisted (1.1%).

This result was mainly due to the increase in the paying commercial traffic component, up +3.6% in SU and +2% in numbers of assisted flights. The exempt traffic component, with a negligible value out of the total of service units, was however down 13.1% in terms of service units and 20.7% in terms of assisted flights.

Terminal traffic		31.12.2016	31.12.2015	Variations	
(Number of flights)				no.	%
Domestic					
	Chg.Zone 1	54,195	55,152	(957)	-1.7%
	Chg.Zone 2	56,793	57,647	(854)	-1.5%
	Chg.Zone 3	165,796	171,447	(5,651)	-3.3%
	Total domestic flights	276,784	284,246	(7,462)	-2.6%
International					
	Chg.Zone 1	102,650	102,368	282	0.3%
	Chg.Zone 2	169,588	159,783	9,805	6.1%
	Chg.Zone 3	172,833	161,241	11,592	7.2%
	Total international flights	445,071	423,392	21,679	5.1%
Paying total		721,855	707,638	14,217	2.0%
Exempt					
	Chg.Zone 1	103	96	7	7.3%
	Chg.Zone 2	1,217	2,361	(1,144)	-48.5%
	Chg.Zone 3	22,216	27,229	(5,013)	-18.4%
	<i>Total exempt flights</i>	23,536	29,686	(6,150)	-20.7%
Total reported by Eurocontrol		745,391	737,324	8,067	1.1%
Exempt not reported to Eurocontrol					
	Chg.Zone 1	2	16	(14)	-87.5%
	Chg.Zone 2	806	2,864	(2,058)	-71.9%
	Chg.Zone 3	26,745	58,907	(32,162)	-54.6%
Tot. exempt flights not reported to Eurocontrol		27,553	61,787	(34,234)	-55.4%
Total for chg Zone					
	Chg.Zone 1	156,950	157,632	(682)	-0.4%
	Chg.Zone 2	228,404	222,655	5,749	2.6%
	Chg.Zone 3	387,590	418,824	(31,234)	-7.5%
Total		772,944	799,111	(26,167)	-3.3%

Terminal traffic (service units)		31.12.2016	31.12.2015	Variations no. %	
Domestic					
	Chg.Zone 1	65,657	65,541	116	0.2%
	Chg.Zone 2	64,771	65,081	(310)	-0.5%
	Chg.Zone 3	181,474	182,314	(840)	-0.5%
	Total domestic SUs	311,902	312,936	(1,034)	-0.3%
International					
	Chg.Zone 1	159,797	156,180	3,617	2.3%
	Chg.Zone 2	235,331	220,440	14,891	6.8%
	Chg.Zone 3	191,110	176,981	14,129	8.0%
	Total international SUs	586,238	553,601	32,637	5.9%
Paying total		898,140	866,537	31,603	3.6%
Exempt					
	Chg.Zone 1	242	139	103	74.1%
	Chg.Zone 2	546	728	(182)	-25.0%
	Chg.Zone 3	8,048	9,302	(1,254)	-13.5%
	Total SUs exempt	8,836	10,169	(1,333)	-13.1%
Total reported by Eurocontrol		906,976	876,706	30,270	3.5%
Exempt not reported to Eurocontrol					
	Chg.Zone 1	0	1	(1)	-100.0%
	Chg.Zone 2	68	216	(148)	-68.5%
	Chg.Zone 3	1,886	3,900	(2,014)	-51.6%
Total exempt SUs not reported to Eurocontrol		1,954	4,117	(2,163)	-52.5%
Total for chg Zone					
	Chg.Zone 1	225,696	221,861	3,835	1.7%
	Chg.Zone 2	300,716	286,465	14,251	5.0%
	Chg.Zone 3	382,518	372,497	10,021	2.7%
Total		908,930	880,823	28,107	3.2%

As illustrated previously for the trend of En-route traffic, the *international traffic* component of Terminal paying commercial traffic is leading the other components having achieved an increase in terms of service units of 5.9% and 5.1% for number of flights assisted. This result is attributable in particular to the results achieved by airports in the second charge category, which accounts for +6.8% (including Venice Tessera +12.4% SUs; Bergamo +8.3% SUs; Milan Malpensa +5.3% SUs) and the third charge category which accounts for +8% (includes Bologna +12.6% SUs; Naples +15.7% SUs; Catania +12.8% SUs). The first charge category, represented by Rome Fiumicino, recorded +2.3% in terms of service units.

The *domestic commercial traffic* component confirms what was illustrated above for the En-route traffic, recording a decrease of 0.3% in terms of service units and 2.6% for number of flights assisted. This reduction in terms of service units is found for the second and third charge categories, which have a variation of -0.5%, while the first charge category stands at +0.2%. As regards the number of flights assisted there was a general reduction, with the third charge category most penalised, with a decrease of 3.3% because of the reductions recorded by the smaller airports. The second charge category saw a reduction of 1.5% in terms of number of flights assisted at Milan Linate (-2.8%) and Bergamo (-4.1%).

The results of 2016 as a whole compared with the previous period show positive trends in terms of service units for the three charge categories and differing trends for number of flights assisted. More specifically: i) the first category, represented by Rome Fiumicino, accounts globally for +1.7% in terms of service units and -0.4% flights assisted, indicating positive trends for domestic and international traffic following the activation of the new routes by Alitalia and low-cost companies; ii) the second category, represented by Milan Linate, Milan Malpensa, Bergamo Orio al Serio and Venice Tesserà recorded a total increase of +5% of SUs and +2.6% in the number of flights assisted with a very positive trend for international traffic realised in all airports, thanks to the activities of carriers such as Ryanair and Vueling and a reduction of domestic traffic; the third category, represented by 40 airports, recorded a global figure of +2.7% of SUs and -7.5% in number of flights assisted with +8% SUs for international flights and -0.5% for domestic flights.

Safety and Quality indicators

Safety

By Regulation No. 390/2013 the European Commission included Safety Performance among the Performance Areas which during the second reference period of the performance plan (2015-2019) were subject to the achievement of binding targets and, by Implementing Decision of the European commission no. 132 of 2014, Safety Targets were defined for the Functional Airspace Block (FAB), to be aggregated for the FAB and also singularly for States and the associated air transport providers. The contribution to the achievement of the Safety targets defined by Italy and by the FAB was deemed coherent with the targets set in the Safety performance area by the European Commission, by Decision no. 347/2015.

To achieve the competence targets, ENAV drew up a Safety Plan for 2015-2017, which represents the plan for improvement of Safety management and forms a guide for all safety activities. The Safety plan contains five Macro-targets, or actions whose traceability represents the input element by which the European Commission evaluates company performance levels, as part of the Performance Scheme. The actions identified as priority in 2016 were completed or being completed, for all cases managed. Of the primary results achieved we report: i) adaptation of the training procedures; ii) consolidation of Safety monitoring processes; iii) issuance of a new procedure for managing Safety proposals and suggested improvements related to reported problems; iv) updating of procedures regarding mandatory and voluntary reporting; v) progress in the risk assessment and management activity, with finalisation of the Top 5 areas for improvement and the definition of a systemic approach for defining the ATM Risk portfolio.

The Safety Plan includes 60 actions defined for meeting the new five macro targets. Specifically, all of the plan's targets were achieved.

As regards the three essential indicators of Safety performance, envisaged by the European regulation for the period 2015-2019, the following results were achieved: i) for the more important of the Safety Targets,

such as the efficacy of the Safety Management System (i.e. Effectiveness of Safety Management – EoSM) monitored according to the so-called Standards of Excellence measurement (SoE), the contribution provided by ENAV was found to be in line with the binding targets established in the performance plan; ii) the level of application of the Risk Analysis Tool for the classification of risk by Separation Minima Infringement (SMI), Runway Incursion (RIN) and ATM Specific Occurrence (ASP) illustrates achievement of the targets identified with an increase of the capacity for investigation of problems over 2015.

Types of Safety events	Target 2015 and 2016	Results for 2016	Results for 2015	Variation
SMI	80%	100%	85%	15.0%
RIN	80%	100%	100%	0.0%
ASP	80%	100%	93%	7.0%

iii) level of presence/absence of the Just Culture standards at ENAV measured by the percentage of positive responses to questions in a specific questionnaire developed for the European Commission, which requires at least 50% of positive responses, was fully achieved with level of 87.5%.

Quality and punctuality

ENAV pays particular attention to the quality of the service provided, which in the industry is measured by the level of punctuality guaranteed for the flights of the airlines.

Again in 2016, continuing on from previous years, the company achieved excellent performance, improving further from 2015. The delay en route value in particular was on average 0.002 minutes per flight assisted, much less than the target set by the European Commission (0.10 minutes/flight). In fact during 2016, the 1.6 million IFR/GAT flights assisted during the en route phase were attributed only 3,716 minutes of ATFCM delay. This performance also considers the increases of air traffic volume assisted during the summer period, when ATFM delays increase because of the increasing demand.

This qualitative performance also illustrates an economic value, in terms of savings, for the airlines which fly in domestic airspace. In actual fact, industry studies indicate the average value of the cost that carriers sustain per minute of ATFM delay as €100. The following table illustrates the airlines' savings, in terms of reduced costs through the effect of ENAV achieving an improved performance compared to the target set by the European regulator.

Capacity En-route - targets vs. Actual Performance 2016

IFR/GAT Flights	En-route Service Unit	En-route ATFCM Delay Cost/Min
1,611,649	8,299,670	100.00
	<i>Performance plan target</i>	<i>Target reached</i>
En-route ATFCM Delay per Flight	0.10	0.002
En-route ATFCM Minutes of Delay (Min)	161,165	3,716
En-route ATFCM Delay Cost (Euro)	16,116,490	371,600

Also with reference to the delay value for airports (so-called *airport capacity*), which includes the five airports subject to the performance plan (Rome Fiumicino, Milan Malpensa, Milan Linate, Venice Tesserà and Bergamo Orio al Serio), the ENAV performance figures for 2016 showed a better result than the set targets, as the following table illustrates:

Terminal capacity - targets vs. Actual Performance in 2016

	Performance plan target	Target reached
Terminal Arrival ATFM	not more than 0.41 (minutes for assisted flight)	0.128
Terminal Arrival ATFM due to ATM	not greater than 0.02 (minutes for assisted flight)	0.006

Enav Group financial - operating results

Definition of the alternative performance indicators

In line with the guidelines issued on 5 October 2015 by the European Securities and Markets Authority (ESMA) no. 2015/1415 which, as notified by CONSOB Communication no. 92543 of 3 December 2015 replace Committee of European Securities Regulators Recommendation CESR/05-178b, with effect from 3 July 2016, Enav is presenting, in addition to the profit/loss and asset/liability figures required by IFRS, certain indicators that derive from them, which provide the management with an additional parameter for evaluating the performance achieved by the Parent company and its subsidiaries.

The alternative performance indicators used are as follows:

- **EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization):** an indicator of profit before the effects of financial management and taxation, as well as depreciation, amortisation and write-downs of fixed assets and receivables and provisions, as reported in the financial statements and adjusted for investment subsidies directly related to the investments in depreciation and amortisation to which they refer;
- **EBITDA margin:** equals to EBITDA as a percentage of total revenues, adjusted for investment subsidies as specified above;
- **EBIT (Earnings Before Interest and Taxes):** corresponds to EBITDA less depreciation and amortisation adjusted for investment subsidies and write-downs of fixed assets and receivables and provisions;
- **EBIT margin:** corresponds to EBIT as a percentage of revenues minus investment subsidies as specified above;
- **Net fixed capital:** a capital amount equal to the fixed capital used for business operations, which includes entries relating to tangible assets, intangible assets, equity interests and 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 provision for employee benefits;
- **Net working capital:** equal to the capital employed in ordinary operations, which includes inventories, trade receivables and other non-financial current assets, net of trade payables, provisions for risks and charges and other current liabilities excluding financial current liabilities;
- **Net invested capital:** the sum of net fixed capital and net working capital;
- **Net financial position:** total of Financial liabilities and assets relating to the fair value of the derivative financial instruments and the Cash and cash equivalents;
- **Free cash flow:** equal to the sum of the cash flow generated or absorbed by operations and cash flows generated or used in investment activities.

The reclassified consolidated schedules for the income statement, capital structure and statement of cash flows, the consolidated statement of financial position and the key economic and financial indicators used by management to monitor performance are described below.

Consolidated Income Statement

	2016	2015	Values	Variations %
Revenues from operations	806,410	792,059	14,351	1.8%
Balance	16,428	17,708	(1,280)	-7.2%
Other operating income	42,433	39,798	2,635	6.6%
Total revenues	865,271	849,565	15,706	1.8%
Personnel costs	(478,134)	(475,777)	(2,357)	0.5%
Capitalisation of internal work	29,273	29,668	(395)	-1.3%
Other Operating Expenses	(161,531)	(160,484)	(1,047)	0.7%
Total operating costs	(610,392)	(606,593)	(3,799)	0.6%
EBITDA	254,879	242,972	11,907	4.9%
EBITDA margin	29.5%	28.6%	0.9%	3.0%
Net amortisation of investment contributions	(132,769)	(137,403)	4,634	-3.4%
Write-downs, losses (write-backs) of value and provisions	(5,226)	(12,131)	6,905	-56.9%
EBIT	116,884	93,438	23,446	25.1%
EBITDA margin	13.5%	11.0%	2.5%	22.8%
Financial income and expense	(2,180)	2,286	(4,466)	-195.4%
Pre-tax income	114,704	95,724	18,980	19.8%
Income taxes	(38,359)	(29,641)	(8,718)	29.4%
Profit (loss) for the year	76,345	66,083	10,262	15.5%

Value in thousands of Euro

Revenues from operations amount to €806.4 million, an increase over the previous period of 1.8%. This result relates primarily to the Parent company and is associated with both the increased En-route and Terminal revenue following the greater service units developed during the period, 1.5% and 3.2% respectively greater than 2015, and the charge applied for En-route of €80.08, a slight increase over the previous period (€78.80). In the case of terminal revenues, there was a general increase in service units in the three charge zones, with an increase in charges for the first two bands, while the third band was unchanged. More specifically, the first charging zone, represented by Rome Fiumicino airport, recorded 1.7% greater service units and applied a charge of €200.68 (€195.57 in 2015); the second charging zone recorded a 5.1% increase of service units and a charge applied of €233.33 (€214.72 in 2015); the third charging zone, which includes 40 airports, with the inclusion of Rimini since November and Comiso since September, recorded 3.7% greater service units at the same charge as 2015, €260.96, which is in line with the requirements of the Ministry of the Economy and Finance and the Ministry of Infrastructure and Transport, even if the natural charge calculated based on estimated costs for 2016 should have been

greater. Furthermore, the 2015 charge discounted the additional contribution of €20.3 million zeroed with the last portion used in the previous period.

Revenue from non-regulated markets amounted to €14.6 million, an increase of 29.7% over the previous period, primarily through the radio navigation activities carried out in Saudi Arabia and Kenya and through the income from the aeronautical consulting activities provided in Malaysia by the subsidiary ENAV Asia Pacific (€2.3 million), for which a contract was awarded 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; and the revenue derived from the activities carried out in the Arab Emirates (€0.8 million) after acquiring the UAE Airspace Restructuring Project contract at the end of November 2016 with the General Civil Aviation Authority of the Arab Emirates for approximately two years.

The **balance** has a positive effect on the amount of revenue by €16.4 million, represented by the balances recognised in 2016 for a total amount of €32.1 million, reduced by the effect of the discounting of the aforesaid receivables and the restructuring of the balance recognised in the two previous periods by €14.7 million. Specifically we report that the balances disclosed for the period negatively affect the inflation balance as the result of the reduced inflation, amounting to -0.10% compared to the forecast of the performance plan of 1.10%, and the Terminal balance positively for the third charging zone following the lower tariff applied as indicated above.

Operating costs amounted to a total of €610.4 million, showing a net increase of 0.6% compared to the previous period. The personnel costs in particular showed a net increase of 0.5%, attributable primarily to: i) a net increase of the fixed part of salaries by effect of: service years; a greater average body of staff in 2016 compared to 2015; reduced number of management personnel, not concerned with the early retirement plan implemented with effect from 2015; ii) a net increase of the variable part of salary attributable to the greater cost for holidays and holidays accrued but not taken following the huge commitment given to the Free route project activities. There was also a reduction of the other personnel costs relating to the early retirement incentive for employees and managers leaving in 2016, which amounts to €2.8 million, a reduction of 42.3% compared to 2015, involving 26 staff. As a whole we report that with an average body of staff which has increased by 39, personnel costs recorded an increase of only +0.5% compared to 2015.

The other operating expenses amounted to €161 million, an increase of 0.7% compared to the previous period, due primarily to the costs of the privatisation process and in particular to the advertising costs and the activities of the legal and financial advisers, for a total of €7.5 million. In the absence of such expenses, the trend of operating costs would have been down 4% compared to 2015.

The analysis of the individual costs illustrates a general reduction of the costs of utilities and telecommunications by €3 million, which includes both the costs for data connections following the reduction of prices by the supplier with effect from June 2015 and a reduction of electricity costs through

the reduced rates applied by operators; the lower insurance costs following renewed contracts entered into with effect from 1 July 2016 by €2.2 million; the increased costs of Eurocontrol contributions of €2.6 million, previously anticipated in the tariff.

These values had a positive effect on the calculation of the **EBITDA**, generating a 4.9% increase over the previous period, amounting to €254.9 million and a 29.5 percentage of revenues (EBITDA margin). **EBIT** recorded a value of €116.8 million, an increase of €23.4 million compared to the €93.4 million of 2015. The EBIT margin at 31 December 2016 was 13.5%, an increase over the previous period by 2.5%.

Financial income and expenses have a negative balance of €2.2 million, and include the extra cost of €4.5 million compared to 2015 following the greater borrowing costs associated with the bond issue in August 2015 and the reduced effect of discounting of the balances which in 2015 recorded greater financial revenue through the restructuring of the charging recovery plans for adjusting the performance plan.

Income taxes show an increase of €8.7 million following the greater taxable income recognised in 2016. The tax rate was found to be 26.1%, compared to the 24.5% of 2015.

The **profit for the year**, including the above considerations, amounted to €76.3 million, an increase of 15.5% over the previous period, and related entirely to the Group.

Reclassified consolidated capital structure

	31.12.2016	31.12.2015	Variations
Tangible assets	1,056,281	1,083,836	(27,555)
Intangible assets	123,084	122,092	992
Investments in other companies	36,468	35,314	1,154
Other non-current assets and liabilities	83,943	66,709	17,234
Employee severance indemnity and other benefits	(57,388)	(58,068)	680
Non- current assets	1,242,388	1,249,883	(7,495)
Inventories	60,895	62,027	(1,132)
Trade receivables	226,651	233,547	(6,896)
Trade payables	(132,512)	(128,348)	(4,164)
Provisions for risks and charges	(11,029)	(14,151)	3,122
Other current assets and liabilities	(166,459)	(123,906)	(42,553)
Working capital	(22,454)	29,169	(51,623)
Total assets held for sale net of liabilities	13	0	13
Net invested capital	1,219,947	1,279,052	(59,105)
Financing sources			
Shareholders' equity	1,119,826	1,090,550	29,276
Net financial position	100,121	188,502	(88,381)
Total financing sources	1,219,947	1,279,052	(59,105)

Value in thousands of Euro

The **net invested capital** amounted to €1,219.9 million, a decrease of €59.1 million compared to 31 December 2015, as a result of the variations to the following items.

Non-current assets, amounting to €1,242.4 million was down at 31 December 2016 by €7.5 million, compared to 31 December 2015, following the decrease of tangible assets by €27.5 million through the recognition of depreciation greater than the investments in progress recognised for the period. The positive change of the item, Other non-current assets and liabilities, by €17.2 million related primarily to the increase of the receivables for balances recognised at 31 December 2016 at fair value, which showed a change of €29.3 million and the greater payables in balances recognised at the end of the year, by €10.1 million.

Working capital was a negative figure of €22.5 million and registered a decrease of €51.6 million compared to 31 December 2015. The main variations affecting the net operating capital figure related to: i) the reduction of trade receivables by €6.9 million for both Eurocontrol, which includes the positions with the airlines, by €4.9 million through the greater receipts during the period and through the reduction of receivables from customers of €3.3 million relating primarily to the closure of positions with Leonardo SpA (former Selex ES) owed to Techno Sky, following the conclusion of the arbitration in May 2016 and the

signing on 30 June 2016 of the recognition and settlement; ii) the increase of trade payables by €4.2 million, as the net effect between the payments made to suppliers and the receipt of pre-financing obtained for the European projects such as the Connecting Europe Facility (CEF) 2014-2020 and Sesar 2020 projects; iii) the net negative variation of other current assets and liabilities by a total of €42.5 million relates to the lower tax credits of €50.5 million for the VAT rebate for a total of €61.5 million less the VAT accrued for the period of €14.3 million; the decrease of the other current assets by €3.6 million following primarily the payment of the shares of the projects financed under National Networks and Mobility Operating Programme [PON] 2007/2013; reduction of the other current liabilities by a total of €7.5 million, relating primarily to the reduced amounts payable to personnel through the provisions for the profit bonus and the early retirement incentive.

Shareholders' equity stood at €1,119.8 million, a net increase of €29.3 million compared to 31 December 2015 following the profit for the period amounting to €76.3 million and the reduced shareholders' equity through the payment of the dividend of €47.3 million, the negative effect of the €1.5 million of the employee benefits reserves which recorded an actuarial loss during the period and the positive change deriving from the exchange-rate reserves for balances in foreign currency of €1.6 million.

The **reconciliation** between the results for the period and the shareholders' equity the Parent company and the analogous values for the Group at 31 December 2016 compared with 31 December 2015 is provided in note no. 18 of the consolidated financial statements at 31 December 2016.

The **net financial position** is showing a negative balance of €100.1 million, an improvement of €88.4 million compared to the figure at 31 December 2015, as represented by the following table:

	31.12.2016	31.12.2015	Variations
Cash and cash equivalents	231,007	174,141	56,866
Current loan receivables	1,221	0	1,221
Current financial debt	(32,622)	(32,788)	166
Net current financial position	199,606	141,353	58,253
Non-current loan receivables	0	968	(968)
Non-current financial liabilities	(104)	0	(104)
Non-current financial debt	(299,623)	(330,823)	31,200
Non-current financial debt	(299,727)	(329,855)	30,128
Net financial position	(100,121)	(188,502)	88,381

Value in thousands of Euro

At 31 December 2016 the positive variation by €88.4 million of the net financial position essentially reflected the positive net effect of the receipts and payments associated with ordinary operations which recognised greater receipts compared to the previous period as well as the following events: i) the payment

to the Ministry of the Economy and Finance of €47.2 million as the net amount between the en route payments and receipts and the credit represented by the exempt flights, both reported in 2015; ii) the payment to Aeronautica Militare Italiana of its proportion of terminal receipts of €16.9 million and to ENAC for the en route and terminal receipts for a total of €8.7 million; iii) the payment of the balance and the advance payments of IRES for €36 million. The effect of these outlays was mitigated by the receipts in the period relating to the VAT credit of €61.5 million, the share of National Networks and Mobility Operating Programme [PON] projects financed in the years 2000/2006 and 2007/2013 for a total of €11.2 million and the pre-financing obtained on the European financed projects such as the Connecting Europe Facility 2014-2020 and Sesar 2020 for a total of €15.1 million.

Consolidated statement of cash flows

	31.12.2016	31.12.2015	Variations
Cash flow from/(used in) operating activities	225,206	227,242	(2,036)
Cash flow from/(used in) investment activities	(89,446)	(91,186)	1,740
Cash flow from/(used in) financing activities	(77,644)	(80,092)	2,448
Cash flow for the year	58,116	55,964	2,152
Cash and cash equivalents at the beginning of the year	174,141	118,253	55,888
Exchange rate differences on cash	(446)	(76)	(370)
Cash and cash equivalents at the end of the year	231,811	174,141	57,670
Free cash flow	135,760	136,056	(296)

Value in thousands of Euro

The **cash flow from operating activities** generated at 31 December 2016 amounts to €225.2 million, a decrease of €2 million compared to the previous period, primarily through the effect of the greater receipts obtained during the year and relating to the VAT credit refund; the receipt of payments on the National Networks and Mobility Operating Programme [PON] projects financed; the decrease of the provisions for risk following the settlement of a dispute by the subsidiary Techno Sky; the greater non-current receivables recognised in the balance at 31 December 2016 and the greater profit for the period of €10.3 million.

The **cash flow from investment activities** at 31 December 2016 had absorbed €89.4 million of liquidity, €1.7 million less than the previous period. The balance referred in particular to the investments in tangible and intangible assets. We report that in 2015 there was an equity investment for the payment of the balance for the second tranche for the acquisition of the holding in Aireon of €4.7 million.

The **cash flow from financing activities** absorbed a total of €77.6 million, against the €80 million at 31 December 2015. The cash absorbed in the period related essentially to the repayment of loans by €31.2 million and the payment of the dividend of €47.3 million.

In conclusion, at 31 December 2016, the cash flow generated by operating activities of €225.2 million enabled financing both the needs associated with lending activities in the amount of €77.6 million and the

investment of €89.4 million and to increase the liquidity by €58.1 million, which gave rise, at 31 December 2016, to cash and cash equivalents of €231.8 million, compared with the €174.1 million of 31 December 2015.

Enav financial – operating results

The reclassified schedules for the income statement, capital structure and statement of cash flows, the statement of financial position and the key economic and financial indicators used by management to monitor performance are described below.

Income statement

	2016	2015	Variations	
			Values	%
Revenues from operations	801,765	790,562	11,203	1.4%
Balance	16,428	17,708	(1,280)	-7.2%
Other operating income	42,139	39,151	2,988	7.6%
Total revenues	860,332	847,421	12,911	1.5%
Personnel costs	(414,180)	(411,844)	(2,336)	0.6%
Capitalisation of internal work	7,507	5,978	1,529	25.6%
Other Operating Expenses	(205,166)	(201,553)	(3,613)	1.8%
Total operating costs	(611,839)	(607,419)	(4,420)	0.7%
EBITDA	248,493	240,002	8,491	3.5%
EBITDA margin	28.9%	28.3%	0.6%	2.0%
Net amortisation of investment contributions	(134,573)	(138,646)	4,073	-2.9%
Write-downs, losses (write-backs) of value and provisions	(5,039)	(26,704)	21,665	-81.1%
EBIT	108,881	74,652	34,229	45.9%
EBITDA margin	12.7%	8.8%	3.8%	43.7%
Financial income and expense	(1,659)	2,657	(4,316)	(162.4%)
Pre-tax income	107,222	77,309	29,913	38.7%
Income taxes	(35,818)	(27,492)	(8,326)	30.3%
Profit (loss) for the year	71,404	49,817	21,587	43.3%

Value in thousands of Euro

Revenues from operations amount to €801.8 million, an increase over the previous period of 1.4%. This result is associated with both the increased En-route and Terminal revenue following the greater service units developed during the period, +1.7% and +3.6% respectively greater than 2015, and the charge applied for En-route of €80.08, a slight increase over the previous period (€78.80). In the case of terminal revenues, there was a general increase in service units in the three charge zones, with an increase in charges for the

first two bands, while the third band was unchanged. More specifically, the first charging zone, represented by Rome Fiumicino airport, recorded 1.7% greater service units and applied a charge of €200.68 (€195.57 in 2015); the second charging zone recorded a 5.1% increase of service units and a charge applied of €233.33 (€214.72 in 2015); the third charging zone, which includes 40 airports, with the inclusion of Rimini since November and Comiso since September, recorded 3.7% greater service units at the same charge as 2015, €260.96, which is in line with the requirements of the Ministry of the Economy and Finance and the Ministry of Infrastructure and Transport, even if the natural charge calculated based on estimated costs for 2016 should have been greater. Furthermore, the 2015 charge discounted the additional contribution of €20.3 million zeroed with the last portion used in the previous period.

Revenue from non-regulated markets amount to €9.9 million, a trend in line with the figure of the previous period.

The **balance** has a positive effect on the amount of revenue by €16.4 million, represented by the balances recognised in 2016 for a total amount of €32.1 million, reduced by the effect of the discounting of the aforesaid receivables and the restructuring of the balance recognised in the two previous periods by €14.7 million. **Operating costs** amounted to a total of €611.8 million, showing a net increase of 0.7% compared to the previous period. Personnel costs recorded a net increase of just 0.6% for the average body of staff, which increased by 49 people.

Other operating costs amounted to €205.2 million, an increase of 1.8% compared to the previous period, due primarily to the costs of the privatisation process and in particular to the advertising costs and the activities of the legal and financial advisers, for a total of €7.5 million. In the absence of such expenses, the trend of operating costs would have been down 1.9% compared to 2015.

These values had a positive effect on the calculation of the **EBITDA**, generating a 3.5% increase over the previous period, of €248.5 million and 28.9% of revenues (EBITDA margin). **EBIT** recorded a value of €108.9 million, an increase of €34.2 million compared to the €74.6 million of 2015. The EBIT margin at 31 December 2016 was 12.7%, an increase over the previous period by 3.8%.

Financial income and expenses formed a negative value of €1.6 million, showing a downward variation by €4.3 million from 2015 following the greater borrowing costs associated with the bond issue in August 2015 and the lower financial revenue associated with discounting of balances.

Income taxes show an increase of €8.3 million following the greater taxable income recognised in 2016. The tax rate was found to be 26.7%, compared to 28.4% in 2015.

The **profit for the year**, including the above considerations, amounted to €71.4 million, an increase of 43.3% over the previous period.

	31.12.2016	31.12.2015	Variations
Tangible assets	1,076,263	1,103,026	(26,763)
Intangible assets	56,523	55,424	1,099
Investments	142,579	143,284	(705)
Other non-current assets and liabilities	61,562	42,234	19,328
Employee severance indemnity and other benefits	(38,561)	(38,288)	(273)
Non- current assets	1,298,366	1,305,680	(7,314)
Inventories	60,872	61,988	(1,116)
Trade receivables	224,515	225,362	(847)
Trade payables	(125,705)	(110,805)	(14,900)
Provisions for risks and charges	(10,714)	(9,924)	(790)
Other current assets and liabilities	(187,793)	(146,444)	(41,349)
Working capital	(38,825)	20,177	(59,002)
Assets classified as held for disposal	705	0	705
Net invested capital	1,260,246	1,325,857	(65,611)
Financing sources			
Shareholders' equity	1,142,863	1,120,006	22,857
Net financial position	117,383	205,851	(88,468)
Total financing sources	1,260,246	1,325,857	(65,611)

Value in thousands of Euro

The **net capital invested** amounted to €1,260.2 million, a decrease of €65.6 million compared to 31 December 2015, as a result of the variations to the following items.

Non-current assets, amounting to €1,298.4 million was down at 31 December 2016 by €7.3 million, compared to 31 December 2015, following the decrease of tangible assets by €26.7 million and the increase of the item, Other assets and liabilities, by €19.3 million, relating primarily to the increase of receivables and payables for balances recognised at 31 December 2016.

Working capital was a negative figure of €38.8 million and registered a decrease of €59 million compared to 31 December 2015. The main variations affecting the net operating capital figure related to: i) the increase of trade payables by €14.9 million following the greater amount owed to suppliers for invoiced amounts to be received and the debt for the pre-financing drawn on European financed projects such as the Connecting Europe Facility (CEF) 2014-2020 and Sesar 2020; ii) the negative variation of other current assets and liabilities by a total of €41.3 million relating to the lower tax credit by €53.1 million through the receipt of the full VAT rebate requested for a total of €61.5 million less the VAT accrued for the period of €13.1 million; decrease of other current assets by €3.6 million primarily following the receipt of the share of projects financed under the National Networks and Mobility Operating Programme [PON] 2007/2013; positive net variation to subsidiary companies by €4.7 million relating to the subsidiary Techno Sky for the

greater advances paid in 2016; reduction of other current liabilities by a total of €6.7 million relating primarily to the lower amounts payable to personnel for provisions relating to the performance bonus and early retirement incentive.

Shareholders' equity stood at €1,142.9 million, a net increase of €22.8 million compared to 31 December 2015 following the profit for the year 2016 amounting to €71.4 million and the reduced shareholders' equity through the payment of the dividend of €47.3 million, the negative effect of the €1.4 million of the employee benefits reserves which recorded an actuarial loss during the period.

The **net financial position** is showing a negative balance of €117.3 million, an improvement of €88.5 million compared to the figure at 31 December 2015, as represented by the following table:

	31.12.2016	31.12.2015	Variations
Cash and cash equivalents	213,745	156,573	57,172
Current loan receivables	1,221	0	1,221
Current financial debt	(32,622)	(32,569)	(53)
Net current financial position	182,344	124,004	58,340
Non-current loan receivables	0	968	(968)
Non-current financial liabilities	(104)	0	(104)
Non-current financial debt	(299,623)	(330,823)	31,200
Non-current financial debt	(299,727)	(329,855)	30,128
Net financial position	(117,383)	(205,851)	88,468

Value in thousands of Euro

At 31 December 2016 the positive variation by €88.5 million of the net financial position essentially reflected the positive net effect of the receipts and payments associated with ordinary operations which attracted greater receipts compared to the previous period as well as the following events: i) the payment to the Ministry of the Economy and Finance of €47.2 million as the net amount between the en route payments and receipts and the credit represented by the exempt flights, both relating to 2015; ii) the payment to the Italian Air Force of its proportion of terminal receipts of €16.9 million and to ENAC for the en route and terminal receipts for a total of €8.7 million; iii) the payment of the balance and the advance payments of IRES tax for €34.5 million. The effect of these outlays was mitigated by the receipts in the period relating to the VAT credit of €61.5 million, the share of National Networks and Mobility Operating Programme [PON] projects financed in the years 2000/2006 and 2007/2013 for a total of €11.2 million and the pre-financing obtained on the European financed projects such as the Connecting Europe Facility 2014-2020 and Sesar 2020 for a total of €15.8 million.

	31.12.2016	31.12.2015	Variations
Cash flow from/(used in) operating activities	224,901	225,203	(302)
Cash flow from/(used in) investment activities	(89,256)	(100,602)	11,346
Cash flow from/(used in) financing activities	(78,473)	(79,117)	644
Cash flow for the year	57,172	45,484	11,688
Cash and cash equivalents at the beginning of the year	156,573	111,089	45,484
Cash and cash equivalents at the end of the year	213,745	156,573	57,172
Free cash flow	135,645	124,601	11,044

Value in thousands of Euro

The **Cash flow from operating activities** generated at 31 December 2016 amounted to €224.9 million, a trend in line with the figure disclosed at 31 December 2015, although the cash was generated by different events. More specifically: the decrease of tax credits through drawing the VAT refund; greater trade receivables recognised from balances at 31 December 2016; receipt of the grants on the financed National Networks and Mobility Operating Programmes [PON] 2007/2013; greater receivables from subsidiaries and the increase of the operating result by €21.6 million.

Cash flow from investment activities at 31 December 2016 had absorbed €89.2 million of liquidity, €11.3 million less than the previous period. This variation is attributable primarily to equity investments in 2015 for the payment of the balance of the second tranche for the acquisition of the Aireon holding.

The **Cash flow from financing activities** absorbed a total of €78.5 million, against the €79.1 million at 31 December 2015. The cash absorbed in the period related essentially to the repayment of loans by €31.2 million and the payment of the dividend of €47.3 million.

In conclusion, at 31 December 2016, the cash flow generated by operating activities of €224.9 million covered both the requirements associated with financing activities in the amount of €78.5 million and the investment of €89.2 million and to increase the liquidity by €57.2 million, which gave rise, at 31 December 2016, to cash and cash equivalents of €213.7 million, compared with the €156.6 million of 31 December 2015.

Human resources

At 31 December 2016 the ENAV Group had a body of staff of 4,233 people, an effective decrease of 3 compared to 2015 while the average, which stood at 4,289, increased by 39 people. The Group provides flight assistance services and operating system maintenance throughout the national territory, and is developing sales and marketing activities in Malaysia.

The Group's personnel costs amounted to €478.1 million, an increase of 0.5% compared to the previous year.

Industrial relations

The 2016 trading period was a significant year in terms of relations with unions. The ENAV privatisation process was watched with great interest by the workers' representatives who, on multiple occasions during the first year, expressed their assessments, including critical, on the anticipated change to the ownership structure. The first half of the year was also marked by the extended significant conflict generated by the independent unions, with the aim of making their representation known.

The company opted to follow the path of dialogue on the IPO issues and the unions' representation. This involved following a path of dialogue marked by transparency and sharing, by entering into the Industrial Relations Protocol dated 21 April. This process culminated in signing the Protocol of understanding on industrial relations at ENAV in August at the Ministry of Infrastructure and Transport with the Confederation of Unions and the agreement for the establishment of the Joint Guarantee Body – an innovative establishment for consulting workers' representatives – in which all of the relevant unions (Confederate and independent) participate. By effect of these understandings, the Authority for strikes gave its strong satisfaction that the union conflict was settled up to the end of 2016, while the multiple unions representing the business merged into a single organisation, causing additional reduction of the number of unions active within the organisation.

Again during 2016 there was further implementation of the ENAV project for the rationalisation of so-called low traffic airports, which are subject to a specific contractual discipline, with optimisation of the scale and associated costs.

Training

A total of 90,501 hours of training were provided by the Academy during 2016, with 2,434 participants, divided into: 40,608 hours of ab initio training (73 participants), 7,528 hours of advanced training (25 participants), 17,756 hours of continual training (439 participants), 5,714 hours of training for external clients (70 participants), 7,940 hours of linguistic training (227 participants), 2,403 hours e-learning training

(588 pupils) and 8,552 hours of human performance training (1012 participants). The increase of the hours of training provided in 2016 compared to the previous period was due essentially to activation of the CTA courses arising from internal selection which will feed the flow of staff mobility associated with the development of the Low traffic airports project and activation of TM and FISO courses from external selection, to which an FISO and MET/AFIS integrated course for external clients will be added.

For external clients one instance of development for CAS Examiner was provided for 4 participants from the Croatian provider, 3 ATM/MET seminars for the Besta Institute in Ragusa and a Refresher course for the Libyan provider. In collaboration with the Airspace Project Management Department, a three-week Procedures for Air Navigation Service Operations (PANS-OPS) course was provided for five participants.

2016 saw the definitive creation of a catalogue of training services offered, with around 70 courses available to the external market. The catalogue unites the Academy offer with other organisation departments and was introduced at the World ATM Congress 2016 in Madrid and is now an instrument available for Commercial Development. The more significant initiatives include the sale and initiation of a FISO and MET/AFIS course for 14 external clients.

In terms of specialist and management training, a total of 7,352 training hours were provided which involved 228 individuals of the central staff departments and the Air Navigation Services Administration. The e-learning training method involved the provision of courses for a total of 596 hours, which involved 216 individuals belonging to all areas of the organisation.

As part of the initiatives aimed at external and internal stakeholders, as for the previous years, the training internship and educational visit activities continued at our operating sites and at central departments for a total of 1,379 guests divided into 389 for training internships and 990 for educational visits.

Moreover the initiative for the promotion of international experience for the families of employees was renewed in partnership with the Inter-Cultura Foundation. In 2016, 19 study grants were assigned (8 annual and 11 in the summer in the United States, India, Malaysia, Denmark and Ireland) intended for particularly deserving upper secondary school students.

Organizational Changes

The most significant management interventions in 2016 followed the requirement of increasing business operational efficiency in view of the company stock market listing. Primarily the interventions involved:

- reorganisation of Technical Area management structures involved in project management, engineering and construction of Air Traffic Management (ATM) systems and software platforms;
- review of the organization's macro-structure via the establishment, under the CEO, of the Investor Relations department, whose mission is to represent the company before the national and international financial community;

- the expansion at the Group level of the Internal Audit department's remit to include prevention of corruption and fraud;
- expansion of the Administration, Finance and Control department via the establishment of the new Risk Management office, whose mission is to implement and monitor the company's risk management system;
- the establishment, as part of the Air Navigation Services Administration, of the new Rimini Airport Centre.

Health and employees' safety

During 2016 the monitoring activity of physical agents in work places such as noise, electromagnetic fields, microclimate and lighting, continued.

During the same period the monitoring of radon and the radar radiogenic sources continued via scheduling of activities implemented by the prevention and protection service together with the Qualified Expert.

Support activities are provided to the representatives of departments and managers of organisational structures for the purposes of development/initial training of staff for training for emergencies (fire fighting and first-aid) and accidents. Drills for managing emergencies and evacuations are scheduled by the Managers of individual organisational structures.

To continually improve the synergy between the various divisions coexisting at ENAV sites, the aforesaid drills at airport facilities involved all departments responsible for airport emergencies such as fire fighters, the airport medical service and the management companies. The consultation and involvement of employees' safety representatives continued together with the process for the development of the culture of safety within the organisation.

In 2016 the risk assessment documents and the emergency plans were updated via the acquisition of information from the coordinators of the organisational structures, by performing periodic inspections and meetings at the Territorial facilities, with the drafting and archiving of specific reports.

The controls continued for checking for dependence on alcohol and narcotic substances for CTA and FISO personnel. In compliance with current legislative provisions, these checks are scheduled by the coordinators of the organisational structures in coordination with the competent doctors. The above activity is monitored by the representatives of the departments responsible for a cluster specific operating sites relate to. Lastly, medical visits for evaluating mental and physical suitability for CTA and FISO personnel, in implementation of the regulatory provisions issued by ENAC based on European regulations,

were performed at the Aeronautical and Spatial Medical Institutes of the Italian Air Force, at the Aircrew Medical Support Services of the Ministry of Aeronautical Health and at the Medical Examiners, all authorised by ENAC.

Investments

Investments have the aim of ensuring that the assets to support the air-traffic services nationally are: i) coherent with the required technical, economic and performance targets; ii) compliant with the qualitative and performance standards set nationally and internationally by the industry regulatory bodies; iii) in line with the development of the technological platform and the new operating concepts defined and developed in Europe for the ATM network. The predominant weight of investments was represented by the complex of interventions in operating technological infrastructure, as they have a direct effect on the core business activities in terms of efficiency, economy and safety of air traffic management services. The instrument via which investment is planned is the three-year investment plan, updated annually via remodelling that takes account of the operating needs arising during the year.

In 2016 a capex value of €116 million was recorded.

The primary investments being realised during 2016 include: i) the 4-Flight programme, which has the aim of developing the new automation platform of the Italian Area Control Centres to replace those currently in operation and the associated Coflight programme, which represents one of its primary components, for the construction of version V3R1; ii) the Data Link programme, via which the voice communications will be replaced with Controller Pilot Data Link Communications (CPDLC) between controllers and pilots. This programme entered into execution in 2016 for the Brindisi Area Control Centre; iii) the Erato programme, a tool which supports the controller in air traffic operations by identifying potential conflicts and highlighting the elements to be assessed for a solution; iv) modernisation associated with the transfer of military airports open to civil traffic to ENAV, referring to Brindisi, Rimini, Verona, Treviso and Rome Ciampino; v) the construction of a new building at the Rome Ciampino Area Control Centre.

The new targets of the Sesar programme to address the current fragmentation of services for air traffic control envisage the commissioning of complex international programmes. Various projects have been implemented, the more significant of which we report below.

Sesar and research and development activities

The European Sesar research and development initiative was launched by the European Commission for providing the *Single Sky* with innovative technological elements for the construction of the new modern, interoperable, efficient air traffic management system capable of guaranteeing the development of air transport safely and respect for the environment.

In 2016, as in previous years, Enav played an important role in the programme, conducting various preoperative, investigational activities, both in the airport environment and as regards airspace and/or approaches, participating in 98 projects. The Sesar 2020 programme has fully launched and sees ENAV

participating in 17 projects, two of which in the role of coordinator. Sesar 2020 has a time horizon of six years (2016-2021) and is divided into two phases: wave 1 which takes place over three years (2016-2019) and wave 2 which starts in 2019 and goes on to 2021.

Sesar Deployment Manager

The Deployment Manager (DM) is the body chosen by the European Commission to synchronise and coordinate the modernisation of the air traffic management system in Europe. This activity is provided by the Consortium, selected by the European commission, known as the Sesar Deployment Manager (SDM), made up of: certain air navigation providers, some airlines and SDAG *Sesar Related Deployment Airport Operators Grouping*.

The Deployment Manager must ensure synchronisation and coordination of the local implementation projects necessary to implement the Deployment Programme and then the Pilot Common Project (PCP) and also the associated investment. The Deployment Programme also involves the reference document for the identification of priorities of European finance bands for the air transport industry.

The SESAR deployment activities, coordinated by the SDM and co-financed by the European commission via the INEA Agency, envisage annual updating of a Deployment Programme (DP), in which ENAV has a leadership role, in coordination with the European stakeholders on the associated international boards of CANSO and A6. At the same time, ENAV maintains the alignment between the Company Investment Plan and the Deployment Programme to guarantee conformity of methods and times of the implementations scheduled by the company with the relevant European regulation. On this issue we report, with reference to the CEF Transport Call for Proposals announced during 2014, 50% co-financed, the interim payment request relating to the costs sustained for the years 2014-2015 was submitted to the INEA Agency in September 2016, by means of SDM.

Again with reference to the CEF Transport Call for Proposals this time awarded during 2015, the Grant Agreement with the European Commission was formalised in November.

Lastly, during September, ENAV participated in the request for expressions of interest prior to the launch of the new CEF Transport Call for the year 2016.

Environment

In terms of the environment, the company has set itself the aim of contributing to reducing the environmental impact associated with air transport and lowering the company's environmental impact via efficiency and savings of consumption in carrying out its core business.

In order to support the Airspace Users to seek operating methods for reducing fuel consumption and the associated environmental impact, the ENAV Flight Efficiency Plan (FEP) defines and collects actions developed for optimising planned flight paths and reducing times for ground handling.

As regards the environmental objectives which must be pursued in Europe and nationally, the contribution deriving from the implementation of ENAV FEP is of fundamental importance. In actual fact, the achievement of the scheduled measures is being monitored by the state via ENAC, as part of the application of the National Performance Plan. Since 2012, the FEP has also formed a contribution to the realisation of *Italy's action plan on CO₂ emissions reduction* that States forming part of ECAC/ICAO draft as a contribution to achieving the global objectives for reducing the environmental impact of aviation and tackling climate change.

The measures implemented in 2016 enabled improving the flight planning of airlines operating to and from Italian airports or which overfly airspace where the air traffic services are the responsibility of ENAV.

In December 2016 the third phase of the Project for the Free Route Italy (FRI) was launched, which made flight path planning in airspace above 33,500 feet (FRA-IT) less restricted. In three years, the project gradually led airlines to overcome the constraint of planning flight paths in that volume of airspace and pre-ordered segments, initially allowing simplification and shortening of routes at certain times and at the weekend, and at the end of the project offering greater freedom of choice, seven days a week, over the most direct route in FRA-IT airspace. The direct consequence is a potential reduction in fuel consumption by aircraft and consequent reduction of combustion gas being emitted into the atmosphere.

The greater part of the effort for increasing the efficiency of flights was given over to the creation of the Free Route Italy. However during 2016 it was possible to add some new, more efficient routes, partly thanks to the achievement of the second phase of the JSF project which allowed, for the Western Sicilian area, classification of the conditional routes (CDR), and a more flexible use of military areas. There were moreover, interventions on the availability portions of the network with consequent reduced distances and/or better flight profiles over a very large number of routes. Among all those which have a better margin of improvement are the routes from Rome Fiumicino to the United Arab Emirates, Munich in Bavaria and Amsterdam, from Naples and Rome Ciampino to Nice, from Romania to Bergamo Orio al Serio, from Tirana to Bari and from Budapest to Milan Malpensa, from Bologna to the Balearics and, for domestic routes, flights from Palermo to Lampedusa and from Turin to Bari.

Without considering the flights which concerned the FRA-IT, arising only in last December, the estimate of savings planned due to the other improvements applied to the network indicate possible reductions in CO₂ emissions by 1,639 tonnes and 520 thousand tonnes of fuel.

The flights that in 2016 were able to benefit from the opportunities of improved planning offered to routes activated in the first two phases of the Free Route Italy project, showed significant savings both in terms of fuel, amounting to 1396 thousand tonnes, and 4,399 thousand tonnes of reduced CO₂ emissions.

Lastly, worthy of mention is the achievement of full operations of Airport Collaborative Decision Making (ACDM) at Milan Linate airport, with the connection of the European Network Manager to the data exchange network in May 2016. ACDM, thanks to optimisation of turnaround procedures and integration of continual data exchange between ENAV, airport operators, airlines and the European Network Manager, promotes operational management, helps optimise ground handling/movement and the use of airport capacities, thereby improving profitability of airspace occupation and, consequently, air traffic flow management. Milan Linate is the fourth airport to implement ACDM, after Fiumicino, Malpensa and Venice.

Facilities related interventions

In line with environmental policies launched in recent years, ENAV is committed to reducing energy consumption and reducing greenhouse gas emissions by installing systems for self-generation of energy from renewable sources, or from less polluting sources. This is carried out according to the Kyoto protocol guidelines for the reduction of polluting emissions, and also achieves energy costs reduction and benefits from the incentives provided by the Electricity Services Operator (GSE).

Based on the results of an energy analysis in accordance with Legislative decree 102/2014, on the 11 most energy intensive company sites, ENAV identified some opportunities for improvement of energy efficiency for those 11 sites and then for an additional 19 sites. These opportunities will be brought into reality via interventions in the coming years for achieving reductions of electricity consumption.

International operations

In the international scenario, ENAV is undertaking a series of activities for consolidating relations with the other Navigation Service Providers whether bilaterally with the leading operators or via alliances and aggregations (such as the A6 alliance) and, with the leading international institutions and organisations in air transport and in particular Air Traffic Management (including ICAO, the European Commission, CANSO, EUROCONTROL). Given this aim, ENAV is involved in international activities on the institutional boards of ICAO, EUROCONTROL, CANSO, European Commission, EASA and in major international processes via direct participations such as: SESAR Joint Undertaking, SESAR Deployment Manager, European Satellite Service Provider (ESSP) through EGNOS, bilateral cooperation programmes, with the FAA (United States), NAV Canada, DSNA (France), NATS (United Kingdom), DFS (Germany), State ATM Corporation (Russian Federation), or multilateral with other Service Providers such as A6, FAB BLUE MED; multi-stakeholder

programmes for the development of technological systems, such as Coflight and 4-FLIGHT, ERATO, Datalink, PENS, or with industrial operators for the airborne part, and on new satellite technologies such as AIREON. In addition, given the targets set by the European Commission by the creation of the Single European Sky and the consequent need to adopt a common European vision and approach to modernisation of the air traffic management system, the company has committed to its participation in the European and international organisations involved institutionally. As part of our international regulatory activities in 2016, the ICAO general assembly was significant as it saw the role of ENAV supporting national authorities and confirmed Italy on the ICAO Council. In Europe the Parliament and the Council launched the review of the basic EASA regulation, the review of the rules of the Performance Scheme and the future Network Manager, as well as a series of initiatives aimed at producing common rules and requirements for so-called drones (Unmanned Aerial Systems – UAS).

As regards the deployment of the new systems making up the common project for the new European ATM infrastructure, ENAV was officially awarded a co-financing of slightly less than €30 million.

Commercial operations

In 2016, ENAV Group achieved results in terms of revenue from sales of services to the non-regulated market for a total of approximately €14 million, an increase of 29.7% over the previous year. The most significant ENAV Group third market activities involve radio navigation services and aeronautical consulting. In 2016, 94 commercial technical proposals were submitted for a total value of €33.9 million, which together with the bids submitted in the previous year, helped to acquire 48 new contracts.

Commercial operations in 2016 were notable both through having reached the targets set in terms of revenue and for the establishment of a consistent portfolio of orders for the next three-year period. The new acquisitions, in addition to those already in the portfolio, generated orders for the coming three-year period of €20.1 million.

As well as these significant results, commercial operations involved many of the following activities:

- the offer of services and products to national and international organisations;
- participation in international tenders;
- entering into aeronautical consulting and technical support contracts nationally and technical training and services contracts for international clients;
- commercial promotion and communication to international clients via participation in trade fairs and industry events;
- entering into commercial cooperation agreements with industrial partners and technical cooperation with potential clients.



To date the ENAV Group has successfully completed more than 200 projects in 29 different countries in the world, with the primary markets being Malaysia, the Arabian Peninsula, North and East Africa.

Other information

Business plan

On 29 March 2016 the Board of Directors approved the new Group Business Plan for 2016-2019. The plan was prepared taking into account the new EU legislative framework under the Single European Sky initiative and the macroeconomic outlook for the current period.

Strategic directions and objectives, operating and economic performance targets, as well as business development plans were prepared with the main objective of providing ENAV and its subsidiaries with a stable reference point from which to meet future business challenges and manage ENAV's new positioning in the equity market.

Confirming the absolute focus on maintaining the highest levels of safety and operational capacity in the provision of services, the strategic vision of the Group's new Business Plan focuses on the following pillars:

- maintaining the focus on the core business and customers, leveraging on growth in air traffic, further optimising operating performance;
- strengthening the role of technological leadership, by making a significant contribution to strategic international projects to develop future platforms for air traffic control;
- meeting efficiency targets by reducing purchase costs and optimising maintenance procedures, through the more efficient use of available resources within the Group, and through specific initiatives to reduce unit costs and manage demand;
- capitalising on business opportunities in Italy and abroad by leveraging on the Group's expertise and new technologies;
- taking an active role in the main national and international institutional meetings.

The key elements contained in the Business Plan and the related enabling factors will unfold in the second "reference regulatory period" 2015 – 2019.

Listing process

The ENAV Group undertook and successfully completed the process of listing on the Mercato Telematico Azionario (MTA) organised and managed by Borsa Italiana S.p.A., marking an important milestone for the Group.

The process was divided into a preparatory and introductory phase, which took place during part of 2015 and throughout the first half of 2016, and an offer phase that took place in July.

The main formal steps of the preparatory phase were as follows:

- on 10 March 2016, the Shareholders' Meeting of ENAV S.p.A. approved the listing plan and amended the articles of association with effect from the date of the start of trading;
- on 7 July 2016, Borsa Italiana S.p.A. issued a provision for admissibility to listing on the Mercato Telematico Azionario (MTA) of ordinary shares of Enav S.p.A.;
- on 8 July 2016, the following were filed with CONSOB: the Registration Document, after notification of the approval provision issued via a notice dated 1 July 2016; the Information Note and the Summary Note, after notification of the approval provision issued via a notice dated 7 July 2016. Taken together, the Registration Document, Information Note and Summary Note constitute the Prospectus.

The initial public offering of ordinary shares of ENAV S.p.A. concerned 230 million shares representing around 42.5% of ENAV's share capital. Of these shares, 207 million, or 90% of the initial public offering, were reserved for institutional investors in Italy and abroad, and 23 million, or 10% of the initial public offering, were targeted at retail investors in Italy and employees. It was also decided to allocate another 22.6 million shares to institutional investors to exercise the greenshoe option, increasing the percentage of the share capital on the market to 46.6%.

The offer period, from 11 to 21 July 2016, saw management involved in numerous meetings with investors in the biggest financial centres in Europe and the United States. Requests came in for 1,816 million shares during this period, a level of demand of around 8 times the maximum quantity under the initial public offering.

Based on the requests received, the following were assigned: i) as part of the public offering, 23,000,500 shares were assigned to 11,498 applicants, including 890,500 shares to 659 employees of the ENAV Group residing in Italy; and ii) as part of the institutional placement, 229,599,500 shares (including the greenshoe) were allocated to 198 applicants, including 59,735,000 shares to 31 qualified investors in Italy and 169,864,500 shares to 167 foreign institutional investors.

The offer price was set at €3.30 per share.

Trading on the Mercato Telematico Azionario began on Tuesday, 26 July 2016.

On 2 August 2016, the greenshoe option was fully exercised, for a total of 22.6 million ordinary shares of ENAV, at a price of €3.30 per share, increasing the initial public offering to 252.6 million shares, representing around 46.6% of the share capital, for a total consideration of around €834 million after fees and expenses relating to the operation.

To reinforce ENAV while ensuring greater certainty and stability in business relationships and coherence of the national regulatory situation for the supply of air transport services within the European regulation framework (EU regulations no. 390/2013 and no. 391/2013), 2016 stability Law no. 208/2015 introduced a series of amendments to Law no. 665 of 21 December 1996 which regulates relationships in place between the state and ENAV, via the programme contract and the service contract. More specifically, the programme contract, historically entered into with a three-year term, was set to coincide with the duration of the reference European period, i.e. 2015-2019.

The year 2015 already being set by the 2013-2015 programme contract, when applying the amendments to the Stability Law, the contract was envisaged to have a four-year term, for the period therefore which begins on 1 January 2016 and concludes on 31 December 2019.

Furthermore, the Stability Law also identified the programme contract as an exclusive regulatory instrument for the relationship between the State and ENAV, making the aforesaid contract include the provisions of the service contract.

Operationally, the contract expressly envisages the transfer of air transport services from the Italian Air Force to ENAV, for those airports open to civil traffic, previously military and now civil for all effects, such as Rome Ciampino, Verona, Brindisi and Treviso, already transferred to ENAV in 2015 and Rimini transferring in November 2016 and regulated according to article 3 of the programme contract.

As regards Comiso airport, it was established that from 1 September 2016 Comiso would be on the list of airports managed by ENAV under the tariff, and the elevation of air transport services was launched from January 2017 at the airports of Cuneo and Crotone, which therefore pass from AFIS service to Tower service.

For the drafting of the programme contract and given that the Stability Law imposed a tight timescale for concluding it, from the end of 2015 the company collaborated with the relevant institutions in order to prepare the text of the new programme contract.

In the first part of 2016, the Ministry of Infrastructure circulated an initial draft to which the signatories then applied amendments and addenda. To date therefore a draft has been received and shared between the parties which the Cabinet of the Ministry of Transport has sent to CIPE for final opinion, pending its definitive conclusion.

Activities associated with Drones

The Parent company, given its role as supplier of air transport services in Italy based on the state appointment as explicitly defined in art. 691-bis of the Navigation Code, conducted joint activities with the regulation authority ENAC for the application of ENAC regulations on remotely piloted aircraft (RPVs) and



more specifically for the development and provision of registration, identification and Unmanned Aerial Vehicles Traffic Management (UTM) services.

