



**Half-year Consolidated Financial Report
at 30 June 2018**

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Interim Report on Operations

Main financial and operating data

Financial data	First Half 2018	First Half 2017	Variations	%
Total revenues	410,991	409,999	992	0.2%
EBITDA	111,511	110,994	517	0.5%
EBITDA margin	27.1%	27.1%	0.0%	
EBIT	48,290	39,817	8,473	21.3%
EBIT margin	11.7%	9.7%	2.0%	
Net profit for the period attributable to the Group	32,993	27,008	5,985	22.2%

Value in thousands of euro

Equity and Financial data	30.06.2018	31.12.2017	Variations	%
Net invested capital	1,239,300	1,237,447	1,853	0.1%
Shareholders' Equity	1,057,980	1,119,965	(61,985)	-5.5%
Net Financial Indebtedness	181,320	117,482	63,838	54.3%

Value in thousands of euro

Other indicators	First Half 2018	First Half 2017	Variations	%
En route service units	4,216,461	3,878,262	338,199	8.7%
Terminal service unit 1st charging zone	108,108	103,399	4,709	4.6%
Terminal service unit 2nd charging zone	155,411	149,360	6,051	4.1%
Terminal service unit 3rd charging zone	192,934	184,482	8,452	4.6%
Free cash flow	38,064	(48,110)	86,174	-179.1%
Headcount at the end of the period	4,170	4,242	(72)	-1.7%

Corporate and Control Boards

Board of Directors

Chair	Roberto Scaramella
Chief Executive Officer	Roberta Neri
Board Members	Giuseppe Acierno
	Maria Teresa Di Matteo
	Nicolo Maione
	Fabiola Mascardi
	Carlo Paris
	Antonio Santi
	Mario Vinzia

Committee for Risk Management and Related Parties

Chair	Nicola Maione
Members	Antonio Santi
	Mario Vinzia

Remuneration and Appointments Committee

Chair	Carlo Paris
Members	Giuseppe Acierno
	Maria Teresa Di Matteo
	Fabiola Mascardi

Sustainability Committee*

Chair	Giuseppe Acierno
Members	Fabiola Mascardi
	Antonio Santi

Board of Statutory Auditors

Chair	Franca Brusco
Statutory Auditors	Mattia Berti
	Donato Pellegrino
Alternate Auditors	Maria Teresa Cuomo
	Francesco Schiavone Panni

Magistrate appointed by the Italian Court of Auditors to Audit Enav

Mauro Orefice

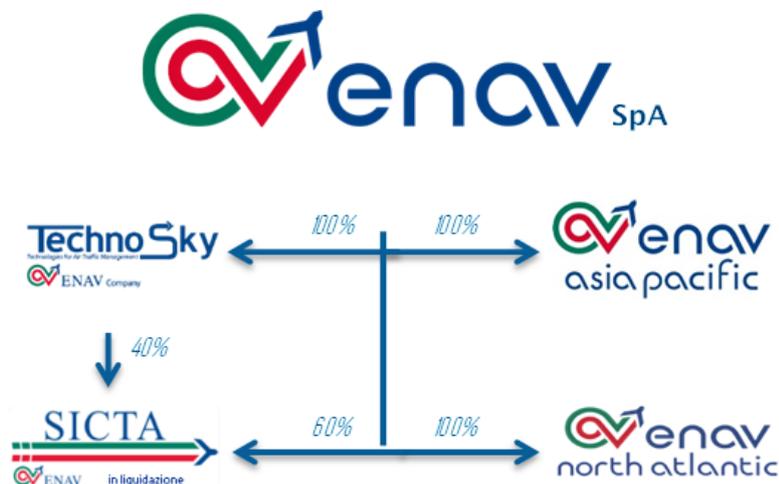
Independent Auditors

EY S.p.A.

(*) Committee established through the resolution of the Board of Directors of 27 June 2018.

Ownership structure of the Enav Group

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 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.

Techno Sky, active in the *maintenance services* operating segment, is wholly-owned by ENAV and is the company engaged in the engineering, logistics and maintenance services for ENAV, ensuring full operational efficiency and constant availability of the plant, systems and software used for air traffic control in Italy without interruption. Techno Sky possesses a wealth of unique skills, technologies and experience gained in over forty years of operation in the Air Traffic Management (ATM), ICT, weather forecast and security systems market.

Enav Asia Pacific Sdn Bhd, active in the residual *other segment*, is a Malaysian company wholly-owned by ENAV and carries out aeronautical consultancy activities for the Malaysian Department of Civil



Aviation, also engaged in promoting and developing the Group's sales and marketing activities in countries within Asia and Oceania.

Enav North Atlantic LLC, active in the residual *other segment*, is an US company based in Delaware that is wholly owned by ENAV. The company was established in January 2014 as a limited liability company in order to participate in an investment through the acquisition of 11.1% of the share capital of Aireon LLC, a US company in the IRIDIUM Group, which is responsible for the design, financing and installation of a global satellite surveillance service which uses ADS-B technology. Specifically, the Aireon satellite system is designed to allow extensive surveillance of all global routes by exploiting second generation satellite networks, with reference mainly to polar, ocean and remote areas currently not covered by the radar-based air traffic control service.

Sicta Consortium in liquidation, active in the residual *other segment*, is 60% owned by ENAV and 40% by Techno Sky, and was placed into voluntary liquidation through the resolution of the Shareholder's Meeting of the Sicta Consortium held on 3 March 2017 with the entire shareholding, which took effect from the recording of the resolution in the companies register which took place on 28 March 2017.

Background scenario

The element defining this first half of 2018 was undoubtedly the significant increase in traffic recorded in national airspace, which led to sustained and constant growth for the entire period for service units, with traffic peaks, relating to en-routes, in April (+8.5%), May (+8.8%) and June, where the growth rate was +11%. Overall in the first half of 2018, with regard to en-route air navigation services, the service units rate of growth was +8.7%, making Italy the main provider out of the major European partners in terms of route service units.

The positive performance recorded by traffic involving national airspace was supported by the growing trend for all types of flight. Of particular interest was the growth in overflight, which recorded a growth rate in the half year of +14.5% for service units and +10.7% for the number of assisted flights, especially as a result of the increase in long distance flights.

The consolidation of the free route, implemented by the parent company in national airspace at the end of 2016 for all aircraft overflying at an altitude of more than 11,000 metres and extended, from 24 May 2018, to all aircraft passing through national skies below 11,000 metres, and down to an altitude of 9,000 metres, also contributed to this result. Note that the free route, a procedure required by the Single European Sky EU regulations, which all European countries should comply with by 2022, makes it possible to plan a direct route from an Italian airspace entry point to an exit point without referring to the route network any longer, enabling airline companies to take the ideal route without any constraints, with consequent benefits in terms of time savings, flight efficiency, savings in terms of fuel and reduced harmful emissions into the environment. Added to this is the consolidation of the air traffic market on European routes and the partial stabilisation of socio-political conditions in the area of the southern Mediterranean which led to growth in traffic volumes from countries like Greece, Malta, Turkey, Tunisia, Israel and Egypt possible.

The important role of low cost companies in the development of en-route traffic was confirmed again in the first half of 2018, reinforcing the positive trend already established in 2017.

The significant increase in service units, with particular reference to the route component, resulted in growth of +6.7% in charge revenues, including revenues from exempt flights, compared with the actual figures for the first half of 2017. However, as a result of the provisions in the Performance Plan, the volume of charge revenues suffered from the lower DUC charge applied in 2018 (charge excluding the balance), which fell by 3.8% compared with the DUC for 2017. In this regard, note that always as a result of the considerable increase in traffic, compared with the forecasts in the Performance Plan, the difference in service units in the first half of 2018 stood at -1.76%. The above-mentioned difference, which comes within the so-called dead band (-2%/+2%), led to the automatic zeroing of the balance

related to risk traffic. For information purposes, note that in the first half of 2017, the traffic balance was greater, in so far as the trend for service units recorded in the period, albeit positive if commensurate with the previous year (+2.4%), generated a difference of -7.6% compared with the volume of service units established in the Performance Plan. In this situation, also note that the effect related to the balance in year n-2, namely the balance accrued in previous years and charged to the market in the 2018 charge, which was €54.7 million in total for the period compared with €25.1 million allocated to the 2017 charge, creating a further effect of curbing the volume of revenues recorded in the period.

Total Group revenues remain essentially in line with the figures recorded in the corresponding period of the previous year, standing at +0.2%, as a result of: i) charge revenues were calculated using a DUC 3.8% lower than for 2017; ii) the important increase in service units made it possible for the traffic value figure recorded in the period to be close to the one in the Performance Plan (-1.76%) up as a result of revenues from charges, but at the same time the traffic balance for the period was zeroed; iii) the effect generated by the recovery of charge balances (balance n-2) made it possible to maintain a charge in 2018 essentially in line with 2017 but this was offset in the income statement by a negative n-2 balance of the same amount; iv) other income components recorded a result essentially in line with the figures for the first half of 2017.

With regard to overall costs in the first half of 2018, the Group recorded a figure of €299.5 million, in line with the level of costs recorded in the first half of the previous year (+€0.5 million).

In view of increased personnel costs (+2.1%) as a result of the provision for the contract renewal, the greater operational overtime following the increase in air traffic, and the voluntary redundancy incentive policies implemented in the first half of the year, there was a considerable fall in external costs (-3.1%) mainly caused by the widespread rationalisation of external support activities for the various corporate functions and by the cost savings achieved for operational telecommunications following the replacement of analogue connections with digital ones.

As a result of what has been described above, the Enav Group recorded a result for the period in terms of EBITDA of €111.5 million, a slight increase (+0.5%) compared with the actual figure for the first half of 2017.

On the other hand, as far as the net result for the period is concerned, it showed an increase of €6 million (+22.2% compared with the first half of 2017) related to the fall recorded in depreciation and amortisation (-€1.3 million) and the positive effect resulting from several transactions and dispute resolutions which resulted in the use in the first half of 2018 of part of the risk provisions for €1.3 million. Lastly, this trend was also impacted by the credit write-down made in the first half of 2017,

which refers mainly to the receivable from Alitalia, which accrued before the carrier entered extraordinary administration proceedings which took place on 2 May 2017.

Market and air traffic trends

Air traffic control operations in Eurocontrol countries in the first half of 2018 recorded a significant increase in traffic in terms of en-route service units (*) for Italy, compared with the same period of 2017, with a result of +8.7% (+2.4% in the first half of 2017 compared with the first half of 2016), while the performance in Eurocontrol countries stood at 5.9% in line with the first half of 2017 which closed at +6%.

There were widespread increases in en-route service units for the major European providers, albeit at more restrained levels compared with the first half of 2017, specifically worthy of note are Spain +5.1%, the United Kingdom and Germany +3.3% and France +2.3%.

Total en-route traffic to service units (**)	First Half 2018	First Half 2017	Variations	
			no.	%
France	9,975,352	9,753,074	222,278	2.3%
Germany	7,093,275	6,867,699	225,576	3.3%
Great Britain	5,784,905	5,597,557	187,348	3.3%
Spain	5,110,305	4,863,899	246,406	5.1%
Italy (***)	4,215,602	3,876,837	338,765	8.7%
Eurocontrol	70,099,379	66,215,660	3,883,719	5.9%

(*) traffic flying over Italian airspace, 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 for the first half of 2018 shows an increase of +8.7% in the service units reported by Eurocontrol (the same value if the remaining category *Exempt not reported to Eurocontrol* is included) and in the number of managed flights of +5.2% (+4.8% if the residual category *Exempt not reported to Eurocontrol* is included).

The factors that contributed to the improved growth compared with the European trend, recorded in the first half of 2018, include the implementation by the parent company of the Free Route project (an innovation which allows all aircraft overflying at an altitude of more than 11,000 metres, and from the end of May 2018, over 9,000 metres, irrespective of whether they take off or land at Italian airports, to pass through domestic airspace following a direct route, which allows airline companies in transit over

domestic skies to plan the shortest routes, without constraints, thereby saving fuel and running costs, in full compliance with the highest safety levels) the return of traffic volumes from countries like Turkey, Greece, Egypt, Israel and Tunisia.

It should be stressed how this positive performance of service units was achieved in spite of the incomplete reopening of Libyan airspace and the effects associated with the organisational and operational restructuring of Alitalia still in process.

Traffic en-route (Number of flights)	First Half 2018	First Half 2017	Variations	
			no.	%
Domestic	133,782	134,626	(844)	-0.6%
International	449,295	430,634	18,661	4.3%
Overflight	273,688	247,284	26,404	10.7%
Paying total	856,765	812,544	44,221	5.4%
Military	16,538	16,954	(416)	-2.5%
Other exempt	8,868	8,683	185	2.1%
Total exempt	25,406	25,637	(231)	-0.9%
Total reported by Eurocontrol	882,171	838,181	43,990	5.2%
Exempt not reported to Eurocontrol	7,811	10,650	(2,839)	-26.7%
Total	889,982	848,831	41,151	4.8%

Traffic en-route (service units)	First Half 2018	First Half 2017	Variations	
			no.	%
Domestic	792,650	772,808	19,842	2.6%
International	1,752,449	1,629,214	123,235	7.6%
Overflight	1,600,789	1,398,246	202,543	14.5%
Paying total	4,145,888	3,800,268	345,620	9.1%
Military	63,371	69,706	(6,335)	-9.1%
Other exempt	6,344	6,863	(519)	-7.6%
Total exempt	69,715	76,569	(6,854)	-9.0%
Total reported by Eurocontrol	4,215,603	3,876,837	338,766	8.7%
Exempt not reported to Eurocontrol	858	1,425	(567)	-39.8%
Total	4,216,461	3,878,262	338,199	8.7%

In particular, en-route traffic was marked by:

- *international commercial traffic*, a category of flights with departure or arrival for a stopover located in Italian territory, which, for the first half of 2018, recorded positive results both in terms of service units up +7.6%, and in the number of assisted flights, up +4.3% with an increase as well in the average distance travelled (+2.3%) and the average weight at take-off (+1.5%).

The development of international traffic, both at service unit level and number of flights, is generated by the significant increase in traffic volumes in all low mileage bands (<350 km over domestic airspace), most significant in terms of the number of flights, with a growth in service units of +4.5%, average distance (between 350 and 700 km over domestic airspace) which generates a greater number of service units (42.5% of total international service units) up by 7.3%, high mileage (>700 km over domestic airspace) with a rise in service units of +13.3%.

With reference to the flight routes for the continent, the half-year in question confirmed the good performance of connections between Italy and the rest of Europe (+6.4% service units; +3.0% number of flights) representing around 79% of total international traffic service units and the recovery in connections between Italy and Asia (+4% service units) and Italy and Africa (+15.3% service units, +6.3% number of flights), due to the recovery in traffic flows to countries like Egypt and Morocco. Connections between Italy and continental America also recovered (+21.5% service units; +12% number of flights);

- *commercial overflight traffic*, a category of movements only over domestic airspace, which, in the first half of 2018, recorded an important increase in service units of +14.5% and in the number of assisted flights +10.7%. This result is due to the favourable performance in all mileage bands, with increases above 10%, where the result of longer distance flights (>800 km over national airspace), which recorded an increase of +16.7% in service units should be highlighted.

With regard to the general analysis of departure/destination areas, note the good performance of connections between European countries (+12.3% service units; +9.3% number of flights) which represent around 67% of total overflight traffic and Europe - Africa connections (+19.4% service units; +13.9% number of flights) and Europe - Asia (+10.9% service units; +7.5% number of flights). The contribution of long distance flights, which recorded increases of +33.0% and +13.2%, respectively, were significant for the service units of these latter traffic routes. The figure for Europe-Continental America connections also recorded a significant increase (+15.5% service units);

- *domestic commercial traffic* recorded an increase of 2.6% in service units in the first half of 2018 in response to a slight decrease of -0.6% in the number of assisted flights. These figures demonstrate the stabilisation of low volumes for this type of traffic, with regard to the number of flights, faced with many years of competition from high-speed trains. The increase in long distance flights (>700 Km in domestic airspace) contributed to the increase in service units. Connections on the Italian North-South axis were the driver behind the positive performance of the service units and number of assisted flights which recorded figures of +4.9% and +3.1%, respectively. In this regard the positive performance of flights from the two Milan airports to major destination in the south such as Palermo, Bari, Lamezia, Brindisi and, to a lesser extent, Catania, should be stressed;

- *exempt traffic*, divided into i) *exempt traffic reported by Eurocontrol*, which decreased by -9% for service units and -0.9% in the number of assisted flights, the latter figure mainly due to a decrease in military activities both in Eurocontrol member countries and other countries; ii) *exempt traffic not reported to Eurocontrol*, with an insignificant effect on revenues, which decreased by -39.8% and by -26.7% in the number of assisted flights.

With regard to the traffic figures related to companies operating in domestic airspace, in the first half of 2018 the role of the low-cost segment was confirmed as the factor driving the expansion of air traffic in both Italy and the rest of Europe. Among the largest companies operating in domestic airspace, note the results achieved by Ryanair (+7.6% service units) and Easyjet (+14.6% service units), which are the first and the third largest carriers, respectively, in terms of number of service units produced in Italy. The results achieved by Wizz Air (+20.0% service units), Vueling (+11.7% service units), Aegean Airlines (+7.5% service units) and Eurowings (+37.5%), all top fifteen carriers in terms of the number of service units produced, are also important. The operations of Turkish Airline (+21.1% service units) also recovered, with a return of air traffic on routes to Turkey, while the performance of Emirates (-7.0% service units) was negative. The operations of traditional companies like Lufthansa (+14.2% service units) and Air France (+6.0% service units) recovered. The figures for Alitalia were in line with the difficulties experienced in recent times with service units up by 2.6% but the number of flights falling by -2.9%.

Terminal traffic

Terminal traffic, which regards take-off and landing within 20 km of the runway, reported by Eurocontrol performed well in the first half of 2018 in terms of service units, which were up +4.4%, as well as in terms of assisted flights, which were up +2.5%.

Terminal traffic				Variations	
(number of flights)		First Half 2018	First Half 2017	no.	%
Domestic					
Chg. Zone 1		24,031	24,801	(770)	-3.1%
Chg. Zone 2		28,642	27,543	1,099	4.0%
Chg. Zone 3		77,478	78,541	(1,063)	-1.4%
Total domestic flights		130,151	130,885	(734)	-0.6%
International					
Chg. Zone 1		48,628	46,649	1,979	4.2%
Chg. Zone 2		87,418	85,117	2,301	2.7%
Chg. Zone 3		87,540	82,429	5,111	6.2%
Total international flights		223,586	214,195	9,391	4.4%
Paying total		353,737	345,080	8,657	2.5%
Exempt					
Chg. Zone 1		54	73	(19)	-26.0%
Chg. Zone 2		444	414	30	7.2%
Chg. Zone 3		10,367	10,240	127	1.2%
<i>Total exempt flights</i>		<i>10,865</i>	<i>10,727</i>	<i>138</i>	<i>1.3%</i>
Total reported by Eurocontrol		364,602	355,807	8,795	2.5%
Exempt not reported to Eurocontrol					
Chg. Zone 1		0	3	(3)	0.0%
Chg. Zone 2		196	279	(83)	-29.7%
Chg. Zone 3		4,992	5,425	(433)	-8.0%
Tot. exempt flights not reported to Eurocontrol		5,188	5,707	(516)	-9.0%
Total for chg Zone					
Chg. Zone 1		72,713	71,526	1,187	1.7%
Chg. Zone 2		116,700	113,353	3,347	3.0%
Chg. Zone 3		180,377	176,635	3,742	2.1%
Total		369,790	361,514	8,279	2.3%

Terminal traffic (service units)		First Half 2018	First Half 2017	Variations	
				no.	%
Domestic					
	Chg.Zone 1	29,970	30,054	(84)	-0.3%
	Chg.Zone 2	33,963	31,603	2,360	7.5%
	Chg.Zone 3	88,634	87,574	1,060	1.2%
	Total domestic SUs	152,567	149,231	3,336	2.2%
International					
	Chg.Zone 1	77,997	73,156	4,841	6.6%
	Chg.Zone 2	121,225	117,521	3,704	3.2%
	Chg.Zone 3	99,438	92,505	6,933	7.5%
	Total international SUs	298,660	283,182	15,478	5.5%
Paying total		451,227	432,413	18,814	4.4%
Exempt					
	Chg.Zone 1	141	189	(48)	-25.4%
	Chg.Zone 2	205	212	(7)	-3.3%
	Chg.Zone 3	4,471	3,952	519	13.1%
	Total SUs exempt	4,817	4,353	464	10.7%
Total reported by Eurocontrol		456,044	436,766	19,278	4.4%
Exempt not reported to Eurocontrol					
	Chg.Zone 1	0	0	0	0.0%
	Chg.Zone 2	18	24	(6)	-25.0%
	Chg.Zone 3	391	451	(60)	-13.3%
Total exempt SUs not reported to Eurocontrol		409	475	(66)	-13.9%
Total for chg Zone					
	Chg.Zone 1	108,108	103,399	4,709	4.6%
	Chg.Zone 2	155,411	149,360	6,051	4.1%
	Chg.Zone 3	192,934	184,482	8,452	4.6%
Total		456,453	437,241	19,212	4.4%

In overall terms, the results of the first half of 2018, compared with the corresponding period of the previous year, highlighted a widespread growth for all three charging zones, both in terms of service units and the number of assisted flights. In particular:

- charging zone 1, which refers entirely to Roma Fiumicino airport, generated growth of +4.6% in terms of service units and +1.7% for assisted flights in the first half of 2018. This airport suffers particularly from the situation of Alitalia which, in the period in question, recorded a reduction in operations of -0.8% in terms of assisted flights in connection with growth of +1.6% in the number of service units produced. In the first half of 2018, the percentage of Alitalia service units at Roma Fiumicino airport was around 41.3%;
- charging zone 2, which refers to Milano Malpensa, Milano Linate, Venezia Tessera and Bergamo Orio al Serio, shows an increase both in service units (+4.1%) and assisted flights (+3%) mainly due to the good results achieved by the airports of Milano Malpensa (+6.6% service units; +7.0% number of flights) and Bergamo Orio al Serio (+6.0% service units; +6.0% number of flights) and, to a lesser extent, Venezia Tessera (+3.8% service units; +0.5% number of flights). There was a reduction in operations for Milano Linate airport (-3.3% service units, -2.9% number of flights) which suffered

from the suspension of the operations of Air Berlin and the reduction in Meridiana flights. The impact associated with the situation of the Italian national carrier is lower in this zone, since it represents 12.9% of the service units.