ENAC acknowledged ENAV as the organisation assigned the activities associated with the identification and registration of RPVs and for more general services for drones. To regulate the relationship between the parties, a specific instrument, the Convention, was used and signed on 3 August 2016. ENAV launched the activities for the registration of drones via the creation of a specific website ([www. D-flight.it](http://www.D-flight.it)). As also envisaged in the Convention between ENAC and ENAV, the supply of UTM services may be provided by ENAV directly or via other companies. To this end ENAV launched a call for interest in August, which is non-binding for the company, to identify industrial partners to create an aggregation able to collect knowledge and the infrastructure required for fully developing the new UTM (UAV Traffic Management) services. The procedure will be concluded during 2017.

Certification of the ENAV Group

During 2016 ENAV was subject to audits by ENAC to verify continual satisfaction of the common requirements for the supply of air transport services envisaged by Implementation Regulation (EU) No. 1035/2011 of the Commission dated 17 October 2011 as amended.

These common requirements relate both to general requirements (technical and operational competence and capacity, organisational structure and management, safety and quality management, security, human resources, financial stability, responsibility for and mitigation of risks, quality of services and communication requirements) and for specific requirements for each service provider (ATS, CNS, AIS and MET).

In particular, ENAC carried out 17 audits at both the Territorial Structures and the central departments of ENAV, with the aim of verifying maintenance of compliance with the common requirements and the conditions set out in the certificate and 5 audits to verify continual satisfaction of the requirements to operate as a *Training Organisation*, pursuant to Regulation (EU) no. 805/2011, the ENAC Regulation *Licensed operator of Flight Information Service (FIS) and Requirements for personnel providing the meteorological services for air navigation*.

With the entry into application of Regulation (EU) 2015/340, which replaces Regulation (EU) no. 805/2011, on 14 November 2016 ENAC replaced the ENAV certificate as Training organisation. The new certificate, unlike the previous twice-yearly renewals, retains its validity for an unlimited term, without affecting the need to meet the regulatory requirements of ENAC during its monitoring activities.

In addition, for the transition from the Italian Air Force to ENAV of the Air Traffic Services, Communication and Navigation Services at Rimini airport and the meteorology services at Treviso airport, the two ENAV certificates as Supplier of Air Navigation Services and as Training Organisation were extended by ENAC.

In the month of May 2016, following the positive outcome of the monitoring activities, ENAV obtained renewal of the certification as the management organisation for the flight instrumental procedures, pursuant to ENAC Regulation. The certificate is valid for three years.

As regards certification of the ENAV Management systems, in December 2016, the International Certification Organisation, DNV GL – Business Assurance reached a positive conclusion of the activities for the first verification of maintenance, confirming the validity of:

- the Certificates of conformity to ISO 9001:2008 of ENAV Group (ENAV, Techno Sky and SICTA);
- Certificate of conformity to ISO/IEC 27001:2014 for ENAV.

As regards the radio navigation fleet of aircraft, ENAV was subject to specific audits to verify the maintenance of the Certificate of Approval for the organisation for continuing navigability, the Certificate of Approval for maintaining the Certificate as Air operator for flights for making measurements and observations.

As regards the additional certifications of Techno Sky, we report that in November 2016 the International Certification Organisation, DNV GL – Business Assurance carried out the third verification for maintenance of the F-GAS certificate (certification of operators and businesses involved in the use of greenhouse fluorinated gases) pursuant to Regulation (EU) no. 517/2014 and in the month of June 2016, for accreditation of the Techno Sky calibration laboratory, the Italian Accreditation Body ACCREDIA concluded the initial monitoring activities, with a positive outcome, confirming the validity of the accreditation certificate of Centre LAT 015.

Legislative Decree 196/2003

During 2016 the document was drafted on the minimum safety requirements envisaged by Legislative decree 196 of 30 June 2003, the so-called Privacy Code. The Risk Analysis associated with ENAV personal data was performed within the Information Security Risk analysis, which is required by ENAV to conform to certification 27001/2006.

During the year the activities required by the Risk Treatment Plan 2016 were also carried out. A procedure, *Management of appointments for personal data processing*, was prepared pursuant to the application of Legislative decree 196/03 as amended, by ENAV.

The ENAV Digital Archiving Coordinator was appointed as external manager of personal data processing. The appointment was made necessary to comply with art. 6(8) of DPCM [Decree of the President of The Council of Ministers] dated 3 December 2013, providing technical rules for archiving systems pursuant to articles 20(3 and 5-bis), 23-ter(4), 43(1 and 3), 44, 44-bis and 71(1) of the Digital administration code provided for by Legislative decree no. 82 of 2005, which provides that the external entity assigned the archiving process assumes the role of data processing manager as envisaged by the Personal data protection code.

In accordance with the IT Systems Operational and Security Functions continual monitoring of safety measures was provided for personal data protection as also required by current regulations, also in light of the New European Regulations.

National Anticorruption – Transparency Plan

In 2016, to continue with what was provided in the previous period, the Transparency section of the organisation website www.enav.it was updated and implemented according to the relevant provisions, as applicable.

The National Anticorruption Plan (NAP) 2016 features the significant legislative innovations implemented by Legislative decree no. 97 of 25 May 2016, providing regulations for the *Revision and simplification of the provisions on the prevention of corruption, publicity and transparency, correcting Law no. 190 of 6 November 2012 and Legislative decree no. 33 of 14 March 2013, pursuant to article 7 of law no. 124 of 7 August 2015, providing for the reorganisation of public authorities.*

The main innovations of Legislative decree 97/2016 on transparency regard the definitive clarification of the nature, content and process of approval of the NAP and, for transparency, definitive framework for the application of the discipline, the review of publication obligations on the sites of public authorities together with the new general public right of access to documents and information not subject to mandatory publication. Specific guidelines for providing indications on the discipline applicable to the transparency of listed companies and those issuing financial instruments on regulated markets are pending. In consideration of the particular legal regime ENAV is subject to, especially on the dissemination of information to protect investors and the operation of the competition market rules, the aforesaid ANAC and CONSOB guidelines will provide indications regarding the applicable discipline.

Relations with related parties

Pursuant to the regulations on related-party transactions adopted with CONSOB Resolution No. 17221 of 12 March 2010, as subsequently amended and supplemented, ENAV S.p.A. established, with effect from 26 July 2016, a procedure to govern related-party transactions which was approved by the Board of Directors at its meeting of 21 June 2016.

For details of these transactions, please see note 33 of the Consolidated Financial Statements.

Market regulation

With regard to the regulatory provisions on the conditions for the listing of companies which have control over companies established and regulated according to laws of states not belonging to the European Union and being relevant for the purposes of consolidated reporting, specified by art. 36 of the CONSOB Market regulations (adopted by CONSOB Resolution no. 16191/2007 as amended), we report that at 31 December



2016, the ENAV subsidiary subject to the regulatory provision was the company ENAV North Atlantic LLC, for which suitable procedures have been adopted to assure compliance.

Pursuant to CONSOB communication no. DEM/6064293 dated 28 July 2006, we report that during 2016 no atypical and/or unusual transactions took place.

Information on the Enav Group companies

Below we report the characteristics and economic trends of ENAV Group companies at 31 December 2016.

Techno Sky

The company, 100% owned by ENAV, manages, supports and maintains equipment and systems used for air traffic control in Italy, ensuring it is fully available and operating continually. The company closed 2016 with a net profit of €4.2 million, an increase of 47.6% over the previous year. The results show an EBITDA of €7.7 million, up 30.4% over the previous year, with a slight reduction, of 0.5%, of total revenue which was more than offset by the reduction of total costs by 2.6%. As part of the reduction of the cost structure, there was a positive reduction of external costs by 8.9% over the previous period following a partial slowdown of production in 2017 and a general containment of operating costs of the various company structures. The reduced impact of amortisation and depreciation and provisions for risk during 2016 had a positive effect on the EBIT, which was €6.9 million, an increase of 40.1% over the previous period. In terms of results achieved during the reference period, Techno Sky maintained a good level of performance again in 2016 associated with the global maintenance contract of the ENAV operating systems, both for the management and maintenance of the hardware of the ATC infrastructure and maintenance of the software in its various types, i.e. corrective, adaptive and developmental.

ENAV Asia Pacific Sdn Bhd

ENAV Asia-Pacific is a company registered in Malaysia, established in March 2013 for the development of the Group's commercial operations in Asia and Oceania. The company, fully owned by ENAV, closed 2016 with a net profit of €959 thousand, which shows healthy growth over the previous period. The significant improvement of the net profit over the previous period was influenced primarily by the effects produced in 2016 by the contract signed in December 2015 with DCA Malaysia for aviation consulting, to be developed further over the next three years. The total value of the aforesaid contract is €12 million.

The company is administered by a Chief Executive Officer, appointed by the Board of Directors and by the Parent Company and is subject to legal auditing.

Consorzio Sicta

Consorzio Sicta, 60% owned by ENAV and 40% by Techno Sky, is engaged in researching, development, testing, simulation and validation of innovative solutions in the field of air traffic control systems for the consortium members and for European programmes (principally for the SESAR project). The consortium's bylaws envisaged its establishment until 31 December 2017.

The Consortium, which is not for profit, was placed in voluntary liquidation on 3 March 2017 by the choice of the consortium members, and closed the accounts at 31 December 2016 with a net profit of €2.4 thousand, slightly down from 2015 in consideration of the greater caution adopted for the 2016 financial statements in valuing certain items in light of the imminent liquidation and the greater tax liability sustained following the repayment of the credit lines and subsequent improvement of the financial management during the period.

ENAV North Atlantic

The company has the form of a Limited Liability Company and is regulated by the laws of the American state of Delaware, and is fully owned by ENAV. It was established in January 2014 for participation in an investment involving the acquisition of 12.5% of the share capital of the company Aireon LLC, the American company of the IRIDIUM group, which is responsible for the planning, financing and commissioning of a global satellite surveillance service which makes use of ADS-B technology. The Aireon technology will increase the surveillance coverage, now around 30% of the Earth's surface, up to 100% of the globe with immediate positive benefits, such as: availability of more efficient routes especially in remote areas, oceans, deserts and poles, with reduction of greenhouse gas emissions and fuel consumption; exploitation of investments previously made by airlines in ADS-B systems; availability for providers of a global surveillance system of air traffic without needing to sustain significant costs in the development of new infrastructure.

The financial statements at 31 December 2016 show a zero balance as it is essentially a non-operational company solely for holding the Aireon investment.

Risk management

The ENAV Group operates in a highly regulated industry disciplined by a collection of international and national rules which regulate it on numerous fronts. In its operations, the Group is therefore exposed to technical-operational, regulatory, legislative and compliance risks as well as the risk associated with human capital and the financial risks.

The *technical-operational risk* derives from all factors that can threaten the safety and security, service quality and efficiency objectives of the Group, including with reference to specific international obligations taken on.

The *regulatory risks* arise primarily from the possible change of the criteria that affect the revenue relating to payments for the costs of supplying the Air Transport Services, En-route and Terminal, and the obligations taken on, in particular, when defining the performance plan.

Regulatory and compliance risk derives essentially from the development of the regulatory framework and conform to local, national and/or international rules which regulate the operation of the Group Companies. The risk associated with human capital is associated with the set of skills, knowledge and technical abilities which give rise to the human ability to create value for the Group.

As regards financial risks, please refer to the notes to the consolidated financial statements.

These aspects, as with all types of risk, are subject to careful analysis by the ENAV Group, which identified the main risks associated with its operations and has implemented relevant safeguards, instruments and management measures for reducing them by minimising or reducing any impacts within acceptability limits.

Risk management within the Group

ENAV believes that an integrated control system is based on risk management at all levels of the organisation, and is a fundamental requirement for effective governance of Group operations and for complying with laws, regulations and technical rules applicable to the industry.

Given this scenario, with the aim of understanding the potential positive and negative aspects of all risk factors which may influence the strategy and mission of the organisation, as well as its implementation, ENAV has established a continual path of integration of risk management processes within the organisation's culture. To such end, for an integrated and systematic management of different risks, capable of providing coherent input into the risk management and control process, ENAV is implementing Enterprise Risk Management (ERM) methodology.

In consideration of the new requirements arising from the new status as a listed company, ENAV has implemented measures for integrated management of company risks, establishing that the Risk Management Department, in line with the existing Safety and Security departments, which oversee their respective risk domains in force of the implemented and operating Safety Management System and Security Management System, support the Group management and the boards of control in evaluating the level of compatibility of the risk profile with the company objectives, according to the legal obligations and for medium/long-term sustainability.

In particular, given that the risk management of the core business, or Air Traffic Management (ATM) and the supply of Air Transport Services/Communication Navigation Surveillance (ATS/CNS), Aeronautical

Information Services (AIS) and Meteorological Services (MET) already have certified Management Systems, during 2016, in line with Self Governance Code, an Internal Control and Risk Management System (SCIGR) was established, comprising a set of instruments, organisational structures, company rules and regulations for enabling the identification, measurement, management and monitoring of key risks and implementation of controls for achieving the following company objectives:

- safeguarding company assets;
- efficacy and efficiency of company processes;
- reliability of financial disclosure;
- compliance with laws, regulations, the company bylaws and business regulations.

Therefore, with particular reference to risk management, an Executive Director was appointed to oversee the identification of the main company risks, in consideration of the company and the Group's operational characteristics. A Risk and Related Parties Control Committee was established, comprising three non-executive directors, the majority of which independent, with roles of advising and consulting the Board of Directors and periodic verification of the adequacy and efficacy of the SCIGR according to the prescribed risk profile.

During 2016 the Risk Management department performed a cycle of risk assessments which involved key management structures throughout the ENAV Group and which involved updating of assessments, analysis of the causes and consequences and treatment of the ENAV Group's major risks. A cycle of monitoring of the major risks and the associated treatment plans was then performed, by updating the relevant indicators (Key Risk Indicators, Key Performance Indicators), with the aim of analysing the progress of the identified risks, the status of implementation of specific treatment actions put in place by the management, and for identifying any areas of improvement for managing the major risks. For achieving integrated and systematic management of company risks and guaranteeing overall coherence with the pre-existing risk management of the core business, in the specific Safety and Security vertical domain, the necessary activities of thorough verification and integration with the Safety and Security Management Systems were implemented in accordance with the appropriate requirements imposed by national and European legislation, which apply to Suppliers of Air Transport Services.

Technical-operational risk

In the supply of air transport services, ENAV is subject to a safety guarantee linked to Safety and Security. International, European and domestic rules on Safety and Security which govern the company put in place requirements and objectives for mitigating the risk of violations, together with the measures for restoring the safety and security level.

Safety

ENAV's core business is an activity that can be qualified as a *permitted risk* and therefore a consolidated Safety Management System has been developed over the years. This includes the process of analysis of incidents, minor incidents and events affecting ATM (Reactive safety) the process of managing change and mitigating risk of the ATM system and Training Organisation (Proactive Safety), the process of Safety Assurance and Safety Promotion (Predictive Safety).

This set of activities, implemented with the aim of protecting people and objects from the consequences of aviation events evaluated as resulting from ATM, enables improving the levels of safety of the services provided and prevents the risk of negative events, with consequent impacts, including of reputation, and enables managing the risks associated with any reduction of capacity, temporary or partial, of en route services and/or in one or more airports managed.

The Safety responsibilities, described in the Safety Management Manual, are carried out in accordance with the processes of the Safety Management System, to ensure mitigation and correct management of inherent risks that can derive from:

- internal factors, directly or indirectly attributable to the Company's responsibility;
- external factors beyond the control of ENAV.

Providing Safety management for preventing and/or limiting the risks associated with the provision of the core business within acceptable limits, as well as the ENAV mission, is an essential condition for maintaining the certification necessary for providing Air Transport Services and for being a Training Organisation and therefore the risk of discrepancy between the anticipated aim and effective performance recorded must be managed.

Through the severity of the safety risk it is exposed to, the Company develops its own safety policies and drafts a three-year plan (so-called Safety Plan), which schedules the activities that the company undertakes to fulfil to maintain compliance and achieve the Safety performance levels defined in Italy and by the European Union (Safety Targets).

Security

Security is the activity carried out to ensure suitable levels of protection of personnel, infrastructure and the information necessary for the operations and continuity of services and to protect the various business

and external interests potentially affected by unlawful actions. Initially it targets the objective of preventing potential risks deriving from human activity that can compromise the provision of the air transport services or the company asset value, via aggression against persons or infrastructure; i.e. with regard to human events or other types which can compromise the availability, integrity and confidentiality of information. The company is required to meet the specific obligations regarding protection of vital elements of the organisation, prescribed by laws, regulations and corporate orders, the violation of which may lead to civil, criminal, corporate and accounting liability for ENAV, and as a protection against criminal risk, which can be

evaluated for safeguarding the safety of workplaces according to Legislative decree 81/08, and in relation to the liability of the legal person, envisaged by Legislative decree 231, as well as the limitations, suspensions or revocation of the ENAV certification as Supplier of Services.

Given this general context, the Company remains exposed to specific security risks associated with the significant technological scale of the systems, the associated interconnection including the effects of violations made by employees of contractors, subcontractors and consultants, the nature and distribution of physical infrastructure throughout Italy, the numbers and heterogeneity of the personnel, threats against the industry in which the company operates.

The company adopts risk management instruments for Security, via periodic Security risk assessments and continual monitoring of the Security risk treatment activities, as part of the safety management system which is an integral part of the process for the certification of Suppliers of Services according to the common requirements laid out by Regulation (EU) no. 1035/2011 of the Commission dated 17 October 2011.

ENAV has adopted as a reference the standard ISO/IEC 27001:2014 – *Information technology — Security techniques — Information security management systems — Requirements*, which establishes and disciplines the requirements of an information security management system internationally and in particular, the aspects of physical, logical and organisational security (ISMS), obtaining the associated certification as a single supplier of European air transport services, renewed in 2015. Complying with the ISO standard ensures continual improvement via internal process and technical audits, and via an annual management review of process and technological controls implemented, again with a view to continual improvement.

Risk associated with operations of structures and technological infrastructure

In carrying out its operations ENAV makes use of a complex network of technological structures and infrastructure, a lack of operation of which may have negative effects on the supply of the services and the company management.

In particular, in carrying out its operations, the company is exposed to potential risks of service interruption as a consequence of events that do not depend on the will or the control of the Group companies. Given

this scenario, extensive security measures have been implemented relating to maintaining sites, such as fire prevention measures and contingency plans to mitigate the loss of key operating assets and it is also equipped with sophisticated IT infrastructure. The company also adopts stringent IT security protocols and policies, including backup and data recovery, for protecting its IT systems and the infrastructures from physical intrusion, safety violation and other problems.

As regards data transport and telephone networks, we can report that the ENAV services operating network is physically separate from the management network, therefore reducing the surface area exposed to third-party attacks. It also benefits from the active protection provided by the Security Operations

Centre and is connected with Public Safety bodies responsible for protection, active defence and response in case of unlawful interference of the physical structures of the network, and with the supplier of the telephone and data connection services. With a view to continual improvement, ENAV has charted a roadmap in the medium term with the aim of achieving greater control of outsourcing of operating data networks and greater governance of the support process and technology.

With reference to the management network, ENAV is exposed, as with all public and private entities which have information resources accessible on public networks and on the Internet, to attacks or attempts at malicious actions by third parties. These events are managed by the internal structure of the Security Operations Centre, based on specific procedures for the management of incidents and with the support of the police and intelligence organisations nationally. The Security Operations Centre forms the company cyber security protection via Security intelligence and coordination with the national and industry protection bodies, such as CERT in Italy and the National Anti-IT Crime Centre for the Production of Critical Infrastructures of the Public Security Department.

Regulatory risk

This risk is defined as being associated with the possible variation of the criteria which form the regulated revenue and discrepancies from estimates of them, especially when calculating charging tariffs.

At the end of the second performance plan, in 2019, even if there are no changes to the regulatory framework in force, calculation of the tariffs could undergo negative changes deriving from the application of more stringent parameters for the recovery of costs by the European Commission.

As regards discrepancies of traffic volumes and the risk that it implies, the company has put in place safeguards that will enable, via continual monitoring of results and development of forecast scenarios and the associated data loss, better understanding of the development of demand and potential implementation of additional mitigation actions based for example on scheduling of the activities of the business plan and/or cost efficiency measures. It is however important to underline how the traffic risk is mitigated, as prescribed by the current regulatory framework, by the revenue stabilisation mechanism (so-called traffic risk sharing) which, by sharing the risk with users of the airspace (airlines) allows losses through fluctuations of demand greater than 2% to be significantly limited.

Again in the sphere of regulatory risk, associated with the relevant legislative framework, it is important to report that ENAV is required to provide a quality service in respect of performance target parameters which, if not reached, there is a risk of loss of revenue associated with the loss of the incentives prescribed for such purpose. Again in this case the company has implemented continual control and monitoring of quality performance without moreover highlighting any significant discrepancies.

Legislative risk

This risk is defined as being associated with the development of the local, national and/or international legislative scenario and its application within the ENAV Group context.

ENAV Group operates in a highly regulated industry. Included among the risk factors should therefore be the continual and not always predictable evolution of the relevant legislative and regulatory framework.

The Group continually monitors the development of the relevant legislative framework in order to prevent and/or mitigate as far as possible its effects on the business and operation objectives via the analysis of legislative developments and rulings and collaborative dialogue with the national and European institutions and with the government and relevant regulatory bodies.

Human risk capital

This risk is defined as the human capital of ENAV Group, i.e. the set of skills, knowledge and technical abilities that give rise to the human capacity to create value for the Group, being quantitatively and qualitatively inadequate with respect to the business operating model and development of strategic requirements.

As human capital is a key factor of its business model, ENAV Group has established specific safeguards to guarantee, depending on the examination and assessment of requirements, the process for the planning, enhancement and continual business objectives and strategies defined and the development of the ENAV management culture, via:

- recruitment and selection processes;
- performance appraisal systems;
- succession and career plans;
- bonus systems based on acknowledgement of merit;
- models, processes and instruments for personnel development;
- specialist and management training plans.

At Group level, these safeguards ensure the preparation and supervision of leading programmes and activities for the development of human resources, supporting personnel management decisions and variable remuneration systems in the short and long term.

In consideration of new management requirements deriving from the listing process and the technological and business scenarios, in progress or planned, the group will be operating in, and in particular for the purposes of identifying and enhancing key personnel, in 2016 ENAV launched Change Management initiatives.

More specifically, the *Leading transformation & people engagement* programme was launched with the primary aim of providing all management, through defining leadership models, e.g. competences, assignment of responsibilities), shared tools (e.g. training, job rotation, greater integration), a process of

management review, aimed at creating the conditions for having ever more motivated, competent people who know how to work independently and with initiative and in integrated teams.

Governance and compliance risk

The company applies a continual governance and compliance risk safeguard policy.

In particular, as regards the risk related to Legislative decree 231/2001, in 2016 Enav launched a programme of activities for continual improvement by means of: i) updating and integrating the current Management and Organisation Model with particular reference to Special Parties regarding the identification of and the associated sensitive activities; ii) implementation of a training programme on the issue of Legislative decree 231/2001 for the company personnel.

As regards integrity and particularly risks of fraud and corruption, ENAV recognises business fraud management as a key element of its approach to business management, with the aim of protecting the company's reputation and image, as well as guaranteeing stakeholders maximum attention and commitment in applying the Code of Ethics and the rules of conduct. To identify the potential vulnerabilities and remove them, ENAV is implementing a whistleblowing system in line with the best practices of the market and establishing a reference model based on ISO 37001 standard, or systematic analysis of the conditions which can be a feature of fraudulent events, identifying the critical areas where such phenomena may be favoured and attributing their trigger events to key process organisational and operational elements. This is alongside the continual monitoring of existing internal rules and their application, in order to evaluate and increase the efficacy of the Internal Control and Risk Management System against fraud.

The ENAV Group is highly committed to mitigating risks associated with environmental and health and safety issues and in 2016 it launched a series of activities for continual improvement of the process and methods by which such issues are safeguarded, both in terms of compliance with the applicable legislation (Legislative decree 81/08, Legislative decree 152/06) and meeting best practices in terms of organisation and management of the underlying processes, including verification of the adequacy and operation of the ENAV Form 231. It is therefore appropriate to report that the environmental and health and safety at work issues have risk profiles associated with the crimes listed by Legislative decree 231/01. With specific reference to safety at work, art. 30 of Legislative decree 81/08 defines the requirements that an organisation and management model must have in order not to be found accountable for corporate liability, and requires business organisation models defined according to the UNI-INAIL guidelines dated 28 September 2001 or to the British Standard OHSAS 18001/2007 to conform to such requirements.

The guidelines of the continual improvement process referred to above recommend organisational and procedural measures which ensure compliance with the relevant legislation and internal rules, continual training of personnel, a continual and structured flow of reporting to the Company Management, reporting

of risk situations and management of incidents/lack of incidents and a certification process for specific integrated management systems under HSE (Health Safety & Environment) which involves obtaining OHSAS 18.001 certifications for ENAV and Techno Sky.

In consideration of the recent market listing, ENAV is exposed to compliance risk in communications to the market or the risk of incurring penalties and/or reputation damage following failure to respect the rules of communication, financial and non-financial, the company is now required to meet in consideration of its status as a market listed company. ENAV handles communications with its Stakeholders and Shareholders via specialist departments and a structured process for releasing any information, according to the current legislative and regulatory provisions and best practices prescribed by the Self Governance Code promoted by Borsa Italiana.

Events after 31 December 2016

On 6 February 2017 ENAV North Atlantic paid the third tranche for the acquisition of the investment in Aireon for \$16,837 thousand, bringing the holding to 8.63%.

The entire shareholders' meeting of Consorzio Sicta was held on 3 March 2017 and placed the consortium in voluntary liquidation and appointed the receiver. This decision came following the decisions taken by the boards of directors of the consortium companies, held on 1 March 2017 by ENAV and on 2 March 2017 by Techno Sky. The Consortium Management Committee, which met on 2 March 2017 acknowledged the will expressed by the respective Boards of Directors and deliberated the opportunity to proceed in advance of the date prescribed by the consortium bylaws, 31 December 2017, to liquidate the consortium voluntarily and appoint a receiver.

Business outlook

The end of last year was showing positive signs in terms of economic recovery, although elements of instability remain and will be a feature of the macro economic scenario for the coming year. On the other hand, the positive trend of certain indicators recorded by ISTAT [Italian National Statistics] at the end of the year, such as the growth of consumer confidence and the increase of factory orders, suggests to some analysts that the general trend seen at the end of the year may be definitively surpassed during 2017.

This macroeconomic scenario, together with the effects deriving from the instability of the North Africa area, will set the tone for air transport market in the coming year. With reference to the sociopolitical crisis in the North African countries, particular significance is given to the so-called no-fly zone over Libyan airspace, which has influenced traffic on Europe-Africa routes since the end of 2014, and also affected traffic operating in Italian airspace.

These aspects, together with the domestic economic scenario are driving estimates of air traffic for the coming year by the statistical body of Eurocontrol. For Italy, the latest publication in February 2017 saw a growth of 2.8% in terms of service units for 2017.

Given this scenario, the Group expects in 2017 to maintain continuity of strategy and management actions adopted thus far which allowed achieving significant results in 2016, including via greater development in the non-regulated market.

The Group, after having acquired some interesting orders in South East Asia, Emirates and North Africa therefore wishes to develop its position in such markets even further during 2017, given the significant growth anticipated in the air traffic segment.

In consideration of the necessary alignment between regulation, strategic decisions and the new status acquired in 2016 as a market listed company, ENAV will be committed to further developing its influence on the primary industry regulatory boards. Since 2017 it has already begun to draft and negotiate with the European regulator amendments to European regulations and performance plans and rates for the new regulatory period (2020-2024).

Proposals to the Enav S.p.A. Shareholders' meeting

Dear Shareholders,

the financial statements for the period ended 31 December 2016, which is being submitted to the approval of the Shareholders' meeting, indicate a profit of €71,403,883.12.

We invite you to:

- approve the financial statements as at 31 December 2016 which indicate a profit of €71,403,883.12;
- allocate the profit for the period in the amount of 5%, or €3,570,194.16, to the legal reserve as indicated by Article 2430, paragraph 1, of the Italian Civil Code and the amount of €67,833,688.96 by way of a dividend to be distributed to the Shareholders;
- withdraw €27,513,322.80 from the “retained earnings” reserve in order to distribute, together with the dividend for the profit made in the year, a total dividend amounting to €95,347,011.76, corresponding to a dividend of €0.176 per share issued as at the dividend date. The payment of the dividend of €0.176 per share will take place on 24 May 2017, with dividend date set as 22 May 2017 and record date as 23 May 2017.

The Chief Executive Officer

Roberta Neri



ENAV GROUP CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2016

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ENAV GROUP CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of financial position

ASSETS

(Euro)	Notes	31.12.2016	of which related parties (Note 33)	31.12.2015	of which related parties (Note 33)
Non-current assets					
Tangible assets	7	1,056,280,954	0	1,083,835,597	0
Intangible assets	8	123,084,462	0	122,091,960	0
Investments in other companies	9	36,468,066	0	35,314,371	0
Non-current financial assets	10	13,670,781	0	15,687,285	0
Deferred tax assets	11	24,219,373	0	25,927,241	0
Non-current tax receivables	12	25,176,747	0	25,232,503	0
Non-current trade receivables	13	153,538,885	0	124,278,210	0
TOTAL NON-CURRENT ASSETS		1,432,439,268		1,432,367,167	
Current assets					
Inventories	14	60,894,773	0	62,026,701	0
Current trade receivables	13	226,650,924	43,626,597	233,547,438	50,942,595
Current financial assets	10	1,221,112	0	0	0
Tax receivables	12	40,070,374	0	90,455,276	0
Other current assets	15	12,975,832	3,994,983	16,653,181	7,400,635
Cash and cash equivalents	16	231,007,041	327,564	174,140,802	2,470,122
Total current assets		572,820,056		576,823,398	
Assets classified as held for disposal	17	1,055,932		0	
Total Assets		2,006,315,256		2,009,190,565	

Consolidated statement of financial position

SHAREHOLDERS' EQUITY AND LIABILITIES

(Euro)	Notes	31.12.2016	of which related parts (Note 33)	31.12.2015	of which related parts (Note 33)
Shareholders' Equity					
Share capital	18	541,744,385	0	941,744,385	0
Reserves	18	455,753,806	0	53,005,301	0
Retained earnings/(accumulated losses)	18	45,982,811	0	29,717,020	0
Profit (loss) for the year	18	76,345,474	0	66,083,249	0
Total Group Shareholders' Equity	18	1,119,826,476	0	1,090,549,955	0
Minority interests and reserves		0	0	0	0
Minority interests in profit (loss)		0	0	0	0
Total minority interest in Shareholders' Equity		0	0	0	0
Total Shareholders' Equity	18	1,119,826,476		1,090,549,955	
Non-current liabilities					
Provisions for risks and charges	19	7,225,672	0	6,338,707	0
Employee severance indemnity and other benefits	20	57,387,647	0	58,068,053	0
Deferred tax liabilities	11	4,010,248	0	4,035,358	0
Non-current financial liabilities	21	299,726,688	1,660,947	330,823,506	4,965,198
Current trade payables	22	16,768,995	0	6,624,583	0
Other non-current liabilities	23	111,883,859	0	112,788,221	0
Total non-current liabilities		497,003,109		518,678,428	
Current liabilities					
Short-term portion of provisions for risks and charges	19	3,802,794	0	7,812,041	0
Current trade payables	22	132,512,354	31,328,535	128,348,504	32,199,314
Tax and social security payables	24	42,701,657	0	46,702,425	0
Current financial liabilities	21	32,621,735	3,313,023	32,787,791	3,300,496
Other Current Liabilities	23	176,803,696	104,258,158	184,311,421	99,779,977
Total current liabilities		388,442,236		399,962,182	
Liabilities directly associated with assets held for disposal	17	1,043,435		0	
Total liabilities		886,488,780		918,640,610	
Total shareholders' Equity and liabilities		2,006,315,256		2,009,190,565	

Consolidated income statement

<i>(Euro)</i>	Notes	2016	of which related parties (Note 33)	2015	of which related parties (Note 33)
Revenues					
Revenues from operations	25	806,410,264	14,746,886	792,058,585	15,124,355
Balance	25	16,427,689	0	17,708,185	0
Other operating income	26	52,180,176	38,903,618	49,109,556	38,260,819
Total revenues		875,018,129		858,876,326	
Costs					
Costs for raw materials, supplies, consumables and goods	27	(8,959,912)	(437,298)	(9,710,042)	(1,361,364)
Costs for Services	27	(142,394,480)	(4,568,008)	(141,775,416)	(2,936,169)
Personnel costs	28	(478,133,672)	0	(475,777,091)	0
Costs for the use of third-party assets	27	(6,080,756)	(86,308)	(5,906,207)	(86,309)
Other Operating Expenses	27	(4,095,568)	0	(3,092,084)	0
Capitalisation of internal work	29	29,272,555	0	29,668,068	0
Total costs		(610,391,833)		(606,592,772)	
Amortisations and depreciation	7 and 8	(142,516,099)	0	(146,715,152)	0
Write-downs and losses/(write-backs)	13	(2,022,283)	0	(8,871,230)	0
Provisions	19	(3,203,788)	0	(3,259,094)	0
Operating Income		116,884,126		93,438,078	
Financial income and expenses					
Financial income	30	4,599,391	0	8,333,234	0
Financial expenses	30	(6,726,381)	(139,792)	(5,962,140)	(367,514)
Profit (loss) on foreign exchange	30	(53,185)	0	(85,243)	0
Total financial income and expenses		(2,180,175)		2,285,851	
Income before taxes		114,703,951		95,723,929	
Income taxes	31	(38,358,477)	0	(29,640,680)	0
Profit (loss) for the year		76,345,474		66,083,249	
<i>attributable to parent company</i>		<i>76,345,474</i>		<i>66,083,249</i>	
<i>attributable to minority interests</i>		<i>0</i>		<i>0</i>	
Basic earnings/(loss) per share	37	0.11		0.06	
Diluted earnings/(loss) per share	37	0.11		0.06	

Consolidated statement of other comprehensive income

<i>(Euro)</i>	2016	2015
Profit (loss) for the year	76,345,474	66,083,249
<i>Other components of the comprehensive income statement that will not subsequently be reclassified in profit/(loss) for the year:</i>		
- Differences arising from the translation of foreign financial statements	1,631,119	4,103,748
- Fair value of derivative financial instruments	205,569	1,684,418
- Tax effect of the valuation at fair value of derivative financial instruments	(49,336)	(339,204)
<i>Total components of the comprehensive income statement that will not subsequently be reclassified in profit/(loss) for the year</i>	1,787,352	5,448,962
<i>Other components of the comprehensive income that will not subsequently be reclassified in profit/(loss) for the year:</i>		
- Actuarial gains/(losses) on employee benefits	(2,012,789)	1,324,056
- Tax effect of actuarial gains/(losses) on employee benefits	483,069	(368,654)
<i>Total components of the comprehensive income statement that will not subsequently be reclassified in profit/(loss) for the year</i>	(1,529,720)	955,402
Total Profit (loss) of Comprehensive Income Statement	76,603,106	72,487,613

Consolidated statement of changes in shareholders' equity

	Share capital	Legal reserve	Sundry reserves	Reserves Reserve for actuarial gains/(losses) for employee benefits	Cash Flow Hedge	Total reserves	Retained earnings/(accum- ulated losses)	Profit (loss) for the year	Total Shareholders' Equity
Balance at 31 December 2014	1,121,744,385	13,935,410	39,059,916	(9,683,334)	1,347,592	44,659,584	27,652,383	40,005,989	1,234,062,341
Allocation of net profit from the previous year	0	1,941,352	0	0	0	1,941,352	38,064,637	(40,005,989)	0
Dividend disbursement	0	0	0	0	0	0	(36,000,000)	0	(36,000,000)
Reduction in share capital	(180,000,000)	0	0	0	0	0	0	0	(180,000,000)
Currency translation difference reserve	0	0	4,103,748	0	0	4,103,748	0	0	4,103,748
Comprehensive Profit (loss) recognised, including:									
- Profit (loss) recognised directly in equity	0	0	0	955,403	1,345,214	2,300,617	0	0	2,300,617
- Profit (loss) for the year	0	0	0	0	0	0	0	66,083,249	66,083,249
Balance at 31 December 2015	941,744,385	15,876,762	43,163,664	(8,727,931)	2,692,806	53,005,301	29,717,020	66,083,249	1,090,549,955
Allocation of net profit from the previous year	0	2,490,873	0	0	0	2,490,873	63,592,376	(66,083,249)	0
Dividend disbursement	0	0	0	0	0	0	(47,326,585)	0	(47,326,585)
Reduction in share capital	(400,000,000)	0	400,000,000	0	0	400,000,000	0	0	0
Currency translation difference reserve	0	0	1,631,119	0	0	1,631,119	0	0	1,631,119
Comprehensive Profit (loss) recognised, including:									
- Profit (loss) recognised directly in equity	0	0	0	(1,529,720)	156,233	(1,373,487)	0	0	(1,373,487)
- Profit (loss) for the year	0	0	0	0	0	0	0	76,345,474	76,345,474
Balance at 31 December 2016	541,744,385	18,367,635	444,794,783	(10,257,651)	2,849,039	455,753,806	45,982,811	76,345,474	1,119,826,476

Consolidated statement of cash flows

	Notes	31.12.2016	of which related parties	31.12.2015	of which related parties
A - CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	16	174,141		118,253	
Net cash flow generated/(absorbed) by operating activities					
Profit (loss) for the year	18	76,345		66,083	
Amortisations	7 and 8	142,516	0	146,715	0
Net change in liabilities for employee benefits	20	(2,193)	0	(657)	0
Change resulting from currency exchange	18	925	0	2,568	0
Loss on sale of tangible assets and depreciation of tangible and intangible assets	7 and 8	71	0	1,149	0
Other income/expense on non-monetary flows	21	55	0	0	0
Provisions for risks and charges	19	(3,122)	0	1,567	0
Net change of deferred taxes and deferred tax liabilities	11	2,116	0	2,004	0
Decrease (increase) in inventories	14	1,549	0	(163)	0
Decrease/(increase) in current and non-current trade receivables	13	(22,416)	7,314	(5,940)	(846)
Decrease/(Increase) Income tax and tax and social security debts	12 and 24	46,616	0	5,888	0
Change in other non-current assets and liabilities	15	(3,731)	7,884	56,278	50,400
Change in other non-current assets and liabilities	23	(905)	0	(30,637)	0
Increase/(decrease) in current and non-current trade payables	22	(12,620)	(7,089)	(17,613)	1,492
B - TOTAL CASH FLOW FROM OPERATING ACTIVITIES		225,206		227,242	
	of which Taxes paid	(37,637)		(25,265)	
	of which Interest paid	(6,151)		(3,465)	
Net cash absorbed by investing activities					
Investments in tangible assets	7	(105,701)	0	(96,008)	0
Investments in intangible assets	8	(10,485)	0	(10,621)	0
Increase/(Decrease) in trade payables		26,740	6,217	20,134	(3,955)
Investments in other shares		0	0	(4,691)	0
C - TOTAL CASH FLOW FROM INVESTING ACTIVITIES		(89,446)		(91,186)	
Net cash generated from financing activities					
Medium and long term loans		0	0	0	0
(Repayments) of medium and long term loans	21	(31,200)	(3,291)	(40,667)	(1,697)
Net change in short-term financial liabilities		0	0	9,724	0
Bond issue		0	0	180,000	0
Net change in short-term financial liabilities	21	(166)	0	(13,348)	0
(Increase)/Decrease in current financial assets		0	0	0	0
(Increase)/Decrease in non-current financial assets	10	1,048	0	199	0
Change in Capital		0	0	(180,000)	0
Dividend distribution	18	(47,326)	(47,326)	(36,000)	(36,000)
D - TOTAL CASH FLOW FROM FINANCING ACTIVITIES		(77,644)		(80,092)	
E - Total cash flow (B+C+D)		58,116		55,964	
F - Exchange rate differences on cash		(446)		(76)	
G - CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (A+E+F) (*)	16	231,811		174,141	

value in thousands of Euro

(*) Cash and cash equivalents at end of year include €805 thousand of the liquidity of Sicta Consortium in liquidation, reclassified as part of the activities held for disposal.

NOTES TO THE ENAV GROUP CONSOLIDATED FINANCIAL STATEMENTS

1. Notes to the financial statements

Enav S.P.A. (hereinafter also "Parent Company"), a limited company listed on the Italian Online Stock Market (MTA) from 26 July 2016, was established in 2001 following the conversion under Law No. 665/1996 of Ente Nazionale di Assistenza al Volo (the National Agency for Flight Assistance), a public undertaking, that was formerly known as Azienda Autonoma di Assistenza al Volo per il Traffico Aereo Generale (A.A.A.V.T.A.G. – Autonomous Company providing Flight Assistance for General Traffic).

On 7 July 2016, the Italian Stock Market granted admission of Enav shares to be listed in the Italian Online Stock Market (hereinafter, "MTA") and, on 8 July 2016, following the notification from Consob of the issuance of approval, the Company published its IPO Prospectus. MTA negotiations began on 26 July 2016. On 31 December 2016, the shareholding of the Company stands at 53.373% held by the Ministry of Economy and Finance (MEF) and 46.627% held by institutions and individuals.

ENAV provides air traffic control and management services and other essential air navigation services in Italian airspace and in the national civil airports for which it is responsible, ensuring the highest technical and system standards in flight safety and the enhancement of the technology and infrastructure of flight assistance systems. These infrastructures require constant maintenance and continuous development to guarantee safety, punctuality and operational continuity. However, this is clearly stated in the European Union's Single European Sky regulations that on the one hand define the structure of the air traffic management system and on the other set the technological, qualitative, economic and environmental targets that all service providers must meet.

The Parent Company has its registered office at No. 716 Via Salaria in Rome, as well as other branches and operational facilities throughout Italy.

The Group handles the operational management, support and maintenance of national air traffic control equipment and systems through its subsidiary Techno Sky S.r.l., acquired at the end of 2006, and engineering activities carried out through the SICTA Consortium and subsequently by the Group following the voluntary liquidation process that began in 2017.

The subsidiary ENAV Asia Pacific Sdn. Bhd., a company incorporated under Malaysian law, in addition to managing the ENAV Group's commercial development in Asia and Oceania it also provides aeronautic consultancy for the new Air Traffic Control Center for the Kuala Lumpur airport, whereas the subsidiary Enav North Atlantic, established as an LLC (Limited Liability Company), holds a stake in Aireon LLC that will introduce the first global satellite surveillance system for air traffic control.

These ENAV Group consolidated financial statements at 31 December 2016 were approved by the Company's Board of Directors at its meeting held on 16 March 2017, which approved its distribution. These financial statements are subject to legal review by the EY S.p.A. Company by virtue of engagement as auditors, for the nine year period 2016-2024, granted by the Shareholders' Meeting on 29 April 2016.

2. Form and content of consolidated financial statements

The ENAV Group consolidated financial statements at 31 December 2016 were prepared in accordance with the *International Accounting Standards (IAS)* and *International Financial Reporting Standards (IFRS)* issued by the *International Accounting Standards Board (IASB)* and to the related interpretations (IFRIC and SIC), endorsed by the European Union in EC Regulation 1606/2002 of 19 July 2002, and in accordance with Legislative Decree 38 of 28 February 2005, which introduced regulations governing the adoption of IFRS in Italian law.

The term IFRS includes all the *International Financial Reporting Standards*, all the *International Accounting Standards (IAS)*, all the interpretations of the *International Financial Reporting Interpretations Committee (IFRIC)*, previously referred to as the *Standing Interpretations Committee (SIC)*, adopted by the European Union and contained in the EU Regulations published as of 16 March 2017, the date on which the Board of Directors of ENAV S.p.A. approved the consolidated financial statements.

The accounting policies described below reflect the fact that the ENAV Group, in the foreseeable future, will continue to be fully operational in accordance with the going concern assumption, and are consistent with those applied in the preparation of the consolidated financial statements for the previous financial year.

The consolidated financial statements have been prepared and presented in Euro, which represents the functional currency for the ENAV Group. All the amounts included in the tables in the following notes and in the comments are shown in thousands of Euros unless otherwise stated.

The consolidated financial statements used and the relevant classification criteria adopted by the ENAV Group are shown below, in the context of the options provided for by IAS 1, *Presentation of Financial Statements* and in accordance with the provisions of Consob Resolution No. 15519 of 27 July 2006 regarding evidence of the amount of positions or transactions with related parties in the financial statements and, where they exist, to the representation in the consolidated income statement of income and expenses deriving from significant non-recurring transactions or from events that do not occur in the ordinary course of business. During the 2016 financial year there were no atypical or significant transactions that would require a separate presentation. The financial statements used are as follows:

- the consolidated statement of financial position which classifies the assets and liabilities according to the current and non-current criteria, with specific separation, when present, of assets classified as held for sale and liabilities included in a disposal group classified as held for sale or for the distribution to shareholders. The current assets, which include the cash and cash equivalents, are intended to be realized, disposed of or consumed in the normal operating cycle of the company or within the 12 months subsequent to the closing date. Current liabilities are those liabilities which are expected to be

extinguished within the Group's normal operating cycle or within the 12 months subsequent to the closing date;

- the consolidated income statement is prepared using a classification based on the nature of expenses;
- the consolidated statement of other comprehensive income which includes the result appearing from the consolidated income statement, the changes to the items in the net consolidated changes in equity especially from the actuarial gains and losses on employees' benefits, the changes to the fair value of cash flow hedging instruments and the gains and losses arising on translation of foreign subsidiaries' financial statements. The statement identifies the items that will be and will not be subject to subsequent reclassification to the income statement;
- the consolidated statement of changes in shareholders' equity;
- the consolidated statement of cash flows was prepared using the indirect method and through the presentation of the net cash flows generated by operating, investing and financing activities.

The consolidated financial statements have been prepared under the historical cost convention, except for those items for which *fair value* measurement is mandatory.

Comparative figures for the previous year are provided for each item of the consolidated financial statements.

3. Scope and basis of consolidation

The ENAV Group's consolidated financial statements include the financial statements of ENAV S.p.A. and the companies over which the Parent Company directly or indirectly exercises control, from the date on which control is obtained until the date on which control is no longer held by the Group, in compliance with standard IFRS 10.

The Group controls an entity when it is exposed, or has rights to, variable returns from its involvement with the investee and at the same time has power over the investee and has the ability to influence those returns through its power over the investee.

More specifically, the Group controls an investee if and only if it has:

- power over the investee (or it holds valid rights that give it the present capacity to manage the significant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect the amount of its returns.

Generally, there is an assumption that the majority of voting rights results in control. In support of this assumption, when the Group holds less than the majority of voting rights or similar rights, the Group considers all the relevant facts and circumstances to establish whether it effectively controls the investee, including:

- contractual agreements with other holders of voting rights;

- rights deriving from contractual agreements;
- Group voting rights;
- potential Group voting rights;
- a combination of the preceding facts and circumstances.

The Group reassesses whether it has control of a subsidiary and if the facts and circumstances indicate that there may have been changes to one or more of the three significant criteria for the purposes of defining control. The consolidation of a subsidiary begins when the Group gains control, and ends when the Group loses control. The assets, liabilities, revenues and costs of the subsidiary acquired or sold during the financial year are included in the consolidated financial statements from the date on which the Group takes control up until the date when the Group no longer has control over the company.

The list of companies included in the consolidation has not changed compared to the previous year. The share capital for each one is shown in thousands of Euro below:

Name	Office	Activities carried out	Currency	Consolidation Method	Share Capital	% of direct participation of the group	
Subsidiaries:							
Techno Sky Srl	Rome	Services	Euro	Integral	1,600	100%	100%
Enav Asia Pacific	Kuala Lumpur	Services	Malaysian Ringgits	Integral	127	100%	100%
SICTA Consortium	Naples	Services	Euro	Integral	1,033	60%	100%
Enav North Atlantic	Miami	Services	United States dollar	Integral	40,482	100%	100%

The financial statements of subsidiaries are prepared as of 31 December 2016, the reference date for the consolidated financial statements which were specifically prepared and approved by the corporate boards of individual entities, and duly adjusted where necessary, to bring them in line with the accounting standards applied by the ENAV Group.

Subsidiaries, included in the aforesaid area of consolidation, are consolidated on a line-by-line basis as follows:

- the assets, liabilities, expenses and revenues of consolidated entities are accounted for on a line-by-line basis in the consolidated financial statements;
- the carrying amount of investments is eliminated against the corresponding portion of the equity of investees, with fair value being allocated to the individual assets and liabilities at the date of acquisition of control;
- gains and losses not yet realised by the Group, because they derive from transactions between companies consolidated are eliminated, as are intercompany payables together with those that give rise to reciprocal assets and liabilities and expenses and revenues;
- consolidation adjustments take into account their deferred tax effect.

Translation of financial statements of foreign companies

The financial statements of Subsidiaries are prepared in their functional currency, being the currency of the primary economic environment in which they operate. For consolidation purposes, the financial statements of each foreign company are translated into Euro, which represents the functional currency of the Group, based on the following criteria:

- assets and liabilities are translated using the closing exchange rate at the year-end reporting date;
- income and expenses are translated using the average exchange rate for the reporting period/year, as this is considered to be a reliable approximation to the result that would be obtained by using the exchange rates at the date of each transaction;
- the *translation reserve*, included in the consolidated shareholders' equity, includes both the foreign exchange differences produced from converting the income statement at a different rate to the one at year end and those produced from the translation of the opening shareholders' equity at a different rate to the one at the close of the reporting period. This reserve is reversed to the Income Statement when the related equity investment is sold.

The exchange rates used to translate the financial statements of companies that use a reporting currency other than the Euro are shown in the table below:

	Average exchange rate for the year ended 31 December		Exchange rate at 31 December	
	2016	2015	2016	2015
Malaysian Ringgits	4.5842	4.3315	4.7287	4.6959
United States dollars	1.1066	1.1096	1.0541	1.0887

Business combinations

Business combinations, under which the acquirer obtains control of the acquiree, are accounted for in accordance with the provisions of IFRS 3 *Business combinations*, using the acquisition method. The cost of acquisition, or the amount transferred, is represented by the acquisition date fair value of the assets acquired, the liabilities assumed and the equity instruments issued. The cost of acquisition includes the fair value of any assets or liabilities for contingent consideration. Those costs directly attributable to the acquisition are recognised in the income statement.

The cost of acquisition is allocated by recognising the assets, liabilities and contingent liabilities of the acquiree at their fair value at the acquisition date, and the amount of any non-controlling interest, compared to the net value of the amounts of the identifiable assets and liabilities of the acquiree at fair value, is recognised as goodwill, or, if negative, charged to the income statement. The value of non-

controlling interests is determined in proportion to the interest held by minority interests in the net identifiable assets of the acquiree, or at their fair value at the acquisition date.

If the business combination is achieved in stages, the previously held equity interests would be remeasured at fair value and any difference (positive or negative) would be charged to the income statement.

Any contingent consideration is recognised at fair value at the acquisition date. Subsequent changes in fair value of the contingent consideration, classified as a financial instrument within the meaning of IAS 39, are recognised in the income statement or in the consolidated statement of other comprehensive income. Contingent considerations classified as equity instruments are not re-measured, and are accounted for directly in shareholders' equity.

In the event that the fair value of assets, liabilities and contingent liabilities can only be determined provisionally, the business combination is recognised using such provisional values. Any adjustments, resulting from the completion of the evaluation process, are recognised within twelve months from the date of acquisition, restating the comparative figures.

The goodwill arising from the acquisition of subsidiaries, represents the excess of the consideration transferred, measured at fair value at the acquisition date, with respect to the net value of identifiable assets and liabilities of the acquiree at their fair value. After initial recognition, goodwill is not subjected to amortisation, but is checked at least once a year to see if it can be recuperated. For the purposes of impairment, goodwill acquired in a business combination is allocated at the acquisition date to each of the Group's cash-generating units (CGU) where the benefits from the synergies of the combination are expected, regardless of whether the other assets or liabilities acquired are allocated to those units.

A CGU is the smallest group of assets that generates largely independent cash flows. In the process of identifying the aforesaid CGUs, the management has taken into account the specific nature of the assets and of the business to which they belong (business areas, the relevant regulations, etc.) verifying that the cash inflows arising from a group of assets were strictly independent and largely autonomous of those deriving from other assets (or groups of assets). In addition, the assets included in each CGU have been identified also on the basis of the manner in which management monitors and manages them in the context of its business model.

If goodwill is allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal. The goodwill associated with the operation disposed of is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Translation of items in foreign currency

Transactions in currencies other than the Group's functional currency are recognised at the exchange rate prevailing on the date of the transaction. At year end, monetary assets and liabilities in currencies other than the Euro are translated at the exchange rate prevailing at the balance sheet date, with the relevant exchange rate gains and losses recognised in the Consolidated Income Statement.

4. Accounting standards

The principal accounting standards and measurement criteria adopted in the preparation of the consolidated financial statements are described below.

Tangible assets

Tangible assets are measured at cost, net of accumulated depreciation and any impairment losses. The cost includes any directly attributable costs incurred to prepare the asset for its intended use. In the event of significant overhauls or maintenance, the cost is capitalised under the plant or equipment's book value, where the criteria for recognising such have been met. All other repair and maintenance costs are recognised in the income statement in the period in which they are incurred. In any case, the costs incurred after acquisition are recognised as an increase in the book value of the relevant item, if it is probable that future economic benefits associated with the cost will flow to the Group and if the cost of the item can be reliably measured.

Depreciation is charged on a straight-line basis, from the date the asset is available and ready for use, based on the asset's expected useful life, such period being reviewed annually. Any changes to the useful life, if necessary, are accounted for on a prospective basis. Depreciation takes into account any residual value on the tangible assets. When a depreciable asset consists of separately identifiable components with useful lives that are significantly different from those of the other components of the asset, each component is depreciated separately in accordance with the component approach.

The following table sets out the estimated useful life of the main categories of tangible assets:

Type	Description	useful life (years)
Buildings	Buildings	25
	Extraordinary maintenance of buildings	25
	Light constructions	10
Plants and machinery	Radio systems	10
	Recording systems	7
	Synchronisation systems and control centers	10
	Manual and electromechanical power plants	7
	Power plants and electrical systems	10
	Radio links, AF and amplification equipment	10
	Power systems	11
Industrial and commercial equipment	Signalling equipment and runway equipment	10
	Equipment and small tools	7
Other assets	Electronic machines and telephone systems	7
	Furniture and office equipment	10
	Data processing equipment including computers	5
	Cars, motorcycles and similar items	4
	Business aircraft	15
	Aircraft equipment and flight inspection systems	10

The carrying amount of tangible assets is assessed for impairment losses if events or changes indicate that the carrying amount cannot be recovered. If an indication of this nature exists, and if the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. The recoverable amount of tangible assets is the higher of its fair value less costs to sell and its value in use.

If an asset does not generate cash flows that are largely independent of others, the recoverable amount is determined for the cash-generating unit to which that asset belongs. Impairment losses are recognised in the income statement under the write-downs and impairment losses caption. These impairments losses are reversed when the reasons leading to that loss no longer exist, within the limits of the net book value that the asset would have had if it had not been written down, and the asset had been subject to depreciation.

On the sale of an asset or if no future economic benefits are expected from its use, an asset is de-recognised and any gain or loss (calculated as the difference between the disposal proceeds and the carrying amount) is recognised in the Income Statement in the year of de-recognition.

Intangible assets

Intangible assets consist of identifiable non-monetary assets without physical substance, which can be controlled and generate future economic benefits. These assets are recognised at the cost of purchase or production, including any directly attributable ancillary charges required to make the asset available for use, net of any accrued amortisations (with the exception of intangible assets with an indefinite useful life) and any impairment losses. Intangible assets such as goodwill acquired as part of business combinations

are recognised at their fair value at the acquisition date, if that value can be measured reliably. Internally generated intangible assets are not capitalised and are recorded in the Income Statement during the year they are incurred.

Amortisation begins at the time the asset is available and is systematically allocated in relation to its possible residual life.

The useful life of an intangible asset may be finite or indefinite.

Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives and are tested for impairment whenever there are indications that they may be impaired. The residual useful life of an asset is reviewed at each year end or more frequently if necessary. Changes to the expected useful life of assets or the way in which the future economic benefits associated with the asset are consumed by the Group are recognised by changing the amortisation period and/or method, and are treated as changes in the accounting estimates.

Gains or losses resulting from the disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recorded in profit or loss at the time of disposal.

Intangible assets with an indefinite useful life are not subject to systematic amortisation, but rather to an annual evaluation aimed at identifying any impairment losses (impairment testing), both at the individual level and at the level of the cash-generating unit. Any change from an indefinite to a finite useful life is applied on a prospective basis.

The Group does not have any intangible assets with an indefinite useful life, with the exception of the goodwill arising from a business combination.

Inventories

Inventories, comprising mainly spare parts relating to facilities and equipment for controlling air traffic, are measured at the lower of cost and net realisable value. The cost is determined based on the average weighted cost formula, which includes related ancillary charges. If items can no longer be used because they are obsolete, they are written down through the allowance for inventory losses as a direct deduction from the item.

Investments in other companies and financial assets available for sale

Investments in other companies, comprising non-current financial assets and not destined for trading (namely investments available for sale), are measured at cost adjusted for impairment losses, if the fair value cannot be reliably determined. In the presence of an impairment loss, this would be reflected in a reduction of the asset's value. In this case, recovery of the impairment would not be allowed.

Financial assets

Financial assets are initially recognised at fair value, and adjusted for transaction costs, if any. They are subsequently measured at amortised cost, using the effective interest method, and adjusted for any impairment losses.

Impairment losses consist of the difference between the carrying amount and the present value of future cash flows discounted using the original effective interest rate.

If the due date of trade receivables and other current assets does not fall within normal commercial terms and the receivables or assets do not bear interest, an analytical discounting process is carried out on the basis of assumptions and estimates. Trade receivables whose due dates fall within normal commercial terms are not discounted. Trade and other receivables are classified as current assets, except for those having a due date exceeding twelve months from the reporting date, which are classified as non-current assets.

The carrying amount of trade receivables is reduced through the provision for bad debt if there are indicators regarding the failure of partial or total recovery of the book value of the receivable. If the amount of a previously recognised impairment loss decreases and the decrease can be connected to an event occurring subsequent to the recognition of the impairment loss, this is recognised in the income statement.

Financial assets are de-recognised when the rights to receive the instrument's cash flows expire, or when all the instrument's risks and benefits have been substantially transferred.

Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits available and other forms of short-term investments with periods not exceeding three months and readily convertible to cash. At the reporting date, current account overdrafts are classified among financial payables under current liabilities in the consolidated statement of financial position. The items included in cash are measured at fair value and the relevant charges are recorded in the income statement.

Derivative financial instruments

A derivative is a financial instrument or other contract that has the following characteristics:

- its value changes in response to changes in an underlying parameter, such as an interest rate, the price of a security or a commodity, a foreign currency exchange rate, price or rate indices, a credit rating or other variable;
- the initial net investment is equal to zero, or less than what would be required for contracts with a similar response to changes in market conditions;

- it will be settled at a future date.

The derivative financial instruments entered into by the ENAV Group consist of forward foreign exchange contracts, for the purpose of hedging currency risk.

Derivative financial instruments are recognised at fair value initially at the contract date and at each subsequent valuation. Derivatives are recognised as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. These derivative instruments are classified as current or non-current based on their maturity date and on the Group's intention as to whether to continue to hold these instruments to maturity.

Derivative financial instruments used for hedging purposes, which is the ENAV Group's only use, qualify for hedge accounting if the following conditions are met:

- at the inception of the hedge, there is a formal designation and documentation of the hedging relationship, ENAV's risk management objective and the strategy for undertaking the hedge;
- the hedge is expected to be highly effective;
- the effectiveness of the hedge can be reliably measured;
- the hedge is highly effective throughout the various periods for which it was designated.

If all the above conditions are met with the intention of hedging the Group's exposure to future cash flow risks associated with an asset, a liability or a highly probable transaction, cash flow hedge accounting is applied. Accordingly, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income through a specific equity reserve called the cash flow hedge reserve, while the ineffective part is recognised directly in the income statement under the other operating income or other operating expenses caption.

The amounts recognised as part of other comprehensive income are reclassified to the income statement in the period in which the hedged transaction affects the income statement, for example if a sale occurs or if there is a write-down.

If a hedging instrument expires or is sold, terminated or exercised without replacement, or if it is no longer designated as a hedging instrument, or if the hedging instrument no longer provides effective hedging against the risk the operation was established for, the relevant portion of the cash flow hedge reserve is kept until the underlying contract materialises.

When a transaction is no longer deemed probable, the gains or losses recognised in shareholders' equity are immediately released to the Income Statement.

With reference to measuring fair value, the Group complies with the requirements of IFRS 13 whenever the IFRSs require fair value measurement to be used for recognition and/or measurement purposes or in providing disclosures with respect to a specific asset or liability. Fair value represents the price that would be received on the sale of an asset or paid to transfer a liability in an orderly transaction between market

participants at the measurement date (so-called exit price). The fair value of instruments listed on public markets is determined by referring to the bid price at the reporting date.

The fair value of unlisted instruments is measured by reference to financial valuation techniques.

Financial assets and liabilities measured at fair value are classified over the three levels detailed below, based on the relevance of the information used in the fair value calculation. In particular:

Level 1: fair value is determined with reference to quoted prices (unadjusted) in active markets for identical financial instruments to which the Group has access on the measurement date;

Level 2: fair value determined on the basis of inputs other than quoted prices as in Level 1, based on variables directly or indirectly observable in active markets;

Level 3: fair value is determined using evaluation techniques with reference to non-observable variables.

For assets and liabilities measured at fair value on a recurring basis, the Group determines whether there has been a transfer between the aforesaid hierarchical levels, identifying at each accounting closure the level at which a significant input is ranked at a lower level of the hierarchy used for the evaluation.

Non-current assets held for disposal

Non-current assets (or a disposal group) are classified as held for disposal if the relative carrying amount will be principally recovered through sale transactions or liquidation rather than through continued use.

This condition shall be considered to have been met when the sale or liquidation is highly probable and the non-current asset (or disposal group) is intended for immediate disposal, in its present condition, to be completed within 12 months from the date of its classification as a non-current asset held for disposal.

Non-current assets held for disposal, current and non-current assets included in disposal groups and their directly related liabilities are separately recorded in the statement of financial position, apart from other assets and liabilities.

Immediately before being classified as held for disposal, assets and liabilities within a disposal group are measured in accordance with the accounting standards applicable to them. Subsequently, these net assets are no longer amortised and are measured at the lower of their carrying amount and their fair value.

Loans, trade payables and other financial liabilities

Financial liabilities that include loans, bonds and other financial liabilities are initially recorded at fair value, less any directly attributable transaction costs, and are subsequently measured at amortised cost, using the effective interest method, net of loan repayments already made.

Loans, trade payables and other financial liabilities are classified as current liabilities unless they have a contractual due date exceeding twelve months from the balance sheet date, which are consequently classified as non-current liabilities.

Financial liabilities are de-recognised when the contract is extinguished or when the specific contract obligation has been fulfilled.

Treasury shares

As required by IAS 32, when equity instruments are reacquired, these are defined as treasury shares and are deducted directly from equity under the caption Treasury shares.

No gain or loss is recorded in the Income Statement on the purchase, sale or cancellation of treasury shares. Any charge paid or received, including any direct costs incurred that are attributable to an equity transaction, net of any associated tax benefit, are recorded directly in equity.

Employee benefits

Employee benefits include all forms of consideration given by the company in exchange for service rendered by employees.

Short-term benefits to employees are represented by salaries, wages, social security contributions, paid leave and incentives payable as a bonus in the twelve months from the reporting date. These benefits are recorded as employee cost components in the period in which employee services were provided.

Benefits payable after the end of the employment relationship are subdivided into two types: defined benefit plans and defined contribution plans. The defined benefit plans are those programmes which provide that the employer undertakes to pay the contributions necessary and sufficient to ensure a pre-determined future pension benefit to the employee, with the employer assuming an actuarial risk. In the defined benefit plans, because the amount of benefit to be paid can be quantified only after the termination of the employment relationship, the related economic and financial effects are recognised based on actuarial calculations in accordance with IAS 19. The defined contribution plans are those programmes which provide that the employer pays fixed contributions into a fund. The obligation of the employer is thus extinguished by the payment of contributions to the fund and the actuarial risk falls on the employee. With defined contribution plans, the contribution expenses are charged to the income statement when they are incurred based on the relative nominal value.

The defined benefit plan consists of the Italian employees' termination indemnity scheme (Trattamento di Fine Rapporto TFR) due to employees pursuant to Article 2120 of the Italian Civil Code, accrued through 31 December 2006; in accordance with Law No. 296 of 27 December 2006, as from 1 January 2007, the amounts accruing after that date are transferred to supplementary pension schemes or the treasury fund managed by the Italian national social security organisation, INPS, on the basis of the implicit and explicit decisions taken by the workers. The defined benefit liability is projected into the future using the Projected Unit Credit Method, to calculate the probable amount that will become payable at the time that

employment is terminated, and is then discounted to take into account the time value of money before payment is effectively made. The measurement of the liability recorded in the balance sheet is based on conclusions reached by external actuaries to the Group. The calculation takes into account the TFR accrued for past services and is based on actuarial assumptions referring mainly to: demographic inputs (such as employee rotation and mortality) and financial inputs (such as the inflation rate and the discount rates coherent with the expected timing of the payment obligations). The liability recognised in the financial statements, accordingly, coincides with the actuarial valuation and any actuarial gains or losses arising from the calculation are recognised in other comprehensive income in the period in which they arise, taking into account the deferred tax effect.

The defined contribution plans include the Termination Indemnity payable to employees pursuant to Article 2120 of the Italian Civil Code, limited to the TFR accrued as from 1 January 2007, and paid as per regulations to a complementary pension fund or the relevant Treasury Fund established with INPS. These plans are managed by external fund managers, in respect of whom the Company has no obligations, other than to pay the said contributions, which are charged to the Income Statement when they are incurred based on the relevant nominal value.

The benefits payable to employees for termination of employment are recognised as a liability when the company decides to terminate the employment relationship with an employee or a group of employees before the normal retirement date or, in cases where the employee or a group of employees decide to accept an offer of benefits in exchange for termination of employment. Benefits due to the termination of the employment relationship are recognised immediately in the cost of labour.

Provisions for risks and charges

Provisions for risks and charges are recognised for losses and charges of a specific nature whose existence is certain or probable, but where the amount and/or date of occurrence cannot be determined. Provisions are only recognized when the company has a present obligation, legal or constructive, arising from a past event, when it is probable that a future outflow of resources representing benefits will be required to settle the obligation and when it is possible to make a reliable estimate of that amount.

Where the financial effect of the time value of money is material and the dates of settling the obligations can be reliably estimated, the provisions are discounted using a pre-tax rate that reflects, where suitable, the market's current assessment of the time value of money and, if applicable, the risks specific to the liability. Where the provision for liabilities and charges is discounted, the periodic adjustment of the current value associated with the time factor is reflected in the income statement as a financial charge. Where it is assumed that all expenses, or part of them, required to settle an obligation will be reimbursed by third parties, such compensation, if virtually certain, is recognised as a separate asset.

Changes in the estimates of accruals to provisions are recognized in profit or loss in the period in which the change occurs and as an increase in the liability. A decrease in estimates is recognized by making a counter-entry to the liability up to its carrying amount, while any excess is recognized in profit or loss in the line item to which the provisions refer.

Amounts included in provisions for risks and charges are classified as either current or non-current depending on the estimated date on which the liability will be settled or extinguished.

Risks where it is only possible that a liability will arise are shown in the appropriate disclosure section on contingent liabilities, and no provision is made for these.

Grants

Revenue grants are recognized on an accrual basis in the year in which the reasonable assurance arises that the Company is entitled to receive them, regardless of the date of receipt.

Capital grants are recorded when a formal allocation resolution exists from the provider, and if, and only if, there is reasonable certainty that the project being facilitated will effectively be completed and that the contributions will be received, based on the information available at the close of the financial period. Capital grants are recognised and differed as current and non-current liabilities, according to the expected reversal timing, and charged to the income statement as income on a straight-line basis, calculated according to the useful life of the underlying asset to which the grant refers to directly, thus ensuring there is a correlation with the amortisations relating to the assets.

Charge stabilisation provision

The Charge Stabilisation Provision was created under a resolution adopted by the parent company's shareholders on 9 May 2003 by allocating €72,697 thousand of the reserve for finalizing and settling tax receivables (Law No. 289/02). This increased in subsequent years following allocations of part of ENAV's net income approved by the shareholders of the parent company, and is used solely for business purposes.

The Charge Stabilisation Provision falls under the scope of IAS 20 - *Government Grants and Disclosure of Government Assistance*. The grant is initially recognised as a liability (classified in the *Other non-current liabilities* caption). This liability is then released to the income statement on the determination of the charge as a means of "*supplementing*" the reduced revenues earned by ENAV in the same year through a charge stabilisation process. Specifically, this provision is utilised when ENAV decides to reduce charges, and in this case a portion of the costs incurred are not charged to carriers, but offset by releasing a portion of the grant recognised as a liability to the income statement, thus offsetting the low prices. The following points further support these comments:

- the fund had the nature of a grant used for off-setting purposes;

- European regulations on charge determinations establish that a member state may reduce charges by means of subsidies/grants that enable the operator to offset losses;
- resolutions of shareholders' meetings to create or make changes to the provision were adopted on the basis of EU Regulation No. 1794/06;
- the provision was recognised by the member country, which in this case did not act as a shareholder but as a party that was carrying out economic policy within the country.

It is specified, however, that, with effect from 31 December 2015, the charge stabilisation provision was fully reset to zero.

Revenues

Revenues are recorded at fair value of the amount received or receivable, net of discounts and rebates, and are recognised on an accruals basis, to the extent that it is probable that the Group will receive the economic benefits, and the relevant amount can be reliably determined.

Balance

At an international level, up until 31 December 2011, Eurocontrol member countries used a cost recovery en route charge system. This system is based on the concept that revenues should be proportional to the costs incurred for en route air navigation control services. By virtue of this principle, charges were calculated on the basis of the forecast amount that would lead to an economic break-even. At the end of the year, if revenues exceeded the costs incurred this would lead to a *negative balance (over-recovery)*, giving rise to an adjustment to the income statement for the extra revenues and the recognition of a "payback" liability. If on the other hand, revenues were lower than the costs incurred, an increase in revenues would be recognised together with a "re-charge" receivable for a *positive balance (under-recovery)*. In accordance with the cost recovery principle, the "balance amount" was the result of the correcting mechanism used to adjust revenues to the actual amount of the costs incurred and subject to charge billing. The effects of this mechanism were included for charge purposes starting from the second year following that of the reference year and accounted for in the income statement with a sign opposite to that of their recognition.

As from 1 January 2015, this cost recovery mechanism is applied only to the third category terminal charge. Starting in 2012, and as the result of the introduction of the en route air navigation services system, a new management system was introduced in accordance with EU Single European Sky legislation that is based on measuring and optimizing operating and economic performance, with the resulting decision to abandon the full cost recovery system. The means for implementing the service scheme is the National Performance Plan approved for the three-year period 2015–2019 (second reference period) which sets out the actions and targets to be achieved during the reference period. The efficiency targets provide for the introduction of risk elements to be borne by the provider, thus ENAV, relating to both traffic and costs. More

specifically, the traffic risk mechanism envisages the sharing of the traffic risk between providers and users of the air space, for which variations, positive and negative, of up to 2% of actual traffic compared to plan are fully borne by the providers, while variations between 2% and 10% are shared, with 70% of these being borne by the airline companies and 30% by the providers. The cost recovery methodology applies to variations above 10%. Any positive or negative shifts referring to the traffic risk, results in revenues for the route being adjusted according to the rules detailed above, using the caption *Balance for the year*.

As far as the cost risk is concerned, the possibility of passing on to air space users the full amount of any differences between the budgeted amounts and the actual costs incurred at the end of the year has been eliminated. These variations, either negative or positive, are still borne by the providers in their financial statements.

From 2015, these EU regulations also apply to terminal services, which fall under the performance plan based on different methods, according to the charge category. Terminal charges are broken down over three categories:

- category 1 refers to airports with over 225,000 movements annually, subject to cost risk and traffic risk such as en route services;
- category 2 refers to airports with between 225,000 and 70,000 movements annually, where there is only a cost risk;
- category 3 refers to airports with less than 70,000 movements annually excluded from the EU Performance Plan, and where the cost recovery mechanism is applicable.

Any positive or negative shift results in an adjustment to terminal revenue according to the rules detailed above, using the caption *Balance for the year*.

The *Balance for the year* is not included in the charge until two years later, while in the current year the balance asset or liability recognised customarily in the two previous years is transferred to the income statement through the caption *Utilisation of the Balance*.

Given that the re-charge assets and payback liabilities balances is deferred over time and is based on the recovery plans established in the charge area, in accordance with IAS 18, the parent company measures such revenues at fair value, discounting them using the average interest rate for which it obtains funds on the third party market. The adjustment is recognized as a reduction in the balance receivable or payable to which it refers and as a reduction in revenues for the year. This amount is released to the income statement in subsequent years for the portion of interest income accruing in the period.

If the plans for the recovery of the balances in the charges are changed, the Group adjusts the balance receivable/payable to reflect the effective and recalculated estimated cash flows. The carrying amount is then recalculated, finding the present value of future cash flows redetermined by applying the original interest rate; in addition to adjusting the balance receivable and payable, the difference arising is also recognised in the income statement as financial income or expense. A change in the plan of recovery of the

balance, which is considered as being a change in estimate arising from the fact that the Group has obtained new or more accurate information, does not lead to an adjustment to previous financial statements and any changes are applied prospectively.

Dividends

The dividends received from investments not consolidated on a line-by-line basis are recognised in the income statement at the time the unconditional right arises to receive the relevant payment that normally corresponds with the shareholders' meeting resolution to distribute dividends.

Costs

Costs are recognised when these relate to goods and services sold or consumed during the financial period, or based on a systematic allocation, or when there is no identifiable future use of the same.

Costs are recorded in the income statement simultaneously to the decrease in the economic benefits associated with the reduction of an asset or the increase of a liability if this decrease can be reliably determined and measured. Costs are also recorded simultaneously with the recognition of the related revenues in order to ensure the correlation between positive and negative components of income.

Financial income and expenses

Financial income and expenses are recognised on an accrual basis on the basis of the interest earned or due on the relative financial assets and liabilities, using the effective interest rate and, where envisaged, the legal interest rate. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount of the asset or liability. Interest income is recognised to the extent that it is probable economic benefits will flow to the Group and that the revenue can be reliably measured.

Income taxes

Current income taxes, IRES and IRAP, are calculated on the basis of the best estimate of taxable income for the financial period, in accordance with the tax regulations applicable in the countries where the Group carries out its activities, applying current tax rates. Current tax liabilities are recognised in the balance sheet net of any taxes paid on account.

Deferred tax liabilities and assets are calculated in relation to all the temporary differences that emerge between the carrying value of an asset or liability and its relative tax value, applying the tax rate in force on the date on which the temporary differences will be reversed, determined on the basis of the tax rates that are expected to apply or be substantially in force at the reporting date. Deferred tax assets for all deductible temporary differences in future years are recognised when their recovery is probable, or if they

are expected to be realised as future taxable income sufficient to recover the asset. The deferred tax liabilities for all taxable temporary differences in future years are recognised unless such liability derives from: i) the initial recognition of goodwill; ii) the initial recognition of an asset or liability in a transaction that does not represent a business combination and at the time of the transaction affects neither the accounting profit nor taxable income (tax loss).

Current taxes, deferred tax assets and deferred tax liabilities are recognised in the income statement, except when they relate to items directly debited or credited among other components of comprehensive income or among the equity items. In these cases, the related deferred tax assets or liabilities are also recognised in other components of comprehensive income or equity.

Deferred tax assets and liabilities for deferred taxes, levied by the same taxation authority, are offset when there is a legally enforceable right to offset amounts of current tax assets against current tax liabilities that will arise at the time of their reversal.

Deferred tax assets and deferred tax liabilities are classified as non-current assets and liabilities.

Taxes and levies not related to income are recorded under the caption "Other operating expenses" in the Income Statement.

Related parties

Related parties are identified by the ENAV Group in accordance with IAS 24. In general, the term "related parties" mainly comprises those who share with the parent company the same parent, companies that directly or indirectly control, are controlled or are subject to joint control by the parent company and those in which the latter has a holding such as to exert a significant influence. The definition of related parties also includes those entities that manage post-retirement benefit plans for employees of the parent company or any of its related companies, as well as the statutory auditors and their close relatives, the managers with strategic responsibility (including their respective directors) and their close relatives, of the parent company and the companies that it directly and/or indirectly controls.

Related parties internal to the ENAV Group are entities controlled by the parent company and by companies in the Group, or characterised by links to the entity that prepares its financial statements. Related parties external to the ENAV Group are the supervisory Ministry, namely the Ministry of Infrastructure and Transport and the controlling Ministry namely the Ministry of the Economy and Finance (MEF), the entities under the control (including joint control) of the MEF, and associated companies to the latter. Also considered related parties are directors with strategic responsibilities of the Group and the pension funds category (Prevaer).

In compliance with the regulations on related-party transactions adopted with Consob Resolution No. 17221 of 12 March 2010, as subsequently amended and supplemented, ENAV established, with effect from

26 July 2016, a procedure to govern related party transactions which was approved by the Board of Directors at its meeting of 21 June 2016.

For the detailed analysis of the above transactions with related-parties refer to note No. 33 of the Consolidated Financial Statements.

Operating segments

In accordance with IFRS 8, an operating segment is a component of an entity: i) that engages in business activities from which it may earn revenues and incur expenses, ii) whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment, iii) for which discrete financial information is available.

For management purposes, the ENAV Group is organised into strategic units according to the nature of the services provided and has, for financial reporting purposes, two operating segments (air navigation services and maintenance services) corresponding with the cash-generating units (CGU). There is also a third operational sector having a residual nature that includes operations related to minority activities, essentially attributable to research activities carried out by the Group that do not fall within the two operating segments that are mentioned above and which are subject to monitoring.

The information for the operating segments for 2016, along with comparative figures for 2015, is provided under Note 32 *Information per Operating Segment*.

Basic and diluted earnings/(loss) per share

In accordance with IAS 33, basic earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the period.

Basic earnings coincide with diluted earnings since at the balance sheet date there are no potential ordinary shares, or shares that have not yet given rise to the issuance of equity securities despite the presence of legal conditions with potential dilutive effects.

5. Use of estimates and management judgements

The preparation of consolidated financial statements in accordance with IAS/IFRS international accounting standards and related interpretations, requires the management to make accounting estimates based on complex and/or subjective judgments, evaluations, estimates based on historical experience and assumptions that are considered to be reasonable and realistic under the related circumstances and on the basis of information available at the time of the estimate. The application of these estimates and assumptions affect the reported amounts of the assets and liabilities and discloses contingent assets and liabilities at the balance sheet date, as well as the amounts of revenues and expenses during the reporting

period. Actual results could differ from those estimated due to the uncertainty that characterises the assumptions and conditions upon which the estimates are based. Estimates and assumptions are periodically revised, and the effects of any change are reflected in the accounts in the period in which the estimate was revised, if the revision only influences the current period, or also in subsequent periods if the revision influences the current and future periods.

In case of future changes in estimation processes, disclosures will be provided regarding the change in methodology, with effect from the year that such change could take place, in the presence of factors and/or other situations that may arise. These changes in the conditions underlying the assumptions and judgments adopted could have a significant impact on the consolidated results.

For the purposes of a better understanding of the financial statements, the main financial statement items or accounting cases listed below. These reflect a significant component of the management's opinion, highlighting the main assumptions used in the assessment process, in compliance with international accounting standards.

Impairment of assets and cash-generating units

An impairment of an asset exists when the carrying value of an asset (*carrying amount*) or a Cash Generating Unit (CGU) exceeds its recoverable value (which is the greater of the fair value of an asset or cash-generating unit less the selling costs and its value in use). A CGU is the smallest group of assets that generates largely independent cash flows.

In the process of identifying the aforesaid CGUs, the management has taken into account the specific nature of the assets and of the business to which they belong (business areas, the relevant regulations, etc.) verifying that the cash inflows arising from a group of assets were strictly independent and largely autonomous of those deriving from other assets (or groups of assets). In addition, the assets included in each CGU have also been identified on the basis of the manner through which management manages and monitors them in the context of its business model.

The number and scope of the CGUs is systematically monitored to take into account any external factors that might affect the ability to generate independent cash flows from groups of business assets, or in order to allocate the effects of any new business combinations or reorganizations on the part of the Group.

The Group verifies, at least annually, or more frequently if circumstances or events require a more diligent verification, whether there are impairment indicators for all activities. Goodwill and other intangible assets with an indefinite useful life are not subject to amortisation; however, the recoverability of their carrying value is assessed at least annually, and when events occur that could indicate a reduction in their value. With regard to goodwill, the assessment is carried out at CGU level, based upon which Management assesses the return on the investment, which includes the goodwill itself. In the absence of active markets where fair value may be identified, the impairment test is performed by calculating the value in use of the

CGU using the discounted cash flow model. When preparing the value in use calculations, the directors have to estimate the expected cash flows of the CGU and identify a suitable discount rate in order to calculate the present value of those flows. The cash flows that are discounted for the next 3 years (2017-2019) are derived from the business plans approved by management, which are formulated on the basis of assumptions that to a large extent are conditional and associated with the evolving expectations of the business, while for the years subsequent to the explicit period, hypotheses of sustainable profitability in the long term are developed to allow for continuity of management (growth rates and other factors anchored to macroeconomic trends).

In measuring the value in use, future expected cash flows are discounted, using a discount rate that reflects the current market assessment of the cost of money and the specific risks applicable to the asset. If an asset does not generate cash flows that are largely independent of others, its recoverable amount is calculated for the cash-generating unit to which that asset belongs.

An impairment loss is recognised in the income statement when the carrying value of the asset or relative cash generating unit to which it belongs, is greater than its recoverable value.

An impairment loss recognised in prior periods is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. In this case, the asset's carrying amount is restored by crediting the income statement, to the extent of the carrying value that the relevant asset would have had if no impairment loss had been made and the relevant amortisations had been carried out. After the reversal of an impairment loss is recognised, the depreciation or amortization charge for the asset is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a straight-line basis over its remaining useful life.

The estimates of these amounts are considered recoverable and reasonable; nevertheless, possible changes in the assumptions underlying the estimates on which the calculation of the recoverable amounts is based could produce different valuations.

The Plan used for carrying out the impairment test is the Financial Plan 2016-2019 approved by the ENAV Board of Directors on 29 March 2016, taking into account the effects of the 2017 budget approved by the administrative bodies involved.

Determining the useful life

The depreciation and amortisation of tangible and intangible assets is recognised on a straight line basis over the estimated useful life of each asset. The useful life is determined from the time the asset is acquired, and is based on experience with similar investments, market conditions and the anticipation of future events that could impact on the useful life. The effective useful life could therefore differ from the estimated useful life. On an annual basis, the Group assesses changes in technology so as to update the

residual useful life. These updates could result in a change to the amortisation period and, consequently, also the depreciation rate for the current and future periods.

Provisions for risks and charges

Under risk provisions, the Group incorporates probable liabilities that refer to disputes and litigation with employees, suppliers and third parties, and generally the other expenses arising from obligations assumed. The calculation for the allocation to the risk provision involves making estimates based on current knowledge of factors that could change over time, leading to a final outcome that differs significantly from what was taken into account when drawing up the consolidated financial statements.

Provision for bad debt and inventories losses

The provision for bad debt and inventory losses respectively reflect the estimates of the Group's bad debt losses and of the amount of spare parts that have become obsolete and can no longer be used for the systems and equipment to which they relate. Although it is considered that these allowances are reasonable, the use of different assumptions or a change in economic conditions could lead to changes and accordingly have an effect on results.

Disclosures on Cash Generating Units (CGUs)

Based on the Group's current structure, management has identified two cash-generating units (CGUs):

- *Air navigation services*: the CGU corresponds with the legal entity ENAV, the Parent Company that has as its core business providing air traffic management and control services, as well as other services essential for navigation over the Italian skies and at the national civil airports under its jurisdiction, ensuring the maximum technical and systematic standards in flight safety, and the enhancement of the technology and infrastructure of flight assistance systems.
- *Maintenance services*: the CGU corresponds with the subsidiary Techno Sky S.r.l., whose core business is the technical management and maintenance of air traffic control equipment and systems.

6. New accounting standards, interpretations and amendments adopted by the company

As an addition to the accounting standards adopted to prepare the consolidated financial statements for the year ended 31 December 2015, the following section sets out the main changes occurring in 2016 to the accounting standards applicable for the first time effective from 1 January 2016 that are of relevance to the Group, together with the interpretations and amendments to standards that are not yet effective or not yet adopted by the European Union, and which could find application in future consolidated financial statements of the ENAV Group.

New accounting standards applied from 1 January 2016

The Group has adopted the following interpretation and the following amendments to existing standards effective from 1 January 2016:

- *Amendments to IAS 1: Disclosure initiative* – issued 18 December 2014. The amendments, enacted as part of the IASB's initiative to improve the presentation and disclosure of financial statements, include updates in several areas:
 - *materiality*: it was clarified that materiality applies to the financial statements as a whole, and that the inclusion of immaterial information could invalidate the usefulness of the financial information;
 - *disaggregation and subtotals*: it was clarified that the specific items in the income statement, other comprehensive income for the period and the balance sheet can be disaggregated. New requirements were introduced for the use of subtotals;
 - *structure of the notes*: it was clarified that companies have some flexibility regarding the way the notes to the financial statements are presented. Greater emphasis was given that the company, in establishing the logical order of these notes, must be cognisant of the requirements of the users of financial statements, that they are understandable and comparable;
 - *companies measured using the equity method*: the portion of items in the statement of other comprehensive income relating to associates and joint ventures measured using the equity method must be divided between the parts that can be reclassified and not reclassified to the income statement; these parts must be presented in two separate sections in the statement of other comprehensive income.

The application of these amendments had no significant impact on the consolidated financial statements of the ENAV Group.

- *Amendments to IAS 19 – Defined benefit plans: employee contributions* – issued 21 November 2013. The aim of the amendments was to clarify how to recognise the contributions paid by employees as part of a defined benefit plan. More specifically, such contributions must be recognised as a reduction in the relative service cost over the period when the employees provide their services, if the amount of the contributions owed varies according to the number of years of service, or in the period in which the related service is provided, if the amount of the contributions owed does not vary according to the number of years of service.

The application of these amendments had no significant impact on the consolidated financial statements of the ENAV Group.

- *Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the consolidation exception* – issued 18 December 2014. The amendments clarify that if the Company prepares financial statements in accordance with IFRS 10, the exemption from preparing consolidated financial statements extends to the subsidiaries of an investment entity, in turn qualified as investment entities.

The application of these amendments had no significant impact on the consolidated financial statements of the ENAV Group.

▪ *Amendments to IFRS 11 – Accounting for acquisitions of interest in joint operation* – issued 6 May 2014.

The amendments clarify the manner of accounting for acquisitions of interests in a joint operation when the same is a business, as defined by IFRS 3, requiring the application of all the standards related to business combinations in accordance with IFRS 3 and the other standards except for those standards that are in conflict with IFRS 11. As a result, a joint operator who acquires such interest must measure assets and liabilities at fair value; must record the acquisition-related costs in the income statement (except for costs for the issuance of debt or equity securities); must record assets and liabilities for deferred taxes; must record a goodwill or bargain purchase gain; must perform an impairment test for the cash-generating unit to which the related goodwill has been allocated; and must provide the requested information for business combinations.

The application of these amendments had no significant impact on the consolidated financial statements of the ENAV Group.

▪ *Amendments to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortisation* – issued 12 May 2014. The amendments provide additional clarification on how to calculate the depreciation of property, plant and equipment and the amortisation of intangible assets. IAS 16 was amended to prohibit the recording of depreciation or amortisation on the basis of revenues that can be generated from asset material ("revenue-based"). Consistently, IAS 38 was amended to introduce the presumption that the recording of depreciation or amortisation based on revenues is inappropriate. There are limited circumstances in which such evaluation manner can be adopted, namely:

- if the intangible asset is expressed as the measure of the revenues;
- when it can be shown that the revenues and the consumption of the economic benefits of the intangible asset are strongly correlated.

The application of these amendments had no significant impact on the consolidated financial statements of the ENAV Group.

▪ *Annual improvements to IFRS 2010 – 2012 cycle* – issued 12 December 2013. The document contains formal amendments and clarifications to existing standards that had no significant impact on the consolidated financial statements of the ENAV Group. More specifically, the following standards have been amended:

- *IFRS 2 Share based payment* – the aforesaid amendments separate the concepts of performance condition (referring to a specific service period in the company as well as the results achieved by the same) and service condition (referring to a specific service period) from the definition of vesting conditions to make the description of each condition clearer;

- *IFRS 3 Business combinations* – the amendment clarifies that contingent considerations, as part of a business combination, must be measured at fair value and any changes should be recognised in the income statement in each recording period;
- *IFRS 8 Operating segments* – the amendment introduces new disclosure requirements for the benefit of the users of financial statements in order to understand the management's opinion on how (and why) operating segments are identified. Furthermore, the reconciliation between the total of the operating segments compared to the assets of the entity must only be provided if such disclosure is regularly provided to management;
- *IAS 16 Property, plant and equipment* – clarifies that if an item belonging to property, plant and equipment is revalued, the gross carrying amount of assets should be adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. In addition, it clarifies that cumulative depreciation is to be calculated as the difference between the gross amount and the carrying amount of assets after having considered the accumulated losses due to impairment;
- *IAS 24 Related party disclosures* – it was clarified that a management entity or an entity which provides management services with strategic responsibility to the entity that prepares the financial statements, or to the parent of the entity that prepares the financial statements, is regarded as a related party of the company preparing the financial statements. Consequently, the company preparing the financial statements is required to disclose both the amount paid or payable to the management entity, as well as disclosing other transactions with the management entity, for example, loans, as required by IAS 24 in relation to related parties. This amendment also clarifies that if an entity receives management services with strategic responsibility from another company, the company preparing the financial statements is not required to disclose the consideration paid or payable by the management entity to its directors or employees;
- *IAS 38 Intangible assets* – it was clarified that when an intangible asset is revalued, the gross amount of the asset should be adjusted in a manner that is consistent with the revaluation of the carrying amount thereof. In addition, it clarifies that cumulative amortisation is to be calculated as the difference between the gross amount and the carrying amount of assets after having considered the accumulated losses due to impairment;
- *Annual improvements to IFRS 2012 – 2014 cycle* – issued 25 September 2014. The document contains formal amendments and clarifications to existing standards that had no significant impact on the consolidated financial statements of the ENAV Group. More specifically, the following standards have been amended:
 - *IFRS 5 – Non-current assets held for sale and discontinued operations* – the amendments clarify that the change of destination of an asset (or disposal group) held for sale to an asset held for distribution to shareholders should not be regarded as a new sales plan but rather as a

continuation of the original plan. There is no interruption in the application of the requirements of IFRS 5 and the date of classification remains unchanged;

- *IFRS 7 – Financial instruments disclosures* – with reference to the disclosure required for the company's involvement in an asset that was transferred but not de-recognised in its entirety, the amendments clarify that in the presence of a service contract that calls for a payment, the same can represent a persistent involvement in the financial asset, from a disclosure point of view. A company must analyse the nature of the consideration and the agreement in order to assess whether disclosure is required. The amendments also clarify that the disclosure relating to the offsetting between financial assets and liabilities is not required in interim financial statements;
- *IAS 19 – Employee Benefits* – the amendments to IAS 19 require that the rate used to discount the benefits to employees following the termination of employment must be determined using market yields of the securities of leading companies or government bonds (in the absence of the former) in the same currency as the obligation, rather than in the country where the obligation is located;
- *IAS 34 – Interim Financial Reporting* – the amendment establishes that the disclosures required for interim financial statements should be included directly within the interim financial statements or incorporated by references within the financial statements to other documents (e.g., the management commentary or risk reports) that are made available to users of the financial statements.

New accounting standards, interpretations and amendments effective for periods subsequent to 31 December 2016 not adopted by the Group

The following is a list of new accounting standards, amendments and interpretations that will be applied by the Group in subsequent years to the year ended 31 December 2016:

- *IFRS 9 – Financial Instruments* – issued in its final version on 24 July 2014, replacing the current IAS 39 Financial Instruments: Recognition and Measurement and replaces all previous versions. The standard is effective for financial years starting from 1 January 2018 and early adoption is permitted. The final version of IFRS 9 is the result of three phases of an implementation project, which led to the replacement of IAS 39 regarding the classification and measurement of financial instruments, impairment and hedge accounting. IFRS 9 provides a single classification approach for all types of financial assets, including financial assets that contain embedded derivatives. All financial assets are to be classified in their entirety rather than being subject to complex modes of bifurcating their relative values. In order to define the methods with which financial assets must be classified and measured, consideration must be given to the business model applied by the Group to manage the financial assets and the characteristics of their related cash flows.

The financial assets at amortised cost are planned within a business model, the purpose of which is to hold the assets to maturity and to collect the related cash flows, otherwise those financial assets classified and measured at fair value and recognised in the statement of comprehensive income are those assets held in a business model the objective of which is achieved both by collecting the contractually expected cash flows as well as by selling the financial assets. This measurement category assumes the required information both for assets classified at amortised cost as well as for assets classified at fair value and recognised in the statement of comprehensive income.

In relation to the classification and measurement of financial liabilities, IFRS 9 has essentially replicated the accounting treatment envisaged by IAS 39 with some minor amendments. Most financial liabilities continue to be measured at amortised cost; in addition, the option of measuring financial liabilities at fair value through the income statement is still provided for under specific circumstances.

This standard introduces new provisions for the fair value measurement of financial liabilities, according to which changes in the fair value of a company's debt must be recognised in the statement of comprehensive income and not in the income statement. These requirements are already available for adoption without applying the additional IFRS 9 provisions in their entirety.

Moreover, the standard identified a new impairment model that provides the users of financial statements with more information about the credit losses expected by the company (expected losses). IFRS 9 also provides for a new hedge accounting model, with the goal of aligning accounting treatments with risk management procedures, and by establishing a model with greater focus on objective criteria ("principles-based approach").

The Group is assessing the potential effects arising from the future application of this new standard.

- *IFRS 14 Regulatory Deferral Accounts* – issued 30 January 2014. The standard allows first-time adopters to continue to recognise the amounts relating to regulated rates based on formerly adopted standards (e.g., the national accounting standards), during first-time adoption and in accordance with IFRS 1 - First-time Adoption of International Financial Reporting Standards. This standard is not adopted by the companies that already prepare their financial statements in accordance with IAS/IFRS standards. In addition, a company whose current standards do not allow for the recording of assets and liabilities related to rate regulation, or which has not adopted such a policy in the context of national accounting standards, will not be allowed to recognise them through the adoption of IFRS 14. The European Commission has decided not to initiate the ratification process of this draft pending its final drafting. The application of this standard will have no impact on the Group, it having already adopted the international accounting standards.
- *IFRS 15 Revenue from contracts with customers* — issued 28 May 2014, on 11 September 2015, *Amendments to IFRS 15: effective date of IFRS 15* was then issued. The new standard will be applied to all customer contracts, except for certain limitations (for example, leasing and insurance contracts,

financial instruments, etc.). The new standard establishes a comprehensive framework for recognising revenue and measuring the same, based on the criterion of recognising revenue upon the transfer of the goods or services promised to customers in an amount that reflects the consideration contractually required to cover the aforesaid goods or services. Such criterion will be applied as part of a methodology that can be summarised in 5 phases: identification of the contract with the client (phase 1); identification of performance obligations (phase 2); determining the transaction price, i.e., the amount of consideration that is reasonably expected (phase 3); allocation of the transaction price to each performance obligation based on the stand-alone selling price for each good or service promised in the contract (phase 4); recognising revenues upon the satisfaction of the performance obligation through the transfer of the good or service. The transfer to the client coincides with the time when the customer obtains control of such good or service (step 5). IFRS 15 includes a set of disclosure requirements regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The standard will apply to financial years beginning 1 January 2018.

During the year 2016, the Group initiated a project aimed at identifying those cases considered potentially critical, assessing their potential impact on the financial statements and verifying any adjustments of the system of internal control over financial disclosure. Given the current state of analysis, it is not yet possible to reasonably estimate the potential effects arising out of the application of the new standard. Nevertheless, the Group believes that it can provide the first quantitative disclosure of its likely effects within the interim financial statements and on that occasion to be able to also identify the method of the first application of the standard. The analysis of the quantitative effects of the standard will be made by reference to the parent company and the subsidiaries included in the scope of consolidation and potentially affected by the standard in question.

- *Clarifications to IFRS 15 Revenue from contracts with customers* – issued 12 April 2016, includes certain amendments to the standard in order to clarify those aspects related to the practical expedients identified by IFRS 15 and some topics discussed within the “*Joint Transition Resource Group*” created jointly by the IASB and the FASB. The object of these explanations is to provide clarification regarding the requirements of IFRS 15 but not to disrupt its imposition. IFRS 15 will be applicable, following its corresponding approval, to the financial years beginning from 1 January 2018 or from a later date.
- *IFRS 16 Leases* – issued 13 January 2016, replaces the previous standard IAS 17 Leases and related interpretations, and establishes criteria for the recognition, measurement, presentation and disclosure of lease agreements for both parties to a contract, such as the *lessee* and the *lessor*. While maintaining the definition of the leasing contract already planned by the IAS 17, the main change that IFRS 16 introduces is its introduction of the concept of control as part of the definition itself. More specifically, IFRS 16 requires an assessment as to whether or not the lessee has the right to control the use of an asset for a specified period of time. IFRS 16 eliminates the classification between operating and finance

leasing and introduces a single recognition method for all leasing contracts. The standard will apply to financial years beginning from 1 January 2019, following its relative endorsement.

The Group does not envisage any impacts from the future application of the new standard.

- *Amendments to IAS 7 Disclosure Initiative* – issued 29 January 2016. The amendments to this standard apply to liabilities and assets derived from financing activities, defined as the liabilities and assets whose cash flows were or will be classified in the statement of "cash flows from financing activities". The amendments require the disclosure of changes to these assets/liabilities, distinguishing the monetary changes from the non-monetary ones (for example: changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in the rate of exchange and changes to fair value). The IASB recommends providing this disclosure in the form of a table reconciling the balances for these assets/liabilities at the start of the period with those at the end of the period. The amendments will be applicable from the financial periods beginning 1 January 2017 or later.

The Group does not envisage any impacts from the future application of these new regulations.

- *Amendments to IAS 12 Recognition of deferred tax assets for unrealised losses* – issued on 19 January 2016 – provide clarification on the methods for recognising deferred tax assets relating to debt instruments measured at fair value. Furthermore, the amendments clarify the requirements for recording deferred tax assets with reference to unrealised losses in order to eliminate asymmetries in accounting practices. Subject to approval, the amendments will be applicable from the financial periods beginning 1 January 2017 or later. Early application is permitted.

The Group is assessing the potential effects arising from the future application of this new standard.

- *Amendments to IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and its associate or joint venture* – On 11 September 2014 the IASB issued amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures in order to coordinate the accounting treatment of the sale or contribution of assets between an investor and its associates or joint ventures. The amendments introduced have the aim of clarifying the accounting treatment of gains and losses deriving from transactions with joint ventures or associates accounted for using the equity method. These amendments have not yet been adopted by the European Union and the Group does not envisage significant accounting effects considering the Group's current scope. The EFRAG has recommended to the European Commission to postpone the endorsement process of these amendments to these standards until the completion of the IASB project on the elimination of profits and losses arising from transactions between a company and its associate or joint venture.
- *Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions* – issued 20 June 2016. These amendments clarify that the fair value of cash-settled share-based payment transactions at the measurement date is determined by considering the market conditions (e.g., the target price of the shares) and the non-vesting conditions, while ignoring the services and conditions

that differ from those of the market; that transactions with share-based payment that meet the requirement for carrying out compensation for discharging the withholding tax are classified as equity instruments in their entirety; they provide guidance to account for a change in terms and conditions of a share-based payment from the cash-settled type to those with equity instruments.

The amendments will be applicable, following their corresponding approval, for the financial years beginning from 1 January 2018 or from a later date.

The Group does not envisage any impacts from the future application of these new regulations.

- *Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* – issued 12 September 2016. The amendments allow companies whose main activities are related to insurance activities to defer the adoption of IFRS 9 until 2021 (temporary exemption); and grant to all companies with active insurance contracts, the option to recognise in other comprehensive income (OCI), rather than the income statement, the volatility that could arise if IFRS 9 is applied before the application of the new standard for insurance contracts (overlay approach).

The amendments will be applicable, subject to approval, for the financial years beginning from 1 January 2018 or from a later date.

The Group does not envisage any impacts from the future application of these new regulations.

Notes to the consolidated statement of financial position

7. Tangible assets

The table below shows changes in tangible assets at 31 December 2016 compared with the previous financial year:

	Land and Buildings	Plants and machinery	Ind. and comm. equipment	Other assets	Asset under construction	Total
Historical cost	454,731	1,681,988	294,399	332,098	205,347	2,968,563
Accumulated depreciation	(169,231)	(1,191,474)	(232,937)	(291,085)	0	(1,884,727)
Net amount 31.12.2015	285,500	490,514	61,462	41,013	205,347	1,083,836
Increases	8,610	52,357	7,522	1,258	105,527	175,274
Disposals - historical cost	(3)	(3,291)	(269)	(5,606)	0	(9,169)
Disposals - accumulated depreciation	3	3,286	266	5,604	0	9,159
Reclassif. of assets for disposal at hist. cost	(14)	(179)	0	(562)	0	(755)
Reclassif. of assets allocated to the disposal of the admin. reserve	14	177	0	546	0	737
Reclassifications	0	(11)	0	0	(69,168)	(69,179)
Depreciations	0	(22)	0	(40)	0	(62)
Amortisations	(17,274)	(91,992)	(14,224)	(10,070)	0	(133,560)
Total changes	(8,664)	(39,675)	(6,705)	(8,870)	36,359	(27,555)
Historical cost	463,324	1,730,864	301,652	327,188	241,706	3,064,734
Accumulated depreciation	(186,488)	(1,280,025)	(246,895)	(295,045)	0	(2,008,453)
Net amount 31.12.2016	276,836	450,839	54,757	32,143	241,706	1,056,281

Tangible assets recorded a net decrease during the year of €27,555 thousand for the following events:

- depreciation for the period of €133,560 thousand (€134,347 thousand at 31 December 2015);
- increases in tangible assets totalling €175,274 thousand, of which €69,747 thousand refer to investments finalised and becoming operational during the period. Among these are highlighted: i) the data link communication system for the Brindisi Area Control Centre which replaces voice communications between controllers and pilots with CPDLC text messages (Controller Pilot Data Link Communications) in order to make the interaction between the decision-making process of the controller and the notification of the same to the pilot more fluid and to eliminate the risk of misunderstandings that are associated with verbal communication; ii) the Coflight – new generation flight data processing system, which assists the controller in the calculation of the expected flight path, installed in the V3 version at the systems room at the ACC premises of Rome Ciampino and used as part of the validation exercises of the Sesar programme; iii) updating of airport meteorological systems according to ICAO Amendment 74 for airports; iv) the implementation of the "e-Tod new technological solution" programme regarding the strengthening of the eTOD system for airport mapping; v) modernisation of the Brindisi airport tower and the renovation of the airport towers in Verona and Rome Ciampino; vi) the implementation of the Aeronautical Data Quality (ADQ) programme for the processing of aeronautical data; vii) the adjustment and technological upgrading of the CNS/ATM

systems at several ACC and airport sites reported to the operational voice service network E-NET; viii) the evolutionary maintenance of various systems. The increases of €105,527 thousand refer to tangible assets under construction with regard to the progress of investment projects, among which the most significant are the following: i) the 4-flight programme, whose goal is to develop the entire ATM technology platform of the ACC based on Sesar operational concepts and taking within it the Coflight system as a basic component; ii) the extension of the Academy training school in Forlì that envisages the construction of a new integrated technology hub; iii) the implementation of the data link 2000 plus system; iv) the creation of the new TBT radio centre and lan data network for Bergamo Airport; v) the provision of the service centre at Rome Ciampino airport; vi) the upgrading of the TBT radio equipment to channelling 8.33 kHz for the ACC in Milan and Rome;

- a decrease in tangible assets for €69,179 thousand reported for €69,298 thousand to investment projects finalised and becoming operational during the year through the reduction of tangible assets under construction with the classification to a specific caption, for €416 thousand to the reclassification of some components of operating systems in inventories of spare parts and for €535 thousand to the reclassification under the intangible assets under construction caption;
- reclassifications for a net negative effect of €18 thousand, net of relative impairment losses, related to the tangible assets of the SICTA Consortium in liquidation, represented overall in note 17.

It is noted that part of the investments, with a historical cost of €229,235 thousand, is financed by capital grants recognised as part of the National Operating Program (NOP) for Transport for the years 2000-2006 and 2007-2013 for initiatives at southern airports and grants assigned by the Ministry of Infrastructure and Transport for investments in military airports, in accordance with Italian Law 102/09. The capital grants recognised for these investments are accounted for as *other liabilities* and released to the income statement in line with the depreciation of the investments to which they refer. The amount attributable to the period came to €8,822 thousand.

8. Intangible assets

The table below shows changes in intangible assets at 31 December 2016 compared with the previous financial year:

	Industrial patent and intellectual property rights	Other intangible assets	Asset under construction	Goodwill	Total
Historical cost	119,437	2,085	43,586	66,486	231,594
Accumulated depreciation	(107,418)	(2,085)	0	0	(109,503)
Net amount 31.12.2015	12,019	0	43,586	66,486	122,091
Increases	8,916	0	10,468	0	19,384
Disposals	0	0	0	0	0
Reclassifications	0	0	(9,435)	0	(9,435)
Depreciations	0	0	0	0	0
Amortisations	(8,956)	0	0	0	(8,956)
Total changes	(40)	0	1,033	0	993
Historical cost	128,353	2,085	44,619	66,486	241,543
Accumulated depreciation	(116,374)	(2,085)	0	0	(118,459)
Net amount 31.12.2016	11,979	0	44,619	66,486	123,084

Intangible assets amounted to €123,084 thousand and show a net increase of €993 thousand for the year as a result of the following changes:

- amortisation for the period of €8,956 thousand (€12,367 thousand at 31 December 2015);
- increases in intangible assets totalling €19,384 thousand of which €8,916 thousand related to investment projects finalised and becoming operational during the period concerning: i) the updating of the XMG tool used for the production and editing of local radar maps serving as background of the CWP; ii) the technological and functional evolution of some computer platforms used in the scope of Sesar; iii) the support of various management systems software. For €10,468 thousand, the increase is related to investment projects in progress among which are highlighted: i) the NOAS (New Operational Area System) programme, to optimise the systems already developed by the Parent Company with the Airnas and Athena programmes aimed at maintaining Single European Sky certification and to integrate the Ais and Meteorological databanks; ii) the monitoring and analysis system called AIDA;
- the decreases in intangible assets of €9,435 thousand referring to €8,900 thousand for investment projects finalised and becoming operational to a specific caption and to €535 thousand reclassified within the scope of tangible assets.

Goodwill is equal to the difference between the acquisition value of the subsidiary Techno Sky S.r.l. and its net assets expressed at current values, and is representative of future economic benefits. This value, amounting to €66,486 thousand, is allocated to the Maintenance Services CGU, coinciding with the legal entity Techno Sky S.r.l.. At 31 December 2016, in applying the methodology required by IAS 36 Impairment of assets, goodwill was subject to an impairment test, which was carried out by comparing the recoverable amount of the CGU with the carrying amount of the net assets related to this unit, in accordance with IAS 36. Reference was made to the value in use in calculating the recoverable value. The discount rate used is

the WACC at 7.2%, with a growth rate of the operational cash flows in nominal terms of 1.5%, in line with current reference macro-economic prospects and in continuity with what was done in 2015.

Based on this consideration, management decided to use as an estimate for the recoverable value, the value in use estimated on the basis of the cash flows deriving from the new economic-financial plan 2017 – 2019 taking into account the 2017 budget prepared by the subsidiary, without conducting any additional normalisations on the expected margin levels.

The test produced a recoverable value that was higher than the CGU's book value, and consequently, no impairments were recognised. The recoverable value for the purposes of the impairment test reflects a surplus (headroom) compared to the corresponding book value of approximately €26.4 million.

For the sensitivity analysis, an increase of 0.3% was assumed for the WACC, and by maintaining the growth rate at 1.5%, the recoverable value continues to be higher to the net assets' book value relating to the CGU for an amount of €20.4 million. Assuming a 0.3% increase in the WACC and a growth rate of 1.1%, the recoverable value would continue to be higher than the CGU's net asset carrying value for €13.9 million.

There are no plausible changes envisaged to the key parameters for the impairment test, to the extent that such would reduce the excess of the value in use over the carrying value of the CGU's asset to zero.

9. Investments in other companies

Investments refer solely to investments in other companies and amounted to €36,468 thousand, an increase of €1,154 thousand compared with 31 December 2015, entirely due to the foreign exchange difference arising on the translation into Euro of the investment in Aireon LLC, a Limited Liability Company incorporated under the laws of the United States, belonging to the Iridium Group, amounting to US\$38,265 thousand.

This investment is being acquired through four instalment payments, the last of which in 2017, for a total price of US\$61.2 million, at the end of which an investment interest of 12.5% will be acquired. At 31 December 2016, the first two tranches had been paid, corresponding to a stake of 5.41%. The third payment was made in February 2017.

Aireon LLC is an unlisted company, so its carrying value is represented by the cost as set in the contract that was estimated on the basis of the valuations performed during the acquisition process.

Investments also include the 16.67% interest held by the Parent Company in the share capital of the French incorporated company ESSP SaS, a company which is held by the main European service providers. It manages the EGNOS satellite navigation system and provides the related services. A dividend of €250 thousand was received in 2016, similar to the previous year.

10. Current and non-current financial assets

Non-current financial assets amounted to €13,671 thousand, showing a decrease of €2,016 thousand with respect to 31 December 2015, and consist of the following:

	31.12.2016	31.12.2015	Variation
Non-current financial assets			
Financial receivables	13,306	14,354	(1,048)
Derivative	0	968	(968)
Other	365	365	0
Total	13,671	15,687	(2,016)
Current financial assets			
Derivative	1,221	0	1,221
Total	1,221	0	1,221

Financial receivables refer entirely to the receivable from the company from which the business unit contributed to Techno Sky was purchased.

This shows a balance of €13,306 thousand, recording a reduction during the year of €1,048 thousand as a result of the payments received, which are in proportion to settlements and advances on the employees' termination indemnity paid to Techno Sky's employees. This receivable corresponds to employees' leaving entitlement included in the business unit transferred from the seller to subsidiary Techno Sky, and is reduced either on simple request from the subsidiary in the event that employees terminate their employment relationship or ask for advances in a single instalment 15 years from the signing date, which corresponds to 28 December 2021. The receivable is interest-bearing, at Euribor 3 months, 360 base, plus a spread of 0.05 percentage points, and supported by a first demand bank guarantee, the value of which is adjusted annually based on the amounts collected by Techno Sky in the course of year.

Non-current financial assets related to the *derivative* are reduced to zero since they are reclassified to current financial assets. This item, which amounts to €1,221 thousand, includes the derivative contract entered into in December 2013 by the Parent Company for the forward currency purchase of US dollars, subdivided into four tranches, of which the last will be exercised in 2017, corresponding to the amount to be paid for the stake in Aireon. As a consequence, the fair value valuation of the derivative at 31 December 2016, equal to an asset of €1,221 thousand, has been reclassified to current financial assets.

The derivative contract represents a perfectly effective hedging instrument, accounted for as in accordance with the cash flow hedge method.

Reference is made to Note 34 for all the information required by IFRS 7

11. Deferred tax assets and deferred tax liabilities

Deferred tax assets and liabilities are detailed in the table below, distinguishing between the amounts recognised in the Income Statement and those recognised in the other comprehensive income (equity).

	31.12.2015		Incr./decr. with impact on Inc. Stat.		Incr./decr. with impact on N.A.		31.12.2016	
	Temporary differences	Deferred Tax assets/liabilities	Temporary differences	Deferred Tax assets/liabilities	Temporary differences	Deferred Tax assets/liabilities	Temporary differences	Deferred Tax assets/liabilities
Deferred tax assets								
Taxed provisions	62,622	15,408	(5,886)	(1,791)	0	0	56,736	13,617
Write-down of inventories	9,126	2,191	(124)	(30)	0	0	9,002	2,161
Discounting on receivables	5,007	1,392	(1,149)	(399)	0	0	3,858	993
Tax effect of IFRS conversion	885	261	(134)	(51)	0	0	751	210
Discounting employee severance indemnity	622	168	0	0	2,012	483	2,634	651
Employee severance indemnity non-deductible portion	1,878	465	0	0	0	0	1,878	465
Fair value of derivatives	5	1	0	0	47	11	52	12
Other	21,000	6,041	487	69	0	0	21,487	6,110
Total	101,145	25,927	(6,806)	(2,202)	2,059	494	96,398	24,219
Deferred tax liabilities								
Other	8,049	2,213	1,057	(28)	0	0	9,106	2,185
Discounting on debts	107	30	163	35	0	0	270	65
Tax effect of IFRS conversion	3,100	941	(288)	(93)	0	0	2,812	848
Fair value of derivatives	3,548	851	0	0	253	61	3,801	912
Total	14,804	4,035	932	(86)	253	61	15,989	4,010

The movements of deferred tax assets and deferred tax liabilities, which show at the end of 2016 a balance, respectively, amounting to €24,219 thousand and €4,010 thousand, are due to the following effects:

- to the advances and utilisations of taxed provisions, such as provisions for risks, impairment losses and bad debts, made for the reasons set out in Notes 13, 14 and 19;
- to the re-calculation of the discounting of receivables for terminal balance based on the new method for incorporating balances in the charge, net of transfers for 2016 of all balances recognised and the recognition of the discounting of receivables and payables on balances arising at 31 December 2016;
- to the accounting of the TFR (employee severance indemnity) according to the actuarial method, which has shown an actuarial loss impacting the other comprehensive income statement;
- to the valuation at fair value of derivative cash flow hedges recognised in the other comprehensive income statement;
- to the recognition and reversal to the income statement of the elimination of margins on transactions within the scope of the Group.

Subsequent to the Stability Law of 2016 No. 208/2015 that brought a reduction in the IRES tax rate from the current 27.5% to 24% with effect from 2017, deferred taxes were adjusted to this new rate for all entries that in 2015 were not adjusted because the recovery was estimated in 2016. This adjustment had a negative impact on the income statement related to deferred tax assets for €195 thousand.

Liabilities for deferred taxes show a balance of €4,010 thousand and refer, in addition to the tax effect related to the transition to IFRS, to the default interest related to 2016 and previous years that had not yet been received and recognised for tax, also this adjusted to the IRES rate of 24% with a positive effect on the income statement of €265 thousand.

12. Current and non-current tax receivables

Non-current tax receivables are unchanged compared to the previous year and amount to €25,177 thousand. They refer to the higher IRES tax paid in the years 2007/2011 by the Group due to the non-deduction of IRAP relating to expenses incurred for employees and similar costs. Specifically, the entitlement to a refund is based on Article 2 of Legislative Decree 201/2011 that permits IRAP to be deductible analytically from corporate taxable income, which had previously only been permitted to the extent of 10 percent of the tax paid; this Decree was subsequently integrated with Decree-Law No. 16 of 2012 under Article 4, paragraph 12, in order to extend this possibility to prior tax periods, starting from the 2007 tax period. Regarding the timescale for receiving the refund, given that the Tax Revenue Office envisions making payment starting from the earliest tax years and on the basis of the order in which the electronic flows are transmitted, and it establishes criteria in the cases in which it does not have fully available funds, the receivable has been prudently classified as a non-current asset. The decrease of €56 thousand compared to the previous year is related to the collection of credit obtained in the course of the year from the SICTA Consortium in liquidation.