- charging zone 3 is up in terms of service units (+4.6%) and the number of assisted flights (+2.1%). These results reflect the good performance of the major airports in this charging zone such as the airports of Naples (+15.8% service units), Bologna (+2.5% service units), Catania (+8.3% service units), Palermo (+13.2% service units), Verona (+8.2% service units) and Bari (+2.3% service units). With regard to Alitalia there was a further decrease in both service units (-4.1%) and the number of assisted flights (-13.4%). As with charging zone 2, the impact is, in any case, limited considering that Alitalia's share compared with all the service units in that zone is about 14.5%.

Regarding the various traffic category items, as already demonstrated for the en-route traffic, *international traffic* is the main component, with an increase of +5.5% in service units and +4.4% in the number of assisted flights. This increase is attributable to the achievement in all three charging zones, specifically the first and third. In the first charging zone, the growth of the international component is entirely attributable to the increase in non-EU traffic (+14.8% service units), thanks to a strong increase in long-haul flights to the USA, Russia, Turkey, Korea, Qatar, India, Brazil and Argentina, while the figures for flights to EU countries remains unchanged (+0.4% service units). The growth for the two components of the third charging zone (EU traffic +7.0% service units, non-EU traffic +11.4% service units) was more balanced.

The item *domestic traffic*, recorded a 2.2% increase in terms of service units and a slight fall in the number of assisted flights -0.6%, benefiting from a change of around +3.7% in the average weighting.

Group economic and financial results

Definition of alternative performance indicators

In line with the guidelines issued on 5 October 2015 by the *European Securities and Markets Authority* (ESMA) n. 2015/1415 which, as notified by Consob in Communication no. 92543 of 3 December 2015 and starting from 3 July 2016, replace Recommendation CESR/05-178b issued by the *Committee of European Securities Regulators*, in addition to the financial data required by the IFRS, Enav presents certain indicators derived from the former data which provide management with an additional parameter for evaluating the performance achieved by the Group, guaranteeing greater comparability, reliability and understanding of the financial information.

The following alternative performance indicators are used:

- **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 and losses of tangible and intangible 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:** is EBITDA expressed as a percentage of total revenues and adjusted for investment subsidies as specified above;
- **EBIT (Earnings Before Interest and Taxes):** is EBITDA less depreciation and amortisation adjusted for investment subsidies and write-downs and losses of tangible and intangible fixed assets and receivables and provisions;
- **EBIT margin:** is EBIT expressed as a percentage of total revenues less investment subsidies as specified above;
- **Net fixed capital:** is a capital parameter which is equal to the net fixed capital employed in business operations and includes items relating to tangible assets, intangible assets, investment in other companies, non-current trade receivables and payables, and other non-current assets and liabilities;
- **Net working capital:** is the capital employed in business operations which includes the line items inventory, trade receivables, and other non-financial current assets, net of trade payables and other current liabilities excluding those of a financial nature, plus assets held for disposal net of related liabilities;
- **Gross net fixed capital:** is the sum of Net fixed capital and Net working capital;
- **Net invested capital:** is the sum of the Gross net fixed capital, less the employee severance indemnity and other benefits, the provision for risks and charges and the deferred tax assets net of liabilities;
- **Net financial indebtedness:** is the sum of the current and non-current financial liabilities, current and non-current financial receivables net of non-current financial liabilities referred to the fair value of the derivative financial instruments and cash and cash equivalents;
- **Free cash flow:** is the sum of the cash flow generated or absorbed from operating activities and the cash flow generated or absorbed from investing activities.

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

Reclassified consolidated income statement

	First Half 2018	First Half 2017	Values	Variations %
Revenues from operations	417,147	391,534	25,613	6.5%
Balance	(24,026)	1,608	(25,634)	n.a
Other operating income	17,870	16,857	1,013	6.0%
Total revenues	410,991	409,999	992	0.2%
Personnel costs	(244,092)	(239,091)	(5,001)	2.1%
Capitalisation of internal work	16,116	13,905	2,211	15.9%
Other operating expenses	(71,504)	(73,819)	2,315	-3.1%
Total operating costs	(299,480)	(299,005)	(475)	0.2%
EBITDA	111,511	110,994	517	0.5%
EBITDA margin	27.1%	27.1%	0.0%	
Net amortisation of investment contributions	(64,536)	(66,009)	1,473	-2.2%
Write-downs, losses (write-backs) of value and provisions	1,315	(5,168)	6,483	-125.4%
EBIT	48,290	39,817	8,473	21.3%
EBIT margin	11.7%	9.7%	2.0%	
Financial income (expenses)	(1,923)	(631)	(1,292)	204.8%
Pre-tax income	46,367	39,186	7,181	18.3%
Income taxes for the period	(13,374)	(12,178)	(1,196)	9.8%
Profit/(loss) for the period	32,993	27,008	5,985	22.2%

Value in thousands of Euro

Revenues from operations stood at €417.1 million, up 6.5% compared with the corresponding period of the previous year, comprising €410.7 million in revenue from the parent company's core business (+6.7% compared with the first half of 2017) and €6.4 million from business conducted by the Group in the unregulated market, down slightly compared with the first half of 2017. The increase in core business revenues is mainly related to en-route revenues which stood at €301.3 million, up 9.3% compared with the corresponding half-year period in the previous year, as a result of the greater number of service units in the half-year which involved all types of traffic, particularly overflight (+14.5%), reaching +8.7% at the end of the period. This result was partly mitigated by the charge applied in 2018 of €79.98 which, although in line overall with that applied in 2017 (€80.00), decreased by 3.8% if the charge alone excluding the balance is taken into consideration. Terminal revenues stood at €102.8 million, an increase of 0.7% compared with the first half of 2017, because of the positive performance of service units at individual airports by charging zone which stood at +4.4% in total, a performance which offsets the charge reduction applied in the three charging zones. Specifically, the first charging zone, which includes Roma Fiumicino Airport, recorded an increase in traffic handled, expressed as service units, up 4.6% compared with the first half of 2017, which offsets the reduction in the charge of 0.67% applied in 2018 which stands at €187.30 (€188.57 in 2017). The second charging zone, which refers to

the airports Milano Malpensa, Milano Linate, Venezia Tessera and Bergamo Orio al Serio recorded a good performance for managed air traffic which increased, in terms of service units, by 4.1% compared with the corresponding period of the previous year. This performance partly offset the lower revenue from the 3.28% charge reduction in 2018, with a charge of €203.06 (compared with €209.05 in 2017). The third charging zone, which includes 40 airports with medium and low traffic, recorded an increase in air traffic handled, expressed in service units, up 4.6% compared with the first half of 2017, with a 1.11% reduction in the charge applied which affected the calculation of revenues and led to a charge of €320.18 (€323.79 in 2017).

Non-regulated market revenues stood at €6.4 million, slightly down compared with the figure for the previous corresponding period, and mainly refer to activities carried out abroad, including: i) radio assistance control services in Saudi Arabia, Kenya and Uganda totalling €1.2 million; ii) consultancy services provided in Libya for the construction of the new control tower at Mitiga Airport which generated revenues of €1.6 million; iii) consultancy services for the Kuala Lumpur Air Traffic Control Centre in Malaysia of €1.3 million and the restructuring of the airspace in the United Arab Emirates for €0.1 million which is in the concluding stages.

The item adjusted by the **balance**, an integral part of revenues from operations, had a negative impact on revenues with an overall reduction of €24 million, compared with the first half of 2017, €25.6 million following two connected events: i) lower balances recorded in the first half of 2018, compared with the corresponding period of the previous year, totalling €13.1 million and which refer predominantly to en-route balances in which the difference between the service units in the first half of 2018 compared with the estimate in the performance plan was -1.76% and therefore falls in the +/-2% variation band which remains at the expense of service providers, therefore not generating the recording of the balance by traffic risk which in the first half of 2017 had a weighting of €10.4 million; ii) greater use in the 2018 charge and therefore in the income statement of the balances recorded in the previous years which stood at €24.7 million, an increase of €12.7 million compared with the first half of 2017.

Other operating income which totalled €17.9 million, rose by 6% compared with the figure for the corresponding period of the previous year, mainly through the capital gain of €0.7 thousand realised through the sale of the Academy building complex in Forlì at the end of June 2018.

Operating costs stood at €299.5 million and recorded an overall increase of 0.2% compared with the first half of 2017, with a fall in other operating costs of 3.1% and a rise of 2.1% in personnel costs. With reference to the latter, this higher figure was a result of the inclusion of the effects of the contract renewal not present in the first half of 2017 as the conditions in order to make a cost provision had not yet accrued as took place later in the third quarter of 2017. Note that under the scope of overall

operating costs the figure from the capitalisation of internal works had a positive impact of +15.9% thanks to the increased activities carried out in the first half of 2018 by human resources.

With reference to personnel costs, which stood at €244 million, note an overall increase of €0.5 million for fixed remuneration attributable to the cost provision resulting from the renewal of the contract which expired at the end of 2016, partly offset by the effects of the lower Group headcount of 55 average employees and 72 effective employees, compared with the corresponding period of the previous year, with a headcount at the end of the first half of 2018 of 4,170 employees (4,242 employees in the first half of 2017). Variable remuneration increased overall by €2.9 million both through the improved performance related bonus paid to employees and executives (also on account of the new variable incentive structure for Group executives as well as the 2017-2019 Share Performance Plan, both introduced at the end of 2017) plus the increased overtime for operations connected with the rise in air traffic volumes handled in the reference half-year. Personnel costs were also impacted by the greater costs for early retirement incentives paid to employees leaving in the period totalling €2.2 million which involved 20 employees (5 employees in the first half of 2017) a result offset by the reduction in insurance premiums for employees following the savings made by the conclusion of the new agreement.

Other operating expenses stood at €71.5 million, down 3.1% compared with the first half of 2017 thanks to a widespread reduction in the various cost items including: i) costs for utilities and telecommunications fell by 12.3% both with reference to the connectivity costs of the IP MPLS single geographical network for the Group, the lower costs achieved for the new contracts agreed following a tender for E-NET data connections for the decommissioning of the previous circuits and for the larger discount obtained under the scope of the agreement from the supplier; ii) the 6.6% reduction in cleaning and security costs mainly through the end of the reception contracts with effect from 1 September 2017 which are now insourced; iii) lower costs for professional services through less recourse to external professionals of 11.3%; iv) costs for third-party assets fell by 15.8% following the termination of several rental agreements and the movement, at the same time, of personnel both into the new offices owned in the Roma Ciampino Control Centre area and to new rented premises, at a lower cost, with effect from May 2018.

These figures caused a 0.5% increase in EBITDA compared with the first half of 2017, which stood at €111.5 million and an EBITDA margin of 27.1% in line with the figure for the comparison half-year period.

EBIT, on the other hand, rose by 21.3% compared with the first half of 2017, standing at €48.3 million thanks to the positive conclusion of a dispute with a supplier and the revision of several liabilities to personnel after the positive rulings issued during the half-year, which allowed the use of the risk

provision. Note that EBIT in the first half of 2017 suffered from the write-down of the receivable due from Alitalia which took place after the carrier entered extraordinary administration proceedings. The EBIT margin in the first half of 2018 was 11.7%, a 2% improvement compared with the corresponding period of the previous year in which it stood at 9.7%.

Financial income and expenses recorded a balance which was negative by €1.9 million, a figure which was €1.3 million worse than the one in the first half of 2017, mainly on account of the lower financial income from the balance discounting in the half-year compared with the first half of 2017, which benefited from the positive effects associated with the discounting of receivables for the third charging zone balance, closed in compliance with Decree Law no. 50/2017, Article 51. This decree awarded the parent company €26 million to reduce the terminal charge increases for the third charging zone anticipated in the 2016-2019 programme contract.

Income taxes for the period recorded a negative balance of €13.4 million, up €1.2 million compared with the first half of 2017, mainly associated with deferred taxes.

Due to the above, the profit for the period came in at €32.9 million, up 22.2% compared with the first six months of 2017 and entirely pertaining to the Group.

Reclassified consolidated statement of financial position

	30.06.2018	31.12.2017	Variations
Tangible assets	1,008,647	1,027,516	(18,869)
Intangible assets	123,233	124,414	(1,181)
Investments in other companies	59,139	51,217	7,922
Non-current trade receivables and payables	38,122	64,526	(26,404)
Other non-current assets and liabilities	(75,842)	(68,394)	(7,448)
Net fixed capital	1,153,299	1,199,279	(45,980)
Inventories	60,928	60,986	(58)
Trade receivables	350,582	285,810	64,772
Trade payables	(142,452)	(130,854)	(11,598)
Other current assets and liabilities	(140,965)	(134,635)	(6,330)
Assets held for disposal net of related liabilities	1,346	695	651
Net working capital	129,439	82,002	47,437
Gross net fixed capital	1,282,738	1,281,281	1,457
Employee severance indemnity and other benefits	(54,477)	(55,636)	1,159
Provisions for risks and charges	(8,034)	(9,479)	1,445
Deferred tax assets net of liabilities	19,073	21,281	(2,208)
Net invested capital	1,239,300	1,237,447	1,853
Shareholders' equity	1,057,980	1,119,965	(61,985)
Net Financial Indebtedness	181,320	117,482	63,838
Total coverage sources	1,239,300	1,237,447	1,853

Value in thousand of Euro

Net invested capital was €1,239 million, up by €1.8 million compared with 31 December 2017 resulting from changes in the following items.

Net fixed capital of €1,153.3 million fell by €46 million compared with 31 December 2017 through: i) the decrease of €18.9 million in tangible assets and €1.2 million in intangible assets mainly on account of higher depreciation compared with investment under construction in the period; ii) the increase in the item investments in other companies of €7.9 million which mainly refer to the adjustment of the value of the investment in Aieron at fair value, represented by the consideration paid by the British service provider NATS for the acquisition of the same share in Aireon LLC owned by the Group. Following the entry of NATS and the consequent dilutive effects, the stake held by the Enav Group in Aireon LLC stood at 9.1% and will stand at 11.1% after redemption; iii) the reduction in the item non-current trade receivables and payables following the lower balances recorded in the first half of 2018 and the increased share recognised in receivables and payables for the current share of balances.

Net working capital was €129.4 million, up by €47.4 million compared with 31 December 2017. The main changes involved: i) the increase in trade receivables of €64.8 million which refers to the receivable from Eurocontrol of €48.4 million, following the increased turnover in the last two months of the half-year in 2018, related to the increase in traffic compared with the last months of 2017, an effect partly offset by the collection of en-route receivables from Alitalia in compliance with the recovery plan defined at the end of 2017; the contribution for plant security and operational safety pertaining to 30 June 2018 of €15 million; the balance receivables reclassified in the current section, in line with the charge for 2018 and the share pertaining to the first half of 2019; ii) the increase in trade payables of €11.6 million mainly through the collection of the pre-financing for the Connecting Europe Facility (CEF) project, 2014 call and 2016 call totalling €12.7 million offset by the reduction in payables to suppliers; iii) the change in other current assets and liabilities which caused a net effect of greater payables by €6.3 million which refer to €17.9 million to the increase in tax and social security payables because of higher welfare and IRPEF expenses accrued in the fourteenth month paid to employees in June as well as the provisions for personnel for the contribution share; the greater current liabilities both for personnel provisions pertaining to the first half of 2018 of €8.5 million and the greater payable to the Italian Air Force and Enac for the share of en-route and terminal receivable collections recorded in the period excluding the payments made in the first half of 2018 totalling €25.2 million excluding the receivable from the Ministry of Economy and Finance issued on 31 December 2017 of €13.9 million; the increase in accruals and deferrals for the fourteenth month paid to employees in June 2018 and for INAIL payments made in February and recorded under other current assets for the share not pertaining to the period; the increase in receivables from government entities for capital grants following the recognition in for NOP purposes in 2014-2020 of four investment projects underway in airports in the south.

When calculating *net invested capital* the employee severance indemnity and other benefit, negative by €54.5 million also had an impact, recording a positive change in the period of €1.2 million both in payments and advances made in the period and the actuarial gain recorded at 30 June 2018, as well as provisions for risks and charges of €8 million and deferred tax assets and liabilities for a positive net amount of €19 million.

Shareholders' equity stood at €1,057.9 million recording a net decrease of €62 million compared with 31 December 2017 on account of the decreases related to the payment of the dividend on €100.9 million, the purchase of treasury shares for €0.8 million partly offset by the reserve for the adjustment to fair value of the investment in Aireon for €5.1 million excluding the tax effect and the profit for the period of €32.9 million.

Net financial indebtedness amounted to €181.3 million, an increase of €63.8 million compared with 31 December 2017, as shown in the following table:

	30.06.2018	31.12.2017	Variations
Cash and cash equivalents	181,587	263,325	(81,738)
Current financial receivables	30	325	(295)
Current financial debt	(20,576)	(30,462)	9,886
Net current financial position	161,041	233,188	(72,147)
Non-current financial receivables	1,616	0	1,616
Non-current financial liabilities	0	0	0
Non-current financial indebtedness	(343,977)	(350,670)	6,693
Non-current financial indebtedness	(342,361)	(350,670)	8,309
Net financial indebtedness	(181,320)	(117,482)	(63,838)

Value in thousand of Euro

Net financial indebtedness at 30 June 2018 revealed a negative change of €63.8 million due on the one side to the dynamics of collections and payments related to ordinary operations which produced a positive cash flow, and on the other side to the following events: i) the payment of the dividend of €100.9 million; ii) the payment to the Italian Air Force of the share of terminal collections in so far as it concerns them of €8.8 million; iii) the payment of the balance and the first advance of IRES of €17.6 million. These effects were partly offset by the collection of pre-financing for the 2016 Connecting Europe Facility project and other funded projects totalling €14 million.

Consolidated statement of cash flows

	First Half 2018	First Half 2017	Variations
Cash flow generated/(absorbed) from operating activities	76,431	20,115	56,316
Cash flow generated/(absorbed) from investing activities	(38,367)	(68,225)	29,858
Cash flow generated/(absorbed) from financing activities	(119,140)	(108,963)	(10,177)
Cash flow for the period	(81,076)	(157,073)	75,997
Cash and cash equivalents at the beginning of the period (*)	264,275	231,811	32,464
Exchange rate differences on cash	10	(209)	219
Cash and cash equivalents at the end of the period (*)	183,209	74,529	108,680
Free cash flow	38,064	(48,110)	86,174

Value in thousands of Euro

(*) Cash and cash equivalents at the beginning of the period includes 950 thousands of euro of the liquidity Consortium Sicta in liquidation, while at the end of the period includes 1.622 thousands of euro.

The *Cash flow generated/(absorbed) from operating activities* in the first half of 2018 stood at €76.4 million, an increase of €56.3 million compared with the figure for the corresponding period of the previous year. This flow was generated by the increase in current and non-current trade receivables of €25.6 million related mainly to the increased traffic generated in the period although, compared with the first half of 2017, the increase was more contained with the collection of receivables from carriers

which refer to the first half of 2017 as well; an increase in tax and social security payables of €17.9 million which refer to greater social security costs and withholdings that accrued on the fourteenth month, to be paid in July, partly offset by the positive change of €2.1 million in tax receivables. In the first half of 2017 the change in question had an impact of €2.4 million because it benefited from the higher VAT receivable which, following the introduction of the split payment mechanism with effect from 1 July 2017, did not generate a VAT credit. The change in other current and non-current assets and liabilities generated a positive change of €2.6 million less, compared with the figure in the first half of 2017, which was affected by a reduction in other liabilities because of the lower payable to the Ministry of Economy and Finance of €26 million following the effects associated with Decree 50/2017. Current and non-current trade payables fell by €11.9 million following the lower payments made to suppliers.

The *Cash flow generated/(absorbed) from investing activities* in the first half of 2018 absorbed cash of €38.4 million to a lesser extent compared with the figure in the corresponding period of the previous year which was negative by €68.2 million. The change, in the presence of capex of €53.3 million, down by €4.9 million compared with the first half of 2017, refers to both lower payments to suppliers on investment projects of €11 million, which in the first half of 2017 was affected by higher payables to suppliers for VAT no longer present in the period in question and the presence of the payment of the third tranche for the acquisition of the investment in Aireon of €12.4 million.

The *Cash flow generated/(absorbed) from financing activities* absorbed liquidity totalling €119.1 million through the distribution of the dividend of €100.9 million, the €18.3 million repayment of loans and the purchase of treasury shares of €0.8 million. These effects were partly offset by the financial receivable from Aireon for the first tranche of the shareholders' loan supplied in March 2018. The negative change, compared with the corresponding period of the previous year, of €10.2 million refers mainly to the greater payment of both the dividend of €5.6 million and the portions of the loans of €2.7 million with the start of the repayment of the EIB loan.

The *free cash flow* was positive by €38.1 million benefiting from the cash flow generated by activities in the period which made it possible to cover the cash flow absorbed by investing activities.