Current tax receivables amount to €40,070 thousand and include the receivables specified in the table below.

	31.12.2016	31.12.2015	Variation
Receivables from tax authorities for VAT	23,169	69,972	(46,803)
IRES for the year	617	37	580
IRAP for the year	12,866	18,762	(5,896)
Other current tax receivables	3,418	1,684	1,734
Total	40,070	90,455	(50,385)

The *receivable due from the tax authorities for VAT* for €23,169 thousand underwent a net negative amount of €46,803 thousand mainly due to the collection of the entire VAT reimbursement requested from the parent company for tax years 2012, 2014 and 2015 for a total of €61,496 thousand, inclusive of interest income recognised in the period for €418 thousand at the annual official rate of 2%, net of VAT accrued in 2016 for a total of €14,346 thousand. When submitting the VAT return for 2016, presented in February 2017, the parent company requested reimbursement in the amount of €13.6 million.

The *IRES* receivable was recorded entirely by the Techno Sky subsidiary determined by the difference between the advances paid during the year for €1,457 thousand and the tax recorded in 2016 for €840

thousand, which stood at a lower value, due to lower taxation for the tax deductibility of a risk fund taxed in previous years and used in the year following the closure of the related litigation.

The *IRAP* receivable amounts to €12,866 thousand and consists of the receivable recorded in 2015 reduced by the IRAP for the year in the amount of €5,782 thousand, by the adjustment implemented by the parent company for the alignment of the values statement submitted in 2016 for €53 thousand, and the share of the SICTA Consortium in liquidation whose values are represented in total in Note 17.

The *other current tax receivables* contains the credit for taxes paid abroad of €309 thousand and the credit for the IRAP refund application, pursuant to art. 6 of Legislative Decree 185/2008 for the years from 2004 to 2007, totalling €1,170 thousand, which was reduced in the year by €55 thousand, following collection of the amount for 2005. The increase of €1,734 thousand is mainly attributable to the subsidiary ENAV North Atlantic for the payment on account of tax for US Federal Income Tax and Corporate State Tax payable for the year 2016 in connection with the preferred dividends accrued up to 2016 but not collected, held by ENAV North Atlantic for the recognition of dividends, in an amount equal to 5% on an annual basis, calculated in relation to the tranches of the price paid to Aireon in accordance with the provisions of the Limited Liability Company Agreement (LLC Agreement) of Aireon LLC. Subsequent to the payment of the advance taxes, the management of Aireon has urged investors to consider the possibility of approving an amendment to the LLC Agreement with which to postpone from 1 January 2016 to 1 January 2021, the maturity date of the right to receive dividends. This change allows ENAV North Atlantic to demand repayment from the US tax authorities of the taxes already paid for the year 2016.

13. Current and non-current trade receivables

Current trade receivables amounted to €226,651 thousand and non-current trade receivables, relating entirely to balance receivables, totalled €153,539 thousand and changed as follows during the period.

	31.12.2016	31.12.2015	Variation
Current trade receivables			
Receivables from Eurocontrol	164,271	169,184	(4,913)
Receivables from the Ministry of Economy and Finance	13,299	14,366	(1,067)
Receivables from Ministry of Infrastructure and Transport	30,000	30,000	0
Receivables from others	39,523	42,840	(3,317)
Balance receivables	28,781	29,029	(248)
	275,874	285,419	(9,545)
Bad debt provision	(49,223)	(51,872)	2,649
Total	226,651	233,547	(6,896)
Non-current trade receivables			
Balance receivables	153,539	124,278	29,261
Total	153,539	124,278	29,261

The *receivables from Eurocontrol* relates to the charges deriving from route and terminal revenues not yet collected at 31 December 2016, totalling €114,417 thousand (€115,564 thousand at 31 December 2015) and €49,854 thousand (€53,620 thousand at 31 December 2015), respectively. The decrease in the period of €4,913 thousand refers to the higher receipts obtained during the year for both en route and terminal receivables.

The *receivables from the Ministry of the Economy and Finance (MEF)* for €13,299 thousand relates entirely to the en route and terminal exemptions recorded in 2016, a decrease of €1,067 thousand compared to the figure from the previous period. The receivable in 2015 for €14,366 thousand was offset, following the approval of the 2015 financial statements, with a payable relating to the Italian Air Force (Aeronautica Militare) for the collections referring to the en route charges for €61,578 thousand that resulted in a payable to the MEF for €47,212 thousand paid in December 2016.

The *receivables from the Ministry of Infrastructure and Transport* includes the revenue grant for €30,000 thousand, aimed at offsetting the cost incurred by Enav to guarantee the safety of its systems and operational safety, pursuant to Article 11 *septies* of Law 248/05. During the month of December, €30 million was received in relation to the 2015 period.

The item *receivables from others* was down by €3,317 thousand with respect to the previous period, mainly owing to the closure of Techno Sky's credit positions with Leonardo S.p.A., following the resolution of the arbitration procedure in May 2016 and the signing of the acknowledgement and settlement agreement on 30 June 2016 for the final closure of all relevant positions. The item also includes positions toward management companies for activities performed by the parent company as well as credits for foreign contracts in progress and not yet due at 31 December 2016.

The *bad debts provision* amounts to €49,223 thousand in total and showed the following movements during 2016:

	31.12.2015	Increases	Decreases		31.12.2016
			Utilizations	cancellations	
Bad debt provision	51,872	2,857	(902)	(4,604)	49,223

The increase for the period of €2,857 thousand refers to the write-down of doubtful debts relating to positions in respect of the en route and terminal charges payable by airline companies that went insolvent or that no longer operate due to their licence being withdrawn, as well as impairment losses for management companies which have entered into bankruptcy proceedings. The decreases totalling €5,506 thousand refer to receivables prudently written down in previous periods and collected during 2016, and for €4,604 thousand to the write-off of positions no longer considered collectible referring to receivables both for en route as well as for terminal charges.

The utilisations are recorded in the Income Statement under *write-downs and losses*.

The *Balance receivables*, referring entirely to the Parent Company, net of time value discounting, amount to €182,320 thousand, classified under current trade receivables for €28,781 thousand for the portion that will be recovered in 2017 and therefore to be included in charge for the same period, and for €153,539 thousand classified under non-current receivables as this is subject to recovery in financial periods after 2017 in accordance with the recovery plans referenced in the performance plan and in the 2016-2019 programme contract pending resolution of the CIPE for the subscription.

In detail, the balance receivable includes the residual portion of route and terminal balances that have not yet been recovered through charges. With reference to the change recorded in the balance of current receivables, it is noted that following the review of the recovery plan of the terminal balance of the third category recorded in previous years, the relative portions have been reclassified to non-current receivables in accordance with the recovery expected in the 2016/2019 programme contract currently being formalised.

Balance receivables recognised in 2016, totalling €48,992 thousand gross of the effect of discounting, are classified as non-current trade receivables, and include €27,735 thousand in route balances and €21,257 thousand in terminal balances. More specifically, the en route balances refer to: i) the balance for the traffic risk and the portion not recovered on the balances recorded in previous years and included in the 2016 charges for a total of €20,880 thousand recorded following lower en route service units generated compared to what was forecast in the performance plan (-6.4%); ii) a meteorological balance for €914 thousand calculated, in accordance with EU regulations, based on a cost recovery logic; iii) the balance on en route kpi capacity as a bonus for having exceeded the objective of 0.10 minutes delay for assisted en route flights set in the performance plan, where Enav achieved a result of 0.002 minutes/flight. Quantifying this bonus, having reached the maximum level, resulted in a balance entry of €5,941 thousand.

The terminal balance refers to: i) the capacity balance for the two terminal charge categories subject to the performance plan, which set a target of 0.02 minutes delay in flight arrivals due to causes attributable to the Parent Company, for the five airports subject to the performance plan, the overall delay for reasons attributable to the ATM was equal to 0.006 minutes resulting in an overall economic quantification equal to €432 thousand of which €170 thousand was for the first category and €262 thousand for the second charging category; ii) the balance associated with the third charge category, not included in the performance plan, which maintains a cost recovery logic and amounts to €20,825 thousand. This balance is mainly connected to the lower charge applied for 2016 that, at the request of the Ministry of Economy and Finance and the Ministry of Infrastructure and Transport, was equal to that used in 2015 which amounted to €260.96, which contained a share borne by the Company for the contribution of the charge stabilisation provision. The natural rate determined on the basis of budgeted costs for 2016, which included the recovery of the balance recorded in previous periods, would have amounted to €358.08. Pending the identification of the instrument needed to cover the spread between the natural charge and the charge

applied by these ministries, this amount is recognised as a balance receivable in compliance with regulations in force.

14. Inventories

Inventories that largely comprise spare parts, amount to €60,895 thousand, net of the allowance for inventory losses, with a reduction of €1,132 thousand compared to the previous period due both to lower purchases made during the period and for the greater uses of the operating systems. The movements recorded during the period are shown below:

	31.12.2015	Increases	Decreases	31.12.2016
Fiduciary inventory	65,891	2,428	(3,753)	64,566
Direct inventory	4,519	656	(587)	4,588
Flight inspection inventory	743	0	0	743
	71,153	3,084	(4,340)	69,897
Allowance for inventory losses	(9,126)	(829)	953	(9,002)
Total	62,027	2,255	(3,387)	60,895

The increase of €2,255 thousand, net of the allowance for inventory losses, refers primarily to fiduciary inventory for the acquisition of spare parts for operating systems used in air navigation and the acquisition of spare parts for luminous visual aids. A portion of the increase for €416 thousand refers to system parts classified to inventory from tangible assets. The decrease of €4,340 thousand gross of the allowance for inventory losses, regards uses of spare parts in operating systems.

The allowance for inventory losses is increased by €829 thousand due to the provision recognised for spare parts that have become obsolete in that they relate to systems that are no longer used, and decreased by €953 thousand due to the disposal of spare parts already written down in previous years.

The spare parts in the fiduciary inventory are stored with the Techno Sky subsidiary that manages them on behalf of ENAV.

15. Other current assets

Other current assets amounted to €12,976 thousand and show a net decrease of €3,677 thousand for the period. The item is comprised of the following:

	31.12.2016	31.12.2015	Variation
Receivables from government entities for capital grants	3,995	7,401	(3,406)
Receivables from Personnel	3,441	3,550	(109)
Receivables from various entities for projects funded	3,307	4,155	(848)
Accruals and deferrals	1,532	1,036	496
Other Receivables	3,756	3,596	160
	16,031	19,738	(3,707)
Bad debt provision	(3,055)	(3,085)	30
Total	12,976	16,653	(3,677)

Receivables from government entities for capital grants refer entirely to the National Network and Mobility Operating Programme (NOP) grants for 2007/2013 that have been approved, but not yet received at 31 December 2016, covering both past projects within the deadline set on 31 December 2015 as well as two projects financed by the Action and Cohesion Plan (ACP), where the relevant reporting period ends in March 2017. The decrease of €3,406 thousand, compared to the balance at 31 December 2015, refers only to receipts collected during the period relating to both the S mode project of the Brindisi airport as well as the radar of the Naples Capodichino airport.

Receivables from personnel refer to advances for travel expenses to staff on transfer and not yet completed at the end of the financial period, of which the most significant part (€3,055 thousand) relates to travel expense advances paid to former parent company employees, which are being investigated by the judicial authorities and prudently written down in previous periods. Following judgements 745/2011 and 966/2012 issued by the Italian Court of Accounts, which ordered the defendants to pay back the money, €30 thousand has been collected with a corresponding reduction in the allowance, and recovery plans set up to recover the outstanding amount. As security for the amount, an attachment order was served on the persons involved, freezing one fifth of their pensions and TFS and employee severance indemnity as well as their bank accounts and in certain cases properties.

Receivables from various entities for project funded for €3,307 thousand refer mainly to the co-financing portion relating to the period for the SESAR project, ended in 2016, the final report of which will be due in 2017, for an amount of €1,124 thousand, of which the amounts recorded in 2015 for €3,398 thousand were received during the financial period. In the above receivables there are also recorded portions of other European-funded projects completed during the period and reported to the European Commission while waiting to receive the related receipt in addition to training financed by Fondimpresa.

Accruals and deferrals amounted to €1,532 thousand and recorded during the year an increase of €496 thousand, mainly related to the fee paid to the Banca Nazionale del Lavoro amounting to €693 thousand for the granting of a loan to the parent company of €70 million for a period of three years from 1 January 2017 until 31 December 2019, to be used on a revolving basis for the general working capital requirements of ENAV.

16. Cash and cash equivalents

Details of cash and cash equivalents at 31 December 2016 are provided below:

	31.12.2016	31.12.2015	Variation
Bank and post office deposits	230,944	174,091	56,853
Cash and cash equivalents on hand	63	50	13
Total	231,007	174,141	56,866

Cash and cash equivalents availability with banks and the Central Treasury amounted to €231,007 thousand and show a net increase of €56,866 thousand which, in addition to the dynamics of the receipts and payments related to ordinary business activities that showed higher collections compared to the previous period, was influenced by the following events: i) the payment to the Italian Air Force of its portion of the terminal receipts for €16.9 million, the payment to ENAC of its portion of the en route and terminal receipts for €8.7 million, the payment to the MEF for €47.2 million as a net amount for the debt for the en route receipts and the receivable represented by the free flights and both recorded to 2015; ii) the repayment of loans by the parent company for €31.3 million; iii) the payment of the balance and of the accounts of the IRES taxes for €36 million. These outflows were partially offset by proceeds received during the period and refer to the VAT credit refund for €61.5 million, to the PON funded projects for the years 2000/2006 and 2007/2013 for €11.2 million, and to the prefinancing obtained on the funded projects such as Connecting Europe Facility 2014, Sesar 2020 and other minor ones totalling €15.1 million.

There are no restrictions on cash and cash equivalents that may limit their availability. It is noted that following the liquidation of the Consortium a portion of cash and cash equivalents in the amount of €805 thousand has been reclassified as part of asset held for disposal referred to in Note 17.

17. Assets held for disposal and associated liabilities

The assets held for disposal at 31 December 2016 amounted to €1,055 thousand and relate entirely to the SICTA Consortium in liquidation. More specifically, this item includes the assets of the Consortium and the liabilities directly associated since there exists, at 31 December 2016, the conditions for classification as part of the assets held for disposal and liabilities associated with discontinued operations, in accordance with IFRS 5. In fact, the carrying value of the net assets of the Consortium will be mainly recovered through a disposal operation, in this case a voluntary liquidation, and the net assets are available for immediate disposal in their current condition and their disposal is highly likely.

Already in March 2016, the ENAV Group, during the approval of the Business Plan, had expected the integration of the Consortium within the Group, also considering that the statutory term of the Consortium was set at 31 December 2017. On 3 March 2017, the total Assembly of consortium members approved the voluntary liquidation of the Consortium and the appointment of the liquidator, following the consent to the opening of winding up proceedings manifested by the consortium members, including the parent company and Techno Sky, which so held within their Boards of Directors meetings, respectively, on 1 March 2017 and 2 March 2017. Shown below are the assets held by the Consortium at 31 December 2016 as classified in this caption:

31.12.2016

<i>Non-current assets</i>	
Tangible Assets	18
<i>Total current assets</i>	18
<i>Current assets</i>	
Current trade receivables	50
Tax receivables	62
Other current assets	120
Cash and cash equivalents	805
<i>Total current assets</i>	1,037
Total assets	1,055

In terms of non-current assets are classified mainly plant and equipment and machines for office use for circa €18 thousand, partially written down during the period to reflect the conservatively estimated realisable value.

In current assets are classified trade receivables from customers for circa €50 thousand, net of bad debt allowances, mainly tax credits for VAT for €46 thousand, receivables relating to contributions to the Consortium projects for circa €120 thousand and cash equivalents made up mainly of current balance assets on bank current accounts.

The following are the balances classified as liabilities associated with assets held for disposal as at 31 December 2016:

31.12.2016

<i>Non-current liabilities</i>	
Employee severance indemnity and other benefits	500
<i>Total non-current liabilities</i>	500
<i>Current liabilities</i>	
Current trade payables	85
Tax and social security payables	238
Other Current Liabilities	220
<i>Total current liabilities</i>	543
Total liabilities	1,043

Among the non-current liabilities recorded is the employee severance indemnity (TFR) and other employee benefits for €500 thousand, compared to cumulative provisions, net of the use intervened during the financial year for the termination of the employment relationship that took place with two employees.

Current trade payables include advance payments of contributions received relating to financed projects for €15 thousand and trade payables to Italian and foreign suppliers for €70 thousand.

The tax and social security payables for €238 thousand include the payable to the INPS for employee contributions on salaries for the month of December, in addition to withholding taxes on salaries for December.

Other current liabilities amounting to €220 thousand mainly refer to payables to employees for holidays that were accrued but not taken.

With reference to the net cash flows attributable to operating activities and financing activities generated and/or absorbed by the SICTA Consortium in liquidation, there is a positive flow from operating activities for €1,024 thousand and a negative flow from financing activities for €219 thousand, yielding a positive impact on net cash flows for €805 thousand.

18. Shareholders' equity

Shareholders' equity amounted to €1,119,826 thousand at 31 December 2016 and the changes in the period are reported in detail in the specific accounting statement provided after the consolidated statement of financial position and income statement.

The table below provides details of the individual items.

	31.12.2016	31.12.2015	Variations
Share capital	541,744	941,744	(400,000)
Legal reserve	18,368	15,877	2,491
Other reserves	436,359	36,359	400,000
Translation reserve	9,163	7,532	1,631
IAS FTA reserve	(727)	(727)	0
Reserve for actuarial gains/(losses) for employee benefits	(10,258)	(8,728)	(1,530)
Cash Flow Hedge	2,849	2,693	156
Retained earnings/(accumulated losses)	45,983	29,717	16,266
Profit (loss) for the year	76,345	66,083	10,262
Total Group Shareholders' Equity	1,119,826	1,090,550	29,276
Share capital and Reserves of Third parties	0	0	0
Profit/(loss) attributable to minority interest	0	0	0
Total minority interest in Shareholders' Equity	0	0	0
Total Shareholders' Equity	1,119,826	1,090,550	29,276

The resolution for the voluntary *share capital* reduction adopted by the Extraordinary Shareholders' Meeting of 2 March 2016 pursuant to Article 2445 of the Italian Civil Code, in the amount of €400 million, and the simultaneous establishment of the distributable reserve, came into effect on 10 June 2016. At 31 December 2016, the share capital stood at 541,744,385 ordinary shares.

The *legal reserve* totalled €18,368 thousand, and increased following the allocation of 5% of the Parent Company's profit for the 2015 financial statements pursuant to Article 2430 of the Italian Civil Code and in compliance with the resolutions of the Shareholders' Meeting of 29 April 2016 to approve the relative financial statements.

The *other reserves* derive from the reserve for capital grants received in 1996/2002, originally stated net of deferred tax liabilities that have been settled. As a result, this reserve has become available and was reclassified to other reserves in previous years. The change for the year of €400 million is related to the destination of the voluntary share capital reduction as previously represented.

The *translation reserve* consists of exchange differences arising from the translation of the financial statements of foreign subsidiaries and amounted to €9,136 thousand. The increase of €1,631 thousand can mainly be attributed to the conversion of the subsidiary Enav North Atlantic's financial statements, due to the positive effect of the Euro/Dollar exchange rate recorded at the end of the period.

The *IAS first time adoption reserve* includes differences in the values of asset and liability items recorded upon first time adoption of international accounting standards.

The *reserve for actuarial gains/(losses) on employee benefits* includes the effects of actuarial changes in employees' leaving entitlement, net of the tax effect, and at 31 December 2016 has a negative balance of €10,258 thousand.

The *cash flow hedge reserve*, for €2,849 thousand, includes the fair value change of derivative financial instruments, which recorded an increase during the period for an amount net of taxes of €156 thousand.

Retained earnings/(accumulated losses) include the results recorded in previous periods by the companies included in the consolidation and the consolidated adjustments made in previous periods.

The consolidated profit for the year amounted to €76,345 thousand.

The reconciliation between the Parent Company's shareholders' equity and the consolidated shareholders' equity is provided in the table below.

		31.12.2016		31.12.2015
	Profit/(Loss) for the year	Shareholders' Equity	Profit/(Loss) for the year	Shareholders' Equity
Parent Company	71,404	1,142,863	49,817	1,120,005
Consolidation difference amortisation	0	(29,721)	14,603	(29,721)
Elimination of intercompany economic effects	(271)	(20,948)	(785)	(20,677)
Deferred tax on elim. intercompany economic effects.	81	6,030	(398)	5,949
Conversion reserve	0	9,163	0	7,532
Employee benefits reserve and FTA reserve	0	(758)	0	(604)
Profit for the year attributable to subsidiaries	5,131	13,197	2,846	8,066
Group totals	76,345	1,119,826	66,083	1,090,550

Capital management

The objective of the Group in terms of capital management is to maximise value for shareholders and support future developments. The Group manages its equity capital structure and makes adjustments based on economic conditions and the requirements of financial covenants. The Group has also set itself the objective of maintaining adequate capital levels, which will allow access to external funding, while at the same time reducing the cost of debt, and adequately support the Group's development activity. No changes were made to the objectives, policies and procedures for managing capital during the period ended 31 December 2016.

19. Provisions for risks and charges

The provisions for risks and charges total €11,029 thousand, of which the portion classified in current liabilities amounts to €3,803 thousand. The following changes occurred during the period:

	31.12.2015	Increases	Decreases	31.12.2016
Provisions for disputes with personnel	4,070	641	(2,189)	2,522
Provisions for other pending litigations	5,089	392	(4,185)	1,296
Other risks	4,992	2,219	0	7,211
Total provisions for risks and charges	14,151	3,252	(6,374)	11,029

The *provision for disputes with personnel*, with a current portion of €982 thousand, decreased during the period by €2,189 thousand with the termination of disputes following settlements or cases where the Court found judgment against the Group, both with employees as well as managers. The increase of €641 thousand refers to disputes initiated in 2016 for matters relating to employment, where the risk of an adverse outcome has been assessed as being probable. At 31 December 2016 the total value of legal claims relating to on-going disputes for which Group lawyers have deemed the risk of a loss to be *possible* is €1.2 million.

The *provision for risks from other pending litigations*, the current portion of which is equal to €406 thousand, is decreased by €4,185 thousand, mainly due to the settlement of a dispute relating to the Techno Sky subsidiary.

In particular, this relates to the arbitration procedure established in previous years for the termination of the contract for the supply of meteorological systems for modernising Palermo's airport system, due to the unavailability of some of the materials included in the contract. A board of arbitrators was assigned to settle this dispute, as set forth in the contract, to define the debit and credit items relating to the situation in question. On 6 May 2016, the board issued its award in which it ordered Techno Sky to return the consideration paid by the counterparty for the optional supply established in the agreement, adjusted for inflation plus interest at the legal rate, as well as to provide compensation for the damages suffered by the counterparty due to the delayed delivery of goods connected with specific contractual lots. In consideration of the fact that as part of the arbitration procedure, payments and collections for accounts payable and receivable relating to services for other contractual activities were frozen, on 30 June 2016, Techno Sky and Leonardo S.p.A. signed an acknowledgement and settlement agreement to close all items, partly provisioned in the provision for risks in previous years in the amount of €4,000 thousand, wholly used in the period.

The increase of €392 thousand mainly relates to a case brought by the parent company where the counterparties have sued for vexatious litigation aimed at obtaining a judgment against the plaintiffs. At 31 December 2016, estimated costs relating to on-going disputes for which Group lawyers have deemed the risk of a loss to be possible amounted to €1.2 million.

The *other risk* provisions, whose short-term portion amounted to €2,415 thousand, was increased during the period to €2,219 thousand referring to: i) the modernisation contract of flight assistance systems of the Parma airport, already subject to termination by the Parent Company in 2013, and the notification in 2016 to the companies in the original contract of the invalidity of the contract for diverse and concurrent reasons, and the consequent request for the recovery of the sums paid by the Parent Company in fulfilment of that contract. Following this action, €1,596 thousand has been set aside for some amounts capitalised as tangible assets under construction that, in the future, may be no longer usable; ii) the granting of the use of frequencies that fall into the non-aeronautical bands, connected with the fulfilment of the air traffic control services provided by the Parent Company, granted in use at no charge by the Ministry of Economic Development (MISE) until 31 December 2015. The same MISE considers them onerous with effect from 1 January 2016, although there have been no modifications of the assumptions over the years to make them free. The parent company has had various discussions with the relevant bodies in order to reach a definition of the rules applicable to those frequencies that fall into the non-aeronautical bands used by the parent company. Pending this definition, it has proceeded to estimate the amount of the concession, considering the frequencies that fall into the non-aeronautical bands in use in 2016, reduced by 40% in accordance with Article 32 paragraph 9, point f) of Annex 25 of the Communications Code (Legislative Decree No. 259/03) for an amount of €623 thousand.

20. Employee severance indemnity and other benefits

Employee severance indemnity and other employee benefits amounted to €57,388 thousand, and consisted of the provision for employee severance indemnity governed by Article 2120 of the Italian Civil Code, which includes the estimated obligation, determined in accordance with actuarial techniques, for amounts to be paid out to ENAV Group employees upon termination of their employment.

The TFR liability for employee severance indemnity and other employee benefits changed as follows during the period:

	31.12.2016	31.12.2015
Liabilities for employee benefits at the beginning of the year	58,068	60,049
Interest cost	851	1,022
Actuarial (Profits)/Losses on defined benefits	2,013	(1,324)
Advance payments, disbursements and other variations	(3,544)	(1,679)
Liabilities for employee benefits at the end of the year	57,388	58,068

The utilisation of the TFR provision for employee severance indemnity was utilised for €3,544 thousand following the payment made to staff leaving during the period, advances paid to employees that applied for such and, in part for the purchase of shares of the parent company (€1,098 thousand), and to a lesser extent, to the direct monthly payment of the TFR as an integrative portion of remuneration (QU.I.R.) in accordance with the 2015 Stability Law, in respect of staff that exercised the option. This item also shows

the change of €463 thousand in reference to the TFR balance at 31 December 2015 of the SICTA Consortium in liquidation, represented in total in Note 17 referring to assets and liabilities held for disposal. The difference between the previous balance on this account calculated on the basis of the previous assumptions and the balance recalculated at period end on the basis of the updated assumptions constitutes actuarial gains (losses). In 2016, this calculation generated actuarial losses of €2,013 thousand, compared with actuarial gains recognised at the end of 2015.

The main assumptions used for the actuarial valuation process on the provision for employee severance indemnity at 31 December 2016 are summarised below and compared with the values used at 31 December 2015:

	31.12.2016	31.12.2015
Discount rate	1.31%	2.03%
Inflation Rate	1.50% for 2016	1.50% for 2016
	1.80% for 2017	1.80% for 2017
	1.70% for 2018	1.70% for 2018
	1.60% for 2019	1.60% for 2019
	2.00% from 2020 onwards	2.00% from 2020 onwards
Severance indemnity annual increase rate	2.625% for 2016	2.625% for 2016
	2.850% for 2017	2.850% for 2017
	2.775% for 2018	2.775% for 2018
	2.700% for 2019	2.700% for 2019
	3.00% from 2020 onwards	3.00% from 2020 onwards
Expected turnover rate	4.00%	4.00%
Expected rate of advance payments	2.50%	2.50%

The discount rate used for determination of the current value of the obligation was determined, in line with the guidelines of paragraph 83 of IAS 19, using the index IBoxx Corporate AA with duration 10+ as at the valuation date and commensurate with the average permanence of the collective object of the evaluation. The inflation rate curve was determined on the basis of the current economic situation which shows high volatility levels of most economic indicators, as well as on the basis of an historical analysis of ISTAT inflation rates of recent years. The annual rate of increase in employees' leaving entitlement is equal to 75% of inflation plus 1.5 percentage points in compliance with Article 2120 of the Italian Civil Code.

The technical and demographic assumptions used in the valuation are reported below.

	31.12.2016	31.12.2015
Death	IPS55	IPS55
Incapacity	INPS tables by age and sex	INPS tables by age and sex
Retirement	100% reaching the requirements of mandatory general insurance	100% reaching the requirements of mandatory general insurance

A sensitivity analysis is provided below on the impacts that changes in the main valuation parameters would have on the liability for employees' leaving entitlement and other employee benefits at 31 December 2016.

	Liabilities for defined benefits for Group employees at 31.12.2016
Turnover rate 1%	57,082
Turnover rate -1%	57,809
Inflation rate 0.25%	58,275
Inflation rate - 0.25%	56,593
Discount rate 0.25%	56,091
Discount rate -0.25%	58,811

The average financial duration of the obligation for defined benefit plans is 11.2 years.

A table is provided below of the payments expected in subsequent years drawn from the provision for employee severance indemnity.

	Payments expected
within 1 year	3,836
between 1 to 2 years	3,521
between 2 to 3 years	2,803
between 3 to 4 years	3,327
between 4 to 5 years	3,345

21. Current and non-current financial liabilities

Current and non-current financial liabilities include: i) amounts due to banks for medium – long term loans with current portion classified as current financial liabilities together with the accrued interest for the period; ii) the bond issued on 4 August 2015 by the Parent Company recognised in the current liabilities for

the interest expense as at 31 December 2016; iii) the hedging derivative from the AED currency exchange risk.

The values at 31 December 2016 compared with those at 31 December 2015 and the relative changes are shown below:

	31.12.2016		31.12.2015		Variations	
	current portion	non-current portion	current portion	non-current portion	current portion	non-current portion
Bank Loans	31,208	119,623	31,374	150,823	(166)	(31,200)
Bond	1,414	180,000	1,414	180,000	0	0
Derivatives	0	104	0	0	0	104
Total	32,622	299,727	32,788	330,823	(166)	(31,096)

The table below illustrates the breakdown of net financial indebtness at 31 December 2016, compared with the previous period, according to the Consob Communication dated 28 July 2006, and pursuant to the provisions under the recommendation ESMA/2013/319 of 20 March 2013.

	31.12.2016	of which with related parts	31.12.2015	of which with related parts
(A) Cash	231,007		174,141	
(B) Other cash equivalents	-		-	
(C) Trading Securities	-		-	
(D) Liquidity (A)+(B)+(C)	231,007		174,141	
(E) Current loan receivables	-		-	
(F) Other current financial payables	-		(219)	
(G) Current portion of non-current debt	(32,622)	(3,313)	(32,569)	(3,300)
(H) Other current financial debt	-		-	
(I) Current financial debt (F)+(G)+(H)	(32,622)	(3,313)	(32,788)	(3,300)
(J) Net current financial indebtness/(Liquidity) (D)+(E)+(I)	198,385	(3,313)	141,353	(3,300)
(K) Non-current bank loans	(119,623)	(1,661)	(150,823)	(4,965)
(L) Bonds issued	(180,000)		(180,000)	
(M) Other non-current loans	-		-	
(N) Non-current financial indebtness (K)+(L)+(M)	(299,623)	(1,661)	(330,823)	(4,965)
(O) CONSOB Net Financial Indebtness (J)+(N)	(101,238)	(4,974)	(189,470)	(8,265)
(P) Derivatives current and non-current	1,117		968	
(Q) ENAV Net Financial Indebtness (O)+(P)	(100,121)	(4,974)	(188,502)	(8,265)

At 31 December 2016, bank loans decreased overall by €31,366 thousand, following repayments made during the period under review and owing to effects connected to the amortised cost. Specifically, repayments concerned the following loans:

- the repayment of €8,000 thousand for the half-year tranche of the loan from Unicredit S.p.A., expiring 30 November 2018;
- the repayment of €20,000 thousand for the two half-year tranches of the loan from Unicredit S.p.A., expiring 30 June 2018;
- the repayment of two half-year tranches of the loan from Medio Credito Centrale for €3,333 thousand, expiring 31 May 2018.

The portion of loans recognised under current liabilities (€31,208 thousand) includes the amounts to be repaid in subsequent months of 2017 as set forth in the amortisation plans, inclusive of the effects connected with the amortised cost.

At 31 December 2016, the ENAV Group had available *uncommitted* short-term credit lines for a total of €158.5 million, in addition to the portion of EIB funding for €150 million, subject to further negotiation during 2016, not yet utilised, resulting in available funding of €308.5 million.

The following table provides an analysis of the Group's loans including the general conditions for each of its relationships with the lender concerned.

Lender	Type	Amount granted	Amount used (nominal value)	Amount available	Book value	Rate
BNL - BNP Paribas	Acc. credit - overdraft	30,000	-	30,000	-	Euribor 1.90
Medio Credito Centrale	Medium and long term to 5 years	10,000	10,000	-	4,974	Euribor 1.90
Unicredit	Export advance payments	15,000	-	15,000	-	Euribor 1.80
Unicredit	Import advance payments	10,000	-	10,000	-	Euribor 1.80
Unicredit	Financial advance payments	46,000	-	46,000	-	Euribor 1.80
Intesa San Paolo	Financial advance payments	55,000	-	55,000	-	Euribor 0.25
Intesa San Paolo	Acc. credit - overdraft	2,500	-	2,500	-	Euribor 1.10
Unicredit	Medium and long term to 5 years	40,000	40,000	-	15,931	Euribor 0.34
Unicredit	Medium and long term to 5 years	100,000	100,000	-	29,875	Euribor 0.34
EIB - European Investment Bank	Medium and long term to 15 years	250,000	100,000	150,000	100,051	Fixed rate 1.515
Total		558,500	250,000	308,500	150,831	

The average interest rate on bank loans for the reference period stood at 1.58%, slightly down on the previous period, benefiting from the combined effect of the reduced interest rate and lower spread applied, and as a result of the debt renegotiation carried out by the Company during the period.

On 4 August 2015, the Parent Company issued a bond for a nominal value of €180 million, which is listed on the Luxembourg Stock Exchange's regulated market with a duration of seven years and a bullet repayment at maturity (4 August 2022). The bond issue involves the payment of an annual coupon in arrears at a fixed rate of 1.93% of the par value, with the first interest payment made on 4 August 2016. The accrued interest for the period totalled €3,474 thousand, of which the portion not disbursed amounted to €1,414 thousand and has been classified within current liabilities.

In relation to the disclosure required pursuant to IFRS 7, it should be noted that the fair value of the bond issue, understood as the price that would be paid for the transfer of liabilities as part of an ordinary transaction conducted between market operators, was estimated at €191,070 thousand at the valuation date.

The Group has estimated the fair value on the basis of the prices and yields based on the market for debt instruments with similar maturities and risk profiles, using the data provided by primary information providers to build the z-spread used in constructing the discounting curve.

The item non-current financial liabilities includes the negative fair value of the financial derivative instrument for €104 thousand. The derivative financial instrument was signed by the Parent Company in 2016 with the purpose of hedging its exposure to adverse movements in the Euro/Aed exchange rate relative to the future receipts in foreign currency related to a two-year active contract concluded with the General Civil Aviation Authority of Abu Dhabi for the project to optimise the air traffic flow of the UAE. This derivative instrument meets the criteria for hedge accounting and the swap points are recognised in the income statement on the measurement date, understood as the difference between the Euro/AED spot rate at the date of the coverage assessment and that of the forward rate being offered by banks.

22. Current and non-current trade payables

Current trade payables amounted to €132,512 thousand, which shows a decrease of €4,163 thousand compared with the previous period, following changes in the items shown in the following table:

	31.12.2016	31.12.2015	Variation
Current trade payables			
Payables to suppliers	115,330	115,170	160
Payables for advance payments received for projects financed in Europe	10,558	6,907	3,651
Balance payable	6,624	6,272	352
Total	132,512	128,349	4,163

Current trade payables			
Balance payable	16,769	6,624	10,145
Total	16,769	6,624	10,145

Payables to suppliers for the goods and services needed for the Group's business, are generally stable compared to the previous year, although there has been an increase in invoices to be received for investment contracts that have revealed the first milestones in December 2016, and a reduction in trade payables also following the closure of the debt positions of Techno Sky towards Leonardo S.p.A. due to the arbitration settlement award, as previously mentioned.

Payables for advance payments received for projects financed in Europe totalling €10,558 thousand recorded a net increase of €3,651 thousand compared to 31 December 2015 and includes: i) pre-financing contributions received on the 50% funded project entitled Connecting Europe Facility (CEF) 2014 which affects the period 2014 to 2020 which in 2016 two pre-financings were collected for a total of €10,916 thousand and reported on the activities carried out in the years 2014 and 2015 related both to the operating costs incurred by the Parent Company in the two years of reporting as well as the investment projects. Following the reporting, 50% of this was recognised as revenue and the portion connected to investment projects was classified as part of deferred income for a total decrease of €8,211 thousand; ii) the pre-financing contributions received on the Sesar 2020 programme initiated in 2016 and articulated in various projects for €3,251 thousand; ii) contributions on the funded Sesar project started in 2009 and ended in late November 2016 which will be subject to reporting in 2017.

Balance payable for Eurocontrol totalled €23,394 thousand, of which €6,624 thousand was classified as current and €16,769 thousand classified as non-current trade payables. This item recorded a total increase of €10,497 thousand at 31 December 2016, net of the effect of discounting, mainly relating to: i) the en route inflation balance for €13,140 thousand (€5,621 thousand at 31 December 2015) calculated on planned costs for 2016 by taking the difference between the inflation percentage envisaged in the performance plan at 1.10% and the final inflation rate of -0.10%; ii) the terminal inflation balance, for both the first and second categories, calculated using the same method as for the en route, for a total of €2,239 thousand (€957 thousand at 31 December 2015); iii) the traffic balance of the second terminal charging category for €1,449 thousand due to higher service units recorded in the final balance with respect to the 2.1% figure that was planned; iv) the balance for the Eurocontrol costs of €185 thousand relating to the difference between the Eurocontrol costs stated in the performance plan and the actual results. As stipulated by the European Commission, these costs are considered to be exempt of the cost-sharing mechanism pursuant to EU Regulation 391/2013, and as such the difference between the forecast operating costs and the effectively incurred costs must be returned to or requested from the carriers.

23. Other current and non-current liabilities

Other liabilities include the items laid out in the table below, broken down into current and non-current:

	31.12.2016		31.12.2015		Variations	
	current portion	non-current portion	current portion	non-current portion	current portion	non- current portion
Deposit payment	80,532	0	80,223	0	309	0
Other payables	87,359	0	95,240	0	(7,881)	0
Accruals and deferrals	8,913	111,884	8,848	112,788	65	(904)
Total	176,804	111,884	184,311	112,788	(7,507)	(904)

The *deposits payment* totals €80,532 thousand and refers to the €75,790 thousand balance payable to the Italian Air Force (Aeronautica Militare Italiana (AMI)) from the Parent Company for its portion of the collections in 2016 for en route and terminal services and for €4,742 thousand for the payable to ENAC on the relevant collections relating to the same services.

The payable to Italian Air Force of €66,057 thousand (€61,579 thousand at 31 December 2015) for en route services recognised will be used to offset the receivable due from the Ministry of Economy and Finance (MEF) by up to the full amount, with the recognition of the remaining portion in other current liabilities by way of payable to MEF and subject to payment after the approval of the financial statements by the Shareholders' Meeting. To this end it is noted that the portion for the financial year 2015 amounting to a net amount of €47,212 thousand was paid to the Ministry of Economy and Finance in the month of December 2016. The payable to Italian Air Force for terminal services amounts to €9,732 thousand (€9,920 thousand at 31 December 2015) and in accordance with Law 183/2011 that came into effect on 1 July 2012,

the portion referring to terminal charges revenue is paid to the Air Force in two annual instalments. In 2016, a total of €16,911 thousand was paid with reference to the second half of 2015 and the first half of 2016. The liability represents the portion due for the second half of 2016 which will be paid by the end of April 2017.

Starting in 2011 and in compliance with EU regulations, the supervisory costs of ENAC (Ente Nazionale per l'Aviazione Civile), the Italian civil aviation authority, are also considered when determining the en route and terminal charges. This calculation resulted in the portion of revenue referring to ENAC and determined on the basis of the costs communicated and the Service Units developed, representing a payable for ENAV that is recorded in this caption, and which at 31 December 2016 amounts to €4,742 thousand (€8,724 thousand at 31 December 2015). The decrease in the liability was due to the payment of the entire amount, accounted for in the 2015 budget, which occurred in December.

Other payables amounting to €87,359 thousand recorded a net decrease of €7,881 thousand primarily related to the payable to employees for the relevant provisions totalling €36,473 thousand (€42,595 thousand at 31 December 2015), reduced due to provisions related to the performance bonus and redundancy incentive and includes both the payable for vacation earned but not taken equal to €14,787 thousand as well as the provision for personnel costs for relevant variable items for a total €21,686 thousand. As part of other payables, there is also the payable for the supplementary pensions for €8,863 thousand, in line with the previous period, paid at the beginning of 2017 to the corporate pension funds such as Prevaer and Previndai and other funds selected by employees, and the payable to the European Commission for €1,683 thousand relating to the ANSP-IDP financed project, completed and reported on in 2016 for the greater pre-financing received regarding the reported activity.

Accruals and deferrals is mainly attributable to deferred income concerning in particular: i) the NOP networks and mobility grants relating to the 2000/2006 and 2007/2013 periods referring to specific investments made at the airports in Southern Italy for a residual amount of €48,065 thousand (€47,828 thousand at 31 December 2015). During the periods, these recorded a net increase of €237 thousand. €7,529 thousand reversed for the period to the Income Statement relating to the amortisation of investments to which the grants relate and the receipt of the residual portion of the NOP-funded projects for the 2000/2006 period for €7,766 thousand. The current portion amounts to €6,503 thousand and refers to the amount that will be reversed to the income statement in the next 12 months; ii) the grants referring to investments for military airports, pursuant to Law 102/09, for €65,263 thousand (€66,557 thousand at 31 December 2015) recorded a decrease of €1,294 thousand as a result of the reversal to the income statement of the portion relating to the period for the upgrading of the technological systems at Verona's Villafranca Airport and the works carried out at the airports of Verona, Comiso, Roma Ciampino, Treviso, Brindisi and Rimini. The current portion amounted to €1,485 thousand; iii) other grants on investments for €5,399 thousand (€7,232 thousand at 31 December 2015) mainly relate to European loans obtained in the

TEN-T framework regarding the project "ANSPs Interim Deployment Programme Implementation" for new technological and procedural implementations related to air transport and the FDP-IOP project. The decrease of €1,833 thousand for the period relates to the portion reversed to the income statement linked to the amortisations of the investments connected to the grant for €170 thousand, and also to the portion classified under other current liabilities for €1,683 thousand as a payable to the European Commission for greater pre-financing obtained with regard to the reported upon activities.

24. Tax and social security payables

Tax and social security payables amounted to €42,702 thousand and are broken down as shown in the table below.

	31.12.2016	31.12.2015	Variation
Tax payables	15,289	20,917	(5,628)
Social security payables	27,413	25,785	1,628
Total	42,702	46,702	(4,000)

Tax payables shows an increase of €5,628 thousand mainly due to the IRES payable of €6,141 thousand (€12,026 thousand at 31 December 2015) lower than the previous period due to higher tax payments made in the course of year. The remaining portion refers to withholding tax on employees and was paid in January 2017.

The *social security payables* include both the employee portion social security costs due for employees for the month of December and paid the following month, and the employer portion of the contributions on personnel costs recorded for the period for a total of €14,477 thousand.

Notes to the consolidated income statement

25. Revenues from operations and balance

Revenues from operations and balance, also relating to operations, amounted to €806,410 thousand and €16,428 thousand respectively, an increase of €14,351 thousand and a decrease of €1,280 thousand respectively. The following table provides an analysis of the individual items:

	2016	2015	Variations	%
Route revenues	583,297	566,073	17,224	3.0%
Terminal revenues	195,275	179,988	15,287	8.5%
Route and terminal exemptions	13,201	14,406	(1,205)	-8.4%
Revenues from non-regulated market	14,637	11,288	3,349	29.7%
Charge stabilisation supplementary contributions	0	20,304	(20,304)	-100.0%
Total revenues from operations	806,410	792,059	14,351	1.8%

Route revenues stand at €583,297 thousand and record an increase of €17,224 thousand compared to the previous period, both due to the higher service units developed in the period, which were up +1.7% compared to the final balance in 2015 (-1.7% 2015 over 2014) referring both to national and international air traffic, as well as the charge applied for 2016 at €80.08, a slight increase compared with the rate applied in 2015 which amounted to €78.80.

Terminal revenues totalled €195,275 thousand, up by €15,287 thousand overall compared with the previous year, due to the increase in service units in the individual airports broken down by charge zones and the charges applied for the first two charge bands. The following events are specifically noted: i) an increase in overall service units developed in 2016 at +3.6% compared to the actual in 2015 (+0.6% 2015 over 2014), with different trends in the three charge zones, such as: the Fiumicino Airport (zone 1) recorded more assisted traffic expressed in service units of 1.7%; zone 2, represented by the Milan Malpensa, Milan Linate, Venice Tesserà and Bergamo Orio al Serio airports, recorded a rise of 5.1%; the third charge zone, which includes 40 airports, with the entrance of Rimini from November and Comiso from 1 September 2016, had a 3.7% increase in terms of service units – also due to the transfer to the management of the Parent Company of two military airports open to civil traffic, i.e., Treviso and Brindisi, in the second half of 2015 – which in 2016 are present for the entire year except for Rimini airport which transited in the month of November 2016. The charges applied for the three charge categories are: €200.68 for category 1, a slight increase with respect to the previous period (€195.57 in 2015); €233.33 for category 2, an increase compared with 2015, when it totalled €214.72; €260.96 for category 3, the same as the charge applied in 2015, as required by the Ministry of the Economy and Finance and the Ministry of Infrastructure and Transport. The charge in 2015 was affected by the supplementary grant from the Charge Stabilization Provision for €20,304 thousand reduced to zero with the last portion used in 2015.

Revenues linked to *route and terminal exemptions* totalling €10,856 thousand (€11,327 thousand at 31 December 2015) and €2,345 thousand (€3,079 thousand at 31 December 2015), respectively, recorded a decrease of 4.2% and 23.8% compared with the previous year, and refer to exempt flights, primarily military.

The *revenues from non-regulated markets* amounted to €14,637 thousand, an increase of €3,349 thousand compared to the previous period, and refers to revenues for flight inspection activities, an increase of €465 thousand for services rendered in Saudi Arabia and Kenya as well as to revenues from aviation consultancy activities that showed an increase of €3,041 thousand. This item includes activities in Malaysia by ENAV Asia Pacific which, at the end of 2015, was awarded a contract with the Malaysian Transport Ministry called *Independent Consultant Checking for the new Kuala Lumpur Air Traffic Control Center* for a term of 66 months and a total fee of €12 million, pursuant to which at the end of 2016 activities were completed for €2,208 thousand; the activities carried out in the UAE for the restructuring of the airspace generated revenues of €850 thousand through the contract formalised in November 2016 with the General Civil Aviation Authority of the UAE, with a term of circa two years; the signing of an agreement for AVL maintenance activities provided by the Parent Company; installation activities of two ILS systems at Malta International Airport.

With reference to the balance item, also part of the operating activities of the Parent Company, the following table shows its composition, revealing a balance of €16,428 thousand:

	2016	2015	Variations
Balance charge adjustments for the year	32,138	24,713	7,425
Discounting effect	(777)	(389)	(388)
Balance changes	(185)	1,564	(1,749)
Balance utilisation	(14,748)	(8,180)	(6,568)
Total Balance	16,428	17,708	(1,280)

The item Balance for the year represents the additional charge arising from the actual traffic volumes and/or costs as compared with the planned amounts used in determining the charge prior to the effect of discounting and attributes €14,596 thousand to routes (€23,264 thousand at 31 December 2015) and €17,542 thousand to terminals (€1,449 thousand at 31 December 2015).

More specifically, the en route balance recorded for the period refers to: i) the balance for traffic risk and the portion not recovered on the balance recognised in previous years and entered in the 2016 charge for a total of €20,880 thousand as a consequence of the lower en route service units actually produced compared to what was in the plan (-6.4%); ii) a meteorological balance for €913 thousand; iii) the bonus balance related to achieving the plan target related to en route capacity for €5,941 thousand; iv) a negative inflation balance for €13,140 thousand as a result of the lower inflation effectively recorded, -0.10%, compared to the +1.10% that had been provided for in the performance plan. The terminal balances mainly

refer to: i) the bonus balance on kpi capacity for the two terminal charge categories subject to the performance plan for €431 thousand of which €169 thousand relates to the first charging zone and €262 thousand to the second category; ii) the traffic balance for the second charging zone determined on the basis of a logic of total restitution/recovery of the difference between the final figures of the service units developed compared to the envisaged figure in the performance plan, that amounted to +2.1% of service units, equal to a restitution to the carriers of €1,449 thousand; iii) the negative inflation balance for both charge categories subject to the performance plan, following the percentage difference already shown for the en route balance, for a total of €2,239 thousand; iv) the balance associated with the third charging zone, not included in the performance plan, which still applies a cost recovery logic, for €20,825 thousand. For this purpose, it is noted that this latter balance is closely linked to the use, for the 2016 period, of a lower charge compared to the natural one that would have allowed the recovery of the costs that were recognised when the charges were determined. Pending the formalisation by the MEF and MIT Ministries of the instrument needed to compensate the Company for loss of revenue, this item is recognised under the balance Eurocontrol in accordance with the relevant regulations.

The discount effect, equal to negative €777 thousand, is derived by the separation of the financial component inherent in the balance mechanism, carried out by discounting the balance generated during the year in accordance with a pre-defined recovery plan.

The changes for balances item, equal to €185 thousand, include the difference between Eurocontrol costs stated during performance and the actual figures for 2015. As stipulated by the European Commission, these costs are considered to be exempt from the cost-sharing mechanism referred to in the EU Regulation 391/2013, and as such must be returned to or requested from the carriers.

The utilisation of the balance equal to €14,748 thousand refers to the transfer to the charge and hence the income statement of the portion of first and second category route and terminal balances recognised in previous years in compliance with what was done upon determination of the charge for 2016.

The additional grants for stabilising charges, which were entirely related to operations of the Parent Company, were returned to a nil balance in 2015. These grants were in direct support of the terminal charge for the third category.

26. Other operating income

Other operating income amounts to €52,180 thousand and records an increase of €3,071 thousand compared to the preceding period.

This item is analysed as follows:

	2016	2015	Variations
Capital grants	9,747	9,312	435
Operating grants	30,673	30,660	13
European funding	9,339	5,941	3,398
Other revenues and income	2,421	3,196	(775)
Total	52,180	49,109	3,071

Capital grants regard the recognition in the income statement of part of deferred income in proportion with the depreciation charged on the assets to which the grant refers, as discussed in note 23.

Operating grants refer for €30 million to the amount awarded to the Parent Company pursuant to Art.11 septies of Law 248/05, to offset the costs incurred to guarantee the safety of its systems and equipment and operational safety. The remaining portion for €673 thousand refers to training funded by Fondimpresa.

European funding applies to grants to the income statement which recorded an increase of €3,398 thousand, relating to the recognition in the income statement of the Group's stake applying to European funded projects subject to reporting or closing, among which in 2016 is highlighted the Connecting European Facility 2014 project, 50% funded and reported on in September 2016 for activities carried out in the years 2014 and 2015 for €5,511 thousand, the final year of the Sesar project towards the SESAR Joint Undertaking for €1,794 thousand.

Other revenues and income mainly include insurance reimbursements for claims caused by third parties, showing a decrease compared to the preceding period, and the penalties applied to suppliers for delay in the delivery of goods and/or services compared with the contractually agreed deadlines.

The details of revenues for the financial years closed at 31 December 2016 and 2015, broken down by geographical area, are shown below:

Revenues	31.12.2016	% on revenues	31.12.2015	% on revenues
Italy	867,945	99.2%	848,003	98.7%
EU	730	0.1%	6,510	0.8%
Non-EU	6,343	0.7%	4,363	0.5%
Total revenues	875,018		858,876	

27. Costs for goods, services, use of third-party assets and other operating expenses

The costs for goods, services, use of third-party assets and other operating expenses total €161,531 thousand and show a decrease of €1,048 thousand compared to the previous period, despite the costs incurred as a result of the privatisation process that concluded with the listing of the Parent Company on 26 July 2016 for a total of €7.5 million.

The breakdown of these costs and their related changes is shown in the following table:

	2016	2015	Variations
Costs for the purchase of goods	8,960	9,710	(750)
Costs for Services			
Maintenance costs	21,506	24,420	(2,914)
Costs for Eurocontrol contributions	41,368	38,804	2,564
Costs for utilities and telecommunications	36,170	39,814	(3,644)
Costs for insurance	5,194	7,376	(2,182)
Cleaning and security	5,356	5,671	(315)
Other personnel-related costs	10,206	9,792	414
Professional services	11,049	9,259	1,790
Other costs for services	11,545	6,639	4,906
Total Costs for services	142,394	141,775	619
Costs for the use of third-party assets	6,081	5,906	175
Other Operating Expenses	4,096	3,092	1,004
Total	161,531	160,483	1,048

The *costs for goods* mainly include the costs for purchasing the spare parts relating to systems and devices used in air traffic control and the relevant changes to inventories. The decrease is due to the greater use of spare parts than the amount purchased. This has generated, including the write-down of obsolete parts, a negative change in inventories for €1,549 thousand.

Costs for services posted a net increase of €619 thousand, with different trends for different expense types. More specifically, the following is noted: i) a decrease in maintenance costs for €2,914 thousand mainly due to the activities of Techno Sky at different airport sites because of the delay of some investment projects related in particular to the work on the adaptation and expansion of the Rome Ciampino airport power plant and the construction of a new electrical substation at Catania Fontanarossa airport; ii) an increase in costs for the Eurocontrol grant of €2,564 thousand in accordance with the data approved and communicated by the latter and due to the activities carried out for en route services, and with regard to which the Company has no power to intervene. This amount, however, is recovered in the charge area with the balance mechanism; iii) the lower costs for utilities and telecommunications for €3,644 thousand are related both to the costs for operating data connections (E-net network), mainly for the 25% price reduction recognised by the supplier for the full 2016 period compared to the previous period in which it became effective in June 2015, as well as by a reduction in electricity costs due to lower fees charged by suppliers; iv) lower insurance costs for €2,182 thousand as a result of a reduction in premiums determined as a result of a European call for tenders with effect from 1 July 2016; v) an increase in professional services and other service costs mainly relating to costs incurred for the listing process, amounting to €7.5 million, which also covered the legal and financial advisors, communications, the company audit for certification services provided in regard to the Italian and English prospectus, the printing of the prospectus and mainly the advertising costs that amounted to €5,029 thousand. It should be noted, finally, that part of the increase in service costs is related to the adjustment of the remuneration of the corporate bodies and to the transaction bonus granted to the Chief Executive Officer for the listing of the Parent Company.

Other operating expenses increased by €1,004 thousand mainly due to higher costs recognised to Leonardo S.p.A. with respect to the amount provided to a risk fund following the settlement of the arbitration award.

28. Personnel costs

Personnel costs amounted to €478,134 thousand, a net increase of €2,357 thousand compared with the previous period, as shown in the table below:

	2016	2015	Variations
Wages and salaries, of which:			
fixed remuneration	276,012	275,239	773
variable remuneration	61,986	60,428	1,558
Total wages and salaries	337,998	335,667	2,331
Social security contributions	110,263	108,836	1,427
Employee severance indemnity	22,066	21,606	460
Other costs	7,807	9,668	(1,861)
Total Personnel costs	478,134	475,777	2,357

The item *wages and salaries* increased in total by €2,331 thousand, of which €773 thousand refers to the fixed portion of remuneration for: i) remuneration increases (including also that of seniority) that generated an increase in costs of about €1.3 million; ii) qualification changes and increased monthly bonus ("superminimo") due to the salary restructuring of CTA staff that involved around €1.1 million; iii) greater reliance on temporary staff, such as pseudo pilots, for €0.6 million; iv) a decrease due to the transfer, as from December 2015, into variable remuneration of certain benefits governed by Article 41 of the National Collective Labour Agreements ("CCNL"), previously classified under fixed remuneration, that increased by €1,971 thousand. In total, variable remuneration showed a net increase of €1,558 thousand, influenced by the above information, and by a reduction in allowances for transfers as a result of the lower use of this type of cost for the low traffic volume airports project that instead had affected the previous period; a lower provision of the performance bonuses of €1,461 thousand which takes into account only the fixed part, while in the previous period it also included a portion subject to a labour agreement of 23 May 2014 to apply for the years 2014 and 2015; higher costs for vacations and vacation time earned but not taken due to the lower use of leave days by the operations staff as a result of the efforts in activities related to the *free route* project for €1,066 thousand.

Social security contributions grew by €1,427 thousand due to the higher taxable base, and other costs decreased by €1,861 thousand mainly attributable for the lesser use of the redundancy incentive granted to the outgoing employees and managerial personnel in 2016 totalling €2.8 million (€4.9 million at 31 December 2015) and involved 26 resources.

The table below shows the Group's workforce broken down by professional category:

	31.12.2016	31.12.2015	Variation
Executives	64	72	(8)
Middle Managers	425	410	15
Office staff	3,744	3,754	(10)
Final amount	4,233	4,236	(3)
Average amount	4,289	4,250	39

To this end, it is evident that in the presence of a personnel increase in the Group of 39 resources, the cost of personnel has amounted to an increase of only 0.5% following the exit of staff with higher salaries than those of the new entrants.

29. Capitalisation of internal work

Costs for capitalised internal work totalled €29,273 thousand (€29,668 thousand at 31 December 2015), a slight decrease of €395 thousand compared with the same period of the previous year, owing to the Techno Sky activities at various airport sites being delayed to 2017. In fact, this item includes, in addition to the hours the Group's personnel spent on investment projects in progress, also the internal implementation of investment projects, carried out by the subsidiary Techno Sky also with external resources, relating in particular to system renovations at the Alghero airport tower, bringing airport meteorological systems into line with ICAO amendment 74, work on the installation of a new electrical substation at Catania airport, activities at the airports in Brindisi and Treviso, and progressive maintenance on software for air traffic control systems and the Free Route project.