Other information

Business plan

The Board of Directors approved the new 2018-2022 Business Plan at the meeting held on 12 March 2018. Taking safety as the vital premise in exercising core activities, the Plan unfolds in a series of key elements, guidelines and objectives.

The actions underlying these strategic objectives resulted in the development of a series of project initiatives, as well as leading to the definition of the Human Resources Plan, Investment Plan and Economic-Financial Plan.

The above-mentioned 2018-2022 Business Plan is based on three main principles:

- *A new flexible and adaptive operating model, capable of increasing productivity and competitiveness and of optimising costs.*

The objective of maintaining a focus on the core business and on customers, using innovative technologies and a flexible and adaptive organisation as leverage, capable of dealing with rapid changes in demand and the new requirements of stakeholders. The new operating model includes the consolidation of the 4 Area Control Centres in the two Rome and Milan offices. By 2022 the Rome and Milan control centres, which already manage the approaches to the major domestic airports, will also take over the activities of almost all the approach centres located in control towers. Gradually until 2022, the Brindisi Area Control Centre, and in the subsequent five-year period the Padua Control Centre, will become the hub of an important technological and industrial transformation; the Plan actually involves the gradual transformation into two hubs from which the control towers and main activities of other airports will be managed remotely, as well as the development of applicable technologies. The new operating model will also allow the centralisation of monitoring and maintenance activities, minimising intervention times and costs and increasing productivity.

- *Strengthening the leadership of ENAV developing future platforms for air traffic control.*

In line with international technological development in the sector, the parent company implemented the technical and operational development plan with the aim of remaining competitive in the international sphere and preserving its leadership position in technological innovation, in line with the requirements of the Single European Sky. The business plan involves investments in technological platforms and innovative systems for air traffic control, in the five-year period 2018-2022, aimed at guaranteeing a high level of performance and maintaining maximum safety levels.

➤ *Continuing to grow in the non-regulated market, both in Italy and abroad.*

The Group plans to expand its activities in the non-regulated market consolidating its presence in the 29 countries in which it already has contracts, as well as evaluating any growth opportunities through M&A transactions. The parent company also puts itself forward as a key operator for the development of the drone market, still in an embryonic stage, but with great potential, allowing the use of these vehicles for an increasing number of public utility services, making operations more secure. In this respect, the company launched the process of selecting a business partner for the creation of a NewCo, which it will own 60% of, which will be responsible for the development of a specific air traffic management model for Unmanned Aerial Vehicles (UAV) offering services to consumers paid for on the basis of charges. The parent company, in line with the forecasts in the agreement signed with the national regulator (ENAC), actually has the goal of enabling conventional traffic to coexist with the requirements of drones and their users, guaranteeing safety in the airspace.

With reference to the *Economic-financial objectives of the 2018 – 2022 Business Plan*, the Group plans to invest around €650 million, over the next 5 years, self-financed, aimed at the development and implementation of the new technological platforms, the education and training of its personnel and the modernisation and conversion of several preparatory facilities for the new operating model. In the period 2018-2022, net revenues are expected to increase by low single digits; the component of revenues from non-regulated activities is expected, in 2022, to stand at around €35 million, also taking into consideration the growth opportunities associated with the management of UAV traffic, with an annual average growth rate of more than 20%. The Group expects to maintain cost development trends in the period 2018-2022 below the inflation rate, in order to be able to achieve an EBIT margin in the range of 17-18% in 2022. Lastly, in the period 2018–2022 the parent company expects the annual growth rate of the dividend to be 4%.

Purchase of treasury shares

Following the revocation of the previous authorisation pursuant to the resolution of the Shareholders' Meeting of 28 April 2017, the Shareholders' Meeting held on 28 April 2018 authorised the Board of Directors to acquire and dispose of the company's treasury shares, in compliance with the relevant legislation, for the following purposes: i) to implement the remuneration policies adopted by Enav and specifically to comply with the obligations arising from share option plans or other share grants to employees or members of the governing bodies of the company and/or companies directly or indirectly controlled. To this end, in the implementation of the resolution passed by the Shareholders' Meeting of



28 April 2017, the Board of Directors, at the proposal of the Remuneration and Appointments Committee, approved the 2017-2019 Performance Share Plan at the end of 2017, therefore the authorisation for the purchase of treasury shares is at the service of the above-mentioned plan; ii) to operate in the market from a medium and long-term investment perspective, and also create lasting investments, or to allow the company to take advantage of any opportunities to maximise the value that may come about from the performance of the market. The maximum number of shares it was authorised to purchase was 1,200,000 shares and this authorisation is valid for a period of eighteen months from the date of the resolution. On 30 May 2018, the Board of Directors, in the implementation of the shareholders' meeting resolution, gave the CEO the power to proceed with the acquisition of treasury shares up to a maximum of 1,200,000 shares and until 15 April 2019. At 30 June 2018, Enav had 206,955 treasury shares in its portfolio worth €850.7 thousand corresponding to 0.0382% of the share capital.

Relations with related parties

Related parties refer to entities controlled, directly or indirectly, by Enav, the parent company, the Ministry of Economy and Finance (MEF), subsidiary and associated entities, controlled directly or indirectly by the MEF and the overseeing Ministry namely the Ministry of Infrastructure and Transport (MIT). Other related parties are directors and their immediate family, full members of the Board of Statutory Auditors and their immediate family, executives with strategic responsibilities and their immediate family, of the Parent Company and companies directly and/or indirectly controlled and the benefit plan funds following the end of the employment relationship for Group employees.

Related-party transactions conducted by the Group in the first half of 2018 essentially involved services that were part of routine management and regulated at market conditions, described in more detail in Note No. 33 of the Condensed consolidated interim financial statements.

Enav, in conformity with the provisions of Article 2391 bis of the Civil Code and in compliance with the principles set out in the Regulation containing provisions on the subject of related-party transactions adopted through CONSOB resolution No. 17221 of 12 March 2010, and subsequent amendments and additions, established, with effect from the date of the admission to trading of the company's shares on the Mercato Telematico Azionario organised and managed by Borsa Italiana, the procedure that governs Related-Party Transactions approved by the Board of Directors at the meeting held on 21 June 2016 and later updated and approved by the Board of Directors at the meeting held on 13 November 2017. This procedure is available on the Enav website www.enav.it in the corporate documents area of the Governance section.

Note that, during the first half of 2018, no transactions of major importance, as identified in Annex 1 of the above-mentioned procedure, were implemented. Note the conclusion of the tender process for the selection of the business partner who will assist the parent company with the development of a platform for the provision of Unmanned Aerial Vehicles Traffic Management (UTM) service for the management of drones. The partner selected was a business group led by Leonardo SpA in partnership with Telespazio and IDS Ingegneria dei Sistemi and will acquire 40% of the NewCo for the management of these services, in which the parent company will hold the majority stake with 60% of the share capital.

There were no transactions which significantly influenced the consolidated financial position or the consolidated results for the period.

Risk factors and uncertainty

Taking into consideration the activity profile and the highly regulated context in which it operates, the Enav Group is essentially exposed to risk profiles of a regulatory and technical-operational nature. However, taking into consideration the increasingly changing global and competitive scenario of the ATM system and the expectations of the financial community and stakeholders, it is increasingly important to also anticipate, analyse and manage the emerging risks, which could potentially have significant effects on standing and reputation.

In the light of this, the parent company implemented an integrated risk management system at enterprise level (the Enterprise Risk Management system), in a combined effort with the Financial Reporting Officer, the Assurance functions, and the by now consolidated areas of Safety and Security, the cornerstones. This system, constantly under development, has the goal of preventing undesired business developments and of contributing to the creation of a new organisational culture, directed at sustainable growth processes.

Naturally, by virtue of the strong integration and correlation of risks, the risk profiles relating to enabling factors, such as, for example, technological and infrastructure development, human and organisational capital, internal and third-party mutual dependence are also of primary importance.

For these reasons, the risk profiles described above were the subject of an analysis which made it possible to identify prioritised actions aimed at establishing safeguards, instruments and organisational measures designed to minimise, as far as possible and, in any event, keep within acceptable limits, the most significant and important risks that could affect the sustainability of the Enav Group in the medium-/long-term.

With regard to financial risks, refer to the notes to the consolidated financial statements at 31 December 2017 which there have been no changes to.

Safeguarding Group risks

The Group believes that an integrated control system based on the management of risks, at all organisational levels, is a fundamental requirement for the effective governance of the Group's activities and for compliance with industry laws, regulations and technical standards.

In line with this principle, the *Enterprise Risk Management* (ERM) system, also by virtue of the synergies with the consolidated experience of the Safety and Security risk areas, was organised further developing risk assessment techniques and control safeguards aimed at identifying the treatment priorities thanks to the combined evaluation of several variables such as, for example, the mutual dependence of risks, risk propagation speed and the vulnerability of the control safeguard.

Actions were implemented, with special reference to the important technical and operational developments outlined in the business plan, to safeguard all risk factors which could lead, over the time horizon of the plan, to the failure to reach or the partial achievement of the operational and management simplification objectives.

Risks associated with Air Navigation Services

In the provision of air navigation services, the parent company is subject to a security guarantee relating to safety and a protection obligation relating to security, which are connected through a logical and regulatory perspective. International, European and national standards governing safety, in terms of Safety and Security, require the parent company to be responsible for standards and objectives aimed at identifying and mitigating the risk inherent in the effects of potential breaches of security, resulting from deliberate or involuntary acts or technological factors, together with measures for restoring safety levels.

Taking these premises into consideration and taking into account that the impacts that can be generated by the occurrence of risk events associated with the provision of air navigation services give rise to potentially systemic events which would also have repercussions on the image and the reputation of the Enav Group, it should be considered a priority to take all the necessary actions for achieving and maintaining the intrinsic level of risk inherent in the nature of the services, in other words which cannot be mitigated further through treatment actions.

In this context, ensuring effective safety management for preventing and/or containing the risks associated with the provision of the core business within acceptable limits, as well as being at the heart



of Enav's mission, is vital for maintaining the necessary certification for carrying out both the air navigation service provision activities and training organisation activities of the supplier and, therefore, the risk of misalignment between the anticipated goal (Safety/Security Target) and the actual performance achieved (Safety/Security Achievement), also with regard to binding objectives and the performance monitoring process established by EU and national regulations should be managed.

On account of the severity of the safety risk, the company, through a dedicated protection mechanism and a Safety Post Holder, defines its own safety policy and has a three-year plan for improving safety management in Air Navigation Services and, specifically, in the traffic area (Safety Plan) in which it plans the activities that the company is committed to implementing in order to maintain compliance and reach the EU wide and local safety targets.

The Group is also exposed to specific Security risks in connection with the protection of personnel, infrastructure and systems, and with special relevance concerning the significant size of its core services, to the relative interdependence of the effects of violations by employees of contractors, sub-contractors and consultants; to the nature and location of physical infrastructures located throughout Italy; to the size of the number of staff and diversity; to the threats with regard to the industry in which the Company operates.

On account of the severity of the Security risk, the Company has established consolidated control and management tools and has a dedicated protection mechanism that a Security Post Holder is responsible for. Under the scope of the overall safety management system, which is an integral part of the certification process for Air Navigation Service suppliers in accordance with the "EU requirements" established by EU Regulation no. 1035/2011, security risk is overseen through periodic security risk assessment activities, through the continuous monitoring of security risk treatment activities, as well as through the constant strengthening of the safeguarding of the Security Operation Centre both for physical security and information. A management model was also created for the threat indicators distributed by the Public Authorities and essential service providers which reinforces the centrality of the Company in the context of the national cyber security strategy, implementing the Prime Ministerial Decree of 17 February 2017 and European Directive 1148/2016 introducing measures for a joint high security level for information networks and systems in the European Union.

Starting from the consistent management of processes according to the "*safety & security by design – safety & security through lifecycle*" principles, Enav has also launched a process of convergence between Safety and Security Management operating in the most integrated and collaborative way to achieve the centralised management of management and maintenance processes for technologies functional to the provision of Air Navigation Services provided by the subsidiary Techno Sky.

Risks associated with technological and infrastructure development

Efficient technological and infrastructure development is a critical factor in guaranteeing excellent performance and achieving the objectives defined in corporate planning. In this area, a process for implementing investments, which guarantees the integration and synchronisation of the activities carried out by the various parties involved takes on critical importance both as a tool for mitigating the risk associated with complying with the times, costs and quality of projects, and for ensuring overall technical consistency.

Therefore, in addition to the current safeguards, the Group has initiated several important risk treatments with the aim of improving the prioritisation and control model for investments, both in terms of the process and support tools. Specifically, in the half-year reference, the risk control safeguards were strengthened further thanks to the implementation of several important improvements related to the structure of the investment plan and the implementation in the corporate information system of an IT module for monitoring the activities of the assignment and integration phase with the design and execution phases of the life cycle of the investment.

Risks associated with the development of the business

The development of new business sectors and the growth of the unregulated business on the unregulated market constitute a development opportunity for the Enav Group. The achievement of the growth targets set out in the Business Plan could be affected by external factors over which the Group has no control, such as the growth of the market and the demand for these services or by endogenous factors. In relation to these risks, in order to strengthen the control safeguards, a Group Risk Policy was issued for intermediation contracts with the aim of defining the guidelines for the identification and assessment of the risks, essentially of a corruptive nature, to which the Group may find itself exposed under the scope of commercial development activities for the process of identifying intermediaries and negotiations, entering into and executing agreements with these intermediaries.

Risks associated with the implementation of the new Unmanned Traffic Management business model

The aerial drone and related applications market, both in Europe and globally, is constantly expanding, driven by growing demand for services rendered in an innovative fashion through the use of these vehicles, the rapid and constant technological developments in progress, the cost-effectiveness of these vehicles and the ease with which they can be maintained in flight on fixed routes. The need to manage



the air traffic of these vehicles has been widely recognised both at global level and at European level, allowing their full, yet gradual, integration into the airspace, while guaranteeing traditional civil aviation safety levels.

The management system of these vehicles is called *Unmanned Aerial Vehicles Traffic Management* (UTM) while the European UTM model was renamed *U-Space* by the European Commission and by the SESAR Joint Undertaking, *U-Space* is based on the principle that public and private operators and their drones are registered in a way that each drone can be identified and the operator (pilot, operator, owner) traced. Identification should also be possible remotely, via suitable technological solutions. Lastly, every user should be easily able, using suitable technological instruments, to recognise the conditions in which a certain vehicle can be used.

In the light of the above, the risk mitigation actions that have been effectively implemented by the parent company primarily include the selection of an industrial partner with whom to create a NewCo dedicated to UTM services. This choice makes it possible to mitigate business risk and, at the same time, represents a mitigation tool for inflexibility risk, typical of supply contracts. The sharing of business goals and consequently risk profiles with partners actually provides greater flexibility and commitment for the partner in reaching the shared goals of maximising revenues and curbing costs.

The overall cost of safeguarding the implementation risk of the new UTM business model, also in consideration of the awarding of the tender and the implementation of the business partnership, will increase with the forthcoming operational implementation stages of the plan and its goal will be to integrate the road maps relating to the fundamental aspects in the best way possible to achieve the business plan objectives.

Risks associated with traffic and cost management

This is defined as the risk related to the possible change in the parameters that determine regulated revenues and to the differences compared with the estimates, especially when calculating charges.

The reference framework for this risk, in the same way as for Enav core business activities, should be classified under the scope of a nationally and internationally regulated model. The majority of rules and procedures applicable to the parent company have an international origin (ICAO, European Commission, EASA, EUROCONTROL etc.) and these are expressed in EU regulations overriding national laws. Various institutions operate at European level, which can define rules directly applicable to the company, in particular the European Commission and EASA, through European Union regulatory instruments (Regulations, Directives, Decisions). However, for the economic and financial objectives of the plan and for the definition, measurement and optimisation of operational performance, the European

Commission initiative in progress linked to the new Charging and Regulation Performance Scheme for the period 2020-2024 (Reference Period 3) takes on particular importance.

In this context, the company is overseeing the consultation body of the European Commission, through a series of meetings, in preparation for the revision of European regulations for the definition of the regulatory framework for the period 2020-2024 (the PRB, Performance Review Body). The regulatory amendments were discussed under the scope of the Single Sky Committee, the body established to support the European Commission with the implementation of the Single European Sky although there is currently no plan for the consolidation of the regulatory framework in the short-term. During the process of completing the framework, the company is developing scenario analyses with progressive assumptions and accuracy levels depending on the information available, to evaluate the possible impacts and consolidate the related risk levels.

Risks associated with human and organisational capital

Such risk is defined as the human capital of the Enav Group, which is the collection of technical skills, know-how and abilities which give rise to the human capacity for creating wealth for the Group, that is inadequate compared with the operating model and the development of the business strategic requirements.

In this context, in addition to the existing safeguards, two important treatments were launched during the half-year in question: i) consolidation of the core skills evaluation method models and the improvement of the training requirement analysis process with the goal of making them more closely connected to safety and service quality; ii) development of a new model focused on managerial skills and the development of a people evaluation and development system, along with training courses and key role replacement tables. Taking into consideration the reorganisation of the service provision arrangements, the company also implemented an adequate process for the planning, development and alignment of human resources, with particular reference to technical and operational personnel whose partial training and requalification would have a negative impact on the realisation of the plan objectives.

Risks associated with governance and compliance issues

Over the last decade, corporate compliance issues or regulations applicable to companies, not directly connected with the business activities conducted, have been constantly and rapidly on the rise, requiring investments in terms of resources and processes in order to safeguard these issues.

In order to prevent and/or mitigate them, as far as possible, the effects on the operating and business objectives, the Group continuously monitors developments in the reference regulatory framework, and holds collaborative discussions with national and European institutions and with industry governing and regulatory bodies.

Specifically, as far as the risk under the scope of Legislative Decree 231/2001 is concerned, the programme of activities aimed at strengthening the risk safeguards was completed through the execution of an assessment of Model 231 which led to the approval by the governing body of the company of the Organisational and Management Model (MOG), both for Enav and the subsidiary Techno Sky, achieved taking into account the guidelines of Confindustria and best practices on the subject of the administrative liability of bodies.

The Model was updated further and approved through the resolution of the Board of Directors of 27 February 2018 through the integration of several offences to be introduced later and with special reference to Law 179/2017 (“Provisions for the safeguarding of the authors of reports of offences or irregularities which have come to light under the scope of a public or private employment relationship”). A classroom based training programme was also held on the issue of Legislative Decree 231/2001 and on anti-corruption aimed at Group personnel which ended in 2017, while in 2018 an online training course was launched on the same topics.

In the field of **fraud and corruption** risk, the activity of raising awareness of the principles aimed at preventing acts of corruption in compliance with the principle of zero tolerance of the risk of fraud and corruption was pursued with the objective of safeguarding the reputation and image of the Group, as well as guaranteeing stakeholders the maximum attention and commitment in the application of the Code of Ethics and rules of conduct.

To identify potential vulnerability and remove it, the Group has a whistleblowing system in line with best market practices. The monitoring of reports highlighted that in 2017 there were 15 with no events of fraud or corruption found and there was 1 report between 1 January and 1 June 2018 from which, in this case too, no events of fraud or corruption were found. Still in the area of fraud and corruption, different treatments were implemented, some of which concluded in 2017 and others are still in progress, aimed at making the internal control system more effective and robust, including: i) the definition of a Group zero tolerance (anti-corruption) policy; ii) the adoption of an anti-corruption and anti-fraud model; iii) the adoption of a regulation on reporting with special attention to protecting whistleblowers; iv) the definition of a classroom-based and online training plan on the issues of anti-fraud and anti-corruption. With regard to training, a programme was conducted in 2017 on the issue of anti-corruption dealt with together with Legislative Decree 231/2001 aimed at Group personnel, both in the classroom and, in 2018, online as well, as reported above. Still in 2017, the Whistleblowing

Regulation was drafted which, following the favourable opinion of the Control and Risks and Related Parties Committee, was published on the company website in the first half of 2018.

The Enav Group is strongly committed to the mitigation of risks associated with workers' health and safety and uses special Management Systems aimed at the continuous improvement of the methods through which the above-mentioned issues are managed, both in terms of compliance with applicable regulations and satisfying best practices in terms of the organisation and management of the underlying processes. Specifically, the Enav Group Workplace Health and Safety Management Systems were implemented in accordance with Article 30 of Legislative Decree 81/08, including specific measures of an organisational and procedural nature which, in addition to guaranteeing compliance with the reference legislation and internal rules, ensuring the control of risks and improvement of performance on the subject of workplace health and safety, also targeting the goal of obtaining OHSAS 18001 certification from an accredited certification body.

In the area of personal data protection and privacy, note the regulatory development that took place with the new EU Regulation 2016/679, mentioned above, known as the General Data Protection Regulation (GDPR) the application of which, as from 25 May 2018, became mandatory in all parts and directly applicable in member countries. Directive 95/46/EC, which, at EU level, governs data handling was repealed on the same date, while in Italy the Privacy Code (Legislative Decree 196/2003) continues to be in force. The GDPR introduces several important principles and aspects of an organisational nature with obvious implications of a technological nature.

The Group has a Group Data Protection Officer (DPO) in the person of the Head of Internal Audit appointed from 1 April 2018. The EU Regulation also introduced the obligation for every company handling data to prepare and maintain a register of data treatment activities with the obligation of notifying breaches by the data controller; the Group complied with the above-mentioned regulatory obligations within the required deadlines.

With regard to some of the important regulatory developments, note the following:

Regulatory developments in the area of network security (Directive EU 1148/2016 – NIS, Network Information Security). This Directive, containing measures for a joint high level of network information security in the European Union, came into force on 9 May and defines, among other things, the role of Essential Service Operators applicable to Enav by virtue of its mission in the air transport industry. Therefore the company must conform to the requirements on the subject of network information security and the IT systems used for the provision of services which have impacts on stakeholders belonging to the European Union. Enav safeguards the risk through a corporate structure responsible for information security, systems and networks at Group level, certified in conformity with the requirements of ISO/IEC 27001 which avails itself of a centralised information security monitoring

system (i-SOC). Also note the further actions in progress related to training campaigns and raising awareness of security systems for personnel involved in system configurations and the updating of the training course on the e-learning platform on the issue of "Information Security" for Group personnel.

Regulatory developments in the area of the Joint Requirements of ANSP (373/2017)

From 2 January 2020 the new European regulation will be applicable which establishes the joint requirements for air traffic management (ATM) and Air Navigation (ANS) service providers (Reg. EU 2017/373), which repeals the existing Reg. EU 2011/1035. This regulation, based on Enav's certification as an ATM/ANS service provider, introduces several important new features which, together with the increasingly detailed level of requirements relating to individual services and their continued updating, could imply difficulties in the process of adaptation to the regulation. Over the years the company has implemented a series of mitigation measures, such as the establishment of an organisational structure, the Quality function, Management Systems and HSE, which, in conjunction with the organisational structures of the Group, oversees the maintaining of Enav certification as a provider of air navigation services. This structure also has the task of guaranteeing the consistent development of the Quality Management (SGQ), Safety (SMS) and Security (SecMS) Systems, guaranteeing conformity to the respective regulatory requirements, in addition to representing the sole point of contact with regard to the Competent Authority for Certification and Supervision. The company has also centralised the safeguarding of international regulations for monitoring the progress of sector regulatory developments and preparing specific proposals in the interest of the company, following implementation. As a further action, the development of a plan to implement Reg. EU 2017/373 is in progress, which, by the end of the year, will define a list of actions to be implemented to guarantee the conformity of the new regulation to the guidelines of the owners.

Risks associated with image and reputation

Corporate image and reputation are factors of success for organisations which, in their business, have to relate to customers, institutions, authorities and stakeholders. The issues in this area take on greater importance for companies listed on regulated markets because the community of investors is considerably affected by events and developments capable of prejudicing these aspects.

The new operational model in the business plan represents an important change both in terms of the rationalisation of the scope of operations and the optimisation of air traffic control operations, with significant media exposure. By virtue of this prominence, the company has prepared a disclosure safeguard, consistently and constantly in line with industrial and institutional relations.

Specifically, in order to mitigate these risks, the company has planned various disclosure activities both with regard to institutions and with regard to the operational corporate audience, with the dual aim of



guaranteeing the alignment of the key elements of the plan and gaining increasing approval along the prospective transition route.

Business outlook

The first half of the year in progress featured traffic trends with constant and sustained growth, with the figure for the end of the period giving the best result recorded for major European providers (+8.7%). The average increase recorded over the last three months is particularly significant, highlighting that at the end of the 2nd quarter there was a 9.5% increase in en-route traffic in terms of service units. The first figures noted in July confirm the growth trend observed until now and make it possible to predict a result for the end of the year in terms of service units at the levels recorded in the first half of the year. This growth will enable the parent company to position itself within the dead band as far as the coverage of traffic risk is concerned (+2% of the traffic projected in the performance plan). Any further increases in traffic and related revenues will therefore be entirely of benefit to the Group.

On the other hand, as far as the trend in costs is concerned, actions in the second half of the year are expected to continue in line with the programmes and time scales set out in the Group's new Business Plan.

The activities associated with the preparation of the next regulatory period are no less significant. In this context the European Commission issued the first draft of the new EU Regulation which will regulate the operation and economic management of European flight assistance providers in the third Reference Period (2020-2024). At the same time, this Commission formulated an initial proposal on the anticipated levels of economic performance and operations that service providers should achieve for said period. The approval process for the Regulation and the performance targets will probably be completed by the end of the present year.

For this reason the parent company, as previously happened in the preliminary phase for the first two Reference Periods, will be further committed in the coming months on the one side to oversee the main industry regulatory meetings, through a joint agreement with the national regulator, and on the other side to prepare its economic plan for the period 2020-2024, in line with the guidelines of the Regulator and the strategic objectives of the 2018-2022 Business Plan.



**Condensed consolidated interim financial statements
at 30 June 2018**



Consolidated interim financial statements

Consolidated interim statement of financial position

ASSETS

<i>(Euro)</i>	Notes	30.06.2018	of which related parties (Note 33)	31.12.2017	of which related parties (Note 33)
Non-current assets					
Tangible assets	7	1,008,647,258	0	1,027,515,875	0
Intangible assets	8	123,233,288	0	124,413,813	0
Investments in other companies	9	59,139,045	0	51,216,852	0
Non-current financial assets	10	14,078,571	0	13,001,295	0
Deferred tax assets	11	23,939,196	0	24,785,005	0
Non-current tax receivables	12	24,858,353	0	24,858,353	0
Non-current trade receivables	13	51,635,337	0	88,173,706	0
Total non-current assets		1,305,531,048	0	1,353,964,899	0
Current assets					
Inventories	14	60,927,761	0	60,986,028	0
Current trade receivables	13	350,582,244	52,036,019	285,810,027	44,507,875
Current financial assets	10	30,009	0	325,067	0
Tax receivables	12	28,298,053	0	26,178,368	0
Other current assets	15	35,800,941	13,705,096	11,668,739	3,396,861
Cash and cash equivalents	16	181,586,883	557,623	263,325,431	557,623
Total current assets		657,225,891		648,293,660	
Assets classified as held for disposal	17	1,786,200		1,195,674	
Total Assets		1,964,543,139		2,003,454,233	

SHAREHOLDERS' EQUITY AND LIABILITIES

<i>(Euro)</i>	Notes	30.06.2018	of which related parts (Note 33)	31.12.2017	of which related parts (Note 33)
Shareholders' Equity					
Share capital	18	541,744,385	0	541,744,385	0
Reserves	18	464,039,709	0	453,311,632	0
Retained earnings/(accumulated losses)	18	19,202,515	0	23,411,079	0
Profit/(loss) for the period	18	32,993,482	0	101,497,826	0
Total Group Shareholders' Equity	18	1,057,980,091	0	1,119,964,922	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	1,057,980,091		1,119,964,922	
Non-current liabilities					
Provisions for risks and charges	19	5,692,886	0	7,270,672	0
Employee severance indemnity and other benefits	20	54,476,590	0	55,635,827	0
Deferred tax liabilities	11	4,866,364	0	3,504,717	0
Non-current financial liabilities	21	343,976,779	0	350,670,193	0
Non-current trade payables	22	13,512,971	0	23,647,605	0
Other non-current liabilities	23	113,164,538	0	106,252,719	0
Total non-current liabilities		535,690,128		546,981,733	
Current liabilities					
Short-term portion of provisions for risks and charges	19	2,341,600	0	2,208,600	0
Current trade payables	22	142,451,609	71,321,640	130,854,158	20,693,540
Tax and social security payables	24	57,310,975	0	39,380,997	0
Current financial liabilities	21	20,576,456	0	30,461,827	1,663,703
Other current liabilities	23	147,752,655	21,040,003	133,101,668	59,882,227
Total current liabilities		370,433,295		336,007,250	
Liabilities directly associated with assets held for disposal	17	439,625		500,328	
Total liabilities		906,563,048		883,489,311	
Total Shareholders' Equity and liabilities		1,964,543,139		2,003,454,233	

Consolidated interim income statement

<i>(Euro)</i>	Notes	1st Half 2018	of which related parties (Note 33)	1st Half 2017	of which related parties (Note 33)
Revenues					
Revenues from contracts with customers	25	417,146,923	6,644,331	391,533,889	7,178,917
Revenues from contracts with customers - Balance	25	(24,025,591)	0	1,607,856	0
Other operating income	26	22,612,492	18,471,733	21,511,048	19,251,771
Total revenues		415,733,824		414,652,793	
Costs					
Costs for raw materials, supplies, consumables and goods	27	(5,536,004)	(6,694)	(4,071,270)	(228,905)
Costs for services	27	(61,885,130)	(1,193,819)	(65,026,908)	(1,713,123)
Personnel costs	28	(244,091,960)	0	(239,090,791)	0
Costs for the use of third-party assets	27	(2,490,171)	(34,494)	(2,958,122)	(53,782)
Other operating expenses	27	(1,592,764)	0	(1,761,333)	0
Capitalisation of internal work	29	16,115,954	0	13,904,960	0
Total costs		(299,480,075)		(299,003,464)	
Amortisation and depreciation	7 and 8	(69,278,425)	0	(70,663,240)	0
Write-downs and losses/(write-backs)	13	(28,011)	0	(4,750,258)	0
Provisions	19	1,343,234	0	(418,256)	0
Operating Income		48,290,547		39,817,575	
Financial income and expenses					
Financial income	30	1,463,097	0	2,906,912	0
Financial expenses	30	(3,526,059)	(16,867)	(3,236,283)	(56,938)
Profit (loss) on foreign exchange	30	139,711	0	(301,986)	0
Total financial income and expenses		(1,923,251)		(631,357)	
Income before taxes		46,367,296		39,186,218	
Income taxes for the period	31	(13,373,814)		(12,178,426)	
Profit/(loss) for the period		32,993,482		27,007,792	
<i>attributable to parent company</i>		32,993,482		27,007,792	
<i>attributable to minority interests</i>		0		0	
Basic earnings/(loss) per share	36	0.06		0.05	
Diluted earnings/(loss) per share	36	0.06		0.05	

Consolidated interim statement of other comprehensive income

(Euro)	Notes	1st Half 2018	1st Half 2017
Profit/(loss) for the period	18	32,993,482	27,007,792
<i>Other components of the comprehensive income statement that will subsequently be reclassified in profit/(loss):</i>			
- Differences arising from the translation of foreign financial statements	18	1,536,202	(4,037,023)
- Fair value of derivative financial instruments	10 and 18	(27,040)	(155,110)
- Tax effect of the valuation at fair value of derivative financial instruments	11 and 18	6,490	25,802
<i>Total components of the comprehensive income statement that will subsequently be reclassified in profit/(loss)</i>		1,515,652	(4,166,331)
<i>Other components of the comprehensive income that will not subsequently be reclassified in profit/(loss):</i>			
- Fair value adjustment on investments in other companies	9 and 18	6,455,234	0
- Actuarial gains/(losses) on employee benefits	18 and 20	462,983	1,559,203
- Tax effect of actuarial gains/(losses) on employee benefits	11 and 18	(1,466,715)	(374,208)
<i>Total components of the comprehensive income statement that will not subsequently be reclassified in profit/(loss)</i>		5,451,502	1,184,995
Total Profit/(loss) of Comprehensive Income Statement		39,960,636	24,026,456
attributable to parent company		39,960,636	24,026,456
attributable to minority interests		0	0

Consolidated interim statement of changes in Shareholders' equity

	Reserves					Total reserves	Retained earnings/(accumulated losses)	Profit/(loss) for the period	Total Shareholders' Equity
	Share capital	Legal reserve	Sundry reserves	Reserve for actuarial gains/(losses) for employee benefits	Cash Flow Hedge reserve				
Balance at 1 January 2017	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
Allocation of net profit from the previous year	0	3,570,194	0	0	0	3,570,194	72,775,280	(76,345,474)	0
Dividend disbursement	0	0	0	0	0	0	(95,347,012)	0	(95,347,012)
Share capital reduction	0	0	0	0	0	0	0	0	0
Currency translation difference reserve	0	0	(4,037,023)	0	0	(4,037,023)	0	0	(4,037,023)
Comprehensive Profit (loss) recognised, including:									
- Profit/(loss) recognised directly in equity	0	0	0	1,184,995	(129,308)	1,055,687	0	0	1,055,687
- Profit/(loss) for the period	0	0	0	0	0	0	0	27,007,792	27,007,792
Balance at 30 June 2017	541,744,385	21,937,829	440,757,760	(9,072,656)	2,719,731	456,342,664	23,411,079	27,007,792	1,048,505,920
Balance at 31 December 2017	541,744,385	21,937,829	439,510,285	(10,153,139)	2,016,657	453,311,632	23,411,079	101,497,826	1,119,964,922
Adoption of new principles	0	0	(341,674)	0	0	(341,674)	0	0	(341,674)
Balance at 1 January 2018	541,744,385	21,937,829	439,168,611	(10,153,139)	2,016,657	452,969,958	23,411,079	101,497,826	1,119,623,248
Allocation of net profit from the previous year	0	4,725,237	0	0	0	4,725,237	96,772,589	(101,497,826)	0
Dividend disbursement	0	0	0	0	0	0	(100,981,153)	0	(100,981,153)
Share capital reduction	0	0	0	0	0	0	0	0	0
Currency translation difference reserve	0	0	1,536,202	0	0	1,536,202	0	0	1,536,202
Treasury shares reserve	0	0	(850,698)	0	0	(850,698)	0	0	(850,698)
Long Term Incentive plan	0	0	228,058	0	0	228,058	0	0	228,058
Comprehensive Profit (loss) recognised, including:									
- Profit/(loss) recognised directly in equity	0	0	5,099,635	351,867	(20,550)	5,430,952	0	0	5,430,952
- Profit/(loss) for the period	0	0	0	0	0	0	0	32,993,482	32,993,482
Balance at 30 June 2018	541,744,385	26,663,066	445,181,808	(9,801,272)	1,996,107	464,039,709	19,202,515	32,993,482	1,057,980,091

Consolidated interim statement of cash flows

	Notes	1st Half 2018	of which related parties	1st Half 2017	of which related parties
A - CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (*)	16	264,275		231,811	
Net cash flow generated/(absorbed) by operating activities					
Profit/(loss) for the period	18	32,993	0	27,008	0
Amortisation and depreciation	7 and 8	69,280	0	70,663	0
Net change in liabilities for employee benefits	20	(696)	0	(860)	0
Change resulting from currency exchange	18	(22)	0	(3,414)	0
Loss on sale of tangible assets and impairment losses of tangible and intangible assets	7 and 8	(755)	0	12	0
Other income/expense on non-monetary flows	7	0	0	99	0
Stock grant	28	228	0		0
Provisions for risks and charges	19	(1,445)	0	(205)	0
Net change of deferred tax assets and liabilities	11	854	0	(274)	0
Decrease/(increase) in inventories	14	352	0	153	0
Decrease/(increase) in current and non-current trade receivables	13	(25,615)	(7,528)	(49,695)	(8,734)
Decrease/(Increase) Income tax and tax and social security payables	12 and 24	15,757	0	2,391	0
Change in other current assets and liabilities	15 and 23	(9,487)	(49,150)	(20,828)	(15,401)
Change in other non-current assets and liabilities	23	6,912	0	(1,223)	0
Increase/(decrease) in current and non-current trade payables	22	(11,925)	50,140	(3,712)	281
B - TOTAL CASH FLOW FROM OPERATING ACTIVITIES		76,431		20,115	
		of which Taxes paid		(18,728)	
		of which Interest paid		(894)	
Net cash flow generated/(absorbed) by investing activities					
Investments in tangible assets	7	(50,371)	0	(54,063)	0
Investments in intangible assets	8	(2,908)	0	(4,154)	0
Increase/(Decrease) in trade payables for investments	22	13,412	488	2,390	(10,302)
Sale of tangible assets	7	4,500	0	0	0
Decrease/(increase) trade receivables for investments	13	(3,000)	0	0	0
Investments in other shares	9	0	0	(12,398)	0
C - TOTAL CASH FLOW FROM INVESTING ACTIVITIES		(38,367)		(68,225)	
Net cash flow generated/(absorbed) from financing activities					
Medium and long term loans	21	0	0	0	0
(Repayments) of medium and long term loans	21	(18,333)	(1,664)	(15,667)	(1,653)
Net change in short-term financial liabilities	21	0	0	39	0
Bond issue	21	0	0	0	0
Net change in short-term financial liabilities	21	1,754	0	1,785	0
(Increase)/Decrease in current financial assets	10	268	0	0	0
(Increase)/Decrease in non-current financial assets	10	(997)	0	227	0
Purchase of treasury shares	18	(851)	0	0	0
Dividend distribution	18	(100,981)	(53,803)	(95,347)	(50,890)
D - TOTAL CASH FLOW FROM FINANCING ACTIVITIES		(119,140)		(108,963)	
E - Total cash flow (B+C+D)		(81,076)		(157,073)	
F - Exchange rate differences on cash		10		(209)	
G - CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+E+F) (**)	16	183,209		74,529	

(*) Cash and cash equivalents at the beginning of the first half 2018 include €950 thousand of the liquidity of Sicta Consortium in liquidation, reclassified as part of the activities held for disposal.

(**) Cash and cash equivalents at the end of the first half 2018 include €1.622 thousand of the liquidity of Sicta Consortium in liquidation, reclassified as part of the activities held for disposal.



Explanatory Notes to the condensed consolidated interim financial statements

1. General information

Enav S.p.A. (hereinafter also the "Parent Company"), was established in 2001 following the conversion, under the Law No. 665/1996 of the "Ente Pubblico Economico known as the Ente Nazionale di Assistenza al Volo" (the National Agency for Flight Assistance), a public undertaking, that was formerly known as the "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) and has its registered office in Rome, 716 via Salaria and other secondary offices and operating facilities located throughout Italy.

From 26 July 2016, Enav shares were listed on the Mercato Telematico Azionario (MTA) organised and managed by Borsa Italiana S.p.A. and, at 30 June 2018 the company was owned 53.28% by the Ministry of Economy and Finance (MEF) and 46.72% by institutional and individual shareholders.

The activity of the Enav Group consists of the services, offered by the Parent Company, in air traffic control and management and in other essential services for air navigation in Italian skies and at the national civil airports it is responsible for, in the technical management and maintenance of air traffic control equipment and systems, and in commercial development and aeronautical consulting activities. The evaluation and representation methods refer to three operating sectors, namely *flight assistance services*, *maintenance services* and the remaining sector defined as *other segments*.

The condensed consolidated interim financial statements concerning the six months ended 30 June 2018 have been prepared in euro, the currency of the economy in which the Group operates.

The publication of this Half-year Financial Report was authorised by the Directors on 2 August 2018. EY S.p.A. has carried out a limited audit on the financial statements.

2. Form and content of the Condensed consolidated interim financial statements

The Condensed consolidated interim financial statements at 30 June 2018 were prepared in conformity with the international accounting standards (*IAS - International Accounting Standard and IFRS – International Financial Reporting Standards*) issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and by the Standing Interpretations Committee (SIC), adopted by the European Union through European Regulation no. 1606/2002 as well as pursuant to Legislative Decree no. 38 of 28 February 2005 which governed the application of the IFRS under the scope of the Italian legislature and published until 2 August 2018, the date on which the Enav S.p.A. Board of Directors approved the Interim Financial Report.

Specifically, these financial statements were prepared in accordance with IAS 34 (Interim Financial Statements) and Article 154-ter, paragraph 3, of the Consolidated Finance Act. Pursuant to the right

granted by IAS 34, the information content of the Condensed consolidated interim financial statements was reduced compared with those in the complete annual financial statements because they aim to provide an update to the activities, events and circumstances that have taken place during the reference half-year period as well as certain minimal supplementary information expressly required by the principle, therefore omitting information, note and data already presented and commented on in the Enav Group Consolidated Financial Statements at 31 December 2017. Therefore the Condensed Interim Consolidated Financial Statements at 30 June 2018 should be read in conjunction with the Group Consolidated Financial Statements for the year ended 31 December 2017 which should be referred to for a more complete understanding of the information reported in this document.

The Enav Group identified the half-year as the reference interim period for the purposes of applying the above-mentioned international accounting standard, IAS 34, and the definition of interim financial statements.

With respect to the methods for the presentation of the financial statements, in the statement of financial position assets and liabilities are separated into current and non-current; the income statement has been prepared by classifying operating costs by nature; and the statement of cash flows has been prepared in accordance with the indirect method.

As provided for in Consob Resolution No. 15519 of 27 July 2006, amounts relating to related-party positions or transactions, if they are significant for the purposes of understanding the position in terms of assets and liabilities, profitability and cash flows, are shown in the statement of financial position, the income statement and the statement of cash flows.

3. Scope and principles of consolidation

The consolidation principles used to prepare the Condensed Interim Consolidated Financial Statements at 30 June 2018 conform to those used to prepare the Consolidated Financial Statements at 31 December 2017, approved on 12 March 2018 and available on the website www.enav.it at the following address: <https://www.enav.it/sites/public/en/InvestorRelations/Financial-Statements-and-Reports.html>

There were no changes in the scope of consolidation in the first half of 2018.

In the first half of 2018, there were no significant transactions or unusual events, with the exception of what is reported in the condensed consolidated interim financial statements at 30 June 2018.

Translation of financial statements of foreign companies

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:

	First Half 2018		31.12.2017		First Half 2017	
	Average exchange rate in six months	At 30 June 2018	Average exchange rate in 12 months	At 31 December 2017	Average exchange rate in six months	At 30 June 2017
Malaysian ringgits	4.7677	4.7080	4.8501	4.8536	4.7499	4.8986
United States dollars	1.2108	1.1658	1.1293	1.1993	1.0825	1.1412

4. Newly applied accounting standards and interpretations

The accounting standards used to prepare the condensed consolidated interim financial statements at 30 June 2018 are compliant with those used to prepare the consolidated financial statements at 31 December 2017, which should be referred to for more details, except for the adoption of new standards, such as IFRS 15 and 9, whose amendments and interpretations came into force as of 1 January 2018. Other different amendments and interpretations were applicable for the first time in 2018, but they have not had an impact on the Group's Condensed Consolidated Interim Financial Statements. The Group also did not opt for early adoption of any new standard, interpretation or amendment issued but not yet in force.