30. Financial income and expenses

This *financial income and expenses* amounts to a negative €2,180 thousand and includes *financial income* for €4,599 thousand, *financial expenses* for €6,726 thousand and losses on currency exchange for €53 thousand.

Financial income is broken down as follows:

	2016	2015	Variations
Income from investments in other companies	250	250	0
Financial income from balance discounting	2,089	4,443	(2,354)
Financial income from non-current financial assets	0	8	(8)
Interest income on VAT credit refunds	418	796	(378)
Other interest income	1,842	2,836	(994)
Total financial income	4,599	8,333	(3,734)

This item decreased by €3,734 thousand attributable mainly to the lower financial income from the discounting of the balance that during the previous period had been subject to an adjustment of the present value of the related receivables recorded for the changes to the charge recovery plan, in

accordance with the 2015–2019 performance plan. The 2016 quota mainly includes the part applying to that period.

A reduction was also shown in interest income on VAT credit refunds following the collection of the entire receivable and other interest income relating in particular to late interest applied to carriers for the delayed payment of charges due to the greater punctuality in collections noted in 2016. *Financial expenses* amounted to €6,726 thousand and is detailed below:

	2016	2015	Variations
Interest due on bank loans	2,051	2,990	(939)
Interest due on bonds	3,474	1,414	2,060
Interest due on employee benefits	851	1,022	(171)
Interest costs on derivatives at fair value	50	0	50
Other interest due	300	536	(236)
Total Financial Expenses	6,726	5,962	764

The net increase of €764 thousand refers to the net change due to higher interest expenses on bonds which applies to the year in its entirety, with respect to the 2015 date of issuance of the loan that took place in August, and lower interest both on bank loans due to lower indebtedness as well as for other interest expenses, which in 2015 included a fee paid to banking institutions on the renewal of short-term credit lines.

31. Income taxes

Income taxes amounted to €38,358 thousand and are broken down as shown in the table below:

	31.12.2016	31.12.2015	Variations
IRES (Corporate tax)	29,889	23,428	6,461
IRAP (Regional tax)	5,782	4,202	1,580
Taxes previous fiscal years	571	6	565
Total current taxes	36,242	27,636	8,606
Deferred tax assets	2,202	1,588	614
Deferred tax liabilities	(86)	417	(503)
Total current and deferred tax assets and liabilities	38,358	29,641	8,717

For additional details on deferred tax assets and liabilities, please refer to note 11.

The IRES tax rate for the 2016 period stood at 26.1% compared to 24.5% in the previous period. 2015 benefited from the use of the charge stabilisation supplementary contribution that was tax-exempt. The tax rate in 2016 is higher mainly due to the increase in profit before taxes having benefited from higher tax reductions on the use of funds taxed in previous periods.

The IRES and IRAP tax rates for the 2016 and 2015 periods are detailed in the tables below:

	2016		2015	
	IRES (Corporate tax)	Proportion (%)	IRES (Corporate tax)	Proportion (%)
Income before taxes	114,704		95,724	
Theoretical tax	31,544	27.5%	26,324	27.5%
<i>Effect of increases/(decreases) compared to the standard tax</i>				
Non-deductible contingency liabilities	217	0.2%	340	0.4%
IRES deduction of IRAP paid on personnel costs	(117)	-0.1%	(140)	-0.1%
Utilisation of stabilisation tariff	0		(5,584)	-5.8%
Other	576	0.5%	518	0.5%
Temporary differences for risk, receivables and inventories depreciation, and other items	(2,331)	-2.0%	1,970	2.1%
Actual IRES	29,889	26.1%	23,428	24.5%

	2016		2015	
	IRAP (Regional tax)	Proportion (%)	IRAP (Regional tax)	Proportion (%)
Income before taxes	114,704		95,724	
Theoretical tax	5,483	4.78%	4,576	4.78%
<i>Effect of increases/(decreases) compared to the standard tax</i>				
Non-deductible Personnel costs	0		0	
Utilisation of stabilisation tariff	0		(971)	-1.0%
Other	(122)	-0.1%	741	0.8%
Temporary differences for risk, receivables and inventories depreciation, and other items	317	0.3%	0	
Financial income and expenses	104	0.1%	(144)	-0.2%
Actual IRAP	5,782	5.0%	4,202	4.4%

Other information

32. Segment reporting

For operating purposes, the ENAV Group is organised into strategic units identified based on the nature of the services rendered and, for management monitoring purposes, it has two operating segments subject to reporting, which are described below:

- *Flight assistance services*: this operating segment corresponds with the Parent Company legal entity, ENAV, which has as its core business providing air traffic management and control services, and other essential services for air navigation within Italian air space and in the relevant national civil airports, whilst guaranteeing the highest technical standards and flight safety systems, and the enhancement of the technology and infrastructure of flight assistance systems;
- *Maintenance services*: this operating segment corresponds with the subsidiary Techno Sky S.r.l., whose core business is the technical management and maintenance of air traffic control installations and systems. *Air-related infrastructure*, similarly to other logistics infrastructure for the country requires ongoing maintenance and constant development to ensure safety, punctuality and operational continuity. This is moreover clearly stated in the European Union's Single European Sky regulations that on the one hand define the future structure of the air traffic management system and on the other set the technological, qualitative, economic and environmental targets that all service providers must meet.

The column *Other segment* include the Group's remaining activities that are not categorised in the two segments mentioned above and subject to monitoring.

No operating segment was aggregated for the purposes of determining the operating segments referred to in the disclosure for 2016 and 2015.

Financial year 2016

	Flight assistance services	Maintenance services	Other segment	Adjustments / consolidation reclassification	Enav Group
<i>(data in thousands of Euros)</i>					
Sales to third parties	869,021	2,907	3,090	0	875,018
Intersegment revenues	1,057	88,241	2,977	(92,275)	0
Total revenues	870,078	91,148	6,067	(92,275)	875,018
Personnel costs	(414,180)	(61,153)	(2,800)	0	(478,133)
Other net costs	(197,659)	(22,328)	(1,733)	89,461	(132,259)
Total operating costs	(611,839)	(83,481)	(4,533)	89,461	(610,392)
Amortisation and depreciation	(144,320)	(707)	(32)	2,543	(142,516)
Write-downs and provisions	(5,038)	(95)	(93)	0	(5,226)
EBIT	108,881	6,865	1,409	(271)	116,884
Financial income/(expense)	1,659	450	70	1	2,180
Income before taxes	110,540	7,315	1,479	(270)	114,704
Income taxes	(35,818)	(2,244)	(377)	81	(38,358)
Net profit (loss) for the year	74,722	5,071	1,102	(189)	76,346
Total assets	2,030,760	74,160	56,459	(155,064)	2,006,315
Total liabilities	887,897	60,048	1,644	(63,099)	886,490
Net financial position	(117,383)	2,048	15,214	0	(100,121)

Financial year 2015

	Flight assistance services	Maintenance services	Other segment	Adjustments / consolidation reclassification	Enav Group
<i>(data in thousands of Euros)</i>					
Sales to third parties	855,627	1,958	1,292	0	858,877
Intersegment revenues	1,107	89,643	2,606	(93,356)	0
Total revenues	856,734	91,601	3,898	(93,356)	858,877
Personnel costs	(411,844)	(61,211)	(2,722)	0	(475,777)
Other net costs	(195,576)	(24,508)	(1,078)	90,346	(130,816)
Total operating costs	(607,420)	(85,719)	(3,800)	90,346	(606,593)
Amortisation and depreciation	(147,958)	(953)	(26)	2,222	(146,715)
Write-downs and provisions	(26,704)	(29)	(1)	14,603	(12,131)
EBIT	74,652	4,900	71	13,815	93,438
Financial income and expenses	2,657	(356)	(18)	3	2,286
Income before taxes	77,309	4,544	53	13,818	95,724
Income taxes	(27,492)	(1,718)	(33)	(398)	(29,641)
Net profit (loss) for the year	49,817	2,826	20	13,420	66,083
Total assets	2,034,968	76,476	54,080	(156,334)	2,009,190
Total liabilities	900,359	66,381	1,856	(49,956)	918,640
Net financial position	(205,851)	1,781	15,568	0	(188,502)

33. Related parties

Related parties of the Enav Group were identified on the basis of the requirements of IAS 24 *Related party disclosures*, concerning transactions undertaken in the interests of the Group and are part of ordinary operations and are regulated, unless otherwise indicated, at market conditions. On 21 June 2016, the Board of Directors of the Parent Company approved, following the favourable opinion of the independent directors, the "Procedure governing transactions with related parties" created by the Company directly and/or through its subsidiaries, in accordance Article 2391 *bis* of the Italian Civil Code and in compliance with the principles of the "Regulation regarding transactions with related parties" of Consob Resolution No. 17221 of 12 March 2010 and subsequent amendments and additions.

The procedure, available on the site www.enav.it, establishes the criteria for the identification of related parties, for the distinction between the transactions of greater or lesser significance, for the procedural rules applicable to such transactions as well as any mandatory notifications to the relevant bodies.

The following tables show the income statement and balance sheet balances arising from the Group's transactions with related parties external to the Group, including those relating to the directors, statutory auditors and senior executives with strategic responsibilities for the years 2016 and 2015.

Name	Balance at 31.12.2016							
	Trade receivables and other non-current assets	Cash and cash equivalent	Debt	Trade payables and other current liabilities	Revenues and other operating revenues	Cost of goods and services and other oper costs	Costs for the use of third-party assets	Financial expenses
External related parties								
Ministry of Economy and Finance	13,299	328	0	104,258	13,201	0	0	0
Ministry of Infrastructure and Transport	33,995	0	0	0	38,822	0	0	0
Enel Group	0	0	0	171	0	137	0	0
Leonardo Group	329	0	0	31,143	1,546	4,511	0	0
Poste Italiane Group	0	0	4,974	7	0	77	65	140
Other external related parties	0	0	0	7	81	280	22	0

Name	Balance at 31.12.2015							
	Trade receivables and other non-current assets	Cash and cash equivalent	Debt	Trade payables and other current liabilities	Revenues and other operating revenues	Cost of goods and services and other oper costs	Costs for the use of third-party assets	Financial expenses
External related parties								
Ministry of Economy and Finance	14,366	2,470	0	99,780	14,366	0	0	0
Ministry of Infrastructure and Transport	37,401	0	0	0	38,167	0	0	0
Enel Group	0	0	0	138	0	209	30	0
Leonardo Group	6,552	0	0	32,011	759	3,974	0	0
Poste Italiane Group	0	0	8,265	9	0	139	0	368
Other external related parties	24	0	0	42	94	282	0	0

The nature of the main relationships referred to above with external related parties, such as the Ministry of Economy and Finance (MEF) and the Ministry of Infrastructure and Transportation (MIT), and entities subject to the control of the Ministry of Economy and Finance, is represented below and described in detail under the individual items in the Notes to the financial statements:

- the relations with the MEF mainly relate to receivable and revenue relationships relating to the refund of charges for services provided by the Parent Company for exempt flights and charged to the MEF in accordance with European and Italian law, and payables for the amounts collected by the parent company and relating to the portion attributable to the Italian Air Force for route charges. Following approval of the ENAV financial statements, this payable is used to offset the receivable position. Cash and cash equivalents relate to a current account opened by the Parent Company with the Bank of Italy;
- the relations with the MIT relate to receivable and revenue relationships resulting from both an operating grant intended to cover the costs incurred by the Parent Company to ensure systems and operational safety pursuant to Article 11 septies of Law 248/05, and capital grants as part of the PON Networks and Mobility, recognised following the resolutions of the Management Authority of the PON Networks and Mobility, and charged to the income statement in an amount commensurate with the amortisation of the investments to which the contributions refer;
- relations with the Leonardo Group mainly relate to activities linked to Parent Company investments, the maintenance and acquisition of spare parts for systems and equipment for air traffic control;
- relations with Gruppo Poste mainly relate to the financing contract stipulated between the Company and Banca del Mezzogiorno – Medio Credito Centrale S.p.A. for €10 million. This contract expires on 31 May 2018, and sets an interest rate equal to Euribor plus a spread of 1.9%. The remaining relations relate to the leasing of equipment for hospitality purposes and shipping costs;
- the relations with other related parties include residual positions.

"Executives with strategic responsibilities" means the Chief Executive Officer of ENAV, as the parent company has not appointed senior executives with strategic responsibilities. Relevant compensation, gross of expenses and social security contributions, amounted to €865 thousand at 31 December 2016 (€93 thousand at 31 December 2015). It is noted that the financial statements at 31 December 2015 reported the compensation of the CEO and senior executives and the amount indicated above takes account only of the CEO's compensation, in line with the choices made in 2016.

Below is shown the remuneration of the Board of Statutory Auditors:

	31.12.2016	31.12.2015	Variation
Statutory Auditors	112	109	3
Total	112	109	3

For more details, please refer to the Remuneration Report prepared pursuant to Article 123 *ter* of the TUF (Italian Financial Services Act).

The Parent Company participates in the Prevaer pension fund. The Prevaer Fund is the national supplementary pension fund for non-executive personnel working in the Air Transport and similar sectors. Pursuant to Article 14 of the Articles of Association of Prevaer Fund, in relation to the governing bodies of the Fund, formed by: the Delegated Shareholders' Meeting; the Board of Directors; the Chairman and Vice Chairman; the Board of Statutory Auditors, shareholder representation is based on equal participation by the workers' representative and the representative of the subscribed companies. The Board of Directors of the Fund resolves among other things on: the general criteria for risk sharing as regards investments and equity shareholdings as well as on investment policies; the selection of asset managers and the identification of the custodian bank.

34. Derivatives

To neutralise the risks deriving from fluctuating exchange rates for the acquisition in USD of shares in the company Aireon, on 20 December 2013 the Parent Company entered into four derivative contracts associated with the four tranches planned for the acquisition of the equity investment, for a total share of 12.5%. At 31 December 2016, three of the original four transactions to purchase foreign currency had been completed to settle contractual obligations.

The derivative financial instrument was signed by the Parent Company in 2016 with the purpose of hedging its exposure to adverse movements in the Euro/Aed exchange rate relative to the future receipts in foreign currency related to a two-year active contract concluded with the General Civil Aviation Authority of Abu Dhabi. It involves, more specifically, an OTC derivative financial instrument with which the company sells forward a certain amount of foreign currency against the Euro at a fixed exchange rate, as of a certain date and until maturity.

At the end of the financial year 2016, the fair value relative to the last forward currency purchase agreement of USD currency, equal to a positive amount of approximately €1,221 thousand, was estimated by the Group based on standard valuation algorithms and market listings/contributions provided by a leading public information provider. The fair value of the derivative relative to the contract stipulated in 2016 was equal to approximately -€104 thousand. In accordance with IFRS 13, the recalculated mark to market was adjusted to also take into account the effect of non-performance risk (CVA), i.e., the risk that one of the parties will not meet its contractual commitments due to a possible default and, from the accounting perspective, the positive or negative fair value was recognised in current/non-current financial assets/liabilities on the basis of the related contractual maturities, and with a matching entry in a specific shareholders' equity reserve.

Indeed, pursuant to IFRS 13, the fair value of a derivative must incorporate the risk that one or both counterparties may not meet their obligations (Credit Risk Adjustment). In detail, from the financial perspective, the Credit Value Adjustment (CVA) is the expected value of the loss deriving from the default

of the counterparty, if the derivative has a positive fair value. On the other hand, the Debt Value Adjustment (DVA) represents the value of the expected loss on default of the Company if the fair value is negative.

The contractual characteristics and the relative fair value at the date of 31 December 2016, as set forth in Bank communications, are listed below:

Counterparty	Transaction type	Stipulation date	Starting date	Expiry date	Notional (FX)	Reference currency (FX)	Forward exchange rate	Equivalent term (thousands of Euro)	MtM Bank
BNL	Buy USD Flex	20/12/2013	15/09/2017	27/12/2017	6,122	USD	1.3630	4,492	1,246
UNICREDIT	Sell AED Flex	22/11/2016	24/11/2016	27/09/2018	(19,566)	AED	4.1230	(4,746)	(96)
Total								(254)	1,150

The fair value data at the end of 2016, adjusted to take into consideration the Credit Value Adjustment, are provided below:

Counterparty	Transaction type	Notional (FX)	Reference currency (FX)	Equivalent term (thousands of Euro)	MtM	Credit Value Adjustment (CVA)	MtM with CVA
BNL	Buy USD Flex	6,122	USD	4,492	1,226	(5)	1,221
UNICREDIT	Sell AED Flex	(19,566)	AED	(4,746)	(107)	3	(104)
Total				(254)	1,119	(2)	1,117

It was not possible to identify an active market for this instrument. Fair value is therefore determined with a methodology consistent with Level 2 of the fair value hierarchy defined by IFRS 7 and IFRS 13. Indeed, although quotes were not available from an active market for the instruments (level 1), it was possible to detect observable data directly or indirectly on the market on which to base assessments.

Due to the substantial features of the derivative subject to analysis, it is classified as a hedging instrument. With reference to these instruments, the following information required by International Accounting Standards is provided below:

Maturity Analysis

Expiry	BNL exchange derivatives (in Euro/000)	Unicredit exchange derivatives (in Euro/000)
Within 1 month		
Between 1 to 3 months		
Between 3 to 6 months		
Between 6 to 12 months	1,221	
Between 1 to 2 years		104
Between 2 to 3 years		
Between 3 to 5 years		
Between 5 to 10 years		
More than 10 years		
Total	1,221	104

Sensitivity Analysis

Operation type	Fair value	Sensitivity analysis	
		Delta N.A.	Delta
		exchange Eur/FX 5%	N.A.exchange Eur/FX -5%
Forward purchase (BNL)	1,221	1,581	1,021
Forward sales (Unicredit)	104	540	74

35. Assets and liabilities by maturity

	Within the next financial year	From 2nd to 5th year	Beyond 5th year	Total
Non-current financial assets	0	6,086	7,584	13,670
Deferred tax assets	0	24,219	0	24,219
Non-current tax receivables	0	25,177	0	25,177
Non-current trade receivables	0	153,538	0	153,538
Total	0	209,020	7,584	216,604
Financial liabilities	32,622	48,346	251,381	332,349
Deferred tax liabilities	0	4,010	0	4,010
Other non-current liabilities	0	23,592	88,292	111,884
Current trade payables	0	16,769	0	16,769
Total	32,622	92,717	339,673	465,012

Non-current financial assets with maturity in more than five years relate to the receivable due from the company from which the Techno Sky business unit was acquired, and represent the employees' leaving entitlement that it is presumed will still be held by the company in the reference period.

Financial liabilities maturing in more than five years refer to bank loans and the bond loan. Reference is made to that effect as reported in the following Note 38.

Other non-current liabilities maturing in more than five years refer to the share of capital grants in proportion with the depreciation of the investment projects to which they refer.

36. Guarantees and commitments

Guarantees refer to sureties provided to third parties in the Group's interest for €4,304 thousand (€3,304 thousand at 31 December 2015), and show a net increase of €1 million between the surety commitments issued in previous financial periods and the newly issued sureties in 2016, which include the sureties issued to participate in the tender in Dubai, for the Abu Dhabi project and for the Kenya project.

As stated in this document and detailed under Note 9, through the subsidiary ENAV North Atlantic, the Parent Company has committed to an investment to purchase a 12.5% interest in the share capital of

AIREON LLC by the year 2017. At 31 December 2016, two tranches had been paid and the shareholding currently stands at 5.41%.

37. Basic and diluted earnings per share

The basic earnings per share are shown at the bottom of the income statement, and are calculated by dividing the net income for the year attributable to the Parent Company's shareholders by the weighted average number of ordinary shares outstanding during the year.

On 2 March 2016, the Extraordinary Shareholders' Meeting approved a voluntary share capital reduction pursuant to Article 2445 of the Italian Civil Code in the amount of €400 million, and the simultaneous establishment of a distributable reserve. This resolution was recorded in the Register of Companies on 4 March 2016 and, having had no previous company creditor file an objection during the 90 day period, was executed on 10 June 2016. Subsequent to that resolution, the share capital stood at 541,744,385 ordinary shares with a par value of 1 Euro.

The table below summarises the calculation performed.

	31.12.2016	31.12.2015
Profit attributable to Parent Company shareholders	76,345,474	66,083,249
Weighted average number of ordinary shares	718,182,741	1,040,867,673
Basic Profit (loss) per share	0.11	0.06
Diluted Profit (loss) per share	0.11	0.06

38. Financial risk management

Credit risk

The Group is exposed to credit risk, which is the risk that one or more commercial counterparties may become unable to honour all or part of their payment obligations. This risk mainly appears in respect of current trade receivables relating to operating activities, and particularly in connection with Route Services and Terminal Services, which represent the biggest exposure in the financial statements. These amounts mainly refer to receivables accrued in respect of the air companies in relation to charges, for which Eurocontrol is the management and collection agent. In this context, leaving aside the intermediary role performed by Eurocontrol, which means that the receivables are formally presented in the financial statements and billed to this entity, measurement of the effective credit risk to which the Group is exposed takes place according to the counterparty risk for each individual carrier for which the underlying receivables originally accrued. This because Eurocontrol does not assume any credit risk in relation to the possible insolvency of carriers and pays its liabilities to the Parent Company only once it has received the respective amounts from the airlines. Eurocontrol is proactive in recovering these monies, and initiates the relative legal actions where necessary.

A specific bad debts allowance is recorded in the financial statements for the risk of default by the Group's debtors. The write-down process used by the Group involves writing down debtor positions individually according to the financial situation of each debtor, the possibility of withdrawing the carrier's flying licence, the age of the receivable, internal assessments of the creditworthiness of individual debtors and information provided by Eurocontrol on route and terminal receivables. The amounts for which recovery is regarded as doubtful are recognised in the financial statements as a specific bad debts allowance for the adjustment of receivables. At 31 December 2016, this amount stood at €49,223 thousand. The extent of this provision is reviewed on a periodic basis to ensure that it is constantly updated in relation to the perceived credit risk. At 31 December 2016, the amount of trade receivables for which recovery is regarded as doubtful was fully covered by the bad debts allowance in the financial statements.

Liquidity risk

Liquidity risk is the risk that the Group, despite being solvent, might be unable to meet promptly the commitments associated with its financial liabilities, whether expected or unexpected, due to difficulties in obtaining financial resources, or that it will be able to do so only under adverse economic conditions due to factors related to the perception of its risk by the market, or during situations of systemic crisis such as, but not limited to, the credit crunch and the sovereign debt crisis, or that it fails to meet its commitments (covenants) under certain loan agreements and the bond loan.

Although it does not have a cash pooling system, the Group's liquidity is managed and monitored by the Parent Company at a largely centralised level, in order to optimise the overall availability of financial resources by performing a coordinating role for the other Group companies.

At 31 December 2016, the Group held cash and cash equivalents for €231 million, and has short-term credit lines available for a total of €158 million relating to i) short-term uncommitted credit lines and ii) unused long-term credit lines for €150 million, relating to contracts signed with the EIB - European Investment Bank. The uncommitted lines of credit relate to i) €30 million in overdraft facilities, ii) approximately €103.5 million for financial advances that can be used with no allocation constraints, iii) for €15 million for advance "export" credit and iv) for €10 million for advance "import" credit. These credit facilities are subject to revocation and do not imply compliance with covenants or other contractual commitments.

In the longer term, liquidity risk is mitigated by a debt management strategy that provides for a diversified financing sources structure, in terms of both types of credit facilities and counterparties, to cover the Group's financial requirements and to provide a balanced debt maturity profile.

On the basis of general guidelines set by senior management, the administration, finance and control department establishes the short-term and medium/long-term financial structure and the manner in which the relative cash flows will be managed. The Department has made choices that are mainly directed at: i) ensuring that adequate financial resources are available to cover expected short-term commitments, which

are systematically monitored through treasury planning; ii) maintaining a prudent liquidity buffer that is sufficient to cover any unexpected commitments; iii) ensuring a level of flexibility in the Group's medium to long-term investment contracts for the technology and infrastructure upgrading on flight assistance systems.

The Group's gross financial exposure at 31 December 2016 stood at €331 million, and is represented by debt in respect of banks for medium to long-term funding for €151 million, and subscribers of the bond issued on 4 August 2015, maturing on 4 August 2022, for a principal amount of €180 million.

The table below shows the maturity analysis for medium to long-term bank financing and the bond represented at nominal value, without the effect resulting from the amortised cost method.

Lender	Type	Residual debt at 31.12.2016	< 1 YEAR	from 1 to 2 years	from 3 to 5 years	>5 years
Medio Credito Centrale	Medium and long term to 5 years	5,000	3,333	1,667	0	0
Unicredit	Medium and long term to 5 years	16,000	8,000	8,000	0	0
Unicredit	Medium and long term to 5 years	30,000	20,000	10,000	0	0
EIB - European Investment Bank	Medium and long term to 15 years	100,000	0	3,996	24,623	71,381
Bond		180,000	0	0	0	180,000
Total		331,000	31,333	23,663	24,623	251,381

The financing contracts shown above entail general commitments and covenants for the Parent Company that may also be negative. While in line with market practices for financing contracts for similar amounts and types, these could limit the Group's operations. Specifically, some contracts envisage early repayment if certain default events should arise. If this should occur, the Parent Company could be obliged to pay back the relevant financing in full and with immediate effect.

More specifically, the following is noted:

- the financing contract signed in 2013 between the Parent Company and Banca del Mezzogiorno - Medio Credito Centrale S.p.A. for an amount of €10 million, with half-yearly repayment instalments in arrears starting in November 2015 up until May 2018, and an interest rate at the Euribor rate plus a spread of 1.9% contains a cross-default clause that entitles the Bank to request early repayment of the loan in the event that ENAV does not comply with its financial obligations other than those contained in the financing contract, as well as guarantees undertaken in respect of banks or financial institutions, referring to amounts in excess of €2 million, unless the situation has been remedied within 10 working days after the relevant due date;
- the two financing contracts signed in 2008 between the Parent Company and Unicredit, which were extended in accordance with the contractual conditions up to 2018, for an original amount of €100 million and €40 million, respectively, entail a repayment plan with half-yearly instalments in arrears and interest at the Euribor rate plus a spread of 0.34%. They also include:
 - cross-default clauses that become applicable in the event that ENAV or any other company in the Group does not comply with its financial obligations other than those contained in the financing contracts, as well as guarantees undertaken in respect of banks or financial institutions;

- a change of control clause that entitles Unicredit to request early repayment of the financing in the event that the Ministry of the Economy and Finance no longer has control of the Company.

In addition, the two loans referred to above require that certain financial covenants are to be adhered to, including: i) the net financial debt/ EBITDA ratio must not be higher than 3 times; ii) the ratio between net financial debt/shareholders' equity must not be higher than 0.7;

- the financing contracts signed between the Parent Company and the European Investment Bank (**EIB**), for €180 million in 2014 and €70 million in 2016 respectively, to finance the investment programmes associated with *4-Flight* and other projects of which, at 31 December 2016, the Parent Company had utilised a tranche for a total of €100 million, with a plan for half-yearly repayment instalments in arrears starting in December 2018 and expiring in December 2029, and an interest rate fixed at 1.515%, which provide for:

- a negative pledge clause, in other words, an undertaking by ENAV not to establish or allow any encumbrances on any of its assets, where encumbrances are intended as any agreement or transaction relating to assets, loans or money realised as an instrument to obtain credit or to fund the acquisition on an asset;
- a cross-default clause that entitles the EIB to request early repayment in the event that ENAV or any other company in the Group does not comply with its financial obligations other than those contained in the financing contracts, as well as guarantees undertaken in respect of banks or financial institutions;
- a change of control clause that entitles EIB to request early repayment of the financing in the event that any party or group of parties take control of ENAV or the Republic of Italy no longer has control of the Issuer.

In addition, the loans also require that certain financial covenants are to be adhered to, which are verified on an annual and six-month basis and calculated based on the Group's consolidated accounts:

i) the gross financial debt to EBITDA ratio to be less than 3 times; ii) the EBITDA to financial expenses ratio to be not less than 6 times;

- the bond issued by the Parent Company in August 2015 for €180 million, with interest calculated at a fixed annual rate of 1.93% and a single bullet repayment on 4 August 2022, includes:
 - a negative pledge clause, in other words, an undertaking by ENAV not to establish or provide third parties with guarantees on the debt or additional privileges in respect of those guaranteed by the bond issued, unless they are duly authorised by a bondholders' meeting;
 - a cross-default clause that entitles the bondholders to request the early repayment of the bond in the event that ENAV or its subsidiaries do not punctually meet their financial obligations relating to financial debt other than the bond, for an amount above €15 million;

- a change of control clause, which entitles the bondholders to ask for early repayment on the bond issue in the event that a party other than the Republic of Italy, its ministries (including the Ministry of the Economy and Finance) or the entities and companies directly or indirectly controlled by the latter or its ministries, takes control of the Issuer.

In addition, the bond also requires that financial covenants are to be adhered to, such as: a) the net financial debt/EBITDA ratio must not be higher than 3 times; b) the net financial debt/shareholders' equity ratio must not be higher than 0.7 times.

The Parent Company has always adhered to the covenants provided for in each financing agreement, including in previous financial periods. At 31 December 2016, there were no elements that would lead one to believe that the Parent Company would not adhere to the covenants.

Interest rate risk

The main sources of the Group's interest rate risk exposure relate to the volatility of interest flows for variable-rate indexed loans and changes in market conditions for negotiating new debt instruments. In this sense, there is a risk that the upwards fluctuations of interest rates could have a negative influence on the net interest expense recognised in Income and the value of future cash flows.

If such a circumstance were to occur, this could have negative effects on the Group's equity, income and cash positions.

At 31 December 2016, around 15% of the Group's gross financial debt carried variable interest rates. Current corporate interest rate risk management policies do not provide for the use of derivative financial instruments.

In order to limit the potential adverse effects of interest rate fluctuations, the Group implements policies designed to contain the cost of funding over time by limiting the volatility of its results. The Group pursues this target by systematically negotiating with banks of prime standing, in order to optimise the average cost of debt, as well as through the strategic diversification of financial liabilities by type of contract, duration and interest rate conditions (variable-rate/fixed-rate). In 2016, the average cost of bank borrowings was approximately 1.6%, essentially unchanged from the previous year.

Currency risk

The Group's exposure to the risk of unfavourable changes in the current level of exchange rates due to its transactions in other currencies might have negative effects on its economic performance and the value of balance sheet items denominated in foreign currency. Although the Group operates mainly in the Italian market, exposure to currency risk derives mainly from cash flows related to investments in foreign currency, mainly the US dollar, in relation to the purchase of the equity interest of 12.5% in the share capital of US company Aireon. ENAV currently holds an equity interest of 5.41% in Aireon's capital; to complete the acquisition of the stake, the parent company must pay for two additional shares, the second

of which by 2017, totalling USD22.9 million. We note that payment of the third instalment was made on 6 February 2017. In this regard, the Company has entered into a specific flexi-term forward contract for the future purchase of US currency for each of the payment tranches contractually agreed for the acquisition of the above equity interest. The foreign exchange rates (EUR/USD) which have been locked for the third and fourth tranche are 1.3580 and 1.3630 respectively.

To a lesser extent, the Group is exposed to exchange risk connected to contracts stipulated for the provision of non-regulated services denominated in a foreign currency (mainly in Malaysian Ringgit and UAE Dirham). For the management of the residual exposure to foreign currency risk, the Group has drafted an exchange rate risk management policy pursuant to which, based on a specific evaluation of the individual transaction, various types of derivative instruments are used, particularly swaps and forwards and currency options. Speculative trading is not allowed within the context of these policies. In particular, at the end of 2016, in relation to a foreign order from the UAE General Civil Aviation Authority, a hedge contract was signed through a Flexible Forward, the notional amount of which corresponds to the value of the contract (approximately AED 19.6 million) at a forward exchange rate of (EUR/AED) of 4.123.

The fair value of the foreign exchange derivatives is calculated using standard market valuation algorithms and market prices/contributions provided by major public info-providers. We note, however, that the risk from the conversion of the assets and liabilities of ENAV's subsidiaries that prepare their financial statements using a functional currency other than the Euro are not normally hedged.

Litigation

Litigation regarding tax, administrative, civil and labour matters is handled by the competent ENAV Group departments which provided, for the compilation of these financial statements, a complete and exhaustive framework of the various civil, administrative and labour-related ongoing litigations. The Group has assessed the risk of an adverse outcome of such proceedings and determined that specific provisions which could have a negative outcome and for which the amounts could be calculated with a reasonable margin of error. Pursuant to the regulations governing the preparation of financial statements, no specific allocations were made in connection with those proceedings whose negative outcome was considered merely possible rather than likely. Currently, we do not believe that the pending litigation could result in significant expenses for the Group, exceeding the amounts already allocated for this purpose in the provisions established as at 31 December 2016.

Civil and administrative litigation

The civil and administrative litigation includes: i) the actions proceedings versus suppliers and airport companies that are insolvent or in bankruptcy or undergoing other insolvency proceedings, arisen in connection with the recovery of receivables that it was not possible to settle out of court. Some positions were written down; ii) litigation involving defence against actions brought by suppliers or contractors that

the Group considered to be groundless, or for recovery of higher costs and/or damages that the Group incurred due to non-compliance of suppliers/contractors; iii) litigation involving claims of assets belonging to Enav, compensation for damages caused by the loss of assets transferred to the Company, or claims for payment or improvements to assets; iv) litigation relating to claims for damages arising from aeronautical accidents, for which the risk of an adverse outcome is normally assumed by the insurance company; v) proceedings challenging the holding of open public procedures and the awarding of contracts; vi) a dispute involving claims for damages due to failure to acquire a unit belonging to a third party company; vii) dispute involving claims for compensation due to reputational damages and loss of the chance to challenge a revocation resolution of the Board of Directors *pro tempore*. Appropriate allocations were made for the positions considered by the Group's legal staff to be *probable*.

Criminal proceedings

The year 2016 was characterised by the continuation of actions initiated in prior years aiming to protect the Enav in connection with certain pending legal proceedings.

The preliminary assessment procedure is continuing for the criminal case against the former Chief Executive Director for alleged offences envisaged under articles 319 and 321 of the Italian Penal Code and the assumption of complicity in the offence pursuant to art.7, paragraphs 2 and 3, law 194/1975 and art. 4, par. 1, law 659/1981 and a former Company manager for alleged offences envisaged under art. 319 and 321 of the Italian Penal Code. Enav has brought civil action in the above mentioned trial.

Proceedings in the hearing phase of trial are also ongoing for the criminal proceedings against the former Chairman of the Board of Directors of Enav, two former managers of Enav and the top management of a third party company, as well as former supplier of the subsidiary Techno Sky for the all the alleged offences as envisaged under articles 81, 319 and 321, with the Company as a plaintiff. The Parent company is also a plaintiff in the ongoing case against a consultant of a former Ministry of the Economy for the crimes pursuant to articles 110, 319 and 321 of the penal code. The case is currently pending in the hearing phase of trial.

The criminal proceedings against the former Company executive for the alleged offence envisaged pursuant to article 378 of the Italian Penal Code, the accused was committed to stand trial and acquitted by the Court of Rome with ruling no. 16180 of 21.12.2016, issued pursuant to art. 530, 1° Code of Penal Procedure due to there being no case to answer.

The preliminary investigation phase of the criminal case against, among others, the top manager of a former construction company, the former Chief Executive Officer and board member of Enav and the top manager of an Enav supplier's sub-contractor, regarding the alleged criminal offences envisaged under art. 110 of the Italian Penal Code, art. 7, par. 2 and 3, Law 195/1974 and art. 4, par. 1, Law 659/1981 and the alleged criminal offence envisaged under art. 8, Law 74/2000, except for the Chief Executive Officer who is

being investigated for the alleged criminal offence envisaged under art. 323 of the Penal Code, specifically for the subcontracts relating to the contract for the refurbishing of the Palermo Airport.

Furthermore, a civil action is also pending against the aforementioned construction company; a partial ruling was handed down finding the invalidity of the contracts pursuant to which claims were brought for payment of professional services provided to Enav.

The Parent Company is seeking out of court settlement for the damages, including to reputation, caused to Enav, despite the plea bargains concluded in the criminal proceedings pursuant to the investigation of the Rome Public prosecutor's office in 2010/2011, against former board members, top management of former suppliers, former top managers and managers and consultants of third party companies.

The complaint lodged by the Company against the illegal removal of goods and materials belonging to Enav which was stored at a third-party warehouse, was ruled upon in the first degree. In these proceedings, the Company was a plaintiff against the shadow director of the warehousing company for the criminal offence envisaged under art. 646 of the Italian Penal Code and; with its ruling handed down on 16 February 2015, the Court declared the accused guilty, among other things, of the crime pursuant to art. 646 and sentenced him, including for other crimes he was accused of, to 6 years and 6 months of prison and a fine of €3,000.

The Court also ordered an immediately executive provisional order of €1 million to be paid to the Parent company, referring the settlement of the damages incurred by Company to another forum. A ruling of non-suit was handed down for only one of the charges, due to remission and acceptance thereof. Finally, with regard to the remaining charges, the defendant was acquitted as it was adjudged there was no case to answer. The ruling is under appeal by the defendant with Enav as the plaintiff party. Furthermore, the necessary executive actions have been taken against the defendant following the verification of the consistency of the goods in question to initiate the aforementioned court actions based on the provisional amount ruled upon.

Additional proceedings, in continuation of the investigations initiated by the Rome Public prosecutor's office are currently pending and aimed at ascertaining the individuals who were the final recipients of the merchandise stored in the aforementioned third party warehouse in regard to the removal of which Enav had initiated the claim.

In these pending proceedings for multiple criminal offences involving the assets and criminal association against the various defendants, including the shadow director of the warehousing company, the Company was a plaintiff at the preliminary hearing and, upon conclusion, all the defendants were committed to stand trial.

Following third party notifications and the internal audit activities, the Company become aware of, among other things, potential irregularities regarding the sub-contracting in 2005 for the refurbishing of the Parma Airport; these circumstances were presented to the Authorities.

The case against the Chief Executive Officer and General Manager for the alleged offences envisaged under art. 589 of the Italian Penal Code, 26. par. 1 and 2 of Legislative Decree 81/08, 25 septies of Legislative Decree 231/01 is currently pending before the Public Prosecutor of Sassari. This case refers to an extraordinary maintenance intervention that caused the death of the director of the contracting company. The offence envisaged under art. 25 septies Legislative Decree 231/01 is also claimed. The Company is not currently formally under any investigation.

Pursuant to an exhibition order on 24 November 2016, the Company produced documentation on certain contracts involving ENAV North Atlantic; on the basis of available information, the investigation is pending before the Rome Public prosecutor's office, and there are at the present stage no suspect persons nor has any official charge been submitted.

39. Remuneration of the Auditing firm pursuant to art. 149 *duodecies* of the Consob Issuers Regulation

The consideration for 2016 paid to the parent company's auditing firm EY S.p.A. is summarised in the table below as per the requirements of the Consob Issuers' Regulation art. 149 *duodecies*.

Type of Service	Entity providing the service	Fees
ENAV		
Auditing	EY SPA	323
	Network Ernst & Young	8
Certification services	EY SPA	557
	Network Ernst & Young	0
Other services	EY SPA	14
	Network Ernst & Young	0
ENAV subsidiaries		
Auditing	EY SPA	119
	Network Ernst & Young	7
Certification services	EY SPA	0
	Network Ernst & Young	0
Other services	EY SPA	0
	Network Ernst & Young	0
Total		1,028

The services provided by EY S.p.A. to Enav referred mainly to the assignment that was carried out during the quotation process.

40. Events after the financial statements reporting date

6 February 2017 Enav North Atlantic paid the third instalment of \$16,837 thousand for acquisition of the equity investment in Aireon, bringing its equity interest to 8.63%.

On 3 March 2017, the full shareholders' meeting of the Sicta Consortium was held; it placed the consortium under voluntary liquidation and appointed a liquidator. This decision followed the resolutions made by the Boards of Directors of the consortia members that was held on 1 March 2017 for Enav and 2 March 2017 for Techno Sky. The Management Committee of the Consortium which met on 2 March 2017 acknowledged the intention of the respective Boards of Directors and deliberated regarding whether to proceed, even in advance, of the date that was set by the consortium articles, which was 31 December 2017, to voluntarily liquidate the consortium and appoint a liquidator.

**Attestation of the Chief Executive Officer and the Manager responsible for financial reporting on
the consolidated financial statements**

Attestation of the Enav Group's consolidated financial statement for the year ended 31 December 2016 pursuant to art. 154-bis, paragraph 5, of Legislative Decree 58/1998 and art. 81-ter of CONSOB Regulation 11971 of 14 May 1999.

1. The undersigned Roberta Neri, as Chief Executive Officer, and Loredana Bottiglieri as Manager responsible for Enav SpA's financial reporting, having also taken account of the provisions of art. 154-bis, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998, hereby attest to:
 - the adequacy with regard to the nature of the Enav Group and
 - the effective application of the administrative and accounting procedures adopted in preparation of the Enav Group's consolidated financial statements during the period from 1 January 2016 to 31 December 2016.
2. In this regard, it should be noted that:
 - the adequacy of the administrative and accounting procedures adopted in preparation of the Enav Group's consolidated financial statements was verified by assessment of the internal control system over financial reporting. This assessment was conducted on the basis of the criteria contained in the *Internal Control – Integrated Framework* issued by the *Committee of Sponsoring Organizations of the Treadway Commission* which represents an internationally-accepted framework for the internal control system;
 - the assessment of the internal control system over financial reporting did not identify any material issues.
3. We also attest that:
 - 3.1 the Enav Group's consolidated financial statements for the year ended 31 December 2016:
 - a) have been prepared in compliance with the International Financial Reporting Standards endorsed by the European Union through EC Regulation 1606/2002, issued by the European Parliament and by Council on 19 July 2002;
 - b) are consistent with the underlying accounting books and records;
 - c) give a true and fair view of the financial position and results of operations of the issuer and the companies included in the scope of consolidation.
 - 3.2 the Directors' Report on Operations includes a reliable analysis of the operating and financial performance and situation of the issuer and the companies included in the scope of consolidation, as well as a description of the main risks and uncertainties to which they are exposed.

Rome, Italy
16 March 2017

Chief Executive Officer
Roberta Neri

Manager responsible for financial reporting
Loredana Bottiglieri

**Independent Auditors' Report
on the consolidated financial statements**

Enav S.p.A.

Consolidated financial statements as at December 31, 2016

Independent auditor's report in accordance with articles 14 and
16 of Legislative Decree n. 39, dated 27 January 2010

Independent auditor's report
in accordance with articles 14 and 16 of Legislative Decree n. 39, dated 27 January 2010
(Translation from the original Italian text)

To the Shareholders of Enav S.p.A.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Enav Group, which comprise the statement of financial position as at 31 December 2016, and the income statement, statement of other comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The Directors of Enav S.p.A. are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement art. 9 of Legislative Decree n. 38, dated 28 February 2005.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with article 11 of Legislative Decree n. 39, dated 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Enav Group as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with article 9 of Legislative Decree n. 38, dated 28 February 2005.

Report on other legal and regulatory requirements

Opinion on the consistency of the Report on Operations and of specific information of the Report on Corporate Governance and the Company's Ownership Structure with the consolidated financial statements

We have performed the procedures required under audit standard SA Italia n. 720B in order to express an opinion, as required by law, on the consistency of the Report on Operations and of specific information of the Report on Corporate Governance and the Company's Ownership Structure as provided for by article 123-bis, paragraph 4 of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements. The Directors of Enav S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and the Company's Ownership Structure in accordance with the applicable laws and regulations. In our opinion the Report on Operations and the specific information of the Report on Corporate Governance and the Company's Ownership Structure are consistent with the consolidated financial statements of Enav Group as at 31 December 2016.

Rome, 24 March 2017

EY S.p.A.

Signed by: Mauro Ottaviani partner

This report has been translated into the English language solely for the convenience of international readers.

ENAV S.P.A. FINANCIAL STATEMENTS
AT 31 DECEMBER 2016

Enav S.p.A. financial statements at 31 December 2016

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FINANCIAL STATEMENTS OF ENAV S.P.A

Statement of financial position

ASSETS					
(Euro)	Notes	31.12.2016	of which related parties (Note 30)	31.12.2015	of which related parties (Note 30)
Non-current assets					
Tangible assets	5	1,076,262,973	0	1,103,025,790	0
Intangible assets	6	56,523,128	0	55,423,917	0
Investments	7	142,579,527	0	143,284,427	0
Non-current financial assets	8	0	0	967,939	0
Deferred tax assets	9	17,522,095	0	18,239,764	0
Non-current tax receivables	10	23,164,181	0	23,164,181	0
Non-current trade receivables	11	153,538,885	0	124,278,210	0
TOTAL NON-CURRENT ASSETS		1,469,590,789		1,468,384,228	
Current assets					
Inventories	12	60,872,429	0	61,988,064	0
Current trade receivables	11	224,515,422	43,553,131	225,362,077	44,559,532
Receivables to Group companies	13	21,744,898	21,744,898	12,782,622	12,782,622
Current financial assets	8	1,221,112	0	0	0
Tax receivables	10	26,640,236	0	79,784,888	0
Other current assets	14	11,725,544	3,994,983	15,490,247	7,400,635
Cash and cash equivalents	15	213,744,522	327,564	156,572,859	2,470,122
Total current assets		560,464,163		551,980,757	
Assets classified as held for disposal	7	704,900		0	
Total Assets		2,030,759,852		2,020,364,985	

Statement of financial position

SHAREHOLDERS' EQUITY AND LIABILITIES

<i>(Euro)</i>	Notes	31.12.2016	of which related parties (Note 30)	31.12.2015	of which related parties (Note 30)
Shareholders' Equity					
Share capital	16	541,744,385	0	941,744,385	0
Reserves	16	447,349,616	0	46,078,637	0
Retained earnings/(accumulated losses)	16	82,365,139	0	82,365,139	0
Profit (loss) for the year	16	71,403,883	0	49,817,458	0
Total Shareholders' Equity		1,142,863,023		1,120,005,619	
Non-current liabilities					
Provisions for risks and charges	17	6,910,672	0	6,111,600	0
Employee severance indemnity and other benefits	18	38,561,335	0	38,288,456	0
Deferred tax liabilities	9	4,009,766	0	4,034,806	0
Non-current financial liabilities	19	299,726,688	1,660,947	330,823,506	4,965,198
Current trade payables	20	16,768,995	0	6,624,583	0
Other non-current liabilities	21	111,883,859	0	112,788,221	0
Total non-current liabilities		477,861,315		498,671,172	
Current liabilities					
Short-term portion of provisions for risks and charges	17	3,802,794	0	3,812,041	0
Current trade payables	20	125,705,028	30,787,473	110,804,704	24,553,316
Payables to Group companies	13	41,354,559	41,354,559	37,172,070	37,172,070
Tax and social security payables	22	36,132,840	0	40,191,558	0
Current financial liabilities	19	32,621,735	3,313,023	32,568,995	3,300,496
Other current Liabilities	21	170,418,558	104,258,158	177,138,826	99,779,977
Total current liabilities		410,035,514		401,688,194	
Total liabilities		887,896,829		900,359,366	
Total Shareholders' Equity and liabilities		2,030,759,852		2,020,364,985	

Income statement

(Euro)	Notes	2016	of which related parties (Note 30)	2015	of which related parties (Note 30)
Revenues					
Revenues from operations	23	801,764,650	13,274,095	790,562,021	14,552,943
Balance	23	16,427,689	0	17,708,185	0
Other operating income	24	51,886,011	39,961,098	48,463,076	39,434,407
Total revenues		870,078,350		856,733,282	
Costs					
Costs for raw materials, supplies, consumables and goods	25	(4,801,582)	(636,857)	(4,193,086)	(1,648,223)
Costs for Services	25	(193,747,764)	(67,383,151)	(190,743,769)	(65,844,910)
Personnel costs	26	(414,180,463)	0	(411,843,686)	0
Costs for the use of third-party assets	25	(3,213,064)	(98,992)	(3,389,654)	(111,572)
Other Operating Expenses	25	(3,403,080)	(384,352)	(3,227,496)	(348,352)
Capitalisation of internal work	27	7,507,064	0	5,978,351	0
Total costs		(611,838,889)		(607,419,340)	
Amortisation and depreciation	5 and 6	(144,320,243)	0	(147,957,917)	0
Write-downs and losses/(write-backs)	11	(1,946,408)	0	(23,474,230)	0
Provisions	17	(3,091,686)	0	(3,230,250)	0
Operating Income		108,881,124		74,651,545	
Financial income and expenses					
Financial income	28	4,402,545	0	8,324,280	0
Financial expenses	28	(6,086,792)	(139,792)	(5,580,269)	(367,514)
Profit (loss) on foreign exchange	28	25,041	0	(86,548)	0
Total financial income and expenses		(1,659,206)		2,657,463	
Income before taxes		107,221,918		77,309,008	
Income Taxes	29	(35,818,035)	0	(27,491,550)	0
Profit (loss) for the year		71,403,883		49,817,458	

Statement of other comprehensive income

<i>(Euro)</i>	2016	2015
Profit (loss) for the year	71,403,883	49,817,458
<i>Other components of the comprehensive income statement that will not subsequently be reclassified in profit/(loss) for the year:</i>		
- Fair value of derivative financial instruments	205,569	1,684,418
- Tax effect of the valuation at fair value of derivative financial instruments	(49,336)	(339,204)
<i>Total components of the comprehensive income statement that will not subsequently be reclassified in profit/(loss) for the year</i>	156,233	1,345,214
<i>Other components of the comprehensive income that will not subsequently be reclassified in profit/(loss) for the year:</i>		
- Actuarial gains/(losses) on employee benefits	(1,810,692)	1,619,240
- Tax effect of actuarial gains/(losses) on employee benefits	434,566	(449,829)
<i>Total components of the comprehensive income statement that will not subsequently be reclassified in profit/(loss) for the year</i>	(1,376,126)	1,169,411
Total Profit (Loss) of Comprehensive Income Statement	70,183,990	52,332,083

Statement of changes in shareholders' equity

	Reserves									
	Share capital	Legal reserve	FTA reserve	Sundry reserves	Reserve for actuarial gains/(losses) for employee benefits	Cash Flow Hedge	Total reserves	Retained earnings/(accumulated losses)	Profit (loss) for the year	Total Shareholders' Equity
Balance at 31 December 2014	1,121,744,385	13,935,410	(3,044,940)	36,358,609	(6,974,011)	1,347,592	41,622,660	81,479,457	38,827,033	1,283,673,535
Allocation of net profit from the previous year	0	1,941,352	0	0	0	0	1,941,352	36,885,681	(38,827,033)	0
Allocation of provision for charge stabilisation	0	0	0	0	0	0	0	0	0	0
Dividend disbursement	0	0	0	0	0	0	0	(36,000,000)	0	(36,000,000)
Reduction in share capital	(180,000,000)	0	0	0	0	0	0	0	0	(180,000,000)
Comprehensive Profit (loss) recognised, including:										
- Profit (loss) recognised directly in equity	0	0	0	0	1,169,411	1,345,214	2,514,625	0	0	2,514,625
- Profit (loss) for the year	0	0	0	0	0	0	0	0	49,817,458	49,817,458
Balance at 31 December 2015	941,744,385	15,876,762	(3,044,940)	36,358,609	(5,804,600)	2,692,806	46,078,637	82,365,138	49,817,458	1,120,005,618
Allocation of net profit from the previous year	0	2,490,873	0	0	0	0	2,490,873	47,326,585	(49,817,458)	0
Dividend disbursement	0	0	0	0	0	0	0	(47,326,585)	0	(47,326,585)
Reduction in share capital	(400,000,000)	0	0	400,000,000	0	0	400,000,000	0	0	0
Comprehensive Profit (loss) recognised, including:										
- Profit (loss) recognised directly in equity	0	0	0	0	(1,376,126)	156,233	(1,219,893)	0	0	(1,219,893)
- Profit (loss) for the year	0	0	0	0	0	0	0	0	71,403,883	71,403,883
Balance at 31 December 2016	541,744,385	18,367,635	(3,044,940)	436,358,609	(7,180,726)	2,849,039	447,349,617	82,365,138	71,403,883	1,142,863,023

Statement of cash flows

	Notes	31.12.2016	of which related parties	31.12.2015	of which related parties
A - CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	15	156,573		111,089	
Net cash flow generated/(absorbed) by operating activities					
Profit (loss) for the year	16	71,404		49,817	
Amortisation and depreciation	5 and 6	144,321	0	147,958	0
Net change in liabilities for employee benefits	18	(1,537)	0	(294)	0
Loss on sale of tangible assets and depreciation of tangible and intangible assets	5	9	0	15,752	0
Other income/expense on non-monetary flows	19	55	0	0	0
Provisions for risks and charges	17	790	0	1,548	0
Net change of deferred taxes and deferred tax liabilities	9	1,078	0	1,654	0
Decrease/(Increase) in inventories	12	1,533	0	(170)	0
Decrease/(Increase) in current and non-current trade receivables	11	(28,414)	1,006	(4,467)	(224)
Decrease/(Increase) Income tax and tax and social security debts	10 and 22	49,086	0	9,015	0
Change in other non-current assets and liabilities	13 and 14 and 21	(7,738)	7,884	55,603	50,400
Change in other non-current assets and liabilities	21	(904)	0	(31,222)	0
Increase/(Decrease) in current and non-current trade payables	20	(4,782)	16	(19,991)	44
B - TOTAL CASH FLOW FROM OPERATING ACTIVITIES		224,901		225,203	
	of which Taxes paid	(36,086)		(21,512)	
	of which Interest paid	(6,137)		(3,450)	
Net cash absorbed by investing activities					
Investments in tangible assets	5	(108,616)	0	(98,543)	0
Investments in intangible assets	6	(10,468)	0	(10,502)	0
Increase/(Decrease) in trade payables		29,828	6,217	20,841	(3,955)
Investments in other shares		0	0	(12,398)	0
C - TOTAL CASH FLOW FROM INVESTING ACTIVITIES		(89,256)		(100,602)	
Net cash generated from financing activities					
Medium and long term loans		0	0	0	0
(Repayments) of medium and long term loans	19	(31,200)	(3,291)	(40,667)	(1,697)
Net change in short-term financial liabilities		0	0	9,724	0
Bond issue		0	0	180,000	0
Net change in short-term financial liabilities	19	53	0	(12,174)	0
(Increase)/Decrease in current and non-current financial assets		0	0	0	0
Change in Capital		0	0	(180,000)	0
Dividend distribution	16	(47,326)	(47,326)	(36,000)	(36,000)
D - TOTAL CASH FLOW FROM FINANCING ACTIVITIES		(78,473)		(79,117)	
E - Total cash flow (B+C+D)		57,172		45,484	
F - CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (A+E)	15	213,745		156,573	

value in thousands of Euro

NOTES TO THE FINANCIAL STATEMENTS OF ENAV S.P.A

1. Notes to the financial statements

ENAV S.p.A., a limited company quoted on the Italian Online Stock Market (MTA) from 26 July 2016, was established in 2001 following the conversion under Law No. 665/1996 of Ente Nazionale di Assistenza al Volo (the National Agency for Flight Assistance), a public undertaking, that was formerly known as Azienda Autonoma di Assistenza al Volo per il Traffico Aereo Generale (A.A.A.V.T.A.G. –Autonomous Company providing Flight Assistance for General Traffic).

On 7 July 2016, the Italian Stock Market granted admission of ENAV shares to be listed in the Italian Online Stock Market (hereinafter, "MTA") and, on 8 July 2016, following the notification from Consob of the issuance of approval, the Company published its IPO Prospectus. MTA negotiations began on 26 July 2016. On 31 December 2016, the shareholding of the Company stands at 53.373% held by the Ministry of Economy and Finance (MEF) and 46.627% held by institutions and individuals.

ENAV provides air traffic control and management services and other essential air navigation services in Italian airspace and in the national civil airports for which it is responsible, ensuring the highest technical and system standards in flight safety and the enhancement of the technology and infrastructure of flight assistance systems. These infrastructures require constant maintenance and continuous development to guarantee safety, punctuality and operational continuity. However, this is clearly stated in the European Union's Single European Sky regulations that on the one hand define the structure of the air traffic management system and on the other set the technological, qualitative, economic and environmental targets that all service providers must meet.

The Company's registered office is in Via Salaria 716, Rome and its operating facilities are located throughout the country.

ENAV holds significant controlling interests and pursuant to IFRS 10 compiled the Consolidated Financial statements which are published together with these separate financial statements.

The separate financial statements were approved by the Company's Board of Directors in its meeting of 16 March 2017, which approved disclosure thereof. Pursuant to Articles 14 and 16 of Legislative Decree 39/2010, these financial statements are subject to legal review by the EY S.p.A. by virtue of engagement as auditors, for a nine-year period 2016-2024, granted by the Shareholders' Assembly on 29 April 2016.

2. Form and content of the financial statements

The separate financial statements of ENAV as at 31 December 2016 were prepared in accordance with the *International Accounting Standards (IAS)* and *International Financial Reporting Standards (IFRS)* issued by the *International Accounting Standards Board (IASB)* and to the related interpretations (IFRIC and SIC), endorsed by the European Union in EC Regulation 1606/2002 of 19 July 2002, and in accordance with

Legislative Decree 38 of 28 February 2005, which introduced regulations governing the adoption of IFRS in Italian law.

The term IFRS includes all the *International Financial Reporting Standards*, all the *International Accounting Standards (IAS)*, all the interpretations of the *International Financial Reporting Interpretations Committee (IFRIC)*, previously referred to as the *Standing Interpretations Committee (SIC)*, adopted by the European Union and contained in the EU Regulations published as of 16 March 2017, the date on which the Board of Directors of ENAV approved the financial statements.

The accounting policies described below reflect the fact that ENAV, in the foreseeable future, will continue to be fully operational in accordance with the going concern assumption, and are consistent with those applied in the preparation of the financial statements for the previous financial year.