Impacts resulting from the adoption of new accounting standards applicable from 1 January 2018

The effects associated with the adoption of the new standards applicable from 1 January 2018 are represented below with their effects on the Condensed half-year consolidated financial statements of the Enav Group.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces IAS 11 *Construction contracts*, IAS 18 *Revenues* and the related interpretations and it applies to all revenue from contracts with customers, unless these contracts come under the scope of other standards, introducing a new distinct model for calculating revenues in five phases. IFRS 15 includes the measurement of revenues through an amount that reflects the consideration which the entity believes it has a right to in exchange for the transfer of goods or services to customers.

The Group has adopted IFRS 15 using the following *amended retrospective* method without the restatement for the previous year used for comparative purposes, or allocating the economic effects attributable to the financial year at 31 December 2017 to the opening shareholders' equity as at 1 January 2018. The Group also applied the standard retroactively only to contracts which have not been concluded at the initial application date.

For a detailed description of the IFRS 15 cases analysed with regard to the specific nature of the regulated and non-regulated business of the Group, refer to the section *Impacts resulting from the adoption of the new principles* of the Consolidated financial statements at 31 December 2017. The impact on shareholders' equity resulting from the adoption of IFRS 15, including the measurement of deferred tax liabilities, amounted to €3,000 associated with the progress of a so-called over time aeronautical consultancy contract, from which contract assets emerged at 1 January 2018.

IFRS 15 did not produce pervasive impacts at 30 June 2018 on the economic and financial position of the Group, taking into consideration the marginal impact of the new principle on each financial statement item. The effects attributable to the adoption of the new principle in the first half of 2018, can be summarised as follows: i) two distinct obligations were identified for *regulated markets*, fulfilled over time, under the scope of the provision of air traffic control services in both the en-route and terminal components. For these services the Group adopted the output evaluation method through measurements firmly based in the assisted service units for en-route and terminal services. Based on the method mentioned, revenues are measured according to the evaluation of the customer who rendered the service, compared with the services promised in the agreement which remain to be provided, including the adjustment component for revenues resulting from the balance mechanism, which makes it possible to measure the effective value of the performance provided to the customer. The balance also includes a significant financial component with a time horizon of more than 12 months. The Group also adjusted the price of the transaction to take into account the time value of the money. The adoption of IFRS 15 did not cause changes to the extent of the revenues which would be recorded in accordance with the previously applicable principles, with reference to the first half of 2018; ii) for *non-regulated markets* the Group mainly provides training, flight inspection and aeronautical consultancy services and marginally other services for the construction of infrastructure equipment via its subsidiary Techno Sky. At 30 June 2018 contract assets with customers of €5,000 were recorded, for an Italian aeronautical consultancy contract, with the sole obligation to be fulfilled over time and managed by the Parent Company. The adoption of IFRS 15 led to marginal changes (+0.1%) in relation to the revenues that would be recorded in accordance with the previously applicable principles, with regard to the first half of 2018. The impact in percentage terms of the contract assets on the item trade receivables was equal to +0.003% as at 30 June 2018.

Following the adoption of the new principle, the Group renamed "Revenues from operations" as "Revenues from contracts with customers", and the item "Balances" as "Revenues from contracts with customers - Balances".

IFRS 9 Financial instruments

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for the financial years starting 1 January 2018 onwards, bringing together all three aspects relating to the accounting of financial instruments: classification and valuation, impairments and hedge accounting.

The Group adopted IFRS 9 charging the economic effects attributable to the financial year at 31 December 2017 to the opening shareholders' equity at 1 January 2018, without the restatement of the comparative data, making use of the simplifications associated with the first time adoption of the standard.

For a detailed description of the IFRS 9 cases analysed with regard to the specific nature of the regulated and non-regulated business of the Group, refer to the section *Impacts resulting from the adoption of the new principles* of the Consolidated financial statements at 31 December 2017. The financial effects, including the reporting of deferred tax assets, resulting from the adoption of IFRS 9 in connection with the new methods for reporting impairment, amount to €344,000.

With reference to the economic and financial situation at 30 June 2018, the effects resulting from the adoption of IFRS 9 are illustrated below:

- *Impairment of financial assets:* during the first half of 2018, in line with the logics attributable to the effects of the first time adoption at 1 January 2018, an analysis was conducted to calculate the expected credit loss. Specifically, the portfolio was broken down into groups which were uniform in nature, such as regulated markets and non-regulated markets using both a general and a simplified model for both. Specifically, for i) a general model was applied for en-route and terminal credit for *regulated markets* for the main carriers in terms of turnover which were analysed analytically taking into consideration, not only the financial exposure, but also the probability of default and the estimate of the loss percentage in the case of insolvency. In addition to the major carriers, with information that can be obtained from the main information providers, the positions of companies in financial difficulty were the subject of a specific anticipated loss assessment, taking into consideration specific expectations of credit recovery. The simplified model was applied for the en-route and terminal receivables remaining from the general model, based on the preparation of a provision matrix distinguished by en-route and terminal receivables and, within the scope of each category, between active and inactive carriers. These provision matrices were defined through an approach based on the risk of default, as well as by nature and type, also by expiry band (default rate) and they are supported by historical analyses adjusted to include forward looking parameters; ii) the general model was used for *non-regulated markets* making analytical evaluations for some of the past due receivables for which legal rulings have been issued and/or reasonable valuations of the partial and/or total recoverability of the receivable, and the simplified model was used through the

adoption of the provision matrix with an approach based on the risk of default by expiry band (default rate), taking into consideration historical data adjusted to incorporate any changes associated with the inclusion of forward looking parameters. Taking into consideration the dynamics of the seasonal nature of the business of the parent company, for the purpose of preparing the Consolidated Interim Financial Statements of the Group, the same default percentages were applied as for the Consolidated Financial Statements as at 31 December 2017, identified by nature and type of main credit and for each expiry band. As a result of the half-year analyses, around €33,000 was set aside in the bad debt provision.

- *Capital instruments:* during the first time adoption, the Group made the irrevocable decision to allocate the changes in fair value of the investment in Aireon LLC into a shareholders' equity reserve which will not be reclassified to income statement. At 1 January 2018, the cost represented the best approximation of the fair value also taking into consideration the pre-operational status of the investment and the absence of prices that could be observed on the markets with reference to the investment. In May 2018, the British service provider NATS acquired the share in Aireon LLC held by the Group through its subsidiary Enav North Atlantic LLC, for a consideration of USD 68.75 million. In accordance with IFRS 9, where there is a transaction with third-parties involving the assets of the investee company, and there are no markedly dissimilar evaluation assumptions, the transaction price represents the fair value as defined by IFRS 13: therefore, as a result, the Group chose to record the investment at this fair value, higher than the historical cost, revaluing the investment with the counterparty in the comprehensive income statement.

Summary of the impacts at 1 January 2018

The table below highlights the changes in the consolidated statement of financial position at 1 January 2018 associated with the application of the new standards IFRS 9 and IFRS 15:

	31.12.2017	IFRS 9	IFRS 15	01.01.2018
Net fixed capital	1,199,279	0	0	1,199,279
Inventories	60,986	0	0	60,986
Trade receivables	285,810	(453)	4	285,361
Trade payables	(130,854)	0	0	(130,854)
Other current assets and liabilities and assets held for disposal net of related liabilities	(133,940)	0	0	(133,940)
Net working capital	82,002	(453)	4	81,553
Gross net fixed capital	1,281,281	(453)	4	1,280,832
Employee severance indemnity and other benefits and Provisions for risks and charges	(65,115)	0	0	(65,115)
Deferred tax assets net of liabilities	21,281	109	(1)	21,389
Net invested capital	1,237,447	(344)	3	1,237,106
Shareholders' equity	1,119,965	(344)	3	1,119,624
Net financial indebtedness	117,482	0	0	117,482
Total coverage sources	1,237,447	(344)	3	1,237,106

Value in thousands of euro

The overall effect on the shareholders' equity of the Enav Group, resulting from the adoption of the above-mentioned principles, was negative by €341,000 excluding the reporting of deferred tax assets resulting from the application of IFRS 9 and the deferred tax liabilities from the adoption of IFRS 15.

New accounting principles, amendments and interpretations applicable from 1 January 2018 and which have not had impacts on the Condensed consolidated interim financial statements of the Group

Below is a list of the new accounting standards, amendments and interpretations applicable to the Group from 1 January 2018 and which have not had impacts on the Condensed consolidated interim financial statements of the Group:

- *IFRIC 22 Foreign Currency transactions and advance consideration* issued on 8 December 2016 applies to transactions in foreign currency if a company records a non-monetary asset/liability that originates from the payment or the collection of an advance before the company records the asset, the cost or the income. IFRIC 22 clarifies the identification methods of transaction dates in foreign currency in order to calculate the spot exchange rate to use at the initial recognition of the asset, cost or income following the derecognition of a non-monetary asset/liability. IFRIC 22 clarifies that the date to be used is the date on which the company records the non-monetary asset/liability associated with the advance. In the presence of multiple payments the company will decide on a date for each payment or collection resulting from financial advances.
- *Annual Improvements to IFRS standard 2014-2016 Cycle*, issued on 8 December 2016 and endorsed on 7 February 2018, contains formal amendments and clarification of existing principles. More specifically, several amendments were introduced to the following principles:

- *IFRS 1 – First time adoption*: changes were made to the application date of some principles applicable to cases of early adoption of IFRS;
- *IAS 28 - Investments in Associates and Joint Ventures*: an exemption to the application of the shareholders' equity method was introduced if an equity investment in an associate company or a joint venture is held directly or indirectly by an entity that is either a risk capital investment company, or a mutual fund, an investment fund or similar entities. In such cases the entity can decide the value these investments at the fair value recorded in the operating profit (loss) in conformity with IFRS 9. Additionally, if an entity which is not itself an investment entity has an equity investment in an associate company or joint venture which is an investment entity, when the shareholders' equity method is applied it can decide to take the fair value measurement applied by this associated investment entity or joint venture to the equity investments in the subsidiaries of the associated investment entity or the joint venture into consideration.
- *Amendments to IFRS 2: Classification and Measurement of Share based Transactions*, issued on 20 June 2016 and awaiting endorsement by the European Union. Specifically, clarifications were introduced for the treatment of vesting conditions and share-based payment transactions regulated by cash. The latter are also subject to vesting conditions subject to the reaching of result growth targets and in the pricing of equity securities. Specifically, the vesting conditions, unlike market conditions, do not have to be taken into consideration in the estimation of the fair value at the measurement date, but should be taken into consideration when calculating the number of allocations included in the scope of the calculation. In addition the entity should recognise the cost proportionally to the vesting period based on the best estimate of the number of allocations estimated at the measurement date. The estimate can also be revised in subsequent years if additional information indicates a different number of allocations. Market conditions should be taken into consideration to estimate the fair value of cash settled share based payments and in remeasuring the fair value at the end of each reporting period and at the regulation date. The cumulative application of services received corresponds to the cash paid. Recently the new principle introduced several sections that govern cases of share based transactions that involve the application of withholding tax by the employer and payment to the tax authorities in name of and on behalf of employees, which also requires full disclosure.

New accounting principles, interpretations and amendments effective for periods after 31 December 2018, not adopted early by the Group

Below is a list of the new accounting principles, amendments and interpretations that will be applied by the Group in the years following the year ended 31 December 2018;

- *IFRIC 23 Uncertainty over Income Tax Treatments*, issued on 7 June 2017 awaiting endorsement. The interpretation clarifies the application implications associated with the recognition and measurement of tax assets/liabilities in accordance with IAS 12 when there is uncertainty over the tax treatment of a transaction. Specifically: i) a company should decide whether to consider each uncertain tax position separately or jointly with others taking into consideration that this approach fits in better with the resolving the actual uncertainty also bearing in mind the practice adopted for filing returns to the tax authorities and the examination methods of the latter; ii) a company should assume that the tax authorities will examine the documents and all the necessary information relating to the uncertainty for treatment and resolution; iii) a company should evaluate the probability of the tax authorities accepting the proposed tax treatment associated with a transaction from the uncertain tax treatment. If the probability of the tax authorities accepting it is high, then the company should calculate the taxes in line with the planned tax treatment. If the probability of them accepting it is low, then the company should reflect the uncertainty in the tax estimate using either the most likely amount or the expected value method. If the tax uncertainty impacts current and deferred taxes, the company should make the best estimate for the purpose of both current and deferred taxes; iv) at every accounting closing the company should evaluate whether the events and circumstances on which it based its judgement have changed over the course of time after inception. In the case of changes in events and circumstances, IAS 8 is applicable. In addition, a company should apply IAS 10 to establish whether the change that took place between the reporting date and the approval date of the financial statements is an adjusting or non-adjusting event.

The above-mentioned interpretation will apply, after endorsement, to all financial years starting from 1 January 2019.

- *Amendments to IAS 28: Investments in Associates and Joint Ventures*, issued on 12 October 2017, applicable, after endorsement, from 1 January 2019. The principle clarifies that an entity applies IFRS 9, rather than the provisions of IAS 28 to interests held in an associate or joint venture to which the long-term interest method is not applied.
- *Amendments to IAS 19: Plan Amendment, Curtailment or Settlement*, issued on 7 February 2018, applicable, after endorsement, from 1 January 2019. The change to IAS 19 addresses the accounting in the presence of a change, reduction or adjustment of a plan (“employee benefit”) during a reporting period. The changes to IAS 19 require the entities to use updated actuarial theories in calculating the service cost and the net interest for reporting periods after the above-mentioned change; in contrast, the change to the principle does not address the accounting of significant market fluctuations if there are no changes to a plan.

- *Annual Improvements to IFRS standard 2015-2017 Cycle*, issued on 12 December 2017, contains formal amendments and clarification of existing principles. More specifically, the following principles have been amended:
 - *IFRS 3 – Business Combinations and IFRS 11 – Joint Arrangements: Previously held interest in a joint operation*: the changes clarify that a transaction for obtaining control of a business that is a joint operation, is a business combination achieved in stages and the purchaser should apply the provisions of IFRS 3, also with regard to the remeasurement of the stake held previously in the joint operation. The changes to IFRS 11 clarify that the purchaser should not remeasure the stake held previously under the scope of transactions to obtain joint control of a business that is a joint operation;
 - *IAS 12: Income Taxes: Income tax consequences of payments on financial instruments classified as equity*: the changes clarified that the tax consequences of payments on financial instruments classified as equity should be recognised in line with past transactions or events;
 - *IAS 23: Borrowing Costs: Borrowing costs eligible for capitalisation*: the changes clarify that an entity should deal with each loan obtained for the specific qualifying asset on a par with funds obtained not for a specific asset, if all the necessary activities have essentially been carried out to configure a qualifying asset for use or for sale.

The Group is evaluating whether or not there are impacts associated with the future application of the cycle of updates. The principle will be applicable, following endorsement, from the years after 1 January 2019.

- *IFRS 9 Prepayment features with negative compensation*, issued on 12 October 2017 and endorsed on 22 March 2018. The aim of amendments is to address the issue of the classification of particular categories of financial assets with the possibility of early regulation. These amendments govern the situation in which the party exercising the early regulation option for a financial asset could receive a compensation payment from the other party. This case is known as negative compensation. As the result of an agreement of this type, a lender could be forced to accept an early payment that is substantially lower than the amount of principal and interest not collected. The financial asset in question should be measured at the amortised cost or at the fair value through OCI based on the reference business model.

The Group is evaluating possible impacts associated with the changes of IFRS 9 which will be applicable from 1 January 2019.

- *IFRS 16 Leases*, issued on 13 January 2016, replaces the previous standard IAS 17 Leases and related interpretations, and defines the criteria for the recognition, measurement, presentation and reporting of leasing agreements for both parties of a contract, for examples the lessee and the

lessor. Although maintaining the definition of lease agreement already set out in IAS 17, the main change introduced by IFRS 16 consists of the introduction of the concept of control under the scope of the actual definition. Specifically, IFRS 16 requires the evaluation of whether or not the lessee has the right to control the use of an asset for a given period of time. IFRS 16 eliminates the classification between operational and financial leasing and introduces a unique method for recording all lease agreements in the accounts. The standard will be applicable to financial years starting from 1 January 2019.

In the second quarter of 2018 the Group set up a working party dedicated to the gap analysis between the old and new principles. An analysis defining the scope of application of IFRS 16 was conducted identifying the cases attributable to the leasing concept introduced by the principle. The main applicable cases relate to multi-year lease and rental agreements, potential for the recognition of the right of use and corresponding financial liability.

The analyses of the working party will be completed in the second half of 2018 and will provide information of a qualitative and a quantitative nature in the consolidated financial statements at 31 December 2018.

- *Amendment to References to the Conceptual Framework in IFRS Standards* – issued on 29 March 2018. The new IFRS conceptual framework will replace the framework issued in 1989, already partly revised in 2010. The new framework should be applicable, following endorsement expected in 2019, from 1 January 2020. This update will not bring changes to the existing principles and interpretations, but rather introduce cross-cutting definition to various principles, guidance and parameters with regard to measurement, presentation and disclosure concepts and to derecognition. In addition the definitions of assets and liabilities and their recognition criteria will be updated and the general criteria for the preparation of financial statements will be clarified for IFRS adopters, with special reference to the notions of prudence, stewardship, measurement uncertainty, substance over form.

5. Use of estimates and management judgements

For a description of the use of accounting estimates, please refer mainly to the consolidated financial statements at 31 December 2017.

Note, however, that certain assessment processes, particularly the more complex ones such as the determination of any impairment losses on non-current assets, are generally conducted comprehensively only when preparing the annual financial statements when all necessary information is available, unless indicators of impairment are identified which would require a recoverability evaluation

during the interim financial statements, relating to the CGUs in which goodwill was recorded during the acquisition. As of 30 June 2018, there were no indications of impairment attributable to the "maintenance services" CGU.

As far as the estimated component relating to "reduction in value and recoverability of financial assets" is concerned, which essentially refers to investments in other companies, from 1 January 2018, the Group took the irrevocable decision of presenting the fair value changes, where they could be reliably calculated, under other components of the income statement, in accordance with the new accounting principle IFRS 9.

Note, lastly, that with reference to the "measurement of the fair value of revenues", some balance adjustment components, such as inflation and capacity, are excluded from the condensed consolidated interim financial statements. In effect, the above-mentioned adjusted revenue components, as a variable consideration of the over time performance obligation attributable to en-route and terminal services, were not factored into the transaction price underlying the most likely amount method for the preparation of the interim financial statements, taking into consideration the considerable volatility of these indicators in the interim periods compared with the results attributable to the entire financial year. Based on historical trends, these revenue adjustment components can be reliably calculated during the preparation of the interim consolidated financial statements at 30 September of each financial year.

6. Effects of seasonality

The type of business in which the Parent Company operates is affected by uneven trend of revenues throughout the whole year. Air traffic is, by its own nature, heavily influenced by seasonal factors. As for any activity linked to tourism, passenger traffic increases in the seasons of the year when Italian and foreign passengers typically travel more.

Specifically, revenues, which are closely connected to performance in air traffic control, did not show a uniform trend during the year and mainly peaked in the summer. In light of the above, the results for the first half reflect the seasonality of traffic flows, which steadily increased during that period.

Information on items in the consolidated interim statement of financial position

7. Tangible assets

The table below shows changes in tangible assets at 30 June 2018 compared with the end of 2017.

	Land and Buildings	Plants and machinery	Ind. and comm. equipment	Other assets	Asset under construction	Total
Historical cost	492,506	1,805,821	312,144	316,304	217,438	3,144,213
Accumulated depreciation	(204,396)	(1,367,581)	(256,171)	(288,549)	0	(2,116,697)
Net amount 31.12.2017	288,110	438,240	55,973	27,755	217,438	1,027,516
Increases	21,240	55,682	2,159	685	50,371	130,137
Disposals - historical cost	(7,756)	(1,824)	(110)	(1,269)	0	(10,959)
Disposals - accumulated depreciation	4,020	1,820	110	1,264	0	7,214
Reclassifications	0	(71)	(2)	0	(79,997)	(80,070)
Impairment losses	0	0	0	0	0	0
Amortisations	(9,445)	(45,948)	(6,213)	(3,585)	0	(65,191)
Total changes	8,059	9,659	(4,056)	(2,905)	(29,626)	(18,869)
Historical cost	505,990	1,859,568	314,184	315,720	187,812	3,183,274
Accumulated depreciation	(209,821)	(1,411,669)	(262,267)	(290,870)	0	(2,174,627)
Net amount 30.06.2018	296,169	447,899	51,917	24,850	187,812	1,008,647

There was a net negative change in tangible assets in the first half of 2018 of €18,869 thousand as a result of the following events:

- depreciation for the first half-year of €65,191 thousand (€67,581 thousand at 30 June 2017);
- increases in tangible assets totalling €130,137 thousand, including €79,766 thousand relating to investments made and come into use during the half-year. Note: i) the 2000 data link system for the transmission of ground to air data between pilots and air traffic controllers which replaces voice communication with text messages via data link through the implementation of TCPDLC (Controller Pilot Data Link Communications) for flights over Italian airspace above 28,500 feet (8,700 metres), for overflight traffic and for departures and/or arrivals at national airports. This system is installed at the four Italian area control centres; ii) the completion of the new building for the Forlì Academy training school as a new integrated technology hub replacing the previous building which was sold in June 2018 as reported later on; iii) the completion of the service centre of the Ciampino parent company for the remaining section dedicated to the conference centre which hosted the Enav shareholders' meeting for the approval of the 2017 financial statements; iv) the integration of the ERATO system (En-Route Air Traffic Organizer), which supports controllers in managing air traffic identifying potential conflicts and highlighting the elements to be evaluated for resolving these situations. The increases of €50,371 thousand refer to tangible assets under construction involving the progress of investment projects, some of which are: i) the 4-flight project, the goal of which is to

develop the entire ATM technological platform of ACCs based on SESAR operating concepts and taking into the Coflight system as a basic component. With regard to the new generation flight data processing system called Coflight which supports controllers in calculating the anticipated flight path, produced in conjunction with the Parent Company and the French provider DSNA, the development of the V3R2 and V3R3 versions, which will be integrated in the 4-flight project; ii) the automation programme for the operation of control towers towards full electronic management at six airports in the process of realisation at the Milano Malpensa airport tower; iii) an airport tracker radar data fusion system for the airports of Milano Linate and Milano Malpensa; iv) the maintenance of various systems.

- the decrease in tangible assets of €83,815 thousand refers for €79,766 thousand to investment projects concluded and entered into use in the half-year through tangible assets under construction with classification to the item and for €276 thousand to the reclassification of several components of operating systems under inventories for spare parts and for €3,745 thousand to the sale of assets relating to the Forlì Academy training school sold at the end of June to Alma Mater Studiorum – the University of Bologna for a total price of €4.5 million realising a capital gain of €755 thousand.

Note that part of the investments, with an historical cost of €249,529 thousand, is financed by capital grants recognised as part of the National Operating Program (NOP) for Transport for the years 2000-2006, 2007-2013 and 2014-2020 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 €4,742 thousand.

8. Intangible assets

The table below shows changes in intangible assets at 30 June 2018 compared with the end of 2017.

	Industrial patent and intellectual property rights	Asset under construction	Goodwill	Total
Historical cost	138,310	43,150	66,486	247,946
Accumulated depreciation	(123,533)	0	0	(123,533)
Net amount 31.12.2017	14,777	43,150	66,486	124,413
Increases	556	2,908	0	3,464
Disposals	0	0	0	0
Reclassifications	0	(556)	0	(556)
Impairment losses	0	0	0	0
Amortisations	(4,088)	0	0	(4,088)
Total changes	(3,532)	2,352	0	(1,180)
Historical cost	138,866	45,502	66,486	250,854
Accumulated depreciation	(127,621)	0	0	(127,621)
Net amount 30.06.2018	11,245	45,502	66,486	123,233

Intangible assets totalled €123,233 thousand and a net increase of €1,180 thousand was recorded in the first half of 2018 with the following changes:

- amortisation for the period of €4,088 thousand (€3,082 thousand at 30 June 2017);
- increases in intangible assets totalling €3,464 thousand, including €556 thousand referring to goods that came into use during the half-year, mainly involving software to support the various management and operating systems and €2,908 thousand for investment projects in the process of being made including the assets related to the Oracle ERP management system with a view to implementing such a system under the scope of the Enav Group;
- the decreases in intangible assets of €556 thousand refer entirely to investment projects concluded during the half-year that came into use classified under the item.

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.

During this period, no elements emerged that would indicate that the CGU in which the goodwill was allocated had undergone impairment and therefore no impairment testing was conducted.

9. Investments in other companies

The item investments in other companies stood at €59,139 thousand and, compared with 31 December 2017, increased by €7,923 thousand with reference exclusively to the investment in Aireon LLC, for the

adjustment of the value of the investment to the fair value, in accordance with IFRS 9. In May 2018, after the acquisition by the British service provider NATS of this stake in Aireon LLC held by the Group via its subsidiary Enav North Atlantic LLC, for a consideration of USD 68.7 million compared with the USD 61.2 million paid by the Group, a decision was taken to revalue the investment up to the limit of this consideration. At 30 June 2018, the investment in Aireon LLC was recorded at a value of €58.9 million following the revaluation at €6.5 million. The corresponding shareholders' equity reserve was recorded at €5.1 million, taking into consideration the effects of the recording of deferred taxes.

Following the entry of NATS and the consequent dilutive effects, the stake held by the Enav Group in Aireon LLC stood at 9.1% and will stand at 11.1% after redemption.

The fair value was calculated in accordance with the evaluation techniques set out in IFRS 13, according to which it is necessary to maximise the use of data which can be observed and keep data which cannot be observed to a minimum in order to estimate the price at which a regular transaction for the transfer of the capital instrument would take place between market operators at the valuation date. In the presence of a market transaction in the share capital of Aireon LLC the Group used *the consideration paid on an inactive market for the identical element owned by a third-part as an asset as the valuation input*. In the presence of a price representing an asset identical to the one owned by the Group, in an inactive market, the input used is consistent with Level 2 of the fair value hierarchy.

10. Current and non-current financial assets

Current financial assets stand at €30 thousand and fell by €295 thousand compared with 31 December 2017, following the valuation at fair value of the financial instrument stipulated by the parent company with the aim of hedging the exposure of an unfavourable change in the Euro/AED exchange rate relating to future collections in foreign currency related to an active contract for the project for optimising air traffic flows in the United Arab Emirates expiring in 2018. The financial instrument 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.

Non-current financial assets amounted to €14,079 thousand, a decrease of €1,078 thousand compared with 31 December 2017 and break down as follows:

	30.06.2018	31.12.2017	Variation
Non-current financial assets			
Financial receivables	13,728	12,650	1,078
Other	351	351	0
Total	14,079	13,001	1,078
Current financial assets			
Derivative	30	325	(295)
Total	30	325	(295)

The financial receivable relates for €12,112 thousand to the receivable due from the company from which the business unit transferred to Techno Sky was purchased, which registered a decrease of €538 thousand for the repayment obtained, commensurate with the settlements and advances paid by Techno Sky to its employees by way of employee severance indemnity. This receivable corresponds to employee severance indemnity 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. This 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 remaining part of the financial receivable of €1,616 thousand refers to the loan provided by Enav North Atlantic to Aireon as a preferential bridging loan against payment with repayment in full by Aireon at the end of the financing transaction in progress with Deutsche Bank. Pending the formalisation of this loan, Aireon has asked all shareholders for a loan proportional to the stake in the share capital of Aireon which, for Enav North Atlantic, corresponds to USD 7.13 million of which, to date, USD 1.8 million has been provided. Interest at a rate of 11% has accrued on this loan and the due date has been set at 30 September 2019.

11. Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities, as well as deferred tax assets that can be offset, where possible, with the 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.

	31.12.2017		Incr./decr. with impact on Income statement		Incr./decr. with impact on Shareholders' Equity		30.06.2018	
	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	61,555	14,774	(1,450)	(348)	453	108	60,558	14,534
Write-down of inventories	9,119	2,189	(250)	(60)	0	0	8,869	2,129
Discounting on receivables	1,529	389	(654)	(168)	0	0	875	221
Tax effect of IFRS conversion	616	171	(67)	(19)	0	0	549	152
Discounting employee severance indemnity	2,497	618	0	0	(462)	(111)	2,035	507
Employee severance indemnity non-deductible portion	1,296	326	(492)	(118)	0	0	804	208
Fair value of derivatives	4	1	0	0	0	0	4	1
Other	22,291	6,317	(602)	(130)	0	0	21,689	6,187
Total	98,907	24,785	(3,515)	(843)	(9)	(3)	95,383	23,939
Deferred tax liabilities								
Other	8,401	2,016	363	87	3	1	8,767	2,104
Fair value adjustment on investments in other companies	0	0	0	0	6,455	1,356	6,455	1,356
Discounting on debts	365	88	(157)	(38)	0	0	208	50
Tax effect of IFRS conversion	2,549	763	(117)	(38)	0	0	2,432	725
Fair value of derivatives	2,658	638	0	0	(27)	(6)	2,631	632
Total	13,973	3,505	89	11	6,431	1,351	20,493	4,867

The change in the first half of 2018 in deferred tax assets and liabilities, which have a balance, respectively of €23,939 thousand and €4,867 thousand, is attributable to the following effects:

- utilisation from taxable funds with reference to the risk provision for the reasons reported in note 19;
- reversal to the income statement of the deferred tax associated with the discounting of balance receivables and payables for the share pertaining to the half-year and to the reporting of the deferred tax associated with the balances reported in the first half of 2018;
- the accounting of employee severance indemnity according to the actuarial method, which shown an actuarial gain impacting other items in the comprehensive income statement;
- the measurement at fair value of the investment in Aireon as in the comments to note 9;
- the measurement at fair value of derivative financial instruments with recording in other comprehensive income statement;
- the measurement and reversal to the income statement of the elimination of margins on transactions carried out under the scope of the Group.

The Group reasonably believes the deferred tax assets recorded on the basis of the prospective tax bases inferable in the business plan can be recovered.

12. Current and non-current tax receivables

Non-current tax receivables stood at €24,858 thousand and did not change compared with 31 December 2017. These receivables refer to the receivable for the higher IRES tax paid by the Group in 2007/2011

as a result of the failure to deduct IRAP relating to personnel and similar costs.

Current tax receivables amounted to €28,298 thousand and include the receivables specified in the table below.

	30.06.2018	31.12.2017	Variation
Receivables from tax authorities for VAT	20,044	20,202	(158)
IRES receivables	4,650	0	4,650
IRAP receivables	3,376	5,617	(2,241)
Other current tax receivables	228	359	(131)
Total	28,298	26,178	2,120

The receivable from the tax authorities for VAT totalling €20,044 thousand fell by €158 thousand compared with 31 December 2017 and refers to fewer VAT receivables due to the Group that have accrued in the half-year.

The IRES receivable amounts to €4,650 thousand and is calculated as the difference between the account paid in June equal to €13,197 thousand and the tax for the period.

The IRAP receivable stands at €3,376 thousand, down €2,241 thousand compared with 31 December 2017 on account of the tax for the 1st half of 2018.

The receivable for other current taxes refers entirely to the receivable for taxes paid abroad which fell because of the draw down made during the payment of the IRES balance.

13. Current and non-current trade receivables

Current trade receivables amounted to €350,582 thousand and non-current trade receivables totalled €51,653 thousand and changed as illustrated in the table below during the period.

	30.06.2018	31.12.2017	Variation
Current trade receivables			
Receivable from Eurocontrol	233,855	185,423	48,432
Receivable from the Ministry of Economy and Finance	6,592	13,932	(7,340)
Receivable from Ministry of Infrastructure and Transport	45,000	30,000	15,000
Receivables from others	41,874	42,242	(368)
Balance receivables	79,611	70,200	9,411
	406,932	341,797	65,135
Bad debt provision	(56,350)	(55,987)	(363)
Total	350,582	285,810	64,772
Non-current trade receivables			
Trade receivables	2,205	0	2,205
Balance receivables	49,430	88,174	(38,744)
Total	51,635	88,174	(36,539)

The *receivable from Eurocontrol* relates to the fees deriving from en-route and terminal revenues not yet collected at 30 June 2018, and part of which are not yet due, totalling €170,145 thousand (€131,140 thousand at 31 December 2017) and €63,710 thousand (€54,283 thousand at 31 December 2017), respectively, gross of the bad debts provision. The increase for the period is due to the greater en-route and terminal turnover recorded in the last months of the half-year compared with the last months of 2017. Note that during the first half of 2018 the en-route receivables accrued with regard to Alitalia before admission to the extraordinary administration proceedings which declared it insolvent, in conformity with the agreement defined with Eurocontrol in December 2017, which totalled €6.1 million. The receivable from Eurocontrol, net of the portion directly attributed to the bad debts provision, comes to €188,840 thousand (€140,229 thousand at 31 December 2017).

The *receivable from the Ministry of Economy and Finance* (MEF) of €6,592 thousand relates entirely to en-route and terminal exemptions recognised in the first half of 2018. The receivable at 31 December 2017 of €13,932 thousand was offset, following the approval of the 2017 financial statements, by the payable to the Air Force for collections involving en-route charges of €59,882 thousand which created a payable to the MEF of €45,950 thousand.

The *receivable from the Ministry of Infrastructures and Transport* includes the contributions for operating expenses aimed at offsetting the costs incurred by the Parent Company to guarantee the security of its plants and operational safety, pursuant to Law 248/05 Article 11 *septies*, of €30 million, which increased in the first half of 2018 by €15 million for the share pertaining to the period.

The item *receivables from others* classified in current portion at €41,874 thousand, recorded a net negative change at 30 June 2018 of €368 thousand due to the effect of the collection of the receivable from the General Civil Aviation of €2.9 million and the recording of receivables related to both the progress of foreign contracts and the receivable from the transaction for the sale of the Academy building complex which took place on 28 June 2018. Note that this building complex was sold for a price of €4.5 million with cashier's cheques for €1.5 million at the same time as the signing of the sale and purchase agreement and €3 million to be paid in four annual instalments of €750 thousand on 28 June each year. In consideration of the fact that no interest accrues on this receivable, it was discounted and the €2,205 thousand of share that will be collected in subsequent financial years will be classified under non-current receivables. To guarantee the deferred payment, Alma Mater Studiorum - University of Bologna granted a consensual first rank mortgage for the duration of the extension on the properties in the sale and purchase agreement for €3 million.

The *Bad debt provision* stood at €56,350 thousand and changed as follows in the first half of 2018:

	31.12.2017	Increases		Decreases		30.06.2018
		P&L	Net Equity	Utilizations	cancellations	
Bad debt provision	55,987	424	453	(391)	(123)	56,350

With reference to the increases in the period, note, as commented on under the scope of the principles, that the adoption of IFRS 9 led, with effect from 1 January 2018, to a greater write-down of €453 thousand reported under the opening shareholders' equity at 1 January 2018. In relation to the increases recorded in the income statement, they mainly refer to credit positions on the non-regulated market as a consequence of the application of write-down percentages on past due receivables. The decreases relate to both to the collection of positions previously written-down and credit ratings in accordance with the provisions of the new principle. Note that the bad debt provision at 30 June 2017 included the write-down of receivables due from Alitalia which accrued before the carrier entered extraordinary administration proceedings which took place on 2 May 2017.

The *Balance receivable*, which refers entirely to the parent company, excluding the effect of discounting, amounts to €129,041 thousand (€158,374 thousand as at 31 December 2017) and is classified under current trade receivables for €79,611 thousand, equal to the portion that will be recovered partly in 2018 and therefore incorporated in the charge for the same year and the residual amount by 30 June 2019, and under non-current trade receivables for €49,430 thousand. Overall the Balance receivable recorded a net reduction of €29,333 thousand due to the joint effect of the part attributed to the income statement and charge for €31.7 million including discounting and relating to the balance component recovered financially during this half-year and the new entries for positive balances recorded in the first half of 2018 totalling €2.4 million. Specifically, the balance receivable refers to en-route receivables for €0.9 million and to terminal receivables for €1.5 million. The en-route balances refer to: i) the balance for Eurocontrol traffic risk and the portion of the balances recorded in previous years not recovered and included in the 2018 charge for €826 thousand. In the first half of 2018 there was not a traffic balance for Enav because the en-route service units actually generated compared with the ones in the performance plan for the half-year were equal to -1.76%. This variation, less than the EU regulation 2% level meant the balance was not recorded as it involved differences which in absolute terms remain the responsibility of service providers; ii) the weather balance of €123,000 calculated, in conformity with EU regulations, on the basis of a cost recovery logic.

The terminal balances mainly refer to: a) the balance for traffic risk for the first terminal charging zone for €188 thousand following less service units for Roma Fiumicino actually generated compared with the performance plan for the half-year (-3.37%); ii) the weather balance for the first charging zone of €53 thousand; iii) the terminal balance relating to the third charging zone calculated through a recovery cost logic of €1,261 thousand.

14. Inventories

Inventories, representing mainly spare parts, amounted to €60,928 thousand net of the allowance for inventory losses, and changed as follows during the period:

	31.12.2017	Increases	Decreases	30.06.2018
Fiduciary inventory	64,686	1,057	(1,346)	64,397
Direct inventory	4,676	230	(248)	4,658
Flight inspection inventory	743	0	0	743
	70,105	1,287	(1,594)	69,798
Allowance for inventory losses	(9,119)	(378)	627	(8,870)
Total	60,986	909	(967)	60,928

The increase of €909 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, as well as parts of systems classified as inventory under tangible assets, in the amount of €276 thousand. The decrease of €967 thousand gross of the allowance for inventory losses, regards uses of spare parts in operating systems.

The allowance for inventory losses is increased by €378 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 €627 thousand due to the disposal of spare parts already written down in previous years.

15. Other current assets

Other current assets totalled €35,801 thousand and a net increase of €24,132 thousand was recorded in the first half of the year. The item breaks down as follows:

	30.06.2018	31.12.2017	Variation
Receivables from government entities for capital grants	13,705	3,397	10,308
Receivables from personnel	3,773	3,464	309
Receivables from various entities for projects funded	4,013	3,209	804
Accruals and deferrals	13,997	1,561	12,436
Other receivables	3,342	3,073	269
	38,830	14,704	24,126
Bad debt provision	(3,029)	(3,035)	6
Total	35,801	11,669	24,132

The *receivable from government entities for capital grants* increased by €10,308 thousand following the recording of several investment projects eligible under the PON 2014-2020 loan in conformity with the agreement signed with MIT after it was registered at the Board of Auditors. These projects are in the process of being reported in the first half-year for €4.5 million.

The *receivable from various entities for projects funded* equal to €4,013 thousand recorded an increase of €804 thousand through the recording of the co-finance portion pertaining to the period involving the Sesar 2020 project and for the training courses funded by Fondimpresa.

Accruals and deferrals, which totalled €13,997 thousand, increased following the recording of personnel costs pertaining to subsequent months, mainly the INAIL payment made in February and summer bonuses paid to employees in June and classified under accruals and deferrals in the portion not attributable to the period.

16. Cash and cash equivalents

Details of cash and cash equivalents at 30 June 2018 are provided below:

	30.06.2018	31.12.2017	Variation
Bank and post office deposits	180,029	263,259	(83,230)
Cheques	1,500	0	1,500
Cash and cash equivalents on hand	58	67	(9)
Total	181,587	263,326	(81,739)

Bank and post office deposits stood at €180,029 thousand recording a net negative change of €83,230 thousand which, in addition to the dynamics of collections and payments connected with ordinary operations which produced a positive cash flow, was affected by the following events: i) the payment of the dividend of €100.9 million; ii) the repayment of loans of €18.3 million; iii) the payment of the first tranche of the shareholders' loan made to Aireon for €1.6 million; iv) the payment to the Italian Air Force of the share of terminal collections pertaining to it for €8.8 million; v) the payment of the balance and advance for IRES of €17.6 million. These effects were partly offset by the collection of pre-financing for the 2016 Connecting Europe Facility project and other funded projects totalling €14 million.

The items cheques of €1.5 million refers to the cashier's cheques issued by Alma Mater Studiorum for the purchase of the Forlì Academy building complex which took place on 28 June 2018 which were deposited in the bank in early July.

There are no restrictions on cash and cash equivalents that may limit their availability.

17. Assets held for sale and related liabilities

Assets held for sale net of related liabilities amounted to €1,346 thousand at 30 June 2018 and refer entirely to the Sicta Consortium in liquidation. Specifically, the item includes the assets of the Consortium equal to €1,786 thousand and the directly associated liabilities, totalling €440 thousand, classified under assets held for sale and liabilities associated with assets held for sale and related liabilities, in accordance with IFRS 5.

Assets held for sale increased in the first half of 2018 by €591 thousand, compared with 31 December 2017, mainly as a result of the increase in the balance of cash and cash equivalents by €673 thousand associated with the collection of receivables due with regard to customers and payments of tax and social security outstanding amounts as a result of the end of working relations with the Consortium.

Liabilities held for sale fell by €60 thousand mainly as a result of the definition of the above-mentioned tax and social security outstanding payments.

18. Shareholders' equity

The breakdown of Shareholders' equity at 30 June 2018 which stood at €1,057,980 thousand is given below.

	30.06.2018	31.12.2017	Variations
Share capital	541,744	541,744	0
Legal reserve	26,663	21,938	4,725
Other reserves	442,144	436,815	5,329
Translation reserve	4,958	3,422	1,536
IAS FTA reserve and adoption of new principles	(1,069)	(727)	(342)
Reserve for actuarial gains/(losses) for employee benefits	(9,801)	(10,153)	352
Cash Flow Hedge reserve	1,996	2,017	(21)
Treasury shares reserve	(851)	0	(851)
Retained earnings/(accumulated losses)	19,203	23,411	(4,208)
Profit/(loss) for the period	32,993	101,498	(68,505)
Total Group Shareholders' Equity	1,057,980	1,119,965	(61,985)
Share capital and reserves attributable to minority interest	0	0	0
Profit/(loss) attributable to minority interest	0	0	0
Total minority interest in Shareholders' Equity	0	0	0
Total Shareholders' Equity	1,057,980	1,119,965	(61,985)

On 27 April 2018 at the ordinary shareholders' meeting called, among other things, for the approval of the financial statements at 31 December 2017, it was resolved to allocate a total dividend of €0.1864 per share to shareholders for a total value of €100,981 thousand. This amount was taken from the result for the year of Enav S.p.A., after the allocation of 5% equal to €4,725 to the legal reserve in conformity with Article 2430, paragraph 1 of the Civil Code for €89,778 thousand and from the retained earnings of €11,203 thousand.

At 30 June 2018 the share capital numbered 541,744,385 ordinary shares with no par value.

Other reserves, in the first half of 2018, rose by €5,329 thousand with €5,100 thousand for the adjustment to fair value of the investment in other companies, Aireon, excluding deferred taxes and €229 thousand from the share pertaining to the period of the reserve dedicated to the Group management long-term incentive plan.

The *Translation reserve* for financial statements in foreign currency involves exchange rate differences from the conversion into euros of the financial statements of companies operating in currencies other than the euro.