The financial statements have been prepared and presented in Euro, which represents the functional currency for ENAV. All the amounts included in the tables in the notes and comments below are shown in thousands of Euros unless otherwise stated.

The financial statements used and the relevant classification criteria used by ENAV are shown below, in the context of the options provided for by IAS 1, Presentation of Financial Statements and in accordance with the provisions of Consob Resolution No. 15519 of 27 July 2006 regarding evidence of the amount of positions or transactions with related parties in the financial statements and, where they exist, to the representation in the statement of income and expenses deriving from significant non-recurring transactions or from events that do not occur in the ordinary course of business. During financial year 2016, there were no atypical or significant transactions that would require a separate presentation. The financial statements used are as follows:

- the statement of financial position which classifies the assets and liabilities according to the current and non-current criteria, with specific separation, when present, of assets classified as held for sale and liabilities included in a disposal group classified as held for sale or for the distribution to shareholders. The current assets, which include the cash and cash equivalents, are intended to be realized, disposed of or consumed in the normal operating cycle of the company or within the 12 months subsequent to the closing date. Current liabilities are those liabilities which are expected to be extinguished within the Group's normal operating cycle or within the 12 months subsequent to the closing date.
- the income statement is prepared using a classification based on the nature of expenses;
- the statement of other comprehensive income which includes the result appearing from the income statement, the changes to the items in the net changes in equity especially from the actuarial gains and losses on employee benefits and the changes to the fair value of cash flow hedging instruments. The statement identifies the items that will be and will not be subject to subsequent reclassification to the income statement;
- the statement of changes in shareholders' equity;

- the statement of cash flows was prepared using the indirect method and through the presentation of the net cashflows generated by operating, investing and financing activities.

The financial statements have been prepared under the historical cost convention, except for those items for which *fair value* measurement is mandatory.

Comparative figures for the previous year are provided for each item of the financial statements.

3. Accounting standards

The principal accounting standards and measurement criteria adopted in the preparation of the financial statements are described below.

Tangible assets

Tangible assets is measured at cost, net of accumulated depreciation and any impairment losses. The cost includes any directly attributable costs incurred to prepare the asset for its intended use. In the event of significant overhauls or maintenance, the cost is capitalised under the plant or equipment's book value, where the criteria for recognising such have been met. All other repair and maintenance costs are recognised in the income statement in the period which they are incurred. In any case, the costs incurred after acquisition are recognised as an increase in the book value of the relevant item, if it is probable that future economic benefits associated with the cost will flow to the Company and if the cost of the item can be reliably measured.

Depreciation is calculated on a straight-line basis, from the date the asset is available and ready for use, based on the asset's expected useful life for the company, such period reviewed annually. Any changes to the useful life, if necessary, are accounted for on a prospective basis. Depreciation takes into account any residual value on the tangible assets. When a depreciable asset consists of separately identifiable components with useful lives that are significantly different from those of the other components of the asset, each component is depreciated separately in accordance with the component approach.

The following table sets out the estimated useful life of the main categories of tangible assets:

Type	Description	useful life (years)
Buildings	Buildings	25
	Extraordinary maintenance of buildings	25
	Light constructions	10
Plants and machinery	Radio systems	10
	Recording systems	7
	Synchronisation systems and control centers	10
	Manual and electromechanical power plants	7
	Power plants and electrical systems	10
	Radio links, AF and amplification equipment	10
	Power systems	11
Industrial and commercial equipment	Signalling equipment and runway equipment	10
	Equipment and small tools	7
Other assets	Electronic machines and telephone systems	7
	Furniture and office equipment	10
	Data processing equipment including computers	5
	Cars, motorcycles and similar items	4
	Business aircraft	15
	Aircraft equipment and flight inspection systems	10

The carrying amount of tangible assets is assessed for impairment losses if events or changes indicate that the carrying amount cannot be recovered. If an indication of this nature exists, and if the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. The recoverable amount of tangible assets is the higher of its fair value less costs to sell and its value in use.

If an asset does not generate cash flows that are largely independent of others, the recoverable amount is determined for the cash-generating unit to which that asset belongs. Impairment losses are recognised in the income statement under the write-downs and impairment losses caption. These impairments losses are reversed when the reasons leading to that loss no longer exist, within the limits of the net book value that the asset would have had if it had not been written down, and the asset had been subject to depreciation.

On the sale of an asset or if no future economic benefits are expected from its use, an asset is de-recognised and any gain or loss (calculated as the difference between the disposal proceeds and the carrying amount) is recognised in the Income Statement in the year of de-recognition.

Intangible assets

Intangible assets consist of identifiable non-monetary assets without physical substance, which can be controlled and generate future economic benefits. These assets are recognised at the cost of purchase or production, including any directly attributable ancillary charges required to make the asset available for use, net of any accrued amortisations (with the exception of intangible assets with an indefinite useful life)

and any impairment losses. Internally generated intangible assets are not capitalised and are recorded in the income statement during the year they are incurred.

Amortisation begins at the time the asset is available and is systematically allocated in relation to its possible residual life.

The useful life of an intangible asset may be finite or indefinite.

Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives and are tested for impairment whenever there are indications that they may be impaired. The residual useful life of an asset is reviewed at each year end or more frequently if necessary. Changes to the expected useful life of assets or the way in which the future economic benefits associated with the asset are consumed by the Company are recognised by changing the amortisation period and/or method, and are treated as changes in the accounting estimates.

Gains or losses resulting from the disposal on an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recorded in profit or loss at the time of disposal.

Intangible assets with an indefinite useful life are not subject to systematic amortisation, but rather to an annual evaluation aimed at identifying any impairment losses (impairment testing), both at the individual level and at the level of the cash- generating unit. Any change from an indefinite to a finite useful life is applied on a prospective basis.

The company's financial statements do not include any intangible assets with an indefinite useful life.

In particular, the main intangible assets are the licenses for copyright and software and other intangible assets with a useful life of three years.

Inventories

Inventories, comprising mainly spare parts relating to facilities and equipment for controlling air traffic, are measured at the lower of cost and net realisable value. The cost is determined based on the average weighted cost formula, which includes related ancillary charges. If items can no longer be used because they are obsolete, they are written down through the allowance for inventory losses as a direct deduction from the item.

Investments

Investments in subsidiaries are recognised at the cost of acquisition, which includes the expenses which are directly attributable, adjusted for any impairment which is recognized in the income statement. If the reasons for the impairment no longer apply, the value is written back up to the amount that was written down. The write-back is recognized in the income statement.

Subsidiaries include all the companies in which ENAV has the power to determine, whether directly or indirectly, the financial and operating policies (significant assets) in order to obtain the benefits from their activity (variable yield) and over which it is able to exercise its power to affect the amount of the returns.

Investments in other companies and the available for sale financial asset, comprising non-current financial assets and not destined for trading (namely investments available for sale), are measured at cost adjusted for impairment losses, if the relative fair value cannot be reliably determined.

Financial assets

Financial assets are initially recognised at fair value, and adjusted for transaction costs, if any. They are subsequently measured at amortised cost, using the effective interest method, and adjusted for any impairment losses.

Impairment losses consist of the difference between the carrying amount and the present value of future cash flows discounted using the original effective interest rate.

If the due date of trade receivables and other current assets does not fall within normal commercial terms and the receivables or assets do not bear interest, an analytical discounting process is carried out on the basis of assumptions and estimates. Trade receivables whose due dates fall within normal commercial terms are not discounted. Trade and other receivables are classified as current assets, except for those having a due date exceeding twelve months from the reporting date, which are classified as non-current assets.

The carrying amount of trade receivables is reduced through the provision for bad debt if there are indicators regarding the failure of partial or total recovery of the book value of the receivable. If the amount of a previously recognised impairment loss decreases and the decrease can be connected to an event occurring subsequent to the recognition of the impairment loss, this is recognised in the income statement.

Financial assets are de-recognised when the rights to receive the instrument's cash flows expire, or when all the instrument's risks and benefits have been substantially transferred.

Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits available and other forms of short-term investments with periods not exceeding three months and readily convertible to cash. At the reporting date, current account overdrafts are classified among financial payables under current liabilities in the statement of financial position. The items included in cash are measured at fair value and the relevant charges are recorded in the income statement.

Derivative financial instruments

A derivative is a financial instrument or other contract that has the following characteristics:

- its value changes in response to changes in an underlying parameter, such as an interest rate, the price of a security or a commodity, a foreign currency exchange rate, price or rate indices, a credit rating or other variable;
- the initial net investment is equal to zero, or less than what would be required for contracts with a similar response to changes in market conditions;
- it will be settled at a future date.

The derivative financial instruments entered into by ENAV consist of forward foreign exchange contracts, for the purpose of hedging currency risk. Derivative financial instruments are recognised at fair value initially at the contract date and at each subsequent valuation. Derivatives are recognised as financial assets when the fair value is positive, and as financial liabilities when the fair value is negative. These derivative instruments are classified as current or non-current based on their maturity date and on the Company's intention whether to continue to hold these instruments to maturity.

Derivative financial instruments used for hedging purposes, which is ENAV's only use, qualify for hedge accounting if the following conditions are met:

- at the inception of the hedge, there is a formal designation and documentation of the hedging relationship, ENAV's risk management objective and the strategy for undertaking the hedge;
- the hedge is expected to be highly effective;
- the effectiveness of the hedge can be reliably measured;
- the hedge is highly effective throughout the various periods for which it was designated.

If all the above conditions are met with the intention of hedging the Company's exposure to future cash flow risks associated with an asset, a liability or a highly probable transaction, cash flow hedge accounting is applied. Accordingly, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income through a specific equity reserve called the cash flow hedge reserve, while the ineffective part is recognised directly in income statement under the other operating income or other operating expenses caption.

The amounts recognised as part of other comprehensive income are reclassified to the income statement in the period in which the hedged transaction affects the income statement, for example if a sale occurs or if there is a write-down.

If a hedging instrument expires or is sold, terminated or exercised without replacement, or if it is no longer designated as a hedging instrument, or if the hedging instrument no longer provides effective hedging against the risk the operation was established for, the relevant portion of the cash flow hedge reserve is kept until the underlying contract materialises.

When a transaction is no longer deemed probable, the gains or losses recognised in shareholders' equity are immediately released to the Income Statement.

With reference to measuring fair value, the Company complies with the requirements of IFRS 13 whenever the IFRSs require fair value measurement to be used for recognition and/or measurement purposes or in providing disclosures with respect to a specific asset or liability. Fair value represents the price that would be received on the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (so-called exit price). The fair value of instruments listed on public markets is determined by referring to the bid price at the reporting date.

The fair value of unlisted instruments is measured by reference to financial valuation techniques.

Financial assets and liabilities measured at fair value are classified over the three levels detailed below, based on the relevance of the information used in the fair value calculation. In particular:

Level 1: fair value is determined with reference to quoted prices (unadjusted) in active markets for identical financial instruments to which the Company has access on the measurement date;

Level 2: fair value determined on the basis of inputs other than quoted prices as in Level 1, based on variables directly or indirectly observable in active markets;

Level 3: fair value is determined using evaluation techniques with reference to non-observable variables.

For assets and liabilities measured at fair value on a recurring basis, the Company determines whether there has been a

transfer between the aforesaid hierarchical levels, identifying at each accounting closure the level at which a significant input is ranked at a lower level of the hierarchy used for the evaluation.

Non-current assets held for disposal

Non-current assets (or a disposal group) are classified as held for disposal if the relative carrying amount will be principally recovered through sale transactions or liquidation rather than through continued use.

This condition shall be considered to have been met when the sale or liquidation is highly probable and the non-current asset (or disposal group) is intended for immediate disposal, in its present condition, to be completed within 12 months from the date of its classification as a non-current asset held for disposal.

The non-current assets held for sale or liquidation are recognized in the balance sheet separately from other assets.

Immediately before being classified as held for sale or liquidation, assets within a disposal group are measured in accordance with the accounting standards applicable to them. Subsequently, these assets are measured at the lower of their carrying amount and their fair value.

Loans, trade payables and other financial liabilities

Financial liabilities that include loans, bonds and other financial liabilities are initially recorded at fair value, less any directly attributable transaction costs, and are subsequently measured at amortised cost, using the effective interest method, net of loan repayments already made.

Loans, trade payables and other financial liabilities are classified as current liabilities unless they have a contractual due date exceeding twelve months from the balance sheet date, which are consequently classified as non-current liabilities.

Financial liabilities are de-recognised when the contract is extinguished or when the specific contract obligation has been fulfilled.

Treasury shares

As required by IAS 32, when equity instruments are reacquired, these are defined as treasury shares and are deducted directly from equity under the caption Treasury shares.

No gain or loss is recorded in the Income Statement on the purchase, sale or cancellation of treasury shares. Any charge paid or received, including any direct costs incurred that are attributable to an equity transaction, net of any associated tax benefit, are recorded directly in equity.

Employee benefits

Employee benefits include all forms of consideration given by the company in exchange for service rendered by employees.

Short-term benefits to employees are represented by salaries, wages, social security contributions, paid leave and incentives payable as a bonus in the twelve months from the reporting date. These benefits are recorded as employee cost components in the period in which employee services were provided.

Benefits payable after the end of the employment relationship are subdivided into two types: defined benefit plans and defined contribution plans. The defined benefit plans are those programmes which provide that the employer undertakes to pay the contributions necessary and sufficient to ensure a pre-determined future pension benefit to the employee, with the employer assuming an actuarial risk. Because the amount of benefits to be paid can be quantified only after the termination of the employment relationship, the related economic and financial effects are recognised based on actuarial calculations in accordance with IAS 19. The defined contribution plans are those programmes which provide that the employer pays fixed contributions into a fund. The obligation of the employer is thus extinguished by the payment of contributions to the fund and the actuarial risk falls on the employee. With defined contribution plans, the contribution expenses are charged to the income statement when they are incurred based on the relative nominal value.

The defined benefit plan consists of the Italian employees' severance indemnity scheme (*Trattamento di Fine Rapporto*, TFR) due to employees pursuant to Article 2120 of the Italian Civil Code, accrued through 31 December 2006; in accordance with Law No. 296 of 27 December 2006, as from 1 January 2007, the amounts accruing after that date are transferred to supplementary pension schemes or the treasury fund managed by the Italian national social security organisation, INPS, on the basis of the implicit and explicit decisions taken by the workers. The defined benefit liability is projected into the future using the Projected Unit Credit Method, to calculate the probable amount that will become payable at the time that employment is terminated, and is then discounted to take into account the time value of money before payment is effectively made. The measurement of the liability recorded in the balance sheet is based on conclusions reached by external actuaries to ENAV. The calculation takes into account the TFR matured past services and is based on actuarial assumptions referring mainly to: demographic inputs (such as employee rotation and mortality) and financial inputs (such as the inflation rate and the discount rates coherent with the expecting timing of the payment obligations). The value of the liabilities recognized in equity is therefore in line with the actuarial valuation. The liability recognised in the financial statements, accordingly, coincides with the actuarial valuation and any actuarial gains or losses arising from the calculation are recognised in other comprehensive income in the period in which they arise, taking into account the deferred tax effect.

The defined contribution plans include the Severance Indemnity payable to employees pursuant to Article 2120 of the Italian Civil Code, limited to the TFR matured as from 1 January 2007, and paid as per regulations to a complementary pension fund or the relevant Treasury Fund established with INPS. These plans are managed by external fund managers, in respect of whom ENAV has no obligations, other than to pay the said contributions, which are charged to the Income Statement when they are incurred based on the relevant nominal value.

The benefits payable to employees by way of severance indemnity are recognised as a liability when the company decides to terminate the employment relationship with an employee or a group of employees before the normal retirement date, or in cases where the employee or a group of employees decide to accept an offer of benefits in exchange for termination of employment. Benefits due to the termination of the employment relationship are recognised immediately in the cost of labour.

Provisions for risks and charges

Provisions for risks and charges are recognised for losses and charges of a specific nature whose existence is certain or probable, but where the amount and/or date of occurrence cannot be determined. Provisions are only recognized when the company has a present obligation, legal or constructive, arising from a past event, when it is probable that a future outflow resources representing benefits will be required to settle the obligation and when it is possible to make a reliable estimate of that amount.

Where the financial effect of the time value of the money is materialised and the dates of settling the obligations can be reliably estimated, the provisions are discounted using a pre-tax rate that reflects, where suitable, the market's current assessment of the time value of money and, if applicable, the risks specific to the liability. Where the provision for liabilities and charges is discounted, the periodic adjustment of the current value associated with the time factor is reflected in the income statement as a financial charge. Where it is assumed that all expenses, or part of them, required to settle an obligation will be reimbursed by third parties, such compensation, if virtually certain, is recognised as a separate asset.

Changes in the estimates of accruals to provisions are recognized in profit or loss in the period in which the change occurs and as an increase in the liability. A decrease in estimates is recognized by making a counter-entry to the liability up to its carrying amount, while any excess is recognized in profit or loss in the line item to which the provisions refer.

Amounts included in provisions for risks and charges are classified as either current or non-current depending on the estimated date on which the liability will be settled or extinguished.

Risks where it is only possible that a liability will arise are shown in the appropriate disclosure section on contingent liabilities, and no provision is made for these.

Grants

Revenue grants are recognised on an accrual basis in the year in which the reasonable assurance arises that the Company is entitled to receive them, regardless of the date of receipt.

Capital grants are recorded when a formal allocation resolution exists from the provider, and if, and only if, there is reasonable certainty that the project being facilitated will effectively be completed and that the contributions will be received, based on the information available at the close of the financial period. Capital grants are recognised and differed as current and non-current liabilities, according to the expected reversal timing, and charged to the income statement as income on a straight-line basis, calculated according to the useful life of the underlying asset to which the grant refers to directly, thus ensuring there is a correlation with the amortisations relating to the assets.

Charge stabilisation provision

The Charge Stabilisation Provision was created under a resolution adopted by ENAV's shareholders on 9 May 2003 by allocating €72,697 thousand of the reserve for finalizing and settling tax receivables (Law No. 289/02). This increased in subsequent years following allocations of part of the Company's net income approved by the shareholders of the parent company, and is used solely for business purposes.

The Charge Stabilisation Provision falls under the scope of IAS 20 - *Government Grants and Disclosure of Government Assistance*. The grant is initially recognised as a liability (classified in the *Other non-current liabilities* caption). This liability is then released to the income statement on the determination of the

charge as a means of “*supplementing*” the reduced revenues earned by ENAV in the same year through a charge stabilisation process. Specifically, this provision is utilised when ENAV decides to reduce charges, and in this case a portion of the costs incurred are not charged to carriers, but offset by releasing a portion of the grant recognised as a liability to the income statement, thus offsetting the low prices. The following points further support these comments:

- the fund had the nature of a grant used for off-setting purposes;
- European regulations on charge determinations establish that a member state may reduce charges by means of subsidies/grants that enable the operator to offset losses;
- resolutions of shareholders’ meetings to create or make changes to the provision were adopted on the basis of EU Regulation No. 1794/06;
- the provision was recognised by the member country, which in this case did not act as a shareholder but as a party that was carrying out economic policy within the country.

It is specified, however, that, with effect from 31 December 2015, the charge stabilisation provision was fully reset to zero.

Revenues

Revenues are recorded at fair value of the amount received or receivable, net of discounts and rebates, and are recognised on an accruals basis, to the extent that it is probable that the Company will receive the economic benefits, and the relevant amount can be reliably determined.

Balance

At an international level, up until 31 December 2011, Eurocontrol member countries used a cost recovery en-route charge system. This system is based on the concept that revenues should be proportional to the costs incurred for en-route air navigation control services. By virtue of this principle, charges were calculated on the basis of the forecast amount that would lead to an economic break-even. At the end of the year, if revenues exceeded the costs incurred this would lead to a *negative balance (over-recovery)*, giving rise to an adjustment to the income statement for the extra revenues and the recognition of a “payback” liability. If on the other hand, if revenues were lower than the costs incurred, an increase in revenues would be recognised together with a “re-charge” receivable for a *positive balance (under-recovery)*. In accordance with the cost recovery principle, the “balance amount” was the result of the correcting mechanism used to adjust revenues to the actual amount of the costs incurred and subject charge billing. The effects of this mechanism were included for charge purposes starting from the second year following that of the reference year and accounted for in the income statement with a sign opposite to that of their recognition.

As from 1 January 2015, this cost recovery mechanism is applied only to the third category terminal charge.

Starting in 2012, and as the result of the introduction of the en-route air navigation services system, a new management system was introduced in accordance with EU Single European Sky legislation that is based on measuring and optimizing operating and economic performance, with the resulting decision to abandon the full cost recovery system. The means for implementing the service scheme is the National Performance Plan approved for the three-year period 2015–2019 which sets out the actions and targets to be achieved during the reference period. The efficiency targets provide for the introduction of risk elements to be borne by the provider, thus ENAV, relating to both traffic and costs. More specifically, the traffic risk mechanism envisages the sharing of the traffic risk between providers and users of the air space, for which variations, positive and negative, of up to 2% of actual traffic compared to plan are fully borne by the providers, while variations between 2% and 10% are shared, with 70% of these being borne by the airline companies and 30% by the providers. The cost recovery methodology applies to variations above 10%. Any positive or negative shifts referring to the traffic risk, results in revenues for the route being adjusted according to the rules detailed above, using the caption *Balance for the year*.

As far as the cost risk is concerned, the possibility of passing on to air space users the full amount of any differences between the budgeted amounts and the actual costs incurred at the end of the year has been eliminated. These variations, either negative or positive, are still borne by the providers in their financial statements.

From 2015, these EU regulations also apply to terminal services, which fall under the performance plan based on different methods, according to the charge category. Terminal charges are broken down over three categories:

- category 1 refers to airports with over 225,000 movements annually, subject to cost risk and traffic risk such as en-route services;
- category 2 refers to airports with between 225,000 and 70,000 movements annually, where there is only a cost risk;
- category 3 refers to airports with less than 70,000 movements annually excluded from the EU Performance Plan, and where the cost recovery mechanism is applicable.

Any positive or negative shifts results in an adjustment to terminal revenue according to the rules detailed above, using the caption *Balance for the year*.

The *Balance for the year* is not included in the charge until two years later, while in the current year the balance asset or liability recognised customarily in the two previous years is transferred to the income statement through the caption *Utilisation of the Balance*.

Given that the re-charge assets and payback liabilities balances is deferred over time and is based on the recovery plans established in the charge area, in accordance with IAS 18, the ENAV measures such revenues at fair value, discounting them using the average interest rate for which it obtains funds on the third-party market. The adjustment is recognized as a reduction in the balance receivable or payable to which it refers

and as a reduction in revenues for the year. This amount is released to the income statement in subsequent years for the portion of interest income accruing in the period.

If the plans for the recovery of the balances in the charges are changed, ENAV adjusts the balance receivable/payable to reflect the effective and recalculated estimated cash flows. The carrying amount is then recalculated, finding the present value of future cash flows redetermined by applying the original interest rate; in addition to adjusting the balance receivable and payable, the difference arising is also recognised in the income statement as financial income or expense. A change in the plan of recovery of the balance, which is considered as being a change in estimate arising from the fact that the Company has obtained new or more accurate information, does not lead to an adjustment to previous financial statements and any changes are applied prospectively.

Dividends

The dividends received from investments are recognised in the income statement at the time the unconditional right arises to receive the relevant payment that normally corresponds with the shareholders' meeting resolution to distribute dividends.

Costs

Costs are recognised when these relate to goods and services sold or consumed during the financial period, or based on a systematic allocation, or when there is no identifiable future use of the same.

Costs are recorded in the income statement simultaneously to the decrease in the economic benefits associated with the reduction of an asset or the increase of a liability if this decrease can be reliably determined and measured. Costs are also recorded simultaneously with the recognition of the related revenues in order to ensure the correlation between positive and negative components of income.

Financial income and expenses

Financial income and expenses are recognised on an accrual basis on the basis of the interest earned or due on the relative financial assets and liabilities, using the effective interest rate and, where envisaged, the legal interest rate. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument, or where appropriate a shorter period, to the net carrying amount of the asset or liability. Interest income is recognised to the extent that it is probable that economic benefits will flow to the Company and that the revenue can be reliably measured.

Income taxes

Current income taxes, IRES and IRAP, are calculated on the basis of the best estimate of taxable income for the financial period, in accordance with the tax regulations, applying current tax rates. Current tax liabilities are recognised in the balance sheet net of any taxes paid on account.

Deferred income tax liabilities and assets are calculated in relation to all the temporary differences that emerge between the carrying value of an asset or liability and its relative tax value, applying the tax rate in force on the date on which the temporary differences will be reversed, determined on the basis of the tax rates that are expected to apply or be substantially in force at the reporting date. Deferred tax assets for all deductible temporary differences in future years are recognised when their recovery is probable, or if they are expected to be realised as future taxable income sufficient to recover the asset. The deferred tax liabilities for all taxable temporary differences in future years are recognised unless such liability derives from: i) the initial recognition of goodwill; ii) the initial recognition of an asset or liability in a transaction that does not represent a business combination and at the time of the transaction affects neither the accounting profit nor taxable income (tax loss).

Current taxes, deferred tax assets and deferred tax liabilities are recognised in the income statement, except when they relate to items directly debited or credited among other components of comprehensive income or among the equity items. In these cases, the related deferred tax assets or liabilities are also recognised in other components of comprehensive income or equity.

Deferred tax assets and liabilities for deferred taxes, levied by the same taxation authority, are offset when there is a legally enforceable right to offset amounts of current tax assets against current tax liabilities that will arise at the time of their reversal.

Deferred tax assets and deferred tax liabilities are classified as non-current assets and liabilities.

Taxes and levies not related to income are recorded under the caption "Other operating expenses" in the Income Statement.

Related parties

Related parties are identified by the Company in accordance with IAS 24. In general, the term "related parties" mainly comprises those who share with ENAV the same parent, companies that directly or indirectly control, are controlled or are subject to joint control by ENAV and those in which the latter has a holding such as to exert a significant influence. In the definition of related parties is also included those entities that manage post-retirement benefit plans for employees of the Company or any of its related companies, as well as the statutory auditors and their close relatives, the managers with strategic responsibility (including their respective directors) and their close relatives, of ENAV and the companies that it directly and/or indirectly controls.

Related parties that means the entities that are controlled by ENAV External related parties are the supervisory Ministry, namely the Ministry of Infrastructure and Transport and the controlling Ministry namely the Ministry of the Economy and Finance (MEF), the entities under the control (including joint control) of the MEF, and associated companies to the latter. Company Executives with strategic responsibilities are also considered related parties of the Company as is the pension funds category (Prevaer).

Pursuant to the regulations on related-party transactions adopted with Consob Resolution No. 17221 of 12 March 2010, as subsequently amended and supplemented, ENAV S.p.A. established, with effect from 26 July 2016, a procedure to govern related-party transactions which was approved by the Board of Directors at its meeting of 21 June 2016.

For the detailed analysis of the above transactions with related-parties refer to note No. 30 of the Consolidated Financial Statements.

Use of estimates and management judgements

The preparation of financial statements in accordance with IAS/IFRS international accounting standards and related interpretations, requires the management to make accounting estimates based on complex and/or subjective judgments, evaluations, estimates based on historical experience and assumptions that are considered to be reasonable and realistic under the related circumstances and on the basis of information available at the time of the estimate. The application of these estimates and assumptions affect the reported amounts of the assets and liabilities and discloses contingent assets and liabilities at the balance sheet date, as well as the amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated due to the uncertainty that characterises the assumptions and conditions upon which the estimates are based. Estimates and assumptions are periodically revised, and the effects of any change are reflected in the accounts in the period in which the estimate was revised, if the revision only influences the current period, or also in subsequent periods if the revision influences the current and future periods.

In case of future changes in estimation processes, disclosures will be provided regarding the change in methodology, with effect from the year that such change could take place, in the presence of factors and/or other situations that may arise. These changes in the conditions underlying the assumptions and judgements adopted could have a significant impact on the results.

For a complete analysis of the discretionary valuations and the significant estimates made by the management, please refer to the consolidated financial statements which provide the applicable estimates.

Translation of items in foreign currency

Assets and liabilities arising from transactions in currencies other than ENAV's functional currency are recognised at the exchange rate prevailing on the date of the transaction. At year end, these assets and liabilities are adjusted to the exchange rate prevailing at the balance sheet date, with the relevant exchange rate gains and losses recognised in income.

4. New accounting standards, interpretations and amendments adopted by the company

As an addition to the accounting standards adopted to prepare the financial statements for the year ended 31 December 2015, the following section set outs the main changes occurring in 2016 to the accounting standards applicable for the first time effective from 1 January 2016, together with the interpretations and amendments to standards that are not yet effective or not yet adopted by the European Union, and which could find application in future financial statements of ENAV.

New accounting standards applied from 1 January 2016

The Company has adopted the following interpretation and the following amendments to existing standards effective from 1 January 2016:

- *Amendments to IAS 1: Disclosure initiative* - issued 18 December 2014. The amendments, enacted as part of the IASB's initiative to improve the presentation and disclosure of financial statements, include updates in several areas:
 - *materiality*: it was clarified that materiality applies to the financial statements as a whole, and that the inclusion of immaterial information could inhibit the utility of the financial information;
 - *disaggregation and subtotals*: it was clarified that the specific items in the income statement, other comprehensive income for the period and the balance sheet can be disaggregated. New requirements were introduced for the use of subtotals;
 - *structure of the notes*: it was clarified that companies have some flexibility regarding how the notes to the financial statements are presented. Greater emphasis was given that the company, in establishing the logical order of these notes, must be cognisant of the requirements of the users of financial statements, that they are understandable and comparable.
 - *companies measured using the equity method*: the portion of items in the statement of other comprehensive income relating to associates and joint ventures measured using the equity method must be divided between the parts that can be reclassified and not reclassified to the income statement; these parts must be presented in two distinct sections in the statement of other comprehensive income.

The application of these amendments had no significant impact on ENAV's financial statements.

- *Amendments to IAS 19 - Defined benefit plans: employee contributions* - issued on 21 November 2013. The aim of the amendments was to clarify how to recognise the contributions paid by employees as

part of a defined benefit plan. More specifically, such contributions must be recognised as a reduction in the relative service cost over the period when the employees render their service, if the amount of contributions is dependent on the number of years of service or in the period in which the service is rendered, if the amount of contributions is independent of the number of years of service.

The application of these amendments had no significant impact on the financial statements.

- *Amendments to IAS 27 – Equity method in separate financial statement* - issued on 12 August 2014. These amendments allow usage of the equity method in financial statements for recognition of investments in subsidiaries, joint ventures and associates. The amendments also clarify certain aspects regarding investment entities, in particular it was clarified that when an entity is no longer an investment entity, it shall recognise its equity investment in a subsidiary pursuant to IAS 27. Conversely, when an entity becomes an investment entity, it shall recognize its equity investment in a subsidiary at the fair value measured in the profit or loss of the year pursuant to IFRS 9 (formerly IAS 39).

The aforementioned amendments did not produce effects on the company's financial statements and it continues to recognize investments based on the cost criterion.

- *Amendments to IAS 16 and IAS 38 - Clarification of acceptable methods of depreciation and amortisation* - issued 12 May 2014. The amendments provide additional clarification on how to calculate the depreciation of property, plant and equipment and the amortisation of intangible assets. IAS 16 was amended to prohibit the recording of depreciation or amortisation on the basis of revenues that can be generated from asset material ("revenue-based"). Consistently, IAS 38 was amended to introduce the presumption that the recording of depreciation or amortisation based on revenues is inappropriate. There are limited circumstances in which such evaluation manner can be adopted, namely:
 - if the intangible asset is expressed as the measure of the revenues;
 - when it can be shown that the revenues and the consumption of the economic benefits of the intangible asset are strongly correlated.

The application of these amendments had no significant impact on the financial statements.

- *Annual improvements to IFRS 2010 – 2012 cycle* - issued 12 December 2013. The document contains formal amendments and clarifications to existing standards that had no impact on ENAV's financial statements. More specifically, the following standards have been amended:
 - *IFRS 2 Share based payment* - the aforesaid amendments separate the concepts of performance condition (referring to a specific service period in the company as well as the results achieved by the same) and service condition (referring to a specific service period) from the definition of vesting conditions to make the description of each condition clearer;
 - *IAS 16 Property, plant and equipment* - clarifies that if an item belonging to property, plant and equipment is revalued, the gross carrying amount of assets should be adjusted in a manner that is

consistent with the revaluation of the carrying amount of the asset. In addition, it clarifies that cumulative amortisation is to be calculated as the difference between the gross amount and the carrying amount of assets after having considered the accumulated losses due to impairment;

- *IAS 24 Related party disclosures* - it was clarified that a management entity or an entity which provides management services with strategic responsibility to the entity that prepares the financial statements, or to the parent of the entity that prepares the financial statements, is regarded as a related party of the company preparing the financial statements. Consequently, the company preparing the financial statements is required to disclose both the amount paid or payable to the management entity, as well as disclosing other transactions with the management entity, for example, loans, as required by IAS 24 in relation to related parties. This amendment also clarifies that if an entity receives management services with strategic responsibility from another company, the company preparing the financial statements is not required to disclose the consideration paid or payable by the management entity to its directors or employees;
- *IAS 38 Intangible assets* - it was clarified that when an intangible asset is revalued, the gross amount of the asset should be adjusted in a manner that is consistent with the revaluation of the carrying amount thereof. In addition, it clarifies that cumulative amortisation is to be calculated as the difference between the gross amount and the carrying amount of assets after having considered the accumulated losses due to impairment;
- *Annual improvements to IFRS 2012 – 2014 cycle* - issued 25 September 2014. The document contains formal amendments and clarifications to existing standards that had no significant impact on the consolidated financial statements of the company. More specifically, the following standards have been amended:
 - *IFRS 5 – Non-current assets held for sale and discontinued operations* - the amendments clarify that the change of destination of an asset (or disposal group) held for sale to an asset held for distribution to shareholders should not be regarded as a new sales plan but rather as a continuation of the original plan. There is no interruption in the application of the requirements of IFRS 5 and the date of classification remains unchanged;
 - *IFRS 7 – Financial instruments: disclosures* - with reference to the disclosure required for the company's involvement in an asset that was transferred but not de-recognised in its entirety, the amendments clarify that if a service contract requires a payment, this can be indicative of an ongoing involvement in the financial asset, for disclosure purposes. A company must analyse the nature of the consideration and the agreement in order to assess whether disclosure is required. The amendments also clarify that the disclosure relating to the offsetting between financial assets and liabilities is not required in interim financial statements;

- *IAS 19 – Employee Benefits* - the amendments to IAS 19 require that the rate used to discount the benefits to employees following the termination of employment must be determined using market yields of the securities of leading companies or government bonds (in the absence of the former) in the same currency as the obligation, rather than in the country where the obligation is located;
- *IAS 34 – Interim Financial Reporting* - the amendment establishes that the disclosures required for interim financial statements should be included directly within the interim financial statements or incorporated by references within the financial statements to other documents (e.g., the management commentary or risk reports) that are made available to users of the financial statements.

New accounting standards, interpretations and amendments effective for periods subsequent to 31 December 2016 not adopted by the Company

The following is a list of new accounting standards, amendments and interpretations that will be applied after the year ended 31 December 2016:

- *IFRS 9 – Financial Instruments* - issued in its final version on 24 July 2014, replacing the current IAS 39 Financial Instruments: Recognition and Measurement and replaces all previous versions. The standard is effective for financial years starting from 1 January 2018 and early adoption is permitted. The final version of IFRS 9 is the result of three phases of an implementation project, which led to the replacement of IAS 39 regarding the classification and measurement of financial instruments, impairment and hedge accounting. IFRS 9 provides a single classification approach for all types of financial assets, including financial assets that contain embedded derivatives. All financial assets are to be classified in their entirety rather than being subject to complex modes of bifurcating their relative values. In order to define the manners in which financial assets must be classified and measured, consideration must be given to the business model applied by the Company to manage the financial assets and the characteristics of their related cash flows.

The financial at amortised cost assets are planned within a business model, the purpose of which is to hold the assets to maturity and to collect the related cash flows, otherwise those financial assets classified and measured at fair value and recognised in the statement of comprehensive income are those assets held in a business model the objective of which is achieved both by collecting the contractually expected cash flows as well as by selling the financial assets. This measurement category assumes the required information both for assets classified at amortised cost as well as for assets classified at fair value and recognised in other components of the statement of comprehensive income. In relation to the classification and measurement of financial liabilities, IFRS 9 has essentially replicated the accounting treatment envisaged by IAS 39 with some minor amendments. Most financial liabilities continue to be measured at amortised cost; in addition, the option of measuring financial liabilities at fair value through the income statement is still provided for under specific circumstances.

This standard introduces new provisions for the fair value measurement of financial liabilities, according to which changes in the fair value of a company's debt must be recognised in the statement of comprehensive income and not in the income statement. These requirements are already available for adoption without applying the additional provisions of IFRS 9.

Moreover, the standard identified a new impairment model that provides the users of financial statements with more information about the credit losses expected by the company (expected losses). IFRS 9 also provides for a new hedge accounting model, with the goal of aligning accounting treatments with risk management procedures, and by establishing a model with greater focus on objective criteria ("principles-based approach").

The Company is assessing the potential effects arising from the future application of this new standard.

- *IFRS 14 Regulatory Deferral Accounts* - issued 30 January 2014. The standard allows first-time adopters to continue to recognise the amounts relating to regulated rates based on formerly adopted standards (e.g., the national accounting standards), during first-time adoption and in accordance with IFRS 1 - First-time Adoption of International Financial Reporting Standards. This standard is not adopted by the companies that already prepare their financial statements in accordance with IAS/IFRS standards. In addition, a company whose current standards do not allow for the recording of assets and liabilities related to rate regulation, or which has not adopted such a policy in the context of national accounting standards, will not be allowed to recognise them through the adoption of IFRS 14. The European Commission has decided not to initiate the ratification process of this draft pending its final drafting. The application of this standard will have no impact on the Company, the international accounting standards having already been adopted.
- *IFRS 15 – Revenue from contracts with customers* - issued on 28 May 2014. On 11 September 2015, the amendments to IFRS 15 were issued: effective date of IFRS 15". The new standard will be applied to all customer contracts, except for certain limitations (for example, leasing and insurance contracts, financial instruments, etc.). The new standard establishes a comprehensive framework for recognising revenue and measuring the same, based on the criterion of recognising revenue upon the transfer of the goods or services promised to customers in an amount that reflects the consideration contractually required to cover the aforesaid goods or services. This standard will be applied as part of a methodology that can be summarised in 5 phases: identification of the contract with the client (phase 1); identification of performance obligations (phase 2); determining the transaction price, i.e., the amount of consideration that is reasonably expected (phase 3); allocation of the transaction price to each performance obligation based on the stand-alone selling price for each good or service promised in the contract (phase 4); recognising revenues upon the satisfaction of the performance obligation through the transfer of the good or service. The transfer to the client coincides with the time when the

customer obtains control of such good or service (step 5). IFRS 15 includes a set of disclosure requirements regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The standard will apply to financial years beginning 1 January 2018.

The Company is assessing the impact associated with initial application of this standard.

- *Clarifications to IFRS 15 Revenue from contracts with customers* - issued 12 April 2016, includes certain amendments to the standard in order to clarify those aspects related to the practical expedients identified by IFRS 15 and some topics discussed within the “*Joint Transition Resource Group*” created jointly by the IASB and the FASB. The purpose of this amendment is to clarify the requirements of IFRS 15 without affecting the contents of the standard. It will be applicable, following its corresponding approval, to the financial years beginning from 1 January 2018 or later.
- *IFRS 16 Leases* - issued 13 January 2016, replaces the previous standard IAS 17 Leases and related interpretations, establishes criteria for the recognition, measurement, presentation and disclosure of lease agreements for both parties to a contract, such as the *lessee* and the *lessor*. While maintaining the definition of the leasing contract already planned by the IAS 17, the main change that IFRS 16 introduces is its introduction of the concept of control as part of the definition itself. More specifically, IFRS 16 requires an assessment whether or not the lessee has the right to control the use of an asset for a specified period of time. IFRS 16 eliminates the classification between operating and finance leasing and introduces a single recognition method for all leasing contracts. The standard will apply to financial years beginning from 1 January 2019, following its relative endorsement.

The Company does not envisage any impacts from the future application of the new standard.

- *Amendments to IAS 7 Disclosure Initiative* - issued 29 January 2016. The amendments to this standard apply to liabilities and assets derived from financing activities, defined as the liabilities and assets whose cash flows were or will be classified in the statement of “cash flows from financing activities”. The amendments require the disclosure of changes to these assets/liabilities, distinguishing the monetary changes from the non-monetary ones (for example: changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in the rate of exchange and changes to fair value). The IASB recommends providing this disclosure in the form of a table reconciling the balances for these assets/liabilities at the start of the period with those at the end of the period. The amendments will be applicable from the financial periods beginning 1 January 2017 or later.

The Company does not envisage any impacts from the future application of these new regulations.

- *Amendments to IAS 12 Recognition of deferred tax assets for unrealised losses* - issued 19 January 2016 provide clarification on the methods for recognising deferred tax assets relating to debt instruments measured at fair value. Furthermore, the amendments clarify the requirements for recording deferred tax assets with reference to unrealised losses in order to eliminate asymmetries in accounting

practices. Subject to approval, the amendments will be applicable from the financial periods beginning 1 January 2017 or later. Early application is permitted.

The Group is assessing the potential effects from the future application of this new standard.

- *Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture* - On 11 September 2014 the IASB issued amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures in order to coordinate the accounting treatment of the sale or contribution of assets between an investor and its associates or joint ventures. The amendments introduced have the aim of clarifying the accounting treatment of gains and losses deriving from transactions with joint ventures or associates accounted for using the equity method. These amendments have not yet been adopted by the European Union and the Company does not expect any significant accounting effects from application. The EFRAG has recommended to the European Commission to postpone the endorsement process of these amendments to these standards until the completion of the IASB project on the elimination of profits and losses arising from transactions between a company and its associate or joint venture.
- *Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions* - issued 20 June 2016. These amendments clarify that the fair value of cash-settled share-based payment transactions at the measurement date is determined by considering the market conditions (e.g., the target price of the shares) and the non-vesting conditions, while ignoring the services and conditions that differ from those of the market; that transactions with share-based payment that meet the requirement for carrying out compensation for discharging the withholding tax are classified as equity instruments in their entirety; they provide guidance to account for a change in terms and conditions of a share-based payment from the cash-settled type to those with equity instruments.

The amendments will be applicable, following their corresponding approval, for the financial years beginning from 1 January 2018 or from a later date.

The Company does not envisage any impacts from the future application of these new regulations.

- *Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* - issued 12 September 2016. The amendments allow companies whose main activities are related to insurance activities to defer the adoption of IFRS 9 until 2021 (temporary exemption); and grants to all companies with active insurance contracts, the option to recognise in other comprehensive income (OCI), rather than the income statement, the volatility that could arise if IFRS 9 is applied before the application of the new standard for insurance contracts (overlay approach).

The amendments will be applicable, subject to approval, for the financial years beginning from 1 January 2018 or from a later date.

The Company does not envisage any impacts from the future application of these new regulations.

Notes to the statement of financial position

5. Tangible assets

The following statement contains the tangible assets as at the end of the year and the movements during 2016.

	Land and Buildings	Plants and machinery	Ind. and comm. equipment	Other assets	Asset under construction	Total
Historical cost	456,631	1,698,372	296,524	326,360	208,163	2,986,050
Accumulated depreciation	(168,150)	(1,195,701)	(232,886)	(286,288)	0	(1,883,025)
Net amount 31.12.2015	288,481	502,671	63,638	40,072	208,163	1,103,025
Increases	8,572	53,887	7,402	1,141	108,616	179,618
Disposals - historical cost	(3)	(3,291)	(269)	(5,605)	0	(9,168)
Disposals - accumulated depreciation	3	3,286	266	5,604	0	9,159
Reclassifications	0	(11)	0	0	(70,872)	(70,883)
Depreciations	0	0	0	0	0	0
Amortisations	(17,397)	(93,897)	(14,485)	(9,709)	0	(135,488)
Total changes	(8,825)	(40,026)	(7,086)	(8,569)	37,744	(26,762)
Historical cost	465,200	1,748,957	303,657	321,896	245,907	3,085,617
Accumulated depreciation	(185,544)	(1,286,312)	(247,105)	(290,393)	0	(2,009,354)
Net amount 31.12.2016	279,656	462,645	56,552	31,503	245,907	1,076,263

Tangible assets recorded a net decrease during the year of €26,762 thousand for the following events:

- depreciation for the period of €135,488 thousand (€135,835 thousand as at 31 December 2015);
- increases in tangible assets totalling €179,618 thousand, of which €71,002 thousand refer to investments finalised and becoming operational during the period. Among these are highlighted: i) the data link communication system for the Brindisi Area Control Centre which replaces voice communications between controllers and pilots with CPDLC text messages (Controller Pilot Data Link Communications) in order to make the interaction between the decision-making process of the controller and the notification of the same to the pilot more fluid and to eliminate the risk of misunderstandings that are associated with verbal communication; ii) the Coflight - new generation flight data processing system, which assists the controller in the calculation of the expected flight path, installed in the V3 version at the systems room at the ACC premises of Rome Ciampino and used as part of the validation exercises of the Sesar programme ; iii) updating of airport meteorological systems according to ICAO Amendment 74 for airports; iv) the implementation of the "e-Tod new technological solution" programme regarding the strengthening of the eTOD system for airport mapping; v) modernisation of the Brindisi airport tower and the renovation of the airport towers in Verona and Rome Ciampino; vi) the implementation of the Aeronautical Data Quality (ADQ) programme for the

processing of aeronautical data; vii) the adjustment and technological upgrading of the CNS/ATM systems at several ACC and airport sites reported to the operational voice service network E-NET; viii) the evolutionary maintenance of various systems. The increases of €108,616 thousand refer to tangible assets under construction with regard to the progress of investment projects, among which the most significant are the following: i) the 4-flight programme, whose goal is to develop the entire ATM technology platform of the ACC based on Sesar operational concepts and taking within it the Coflight system as a basic component; ii) the extension of the Academy training school in Forlì that envisages the construction of a new integrated technology hub; iii) the implementation of the data link 2000 plus system; iv) the creation of the new TBT radio centre and airport LAN data network for Bergamo Airport; v) the provision of the service centre at Rome Ciampino airport; vi) the upgrading of the TBT radio equipment to channelling 8.33 kHz for the ACC in Milan and Rome;

- a decrease in tangible assets for €70,883 thousand reported for €71,002 thousand to investment projects finalised and becoming operational during the year through the reduction of tangible assets under construction with the classification to a specific caption, for €416 thousand to the reclassification of some components of operating systems in inventories of spare parts and for €535 thousand to the reclassification under the intangible assets under construction caption;

It is noted that part of the investments, with a historical cost of €229,614 thousand, is financed by capital grants recognised as part of the National Operating Program (NOP) for Transport for the years 2000-2006 and 2007-2013 for initiatives at southern airports and grants assigned by the Ministry of Infrastructure and Transport for investments in military airports, in accordance with Italian Law 102/09. The capital grants recognised for these investments are accounted for as *other liabilities* and released to the income statement in line with the depreciation of the investments to which they refer. The amount attributable to the period came to €8,822 thousand.

6. Intangible assets

The following statement contains the intangible fixed assets as at the end of the year and the movements during 2016.

	Industrial patent and intellectual property rights	Other intangible assets	Asset under construction	Total
Historical cost	115,195	2,085	43,586	160,866
Accumulated depreciation	(103,358)	(2,085)	0	(105,443)
Net amount 31.12.2015	11,837	0	43,586	55,423
Increases	8,900	0	10,468	19,368
Disposals	0	0	0	0
Reclassifications	0	0	(9,435)	(9,435)
Depreciations	0	0	0	0
Amortisations	(8,833)	0	0	(8,833)
Total changes	67	0	1,033	1,100
Historical cost	124,095	2,085	44,619	170,799
Accumulated depreciation	(112,191)	(2,085)	0	(114,276)
Net amount 31.12.2016	11,904	0	44,619	56,523

Intangible assets amounted to €56,523 thousand and show a net increase of €1,100 thousand for the year as a result of the following changes:

- amortisation for the period of €8,833 thousand (€12,122 thousand as at 31 December 2015);
- increases in intangible assets totalling €19,368 thousand of which €8,900 thousand related to investment projects finalised and becoming operational during the period concerning: i) the updating of the XMG tool used for the production and editing of local radar maps serving as background of the CWP; ii) the technological and functional evolution of some computer platforms used in the scope of Sesar; iii) the support of various management systems software. For €10,468 thousand, the increase is related to investment projects in progress among which are highlighted: i) the NOAS (New Operational Area System) programme, to optimise the systems already developed by the Parent Company with the Airnas and Athena programmes aimed at maintaining Single European Sky certification and to integrate the Ais and Meteorological databanks; ii) the monitoring and analysis system called AIDA;
- the decreases in intangible assets of €9,435 thousand referring to €8,900 thousand for investment projects finalised and becoming operational to a specific caption and to €535 thousand reclassified within the scope of tangible assets.

7. Investments

The investments totalled €142,579 thousand with the following movements during the period:

	31.12.2015	Increases	Decreases	31.12.2016
Investments in:				
subsidiaries	143,117	0	(705)	142,412
other companies	167	0	0	167
Total	143,284	0	(705)	142,579

The decrease of €705 thousand refers to the value of the equity investment in the Sicta Consortium, restated under assets held for sale. The Sicta Consortium has a statutory duration until 31 December 2017, but pursuant to the business plan the voluntary winding-up process began in March 2017, following the resolutions of the Consortium members and the subsequent fully participated meeting held on 3 March 2017. Following this initiative, the investment was recognised under assets held for sale.

The full ownership in Techno Sky amounting to €99,224 thousand is recognised under the item investments in subsidiaries. This book value which is higher than the corresponding portion of the shareholders' equity was tested for impairment on 31 December 2016, to assess the recoverability of the recognised value. The recoverable value was estimated on the basis of cash flows taken from the 2016-2019 business plan, with account taken of the 2017 budget prepared by the subsidiary Techno Sky, discounting the cash flows from operations using the DCF (discounted cash flow) method. The discount rate used is the WACC at 7.2%, with a growth rate of the operational cash flows in nominal terms of 1.5%, in line with current reference macro-economic prospects and in continuity with what was done in 2015.

The test produced a recoverable value that was higher than the CGU's book value, and consequently, no impairments were recognised. The recoverable value for the purposes of the impairment test reflects a surplus (headroom) compared to the corresponding book value of approximately €7.7 million, with a total value of €106.9 million.

For the purposes of the sensitivity analysis, based on an increase of 0.3% in the WACC, with the growth rate at 1.5%, the recoverable value of the investment would decrease to €101 million. Assuming an increase of 0.3% in the WACC, with the growth rate at 1.1%, the recoverable value of the investment would decrease to €94.5 million.

Also included under investment in subsidiaries is the 100% ownership of ENAV Asia Pacific with headquarters in Kuala Lumpur, Malaysia and Enav North Atlantic, a company governed by United States law that has been established as a *Limited Liability Company* in the state of Delaware (USA). ENAV North Atlantic has also undertaken the obligations arising from the Subscription Agreement signed in December 2013 for the purchase of 12.5% of the Aireon shares, the latter being a United States company that belongs to the Iridium group. The company's corporate purpose is to supply services for air traffic monitoring using a specific device, named a "payload" installed on 66 operating Iridium satellites that will enable the operation of a global satellite monitoring system for air traffic that will cover areas not currently covered by radar. The purchase of this investment was paid in four instalments, the last one scheduled for 2017, totalling \$61.2 million, which are aligned with the payment of the main Aireon shareholder, NAV Canada, which holds 51% of the share capital and connected with the achievement of the milestones that have been put in place with the latter. At the end of 2016, the three contractually agreed instalments were paid for the investment in ENAV North Atlantic, the values of which are unchanged since 2015. Two tranches

were paid for the acquisitions of Aireon totalling \$38.3 million and the third, of \$16.8 million, was paid in February 2017, bringing the value of the investments to \$55.1 million.

Investments in other companies refer to the 16.67% interest held in the share capital of the French incorporated company ESSP SaS against €167 thousand. This is a company which is held by the main European service providers. It manages the EGNOS satellite navigation system and provides the related services. In May 2016, dividends of €250 thousand were collected, as resolved by ESSP.

For comments regarding the performance of subsidiaries during 2016, please see the specific paragraph in the report on operations.

The breakdown of the investments held as at 31 December 2016, with the percentage held and the relative book value, are shown below:

Name	Office	Balance sheet date	Share Capital	Profit (loss) for the year	Equity on 31.12.2016	share %	Pertaining Shareholders' Equity	Book value at 31.12.2016
Subsidiaries								
Techno Sky Srl	Rome	31.12.2016	1,600	4,171	14,112	100%	14,112	99,224
Enav Asia Pacific	Kuala Lumpur	31.12.2016	127	930	1,064	100%	1,064	127
Enav North Atlantic	Miami	31.12.2016	40,482	(1)	40,479	100%	40,479	43,061

The breakdown of the investment classified as an asset held for sale with shareholders' equity exceeding the book value is shown below:

Name	Office	Balance sheet date	Share Capital	Profit (loss) for the year	Equity on 31.12.2016	share %	Pertaining Shareholders' Equity	Book value at 31.12.2016
Subsidiaries classified as assets held for disposal								
SICTA Consortium	Naples	31.12.2016	1,033	2	1,475	60%	885	705

8. Current and non-current financial assets

The financial assets in question concern the derivative contract signed in December 2013 by ENAV for the forward purchase of U.S. Dollars, divided into four instalments, four of which have already been completed. The last instalment will be completed in 2017 and therefore the fair value measurement of the derivative as at 31 December 2016 of € 1,221 thousand was classified under current financial assets. Following this last remaining portion, the non-current financial assets item was zeroed.

The derivative contract represents a perfectly effective hedge and is accounted for in accordance with the cash flow hedge method. Refer to note 34 for all information required under IFRS 7.

9. Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are reported in detail in the table below, with amounts impacting profit and loss and those impacting other items of comprehensive income (shareholders' equity) highlighted separately.

	31.12.2015		Incr./decr. with impact on Inc. Stat.		Incr./decr. with impact on N.A.		31.12.2016	
	Temporary differences	Deferred Tax assets/liabilities	Temporary differences	Deferred Tax assets/liabilities	Temporary differences	Deferred Tax assets/liabilities	Temporary differences	Deferred Tax assets/liabilities
Deferred tax assets								
Taxed provisions	57,889	14,106	(2,062)	(708)	0	0	55,827	13,398
Write-down of inventories	9,126	2,191	(124)	(30)	0	0	9,002	2,161
Discounting on receivables	5,007	1,392	(1,149)	(399)	0	0	3,858	993
Tax effect of IFRS conversion	336	109	(134)	(51)	0	0	202	58
Discounting employee severance indemnity	130	32	0	0	1,810	435	1,940	467
Employee severance indemnity non-deductible portion	1,469	353	0	0	0	0	1,469	353
Fair value of derivatives	5	1	0	0	47	11	52	12
Other	205	56	134	24	0	0	339	80
Total	74,167	18,240	(3,335)	(1,164)	1,857	446	72,689	17,522
Deferred tax liabilities								
Other	8,047	2,213	1,057	(28)	0	0	9,104	2,185
Discounting on debts	107	30	163	35	0	0	270	65
Tax effect of IFRS conversion	3,100	941	(288)	(93)	0	0	2,812	848
Fair value of derivatives	3,548	851	0	0	253	61	3,801	912
Total	14,802	4,035	932	(86)	253	61	15,987	4,010

The movements of deferred tax assets and deferred tax liabilities, which show at the end of 2016 a balance, respectively, amounting to €17,522 thousand and €4,010 thousand, is due to the following effects:

- to the advances and utilisations of taxed provisions, such as provisions for risks, impairment losses and bad debts, made for the reasons set out in Notes 11, 12 and 17;
- to the re-calculation of the discounting of receivables for terminal balance based on the new method for incorporating balances in the charge, net of transfers for 2016 of all balances recognised and the recognition of the discounting of receivables and payables on balances arising as at 31 December 2016;
- to the accounting of the TFR (employee severance indemnity) according to the actuarial method, which has shown an actuarial loss impacting the other comprehensive income statement;
- to the valuation at fair value of derivative cash flow hedges recognised in the other comprehensive income statement;
- the recognition of deferred taxes on the uncollected default interest the balance of which was adjusted to the 24% tax rate, generating a positive effect of € 265 thousand.

10. Current and non-current tax receivables

Non-current tax receivables, unchanged with respect to 2015, amounted to €23,164 thousand and refer to the receivable for the higher IRES tax paid in 2007/2011 as a result of the failure to deduct IRAP relating to personnel and similar costs, as per the refund application submitted on 6 March 2013. Specifically, the

entitlement to a refund is based on Article 2 of Legislative Decree 201/2011 that permits IRAP to be deductible analytically from corporate taxable income, which had previously only been permitted to the extent of 10 percent of the tax paid; this Decree was subsequently integrated with Decree-Law No. 16 of 2012 under Article 4, paragraph 12, in order to extend this possibility to prior tax periods, starting from the 2007 tax period. Regarding the timescale for receiving the refund, given that the Tax Revenue Office envisions making payments starting from the earliest tax years and on the basis of the order in which the electronic flows are transmitted, and it establishes criteria in the cases in which it does not have fully available funds, the receivable has been prudently classified as a non-current asset.

Current tax receivables amounted to €26,640 thousand and include the receivables specified in the table below.

	31.12.2016	31.12.2015	Variation
Receivables from tax authorities for VAT	13,674	61,106	(47,432)
Irap receivables (regional income tax)	11,474	17,025	(5,551)
Other current tax receivables	1,492	1,654	(162)
Total	26,640	79,785	(53,145)

The *receivable from the tax authorities for VAT* for €13,674 thousand underwent a net negative amount of €47,432 thousand mainly due to the collection of the entire VAT reimbursement requested from the parent company for tax years 2012, 2014 and 2015 for a total of €61,496 thousand, inclusive of interest income recognised in the period for €418 thousand, net of VAT accrued in 2016 for a total of €13,671 thousand. A refund for this amount was requested in the VAT declaration submitted in February 2017.