The change for the half-year for the *IAS first time adoption reserve (First Time Adoption – FTA) and adoption of new principles* refers to the effects of the application of IFRS 9 and IFRS 15 with effect from 1 January 2018 excluding deferred tax.

The *reserve for actuarial gains/(losses) on employee benefits* includes the effects of actuarial changes in employee severance indemnity, net of the tax effect, which at 30 June 2018 showed an actuarial gain generating an improvement in the negative balance of €352 thousand.

The *cash flow hedge reserve* includes the measurement at fair value of hedging derivative financial instruments, which recorded a negative net change in the period of €21 thousand.

The *reserve for treasury shares* of €851 thousand includes the value of treasury shares acquired in June totalling 206,955 treasury shares at an average price of €4.11 per share.

Retained earnings/(accumulated losses) include the results of previous years from companies entering the scope of consolidation and from consolidation adjustments applied. The change for the period of €4,208 thousand is attributable to the distribution of the 2017 dividend paid in May regarding the part taken from retained earnings.

The consolidated profit for the first half of 2018 stood at €32,993 thousand.

19. Provisions for risks and charges

Provisions for risks and charges amount to €8,035 thousand, of which the portion classified in current liabilities totals €2,342 thousand. They changed as follows during the first half of the year:

	31.12.2017	Increases	Absorption to profit & loss	Decreases	30.06.2018
Provisions for disputes with personnel	1,982	0	(578)	(29)	1,375
Provisions for other pending litigations	910	0	(765)	(73)	72
Other risks	6,588	0	0	0	6,588
Total provisions for risks and charges	9,480	0	(1,343)	(102)	8,035

The *provisions for disputes with personnel*, the short-term portion of which was €530 thousand, fell in the period by a total of €607 thousand including €29 thousand for disputes established in the first half of 2018 and €578 thousand following the disappearance of the liabilities identified as likely by the Group. At 30 June 2018 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 €1.1 million.

The *provision for other pending litigations*, the short-term portion of which is €20 thousand, fell in the half-year by €838 thousand through the establishment of a dispute with a supplier through a transaction entered into in June. At 30 June 2018, estimated costs relating to on-going disputes for which Group lawyers have deemed the risk of a loss to be possible amounted to €2.3 million.

The item *other risks* provision, the short-term portion of which is €1,792 thousand, did not change during the first half of 2018.

20. Employee severance indemnity and other benefits

Employee severance indemnity and other benefits amounted to €54,476 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 liability for employee severance indemnity and other benefits changed as follows during the first half:

	30.06.2018	31.12.2017
Liabilities for employee benefits at the beginning of the period	55,636	57,388
Interest cost	334	729
Actuarial (gains)/Losses on defined benefits	(463)	(138)
Advance payments, disbursements and other variations	(1,031)	(2,343)
Liabilities for employee benefits at the end of the period	54,476	55,636

The financial component of the allocation equal to €334 thousand was recorded in financial expenses. The utilisation of €1,031 thousand of the employee severance indemnity resulted from amounts paid out to personnel leaving the group during the first half, advances disbursed to personnel who so requested 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). At 30 June 2018 this calculation generated actuarial gains of €463 thousand.

The main actuarial assumptions applied in the calculation of the TFR are summarised below:

	30.06.2018	31.12.2017
Discount rate	1.45%	1.30%
Inflation Rate	1.50%	1.50%
Severance indemnity annual increase rate	2.625%	2.625%
Expected turnover rate	4.00%	4.00%
Expected rate of advance payments	2.50%	2.50%

The discount rate used for calculating the current value of the obligation was calculated, consistent with paragraph 83 of IAS 19, from the IBoxx Corporate AA Index with a duration of 10+ recorded at the measurement date and commensurate with the average length of the collective subject to evaluation. A figure of 1.5% was adopted for the inflation rate on the basis of the current economic situation in which the majority of economic indicators are rather volatile. 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.

	30.06.2018	31.12.2017
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

The sensitivity analysis of the TFR compared with the change in the main theories is given below.

	Liabilities for defined benefits for Group employees	
	30.06.2018	31.12.2017
Turnover rate +1%	54,269	55,385
Turnover rate -1%	54,796	56,036
Inflation rate +0.25%	55,281	56,482
Inflation rate - 0.25%	53,771	54,919
Discount rate +0.25%	53,320	54,453
Discount rate -0.25%	55,760	56,979

The average financial duration of the obligation for defined benefit plans is 10.6 years.

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

	Payments expected
within 1 year	3,368
between 1 to 2 years	3,328
between 2 to 3 years	3,267
between 3 to 4 years	3,467
between 4 to 5 years	3,246

21. 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 by the Parent Company on 4 August 2015, with interest expenses accrued up to 30 June 2018 included under current liabilities.

The values at 30 June 2018 compared with those at 31 December 2017 and the relative changes are shown below:

	30.06.2018		31.12.2017		Variations	
	<i>current portion</i>	<i>non-current portion</i>	<i>current portion</i>	<i>non-current portion</i>	<i>current portion</i>	<i>non-current portion</i>
Bank Loans	17,435	163,977	29,044	170,670	(11,609)	(6,693)
Bond	3,141	180,000	1,418	180,000	1,723	0
Derivatives	0	0	0	0	0	0
Total	20,576	343,977	30,462	350,670	(9,886)	(6,693)

The table below shows the breakdown of net financial indebtedness at 30 June 2018 compared with 31 December 2017, 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.

	30.06.2018	of which related parties	31.12.2017	of which related parties
(A) Cash	180,087	0	263,326	0
(B) Other cash equivalents	1,500	0	0	0
(C) Trading securities	0	0	0	0
(D) Liquidity (A)+(B)+(C)	181,587	0	263,326	0
(E) Current financial receivables	0	0	0	0
(F) Current financial payables	0	0	0	0
(G) Current portion of non-current indebtedness	(20,576)	0	(30,462)	(1,664)
(H) Other current financial debt	0	0	0	0
(I) Current financial indebtedness (F)+(G)+(H)	(20,576)	0	(30,462)	(1,664)
(J) Net current financial indebtedness/Liquidity (D)+(E)+(I)	161,011	0	232,864	(1,664)
(K) Non-current bank loans	(163,977)	0	(170,670)	0
(L) Bonds issued	(180,000)	0	(180,000)	0
(M) Other non-current loans	0	0	0	0
(N) Non-current financial indebtedness (K)+(L)+(M)	(343,977)	0	(350,670)	0
(O) CONSOB Net Financial Indebtedness (J)+(N)	(182,966)	0	(117,806)	(1,664)
(P) Current and non-current derivatives instruments	30	0	325	0
(Q) ENAV Group Net Financial Indebtedness (O)+(P)	(182,936)	0	(117,481)	(1,664)

(*) The difference of €1,616 thousand with the Net Financial Indebtedness reported in the interim report on operations which stood at €181,320 thousand is due to the non-current financial receivable which does not come under the composition of the indebtedness provided for by ESMA.

At 30 June 2018, bank loans decreased in the first half of 2018 overall by €16,579 thousand, following repayments made and owing to effects connected to the amortised cost.

Specifically, repayments concerned the following loans:

- the repayment of €4,000 thousand for the half-year tranche of the loan from Unicredit S.p.A., expiring 30 November 2018;
- the repayment of €10,000 thousand for the last instalment of the loan from Unicredit S.p.A., for an original amount of €100 million;
- the repayment of the last instalment of the loan with Medio Credito Centrale for €1,667 thousand for an original amount of €10 million;
- the repayment of a half-year instalment of the loan from the EIB for €2,667 thousand, expiring 12 December 2032.

The portion of loans recognised under current liabilities for €17,435 thousand includes the amounts to be repaid in the subsequent 12 months as set forth in the amortisation plans, inclusive of the effects connected with the amortised cost.

At 30 June 2018 the Group had short-term lines of credit not used totalling €222.5 million including committed lines of €70 million and uncommitted lines of €152.5 million.

The average interest rate on bank loans in the reference period was 1.64% on an annual basis.

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 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 deferred to a fixed extent of 1.93% of the nominal value. The portion of interest for the half-year equal to €1,723 thousand was classified under current liabilities, bringing the entire payable for interest to €3,141 thousand.

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 €191.9 million at the valuation date of 30 June 2018.

22. Current and non-current trade payables

At 30 June 2018, current trade payables amounted to €142,452 thousand, and had increased by €11,598 thousand compared with 31 December 2017, following changes in the items shown in the following table:

	30.06.2018	31.12.2017	Variation
Current trade payables			
Payables to suppliers	94,056	100,648	(6,592)
Payables for advance payments received for projects financed in Europe	27,585	13,715	13,870
Balance payable	20,811	16,491	4,320
Total	142,452	130,854	11,598
Non-current trade payables			
Balance payable	13,513	23,648	(10,135)
Total	13,513	23,648	(10,135)

Payables to suppliers for goods and services necessary for Group activities fell by €6,592 thousand compared with 31 December 2017 mainly through lower payables recorded in the period.

The item *payables for advance payments received projects financed in Europe* which stood at €27,585 thousand recorded a net increase of €13,870 thousand compared with 31 December 2017 mainly through the collection of the first instalment of the pre-financing of the *Connecting Europe Facility* (CEF) project with reference to 2016 of €11,393 thousand, the third instalment of the pre-financing related to the 2014 CEF under the 2017 activities of €1,282 thousand and the collections for the Sesar 2020 programme which, excluding the portion already reversed to other partners, stood at €3,035 thousand.

The balance *payables* come to a total of €34,324 thousand, including the part classified in current payables equal to €20,811 thousand and corresponding to the amount that will be returned to the carriers in 2018 and partly in the first half of 2019. Overall, the balance payable item recorded a net negative change in the first half of 2018 of €5,815 thousand due to the reversal to the income statement

of the portions pertaining to the period of €7,566 thousand and the new entries in the half-year of €1,780 thousand referring mainly to the terminal second charging zone traffic balance which generated higher actual service units than in the forecast figure of -5.75%.

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:

	30.06.2018		31.12.2017		Variations	
	current portion	non-current portion	current portion	non-current portion	current portion	non-current portion
Deposit payment	37,522	0	72,195	0	(34,673)	0
Other payables	103,477	0	52,784	0	50,693	0
Accruals and deferrals	6,754	113,164	8,123	106,253	(1,369)	6,911
Total	147,753	113,164	133,102	106,253	14,651	6,911

Deposit payment totalled €37,522 thousand, including €32,250 thousand referring to the Parent Company payable to the Italian Air Force for the portion of collections received in 2018 for en-route and terminal services and €5,272 thousand for the payable to ENAC (Italian Civil Aviation Authority) for collections concerning the same services. The net decrease recorded in the first half of the year of €34,673 thousand is due to the following events: i) the offsetting of the AMI en-route payments on account recorded at 31 December 2017 for €59,882 thousand with the receivable due with regard to the Ministry of Economy and Finance (MEF) equal to €13,932 thousand and the recording of the payable to the MEF of €45,950 thousand in the item other payables of other current liabilities; ii) the payment to the Air Force of the terminal collections for the second half of 2017 of €8,819 thousand; iii) the amounts accrued in the period for the AMI and ENAC equal to a total of €34,028 thousand.

Other payables which totalled €103,477 thousand recorded a net increase of €50,693 thousand which refer for €45,950 thousand to the payable to the MEF as reported previously and for the remaining part to the greater payables to personnel which total €47,515 thousand (€39,035 thousand as at 31 December 2017), an increase of €8,480 thousand compared with 31 December 2017 for the provisions for personnel with reference to the thirteenth month, the contract renewal and the performance-related bonus.

Accruals and deferrals mainly refers to deferred income involving NOP contributions for networks and mobility relating to the periods 2000/2006, 2007/2013 and 2014/2020 for investments made in southern airports, operating grants for investments for military airports, pursuant to the provisions of Law 102/09, other contributions to investments which refer mainly to European loans obtained under the scope of TEN-T and CEF 2014. The net positive change for the period of €5,542 thousand refers mainly to the recording, under the scope of deferred income, of projects funded under the scope of the

2014/2020 PON and through agreements with the MIT recorded at the Board of Auditors for a total of €10,308 thousand, and to the reversal to the income statement of the share for the half-year connected with the depreciation of the investments to which the contribution refer for €4,742 thousand.

24. Tax and social security payables

Tax and social security payables amounted to €57,311 thousand and are broken down as shown in the table below.

	30.06.2018	31.12.2017	Variation
Tax payables	19,983	14,128	5,855
Social security payables	37,328	25,253	12,075
Total	57,311	39,381	17,930

Tax payables recorded a net positive change of €5,855 thousand mainly through greater IRPEF withholdings paid in July and recorded in the payment of the fourteenth month paid in June to employees.

Social security payables rose by €12,075 thousand following greater expenses related to the additional remuneration paid in June as well as the part related to staff provisions recognised on an accrual basis.

Information on items in the consolidated interim income statement

25. Revenues from contracts with customers and balances

Revenues from contracts with customers, including the balance component, amounted to €417,147 thousand and a negative €24,026 thousand respectively, with the former increasing by €25,613 thousand, while the component adjusted by the balance fell by €25,634 thousand.

The tables below show the details of the individual items:

	First Half 2018	First Half 2017	Variations	%
En Route revenues	301,324	275,798	25,526	9.3%
Terminal revenues	102,834	102,123	711	0.7%
En Route and terminal exemptions	6,590	7,082	(492)	-6.9%
Revenues from non-regulated market	6,399	6,531	(132)	-2.0%
Total revenues from contracts with customers	417,147	391,534	25,613	6.5%

En-route revenues stood at €301,324 thousand recording an increase, compared with the same period of the previous year, of €25,526 thousand, for more service units in the period which involved all three types of traffic standing at +9.1% compared with the first half of 2017 (+2.4% compared with the first half of 2016). The charge applied in 2018 was €79.98 (€80.00 in 2017) which, albeit essentially unchanged, fell by 3.8% if one takes into consideration only the actual charge excluding the balance.

Terminal revenues totalled €102,834 thousand recording an overall increase of €711 thousand compared with the corresponding period of the previous year, due to the positive performance of services units at individual airports differentiated by charging zones which overall stood at +4.4% (+2.5% compared with the first half of 2016), a performance which offset the charge reduction applied in the three charging zones. Specifically, the first charging zone, which includes Roma Fiumicino Airport, recorded an increase in traffic handled, expressed as service units, up 4.6% (-3.8% compared with the first half of 2016) with reference to international traffic and a reduction in the charge applied for 2018 of 0.67% applied in 2018 which stands at €187.30 (€188.57 in 2017). The second charging zone, represented by the airports of Milano Malpensa, Milano Linate, Venezia Tessera and Bergamo Orio al Serio recorded an increase in service units of +4.1% compared with the first half of 2017, equal to the comparison between 2017 and the 1st half of 2016, an effect partly offset by the reduction of 3.28% in the charge applied in 2018 (€203.06) compared with 2017 (€209.95). The third charging zone, which includes 40 medium and low traffic airports, recorded an increase in service units of 4.4% compared with the corresponding period of the previous year (5.1% compared with the first half of 2016) with greater developments in the international sphere, an effect offset by the 1.11% reduction in the charge which led to the application of a charge in 2018 of €320.18 compared with the charge in 2017 of €323.79.

Revenues related to *en-route and terminal exemptions* of €5,180 thousand (€5,725 thousand in the first half of 2017) and €1,410 thousand (€1,357 thousand in the first half of 2017), respectively, recorded an overall decrease of 6.9% compared with the first half of 2017 through the 9.0% reduction in lower service units.

The Group identified two distinct obligations under the scope of revenues from core business, attributable respectively to the en-route and terminal services, both including the components relating to services provided for exempt flights. These obligations are discharged as over time and the related measurement takes place using the output method based on service units actually provided to customers.

Non-regulated market revenues came in at €6,399 thousand, recording a 2% reduction compared with the first half of 2017. Specifically, these revenues refer to the national and international radio assistance control services totalling €1.3 million, and training activities for €0.1 million and consultancy activities aimed mainly at foreign markets, including: i) the construction of the air traffic control tower at Mitiga Airport in Libya for €1.6 million (€0.4 million in the first half of 2017); ii) consultancy services for the Air Traffic Control Centre in Kuala Lumpur, Malaysia for €1.3 million (€1.1 million in the first half of 2017); iii) the conclusion of the air space restructuring contract in the United Arab Emirates for €0.1 million (€1.0 million in the first half of 2017). These revenues, represented essentially by the provision of services by the Group, include the fulfilment of obligations where progress is mainly measured according to the input-based measurement method.

The balance, representing the value of revenues from contracts of customers of the parent company, totalled -€24,026 thousand and were calculated on the basis of the items listed in the following table:

	First Half 2018	First Half 2017	Variations
Balance charge adjustments for the period	733	13,883	(13,150)
Discounting effect	(11)	(232)	221
Balance changes	0	(3)	3
Balance utilisation	(24,748)	(12,040)	(12,708)
Total revenues from contracts with customers - Balance	(24,026)	1,608	(25,634)

The Balance charge adjustment for the period represents the increase in the charge deriving from actual traffic volumes and/or costs compared with the values budgeted upon determination of the charge before their adjustment to fair value resulting from the effect of discounting and refer to €948 thousand to en-route (€13,520 thousand for the first half of 2017) and for -€215 thousand to terminal (€363 thousand for the first half of 2017).

En-route balances recorded in the period refer to the balance for Eurocontrol traffic risk and to the share of the balances recorded in previous years not recovered and included in the 2018 charge for a total of €826 thousand (€12,987 thousand in the first half of 2017) and to the weather balance for a

total of €122 thousand (€533 thousand in the first half of 2017). The reduction for the period for en-route balances totalling €12,572 thousand mainly refers to the lack of the parent company traffic risk balance in the half-year because the difference between en-route service units generated at the end of the 2018 half-year compared with the performance plan figures and in relation to the half-year was equal to -1.76% (-7.6% in the first half of 2017) and therefore within the scope of the 2% positive and negative variation which remains the responsibility of service providers. The terminal balances overall, for charging zones, recorded a negative balance for the second charging zone of €1,707 (€1,087 thousand in the first half of 2017) following the higher traffic than forecast of 5.75% and the positive balances totalling €1,491 thousand (€1,450 thousand in the first half of 2017) and refer to the first charging zone for €231 thousand, following less service units generated in the first half of 2018 compared with the forecast figure, down 3.37% and to the third charging zone for €1,260 thousand.

The discounting effect, equal to €11 thousand, is derived by the separation of the financial component inherent in the balance mechanism, carried out by discounting the balances generated during the period in accordance with a pre-defined recovery plan.

The utilisation of the balance of €24,748 thousand refers to the transfer to charges and therefore to the income statement of the portion of en-route and terminal balances recognised in previous years in compliance with what was done upon determination of the charge for 2018. The greater utilisation in the first half of 2018, compared with the corresponding period of the previous year, is exclusively attributable to the larger amount of balances included in charges compared with what took place in the previous period.

In conformity with the requirement of IFRS 15, note the breakdown of revenues by nature and type of activity. The first half of 2017 only contains a presentation of the data, taking into consideration that the effects attributable to the new principle were allocated to the opening shareholders' equity as at 1 January 2018.

Type of revenues	First Half 2018	First Half 2017	Variations	Variations %
Revenues from regulated market:				
En-route revenues (*)	282,895	282,529	366	0%
Terminal revenues (*)	103,838	104,317	(479)	0%
discounting effect on en-route balance	(15)	(226)	211	-93%
discounting effect on terminal balance	4	(6)	10	-167%
Other minor	0	(3)	3	-100%
TOTAL REVENUES FROM REGULATED MARKET	386,722	386,611	111	0%
Revenues from non-regulated market:				
Aeronautical consulting and infrastructure construction	4,414	4,083	331	8%
Flight inspection	1,343	1,443	(100)	-7%
Maintenance and modernization	463	683	(220)	-32%
Training	130	268	(138)	-51%
Other minor	49	54	(5)	-9%
TOTAL REVENUES FROM NON-REGULATED MARKET	6,399	6,531	(132)	-2%
TOTAL REVENUES FROM CONTRACTS WITH CUSTOMERS	393,121	393,142	(21)	0%

(*) Balance represents the variable consideration pertaining to the revenues' stream from regulated market and is included in the amount of en-route and terminal revenues. This variable consideration includes the time value of money, considering that is subject to discounting.

26. Other operating income

Other operating income amounted to €22,612 thousand, an increase of €1,101 thousand compared with the first half of 2017. Other operating income breaks down as follows:

	First Half 2018	First Half 2017	Variations
Capital grants	4,742	4,654	88
Operating grants	15,545	15,074	471
European funding	765	481	284
Other revenues and income	1,560	1,302	258
Total	22,612	21,511	1,101

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 mainly refer to the amount for the first half recognised to the Parent Company according to Article 11 *septies* of Italian Law 248/05, in order to offset costs incurred to guarantee system safety and operational security, and the training of personnel financed by Fondimpresa.

European funding regards the portion attributable to the half-year of financed European projects in which the Group participates.

Other revenues and income include insurance reimbursements for claims caused by third parties, the secondment of parent company personnel to third parties and the penalties applied to suppliers for delay in the delivery of goods and/or services compared with the contractually agreed deadlines. The

balance in the first half of 2018 also includes the capital gain realised from the sale of the Forlì Academy building complex for a total of €755 thousand.

The details of revenues in the first half of 2018 are shown below compared with those for the corresponding period of the previous year, broken down by geographical area.

Revenues	First Half 2018	% on revenues	First Half 2017	% on revenues
Italy	411,201	98.9%	409,828	98.8%
EU	412	0.1%	422	0.1%
Non-EU	4,121	1.0%	4,403	1.1%
Total revenues	415,734		414,653	

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

Costs of goods, services, use of third-party assets and other operating expenses totalled €71,504 thousand, a net decrease of €2,315 thousand compared with the figure for the first half of 2017.

The details of the above-mentioned costs and changes during the period are reported in the table below:

	First Half 2018	First Half 2017	Variations
Costs for the purchase of goods	5,536	4,071	1,465
Costs for services:			
Maintenance costs	9,973	10,188	(215)
Costs for Eurocontrol contributions	19,221	19,301	(80)
Costs for utilities and telecommunications	15,695	17,903	(2,208)
Costs for insurance	1,512	1,414	98
Cleaning and security	2,268	2,427	(159)
Other personnel-related costs	5,265	5,054	211
Professional services	4,408	4,972	(564)
Other costs for services	3,543	3,768	(225)
Total Costs for services	61,885	65,027	(3,142)
Costs for the use of third-party assets	2,490	2,958	(468)
Other operating expenses	1,593	1,763	(170)
Total	71,504	73,819	(2,315)

Costs for purchases of goods include costs incurred for the acquisition of spare parts for air traffic control systems and devices and the relative change in inventories, amounting to €352 thousand (€153 thousand in the first half of 2017), as well as the acquisition of the materials needed for national and international airport site renovation and modernisation activities, which recorded an increase in the period in question due to the greater activities conducted by the subsidiary Techno Sky.

Service costs recorded a net decrease in the period of €3,142 thousand with particular reference to: i) costs for utilities and telecommunications which fell overall by €2.2 million both with reference to the connectivity costs for the IP MPLS geographical management network for the Group following the lower

costs achieved for the new contracts agreed following a tender for E-NET data connections and the decommissioning of previous circuits and the larger discount obtained under the scope of the agreement with the supplier; ii) the reduction in security costs through the end of reception contracts with effect from 1 September 2017 which are now insourced; iii) lower costs for professional services through less recourse to external professionals; iv) an increase in other costs involving personnel which mainly refer to secondment costs of personnel used for the contract in Libya whose activities increased in the first half of 2018.

Costs for use of third-party assets recorded an overall reduction in the period of €468 thousand mainly through the ending of several lease agreements with the consequent transfer of employees partly to the new Roma Ciampino offices and partly to a new building rented with effect from May 2018 in via Pietro Boccanelli.

28. Personnel costs

Personnel costs amounted to €244,092 thousand, an increase of 2.1% compared with the first half of 2017, mainly because of the allocation of costs not present in the half-year relating to the previous financial year. The breakdown of the items is given in the table below:

	First Half 2018	First Half 2017	Variations	%
Wages and salaries, of which:				
Fixed remuneration	137,367	136,884	483	0.4%
Variable remuneration	34,604	31,744	2,860	9.0%
Total wages and salaries	171,971	168,628	3,343	2.0%
Social security contributions	56,560	55,632	928	1.7%
Employee severance indemnity	11,334	11,156	178	1.6%
Other costs	4,227	3,675	552	15.0%
Total personnel costs	244,092	239,091	5,001	2.1%

The item wages and salaries recorded an overall increase of €3,343 thousand represented by: i) the greater fixed remuneration of €483 thousand, as the net effect between salary dynamics, the provisions related to the renewal of the contract which expired at the end of 2016 and not present in the first half of 2017, and the reduction in costs because of the lower Group headcount corresponding to 55 average employees and 72 effective employees, compared with the corresponding period of the previous year, with a headcount at the end of the first half of 2018 of 4,170 employees (4,242 employees in the first half of 2017); ii) a net increase in variable remuneration of €2,860 thousand due to both the greater provision for the employee and executives performance-related bonus in accordance with logics not yet present in the figure for the first half of 2017, also following the new variable incentive structure for Group executives approved at the end of 2017 comprising both an individual performance-related

bonus and the long-term incentive plan, and the greater overtime on the operating line as a result of the increase in assisted air traffic volumes.

Other costs recorded a net increase of €552 thousand mainly through the voluntary redundancy costs paid to personnel leaving in the first half of 2018 which involved 20 resources (5 resources in the first half of 2017) totalling €2.2 million and the reduction in personnel insurance costs following savings achieved through the stipulation of the new contract.

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

	First Half 2018	First Half 2017	Variation
Executives	62	61	1
Middle managers	411	421	(10)
Office staff	3,697	3,760	(63)
Final amount	4,170	4,242	(72)
Average amount	4,223	4,278	(55)

29. Capitalisation of internal work

The costs for the capitalisation of internal work stood at €16,116 thousand (€13,905 thousand in the first half of 2017) recording an increase of €2,211 thousand compared with the corresponding period of the previous year mainly through the higher internal realisation of investment projects, made by the subsidiary Techno Sky, related specifically to the adaptation of airport weather systems to amendment 74 and 75 ICAO at various airport sites, the development of the 4-Flight system, the activities of moving the approach control services for the airports of Olbia and Alghero to the Roma Ciampino Area Control Centre, the FDP automation of the Alghero airport and the maintenance of the air traffic control systems.

30. Financial income and expenses

The balance of this item is -€1,923 thousand, comprising financial income of €1,463 thousand, financial expenses of €3,526 thousand and exchange rate gains of €140 thousand.

Financial income is broken down as follows:

	First Half 2018	First Half 2017	Variations
Income from investments in other companies	500	417	83
Financial income from balance discounting	508	1,596	(1,088)
Financial income from non-current financial asset	49	0	49
Interest income on VAT credit refunds	0	27	(27)
Other interest income	406	867	(461)
Total financial income	1,463	2,907	(1,444)

Financial income decreased overall by €1,444 thousand mainly through the lower financial income from the balance discounting recorded in the first half of 2018 compared with the corresponding period of the previous year, which benefited from the income related to the discounting of the balance receivables with reference to the third charging zone closed in accordance with Decree Law no. 50/2017 Article 51 which recognised €26 million for the parent company for keeping down the terminal third charging zone rates.

Financial expenses amounted to €3,526 thousand and is broken down in detail in the table below:

	First Half 2018	First Half 2017	Variations
Interest due on bank loans	1,330	1,045	285
Interest due on bonds	1,723	1,727	(4)
Interest due on employee benefits	334	341	(7)
Interest costs on derivatives at fair value	65	99	(34)
Other interest due	74	24	50
Total financial expenses	3,526	3,236	290

The item in question recorded a net increase of €290 thousand attributable mainly to the greater interest expenses on bank loans through the use of the second tranche of the EIB loan which took place at the end of 2017.

31. Income taxes

Income taxes for the period totalled €13,374 thousand, an increase of €1,196 thousand compared with the first half of 2017, mainly as a result of the effect of deferred taxes which generated costs of €0.8 million related to the use of taxable funds.

	First Half 2018	First Half 2017	Variations
IRES (Corporate tax)	10,279	10,360	(81)
IRAP (Regional tax)	2,241	2,092	149
Total current taxes	12,520	12,452	68
Deferred tax assets	843	(294)	1,137
Deferred tax liabilities	11	20	(9)
Total current and deferred tax assets and liabilities	13,374	12,178	1,196

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

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 coincides with the legal entity of the Parent Company ENAV, whose core business is providing 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;
- *Maintenance services*: this operating segment coincides with the subsidiary Techno Sky S.r.l., whose core business is the technical management and maintenance of air traffic control equipment and systems. *Air infrastructures*: like the country's other logistics infrastructure, air infrastructure needs constant maintenance and continuous development to guarantee safety, punctuality and operational continuity. Moreover, this is 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 segments* includes the Group's remaining activities that are not categorised in the two segments mentioned above and subject to monitoring.

No operating segment has been aggregated to create the operating segments subject to reporting indicated below for the first half of 2018 and the first half of 2017.

1st half of 2018

<i>(data in thousands of Euros)</i>	Flight assistance services	Maintenance services	Other segment	Adjustments / consolidation reclassification	Enav Group
Sales to third parties	411,796	2,453	1,485	0	415,734
Intersegment revenues	970	48,235	0	(49,205)	0
Total revenues	412,766	50,688	1,485	(49,205)	415,734
Personnel costs	(212,675)	(31,425)	(8)	16	(244,092)
Other net costs	(89,739)	(12,434)	(628)	47,413	(55,388)
Total operating costs	(302,414)	(43,859)	(636)	47,429	(299,480)
Amortisation and depreciation	(70,484)	(278)	(6)	1,489	(69,279)
Write-downs and provisions	1,315	0	0	0	1,315
EBIT	41,183	6,551	843	(287)	48,290
Financial income/(expenses)	(1,848)	(84)	8	1	(1,923)
Income before taxes	39,335	6,467	851	(286)	46,367
Income taxes for the period	(11,321)	(1,933)	(207)	87	(13,374)
Net profit/(loss) for the period	28,014	4,534	644	(199)	32,993
Total assets	1,986,242	98,878	60,971	(181,548)	1,964,543
Total liabilities	918,216	73,795	4,271	(89,719)	906,563
Net Financial Indebtedness	(190,859)	6,166	3,373		(181,320)

1st half of 2017

<i>(data in thousands of Euros)</i>	Flight assistance services	Maintenance services	Other segment	Adjustments / consolidation reclassification	Enav Group
Sales to third parties	411,969	1,165	1,519	0	414,653
Intersegment revenues	610	44,740	1,422	(46,772)	0
Total revenues	412,579	45,905	2,941	(46,772)	414,653
Personnel costs	(207,273)	(30,523)	(1,295)	0	(239,091)
Other net costs	(93,675)	(10,720)	(911)	45,392	(59,914)
Total operating costs	(300,948)	(41,243)	(2,206)	45,392	(299,005)
Amortisation and depreciation	(71,724)	(280)	(7)	1,348	(70,663)
Write-downs and provisions	(5,168)	0	0	0	(5,168)
EBIT	34,739	4,382	728	(32)	39,817
Financial income/(expenses)	(506)	(88)	(35)	(2)	(631)
Income before taxes	34,233	4,294	693	(34)	39,186
Income taxes for the period	(10,711)	(1,295)	(186)	14	(12,178)
Net profit/(loss) for the period	23,522	2,999	507	(20)	27,008
Total assets	1,945,335	85,476	56,738	(172,197)	1,915,352
Total liabilities	873,413	68,193	5,453	(80,213)	866,846
Net Financial Indebtedness	(249,720)	3,321	1,982	0	(244,417)

33. Related parties

Enav Group related parties were identified according to the provisions of IAS 24 Related-party disclosures involving transactions that took place in the interest of the Group, that are part of ordinary operations and are regulated, unless stated otherwise, at market conditions. At the end of 2017, the Board of Directors of the Parent Company, following the favourable opinion of the Control and Risks and Related Parties Committee, approved the "Procedure for governing related-party transactions" created by the Company directly and/or via its subsidiaries, in conformity with Article 2391-bis of the Civil Code and in compliance with the principles dictated by the "Regulation containing provisions on related-party transactions" including Consob resolution 17221 of 12 March 2010 and subsequent amendments and supplements

The procedure, available on the website www.enav.it, establishes the criteria for identifying related parties, for the distinction between transactions of greater and lesser importance, for the procedural framework applicable to the above transactions, as well as any mandatory notifications to the competent bodies.

The tables below contain the economic and financial amounts resulting from Group relations with related entities outside the Group, including those relating to directors, statutory auditors and executives with strategic responsibilities respectively for the first half of 2018, the financial year 2017 for balance sheet data and the first half of 2017 for economic data.

Name	First Half 2018							
	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
Ministry of Economy and Finance	6,592	558	0	71,322	6,590	0	0	0
Ministry of Infrastructure and Transport	58,705	0	0	0	18,392	0	0	0
Enel Group	0	0	0	68	0	2	0	0
Invitalia Group	0	0	0	0	0	0	0	17
Leonardo Group	439	0	0	20,894	54	980	0	0
Poste Italiane Group	0	0	0	24	0	46	32	0
Other external related parties	5	0	0	54	80	173	2	0
% effect	17.0%	0.3%	0.0%	31.8%	6.0%	0.4%	1.4%	0.5%

Name	Amount at 31.12.2017				First Half 2017			
	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	Costs for the use of third-party assets	Financial expenses
Ministry of Economy and Finance	13,932	558	0	59,882	7,082	0	0	0
Ministry of Infrastructure and Transport	33,397	0	0	0	19,195	0	0	0
Enel Group	0	0	0	122	0	521	0	0
Invitalia group	0	0	1,664	0	0	0	0	0
Leonardo Group	576	0	0	20,489	97	1,177	0	0
Poste Italiane Group	0	0	0	3	0	54	34	57
Other external related parties	0	0	0	80	57	190	20	0
% effect	16.1%	0.2%	5.5%	30.5%	6.4%	0.7%	1.8%	1.8%

The nature of the main relations above are reported with external related entities, which means the Ministry of Economy and Finance (MEF) and the Ministry of Infrastructures and Transport (MIT) and the entities subject to the control of the MEF is represented below in detail and also described in the comments on the individual items of the financial statements in the notes to the financial statements:

- 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 en-route charges. Following approval of the parent company 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 Banca d'Italia;
- 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 Networks and Mobility NOP recognised following the resolutions of the Management Authority of the Networks and Mobility NOP and agreements signed with the MIT and charged to the income statement in an amount commensurate with the depreciation 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 relate to the rental of equipment for hospitality purposes and shipping costs;
- relations with other related parties contain residual positions.

Executives with strategic responsibilities refers to the Enav CEO and three managers holding senior positions in the Group, appointed by the Board of Directors, at the suggestion of the CEO, at the

meeting in September 2017, namely the General Manager, Administration, Finance and Control Manager and Human Resources Manager. Note that the figure at 30 June 2017 only included the compensation of the CEO, as the executives with strategic responsibilities were not yet identified and did not include the provisions for the long-term incentive plan because the regulation implementing the 2017-2019 Share Performance Plan (cycle 1) was approved on 11 December 2017.

The remuneration of Group executives with strategic responsibilities, gross of pension and social security costs and contributions, is illustrated below:

	First Half 2018	First Half 2017
Short-medium term employee benefits	1,041	219
Post-employment benefits	0	0
Share-based payment	107	0
Totale	1,148	219

The remuneration of the Group Board of Statutory Auditors is also given below:

	First Half 2018	First Half 2017
Statutory Auditors	70	61
Total	70	61

The Parent Company belongs to the Prevaer Pension Fund which is the national supplementary pension fund for non-executive personnel working in the Air Transport and similar sectors. As in Article 14 of the Pevaer Fund By-Laws, 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.

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 investment. At 30 June 2017, three foreign currency acquisition transactions had been carried out of the four original transactions planned for clearing contractual obligations. At 31 December 2017 all the foreign currency purchase operations necessary to discharge the contractual obligations associated with the investment in Aireon were completed.

In 2016 the Parent Company signed another derivative contract with the aim of hedging the exposure of an unfavourable variation in the Euro/AED exchange rates relating to future collections in foreign currency concerning a two-year contract defined with the Abu Dhabi General Civil Aviation Authority (GCAA). It specifically involves an OTC derivative financial instrument through which the Parent Company forward sells a given amount of foreign currency against the Euro at a pre-set exchange rate, starting from a certain date and until the deadline.

The fair value of the derivative relating to the contract signed in 2016 is positive by €30 thousand. In accordance with IFRS 13, the recalculated mark to market was adjusted also to 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 based on the contractual maturity and with a matching entry in a 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 30 June 2018, as set forth in Bank communications, are listed below:

Counterparty	Transaction type	Stipulation date	Starting date	Expiry date	Notional (thousands of AED)	Forward exchange rate	Equivalent term (thousands of Euro)	MtM Bank
UNICREDIT	Sell AED (Flex)	22/11/2016	24/11/2016	27/09/2018	(2,727)	4.1230	(661)	28
Total							(661)	28

The fair value data at 30 June 2018, adjusted to take into consideration the Credit Value Adjustment, are provided below:

Counterparty	Counterparty	Notional (thousands of AED)	Equivalent term (thousands of Euro)	MtM	Credit Value Adjustment (CVA)	MtM with CVA (thousands of euro)
UNICREDIT	Sell AED (Flex)	(2,727)	(661)	30	0	30
Total			(661)	30	0	30

It was not possible to identify an active market for this instrument. The fair value was therefore calculated using a method consistent with level 2 of the fair value hierarchy defined by IFRS 7 and IFRS 13. In effect, although listings on an active market are not available for the instruments (level 1), it was

possible to find data observable directly or indirectly on the market, on which the assessments could be based.

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 IFRS International Accounting Principles is given below:

Maturity Analysis

Expiry	Unicredit exchange derivatives (in Euro/000)
Within 1 month	0
Between 1 to 3 months	30
Between 3 to 6 months	0
Between 6 to 12 months	0
Between 1 to 2 years	0
Between 2 to 3 years	0
Between 3 to 5 years	0
Between 5 to 10 years	0
More than 10 years	0
Total	30

Sensitivity Analysis

Operation type	Fair value	Sensitivity Analysis	
		Delta N.E. exchange Eur/FX 5%	Delta N.E.exchange Eur/FX -5%
Forward sales (Unicredit)	30	30	(33)

35. Assets and liabilities by maturity

	Within the next financial year	Between 2nd and 5th year	Beyond 5th year	Total
Non-current financial assets	0	6,831	7,247	14,079
Deferred tax assets	0	23,939	0	23,939
Non-current tax receivables	0	24,858	0	24,858
Non-current trade receivables	0	51,635	0	51,635
Total	0	107,264	7,247	114,511
Financial liabilities	20,576	234,665	109,312	364,553
Deferred tax liabilities	0	4,866	0	4,866
Other non-current liabilities	0	23,623	89,542	113,165
Non-current trade payables	0	13,513	0	13,513
Total	20,576	276,667	198,854	496,097

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 employee severance indemnity that it is presumed will still be held by the company in the reference period.

Financial liabilities after the 5th year refer to the bank loans commented on in detail in Note 37.

Other non-current liabilities maturing in more than 5 years refer to the share of capital grants in proportion with the depreciation of the investment projects to which they refer.

36. Basic and diluted earnings per share

The basic earnings per share are reported at the end of the income statement and are calculated by dividing the profit for the period attributable to the Parent Company's shareholders by the weighted average number of ordinary shares outstanding during the same period.

The share capital, which did not change during the period, is composed of 541,744,385 ordinary shares.

The table below summarises the calculation of the basic earnings/(loss) per share.

	First Half 2018	First Half 2017
Profit attributable to Parent Company's Shareholders	32,993,482	27,007,792
Weighted average number of ordinary shares	541,744,385	541,744,385
Basic earnings/(loss) per share	0.06	0.05
Diluted earnings/(loss) per share	0.06	0.05

37. Events after the condensed consolidated interim financial statements reporting date

On 27 July 2018, the Enav Board of Directors approved the new organisational structure in line with the strategic guidelines outlined in the 2018-2022 Business Plan, in order to boost the efficiency of management processes, enhance the key roles managing the core business and encourage the integration of the Group. The new structure includes four areas which report directly to the CEO, broken down into macro areas focused on the core business: Chief HR & Corporate Services Officer, Chief Financial Officer, Chief Technology Officer and Chief Operating Officer and five staff structures with the aim of guaranteeing the compliance and governance of the Group: Safety, Security and Quality, Communication & Investor Relations, International Strategies, Business Development and General Counsel. The new structure will be operational with immediate effect following approval by the administrative body.

During the same meeting the Board of Directors also approved the agreement for the mutual termination of the employment relationship between the parent company and the General Manager



Massimo Bellizzi, who left office and all posts held in the Group with effect from 31 July 2018. The agreement involves the payment of a gross sum of €690,000 following the termination of the management relationship with Enav, resignation from all posts held and, by way of a non-compete agreement, more than €20,000 by way of general and novation settlement. As a result of the resignation of Massimo Bellizzi from the post of CEO of Techno Sky, the Board of Directors also approved the integration of the administrative body of the subsidiary through the appointment of Maurizio Gasparri, previously in charge of the company's core business.

**Attestation of the Chief Executive Officer and the
Manager responsible for financial reporting**



Attestation of the condensed consolidated interim financial statement for the six months ended 30 June 2018 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 condensed consolidated interim financial statements during the period from 1 January 2018 to 30 June 2018.
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 condensed consolidated interim 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 condensed consolidated interim financial statements for the six months ended 30 June 2018:
 - 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' Interim Report on Operations includes a reliable analysis of significant events during the first six months of the year and of their impact on the condensed consolidated interim financial statements, together with a description of the main risks and uncertainties for the remaining six months of the year. The Interim Report on Operations also includes a reliable analysis of material related party transactions.

Rome, 2 August 2018

Chief Executive Officer
Roberta Neri

Manager responsible for financial reporting
Loredana Bottiglieri

Independent Auditors Report



Enav S.p.A.

Review report on the condensed consolidated interim financial statements

(Translation from the original Italian text)

Review report on the interim condensed consolidated financial statements (Translation from the original Italian text)

To the Shareholders of
Enav S.p.A.

Introduction

We have reviewed the interim condensed consolidated financial statements, comprising the statement of financial position, the income statement, the statement of other comprehensive income, the statement of changes in shareholders' equity, statement of cash flows and the related explanatory notes of Enav S.p.A. and its subsidiaries (the "Enav Group") as of 30 June 2018. The Directors of Enav S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of 31 July 1997. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of Enav Group as of June 30, 2018 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Rome, 3 August 2018

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 contacts

Registered office:

Enav S.p.A.

Via Salaria 716, 00138 Rome

Tel. +39 06 81661

www.enav.it

Legal information

Share capital: €541,744,385.00 fully paid-up

Tax Code and enrolment number in the Companies Register
of Rome: 97016000586

VAT Code no. 02152021008

Investor Relations

e-mail: ir@enav.it