The *IRAP receivables* is €11,474 thousand and comprises the 2015 credit reduced by the IRAP for the year of €5,498 thousand and the adjustment made for alignment of the amounts in declaration submitted in 2016 of €53 thousand.

Other current tax receivables contains the credit for taxes paid abroad of €309 thousand and the credit for the IRAP refund application, pursuant to Article 6 of Legislative Decree 185/2008 for the years from 2004 to 2007, totalling €1,170 thousand which was reduced in the year by €55 thousand, following collection of the amount for 2005.

11. Current and non-current trade receivables

Current trade receivables amounted to €224,515 thousand and non-current trade receivables, relating entirely to balance receivables, totalled €153,539 thousand and changed as follows during the period.

	31.12.2016	31.12.2015	Variation
Current trade receivables			
Receivables from Eurocontrol	164,271	169,184	(4,913)
Receivables from the Ministry of Economy and Finance	13,299	14,366	(1,067)
Receivables from the Ministry of Infrastructure and Transport	30,000	30,000	0
Receivables from others	37,144	34,390	2,754
Balance receivables	28,781	29,029	(248)
	273,495	276,969	(3,474)
Bad debt provision	(48,980)	(51,607)	2,627
Total	224,515	225,362	(847)
Non-current trade receivables			
Balance receivables	153,539	124,278	29,261
Total	153,539	124,278	29,261

The *receivables from Eurocontrol* relates to the fees deriving from route and terminal revenues not yet collected as at 31 December 2016, and part of which are not yet due, totalling €114,417 thousand (€115,564 thousand as at 31 December 2015) and €49,854 thousand (€53,620 thousand as at 31 December 2015), respectively. The decrease in the period of €4,913 thousand refers to the higher receipts obtained during the year for both the en-route and terminal receivables.

The *receivables from the Ministry of the Economy and Finance (MEF)* for €13,299 thousand relates entirely to the en-route and terminal exemptions recorded in 2016, a decrease of €1,067 thousand compared to the figure from the previous period. The receivable in 2015 for €14,366 thousand was offset, following the approval of the 2015 financial statements, with a payable relating to the Italian Air Force (*Aeronautica Militare*) for the collections referring to the en-route charges for €61,578 thousand that resulted in a payable to the MEF for €47,212 thousand paid in December 2016.

The *receivables from the Ministry of Infrastructure and Transport* includes the revenue grant for €30,000 thousand, aimed at offsetting the cost incurred by ENAV to guarantee the safety of its systems and operational safety, pursuant to Article 11-septies of Law 248/05. During the month of December, €30 million was received in relation to the 2015 period.

The item due from other customers includes the receivable accrued from management companies for services rendered by the Group and from other customers for ongoing projects abroad. The increase is mostly attributable to receivables from foreign customers for positions which were not yet expired as at 31 December 2016.

The *bad debts provision* amounts to €48,980 thousand in total and showed the following movements during 2016:

			Decreases		
	31.12.2015	Increases	Utilizations	cancellations	31.12.2016
Bad debt provision	51,607	2,857	(880)	(4,604)	48,980

The increase for the period of €2,857 thousand refers to the write-down of doubtful debt relating to positions in respect of the en-route and terminal charges payable by airline companies that went insolvent or that no longer operate due to their licence being withdrawn, as well as impairment losses for management companies which have entered into bankruptcy proceedings. The decreases totalling €5,484 thousand refer to €880 thousand of receivables prudentially written down in previous periods and collected during 2016, and €4,604 thousand to the write-off of positions no longer considered collectible referring to receivables both for en-route as well as for terminal charges.

The utilisations are recorded in the Income Statement under *impairment losses and reversals of impairments*.

The *Balance receivable*, net of the discounting effect, amounts to €182,320 thousand, classified under current trade receivables for €28,781 thousand for the portion that will be recovered in 2017 and therefore has been incorporated in the charge for the same year for the same period, and of €153,539 thousand classified under non-current receivables as this is subject to recovery in financial periods after 2017 in accordance with the recovery plans referenced in the performance plan and in the 2016-2019 programme contract pending resolution of the CIPE for the subscription.

In detail, the balance receivable includes the residual portion of route and terminal balances that have not yet been recovered through charges. With reference to the change recorded in the balance of current receivables, it is noted that following the review of the recovery plan of the terminal balance of the third category recorded in previous years, the relative portions have been reclassified to non-current receivables in accordance with the recovery expected in the programme contract.

Balances recognised in 2016, totalling €48,992 thousand gross of the effect of discounting, are classified as non-current trade receivables, and include €27,735 thousand in route balances and €21,257 thousand in terminal balances. More specifically, the en-route balances refer to: i) the balance for the traffic risk and the portion not recovered on the balances recorded in previous years and included in the 2016 charges for a total of €20,880 thousand recorded following lower en-route service units generated compared to what was forecast in the performance plan (-6.4%); ii) a meteorological balance for €914 thousand calculated, in accordance with EU regulations, based on a cost recovery logic; iii) the balance on en-route KPI capacity as a bonus for having exceeded the objective of 0.10 minutes delay for assisted en-route flights set in the performance plan, where ENAV achieved a result of 0.002 minutes/ flight. Quantifying this bonus, having reached the maximum level, resulted in an entry for a balance of €5,941 thousand. The terminal balance refers to: i) the capacity balance for the two terminal charge categories subject to the performance plan,

which set a target of 0.02 minutes delay in flight arrivals due to causes attributable to the Parent Company, for the five airports subject to the performance plan, the overall delay for reasons attributable to the ATM was equal to 0.006 minutes resulting in an overall economic quantification equal to €432 thousand of which €170 thousand was for the first category and €262 thousand for the second charging category; ii) the balance associated with the third charge category, not included in the performance plan, which maintains a cost recovery logic and amounts to €20,825 thousand. This balance is mainly connected to the lower charge applied for 2016 that, at the request of the Ministry of Economy and Finance and the Ministry of Infrastructure and Transport, was equal to that used in 2015 amounting to €260.96, which contained a share borne by the Company for the contribution of the charge stabilisation provision. The natural rate determined on the basis of budgeted costs for 2016 which included the recovery of the balance recorded in previous periods, would have amounted to €358.08. Pending the identification of the instrument needed to cover the spread between the natural charge and the charge applied by these ministries, this amount is recognised as a balance receivable in compliance with regulations in force.

12. Inventories

Inventories that comprise spare parts, amount to €60,872 thousand, net of the allowance for inventory losses, with a reduction of €1,116 thousand compared to the previous period due both to lower purchases made during the period and for the greater uses of the operating systems. The movements recorded during the period are shown below:

	31.12.2015	Increases	Decreases	31.12.2016
Fiduciary inventory	65,891	2,428	(3,753)	64,566
Direct inventory	4,480	656	(571)	4,565
Flight inspection inventory	743	0	0	743
	71,114	3,084	(4,324)	69,874
Allowance for inventory losses	(9,126)	(829)	953	(9,002)
Total	61,988	2,255	(3,371)	60,872

The increase of €2,255 thousand, net of the allowance for inventory losses, refers primarily to fiduciary inventory for the acquisition of spare parts for operating systems used in air navigation and the acquisition of spare parts for luminous visual aids. A portion of the increase for €416 thousand refers to system parts classified to inventory from tangible assets. The decrease of €4,324 thousand gross of the allowance for inventory losses, regards uses of spare parts in operating systems.

The *allowance for inventory losses* increased by €829 thousand due to the provision recognised for spare parts that have become obsolete in that they relate to systems that are no longer used, and decreased by €953 thousand due to the disposal of spare parts written down in previous years.

The spare parts in the fiduciary inventory are stored with the Techno Sky subsidiary that manages them on behalf of ENAV.

13. Receivables and payables to group companies

The *receivables to group companies* total €21,745 thousand (€12,783 thousand as at 31 December 2015), increasing by €8,962 thousand compared to 31 December 2015, mainly on account of the subsidiary Techno Sky. The Techno Sky credit position totalled €21,489 thousand (€12,175 thousand as at 31 December 2015) and consists of €21,222 thousand from the transaction account from which the advances paid by the company during the year are taken and subsequently used to offset against invoices payable received by it. The account increased by €9,355 thousand following the higher advances paid during the year compared to the offsetting that took place.

The *payables to group companies* total €41,355 thousand (€37,172 thousand as at 31 December 2015), increasing by €4,183 thousand compared to 31 December 2015. These amounts, insofar as the total and the changes, refer mainly to the subsidiary Techno Sky, to which ENAV owes €39,684 thousand (€34,873 thousand as at 31 December 2015) referring mainly to invoices receivable for the last two months of the maintenance fee for the operating as well as non-operating systems, the maintenance of visual aids, the activities connected to investment projects for ENAV including the Brindisi Airport, the refurbishing project named Satcas, the adjustment of meteorological systems to amendment 74 and 75 ICAO, the data link 2000 phase II system. Other payables totalling €1,671 thousand (€2,299 thousand as at 31 December 2015) refer to open positions towards the Sicta Consortium totalling €1,638 thousand, mainly for the special support provided on various projects including projects financed by the European Committee, and ENAV Asia Pacific in the amount of €33 thousand.

14. Other current assets

Other current assets amounted to €11,725 thousand, up €3,765 thousand compared with the previous year. This item was composed as follows:

	31.12.2016	31.12.2015	Variation
Receivables from government entities for capital grants	3,995	7,401	(3,406)
Receivables from Personnel	3,373	3,491	(118)
Receivables from various entities for projects funded	3,307	4,138	(831)
Security deposits	224	224	0
Accruals and deferrals	1,047	714	333
Other Receivables	2,834	2,607	227
	14,780	18,575	(3,795)
Bad debt provision	(3,055)	(3,085)	30
Total	11,725	15,490	(3,765)

Receivables from government entities for capital grants refers entirely to the National Network and Mobility Operating Programme (NOP) grants for 2007/2013 that have been approved, but not yet received as at 31 December 2016, covering both past projects within the deadline set on 31 December 2015 as well as two projects financed by the Action and Cohesion Plan (ACP), where the relevant reporting period ends

in March 2017. The decrease of €3,406 thousand, compared to the balance as at 31 December 2015, refers only to receipts collected during the period relating to both the S mode project of the Brindisi airport as well as the radar of the Naples Capodichino airport.

Receivables from personnel refers to advances for travel expenses to staff on transfer and not yet completed at the end of the financial period, of which the most significant part (€3,055 thousand) relates to travel expense advances paid to former employees, which are being investigated by the judicial authorities and prudently written down in previous periods. Following judgements 745/2011 and 966/2012 issued by the Italian Court of Accounts, which ordered the defendants to pay back the money, €30 thousand has been collected with a corresponding reduction in the allowance, and recovery plans set up to recover the outstanding amount. As security for the amount an attachment order was served on the persons involved freezing one fifth of their pensions and TFR and TFS severance indemnities as well as their bank accounts and in certain cases properties.

Receivables from various entities for projects funded for €3,307 thousand refers mainly to the co-financing portion relating to the period for the SESAR project, ended in 2016, the final report of which will be due in 2017, for an amount of €1,124 thousand, of which the amounts recorded in 2015 for €3,398 thousand were received during the financial period. In the above receivable, there are also recorded portions of other European-funded projects completed during the period and reported to the European Commission while waiting to receive the related receipt in addition to training financed by Fondimpresa.

Accruals and deferrals amounted to €1,047 thousand and recorded during the year an increase of €333 thousand, mainly related to the fee paid to the Banca Nazionale del Lavoro for the granting of a loan of €70 million for a period of three years from 1 January 2017 until 31 December 2019, to be used on a revolving basis for the general working capital requirements of ENAV.

15. Cash and cash equivalents

Details of cash and cash equivalents as at 31 December 2016 are provided below:

	31.12.2016	31.12.2015	Variation
Bank and post office deposits	213,705	156,539	57,166
Cash and cash equivalents on hand	39	34	5
Total	213,744	156,573	57,171

Cash and cash equivalents availability with banks and the Central Treasury amounted to €213,744 thousand and show a net increase of €57,171 thousand which, in addition to the dynamics of the receipts and payments related to ordinary business activities that showed higher collections compared to the previous period, was influenced by the following events: i) the payment to the Italian Air Force of its portion of the terminal receipts of €16.9 million, the payment to ENAC of its portion of the en-route and terminal receipts of €8.7 million, the payment to the MEF of €47.2 million as a net amount for the debt for the en-route receipts and the receivable represented by the free flights and both recorded to 2015; ii) the repayment of

loans of €31.3 million; iii) the payment of the balance and of the accounts of the IRES taxes of €34.5 million. These outlays were partially offset by proceeds received during the period and refer to the VAT credit refund of €61.5 million, to the PON funded projects for the years 2000/2006 and 2007/2013 for €11.2 million, and to the pre-financing obtained on the funded projects such as Connecting Europe Facility 2014, Sesar 2020 and other minor ones totalling €15.1 million.

There are no restrictions on cash and cash equivalents that may limit their availability.

16. Shareholders' equity

Shareholders' equity amounted to €1,142,863 thousand as at 31 December 2016 and the changes in the period are reported in detail in the specific accounting statement provided after the statement of financial position and income statement.

The table below provides details of the individual items.

	31.12.2016	31.12.2015	Variations
Share capital	541,744	941,744	(400,000)
Legal reserve	18,368	15,877	2,491
Other reserves	436,359	36,359	400,000
IAS FTA reserve	(3,045)	(3,045)	0
Reserve for actuarial gains/(losses) for employee benefits	(7,181)	(5,805)	(1,376)
Cash Flow Hedge	2,849	2,693	156
Retained earnings/(accumulated losses)	82,365	82,365	0
Profit (loss) for the year	71,404	49,817	21,587
Total Shareholders' Equity	1,142,863	1,120,005	22,858

The resolution for the voluntary *share capital* reduction adopted by the Extraordinary Shareholders' Meeting of 2 March 2016 pursuant to Article 2445 of the Italian Civil Code, in the amount of €400 million, and the simultaneous establishment of the distributable reserve, came into effect on 10 June 2016. As at 31 December 2016, the share capital stood at 541,744,385 ordinary shares. The *legal reserve* totalled €18,368 thousand, and increased following the allocation of 5% of ENAV's profit for 2015 pursuant to Article 2430 of the Italian Civil Code and in compliance with the resolutions of the Shareholders' Meeting of 29 April 2016 to approve the 2015 annual financial statements.

The *other reserves* derive from the reserve for capital grants received in 1996/2002, originally stated net of deferred tax liabilities that have been settled. As a result, this reserve has become available and was reclassified to other reserves in previous years. The change for the year of €400 million is related to the destination of the voluntary share capital reduction as previously represented.

The *IAS first time adoption reserve* includes differences in the values of asset and liability items recorded upon first time adoption of international accounting standards.

The *reserve for actuarial gains/(losses) on employee benefits* includes the effects of actuarial changes in employees' leaving entitlement, net of the tax effect and as at 31 December 2016 shows an actuarial loss of €7,181 thousand.

The *cash flow hedge reserve*, for €2,849 thousand, includes the fair value change of derivative financial instruments, which recorded an increase during the period for an amount net of taxes of €156 thousand.

The *retained earnings* include the result of previous years and have not changed since 2016 since the result for 2015, net of the portion allocated to the legal reserve, was distributed as a dividend of €47.3 million.

The profit for the year amounted to €71,404 thousand.

The table below shows the analysis of the shareholders' equity reserves with an indication of the relative possibility of use, pursuant to the provisions of Article 2427 of the Italian Civil Code and IAS 1.

	Amount	Possible uses
Capital reserves		
Other reserves	436,359	A, B, C
Retained earnings		
Legal reserve	18,368	unavailable
IAS FTA reserve	(3,045)	unavailable
Reserve for actuarial gains/(losses) for employee benefits	(7,181)	B
Cash Flow Hedge	2,849	B
Retained earnings/(accumulated losses)	82,365	A, B, C
Total reserves	529,715	

A= share capital increases; B=coverage of losses; C= allocation to shareholders

Capital management

The objective of the Group in terms of capital management is to maximise value for shareholders and support future developments. The Group manages its equity capital structure and makes adjustments based on economic conditions and the requirements of financial covenants. The Group has also set itself the objective of maintaining adequate capital levels, which will allow access to external funding, while at the same time reducing the cost of debt, and adequately support the Group's development activity. No changes were made to the objectives, policies and procedures for managing capital during the period ended 31 December 2016.

17. Provisions for risks and charges

Provisions for risks and charges amounted to €10,714 thousand, of which the portion classified in current liabilities totalled €3,803 thousand. Movements of the year are shown in the following table:

	31.12.2015	Increases	Decreases	31.12.2016
Provisions for disputes with personnel	3,843	481	(2,117)	2,207
Provisions for other pending litigations	1,089	392	(185)	1,296
Other risks	4,992	2,219	0	7,211
Total provisions for risks and charges	9,924	3,092	(2,302)	10,714

The *provision for disputes with personnel*, with a current portion of €982 thousand, decreased during the period by €2,117 thousand with the termination of disputes following settlements or cases where the Court found judgement against the company, both with employees as well as managers. The increase of €481 thousand refers to disputes initiated in 2016 for matters relating to employment, where the risk of an adverse outcome has been assessed as being probable. As at 31 December 2016, the total value of legal claims relating to ongoing disputes for which Company lawyers have deemed the risk of a loss to be *possible* is €0.5 million.

The *provision for other pending litigations*, the short-term portion of which is equal to €406 thousand, decreased in the year by €185 thousand due to the conclusion of a dispute in which the Company was the losing party following the ruling issued in 2016 by the Rome Court of Appeals. The increase of €392 thousand mainly relates to a case brought by ENAV where the counterparties have sued for vexatious litigation aimed at obtaining a judgement against the plaintiffs. As at December 2016, estimated costs relating to on-going disputes for which Company lawyers have deemed the risk of a loss to be possible amounted to €1.2 million. We also note another dispute, assessed by our lawyers to be possible, the ruling of which will become final soon. In this case, with the judgement issued in October, the court rejected the application of the plaintiff, on whom the burden of proof rests, due to inadmissibility of the action brought pursuant to article 2401 of the Italian Civil Code.

The *other risk* provisions, whose short-term portion amounted to €2,415 thousand, was increased during the period to €2,219 thousand referring to: i) the modernisation contract of flight assistance systems of the Parma airport, already subject to termination by ENAV in 2013, and the notification in 2016 to the companies in the original contract of the invalidity of the contract for diverse and concurrent reasons, and the consequent request for the recovery of the sums paid by the Company in fulfilment of that contract. Following this action, €1,596 thousand has been set aside for some amounts capitalised as tangible assets under construction that, in the future, may be no longer usable; ii) the granting of the use of frequencies that fall into the non-aeronautical bands, connected with the fulfilment of the air traffic control services provided by ENAV, granted in use at no charge by the Ministry of Economic Development (MISE) until 31 December 2015. The same MISE considers them onerous with effect from 1 January 2016, although there have been no modifications of the assumptions over the years to make them free. The Company has had various discussions with the relevant bodies in order to reach a definition of the rules applicable to those frequencies that fall into the non-aeronautical bands used by the Company. Pending this definition, it has

proceeded to estimate the amount of the concession, considering the frequencies that fall into the non-aeronautical bands in use in 2016, reduced by 40% in accordance with Article 32 paragraph 9, point f) of Annex 25 of the Communications Code (Legislative Decree No. 259/03) for an amount of €623 thousand.

18. Employee severance indemnity and other benefits

Employee severance indemnity and other benefits amounted to €38,562 thousand (€38,289 thousand as at 31 December 2015), and consisted of the provision for employee severance indemnity governed by Article 2120 of the Italian Civil Code, which includes the estimated obligation, determined in accordance with actuarial techniques, for amounts to be paid out to ENAV employees upon termination of their employment.

The movements inherent in employee severance indemnity (TFR) and other benefits is shown below:

	31.12.2016	31.12.2015
Liabilities for employee benefits at the beginning of the year	38,289	40,202
Interest cost	527	690
Actuarial (Profits)/Losses on defined benefits	1,810	(1,619)
Advance payments, disbursements and other variations	(2,064)	(984)
Liabilities for employee benefits at the end of the year	38,562	38,289

The utilisation of €2,064 thousand of the provision for employee severance indemnity resulted from amounts paid out to personnel leaving the group during the year, advances disbursed to personnel who so requested, partly for the purchase of ENAV shares (€760 thousand) and to a small extent, the direct monthly payment of employee severance indemnity as a supplement to remuneration ("QU.I.R.") in compliance with what is established in the 2015 Stability Law, for personnel who exercised this option.

The difference between the previous balance on this account calculated on the basis of the previous assumptions and the balance recalculated at period end on the basis of the updated assumptions constitutes actuarial gains (losses). In 2016, this calculation generated actuarial losses of €1,810 thousand, compared with actuarial gains recognised in 2015.

The main assumptions used for the actuarial valuation process on the provision for employee severance indemnity as at 31 December 2016 are summarised below and compared with the values used as at 31 December 2015:

	31.12.2016	31.12.2015
Discount rate	1.31%	2.03%
	1.50% for 2016	1.50% for 2016
	1.80% for 2017	1.80% for 2017
Inflation Rate	1.70% for 2018	1.70% for 2018
	1.60% for 2019	1.60% for 2019
	2.00% from 2020 onwards	2.00% from 2020 onwards
	2.625% for 2016	2.625% for 2016
	2.850% for 2017	2.850% for 2017
Severance indemnity annual increase rate	2.775% for 2018	2.775% for 2018
	2.700% for 2019	2.700% for 2019
	3.00% from 2020 onwards	3.00% from 2020 onwards
Expected turnover rate	4.00%	4.00%
Expected rate of advance payments	2.50%	2.50%

The discount rate used for determination of the current value of the obligation was determined, in line with the guidelines of paragraph 83 of IAS 19, using the index IBoxx Corporate AA with duration 10+ as at the valuation date and commensurate with the average permanence of the collective object of the evaluation. The inflation rate curve was determined on the basis of the current economic situation which shows high volatility levels of most economic indicators, as well as on the basis of an historical analysis of ISTAT inflation rates of recent years. The annual rate of increase in employee severance indemnity is equal to 75% of inflation plus 1.5 percentage points in compliance with Article 2120 of the Italian Civil Code.

The technical and demographic assumptions used in the valuation are reported below.

	31.12.2016	31.12.2015
Death	IPS55	IPS55
Incapacity	INPS tables by age and sex	INPS tables by age and sex
Retirement	100% reaching the requirements of mandatory general insurance	100% reaching the requirements of mandatory general insurance

A sensitivity analysis is provided below on the impacts that changes in the main valuation parameters would have on the liability for employee benefits as at 31 December 2016.

	Liabilities for defined benefit to employees 31.12.2016
Turnover rate 1%	38,343
Turnover rate -1%	38,884
Inflation rate 0.25%	39,233
Inflation rate - 0.25%	37,975
Discount rate 0.25%	37,601
Discount rate -0.25%	39,635

The average financial duration of the obligation for defined benefit plans is 11.2 years.

A table is provided below of the payments expected in subsequent years drawn from the provision for employee severance indemnity.

	Payments expected
within 1 year	2,234
between 1 to 2 years	2,177
between 2 to 3 years	2,014
between 3 to 4 years	1,973
between 4 to 5 years	1,895

19. CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

Current and non-current financial liabilities include: i) payables to credit institutions for medium/long-term loans with the short-term portion included under current financial liabilities inclusive of interest expense recognised on an accrual basis; ii) the bond issued on 4 August 2015, with interest expense accrued up to 31 December 2016 included under current liabilities; iii) the hedging derivative from the AED currency exchange risk.

The values as at 31 December 2016 compared with those as at 31 December 2015 and the relative changes are shown below:

	31.12.2016		31.12.2015		Variations	
	current portion	non-current portion	current portion	non-current portion	current portion	non-current portion
Bank Loans	31,208	119,623	31,155	150,823	53	(31,200)
Derivatives	0	104	0	0	0	104
Bond	1,414	180,000	1,414	180,000	0	0
Total	32,622	299,727	32,569	330,823	53	(31,096)

The table below shows the breakdown of net financial indebtedness as at 31 December 2016 compared with 31 December 2015, in accordance with the requirements of Consob Communication of 28 July 2006 and in compliance with what is established in the recommendation ESMA/2013/319 of 20 March 2013.

	31.12.2016	of which related parts	31.12.2015	of which related parts
(A) Cash	213,745		156,573	
(B) Other cash equivalents	-		-	
(C) Trading Securities	-		-	
(D) Liquidity (A)+(B)+(C)	213,745		156,573	
(E) Current loan receivables	-		-	
(F) Other current financial payables	-		-	
(G) Current portion of non-current debt	(32,622)	(3,313)	(32,569)	(3,300)
(H) Other current financial debt	-		-	
(I) Current financial debt (F)+(G)+(H)	(32,622)	(3,313)	(32,569)	(3,300)
(J) Net current financial indebttness/(Liquidity) (D)+(E)+(I)	181,123	(3,313)	124,004	(3,300)
(K) Non-current bank loans	(119,623)	(1,661)	(150,823)	(4,965)
(L) Bonds issued	(180,000)		(180,000)	
(M) Other non-current loans	-		-	
(N) Non-current financial indebttness (K)+(L)+(M)	(299,623)	(1,661)	(330,823)	(4,965)
(O) CONSOB Net Financial Indebttness (J)+(N)	(118,500)	(4,974)	(206,819)	(8,265)
(P) Derivatives current and non-current	1,117		968	
(Q) ENAV Net Financial Indebttness (O)+(P)	(117,383)	(4,974)	(205,851)	(8,265)

As at 31 December 2016, bank loans decreased overall by €31,147 thousand, following repayments made during the period under review and owing to effects connected to the amortised cost. Specifically, repayments concerned the following loans:

- the repayment of €8,000 thousand for the two half-year tranches of the loan from Unicredit S.p.A., expiring 30 November 2018;
- the repayment of €20,000 thousand for the two half-year tranches of the loan from Unicredit S.p.A., expiring 30 June 2018;
- the repayment of two half-year tranches of the loan from Medio Credito Centrale for €3,333 thousand, expiring 31 May 2018.

The portion of loans recognised under current liabilities (€31,208 thousand) includes the amounts to be repaid in 2017 as set forth in the amortisation plans, inclusive of the effects connected with the amortised cost.

As at 31 December 2016, ENAV has unused committed and uncommitted short-term credit lines totalling €135 million, in addition to the share of the EIB loan of €150 million further contractually agreed upon in 2016 but not yet used, resulting in available liquidity of €285 million.

The following table provides an analysis of the Company's loans including the general conditions for each of its relationships with the lender concerned.

Lender	Type	Amount granted	Amount used (nominal value)	Amount available	Book value	Rate
BNL - BNP Paribas	Acc. credit - overdraft	15,000	-	15,000	-	Euribor 1.90
Medio Credito Centrale	Medium and long term to 5 years	10,000	10,000	-	4,974	Euribor 1.90
Unicredit	Export advance payments	15,000	-	15,000	-	Euribor 1.80
Unicredit	Import advance payments	10,000	-	10,000	-	Euribor 1.80
Unicredit	Financial advance payments	40,000	-	40,000	-	Euribor 1.80
Intesa San Paolo	Financial advance payments	55,000	-	55,000	-	Euribor 0.25
Unicredit	Medium and long term to 5 years	40,000	40,000	-	15,931	Euribor 0.34
Unicredit	Medium and long term to 5 years	100,000	100,000	-	29,875	Euribor 0.34
EIB - European Investment Bank	Medium and long term to 15 years	250,000	100,000	150,000	100,051	Fixed rate 1.515
Total		535,000	250,000	285,000	150,831	

The average interest rate on bank loans for the reference period stood at 1.58%, slightly down on the previous period, benefiting from the combined effect of the reduced interest rate and lower spread applied, and as a result of the debt renegotiation carried out by the Company during the period.

The item non-current financial liabilities includes the negative fair value of the financial derivative instrument for €104 thousand. The derivative financial instrument was concluded by ENAV in 2016 in order to cover its exposure to an unfavourable fluctuation of the Euro/AED exchange rate, in relation to future collections of the foreign currency connected to an ongoing two-year contract stipulated with the General Civil Aviation Authority of Abu Dhabi for the project which involves optimizing the air traffic flows of the United Arab Emirates. This instrument complies with the conditions applicable to the hedge accounting and the points at the end of each valuation date, these being the difference between the spot Euro/AED rate on the date the hedge was originated compared to the forward rate proposed by the bank, are recognized in the income statement.

On 4 August 2015, ENAV issued a bond for a nominal value of €180 million, which is listed on the Luxembourg Stock Exchange's regulated market and has a duration of seven years and bullet repayment at maturity (4 August 2022). The bond issue involves the payment of an annual coupon in arrears at a fixed rate of 1.93% of the par value, with the first interest payment made on 4 August 2016. The accrued interest for the period totalled €3,474 thousand, of which the portion not disbursed amounted to €1,414 thousand and has been classified within current liabilities.

In relation to the disclosure required pursuant to IFRS 7, it should be noted that the fair value of the bond issue, understood as the price that would be paid for the transfer of liabilities as part of an ordinary transaction conducted between market operators, was estimated at €191,070 thousand at the valuation date.

ENAV has estimated the fair value on the basis of the prices and yields of on the market for debt instruments with similar maturities and risk profiles from a major information provider for the construction of the z-spread used for constructing the discount curve.

20. Current and non-current trade payables

As at 31 December 2016, current trade payables amounted €125,705 thousand, and had increased by €14,900 thousand compared with 31 December 2015, following changes in the items shown in the following table:

	31.12.2016	31.12.2015	Variation
Current trade payables			
Payables to suppliers	108,523	97,626	10,897
Payables for advance payments received for projects financed in Europe	10,558	6,907	3,651
Balance payable	6,624	6,272	352
Total	125,705	110,805	14,900
Current trade payables			
Balance payable	16,769	6,624	10,145
Total	16,769	6,624	10,145

The *payables to suppliers* of goods and services required for the operations of the company have undergone a net change of €10,897 thousand, this being the net effect between payments made and higher payables recognized at the end of the year following the investment contracts that contained the first milestones in December 2016.

The *payables for advance payments received for projects financed in Europe* totalled €10,557 thousand, posting a net increase of €3,650 thousand compared to 31 December 2015. It contains: i) pre-financing contributions received on the 50% financed project named Connecting Europe Facility (CEF) 2014, for the period from 2014 to 2020 and in 2016 two pre-financing amounts were collected totalling €10,916 thousand and the activities carried out in 2014 in 2015 were reported. The latter referred to operating costs of the financial year incurred by the Company in the two years the reporting for the investment projects referred to. Following the reporting, 50% of this was recognised as revenue and the portion connected to investment projects was classified as part of deferred income for a total decrease of €8,211 thousand; ii) the pre-financing contributions received on the Sesar 2020 programme initiated in 2016 and articulated in various projects for €3,251 thousand; ii) contributions on the funded Sesar project started in 2009 and ended in late November 2016 which will be subject to reporting in 2017.

Balance payable for Eurocontrol totalled €23,394 thousand, of which €6,624 thousand was classified as current and €16,769 thousand classified as non-current trade payables. This item recorded a total increase of €10,497 thousand as at 31 December 2016, net of the effect of discounting, mainly relating to: i) the en-route inflation balance for €13,140 thousand (€5,621 thousand as at 31 December 2015) calculated on planned costs for 2016 by taking the difference between the inflation percentage envisaged in the performance plan at 1.10% and the final inflation rate of - 0.10%; ii) the terminal inflation balance, for both the first and second categories, calculated using the same method as for the en-route, for a total of €2,239 thousand (€957 thousand as at 31 December 2015); iii) the traffic balance of the second terminal charging

category for €1,449 thousand due to higher service units recorded in the final balance with respect to the 2.1% figure that was planned; iv) the balance for the Eurocontrol costs of €185 thousand relating to the difference between the Eurocontrol costs stated in the performance plan and the actual results. As stipulated by the European Commission, these costs are considered to be exempt of the cost-sharing mechanism pursuant to EU Regulation 391/2013, and as such the difference between the forecast operating costs and the effectively incurred costs must be returned to or requested from the carriers.

21. Other current and non-current liabilities

Other liabilities include the items laid out in the table below, broken down into current and non-current:

	31.12.2016		31.12.2015		Variations	
	current portion	non-current portion	current portion	non-current portion	current portion	non- current portion
Deposit payment	80,532	0	80,223	0	309	0
Other payables	81,087	0	88,068	0	(6,981)	0
Accruals and deferrals	8,799	111,884	8,848	112,788	(49)	(904)
Total	170,418	111,884	177,139	112,788	(6,721)	(904)

Deposit payment totalled €80,532 thousand, including €75,790 thousand for the payable to the Italian Air Force (AMI) for the portion of collections attributable to 2016 for en-route and terminal services and €4,742 thousand for the payable to ENAC for collections concerning the same services and for the same period.

The payable to AMI for en-route services amounted to €66,057 thousand (€61,579 thousand as at 31 December 2015) and will be used to offset the receivable due from the Ministry of Economy and Finance (MEF) by up to the full amount, with the recognition of the remaining portion in other current liabilities after the approval of the financial statements by the Shareholders' Meeting. To this end it is noted that the portion for the financial year 2015 amounting to a net amount of €47,212 thousand was paid to the Ministry of Economy and Finance in the month of December 2016. The payable to AMI for terminal services amounts to €9,732 thousand (€9,920 thousand as at 31 December 2015) and in accordance with Law 183/2011 that came into effect on 1 July 2012, the portion referring to terminal charges revenue is paid to the Air Force in two annual instalments. In 2016, a total of €16,911 thousand was paid with reference to the second half of 2015 and the first half of 2016. The liability represents the portion due for the second half of 2016 which will be paid by the end of April 2017.

Starting in 2011 and in compliance with EU regulations, the supervisory costs of ENAC (*Ente Nazionale per l'Aviazione Civile*), the Italian civil aviation authority, are also considered when determining the en-route and terminal charges. This calculation has resulted in the portion of the revenues attributable to ENAC, determined based on the costs communicated and the Service Units developed, representing a payable to ENAV, included in this item, of €4,742 as at 31 December 2016 (€8,724 thousand as at 31 December 2015).

The decrease in the liability was due to the payment of the entire amount, accounted for in the 2015 budget, that occurred in December.

The *other payables* of €81,087 thousand refer to a net decrease of €6,981 thousand, referring mainly to the debt to the personnel for allocations totalling €30,512 thousand (€36,672 thousand as at 31 December 2015), which has decreased on account of the lesser allocation connected to the performance-related bonus and refers to the amount for accrued vacation time which has not yet been taken of €13,205 thousand and the allocation of the personnel cost in the other items applicable to the year of €17,307. As part of other payables, there is also the payable for the supplementary pensions for €8,863 thousand, in line with the previous period, paid at the beginning of 2017 to the corporate pension funds such as Prevaer and Previndai and other funds selected by employees, and the payable to the European Commission for €1,683 thousand relating to the ANSP-IDP financed project, completed and reported on in 2016 for the greater pre-financing received regarding the reported activity.

The *accruals and deferrals* principally refer to capital grants: i) PON networks and mobility contributions for the period from 2000/2006 and 2007/2013 regarding specific investments made in Southern airports of an amount of €48,065 (€47,828 thousand as at 31 December 2015), which underwent a positive change during the year of €237 thousand, of which €7,529 thousand referred to the recognition in income of the amortisations of the investments the contributions went towards and the collection of the residual amount of the PON project that were financed for 2000/2006 of €7,766. The current portion amounts to €6,503 thousand and refers to the amount that will be reversed to the income statement in the next 12 months; ii) the grants referring to investments for military airports, pursuant to Law 102/09, for €65,263 thousand (€66,557 thousand as at 31 December 2015) recorded a decrease of €1,294 thousand as a result of the reversal to the income statement of the portion relating to the period for the upgrading of the technological systems at Verona's Villafranca Airport and the works carried out at the airports of Verona, Comiso, Roma Ciampino, Treviso, Brindisi and Rimini. The current portion amounted to €1,485 thousand; iii) other grants on investments for €5,399 thousand (€7,232 thousand as at 31 December 2015) mainly relate to European loans obtained in the TEN-T framework regarding the project "ANSPs Interim Deployment Programme Implementation" for new technological and procedural implementations related to air transport and the FDP-IOP project. The decrease of €1,833 thousand for the period relates to the portion reversed to the income statement linked to the amortisations of the investments connected to the grant for €170 thousand and also to the portion classified under other current liabilities for €1,683 thousand as a payable to the European Commission for greater pre-financing obtained with regard to the reported upon activities.

22. Tax and social security payables

The tax and social security payables total €36,133 thousand and consist of:

	31.12.2016	31.12.2015	Variation
Tax payables	13,615	19,146	(5,531)
Social security payables	22,518	21,046	1,472
Total	36,133	40,192	(4,059)

Tax payables which have decreased by €5,531 thousand mainly due to the IRES payable of €6,141 thousand (€11,946 thousand as at 31 December 2015), which is lower than the tax advances paid during the year. Indeed, the net debt recognised is the result of the tax for the year of €28,671 thousand reduced by the advances of €22,409 thousand and the withholdings of €121 thousand. The remaining portion refers to withholding tax on employees and was paid in January 2017.

Social security payables includes the social security contributions accrued for employees in the month of December, which were paid the following month and the portion of the employee cost contributions paid during the year totalling €12,642 thousand.

Notes to the income statement

23. Revenues from operations and balance

Revenues from operations and balance, also relating to operations, amounted to €801,765 thousand and €16,428 thousand respectively, and recorded the first increase by €11,203 thousand and the balance a decrease by €1,280 thousand. The table below contains a breakdown of the individual items that comprise the revenues from operations:

	2016	2015	Variations	%
Route revenues	583,297	566,073	17,224	3.0%
Terminal revenues	195,275	179,988	15,287	8.5%
Route and terminal exemptions	13,201	14,406	(1,205)	-8.4%
Revenues from non-regulated market	9,992	9,791	201	2.1%
Charge stabilisation supplementary contributions	0	20,304	(20,304)	-100.0%
Total revenues from operations	801,765	790,562	11,203	1.4%

The *Route revenues* came to €583,297 thousand, up by €17,224 thousand compared with the previous period both as a result of the increase in service units during the period (+1.7%) compared with 2015 (-1.7% in 2015 compared with 2014), referred to the national and international air traffic as well as the charge applied for 2016, equal to €80.08, a slight increase compared with the charge applied in 2015 (€78.80).

Terminal revenues totalled €195,275 thousand, up by €15,287 thousand overall compared with the previous year, due to the increase in service units in the individual airports broken down by charge zones and the charges applied for the first two charge bands. We note the following results in particular: i) the increase in total service units in 2016 of +3.6% compared with 2015 (+0.6% 2015 compared with 2014), with positive performance in all three charge zones; particularly, the Fiumicino Airport (band 1) had an increase in assisted traffic in terms of service units by 1.7%; zone 2, represented by the Milan Malpensa, Milan Linate, Venice Tessera and Bergamo Orio al Serio airports, rose by 5.1%; and the third charge zone, which includes 40 airports with the addition of Rimini in November and Comiso beginning 1 September 2016, had a 3.7% increase in service units, also due to the transfer to the management of ENAV of two military airports open to civil traffic, i.e., Treviso and Brindisi, in the second half of 2015, which are included for the entire year in 2016 and the Rimini airport which was transferred in November 2016. The charges applied for the three charge categories are: €200.68 for category 1, a slight increase with respect to the previous period (€195.57 in 2015); €233.33 for category 2, an increase compared with 2015, when it totalled €214.72; €260.96 for category 3, the same as the charge applied in 2015, as required by the Ministry of the Economy and Finance and the Ministry of Infrastructure and Transport. The charge in 2015 was affected by the supplementary grant from the Charge Stabilization Provision for €20,304 thousand reduced to zero with the last portion used in 2015.

Revenues linked to *route and terminal exemptions* totalling €10,856 thousand (€11,327 thousand as at 31 December 2015) and €2,345 thousand (€3,079 thousand as at 31 December 2015), respectively, record a decrease of 4.2% and 23.8% compared to the previous year and refer to exempt flights, primarily military.

The *revenues from non-regulated market* total €9,992 thousand and are essentially stable compared to the previous year. They include: i) the radio measurement activities have increased by €465 thousand for the services provided in Saudi Arabia and Kenya; ii) the revenues from aeronautical consulting, which are essentially unchanged from 2015, include the activities conducted on foreign markets including the United Arab Emirates for the restructuring of the air space and maintenance conducted by the Company for various airport management companies.

For the item *Balance*, which is also included among ENAV's activities, we provide below the composition of the item which has a balance of €16,428 thousand:

	2016	2015	Variations
Balance charge adjustments for the year	32,138	24,713	7,425
Discounting effect	(777)	(389)	(388)
Balance changes	(185)	1,564	(1,749)
Balance utilisation	(14,748)	(8,180)	(6,568)
Total Balance	16,428	17,708	(1,280)

The year's tariff adjustments for the item Balance represents the supplement to the tariffs based on the final traffic volumes and/or costs compared with the amounts budgeted prior to adjustment for the discounting effect, as follows; €14,596 thousand for routes (€23,264 as at 31 December 2015) and €17,542 thousand for the terminal (€1,449 thousand as at 31 December 2015).

More specifically, the en-route balance recorded for the period refers to: i) the balance for traffic risk and the portion not recovered on the balance recognised in previous years and entered in the 2016 charge for a total of €20,880 thousand as a consequence of the lower en-route service units actually produced compared to what was in the plan (-6.4%); ii) a meteorological balance for €913 thousand; iii) the bonus balance related to achieving the plan target related to en-route capacity for €5,941 thousand; iv) a negative inflation balance for €13,140 thousand as a result of the lower inflation effectively recorded, -0.10%, compared to the +1.10% that had been provided for in the performance plan.

The terminal balances mainly refer to: i) the bonus balance on KPI capacity for the two terminal charge categories subject to the performance plan for €431 thousand of which €169 thousand relates to the first charge category and €262 thousand to the second category; ii) the traffic balance for the second charge category determined on the basis of a logic of total restitution/recovery of the difference between the final figures of the service units developed compared to the envisaged figure in the performance plan, that amounted to +2.1% of service units, equal to a restitution to the carriers of €1,449 thousand; iii) the negative inflation balance for both charge categories subject to the performance plan, following the percentage difference already shown for the en-route balance, for a total of €2,239 thousand; iv) the

balance associated with the third charge category, not included in the performance plan, which still applies a cost recovery logic, for €20,825 thousand. For this purpose, it is noted that this latter balance is closely linked to the use, for the 2016 period, of a lower charge compared to the natural one that would have allowed the recovery of the costs that were recognised when the charges were determined. Pending the formalisation by the MEF and MIT Ministries of the instrument needed to compensate the Company for loss of revenue, this item is recognised under the balance Eurocontrol in accordance with the relevant regulations.

The discount effect, equal to negative €777 thousand, is derived by the separation of 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, equal to €185 thousand, includes the difference between Eurocontrol costs stated during performance and the actual figures for 2015. As stipulated by the European Commission, these costs are considered to be exempt from the cost-sharing mechanism referred to in the EU Regulation 391/2013, and as such must be returned to or requested from the carriers.

The utilisation of the balance equal to €14,748 thousand refers to the transfer to the income statement of the portion of first and second category route and terminal balances recognised in previous years in compliance with what was done upon determination of the charge for 2016.

24. Other operating income

Other operating income amounted to €51,886 thousand, an increase of €3,423 thousand compared with 31 December 2015. Other operating income breaks down as follows:

	2016	2015	Variations
Capital grants	9,747	9,312	435
Operating grants	30,673	30,660	13
European funding	8,592	4,290	4,302
Other revenues and income	2,874	4,201	(1,327)
Total	51,886	48,463	3,423

Capital grants regard the recognition in the income statement of part of deferred income in proportion with the depreciation charged on the assets to which the grant refers, as discussed in note 21.

Operating grants refer for €30 million to the amount recognised to ENAV pursuant to Article 11-septies of Italian Law 248/05, in order to offset costs incurred to guarantee system safety and operational security. The remaining portion for €673 thousand refers to training funded by Fondimpresa.

The *European funding*, referred to operating grants, have increased by €4,302 thousand and reflect the recognition in income of the year's portion of the European funded projects to be reported upon or closed, among which, for 2016, we note: the 2014 Connecting Europe Facility 50% of which was funded in

September 2016 for activities carried out in 2014 and 2015 and the amount received totalled €5,511 thousand and €1,124 thousand of funding received by the SESAR Joint Undertaking for the Sesar project.

The *other revenues and income* mainly include the recovery of the costs for personnel seconded to the ENAV Group or third parties, rent income for premises located in the Naples airport, penalties levied on suppliers for delays compared to contractually agreed upon times and refunds for accidents. The decrease during the year is mainly connected to the lower amount of the refunds for accidents in 2016 compared to the previous year.

The details of revenues for the financial years ended on 31 December 2016 and 2015, broken down by geographical area, are shown below:

Revenues	31.12.2016	% on revenues	31.12.2015	% on revenues
Italy	864,197	99.3%	847,378	98.9%
EU	730	0.1%	5,310	0.6%
Non-EU	5,151	0.6%	4,045	0.5%
Total revenues	870,078		856,733	

25. Costs for goods, services, use of third-party assets and other operating expenses

The costs for goods, services, use of third-party assets and other operating expenses total €205,166 thousand, up by €3,612 thousand compared to the previous year. This is mainly on account of the costs incurred following the privatisation programme concluded with the listing of ENAV on 26 July 2016, totalling €7.5 million. These costs are broken down in the table below:

	2016	2015	Variations
Costs for the purchase of goods	4,802	4,193	609
Costs for Services:			
Maintenance costs	78,062	78,381	(319)
Costs for Eurocontrol contributions	41,368	38,804	2,564
Costs for utilities and telecommunications	35,670	39,400	(3,730)
Costs for insurance	4,661	6,828	(2,167)
Cleaning and security	5,141	5,415	(274)
Other personnel-related costs	7,402	7,357	45
Professional services	9,944	9,234	710
Other costs for services	11,500	5,325	6,175
Total Costs for services	193,748	190,744	3,004
Costs for the use of third-party assets	3,213	3,390	(177)
Other Operating Expenses	3,403	3,227	176
Total	205,166	201,554	3,612

The *costs for goods* mainly include the costs for purchasing the spare parts relating to systems and devices used in air traffic control and the relevant changes to inventories. The increase during the year is due to the higher usage of spare parts compared to the quantity that was purchased, generating a negative change in inventories of €1,533 thousand, including the write down of obsolete items.

Costs for services posted a net increase of €3,004 thousand during the period, with different trends for different expense types. In particular, we note: i) an increase in the costs for the Eurocontrol contribution of €2,564 thousand pursuant to the data approved and communicated by the latter regarding the activities for the route services, which the Company has no power over. However, this amount was recovered through the tariffs, using the balance mechanism: ii) the decrease in the costs for utilities and telecommunications of €3,730 thousand refers to the costs for operating data connections (E-net network) mainly insofar as the 25% price reduction provided by the supplier for the entire year 2016 compared to the prior year, which began in June 2015 and a reduction in electricity costs due to lower rates applied by the operators; iii) lower insurance costs of €2,167 thousand following the reduction of premiums following a European call for tenders effective 1 July 2016; iv) the increase in the professional services item and other costs for services mainly reflects the costs incurred for the listing process of €7.5 million which covered, in addition to the fees of the legal, financial, communication advisors and auditors, those of the auditing firm for its opinion on the Italian and English information prospectus, the printing of the latter and, to a significant extent, the advertising costs which reached €5,029 thousand. We note finally that a portion of the other costs for services is connected to the adjustment of the remuneration of the corporate bodies and the transaction bonus paid to the Chief Executive Officer for the ENAV listing.

26. Personnel costs

Personnel costs amounted to €414,180 thousand, up €2,336 thousand compared with the previous year, as shown in the table below:

	2016	2015	Variations
Wages and salaries, of which:			
fixed remuneration	242,933	241,732	1,201
variable remuneration	48,576	47,244	1,332
Total wages and salaries	291,509	288,976	2,533
Social security contributions	96,223	94,836	1,387
Employee severance indemnity	18,858	18,418	440
Other costs	7,590	9,614	(2,024)
Total Personnel costs	414,180	411,844	2,336

The *wages and salaries* increased overall by €2,533 thousand, of which €1,201 thousand refers to the fixed remuneration component for: i) increase in the remuneration (including the seniority increases) which generates a cost increase of approximately € 1.3 million with an average increase in the workforce of 49 persons compared to 31 December 2015; ii) fields of qualification and increase of the personal bonus for the restructuring of the CTA staff salaries, worth approximately €1.1 million; iii) increased usage of temporary personnel such as pseudo-pilots costing €0.6 million; iv) decrease due to the change, effective December 2015, in the variable remuneration for certain types of compensation pursuant to Article 41 of the CCNL (National Collective Labour Agreement) which had previously been classified under fixed

remuneration and now amount to € 1,971 thousand. Overall, the variable remuneration has undergone a net change of €1,332 thousand due to the above, and a reduction of compensation for travel following the lower incidence of this type of costs which was due to low traffic volume airport projects last year; a lower provision for performance bonuses of €1,556 thousand which takes only the fixed portion under account, while in the previous year it also included a portion pursuant to the trade union agreement of 23 May 2014 which was applicable to 2014 and 2015; lower costs for holidays and holidays accrued but not taken due to the lower usage of vacation time by operating personnel resulting for the increased activity connected to the free route project of €912 thousand.

The *social security contributions* increased by €1,387 thousand following the higher tax basis and other costs decrease by €2,024 thousand mainly as a result of the lower usage of leaving incentives paid to employees or managers leaving in 2016, totalling €2.6 million (€4.9 million as at 31 December 2015) and referred to 25 persons.

The following table contains the company workforce broken down by category and position:

	2016	2015	Variation
Executives	48	55	(7)
Middle Managers	376	368	8
Office staff	2,971	2,970	1
Final amount	3,395	3,393	2
Average amount	3,444	3,395	49

	2016	2015	Variation
Management and Coordination	424	423	1
Air traffic controllers	1,693	1,701	(8)
Flight assistance experts	461	435	26
Weather service operators	30	30	0
Flight inspection operators	23	23	0
Administrative	478	480	(2)
Technicians	189	204	(15)
Computer Technicians	97	97	0
Final amount	3,395	3,393	2

To this end we note that with the average increase of the personnel by 49 persons, the personnel cost increased by only 0.6% following the departure of personnel with higher salaries compared it to the new entries.

27. Capitalisation of internal work

The cost for capitalization of internal work totals €7,507 thousand (€5,978 thousand as at 31 December 2015) and it refers completely to capitalization of the personnel costs for the activities carried out on projects which are currently underway. The increase during the year is connected to the higher number of hours required forced the aforementioned projects, compared to last year.

28. Financial income and expenses

Financial income amounted to €4,402 thousand and is broken down in detail in the table below:

	2016	2015	Variations
Income from investments in other companies	250	250	0
Financial income from balance discounting	2,089	4,443	(2,354)
Interest income on VAT credit refunds	418	796	(378)
Other interest income	1,645	2,835	(1,190)
Total financial income	4,402	8,324	(3,922)

This item has decreased by €3,922 thousand, mainly on account of the lower financial income from the balance discounting which in the previous year were adjusted by the related credit from the modification of the tariff recovery plan, in compliance with the performance plan 2015-2019. The 2016 quota mainly includes the part applying to that period.

A reduction was also shown in interest income on VAT credit refunds following the collection the entire receivable and other interest income relating in particular to late interest assessed to carriers for the delayed payment of charges due to the greater punctuality in collections noted in 2016. Financial expenses amounted to €6,087 thousand and is broken down in detail in the table below:

	2016	2015	Variations
Interest due on bank loans	2,033	2,955	(922)
Interest due on bonds	3,474	1,414	2,060
Interest due on employee benefits	527	690	(163)
Interest costs on derivatives at fair value	50	0	50
Other interest due	3	521	(518)
Total Financial Expenses	6,087	5,580	507

The increase of €507 thousand refers to the higher interest payments on the bond which affects the entire year, compared to 2015, since the bond was issued in the month of August, and lower interest on bank loans due to the lower level of borrowings and other interest payable which in 2015 included a commission payable to banks for the renewal of the short-term lines.

Profits and losses on exchange which total €25 thousand, have experienced a positive change of €112 thousand, compared to the previous year, mainly on account of the transactions with the subsidiary ENAV Asia Pacific.

29. Income taxes

Income taxes amounted to €35,818 thousand and are broken down as shown in the table below:

	2016	2015	Variations
IRES (Corporate tax)	28,671	21,946	6,725
IRAP (Regional tax)	5,498	3,886	1,612
Taxes previous fiscal years	571	6	565
Total current taxes	34,740	25,838	8,902
Deferred tax assets	1,164	1,237	(73)
Deferred tax liabilities	(86)	417	(503)
Total current and deferred tax assets and liabilities	35,818	27,492	8,326

For additional details on deferred tax assets and liabilities, please refer to note 9.

The IRES tax rate for the 2016 period stood at 26.7% compared to 28.4% in the previous period. Regarding these changes, the effect of the lower tax rate from the usage of the tax-exempt tariff stabilisation fund, was mitigated by the taxation recognized for the write-down of the equity investment in Techno Sky following the impairment loss recognised in 2015. For determination of the tax rate for 2016, the effect of that temporary differences was positive since they resulted in higher usage during the year of taxed funds compared to the previous year.

The IRES and IRAP tax rates for the 2016 and 2015 periods are detailed in the tables below:

	2016		2015	
	IRES (Corporate tax)	Proportion (%)	IRES (Corporate tax)	Proportion (%)
Income before taxes	107,222		77,309	
Theoretical tax	29,486	27.5%	21,260	27.5%
<i>Effect of increases/(decreases) compared to the standard tax</i>				
Non-deductible contingency liabilities	217	0.2%	299	0.4%
IRES deduction of IRAP paid on personnel costs	(117)	-0.1%	(108)	-0.1%
Utilisation of stabilisation tariff	0		(5,584)	-7.2%
Other	315	0.3%	5,373	7.0%
Temporary differences for risk, receivables and inventories depreciation, and other items	(1,231)	-1.1%	706	0.9%
Actual IRES	28,671	26.7%	21,946	28.4%

	2016		2015	
	IRAP (Regional tax)	Proportion (%)	IRAP (Regional tax)	Proportion (%)
Income before taxes	107,222		77,309	
Theoretical tax	5,125	4.78%	3,695	4.78%
<i>Effect of increases/(decreases) compared to the standard tax</i>				
Non-deductible Personnel costs	0		0	
Utilisation of stabilisation tariff	0		(971)	-1.3%
Other	(24)	0.0%	1,288	1.7%
Temporary differences for risk, receivables and inventories depreciation, and other items	317	0.3%	0	
Financial income and expenses	79	0.1%	(127)	-0.2%
Actual IRAP	5,498	5.1%	3,886	5.0%

Other information

30. Related parties

Related ENAV parties were identified pursuant to IAS 24 Related Party Disclosures refer to transactions carried out in the interests of the Company as part of ordinary operations and, unless indicated otherwise, have taken place at arm's length. On 21 June 2016, the Board of Directors of ENAV approved, following the opinion in favour of the independent directors, the "Procedure for related-party transactions" which are carried out by the company directly and/or through its subsidiaries, pursuant to Article 2391-bis of the Italian Civil Code and the principles set forth under the "Regulation containing provisions regarding related party transactions" pursuant to Consob regulation 17221 of 12 March 2010 as it was subsequently amended.

The procedure, available on the site www.enav.it, establishes the criteria for the identification of related parties, for the distinction between the transactions of greater or lesser significance, for the procedural rules applicable to such transactions as well as any mandatory notifications to the relevant bodies.

The tables below show the equity and income balances from ENAV's relations with related parties, including with directors, statutory auditors and executives with strategic responsibilities for the years 2016 and 2015.

Name	Balance at 31.12.2016							
	Trade receivables and other non-current assets	Cash and cash equivalent	Debt	Trade payables and other current liabilities	Revenues and other operating revenues	Cost of goods and services and other operating costs	Costs for the use of third-party assets	Financial Expenses
Subsidiaries								
Techno Sky Srl	21,489	0	0	39,684	615	63,972	0	0
SICTA Consortium in liquidation	175	0	0	1,638	117	2,845	0	0
ENAV Asia Pacific Sdn Bhd	81	0	0	33	325	136	13	0
External related parties								
Ministry of Economy and Finance	13,299	328	0	104,258	13,201	0	0	0
Ministry of Infrastructure and Transport	33,995	0	0	0	38,822	0	0	0
Enel Group	0	0	0	171	0	137	0	0
Leonardo Group	254	0	0	30,605	73	1,183	0	0
Poste Italiane Group	0	0	4,974	7	0	77	65	140
Other external related parties	0	0	0	4	81	54	22	0

Name	Balance at 31.12.2015							
	Trade receivables and other non-current assets	Cash and cash equivalent	Debt	Trade payables and other current liabilities	Revenues and other operating revenues	Cost of goods and services and other oper costs	Costs for the use of third-party assets	Financial expenses
Subsidiaries								
Techno Sky Srl	12,175	0	0	34,873	734	62,946	0	0
SICTA Consortium in liquidation	0	0	0	2,108	115	2,207	0	0
ENAV Asia Pacific Sdn Bhd	608	0	0	191	325	295	25	0
External related parties								
Ministry of Economy and Finance	14,366	2,470	0	99,780	14,366	0	0	0
Ministry of Infrastructure and Transport	37,401	0	0	0	38,167	0	0	0
Enel Group	0	0	0	138	0	78	0	0
Leonardo Group	169	0	0	24,388	189	2,190	0	0
Poste Italiane Group	0	0	8,265	9	0	73	65	368
Other external related parties	24	0	0	19	94	51	22	0

The nature of the main relations indicated above with internal related parties, represented by companies controlled by ENAV and external related entities, refer to the Ministry of Economy and Finance (MEF) and the Ministry of Infrastructure and Transports, and entities controlled by the Ministry of Economy and Finance which are listed below and described in detail under the common to the individual financial statement items of the notes:

- The relations with the subsidiary Techno Sky essentially refer to the provision by the latter of services connected to maintenance of flight assistance apparatus, maintenance of AVL installations, and all maintenance activities for infrastructures which are not connected to operating functions. The commercial dealings with Techno Sky are settled through a transaction account, which is non-interest bearing, into which payment for the services received is made.
- The relations with the Sicta Consortium in liquidation mainly refer to the support provided to ENAV for participation in European projects.
- Relations with the subsidiary ENAV Asia Pacific are governed by a service agreement for the management on behalf of ENAV of the contract for the restructuring of the entire Malaysian Airport area handled by the branch established in Malaysia, the activities of which were completed in 2016. Costs for seconded personnel are charged back by ENAV;
- relations with the MEF mainly relate to credit and revenue relationships relating to the refund of charges for services provided by ENAV for exempt flights and charged to the MEF in accordance with European and Italian law, and payables for the amounts collected by ENAV and relating to the portion attributable to the Italian Air Force for route charges. Following approval of the ENAV financial statements, this payable is used to offset the receivable position. Cash and cash equivalents relate to a current account opened by ENAV with the Bank of Italy;
- relations with the MIT relate to credit and revenue relationships resulting from both an operating grant intended to cover the costs incurred by ENAV to ensure systems and operational safety pursuant to

Article 11-*septies* of Law 248/05, and capital grants as part of the Networks and Mobility NOP recognised following the resolutions of the Management Authority of the Networks and Mobility NOP and charged to the income statement in an amount commensurate with the amortisation of the investments to which the contributions refer;

- relations with the Leonardo Group mainly relate to activities linked to Parent Company investments, the maintenance and acquisition of spare parts for systems and equipment for air traffic control;
- relations with Gruppo Poste mainly relate to the financing contract stipulated between the Company and Banca del Mezzogiorno – Medio Credito Centrale S.p.A. for €10 million. This contract expires on 31 May 2018, and sets an interest rate equal to Euribor plus a spread of 1.9%. The remaining relations relate to the leasing of equipment for hospitality purposes and shipping costs;
- the relations with other related parties include residual positions.

Regarding executives with strategic responsibilities please see note 33 of the Consolidated Financial statements.

Following is the remuneration of the Board of Statutory Auditors of ENAV:

	31.12.2016	31.12.2015	Variation
Statutory Auditors	66	63	3
Total	66	63	3

For more details, please refer to the Remuneration Report prepared pursuant to Article 123-*ter* of the TUF (Italian Financial Services Act).

Pursuant to the National Collective Bargaining Agreement ENAV is a member of the Prevaer Fund. The Prevaer Fund is the national supplementary pension fund for non-executive personnel working in the Air Transport and similar sectors. Pursuant to Article 14 of the Articles of Association of Prevaer Fund, in relation to the governing bodies of the Fund, formed by: the Delegated Shareholders' Meeting; the Board of Directors; the Chairman and the Vice Chairman; the Board of Statutory Auditors, shareholder representation is based on equal participation by the workers' representative and the representative of the participating businesses. The Board of Directors of the Fund resolves among other things on: the general criteria for risk sharing as regards investments and equity shareholdings as well as on investment policies; the selection of asset managers and the identification of the custodian bank.

31. Derivatives

To neutralise the risks deriving from fluctuating exchange rates for the acquisition in USD of shares in the company Aireon, on 20 December 2013 the Company entered into four derivative contracts associated with the four tranches planned for the acquisition of the equity investment, for a total share of 12.5%. As at 31 December 2016, three of the original four transactions to purchase foreign currency had been completed to settle contractual obligations.

In 2016, ENAV stipulated a derivative contract in order to cover its exposure to an unfavourable fluctuation of the Euro/AED exchange rate, in relation to future collections of the foreign currency connected to an ongoing two-year contract stipulated with the General Civil Aviation Authority of Abu Dhabi. It involves, more specifically, an OTC derivative financial instrument with which the company sells forward a certain amount of foreign currency against the Euro at a fixed exchange rate, as of a certain date and until maturity.

At the end of 2016, the fair value of the last forward currency purchase agreement, equal to a positive amount of approximately €1,221 thousand, was estimated by the company based on standard valuation algorithms and market listings/contributions provided by a leading public information provider. The fair value of the derivative related to the contract concluded in 2016, was approximately a negative €104 thousand. In accordance with IFRS 13, the recalculated mark to market was adjusted to also take into account the effect of non-performance risk (CVA), i.e., the risk that one of the parties will not meet its contractual commitments due to a possible default and, from the accounting perspective, the positive or negative fair value was recognised in current/non-current financial assets/liabilities on the basis of the related contractual maturities, and with a matching entry in a specific shareholders' equity reserve.

Indeed, pursuant to IFRS 13, the fair value of a derivative must incorporate the risk that one or both counterparties may not meet their obligations (Credit Risk Adjustment). In detail, from the financial perspective, the Credit Value Adjustment (CVA) is the expected value of the loss deriving from the default of the counterparty, if the derivative has a positive fair value. On the other hand, the Debt Value Adjustment (DVA) represents the value of the expected loss on default of the Company if the fair value is negative.

The contractual characteristics and the relative fair value at the date of 31 December 2016, as set forth in Bank communications, are listed below:

Counterparty	Transaction type	Stipulation date	Starting date	Expiry date	Notional (FX)	Reference currency (FX)	Forward exchange rate	Equivalent term (thousands of Euro)	MtM Bank
BNL	Buy USD Flex	20/12/2013	15/09/2017	27/12/2017	6,122	USD	1.3630	4,492	1,246
UNICREDIT	Sell AED Flex	22/11/2016	24/11/2016	27/09/2018	(19,566)	AED	4.1230	(4,746)	(96)
Total								(254)	1,150

The fair value data at the end of 2016, adjusted to take into consideration the Credit Value Adjustment, are provided below:

Counterparty	Transaction type	Notional (FX)	Reference currency (FX)	Equivalent term (thousands of Euro)	MtM	Credit Value Adjustment (CVA)	MtM with CVA
BNL	Buy USD Flex	6,122	USD	4,492	1,226	(5)	1,221
UNICREDIT	Sell AED Flex	(19,566)	AED	(4,746)	(107)	3	(104)
Total				(254)	1,119	(2)	1,117

It was not possible to identify an active market for this instrument. Fair value is therefore determined with a methodology consistent with Level 2 of the fair value hierarchy defined by IFRS 7 and IFRS 13. Indeed, although quotes were not available from an active market for the instruments (level 1), it was possible to detect observable data directly or indirectly on the market on which to base assessments.

Due to the substantial features of the derivative subject to analysis, it is classified as a hedging instrument. With reference to these instruments, the following information required by International Accounting Standards is provided below:

Maturity Analysis

Expiry	BNL exchange derivatives (in Euro/000)	Unicredit exchange derivatives (in Euro/000)
Within 1 month		
Between 1 to 3 months		
Between 3 to 6 months		
Between 6 to 12 months	1,221	
Between 1 to 2 years		104
Between 2 to 3 years		
Between 3 to 5 years		
Between 5 to 10 years		
More than 10 years		
Total	1,221	104

Sensitivity Analysis

Transaction type	Fair value	Sensitivity analysis	
		Delta N.A.	Delta
		exchange Eur/FX 5%	N.A.exchange Eur/FX -5%
Forward purchase (BNL)	1,221	1,581	1,021
Forward sales (Unicredit)	104	540	74

32. Assets and liabilities by maturity

	Within the next financial year	From 2nd to 5th year	Beyond 5th year	Total
Non-current financial assets	0	0		0
Deferred tax assets	0	17,522	0	17,522
Non-current tax receivables	0	23,164	0	23,164
Non-current trade receivables	0	153,539	0	153,539
Total	0	194,225	0	194,225
Financial liabilities	32,622	48,346	251,381	332,349
Deferred tax liabilities	0	4,010	0	4,010
Other non-current liabilities	0	23,592	88,291	111,883
Current trade payables	0	16,769	0	16,769
Total	32,622	92,717	339,672	465,011

Financial liabilities maturing in more than five years refer to bank loans and the bond loan. Reference is made to that effect as reported in the following Note 34.

Other non-current liabilities maturing in more than five years refer to the share of capital grants in proportion with the depreciation of the investment projects to which they refer.

33. Guarantees and commitments

The guarantees refer to guarantees granted to third parties which are in our interests of €3422 thousand (€2422 thousand as at 31 December 2015), increasing by €1 million following the releases of guarantees from previous years and new issues in 2016 including for the call for tenders in Dubai, the contract in Abu Dhabi and the contract in Kenya.

ENAV has also signed two letter of patronage totalling €22,700 thousand on behalf of its subsidiaries Techno Sky and the Sicta Consortium in liquidation to banks to secure the credit lines granted in the amounts of €17,700 thousand and €5,000 respectively.

As already mentioned herein and in particular in note 7, through its subsidiary ENAV North Atlantic, ENAV has committed to an investment for the purchase of 12.5% of the share capital of AIREON LLC., to be completed in 2017. As at 31 December 2016, two tranches had been paid and the shareholding currently stands at 5.41%.

34. Management of financial risks

Credit risk

ENAV is exposed to credit risk, which is the risk that one or more commercial counterparties may become unable to honour all or part of their payment obligations. This risk mainly appears in respect of current

trade receivables relating to operating activities, and particularly in connection with Route Services and Terminal Services, which represent the biggest exposure in the financial statements. These amounts mainly refer to receivables accrued in respect of the air companies in relation to charges, for which Eurocontrol is the management and collection agent. In this context, leaving aside the intermediary role performed by Eurocontrol, which means that the receivables are formally presented in the financial statements and billed to this entity, measurement of the effective credit risk to which the Company is exposed takes place according to the counterparty risk for each individual carrier for which the underlying receivables originally accrued. This is because Eurocontrol assumes no credit risk in the event of insolvency of the carriers and settles its liabilities to ENAV only after having collected the respective amounts from the airline companies. Eurocontrol is proactive in recovering these monies, and initiates the relative legal actions where necessary.

A specific bad debts allowance is recorded in the financial statements for the risk of default by the Company's debtors. The write-down process used by ENAV involves writing down debtor positions individually according to the financial situation of each debtor, the possibility of withdrawing the carrier's flying licence, the age of the receivable, internal assessments of the creditworthiness of individual debtors and information provided by Eurocontrol on route and terminal receivables. The amounts for which recovery is regarded as doubtful are recognised in the financial statements as a specific bad debts allowance for the adjustment of receivables. As at 31 December 2016, the related accruals amounted to € 48,980 thousand. The extent of this provision is reviewed on a periodic basis to ensure that it is constantly updated in relation to the perceived credit risk. As at 31 December 2016, the amount of trade receivables for which recovery is regarded as doubtful was fully covered by the bad debts allowance in the financial statements.

Liquidity risk

Liquidity risk is the risk that ENAV, despite being solvent, might be unable to meet promptly the commitments associated with its financial liabilities, whether expected or unexpected, due to difficulties in obtaining financial resources, or that it will be able to do so only under adverse economic conditions due to factors related to the perception of its risk by the market, or during situations of systemic crisis such as, but not limited to, the credit crunch and the sovereign debt crisis, or that it fails to meet its commitments (covenants) under certain loan agreements and the bond loan.

As at 31 December 2016, ENAV had cash and cash equivalents of €214 million and short-term credit lines totalling €135 million for the i) short-term uncommitted lines and ii) unused long term credit lines of €150 million, for the contract signed with the EIB -European Investment Bank. Of the uncommitted credit lines, €15 million are for current account overdraft, €95 million for financial advances that can be used without any restrictions, €15 million for "export" advances and €10 million for "import" lines. These credit facilities are subject to revocation and do not imply compliance with covenants or other contractual commitments.

In the longer term, liquidity risk is mitigated by a debt management strategy that provides for a diversified financing sources structure, in terms of both types of credit facilities and counterparties, to cover the Group's financial requirements and to provide a balanced debt maturity profile.

On the basis of general guidelines set by senior management, the administration, finance and control department establishes the short-term and medium/long-term financial structure and the manner in which the relative cash flows will be managed. The choices of the department are mainly aimed at: i) ensuring that an adequate amount of the financial resources are available for the short-term operating commitments in place, which are systematically monitored through treasury planning; ii) maintaining a prudential liquidity buffer which is sufficient for any unexpected commitments; iii) ensuring an adequate level of elasticity for ENAV's medium – long-term development programs, relative to the investments for the technological and infrastructure updating of the flight assistance installations.

ENAV's gross financial exposure as at 31 December 2016 was €332 million, comprised of the debt to the banking system for medium to long-term loans totalling €151 million and to subscribers of the bond loan issued on 4 August 2015 and maturing on 4 August 2022 with capital of €180 million.

The table below shows the maturity analysis for medium to long-term bank financing and the bond represented at nominal value, without the effect resulting from the amortised cost method.

Lender	Type	Residual debt at 31.12.2016	< 1 YEAR	from 1 to 2 years	from 3 to 5 years	>5 years
Medio Credito Centrale	Medium and long term to 5 years	5,000	3,333	1,667	0	0
Unicredit	Medium and long term to 5 years	16,000	8,000	8,000	0	0
Unicredit	Medium and long term to 5 years	30,000	20,000	10,000	0	0
EIB - European Investment Bank	Medium and long term to 15 years	100,000	0	3,996	24,623	71,381
Bond		180,000	0	0	0	180,000
Total		331,000	31,333	23,663	24,623	251,381

The loan agreements above provide for general commitments and covenants for the company, with some negative content, although in line with market practices for loan contracts of similar amounts and types, but which could limit operations. In particular, these contracts provide for early repayment in the event of specific non-compliance (events of default) in the event of which the Company could be required to fully and immediately repay the relative loans.

More specifically, the following is noted:

- The loan contract signed in 2013 between ENAV and Banca del Mezzogiorno - Medio Credito Centrale S.p.A. for €10 million, with the repayment plan featuring biannual instalments paid in advance beginning from November 2015 and ending May 2018 with interest equal to Euribor plus a spread of 1.9%, provides for a cross default clause pursuant to which the bank is entitled to request early repayment of the loan in the event that ENAV is not compliant with obligations of a financial nature other than those constituting the object of the loan contract, and guarantees, to banks or financial institutions, with amounts exceeding €2 million, in the event of failure to remedy within 10 business days from the relative majority;

- the two loan agreements signed in 2018 between the Company and Unicredit, extended until 2018 pursuant to a contractually allowed option, the original amount of which was respectively €100 million and €40 million, with repayment every six months in advance and interests equal to Euribor plus a spread of 0.34% provide:

- cross-default clauses that become applicable in the event that ENAV or any other company in the Group does not comply with its financial obligations other than those contained in the financing contracts, as well as guarantees undertaken in respect of banks or financial institutions;
- a change of control clause that entitles Unicredit to request early repayment of the financing in the event that the Ministry of the Economy and Finance no longer has control of the Company.

The two loans described above also require compliance with certain financial covenants, including: i) the ratio between the net financial indebtedness/EBITDA shall not exceed 3; ii) the ratio of the net financial indebtedness/shareholders' equity is not to exceed 0.7

- The loan contract concluded between ENAV and the European Investment bank (**EIB**) respectively for €180 million in 2014 and €70 million in 2016, for financing of the investment programs connected to the 4-Flight and other projects relative to which, as at 31 December 2016, the company used one tranche of the total loan of €100 million with a repayment plan featuring biannual instalments paid in advance beginning from December 2018 and expiring December 2029, with fixed interest at 1.515%. They provide for:

- a negative pledge clause, in other words, an undertaking by ENAV not to establish or allow any encumbrances on any of its assets, where encumbrances are intended as any agreement or transaction relating to assets, loans or money realised as an instrument to obtain credit or to fund the acquisition on an asset;
- a cross-default clause that entitles the EIB to request early repayment in the event that ENAV or any other company in the Group does not comply with its financial obligations other than those contained in the financing contracts, as well as guarantees undertaken in respect of banks or financial institutions;
- a change of control clause that entitles EIB to request early repayment of the financing in the event that any party or group of parties take control of ENAV or the Republic of Italy no longer has control of the Issuer.

In addition, the loans also require that certain financial covenants are to be adhered to, which are verified on an annual and six-month basis and calculated based on the Group's consolidated accounts: i) the gross financial debt to EBITDA ratio to be less than 3 times; ii) the EBITDA to financial expenses ratio to be not less than 6 times;

- settlement of the bond issued by ENAV in August 2015 in the amount of €180 million with interest calculated at the gross annual fixed rate of 1.93% and repayment of capital in a lump sum on 4 August 2022 provides for:
- a negative pledge clause, i.e. a commitment by the Company not to establish or provide to third parties guarantee is on the debt or additional privileges other than those guaranteeing the bonds issued unless authorized by the shareholders' meeting;
 - a cross default clause that entitles the bearers of the bond to demand early repayment of the bonds in the event that ENAV or any other group company does not comply with its obligations pursuant to any loan or other financial transaction, other than the bond, in an amount exceeding €15 million;
 - change of control clause, which entitles the bondholders to ask for early repayment on the bond issue in the event that a party other than the Republic of Italy, its ministries (including the Ministry of the Economy and Finance) or the entities and companies directly or indirectly controlled by the latter or its ministries, takes control of the Issuer.

In addition, the bond also requires that financial covenants are to be adhered to, such as:

i) the net financial debt/EBITDA ratio must not be higher than 3 times; ii) the net financial debt/shareholders' equity ratio must not be higher than 0.7 times.

In prior years, ENAV always complied with the covenants for each loan. As at 31 December 2016, there are no indications that the company will not comply with the covenants.

Interest rate risk

The main sources of ENAV's interest rate risk exposure relate to the volatility of interest flows for variable-rate indexed loans and changes in market conditions for negotiating new debt instruments. In this sense, there is a risk that the upwards fluctuations of interest rates could have a negative influence on the net interest expense recognised in Income and the value of future cash flows. If such a circumstance were to occur, this could have negative effects on the Company's equity, income and cash positions.

As at 31 December 2016, around 15% of the Company's gross financial debt carried variable interest rates. Current corporate interest rate risk management policies do not provide for the use of derivative financial instruments.

In order to limit the potential adverse effects of interest rate fluctuations, ENAV implements policies designed to contain the cost of funding over time by limiting the volatility of its results. The Company pursues this target by systematically negotiating with banks of prime standing, in order to optimise the average cost of debt, as well as through the strategic diversification of financial liabilities by type of contract, duration and interest rate conditions (variable-rate/fixed-rate). In 2016, the average cost of bank borrowings was approximately 1.6%, essentially unchanged from the previous year.

Currency risk

ENAV's exposure to the risk of unfavourable changes in the current level of exchange rates due to its transactions in other currencies might have negative effects on its economic performance and the value of balance sheet items denominated in foreign currency. Although the Company operates mainly in the Italian market, exposure to currency risk derives mainly from cash flows related to investments in foreign currency, mainly the US dollar, in relation to the purchase of the equity interest of 12.5% in the share capital of US company Aireon. ENAV North Atlantic currently holds an equity interest of 5.41% in Aireon's capital; to complete the acquisition of the stake, the Company must still pay for two shares, the second of which by 2017, for USD22.9 million. We note that payment of the third instalment was made on 6 February 2017. In this regard, the Company has entered into a specific flexible forward contract for the future purchase of US currency for each of the payment tranches contractually agreed for the acquisition of the above equity interest. The foreign exchange rates (EUR/USD) which have been locked for the third and fourth tranche are 1.3580 and 1.3630 respectively.

To a lesser extent, ENAV is exposed to exchange risk connected to contracts stipulated for the provision of non-regulated services denominated in a foreign currency (mainly in Malaysian Ringitt and UAE Dirham). For the management of the residual exposure to foreign currency risk, the Company has drafted an exchange rate risk management policy pursuant to which, based on a specific evaluation of the individual transaction, various types of derivative instruments are used, particularly swaps and forwards and currency options. Speculative trading is not allowed within the context of these policies. In particular, at the end of 2016, in relation to a foreign order from the UAE General Civil Aviation Authority, a hedge contract was signed through a Flexible Forward, the notional amount of which corresponds to the value of the contract (approximately AED 19.6 million) at a forward exchange rate of (EUR/AED) of 4.123.

The fair value of the foreign exchange derivatives is calculated using standard market valuation algorithms and market prices/contributions provided by major public info-providers. We note, however, that the risk from the conversion of the assets and liabilities of ENAV's subsidiaries that prepare their financial statements using a functional currency other than the Euro are not normally hedged.

Litigation

Litigation regarding tax, administrative, civil and labour matters is handled by the competent ENAV departments which provided, for the compilation of these financial statements, a complete and exhaustive framework of the various civil, administrative and labour-related ongoing litigations. The Company has assessed the risk of an adverse outcome of such proceedings and determined that specific provisions which could have a negative outcome and for which the amounts could be calculated with a reasonable margin of error. Pursuant to the regulations governing the preparation of financial statements, no specific allocations

were made in connection with those proceedings whose negative outcome was considered merely possible rather than likely. Currently, we do not believe that the pending litigation could result in significant expenses for the Company, exceeding the amounts already allocated for this purpose in the provisions established as at 31 December 2016.

Civil and administrative litigation

The civil and administrative litigation includes: i) the actions proceedings versus suppliers and airport companies that are insolvent or in bankruptcy or undergoing other insolvency proceedings, arisen in connection with the recovery of receivables that it was not possible to settle out of court. Some positions were written down; ii) litigation involving defence against actions brought by suppliers or contractors that the Company considered to be groundless, or for recovery of higher costs and/or damages that the Company incurred due to non-compliance of suppliers/contractors; iii) litigation involving claims of assets belonging to Enav, compensation for damages caused by the loss of assets transferred to the Company, or claims for payment or improvements to assets; iv) litigation relating to claims for damages arising from aeronautical accidents, for which the risk of an adverse outcome is normally assumed by the insurance company; v) proceedings challenging the holding of open public procedures and the awarding of contracts; vi) a dispute involving claims for damages due to failure to acquire a unit belonging to a third party company; vii) dispute involving claims for compensation due to reputational damages and loss of the chance to challenge a revocation resolution of the Board of Directors *pro tempore*. Appropriate allocations were made for the positions considered by the Company's legal staff to be *probable*.

Criminal proceedings

The year 2016 was characterised by the continuation of actions initiated in prior years aiming to protect the Enav in connection with certain pending legal proceedings.

The preliminary assessment procedure is continuing for the criminal case against the former Chief Executive Director for alleged offences envisaged under articles 319 and 321 of the Italian Penal Code and the assumption of complicity in the offence pursuant to art.7, paragraphs 2 and 3, law 194/1975 and art. 4, par. 1, law 659/1981 and a former Company manager for alleged offences envisaged under art. 319 and 321 of the Italian Penal Code. Enav has brought civil action in the above mentioned trial.

Proceedings in the hearing phase of trial are also ongoing for the criminal proceedings against the former Chairman of the Board of Directors of Enav, two former managers of Enav and the top management of a third party company, as well as former supplier of the subsidiary Techno Sky for the all the alleged offences as envisaged under articles 81, 319 and 321, with the Company as a plaintiff. The Parent company is also a plaintiff in the ongoing case against a consultant of a former Ministry of the Economy for the crimes

pursuant to articles 110, 319 and 321 of the penal code. The case is currently pending in the hearing phase of trial.

The criminal proceedings against the former Company executive for the alleged offence envisaged pursuant to article 378 of the Italian Penal Code, the accused was committed to stand trial and acquitted by the Court of Rome with ruling no. 16180 of 21.12.2016, issued pursuant to art. 530, 1° Code of Penal Procedure due to there being no case to answer.

The preliminary investigation phase of the criminal case against, among others, the top manager of a former construction company, the former Chief Executive Officer and board member of Enav and the top manager of an Enav supplier's sub-contractor, regarding the alleged criminal offences envisaged under art. 110 of the Italian Penal Code, art. 7, par. 2 and 3, Law 195/1974 and art. 4, par. 1, Law 659/1981 and the alleged criminal offence envisaged under art. 8, Law 74/2000, except for the Chief Executive Officer who is being investigated for the alleged criminal offence envisaged under art. 323 of the Penal Code, specifically for the subcontracts relating to the contract for the refurbishing of the Palermo Airport.

Furthermore, a civil action is also pending against the aforementioned construction company; a partial ruling was handed down finding the invalidity of the contracts pursuant to which claims were brought for payment of professional services provided to Enav.

The Parent Company is seeking out of court settlement for the damages, including to reputation, caused to Enav, despite the plea bargains concluded in the criminal proceedings pursuant to the investigation of the Rome Public prosecutor's office in 2010/2011, against former board members, top management of former suppliers, former top managers and managers and consultants of third party companies.

The complaint lodged by the Company against the illegal removal of goods and materials belonging to Enav which was stored at a third-party warehouse, was ruled upon in the first degree. In these proceedings, the Company was a plaintiff against the shadow director of the warehousing company for the criminal offence envisaged under art. 646 of the Italian Penal Code and; with its ruling handed down on 16 February 2015, the Court declared the accused guilty, among other things, of the crime pursuant to art. 646 and sentenced him, including for other crimes he was accused of, to 6 years and 6 months of prison and a fine of €3,000.

The Court also ordered an immediately executive provisional order of €1 million to be paid to the Parent company, referring the settlement of the damages incurred by Company to another forum. A ruling of non-suit was handed down for only one of the charges, due to remission and acceptance thereof. Finally, with regard to the remaining charges, the defendant was acquitted as it was adjudged there was no case to answer. The ruling is under appeal by the defendant with Enav as the plaintiff party. Furthermore, the necessary executive actions have been taken against the defendant following the verification of the consistency of the goods in question to initiate the aforementioned court actions based on the provisional amount ruled upon.

Additional proceedings, in continuation of the investigations initiated by the Rome Public prosecutor's office are currently pending and aimed at ascertaining the individuals who were the final recipients of the merchandise stored in the aforementioned third party warehouse in regard to the removal of which Enav had initiated the claim.

In these pending proceedings for multiple criminal offences involving the assets and criminal association against the various defendants, including the shadow director of the warehousing company, the Company was a plaintiff at the preliminary hearing and, upon conclusion, all the defendants were committed to stand trial.

Following third party notifications and the internal audit activities, the Company became aware of, among other things, potential irregularities regarding the sub-contracting in 2005 for the refurbishing of the Parma Airport; these circumstances were presented to the Authorities.

The case against the Chief Executive Officer and General Manager for the alleged offences envisaged under art. 589 of the Italian Penal Code, 26. par. 1 and 2 of Legislative Decree 81/08, 25 septies of Legislative Decree 231/01 is currently pending before the Public Prosecutor of Sassari. This case refers to an extraordinary maintenance intervention that caused the death of the director of the contracting company. The offence envisaged under art. 25 septies Legislative Decree 231/01 is also claimed. The Company is not currently formally under any investigation.

Pursuant to an exhibition order on 24 November 2016, the Company produced documentation on certain contracts involving ENAV North Atlantic; on the basis of available information, the investigation is pending before the Rome Public prosecutor's office, and there are at the present stage no suspect persons nor has any official charge been submitted.

35. Events after the financial statements reporting date

On 3 March 2017, the full shareholders' meeting of the Sicta Consortium was held; it placed the consortium under voluntary liquidation and appointed a liquidator. This decision followed the resolutions made by the Boards of Directors of the consortia members that was held on 1 March 2017 for ENAV and 2 March 2017 for Techno Sky. The Management Committee of the Consortium which met on 2 March 2017 acknowledged the intention of the respective Boards of Directors and deliberated regarding whether to proceed, even in advance, of the date that was set by the consortium articles, which was 31 December 2017, to voluntarily liquidate the consortium and appoint a liquidator.

**Attestation of the Chief Executive Officer and the Manager responsible for financial reporting on
the financial statements**

Attestation of Enav SpA's separate financial statement for the year ended 31 December 2016 pursuant to art. 154-bis, paragraph 5, of Legislative Decree 58/1998 and art. 81-ter of CONSOB Regulation 11971 of 14 May 1999.

1. The undersigned Roberta Neri, as Chief Executive Officer, and Loredana Bottiglieri as Manager responsible for Enav SpA's financial reporting, having also taken account of the provisions of art. 154-bis, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998, hereby attest to:
 - the adequacy with regard to the nature of the Company and
 - the effective application of the administrative and accounting procedures adopted in preparation of the separate financial statements during the period from 1 January 2016 to 31 December 2016.
2. In this regard, it should be noted that:
 - the adequacy of the administrative and accounting procedures adopted in preparation of Enav SpA's separate financial statements was verified by assessment of the internal control system over financial reporting. This assessment was conducted on the basis of the criteria contained in the *Internal Control – Integrated Framework* issued by the *Committee of Sponsoring Organizations of the Treadway Commission* which represents an internationally-accepted *framework* for the internal control system;
 - the assessment of the internal control system over financial reporting did not identify any material issues.
3. We also attest that:
 - 3.1 the separate financial statements for the year ended 31 December 2016:
 - a) have been prepared in compliance with the International Financial Reporting Standards endorsed by the European Union through EC Regulation 1606/2002, issued by the European Parliament and by Council on 19 July 2002;
 - b) are consistent with the underlying accounting books and records;
 - c) give a true and fair view of the financial position and results of operations of the issuer.
 - 3.2 the Directors' Report on Operations includes a reliable analysis of the operating and financial performance and situation of the issuer, as well as a description of the main risks and uncertainties to which it is exposed.

Rome, Italy
16 March 2017

Chief Executive Officer
Roberta Neri

Manager responsible for financial reporting
Loredana Bottiglieri

Statutory Auditors' Report

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING

(pursuant to Article 2429 paragraph 2 of the Italian Civil Code and Article 153 of the Italian Consolidated Law on Finance (TUF))

Dear Shareholders,

In the financial year ended 31 December 2016, the Board of Statutory Auditors carried out its institutional duties pursuant to the Italian Civil Code, Legislative Decree 39/2010, Legislative Decree 58/1998 (the "Italian Consolidated Law on Finance" (TUF)), the indication provided by Consob in its memorandum DEM 1025564 of 6 April 2001, which was subsequently integrated with DEM 3021582 of 4 April 2003, with memorandum no. DEM 6031329 of 7 April 2006 and the memorandum DEM/0031948 of 10/3/2017 issued as a continuation of DEM/0007780 of 28 January 2016 and DEM/0003907 of 19 January 2015.

The supervisory activity required by the law was also conducted according to the provisions of the Code of Corporate Governance for listed companies, which the Company has implemented with the resolution of the Board of Directors of 17 February 2016 and the Code of Conduct issued by the Italian accounting profession on 15 April 2015.

Appointments and operation of the Board of Statutory Auditors

The Board in office as of the date of this report is composed of Ms. Franca Brusco, the Chair, and the standing Auditors Mr. Donato Pellegrino and Mr. Mattia Berti. The former were appointed at the Shareholders' Meeting of 29 April 2016, while the latter was appointed by the meeting held on 20 June 2016, to replace the previously appointed member, who resigned on account of personal and professional commitments. The current statutory auditors will remain in office until the Shareholders' Meeting that will be held to approve the financial statements as of 31 December 2018.

The Court of Auditors judge in charge of the Company is always invited to and participates in the meetings of the Board.

During the financial year, the Company underwent significant transformations in its organisational structure and governance in relation to the listing, which took place on 26 July 2016. Requirements were fulfilled which were preventive or consequent to the listing or nevertheless necessary and appropriate such as: (i) adoption of new By-laws, initially on a temporary basis, and then approved by the resolution of the Shareholders' Meeting on 10 March 2016 and, subsequently, the new By-laws used for the listing, approved with the resolution of the Shareholders' Meeting as of 10 March 2016, and then amended on 17 June 2016 with effect from the date that trading of the Company's shares started on the Screen-based Share Market (MTA) organised and managed by Borsa Italiana S.p.A.; (ii) the establishment of the Remuneration and Appointments Committee (the "RAC") and the Control, Risks and Related Parties Committee (the "CRRPC"), pursuant to the resolution of the Board of Directors on 8 June 2016; (iii) the approval of the Board committee regulations on 21 June 2016; (iv) the already mentioned endorsement and implementation of Borsa Italiana's Code of Corporate Governance for listed companies; (v) approval of the update to the organisation, management and control model pursuant to Legislative Decree 231/2001 and the Code of Ethics on 29 March 2016 and finally, on 16 March 2017; (vi) approval of the guidelines of the Internal Control and Risk Management System (the "ICRMS") and assessment of the adequacy of the ICRMS' structure compared to the characteristics of the business and the risk profile assumed, which took place on 29

March 2016; (vii) identification of the Chief Executive Officer as the financial reporting and risk management director; (viii) adoption of the "*Procedure for the internal management and disclosure to the public of inside information*", the "*Internal dealing procedure*" and the "*Procedure governing related party transactions*".

Below a report on the activity of the Board in various areas in which monitoring was performed in the order required by the aforementioned Code of Conduct.

Observance of the law and the By-laws

As indicated previously, effective from the listing date which was 26 July 2016, the Company is subject to the relevant regulations and laws applicable to listed companies and has adopted new By-laws. The Board has ensured observance of these By-laws, and any additional applicable laws, first of all with its participation and with the consequent acquisition of the related information flows, in the Shareholders' Meeting, the Board of Directors meetings, the meetings of the RAC and the CRRPC. The Board also held frequent and repeated meetings with the Supervisory Body, and the head of Internal Audit, the Financial Reporting Officer, and the company in charge of auditing the accounts, EY S.p.A. (formerly Reconta Ernst&Young), the directors, the general manager, the directors in charge of the various corporate departments, the controlling body of subsidiary Techno Sky and representative of the Italian and foreign subsidiaries, as part of its own verification work.

In particular, during the financial year, the Board of Statutory Auditors met 21 times, (including the 7 meetings of the previous control body in office until 29 April 2016) and participated in 15 meetings of the Board of Directors, 9 Shareholders' Meetings and its Chair and sometimes other members participated in 8 meetings of the Remuneration and Appointments Committee, 7 meetings of the Control, Risks and Related Parties Committee. Again, with regard to supervision insofar in compliance with the law and the By-laws, the Board met on 5 October 2016 and 14 February 2017 with the Supervisory Body in a joint meeting with the CRRPC, received information and documentation producing by this body and examined the "Report on the activities of the supervisory body pursuant to Legislative Decree. 231/2001 for the financial year 2016" presented at the Board meeting held on 1 March 2017. No violations or significant risks emerged from these meetings that were not handled with corrective actions. The same applies to the ongoing meetings and the consequent exchange of information with the head of the internal control and risk management department who is the Chief Executive Officer.

The Company, based on the supervisory activities carried out by the Board, has observed the disclosure obligations regarding regulatory or inside information or as requested by the supervisory authorities, also in relation to its status as a listed company. Furthermore, based on the supervisory activities carried out, each body or department of the Company has correctly fulfilled its disclosure obligations as required by specific laws.

None of the statutory auditors had any interest, whether on their own behalf or that of third parties, in significant transactions that took place during the financial year, or in the relative conduct resulting therefrom.

Overall, the internal and external information flows that were described and those which resulted from the ongoing information and the documentation that emerged from the minutes of the meetings of the board meetings were found to be in line with the internal procedures, the corporate acts and the resolutions of the corporate bodies and the code of conduct which the Company has declared to abide by and therefore there

are no violations to be reported regarding observance of the law, the By-laws and the regulations nor are there any significant observations regarding observance of the law, the By-laws and the regulations.

Compliance with the principles of correct administration

Based on the information we were able to obtain, the management choices appear to be inspired by the principle of correct information and prudence and the directors became aware of the risks and the effects of the transactions that are carried out.

Also in view of the listing, in its meeting held on 18 December 2015, the Board of Directors approved the Group budget for 2016 and on 29 March 2016 the Group's Business Plan for 2016-2019. During the financial year, including after approval of said plan, every quarter the Board received periodic information from the Chief Executive Officer on the general results from operations, the outlook, including during various board meetings in which performance of the plan was discussed further, as were transactions of major economic, financial and equity based significance that were resolved upon and implemented by the Company or its subsidiaries. For a description of the transactions of major economic, financial and equity based significance, please see the management report which is attached to the company's separate financial statement and the consolidated financial statements of ENAV Group for 2016.

The actions that were resolved upon and implemented reflect the principles of correct administration and have not been manifestly imprudent, risky, or in marked contrast to the resolutions made by the Shareholders' Meeting or such that they could compromise the integrity of the Company's equity, nor have there been any atypical or unusual transactions carried out with third parties, Group companies or related parties or, as already mentioned, which involved a conflict of interests.

The adequacy of the organisational structure and the internal control system

Based on the information received, the Board of Statutory Auditors successfully carried out its monitoring activities on the adequacy of the organisational structure, in terms of structure, procedures, duties and responsibilities, in relation to the size of the Company, the nature and procedures based on which the corporate mission was pursued.

To the extent of its responsibilities, no critical areas were found regarding the composition, dimensions, and operation of the Board of Directors and its Committees, particularly insofar as the requirements that have been set for independent directors, the determination of the remuneration, and the completeness, skills and responsibilities required of each corporate function.

The Board of Directors is responsible for all issues which have not been delegated and in particular adoption of strategic and organisational guidelines for the Company, the definition of the corporate structure of the Group, and verification that the internal controls that are required for monitoring the performance of the Company and the Group are in place. The Chief Executive Officer has been granted the necessary powers attributed by the Board of Directors with its resolution on 7 July 2015, whilst the Chair of the Board of Directors has been attributed the necessary powers by the Board of Directors, in its meeting of 20 July 2015. The delegations attributed were to be actually exercised and correspond with the decisional structure adopted formally by the Company and the one that actually exists in practice, including with regard to the hierarchical structure, the corporate process for training and implementation of decisions, the financial disclosure process, the definition and actual operation of the various levels of control.

The Board acquired information and monitored, to the extent of its responsibilities, the organisational adequacy of the Company, compliance with the principles of correct administration and adequacy of the provisions handed down by the Company to its subsidiaries pursuant to Article 114, paragraph 2 of the TUF as follows: 1) by acquiring information from the managers of the specific corporate departments; 2) by meeting and exchanging information with the Board of Statutory Auditors of the subsidiary Techno Sky and with the directors of the foreign subsidiaries and their contact persons; 3) through meetings with the auditing firm and the outcomes of specific auditing activities carried out, including on foreign subsidiaries.

The Board of Statutory Auditors has monitored the adequacy of the internal control and risk management system, through: i) examination of the valuation expressed by the Board of Directors, which declared to be in favour of the adequacy and actual operation of the ICRMS; ii) examination of the half yearly and annual report of the Chief Financial Officer, the Risk Manager, the Financial Reporting Officer with regard to the administration and accounting structure and the internal control system on financial disclosure; iii) examination of the reports prepared as part of the Integrated Risk Management activities, which illustrate the main risks of the Group and the relative plans for handling thereof; iv) examination of the internal audit report on the internal control and risk management system; v) examination of the internal audit reports, as well as the information on the outcome of the monitoring activities focused on implementation of the corrective actions identified following the audit activities; vi) disclosures required by internal procedures regarding news/notifications of investigations initiated by the bodies/authorities of the Italian State relative to claims regarding illegal actions which, if well founded, would directly or indirectly involve the company and its directors and/or employees in Italy and abroad (to this end we note that the Legal and Corporate Affairs Department specifically disclosed the major events to the Board); vii) acquisition of the information from the department managers; viii) examination of corporate documentation; ix) relations with the Board of Statutory Auditors of the main subsidiary pursuant to paragraphs 1 and 2 of Article 151 of the TUF; x) participation in the work of the CRRPC and, where necessary, joint handling of these specific issues; xi) pursuit of specific supervisory initiatives, which had already begun in previous years, in relation to certain claims made by the competent court authorities. The Board of Statutory Auditors closely follows the proceedings initiated by Italian authorities, with periodic meetings with the competent Legal and Corporate Affairs Department regarding the evolution of the lawsuit and the initiatives of the Company insofar as collaboration and discussion with the investigative authorities. Furthermore, on 12 July 2016 a brief was submitted to the Rome public prosecutor's office by the legal representatives of two independent trade union organisations, each involving certain claims relative to the Issuer. The Company and the Chief Executive Officer informed the Board that they had completely reject the claims, undertaking initiatives they considered appropriate and publishing, at the time of listing, a supplement to the Registration Document in which they presented the position of the Company regarding the individual claims. On 24 November 2016, the Guardia di Finanza (Italian tax police) served to ENAV an "Order to exhibit acts and documents" pursuant to Article 256 of the code of civil procedure, as part of a 21444/16 R.G.N.R. procedure the purpose of which was to acquire the documentation relative to certain contracts and the establishment and management of the company ENAV North Atlantic LLC. In this case as well, the Company informed the Board that it had provided the requested documents to the Italian tax police on 6 December 2016. As far as we are aware, criminal proceedings which are in the investigation phase at the Rome public prosecutor's office are pending, and to date no persons are under investigation nor has any charge been formalized. The Board has also acquired, including following a request to the Legal and Corporate Affairs Department, the relative documentation and is not aware of any additional developments related to these proceedings.

The various corporate functions discharge the periodic disclosure obligations. During the financial year, the actions recommended by the Internal Audit Department upon completion of the verifications that took place, which were also recommended by the Board of Statutory Auditors and aim to further improve the procedures and reinforce the controls in place, were carried out, with some still in the process of being discharged.

The Internal Audit Department was strengthened during the listing process and, from 18 April 2016, was managed by a new manager, with the required experience gained at other listed companies. This person was often invited to the meetings of the Board, with a constant exchange of information is constant, including within the Control, Risks and Related Parties Committee. Overall, the activities of this manager are significant, effective and appropriate, as can also be seen from the already mentioned internal audit activity report for 2016, which was submitted to the Board of Directors meeting held on 1 March 2017. The internal audit department operates based on a mandate granted by the Board of Directors on 10 November 2016.

During 2016, the Board of Directors assigned to the manager of the Internal Audit Department the handling of anti-corruption and fraud issues, with the mandate to internal audit which allows, among other things, for a wide scope of action on these issues. The entire management body was then consequently made aware of the same issues, which resulted in increased information flows and notifications during 2016. To this regard, the Board examined the periodic reports prepared in 2016 by the internal audit department together with the individual audit plans and the extra plan prepared by them, which included all the notifications received during the financial year and the outcomes of the verification that were carried out. Two of the additional audits arising from request by the Board of Statutory Auditors were concluded positively, though they indicated the need to implement specific procedures. During 2016, the internal audit department received 19 notifications, of which 8 referred to procurement processes, 4 to expense delegations and 7 to other issues. All the notifications were acknowledged and 13 were investigated or examined further and closed. With regard to the notifications that were closed, we note that certain resulted in the introduction of second level controls and the need to introduce or update the procedures. For the remaining 6 notifications, the preliminary assessment phase has now been completed and the relative further examinations are taking place. Based on the information acquired upon completion of the verifications that were carried out or which are still ongoing, currently there are no observations or comments to bring to the attention of the Shareholders' Meeting.

The information flows between the Internal Audit Department, the Board of Statutory Auditors and the Board committees are intense and prompt, thanks also to the participation of the Chairman of the Board in the committees, and sometimes that of other members as well as of the manager of the aforementioned department. The work carried out by the two Committees is in-depth and adequate, in terms of the several issues handled and their processing, in terms of coordinating fully with the board activities while fulfilling the disclosure obligations.

The Board of Statutory Auditors therefore considers as adequate the overall internal control and risk management system and the individual operating areas, which are necessarily still being implemented as a consequence of the listing during the financial year, in consideration of the monitoring activity carried out over the planning and the internal control environment, the corporate risks assessment system, the internal control activity, the procedures and mechanisms for disclosure and communication, and the monitoring activity.

Adequacy of the administrative and accounting system and legal auditing of the accounts.

The Board has monitored the Company's administrative and accounting system and its reliability insofar as correctly representing the operations, by obtaining information from the Financial Reporting Officer and the managers of the relevant departments, examining the documentation prepared for the Company and analysing the results of the work carried out by the auditing firm.

In particular, the Board was able to ascertain that during 2016, the Financial Reporting Officer implemented and completed the assessment of the adequacy and actual application of the administrative procedures

required pursuant to Article 154-*bis* of the TUF. This activity made it possible for this Officer to issue the declarations that the financial statement documents referring to the Company and those of all the companies included in the consolidation provide a truthful and correct representation of the company's equity, income and cash flows. The declarations, the procedures and the certifications made by the Financial Reporting Officer based on information we acquired, were found to be complete.

The Board also reviewed the internal audit department reports that assess the administrative and accounting issues with particular reference to the estimated entries.

In light of the supervisory activities carried out and taking also into account the assessment of the adequacy of the organisational, administrative and accounting structure of the Company provided by the Board of Directors on 16 March 2017, the Board of Statutory Auditors believes that, insofar as it is concerned, this system is essentially adequate, reliable and able to correctly portray the Company's operations.

During the financial year, the Board of Statutory Auditors regularly met with the managers of the auditing firm, EY, in order to exchange data and information which is significant pursuant to Article 150, paragraph 3 of the TUF. During these meetings, the auditing firm did not refer to any fact or irregularity of such significance as to require special mention in this report.

The reports issued by EY on the aforementioned financial statements on 24 March 2017 do not contain comments or references to information and certify that they have been prepared with clarity and in compliance with the rules that govern preparation of financial statements, while they truthfully and accurately represent the equity, income and cash flows of the Company and the Group, for the year ended 31 December 2016. The aforementioned reports also certified that the management report and the information contained pursuant to Article 123-*bis*, presented in the corporate governance report and the ownership structures are in line with the information provided in the separate and consolidated financial statements.

Furthermore, the Board of Statutory Auditors examined the declaration issued by the auditing firm on 24 March 2017 pursuant to Article 17 of Legislative Decree. No. 39/2010 regarding the absence of situations that would compromise the independence or generate incompatibility pursuant to Articles 10 and 17 of the aforementioned legislative decree, and insofar as services other than the auditing services provided by EY, including through its own network. The auditing firm furthermore published on its website the transparency report pursuant to Article 18, paragraph 1, of the aforementioned Decree.

The remuneration paid to EY and the individuals belonging to its network in 2016, whether for auditing or other services, provided, is specified in the annual financial report under chapter 39, which you are referred to for details. With regard to the duties assigned to the auditing firm and as part of the supervisory activity carried out by the Board as it conducted its periodic verifications, taken into account also the information acquired in relation to the nature thereof, the breakdown was provided pursuant to Article 149-*duodecies* of the Issuers' Regulation and confirmed by the auditing firm in its declaration of independence, the Board believes that there are no critical areas to mention regarding the independence of the auditing firm.

The supervision of the legal audit pursuant to Article 19 of Legislative Decree no. 39/2010 was carried out by the Board through periodic meetings with the representatives of EY, who presented the controls that were carried out and the relative outcomes, the audit strategy, and the main issues they encountered as they performed their work. No critical areas or irregularities emerged from these meetings of such significance that they would affect the judgements regarding the separate and consolidated financial statements of the Company for 2016.

Specifically, with regard to Article 19, paragraph 3 of Legislative Decree 39/2010, you are hereby informed that the auditing firm, EY, has submitted to the Board of Statutory Auditors, for the financial year 2016, the report on fundamental issues that arose during the legal audit, which does not indicate any significant shortcomings concerning the internal control system in relation to the financial disclosure process. The audit firm has not prepared the letter of suggestions (the so-called “management letter”) for FY 2016.

The separate and consolidated financial statements

The Board has examined the draft financial statements for the financial year ended 31 December 2016, which show a profit for the year of Euro 71,403,883 and does not encounter, to the extent of its knowledge, any derogations from the provisions of the law.

As the Board was not required to perform a legal audit, it supervised the general structure of the financial statements, their compliance with the law insofar as formation and structure and has no comments to make in this regard. The Board also verified observance of the provisions of the law regarding the preparation of management report on operations, again without having any comments to make in that regard. The directors have illustrated in detail within the notes and the management report the items that were instrumental to the achievement of the economic result and the events that generated them.

ENAV's financial statements for the financial year ended 31 December 2016 were prepared in compliance with the International Accounting Standards (IAS), the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the relative interpretations (IFRIC and SIC), adopted by the European Union with European regulation (EC) 1606/2002 of 19 July 2002 and pursuant to Legislative Decree 38 of 28 February 2005 which governs application of the IFRS as part of the Italian legislative corpus. The accounting standards that were used reflect the full operation of ENAV as a going concern and are compliant with those applied for the preparation of the separate financial statements of the previous year.

ENAV's financial statements for 2016 were submitted for auditing and, as mentioned above, following the legal audit and pursuant to Articles 14 and 16 of Legislative Decree no. 39/2010, the auditing firm compiled its report without any comments or requests for additional information.

EY also issued its report on the auditing of the financial statements for 2016 or of the subsidiary company Techno Sky S.r.l. Furthermore, during periodic meetings with representatives of the auditing firm, the latter indicated no areas that were critical relative to the reporting package of the main foreign companies that belong to the ENAV Group.

With regard to the provisions under Article 36, paragraph 1 of the Markets Regulation (approved by Consob with its resolution 16191 of 29 October 2007, as it was subsequently amended and supplemented) regarding accounting transparency, adequacy of the organisational structure and the internal control system of the subsidiary companies located outside the EU as at 31/12/2016, indicated that the companies to which this provision applies are included among the companies covered by the ENAV system of internal control as regards the financial disclosures in regard to which no significant shortcomings were noted. To this end, in March 2017 following the appropriate checks made by the CRRPC, the Company also certified observance of the aforementioned regulation concurrently with the approval of the prospective 2016 financial statements.

As the verification activities carried out were considered to be sufficient, the deadline set by Articles 2429 of the Italian Civil Code and Article 154-ter of the TUF was waived for preparation of this report.

Notwithstanding the fact that the Board is not required to report or express formal judgements on the consolidated financial statements, which falls under the responsibilities of the auditing firm, we hereby observe that the latter ended the financial year with a profit of Euro 76,345,474 which pertain to the Group in its entirety and that the specific report issued by EY pursuant to Articles 14 and 16 of Legislative Decree no. 39/2010 does not include any comments or requests for additional information of any type. In a specific section of this report below, we will address the main relations with the subsidiaries.

Corporate Governance Model

The Company resolved to abide by the Code of Corporate Governance for listed companies in Italy on 17 February 2016, as it can be seen also in the report on corporate governance and ownership structures for 2016, which was approved by the directors on 16 March 2017 and disclosed to the public through the Company's website and in the forms allowed by the law. This Report was compiled according to the instructions contained within the Stock Market Regulation compiled by Borsa Italiana S.p.A. and pursuant to Article 123-*bis* of the TUF.

The Report describes in detail the corporate governance system that was adopted. It is compliant with the rules set forth in the Code of Corporate Governance, which based on the results of our verification, have been applied correctly.

The Board also verified correct application of the criteria and procedures for confirmation adopted by the Board of Directors to assess the independence of the directors, and compliance with the independence requirement for the individual members of the Board, as provided by the Code.

Relations with subsidiaries and with the parent company

The Company was owned in its entirety by the Italian Ministry of Economy and Finance (MEF) until its listing (26 July 2016), while as at the date of this report the latter's interest in the Company dropped to 53.373% of the share capital.

With regard to the relations with the MEF, we reiterate here that the Company is subject to the so-called "golden powers" rule pursuant to Legislative Decree 21 of 15 March 2012, which was converted with amendments by law 56 of 11 May 2012, as specified in the above-mentioned report on corporate governance under paragraph 3.6.

Among the subsidiaries over which ENAV exercises powers of management and coordination, the Italian company Techno Sky S.r.l. which handles logistics and maintenance is significant, in terms of ensuring full operating efficiency and availability, without a continuity solution, of the installations, systems and software used for controlling air traffic in Italy and elsewhere. We had repeated meetings with the latter's Board of Statutory Auditors in order to exchange the necessary information, and to examine the balance sheet for 2016, which has been consolidated under the Company, and the relative reports of its controlling bodies, which did not indicate any significant elements that would place the adequacy of the Internal Control and Risk Management System in doubt. In particular, Techno Sky has in place an autonomous Supervisory Body pursuant to Legislative Decree no. 231/01 and uses the Group's internal audit function which, based on the mandate conferred upon it, services all the Group companies. In particular, the internal audit function informs the Board of Statutory Auditors of Techno Sky of the verifications it has carried out and the results thereof.

As part of the supervisory activity carried out over the subsidiaries, the Board also paid close attention to the regulation of the intercompany contracts, including with the support of the Internal Audit Department.

Transactions with related parties

At the time of its listing, the Company adopted rules that ensure transparency and essential and procedural correctness of the transactions with related parties according to the general principles indicated by Consob, as described in the management report attached to the financial statements for 2016. In particular, ENAV's Board of Directors approved on 21 June 2016, effective from the date of admission to trading of the shares company on the Screen-based Share Market (MTA) organised and managed by Borsa Italiana S.p.A. the "Procedure governing transactions with related parties", pursuant to Article 2391-bis of the Italian Civil Code and the regulation adopted by Consob with its resolution 17221/2010 as subsequently amended and supplemented.

In particular, the regulation on the operation of the specific board committee (CRRPC) was adopted with the board resolution on 21 June 2016, while the committee itself was appointed with the resolution of 8 June 2016 with the composition that satisfies the requirements of independence set by the Code of Conduct.

The Board of Statutory Auditors assessed as being adequate the activity carried out by the Committee, with the support also of the Internal Audit Department, and the information provided by the Board of Directors in its management report with regard to inter-group transactions and related party transactions.

For the annual and half year financial report the directors declare any transactions carried out with ENAV and its subsidiaries, including through a third party or individuals/entities connected with them, according to the provisions of IAS 24. The entities of a commercial and other nature and those of financial nature with related parties are adequately disclosed in the notes to the financial statements, which you are referred to insofar as identification of the types of transactions and the relative effect on the company's equity, income and cash flows. These last transactions which are identified by IAS 24 essentially refer to the exchange of goods, the provision of services, the funding and the use of financial means. The Notes to the financial statements also refer to the procedures adopted to ensure that the transactions with related parties are carried out in compliance with the criteria of transparency, procedural and essential correctness. It is hereby noted that the transactions indicated herein were carried out in compliance with the procedures for approval and execution set forth in the aforementioned procedure which are described in detail in the report on corporate governance and ownership structures for 2016. All the transactions in 2016 are part of ordinary operations, were carried out at arm's length, and therefore under conditions that would have applied between two independent parties, and were concluded in the interest of the Group companies.

Any omissions and reprehensible acts. Charges and opinions rendered.

Our supervisory activities did not indicate any omissions by the directors or reprehensible acts, and therefore no irregularities exist to be communicated to Consob.

Moreover, there were no charges made pursuant to Article 2408 of the Italian Civil Code.

In 2016, the Board of Statutory Auditors was called upon to express the following opinions, which were in every case positive, regarding: i) the ICRMS guidelines (23 March 2016; ii) determination of the remuneration of the Chief Executive Officer pursuant to Article 2389, paragraph 3 of the Italian Civil Code. (29 March 2016); iii) recalculation of the remuneration of the Chief Executive Officer pursuant to Article

2389, paragraph 3 of the Italian Civil Code. (8 June 2016); iv) determination of the annual objective on which to configure the variable portion of the short-term (the so-called target bonus) of the Chief Executive Officer's remuneration as established by the Board of Directors on 29 March 2016 (8 June 2016); v) quantification and assignment criteria for a transaction bonus to be provided to the to the Chief Executive Officer instead of the variable long-term portion (the so-called long-term incentive - LTI) of the remuneration pursuant to Article 2389, paragraph 3 of the Italian Civil Code as resolved by the Board of Directors of 29 March 2016 (8 June 2016); vi) determination of the remuneration of the members of the board committees (8 June 2016); vii) assignment to the Chief Executive Officer of the first instalment of the transaction bonus (26 September 2016; viii) approval of the draft proposal for adoption of a model against the risk of corruption and fraud (26 September 2016); ix) approval of the audit mandate (10 November 2016).

Conclusions

Based on the aforementioned activities carried out and having considered the considerations reported above, the Board of Statutory Auditors expresses, to the extent of its responsibilities, its opinion in favour of the proposals to approve the financial statements for the financial year ended 31 December 2016 and the resolution proposals, as these have been set forth by the Board of Directors.

24 March 2017

Franca Brusco - Chair _____

Donato Pellegrino - Standing Auditor _____

Mattia Berti - Standing Auditor _____

**Independent Auditors' Report
on the financial statements**

Enav S.p.A.

Financial statements as at December 31, 2016

Independent auditor's report in accordance with articles 14 and
16 of Legislative Decree n. 39, dated 27 January 2010

Independent auditor's report
in accordance with articles 14 and 16 of Legislative Decree n. 39, dated 27 January 2010
(Translation from the original Italian text)

To the Shareholders of Enav S.p.A.

Report on the financial statements

We have audited the accompanying financial statements of Enav S.p.A., which comprise the statement of financial position as at 31 December 2016, and the income statement, statement of other comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The Directors of Enav S.p.A. are responsible for the preparation of these financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement art. 9 of Legislative Decree n. 38, dated 28 February 2005.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with article 11 of Legislative Decree n. 39, dated 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Enav S.p.A. as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with article 9 of Legislative Decree n. 38, dated 28 February 2005.

Report on other legal and regulatory requirements

Opinion on the consistency of the Report on Operations and of specific information of the Report on Corporate Governance and the Company's Ownership Structure with the financial statements

We have performed the procedures required under audit standard SA Italia n. 720B in order to express an opinion, as required by law, on the consistency of the Report on Operations and of specific information of the Report on Corporate Governance and the Company's Ownership Structure as provided for by article 123-bis, paragraph 4 of Legislative Decree n. 58, dated 24 February 1998, with the financial statements. The Directors of Enav S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and the Company's Ownership Structure in accordance with the applicable laws and regulations. In our opinion the Report on Operations and the specific information of the Report on Corporate Governance and the Company's Ownership Structure are consistent with the financial statements of Enav S.p.A. as at 31 December 2016.

Rome, 24 March 2017

EY S.p.A.

Signed by: Mauro Ottaviani partner

This report has been translated into the English language solely for the convenience of international readers.

Legal information and contact persons

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Legal information

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